Written evidence submitted by the Association of Directors of Economy, Environment, Planning and Transport and the Local Government Association (MTP0023)

1. About the Association of Directors of Economy, Environment, Planning & Transport (ADEPT) and the Local Government Association (LGA)

1.1. The Association of Directors of Environment, Economy, Planning & Transport (ADEPT) brings together directors from county, unitary, metropolitan and combined authorities, along with local enterprise partnerships, sub-national transport bodies and corporate partners drawn from key service sectors. ADEPT is a membership based, voluntary organisation with members across the country. Our primary role is to take the lead in transforming local authorities. We represent members' interests by proactively engaging central Government on emerging policy and issues, and promoting initiatives aimed at influencing Government policy. We achieve this by developing best practices and by responding to EU and UK Government initiatives and consultations.

1.2. The Local Government Association (LGA) is the national voice of local government. We are a politically led, cross-party membership organisation, representing councils from England and Wales. Our role is to support, promote and improve local government, and raise national awareness of the work of councils. Our ultimate ambition is to support councils to deliver local solutions to national problems.

2. Summary

2.1. The current approach to the delivery of infrastructure projects across the UK is fragmented and lacking in any overarching strategic framework. Government needs to put in place a properly coordinated process for long term investment decision and commitment making.

2.2. More long-term funding needs to be available to local bodies to enable them to play their part in the delivery of infrastructure to enable growth. The current system of ad-hoc and fragmented funding fails to provide the certainty required.

2.3. If the levelling up agenda is truly to be delivered, then a ground-up approach is required where local plans and strategies for growth are led and developed by councils working in genuine partnership with strategic transport infrastructure bodies.

The transport infrastructure strategy and priorities

3. The Government's transport infrastructure priorities, including those set out in the National Infrastructure Strategy

3.1. The publication of the National Infrastructure Strategy is welcome, and it does mark a step in the right direction. However, it is still based on investing in silos, such as road or rail, without any coherent overall vision or overarching strategy for connectivity across the UK. We continue to debate projects and develop programmes around modes without any apparent overall strategic consideration. For example, in respect of connectivity between England, Wales and Scotland, the Government often considers projects on their own merits rather than setting the general direction and then deciding which modes of transport are best to get there. This is demonstrated by consideration of the relative benefits and roles of improved high-speed rail links as opposed to making greater provision for internal flights.

3.2. A five-year investment window (for some bodies at least), whilst better than year on year uncertainty about levels of annual settlement, is still too short in comparison to the window required to develop and deliver strategic infrastructure. Likely this contributes to project delays and inefficiencies, as promoters only have funding to a specific stage and then must wait until funding is secured for the next stage of the project. The uncertainty around key projects like the Eastern leg of HS2 and the Stonehenge tunnel, regardless of their merits, amply demonstrate why any project promotor is not incentivised at present to move beyond 'guaranteed' available funding even if, perversely, this has the effect of ultimately driving up scheme costs in the long term (namely, whilst work is paused to see what may or may not happen for the next five year investment window).

3.3. The UK tends to opt for short term thinking in infrastructure decision making rather than seeking to invest in robust, long-term solutions. Examples of this include:

3.3.1. The original A14/M1 Junction 19
3.3.2. The at grade junctions along the A46 at Coventry and near Leicester, as well as the proposal to upgrade the Newark Bypass but still leave at grade junctions at either end (whilst having spent millions delivering a fully grade-separated upgrade of the section to the south) are other examples
3.3.3. Smart Motorways (which are only short-term capacity solutions).

3.4. The consideration of terminating the HS2 Eastern Leg at the East Midlands Parkway Station highlights that this mentality is still underpinning the country's key infrastructure decisions. Evidence clearly shows that the solutions to deal with such compromises are ultimately more costly and economically disruptive to deliver than they would have been if they had been dealt with properly in the first instance.

3.5. The National Infrastructure Strategy and some of the cross-cutting initiatives contained in it are a step in the right direction but there needs to be a change in focus to integrated transport solutions rather than simply focussing on infrastructure and more cross mode accountability. The current assessment and delivery responsibility are spread across many different agencies and are not set up to deliver the integrated schemes needed, particularly in more rural areas. Ultimately, we can encourage local trips but employment and retail are often on the edges of towns or local areas, we can encourage electric vehicles but there is limited charging infrastructure and questions about if there is enough capacity in the national grid, and we can build roads to open up housing but it is not clear who is planning for the power, water and communication infrastructure needed. Supporting local areas to lead on not just the transport infrastructure, but also setting up the networks and governance needed to facilitate all areas of growth, is key.

3.6. **Recommendation:** The UK needs to make generational infrastructure investment decisions based on a clear strategic vision that then provides project promoters with the long-term confidence they need to proceed in as cost-effective and efficient way as is possible (accepting the need for appropriate gateway checks at key points in a project's progression).

3.7. **Recommendation:** Government should deliver the National Infrastructure

Commission's recommendation about recognising the need for long term certainty over infrastructure funding. This can benefit all areas, regardless of their governance, and the government has only chosen to pursue it for mayoral combined authorities. There is no reason for the government to target this measure at specific authorities rather than the Commission's initial recommendation. It would be a change that would make infrastructure schemes more efficient and better co-ordinated.

4. The contribution transport infrastructure can make to the Government's 'levelling-up' agenda and the economic growth of the UK's towns, cities and regions outside London

4.1. The provision of transport infrastructure can be critical to the delivery of growth. The UK often has a disjointed and siloed approach – Local Planning Authorities (LPAs) are responsible for development plan making; Local Enterprise Partnerships for preparing Local Industrial Strategies; Local Highway Authorities responsible for local roads (and separate from LPAs in two-tier areas); Highways England responsible for the Strategic Road Network; Network Rail for rail infrastructure; the Ministry of Housing, Communities and Local Government (MHCLG) for planning and housing policy; Department for Transport road and transport related policy; and HM Treasury ultimately responsible for determining how much funding is available to each body. Funding windows are out of synchronisation; there are huge disparities in funding available for investment in strategic compared to local infrastructure and each body has its own regulatory and legislative remit or framework within which to work.

4.2. If the levelling up agenda is truly to be delivered, then a ground-up approach is required where local plans and strategies for growth (housing and employment) are led and developed by councils working in genuine partnership with strategic transport infrastructure bodies. Local Highway Authorities also need far greater long-term confidence in the funding available to them to be able to play their part in the delivery of infrastructure to enable growth, something that the current ad-hoc, multi-pot bidding environment fails to provide.

4.3. Building on the initiatives to revise the Green Book, this collaborative working should then feed up not just into investment decisions by HM Treasury, but also to inform ways in which regulatory and legislative silo barriers can be removed to give effect to those plans and strategies. The pandemic has proven that Government can be quick at creating new ways of working and relationships when there is a pressing need to do so, and, they should be equally as fleet-of-foot at removing barriers to the delivery of growth to aid the UK's long-term recovery.

4.4. Delivery of significant scale growth is often reliant on a mix of strategic network investment, local road network investment and provision of long-term sustainable travel measures. So, additionally, if the levelling-up agenda is to be delivered, the disparity between capital funding for strategic projects and local projects; across transport modes; and between levels of capital funding and revenue funding for transport initiatives needs to be addressed.

4.5. Good transport infrastructure is key to the growth of all areas; people, goods and services need to move efficiently across the country to achieve a levelling up across the regions. What form this infrastructure takes and what objectives need to be achieved is the bigger question as these are going to vary between areas and the current funding and assessment processes do not reflect this, nor do they have the flexibility to weigh different benefits according to the needs and outcomes that can realistically be achieved in areas other than the south east. Local areas (whether that be at authority, sub-regional or regional level) should be provided with funding and supported to develop evidenced plans that determine what the wider objectives are for their areas and what transport infrastructure (across all modes) is needed to deliver against these objectives.

4.6. If the government's commitment to levelling up is going to have a meaningful impact on regional growth, then it should not be directed from Whitehall. A model of devolution that is dependent on funding allocations being decided in Whitehall will also be limited and fragmented. Even a policy area like strategic transport infrastructure , where there is a strong case for central co-ordination, needs to have the buy in of local areas.

4.7. **Recommendation:** Devolve budget and decision making, including devolved development funding; like the approach adopted at TfL in terms of 'Investment Portfolios', although other models exist. Funding is devolved from the TfL Board (equivalent here is Government), to Investment Portfolio Boards (equivalent here is Strategic Transport Bodies). The funding is released based on agreed outcomes, not specific projects. The Portfolio Board then has local control over how best to achieve those outcomes. They are free to lever in private sector funding as required. They can develop and flex their own programmes, bringing in aspects such as 'over-programming' to ensure all the budget is spent each year on delivery (as there are inevitably underspends on some projects – an issue with direct DfT grants). They report back to the funding body annually, setting out what they have achieved in terms of outcomes.

4.8. **Recommendation:** Areas should be trusted to make the decisions that affect them and to build up the capacity to make these decisions effectively. This will allow councils to invest in and retain many of the modelling, project development and project management skill sets that can be difficult to justify when it is unclear what projects will take place in an area over the medium term.

5. To what extent the coronavirus pandemic and its longer-term implications affects the necessity and cost-effectiveness of current and future major transport infrastructure projects

5.1. Care needs to be taken to avoid adopting a 'knee-jerk' reaction to the pandemic. In certain sectors work habits are likely to have changed forever as a result of Covid-19 (most notably office-based jobs) and it is probable that people will make shorter, more local journeys. That said, in a post-pandemic world people will still need to travel regionally, nationally and internationally for business purposes; goods will still need to be imported and exported from the UK and to be distributed around the country; and the need for new homes and jobs to be created will be as urgent, if not more so, than it was this time 12 months ago. The recent closure of the French Border in connection with Covid-19 has highlighted clearly that when strategic transport connectivity fails, our country's supply chains are put at risk. The pandemic has highlighted the need for greater investment in improving the resilience of the UK's strategic transport infrastructure and connectivity.

5.2. The Housing Infrastructure Fund (HIF) was, arguably, an acknowledgment that more needed to be done to ensure the timely delivery of infrastructure to make real growth happen. To aid our economic recovery from the pandemic, it is essential that transport investment and the planning of growth are properly planned and coordinated in their delivery.

5.3. Real changes in travel behaviour are likely to take generations to become embedded, we are creatures of habit and the enforced changes are unlikely to be maintained at anywhere near current levels. Many transport schemes are needed not just to support existing traffic levels but also to move traffic to free up capacity for the more local trips to be done by sustainable modes and facilitate housing delivery. It also needs to be acknowledged that we are working with an existing road network that will struggle to accommodate additional prioritisation of other modes of transport – indeed, the prioritisation of one mode often comes at the expense of another. Whilst this can be a positive change, all levels of Government must be upfront with residents about the decisions we are taking on road space prioritisation.

5.4. **Recommendation:** Government should ensure that any cost-effectiveness assessment does not focus solely on traditional transport benefits but looks more holistically at scheme benefits to the local area (such as employment and economic growth, housing need, public health, carbon impacts and air quality).

6. How major transport projects can be delivered while ensuring the Government meets its decarbonisation 2050 net-zero targets

6.1. At a strategic level, the UK needs to undertake optioneering for connectivity that considers a whole range of factors, including decarbonisation, in order to set the long-term direction of travel and framework for investment. The on and off full electrification of the Midland Main Line (MML) highlights the need for this; short term concerns about costs of electrification of the West Coast Main Line leading to the short term decision to abandon full MML electrification, in turn leading to the need to invest in a brand new fleet of bi-mode trains that might yet become obsolete; because, there will probably be a need to complete full electrification of the MML in order for the Government to fulfil on its Decarbonisation of Transport Plan. Abandonment of the 'electric spine' freight route is another example of thinking in the short term without a clear long-term strategic vision.

6.2. In addition, major transport projects are likely to have had many years, even decades, of development to get to the point of delivery. There are currently few alternative options to support necessary growth. Reaching a net zero target by 2050 needs immediate decisions to ensure that our infrastructure decisions can support this transition.

6.3. **Recommendation:** If net zero targets are to be met, then a national change is needed in the way goods, people and services are distributed and hence the types of transport projects that need to be delivered. Funding for strategic planning at a local and regional level is essential to explore appropriate transport projects to contribute to the decarbonisation agenda.

Appraisal and funding of transport infrastructure

7. The effectiveness of the Government's decision-making and appraisal processes for transport infrastructure projects and any changes required to the 'Green Book'

7.1. The changes to the Green Book that seek to move away from a sole reliance on the value of a Benefit Cost Ratio (BCR) are welcome, as is the intention to take a more rounded approach to reflecting on local policies, strategies and plans. But areas need to be treated equitability, without differing funding approaches and levels dependent on factors such as whether an area has a metro mayor or a sub-national transport body. There needs to be a bottom up approach, with suitable scale local bodies empowered to prepare growth strategies and plans, working in genuine partnership with transport infrastructure providers.

7.2. Such strategies should clearly evidence how real growth (actual numbers of new homes and new jobs) are directly dependent on and will be enabled by investment in transport infrastructure, moving away from the more 'theoretical' notions and calculations of economic value. The benefits of actual housing delivery and jobs should be captured in the calculation of project benefits. A simple change would be to make a local impact analysis mandatory for all projects reviewed using the Green Book. At present local impact analysis is optional.

7.3. It is not just decisions about whether to invest but equally, if not more importantly, decisions about when to invest. Currently budgets are spread across multiple bodies and in different timeframes, none of which span the full lifetime of the delivery of a strategic infrastructure project nor, for example, the typical life of a Development Plan or Local Industrial Strategy. The delivery of growth plans and strategies that look forward 15 plus years is significantly hamstrung when key transport infrastructure is required to enable delivery, but the infrastructure providers can look no more than five years forward at best in terms of funding (such as Highways England and Network Rail), or, in the case of Local Highway Authorities, are largely reliant on securing investment through multiple, complicated, inconsistent and costly bidding processes, for which there is no guarantee of success.

7.4. The way in which the Green Book methodology is used should be changed to take better account of local circumstances. At present, the guidance places great value on national financial factors, but in a narrow way. For example, it encourages business cases to be developed in isolation from local strategies and not to consider impacts on local places. It does not encourage local factors and local place-based impacts to be considered, which has significant implications for levelling up and means that local place shaping factors, that can often have significant local financial and social consequences, are often ignored.

7.5. **Recommendation:** An investment and decision making framework needs to be put in place that embraces and empowers all parties involved in the delivery of growth and enabling infrastructure, giving them long term certainty to be able to work collaboratively to achieve agreed, intended outcomes.

Oversight, accountability and governance of transport infrastructure projects

8. The Government's role in the delivery of major transport infrastructure projects, including whether the Department for Transport has sufficient skills and expertise to oversee the successful delivery of transport infrastructure

8.1. There is a lack of a coordinated and strategic approach to major infrastructure across Government departments, agencies and regional and local bodies responsible for the planning and delivery of transport infrastructure and growth. Each of these bodies tends to work within their own legislative and regulatory silos.

8.2. More devolution would release more capacity. The DfT cannot hope to make all the necessary decisions across the country. If they relaxed control on some of the smaller projects, they could focus on bigger picture national issues.

8.3. There should be more focus by both sponsor and funder on the strategic case and DfT should avoid disproportionate levels of technical assurance. A recent example of this is additional work Cumbria County Council were required to complete to assess the impact of traffic management measures required during construction of a Grizebeck bypass (which cost £14.9 million); the result a de minimis figure of £30,000. Where there is such a clear strategic case, it makes little sense to spend time and resources on this level of technical assurance.

8.4. Highways England operates in a similar way and Government needs to enable Highways England to think beyond five-year funding windows so that it is able to act as a truly long term thinking strategic partner in the delivery of growth plans and strategies.

8.5. **Recommendation:** Government should work with the devolved administrations of Scotland, Northern Ireland and Wales to provide a clear and overachieving vision and strategy for UK transport connectivity. This would require the Government to think now about what the UK's transport connectivity needs are likely to be in the second half of this century.

8.6. **Recommendation:** Government should provide infrastructure promoters with long-term investment certainty (subject to appropriate gateway checks as projects progress).

8.7. **Recommendation:** Government should ensure that national promoters, such as Highways England and Network Rail, are empowered, funded and skilled to work collaboratively with suitable scale local bodies to enable locally developed growth plans and strategies to be delivered in practice, including putting in place investment, funding and decision making processes that properly align with the timeframe for such plans (which is typically 15 years or so).

9. The relationship between the DfT and other Government departments and agencies, devolved administrations, and the private sector, in delivering major infrastructure projects;

9.1. The current approach to the delivery of infrastructure projects across the UK is fragmented and lacking in any overarching strategic framework. The Housing Infrastructure Fund (HIF) is the best example to date of a process where national and local bodies have worked together to coordinate the delivery of infrastructure and growth. However, this was still an ad-hoc bidding process with no guarantee of success for project promoters. Such an ad hoc process gives promoters – public or private sector – little, if any, confidence to commit to a long-term approach to the planning and delivery of infrastructure and growth. To support its various policy initiatives, Government needs to put in place a properly coordinated process for long term investment decision and commitment making.

9.2. While HIF did encourage some Government department join-up, it represented a process substantially at odds with other key funding streams for transport infrastructure in terms of evaluation, assessment and outcomes to be delivered. For example, in most cases each government funding allocation has separate conditions that need to be met meaning:

- 9.2.1. Complex negotiations with bodies such as DfT, Highways England, MHCLG to secure funding
- 9.2.2. Complex internal governance to meet the specific individual criteria
- 9.2.3. Different reporting lines to different government agencies
- 9.2.4. Different risk profiles for the council
- 9.2.5. Different funding end dates on each element
- 9.2.6. Complex contractual arrangements increasing time and
- 9.2.7. Higher than desirable risk of failing against one criterion.

9.3. Working with partners to deliver major schemes can be challenging and experiences of delivering schemes with the involvement of Network Rail are shared. This can be illustrated using the example of Beaulieu Park in Essex, a Housing Infrastructure Fund scheme which will deliver a new railway station. Significant investment has been made by Essex County Council with Network Rail to take the scheme through various GRIP (Governance for Railway Investment Projects) stages, and the project is currently entering GRIP Stage 4, at a cost of £5 million to date. However, Essex County Council have not yet secured the funds this scheme requires. Agreement is yet to be reached on Terms & Conditions of Contract, and Essex County Council have met all scheme activity costs to date and the protracted negotiations with Network Rail may jeopardise delivery.

9.4. **Recommendation:** Where funding is secured from multiple agencies, Government should adopt a common set of data across departments, from which Government can extract relevant data to satisfy their own internal funding requirements.

Factors influencing the cost of transport infrastructure in the UK

10. The reasons for continual high costs of major transport infrastructure projects, both past and present, and whether projects could potentially be delivered in a more cost-effective manner

10.1. Funding bids to the Government take significant resource and cost to complete, mostly at risk to the bidding authority with no certainty of award or reimbursement.

They are often accompanied by short submission deadlines. The technical and detailed nature of the submissions place a reliance on consultants, with several elements of a scheme often undeveloped to a detailed level. Risk allocations are made based upon industry standards, but these are often underestimated because the impact of change within a project are unknown until detailed surveys, land costs and design are progressed. This work further refines the scheme activities, risks, challenges and produces a more accurate cost estimate, traditionally prior to this point the funding has been already awarded and the budget fixed. Once funding is allocated through a successful bid, there has often been many months and sometimes years of further development before the business case is approved by MHCLG or DfT and in getting to that stage the council has had to do this development work at risk, often with no guarantee of success.

10.2. Funding deadlines are notoriously inflexible, considering the early stage at which they are awarded. Current funding structures often leave the applicant with a shortfall to meet where scheme costs escalate as further development is undertaken. An iterative review process when schemes are live would be advantageous to establish more accurate costs and delivery timescales, and this would ensure the process better recognises committed expenditure rather than defrayment.

10.3. Optioneering during scheme development also contributes to high consultancy fees and this is primarily undertaken prior to a business case submission. A more standardised approach to reimbursement of all project costs on a successful bid would provide authorities with greater confidence to pursue funding in a meaningful way. Delivery timescales require stages of the scheme to be developed in parallel in order to meet them. This often results in abortive and/or duplication of work where activities are not able to be evaluated in full and their impact realised before commencing the next stage.

10.4. The financing of major schemes is often made up of numerous funding sources, and this is accompanied by many bureaucratic processes which must be followed within each individual organisation. Whilst it is acknowledged that good governance is necessary, there are many examples of where rigid bureaucracy has avoidable consequences for project cost and resource. One example of this is M11 Junction 7A (a project with a value £81 million). This project had a cost of £500,000 to reach a Stage Gateway Assessment Review (SGAR) with Highways England, and there has been an incomplete process to date with challenges around expectations, loss of key personnel in Highways England and wasted resources at significant cost through a repetitive process.

10.5. The process to divert or install new utilities within the UK follows the requirements of the New Roads and Street Works Act (1991), which sets out the process to obtain various estimates from the statutory undertakers at various stages of a project lifecycle (C1 – Notification, C2 – Preliminary Enquiries, C3 – Budget Estimate, C4 – Detailed Estimates, C5 – Notices and Advance Orders.) It is time intensive to agree works and whilst the process itself is generally well established, avoidable delays can result if the statutory undertakers do not fulfil works by the dates given. The market is effectively a monopoly, where this cannot be completed by others; there is no regulation of statutory undertakers' performance and Local Highway Authorities have absolutely no control.

10.6. Additionally, the diversions are often not a priority. This can result in significant time and cost delays when projects are live, as contractors require the site preliminary costs to cover staff and accommodation associated with extending a programme. These additional costs fall to the Local Highways Authority. This is a significant topic of discussion within NEC3 contracts, where risks can be passed across to the contractor, but often at a significant premium. For example, on Edinburgh Way, Harlow (A414, Essex) there was a significant widening scheme set in a busy urban environment. Utility diversions were procured through an advanced contract to mitigate risk. However, the performance of the utility company was poor, which is increasingly common place, and delays caused by their failure to meet the programme of work cost upwards of £2 million, extended the main construction works by 500 days and caused significant impacts on both the local economy and road users.

10.7. **Recommendation:** Creation of a development pot to support local authorities to fully scope funding bids. This would allow local authorities to also develop aspirational bids, not just those deemed 'highly likely' to succeed so providing crucial return on scheme development investment.

10.8. **Recommendation:** Iterative bid process should be used for Government Funds where scheme development is significant and cost estimation is refined over time using Gateway Reviews. This will encourage a positive two-way funding partnership where risk realisation is recognised and efficiencies are encouraged, not penalised.

10.9. **Recommendation:** There should be a commitment to schemes to be recognised where programme delays have occurred, and initial construction deadlines may be missed. Local authorities should be empowered to draw down funding in full where construction has already started regardless of the pressured completion date.

10.10. **Recommendation**: Funders should be encouraged to refine procedures for local government, robust enough to meet governance requirements but recognise the 'applicant' as a frequent partner allowing all to remain agile to project timelines.

10.11. **Recommendation:** Utility companies' performance should be regulated to allow robust challenge where poor performance significantly impacts cost and programme for Highway Authorities and others.

11. What lessons can be learned from other countries in the delivery of major transport infrastructure projects;

11.1. The UK has an unusually centralised approach to infrastructure funding and delivery. Other comparator countries empower local and regional governments in order to identify and develop strategic priorities without a constant need to refer to the centre and justify interventions. Evidence shows that municipalities in France, Germany and Spain all indicated greater satisfaction with investment decisions in urban transport that UK cities.

Transport infrastructure capacity and skills

12. The extent to which there is enough capacity and the right skills within the UK to deliver the Government's transport infrastructure plans, and options to help address shortages in transport infrastructure skills.

12.1. The over reliance on competitive funding pots means that many councils are bidding for money at risk. This makes it difficult to retain expertise in key skills concerned with project delivery as it is not known how much work they will be needed for year to year. This in turn leads councils to supplement their expertise with consultancy support as and when it is needed. This model of delivery means that expertise is not retained within the sector and it is not an efficient use of public money over the long term. The uncertain nature of funding alongside the ongoing reductions in council's revenue budgets means it is the only realistic model of delivery for many councils.

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