Recent Developments in the Roads Programme for England

John W. Smith

June 2013

RAC Foundation

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About the Author

John W. Smith is an independent consultant with wide experience of transport and regulatory economics. He was author of the RAC Foundation's 2009 report *Governance and Administration of National and Local Roads in Great Britain* and, in association with Arup, co-authored the Foundation's 2011 report *Providing and Funding Strategic Roads: An international perspective with lessons for the UK*.

His early career was in the Government Economic Service where he worked in the policy areas of transport, local government finance, environmental protection and water privatisation. Later he spent 12 years in the privatised water and rail sectors, first as regulation director at Anglian Water and then with Railtrack. In both organisations, he led work on regulatory price reviews.

Subsequently, in the water sector, he has undertaken work for Ofwat (the Water Services Regulation Authority) and also worked with Scottish Water and Northern Ireland Water in providing strategic and regulatory advice. He has recently completed an eight-year term as a member of the Competition Commission, where he worked on merger cases, market inquiries and regulatory appeals. He is an associate of Indepen Consulting Ltd.

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Disclaimer

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Executive Summary

Since publication of the RAC Foundation/Arup report in November 2011, we have witnessed a significant shift in government policy towards the road network through a series of initiatives giving approval to a sizeable number of previously unfunded schemes. Out of the total list of 96 unfunded schemes identified in the 2011 report, 32 have now been funded. Of the 61 unfunded Highways Agency (HA) schemes for the strategic road network (SRN), the next two years will see work start on 9, as well as a further 6 schemes not included in the list. The government has also given the go-ahead to 41 local authority major transport schemes, 23 of which were included in the list of 35 unfunded schemes. In addition, a major new initiative, the Pinch Point Programme to remove local bottlenecks, which started with the HA, has now been extended to local authority roads.

On the SRN, the HA is now tasked with developing route-based strategies and to work up a pipeline of schemes for the next spending review period. The first three pilot route-based strategies were published in May 2013. The agency is also developing new more collaborative ways of working with contracting and design partners. Recent statements by the Secretary of State appear to recognise the importance of a secure medium-term funding regime, something that the HA has been lacking and which has been a major impediment to network development.

While the outcome of HM Treasury/Department for Transport review of governance and funding for the agency is as yet unclear, recent moves such as the publication of the *Strategic Road Network Performance Specification* (DfT, 2013) suggest a shift towards a more standard regulatory regime with performance and efficiency targets and, as for Network Rail, a statement of funds available and a major schemes programme at the start of a review period. Customer satisfaction also features as a key performance measure.

There are two surprising aspects of recent developments. First, private finance does not seem to feature in the latest round of road schemes – despite the relative success of design, build, finance and operate (DBFO) schemes, with shadow tolling, over the years, and the recent reforms to private finance initiative (PFI). All the schemes given approval are dependent on conventional public funding. Second, there has been a loss of transparency, in that benefit:cost ratios (BCRs) are no longer published for schemes under development. They only become available once a target price is agreed with the contractor. It is also worth noting that cost data for projects in the HA major schemes programme is now generally given as a range rather than point estimate.

The position for local authority roads is less clear-cut. While there have been welcome developments such as the approval given to 41 local major schemes in the development pool, and the extension of the Pinch Point Programme to local authority roads, no framework for network planning currently exists and, despite various initiatives, future funding from central government remains highly uncertain. Local authorities are already being asked to contribute to the costs of local major schemes and also some priority HA schemes on the SRN, such as the A14. At the same time, cost pressures are spurring innovation in financing for some authorities and also encouraging more collaborative methods of working both with contractors and between county and district local authorities.

There remain considerable uncertainties over the role of new local transport bodies and how these will work – and their role in transport planning. Project funding is likely to remain a major constraint, particularly for major schemes. In this context, it is important to remember that local authorities retain responsibility for approximately 97.5% of the total road network in England.

To summarise, since the 2011 Autumn Statement there has been a clear shift in government thinking towards the road network. This has been reflected in the following:

- The number of previously unfunded schemes given approval together with new initiatives such as the Pinch Point Programmes.
- The adoption of new approaches to investment planning for the SRN through the development of route-based strategies by the HA, within the framework of the SRN performance specification.
- The recognition by ministers of the need for a secure medium-term funding framework for at least the SRN.

One effect of these developments is a return to a HA with a more strategic planning role, rather than one largely focused on operational management and network performance, as has been the case in recent years.

After a long period during which roads have been the poor relation of rail so far as investment is concerned, we may be seeing a degree of rebalancing taking place through a greater willingness by government to address the problems of congestion on the network and to recognise the role of road investment in facilitating economic growth.

1. Context

In November 2011, the RAC Foundation, with Arup, published a report, ***Providing and Funding Strategic Roads***, which drew upon international experience and considered lessons for the UK (Smith et al., 2011). In reviewing the scale of the funding challenge for England's highways, the report lists some 96 unfunded road projects, mostly Highways Agency (HA) schemes but also including a number of local authority major projects, with an estimated funding gap of some £10 billion. It notes that, while many of the schemes listed had high benefit:cost ratios (BCRs), there was little indication of the likely timescale for delivering them.

Since then we have seen a series of government policy announcements and initiatives approving sets of road scheme together with actions by the HA to bring forward and accelerate major schemes. These began with the Chancellor's 2011 Autumn Statement and the National Infrastructure Plan published around the same time. They have continued through until the March 2013 Budget announcement.

In part, these developments form part of a wider package of measures to prioritise improvements to national infrastructure. However, they also mark an important shift in roads policy with explicit recognition of the need to tackle congestion and enhance the road network to meet future transport needs. This was exemplified by the prime minister's speech on infrastructure at the Institute of Civil Engineers in March 2012. In this, he called for innovative approaches to the funding of our national roads to enable increased investment to reduce congestion. He contrasted the position with other infrastructure, such as water (which is funded by the private sector) with roads (which still call on the public finances).

The prime minister went onto refer to the feasibility study he had asked the Department for Transport (DfT) and Treasury to carry out into new ownership and funding models for roads. While the outcome of this study has yet to be announced, it is likely to incorporate elements of the model for regulated utilities.

In this paper, we summarise these developments and consider their implications for England's highways network and the approach to planning and funding future investment in the network. The paper is in two parts: HA schemes for the strategic road network (SRN); and major schemes for local authority roads.

2. Developments Affecting the Highways Agency Road Programme

The Chancellor's 2011 Autumn Statement contained commitments to progress six of the schemes contained in the RAC Foundation/Arup report. These are shown in Table 1.

Table 1: Schemes approved in the 2011 Autumn Statement from the RAC Foundation/Arup list of unfunded projects

	Scheme	2010 project cost £ million	Benefit:cost ratio	2013 project cost £ million
1.	A14 Kettering bypass	110	Unknown	80–107
2.	A45/A46 Tollbar End improvement	116	3	109–150
3.	A453 widening (Nottingham)	153	7.8	150
4.	M3 managed motorway scheme (Surrey)	236	Unknown	148–230
5.	M6 managed motorway scheme	168	Unknown	140–201
6.	M1 Junction 19	233	2.9	185–273
	Total estimated cost	**996**		**812–1,111**

Source: HA (2011), HM Treasury (2011) and Smith et al. (2011)

In addition, there was to be immediate investment in junction improvements on the A14, pending a review of longer-term options for a major upgrade between Cambridge and Huntingdon.

In March 2012, the HA published its 2012/13 Business Plan, which contained details of all ongoing and planned schemes for the period up to the end of 2014/15.

Two months later, in May 2012, the DfT announced that development work would commence on a further six schemes so that they were in a position to be considered for delivery in the early years of the next spending period, starting in 2015/16 (DfT, 2012b). In this way, the HA was seen to be developing a pipeline of future major infrastructure improvements. At the same time, the DfT pointed out that advancing development work on these schemes did not guarantee future funding – merely that the agency was in a strong position to proceed with the schemes if approval were given. The costs of development work on these schemes would be met from efficiencies in delivering other capital schemes.

The six pipeline schemes, all of which were in the list of unfunded projects contained in the RAC Foundation/Arup report, comprised the following (see Table 2).[1]

Table 2: Schemes approved for development (May 2012)

	Scheme	2010 project cost £ million	Benefit:cost ratio	2013 estimated project cost £ million
1.	M4 Junctions 3–12 managed motorway scheme	725	Unknown	525–720
2.	M25 Junction 30/A13 congestion relief scheme: Thurrock	500	Unknown	150
3.	A19/A1058 coast road junction improvement: N. Tyneside	140	Unknown	113–166
4.	A21 Tonbridge–Pembury widening	117	11	94–127
5.	A63 Castle Street improvements: Hull	N/A	Unknown	129–192
6.	A160/A180 improvements: Immingham	N/A	Unknown	89–132

Source: DfT (2012b)

The total estimated cost of these six schemes is in the range £1.1 billion to £1.5 billion.

In July 2012, the DfT announced details of a major scheme, involving tolling, for upgrading the A14 between Cambridge and Huntingdon, on which, subject to development of a satisfactory funding package with local authorities, construction could begin by 2018.

1 In addition to these six schemes, it was announced that the HA would continue to develop the A5–M1 Link Road (Dunstable northern bypass) where government had secured private sector funding.

2.1 Pinch Point Programme

In October 2012, the DfT announced that the HA would deliver 57 road improvements with a total cost of £170 million, as part of the wider £217 million programme to tackle congestion by removing bottlenecks on motorways and A roads – the so-called Pinch Point Programme originally announced as part of the 2011 Chancellor's Autumn Statement. Tranche 1 comprising 8 pilot schemes with a combined cost of £18.5 million had been announced in July. The October DfT announcement was for a further 57 schemes at a combined cost of £170 million. It brought the number of schemes receiving investment under the programme to 65, with a third stage of the programme to be announced in 2013 (see section 2.5).

The programme includes schemes to reduce congestion across all the English regions. They involve: an £11 million scheme to widen and improve Junction 4 of the M5 near Bromsgrove; a series of junction improvements on the M1 in Yorkshire; and roundabout improvements on the A404 in Maidenhead and on the A3 near Petersfield. They also cover a £7.7 million scheme to provide early improvements on the A14 to support housing development. The schemes typically start in 2013 or 2014 and should be completed within a year. As such they can be considered as 'quick wins'.

2.2 2012 Autumn Statement

As part of the Chancellor's Autumn Statement in December 2012, the government published an updated National Infrastructure Plan. This confirmed that the government is investing £1.5 billion to enhance and improve the road network. Commitments included:

- £378 million on schemes to upgrade key sections of the A1 in the North East (Lobley Hill and Leeming to Barton);
- Schemes to build a new link between the A5 and M1 in the east of England (the Dunstable northern bypass) and dualling the A30 Temple Bar to Carblake in the South West – at a total cost of £157 million;
- £150 million on improvements to Junction 30 of the M25, starting in 2015; and
- £42 million on developing a pipeline of HA schemes for the next spending review.

Of the schemes noted above, the following three were included in the list of unfunded projects in the RAC Foundation/Arup report, where it was noted that a similar A1 scheme (Dishford to Barton) had been cancelled:

Table 3: Schemes in the 2012 Infrastructure UK national infrastructure plan, which featured in the RAC Foundation/Arup unfunded list

	Scheme	2010 project cost £ million	Benefit:cost ratio	2013 project cost £ million
1.	A1 Leeming to Barton improvement	315	Unknown	292–392
2.	A30 Temple Bar to Carblake	59	4	60
3.	M25 Junction 30 congestion relief	500	Unknown	150

Source: Smith et al. (2011)

In addition, the Autumn Statement included provision for an additional £333 million set aside for maintenance of national and local road networks.

2.3 The 2013 Budget

In his 2013 March Budget Statement, the Chancellor announced an overall increase in capital spending plans by £3 billion per annum from 2015/16, to be funded by reductions in current spending. How much of this will be allocated to roads will be determined as part of the 2015/16 spending round.

As part of the Budget announcement, Infrastructure UK (IUK) published an update on the delivery of major infrastructure projects (Infrastructure UK, 2013). The IUK report contains a delivery summary of progress on major projects including HA road schemes. In particular, it describes progress on the managed motorway programme – involving schemes on the M4, M5, M6, M25 and M62. These were all schemes approved as part of the 2010 Spending Review.

It also records progress on three schemes arising from the Autumn Statement 2011 (HM Treasury, 2011) – the A453 widening scheme, the M25 Junctions 23–27 managed motorway schemes, and the A14 Kettering bypass – on all of which construction had either started or was about to start (Infrastructure UK, 2013). However, no new schemes were announced as part of the Budget Statement.

The Budget Statement indicated that DfT would be consulting in the next few months on potential locations for the new Lower Thames Crossing. In May, the roads minister, Stephen Hammond, launched a public consultation exercise when he put forward three options for expending capacity and tackling congestion in the Lower Thames area. Final decisions are expected in autumn 2013.

2.4 Strategic road network performance specification

In April 2013, the DfT published for the first time a *Strategic Road Network Performance Specification* (DfT, 2013), which covers the period 2013–15. It sets out a series of high-level performance outcomes and outputs, which the government wants to secure from the SRN, and from the HA as network operator. The expectation is that, in future, the government would take a more strategic role in setting the performance specification for the network.

The significance of this development is commented on further below. However, in terms of the road programme, the document includes a detailed statement of funds available covering the two years, as well as a schedule of major schemes either under construction or due to start in each of the next two years (ibid.).

Total capital provision including the results from the 2011 and 2012 Autumn Statements are summarised in Table 4.

Table 4: Funding available for HA capital schemes: 2013/14–2014/15

	2013/14 £ million	2014/15 £ million	Two-year totals
Total capital pre Autumn Statement announcements	1,193	1,107	2,300
Autumn Statement investment 2011	287	442	729
Autumn Statement investment 2012	227	385	612
Total capital (including Autumn Statements)	1,707	1,934	3,641
Increase resulting from Autumn Statements	514	827	1,341

Source: DfT (2013)

The overall increase in funding for capital schemes to enhance the network over the two years, measured against the low base set by the 2010 Spending Review, is £1.34 billion (58%). The above figures include a total of £317 million for the Pinch Point Programme, with stage three involving investment of £98 million in a further 58 schemes, which were announced in April 2013. Nearly half of this third tranche of projects are being developed in conjunction with local enterprise partnerships (LEPs) and local authorities.

The list of major schemes included in the DfT performance specification comprises: seven schemes currently under construction; nine on which work is due to commence during 2013/14; and a further six with scheduled start dates in 2014/15. They are set out in Appendix 1. The agency was required to pilot 'accelerated delivery' of four of the schemes within the programme (one of which, the A160/A180 Immingham dualling, surprisingly, does not appear to feature in the list).

Of the total 15 schemes on which construction will start over the next two years, 9 were included in the list of unfunded projects in the 2011 RAC Foundation/Arup report (Smith et al., 2011).

Appendix 1 also includes two further tables: Table A2 shows the 6 pipeline schemes approved for development in May 2012; Table A3 provides details of of the A30 Temple Bar to Carblake, where work is progressing to take forward this scheme which is to be jointly funded by the DfT and Cornwall County Council.

2.5 Assessing the implications for the SRN

To assess the impact of these developments, we need to go back to the 2010 Spending Review under which the government proposed to invest only £2.3 billion on major improvements to the SRN in the four years up to the end of 2014/15. This included provision of £1.4 billion to start 14 new schemes over this period, on which the HA was committed to reducing total costs by 20% compared with baseline estimates.

The 2011 Autumn Statement contained a commitment to invest a further £1 billion in tackling congestion and enhancing the national road network, £900 million of which would be in the Spending Review 2010 period up until the end of 2014/15. The additional investment included £70 million to bring forward work to deliver six schemes previously planned for future review periods, together with managed motorway schemes on the M1 and M25.

Currently, it is estimated that the package of schemes approved for delivery up until the end of 2016/17 is worth £4.2 billion. In addition to the 15 schemes on which work is expected to begin by March 2015 – 4 of which constitute pilot accelerated delivery schemes – there are a further 6 schemes in the Spending Review 2014 pipeline for development, following the roads minister's statement of May 2012.[2] Development work is also proceeding on the A14 Cambridge to Huntingdon upgrade.

In relation to the 2011 RAC Foundation/Arup report (Smith et al., 2011), from its list of 61 unfunded HA schemes, approval has since been given to 9, with development work underway on a further 5, including the A14. This brings the total of unfunded schemes from the 2011 RAC Foundation/Arup list down to 47.

2 The statement by Mike Penning in May 2012 (DfT, 2012b) referred to six schemes but one of these – the A160/A180 Dualling Scheme at Immingham is now being taken forward under the accelerated pilot arrangement with construction expected to start by March 2015.

In addition, as part of the government's growth initiative set out in the 2011 Autumn Statement, the agency has now been funded £317 million in three tranches to undertake 123 schemes under the Pinch Point Programme – with an average cost of just under £3 million – to boost local economies, reduce congestion and improve safety (HA, 2013a). The gross economic benefit from the schemes is estimated at around £3 billion, which implies a very high average BCR [around 13:1]. All these schemes are due to be completed by March 2015.

All these developments indicate a greater willingness by the government to fund road improvements to facilitate economic growth and reduce congestion on the SRN.

In May 2012, the government announced the first stage in an ambitious integrated programme to develop a more effective approach to investment planning for the SRN through the production of route-based strategies. The aim of the route-based strategies is to ensure there is a balance between strategic and local priorities for motorways and major trunk roads for which the agency is responsible as the network operator.

The strategies will set out, on a route basis, what is necessary in terms of operational changes, maintenance and improvements to achieve the outcomes and outputs set within the DfT's *Strategic Road Network Performance Specification* (DfT, 2013). In addition, they aim to provide a clear evidence base to inform the need for and nature of future investment on the network and, it is claimed, be a key mechanism in which to support much greater engagement with local stakeholders, bringing together national and local priorities to inform needs for routes on the SRN.

They will cover an initial five-year period, together with a ten-year, longer-term horizon, and will seek to identify and assess current and future performance issues for a route, taking into account wider local and national plans on transport, growth and land-use planning, thus supporting both national and local needs. The HA is now working to deliver an agreed programme of route-based strategies across the SRN by March 2015.

The first three strategies designed to pilot this new approach were published by the HA in May (HA, 2013b). They cover the following routes:

- M62 between Leeds and Manchester
- A12 between its junction with the M25 and A14 and the A120 east of Colchester
- A1 east of Newcastle

A two-stage process is envisaged, with stage one collecting the evidence – in terms of performance issues and local growth challenges. Stage two will then be used to identify solutions, including investment plans for capacity enhancement, which would feed into the next spending review. Much emphasis is placed on working with local stakeholders and LEPs in identifying priorities and developing solutions.

The general approach has analogies with the route utilisation strategies developed by Network Rail. The aim is to move to a position where, like Network Rail and regulated utilities, the agency has funding security for five years, rather than the present approach with the package from the spending review broken down into annual amounts, and the agency vulnerable to cuts.

In an interview given to the *Financial Times* in March 2013, the secretary of state, Patrick McLoughlin, acknowledged the need for greater certainty over future funding for road investment and to find ways of moving to a position, like that of Network Rail, with an approved five-year investment plan for the HA (Pickard & Odell, 2013).

The requirement to deliver 20% savings on the programme of schemes undertaken since the 2010 Spending Review has also led to innovative ways of working with design and construction contractors, through framework contracts and the concept of a 'delivery hub'. The latter is based upon a group of contractors and designers who work together to share best practice with incentives for outperformance. This concept is also being used to accelerate programme delivery with four pilot schemes underway, including three managed motorway schemes.

Other features of the new approach include joint funding by local authorities to bring forward schemes such as the A30 in Cornwall, the A5 to M1 Link and also the upgrade of the A14 in Cambridgeshire to facilitate housing development, where some local authorities are questioning why they should be having to pay for a scheme of national importance.

Two further points are worth noting in relation to these developments:

- **Reliance upon public funding:** All the schemes – with the exception of the M25 widening – are being taken forward by conventional funding methods, rather than through DBFO (design, build, finance and operate) private finance arrangements, and shadow tolling. In recent years, the agency had taken the view that around 25% of the value of major schemes should be procured under PFI (private finance initiative) arrangements. However, as noted in Smith et al. (2011), there is no financial advantage from the use of private finance methods since the schemes remain on the government balance sheet (in contrast to the position with investment by Network Rail). High contractual costs are a further impediment. However, the outcome of the current HM Treasury/DfT review of ownership and funding models for roads could have implications for the future role of private finance.
- **Transparency on benefit: cost ratios:** In contrast to the position in 2011, when the list of unfunded schemes was drawn up (Smith et al., 2011), the HA no longer publishes BCRs for highway schemes until the stage when contracts are let and target prices agreed. Similarly, the DfT publishes 'adjusted' BCRs following scheme approval, as part its value-for-money assessment of departmental spending. But it no longer regularly publishes BCRs for schemes under development.

A possible reason for moving away from the previous more open approach to benefit:cost appraisal could be the difficulty of comparing schemes at different stages of development. Scheme specifications and project costs will be refined over time – particularly given the requirement for 20% efficiencies – and BCRs will correspondingly change. However, it would seem important, in terms of transparency, for the economic case for different highway schemes and options to be published to inform debate on the roads programme and justify the priority ranking given to schemes.

A further feature is that costs for proposed major schemes are now generally shown in terms of ranges rather than point estimates.

3. Developments Affecting Local Authority Roads

The SRN run by the HA comprises some 4,300 miles of motorways and trunk roads, which constitutes just over 2% of the total road length in England, although it carries one third of all traffic by mileage and two thirds of HGV mileage. This means that the vast majority of the English road network – some 182,000 miles – is the responsibility of local authorities. This network is made up of urban and rural A roads, together with a large network of minor roads. In 2011/12, the latest year for which data is available, the DfT-funded expenditure on new road schemes was £822 million for HA schemes and £104 million for local authority schemes.[3]

Since the 2011 Autumn Statement, as with HA schemes, there has also been progress on local major road schemes. Through the National Infrastructure Plan 2011, the government announced funding for 20 local authority major transport projects from a development pool, for which local authorities had previously been invited to submit funding bids. Eleven of these were road schemes that had been included in Smith et al. (2011), in the list of RAC Foundation/Arup unfunded projects, and are set out in Table 5.

3 DfT Freedom of Information Act Request, January 2013.

Table 5: Local authority major schemes announced with the 2011 National Infrastructure Plan from the RAC Foundation/Arup unfunded list

		2011 project cost £ million	DfT funding approved	Planned start date
1.	A6182 White Rose Way improvement: Doncaster	17.0	9.7	April 2012
2.	Crewe Green link –southern section	26.5	15.7	January 2013
3.	A18–A180 Link: NE Lincs	6.3	4.9	August 2013
4.	A43 Corby link road	34.9	21.2	May 2012
5.	A164 Humber Bridge to Beverley	10.0	7.7	April 2012
6.	Northern Road Bridge: Portsmouth	12.7	11.1	April 2012
7.	Kingkerswell bypass: Devon	109.2	76.4	October 2012
8.	South Bristol link –phases 1 & 2	41.6	27.6	May 2014
9.	Lincoln eastern bypass	89.7	50.0	April 2014
10.	Evesham Bridge maintenance	12.6	6.6	September 2012
11.	A45 South Bridge replacement: Solihull	12.1	8.5	August 2014
	Estimated total cost	**372.6**	**239.4**	

Source: DfT (2011a)

The total cost of these 11 schemes of £372 million compares with costs of £459 million in 2010 contained in Smith et al. (2011) – a saving of just under 20%. Government funding for the schemes averages around 64%, the remainder being met from local sources. It is also worth noting that the costs of these schemes are expressed as point estimates, in contrast to HA major schemes, in which cost estimates are now typically expressed as ranges.

In December 2011, one month after the Autumn Statement, the transport secretary announced funding for a further 21 transport schemes, comprising a mix of road and rail schemes which had been part of a development pool. They included 12 schemes from the original unfunded list, which are listed in Table 6.

Table 6: Local authority development pool schemes approved in December 2011 – from the RAC Foundation/Arup List of unfunded projects

	Scheme name	2011 cost £ million	DfT approved funding	Planned start date
1.	A684 Bedale bypass: Yorks	42.1	35.9	October 2014
2.	Cambourne–Poole– Redruth transport package	26.8	16.1	January 2013
3.	Chester Road: Birmingham	10.5	8.3	January 2013
4.	Darlaston: Walsall	25.9	14.3	April 2013
5.	Leeds inner ring road	25.0	N/A	June 2012
6.	Luton town centre transport scheme	23.9	15.9	June 2013
7.	Morpeth northern bypass	30.1	21.1	February 2014
8.	Norwich northern distributor road	111.1	86.5	May 2012
9.	Nottingham ring road	16.2	12.8	April 2013
10.	Sunderland strategic corridor	117.6	82.6	October 2012
11.	Weston-super-Mare package	15.0	10.4	October 2012
12.	Worcester integrated transport package	19.6	14.2	November 2012
	Total	**463.8**	**318.1**	

Source: DfT (2011b)

The total cost of the full tranche of schemes announced in December 2011 – which include some integrated transport packages – was estimated at £854 million with the DfT contributing up to £586 million (around 68%). A further four development pool schemes were to be subject to review.

The combined effect of the 2011 Autumn Statement and the subsequent DfT announcement in December 2011 was to give the go-ahead to 41 local authority major transport schemes from the development pool, 23 of which featured in the RAC Foundation/Arup unfunded list (Smith et al., 2011). The total DfT contribution to these schemes was to be £972 million, which represented a 38% reduction from the £1,575 billion originally requested for these schemes.

The principal development during 2012 was the announcement in Chancellor's Autumn Statement of an allocation of £170 million for a local Pinch Point Programme to address congestion on the local road networks. This was to build on the success of the HA Pinch Point Programme. In January 2013, the DfT published advice for local authorities that wanted to apply for a share of a £170-million fund to remove local bottlenecks. This resulted in 170 bids from local authorities with costs totalling £400 million. As a consequence, the DfT has added a further £20 million to programme funding.

At the end of May 2013, the transport secretary announced approval for 62 schemes under the programme, bringing the total number of local schemes financed under the programme to 72. Allowing for local contributions from councils and developers, it is estimated that the total investment involved is in excess of £300 million. The aim is to address key bottlenecks on the network and facilitate growth and housing development.

With many local authorities facing major problems with road maintenance – with potholes resulting from the cold weather late in 2012 – the DfT announced, in January 2013, that of the extra £333 million announced in the Autumn Statement for road maintenance some £215 million would go to local authorities.

Institutional developments, which could impact upon local schemes in the future, include the proposals announced in January 2012 for the devolution of powers to new local transport bodies (DfT, 2012a). These new local transport bodies, comprising LEPs and local authorities, would agree, manage and oversee the delivery of a prioritised programme of schemes from 2015 onwards. The government would allocate funding to these new bodies under a formula, and they, in turn, would be responsible for securing third-party contributions to scheme costs. Although there are currently 39 LEPs, it is not yet clear how the new arrangements would work.[4]

4 A further related development is the proposal by the government to create a single local growth fund from 2015 that will include the main economic levers of skills, housing and transport funding. It is envisaged that LEPs and local transport bodies would bid for funding of transport and other growth-related schemes. The proposal was one of the recommendations from Lord Heseltine's *No Stone Unturned* report (Heseltine, 2012).

Against the background of moves for devolving powers for local transport, some local authorities have begun to examine innovative ways of funding important local road schemes and of reducing costs. Northamptonshire is an example of a county actively exploring new approaches in relation to three priority road schemes forming part of its spatial strategy.

The new approach has two main elements:

- A joined-up approach between county and district councils to existing and new funding sources to close funding gaps. These new sources include Section 106 funding, the community infrastructure levy and local rate retention, together with securing upfront developer contributions.
- A collaborative approach with developers, highway contractors and local authorities with the aim of reducing costs. This appears to parallel new approaches being developed by the HA.

Northamptonshire is to apply these innovative approaches to three schemes that form part of its core spatial strategy. These are:

- The A45 Northampton to Daventry development link (estimated cost £29 million);
- Phase one of improvements to the A43 – the Moulton bypass (£14.6 million); and
- Stanton Cross railway bridge and Midland Link Road (£17.9 million).

A key element of the new approach is: to establish the scale of funding gap for the scheme; to identify the potential of a range of different non-dedicated funding streams that could be applied; and then to assess the scale of any early lump-sum injection required to close the funding gap. In part, this could come from use of local authority borrowing powers.

Thus while there remains considerable uncertainty as to how the government proposals for devolution in respect of local transport decisions will work – with the establishment of new local transport bodies – some local authorities faced with development pressures are already looking at innovative ways of funding local major transport schemes. As with the HA, pressure to reduce schemes costs is leading to more collaborative ways of working.

3.1 Implications of these developments

Since the Autumn Statement 2011 (HM Treasury, 2011), we have seen significant progress in reducing the number of unfunded local major roads and welcome initiatives such as the local Pinch Point Programme and additional funding for roads maintenance.

However, while the HA is moving towards planning network development over 5–10 years based upon route corridor studies – albeit still without the funding security that Network Rail currently enjoys – local authorities, which have responsibility for the vast majority of the road network, are not able to plan on a strategic basis. Indeed, a strong case can be made for having an integrated approach to planning the strategic and regional/local road networks.

Local authorities and LEPs have closely been involved in the development of the three pilot HA route strategies.There are also promising signs of a more joined-up approach between the agency and local authorities in the case of the A30 upgrade, the Dunstable northern bypass and also perhaps with the A14 – with joint funding of these schemes. Such a model could be adopted more widely where local authorities are keen to advance a major scheme to assist the economy of their area.

It remains to be seen how the devolution proposals work with the new local transport bodies (LTBs), working with LEPs and local authorities, and the extent to which this will lead to improvements in local transport planning and investment. There are many hoops to overcome in the practical implementation of these proposals, and it remains to be seen how far this results in a diminution in the role of central government.

It seems likely that the new LTBs will find it easier to advance small schemes, and so taking forward major schemes will continue to be difficult. Planning horizons will necessarily be limited without reliable sources of longer-term funding.

In the short term, with budget cuts, and a growing problem of potholes, many local authorities remain primarily concerned with a maintenance backlog on their networks.

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Appendix

Table A1: Highways Agency major schemes programme

	Schemes starting in 2013/14	Estimated 2013 cost range £ million	Included in 2010 unfunded list	Reported 2010 cost £ million
1.	M25 Junctions 5 to 6/7 managed motorway (section 2)	129	No	N/A
2.	M1 Junctions 28 to 31 managed motorway*	163–221	No	N/A
3.	A14 Kettering bypass improvement	80–107	Yes	110
4.	A45/A46 Tollbar End improvement	109–150	Yes	116
5.	M1 Junction 19/M6 improvement	185–273	Yes	213
6.	M3 Junctions 2 to 4A managed motorway*	148–230	Yes	236
7.	A1 Leeming to Barton improvement	292–392	Scheme since extended	Unknown
8.	M6 Junctions 10a to 13 managed motorway*	140–201	Yes	168
9.	M1 Junctions 32 to 35a managed motorway	124–174	Scheme since extended	Unknown
	Schemes starting in 2014/15			
10.	M1 Junctions 39 to 42 managed motorway	102–143	No	N/A
11.	Manchester managed motorway: M60 Junction 8 to M62 Junction 20	195–264	No	N/A
12.	A556 Knutsford to Bowden improvement	137–212	No	N/A
13.	A1 Lobley Hill	58–77	No	N/A
14.	A5 to M1 link (Dunstable northern bypass)	134–189	Yes	146

Source: DfT (2013); cost figures obtained from HA sources

* Pilot accelerated delivery scheme

Table A2: Pipeline schemes approved for development

	Scheme	Estimated 2013 cost range £ million	Included in 2010 unfunded list	Reported 2010 cost £ million
1.	M4 Junctions 3 to 12 managed motorway scheme, Thames Valley	525–720	Yes	725
2.	M25 Junction 30/A13 congestion relief scheme, Thurrock	150	Yes	500
3.	A19/A1058 Coast Road Improvement, N. Tyneside	113–166	Yes	140
4.	A21 Tonbridge–Pembury widening, Kent	94–127	Yes	117
5.	A63 Castle Street improvements, Hull	129–192	Yes	151
6.	A160/A180 improvements, Immingham	89–132	Yes	108

Source: DfT (2012b); cost figures obtained from HA sources

Table A3: Additional scheme from 2012 National Infrastructure Plan

	Scheme	Estimated 2013 cost range £ million	Included in 2010 unfunded list	Reported 2010 cost £ million
1.	A30 Temple Bar to Carblake	60	Yes	59

Note: Work is progressing on developing this scheme which is to be jointly funded by the DfT and Cornwall County Council.

Figure A1: Highways Agency Roads Programme

SR10 Committed Schemes

- 8 schemes
- Complete within £0.9bn

SR10 New Starts

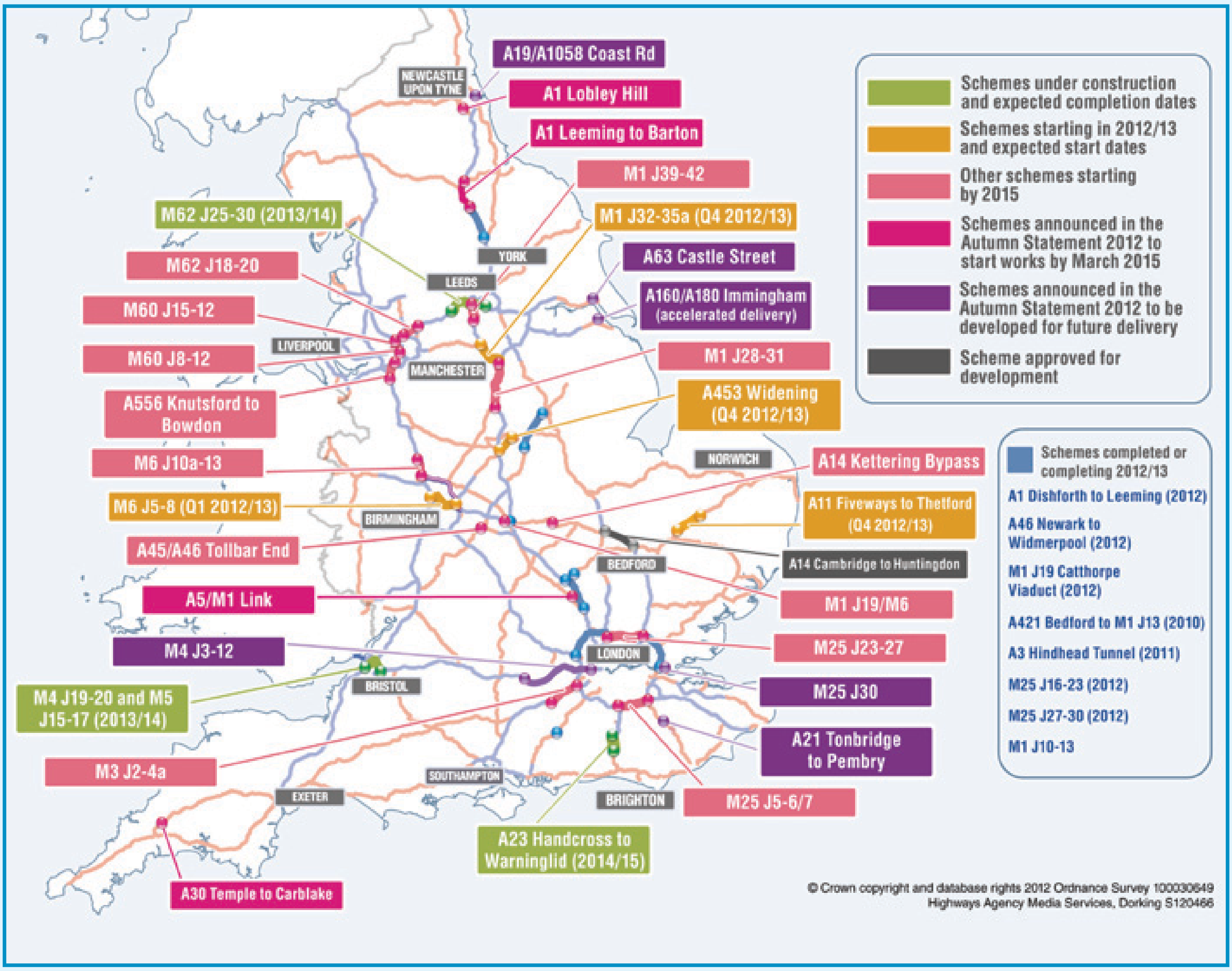
- 14 schemes to start within SR10
- 20% efficiency (£443m saving)
- Complete within £1.8bn

Growth 2011

- 6 schemes to start within SR10
- 2 SR10 schemes accelerated
- 20% efficiency (£201m saving)
- Complete within £0.8bn

Growth 2012

- 4 schemes to start within SR10
- Complete within £0.5bn
- £42m for pipeline
- £150m for M25 J30 in 2015/16
- £20m accelerate delivery of 4 schemes



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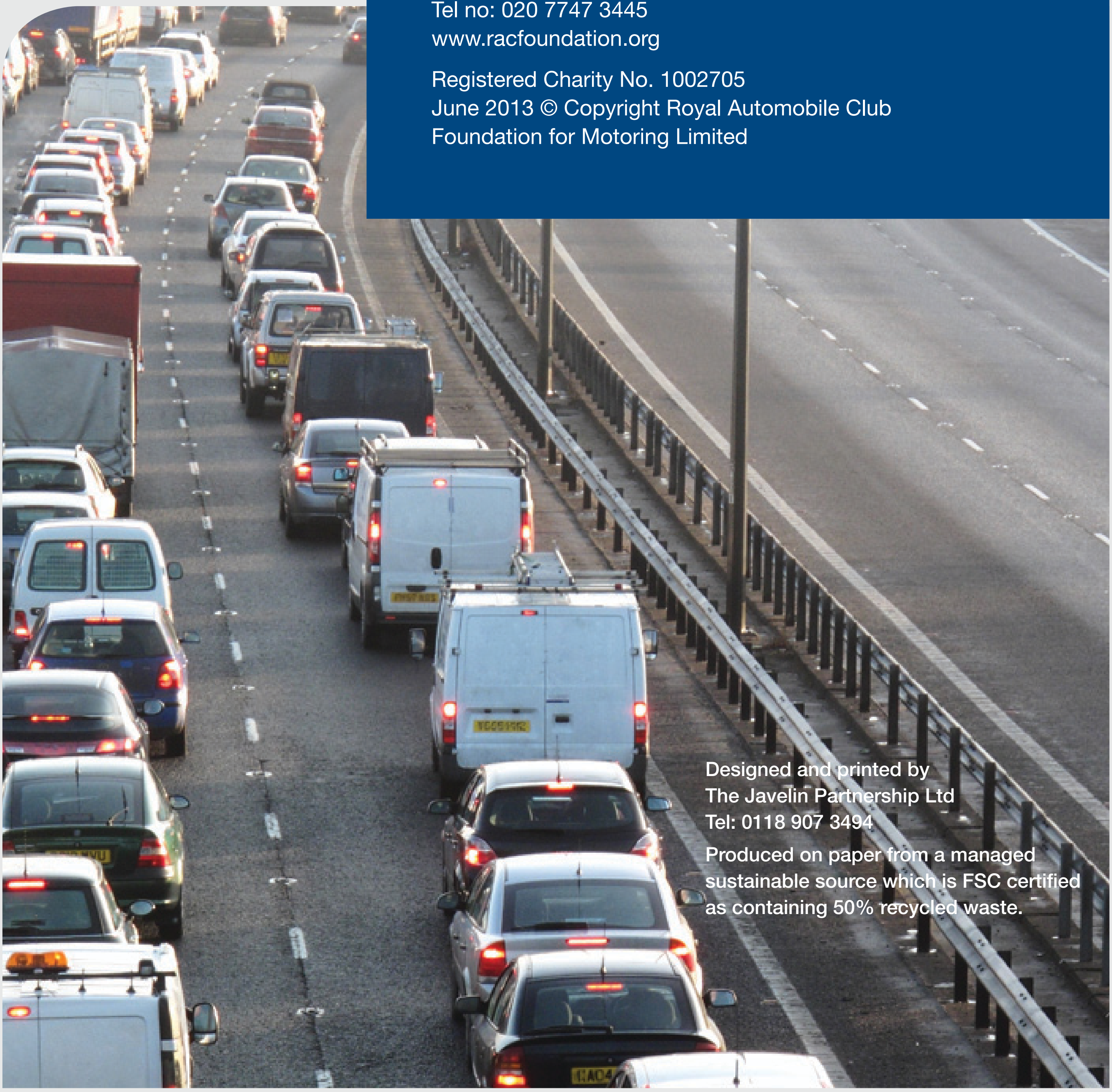

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