LARGE LOCAL MAJOR TRANSPORT SCHEMES – DfT FUND

Introduction

This DfT funding stream supports exceptionally large, potentially transformative local schemes that are too big to be otherwise taken forward within regular local growth scheme allocations. Following early funding awards to a scheme in Ipswich and one in Lowestoft the remaining allocation in the funding pot is £324 million (down from original £475 million figure). DfT is inviting bids to come forward by 21 July to use this funding. Its guidance note and Q&A are below.

Competition Details

Bids can be for development funding to produce a fully worked up Outline Business Case or for schemes with an OBC to fund final preparation and construction. The minimum project size of GCGP bids is £59 million.

The following factors should inform the identification and submission of suitable bids:

- There is a presumption against funding rail schemes
- DfT are expecting an absolute maximum of two bids per LEP although the general expectation is for one and LEPs are invited to engage with their DfT interlocutors should they wish to submit more than one
- If a scheme could be split into phases and taken forward over a longer time period through regular growth deal rounds, the onus is on the applicant to make the case why this is undesirable.
- Cases should be clear why the scheme is not affordable through other funding routes (including additional funding through devolution deals)

There are three schemes that LEP partners are proposing:

- A5050 dualling between M11 and A11
- A15 dualling – Glinton Northborough bypass
- A16 dualling – A47 junction towards Spalding (PCC boundary)

A first draft of proforma are attached (NB to follow separately)

DfT recognise that there may be future schemes that will not be ready for this deadline and, on a ‘no commitment’ basis, are also encouraging LEPs to provide basic details of these so that they know about them should further opportunities to bid for development funding arise. Although they will not respond formally, they say these may be discussed in the normal course of engagement.

Action required

The LEP Panel will need to discuss what recommendation it wishes to give to the forthcoming LEP Board on 7 June.
LARGE LOCAL MAJOR TRANSPORT SCHEMES

Guidance notes

1. INTRODUCTION

1.1 The 2016 Budget announced the launch of a competitive process within the £475m fund for large local transport schemes. This is part of the £12bn Local Growth Fund (LGF).

1.2 The aim of the local majors fund is to provide funding for those exceptionally large, potentially transformative, local schemes that are too big to be taken forward within regular Growth Deal allocations and could not otherwise be funded. This is an important qualification which is explained in more detail in Section 2.

1.3 The profile of the £475m is as follows.

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>2016/17</td>
<td>£10m</td>
</tr>
<tr>
<td>2017/18</td>
<td>£45m</td>
</tr>
<tr>
<td>2018/19</td>
<td>£45m</td>
</tr>
<tr>
<td>2019/20</td>
<td>£95</td>
</tr>
<tr>
<td>2020/21</td>
<td>£280</td>
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</tbody>
</table>

1.4 We have already made awards of £151m for the Lowestoft Third Crossing and Ipswich Wet Dock schemes as these are advanced schemes that we did not want to delay any further, and competitive bids are now being invited for other schemes.

1.5 Bids can be for scheme development costs, or, if an Outline Business Case (OBC) is already complete, for funding to prepare and construct a scheme. We recognise that some schemes may require funding beyond the above period and we will take that into account when funding decisions are made.

1.6 We are inviting bids to a similar timetable as the further round of Growth Deals announced by Greg Clark at the LEP Network conference on 22 March. This means a deadline for submitting proposals of 21 July 2016 with decisions to be made around the time of the 2016 autumn statement. However there is also a fast track process for LEPs with schemes that are already at an advanced stage of business case development and that can make rapid progress during 2016/17 towards producing a complete OBC and make use of the £10m of the large major schemes fund that is available in that year. The advanced deadline for those submissions will be 31 May 2016. We will aim to make decisions on successful schemes by the summer recess.
1.7 This guidance note should provide you with the detail you need, together with the pro-forma for development cost bids which accompanies this note.

2. ELIGIBILITY - HOW LARGE IS LARGE?

2.1 This fund was created specifically for local schemes that are genuinely unaffordable by other means; because they are too large for regular Local Growth Fund allocations and cannot access other existing funding streams.

2.2 We have decided not to lay down hard eligibility criteria for applications, but, we will sift out schemes according to whether they are genuinely ‘otherwise unaffordable’ by other means, before any other factors are taken into account.

2.3 In doing so we will be strongly guided by the following factors.

- **The size of the scheme, relative to the size of the LEP.** Guideline thresholds are set out at Annex A. These are not absolutes as we recognise that, particularly at the early stages, costs estimates may not be well advanced. There will be a presumption that funding for schemes below this level should be sought through regular Growth Deal rounds and not through the large majors fund unless there is a compelling reason otherwise. The threshold for the largest 15 LEPs is £75m (so far the largest LGF contribution to a single scheme), and for other LEPs the threshold decreases in proportion to the LEPs population.

- **The indivisibility of a scheme.** If it appears that a scheme could be split into phases and taken forward over a longer time period through regular Growth Deal rounds then the onus is on the applicant to make the case as to why this would be undesirable. We will certainly not consider bids that are essentially just packages of individual schemes aggregated to meet the guideline thresholds.

- **The availability of other local funding.** For example areas that already have the flexibility of single pots or additional funding through devolution deals will also need to demonstrate why the scheme proposal is not affordable through these routes.

- **The ability of schemes to be progressed and prioritised through other Government funding.** For this reason there is a presumption against this fund being used for schemes on the national rail or strategic road networks. However bids for schemes in the national/local network interface (e.g. involving motorway junctions) are welcome. There is also a potential overlap with the second Road Investment Strategy (See section 6)
3. **WHO CAN APPLY?**

3.1 We are inviting LEPs to apply. However all bids will need to have the full support and commitment of the proposed delivery body.

3.2 We would particularly welcome any bids that have the support of more than one LEP, where there is evidence that LEPs working together have prioritised schemes within an area covered by more than one LEP.

3.3 While we are not restricting the number of bids per LEP or per delivery authority, bidders should consider carefully their capacity to progress more than one large scheme. We will take that into account in assessing any proposal’s deliverability.

3.4 The large majors funding is not subject to the requirements of the LEP Assurance Framework, as all the necessary scrutiny will be done by DfT. However LEPs should satisfy themselves, before bids are submitted, that they are likely to be competitive against the criteria outlined in this document.

4. **TYPES OF BID**

4.1 We are inviting two types of bid.

   1) For development funding to produce a fully worked up Outline Business Case (OBC).
   2) For Schemes with an OBC to fund final preparation and construction.

4.2 Bids will be competitive at both stages. Not every scheme that is successful with development funding will necessarily receive funding for construction, and neither will a scheme need to get development funding in order to bid for full funding (e.g. if the OBC is produced without DfT funding).

4.3 Schemes successful at stage 2 above will be awarded ‘Programme Entry’ funding approval. That will set the DfT’s maximum funding contribution, with the scheme promoter being responsible for meeting the local contribution and any further increase in costs. Schemes will also be subject to a final business case review and scrutiny once orders and procurement are complete, before the final funding approval is given and funding for construction is released. However schemes will not, at that stage, be in competition with others.
4.4 The initial timetable for bids is as follows

<table>
<thead>
<tr>
<th></th>
<th>Deadline for bids</th>
<th>Decisions by</th>
<th>Bids invited</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 fast track</td>
<td>31 May</td>
<td>Summer recess 2016</td>
<td>Development funding only for 2016/17</td>
</tr>
<tr>
<td>2016 main round</td>
<td>21 July</td>
<td>Autumn statement 2016</td>
<td>Development funding or scheme funding</td>
</tr>
</tbody>
</table>

4.5 Please note the fast-track round in 2016 will be **for development costs only** where spend is expected to begin in 2016/17.

4.6 There will be subsequent rounds so that schemes awarded development costs in the above rounds will be considered for scheme funding at a later date. The timescales for these further rounds will be advised later this year.

4.7 To bid for development costs in either of the above rounds, LEPs should complete the pro-forma that accompanies this note.

4.8 To bid for scheme funding LEPs should submit an Outline Business Case, as defined by the Department for Transport’s Transport Business Case Guidance¹ and Transport Appraisal Guidance (WebTAG)². DfT will provide further advice in due course on any specific requirements for the format of bids.

5. **SELECTION CRITERIA**

5.1 Once we are satisfied that a scheme meets the ‘otherwise unaffordable’ test we will consider bids for development costs according to the following criteria

<table>
<thead>
<tr>
<th><strong>Strategic Case</strong></th>
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</tr>
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<tbody>
<tr>
<td>We will look at the evidence to date – to assess the robustness of the evidence of problem identification and initial options testing.</td>
<td></td>
</tr>
<tr>
<td>We will consider the alignment of this bid with the Strategic Economic Plan, wider LEP strategy, your bid in the current Growth Deal round, and any cross-LEP strategic considerations.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Economic case</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value for money evidence. In of bids for development costs a full economic appraisal is not expected. However we will consider the strength of any evidence</td>
<td></td>
</tr>
</tbody>
</table>

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you can provide on the likely scale of costs and benefits which could come from any available Strategic Outline Business Case information, Option Assessment information or relevant benchmarking information.

**Financial case**

While there is no minimum local contribution we will consider the size of local funding contribution proposed as one of the criteria. We are very unlikely to fund bids that propose no local contribution.

We will consider the robustness of your costings for development work.

**Management case**

We will consider how soon an Outline Business Case can be produced, and the robustness and realism of the plan and timescale for doing so. We will favour bids that can demonstrate rapid progress but timescales need to be robust and plausible.

We will consider the existing level and breadth of support for the scheme, from key stakeholders including the public, businesses and MPs, not just letters of support for this bid but evidence of previous support, campaigns, news articles etc.

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**6. LINK WITH ROAD INVESTMENT STRATEGY**

6.1 Alongside the Budget, the Department issued a note setting out the aims and process for preparing the second Road Investment Strategy (RIS2) to improve England's Strategic Road Network (motorways and major A roads).

6.2 However some local schemes may also be in scope. As the document says "This funding could also support projects on local road networks close to the strategic road network, where it can be clearly demonstrated that this would help the strategic road network."

6.3 So there is some potential overlap between the large majors fund and RIS2.

6.4 If you have a scheme that you feel may qualify for RIS 2 then you may still go ahead and apply for development funding under the large local majors fund. You are asked on the bid pro-forma to identify whether you think it could be within the RIS2 scope and why.

6.5 Decisions on large majors funding and entry into RIS2 will be separate and one will not necessarily affect the other, however we will use the information you provide on the pro-forma to inform the route strategies so you will not be asked twice for the same information.

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**ANNEX A: GUIDELINE THRESHOLDS**

Below a certain level, major transport schemes should be funded through regular Growth Deal funding. The large majors fund is for schemes that are not reasonably affordable for LEPs through that, or any other route. The largest LGF allocation to a single transport scheme to date is £75m so any scheme with an expected cost above that level should be considered.

However for most LEPs the effective affordability threshold is lower. We will therefore be guided by the following thresholds below which we would not expect to consider funding schemes from the large majors fund.

<table>
<thead>
<tr>
<th>LEP</th>
<th>Guideline minimum threshold (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South East</td>
<td>75</td>
</tr>
<tr>
<td>Greater Manchester</td>
<td>75</td>
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<tr>
<td>Leeds</td>
<td>75</td>
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<tr>
<td>D2N2</td>
<td>75</td>
</tr>
<tr>
<td>North East</td>
<td>75</td>
</tr>
<tr>
<td>Coast to Capital</td>
<td>75</td>
</tr>
<tr>
<td>GBS</td>
<td>75</td>
</tr>
<tr>
<td>Heart of the SW</td>
<td>75</td>
</tr>
<tr>
<td>Liverpool City Region</td>
<td>75</td>
</tr>
<tr>
<td>Lancashire</td>
<td>75</td>
</tr>
<tr>
<td>Sheffield City Region</td>
<td>75</td>
</tr>
<tr>
<td>New Anglia</td>
<td>75</td>
</tr>
<tr>
<td>Enterprise M3</td>
<td>73</td>
</tr>
<tr>
<td>South East Midlands</td>
<td>69</td>
</tr>
<tr>
<td>Solent</td>
<td>69</td>
</tr>
<tr>
<td>West of England</td>
<td>59</td>
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<tr>
<td>GCGP</td>
<td>59</td>
</tr>
<tr>
<td>Black Country</td>
<td>59</td>
</tr>
<tr>
<td>Hertfordshire</td>
<td>56</td>
</tr>
<tr>
<td>Leicester and Leicestershire</td>
<td>52</td>
</tr>
<tr>
<td>Cheshire and Warrington</td>
<td>48</td>
</tr>
<tr>
<td>Stoke and Staffordshire</td>
<td>48</td>
</tr>
<tr>
<td>Thames Valley Berkshire</td>
<td>47</td>
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<tr>
<td>Coventry and Warwickshire</td>
<td>46</td>
</tr>
<tr>
<td>Greater Lincs</td>
<td>42</td>
</tr>
<tr>
<td>Dorset</td>
<td>39</td>
</tr>
<tr>
<td>York, North Yorkshire and East Riding</td>
<td>39</td>
</tr>
<tr>
<td>Swindon and Wiltshire</td>
<td>36</td>
</tr>
<tr>
<td>Humber</td>
<td>36</td>
</tr>
<tr>
<td>Tees Valley</td>
<td>36</td>
</tr>
<tr>
<td>The Marches</td>
<td>34</td>
</tr>
<tr>
<td>Gloucestershire</td>
<td>32</td>
</tr>
</tbody>
</table>
The threshold is the **lower** of (a) £75m or (b) 20% of the LEPs nominal per-capita allocation of all LGF funds over the 6 years.

**Please note these are guideline levels rather than an absolute qualifying thresholds.**

The threshold applies to the likely cost of the scheme, even if only development funding is being bid for.

We understand that this is not an exact science. We recognise that, when applying for development funding, you may not have a definitive cost estimate for the scheme; or it may still be subject to change; or more than one scheme option may still be in play. But if the anticipated cost of the scheme is likely to be clearly below your LEPs threshold above then it is unlikely to be considered.

LEPs that have access to additional devolution deal funding will need to make the case for why schemes are unaffordable even if above the guideline threshold.
LARGE LOCAL MAJOR TRANSPORT SCHEMES

Q&A

Bid submission

Q. Who can apply? Can a Local Authority or Combined Authority apply or does it have to be the LEP?

A. We are accepting bids only from LEPs, not directly from scheme promoters.

Q. Is there a maximum number of bids per LEP?

A. While there is no formal maximum LEPs should bear in mind that the fund will be highly competitive and they should be selective. LEPs should submit development funding bids only for schemes that they fully support, that are at a suitable stage of development, and are likely to score strongly against the criteria. With that in mind we would advise LEPs to seek the advice of a DfT engager if considering submitting more than one bid.

Q. Whose Section 151 Officer signs off the bid?

A. We are asking for bids to be signed off by the LEP as the applicant, and to include a declaration from the Section 151 Officer of the promoting authority to certify the cost information and the ability of the authority to fund their own contribution.

Q. Can we bid for part funding through the regular growth deal round and part funding through large local majors?

A. If the scheme qualifies as a large major and is dependent on a significant Government contribution, there’s no reason not to bid for that entirely through the large majors funding. To bid for part funding through the regular growth deal round would unnecessarily complicate the decision making process. If, on the other hand, if LEPs already have some funding available from an existing growth deal allocation that they wish to put forward as a contribution then they are free to do so.

Q. Is there a maximum scheme size that will be considered?

A. We have not set a maximum scheme size, but clearly the funding is finite and Ministers may wish to consider the impact of an exceptionally large scheme on the availability of funding for others.
Size and scope of development funding

Q. What level of development costs would you expect per scheme?
A. That’s for LEPs to justify in their bid. It depends on what work has already been done and what is necessary to produce an OBC. In the case of the four recent schemes we have agreed to provide between £1.5m and £2m per scheme, to fund the development and production of an Outline Business Case.

Q. Will development costs pay for statutory processes such as public inquiry?
A. No. Development funding is for the cost of producing an Outline Business Case (OBC). Seeking planning and other powers would come after that point, following a decision to provide funding for the preparation and construction of the scheme.

Q. Can DfT give clear guidance on what costs can be capitalised?
A. No. This has to be for the relevant Local Authority Section 151 Officer to decide, based on the relevant accounting standards, and the precise nature of the planned spend. The bid pro-forma asks LEPs to indicate whether or not the costs sought from DfT can be capitalised and to provide any comments or caveats to this.

Judging whether or not a scheme is otherwise affordable

Q. What determines whether a scheme can be delivered in phases? What if it can, but the benefits would only be realised by delivering all elements at the same time?
A. We will consider whether a scheme is physically capable of being delivered separately in phases that could be affordable through regular Growth Deal funding. If it can, but LEPs think that would be hugely sub-optimal (e.g. poor value for money), then they would need to make a very strongly evidenced case in order to be competitive with schemes that are genuinely indivisible.

Q. Can LEPs bid for a programme of spend if it is above the threshold but the individual schemes within the programme are all below the threshold?
A. No. This fund is for large single schemes.

Q. Are all rail schemes excluded? What about station redevelopment/access to stations?
A. Rail schemes are not entirely excluded from consideration but, as the draft guidance says, there is a presumption against funds going to rail schemes as it will be much harder to make the case that they have no other way of being funded. So LEPs would have to make a strong case that the scheme could not come forward with national rail funding. Also, any rail scheme large enough to be above the guideline thresholds would need an exceptionally strong and convincing delivery case.

On both of the above points, schemes that do not have any rail service or rolling stock implications (e.g. station building/access schemes) might be relatively easier to make the case for.

Q. Are Junctions on the Strategic Road Network eligible?
A. Yes. Schemes that are on the interface of the strategic and local road network are eligible, including for example schemes that involve motorway junctions with local road access, and that have primarily local objectives.

Q. Are major structural maintenance schemes, such as bridge replacements, in scope?
A. Yes. Provided of course that they meet the criteria.

How the process works once development funding has been granted

Q. If development funding is granted, would DfT seek to recover that funding if it decided not to approve funding for construction?
A. No. The approval of development funding and the approval of construction funding are two separate decisions. Development funding, if granted, is for the production of an Outline Business Case (OBC). If an OBC, as defined by the relevant guidance, is produced then the conditions of the funding will have been discharged. DfT may, however, reserve the right to recover development funding if an OBC is not produced.

Q. If development costs are granted but the cost of the preferred scheme in the OBC then turns out to be significantly under the guideline threshold would that then disqualify it from consideration for large majors funding?
A. In that event the presumption would be that LEPs would be able to progress the scheme using local and devolved funding, such as Growth Deal funding.
Q. If funding is agreed will the money go via the LEP (i.e. the accountable) body or directly from DfT to the promoting authority?

A. The mechanics of the funding and approvals have not yet been decided upon. We would like the process to be as simple as possible and will listen to LEPs’ views on this.

**Other**

Q. Will schemes in this fund qualify for the NSIP (Nationally Significant Infrastructure Projects) planning process?

A. Not necessarily. There is no connection between these two things. A decision on a scheme’s eligibility for this fund is entirely separate from any decision on whether it qualifies for the NSIP process. LEPs should take separate advice on that.

Q. Will schemes that support certain objectives (such as housing growth) be favoured?

The funding is not designed to favour any specific national policy objectives, but it is of course part of the Local Growth Fund and alignment with the LEP’s wider growth objectives (which may include housing) will be one of the criteria we look at.

Q. What about potential future schemes that won’t be ready by your deadlines (even for development funding bids)? Can we submit an ‘expression of interest’ for a future round?

A. While we cannot commit to any further bidding rounds for development funding at this stage it would be useful for LEPs to let us know the basic details of any future schemes that they might bid for should further opportunities arise. We would not respond formally to those but may discuss them in the normal course of engagement.

Q. Are you going to assess schemes as housing/growth schemes or as transport schemes with an emphasis on journey times? Will a transport appraisal be required?

A. All Outline Business Cases to be produced will need to include a fully WebTAG compliant appraisal. Even if a scheme’s primary objectives are around new development or housing, schemes of this size are bound to have significant impacts on the existing transport network, and those impacts need
to be captured, along with wider economic impacts, when assessing a scheme’s overall costs and benefits.