



# Strategic Transport Forum

16<sup>th</sup> July 2021

## Agenda Item 5: Spending Review

*Recommendation:*

**It is recommended that the meeting:**

- a) Agrees the Spending Review submission that sets out our need for investment to enable four priority areas of focus:**
- **capital funding for immediate priorities that must commence delivery before 2025**
  - **funding to develop priority infrastructure schemes to the point that they are investment-ready**
  - **funding to increase regional capacity and capability in support of partners developing and delivering infrastructure schemes**
  - **a long-term funding settlement for core sub-national transport body functions**

### **1. Context**

- 1.1. On 25<sup>th</sup> November 2020 the Chancellor of the Exchequer presented a single year settlement for 2021/22. This differed from the original plan to have a longer-term spending review, but was an understandable position given the continued uncertainty caused by the COVID-19 pandemic.
- 1.2. While unconfirmed, it is widely anticipated that a three-year Spending Review will take place in autumn 2021. Given the time frames, we expect the timing of the Spending Review from announcement to conclusion to be extremely tight. The Spending Review will allow the Government to put in place the medium-term financial plans that it was not able to commit to in autumn 2020.
- 1.3. Forum members will be aware of the significance of this year's Spending Review, against a backdrop of significant pressure on public sector finances and the Government's ambition to 'build back better' from the pandemic.
- 1.4. As a net contributor to the Exchequer, investment in infrastructure to support and accelerate economic recovery in the Heartland region, and support the delivery of planned housing growth, will be fundamental to support the UK economy as a whole. As such, the commitment to invest in, and accelerate delivery of, infrastructure in the region should be a priority for the Government.
- 1.5. However, within the announcements made in autumn 2020 the Government set out its commitment to prioritise investment away from London and the South East. The cessation of work on the development of Crossrail 2 is arguably an example of this emphasis having implications for the Heartland.
- 1.6. Notwithstanding the identification of the Arc as a national economic priority we cannot assume that the case for strategic investments has necessarily been made and the

funding secured. It is clear that the forthcoming Spending Review will be particularly challenging and as the STB we need to use the recently published transport strategy – and its underpinning evidence base – to make the strongest possible case for the investment required to enable delivery in the short to medium term to be accelerated.

- 1.7. The National Infrastructure Strategy – published in autumn 2020 – highlighted the need for the UK to increase the overall investment made in our infrastructure. The fact that our transport strategy is grounded in the need to support the delivery of planned growth provides us with the evidence base to demonstrate how the investment sought will help deliver quantifiable outcomes.

## **2. 2021 Spending Review – EEH Priorities**

- 2.1. The purpose of this paper is to seek agreement to EEH’s priorities for a Spending Review submission. The submission builds on previous steers provided by the Forum and is focused on what is required to make a difference over the next three-year period.
- 2.2. In this context, it is proposed that the focus for the submission should be:
  - Securing the capital funding required to support partners commence the construction and/ or delivery of known priorities before 2025
  - Securing the revenue funding required to develop schemes identified in the investment pipeline through the planning and development phase to make them ‘oven ready’
  - Securing the funding to increase regional capacity and capability in support of partners developing and delivering investment priorities
  - Ensuring the Government’s commitment to sub-national transport bodies is appropriately reflected by a long-term commitment to their resourcing.
- 2.3. The transport strategy, with its associated investment pipeline, provides the Heartland with the evidence-led approach to the identification of specific priorities for the submission.
- 2.4. It is worth noting that investment priorities for the strategic road network and Network Rail investment pipelines are managed outside the Spending Review process. Through its work programmes, England’s Economic Heartland is working with Highways England and Network Rail to ensure our priorities are appropriately reflected in their investment pipelines.
- 2.5. The Forum is invited to comment on the proposed priorities for the Spending Review submission set out in Annex 1.

**Naomi Green**  
**Head of Technical Programme**  
**July 2021**



## Spending Review Submission 2021

### England's Economic Heartland

#### 1. Context

- 1.1. England's Economic Heartland's Spending Review submission seeks the delivery of infrastructure solutions where there are known issues on the transport network, while also ensuring the long-term planning of connectivity in the region supports sustainable economic growth while decarbonising the transport system.
- 1.2. The Heartland is a net contributor to the Exchequer. Our geography covers the entirety of the Oxford-Cambridge Arc, a national economic priority. Investment in infrastructure to support a green economic recovery and growth in the Heartland, and enable the delivery of planned growth, will be fundamental to support the UK as a whole.
- 1.3. EEH's regional transport strategy *Connecting People, Transforming Journeys* was published in February 2021. It is a vision-led, evidence-based strategy agreed by the regional partners as the basis for developing the region's transport system over the next 30 years.
- 1.4. The strategy is underpinned by a comprehensive evidence base that includes a detailed understanding of the region's transport system and economy. The evidence base has highlighted how the implications of planned growth have not been addressed by the necessary investment in infrastructure. At the same time, the development of the transport strategy over a two-year period, emphasised the significance that local people, as well as EEH's partners place on delivering net zero. In response to this, the transport strategy has an ambition to achieve net-zero transport carbon emissions by 2040.
- 1.5. As we plan a transport system for the future, it will be essential that our priorities and planning for future demand considers the following:
  - The need for interventions to be consistent with our ambition to achieve net zero by 2040, and no later than the legal requirement of 2050 – this requires an approach that looks at the transport system as a whole (as opposed to scheme specific basis)
  - The imperative to consider the benefit of interventions in other policy areas to reduce the need to travel, most notably at peak times
  - The importance of taking advantage of trends in society that have been accelerated as a consequence of the pandemic – and which creates opportunities to reduce the need to travel and/or the distance travelled.

#### 2. Investment Pipeline – Construction/ delivery of immediate priorities by 2025

- 2.1. The investment pipeline in our transport strategy identifies key infrastructure priorities for the region.
- 2.2. A significant number of investment priorities are required to be delivered in the near future to enable the delivery of planned growth as set in out in current Local Plans.
- 2.3. Delivery of immediate infrastructure priorities by 2025 also achieves the triple-impact of:
  - Infrastructure costs being managed and avoidable costs (such as those incurred as a result of inflation and/or duplication of work) are kept to a minimum
  - Economic benefits arising from the delivery of required investment being realised sooner, to the benefit of the Heartland and the UK economy as a whole
  - Infrastructure delivery enabling progress to be made on realising the potential to achieve change in travel patterns that support the requirement to make real progress towards net zero carbon emissions.



2.4. Key infrastructure projects requiring a commitment for capital funding in the Spending Review, with delivery commencing no later than 2025, are:

- **East West Rail**
  - **Milton Keynes-Aylesbury section:** this link is a core part of East West Rail and commitment to its delivery is a key priority for the region, connecting two areas of major planned growth.
  - **Bletchley-Bedford section:** this involves improvements to the Marston Vale Line, which was recently subject to a consultation by the East West Railway Company.
  - **Electrification:** East West Rail should be opened as an electrified railway to avoid the additional costs inevitably incurred in retrofitting an operational railway.
  - **Digital spine:** EEH has secured funding to enable the Bicester-Bletchley section of East West Rail to be built as a digital spine, providing high quality broadband and 5G access to nearby rural communities. Providing this during construction is a fraction of the overall cost of East West Rail and 90% cheaper than retro-fitting. Future sections of East West Rail should be delivered as digital spines as standard.
- **Felixstowe to Nuneaton Rail Corridor:** finalising the business case in support of both proposals to address bottlenecks at Ely and Haughley Junction, identified as critical to enabling this corridor to play its strategic role in connecting global deep-sea shipping services operating out of Felixstowe with the rest of the UK.
- **Western Rail Link to Heathrow:** improved connectivity to Heathrow from the west has long been identified as a regional priority, benefiting businesses and residents in Oxfordshire and Swindon, as well as communities further west. The scheme has been developed to the point at which the application for the development consent order can be submitted
- **Cambridge South Station:** prioritising delivery once the Transport and Works Act Order has been granted.
- **Oxford Station (additional capacity):** this project is central to not only realising the potential of EWR, but more widely the ambitions for improving public transport serving Oxford and surrounding areas, as well as enabling inter-regional movements
- **Crossrail 2** – progress on this scheme was put on hold as part of the autumn 2020 announcements: the strategic importance of this scheme to the Heartland are significant
- **EEH Major Road Network Programme (2020-2025):** submitted to Government in summer 2019, delivery of the programme of schemes could be brought forward if decision making within Whitehall was accelerated. However, that would have to be complemented by Government making available additional revenue funding to enable the detailed development of individual schemes to be accelerated (see below).
- **Mass Transit systems** – securing the funding required to accelerate the development of three transformational projects to plan for mass public transport in Milton Keynes, Cambridge and Peterborough and Hertfordshire (Hertfordshire Essex Rapid Transit - HERT).
- **Oxford-Cambridge Cycleway** – additional funding (both revenue and capital) to enable the development of a green spine through the region, and an associated network to support this. EEH partners have access to the first mile/last mile toolkit to aid them in identifying opportunities at the local level
- **Digitally Enabled Landscape (BEIS/DCMS funded)** – establishing a region-wide programme through which it will be possible to deliver the ambition of ‘always connected’ across the region. Initial focus on building the public/private sector partnership that is necessary to deliver the infrastructure – particularly mobile – that is required to enable service transformation at scale across policy areas.



### **3. Scheme Development Fund – accelerating development of known priorities (£5m revenue funding over three years)**

- 3.1. Funding is required to cover the cost of planning and developing the detail of infrastructure priorities identified in the transport strategy. This investment will ensure the region has a viable package of 'investment-ready' proposals which are financially attractive to Government (and potentially other parties) to invest in. The fund would be managed by EEH on behalf of the region.
- 3.2. Through this investment, EEH would look to accelerate the development of two to three priority projects per annum, identified through to Strategic Outline Business Case, giving DfT or its agencies much greater sense of how investable projects are. Funding for the next stage of work, to move the project to full business case would be in addition.
- 3.3. Priorities for acceleration through this process include:
  - **A1 corridor:** identifying and taking forward a long-term solution for this corridor in support of planned growth and to inform development of future Local Plans
  - **Connectivity in North Cambridgeshire:** supporting the Strategic Outline Business Case in support of the detailed proposal for the improvement of rail services in North Cambridgeshire, including connections through to Wisbech
  - **Wixams Station:** prioritising the development of detailed proposals for the station
  - **London Road Level Crossing, Bicester:** identifying a long-term solution to this crossing is a key requirement to enabling the full potential of East West Rail to be realised: funding required to develop the business case that supports the solution with a view to enabling delivery in Control Period 7 (linked with delivery of East West Rail)
  - **Bedford Midland Station:** commissioning work to determine a long-term solution to realise the potential of Bedford Midland Station that arises from the investment in East West Rail: funding required to develop the business case that support the solution with a view to enabling delivery in Control Period 7 (linked with delivery of East West Rail)
  - **Milton Keynes to East Midlands:** commissioning Strategic Outline Business Case that will determine a long-term solution to improve connectivity between Northampton and Market Harborough (as part of a wider Milton Keynes to East Midlands project)
  - **Delivering priorities identified through the connectivity studies:** the connectivity studies programme provides the framework for identifying those schemes that are required to deliver the priorities of the Transport Strategy. This is likely to be a package of measures, including improvements to public transport and active travel. Once identified, there will be a need to act quickly on securing investment for them.

### **4. Developing Technical Capacity and Capability for Infrastructure Delivery (£3m revenue funding over three years)**

- 4.1. In parallel there is a need to secure the investment that will increase the capacity and capability within the region to create a long-term approach to planning, developing and delivering infrastructure proposals. This will require investment in the resources available to individual partners, supplemented by investment in specialist skills held regionally upon which individual partners are able to draw on as and when.
- 4.2. The benefit of establishing such a capacity and capability is recognised by DfT. Securing additional revenue funding from DfT would enable the team to be established before the end of the calendar year and would represent an 'invest to save', reducing the cost and risk associated with the development of regionally significant infrastructure.
- 4.3. This proposal is based on our 'capacity and capability' work with our partners which highlighted:



- The limited number of schemes developed to the point at which they were ready for implementation over the next five years
  - The lack of technical and professional capacity within the 'client side' to take oversee the work required to develop scheme proposals
  - The lack of access to specialist experience that would improve the efficiency and effectiveness of that work
- 4.4. The principle of a regional 'Centre of Excellence' for capacity and capability has been endorsed by EEH leaders. The key features are:
- A (small) dedicated team comprising specialist technical and professional skills upon which all partners can draw to support their development of detailed scheme proposals
  - In this way partners will have access to specialist skills without the need to carry as overheads within their own structures, nor without having to secure access at commercial rates from external sources
  - As a regional centre of excellence the team would accumulate knowledge and experience that is then retained within the region and to the collective benefit of partners.
- 5. Sub-national Transport Body Core Funding (£5m revenue funding over three years)**
- 5.1. At present, funding for core sub-national transport body functions is set on an annual basis. The lack of certainty and timing of funding from DfT impacts our ability to take forward work to implement the Transport Strategy and ensure maintenance of the EEH evidence base. As such, a core part of EEH's Spending Review submission is for a long term (three-year) settlement from Government. This would be supported by local funding contributions, provided by constituent members.
- 5.2. The longer-term commitment to EEH's core funding would enable:
- Updates and maintenance of the regional evidence base: including in this would be a refresh of the regional evidence base to ensure it was ambitious in its approach and fit for purpose to support EEH's programme of connectivity studies; and to ensure that information and tools were available to support work on the Arc spatial framework.
  - Planning connectivity and infrastructure to support delivery of the EEH transport strategy: the programme of connectivity studies identified in the published transport strategy as the means by which EEH will work with local partners to identify and prioritise future infrastructure requirements in support of economic and housing growth while achieving net zero.
  - Enabling decarbonisation: through completion of the decarbonisation road map and implementation of its recommendations.
  - Improving connectivity in support of planned growth: through the ongoing engagement and development of work that can design and plan public transport and sustainable connectivity throughout the region.
- 5.3. The core funding would also support the creation of a region-wide innovation fund. This fund would seek to support the delivery of the transport strategy by harnessing the region's strengths in science and technology-based innovation. It would involve a series of 'grand challenges' linked with the need to transform the region's transport system, such as:
- Developing new public/shared transport models for rural and semi-urban communities
  - Freight and logistic solutions for urban environments
  - Integration of travel modes

**ENDS -**

