



Department
for Transport

**Mayor Ben Houchen
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From the Secretary of State
The Rt. Hon. Grant Shapps

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1 April 2022

Dear Ben,

Allocating City Region Sustainable Transport Settlements

Firstly, I'd like to thank you for the submission of Tees Valley Combined Authority's (TVCA) final City Region Sustainable Transport Settlement (CRSTS) programme business case. I recognise the huge amount of work that you and your officers have undertaken over the last few months.

I am pleased to confirm your full CRSTS allocation of £310m, following the previous announcement at Spending Review 2021. The funding is for investment in local transport networks in TVCA as outlined in your programme business case and delivery plan. The profile for your capital grant is detailed below:

2022/23	2023/24	2024/25	2025/26	2026/27
£60,255,000	£62,436,000	£62,436,000	£62,436,000	£62,437,000

In addition to this, I am pleased to confirm that your authority will also receive the following revenue grant funding for 2022/23 to support the development of your CRSTS capital investment programme and build longer-term local transport planning and delivery capacity. This funding should be used only for transport purposes, not wider priorities, and you should account annually what the funding has been spent on, as part of the programme business case update and monitoring. As per the spending review settlement, revenue grant funding in both 2023/24 and 2024/25 is half the levels of 2022/23, so you should plan on the basis

that this falls proportionately. Further resource grant funding beyond 2024/25 will be subject to future SRs.

2022/23
£3,779,000

The grants will be paid in instalments as section 31 grants under the Local Government Act 2003. The first grant will be paid in April 2022. A grant letter setting out the details will follow.

CRSTS consolidates funding from your previous allocations of the Highways Maintenance Block, Potholes Fund and Integrated Transport Block. You should ensure that appropriate levels of funding are passed onto your constituent Local Highways Authorities to ensure they have the funding necessary to carry out their responsibilities under section 41 of the Highways Act 1980 to maintain the highways network in their area.

Under this settlement, you have the long-term funding certainty to design and deliver ambitious investments in your local transport network, which you take responsibility for managing. Any cost overruns must be met locally and no additional HMG funding from this settlement will be provided to support your CRSTS programmes.

As set out in the guidance, the funding settlements for each area, the outcomes it has agreed, the delivery timeframes and estimated costs will be published by the Government on a single, easily accessible website. This will include detailed information about what you have agreed to deliver on the ground and by when. All schemes should have clear and robust delivery and procurement plans, governance structures, and project costings. Any delivery risks should be clearly explained alongside appropriate mitigating actions. For scheme proposals at an early stage of development or maturity, MCAs will need to provide details that quantify a cost or time range associated with that project's risks.

The guidance also outlined that delivery against those outcomes and local network performance will be monitored and regularly published in the same place, giving Government and local electorates the opportunity to judge each Mayor and combined authority's performance. Funding may be reduced if agreed schemes are not delivered, modified, delayed significantly or removed.

We will now work with you to agree the final schemes and outcomes that will be published and the expectations of the monitoring framework. We expect this to include further engagement with your officials, consistent with that seen within the programme to date, and an annual update to your programme business case. We expect the further detail of this to be developed by the summer and my officials will continue working closely with your teams.

As we finalise the list of schemes and outcomes, we are requesting further information on a small number of schemes. These must demonstrate they meet the conditions and deliver the objectives of CRSTS set out in the guidance of August 2021, in my letter of 22 November 2021 and in the policy conditions below. Government reserves the right to provide any further policy conditions that would ensure alignment with national policy. My officials will continue to work with your authority over the coming weeks to provide further detail.

General objectives of CRSTS

As stated in the guidance of August 2021, schemes must drive growth through infrastructure investment, level up services towards the standards of the best, and promote modal shift from cars to public transport, walking and cycling. They must reduce carbon and particulate emissions from transport, aligned with the UK's legal commitments. They must further the objectives of the national bus and cycling strategies, including ambitious bus and cycling priority measures, with decisions on Key Route Networks led by MCAs and mayors. Schemes should promote the use of active travel and public transport; not lead to overall increases in car use or car modal share; tackle traffic congestion; and improve air quality.

Overprogramming

I appreciate the work that has gone into developing your programme to the agreed allocation of £310m. With investment programmes of this scale, it is likely that over the 5 year settlement period, schemes may change in timing, scope or cost, and it is important that we ensure this can be managed locally and that transparency is maintained, whilst retaining the required degree of Government oversight.

Therefore, I request that you work with my officials to develop and agree a degree of overprogramming (up to c.10% of the programme total cost) by the end of June 2022. Overprogramming may be achieved either

through the inclusion of a reserve pipeline of schemes or by spreading your overprogramming budget across your core investment programme.

Any schemes in the reserve pipeline will undergo a light touch assessment process to ensure alignment with the objectives of the fund. Under the latter option, you must be able to satisfy the Department that your delivery commitments will be clear to your residents, and that TVCA is responsible for sourcing any additional funding required to deliver the agreed schemes. If you wish to subsequently introduce new schemes into your delivery plan, these must be agreed through a formal change control process with the Department.

Bus Priority

I request that you continue to work with my officials to ensure that there is full alignment between your CRSTS and Bus Service Improvement Plan (BSIP) and any additional separate funding for bus improvements received from the Department (such as funding for zero emission buses). This means ensuring that the bus priority measures in your CRSTS plans meet the objectives of the National Bus Strategy (NBS) – particularly our expectation that bus lanes (not just wider bus priority measures) should be provided on any roads where there is a frequent bus service, congestion, and physical space to install them. This will involve providing bus lanes in areas where they are most needed, not just where they are easiest to deliver. All bus priority should be based on data from operators, the Analyse Bus Open Data service or other sources which evidence where it is needed most. Bus operators should be fully involved in the development and finalisation of these plans. BSIPs should be updated to reflect the schemes being funded and their impact on your journey time, patronage and other targets.

We both want to secure the maximum benefits possible from funding for buses delivered through CRSTS. I therefore expect that all relevant measures, and particularly bus priority schemes, to be included in your Enhanced Partnership (EP) plan and scheme. As my officials have made clear to operators and your officers, we also expect that your EP will include a mechanism for the operating costs savings realised by bus operators as a result of CRSTS schemes to be calculated on a transparent basis and for the vast majority of these to be reinvested in delivering other specified aspects of your BSIP (including, if appropriate, maintaining or enhancing services that would not otherwise be provided commercially).

Active Travel

You will know that the Government is setting up a new executive agency of the DfT, Active Travel England (ATE), which has already begun operations in interim form. ATE will provide support to ensure walking and cycling schemes are designed and delivered to high standards, including compliance with Local Transport Note 1/20 (LTN 1/20). All cycling and walking schemes must be approved by ATE as complying with LTN 1/20. Schemes which do not, in ATE's judgment, comply with LTN 1/20 will not be funded and the full amount of CRSTS funding for that scheme, less a cost not exceeding 10 per cent for outline design, will be repayable or will be deducted from future years' CRSTS funding made to your authority.

Consultation

When planning bus and cycling schemes you are reminded to have regard to the Department's additional Network Management Duty statutory guidance, issued in May 2020 and updated in July 2021. Consultations, especially on schemes where there is public controversy, should ideally use objective methods such as professional polling to British Polling Council standards, to establish a truly representative picture of local views and to ensure that minority views do not dominate the discourse. Polling results should be one part of the suite of robust, empirical evidence on which decisions are made.

Interaction with National Networks

Should investments have impacts on the National Rail or Strategic Road networks, TVCA must obtain Departmental approval. Given the potential impacts on these networks, you should engage appropriately with relevant national organisations as schemes are developed to ensure any issues are resolved. Specific schemes requiring this approval are highlighted in this letter below.

Monitoring and Evaluation

To ensure lessons are learnt from the CRSTS interventions, monitoring and evaluation (M&E) of projects supported through settlements is a condition of funding. As outlined in the guidance, MCAs are required to set aside a proportion of their allocated funding to undertake their own M&E. You should develop an Evaluation Plan to a timetable to be agreed with the Department and make findings and reports available to

the Department. This plan should include proposals for carrying out M&E of your overall programme of work and the individual projects within it. It should also ensure that you are reporting on metrics which measure progress against the local transport mission outlined in the Levelling Up White Paper.

The Department is in the process of procuring an evaluator to lead on the national-level evaluation of the CRSTS. This will include impact, process and value-for-money evaluation. As well as undertaking your own evaluations of schemes, you will be required to collaborate fully with the national evaluator once appointed. This will include submitting the required data in a consistent format, which will be agreed between the contractor, DfT and the MCAs as part of the development of the national M&E framework.

Public Sector Equality Duty

Your programme of investment has the potential to develop a transport network that works for everyone in TVCA, reducing barriers and improving accessibility for all. You should consider how best to design your interventions to make sure that the impacts on and benefits for all transport users are taken in to account. As such, TVCA should have due regard to the public sector equality duty under section 149(1) Equality Act 2010 in exercising its functions, and in particular when developing schemes.

Branding and publicity

City regions are encouraged to establish their own brands for transport services, promoting local identity, loyalty and accountability. To emphasise the integrated and networked nature of the service, and the role played by government funding, you must also prominently co-brand vehicles, signage, websites and all public-facing printed material with the new national rail and bus brands in a format which we will mutually agree. Media announcements and releases about improvements funded or part-funded by this money must also be co-branded, must prominently acknowledge the role played by HMG funding and offer HMG the opportunity in good time to include a comment.

Local Contribution

As outlined in the original fund guidance, all MCAs eligible for CRSTS are expected to make a contribution of at least 15-20 percent of the funding granted for capital enhancements, fully additional to the sum granted by HMG and raised locally, not derived from other central government funding sources. This is in recognition of the active role that authorities are playing in developing investment strategies for their local transport networks, and is also in line with the approach taken in London.

I would request that you bring forward a clear proposal as to how you will seek to meet this condition as part of the process to finalise scheme lists in advance of the summer. I expect that delivery against this forms part of your monitoring reports to my Department. I am prepared to show some flexibility in response to local circumstance and the phasing of the contribution, however you must bring forward a clear proposal on how you propose to meet this condition. Failure to demonstrate a sufficient level of local contribution will see future years' enhancements funding reduced in proportion to any ongoing shortfall.

As I stated in November, your contribution can be made, in whole or in part, as revenue expenditure, including spending on measures such as subsidising fares or services.

Additional Local Policy Conditions

Zero Emission Bus Schemes

Your authority has included a Zero Emission Bus scheme within your CRSTS investment programme. I am aware that you have also sought funding from my Department through the Zero Emission Bus Regional Areas (ZEBRA) fund, and am keen to ensure alignment between the proposals you have put forward for zero emission buses as part of CRSTS and the Government's wider zero emission bus programme. I ask that you work with my officials to confirm governance arrangements for any zero emission bus schemes and ensure co-ordination with any other funding streams for zero emission buses.

Scheme list

TVCA will have no requirement to seek assurance from DfT for the majority of the public and sustainable transport investments in your delivery plan subject to your agreed Assurance Framework (which must

be compliant with the National Local Growth Assurance Framework guidance or any successor document).

However, in addition to those already highlighted, there are a number of schemes where HMG believe there is a need for further clarification, assurances or Departmental approval. I want to understand how the schemes below achieve value for money and deliver against the objectives of the CRSTS – growth, levelling up and decarbonisation. I expect you to work with the Department to provide confidence on these issues over the next 3 months. Pending the outcome of discussions on the schemes or packages highlighted, the Department reserves the option to not fund some or all of these schemes or packages through CRSTS. A list can be found below:

- Middlesbrough Station: Further discussion needed to clarify the transport benefits of, and funding package for, the remaining phases of the scheme.
- Hartlepool Station Platform Reinstatement: Further discussion needed to clarify transport benefits of scheme
- Tees Valley Multi-Modal Hydrogen Transport Hub Masterplan - early operational trials: Further discussion needed to clarify transport benefits of the scheme
- Teesworks Stations and transport hubs: Further discussion needed to clarify transport benefits of scheme

As outlined in the previous guidance issued, the following schemes will be retained by the Department as per the criteria and will need to have a scheme business case provided. Further schemes may be added to this list, pending the outcome of discussions on the schemes highlighted above:

- Darlington Station: Need to ensure integration with national networks
- Northallerton-Eaglescliffe gauge clearance: Need to ensure integration with national networks

Future engagement

My officials will continue to work closely with your officers throughout the implementation, delivery, and monitoring of your CRSTS programme. I look forward to your schemes making a transformative impact on local

transport networks in TVCA, ensuring that we take strides toward levelling up connectivity closer to the standards of London by 2030.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Grant Shapps', written in a cursive style.

Rt Hon Grant Shapps MP

SECRETARY OF STATE FOR TRANSPORT