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| <b>DECISION-MAKER:</b>              | CABINET  |
| <b>SUBJECT:</b>                     | DELIVERY OF THE LOCAL SUSTAINABLE TRANSPORT FUND AND EUROPEAN REGIONAL DEVELOPMENT FUND PROGRAMMES |
| <b>DATE OF DECISION:</b>            | 12 MARCH 2012  |
| <b>REPORT OF:</b>                   | CABINET MEMBER FOR ENVIRONMENT AND TRANSPORT   |
| <b>STATEMENT OF CONFIDENTIALITY</b> |  |
| Not applicable.                     |  |
| <b>BRIEF SUMMARY</b>                |  |

This report seeks agreement to establish a new delivery mechanism for the implementation of sustainable transport measures. Funding of £3.9m has been secured from the Department for Transport's (DfT) Local Sustainable Transport Fund (LSTF) over the next three years. A great proportion of this is revenue funding which requires an increase in capacity to be able to deliver. A number of delivery options are considered in this report and the one recommended for approval is one which is scalable, limits future revenue liabilities, creates opportunities for growth and economies of scale and maximises the capabilities and skills of existing partners.

The LSTF funded initiatives are designed to achieve a modal shift of 12% away from the private car to reduce congestion, thereby improving opportunities for economic growth while simultaneously reducing carbon emissions. This is to be achieved through a carefully targeted package of measures to encourage more sustainable travel habits. Among others, key measures that will be delivered include:

- Workplace, station, college and school travel plans
- Cycle training
- Street tread and other personalised travel planning including SEN transport
- Measures to promote clean fuel vehicles
- A branded travel campaign and public transport network
- Events like Sky Ride

#### **RECOMMENDATIONS:**

- (i) To delegate authority to the Director of Economic Development to establish a shared service 'soft partnership' to deliver Local Sustainable Transport Fund projects;
- (ii) To delegate authority to the Director of Economic Development to pursue shared service opportunities with Hampshire County Council, Poole and Bournemouth and other local authorities with appropriate risk share arrangements based on proportionality;
- (iii) To invite the University of Southampton, Sustrans, Hampshire County Council (when and if they confirm a wish to enter into a shared service arrangement), health representative and the Solent LEP, to form active project boards with appropriate terms of reference and governance arrangements to oversee delivery;

- (iv) To delegate authority to the Director of Economic Development in consultation with the Director of Corporate Services, the Head of Legal, HR and Democratic Services and the Senior Manager Finance and following consultation with the Cabinet member for Environment and Transport to finalise the following detail:
- (a) recruitment of up to three new three year fixed-term posts to the end of the funding agreement:
    - 1 x Travel Choices Programme Manager
    - 1 x LSTF Project Manager,
    - 1 x Marketing Officer;
  - (b) These new posts will join 3 existing staff from the Transport and Travel Team;
  - (c) agreeing a location for the team that maximises benefits to the operation of the partnership;
  - (d) arrangements for the secondment of 3 Sustrans staff (existing Sustrans employees to be seconded into SCC for the period of the funding);
  - (e) terms of reference and governance arrangements of the project board referred to in recommendation (iii);
  - (f) the content and form of any legal or other agreements , documentation or other arrangements necessary to implement and support the creation of a soft partnership (including entering into such agreements etc on behalf of the Council).

## **REASONS FOR REPORT RECOMMENDATIONS**

1. The LSTF Project will deliver of a range of interventions that will bring about a modal shift of 10-12% towards sustainable modes of travel like walking, cycling, bus and more fuel efficient driving. Interventions are specifically targeted to encourage economic growth and jobs, while simultaneously reducing carbon emissions from transport. The measures and initiatives will produce other benefits such as the health improvements arising from active travel. Cabinet formally agreed to accept DfT funding under this Fund of £3.96m on 19 December 2011 and requested that details of the delivery method be reported to Cabinet in March 2012.
2. Success in funding has bought about the need to consider how best to deliver the project because of the need to:
  - increase capacity to deliver sustainable transport measures in Southampton totalling an increase in activity of £1.3m per annum over existing levels
  - maximise future opportunities to secure additional funding
  - facilitate shared services with other LA's where this is clearly of benefit to SCC through economies of scale
  - maximise the opportunities that can come from effective partnership working with other sectors (academic and voluntary in particular)
  - ensures the project has a legacy, in that it can continue to have a long lasting impact and create a delivery mechanism that can be self

sustaining

- mitigate staffing or other revenue liabilities to the greatest extent possible
3. Four options have been considered and tested with internal and external stakeholders including the Management Board of Directors. The preferred option emerged as a “soft partnership”. This is one in which Local Authorities and other partners remain fully independent but agree to work together voluntarily under service level agreements / Memorandum of Understanding or other similar arrangements. It is envisaged that in the first instance the delivery model would result in a new co-located team of staff made up of 3 existing SCC staff, 3 new staff employed by SCC, academic staff from the University of Southampton responsible for research and evaluation and Sustrans (the sustainable transport charity) responsible for delivery of certain projects. This would establish a core team capable, at least, of delivering the SCC project and would therefore meet our minimum requirement to deliver the project for which we have been granted funding. In effect, this is in house delivery with enhanced partnership working. In time and when appropriate reassurances and risk share agreements are in place the team may also deliver similar projects for other local authorities with Southampton taking a Lead Authority role. This would then be a fully operational “soft partnership” The benefit of working with other local authorities comes from economies of scale and joint procurement in a number of areas of significant commonality.
4. The soft partnership route is favoured because:
- it offers the flexibility to scale operations up quickly to meet new funding opportunities
  - It was deemed to be capable of delivering high quality outputs and value for money
  - it can be managed in a way which minimises future deliverability and risk liabilities for the authority
  - it enhances and strengthens existing partnerships which have been a critical success factor in bids and is likely to improve the City Council reputation with funding agencies
  - creates potential to establish economies of scale through shared services without weakening local expertise
  - through partnership with the University and Sustrans it is an ideal form of partnership to access other funding opportunities some of which would not normally be open to the City Council
  - it benefits from procurement flexibility as a result of both inter-authority shared services arrangements and the potential exemption afforded research and development services to be provided by the University of Southampton
5. The recommendations allow for the details of the “soft partnership” to be agreed under delegation to relevant Directors following consultation with the relevant Cabinet Member. This means it can be set up relatively quickly and without the need to come back to Cabinet for approvals as the “soft partnership” arrangements evolve.

## ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

6. Officers appraised 3 other delivery options alongside the soft partnership. These were:

- Full outsourcing to private sector consultancy
- Establishing an Arms Length Organisation (ALO)
- In-house (with no partnership working with the University of Southampton or Sustrans)

7. In broad summary the reasons for rejecting these options are contained in the table under and briefly explained in the following bullet points:

- Full outsourcing to private sector consultancy. This option would not be conducive to shared services with other local authorities and with other partners that would have meant some of the key objectives of the delivery model would not have been achieved. Legacy potential was also poor.
- Establishing an arms length organisation (ALO). This option could facilitate shared services with public sector organisations but is not so flexible should it wish to trade in the private sector. It was considered that this might be a future option once the delivery model had established a reputation for effective and affordable delivery. It was also relatively expensive because of high overhead costs and presented a potential time-lag in terms of mobilisation. TUPE issues would apply which make its acceptability to Unions problematic.
- Totally in-house (with no partnership working). This option restricted the benefits of working in partnership and had limited legacy capability. In particular, it lacked the independent evaluation necessary for such projects to prove their worth. This has been a criticism of similar projects from other towns.

|   | In-House | Private Sector Consultant | ALO      | Soft Partnership      |
|---|----------|---------------------------|----------|-----------------------|
| Must not incur liabilities for the authority          | <b>M</b> | <b>M</b>                  | <b>H</b> | <b>H</b>              |
| Capacity to bid for new funding & scalability         | <b>L</b> | <b>L</b>                  | <b>H</b> | <b>M</b>              |
| Should have a long term future beyond initial funding | <b>L</b> | <b>L</b>                  | <b>H</b> | <b>M</b>              |
| Allow shared services with other authorities          | <b>M</b> | <b>M</b>                  | <b>H</b> | <b>H</b>              |
| Allow for council savings to be achieved              | <b>H</b> | <b>H</b>                  | <b>H</b> | <b>H</b>              |
| Spend and mobilise quickly                            | <b>M</b> | <b>M</b>                  | <b>M</b> | <b>H</b>              |
| Deliver the outputs required                          | <b>M</b> | <b>H</b>                  | <b>H</b> | <b>H</b>              |
| Political acceptability                               | <b>H</b> | <b>H</b>                  | <b>M</b> | <b>H</b>              |
| Entrepreneurship                                      | <b>L</b> | <b>H</b>                  | <b>H</b> | <b>H</b> <sup>4</sup> |

8. Many variations upon or between these options are conceivable and in practice the options appraisal process revealed that the need for any delivery method for it to be flexible and capable of delivering the project in the best interests of the City Council and its residents.

#### **DETAIL (Including consultation carried out)**

9. The DfT Local Sustainable Transport Fund was established to support the ambitions carried in the Government White Paper *Creating Growth, Reducing Carbon*, published in January 2011. The principal purposes of the fund are to introduce measures that encourage economic growth, while simultaneously reducing carbon emissions from transport. The paper acknowledges that the measures and initiatives used to derive these economic and environmental benefits will also produce significant social benefits.
10. The Southampton programme will include:
  - a branded city wide travel awareness campaign and public transport image
  - a significant increase in travel planning work with schools, workplaces and transport interchanges
  - a step change in cycle training
  - an increase in the Street Tread programme
  - air quality initiatives
  - the potential for a number of new projects to be scoped out and defined in due course in discussion with partners
11. The bid process was overseen by a Steering Group comprising representatives from Southampton City Council, Hampshire City Council, Portsmouth City Council, Southampton Chamber of Commerce, Hampshire Economic Partnership, South Hampshire Bus Operators Association, Sustrans and the University of Southampton. A wide range of external organisations were consulted on the bid, with presentations being made to the Solent LEP amongst others.
12. Alongside these external and internal consultations, the Council conducted an independent travel attitude survey amongst 1500 homes spread evenly across 15 Mosaic groups in Southampton. As part of the survey the proposed projects were described to residents. Some 86% said it was an initiative that local authorities should invest in.
13. The process used to determine the most appropriate delivery route for the project was a simplified twin qualitative and financial appraisal, with assumptions tested by the internal legal, finance and HR teams and eventually the Management Board of Directors. Details of the appraisal assessment are available on request. In addition, engagement has been had with other nearby local authorities to judge the demand for further collaboration and project elements that the delivery team may seek to meet. It has been concluded that there are significant opportunities to develop the programme further.
14. The partnership will be governed by a Project Board with membership drawn from invitees operating at an appropriate level in the partner organisations, including experts from the academic, health, private and voluntary sectors. The terms of reference for the Board will establish a framework within which the partners can each operate on a collaborative basis toward shared goals and

targets.

15. A number of collaborative agreements / Memorandums of Understanding or Service Level Agreements will be entered into as appropriate and / or required in order to facilitate partnership working across the Board. Such agreements will reflect the principle that each organisation will be responsible for risk and delivery in accordance with their own engagement in the programme and in proportion to their contribution to the overall aims and targets of the projects they participate in.

## RESOURCE IMPLICATIONS

### Capital/Revenue

16. The December 2011 Cabinet accepted the LSTF funding in accordance with Financial Procedure Rules (E.14 A) for externally funded revenue activity. A summary follows:

| £000's  | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---------|---------|---------|---------|---------|
| Revenue | 230     | 1080    | 1170    | 1030    |
| Capital |         | 170     | 170     | 110     |

17. Up to 3 new posts on fixed term contracts need to be created to deliver and manage the LSTF project which will be resourced in full from the LSTF funding. They include:
  - 1 x Travel Choices Programme Manager
  - 1 x LSTF Project Manager,
  - 1 x Marketing Officer
18. The report recommendation is worded in such a way that this is a maximum to recruit to and is subject to the agreement of the Director of Economic Development in consultation with the Portfolio Holder. A new marketing post is required in all eventualities. However, to deliver the SCC project alone there is potential to deliver with either the Centre Manager or LSTF Project Manager in post only. In such a circumstance the role of the delivery body would be concerned with delivery only and would lack the capacity to grow or effectively maximise other funding and business opportunities. In practice the delegated authority will allow the Director of Economic Development and the Portfolio Holder to respond flexibly as opportunities are secured or not. In the event that other Local Authorities engage in a shared service all three posts would be needed. Following informal market testing with other LAs there is a good indication that this will be the case and that those opportunities will require us to be able to respond at short notice.
19. It is also proposed that 3 existing staff will retain their substantive posts within the Travel and Transport Planning structure. There will be a 3 year saving from the SCC revenue budgets for these posts. At a point in time prior to the close of the two grant funded projects, a solution will need to be found to accommodate the posts, endeavouring to reduce any risk of potential redundancies - for both the existing and new posts. In the event that the staff are relocated to a new location as part of a collocated team some travel costs may apply but they are likely to be minimal and manageable within the funding allocation.

20. It is proposed that the grant be used to pay for support from a dedicated Accounting Technician post for the duration of the fund period. This is a reflection of the increased work load that will be placed on the finance resources of the authority. It presents opportunities for staff who are currently at risk of redundancy and puts off or mitigates pressure on potential redundancy costs for the authority.
21. The University are expected to deliver independent evaluation (research and development) of all of the initiatives and the whole package being delivered. Partnership working with the University was a stated strength of our bid to the DfT. There will be affordable revenue implications from this which will be met from the LSTF funding in full. The details of this are proposed to be a delegated decision.
22. Finally, the delivery of a number of projects will be in partnership with Sustrans. It is proposed to second their staff under an appropriate agreement to deliver some elements of the LSTF programme of activities including cycle training and Street Tread (a form of individual travel planning). The details of this engagement are also subject to a request for delegated authority.

### **Property/Other**

23. There are no implications for property contained in this report.

### **LEGAL IMPLICATIONS**

#### **Statutory power to undertake proposals in the report:**

24. The proposed delivery mechanism for sustainable transport can be established pursuant to the Council's power of general competence under section 1 of the Localism Act 2011, the exercise of which is subject to any pre-commencement prohibitions or restrictions that may exist.

#### **Other Legal Implications:**

25. It is proposed that the details of board structure, service level agreements and any other legal work entailed in the setting up of the "soft partnership" will be a delegated decision as reflected in the report recommendations.
26. The contracting and/or grant mechanisms put in place will be structured to comply with public procurement legislation, equalities legislation and any relevant requirements in relation to State Aid.
27. Of particular relevance to this project are the following procurement flexibilities:
  - The University of Southampton can be commissioned on a research and development (including evaluation of such research and development) basis which covers their current anticipated involvement in the partnership without the need to undertake a separate procurement for the activities they will undertake
  - The seconding of Sustrans staff into the team is not caught by public procurement law
  - As long as they are structured appropriately, shared services arrangements between public bodies fall outside public procurement law

### **POLICY FRAMEWORK IMPLICATIONS**

28. The LSTF project aims are consistent with the Council's Community Strategy, Economic Development Strategy and the Local Enterprise Partnership - helping

to create jobs in the area and strengthening the economy through more efficient optimisation of the transport network.

29. The LSTF projects aims are consistent with the Local Transport Plan 3, including contributions to the 14 objectives of the joint Strategy for Transport for South Hampshire (these are set out on page 8 of the LSTF bid which is available upon request) and the Council’s Low Carbon Strategy in reducing congestion and reducing CO2.
30. The LTP 3 implementation plan includes a desire to implement all the measures proposed subject to funding. Now that the funding bids have been successful the strategy agreed and inherent in it is significantly more likely to be achievable.

|                |         |                                 |      |               |
|----------------|---------|---------------------------------|------|---------------|
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**KEY DECISION?** Yes

|                                    |     |
|------------------------------------|-----|
| <b>WARDS/COMMUNITIES AFFECTED:</b> | ALL |
|------------------------------------|-----|



**SUPPORTING DOCUMENTATION**

**Non-confidential appendices are in the Members' Rooms and can be accessed on-line**

**Appendices**

|    |      |
|----|------|
| 1. | None |
|----|------|

**Documents In Members' Rooms**

|    |  |
|----|--|
| 1. | LSTF Tranche 1 Bid document "Southampton Sustainable Travel City"          |
| 2. | LSTF Large Bid Business Case document "A Better Connected South Hampshire" |

**Integrated Impact Assessment**

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|--|----|
| Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out. | No |
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**Other Background Documents**

**Integrated Impact Assessment and Other Background documents available for inspection at:**

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

|    |   |     |
|----|---|-----|
| 1. | <i>Creating Growth Reducing Carbon.</i><br>White Paper (January 2011) | ALL |
|----|---|-----|