Urban Transport Group briefing on Comprehensive Spending Review 2021

Summary

More optimistic forecasts for economic recovery have led to a better outcome overall for non-protected departments like DfT and DLUHC than has been the case recently.

The DfT's capital budget continues to be dominated by pre-existing commitments to inter-city infrastructure (though there has been some modest rowing back on the scale of the road building programme) which the PM remains very favourable towards.

More secure, consolidated longer term capital programmes are now in place for MCA areas (which is one of the things we asked for).

The desire to preserve the Union is a major driver of policy (hence the cut in APD on domestic flights and the enthusiasm for infrastructure for cross border journeys).

The tech fix / minimise impact on motorists approach to transport decarbonisation remains in place e.g. suspending the fuel duty escalator whilst investing in zero emission cars.

The additional £3bn we were expecting for transforming bus services has been substantially scaled back. There is no longer enough to meet the Government's ZEB pledge of 4,000 new buses in the time period that was originally envisaged and it is likely that the available transformational revenue funding will only be enough to make an impact in a limited number of places for a limited amount of time.

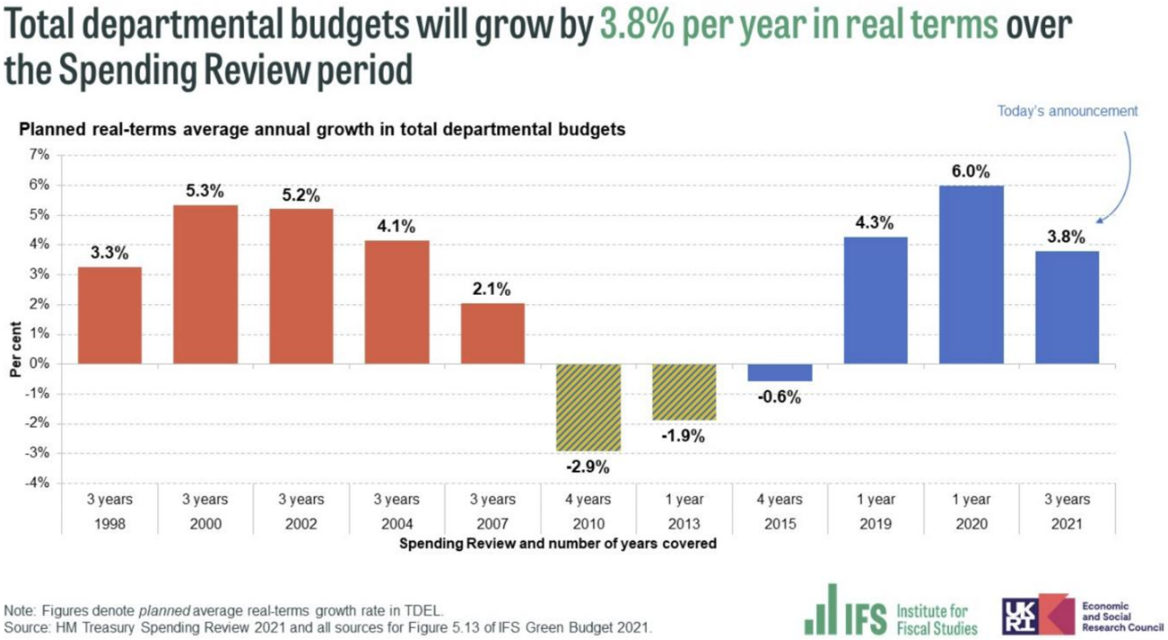
DfT is continuing with its labyrinthine 'patch and mend' approach to the broken system of bus funding that existed prior to the pandemic. There is the potential for additional short term extensions of recovery funding for bus and light rail to make up the shortfall in revenue from patronage caused by the pandemic. The prospects for maintaining existing networks remains fragile.

The potential rise in local government core spending power over the next three years will also be dependent on councils increasing council tax by 3% per annum[1]

DfT budget

Overall, government departments will receive a real term spending increase over the Spending Review period – including non-protected Departments (like DfT).

[1] Councils respond to 2021 Spending Review and Autumn Budget | Local Government Association



DfT capital and revenue budgets increase over the forecast period in both actual and real terms (£ billions)

	2021/22 (baseline)	2022/23	2023/24	2024/25	Real terms change	Overall growth
Transport Revenue DEL	4.4	7.8	6.8	5.7	6.8	7.8
Transport Capital DEL	18.8	19.5	19.9	20.5	0.6	4.9
Transport Overall DEL	23.2	27.2	26.7	26.2	1.9	5.5

How does this compare to pre-austerity budgets (£ billions)?

Department	2010/11	2022/23
Transport Revenue DEL	5.1	5.7
Transport Capital DEL	7.7	20.5

The announcement takes us back above the 2010/11 resource funding level in absolute terms but not real terms. The capital budget is substantially higher - largely due to commitments to HS2 and the national road building programme.

Key relevant CSR highlights

Inflation is expected to spike above 4%, with the OBR warning it could get closer to 5% with the gas price rise. This has implications for the cost of transport provision.

Chart 1.3: CPI inflation

Source: ONS, OBR

No Levelling Up White Paper (expected by the end of the year) but the Spending Review says *'The Levelling Up White Paper will provide further information on the government's plans to enable more areas to agree ambitious devolution deals, where there is local support, and to strengthen existing devolution arrangements to ensure local leaders can get on and deliver.'*

The first tranche of **Levelling Up funding** will provide £1.7 billion of funding for 105 projects, much of which is for infrastructure (page 59).

£5.7 billion **City Region Sustainable Transport Settlements (CRSTS)** for Mayoral Combined Authorities was as set out prior to the Spending Review (and summarised at page 58 of the CSR). The table below sets out each member's allocation and what proportion of this funding is classed as new money (new money has been defined as the total amount awarded to each member minus any previously allocated TCF, ITB, and highways maintenance funding).

This is welcome as it:

- was at the upper end of expectations and allows for significant capital investment in buses (including bus priority and green buses), active travel and light rail.
- provides greater long term certainty to plan and deliver capital schemes more effectively and efficiently and brings local transport more in line with national rail and road which already have longer term capital settlements.

Area	Total package	New money	Percentage new money
West Yorkshire	£830 million	£400 million	48%
Greater Manchester	£1.07 billion	£744 million	70%
West Midlands	£1.05 billion	£789.25 million	75%
Liverpool City Region	£710 million	£522	74%
South Yorkshire	£570 million	£385	68%
Total	**£4.23 billion**	**£2.8 billion**	**66%**

We were anticipating confirmation of the allocation of **£5bn of transformational funding for buses and active travel.** However although dedicated funding for bus and active travel has been increased, the £5bn has been scaled back significantly through including funding for bus in the CRSTS, funding already provided for emergency COVID support (as well as other funding steams).

This means there is now £1.2bn for Bus Service Improvement Plans which all 79 Local Transport Authorities were asked to submit by Oct 31st and which should contain their plans to substantially enhance bus services in line with the Bus Strategy's aspirations for more bus services, high frequency bus services, greener buses and lower fares.

Given that the bids to achieve this from some large urban areas were of the order of £1bn, the funding now available will not be sufficient to meet the objectives of the Bus Strategy.

The funding for zero emission buses will not cover the 4,000 new buses set out in the National Bus Strategy for the time period originally envisaged.

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On top of this, the cost of keeping public transport running every week is higher than it was before the pandemic – because patronage is lower than it was before the pandemic. These costs are likely to rise further due to inflation and rising labour costs (as bus operators raise wages and conditions to attract and retain drivers). The Government is providing welcome recovery funding for both bus and light rail to the end of the financial year. But it is uncertain whether this recovery funding will be enough (it's based on projections on patronage which may prove to be optimistic) and it is uncertain about what happens after April 22 when patronage is still likely to be less than it was pre-pandemic. All of which could mean that money meant for improving services could be eaten into in order to either maintain the status quo or control the rate of decline. In short, the prospects for the bus remain fragile.

Meanwhile of the £2 billion of transformational funding for active travel, the Spending Review sets out a further £710 million of funding, of which roughly a third is revenue funding (page 70, paragraph 2.110). £610m of the funding had already been allocated taking the total funding to £1.3 billion. The remainder of the £2bn is arrived at by including the estimated spend on active travel within the CRSTS.

The Budget and SR launches the **UK Shared Prosperity Fund (UKSPF)**, worth over £2.6 billion, to help people access new opportunities in places of need. Funding will rise to £1.5 billion a year by 2024-25 (page 74, paragraph 2.128).

Some modest rowing back on **national roads programme** and spending on intra-city road and rail continues to dwarf local transport spending.

£24 billion investment in national strategic roads, a reduction of £3 billion from the 2020 Spending Review (page 110, paragraph 4.63).

There is £2.7 billion for local roads maintenance over the 3 years for places not receiving CRSTF (page 100, paragraph 4.64). £2.6 billion for upgrades to local roads [reduced from £3.5 billion at the 2020 Spending Review].

Over £35 billion in **rail** investments. £305 million to begin to mobilise Great British Railways (page 110, paragraph 4.63). £360 million to modernise ticketing and retail systems, including delivering Pay as You Go ticketing to passengers outside of London (page 111, paragraph 4.67). They will continue to progress with the £500 million commitment to restore transport links previously lost in the Beeching cuts (page 111, paragraph 4.69).

In anticipation of the final recommendations of Sir Peter Hendy's **Union Connectivity Review**, the government will build on the existing £20 million union connectivity development funding by setting aside an additional £22.5 million to address recommendations on improving UK-wide connectivity, working with the Das (page 89, paragraph 3.33).

A 50% cut to domestic **Air Passenger Duty** (page 89, paragraph 3.34).

Fuel duty increase cancelled. There is also a freeze on company car tax and HGV VED for 2023/23 (page 145, paragraph 5.55).

Integrated rail plan / HS2 announcements put back.

On l**ocal government funding,** the CSR says that total departmental spending is set to grow in real terms at 3.8 per cent a year on average over this Parliament – a cash increase of £150 billion a year by 2024/25 (£90 billion in real terms) (Page 39, paragraph 1.76)

The total Resource Departmental Expenditure Limit is set to grow in cash terms by over £100 billion a year over the Parliament. This is equivalent to an average annual real increase of 3.3 per cent from 2021/22 to 2024/25. (Page 39, paragraph 1.78). Core spending power for local authorities is estimated to increase by an average of 3 per cent in real-terms each year over the SR21 period. (Page 108, paragraph 4.53).

The government is providing councils with £4.8 billion of new grant funding over the SR21 period for social care and other services (Page 108, paragraph 4.54)

The Local Government Departmental Expenditure Limit (LG DEL) will rise by £3.6 billion by 2024/25, or an average annual real terms increase of 9.4 per cent from 2021/22 to 2024/25. This includes £2 billion in 2024/25 related to the income from the health and social care levy, intended to fund the reforms set out in the adult social care reform command paper (Page 108, table 4.9).

The LGA's response was:

We are pleased that today's Spending Review has provided new government grant funding of £1.6 billion per annum (total £4.8bn over the period) for councils over the next three years to support vital local services. This will help meet some - but not all - of the extra cost and demand pressures they face just to provide services at today's levels. We note that the £4.8 billion funding package includes the £200 million commitment to increase Supporting Families funding, funding for cyber security and funding to improve local delivery and transparency. We are unclear whether the Government intends to use any of this pot of funding to equalise for the differential impact of the council tax adult social precept, as they have done in previous years.

Noting the caveats above, initial LGA analysis suggests that the increases to core spending power projected by the Government, including all councils increasing council tax to the maximum, will meet estimated forward pressures in 2022/23 to keep services at the at their 2019/20 level of quality and access, but will fall short by more than £1 billion in the last year of the Spending Review period.

It is disappointing that the Chancellor has not provided additional funding to address existing pressures on adult social care services and we remain concerned that the money allocated to social care from the Health and Care Levy will be insufficient to fund reforms. It should be noted that the potential rise in local government core spending power over the next three years will be dependent on councils increasing council tax by three per cent per annum.

The LGA welcomes the assurance that local government will be fully compensated for all the business rates measures announced. We note that the decision to freeze the multiplier once again removes buoyancy from the business rates system and without alternative means of funding council income would reduce.

We are looking forward to the commencement of the UK Shared Prosperity Fund (UKSPF) in 2022/23. Using local government's vast knowledge and expertise to co-design the programme will be the key to success. We are calling for a commitment to funding beyond three years.

There has been no increase in public health funding, which is not sustainable. Local authorities' public health grant has been cut by 24 per cent on a real-terms per capita basis since 2015/16 (equivalent to a reduction of £1 billion). Extra funding will help address some short-term pressures, but we need a clear plan on the future which recognises the public health challenges we face as a country, addresses the current and future pressures on the public health workforce and recognises the interconnectedness with other parts of the health and care system.

The Spending Review makes no mention of whether local government will receive a three-year financial settlement or whether and when local government finance reforms, such as the fair funding review, will be implemented. Councils look forward to receiving early certainty with a three year local government finance settlement. In recent years, settlements have been published in draft form very late in December, after the stated target of 5 December. This target should be met.

Initial reaction

Urban Transport group - Urban Transport Group responds to Spending Review | URBAN TRANSPORT GROUP

West Yorkshire - West Yorkshire Mayor's Reaction to the Chancellor's Spending Review - Combined Authority | Unlocking potential, accelerating growth (westyorks-ca.gov.uk)

West Midlands - Andy Street on Twitter: "Levelling Up in action with billions of £'s for: ✅ Public transport ✅ Brownfield land remediation ✅ Skills and training And a mega reduction in the UC taper rate to help keep more money in workers' pockets Thank you @RishiSunak for listening to the needs of the WM #Budget2021" / Twitter

Greater Manchester - Budget 2021 reaction: 'Why is it cheaper to fly than catch a train? | ManchesterWorld

Liverpool City Region - Budget 2021 reaction: levelling up needs to be ‘sustained and meaningful’ | LiverpoolWorld

South Yorkshire - Dan Jarvis says levelling up 'remains under resourced, under defined and over centralised' | Yorkshire Post

Mayor of London - Mayor says Budget shows Government is ‘taking London for granted’ | London City Hall

Local Government Association - Councils respond to 2021 Spending Review and Autumn Budget | Local Government Association

Sustrans - Our response to the UK Government's Spending Review - Sustrans.org.uk

CPT - CPT Reacts to Spending Review | CPT (cpt-uk.org)