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The Rt Hon Jeremy Hunt
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London, SW1A 2HQ

*Sent electronically*

**SPRING BUDGET 2024**

Dear Chancellor

The Urban Transport Group (UTG) is the UK's network of transport authorities. We represent the seven largest city region strategic transport bodies in England, which, between them, serve over twenty million people, working tirelessly to provide safe, reliable, convenient and sustainable travel options.

Ahead of the Office for Budget Responsibility providing its next set of public finance forecasts on 6 March and your statement in Parliament, we are writing to highlight the strong case for investing in public transport, walking and cycling. In our more detailed submission, which is attached to this letter for your information, we set out the clear empirical evidence on the effectiveness and wide-ranging, cross-sector benefits of transport investment.

Sustainable and adequate long-term investment in transport is key to achieving economic growth, net zero and levelling up. Various transport strategies have been introduced by the government over the last few years, including Gear Change, the National Bus Strategy and the Transport Decarbonisation Strategy, amongst others. These all feature welcome and ambitious objectives. However, our members need adequate, long-term financial support to achieve the levels of transformation they envisage. Our member authorities also require certainty that what is often referred to as “committed” or “announced” funding leads to delivery.

There are very few other policy interventions that deliver on multiple fronts simultaneously – from achieving Net Zero to improving public health, and from boosting economic growth, to enabling social justice. As such, funding for public transport, walking and cycling should not be viewed simply as a cost but as an investment in growth and ultimately the future of our people and places. Transformative change cannot be achieved without certainty of funding to allow for long-term strategic planning. It also cannot be achieved without an understanding of local needs and priorities, to ensure every £1 spent makes a genuine difference to the people and places local transport serves. We already know that, for example, every £1 invested in bus generates £4.48 in benefits. A recent TUC report estimates that investment in public transport would boost annual GDP by £52bn by 2030 through productivity gains –

an estimate based on comparisons with European locations with better public transport provision – and create 140,000 new transport jobs.

The Government has recognised that cities benefit from long-term devolved models of transport funding, as evidenced by the City Region Sustainable Transport Settlements (CRSTS). This funding is welcome and is already bringing about tangible improvements to public transport in the areas that benefit. However, the rising costs of capital projects means that, in effect, transport authorities are unfortunately in the position of being able to ‘do less for more’.

We also welcome the recently confirmed next tranche of Bus Service Improvement Plan funding. It is, however, only a fraction of what is needed to truly transform local services in the way the National Bus Strategy envisages, particulalry after years of authroities using available funds to safeguard existing networks. Sustainable revenue investment in transport is a highly effective form of public spending. It is vital for the efficient and effective delivery of capital schemes large and small, as well as supporting the effective operation of existing services.

Alongside specific mode-based revenue funding, wider local transport revenue funding has been significantly reduced - including via wider cuts in local government funding. The financial difficulties faced by local councils up and down the country, including the constituent members of Combined Authorities, is an increasing concern to our members, as cost and demand pressures are rising faster than funding.

Local Government Association analysis shows that by 2024/25 cost and demand pressures will have added £15 billion (28.6 per cent) to the cost of delivering council services since 2021/22. Despite increased funding in both 2023/24 and 2024/25, they estimated that the sector was facing a funding gap of £2.4 billion in 2023/24 and £1.6 billion in 2024/25.

Consolidation, devolution and a longer-term approach must also be extended to the operation of bus services outside London. With networks still recovering post-pandemic and authorities expecting to face additional financial pressures with the new England National Concessionary Travel Scheme calculator, there is an urgent need for fiscally responsible and financially sustainable long-term funding for bus services.

In order to avoid further loss of patronage and service miles, and to ensure that the ambitions of the National Bus Strategy can be delivered, bus must benefit from a devolved single pot, long-term funding settlement. This must begin with urgently providing certainty on revenue funding for bus post-2025 and working towards a sustainable five year funding deal for bus, similar to the approach taken to road and rail investment. This should be the next step towads all city regions receiving long term single public transport settlements.

More joined up funding across departments, appreciating the role transport plays in delivering wider priorities across our communties and the economy, could go towards addressing many of the current economic pressures. For example, investingin preventive measures like active travel and behavioural change will reduce pressures on primary health budgets and hospital costs downstream.

Revenue funding will continue to play an important role in supporting our city region transport networks. Capital investment can help to maximise the benefits of that revenue funding, creating efficiencies and providing a service that is attractive and affordable to people. The combination of simple, consolidated long-term funding models underpinned by clear and accountable local decision making would enable transport authorities to deliver services and schemes that unlock economic growth and deliver related social, environmental and health benefits, delivering best value for public money.

I therefore urge you to seize the opportunity to prioritise long term clarity and investment in our citiy regions and their public transport networks to secure sustainable economic growth and good social outcomes for millions across the country.

Yours sincerely,

**Jason Prince, Director**

# Spring Budget 2024
# Urban Transport Group representation to HM Treasury

**February, 2024**

## About Us

The Urban Transport Group (UTG) is the UK's network of transport authorities. UTG represents the seven largest city region strategic transport bodies in England, which, between them, serve over twenty million people in Greater Manchester (Transport for Greater Manchester), London (Transport for London), the Liverpool City Region (Merseytravel), Tyne and Wear (Nexus), the Sheffield City Region (South Yorkshire Mayoral Combined Authority), the West Midlands (Transport for West Midlands) and West Yorkshire (West Yorkshire Combined Authority).

Our wider associate membership includes Cambridgeshire and Peterborough Combined Authority, Nottingham City Council, Strathclyde Partnership for Transport, Tees Valley Combined Authority, West of England Combined Authority, Translink (Northern Ireland) and Transport for Wales.

## Summary

We welcome the opportunity to contribute to the development of the Spring Budget 2024.

Sustainable and adequate long-term investment in transport is key to achieving government's goals on economic growth, net zero and levelling up. Various transport strategies have been introduced by the government over the last few years, including Gear Change, the National Bus Strategy and the Transport Decarbonisation Strategy, amongst others. These all feature welcome and ambitious objectives, it is however, for the Treasury to provide the adequate long-term financial support to achieve the levels of transformation they envisage

This submission underlines the strong case for investing in public transport, walking and cycling. There are very few policy interventions that deliver on multiple fronts, simultaneously – from achieving Net Zero to improving public health, and from boosting economic growth, to enabling social justice. Our member authorities require certainty that what is often referred to as "committed" or "announced" funding leads to delivery, in turn delivering growth.

As such, funding for public transport, walking and cycling should not be viewed simply as a cost but as an investment in growth and ultimately the future of our people and places. Transformative change cannot be achieved on a shoestring or without certainty of funding to allow for long-term strategic planning. It also cannot be achieved without an understanding of local needs and priorities, to ensure every £1 makes a genuine difference to the people and places local transport serves.

The government has recognised that cities benefit from long-term, consolidated and devolved models of transport funding, as evidenced by the City Region Sustainable Transport Settlements (CRSTS).

A key message of this submission is the need for greater use of this kind of model to provide greater certainty of long-term funding alongside continuing devolution of decision making, with a dual focus on both revenue and capital funding.

The combination of simple, long-term funding models underpinned by local decision making would enable transport authorities to deliver services and schemes that unlock economic growth and deliver related societal, environmental and health benefits, delivering best value for public money.

In line with this, future funding models should avoid use of competition funding which drain limited resources with no guarantee of a successful outcome.

# The case for investment in local transport: Enabling growth

Urban public transport matters economically, socially and environmentally. The impacts of urban public transport stretch across a whole range of national policy areas. Growing public transport use support the attainment of these polices, whereas failure to invest has the opposite effect.[1]

There is a strong consensus that city regions are key to improving the UK's wider economic competitiveness. Transport is the key enabler of such growth.[2] To deliver on their potential, city regions need efficient local transport networks, which are resilient, integrated and responsive to current and future challenges and commuter needs. Effective local transport networks support city centres with their clusters of high value jobs, retail and cultural offerings. They also support secondary centres, high streets and suburbs by providing them with the access they need. Connectivity with other cities, and with the wider world, attracts investment and skills and enables access to domestic and international markets.[3]

## Revenue investment

Sustainable revenue investment in transport is a highly effective form of public spending. It is vital for the efficient and effective delivery of capital schemes large and small, as well as supporting the effective operation of existing services.

Alongside specific mode-based revenue funding, wider local transport revenue funding has been significantly reduced[4] - including via wider cuts in local government funding. Recognizing the national economic and social pressures, more joined up revenue funding across departments appreciating the role transport plays in the wider placemaking and public services could go towards addressing many of these pressures. For example, investing health budgets in preventive measures like active travel and behavioural change will reduce pressures on primary health budgets and hospital costs downstream.

Current transport funding mechanisms favour capital over resource spending, even when this may not represent best value for public money. Ultimately, as explored in depth by UTG in various publications, this could be expected to eat away at the productivity of public spending and could also have other unintended consequences. This includes maintenance of existing infrastructure, supporting bus networks and other initiatives which play an equally key role in meeting wider social and economic objectives.

[1] UTG, 2023 Urban Public Transport Funding – Options for Reform

[2] UTG, 2021 Back the Bus to Level Up

[3] UTG, 2022 The Good Life: The role of transport in shaping a new and sustainable era for suburbs

[4] UTG, 2023 Submission to Spring Budget 2023

UTG 2015 report 'Revenue-Capital mismatch' analysed the impact of revenue funding cuts on the capacity of Local Transport Authorities to deliver capital schemes and found that: *'revenue budget cuts and the ad hoc nature of major capital funds made it difficult to develop a long-term strategic approach to the delivery of capital funding.'* This impacts on the value that can be gained from funding as authorities are constantly responding to the pots of funding available rather than setting out local priorities to deliver on.[5]

## Capital investment

The government has made capital allocations for improvements to public transport to Mayoral Combined Authorities via CRSTS. This funding is welcome and is already bringing about tangible improvements to public transport in the areas that benefit. However, the rising costs of capital projects means that, in effect, transport authorities are unfortunately in the position of being able to 'do less for more'.

New data modelling carried out by UTG, for example, shows that capital investment in buses can indeed unlock efficiencies but these benefits can be multiplied by combining that investment with enhanced revenue funding support. Together, maintaining revenue support at the current enhanced levels, increasing the take up of zero emission buses, and delivering bus priority to knock one minute off each journey, makes it possible to increase bus patronage by 126 million trips a year. The capital investment delivers year on year efficiency savings for operators, allowing them to potentially deliver higher levels of service and in turn generate higher revenue. These interventions would undoubtably make a huge difference to bus services levels and passenger experience. They would also contribute towards wider goals of cutting congestion, achieving net zero and levelling up.

Revenue funding will continue to play an important role in providing the networks and fare levels our city regions need. Capital investment can help to maximise the benefits of that revenue funding, creating efficiencies and providing a service that is attractive to people.

## Long-term investment, devolved decision making

Competitive pot approach to funding wastes time, resource and causes delays. Devolved funding means places can align funding streams to ensure best value, focus on delivery and target funding based on local knowledge about impact. We, therefore, welcome the progress, which has been made on further devolution of powers and funds, through most recently the trailblazer agreements and CRSTS. This ought to also extend to Transport for London, sitting outside the CRSTS, which requires long term certainty over its capital funding to honour existing contracts to undertake major upgrades.

Consolidation, devolution and a longer-term approach must also be extended to the operation of bus services outside London. With networks still recovering post-pandemic and authorities expecting to face additional financial burdens with the new England national concessionary travel scheme calculator, there is an urgent need for fiscally responsible and financially sustainable long term funding for bus services. In order to avoid further loss of patronage and service miles, and to ensure that the ambitions of the National Bus Strategy can be delivered, bus must benefit from a devolved single pot, long-term funding settlement. This must begin with urgently providing certainty on revenue funding for bus post 2025 and working towards a sustainable 5 year funding deal for bus, similarly to the approach taken to road and rail investment.

It is also important to note that the sum of the consolidated funds needs to be more (not less) than the sum of the parts and commensurate with the scale of funding needs for local transport.

Following the unveiling of the Network North plan earlier in October, our members also require urgent clarity over the details and allocations of the boost in settlements. This would enable them to make the most out of the very welcome additional investment, beginning to plan and implement schemes to have the most impact for their communities and overall growth aspirations for their regions.

More broadly, the momentum on devolution must be maintained and accelerated. Decisions on urban transport networks are best made at the appropriate tier of devolved governance so connections can be made between decisions on transport and those on decarbonisation, housing, local economic development, public health and the wider placemaking.

[5] UTG, 2015 Revenue vs Capital Mismatch

Wherever possible, decisions on how to allocate funds to different local public transport services should be taken at a local level. To make the most of the available funding, transport authorities need to be given more discretion and autonomy on how the funding is spent, with long term certainty and trust to deliver.

Greater certainty over central government funding cycles would enable local authorities to focus on the long-term picture and to allocate internal resources and deliver schemes more efficiently and effectively. Long-term funding settlements enable transport authorities to plan coordinated, strategic programmes of improvements which meet the needs of their people and places.

# Return on investment and distributional impacts

There is extensive evidence to show that investment in transport provides a significant return both in social and environmental as well as direct economic terms. A comprehensive empirical study conducted earlier this year found that investment in transport infrastructure has a positive effect on UK economic development. [6]

In a recent report, TUC have claimed that investment in public transport investment would boost annual GDP by £52 bn by 2030 through productivity gains – an estimate based on comparisons with European locations with better public transport provision – and create 140,000 new transport jobs.[7]

In terms of mode specific investment, cost benefit analysis by KPMG shows that every £1 invested in bus generates £4.48 in benefits. Investing £10 billion in buses over the next five years would increase the number of bus services by seven per cent, improving services for an additional 20 million people, and generating £3.68 of economic benefits for every £1 invested.[8]

There are very few policy interventions that deliver on multiple fronts, simultaneously – from achieving Net Zero to improving public health, and from boosting economic growth, to enabling social justice.

As such, funding for public transport, walking and cycling should not be viewed simply as a cost but as an investment in the future of our people and places.

Therefore, the current approach to transport project appraisal ought to also be reviewed, given it currently fails to consider the cumulative impact of schemes and is predominately concerned with the economic case over strategic fit, integrated network delivery and broader, economic, social and environmental objectives.[9] Overreliance on Benefit Cost Ratios (BCRs) over local impacts and broader strategic goals are of significant concern to Local Transport Authorities. Whilst BCRs can provide a helpful measure of the advantages of some schemes, they are not set up to capture all the wider benefits of a scheme and its significance locally against strategic objectives. Whilst we welcome the changes announced in late 2020 to the Green Book, namely reduced emphasis on benefit cost ratios (BCRs), there is little evidence to suggest that these changes have delivered a change in practice and culture. Whilst some more weight is given to local strategic cases alongside BCRs, in practice this is still in its infancy and cost/benefit approach still seems to be the driving factor behind appraisal decisions at the DfT.

## Return on investment

There are countless examples from our members, which offer clear empirical evidence on the effectiveness of transport investment.

The Tyne and Wear Metro and local rail contributes around £165.6 million of GVA to the North East economy. In a wider measure of GDP and welfare benefits, the overall contribution increases to £367.6 million per annum, which equates to an economic value of around £8.50 per passenger.[10]

[6] Yijia Zhang, Lu Cheng, 2023, The role of transport infrastructure in economic growth: Empirical evidence in the UK
[7] TUC, 2023 Public transport fit for the climate emergency
[8] KPMG, 2020, Greener Journeys maximising the benefits of local bus services
[9] UTG ,2021, Major transport infrastructure projects: appraisal and delivery – consultation response =
[10] UTG, 2021 Leading Light: What Light Rail can do for City Regions

Following the delivery of Manchester's Metrolink, between 2009 and 2019, employment in city centre Manchester grew from 135,000 to 175,000, a 30% increase. Over the same period, the number of car trips crossing the Manchester city centre cordon in the morning peak period decreased from 27,000 to 22,500. Furthermore, the light rail system unlocked the successful redevelopment of Salford Quays, which now boasts 250 businesses in MediaCityUK, employing around 7,000 people and a further 1,000 business in the wider Salford Quays area, employing 27,500 people.[11]

## Environment

The UK was one of the first countries in the world to establish legally binding carbon emission reduction targets, in the 2008 Climate Change Act.[12] As referenced earlier in this submission, motorised road travel is the largest contributor to transport carbon emissions. Therefore, net zero cannot be achieved without the urgent decarbonisation of transport. This is particularly true for urban transport, given that city regions are the epicentres of economic and population growth.

Achieving Net Zero and accelerating growth isn't mutually exclusive, and a green economic recovery is possible with transport playing a vital role. Investing in green transport has historically created export opportunities given the UK's strong heritage and reputation for quality and innovation in bicycle and bus manufacturing. Cementing the UK as a hub for green transport technology and innovation presents an important opportunity as we make the transition to net zero.[13]

## Social Mobility

Transport has a vital role to play in connecting people to opportunities and improving quality of life. The transport choices commuters are enabled to make have a significant impact on their individual and collective ability to fully participate in society. To support social inclusion, transport options should strive to reflect the needs of the diverse communities that they serve, as well as fulfil 'the 4 As': available, accessible, affordable and acceptable.

Improving transport services, making them more affordable or more physically accessible, or providing transport services where none previously existed, can help address social exclusion. In addition accessibility planning could help promote the integration of transport, land-use planning and decisions about the location of employment and education, health, social service and retail amenities.

At the same time, inaccessible and poor transport provision contributes to poverty and social exclusion. This is supported by empirical evidence, which shows that public transport, and in particular the bus, is intrinsically targeted at the people most in need of support to level up their access to opportunity. Low income families are more dependent than others on bus travel[14]; buses account for a larger proportion of their income and the cheaper fare deals which involve paying larger lump sums are often unavailable to them and transport costs can be a barrier to employment for low income families.[15] Overall, transport is integral to improving equality, by increasing access to jobs, education and services. Policies that improve the accessibility and affordability of transport can therefore help promote equality.

## Health

Investment in public transport can enable a modal shift to public transport and active travel, which is one of the most important actions needed to achieve the UK's Net Zero target and the countless associated health, economic, societal benefits that comes with it.

Air pollution is one of the most considerable environmental risks to human health and is responsible for up to 36,000 early deaths in the UK every year.[16] Around 24 million people live in urban areas with air pollution above legal limits in England. Transport is both a cause, as well as a solution to addressing this major challenge.

Motorised road travel is the largest contributor to transport carbon emissions (responsible for almost 70% of the UK's annual domestic transport CO2 emissions), with more than 95% of the 26 million tonnes of transport-

[11] TfGM, 2021 Metrolink Phase 3 Monitoring and Evaluation Second Report
[12] HM Government, 2008, Climate Change Act
[13] UTG, 2022, Evidence submission: Review of Net Zero
[14] DfT National Travel Survey Table NTS0703 2019
[15] NatCen Social, 2019, Transport and inequality: An evidence review for the Department for Transport
[16] Air pollution: applying All Our Health - GOV.UK (www.gov.uk)

related carbon emissions per year from road transport.[17]

Modal shift, which can only be achieved through sustained and adequate investment in public transport and active travel, can address this major issue and improve our health through cleaner air, reduced noise pollution, increased physical activity and promotion of social cohesion.

If everyone switched two car journeys to bus a month by 2050, this would result in 15.8 million tonnes of carbon dioxide savings and £14.9 billion worth of cumulative health benefits.[18] Whilst extensive research has demonstrated the health benefits of active travel.[19] , further supported by UTG reports on the benefits of investment in cycling and walking schemes, such as [Active Travel: Solutions for changing cities,] and our 2022 report [The Good Life: The role of transport in shaping a new and sustainable era for suburbs.]

# Conclusion

The impact that inadequate public transport has on the economy, on businesses and on communities, particularly in a cost-of-living crisis, is profound. As explored above, investing in public transport and active travel is therefore one of the best ways to achieve economic growth, levelling-up and net zero, provide value for money for taxpayer and boost investors' confidence in our city regions and the whole country.

We welcome the progress made on providing consolidated funding on a longer timescale through the City Region Sustainable Transport Funds, and we urge the Treasury to undertake early and thorough engagement with City Regions on the next tranches of the CRSTS to ensure that longer term planning and investment can continue. We also welcome the recently confirmed next tranche of Bus Service Improvement Plan funding. It is, however, only a fraction of what is needed to truly transform local services in the way the National Bus Strategy envisages, particularly after years of authorities using available funds to safeguard existing networks.

The long-term importance of local public transport is clear, as is the immediate need for funding to build resilience back into a system still recovering from the impact of the pandemic. Building on government's ambitions for devolution and economic growth, Combined Authorities are ready to play a role to direct and manage capital and revenue funding with the goal of better achieving policy goals shared with government.

**Author: Jason Prince, UTG Director**

[17] Transport for the North, 2021, Decarbonisation Strategy
[18] Campaign for Better Transport, 2023, Better Transport for Better Health
[19] Health benefits of active travel: preventable early deaths - The Health Foundation