



URBAN TRANSPORT GROUP

Consultation Response

UTG Response to the MHCLG:

A review of local authorities' relative needs and resources

Technical consultation on the assessment of local authorities' relative needs, relative resources and transitional arrangements

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1. Introduction

- 1.1. The Urban Transport Group (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 Passenger Transport Executive), the West Midlands (Transport for West Midlands) and West Yorkshire (West Yorkshire Combined Authority).
- 1.2. This response is focused on the transport elements of the consultation.
- 1.3. The city regions, and the core cities they contain, are major drivers of the national economy. The Gross Value Added of our largest city regions has grown around 20% since the recession, and the latest figures available show that in the last year they have grown faster than the national average¹.
- 1.4. However, these city regions, and their core cities, have experienced large cuts to their funding through the period of austerity. Recent work by Centre for Cities shows that per head, cities saw a cut in spending of £386 compared to £172 elsewhere in Britain². The largest cuts were felt in the north of England, with budgets reducing by 20% on average.
- 1.5. Repeated funding cuts have increased the strain on Local Authority budgets – particularly for discretionary spending given that a growing proportion of local authority budgets are now devoted to statutory services. Centre for Cities found that over 50% of cities spend the majority of their budgets on social care, compared to only 4 cities being in this position in 2009/10³.
- 1.6. With budgets increasingly consumed by mandatory spending there is less money left to spend on important areas such as transport. Research has consistently shown the considerable economic and social benefits that derive from investing in transport yet not enough has been invested in the city regions to support their economies and populations. The National Infrastructure Commission recognises that major new investment in transport is needed to allow our cities to thrive⁴.
- 1.7. As a result of their success, cities suffer from high levels of congestion to the road and public transport networks. Investment in urban transport networks delivers benefits that far exceed their costs and is vital in continuing to ensure that people can continue to access work and other opportunities⁵. We are concerned that despite this evidence far from redirecting public spending on transport to where it will have the greatest economic benefits, the current review risks achieving the opposite.

¹ ONS economic statistics

² Cities Outlook 2019, a decade of austerity, https://www.centreforcities.org/publication/cities-outlook-2019/?utm_source=Centre+for+Cities+Newsletter&utm_campaign=f2b28576cf-EMAIL_CAMPAIGN_2017_10_27_COPY_01&utm_medium=email&utm_term=0_2a9c9d5ef9-f2b28576cf-141609721&mc_cid=f2b28576cf&mc_eid=3afa7418ac

³ Cities Outlook 2019, a decade of austerity, https://www.centreforcities.org/publication/cities-outlook-2019/?utm_source=Centre+for+Cities+Newsletter&utm_campaign=f2b28576cf-EMAIL_CAMPAIGN_2017_10_27_COPY_01&utm_medium=email&utm_term=0_2a9c9d5ef9-f2b28576cf-141609721&mc_cid=f2b28576cf&mc_eid=3afa7418ac

⁴ National Infrastructure Commission, Infrastructure for thriving cities, <https://www.nic.org.uk/infrastructure-thriving-cities/>

⁵ Ibid



- 1.8. The funding of concessionary travel is a major challenge for transport authorities making up a significant proportion of their expenditure. We are concerned that the proposals set out in this consultation will further worsen the situation by overlooking key cost drivers that are particularly acute for urban areas. Underfunding of statutory concessionary travel schemes will further reduce available resource to support the expansion of urban transport networks with their proven economic benefits.
- 1.9. We also contend that deprivation should be included in the funding formula. Although government analysis suggests that deprivation can explain just 4% in the variation of costs for upper tier services (which MHCLG analysis shows to be the second most significant cost driver after population⁶), it is a key driver in the demand for key services like public transport.

2. Response to questions

Question 1): Do you have views at this stage, or evidence not previously shared with us, relating to the proposed structure of the relative needs assessment set out in this section?

- 2.1. In general we support the principle of seeking to reduce the complexity of funding formulas. However, it must be ensured that any changes take into account the relevant factors and produce reasonable results. We do not believe this is the case with regards to the Highways Maintenance calculations.
- 2.2. Our 2014 report, “A Bumpy Ride”, urged government to review the formula used to allocate available road maintenance funding so as to better reflect the relative economic opportunities that derive from investing in the maintenance of different types of local roads⁷. It argued that funding should be allocated in proportion to the volume of cars, buses, lorries, pedestrians and cyclists traveling on local roads rather than on the basis of road length and traffic flow.
- 2.3. Whilst road length is a relevant factor in determining maintenance costs, it is also overly simplistic when used in isolation. Other key factors include the categories of roads involved and the relative costs of maintaining them. Similarly traffic flow is another simplistic measure as not all vehicles cause the same level of damage to a road surface. This is particularly relevant in large urban areas where city centre traffic has a much higher concentration of larger vehicles, such as buses. Simply looking at the volume of traffic will produce inaccurate estimates of the cost of highways maintenance.
- 2.4. In English city centres, cars make up just a third of traffic on the roads⁸. The rest is made up of buses, trams, lorries, bikes and pedestrians. This means two things. Firstly, the weight of many of the vehicles are considerably heavier than on networks where cars are dominant, and thus there are likely to be higher road maintenance costs. Secondly, the economic value of the trips made on these roads is likely to be higher due to the higher volumes of people

⁶ Local Government chronicle, February 2019, Swapping one opaque formula for another is not the answer

⁷ http://www.urbantransportgroup.org/system/files/general-docs/pteg%20Report%20Economics%20of%20Highways%20Maintenance%20A%20Bumpy%20Ride_FINAL.pdf

⁸ http://www.urbantransportgroup.org/system/files/general-docs/pteg%20Report%20Economics%20of%20Highways%20Maintenance%20A%20Bumpy%20Ride_FINAL.pdf



bring moved (traffic density is 70% greater in the six English city regions that elsewhere in England outside of London).

- 2.5. There is also evidence to show that road maintenance funding delivers greater economic benefits in large urban areas. The West Midlands Road Condition Study, showed that an accelerated programme of road maintenance on principal local road network would deliver between £6 and £7.5 of economic benefits for every £1 of public spending. By way of comparison The Transport Research Laboratory (TRL) has calculated that a £1 cut in national road maintenance budgets would result in wider costs to the economy of £1.5 and £2⁹.
- 2.6. It is also worth noting that in 2014, it was estimated that the Metropolitan areas had over 5,500 kilometres of local roads in need of urgent repair.
- 2.7. We would urge MHCLG to look into developing a cost benefit approach to road maintenance funding, looking at the economic value of maintenance funding across different geographies, or rather the economic loss that could be experienced should this funding be reduced. This is a very different approach to the crude use of road length and number of vehicles. It would also enable road maintenance funding to be targeted at locations that would deliver the greatest economic benefits, or looked at another way, would avoid the greatest economic loss should the maintenance not be undertaken. More detail on such an approach can be found in our report, 'A Bumpy Ride'¹⁰.

Question 2): What are your views on the best approach to a Fire and Rescue Services funding formula and why?

- 2.8. We have no view on this.

Question 3): What are your views on the best approach to Home to School Transport and Concessionary Travel?

Concessionary Travel

- 2.9. The Local Government Association has published research suggesting that the English National Concessionary Travel Scheme (a nationally specified concession) now faces a funding shortfall of £652 million each year¹¹.
- 2.10. The proposals in the consultation do not address the shortfall in funding, do not reflect the evidence base and risk skewing funding away from areas where the costs of providing concessionary travel are greater (which is urban areas).
- 2.11. Specifically the proposed approach does not take into account the recommendation made in November 2016 by the technical working group which were that a separate formula should be used. It also fails to mention the detailed evidence presented in September 2018 by the technical working group about the key drivers of spending need.

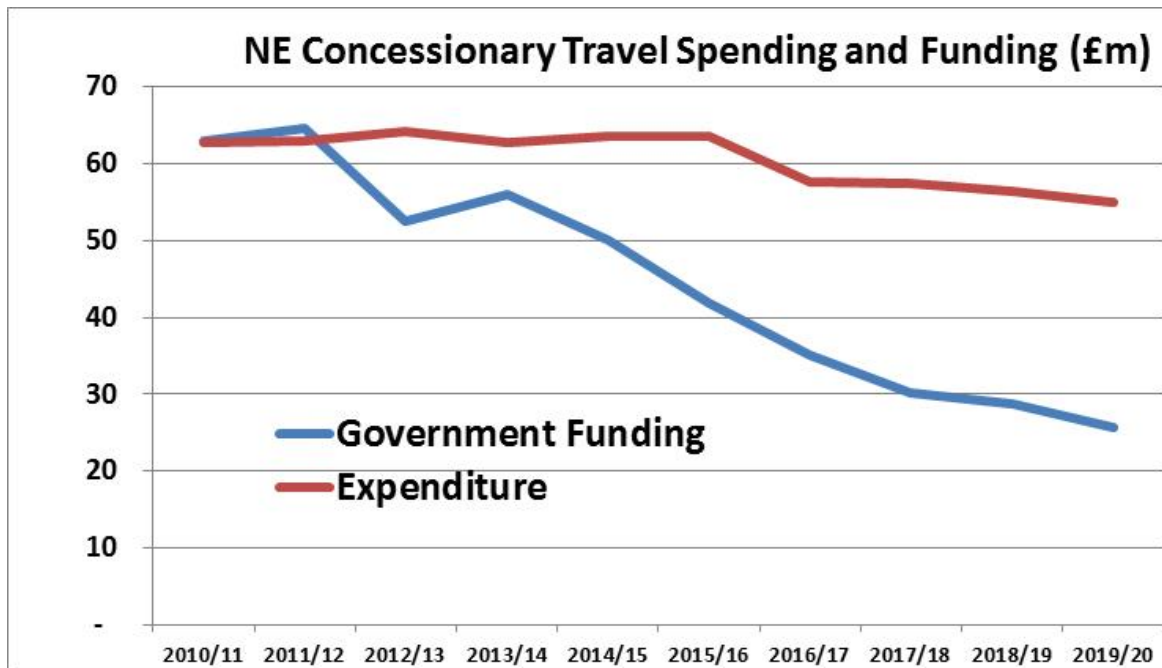
⁹ http://www.urbantransportgroup.org/system/files/general-docs/pteg%20Report%20Economics%20of%20Highways%20Maintenance%20_A%20Bumpy%20Ride_FINAL.pdf

¹⁰ http://www.urbantransportgroup.org/system/files/general-docs/pteg%20Report%20Economics%20of%20Highways%20Maintenance%20_A%20Bumpy%20Ride_FINAL.pdf

¹¹ Local Government Association, <https://www.local.gov.uk/about/news/nearly-half-all-bus-routes-risk-funding-gap-free-bus-pass-reaches-ps650-million>



- 2.12. The existing funding shortfall means that authorities have been forced to reduce the amount of money spent on discretionary concessionary fares and reduce the number of socially necessary bus services that they support. Research by Campaign for Better Transport found that £20.5 million was cut from tendered service budgets in the last year alone¹². The Local Government Association estimates that “nearly half of all bus routes in England currently receive partial or complete subsidies from councils and are under threat¹³.”
- 2.13. Figures from our members’ areas show that the situation has been worsening, with, for example, government funding expected to cover just half of the costs of concessionary travel spending in the North East by 2019/20, when it covered all of the costs as recently as 2010/11¹⁴.



- 2.14. The main cost drivers of statutory concessionary travel are a product of the number of people eligible for a free bus pass, and the number of trips they make, together with the fare that commercial bus operators charge (given that the basis for operator reimbursement for carrying concessionary travellers for free relates to the fare they would have been charged if there was no concessionary scheme). It is important to note that local authorities have no control over these drivers.
- 2.15. The consultation document argues that the cost of providing services like concessionary fares are higher where there are conditions of ‘rurality’ and ‘sparsity’. We do not think the evidence supports this in relation to concessionary fares and indeed the opposite is true.
- 2.16. Firstly (as the chart below shows), trip rates per concessionary pass are significantly higher in metropolitan areas than non-metropolitan areas. Together with a higher population, this

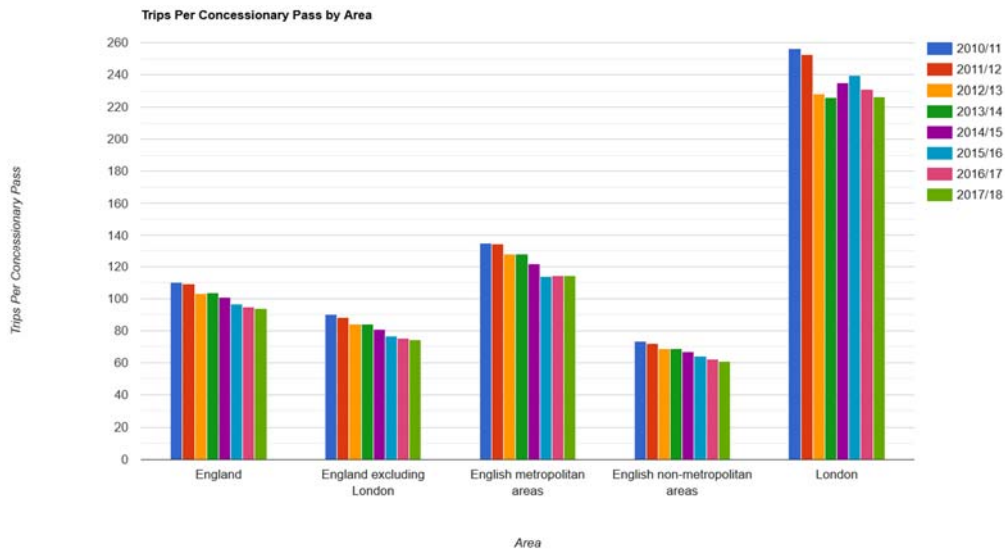
¹² Campaign for Better Transport, Buses in Crisis 2018, <https://bettertransport.org.uk/buses-in-crisis-2018>

¹³ Local Government Association <https://www.local.gov.uk/about/news/nearly-half-all-bus-routes-risk-funding-gap-free-bus-pass-reaches-ps650-million>

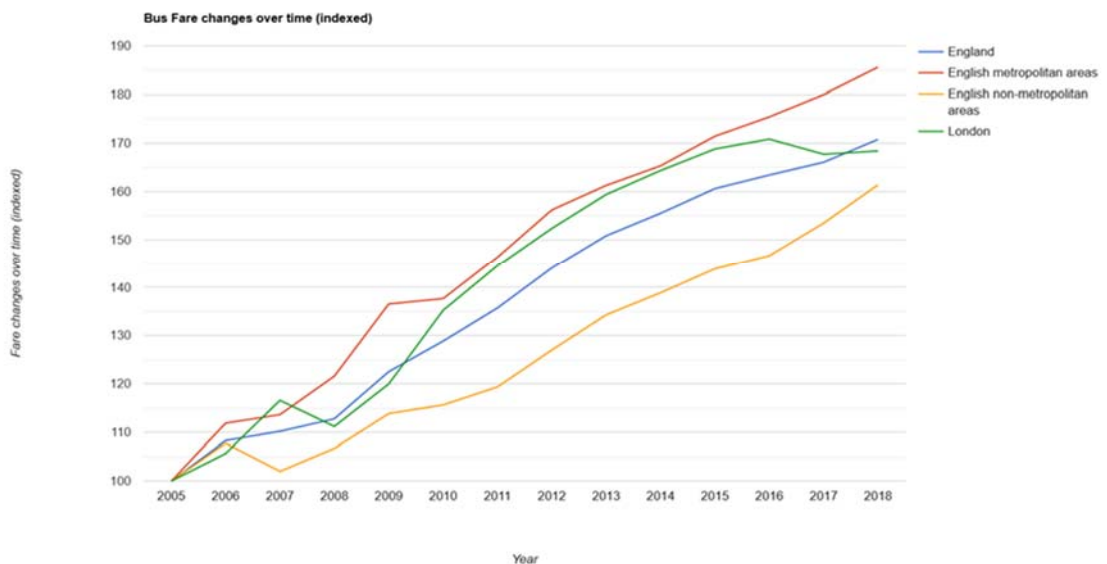
¹⁴ North East Combined Authority analysis of concessionary travel



means that there is considerably more demand for concessionary travel trips in the Metropolitan areas than in other parts of the country.



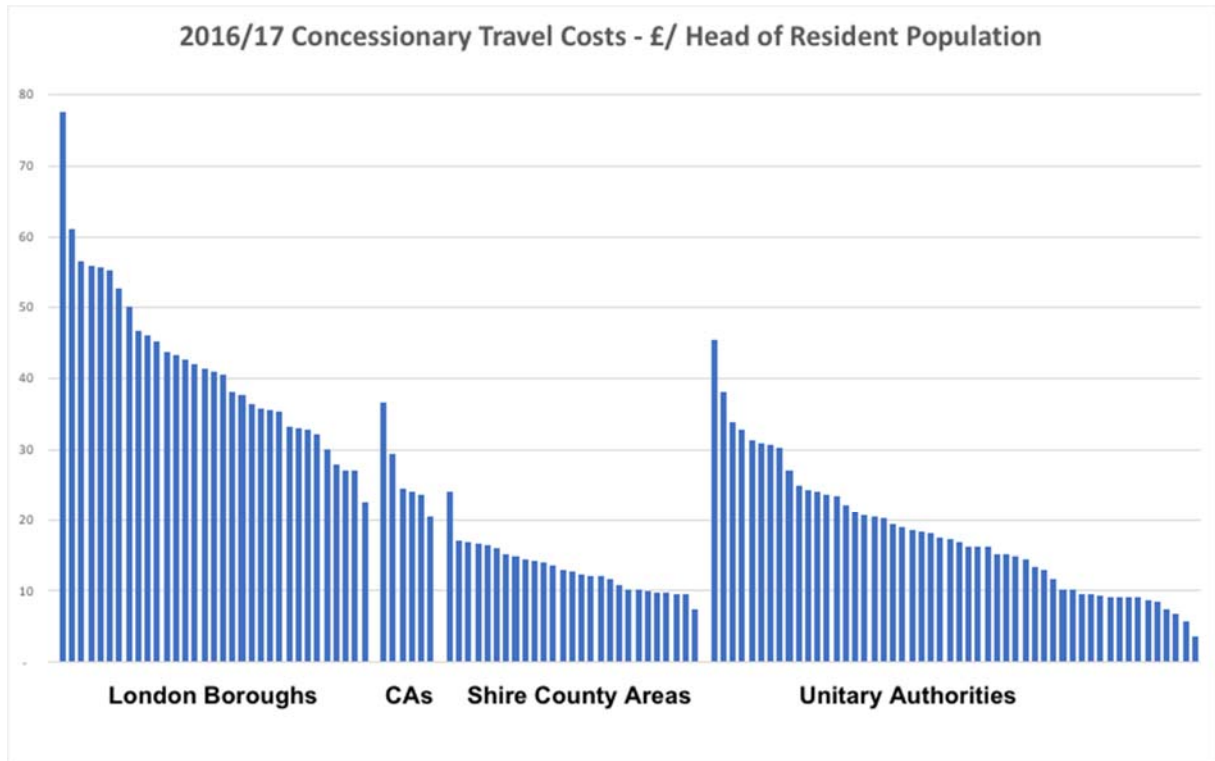
2.17. Secondly (as the chart below shows), Metropolitan area bus fares have also risen at a much faster rate than other parts of the country over the last ten years (20% more than in non-Metropolitan areas for example). This feeds through into higher reimbursement rates for bus operators for carrying concessionary travellers.



2.18. The following chart, produced by the North East Combined Authority, illustrates the ramifications of some of these factors by showing the wide variation in the cost of



concessionary travel per head of population. It shows that the cost of delivering concessionary travel per head of population is higher for Combined Authorities and London than it is in shire county areas.¹⁵



- 2.19. The higher usage of concessionary travel passes in city regions relates to social factors (as well as factors such as higher population densities and more extensive public transport networks) including deprivation given that it is in urban areas where deprivation can be most concentrated. This in turn relates to lower levels of car ownership and greater dependency on public transport.
- 2.20. The removal of the deprivation indicator would therefore further exacerbate the mismatch in funding for concessionary fares funding away from the areas where the costs are highest.
- 2.21. It is also important to note that cities often have more complex public transport networks than more rural areas, with the public transport offer consisting not just of bus services but also rail, light rail, tram and metro. This also means that for many trips it makes more sense to a user to take another form of local public transport rather than the bus. This is why many transport authorities offer additional concessions for other modes in addition to the bus-only National Concessionary Travel Scheme. These additional schemes require separate local government funding.
- 2.22. However, analysis in the North East suggests that cancelling the discretionary concession on the Tyne and Wear Metro will generate further costs for the Passenger Transport Executive due to the increased number of people switching to the bus. They estimate that their costs would actually increase by £1.4m to £4.9m per annum.

¹⁵ North East Combined Authority analysis of concessionary travel



2.23. In this sense, there is an argument for central government providing further funding to urban areas to support the mobility of concessionary passengers in the most appropriate and cost effective way given the nature of the local public transport network.

Home to School Transport

2.24. The cost of home to school transport is primarily driven by the number of children and the level of service required.

2.25. With urban areas having pockets of deep deprivation, often characterised by low car ownership, it is likely that this is a measure that could be affected by the omission of a deprivation indicator. Where car ownership is low there is likely to be a greater focus on the bus as a mode of travel to education, which in turn impacts on demand. Whilst population size will also play a key role in driving demand, it is too simplistic a measure to be used in isolation given wider socio-economic factors.

2.26. Equally, it should not be assumed that rurality and sparsity will always drive higher costs. For example the table on road speeds and reliability (shown below in response to question 4) shows that distance does not always relate to journey times given that traffic congestion is more common in urban areas.

2.27. In addition the cost of maintaining and providing education transport vehicles in urban areas can be higher than in rural areas given driver wages, and the cost of land for depots.

Question 4): What are your views on the proposed approach to the Area Cost Adjustment?

2.28. We do not agree with the proposals set out for an Area Cost Adjustment, as this is a very simplistic view of how the cost of delivering services is arrived at, and ignores many of the complex factors that combine to determine the cost of a service.

2.29. In particular we do not accept the crude argument that remoteness necessarily means longer journey times and higher service delivery costs (due to greater distances) as it fails to take into account the greater likelihood of congestion and slower traffic speeds in urban areas. Looking at DfT data on average speeds on local 'A' roads¹⁶, it is clear that the average speed in metropolitan areas, and especially their core cities, is considerable lower than the England average, and lower still than that in typical rural areas.

Area	Speed	Average delay
East Riding of Yorkshire	36.6	17.7
Shropshire	35	22.8
Herefordshire	33.1	23.5
Cumbria	31.7	25.1
Northamptonshire	30.9	30.2
England	25.2	46.9
South Yorkshire Met County	25.2	44.2
West Midlands Met County	20.1	69.0
Greater Manchester Met County	18.5	76.0

¹⁶ DfT Statistics Table CGN0501b



Birmingham	18.3	81.9
Manchester	15.7	104.9
City of London	7.6	308.2

- 2.30. So, if you were to drive for one hour in Manchester and one hour in the East Riding of Yorkshire, you would travel almost 21 miles further in the East Riding.
- 2.31. What's more, when we look at congestion and journey time reliability there is again a marked difference between the average delay in urban and rural authorities. This means that you have to factor in considerable additional time above the free flow speed of the road when planning your journey.
- 2.32. Urban roads now suffer a delay of 76 seconds for every mile driven compared to only 21 seconds elsewhere¹⁷.
- 2.33. What this demonstrates is that in this case a crude sparsity, or rurality measure is not justified given it fails to reflect actual journey times and the cost of delivering a service. Whilst rurality and sparsity may be cost drivers in the delivery of some services, it is a giant leap to apply this to almost all services when no evidence has been presented for this.
- 2.34. Where transport spending is taken away from urban areas it is likely that key issues such as congestion will worsen, limiting the ability of cities to deliver strong and inclusive economies.

Question 5): Do you agree that the Government should continue to take account of non-discretionary council tax discounts and exemptions (e.g. single person discount and student exemptions) and the income forgone due to the pensioner-age element of local council tax support, in the measure of the council tax base? If so, how should we do this?

- 2.35. We have no view on this.

Question 6): Do you agree that an assumptions-based approach to measuring the impact of discretionary discounts and exemptions should be made when measuring the council tax base? If so, how should we do this?

- 2.36. We have no view on this.

Question 7): Do you agree that the Government should take account of the income forgone due to local council tax support for working age people? What are your views on how this should be determined?

- 2.37. We have no view on this.

Question 8): Do you agree that the Government should take a notional approach to council tax levels in the resources adjustment? What are your views on how this should be determined?

- 2.38. We have no view on this.

¹⁷ National Infrastructure Commission, Infrastructure for thriving cities, <https://www.nic.org.uk/infrastructure-thriving-cities/>



Question 9): What are your views on how the Government should determine the measure of council tax collection rate in the resources adjustment?

2.39. We have no view on this.

Question 10): Do you have views on how the Government should determine the allocation of council tax between each tier and/or fire and rescue authorities in multi-tier areas?

2.40. We have no view on this.

Question 12): Do you agree that surplus sales, fees and charges should not be taken into account when assessing local authorities' relative resources adjustment?

2.41. We have no view on this.

Question 13): If the Government was minded to do so, do you have a view on the basis on which surplus parking income should be taken into account?

2.42. We have no view on this.