



Urban Transport Group Initial Spending Review Briefing 2020 (version three: 16th Dec)

This note provides our initial analysis of the spending review 2020. We are still working through the calculations and detail, so these figures should be treated with caution. Fully comparable figures and breakdowns of funding headings by HMT / DfT are not yet available, so we have focused on top line figures and comparisons.

Summary

2021/22 will see an increase in the DfT core resource and capital budgets from the previous year though a smaller increase than was envisaged pre-pandemic. The resource budget is also 10% lower than in 2010 (the first year of austerity spending cuts). Most of the capital spending increase is allocated to HS2 and roads. COVID19 revenue support is scaled back and only national rail services have an allocation for 21/22.

Local Transport spending has been cut compared with 20/21– with local road maintenance one of the big losers.

Key spending heads

The Spending Review has set the DfT budget for 2020-21 and outlined spending for 2021-22. The totals are as follows.

	£ billion		
	2019-20	2020-21	2021-22
Core resource DEL excluding depreciation	3.5	4	4.7
Core capital DEL	14.3	18.2	18.8
Covid-19 resource DEL excluding depreciation	0.6	12.6	2.1
Covid-19 capital DEL	0	0.2	0
Total DEL	18.4	35	25.5

National transport spending is generally on a multi-year settlement whereas local transport is on a one year settlement (with the exception of the intra-city fund).

	£ billion				
	2021-22	2022-23	2023-24	2024-25	Total
High Speed 2 capital DEL	5.2	5.7	5.8	5.9	22.6
Road Investment Strategy 2 capital DEL	3.8	4.4	4.8	5	18
Network Rail's Control Period 6 capital DEL	5.8	5.8	5.8	-	17.5
Intra-city settlements capital DEL	-	0.8	0.8	0.8	2.5
Electric vehicle charging and grants capital DEL	0.4	0.6	0.5	0.4	1.9

Only one element of the multi-year spending settlements is for local transport, the intra-city settlement, although this does not start until 2023-23.

The Road Investment Strategy 2 has seen an increase of £3 billion compared to the previous 5 years

What else does the spending review set out?

- £1.7 billion for local roads maintenance and upgrades (we understand that this is packaging up of various funding streams in a way which disguises reductions in some of the funding stream it amalgamates - chiefly local road maintenance)
- £300 million for bus services (which may go towards Covid-19 revenue support for bus if required). This is part of the £3 billion for buses over 4 years, so a low proportion of the overall total has been allocated for 21/22.
- £120 million to support the delivery of 800 cleaner buses
- £257 million for active travel – part of the £2 billion promised over 4 years, so again a low proportion of the total pledged has been allocated for 21/22

Where are the main gains and losses for urban transport?

Although full detail on funding streams and their implications is not yet available, we can start to look at a high level at some of the main gains and losses for local transport.

Lost

- Lost the Local Growth Fund – around £1 billion a year (12 billion over 8 years – although allocated to LEPs nationwide and not all for transport)
- Road Maintenance funding reported to be £350 million down

Gained

- Transforming Cities Fund - £500 million a year (£400 million more than last year's allocation) and steps up again in 2022/23 (its final year).
- Intra-city settlement for eight mayoral city regions of £2.5 billion between 2022/23 and 2024/25. There will be some interplay between this fund and the final year of TCF, which could reduce funding to areas with a high final year

TCF settlement. As part of the Intra-city settlement there will be an initial £50 million of resource funding in 2021/22 to help Mayoral Combined Authorities prepare for the intra-city fund. We also understand that Gov (including potentially the different views of different officials, advisors at Ministers at HMT, Number Ten, DfT and MHCLG) see this fund as leverage over the policies they might wish MCAs to pursue.

- £4 billion levelling up fund (£600 million available next year) which may focus largely on towns and could also be a range of schemes and measures (including transport)
- Bus will receive £300 million from the promised additional £3 billion over four years, but this may be used for COVID19 revenue support rather than enhancements. This is a low start to the settlement, which will need to be ramped up in coming years to meet the overall spending commitment
- Active travel will get £257 million. This is a relatively low allocation of the promised additional £2 billion for active travel over the next 4 years.

The end of the Local Growth Fund is the biggest blow to local transport budgets. This funding will in effect in part be replaced by Transforming Cities Fund, meaning that areas with access to this fund will be impacted upon less than some areas.

Overall we understand that overall local transport spending could be down in the region of £600 million to £1bn for 21/22 and that Shires could be down a third to a half.

Covid-19 revenue support funding

Total Covid-19 revenue support fund for public transport was £12.8 billion in 2020-21, but only £2.1 billion is allocated in 2021-22 (all of which is for national rail and none of which is for any other form of local public transport).

National rail will have received £10.6 billion out of the total of £15.4 over the two years.

	£ billion			
	2019-20	2020-21	2021-22	Total
Transport	0.6	12.8	2.1	15.4
of which: Support for passenger rail services (9)	0.6	8.0	2.1	10.6
of which: Further support, including buses, light rail, cycling and Transport for London	0.0	4.8	0.0	4.8

The zero allocation for local transport is likely to put pressure on the £300 million investment fund for buses (the first part of the £3 billion settlement promised in June 2020 by the Prime Minister). This initial allocation of just 10% of the overall £3 billion

for 20/21 is already lower than hoped for, and syphoning money off for Covid-19 support would further reduce what can be achieved with the funding.

We understand that general reserves will be used to provide additional COVID19 support for local transport if HMT agrees.

But how does this budget compare to previous years?

The headline statements on the spending review set out that both capital and revenue spending on transport have increased. However, it is important to place this into a wider context of longer term trends. To do this we have compared the current settlement to the one awarded in 2010-11, the first year of the austerity budget as local government cuts began to kick in.

Core Capital DEL

	£ billion	
	2010-11	2021-22
Capital DEL	7.7	18.8

The total capital settlement has increased significantly since 2010-11. However, the majority of this increase is taken up by spending on HS2 and an increased settlement for Highways England.

Core Resource DEL (not including additional COVID19 funding)

	£ billion	
	2010-11	2021-22
Resource DEL	5.1	4.7

It is immediately clear that whilst revenue spending at DfT has increased over recent years it is still 10% below the 2010-11 level, and this is before inflation is taken into account meaning that the real terms cut is much bigger. The figure we have used does not include the additional Covid-19 resource funding, rather we have focused on the core resource DEL of the Department.

Whilst it is welcome that revenue funding is on the increase again, this should be set in the context of the long term reduction. Revenue funding is vital for local authorities to achieve the maximum benefits out of capital investments, providing maintenance and vital behaviour change initiatives to support capital spending.

Longer term prospects

Overall (non-Covid-19) spending projections for the next five years are below the Chancellor's pre-pandemic plans. This means that things might get worse for non-protected departments such as Transport and MHCLG. Initial analysis from the

[Resolution Foundation](#) suggests that unprotected departments day-day revenue spending will remain almost a quarter lower in real per capital terms in 2024-25 compared to 2009-10, with DfT being 45% down.

Implications for Local Government funding

Initial analysis from the LGA suggests that whilst the longer term prospects remain unclear for local government budgets, some large council tax rises could help to protect budgets ([LGA responds to Spending Review | Local Government Association](#)). Their analysis suggests that next year could see a 4.5% increase in council core spending power to support vital local services. However, this assumes that council tax bills will rise by 5%, placing a significant burden on households during a difficult time.

Initial conclusions

Committed spend on national infrastructure has squeezed local transport spending – with local road maintenance being one of the biggest losers.

HMT is keeping revenue support for COVID19 restricted to relatively short term deals requiring multiple and overlapping negotiations on a mode by mode basis

The loss of the Local Growth Fund may be partially compensated by the ramp up in TCF Funding and access to new funding pots including a £4.2bn intra-city fund for the eight largest city regions and the Levelling up fund. Other funding streams may also kick in at higher levels for 22/23 including the £5bn four-year funding promised for active travel and buses.

City regions may also be less badly affected than shires overall.

Competition funding (and puppeteering of devolved authorities over their use of some non-competition funding by different parts of Whitehall) is favoured over block funding despite its inherent inefficiencies and anti-devolutionary nature.

National transport spending is prioritised over local road spending with multi-year spending programmes and significant long term capital programmes (including £27.5bn of new national road building) for national rail, road and charging infrastructure and a one-year deal for local transport.

Day-to-day DfT transport spending remains below pre-austerity levels and is likely to come under further pressure given DfT is not a protected Department

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