Minutes

Attendees
Mostaque Ahmed – DfT
Grahame Bygrave – Norfolk CC, representing ADEPT
John Fenwick – Nexus, representing pteg
Clive Harris – representing LGA
Anna Heyworth – DfT
Fran McMahon – DfT
Andrew Ross – Cheshire East Council, representing LGA
Charles Soutar – Staffordshire CC, representing LGA
Will Walker – DfT
Adrian White – Durham CC, representing LGA

Apologies and minutes of previous meeting

1. Mostaque Ahmed welcomed members to the group. There were apologies from Bruce Thompson and Tracy Jessop of ATCO.

2. The minutes of the 21 September meeting had been circulated to members and were agreed. The minutes have now been published on the DFT’s website at: http://www.dft.gov.uk/publications/local-transport-capital-block-funding/

Emerging conclusions: Variables

3. Fran McMahon gave a summary of some of the groups emerging conclusions, based around the variables in the current formula and new variables to be added.

4. On the three variables for which the Department had no immediate proposals to consider new data sets:

Objective One Areas
Objective One Areas are part of the European Commission’s regional policy. The group agreed that this was not an area on which it could advise.

Public Transport
The current variable is based on local bus and light rail passenger journeys, based on data supplied by local authorities. The Department is now using data supplied by operators to produce local authority estimates of passenger journeys and there may be concerns about the difference between these two sources of data. There was general agreement on the possibility of using
Smart Ticketing data sometime beyond 2015, once the robustness of the data had been established.

**Air Quality**
It was agreed that the use of Air Quality Management Areas as the basis of this element was too simplistic and possibly anachronistic. There was broad agreement that this element might be recognised within the congestion element of funding ie there is a link between congestion and poor air quality.

5. On the three variables for which new data sets had been considered:

**Road Safety**
Two alternative scenarios had been presented at the previous meeting – one based on the rate of casualties per billion vehicle miles and one based on the change in the number of road casualties over a decade.

The first scenario was not popular with the group as it allocated the same level of funding to all LAs achieving the same rate of road casualties, regardless of the type and size of road network. There were questions around the second scenario in that it was a move away from a needs based formula. The group agreed that it was not clear if either alternative was an improvement on the current variable.

**Congestion**
The group agreed that the current indicator, based on population, was not a good measure of congestion. The alternative scenario, based on average vehicle journey times, was seen to be an improvement, but did not sufficiently address the problem of measuring congestion.

**Accessibility**
The existing element is based on levels of deprivation and car access. The group had considered a new data set based on the Department’s own accessibility statistics; this would break the link with deprivation. There was agreement that the existing element was a fairer and better way of allocating funds for accessibility.

6. On proposals for new variables:

**Carbon**
The group agreed there was an aspiration to have carbon included in a revised formula, but there were many issues that would need to be addressed including: the creation of a North/South split, the balance between need and reward and the danger of creating perverse incentives. The group agreed that measures to reduce carbon might be covered by measures to tackle congestion.

**Economic Growth**
The group had been presented with scenarios based on GVA as a measure of economic growth and acknowledged this as a key driver for national and local government. However, there were issues around the most appropriate
measure for growth. The link between GVA and transport need was not a clear one – higher GVA does not necessarily equate to greater transport need. The group had discussions around using population of working-age and levels of worklessness data as alternative measures of growth, but reached no definite conclusion.

**Walking and cycling**
The group agreed that, out of the three possible new variables, the case for including walking and cycling was the weakest; it was not seen as a key driver at the local level. However, it was also noted that in the summary of responses to the 2010 consultation, the Department said it was minded to include this data in a revised formula. It was considered that there was robust data relating to cycling, but not at a national coverage level. In discussion it was noted that data from the Active People Survey might be suitable, but until it became available it would not be known to what use it might be put. The group questioned whether this element would be better addressed as part of the health agenda.

**New scenarios**

7. An updated version of the IT Block scenarios paper, presented at the September meeting, had been circulated to members, following the discovery of an error in the original version.

8. A paper providing additional scenarios of changes to the IT Block formula: two economic growth scenarios and a possible composite formula was presented.

**Economic growth**

Two alternative scenarios were presented as comparisons to the previous exemplification which used the latest data on GVA.

The first scenario allocated funding based on the level of employee earnings within each authority – the number of employees multiplied by the average (mean) gross weekly earnings for employees within the authority. The second scenario distributed funding based on the number of working age people in employment within each authority in 2010-11.

It was pointed out that scenarios based solely on economic growth had been used to demonstrate its impact on the current IT Block formula. There was no intention to base the formula on a single variable.

In discussion the following points were raised:

- Any measure based on employee earnings emphasised the North/South divide, with more money going to the South East.
- How do these scenarios measure the potential for economic growth? Is there a link between employee earnings and transport need?
Funding is needed where there is potential for economic growth – areas of high unemployment might offer this potential. Good transport connects people with jobs.

Working age population feels a better measure of economic growth, although this population is declining in relative terms in the shire counties as the population ages.

This scenario feels like a regressive measure as a means of distributing funding – taking money away from those areas with the greatest need.

However, there may be suppressed demand in areas with already high levels of economic growth. These areas might need funding to build transport to facilitate further growth.

Household surveys show that wealthier people travel more – they make more trips and travel for longer distances.

Areas of low economic growth may have access to other funding streams.

There needs to be a balance in the funding for economic growth. It will be for ministers to decide this balance.

There was a general discussion around whether the congestion and/or accessibility elements of the formula might act as a proxy for economic growth, but the group did not reach a conclusion.

Possible composite formula

A new scenario based on a mix of old and new formula elements was introduced:

- 35% economic growth (employee earnings and congestion)
- 35% carbon (new data on carbon, old air quality element, old public transport element)
- 30% safety and accessibility (old road safety and accessibility elements)

This scenario demonstrated how a composite formula could balance out changes to the funding over different areas, in particular reducing the differences between the North and South which had been a criticism of both the carbon and GVA data.

In discussion the following points were raised:

- LAs would prefer to see more weighting given to economic growth and less to carbon reduction.
- The current transport priorities for LAs are: reducing congestion and opening up areas for growth.
- The Local Enterprise Partnerships are likely to want to see more transport infrastructure.
- The current state of the economy puts more pressure on economic growth and, if unconsidered, economic growth leads to higher levels of carbon.
- A low carbon economy is a priority and this will influence the behaviour of LAs in the future.
- The carbon element, as proposed, does not give any incentive to LAs to reduce emissions.
Measures to improve air quality are expensive and funding is not sufficient to implement traditional air quality improvement schemes.

Will Walker reminded the group that carbon reduction is a priority for the Department. However this did not mean the formula should lose sight of other environmental considerations, such as air quality element.

Additional funding

9. Mostaque Ahmed talked about the need to consider other funding streams and the totality of funding coming from the Department. The Department will need to look at the impact on IT Block funding of proposed changes to major schemes funding, the implementation of the Growing Places Fund and the future of the Local Sustainable Transport Fund.

Emerging conclusions: Wider principles

Weighting of variables

10. Previous weightings were based on historic spend; noting the PAC’s recent review of formula based grant, it was thought likely that Government would want to move away from this approach and there did not seem to be much opposition to this within the group. Weightings are useful in indicating priorities. Will Walker said the weightings given to different elements of the formula would ultimately be something for Ministers to agree.

Need v. Reward

11. Will Walker said that there had been a lot of discussion around perverse incentives. In terms of road safety the current funding could not really be said to have created a perverse incentive as there was no evidence that LAs would fail to reduce levels of road casualties in order to maintain funding. However, in adding new variables there was the danger of creating a genuinely perverse incentive, particularly around carbon levels.

12. He also highlighted the Local Government Resource Review and its ethos of trying to move Local Authorities away from needs based funding to a culture where they could help themselves. The Department was not necessarily moving away from a formula based on need, but in general the group felt that there should be some method of rewarding those LAs that make improvements.

13. Mostaque Ahmed said the formula may be based on need, but the Department would give consideration to how far it wanted to support growth and remove barriers to change.

14. Efficiency measures were raised. Mostaque Ahmed said the Government was giving greater freedom to LAs and not setting centralised (efficiency) targets. There may be room for looking at efficiencies through greater
transparency. Will Walker mentioned efficiency as an incentive in itself – the more efficient LAs would have more money to spend.

Changing the formula

15. There was broad agreement in the group that stability, in terms of funding, was preferable to an absolute reflection of reality in terms of current data. The indicative allocations for 2013/14 and 2014/15 should, subject to overall government budgets, be adhered to. Data should only be refreshed at the time of a spending review.

16. Will Walker said there were unlikely to be transitional arrangements for Local Authorities seeing a reduction in funding at the point of a data refresh. Transitional arrangements following a change in the formula may be appropriate but it was noted that if early warning was given of changes in the formula then these were likely to be limited. This was because timescales would allow a sufficient period, between the announcement and implementation of any changes, for Local Authorities to make necessary adjustments.

Next steps

17. Will Walker outlined the proposed timetable. The Department would circulate a draft report of the group for approval within the next few weeks. He invited members to comment on the report. He emphasised that this report would not necessarily make specific recommendations to ministers, but would raise important points that the group would like to see considered in a review of funding.

18. The report, submission and any draft consultation paper would go to ministers in December and, subject to ministerial agreement, a full consultation would be launched in January 2012. The consultation would be based on the formula for funding, not the amount of funding.

19. This being the final meeting of the group, Will thanked all members for their participation.