Attendees
Grahame Bygrave – Norfolk CC, representing ADEPT
John Fenwick – Nexus, representing pteg
Anna Heyworth – DfT
Tracy Jessop – Norfolk County Council, representing ATCO
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.   There were apologies from Mostaque Ahmed of DfT and Clive Harris of LGA.

2.   The minutes of the 21 July meeting had been circulated and were agreed. The minutes, and other information relating to the review group, have now been published on the DfT’s website at: http://www.dft.gov.uk/publications/local-transport-capital-block-funding/

3.   Fran McMahon gave a brief summary of the minutes of the last meeting to remind members what had been discussed.

Validity of variables in current formula
4.   Will Walker explained that with three of the six variables: objective one areas, public transport and tackling pollution there was no proposal to consider new datasets; although these variables would be considered later in the meeting. However, since the formula was first created there have been improvements to the quality of data available for: road safety, congestion and accessibility. This had formed the basis of the data change scenarios circulated prior to the meeting.

Presentation and discussion of data and formula change scenarios

Data change scenarios
5.   Anna Heyworth presented several data change scenarios and tables showing how each change would have impacted on the 2011-12 allocations.
Road safety

The current formula for road safety is based on the average number of KSI and slight casualties on LA managed roads between 2005 and 2009. Anna Heyworth presented two alternative scenarios: the rate of KSI/slight casualties per billion vehicle miles on LA managed roads for 2005-2009 and the change in the number of road casualties over the decade 1995/99 to 2005/09.

In discussion the following points were made:

- Using the rate per billion vehicle miles enables the level of traffic on roads to be taken into account.
- The change in the number of causalities scenario allocates more funding to LAs who improve road safety. This is a move away from a needs based formula.
- This scenario allocates the same levels of funding to LAs, which have very different types of network but which achieve the same rate of road casualties.
- The impact of changes to the road safety element would lead to some smaller LAs receiving a large reduction in funding.
- The higher the KSI, the larger the funding needed to tackle the problem.
- There should be some way of rewarding LAs that reduce road causalities.
- LAs ability to influence trend varies. Rural authorities with a large network of high speed roads need capital for improvements, but metropolitan authorities in deprived areas need revenue funding for training and education schemes.
- The element of road safety could be split eg. 80% needs based and 20% as an incentive for improvement. However, this raises issues of complexity and hence potentially transparency. Will Walker referred to the recent PAC report on Formula Funding and the advantages of clarity.
- There could be a period of adjustment with the gradual change to road safety trend.
- The road safety element of the formula is currently only 20% of the total allocation.
- It was not clear if either of the scenarios presented were an improvement on the current method of calculation.
- It was not clear if ‘LA managed roads’ in the traffic data included any trunk roads actually managed by the Highways Agency

Action point: Anna Heyworth to check on the types of road included in the traffic data

Congestion

The current formula for congestion uses population data by settlement size. The group debated an alternative: average vehicle journey times (flow-weighted) during the weekday morning peak on LA managed A roads for 2009-10. Those authorities with longer journey times per mile would receive higher allocations of funding.
discussion the following points were raised:

The new scenario results in an East/West split with unitary authorities receiving more funding and metropolitan counties receiving less.

- It was suggested that unitary authorities might be losing out under the current formula because they appear to gain from any change.
- Average journey time is not necessarily a good measure of congestion.
- The new measure does not include vehicle occupancy.
- IT Block funding is not sufficient to reduce congestion on HA roads.
- It would be a significant and resource intensive piece of work to allow the Department to include some trunk roads in the calculation, but not others.
- More money will go to congested areas; again this raises the issue of need versus reward.
- The Local Government Resource Review was based on empowering local authorities rather than just allocating according to need.
- Some data sets allow rate of change to be tracked and others do not.
- What do we mean by congestion? The current indicator is not a good measure, and this could be a move in the right direction but it was felt that the indicator as presented did not yet sufficiently address this aspect of the formula.

Accessibility

When the current formula was produced DfT had not developed its current accessibility statistics. The current calculations are based on the 2001 Census data on household car ownership, alongside the 2007 Index of Multiple Deprivation and the latest residential population data.

The group discussed an alternative scenario that used DfT’s 2010 accessibility statistics on the average shortest journey time in each local authority to the nearest employment centre (an Output Area with more than 500 jobs). A minimum journey time of 10 minutes was applied.

The following points were raised:

- The longer the journey time, the larger the share of funding allocated.
- The new formula does not take car ownership into account.
- In rural areas many people will prioritise car ownership.
- The new formula breaks the link with deprivation.
- Patterns of working e.g. night work and shift work were not included.
- The Output Area of 500 jobs is an arbitrary figure and alternatives could be used.
- Unitary authorities would gain most from the change, but it is not clear why.
- There was a consensus that the original formula, although complex, was a fairer and better way of allocating funds for accessibility.

Action point: Anna Heyworth to investigate why unitary authorities gain so much from a revised formula
Formula change scenarios

6. To investigate how current policy drivers of economic growth and cutting carbon might be increased within the formula Anna Heyworth presented several formula change scenarios and tables showing how each change would have impacted on the 2011-12 allocations.

7. The group looked at four formula changes: 100% residential population; 100% GVA, 100% trend in GVA; and 100% carbon dioxide emission. These scenarios were used for illustrative purposes only. The group then looked at a number of more complex changes to the formula including scenarios based on:

35% carbon emissions, 35% population and 30% IT formula
35% carbon emissions, 35% population and GVA, 30% IT formula
35% carbon emissions, 35% daytime population and GVA, 30% IT formula
35% carbon emissions, 35% population and GVA trend, 30% IT formula

Population and economic growth

In discussion the following points were made:

- The link between GVA and transport need is not clear. Higher GVA does not necessarily give rise to transport need.
- The age of the population and the level of worklessness should be taken into account.
- There should be a refresh of population data based on the 2011 Census.
- In any of the above scenarios the shire counties gain and the metropolitan counties lose.
- Using GVA emphasises the North-South divide with the South East and the East gaining most.
- Anna Heyworth welcomed any suggestions for using alternative data to measure economic growth or potential for economic growth. 'Working age population in employment' as a proxy for the economic potential of an area, was suggested, using ONS data on labour market statistics: http://www.nomisweb.co.uk/default.asp

Carbon

In discussion the following points were raised:

- Basing funding on carbon emissions led to a North-South split.
- A formula based on carbon emissions would lead to more funding for higher emissions – a perverse incentive.
- It was questioned how much influence local authorities had over road based emissions and hence whether a data set based on road based emissions was fair.
• Carbon emissions might be covered by measures that tackle congestion.
• The charts showed that in scenarios containing data on carbon emissions the metropolitan counties received less funding and the counties received more – this did not seem logical.
• Measures to reduce carbon (e.g. the installation of charging points for electric vehicles) are costly.

Walking and cycling data

8. Will Walker noted that in the summary of responses to the 2010 consultation the Department had said it was strongly minded to include, amongst others, walking and cycling measures in the future formula.

9. Anna Heyworth went on to say that potentially there was data available from the Active People Survey. The survey questioned a sample of at least 500 people in each local authority about sport and active recreations, including walking and cycling.

10. There was some debate about whether the inclusion of walking and cycling data would be based around need or would be used as an incentive to encourage these activities.

11. Some members felt this was an issue of wealth; the more affluent will tend to walk and cycle. It had previously been mentioned that the physical size of the LAs and their nature (urban v. rural) may have an influence on levels of walking and cycling.

12. It was also noted that there were synergies between increased levels of walking and cycling and the public health agenda.

Weighting of variables

13. The weighting of variables was originally based on historic spend patterns. In introducing the topic, Will Walker wondered whether the weighting of variables should be more aligned with policy objectives.

14. The following points were raised in discussion:

- No sophisticated modelling had been undertaken for the various scenarios, the 35/35/30 split used was a crude way of dividing funds, but how do we make sure the split is right?
- How do you allocate funding to ensure it is used to influence areas of policy (e.g. if funds are allocated based on GVA, it is not the areas of growth that need additional funding).
- There needs to be a way of allocating funding that will influence outcomes.
- The scenario that gave 35% of the allocation to population and GVA was giving economic growth a very low priority.
• The Eddington Study recommended investment in public transport in city regions. However, the proposed scenarios appear to draw funding away from urban areas and from the North to the South.
• The level of change shown in the scenarios might be surprising, but was useful as a challenge to the assumption that local authorities are currently receiving the correct levels of funding for their needs.

Variables in current formula revisited

15. Will Walker returned to the three variables that were not included in the data or formula change scenarios: objective one areas, public transport and tackling pollution.

Objective one areas

Only Cornwall is now included in this calculation. It was considered that this element of the formula was probably not an area the group could advise on.

Public transport

Issues of data collection were raised. The current formula uses local bus and light rail passenger journeys based on local authority data. It was felt that there were wide fluctuations in the reliability of data available to local authorities, particularly in rural areas. As part of the drive to reduce burdens they are no longer required to collect this data. The Department now receives data direct from transport providers. Will Walker said the Government has targets for the introduction of smart ticketing by 2015. If changes to the formula are not introduced before 2015, the smart ticketing data might be able to be used.

Tackling pollution

This measure, based on air quality management areas (AQMA), was seen as anachronistic. There was a suggestion that it could be moved into a separate strand of the congestion element of funding.

NEXT MEETING

16. The next meeting will look at transitional arrangements and implementation issues.

Members were asked to let Fran McMahon have their availability for a number of different dates in November.