Attendants
Mostaque Ahmed – DfT
Grahame Bygrave – Norfolk CC, representing ADEPT
John Fenwick – Nexus, representing pteg
Clive Harris – LGA, representing LGA
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
Tracy Jessop – Norfolk County Council, representing ATCO

Introductions
1. Mostaque Ahmed welcomed members to the group and, after introductions, set some general parameters and background to the group. In particular that the group would not be considering the overall size of the IT block; this had been determined in Spending Review 2010. He said the groups findings would be made known to ministers, but any decisions on changes would rest with the ministers themselves.

Terms of reference
2. The members of the group agreed the Terms of Reference which had been circulated prior to the meeting.

Background and history
3. Will Walker gave some background as to how the current formula had been developed in 2005, noting the report of the 2005 review group which would be circulated after the meeting. He then explained how the Department for Transport had conducted a consultation on both the Integrated Transport (IT) and Highways Maintenance Blocks in the autumn of 2010 and produced a response in December. This had been done against the backdrop of the Spending Review 2010.

4. The response to the consultation had noted that while a refresh of the data used in the IT block formula was desirable, any changes to the formula
• Perverse incentives [eg KSI on road safety]
• Sustainable travel considerations
• Need to reflect local and national priorities
• Data collection issues

He said there was a balance to be struck between ensuring that changes to the formula were deliverable in terms of available data and reducing the burden on local authorities to collect data.

5. Before covering the current formula and opening the discussion more widely to the group, he also set out the timescales for the review group and any formal consultation that may result. He said the review would be open to radical changes. Mostaque Ahmed said the group would need to decide if they wanted to see suggested changes implemented in 2013-14 or continue with the existing formula until the next Spending Review.

**Current Formula**

6. The basic elements to the current formula were outlined and then comments were invited from members as to:
   • What was liked about the current formula and so should be retained
   • What was disliked or considered unfair and so might be removed
   • What elements could be adjusted in light of data changes
   • Other issues with the current set up

7. In discussion the following points were made:

**In context of wider local transport funding**

• Currently some authorities were moving IT funding to Highways Maintenance. This maybe just for the short term, during the current fiscal tightening, but it may continue longer term. In general, it had not been the case historically.

• Some authorities distributed IT and HM block not by the weightings or distributions within the formulae but more on the basis of their Local Transport Plan priorities.

• For some authorities the key transport drivers were now economic growth and reducing carbon emissions.

• If an authority also had a major scheme on its books, this could impact on the pressure to move IT block funding towards the major.
• The reduction in funding for road safety schemes was mentioned. This had put pressure on education and training budgets and led to altered priorities for some local authorities.

Weighting

Will Walker said allocations were not ring-fenced, but weightings were intended to give local authorities some idea of where money should be spent.

• While some authorities stuck more to the departmental divvy up between IT, HM and majors, it was felt that in general the weightings given to the different elements in the IT formula were not used by authorities as a guiding principle when determining how IT funding should be spent at the local authority level.

• Reinforcing this was the idea that nothing in the current formula was considered “unfair” but that the weightings were not used internally by authorities.

Current indicators

• Local collection of cycling data was generally being dropped because it is seen as expensive and rarely robust.

• The daytime residency factor within the congestion indicator was considered good as it gave a better reflection of reality than resident population. However there were concerns that through-traffic and ‘spill over’ from the strategic road network (when incidents occur) were not really captured. The factor also worked against areas without large urban centres (e.g. shire counties).

• The group wondered whether there was better congestion data now available; the traffic levels used in formula grant for instance. There was a suggestion that average journey time data might be a more accurate measure.

• There was some discussion as to whether the KSI indicator for road safety really was perverse. The conclusion was that in reality authorities do not set out to kill and injure people just to receive more funding and that therefore it probably wasn’t.

• However the group would prefer to see a measure that incentivised improvement or penalised non-improvement but which didn’t then subsequently penalise authorities that did improve.

• The group asked that some consideration be given by DfT statisticians to this, possibly using rates of return or rolling averages. However, it was recognised that money was unlikely to be made available for the achievement of set targets.
Data timing

- Timing and frequency of any future data refreshes would be important. The consensus was that there is intrinsic value in knowing future budget levels as early as possible and in having certainty that they won’t change. Hence data refreshes should not happen between Spending Reviews.

- The corollary to this was that any change in the formula should not be brought in to place until the next Spending Review. That is, the indicative allocations for 2013/14 and 2014/15 should, subject to confirmation by HMT of wider departmental budgets, be adhered to.

- ‘Damping’ was considered by some to be helpful in the short term but there was recognition that it could lead to longer term problems. Any damping should be proportionate to the level of change (in the formula, rather than the data) and related to the ‘fairness’ of a revised formula.

Ideal Formula

8. The group then moved on to discussing what an ideal formula would include. In discussion the following points were made:

Economic growth

- Economic growth and cutting carbon were key drivers both for national and local government.

- However Gross Value Added (GVA) was not considered a good measure of economic growth as it was an historical measure rather than reflecting an area’s future potential for economic growth.

- It might be possible to consider an authority’s asset base – both the scale of assets being managed and the need for improvement – as a measure of economic growth.

- The correlation between worklessness and lack of transport was raised. The Indices of Deprivation could be used to provide data on the link.

- Some element of population maybe a good proxy (for economic growth) but the formula shouldn’t be 100% population based if it is to remain a formula based on transport ‘needs’.

- However, modelling should be undertaken on 100% population and 50% population basis as comparators to the current model.
• There was some discussion around the possibility of refining the formula to reflect differences in population (e.g. age). However, there was no agreement on the distinct transport needs of different groups.

Carbon

• There was definitely an aspiration to have carbon reduction included as part of the formula but the robustness of data was considered an issue.

• In the absence of robust data it was noted that authorities were already being given a large steer, from central government, towards carbon reduction and that many carbon reduction measures were probably included in traditional IT type schemes.

• Members wondered whether the revised ACCESSION tool might have some useful carbon-related data.

Walking and cycling

• There was some discussion on walking and cycling, but again the robustness of data was seen to be an issue.

Value for money of integrated transport schemes

9. There followed a short discussion, introduced by Mostaque Ahmed, on the value for money of IT schemes. First, he clarified that the group was not being asked to make any recommendations on the value for money of IT schemes. But he explained that the Department was keen to obtain more information on the vfm of IT schemes in the wake of the 2010 Spending Review where such information had been limited.

10. He acknowledged the balance between creating data/evaluation burdens on authorities, particularly in a world of localism, but asked members to consider avenues which might be worth the Department pursuing.

11. The consensus was that IT schemes often had high vfm and that if it were possible to be able to robustly show this, at little cost, it would likely benefit both authorities and the Department in the longer term.

NEXT MEETING

12. Members were asked to consider the issues which had been raised during the meeting and submit any scenarios (different data sets, weightings, new variables, etc.) for a new formula they would like to see at the meeting in September.

Members were asked to let Fran McMahon have their availability for a number of different dates in September and the next meeting was subsequently confirmed as 21 September.