

Item 4

Transport Update

Purpose of report

This report updates the Board on recent policy developments in relation to transport, the implications for local government and the LG Group's response.

Recommendation(s)

Members are asked to comment on the update and proposed LG Group responses and on the extent to which the Board's lobbying objectives are reflected in the outcomes of the Spending Review.

Action

To progress lobbying work in light of comments from the Board.

Contact officer:

Caroline Green

Position:

Senior Policy Officer, LGA

Phone no:

020 7664 3359

E-mail:

caroline.green@local.gov.uk

Item 4

Transport Update

Background

1. Following the Spending Review on 20th October, a series of statements and publications with implications for transport including DfT statements on transport funding, the Local Growth White Paper and the National Infrastructure Plan. This paper provides a summary of the key announcements in these documents related to transport and an outline of LG Group response.
2. **Summary of Spending Review announcements relating to transport**

LGA lobbying position	Spending Review outcomes
Continued investment in transport is essential to economic recovery and growth.	<ul style="list-style-type: none"> • Overall department budget reduction of 21% by 2014/15. • Revenue grant to local authorities reduced by 28%. • DfT capital funding cut by 11%. • Capital funding for local road maintenance reduced by 19%. • £6 m for highways efficiency programme. • Integrated Transport Block funding cut by £150 m per year. • £10 bn on road and local transport schemes. • Of this, £1.5 bn for local authority major schemes.
Decisions on how funding is spent locally must be made at local level – fewer funding streams, end to bid-based funding.	<ul style="list-style-type: none"> • Number of DfT grants reduced from 26 to 4. • £560 m for new Sustainable Transport Fund for which councils will be required to bid. • Departmental commitment to review appraisal processes and methodology for funding major schemes, with role for LEPs. • £0.4 bn of DfT funding for the Regional Growth Fund.
Councils must have the freedom and flexibility to raise funding locally.	<ul style="list-style-type: none"> • Councils will be granted flexibility to borrow against future income from taxes generated from new development. • Government commitment to review the case for the re-localisation of business rates. • Councils will retain flexibility to borrow prudentially, but interest on loans from the Public Works Loans Board (PWLB) will increase by 1%, increasing the cost of borrowing.
Devolution of bus subsidies to target funding to get better outcomes for bus	<ul style="list-style-type: none"> • Bus subsidy to be reduced by 20% to save £300 m by 2014-15. Government will work with bus operators and local government to examine smarter

services.	ways of administering this subsidy to get better results for passengers and tax payers.
Concessionary fares must be fully funded through Special Grant.	<ul style="list-style-type: none"> The statutory entitlement to concessionary bus travel will be protected, but “substantial efficiencies achieved”. Funding (reduced?) will be channelled through Formula Grant.

LG Group view and lobbying positions

Transport Funding

3. The spending cuts make it even more essential that councils are given maximum flexibility over how funding is spent locally. The reduction in the number of specific grants is welcome however it is disappointing that the government has opted to roll a number of these into a separate Sustainable Transport Fund which councils will have to bid for, using up scarce resources. The LGA will continue to argue for an end to separate bid-based funding pots and funding decisions on local transport being taken in isolation from other investment needs by central government.

Regional Growth Fund

4. We welcome the £400 million increase in the Regional Growth Fund, that it will be available to all areas of England, open to different types of bid and that the minimum threshold has been set at a relatively low level which also allows for project packages. Local enterprise partnerships have a key role to play in co-ordinating proposals from their areas to ensure they are consistent with local economic priorities.
5. It is disappointing that the fund will be bid-based although at least it is an independent panel rather than central government which will take decisions on which projects receive funding. The LG Group will lobby government to keep the bureaucracy on accessing the fund to a minimum.

Highways Maintenance Efficiency Programme

6. The LG Group supports sector-led improvement programmes rather than those developed in isolation by government departments. In the past these have created a complex web of systems of advice which at best often duplicate and at worst can offer conflicting advice. A more cost efficient and effective way of supporting councils in achieving efficiencies in Highways Maintenance would be through the LG Group’s sector-led programme of support and improvement. LG Group Officers will seek to work with DfT officials to ensure the programmes complement one another or be rolled together.

Bus subsidy to be reduced by 20% to save £300 m by 2014-15

7. We fear that reducing bus subsidy without reforming the system will have a damaging impact on local bus services and neither Government nor councils will have influence over which services are affected. The LG Group's proposals to channel all subsidies through a single funding stream under the control of local authorities offer a way to protect these services whilst delivering the savings outlined in the Spending Review. We understand that the bus operators have assured Ministers that bus fares will rise no more than 2% as a result of this subsidy cut. We suggest that the Board monitor whether the operators deliver on that pledge, and what the balance between routes and fares turns out to be. We recommend that the LGA continue to lobby for devolution of bus subsidy.

Concessionary Fares

8. It is not clear how the "significant savings" on concessionary fares spending announced will be delivered when the costs of the scheme are expected to rise due to increases in bus operating costs. The LG Group's proposals for a single subsidy pot for bus subsidies would provide a simpler and cheaper way to administer the scheme. We are disappointed the Government has rejected calls from local government to fund the scheme through special grant in the short term as further problems will arise from a lack of transparency about whether funding matches the costs. Prior to the Spending Review, Cllr Peter Box wrote to Ministers jointly with the County Councils Network, the District Councils Network and PTEG to press for Special Grant Funding for concessionary fares. A copy of the reply received from Local Government Minister, Bob Neill, is attached at **Annex A**.

Tax Increment Financing and local control over business rates

9. The announcements that councils will be allowed to borrow against additional income from business rates generated by new development could potentially generate an important source of income for local infrastructure investment and is something that the LGA has been lobbying for. The LG Group will argue for the powers to be made available to all local authorities as quickly as possible, without the need for a bid-based process.
10. The announcement to review business rates with a view to allowing councils more control is very positive. The LGA has been arguing for the local control of business rates for a number of years and will continue to lobby for full localisation of the system.
11. Cllr Box has written to Phillip Hammond to highlight key issues of concern arising from the announcements and to request further discussion with Ministers. A copy of this letter can be found at **Annex B**.

Winter Weather

12. The final report of the independent review commissioned by DfT to look into UK resilience to winter weather was published on 22 October. The report agreed with the findings of the LG Group report published in July, in particular that the salt supply chain in the UK lacks resilience and is unable to respond to meet increases in demand during severe winters. The report makes a number of recommendations that councils will want to consider in future preparations for winter, including reviewing the case for ensuring they enter the winter season with the capability for dealing with 12 days of severe weather. DfT, the authors of the report and LGA officers are in agreement that there is no practicable way of increasing stocks to such a level for this winter, and possibly not even for a couple of years to come, given the supply constraints we face.
13. On the same day, the DfT published advice to the public on clearing snow and ice from footways clarifying that there is no law stopping the public from clearing snow and ice and that they are unlikely to be sued for any injuries on a path they had cleared. This clarification implements a recommendation of the LG Group report following media speculation about legal liability on people clearing pavements.
14. LGA officers have been working with councils and DfT to understand the situation regarding stock levels and prospects for on-going supply going into this winter. Feedback from councils indicates that a number have not yet received their full orders for salt in advance of the winter. Suppliers have no significant stockpiles and will therefore not be able to replenish stocks sufficiently if they begin to run down as a result of prolonged severe weather.
15. Cllr Box has written to Philip Hammond (copy at **Annex C**) to request that the national reserve stock ordered by Government is in place as soon as possible and that councils are made aware of how they can access this reserve if necessary. LGA officers are also working with DfT officials to ensure processes are in place to provide clarity about the levels of resilience of supply and transparency about any national coordination of stocks should that become necessary this winter.

Financial Implications

16. Activity described in this report can be resourced from within the existing work programme.