

Strategic Transport Leadership Board

09 December 2021

Agenda Item 3

2021 Budget and Spending Review

Recommendation:

It is recommended that the Board:

- a) **Considers the outcomes and implications of the 2021 Budget and Spending Review.**
- b) **Continues to press for investment in the region, for the benefit of local communities and businesses, and the UK as a whole.**
- c) **Agrees to press for clearer, single pots of transport investment that can be better prioritised and planned at the local and regional level.**
- d) **Agrees to refresh the investment pipeline to capture outputs from connectivity studies and thematic work**

1. Purpose of report

- 1.1. This paper provides an update to members on the conclusions of the recent Budget and Spending Review and seeks agreement to a proposed plan of action to ensure investment in the region is maintained going forward.

2. Key points to note

- 2.1. On 27 October, the Chancellor announced his Budget and Spending Review.
- 2.2. The Budget's level of focus on 'levelling up', a current government priority, was expected. However, there was a lack of recognition of the need to continue to also invest in places such as the Heartland.
- 2.3. As one of the few net contributors to the UK Exchequer, continued investment in the Heartland benefits not only this region but the rest of the UK.
- 2.4. To allow better planning for infrastructure investment, it is recommended that the Board continues to press for devolved long term budgets for transport.
- 2.5. This, coupled with a refreshed infrastructure pipeline, will allow EEH and its partners to better prioritise investment and to ensure the maximum benefits of public sector investment can be leveraged.

3. Context

- 3.1. On 27 October, the Chancellor announced his Budget and Spending Review. The Spending Review, a year later than planned, provides the framework for the forthcoming three years of spend by government departments.



- 3.2. Investment in National Highways and Network Rail schemes are outside of the spending review process. They each operate on their own five-year investment programmes.
- 3.3. A summary of relevant announcements from the Budget is set out in Annex 1. Members will be aware of the implications for their own authorities.
- 3.4. Separate to capital funding, the Board will recall that the EEH Spending Review submission set out the funds needed by the region to support the ongoing work of the EEH business unit.
- 3.5. A decision has not yet been made by DfT on the settlement for STBs. We expect this to follow by end of January 2022. Once a settlement has been provided, the business unit will provide members with a proposed programme of work for the year ahead. This will be brought to the next Board in February 2022 for approval. In the meantime, agenda item 7 seeks further views from the Board on EEH's priorities going forward.

4. Reflections on the Budget

- 4.1. Given the political messages in the run up to the Budget, it was not a surprise to see increased funding for areas of the country the government has earmarked as a priority for 'levelling up'. However, the lack of recognition of the need to continue to also invest in places such as the Heartland has caused frustration.
- 4.2. The Heartland economy was valued at more than £163bn in 2018. Economic growth has consistently outstripped the UK average, with GVA growth of 25% recorded in the five-year period between 2013 and 2018, compared to the UK average of 20%.
- 4.3. The region's continued economic success cannot be taken for granted. Economic growth on this scale alongside the need to meet the legal target to achieve net zero carbon by 2050 will not be realised without investment in infrastructure.
- 4.4. As one of the few net contributors to the UK Exchequer the region has long argued that continued investment in that success benefits not only the Heartland but the rest of the UK. Furthermore, many of the Heartland's strategic transport corridors are critical to businesses elsewhere in the UK in terms of their access to global gateways.
- 4.5. Long term certainty on investment in the region's infrastructure priorities is essential to our future success.

5. Investment certainty

- 5.1. The current fiscal environment makes availability of funding tighter than it was pre-pandemic.
- 5.2. To have the best chance of enabling growth, transport investment should be planned as part of a long-term infrastructure strategy which complements the wider visions for individual places. The EEH transport strategy, coupled with local transport plans, provides that framework for the region. Together, these documents provide a clear plan for our response to delivering economic growth while reducing emissions from transport towards our net zero target.
- 5.3. At present, funding to deliver the region's transport priorities is piecemeal, requiring local authorities supported by EEH as the STB to continually bid into small funding pots that may or may not deliver some or all of the investment needed to achieve an identified outcome. The challenge of local transport being funded in this way is well recognised. In September 2021¹, the National Infrastructure Commission stated:

¹ <https://nic.org.uk/studies-reports/infrastructure-towns-and-regeneration/>



"The multiple funding streams that exist today tend to be short term, ringfenced and often require rounds of competitive bidding. Central government needs to simplify these funding streams and provide those county councils and unitary authorities that are responsible for strategic transport planning with devolved five-year budgets for local transport. Failure to empower local authorities to deliver local infrastructure will lead the government to fail in its levelling up goals".

- 5.4. The benefits of having certainty when it comes to investment in strategic infrastructure is already acknowledged by government with both Network Rail and National Highways operating within the framework of a five-year investment plan.
- 5.5. An added advantage of having certainty of investment is the ability to use those funds to leverage further benefits and additional investment opportunities.
- 5.6. Given the inherent advantages of having greater certainty about the level of funding available for investment, it is recommended that the Board agrees that EEH continues to press for devolved long term budgets for local transport.
- 5.7. It is also worth noting that recent work completed by the National Infrastructure Commission (see above) also stated that, in devising a long-term settlement, the total funding available for local transport in England outside London should be around £6 billion per year, around a 40% increase on 2019/20.

6. Investment Pipeline

- 6.1. An important factor in ensuring investment is well prioritised and planned is the development of an evidence based, validated infrastructure pipeline.
- 6.2. The regional transport strategy² set out a regional infrastructure pipeline. A copy of the current investment pipeline is attached at Annex 2. At the time of publication of the strategy in February 2021, the pipeline reflected the most up to date evidence of where investment was most needed to support the region's connectivity and growth ambitions.
- 6.3. Since then, EEH has continued to strengthen and develop its evidence base. A list of new, and emerging evidence currently being taken forward by EEH is set out in Annex 3. Each piece of evidence prepared by EEH will further justify and strengthen the investment pipeline for the region.
- 6.4. As a result, EEH will review the investment pipeline over the coming months with an ambition of bringing an updated pipeline to the Board in May 2022.

7. Stakeholder implications

- 7.1. EEH business unit will work with partners across the region to ensure the regional investment pipeline aligns and reinforces local investment priorities and vice versa.
- 7.2. In addition to working with local partners, there is a need to ensure that DfT officials, MPs and key sector stakeholders are well briefed on the benefits and need for certainty of investment.

8. Programme implications

- 8.1. There are no cost implications of the work. The review of the Investment Pipeline will be in house.

9. Next Steps

- 9.1. With the Board's support, the business unit will develop a focused plan of communications, representation and evidence to reinforce the need for better long-term planning of funding for transport. The timing is particularly significant as DfT is currently in the process of agreeing the allocation of their 2021 Spending Review settlement.

² https://eeh-prod-media.s3.amazonaws.com/documents/Connecting_People_Transforming_Journeys_av.pdf



- 9.2. Over the coming months, the business unit will work with the Transport Officers Group to review the investment pipeline.

Naomi Green
Interim Director
December 2021

List of Annexes

- 1. Summary of 2021 Budget and Spending Review**
- 2. EEH Regional Investment Pipeline**
- 3. Emerging evidence base and study work**



Annex 1

Budget 2021 and Spending Review Context

As part of Budget and Spending Review process, the Treasury invited representations to inform the policymaking. EEH made a written submission through this open process, as well as sharing the 'EEH Spending Review 2021' submission with colleagues at the Department for Transport. This annex outlines investment commitments made in the Budget that are of relevance to EEH and its partners.

Levelling Up Funding

- Levelling Up Fund (£4.8 billion – DLUHC) for improving local infrastructure
- Community Ownership Fund (£150 million DLUHC). It is expected there will be at least eight bidding rounds

Additionally, £335 million has been added to the Towns Fund (DLUHC). In the Heartland, confirmed Town Deals include Bedford, Corby, Milton Keynes, Northampton, Peterborough, Stevenage, and Swindon.

Investment into Housing Growth

- The Spending Review highlighted a 'nearly £24 billion multi-year settlement for housing' (DLUHC) to 2025/26, including:
 - £11.5 billion investment in the Affordable Homes Programme – up to 180,000 affordable homes with 65% of funding for delivery outside London from 2021/22 onwards
 - further £1.8 billion investment in housing supply to "unlock" over 1 million new homes, to include £300 million locally-led grant funding for use of brownfield sites for housing and £1.5 billion to "to regenerate underused land and deliver transport links and community facilities, unlocking 160,000 homes in total"
 - additional £65 million to improve the planning regime

Funding for Transport Decarbonisation

- Total £5.6 billion has been committed to support the policies and strategy set out in the Transport Decarbonisation Plan.
- Specifically for delivery of zero emission vehicles:
 - An additional £620 million for "public charging in residential areas and targeted plug-in vehicle grants" (DfT).
 - Increased capital support over the spending review period for electrification of UK vehicles and supply chains of £817 million (BEIS).
- Across the UK, £416 million funding (DfT) is being made available for research and development "for programmes to help commercialise low and zero emission transport technologies, including trials of three zero emission HGV technologies".

Funding for Rail

- £360 million (DfT) is identified for modernising ticketing and retail systems, including delivery of pay-as-you-go ticketing for rail passengers outside London, although this is focused on the Midlands and the North.
- Alongside the Budget, further DfT spending was committed to the Restoring Your Railway Ideas Fund with the successful bids for Round 3 announced.
- There were no successful round 3 bids from the EEH region – therefore RYR Ideas Fund schemes in the EEH region are:
 - To reinstate the passing loop between St Albans Abbey and Watford Junction (Abbey Line)



- Reopened lines and new passenger services, Stratford Upon Avon - Honeybourne - Worcester/Oxford
- The EEH Business Unit continues to work with Network Rail colleagues to identify other opportunities for improved rail connectivity, potentially using other elements of the Restoring Your Fund.

Funding for Roads

- The Budget set out £24 billion of investment between 2020/21 and 2024/25 into strategic roads (DfT), including for the Heartland region
 - major upgrades to the A428 Black Cat to Caxton Gibbet,
 - A47 dualling and upgrade schemes
- The Budget also committed £8 billion into local roads (DfT) including £3.6 billion for long-term pipeline delivery of over 50 local road upgrades. For EEH, the A509 Ishaw Bypass, an MRN priority scheme, has announced as progressing to the next stage.

Funding for Buses

- The Budget confirmed more than £3 billion bus investment (DfT) across the Parliament, which includes £1.2 billion funding for bus transformation deals in England for “London-style services, fares and infrastructure improvements” and further £355 million funding for zero emissions buses.
- Shares of the £70 million Zero Emission Bus Regional Area (ZEBRA) funding will be allocated to Cambridgeshire & Peterborough to transition approx. 30 buses for use on park & ride routes and to Milton Keynes to deliver approx. 56 single-decker zero emission buses.

Funding for Digital

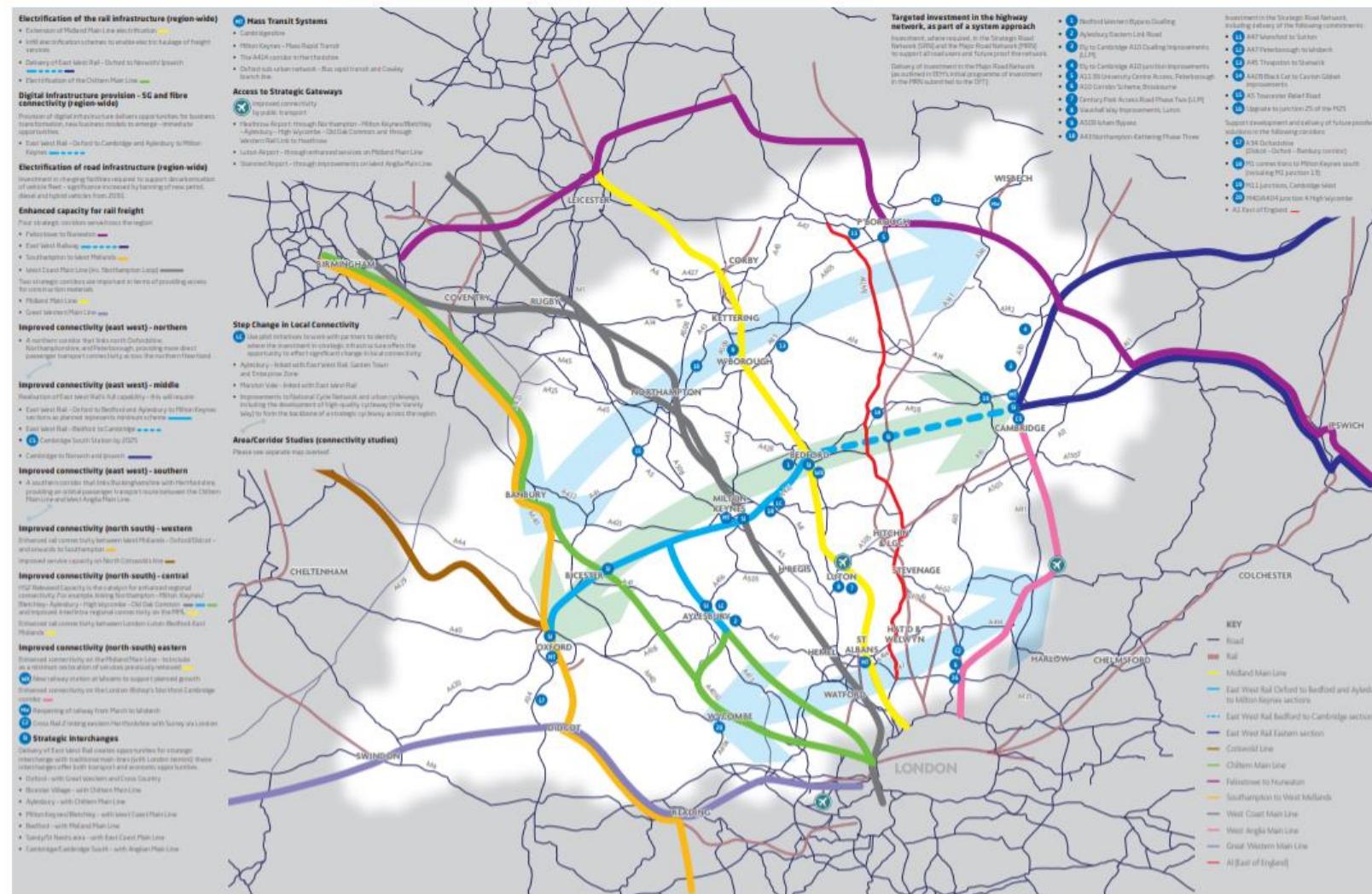
- Alongside transport infrastructure priorities, the *EEH Spending Review 2021* submission identified a “digitally enable landscape” as key to the success of our region. At the UK wide level, the commitment to Project Gigabit, “to support the rollout of gigabit capable broadband in hard-to-reach areas across the whole of the UK” was continued with £1.2 billion (DCMS) committed up to 2024/25.
- In addition, £180 million (DCMS) will be provided over the next three years to the Shared Rural Network: a partnership between government and industry “to deliver high-quality 4G mobile coverage to 95% of the UK”.



Annex 2

// Investment Pipeline

Map created for illustrative purposes only



Annex 3 – Emerging studies to be incorporated into the Investment Pipeline

Study	Timeline
Passenger Rail Study	Phase 1 & 2 completed – July 2021
Regional Bus Study	February 2022
Pathways to decarbonisation	Ongoing evidence being developed
Oxford-Milton Keynes Connectivity Study	April 2022
Oxford-MK-Peterborough Connectivity Study	April 2022
Active Travel Study	May 2022
Oxford Cambridge Road Study	May 2022
Swindon-Didcot-Oxford Connectivity Study	January 2023
Further connectivity studies	To commence in 2022/23
Transition - Ubiquitous Digital Connectivity Strategy	Timing to be agreed

