Differences in public sector transport spending across England

This note sets out some key statistics on public spending on transport across England. It also sets out why a number of different reports on regional spending (the IPPR North report, the pteg report and various spending statistics from the Department for Transport) do not appear to provide a consistent picture.

Executive Summary

The Treasury's Public Expenditure Statistical Analyses (PESA) tables and Infrastructure Pipeline tables are the main sources of data on public spending on transport. The PESA tables show public spending on transport over recent years, whereas the Infrastructure Pipeline tables show planned projects. Inevitably, because the Pipeline data is based on planned projects, with incomplete information on costs and on some projects, it is not as accurate as the PESA tables which show past spending.

The PESA tables show spending on transport by region, although care should be taken as in some cases, the area where spending takes place may not necessarily fully coincide with the area that most benefits. In addition, spending per head figures will not necessarily take into account the actual levels of demand placed on transport networks, the fact that commuters from other regions may use transport network in another region, and the variation in the amount of funding that comes from farepayers across regions. Nevertheless, the data suggests that public spending per head is high in London compared to other regions. The disparity is in spending by local authorities and public corporations (which may in turn be funded by grants from central government) rather than direct spending by the Department for Transport.

The disparity has been growing in the past five years, particularly in the case of capital spending. The Pipeline data suggests that planned future projects may also be unevenly distributed around England, although, as set out above, this data is inevitably subject to more uncertainty than the data on past spending.

The fact that the main disparities lie in spending across local authorities and public corporations suggest that it may be helpful to further investigate how on how grants and funding are allocated to local authorities/public corporations for transport projects, and whether the way in which decisions (both at the local and central government level) are made may result in an unjustified bias towards some regions compared to others.

Introduction

Recently, there have been a number of different reports and data sources that appear to contradict each other on the level of regional disparities in transport spending. These include reports by IPPR North[1] and pteg[2], and Government statistics in the Department for Transport's Annual Report and Accounts, and the Treasury's public spending and Infrastructure Pipeline data.

The Treasury's public expenditure data is the most reliable source of regional transport spending over the last few years, although it is difficult to allocate some spending to specific regions. The Pteg report is based on this data. The data shows that transport spending per head is much higher in London compared to other parts of England, although there is no obvious "north/south" divide. The differences appear to be largely driven by disparities in spending by local authorities and public corporations (which may be indirectly funded by central government), rather than direct spending by central government.

The IPPR North report is based on the Treasury's Infrastructure Pipeline, which lists planned projects over the next few years. However, it is not directly comparable with spending data from previous years, and a number of different types of project are excluded from the data. Combined with the greater uncertainty involved in terms of costs of different projects, it is less reliable than the Treasury's past public expenditure data. However, it does paint a similar picture, of high spending in London compared to other parts of England.

This note concludes that it may be helpful to further investigate how decisions over funding for local authorities' and public corporations' transport schemes are made, particularly where there are central government grants available.

The Treasury PESA tables and Infrastructure Pipeline tables are the main sources of data on public spending on transport

The main authoritative source of public spending across different types of services and across different regions is the Treasury's Public Expenditure Statistical Analyses (PESA). The main PESA report is published annually in July, with updates throughout the year. The PESA tables show how public spending breaks down by type and by region in the past five years. It shows both capital and current expenditure, and breaks down public spending by central government, local authority and public corporation. The central government figures on transport spending are direct spending only: they do not include grants to local authorities or public corporations. The costs of local authority and public corporation transport schemes are included separately, under local authority and public corporation spending.

The DfT's annual report contains extracts from PESA which show regional transport spending directly allocated by central government (rather than indirectly through grants to local authorities and public corporations). The pteg Funding Gap report is also based on analysis of the PESA tables, but is broader, in that it focuses on total spending across central government, local authorities and public corporations.

[1] IPPR North, On the Wrong Track, Dec 2011
[2] 2011 Pteg Funding Report, Nov 2011

The main other data source on public spending, which was used in the recent IPPR North report "On the Wrong Track", is the Government's National Infrastructure Pipeline. Unlike PESA, it does not show actual spending that has taken place, but planned spending. It is therefore useful to gain an indication of future spending plans, but there are a number of problems in using this data, which are explained in more detail in the later sections of this note.

One aspect that both sources of data miss is how public spending per head compares to the fares that users pay for transport services. The proportion of costs that are subsidised by the public purse is not captured in either the PESA tables or the Infrastructure Pipeline tables. However, as an example of how this can vary, according to the DfT's White Paper on "Reforming our Railways", 81% of funding for railway services in London and the South East came from farepayers, compared to 39% for regional railway services.[3]

The following sections focus on analysis of the PESA tables on public spending over the last five years, before addressing the IPPR North report which is based on the Infrastructure Pipeline data.

Spending can be broken down by region but care needs to be taken

In 2010-11, according to the Treasury's PESA tables, total public expenditure on transport services in the UK amounted to £22.9 billion or £363 per head.

This £22.9 billion is allocated to different regions and nations in the UK based on the location in which the spending took place. This does not necessarily align with who benefits from the spending and the actual level of demand placed on transport networks in different regions (for example, transport in London is likely to be heavily used by tourists).

The Treasury's PESA documents note that in the case of the Department for Transport, a robust methodology is not available to allocate all expenditure to regions on a "who benefits" basis. This is a particular problem for spending on motorways, trunk roads and the rail network, which comprises the majority of DfT expenditure. Care should therefore be taken when comparing figures on DfT direct central government spending. This issue is less likely to be of concern when comparing spending across local authorities, where it is much clearer which region spending is designed to benefit (although in some cases there may be beneficial spillover effects enjoyed by other nearby regions).

Another issue in comparing spending across regions is that a higher level of spending in an area does not necessarily equate to a higher level of benefit. For example, a project run inefficiently would look expensive, but not necessarily deliver great benefits.

Public spending on transport is relatively high for London compared to other regions

Of the total UK public expenditure on transport of £22.9 billion in 2010-11, £18 billion took place in England.[4]

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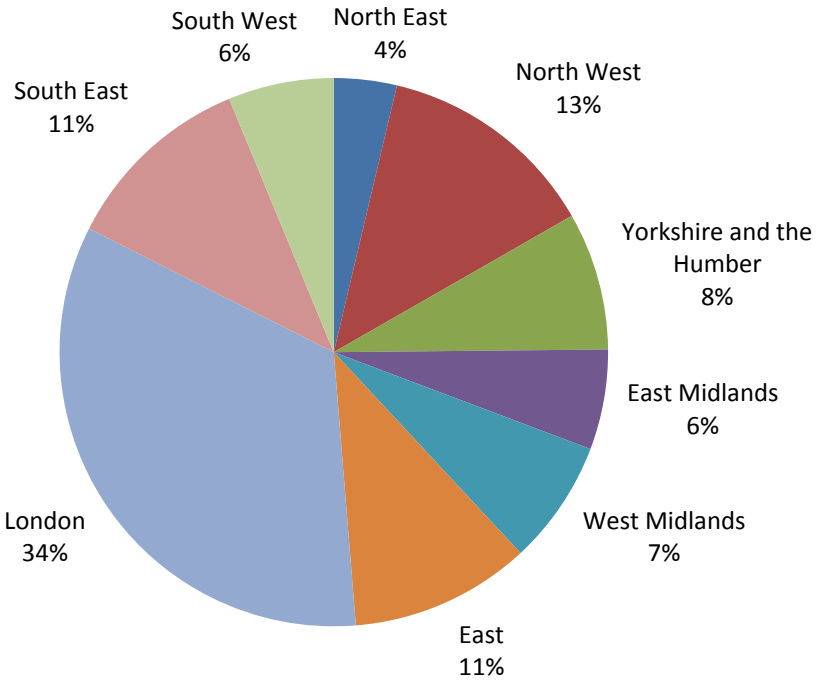
[3] Table 5.1, "Reforming our Railways", available here: http://assets.dft.gov.uk/publications/reforming-our-railways/reforming-our-railways.pdf

[4] Some spending labelled "Non-identifiable spending" in the PESA tables cannot be allocated to specific nations or regions. However, this is a relatively small amount, accounting for less than 1% of the total £22.9 billion spending in 2010-11.

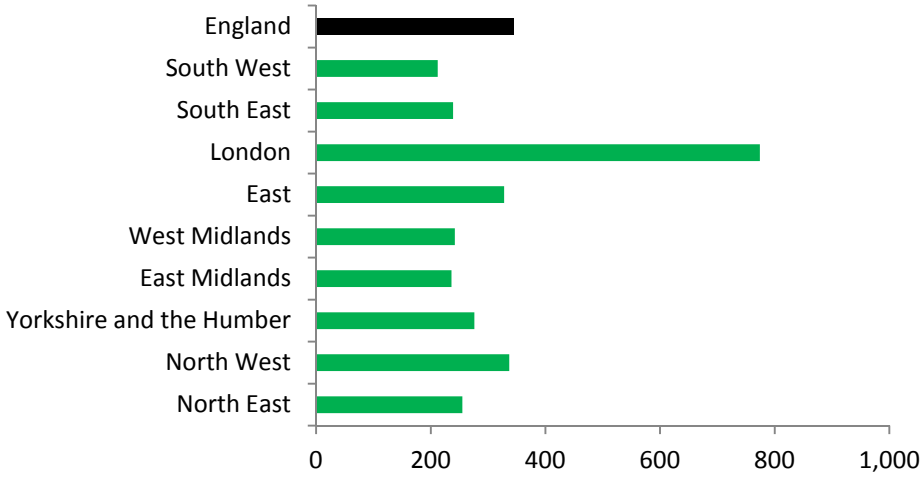
The graphs below show firstly how total public spending in 2010-11 breaks down by region of England, and secondly how spending per head varied across regions of England in 2010-11.

Figure 1: Total public expenditure on transport in England in 2010-11



Source: PESA tables

Figure 2: Public spending on transport per head, 2010-11 (£)



Source: PESA tables

Public spending on transport in London is relatively high, both in terms of total spending, and on a per head basis (£774 per head in 2010/11). After London, the two regions with the highest spending on transport in 2010/11 were the North West (£337 per head) and the East (£328 per head). The

area with the lowest spend per head was the South West (£212 per head). The disparity is mainly in the form of London versus other regions, rather than a north/south divide.

The figures set out above in the two graphs and text are those used by pteg in its "Funding Gap" report. However, the pteg report does not go on to identify where the main differences in spending are coming from.

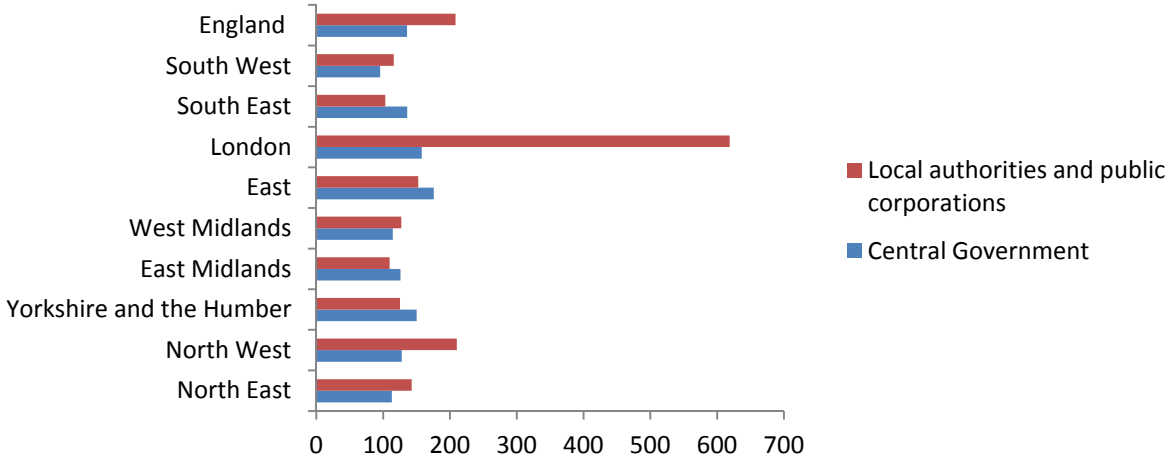
The Treasury's PESA tables also allow total public spending to be broken down by source, and by capital versus current spending, as set out below.

The disparity in public spending across regions mainly arises from differences in spending by local authorities and public corporations

As shown in the graph below, direct spending on transport by central government (i.e. spending that comes directly from the DfT's departmental budget) does not vary very much across regions compared to spending by local authorities and public corporations. Public corporations include, for example, businesses reporting to Transport for London and local authority airports such as Manchester Airport.

This is why the statistics provided by the DfT on spending per head in its most recent Annual Report do not appear to vary very much across regions.[5] The direct spending by the DfT by region does not include grants made to local authorities and public corporations. However, as can be seen in the graph below, it is the differences in spending by local authorities and public corporations that is driving differences in transport spending per head across England's regions.

Figure 3: Public spending on transport per head in 2010-11, £



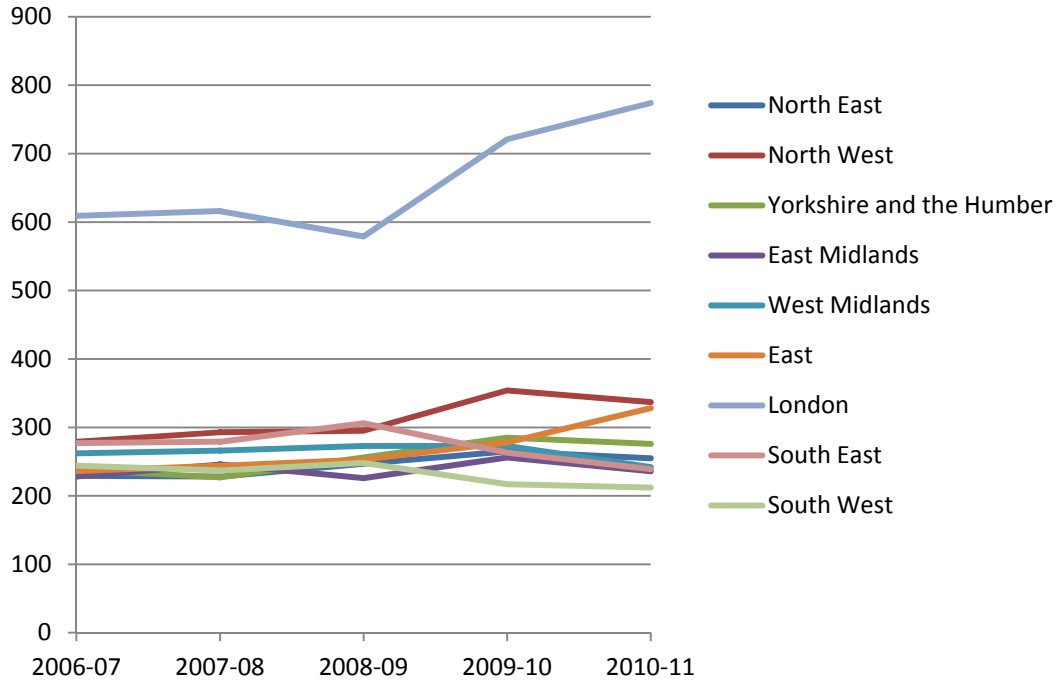
Source: PESA tables

The disparity in regional spending has been growing over the past five years

[5] The specific figures in the DfT's annual report are slightly different from those presented in the graph. This is because the data in the DfT's annual report was prepared before the 2010-11 outturn figures were available. The figures used in the graph s in this note are the latest available from the Treasury.

The graph below shows how public spending per head has changed between 2006-07 and 2010-11. Spending per head in London (the top light blue line in the graph below) has increased significantly since 2008-09, resulting in a widening disparity in regional spend per head.

Figure 4: Total public spending per head (£)



Source: PESA tables

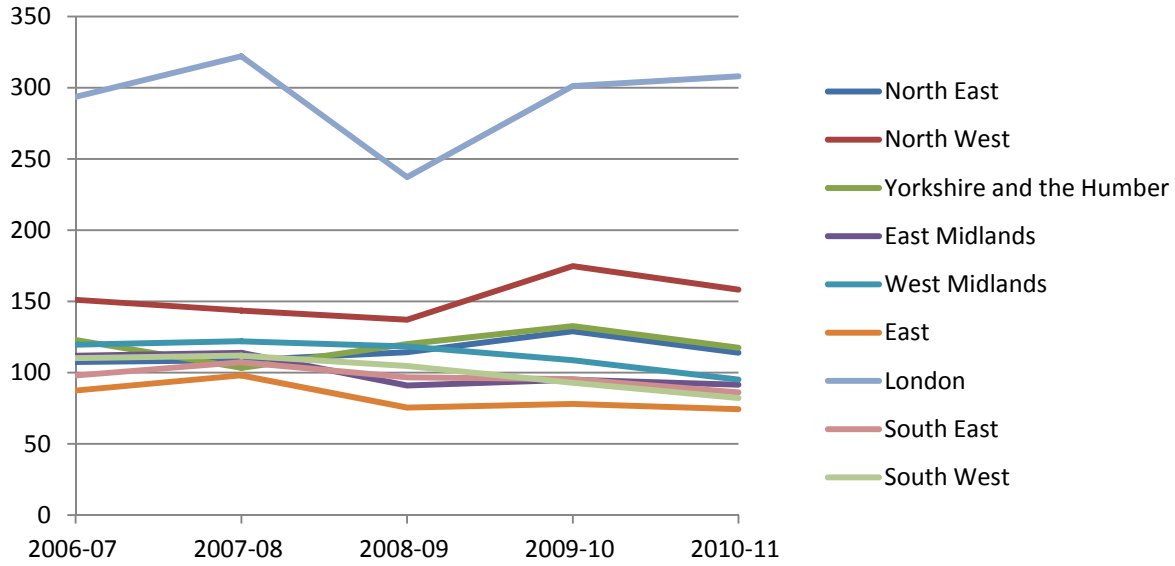
The widening disparity per head is driven by disparities in capital expenditure

The figures set out above are for total public expenditure including both capital and current expenditure. It is important to consider both types of expenditure rather than capital or current expenditure in isolation. This is because different types of transport systems may be better suited to different areas, and in turn different transport systems will have a different mix of current versus capital expenditure. In 2010-11, 61% of public expenditure on transport in England was capital expenditure, with the rest being current expenditure.

Looking at how spending breaks down into these two categories shows that the widening disparity in public transport spend per head across regions is driven to a large extent by increasing disparities in capital expenditure. The two graphs below show firstly current spending per head between 2006-07 and 2010-11, and secondly capital spending per head between 2006-07 and 2010-11.

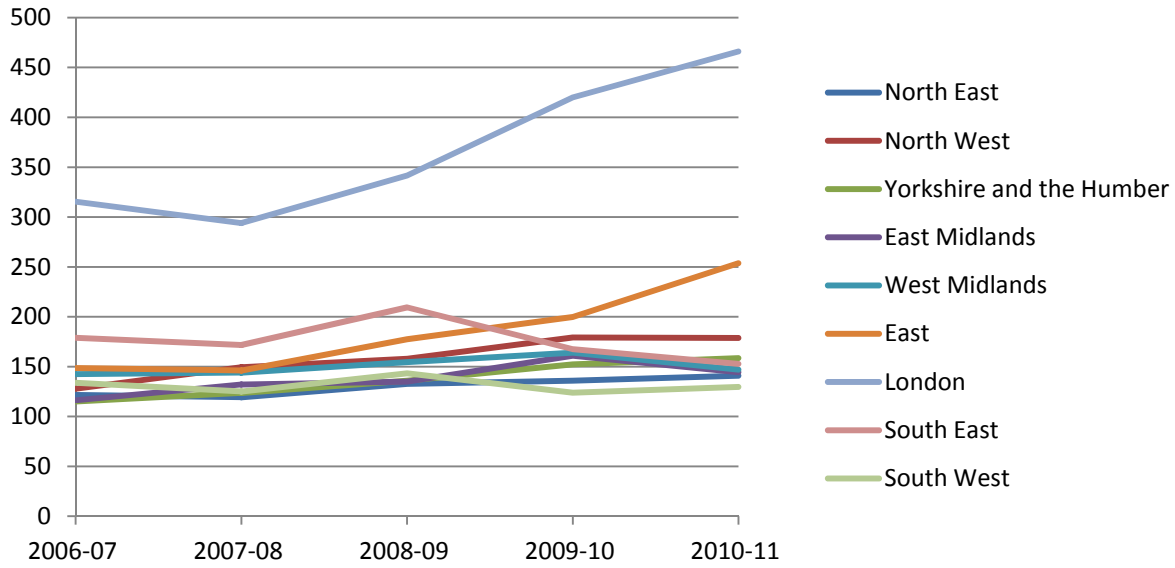
As before the top light blue line represents spending per head in London. The graphs show that it is increases in capital spending in London that is driving the significant increase in spending in London over the last few years. Capital spending per head has also increased in the East (orange line) and slightly in the North West (dark red line). Capital spending has slightly declined in some areas such as the South East (pink line).

Figure 5: Current spending per head (£)



Source: PESA tables

Figure 6: Capital spending per head (£)



Source: PESA tables

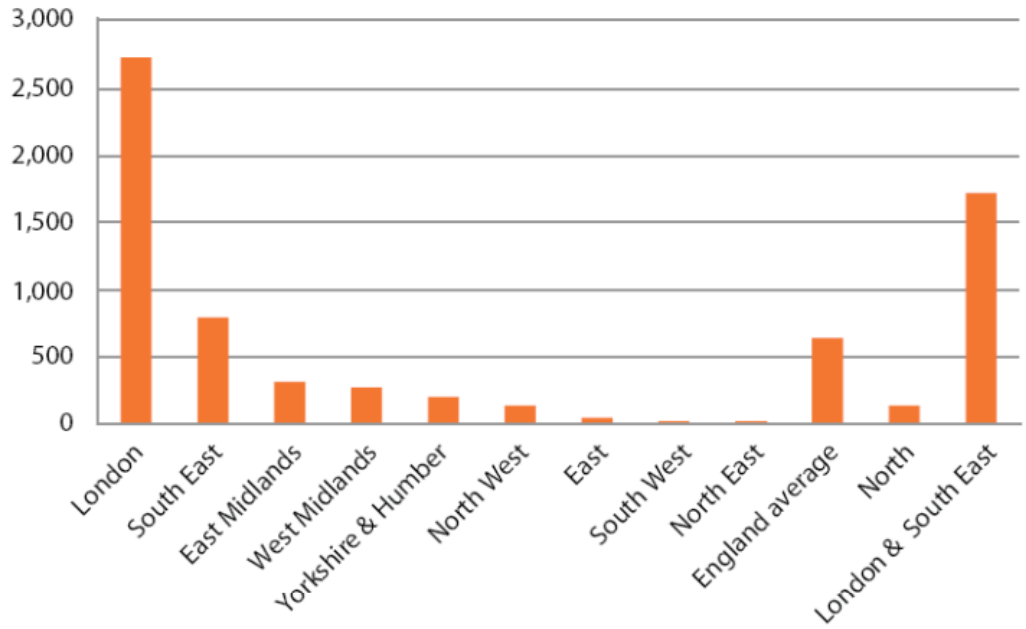
There is data on future spending plans, but these may not provide an accurate indication of regional disparities

The IPPR North report is based on information from the Treasury's National Infrastructure Pipeline, which lists major investment projects that are planned or have recently started. There are 102 projects in the transport category, related to airports, rail, and roads. The main problems in using this data to understand how government spending is to be split across regions are as follows:

- *Includes some private spending*: the list includes both public and private spending. Of the 102 projects, 12 are fully funded by the private sector, and mainly relate to airports and air traffic control. However, even if these 12 are stripped out (as the IPPR North report does), of the remaining 90 projects, 34 are a mix of private and public funding. There is insufficient information on these projects to set out how much of the costs will fall on the public purse.
- *Smaller projects are not included*: Projects under £50 million are generally excluded.
- *The spending is not confirmed*: According to the Treasury, the Pipeline estimates are indicative and reflect the information held within Government on investment combined with other public sources of information. Costs are unknown for some road improvement projects that are scheduled to start after 2015.
- *May not include all local infrastructure projects*: According to the Treasury, the Pipeline does not include information on local infrastructure projects that are not funded directly by central Government.
- *Excludes current spending*: The costs in the Pipeline data are capital costs only, and therefore do not fully reflect the overall costs of different projects.
- *Not all projects are region-specific*: 22 of the 102 projects are not allocated to a specific region. These 22 projects include major investments such as high-speed rail. They have not been included in the IPPR calculations.

The IPPR North report's "headline" conclusion is that according to the Pipeline data, London receives/will receive £2,731 per head on transport spending, compared to £5 per head in the North East, with figures for the rest of England varying in between, as shown in the table below.

Table 1: IPPR North calculations of transport spending per head on projects listed in the National Infrastructure Pipeline



Source: IPPR North, On the Wrong Track, Dec 2011

Although this is an interesting indication of future transport spending plans, it is not directly comparable with the Treasury's PESA data on spending in previous years. It is therefore not possible

to say whether this indicates a change in the spending patterns across regions. Among other issues, the PESA data shows spending per annum, whereas the IPPR North figures are sourced from the National Infrastructure Pipeline, which only indicates capital costs for a number of planned projects.

In addition, as set out above, a significant number of projects (including high cost projects) are excluded from the IPPR North calculations because Treasury's Infrastructure Pipeline does not allocate them to a specific area. Although the way spending is allocated across regions for the PESA tables is not perfect, the proportion of spending that is not allocated to a specific region in the PESA tables is very low – less than 1% in 2010/11.

Given all the other issues set out above (the inclusion of private spending on public/private projects but not on purely private projects; the exclusion of smaller projects, some local infrastructure projects and current spending; and the fact that the spending is not confirmed), the IPPR North results should be interpreted with caution.

Since publication of the Pipeline data and IPPR North report, further information on planned projects has emerged

Norman Baker, Parliamentary Under-Secretary of State for Transport has responded to questions in Parliament on the IPPR North report. In particular, he stated that the figures on which the IPPR North estimates are based on do not include "the December announcements on local major projects and did not take into account the further £1 billion from the regional growth fund."[6]

Norman Baker also provided a list of the transport schemes announced as part of the Autumn Statement and the further Local Authority Major Transport schemes announced on 14 December 2011.[7] This additional list suggested that the projects announced more recently are more evenly distributed around England. The table below shows the total spend per region for this specific list of projects.

Table 2: Further transport schemes announced as part of the Autumn Statement and the further Local Authority Major Transport schemes announced on 14 December 2011

Region	Total spend (£ million) - DfT funding approved	Spend as a % of total
North East	107.7	3%
North West	352.1	9%
Yorkshire and the Humber	643.8	16%
West Midlands	295.6	7%
East Midlands	538.1	14%
East	198.6	5%
South West	241.9	6%
London	205.1	5%
South East	425.9	11%
Not region specific	968.6	24%
TOTAL	3977.4	100%

Source: HC 31 Jan 2012, c 569W

[6] HC Deb 12 Jan 2012 c314
[7] HC 31 Jan 2012, c 569W

However, even when added to the Pipeline data, this does not provide a complete picture of regional transport spending, as noted subsequently by Norman Baker: "Where schemes are multi-regional, it can be difficult to accurately apportion expenditure. In such cases, spend has been apportioned equally between the relevant regions. For example, spend on the Trans Pennine Electrification, is apportioned between Yorkshire and Humber and the North West. The figures do not include the further £1 billion announced for the regional growth fund as part of the autumn statement."[8]

More recently, David Cameron said that "62% of the funding for transport schemes in the Autumn Statement went to the North and the Midlands."[9] The Autumn Statement does not provide a complete break-down of costs by region, so it is not possible to check this directly to understand how it was calculated. However, it is roughly consistent with the figures provided by the DfT which form the basis of Table 2, once Local Authority Major Transport schemes which were not announced in the Autumn Statement are removed.

The Autumn Statement and other projects announced since then do not, however, form a full picture of future transport spending. It is clear from the Pipeline data that there are a number of large projects that were announced before the Autumn Statement. Therefore, the assertion that 62% of transport schemes in the Autumn Statement went to the North and Midlands is not sufficient to conclude that there is no regional disparity problem in transport spending.

Conclusion: is there regional disparity problem in transport spending?

The available evidence on future transport plans is not an entirely reliable guide to regional disparities in transport spending. However, taken alongside with information from the Treasury's PESA tables, there does appear to be a pronounced disparity for capital spending, and spending by local authorities/public corporations. This is not, however, a north/south divide, as is implied by the IPPR North report. The divide is more along the lines of London versus the rest of England. For example, according to the PESA tables, the regions with the lowest transport spending per head in 2010/11 were the South-West, South-East and East Midlands.

The data suggests that the disparity is driven by differences in spending by local authorities/public corporations (which may be in turn be funded by grants from central government) rather than direct spending by central government. Therefore any attempt to address these disparities will need to consider how local authorities and public corporations make decisions, and central government funding for transport is allocated across local authorities and public corporations.

A disparity of itself does not mean there is necessarily a problem. It may be the case that money is simply being targeted in areas where the most benefit can be achieved. It may be the case that although public spending appears to be high in some regions, it is low compared to fares paid by users.

The IPPR North report suggests that the way that cost benefit analyses are conducted disadvantages possible projects in some regions. IPPR North suggested that this is because average wages are higher in London and the South-East, which means that benefits transport users in terms of time

[8] HC 6 Mar 2012, c 636W
[9] Evidence to the Liaison Committee, 6 March 2012 HC 608-v

savings appears higher for transport projects designed to benefit these areas. However, in fact the DfT use a standard wage, not a regional one in assessing projects.

It is likely to be helpful to undertake some specific work on how grants and funding are allocated to local authorities/public corporations for transport projects, and whether the way in which decisions (both at the local and central government level) are made may result in an unjustified bias towards some regions compared to others.

Scrutiny Unit

March 2012