

6th February 2013**Agenda Item:7****REPORT OF SERVICE DIRECTOR, HIGHWAYS****INTEGRATED TRANSPORT BLOCK FUNDING CONSULTATION****Purpose of the Report**

1. To seek Committee approval for the consultation response as detailed within this report and its appendix (which details the full consultation response).

Information and advice

2. Integrated transport block funding is provided by the Department for Transport (DfT) for small local transport improvements, such as those that address congestion or road safety. This funding is currently allocated according to a needs based formula made up of six elements:
 - accessibility (which accounts for 20% of the total allocation)
 - air quality (which accounts for 5% of the total allocation)
 - congestion (which accounts for 25% of the total allocation)
 - deprivation (which accounts for less than 1% of the total allocation)
 - public transport (which accounts for 30% of the total allocation), and
 - road safety (which accounts for 20% of the total allocation).
3. Between July and December 2011 the DfT convened a working group to review the formula used to allocate the integrated transport block funding. The working group did not make specific recommendations but provided the DfT with a list of points that it would like to be considered in any review of funding, these included changes to:
 - data sets used in the formula
 - elements used in the formula to take account of current priorities, particularly the economy and carbon
 - eliminate perverse incentives, and
 - weighting of elements to take account of current priorities, particularly the economy and carbon.

Options under consideration

4. The outcomes of the working group have been used to develop three options for changes to the formula and the DfT is currently consulting on these options.

Option1

5. Option 1 is a proposed new formula to eliminate perverse incentives (i.e. rewarding authorities that are making improvements rather than providing more funding for authorities performing poorly). The suggestion is to apportion 75% of the allocation based on need using the existing needs based formula, with the remaining 25% of the funding allocated on the basis of continuous improvement using trend data. Trend data, however, cannot be easily collected for each of the elements. Therefore the suggested mix of 'needs' and 'improvements' based formula would only be applied to the air quality, congestion and road safety elements.
6. Option 1 is an improvement to the existing needs based only formula as authorities that fail to make improvements in air quality, congestion and road safety would be penalised, and authorities that make improvements within these areas would be rewarded. It does not, however, update the transport priorities to include the economy and carbon – both of which are priorities for Nottinghamshire.

Option 2

7. Option 2 incorporates two additional new elements to the existing needs based formula:
 - the economy – which would be based on 2010 level of employee earnings, and
 - carbon – which would be based on estimates of road transport emissions (excluding motorways) within a local authority.
8. The addition of the two new elements would also require the weightings of the current formula to be revised as follows:
 - accessibility (which would account for 15% of the total allocation)
 - air quality (which would account for 5% of the total allocation)
 - carbon (which would account for 10% of the total allocation)
 - congestion (which would account for 25% of the total allocation)
 - deprivation (which would account for less than 1% of the total allocation)
 - economy (which would account for 10% of the total allocation)
 - public transport (which would account for 20% of the total allocation), and
 - road safety (which would account for 15% of the total allocation).
9. The County Council, through consultation as part of the development of the third local transport plan, identified economic growth as its highest transport priority; and minimising transport's impact on the environment (particularly relating to carbon) as one of its transport priorities. It is therefore considered that economic growth and carbon should be part of the IT block formula if a suitable data set for determining the formula can be established.
10. Option 2 does not, however, do anything to remove the perverse incentives for authorities who are performing badly receiving more funding.

11. There are also concerns about using the level of employee earnings to determine the economy element as it is not considered to be an effective means of assessing transport need. This data set would also obviously favour the East of England, South East and South West given their higher average earnings.

Option 3

12. Option 3 is a revised formula based on both needs and improvement. The suggestion is to add the carbon and economy elements as detailed in option 2 above. Option 3 would, however, also apportion 75% of the air quality, carbon, congestion and road safety allocation based on need using the existing needs based formula, with the remaining 25% of the funding allocated on the basis of continuous improvement using trend data.
13. If a suitable data set can be determined for the economy element Option 3 would be the preferred option. This is because it will include all of the County Council's current transport priorities within the elements included and gives a greater balance to the weighting of them. The County Council therefore supports Option 3, provided that a more representative data set than the proposed average employee earnings can be found to determine economy element.
14. The DfT are also consulting on the possibility of using activity (the prevalence of residents cycling and walking) as an additional element. Whilst encouraging healthy, active travel is one of the County Council's transport priorities, the DfT proposes basing this element on the annual Active Travel Survey. It is therefore not considered that this would be an effective element to add as the Active Travel Survey is based only on a small sample size of 500 people per district and therefore is subject to fluctuation.

Data used to calculate the formula

15. It should be noted that data used to determine the needs based elements of the formula will be updated in 2015 and that the 2011 Census data will be used at this time (along with annual data sources). This may therefore have an impact on the levels of funding that the Authority would receive as the congestion and accessibility elements contain population and car ownership data which will have changed.
16. The DfT is not considering changes to the data sets used for four elements of the existing formula: accessibility, air quality, deprivation and public transport. DfT is, however, considering alternative data sets for the congestion and road safety elements.
17. The current population data used to measure congestion is very crude and it is suggested using journey time per mile for the 25% trend allocation. Further information on how the data will be determined and weighted is required before comprehensive comments on the suggested alternative and its robustness can be made.

18. The preferred data set used to determine the road safety element is to use the 75%:25% split based on need and improvement as detailed in paragraph 12.

Funding amounts

19. Changes to the formula (or the data sets used to calculate it) may result in some local authorities receiving more, and some receiving less, integrated transport funding. Any changes to the formula would be effective from April 2015. The DfT does not intend to make any changes to the formula or the data used to calculate the allocations before that date.

20. The DfT has, however, given estimated allocation using the existing data sets and the levels of funding which would be allocated to Nottinghamshire for integrated transport measures is shown in the table below. As can be seen it is estimated that each of the options will result in Nottinghamshire's allocation remaining largely unchanged (subject to the 2015 data changes).

	2014/15 allocation	Option 1	Option 2	Option 3
Estimated allocations using the suggested formulae	£7.406m	£7.460m	£7.461m	£7.492m

Statutory and policy implications

21. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

It is recommended that Committee approve the response to the DfT consultation on integrated transport block funding as detailed in this report and Appendix 1.

Andrew Warrington
Service Director Highways

For any enquiries about this report please contact:
Sean Parks – Local Transport Plan manager

Constitutional Comments (SHB.10.01.13)

22. Committee have power to decide the Recommendation.

Financial Comments (TMR 15.01.13)

23. There are no immediate financial implications arising from this report.

Background Papers

Department for Transport 'Consultation on Integrated Transport Block Funding'
published December 2012
Nottinghamshire Local Transport Plan Implementation Plan 2011/12-2014/15

Electoral Division(s) and Member(s) Affected

All