

## Mayoral Combined Authority Board

6 March 2023

### Transport Update - National Funding Decisions

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<b>Is the paper exempt from the press and public?</b>	No
<b>Reason why exempt:</b>	Not applicable
<b>Purpose of this report:</b>	Discussion
<b>Is this a Key Decision?</b>	No
<b>Has it been included on the Forward Plan of Key Decisions?</b>	Not a Key Decision

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#### Executive Summary

The Chancellor's Autumn Statement signalled budget challenges across Government, with spending Departments such as the Department for Transport being required to manage acute inflationary pressures.

The impact of these challenges is likely to be felt through the levels of capital investment committed to and the resource the DfT is able to provide to support local transport networks.

This report sets out some of the key risks around investments to be delivered by the DfT and its agencies, and the funding that is required to support activity.

Whilst details are still emerging on how the DfT will respond, the region will need to consider how it continues to advocate for the levels of investment required to help grow our economy and support our communities.

## What does this mean for businesses, people and places in South Yorkshire?

Investment into the region's transport network is critical to the MCA's aspiration of creating a stronger, cleaner, and more inclusive economy.

### Recommendations

It is recommended that the MCA and Local Authorities review the impact of DfT funding decisions once known and take into account in progressing our transport ambitions, priorities and national engagement for a fair transport deal for South Yorkshire.

#### 1. Background

- 1.1 The Chancellor of the Exchequer, Jeremy Hunt, announced revised spending totals for Departments in the Autumn Statement 2022 on 17th November 2022. This rolled forward DfT capital and revenue budgets. For the majority of Departments, including DfT:

“... departments will have their Spending Review settlements to 2024-25 honoured in full, with no cash cuts, but will be expected to work more efficiently to live within these ... To improve public finances, from 2025-26 onwards day to day spending will increase more slowly by 1% above inflation, with capital spending maintained at current levels in cash terms.”

- 1.2 In practice, the settlement means that the DfT will be required to absorb price inflation over the period. This is particularly challenging for DfT as construction inflation tends to run ahead of the RPI/CPI (supply sector bodies are quoting c18%). HM Treasury are also pressing DfT to accommodate the costs of High Speed Rail 2.

This report outlines the position for the main transport modes as far as we understand it in late-February. It highlights a challenging picture for transport spending over the next few years.

#### 1.3 HS2

HS2 is probably the most difficult single spending issue confronting DfT. The opening of the first phase of HS2 to Birmingham has been moved back from 2026 to a window of 2029 to 2033, while completion of the second part of the line to Manchester and a truncated eastern leg spur to East Midlands Parkway was delayed to between 2035 and 2041, and possibly as late as 2045. There is media speculation that the later may be cut in its entirety.

One consequence of these delays is that Government has deferred publication of the Terms of Reference for the “HS2 to Leeds” study. Without this study we remain unclear on the route of HS2 through the region, with growth opportunities foregone and blight along the previously declared route remaining.

#### 1.4 **Other Rail Investment**

There is material uncertainty over future rail investment plans beyond HS2, with this uncertainty delaying the necessary prioritisation and scheduling of key works.

The Midland Mainline Electrification is now progressing; however, indications are that a final decision on what is to be built will not be taken until 2025.

Government remains formally committed to 'core' Northern Powerhouse Rail (Liverpool-Manchester-Leeds) and the Manchester – Leeds Transpennine route upgrade, however, plans for delivery remain unclear.

As a region we will continue to argue for the central importance of upgrading the Sheffield to Leeds and Sheffield to Manchester connections, redressing some of the region's previously stated concerns around the 2021 Integrated Rail Plan (IRP).

We have four candidates for the Restoring Your Railway programme of local enhancements. Currently, Barrow Hill Line reopening has secured Programme Entry and is being worked up by Network Rail. The other schemes: the new Waverley Station, (Upper) Don Valley Line reopening and Askern Line reopening have yet to secure Programme Entry.

Regional aspirations for increased express services and/or local services crucially depend on capacity enhancements at Sheffield Midland and Doncaster stations, where both have limited train paths for national and local train services severely limiting the scope for enhanced frequencies and new services.

We are hopeful that an early package of measures to provide additional short-term capacity will be given the go-ahead, but major investment in the station layout and approaches will be required if our long-term aspirations are to be achieved.

#### 1.5 **Rail services**

We are still awaiting the return of a number of pre-Covid services such as the full hourly Cross Country Reading to Newcastle service via Doncaster, and some of our local Northern services such as the Sheffield to Gainsborough stopper and the full hourly service to Scunthorpe. The promised second fast service between Sheffield and Leeds and Manchester respectively also remains undelivered.

Funding pressures may mean that the Train Operating Companies are asked to work to further reduced budgets. This may impact on current provision, with officers working with TOC colleagues to understand which services could be at risk.

#### 1.6 **National Highways**

The scope for new enhancement schemes is reducing. The key event going forward is the publication of Road Investment Strategy (RIS) 3. This is scheduled for finalisation in 2024, with a draft published later this year.

Some existing schemes of benefit to the region are proceeding, including the Mottram bypass on the A628 as it approaches the Woodhead Pass from Manchester.

The headroom for new schemes is, however, being limited by a combination of slippage, the costs of installing additional emergency laybys on existing smart motorways, and general construction cost inflation.

The key new commitment being sought by the region is the A1 Doncaster to Darrington scheme to improve a length of motorway/dual carriageway. We are continuing to lobby Government and National Highways on its critical importance for Doncaster's future growth.

### 1.7 **Local Transport: TCF/CRSTS/LUF**

Current local transport capital budgets have been allocated to South Yorkshire for the period until 2026/27, comprising a TCF allocation of £166m and CRSTS allocation of £570m.

Whilst this funding is committed, funding pressures may encourage the DfT to take a firmer approach to programme slippage than they have done in previous years.

The region's Levelling Up Fund round 1 & 2 bids for transport have been unsuccessful.

### 1.8 **Local Transport: Bus Services**

DfT Ministers announced on 17 February the extension of Bus Recovery Grant (BRG) funding for a further three months from 1 April through to 30 June, along with continued funding for the £2 fare cap on bus, also for three months to 30 June. There is though no indication as to whether covid support for bus services will be extended beyond June 2023.

Bus networks are critically dependent on continued covid support from national government, with an estimated allocation to South Yorkshire of c£8m - £9m per annum. The MCA has committed to complementing national support with local resource, committing sufficient emergency resource to sustain the current South Yorkshire bus network until the end of July 2023.

Should national support for the network be withdrawn it is likely that operators will begin to withdraw commercially unviable services. MCA support for the network is partly drawn down from finite reserves, this cannot be sustained indefinitely.

Understanding Government's short and longer-term intentions for bus support remains important in helping the region determine what role it can play. Final decisions will have major consequences for the future of bus services in South Yorkshire.

## 1.9 **Local Transport: Active Travel**

DfT announced at the start of the year our current spending allocation through the Active Travel Capability Fund revenue funding of £0.98m for 12 months; and DfT have commenced a capital funding bidding round for drawing down in 2022/23, with a South Yorkshire indicative allocation of £4.93m. So short-term spending on Active Travel looks secure, while longer-term allocations will be determined as part of the DfT Autumn Settlement.

## 2. **Key Issues**

- 2.1 The Autumn Statement signalled budget challenges across Government. It is likely that transport investment through the DfT will be impacted.
- 2.2 These impacts may be felt across schemes that are delivered directly through the DfT and its agencies, but also through the funding that is made available by the DfT to bus and tram operators and the MCA itself.
- 2.4 How Government intends to meet these challenges will likely have a significant bearing in the region's approach to supporting the transport network. Without national support the current scale of the network cannot be maintained indefinitely.
- 2.3 In the near-term the region has funding commitments from the major TCF and CRSTS capital settlements that will support local investment for a number of years, whilst the region has been invited to bid into the latest Active Travel funding round.
- 2.5 The outcome for the various programmes should become known over the next few months.

## 3. **Options Considered and Recommended Proposal**

### 3.1 **Option 1**

That SYMCA and the Districts redouble our efforts to secure a fair transport deal for South Yorkshire.

### 3.2 **Option 1 Risks and Mitigations**

Once future funding is known, we will need to review the impact of DfT funding decisions and where necessary re-set our strategic priorities..

### 3.3 **Recommended Option**

As above.

## 4. **Consultation on Proposal**

- 4.1 Consultation may be required on individual modes and programmes, as and when the financial outcome and likely consequences are known.

## 5. **Timetable and Accountability for Implementing this Decision**

- 5.1 Timeframes will become clearer when DfT decisions are known.

**6. Financial and Procurement Implications and Advice**

6.1 None at this stage.

**7. Legal Implications and Advice**

7.1 None at this stage.

**8. Human Resources Implications and Advice**

8.1 None at this stage.

**9. Equality and Diversity Implications and Advice**

9.1 Cuts to public transport services, and bus services in particular, are likely to have significant negative impacts for communities, including some of our most deprived neighbourhoods.

**10. Climate Change Implications and Advice**

10.1 Any cuts to public transport services and/or future bus, rail and active travel investment are likely to have negative impacts on our road map to net zero.

**11. Information and Communication Technology Implications and Advice**

11.1 None at this stage.

**12. Communications and Marketing Implications and Advice**

12.1 Proactive strategies to be developed for each of the modes and programmes.

**List of Appendices Included:**

None.

**Background Papers**

None.