This is a repository copy of The Impact of Central Government Policies on Local Authorities’ Transport Expenditure and Provision: 3. Roads Capital Expenditure and Transport Supplementary Grant sine 1985/6.

White Rose Research Online URL for this paper:
http://eprints.whiterose.ac.uk/2289/

Monograph:

Working Paper 268

Reuse
Unless indicated otherwise, fulltext items are protected by copyright with all rights reserved. The copyright exception in section 29 of the Copyright, Designs and Patents Act 1988 allows the making of a single copy solely for the purpose of non-commercial research or private study within the limits of fair dealing. The publisher or other rights-holder may allow further reproduction and re-use of this version - refer to the White Rose Research Online record for this item. Where records identify the publisher as the copyright holder, users can verify any specific terms of use on the publisher’s website.

Takedown
If you consider content in White Rose Research Online to be in breach of UK law, please notify us by emailing eprints@whiterose.ac.uk including the URL of the record and the reason for the withdrawal request.
This is an ITS Working Paper produced and published by the University of Leeds. ITS Working Papers are intended to provide information and encourage discussion on a topic in advance of formal publication. They represent only the views of the authors, and do not necessarily reflect the views or approval of the sponsors.

White Rose Repository URL for this paper:
http://eprints.whiterose.ac.uk/2289/

Published paper
THE IMPACT OF CENTRAL GOVERNMENT POLICIES ON LOCAL AUTHORITIES' TRANSPORT EXPENDITURE AND PROVISION:

3. Roads Capital Expenditure and Transport Supplementary Grant since 1985/86

Ian Sanderson

ITS Working Papers are intended to provide information and encourage discussion on a topic in advance of formal publication. They represent only the views of the authors and do not necessarily reflect the views or approval of sponsors.

This work was sponsored by the Rees Jeffreys Road Fund.
CONTENTS

Summary of Findings and Conclusions

1. Introduction
   1.1 Background
   1.2 Research Focus
   1.3 Structure of Report

2. The Government's Policy for Roads

3. The Financing of Local Road Construction and Improvement

   4.1 The Local Authority View
   4.2 The Pattern of Resource Provision
   4.3 Resource Provision Versus Needs
   4.4 Issues in the Distribution of Resources

5. Implications for Local Authorities: Meeting Local Needs
   5.1 The Availability of Resources for Local Needs
   5.2 The Impact of Expenditure Restraints 1986/87-1987/88
   5.3 Examples from Selected Local Authorities
   5.4 Conclusion

6. Summary and Discussion

Notes on Text

Figures

Notes on Figures

References
Acknowledgement

The author wishes gratefully to acknowledge the contribution of the selected local authorities in providing information for this analysis, recognising that valuable staff time was used when it could be ill-afforded. Information was also provided by the Road Programme Division of the Department of Transport. However, the analysis contained in this report, the views expressed therein and any errors remain the sole responsibility of the author.
Summary of Findings and Conclusions

The Government has placed increasing emphasis in recent years on the role of roads investment in promoting economic growth and increasing the competitiveness of industry through reduced transport costs. This can be seen as consistent with the Government's broader economic and political programme for Britain involving the reduction of the 'burden' of public expenditure on private sector capital accumulation and the re-orientation of such expenditure in such a way as to enhance its role in supporting and promoting the profitability of the private sector.

Changes in the Government's approach to supporting and controlling expenditure by local authorities on roads construction and improvement have been implemented within this context. Specifically, the reform of the TSG system in 1985/86 concentrated government support with the purpose of encouraging local authorities to build or improve roads which provide particular benefits to longer distance commercial and industrial traffic and which otherwise might not have high priority in terms of purely local considerations.

The resources provided to local authorities through TSG have increased in real terms since 1985/86 and have constituted an increasing proportion of the spending power provided through capital allocations. This is particularly so since 1987/88 when allocations were reduced on the assumption that authorities would be able to apply spending power accumulated through capital receipts to roads capital expenditure. In fact, spending power from receipts is unevenly distributed between authorities and for the many which are in practice unable to apply receipts to roads expenditure the result has been a severe restraint on the resources available for those elements of their highways capital programmes which are directed at specifically local problems and needs.

Since the bulk of TSG support is in respect of major schemes which are subject to detailed monitoring by the DTP (86% of gross accepted expenditure in 1988/89 was for major works) there has been a tendency for the restraints on capital allocations to erode the scope for the exercise of discretion by authorities in the direction of resources to meet local needs through integrated transport plans and programmes. Fewer resources are available for non-TSG programmes of local highway and traffic management schemes, facilities for cyclists, schemes to improve public transport operation and promote inter-modal co-ordination, and parking facilities which provide the degree of control necessary to integrated and co-ordinated transport planning. The scope for such an approach to meeting local transport problems and needs has also been eroded by the reduction in control by local authorities over the provision of local public transport services due to the deregulation of local bus services in the 1985 Transport Act.

The analysis of resource provision for local road construction and improvement is subject to the problem of limited timescale since the reform of the TSG in 1985/86. In that year there were clearly many uncertainties about the new system and the following year brought the disruptions due to the abolition of the GLC and
metropolitan counties which resulted in a net transfer of resources to the successor authorities (particularly the metropolitan districts) at the expense of the shire authorities. Since 1986/87 there has been a relative shift in resources back to the south of the country, primarily to the Outer London area where several major road schemes have made heavy demands on TSG resources. This has been at the expense of other authorities whose share of TSG has declined. The Inner London Boroughs have suffered reductions in both TSG and capital allocations. The shire counties have experienced significant reductions in capital allocations. The metropolitan districts have suffered less of a reduction in allocation in absolute terms but have seen it decline as a proportion of their TPP bids. This is particularly so in the larger city authorities.

However, it is the shire counties which have suffered most from the reduction in capital allocations because these authorities, on the whole, do not have access to capital receipts on the scale assumed by the Government in setting allocations. This is firstly because transport does not generate capital receipts on a substantial scale and, secondly, because the shire counties do not have responsibilities for housing, the major source of receipts. Moreover, actual spending power from receipts is unevenly distributed between authorities. In particular, there is something of an imbalance between the north and south of the country arising from the substantial differentials in land and property values.

The metropolitan districts, as housing authorities, do, in general, have substantial capital receipts. However, these authorities would appear to be experiencing some difficulties in assigning receipts to support roads capital programmes arising from three sources. First, a reluctance on the part of Housing Committees to give up spending power from receipts because of the severe housing problems experienced by many metropolitan authorities. Second, the priority assigned to roads expenditure relative to the other traditional, long-established services (such as education, social services, housing, leisure and community services and economic development) which face heavy demands for increased expenditure due to the range of economic and social problems in these areas. Third, the magnification of these effects by the reductions in capital allocations for those other services.

The net result of these effects has been a severe restraint on non-TSG roads capital expenditure because spending on TSG-supported works has increased consistent with the Government's provision. This has adversely affected the ability of authorities to address transport problems and needs which are, by definition, of specifically local importance. Authorities are having to delay highly cost-effective schemes directed at local traffic, environmental and safety problems and designed to assist local economic development. Schemes to improve provision for cyclists and to improve the effectiveness and attractiveness of public transport appear to be suffering particularly badly. Delays to badly-needed structural repairs and improvements to roads and bridges and to programmes for replacement and improvement of street lighting create increased demands on revenue spending and higher future demands on capital.
expenditure. Lack of funds for off-street parking facilities creates potential difficulties for the development of commercial centres and tourism and for authorities wishing to employ parking development in strategies to achieve effective management of traffic.

The level of local authorities' bids and expenditure in relation to TSG-eligible schemes suggests a commitment on their part to the TSG system and the belief that benefits justify locally-borne costs. However, there are various grounds for concern about the effectiveness of the TSG and capital control systems from the local authority viewpoint. Areas of concern include the level of support for minor works, lack of grant support for capitalised structural re-conditioning works, cuts in spending on 'less visible' structural renewal, and implications for authorities' ability to pursue integrated and co-ordinated approaches in local transport planning. The uneven distribution of spending power from capital receipts exacerbates the mis-match between needs and resources with adverse implications for effectiveness.

From the Government's point of view effectiveness is enhanced by the high level of competition for TSG resources but a question mark arises against the extent to which TSG has promoted the construction since 1985/86 of schemes which would not otherwise have been implemented by authorities, from a purely local viewpoint. Authorities' willingness to design and build such schemes in the future may become more dependent on the extent to which the wider capital control system permits them to direct adequate resources to meet problems and needs which are purely local in character and which have suffered under the present operation of the system.

Uncertainty also surrounds the effectiveness of TSG support in terms of the promotion of economic growth through reduced transport costs and this produces questions about the balance of resources between TSG and non-TSG programmes, particularly since the latter include local schemes to support industrial and commercial developments. More research is needed in this area. This question of balance also raises distributional issues because TSG schemes tend to benefit rather different groups than non-TSG schemes directed as specifically local needs. We also see an emerging distributional issue in regional trends in resource allocation relative to patterns of economic growth.
1. Introduction

1.1 Background

This report presents results from the third and final stage of a research project, funded by the Rees Jeffreys Road Fund, which aims to assess the impact of recent changes in central government policies and powers in relation to local government finance upon local authorities' transport expenditure and outputs, and upon their approach to addressing local transport problems and needs.

Two previous working papers present findings from the first two stages of the project. The first (Sanderson, 1988A) reviews relevant changes in government policies and financial control mechanisms and identifies major research issues. The second (Sanderson, 1988B) presents the results of an analysis of trends in local authorities' transport expenditure relative to the Government's spending plans and expenditure provisions over the period since 1979/80 which attempts to identify the impact of changes in government policies and controls.

This working paper reports the findings of a more detailed examination of the operation of the system whereby the Government provides resources for, and exercises control over, local authorities' capital expenditure on local road construction and improvement. Within this broader context the operation of the Transport Supplementary Grant system is examined and, in particular, an attempt is made to assess implications of capital expenditure controls for selected local authorities in terms of their ability to address effectively the transport problems and needs of their areas.

1.2 Research Focus

The previous working papers referred to above have highlighted the concern of central government over the past decade to achieve greater control over local authorities' expenditure. Indeed there has been an increasing emphasis on bringing such expenditure into line with the Government's objectives and spending plans as specified in the annual Public Expenditure White Papers. To this end the Government has introduced complex systems for controlling both current and capital expenditure by local authorities in relation to central expenditure provisions. However, our analysis has raised doubts about the effectiveness of these systems in achieving the Government's objectives; indeed, the major 'success' for the Government - the reduction in local authorities' public transport revenue support expenditure - can be attributed mainly to the abolition of the GLC and metropolitan counties, the subsequent imposition of direct expenditure controls by the Secretary of State on the PTAs and the 'nationalisation' of London Regional Transport.

As regard local authorities' expenditure on roads, the degree of discrepancy from the Government's plans and provisions is now as large, or larger than at any time during the past eight years since the introduction of the present expenditure control systems. More specifically, a significant underspend, relative to the Government's plans - has emerged in recent years; thus, on
1987/88 estimates current expenditure on road maintenance was some 12% below the Government's provision while budgeted roads capital expenditure by local authorities was 24% below provision (see Figure 1). From the viewpoint of our research the important questions go beyond the clear problems relating to the effectiveness of expenditure control systems in achieving the Government's objectives. They concern the extent to which they affect local authorities' ability to address effectively their local transport problems and needs.

The significant degree of underspending on local roads capital expenditure has re-emerged in the context of the reformed Transport Supplementary Grant (TSG) system. From 1985/86 TSG was discontinued in respect of local authorities' current expenditure and restricted to capital expenditure on roads 'of more than local importance'. The purpose of the reform was to encourage capital expenditure by local authorities on "... roads which form part of the primary route network of major through routes, important urban roads, and bypasses and relief roads which relieve communities of the effects of heavy through traffic."

(Department of Transport, 1984, para. 2.) The extent of local authorities' underspending therefore raises the question of the effectiveness of the new TSG system in the context of the wider system of capital expenditure control.

Indeed, our analysis to date has indicated the importance of this wider system in influencing local authorities' expenditure behaviour so the changes which have been made recently by the Government to this system clearly provide an important focus as the context within which the TSG system itself should be examined. This is the approach which we adopt in the present analysis of implications for local authorities' effectiveness in addressing local needs.

1.3 Structure of Report

The analysis is structured as follows. In Section 2 we outline the Government's objectives and policies for local roads and this is followed, in Section 3, by a discussion of the framework for the financing of capital expenditure by local authorities on road construction and improvement and some issues relating to both TSG and capital allocations. Section 4 examines trends in resource provision for local roads capital expenditure since 1985/86 relative to local authorities' assessed needs as measured by TPP bids and concludes with a discussion of some issues in the distribution of resources. In Section 5 we examine in more detail the implications for selected local authorities in terms of their ability to meet their perceived needs for roads capital expenditure to tackle local transport problems. Finally, in Section 6 we summarise our findings and highlight the main issues and conclusions.
2. The Government’s Policy for Roads

The most recent White Paper setting out the Government’s objectives and policies for roads was published in April 1987 (Department of Transport, 1987a). These objectives and policies are also elaborated upon in the DTp’s submission to the House of Commons Transport Committee for their examination of the 1987 Public Expenditure White Paper (Department of Transport, 1987b).

These documents stress the Government’s commitment to sustaining a high level of investment in roads. The general policy objectives relating to this commitment are:

a) to provide, or promote the provision of, a road network which yields an adequate return on investment and maintenance costs in terms of benefits to industry and other road users, with full regard to safety and environmental considerations;

b) to promote the effective use of the road system in ways which procure a reasonable balance between the conflicting needs for movement, safety and the environment (Department of Transport, 1987b, para 2).

Central government is directly responsible for the construction and maintenance of a network of some 6300 miles of motorways and trunk roads. These ‘national’ roads comprise only 4% of the total road network in England but carry about 30% of total vehicular traffic and some 40% of heavy goods road traffic. The objectives for the construction of such roads are stated as:

i) to assist economic growth by reducing transport costs;

ii) to improve the environment by removing through traffic (especially lorries) from unsuitable roads in towns and villages; and

iii) to enhance road safety (Department of Transport, 1987a, para 2.4).

Local authorities are responsible for some 158,600 miles of classified and unclassified roads and the Government’s objectives for expenditure on such ‘local’ roads are "... to enable local authorities within cost-effective limits to maintain and improve their roads:

(a) to meet growing business and other traffic and so reduce costly delays and accidents; and

(b) to provide safe and convenient facilities for cyclists and pedestrians, and to improve the environment."

(Department of Transport, 1987b, para 38)

It is clear that the Government places considerable emphasis on the promotion of economic growth through road construction. As regards national roads, the 1987 White Paper indicates "... certain changes in emphasis..." since 1980:

3
"Since then the funds allocated to the trunk road programme have been substantially increased, largely because of the importance attached to roads in aiding economic growth and increasing the competitiveness of industry through reduced transport costs."

(Department of Transport, 1987a, para 2.5)

The potential role of roads investment in assisting economic growth is elaborated upon as follows:

"Successive governments have realised that a modern and efficient economy needs a modern and efficient road system. Exporters must have easy access to ports and airports. Good road links make it easier to encourage economic development in parts of the country with exceptionally high unemployment. Development of tourism is an important source of employment generation and is helped by good access, particularly to some of the remoter parts of the country ... The Government is committed to reducing the burdens upon industry, and better roads reduce one great burden."

(ibid, para 3.1)

It is also argued that Government spending on roads contributes to the effectiveness of initiatives aimed at encouraging the private sector to invest in the renewal of the inner cities, to undertake new development and to create new activity and new job opportunities in urban areas (ibid, para 3.2).

In supporting local authorities' expenditure on the construction and improvement of local roads, the Government places particular emphasis upon those roads which are defined as being "... of more than local importance ..." because they carry significant amounts of longer distance through traffic and therefore complement the national network. Since the importance of such roads extends beyond a particular local authorities' area the Government has concentrated Transport Supplementary Grant (TSG) since 1985/86 to support capital expenditure on them (ibid, para 2.12).

The purpose of TSG is "... to encourage local authorities to build or improve through routes that might not otherwise have high priority, in terms of purely local considerations, in the authorities' roads programmes" (ibid, para 2.13). Support for such schemes can therefore be related to the Government's priorities firstly, to assist economic growth by reducing transport costs and, secondly, to improve the environment by removing through traffic from towns and villages:

"The national interest requires that traffic, particularly commercial and industrial traffic, should flow freely and cost-effectively. Some local authority roads handle flows of long-distance or through traffic similar to those on national roads, or are roads of particular importance within major urban areas. The Government's policy is that these local authority roads should complement the Department's roads in quality and capacity having regard to the needs of the traffic using them. It is also the Government's policy
to relieve residential and shopping areas of heavy through traffic, particularly lorries, where this is practicable."

(Department of Transport, 1988, para 10)
3. The Financing of Local Road Construction and Improvement

Local highway authorities make annual submissions to the Department of Transport in the form of 'Transport Policies and Programme (TPP) documents. These outline highways and traffic management capital programmes which authorities consider will best meet the needs of their areas. Based upon such programmes authorities make a bid for resources for the next financial year in respect of both schemes which are considered to be eligible for TSG support and a programme of TSG-ineligible expenditure (Department of Transport, 1988).

The Secretary of State for Transport then decides the amount of each authority's submitted expenditure to accept for TSG support and grant is paid at a rate of 50% of this 'accepted expenditure'. TSG is paid as a block grant in respect of the accepted programme as a whole but all major schemes (with a total cost of £1 million or more) in the programme are 'named' and monitored by the DTp to ensure that actual expenditure on them is in line with estimates. Minor schemes (with a cost of less than £1 million) are not named and are accepted for support in an undifferentiated minor works block (ibid).

The Secretary of State also specifies capital allocations to cover expenditure by each authority on roads. Such allocations provide 'spending power' within the local authority capital control system (as established by the Local Government Planning and Land Act 1980) and borrowing approval to finance capital expenditure. Each authority's allocation is sufficient to cover TSG accepted expenditure plus an amount to take account of other (TSG ineligible) capital expenditure on roads as proposed in the TPP, such as expenditure on road schemes of mainly local importance, vehicles, plant, machinery and depots for road works. Since 1987/88 capital allocation in respect of parking schemes has been provided only in exceptional circumstances; authorities are expected to make use of trading profits and to look to the private sector for the provision of off-street parking wherever possible (ibid).

The Government's total provision for capital expenditure on local roads is specified annually in the Public Expenditure White Paper. Capital allocations are set lower than provision because of local authorities' spending power deriving from capital receipts. However, whilst the DTp recognise that there is considerable variation in the ability of individual authorities to make use of receipts, current legislation does not permit the Secretary of State to take account of individual authorities' actual receipts when allocations are set. Consequently, authorities' allocations are set on the basis of aggregate assumptions about the availability of receipts to supplement borrowing. Such assumptions may not be valid in relation to the actual situation facing individual authorities.

As indicated earlier, TSG is paid as a block grant in respect of accepted expenditure on the capital programme as a whole. The DTp advises authorities that "... your council may decide how best to use it." However, in practice authorities are subject to certain conditions in their use of TSG. Thus, the DTp monitors progress on 'named' major schemes in order to ensure that
authorities' expenditure on such schemes is in line with that accepted for TSG. If the actual expenditure on a scheme in any one year is significantly less than accepted expenditure, an adjustment to TSG can be applied in the following year. Moreover, if an authority experiences unforeseen delays in a named scheme, it must secure approval from the DTp before any alternative scheme can be substituted into the accepted programme. Such conditions lead to a possible criticism that:

"Local choice and flexibility therefore appears illusory and the grant is in effect 'specific'."

Local authorities have criticised certain specific aspects of the TSG system. For example, Avon County Council have identified three problem areas. First, in relation to the system of TSG adjustment due to scheme delays it is argued that:

"... the difficulties of assembling realistic programmes and payments forecasts and then achieving them should not be underestimated. For example, some of the delays experienced in land acquisition in the past have been reduced by early resort to Compulsory Purchase Order procedures, but even then unforeseen difficulties, often beyond the control of the County Council, can arise."

Second, since TSG is payable only on estimates of future expenditure and cannot be paid retrospectively, any eligible expenditure incurred by an authority in advance of a scheme being accepted (such as capitalised design costs, land purchase or advance works costs) cannot attract TSG in a subsequent year. It is argued that:

"... withholding TSG support from these essential elements of a scheme undermines the ability of the County Council to plan and implement long term capital programmes effectively. Moreover, the impact gets progressively worse as the size of a scheme increases."

Thus, Avon County Council spent £942,000 on surveys and advance design up to March 1985 in respect of the Avon Ring Road for which no TSG assistance was received. However, the DTp will now conditionally accept expenditure in advance of the start of main works on large schemes with high advance costs.

Third, because TSG support is restricted to expenditure up to and including the financial year following that in which a scheme actually opens to traffic, any claims under the Land Compensation Act 1973 (relating to property depreciation due to noise, vibration etc.) are effectively excluded from grant support since such claims can be made only 12 months after a scheme opens.

As indicated earlier, TSG support is restricted to expenditure on roads of more than local importance which complement the national network. More specifically, the criteria of eligibility for TSG specify expenditure relating to:

1. See section 'Notes on Text'
a) highways which form or would form part of the Primary Route Network (PRN);

b) bypasses and relief roads or traffic management measures which relieve communities, major shopping centres or important historic or tourist areas of the effects of heavy through traffic, particularly lorry traffic;

c) other major roads which handle flows of long-distance or through traffic similar to those handled by PRN roads, for example important urban roads, such as designated roads in London handling heavy traffic flows of more than local importance, and links to the Primary Route Network or motorways. (Department of Transport, 1988, Annex A)

It is clear that TSG support is designed to encourage local authorities to build and improve roads to meet the needs, primarily, of commercial and industrial traffic and to achieve the objectives of promoting economic growth and relieving communities of the environmental impacts of such traffic. Other roads expenditure, which authorities must finance from their authorised capital spending power net of TSG, is that directed at specifically local problems and needs. This includes expenditure on smaller road improvement schemes and traffic management measures, footway schemes, accident remedial measures, street lighting, cycling schemes, vehicles, plant, machinery and depots required for road networks. Such schemes are seen by authorities as being of substantial local importance:

"... they enable a large number of problem sites, spread over the County, to be tackled ... many are genuinely urgent and likely to be the subject of intense local pressure."

Avon County Council receives over 4000 letters and petitions annually relating to traffic management and road safety problems so expenditure to address such problems will be of particular interest to local members. Following the reform of the TSG system Kent County Council expressed concern about the exclusion from grant support of "... many highway improvement schemes which give great local benefits." Particular concern was expressed about the exclusion of schemes which give assistance to industry by allowing development to proceed where otherwise constrained by poor access. It is evident that many local authorities now give some priority to local economic development objectives in the formulation of their roads capital programmes. However, the ability to progress schemes which promote local industrial development depends primarily on non-TSG capital spending power. Thus, the DTp have advised Cleveland County Council that:

"... our aims for TSG are to support roads of more than local importance for the national benefits to movement of people, goods and services rather than local policies. In this context, we would regard local policies for the encouragement of industry as a matter for local authorities."

This raises an interesting issue given that the Government's first objective for road construction is to assist economic
growth. Schemes on the major road network which contribute to this objective primarily by reducing transport costs are considered as meriting TSG support. However, local schemes which contribute to this objective by making an area more attractive to industry and opening up areas for development are not seen as meriting grant support. In the consideration of the issue of the effectiveness of the use of resources allocated to TSG, the question of the relative economic benefits of these two types of schemes is therefore of some importance (we return to this issue later).

It is evident that the resources available to local authorities for transport capital expenditure over and above that which is accepted for TSG support are of considerable importance to their ability to plan facilities and services in an integrated and coordinated manner so as to address effectively local transport problems and needs. The non-TSG element of authorities' capital programmes, as well as expenditure on small highway schemes, local traffic management and cycling schemes, includes facilities for parking and public transport. Indeed, the Government now has a presumption against providing capital allocation for parking projects, considering "... that authorities should look to the private sector to secure new off-street car parks." (Department of Transport, 1988, para 18K). In many cases, therefore, authorities wishing to proceed with parking schemes will have to use capital allocations from other service blocks or capital receipts.

This treatment of car parking has been criticised by authorities as hindering further their ability to develop integrated transport plans. According to Avon County Council, "... parking forms but one element of an integrated land-use transportation policy and cannot therefore be treated in isolation." Kent County Council have expressed doubts about authorities' ability to secure sufficient parking facilities under the new arrangements. Reports considered recently by the West Midlands Regional Forum express similar doubts:

"However, it is unlikely that the private sector will wish to provide all off-street parking requirements or wish to finance major structural repairs to existing multi-storey car parks. Car parks should not be treated simply as trading undertakings, because there are other outputs and factors that influence decisions on the provision of, and charges for, car parking. Such factors include the need to attract town centre shoppers, or responsibilities to reduce traffic congestion by providing 'park-and-ride' facilities."

"This change in Government policy is to be regretted as it will prejudice the ability of Authorities to properly coordinate their transport policies and development proposals. Integrated transport planning, which is particularly important in the large Urban Areas, has already suffered by the deregulation of public transport and the removal of off street car parking provision from Local Authorities will exacerbate the problems particularly in Town Centres."

More generally, Manchester City Council is critical of the
present framework for the planning and financing of local transport, in particular the move away from the concept of comprehensive transport planning to achieve the balanced and co-ordinated development of land use and all transport facilities:

"All forms of transport should be judged by their contribution to the attainment of democratically endorsed policies as they relate to public transport, traffic management, pedestrian movement and road improvement. These policies would be set in a wide social and planning context and form part of a co-ordinated and integrated approach to transport planning."

At the present time, the fragmentation of planning and provision and the systems for central government control over the financing of local transport are seen as hindering such a development.

Recent developments in the system for control of capital expenditure would appear to have undermined further the potential for integrated transport planning in many authorities. Thus, as indicated earlier and as shown in Figure 1, roads capital allocations to authorities since 1987/88 have been restricted and set below the level of provision to allow for the ability of authorities to apply capital receipts. Since current legislation does not permit individual authorities' actual receipts to be taken into account in setting their allocations, it is clear that the global assumptions used by the Government will leave many authorities with reduced spending power due to low levels of actual receipts. There is evidence that the Shire Counties, in particular, tend to suffer in this situation. Moreover, expenditure accepted for TSG has increased, and accounts for a growing proportion of capital allocations nationally - 70% in 1988/89 compared with 61% in 1986/87. Therefore, non-TSG elements of authorities' capital programmes have become more dependent upon their ability to apply capital receipts (or vire allocation from other service blocks). This makes capital programmes directed at specifically local needs more vulnerable and potentially erodes the capacity for the integrated development of local transport facilities. We will examine this issue in more detail below, in the context of an assessment of the extent to which the systems for control of capital expenditure on local roads have permitted local authorities to address their local problems and needs.

Under the present system for financing capital expenditure on local roads, local authorities' capital programmes can be broken down into various components in terms of the source of spending power. These components are illustrated in Figure 2 with reference to four authorities, Kent, Hereford and Worcester and Cleveland County Councils and Birmingham District Council. The first component is the programme of expenditure accepted for TSG support. This expenditure is covered fully by an authority's roads capital allocation and supported by TSG at the rate of 50%. The main element is expenditure on 'named' major works which is monitored closely by the DTp and therefore, in effect, represents a 'first call' on capital resources. The minor works element of accepted expenditure is not subject to the same detailed scrutiny but nevertheless the DTp - is concerned with the effectiveness of this expenditure and has indicated to authorities that "...
support for expenditure on minor works will continue to depend on a clear identification in the TPP of the benefits to be gained from it. It is not clear that this is totally consistent with the statement that "... minor works in the accepted programme may be any capital works on roads of more than local importance ..." but it indicates that authorities must give some priority to such expenditure.

The second main component of roads capital programme is expenditure which is not eligible for TSG support but this comprises two elements in terms of the source of spending power. Part of this expenditure can be financed within the authority's roads capital allocation from borrowing authorised thereby. However, if an authority's roads allocation is insufficient to cover the expenditure programme that it wishes to pursue, then additional spending power must be obtained. The two possible sources of such spending power are first, the virement of capital allocation from other service blocks and, secondly, the use of capital receipts up to the levels prescribed by the Government. The potential for allocating such spending power to roads expenditure will vary from authority to authority firstly, because of differential availability of capital receipts and, secondly, because the application of the available receipts and the virement of capital allocation between services is a function of local political priorities.

Therefore, the balance between TSG-eligible and non-TSG components of roads programmes will differ considerably between authorities depending upon the levels of TSG-accepted expenditure and roads capital allocation and the ability to secure additional spending power to meet perceived needs for expenditure on roads. From Figure 2 it can be seen that Kent County Council pursued a relatively large non-TSG programme in 1987/88 but largely due to the ability to supplement the roads capital allocation through virement and the use of receipts. On the other hand, Hereford and Worcester and Cleveland County Councils were unable substantially to supplement their roads allocations resulting in very small non-TSG programmes. Birmingham City Council's non-TSG programme for 1987/88 was due entirely to the Council's ability to supplement the roads allocation by some £3.5 million from other sources; indeed, the TSG-eligible programme alone exceeded the roads allocation by some 22%.

Having considered in general terms issues relating to the system for financing of capital expenditure on local roads we can now go on to look in more detail at the operation of the system in practice since the reform of the TSG system in 1985/86.

4.1 The Local Authority View

There has been widespread criticism from local authorities that the Government’s restraints on capital expenditure prevent them from addressing effectively their local problems and needs. For example, Kent County Council, stressing the special problems and needs caused by large amounts of heavy goods traffic moving between London and the channel ports, criticise low levels of TSG and capital allocation which constrain their ability to implement a programme of road improvements which would be highly cost effective and beneficial in terms of its contribution to economic growth:

"By any objective yardstick, the expenditure needed for Kent's transport greatly exceeds available resources. Only those schemes with the very highest priority can currently be considered for the Council's Works Programmes. Increased support from Central Government, through both the Transport Supplementary Grant and the level of prescribed Capital Allocations, is essential to the County being able to accelerate its programme of highway improvements."

Cleveland County Council has argued that more resources for roads expenditure are necessary if local economic problems are to be solved:

"The local authorities in Cleveland have been making strenuous efforts to stem the economic decline that has hit the county. However, the scale of the problem is such that only a co-ordinated approach, together with major financial assistance from the UK Government and EEC, is likely to have any significant impact ... road construction is one of the few ways in which large sums of money can produce benefits to a local economy very quickly.

The County Council's total capital allocation for highways in 1985/86 was less than £7m. This is totally inadequate to give any impetus to the Council's urban policies and this needs to be doubled at least to begin to do so."

The problems facing authorities in the West Midlands are outlined in a report considered by the West Midlands Regional Forum as follows:

"The situation in the West Midlands is worse than the national figures would suggest. Lack of investment over the years ... is also apparent in capital expenditure. Although the national network of motorways is well developed and being extended in the region, the local feeder roads to the national network are extremely poor, many of them passing through town centres and residential areas. Unfortunately, despite the increased provision made for the current year, Local Authorities generally have been unable to commence schemes to overcome the deficiencies because of the reduced capital allocations."
Manchester, Birmingham and Sheffield City Councils all emphasise the special problems faced by large urban areas facing problems of economic restructuring and sub-standard road infrastructure, arguing that both TSG and capital allocations fail to come anywhere near the levels justified by needs.20

In the next section we examine trends in the distribution of resources provided through both TSG and capital allocation in terms of local authority classes and regions. In section 4.3 we look at the extent to which resources have matched authorities' assessed needs as measured by their TPP bids. In conclusion we highlight some issues arising from this analysis.

4.2 The Pattern of Resource Provision

Figure 3 indicates that expenditure accepted for TSG (and hence TSG itself which is paid at 50% of accepted expenditure) increased in real terms between 1985/86 and 1988/89, particularly since 1986/87. However, the distribution of TSG between classes of authority has changed quite significantly since 1985/86 (Figures 3-4). In 1986/87, following the abolition of the metropolitan counties and the GLC, the metropolitan districts and London boroughs received an increase in TSG (25% and 12% more respectively than their predecessor authorities) at the expense of the shire counties, which experienced an 11% decrease. Since 1986/87 the London boroughs have obtained most of the real terms growth in TSG, increasing their share of the total from 20% to 22% mainly at the expense of the shire counties whose share has therefore fallen from 64% in 1985/86 to 55% in 1988/89. (Figure 4a).

However, since 1986/87 there has been a significant redistribution within London, the Inner London boroughs experiencing a 31% decrease in TSG while the Outer London boroughs obtained a 32% increase, related to the construction of some large schemes such as the Hayes By-Pass and the North/South route through Enfield and Haringey. Therefore, since 1986/87 more than half of the total real terms growth in TSG has been directed to the Outer London area, supplemented by a transfer of resources from inner London. (Figure 4b).

The picture is similar, but rather more marked, when we consider roads capital allocations, because since 1986/87 total allocations have been cut by 6% in real terms (Figure 3). The small national increase in 1986/87 was due to a substantial increase for the metropolitan districts but the shire counties experienced a 4% reduction. Since 1986/87 the shire counties have suffered the largest reduction (13% in real terms); the metropolitan districts have experienced only a slight reduction while the London boroughs have received a 12% real increase. Once again, however, it is the Outer London boroughs which have gained with a 31% increase while the Inner London boroughs have experienced a 30% decrease. Therefore, since 1985/86 the shire counties' share of the national road allocation has fallen from 62% to 54%, matching the fall in share of TSG. The main beneficiaries have been the Outer London boroughs, whose share increased from 14% in 1986/87 to 19% in 1988/89; the metropolitan districts have broadly maintained their share since 1986/87. (Figure 4d).
The trend between 1985/86 and 1988/89 in the regional distribution of TSG-accepted expenditure and roads capital allocation per head of population is shown in Figure 5. The relative transfer of resources to the metropolitan areas in 1986/87 is reflected in the trends for Yorkshire and Humberside, the North West and West Midlands in particular. On the other hand, shire counties in the East Midlands and East Anglia would appear to have been the biggest losers. The shift of resources to Greater London since 1986/87 is evident, both in terms of TSG and capital allocation. However, trends in other regions are more complex. The North and West Midlands have made relative gains in terms of per capita TSG (the metropolitan districts having done particularly well) but have been less generously treated in terms of capital allocation; this is particularly so in the West Midlands. Yorkshire and Humberside has suffered a decline in per capita TSG and allocation; since 1986/87 the metropolitan districts in West and South Yorkshire have fared badly in terms of allocation and those in South Yorkshire have experienced a sharp decline in TSG. Of the shire areas, only the East Midlands has continued to experience a decline in per capita TSG and allocation. The South West has made relative gains since 1986/87 in terms of both TSG and allocation. The South East (excluding Greater London) however, while maintaining its share of TSG, experienced a decline in per capita allocation.

Overall, then, as Table 1 shows, there was a relative shift of resources for roads capital expenditure from the South and Midlands to the North in 1986/87 following the abolition of the GLC and metropolitan counties, the main beneficiaries being the metropolitan districts of Greater Manchester and West Yorkshire, the main losers being the shire counties in the East Midlands and East Anglia. Since 1986/87 there has been a relative shift of resources back to the South, away from the North in particular but also, again, from the Midlands. The main beneficiaries have been Greater London (particularly, as we saw above, the Outer London boroughs) and to a lesser extent the South West. The main losers in the North have been the metropolitan districts of South Yorkshire while the East Midlands shire counties have continued to experience a decline in both TSG and capital allocation.

Table 1

Distribution of Transport Supplementary Grant and Roads Capital Allocation 1985/86 - 1988/89 (Percent)

<table>
<thead>
<tr>
<th></th>
<th>Transport Supplementary Grant</th>
<th>Roads Capital Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>25.7</td>
<td>28.9</td>
</tr>
<tr>
<td>Midlands</td>
<td>20.3</td>
<td>18.4</td>
</tr>
<tr>
<td>South</td>
<td>54.0</td>
<td>52.6</td>
</tr>
</tbody>
</table>

Notes: North = North, North West and Yorkshire and Humberside
4.3 Resource Provision versus Needs

Analysis in terms of per capita resources does not address fully the issue of the extent to which resources match needs. Indeed, it is difficult to obtain objective measures of the need for roads capital expenditure but it is possible to make the assumption that the bids for resources submitted to the DTp by local authorities in their annual TPPs reflect a careful assessment of their problems and needs. However, it must be borne in mind that authorities' bids will also be influenced by pragmatic considerations not directly related to expenditure needs, so caution is required in such an analysis. Figure 6 shows that nationally, a high level of bid for both TSG and capital allocation was made in 1985/86 relative to the DTp acceptance levels. Thus, only half of bids for TSG were accepted in aggregate while total roads capital allocations during the year covered 64% of total bids. In 1986/87 and 1987/88 TSG bids were scaled down in real terms (particularly in the shire counties) before increasing again in 1988/89 (mainly due to increases in the London boroughs and metropolitan districts). Bids for capital allocation have remained reasonably constant in real terms after a decline in 1986/87 mainly in the metropolitan districts.

This pattern of bids suggests a degree of over-optimism by authorities in 1985/86, the first year of the new TSG system, partly due to uncertainty about the criteria of eligibility for TSG support. Indeed, authorities required extensive discussions with the DTp on this issue during 1984 when bids were submitted. Moreover, the abolition of the GLC and metropolitan counties clearly caused some disruption in 1986/87; in the metropolitan areas bids were significantly reduced from the previous year while in London bids were increased. Therefore, some caution is required in interpreting bids in these years as accurate reflections of needs. However, since 1986/87 the pattern has stabilised somewhat so there can be more confidence in the analysis.

Figure 7 illustrates trends in the proportion of bids for TSG and capital allocation accepted by the DTp. In fact, the pattern is largely determined by fluctuations in the levels of bids because, as we have seen, there have been rather consistent trends since 1986/87 in the distribution of TSG and capital allocation between London, the metropolitan areas and the shire counties. Nationally, the increasing proportion of TSG bids accepted in 1986/87 and 1987/88 arises largely from the decrease in bids in real terms; similarly the reduction in the proportion accepted in 1988/89 is due to an increase in bids in excess of the small real increase in TSG. As regards capital allocation the increase as a proportion of bids in 1986/87 was due to the reduction in bids; the decrease in the roads allocation as a proportion of bids in 1987/88 and 1988/89 reflects the reduction in allocations by the Government to accommodate assumed availability of capital receipts.
Looking at the picture by class of authority, the extent to which the metropolitan districts benefitted in 1986/87 is clearly evident, reflecting the significant increase in both TSG and allocation relative to reduced levels of bid. However, since 1986/87 the resources allocated to the metropolitan districts have met a declining proportion of assessed needs; the small increase in TSG has not matched increased bids and capital allocation has been cut while the level of bid has increased substantially. As Figure 7c and d shows, these authorities' roads allocations now meet a lower proportion of their assessed needs than those of London and shire counties.

In London the trend has been an increasing proportional acceptance of TSG bids (particularly in 1987/88 when bids were reduced) as TSG has increased in real terms. Moreover, Figure 7c shows how London authorities have fared better than others in terms of capital allocation, with an increasing allocation in real terms falling behind bids to a lesser extent than in the metropolitan districts and shire counties. Figures 7b and 7d also illustrate clearly the extent to which the Outer London boroughs have benefitted in terms of TSG and capital allocation, particularly in 1987/88 and 1988/89 and the extent to which the Inner London boroughs have suffered a decline in resources relative to their assessed needs (as well as in absolute terms).

The shire counties experienced an 11% cut in real terms in TSG in 1986/87, but their bids were reduced by 19% resulting in a higher proportional acceptance than in 1985/86. Since 1986/87 both the aggregate bid for TSG by the shire counties and the level of expenditure accepted for TSG have increased slightly in real terms so TSG resources have met a relatively constant proportion of assessed needs. On the other hand, the significant real terms decline in capital allocation for these authorities has resulted in a reduction in allocation as a proportion of total bids, but not to the same degree as in the metropolitan districts.

Therefore, following the substantial changes in 1986/87 in which the metropolitan districts, in particular, benefitted from a transfer of capital resources (primarily at the expense of the shire counties) the picture has stabilised somewhat. In terms of the extent to which TSG and capital allocation have matched assessed needs, the Inner London boroughs and metropolitan districts have fared worst, particularly through the reduction in capital allocations (although it has to be borne in mind that many such authorities will be able to generate substantial capital receipts). The Outer London boroughs have benefitted most because of the substantial increases in both TSG and capital allocation. The shire counties have 'held their own' in terms of TSG but capital allocations have met a declining proportion of assessed needs.

Looking at the situation in the metropolitan districts in rather more detail, there is evidence that the major urban centres in the metropolitan areas are experiencing particularly severe constraints on resources relative to their assessed needs as measured by bids. Figure 8 shows the trend since 1986/87 in accepted expenditure and roads allocation as a proportion of bids in six major urban centres compared with the metropolitan districts as a whole. It can be seen that these centres
experienced a greater-than-average reduction in both TSG and allocation relative to their bids suggesting that these authorities face particular difficulties in addressing their problems and needs through roads capital expenditure. Again, it is possible to elaborate upon this analysis with reference to the regional picture shown in Figure 9. The benefits experienced by the metropolitan areas in 1986/87, in terms of both TSG and allocation, are reflected in the increased proportion of bids accepted in the North West and Yorkshire and Humberside in particular; the North and West Midlands benefitted rather more in terms of capital allocation than TSG. We saw above that shire counties in East Midlands and East Anglia suffered the biggest declines in resources in 1986/87; however, in the East Midlands this was matched by a decline in bids and only in East Anglia was there a significant reduction in the proportion of bids accepted for TSG and allocation.

Since 1986/87 the North West, in particular, has suffered a decline in the proportion of assessed needs met by TSG and capital allocation and this reflects the experience of the metropolitan districts in Greater Manchester. Roads capital allocations to the North and Yorkshire and Humberside have fallen increasingly behind bids; in the North the bids of the Tyne and Wear districts have outstripped increasing allocations whereas in Yorkshire and Humberside allocations to districts in South and West Yorkshire have declined since 1986/87. In terms of the proportions of bids accepted for both TSG and capital allocation the districts of South Yorkshire fare particularly badly; in 1988/89 the respective proportions were 25% and 37% compared to the average for all metropolitan districts of 59% and 55%.

We discussed above the trend in Greater London since 1986/87, in particular the significant improvement in the position of the Outer London boroughs in terms of the extent to which both TSG and roads allocation met assessed needs. As regards regions dominated by shire counties, East Anglia has continued to experience a decline in the proportion of assessed needs met by TSG and allocation in spite of an increase in resources. The reverse situation has pertained in the East Midlands. In the South East (excluding Greater London) the increase in TSG but decline in allocation is reflected in the relationship to bids. We saw earlier that the South West has benefitted from a significant growth in both TSG and allocation since 1986/87 but this had not matched the degree of increase in bids. This suggests that resources are being re-allocated in response to bids but within constraints which limit authorities' losses or gains.

4.4 Issues in the Distribution of Resources

On the basis of the above analysis we can draw certain conclusions but it is clear that the limited timescale of operation of the capital-only TSG system means that caution must be exercised. As indicated above, the first two years of the new system was subject to considerable uncertainty as authorities came to grips with the new system, and due to the abolition of the GLC and Metropolitan Counties which transferred responsibility for highways to authorities with only limited previous experience in this area.
We have seen that there has been a relative transfer of resources for roads capital expenditure to the Outer London authorities since 1986/87 mainly at the expense of the Inner London boroughs and shire counties. More generally the South of the country has increased its share of resources since 1986/87 more than redressing the shift to the North in that year following the abolition of the metropolitan counties. Since 1985/86 the share of resources allocated to the Midlands had declined due to reductions experienced by the East Midlands. In terms of the extent to which resources have met assessed needs (as measured by TPP bids), the Inner London borough and metropolitan districts have fared worst since 1986/87, although following the abolition of the metropolitan counties the districts were treated very generously in the 1986/87 settlement. Within the metropolitan districts the major urban centres appear to be experiencing particularly tight restraints on resources compared with assessed expenditure needs. In the Outer London boroughs resources have, in general, increased as a proportion of assessed needs. In the shire authorities the picture is mixed. A relatively stable level of TSG (in real terms) since 1986/87 has broadly matched the level of bids while the roads allocation has declined as a proportion of bids due to reductions imposed by the Government to account for capital receipts. Re-allocation of resources between authorities has taken place in response to bids but it is clear that there are constraints on this process when resources are cash-limited, and when there is a significant proportion of committed resources from year to year in the major schemes programme. (In 1988/89 82% of accepted expenditure for major schemes was attributable to acceptance in previous years.)

Since the resources available each year for roads capital investment are cash limited the competitive process of bidding for resources through TPP submissions is seen by the Government as helping to ensure that resources are directed towards investment that offers the greatest benefit (Department of Transport, 1987a, para 2.14). This implies that the assessment of priorities by the DTp at national level is important in determining the distribution of resources. Thus, it is only at this level that decisions to support particularly large road schemes in certain areas can be reconciled with considerations relating to fairness in the distribution of resources between other areas.

For example, the decision to provide resources for some extremely large road schemes in the Outer London area has resulted in restrictions on the availability of TSG and capital allocations for other areas. This has resulted in reductions in TSG and allocations for the Inner London boroughs, restrictions on the growth of TSG in the metropolitan districts and shire counties and reductions in allocations in these authorities, particularly the latter. The effect on the Inner London boroughs suggests that some judgement may be made about a 'fair share' of resources for London as a whole with authorities having to 'wait their turn' for a share of the available resources. There is also some evidence of authorities 'taking their turns' in other regions which would support the notion that a broad view is taken at national level on the need to ensure fair shares of resources for all regions.
This raises the question as to what extent the shifts in resources which we have identified represent short-term trends reflecting the current outcomes of a competitive process or whether there are more systematic forces at work arising from the perception and valuation of the benefits from roads investment and particularly from schemes considered eligible for TSG support. Thus, when the large schemes in the Outer London area start to consume fewer resources, can the Inner London Boroughs expect to receive an increase to meet a higher proportion of their assessed needs? Or is it the case that road schemes in such urban areas do not perform well in terms of the benefits expected from schemes supported by TSG? In this connection, the significant decline in TSG relative to bids in the large urban centres in the metropolitan districts since 1986/87 is of some interest. Again, is the relative shift in resources to the south of the country since 1986/87 a temporary phenomenon or is it a reflection of the growth of economic activity in the south, relative to the North, which has resulted in increased road traffic and therefore an increased need for road investment as defined within the framework for assessing TSG support?

This relates to the issue of the role of roads investment in the promotion of economic growth. We have seen that the Government’s objectives for roads and the criteria for TSG support emphasise the role of new and improved roads in providing for longer distance commercial and industrial traffic, reducing costs for such traffic and thereby contributing towards economic prosperity (see above Section 2). There are two types of situation in which the need for roads investment can be demonstrated within this framework.

The first is the situation in which the existing road infrastructure is perceived as inadequate to cater for the traffic arising from existing and projected levels of economic activity. The role of roads investment is therefore to accommodate traffic which is growing due to increasing economic activity, reducing transport costs and promoting economic growth. In such a situation the benefits are largely demonstrable, since a large proportion will arise from the accommodation of existing traffic.

The second type of situation arises where new or improved road infrastructure is perceived as necessary to attract and promote new economic activity in areas currently experiencing problems due to a lack of economic development opportunities. The role of roads investment in this situation is to improve the potential for economic growth by improving an area’s accessibility in relation to potential markets etc. In such a situation the benefits are largely predicted since a large proportion will arise from traffic generated by the anticipated economic development.

The need for a road scheme and the benefits deriving therefrom are demonstrated more easily and on a firmer basis in the first of these situations and it would seem that the criteria for TSG support and the framework for the demonstration of benefits (the ’Annex B’ framework) are more applicable to schemes arising in such situations. In particular, quantified benefits relating to
provision for high existing flows of long distance heavy goods traffic which can also be diverted away from existing communities suffering from the environmental impact of such traffic, produce a strong demonstration of need within this framework. This leads to the proposition that the criteria and assessment framework for TSG support will produce a tendency for such support to be directed more towards roads investment which 'follows' and supports the existing process and pattern of economic development than towards roads investment designed to generate future development.

Looking at the pattern of TSG support in the shire counties since 1985/86 there is indeed some evidence to support this proposition. Over the four year period since 1985/86 total TSG support to the shire counties represents £3.44 per capita per annum on average. Of the 13 counties with an average figure in excess of £4.00 per capita, nine are located in the South of the country (i.e. South East, East Anglia and South West) and a further two (Leicestershire and Northants) in the southern part of the East Midlands. In these eleven authorities the rate of unemployment fell by 38% over the four year period April 1984 to April 1988 compared to the average for Great Britain as a whole of 30%. In April 1988 their average rate of unemployment was 5.7% compared to the British average of 8.9%. This is indicative of strong growth in economic activity in these areas providing the basis for the demonstration of need for TSG support for roads investment.

However, this is to argue no more than that there is a tendency for resources for roads investment to be attracted towards areas of increasing economic activity which will in turn, of course, strengthen the attractiveness of those areas for the location of further activity - a form of 'virtuous circle'. On the other hand, it is clear that resources for roads investment are also directed to areas which make the case for new and improved roads to enhance the prospects for future development to overcome the existing lack of economic growth. Thus, Cleveland County Council has since 1985/86 received a relatively high average per capita allocation of TSG (£5.21) and a substantial proportion of these resources has supported road schemes associated with the Tees Corridor regeneration programme, an EEC-supported initiative "... to help finance the reclamation of derelict land along the Tees Corridor and provide new roads and infrastructure to bring new industries to Cleveland." Nevertheless, the objective of local economic regeneration is secondary within the framework for assessing TSG support to considerations of "...national benefits to movement of people, goods and services ..." In a context of intense competition for limited resources, authorities whose needs for roads investment are related primarily to the objective of local economic regeneration may find it increasingly difficult to attract TSG support.

If this is the case then the availability to authorities of resources to finance roads capital expenditure which falls outside the criteria for TSG eligibility becomes a crucial issue. It is indeed, of considerable wider importance to all authorities because, by definition, such expenditure addresses problems and needs which are essentially local in character. Thus, within the non-TSG elements of their roads capital programmes authorities
must accommodate all expenditure on schemes which, for example, provide local access to industrial and residential developments, provide environmental and safety improvements on local roads, provide traffic management solutions to local problems, provide new footways and pedestrian facilities, and facilities for cyclists; on car parking facilities which are considered essential but which cannot be secured from private sector involvement; on vehicles, plant, machinery and depot facilities required in association with highway works; and on any substantial highway reconstruction and improvement works which are financed from capital rather than from the revenue budget for maintenance works. All such expenditure must be covered by capital allocation or financed by capital receipts used to supplement an authority's block allocations. In the next section we examine the implications of restraints on capital resources for the ability of local authorities to address their local transport problems and needs through such programmes of capital expenditure.
5. **Implications for Local Authorities: Meeting Local Needs**

5.1 **The Availability of Resources for Local Needs**

In view of the procedures followed by the Department of Transport for monitoring TSG-supported expenditure by authorities and the system of TSG 'adjustments' for authorities not achieving their accepted programmes of major schemes in any year, it is clear that the ability of authorities to pursue non-TSG capital programmes to meet local needs is dependent, in large part, upon the availability of capital spending power from two sources. The first is the amount of roads capital allocation remaining after TSG-accepted expenditure has been accommodated. The second is the amount by which this residual allocation can be supplemented by virement from an authority's other block allocations and by the application of accumulated and in-year capital receipts within the limits prescribed by the Government.

As regards the first of these sources we have already discussed the way in which changes in the Government's system of capital expenditure control in 1987/88 reduced capital allocations in relation to expenditure provision in order to allow for authorities' spending power deriving from accumulated capital receipts. At the same time expenditure accepted for TSG has continued to increase so in 1988/89 it constituted 70% of the total of roads capital allocations for English authorities as a whole compared with 61.5% in 1986/87 (see Table 2 and Figure 3a). This means that, in effect, a significantly reduced proportion of the roads allocation is available for non-TSG programmes.

However, the impact of this change differs between class of authority as shown in Table 2 and Figures 3b-d. Thus, since 1986/87 the shire counties have experienced a significant reduction in capital allocation relative to a small real increase in TSG-accepted expenditure so the proportion of allocation remaining after the latter is deducted has fallen from nearly 40% in 1986/87 to about 29% in 1988/89.

Table 2

<p>| Expenditure Accepted for TSG Support as a Proportion of Roads Capital Allocations 1985/86 - 1988/89 |</p>
<table>
<thead>
<tr>
<th>-------------------------------------------------</th>
<th>-------------------------------------------------</th>
<th>-------------------------------------------------</th>
<th>-------------------------------------------------</th>
<th>-------------------------------------------------</th>
</tr>
</thead>
<tbody>
<tr>
<td>London : Inner Boroughs</td>
<td>-</td>
<td>44.2</td>
<td>54.1</td>
<td>44.3</td>
</tr>
<tr>
<td>: Outer Boroughs</td>
<td>-</td>
<td>69.7</td>
<td>76.8</td>
<td>69.9</td>
</tr>
<tr>
<td>: Total</td>
<td>53.4</td>
<td>62.0</td>
<td>71.3</td>
<td>65.6</td>
</tr>
<tr>
<td>Metropolitan Areas</td>
<td>65.9</td>
<td>64.1</td>
<td>70.7</td>
<td>71.0</td>
</tr>
<tr>
<td>Shire Counties</td>
<td>65.1</td>
<td>60.4</td>
<td>67.6</td>
<td>71.4</td>
</tr>
<tr>
<td>England</td>
<td>62.8</td>
<td>61.5</td>
<td>69.1</td>
<td>70.0</td>
</tr>
</tbody>
</table>

Notes: 1. London and metropolitan area figures for 1985/86 relate to the GLC and metropolitan counties respectively.

2. Capital allocations are final allocations, including supplementary allocations.
The metropolitan districts have experienced a smaller reduction in allocations so the proportion available for non-TSG programmes has fallen from 36% to 29%. The London boroughs, on the other hand, have received an increase in allocations which nearly matches the increase in TSG accepted expenditure, so the ‘non-TSG’ proportion only fell from 38% to 34%.

Therefore, in terms of financing non-TSG programmes, the pressure has been placed upon the shire counties and the metropolitan districts, to supplement their roads capital allocations either by virement from other block allocations or by using capital receipts. However, as we saw above (cf Figure 7), if authorities’ TPP bids for resources are taken as a measure of assessed needs, the pressures placed upon the metropolitan district authorities increase in magnitude because of the extent to which allocations have fallen behind bids since 1986/87. It is apparent, then, that authorities’ actual capacity to vire to roads expenditure from other block allocations and to utilise capital receipts has become increasingly important to their ability to meet their assessed needs for such expenditure particularly in relation to non-TSG programmes.

This issue can be examined in more detail with reference to the situation in selected shire and metropolitan authorities. From such an examination it would indeed appear that many authorities are facing difficulties in implementing roads capital programmes which match up to assessed needs for expenditure. The primary cause of such difficulties is the reduction in capital allocations since 1986/87 and the problems faced in supplementing roads allocations by virement and receipts. Some authorities also face difficulties due to the restraints on revenue expenditure exercised through the block grant system which limit the expansion of capital programmes via the impact on debt charges.

As regards this latter issue, the operation of the block grant system since 1986/87 results in a reduction in block grant for an authority as its expenditure increases, with the penalty rising sharply when the authority’s expenditure exceeds a defined threshold in excess of its GRE. The revenue expenditure consequences of capital programmes are accommodated via a GRE component relating to debt charges on new capital expenditure (aggregated over most services). If an authority’s expenditure is below the threshold (typically GRE + 10%) £1 of increased revenue expenditure due to debt charges results in a loss of block grant of, typically, about 60p and therefore costs local ratepayers £0.60. In 1987/88 if Cleveland County Council, for example, had spent above their threshold of GRE + 9.5%, the grant penalty would have risen to £1.23 so each pound spent would have cost local ratepayers £2.23.

In such a situation authorities are forced to consider carefully the revenue consequences of capital programmes, in the same way that such consequences had to be limited due to the operation of the system of expenditure targets and grant penalties before 1986/87. Under that regime some authorities, such as Hereford and Worcester County Council, established policies which limited the full year revenue consequences of each year’s capital programme to a designated percentage of the total revenue budget.
(0.5% in the case of Hereford and Worcester CC). Since the capital programmes for all services had to be accommodated within such limits, roads programmes were vulnerable both to general expenditure restraints and to the determination of priorities across the range of services. A further problem was the 'lumpiness' of programmes containing large road schemes. The implications of such restraints for Norfolk County Council have been stated as follows:

"In the case of Highways it has been evident for some time that a continued Capital Programme requires annual expenditure beyond that provided for in the revenue budget. The Planning and Transportation Committee decided that it was no longer feasible to finance further capital expenditure by borrowing because if growth was not permitted the loan charges could only in practice be met by unacceptable reductions in highways maintenance expenditure except to the extent that the effects of debt falling out could finance some further borrowing.

In 1984/85 the Committee’s capital programme was financed in part by applying the proceeds of some of the receipts from the sale of County Council land and property. The availability of further non-repayable advances from the Capital Fund is clearly of fundamental importance in the size of programme so long as growth in the revenue budget is impossible."

In such a situation revenue expenditure restraints were inhibiting authorities ability to spend up to their capital allocations for roads. However, the relative restraining impact on roads capital programmes of the systems for controlling revenue and capital expenditure would appear to have changed as the system of block grant penalties has been abolished and as capital allocations have been significantly reduced. The following represents the perspective of Hereford and Worcester County Council:

"The revenue guidelines broadly maintain their value in real terms, as the price base of the revenue budget is updated each year. By contrast, there has been a downward trend in capital allocations over the years, and it is now proving more difficult to accommodate capital programmes within the spending limits imposed by capital allocations as enhanced by the approved use of capital receipts."

The focus of the current concern of local authorities, therefore, are the restraints on capital allocations and the assumptions made by the Government about the ability of authorities to supplement allocations through the use of capital receipts. The Government’s justification of these assumptions is as follows:

"The Government’s information indicates that, taken as a whole, local authorities have more than enough spending power from receipts to supplement capital allocations and achieve the expenditure assumed in the Autumn Statement. The position of individual highway authorities naturally varies but nearly half of them appear at least as well placed in this respect as the national average. The
receipts come from various services and the choice of how they should be spent is one for the local authority. However, if highway authorities generally were to give transport a high priority, then virtually all of them should be in a position to supplement their capital allocations by the proportion assumed in the Government’s spending plans.**

The basic assumption made by the Government in setting allocations is that all services will receive an injection of spending power from available capital receipts in proportion to their share of the total expenditure provision made in the Public Expenditure White Paper. The present legislative framework (provided by the 1980 Local Government Planning and Land Act and regulations made thereunder) does not permit the Government to take account of individual authorities’ actual receipts in setting their allocations, nor to take account of the receipts actually accruing in a particular programme area (e.g. highways) in setting allocations for service blocks.

In fact this assumption works to the disadvantage of highways capital expenditure. There are two main problems. First, transport functions do not generate a substantial amount of spending power from capital receipts – nationally, only about 2.5% of the total. Therefore, in relation to transport capital expenditure, it has been estimated that the ratio of spending power from receipts to that from capital allocations is about 1:12 compared to near equality for all functions nationally. The Government recognises this and argues that authorities should give transport a high priority for the use of receipts generated by other functions. However, this raises the second main problem which relates to the distribution of receipts between classes of authority.

In 1986/87 of the national total of capital receipts available within the prescribed proportions defined by government regulations, some 60% accrued to the shire district councils primarily from the disposal of housing and land. Consequently, the local authorities with the main transport expenditure responsibilities, collectively accounting for some 90% of the national total of capital expenditure on highways and local transport in 1986/87, had access to only 40% of national total of prescribed capital receipts. As Figure 11 shows, the metropolitan district councils and, in particular, the shire counties had relatively low per capita prescribed receipts. The latter primarily due to their lack of housing responsibilities (cf. Figure 10c). As regards receipts actually applied in capital financing in 1986/87, the shire counties have the lowest degree of spending power from this source (some 10% of total financing); moreover, highways and local transport constitutes the highest proportion of the total capital programmes in those authorities (about 34% of total payments), as shown in Figures 10a and 10b. Table 3 summarises the situation in the London boroughs, metropolitan districts and shire counties.
Table 3

The Role of Capital Receipts Relative to the Importance of Transport Capital Programmes by Class of Local Authority 1986/87

<table>
<thead>
<tr>
<th>Figures in Percentages</th>
<th>London Boroughs</th>
<th>Metropolitan Districts</th>
<th>Shire Counties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of Receipts in Capital Financing</td>
<td>22.3</td>
<td>14.6</td>
<td>10.5</td>
</tr>
<tr>
<td>Transport as Proportion of Total Capital Payments</td>
<td>12.8</td>
<td>14.9</td>
<td>33.6</td>
</tr>
</tbody>
</table>

Source: See Note 31.

Therefore, there is an imbalance of spending power from capital receipts between authorities which operates to the detriment of expenditure on highways and local transport because of the position, in particular, of the shire counties, which have less ability than other authorities to generate receipts. However, there is an additional problem which arises from an imbalance between shire counties themselves in terms of this ability. Thus, authorities in the South of the country, and particularly the South East, are benefitting from escalating land and property values in the scale of their receipts creating a regional imbalance in spending power from this source. For example, in 1986/87 the shire counties in the South East region accounted for 72% of the total receipts applied to capital financing by all shire counties in England and 57% of prescribed receipts (compared with 36% of population). Therefore, in per capita terms the actual spending power applied from capital receipts for the South East shire counties in 1986/87 was £8.8, nearly double the shire county average of £4.6. The degree of imbalance is illustrated graphically in Figure 12 showing the West Midlands and South West shire counties some way behind those in the South East and slightly below the shire county average. However, authorities in the North of the country and in the East Midlands and East Anglia had much lower levels of spending power from capital receipts.

Therefore, the shire counties in the North of the country in particular, can be expected to experience the greatest difficulties with the reduction in capital allocations in terms of their ability to supplement roads capital expenditure from capital receipts in accordance with the Government’s assumptions. The adverse implications of this for the ability of these authorities to address local needs are increased when we consider the earlier discussion on regional trends in roads capital allocations. Thus, we found that since 1986/87 authorities in the North of the country have seen their capital allocations fall increasingly behind their bids for resources. Much of this effect is accounted for by the metropolitan district authorities but certain shire counties have experienced restraints on capital...
allocations. Cheshire, Durham and Northumberland and North Yorkshire have seen their capital allocations reduced significantly since 1986/87 both in absolute terms and as a proportion of their bids. In the Midlands, Staffordshire and Nottinghamshire have experienced similar trends. Most of these authorities are not generating capital receipts on a large scale and therefore will have increasing difficulty in meeting needs for roads capital expenditure.

The resulting problems experienced by Cheshire County Council have been stated as follows:

"Central government recognises that one of the shortcomings of the present legislation is that the DOE is not allowed to tailor an individual authority’s capital allocation according to its capital receipts and this makes the County Council’s position on Capital Allocation very difficult. Some Authorities can supplement their allocations from substantial capital receipts from the sale of capital assets such as land. However, Cheshire does not have capital assets available which can materially add to the sums available. Therefore, the Council has had to reduce its Capital Programmes in 1987/88, including that for highways. This has a 'knock on' effect in later years and schemes cannot be progressed as rapidly as the Council would wish."\(^32\)

It should be pointed out that within the regional pattern outlined above there will be certain exceptions. For example, although the West Midlands and South West shire counties on average are well placed in terms of capital receipts certain authorities such as Shropshire and Cornwall have below average receipts. Therefore, in the 1988/89 TPP submission Cornwall County Council present the same argument as that outlined above from Cheshire County Council.\(^33\)

It is clear, therefore, that the Government’s treatment of capital receipts in the process of setting authorities’ capital allocations creates problems for roads capital expenditure because many shire counties do not in practice have access to receipts on the scale assumed by the Government. However, there is an additional dimension to the problem which relates to the relative priority attached to roads capital expenditure by authorities when considering the use of those receipts which are available and eligible for use in accordance with government regulations and the virement of capital allocation between service blocks. Thus, overspending by local authorities in recent years in respect of capital expenditure on education, social services and environmental services (e.g. on planning and economic development) suggest a relatively high priority for such services in the context of authorities’ resource planning. Moreover, in the shire counties a large proportion of capital receipts derives from education and environmental services and authorities are likely to experience some difficulties in transferring such receipts on a large scale to roads expenditure. Figure 13 shows that in 1986/87 in the shire counties the excess of capital payments over allocations per capita was significantly greater for education than for transport indicating a degree of priority in the use of capital receipts towards the former
service. This point is also illustrated by trends in capital expenditure in Hereford and Worcester County Council over the period 1981/82 to 1986/87 as shown in Table 4. It can be seen that spending on education, other services (which includes environmental services) and social services was in excess of capital allocations whereas expenditure on transportation was significantly below allocation over the period. Therefore, within this authority there has been an effective virement of allocation away from transport and a priority in the use of receipts for education and other services.

Table 4

Capital Expenditure Compared with Allocations and Receipts
Hereford and Worcester County Council 1981/82 to 1986/87

<table>
<thead>
<tr>
<th>Service Block</th>
<th>Capital Allocation</th>
<th>Capital Expenditure</th>
<th>Capital Expenditure Allocation</th>
<th>Capital Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>£m %</td>
<td>£m  £%</td>
</tr>
<tr>
<td>Education</td>
<td>12.5 19</td>
<td>22.7 32</td>
<td>1.81 6.8 37</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>38.1 59</td>
<td>28.7 39</td>
<td>0.74 2.2 12</td>
<td></td>
</tr>
<tr>
<td>Social Services</td>
<td>4.3 7</td>
<td>5.2 7</td>
<td>1.21 2.4 13</td>
<td></td>
</tr>
<tr>
<td>Other Services</td>
<td>9.5 15</td>
<td>15.4 22</td>
<td>1.61 6.9 38</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>64.4 100</td>
<td>71.4 100</td>
<td>1.11 18.3 100</td>
<td></td>
</tr>
</tbody>
</table>

Notes: 1. Total capital receipts arising over the period only prescribed proportions of which can be spent in any one year.

2. Source is Hereford and Worcester County Council see note 28.

In the metropolitan district authorities and London boroughs, this issue of relative priorities in the use of available receipts is the major consideration. These authorities have access to capital receipts on a substantial scale by virtue of their responsibilities for housing and, indeed, most local government services (see Figure 10). The abolition of the GLC and metropolitan counties therefore improved the potential for the application of receipts to highways expenditure in these areas. However, it would appear that this potential is not being fully realised in practice. In 1986/87, the first financial year following abolition, transport capital expenditure per capita was below per capita allocations in the London boroughs whereas spending on social services and, in the Outer London boroughs, education was significantly above allocation, as shown in Figure 13. In the metropolitan districts per capita spending on highways was above allocation indicating some use of receipts but again to a somewhat lesser degree than education.

It could indeed be expected that the metropolitan district authorities would experience some difficulty in assigning a high priority to highways expenditure for the use of available capital receipts. There are three aspects to the problem. First, since
most receipts are generated from activities which are the responsibility of well-established and relatively ‘powerful’ committees of such councils there may be political obstacles to the transfer of receipts to other committees’ capital programmes on the basis of a corporate view of priorities. This is likely to be exacerbated by the second aspect of the problem which arises because highways capital expenditure became the sole responsibility of these authorities only following the abolition of the metropolitan counties so this ‘new’ responsibility in 1986/87 had to be accommodated in a context of a range of well-established services. It is to be expected, therefore, that it would take some time for the authority to become totally familiar with its new responsibilities and for new patterns of priorities to be established. However, the prospects for achieving a high priority for highways expenditure in such authorities are not helped by a third factor – the wide range of pressing problems and needs in the metropolitan areas which place demands for increased expenditure on local services particularly housing, education, leisure and community services and economic development.

It will doubtless take a few years for new patterns of priorities to become established in the metropolitan districts and caution is therefore required in interpreting data relating to 1986/87 and 1987/88. However, there would appear to be grounds for doubts about the potential for future expansion of roads capital programmes in these authorities if such expansion is dependent upon the application of capital receipts as is the case in the Government’s present approach to capital expenditure control. The situation in the West Midlands, for example, has been stated as follows:

"In the region only three Authorities have been able to substantially supplement their allocations using capital receipts and even these have indicated that they will not be able to do so in future years." 

The situation in Sheffield City Council in 1987/88 illustrates the problems faced by a large urban authority in assigning priority to highways relative to other services:

"Although anxious to fund and implement solutions to the various transportation needs within the city, the council regards problems related to housing and education, for example, as more pressing. As a result, it decided to adopt a highways capital programme amounting to £5.277 million which is marginally less than the highways capital allocation."

In 1986/87 Manchester City Council’s expenditure on highways was £11.3 million compared to a capital allocation of £8.95 million, the difference being made up by virement from other service block allocations, the use of leasing facilities and the application of capital receipts. However, the Council’s adopted highways capital budget for 1987/88 of £6.5 million was within a reduced roads capital allocation of £6.6 million. This change in circumstances arose from review exercises necessitated by the inadequacy of the Council’s total capital allocation, supplemented to feasible limits by capital receipts, compared
with the expenditure demands of all the Council’s services. The
decision to budget within the roads allocation indicates that, in
effect, greater priority was assigned to other services for the
use of available capital receipts. This illustrates well the
potential vulnerability of roads capital expenditure under the
present conditions of capital expenditure restraint.

Therefore, it is clear that the operation of the system for the
control of local authorities’ capital expenditure is not
promoting the achievement of the Government’s objective of
increasing expenditure on local roads. There are three aspects
to the problem. First, the system itself operates through
aggregate mechanisms and controls which do not provide a degree
of refinement consistent with the Government’s more detailed
spending objectives for individual services. There is, in a
sense, an inconsistency between the level and degree of detailed
control over authorities’ expenditure desired by the Government
(and reflected in its plans and provisions) and the ability to
achieve this degree of control through systems which can be
legitimised as consistent with traditionally-accepted principles
of local authority autonomy, discretion and control over their
own affairs. Second, within such a framework aggregate
assumptions are necessary which fail to match the reality of
situations faced by individual authorities or classes of
authority; therefore, many authorities are unable to deliver
outputs consistent with the Government’s plans and objectives.
Third, the necessary scope afforded to local authorities within
this framework to determine their own priorities in response to
local assessments and perceptions of the problems and needs which
they face means that in aggregate local authorities may choose
not to deliver outputs consistent with the Government’s plans and
objectives.

The substantial budgeted underspend by local authorities in
1987/88 relative to the Government’s provision for roads capital
expenditure (some 24%) indicates the extent to which authorities
are failing to match the Government’s assessment of expenditure
need within the present framework of capital expenditure
controls. However, of greater importance are the implications
for the ability of local authorities to address effectively the
problems and needs of their areas and we can examine these
implications with reference to information from selected local
authorities.

5.3 The Impact of Expenditure Restraints 1986/87 - 1987/88

Detailed information on roads capital expenditure and provision
was obtained from thirteen local authorities, nine shire counties
and four metropolitan districts. Figures 14a and 14b compare
the average per capita roads capital allocation for the total
sample between 1985/86 and 1988/89 with that for all shire and
metropolitan authorities (1985/86 shire counties only),
disaggregated into TSG-accepted (major and minor schemes) and
non-TSG components. It can be seen that the sample is somewhat
below the average for all authorities in terms of both per capita
allocation and TSG-accepted expenditure but the discrepancy
decreases over the period of analysis. Thus, for 1988/89 the
sample means for per capita TSG-accepted expenditure and total
allocation are 96% and 97% respectively of the means for all

30
shire and metropolitan authorities.

Of particular interest from the point of view of our analysis is the extent to which the sample is representative in the years 1986/87 and 1987/88. In this respect it can be seen from Figures 14a and 14b (cf. also Figure 3) that the sample replicates the national picture quite well with a real-terms decline in per capita allocation and increase in TSG-accepted expenditure. Consequently, from the information relating to the selected authorities we can expect to obtain a realistic assessment of the effects of the reduction in capital allocations in 1987/88 on authorities' roads programmes.

In making such an assessment we focus in particular on changes between 1986/87 and 1987/88 because the latter year is the last for which comprehensive information on authorities' capital budgets could be obtained. Figures 15a and 15b compare expenditure (budgeted in 1987/88) with allocation in each of these two years in the sample of shire counties and the total sample; the extent to which the shire counties dominate the total sample is evident. It can be seen that in 1986/87 total capital expenditure on roads exceeded allocation; this is consistent with the national picture of an overspend against provision for roads and parking (of about 7.5%) given that national provision and allocation were approximately equal.

Two features of the picture in 1986/87 are particularly notable (Figure 15b). First, it can be seen that expenditure by authorities on TSG-eligible works exceeded the provision made by the Government for such works through capital allocations. Expenditure on major schemes is slightly in excess of the TSG-accepted level (this is due to an excess in the metropolitan districts) while expenditure on minor works is more than double that accepted for TSG support. Second, authorities in aggregate were able to supplement their roads allocations (either by virement from other block allocations or the use of capital receipts) so total expenditure was some 14% in excess of allocation. It can be seen that this was particularly important for the financing of TSG-ineligible expenditure.

However, the discrepancy between expenditure and allocation in 1986/87 illustrated in Figure 15b indicates a degree of variation between authorities. Figures 16a to 16m illustrates the position in each of the selected local authorities. While most authorities spent at or in excess of their allocations in 1986/87, there are examples of underspending (cf Avon, Cleveland, Solihull). However, in the main examples (i.e. the two shire counties) the underspending is primarily attributable to TSG major schemes and non-TSG expenditure; in both cases (and in Solihull) expenditure on TSG minor works is significantly in excess of the TSG-accepted level. This tendency to spend more on TSG minor works is also notable in Hereford and Worcester, Birmingham and Manchester; indeed, in the former two authorities it results in expenditure on TSG-eligible works exceeding the roads allocation. Also evident from Figures 16a-m is the differential ability of authorities to supplement their roads allocations; seven out of the thirteen authorities deploy such ability in 1986/87.

Turning to the changes between 1986/87 and 1987/88 certain points
can be made with reference to Figures 15a and 15b. First, despite the reduction in capital allocations, total expenditure in the sample authorities was reduced only slightly in real terms; indeed, budgeted expenditure in the selected shire counties in 1987/88 increased by some 4% over 1986/87. In aggregate, authorities were able to sustain their ability to supplement roads allocations at the level of the previous year. Nevertheless, this maintenance of spending power in spite of reduced allocations clearly does not match the increased provision for roads expenditure by the Government in 1987/88 (+8.5% nationally) which implies a substantial increase in the use of capital receipts by authorities to finance roads expenditure.

Figure 15 also shows that expenditure on TSG-eligible works increased in 1987/88 in spite of the reduction in allocations; most of this increase is accounted for by major works in the shire counties. Therefore, the excess of expenditure on TSG eligible works over the ‘accepted’ level increased from 18% in 1986/87 to 22% in 1987/88; again, the discrepancy is greatest in the case of minor works. Consequently, in 1987/88 TSG-eligible expenditure accounted for a significantly increased proportion of allocations: 83% compared with 72% in the previous year. The scope for financing non-TSG expenditure within allocations was therefore reduced, such expenditure becoming more dependent upon the ability of authorities to supplement allocations. Thus, non-TSG expenditure fell from 37% of the total in 1986/87 to 32% in 1987/88 and the proportion financed outwith capital allocations increased from 44% to 54%.

Looking at the individual selected authorities (Figure 16a-m) whilst the majority received reduced allocations in 1987/88, certain authorities did receive increases, mainly associated with increases in TSG-accepted expenditure. The exception is Birmingham which achieved an increase in the non-TSG component. Most authorities, whether receiving increased or reduced allocations, experienced a reduction in the amount of roads allocation available for non-TSG expenditure, the most notable reductions being in Cheshire, Cornwall, Hereford and Worcester, Norfolk, Nottinghamshire and Manchester. Such expenditure has therefore become increasingly dependent in such authorities upon their ability to supplement their roads allocations. However, notwithstanding the increased importance of this ability in 1987/88 it is clear that many authorities have been unable to respond in accordance with the Government’s assumptions about the spending power from capital receipts.

It is indeed notable that amongst the selected authorities shown in Figures 16a-m it is primarily those which have been able to supplement their roads allocations that spend more on TSG-eligible works than allowed for in their allocations. Thus, Kent, Norfolk, Nottinghamshire, Oxfordshire and Birmingham account for most of the total ‘overspending’ on TSG-eligible works and 89% of the total spending power applied by the sample authorities in excess of roads allocations. It is also significant that more than half of the total overspend on TSG-eligible schemes in these authorities is attributable to expenditure on minor works. This points to a discrepancy between the Government’s and local-authorities’ perception as to the need for such expenditure and, more particularly, as to the
appropriate balance between the major and minor components of the total expenditure accepted for TSG support.

Most authorities in 1987/88, then, budgeted to achieve the levels of expenditure on TSG-eligible schemes accepted for grant support in spite of the fact that in some cases, reduced roads capital allocations and an inability to supplement them, caused total budgeted expenditure to be reduced from 1986/87. This suggests that the TSG system is working well from the Government's point of view. However, it means that certain authorities are experiencing severe restraints on the non-TSG elements of their roads capital programmes, for example, Cleveland (Figure 14c), Cornwall (Figure 16d), Hereford and Worcester (Figure 14e) and Manchester (Figure 16j). The implications of these restraints can be examined in more detail with reference to particular authorities.

5.4 Examples from Selected Local Authorities

First, we can refer briefly to problems being experienced even in authorities which have not experienced significant reductions in capital allocations. For example, Kent County Council (Figure 16f) received a small real increase in allocation in 1987/88, but this was less than the increase in TSG-accepted expenditure so the amount of allocation available for non-TSG expenditure was reduced (by some 26%). The authority was able to supplement its roads allocation by the use of capital receipts but argued that:

"... unless there is a reversal in the current divergence of planned expenditure and the Government's prescribed allocation, it will, within a short time, become impossible to maintain adequate programmes of improvements and maintenance.

The items of the roads capital programme potentially most affected in this situation are identified as follows:

"... it is vital that capital allocation is available for the County Council's Reconditioning Programme, for smaller but highly cost effective highway improvements, traffic management schemes and traffic control systems, for the essential vehicles, plant and machinery needed to support works programmes, for depot improvements, and for bridge strengthening."

These items are seen as of considerable importance in terms of meeting assessed needs for roads capital expenditure. Reconditioning works "... are essential structural renewal of the asset but they contain a strong element of improvement to bring the carriageway up to modern standards of alignment and thereby provide adequate provision for current traffic flows." These works have not been accepted by the DTp for TSG support where they relate to roads of more than local importance and therefore were funded both by borrowing within the non-TSG component of capital allocation and from capital receipts.

As regards smaller highways schemes, Kent County Council argue that "... important schemes with rates of return on investment of over 30% have had to be postponed because of lack of capital
resources." An example of such a scheme delayed by restraints on capital allocation is the Medway towns southern peripheral road which is claimed to have considerable environmental benefits as well as a rate of return of 30%. Also subject to delay are "many other local highway improvement and traffic management schemes ... designed to overcome specific local congestion or environmental problems."; facilities for cyclists; and schemes directed at improving the effectiveness and attractiveness of public transport. The latter two items have received no provision in Kent's capital programme since 1985/86. Finally, the construction of new off-street parking facilities in Maidstone has been delayed because restraints on the County Council's capital allocation have prevented it from providing the borough council with the necessary allocation. Indeed, since 1987/88 allocation has not normally been provided in respect of car parking and Kent CC argue that the provision of major new car parks under the new arrangements (with funding from the private sector or from trading surpluses) will present great difficulties.

Birmingham City Council also received a small real-terms increase in capital allocation in 1987/88 and within this greater scope was provided for non-TSG schemes due to a reduction in expenditure accepted for TSG support from 1986/87 (Figure 161). However, Birmingham's programme of TSG-eligible works is subject to a high degree of commitment and the roads allocation for 1987/88 had to be supplemented to accommodate the TSG-eligible programme. This meant that non-TSG expenditure was entirely dependent upon the authority's ability to supplement the roads allocation, mainly from capital receipts. The non-TSG programme for 1987/88 comprised mainly expenditure on vehicle replacement and depot improvement and on minor road and bridge works and some pedestrianisation measures. It was these latter items which were particularly affected by expenditure restraints. A bid was made of £3.5 million in 1987/88 for capital allocation in respect of minor works ineligible for TSG but in the event only £1.12 million was budgeted for such works. The effect was to delay work on the reconstruction of highways where carriageway failure had occurred and several schemes in the minor improvements programme includes junction improvements, traffic management measures, accident remedial measures, aids for public transport, cyclists, pedestrians and the disabled, minor bridge improvements and reconstructions, and street lighting improvements. Moreover, the decision to exclude provision for car parking affected a programme for multi-storey car park provision in Birmingham.

Concern on the part of Birmingham City Council about the perceived inadequacy of capital allocation in relation to assessed needs prompted a direct approach to the Minister for Transport during 1987. The problem was stated as follows:

"In view of the many other urgent calls on the City's capital resources, in particular the serious disrepair and structural problems of system built flat blocks, this makes it extremely difficult for us to respond to the need for improved access to the Convention Centre area in time for its opening; the long outstanding need to complete the Middle Ring Road; the need to respond to the major re-orientation of long distance traffic that completion of the
M40 will bring; and the achievement of the vitally necessary improvements in access to the City's industrial areas."

The case for increased roads allocation was made in terms of, firstly, the need to support the economic regeneration of the city and to make the West Midlands an attractive alternative to the South East for industrial location and, secondly, the transport needs of a regional capital which experiences more severe traffic problems than other areas. In fact, this approach met with little success apart from an undertaking that the points made would be 'borne in mind' when capital allocations for 1988/89 were set. In the event, Birmingham's initial capital allocation for 1988/89 was some 9% lower in real terms than the initial allocation for the previous year.

Cleveland County Council experienced a 9% real terms reduction in capital allocation (including supplementary allocations) between 1986/87 and 1987/88 (Figure 16c). Having underspent on TSG-accepted major works expenditure in 1986/87 the authority suffered a substantial TSG adjustment in 1987/88 and budgeted in that year to spend at the TSG-accepted level on major schemes and slightly above on minor works. This meant that resources for non-TSG schemes were constrained given that the Council were not able to supplement the roads allocation substantially from capital receipts.

In drawing up the roads capital programme the Council had to consider two specific problems. First, the failure to achieve 'early conditional acceptance' for TSG on certain major schemes meant that advance design costs in respect of future schemes had to be borne fully by the non-TSG element of capital allocation. Second, the limited scope for non-TSG works on highway improvements and the 'small capital schemes' programme (addressing problems of road safety, traffic capacity or highway defects) created potential problems for the Council's 'Direct Labour Organisation' which relied heavily on such works. In essence the Council had to establish a trade-off between the priority given to local highway problems and needs and to the maintenance of the DLO's workload on the one hand and the cost of a TSG 'clawback' in future years on the other. Thus, it was argued that:

"... switching money from the TSG section to small capital schemes ... enables a wider range of problems to be tackled on your total road network ... It also enhances opportunities for the DLO although by no means to the point of workload security, but it will result in a penalty or clawback of grant in future years. The Department of Transport will state that reason for clawback is that grant was awarded to enable the Council to pursue its major priorities (eg Tees Corridor schemes) rather than to implement small capital schemes."

Cheshire County Council suffered a real-terms reduction of its capital allocation of one third in 1987/88 (Figure 16b). This was mainly due to a substantial reduction in TSG-accepted expenditure but the non-TSG component was also reduced (by 30% in real terms). Like Cleveland CC, Cheshire had suffered a TSG 'clawback' in 1986/87 so in 1987/88 budgeted up to the TSG-
accepted level in respect of major schemes. The Council was able to supplement its roads allocation for 1987/88 in spite of a lack of substantial capital receipts indicting an ability to vire from other block allocations. Nevertheless, it was necessary to cut its roads capital programme from that required to address assessed needs causing delays to highway schemes.

In the event, the 1987/88 roads capital programme was reduced by about 20% from that submitted in the bid for TSG and capital allocation. However, whilst the programme of major road schemes (over £1 million) was cut by only 10%, that for highway schemes under £1 million was halved. After accommodating commitments very few resources were available for new starts either on specific highway schemes or in the programme of minor improvements. Schemes subject to delay included the A533 Dunham Road Leftwich and the B5358 at Mottram St Andrews, both directed at local traffic and safety problems. Work on bridge strengthening, minor road improvements and provision for cycling and schemes for employment site access on local roads was subject to delay because no new starts were possible in 1987/88.

The reduction in Cornwall County Council’s capital allocation in 1987/88 (16% in real terms from 1986/87) affected mainly the TSG eligible road programme (Figure 16c). In 1986/87 expenditure on TSG-eligible major schemes exceeded the level accepted for TSG support, an important consideration for the Council being the need to progress schemes receiving support from the European Regional Development Fund (ERDF). Such support is also received by the Council in respect of minor TSG-eligible schemes and some non-TSG schemes. Therefore, much of the Council’s concern at the reduction in allocation in 1987/88 (and, within this, the TSG-eligible minor works component) related to the potential threat to ERDF support. The Council also expressed its concern about the loss of capital allocation for car parking particularly in relation to the implications for two schemes in Newquay and Falmouth which are considered to be "... essential to the economy of the towns, particularly in the development of tourism."

Hereford and Worcester County Council experienced a reduction in capital allocation in 1987/88 of some 16% in real terms but since the TSG-accepted expenditure was only reduced slightly, the main effect was on allocation available for non-TSG expenditure which was halved (Figure 16e). In 1986/87 the ability of the Council to pursue a programme of TSG-eligible works in excess of the provision for them in the roads allocation had depended upon the ability to supplement this allocation from other sources. In fact, the Council’s policy is to aggregate individual service block allocations into a single allocation for the Council as a whole and cover any excess of the total programme over this aggregate allocation by the use of capital receipts. However, in 1987/88 the roads capital programme was reduced significantly and exceeded the allocation only by some 5%. The main effect on the non-TSG programme was to delay the B4503 Leigh Sinton to Malvern road scheme.

The roads capital allocation for Manchester City Council was reduced by nearly 30% in real terms between 1986/87 and 1987/88 (Figure 16j). This was due to a reduction in major works expenditure accepted for TSG. However, an increase in the
expenditure accepted for TSG-eligible minor works resulted in a smaller proportion of the allocation being available for non-TSG schemes. Moreover, whereas the Council had been able to supplement the roads allocation in 1986/87 by virement, use of leasing facilities and capital receipts, the roads capital budget for 1987/88 was contained within the roads allocation. This was basically because the Council decided that priority in the use of capital receipts had to go to other services in order to address problems and needs considered to be the most pressing.

As a result of these restraints the expected outturn expenditure on the roads capital programme for 1987/88 is only 44% of the original TPP bid, the programme having gone through two trimming exercises. The main 'casualties' in these exercises can be outlined briefly:

a) Substantial structural improvement funded from capital on roads which are in poor structural condition as a result of traffic volumes significantly above design loads; no provision was possible in the 1987/88 budget, the bid for TSG having been rejected:

"... an inadequate allocation for the current year has led to the curtailment of ... work leaving a backlog of structurally failed carriageways as a result of overloading, and a financial requirement of £2.221m to tackle the worst problems."54

b) Street lighting improvements needed to improve safety and security and to reduce maintenance costs; no provision was possible in the 1987/88 budget to continue a programme of renewals to outdated systems:

"Unless adequate spending powers are made available for this type of work by Central Government the City Council will be forced to continue maintaining outdated and inefficient installations at an ever increasing cost."55

c) Bridge reconstruction and renovation to tackle structural problems which are restricting the routes available for heavy goods vehicles; the final budget figure for 1987/88 was only 37% of the TPP bid.

d) Traffic regulation, road safety, accident prevention and cycling schemes: provision in the 1987/88 budget was only half of the TPP bid figure resulting in delays to schemes of generally low cost and high benefits in terms of improving traffic flows and reducing accidents.56

As regards the latter two items schemes relating to TSG-ineligible roads were affected most. Expenditure on highway works was not affected to the same extent, most of it relating to TSG-eligible schemes. Thus, whereas such expenditure made up about 47% of the TPP bid, it comprised some 60% of the final capital programme following revision.

Various points are raised by Manchester City Council in considering the implications of expenditure restraints for the roads capital programme. First, the restricted allocation
reduces the Council's ability to purchase land in advance for highway schemes which in turn undermines its ability to demonstrate a commitment to implementing schemes which is important in gaining acceptance for TSG in future years. Second, the cuts in capital expenditure have potentially damaging consequences for the City Council's Direct Labour Organisation which might be unable to attract sufficient work to maintain its workforce. Third, the restraints on capital expenditure are seen as undermining the Council's ability to meet its obligations as a highway authority.

"The low capital allocation in particular will make it difficult for the City Council to meet its overall highway and transportation responsibilities. The Council will inevitably be frustrated in the realisation of its policy objectives to improve safety for the disabled, pedestrians and cyclists, to ease traffic flows for public transport and to carry out industrial and environmental improvements in areas of dereliction and deprivation unless capital funding for highway works can be made available."

More generally, it is argued that "... the benefits of the Council's extensive programme of urban and industrial regeneration will be devalued as the lack of funds for the provision of an up to date road network within such areas will make access difficult and thus reduce their attraction."

5.4 Conclusion

It is possible to conclude, then, that the Government's present approach to controlling local authorities' highways capital expenditure is presenting authorities with some difficulties in terms of their ability to address effectively their local transport problems and needs. The difficulties arise fundamentally from the restraints on capital allocations and the operation of assumptions relating to authorities' ability to supplement their spending power for highways expenditure from capital receipts. It would appear that, on the whole, local authorities are displaying a commitment to the TSG system with expenditure on TSG-eligible works matching 'accepted' levels this being encouraged by the system of TSG 'clawback' in relation to major schemes. Indeed, there is evidence of authorities spending more than accepted levels on TSG eligible minor works suggesting a degree of under-provision by the Government for such works.

However, the increase in provision for TSG-eligible expenditure combined with the decrease in roads capital allocation has resulted in a significant reduction in the amount of capital allocation available to support expenditure on non-TSG highways works which, by definition, are those directed specifically at local problems and needs. Therefore, the ability of authorities to address such problems and needs has become more dependent upon their capacity to supplement their roads allocations either by virement from other block allocations or by the application of capital receipts.

This is the case particularly in the Shire Counties which have experienced the largest reductions in roads allocations, and in the metropolitan districts and Inner London boroughs whose
allocations constitute relatively low proportions of their bids. However, the shire counties suffer the most from the Government's assumptions about the availability of capital receipts because these authorities do not have access to the largest source of receipts viz the sale of council houses. Moreover there is an imbalance between shire authorities in terms of their actual spending power from receipts and, in particular, something of a North-South divide arising from the substantial differentials in land and property values. The metropolitan districts in general have substantial receipts, being housing authorities, but in these authorities there would appear to be problems deriving from the priority assigned to highways expenditure relative to the other traditional, long-established services which face heavy demands for increased expenditure due to the range of economic and social problems in those areas.

Therefore, highways capital expenditure directed at the specifically local problems and needs faced by local authorities is clearly subject to severe restraint within the present framework of capital expenditure controls. The problem has three main dimensions. First, there is a discrepancy between the level of detail in the spending objectives and targets which the Government wishes to achieve and the capacity of the control mechanisms, and assumptions embodied therein, to achieve them. Second, and arising from this discrepancy, the substantive assumptions applied by the Government in the operation of the control framework fail to match the reality faced by many individual authorities; therefore, many authorities are unable to deliver the expenditure outputs consistent with the Government's objectives and adequate to match their local needs. Third, the degree of discretion and control available to local authorities to determine their own priorities within the framework of capital expenditure control means that authorities collectively may choose not to deliver expenditure outputs consistent with the Government's objectives and, effectively, to subordinate local transport problems and needs to other needs perceived as more pressing.

From our analysis of selected local authorities a general picture emerges as to the nature of highways capital works which are experiencing the most severe restraint in the present circumstances and the types of problems and needs which are therefore not being addressed as effectively as they otherwise might:

1. Major structural re-conditioning and improvement of roads funded from capital:

Authorities which have applied for TSG in respect of such works on roads of more than local importance have tended not to be successful. The funding of such works on all roads has therefore had to rely on the non-TSG proportion of capital allocation or capital receipts and has been subject to restraint where such sources are limited resulting in a growing problem of structurally-failed roads.
2. Schemes for the construction and improvement of local roads:

Many authorities have some relatively large schemes not eligible for TSG which must be accommodated in the non-TSG portion of capital allocation, supplemented where possible from other sources. There is evidence of authorities having to delay the implementation of such schemes.

3. Minor works programmes:

Such programmes comprise relatively low cost works directed primarily at traffic management, environmental and safety problems, usually providing highly cost-effective solutions but subject to cuts when non-TSG resources are constrained. Particularly badly affected within such programmes are facilities for cyclists, facilities and schemes to improve the effectiveness and attractiveness of public transport, bridge reconstruction and repair works and the replacement and improvement of street lighting.

4. Car parking facilities:

The removal of this element from the transport capital allocation makes it more difficult for authorities to secure appropriate parking facilities since the presumption is that these should be funded from trading profits or capital receipts or provided by the private sector. Many authorities are sceptical about the scope for providing the necessary facilities from receipts and the prospects for private sector provision and see threats to commercial development of town centres and to tourism and to their ability to formulate integrated and co-ordinated transport policies dependent upon control over parking.

Certain other areas of concern on the part of local authorities emerge from our analysis which can be summarised briefly. First, certain authorities express concern about the burden of advance works and land acquisition costs in respect of TSG-eligible schemes which do not achieve early conditional acceptance since such costs must be borne fully by the non-TSG element of capital allocation or by capital receipts, and are necessary in order to demonstrate commitment to a scheme and therefore enhance its prospects of eventual acceptance for TSG support. Second, many authorities are clearly concerned about the impact on their Direct Labour Organisations of restraints on smaller schemes and minor works programmes which are not providing sufficient work to maintain a constant workload in an environment where they must compete for tenders.

A final area of concern relates to the availability of resources to finance road schemes which are important in the promotion of local economic development. One aspect of this (raised by Cornwall CC) concerns the availability of finance to ensure progress of road schemes attracting EEC support (from the ERDF) so that grants are not jeopardised. Another aspect concerns authorities' ability to implement schemes which provide access to
areas with prospects for industrial and commercial development and thus help to maximise the benefits from roads investment for local economic development. Many authorities formulate their highways programmes in the context of their wider strategies for local economic development/regeneration and restraints on resources for non-TSG works have produced concern about the prospects for programmes of highway access schemes. This has led certain authorities to take up the issue of partnership with the private sector in financing road schemes where such schemes provide clear benefits to developers.
6. **Summary and Discussion**

6.1 **Summary**

The Government has placed increasing emphasis in recent years on the role of roads investment in promoting economic growth and increasing the competitiveness of industry through reduced transport costs. This can be seen as consistent with the Government’s broader economic and political programme for Britain involving the reduction of the ‘burden’ of public expenditure on private sector capital accumulation and the re-orientation of such expenditure in such a way as to enhance its role in supporting and promoting the profitability of the private sector.

Changes in the Government’s approach to supporting and controlling expenditure by local authorities on roads construction and improvement have been implemented within this context. Specifically, the reform of the TSG system in 1985/86 concentrated government support with the purpose of encouraging local authorities to build or improve roads which provide particular benefits to longer distance commercial and industrial traffic and which otherwise might not have high priority in terms of purely local considerations.

The resources provided to local authorities through TSG have increased in real terms since 1985/86 and have constituted an increasing proportion of the spending power provided through capital allocations. This is particularly so since 1987/88 when allocations were reduced on the assumption that authorities would be able to apply spending power accumulated through capital receipts to roads capital expenditure. In fact, spending power from receipts is unevenly distributed between authorities and for the many which are in practice unable to apply receipts to roads expenditure the result has been a severe restraint on the resources available for those elements of their highways capital programmes which are directed at specifically local problems and needs.

Since the bulk of TSG support is in respect of major schemes which are subject to detailed monitoring by the DTp (86% of gross accepted expenditure in 1988/89 was for major works) there has been a tendency for the restraints on capital allocations to erode the scope for the exercise of discretion by authorities in the direction of resources to meet local needs through integrated transport plans and programmes. Fewer resources are available for non-TSG programmes of local highway and traffic management schemes, facilities for cyclists, schemes to improve public transport operation and promote inter-modal co-ordination, and parking facilities which provide the degree of control necessary to integrated and co-ordinated transport planning. The scope for such an approach to meeting local transport problems and needs has also been eroded by the reduction in control by local authorities over the provision of local public transport services due to the deregulation of local bus services in the 1985 Transport Act.

The analysis of resource provision for local road construction and improvement is subject to the problem of limited timescale since the reform of the TSG in 1985/86. In that year there were
clearly many uncertainties about the new system and the following year brought the disruptions due to the abolition of the GLC and metropolitan counties which resulted in a net transfer of resources to the successor authorities (particularly the metropolitan districts) at the expense of the shire authorities. Since 1986/87 there has been a relative shift in resources back to the south of the country, primarily to the Outer London area where several major road schemes have made heavy demands on TSG resources. This has been at the expense of other authorities whose share of TSG has declined. The Inner London Boroughs have suffered reductions in both TSG and capital allocations. The shire counties have experienced significant reductions in capital allocations. The metropolitan districts have suffered less of a reduction in allocation in absolute terms but have seen it decline as a proportion of their TPP bids. This is particularly so in the larger city authorities.

However, it is the shire counties which have suffered most from the reduction in capital allocations because these authorities, on the whole, do not have access to capital receipts on the scale assumed by the Government in setting allocations. This is firstly because transport does not generate capital receipts on a substantial scale and, secondly, because the shire counties do not have responsibilities for housing, the major source of receipts. Moreover, actual spending power from receipts is unevenly distributed between authorities. In particular, there is something of an imbalance between the north and south of the country arising from the substantial differentials in land and property values.

The metropolitan districts, as housing authorities, do, in general, have substantial capital receipts. However, these authorities would appear to be experiencing some difficulties in assigning receipts to support roads capital programmes arising from three sources. First, a reluctance on the part of Housing Committees to give up spending power from receipts because of the severe housing problems experienced by many metropolitan authorities. Second, the priority assigned to roads expenditure relative to the other traditional, long-established services (such as education, social services, housing, leisure and community services and economic development) which face heavy demands for increased expenditure due to the range of economic and social problems in these areas. Third, the magnification of these effects by the reductions in capital allocations for those other services.

The net result of these effects has been a severe restraint on non-TSG roads capital expenditure because spending on TSG-supported works has increased consistent with the Government's provision. This has adversely affected the ability of authorities to address transport problems and needs which are, by definition, of specifically local importance. Authorities are having to delay highly cost-effective schemes directed at local traffic, environmental and safety problems and designed to assist local economic development. Schemes to improve provision for cyclists and to improve the effectiveness and attractiveness of public transport appear to be suffering particularly badly. Delays to badly-needed structural repairs and improvements to roads and bridges and to programmes for replacement and
improvement of street lighting create increased demands on revenue spending and higher future demands on capital expenditure. Lack of funds for off-street parking facilities creates potential difficulties for the development of commercial centres and tourism and for authorities wishing to employ parking development in strategies to achieve effective management of traffic.

6.2 Discussion

The problems which we have highlighted can be analysed in terms of the interaction between, on the one hand, the framework established by central government for supporting and controlling local government capital expenditure and, on the other hand, the approach pursued by local authorities, within the parameters of this framework, in the determination of priorities for expenditure to address the perceived problems and needs of their areas.

The Government's expenditure control framework can be seen to embody two sources of tension. The first arises between the interests of central government service departments in promoting and supporting expenditure of particular types to achieve their objectives and the interests of the Treasury in controlling local government expenditure in order to achieve broader macro-economic objectives. The second source of tension lies between the interests of central government in influencing and controlling local government expenditure to conform with its objectives and the interests of local government in maintaining a substantial degree of autonomy to determine expenditure priorities in accordance with local considerations.

The problem with local roads capital expenditure, in terms of both its failure to conform to the Government's plans and its failure to address effectively local needs, can be seen as arising in large part, from these tensions. For example, the Government's approach over the years to local authorities' use of capital receipts has been conditioned primarily by the concern to control capital spending but the aggregate-level approaches adopted, whilst serving control objectives in respect of some services, have helped to promote underspending on local roads thus contradicting transport objectives. Nevertheless, within the broader framework the Department of Transport is achieving some success in promoting expenditure on certain types of road through the TSG system in contradiction of the broader underspending. This can be seen as indicative of a tension between, on the one hand, the interests of the Department of Transport in promoting certain types of expenditure and the interests of the Treasury (embodied via the Department of the Environment in the local government expenditure control systems) in limiting local authorities' spending power.

The problem of inadequate resources for non-TSG local roads expenditure is certainly an 'unintentional consequence' of the system. The tensions manifested in the apparent lack of inter-departmental co-ordination within central government are exacerbated by those relating to the conflict between central controls and local autonomy. Thus, formally, the systems for controlling local government expenditure embody the principle of
local authorities' freedom to determine their own priorities within parameters set by central government. There are also statutory limits on the power of the Government to exercise detailed control over individual local authorities.

From the local authorities' point of view the problem has two dimensions. First, the provisions and assumptions made by central government, reflecting the balance of interests within the central state and the limits to the detail of central government intervention, fail to match the reality faced by many individual authorities. Therefore, many authorities are unable to deliver the expenditure outputs consistent with the Government's objectives on the one hand, and adequate to match their local needs on the other. In this sense, the Government is demanding too much from its control mechanisms given the limits to control deriving from tensions within central government and from formal limits to central government intervention.

The second dimension of the problem from the local authorities' viewpoint relates specifically to the degree of autonomy which they enjoy within our political system and which gives them the freedom and discretion to determine their own priorities within the Government's framework of expenditure controls. Therefore, many authorities will choose not to deliver expenditure outputs consistent with the Government's objectives faced with the parameters of central government control. In effect, when priorities have to be established the sum of locally-determined priorities may not sum to the centrally-determined view. In this sense, the Government is expecting too much from local government if the long-established principles of local autonomy and discretion are taken seriously.

This raises some fundamental questions about the relationship between central and local government which take us beyond the scope of this paper. However, there are certain problem areas in this relationship which are relevant to our immediate analysis and we can refer to these in the context of certain issues which arise from the analysis.

6.3 Issues

Our discussion will refer to various issues relating to two basic concerns: first, the effectiveness of the Government's system for supporting and controlling local roads capital expenditure; and, second, certain considerations relating to equity or distributional implications.

On effectiveness, we can consider first the local authorities' viewpoint. On the whole, local authorities are displaying a commitment to the TSG system with bids exceeding the available resources to a significant degree and expenditure on TSG-eligible schemes exceeding the level accepted by the DTp for grant support. It would appear, therefore, that local authorities are obtaining significant benefits for local road users and communities from TSG-supported schemes which make locally-borne costs worthwhile from their perspective. However, there are specific complaints relating, for example, to the timescale of eligibility of costs for grant support and to the 'clawback' system, and there is evidence that, from the local
authorities' point of view, inadequate support is given to minor works. In particular, the lack of grant support for capital expenditure on structural re-conditioning and improvement can be seen as an issue requiring consideration.

Many local authorities clearly are having severe problems with the operation of the broader capital expenditure control system and, in particular, with the treatment of capital receipts. The uneven distribution of capital receipts produces inequities, and we shall return to this below. It also has implications for effectiveness because authorities facing severe restraints are unable to implement relatively high priority schemes whereas those with above average receipts will be able to include schemes lower down their priority lists. The Government's system for capital expenditure control should attempt to ensure that, in broad terms, all authorities have a level of spending power which enables them to meet a similar proportion of their needs over a reasonable time period. The present approach to capital receipts does not achieve this and needs to be re-examined.

We have seen that it is programmes of non-TSG works which have suffered most in those authorities unable to supplement their roads capital allocations substantially from receipts. Such capital works are directed at specifically local problems and needs and are traditionally of particular concern to local councillors. We have no evidence to suggest that the restraints on such works due to the operation of the combined TSG and broader capital expenditure control system are creating sufficient frustration to provide the basis for a 'backlash' against TSG schemes. However, this could always be a danger so long as some authorities feel unfairly treated by the system.

The restraint on non-TSG expenditure raises two specific concerns in terms of effectiveness. First, there is evidence that cuts in expenditure are bearing heavily on less 'visible' elements in authorities' highways programmes such as repairs to structures and replacement of street lighting. The result is a higher burden on revenue spending and higher future capital costs. Second, as we have argued previously, there are adverse implications for authorities' ability to adopt an integrated and co-ordinated approach to the development of local transport services and facilities, which are exacerbated by the effects of bus deregulation.

As regards the Government's viewpoint on effectiveness in relation to TSG support, the fact that authorities' bids for TSG exceed the available resources to a significant degree provides the element of competition for grant which is seen as important in ensuring that the available resources are used effectively. However, this test of effectiveness is confined within the consideration of alternative road schemes which are eligible for TSG - it assumes a given level of resources for such schemes in total. It is also important to consider effectiveness in a wider sense, in relation to possible alternative uses for those resources - alternative types of road schemes, alternative transport investment, use for other non-transport purposes etc. In other words, it is important to consider opportunity costs. In such a consideration the crucial question is: How effective is TSG support in achieving the objectives and securing the
benefits as designated for the TSG system? We can make a few observations in relation to this question.

Many of the schemes put forward to date by local authorities for TSG support would have been in their roads forward programmes prior to the reform of the TSG system. It can be presumed, therefore, that, given adequate resources, such schemes would have been implemented even in the absence of the reform of the TSG system. These schemes would have been seen as producing significant benefits for local road users and communities and many would have been commenced but for the restraints on local authorities capital expenditure (exacerbated by revenue expenditure restraints and their impact on debt charges).

A good example is the Avon Ring Road. In the 1982/83 TPP submission (para 3.10) Avon County Council argued that:

"It is considered that the proposed Avon Ring Road will make a significant contribution to resolving many of Bristol’s traffic problems and the provision of such a road is also an integral part of proposals for increasing employment, by improving access to the area."

The County Council was committed to implementing this scheme on the basis of a purely local assessment of its benefits but the scheme was delayed due to cuts in TSG and capital allocations, aggravated by restrictions on revenue spending, particularly in 1983/84. It is clear that this scheme would have been built had the resources been made available under the pre-1985/86 TSG system. However, the stated objective of the reformed TSG system is to promote the construction of roads of more than local importance that local authorities would not otherwise give high priority. In the case of the Avon Ring Road, therefore (and doubtless many other schemes in other authorities) the question of the effectiveness of the new TSG system is not clear-cut due to this uncertainty about the existence of unique 'non-local' benefits.

There must be doubts, then, about the extent to which reform of the TSG system was necessary to secure the implementation of many of the schemes which have attracted TSG support since 1985/86. The real test of the effectiveness of the new TSG system will be the extent to which it genuinely does encourage local authorities to design and build new schemes of more than local importance which they would not otherwise have considered, rather than help authorities to implement major schemes which had already been in their programmes as solutions to local problems. As the backlog of these latter schemes is cleared and attention turns more to the former, we might anticipate that local authorities' commitment to the TSG system will become more dependent upon the extent to which the broader capital expenditure control system permits them to direct adequate resources to meet those problems and needs which are essentially local in character and which are the primary 'raison d'être' of local government. As indicated earlier there are grounds for reservations on this score based on the present operation of the system.

In considering the issue of effectiveness we must refer also to the emphasis in the Government's objectives and policies for
roads upon the role of roads investment in assisting economic
growth and, in particular, in reducing burdens on industry
through lower transport costs. Effectiveness in the use of TSG
resources therefore depends to a significant degree upon the
extent to which TSG-supported schemes produce benefits in terms
of these objectives. This is a complex issue which is really
beyond the scope of our analysis but it has to be said that
research studies conducted to date have not produced much
evidence to support an argument for effectiveness in this
respect. However such research does not provide an adequate
basis for firm conclusions and there is certainly a case for more
work in this area.

A specific issue which arises in this context concerns the
relative benefits to industry, and to the promotion of economic
growth, of investment in major roads forming the Primary Route
Network on the one hand, as against investment in local roads
providing access to the sites which actually generate and attract
commercial and industrial traffic on the other. Research
conducted in inner urban areas of London and Leeds by Patterson
and May (1981) highlighted the importance to firms of local
traffic problems. The implication of their conclusions is that
any benefits to industry from improvements to the major road
network might be jeopardised if problems exist with local access
to sites of industrial and commercial activity. This is likely
to be particularly relevant for industry in inner city areas.
While many TSG-supported schemes are designed to improve access
from the motorway and trunk road network to major sites of
industrial and economic activity, there is nevertheless an
important role to be played by non-TSG highway schemes in
improving local access for commercial and industrial traffic,
especially in large urban areas. However, the restraints on
resources for non-TSG programmes particularly in those
authorities with below-average access to capital receipts,
potentially undermine this role.

Attention needs to be given, therefore, to two questions. First,
what are the relative potential benefits to industry and to the
promotion of economic growth from major schemes eligible for TSG
support on the one hand, and from local schemes which do not
attract TSG support on the other? Second, given the Government’s
objectives for road investment does the present system for
supporting and controlling roads capital expenditure promote the
right balance of resource allocation between these types of
schemes? There would appear to be grounds for arguing that the
present circumstances faced by local authorities do not result in
adequate resources to tackle the local dimension of this problem.

Uncertainty about the effectiveness of TSG support in achieving
objectives relating to economic growth produces other grounds for
questions about the balance of resource allocation to local roads
investment. We have seen that the restraints on resources for
non-TSG highway programmes are causing cuts and delays in many
authorities to schemes with substantial benefits to local
communities, in terms of traffic, environmental and safety
objectives. The question arises, therefore, as to whether or not
a transfer of resources from TSG to provide additional support
for such local schemes would result in a net increase in benefits
and therefore in an overall increase in effectiveness in the use
of resources for roads investment. Of course, an important issue here concerns the relative valuation and weighting of different types of benefits and this takes us into the consideration of distributional implications.

It is clear that the distribution of benefits from schemes which fulfill the criteria for TSG support will be significantly different from that deriving from local non-TSG schemes. The 50% grant support from the Government is designed specifically to 'compensate' local authorities for the benefits accruing to 'non-local' users and communities. Nevertheless, the nature of the benefits from TSG schemes which must be set against the local authorities' half of the funding is likely to be, on the whole, somewhat different from the make-up of benefits from purely local non-TSG schemes. We do not have much evidence on this matter but it is reasonable to posit that many of the benefits related to local authorities' funding of TSG schemes will tend to accrue to local business and commercial traffic, private car commuters and to communities relieved from the intrusion of traffic, particularly heavy goods traffic. On the other hand, we have seen that restraints on resources for non-TSG programmes have tended to adversely affect schemes producing benefits for public transport users, cyclists and pedestrians. The question of a transfer of resources between TSG and non-TSG components of road programmes should also address these distributional issues in the context of the consideration of effectiveness.

A further important distributional issue raised by our analysis relates to regional trends in resource allocation for roads investment. Recent trends indicating a shift in resources towards the southern 'heartland' may be a temporary phenomenon due to the peak in resources required by the large Outer London schemes. Alternatively, they may reflect an inherent tendency for resources to be attracted towards areas experiencing growth in economic activity and traffic levels since the case for investment is demonstrated more soundly within the framework for assessing TSG support. If this is the case, the northern and 'peripheral' regions face a more difficult task in making the case for resources. An additional aspect of the problem lies in the unequal distribution of spending power from capital receipts with authorities in the south benefitting from high land and property values.

The implications of these trends for inequalities in economic well-being are difficult to assess. Much depends on the question discussed earlier of the extent to which investment in roads is an important factor in assisting economic growth. A better understanding of this relationship is clearly important to the consideration of the extent to which roads investment could and should be an element in any regional policy designed to combat any danger of a 'vicious circle' of decline in northern and peripheral regions while controlling a 'virtuous circle' of growth in the southern 'heartland'. More clear cut is the evidence of the regional dimension to the problem of access to spending power from capital receipts which needs to be taken into account in the reform of this aspect of the capital expenditure control system - a reform which is clearly needed. The Government's proposals for reform, announced for consultation in July 1988, do, in fact, address this problem through a system of
'credit approvals' which would take into account spending power from receipts.
Notes on Text


3. Avon County Council 1986/87 TPP submission, para 1.5.


5. Norfolk County Council: Report of County Surveyor to Planning and Transportation Committee 5/7/85, para 5.3.


20 See discussions in 1988/89 TPP submissions for those authorities.

21. This framework is outlined in Annex B of the annual circular on Transport Policies and Programme submissions produced by the DTp: see Department of Transport (1988).
22. These nine authorities are Bedfordshire, Berkshire, Cambridgeshire, Essex, Kent, Somerset, West Sussex, Dorset and the Isle of Wight.


24. see Note 8 above.

25. see Grant-Related Expenditure 'Blue Book' produced annually by the Department of the Environment Local Government Finance Directorate.


30. cf Note 11, para 5.4.


34. cf Note 11, para 5.9.


36. The selected local authorities were: Avon CC, Cheshire CC, Cleveland CC, Cornwall CC, Hereford and Worcester CC, Kent CC, Norfolk CC, Nottinghamshire CC, Oxfordshire CC, Manchester City Council, Sheffield City Council, Birmingham City Council and Solihull MDC. These authorities account for some 22% of the total roads allocation to all shire and metropolitan authorities. However, the small number of metropolitan authorities means that no conclusions can be drawn about this class of authority from the sample.

37. See Section 3 above and Figure 1.


41. ibid para 2.4.
43. ibid, paras 4.19 - 4.23.
45. ibid.
46. Letter from Minister for Transport to Councillor Albert Gore, Birmingham City Council, 8th June 1987.
47. Report by County Surveyor and Engineer to the Highways and Transportation Committee, Cleveland County Council, 30th March 1987.
48. ibid, para 2.2 - 2.2.1.
51. ibid, p. 12.
52. Hereford and Worcester CC: 1988/89 TPP submission, para 5.2.4.
54. Manchester City Council: 1988/89 TPP submission, para 10.3.
55. ibid, para 11.5.
56. ibid Chapters 9, 15, 16.
57. Report by City Engineer and Surveyor to Highways Standing Sub-Committee, 26th January 1987.
58. ibid, para 6.1.
59. ibid, para 5.3.
60. The effects of these differentials are, of course, compensated to some extent because, for example, the cost of land purchases for highways works will be highest for those authorities whose receipts are boosted by high land values.
Figures

The contents, annotations and sources of the following figures are explained in the section 'Notes on Figures'.
FIGURE 1
ROADS CAPITAL EXPENDITURE AND PROVISION
ENGLAND 1985/86–1988/89

£MILL.(1985/86 PRICES)

TSG-ACCEPTED
ALLOCATION
PROVISION
EXPENDITURE

85/86 86/87 87/88 88/89
FIGURE 2a
ROADS CAPITAL EXPENDITURE COMPARED WITH ALLOCATION
CLEVELAND CC 1987/88

FIGURE 2b
ROADS CAPITAL EXPENDITURE COMPARED WITH ALLOCATION
HEREFORD AND WORCESTER CC

FIGURE 2c
ROADS CAPITAL EXPENDITURE COMPARED WITH ALLOCATION
KENT CC

FIGURE 2d
ROADS CAPITAL EXPENDITURE COMPARED WITH ALLOCATION
BIRMINGHAM CITY COUNCIL
FIGURE 6a
ROADS CAPITAL PROVISION: TSG BIDS AND ACCEPTED EXPENDITURE
ENGLAND 1985/86–1988/89

FIGURE 6b
ROADS CAPITAL PROVISION: TOTAL BID AND ROADS ALLOCATION
ENGLAND 1985/86–1988/89
FIGURE 8a
ROADS CAPITAL PROVISION: PROPORTION OF TSG BID ACCEPTED
METROPOLITAN AREAS 1986/87–1988/89

FIGURE 8b
ROADS CAPITAL PROVISION: ALLOCATION AS PROPORTION OF TOTAL BID
METROPOLITAN AREAS 1986/87–1988/89
FIGURE 9a
ROADS CAPITAL PROVISION: TSG AND CAPITAL ALLOCATION
AS PROPORTION OF BIDS: REGIONS 1985/86

FIGURE 9b
ROADS CAPITAL PROVISION: TSG AND CAPITAL ALLOCATION
AS PROPORTION OF BIDS: REGIONS 1986/87

FIGURE 9c
ROADS CAPITAL PROVISION: TSG AND CAPITAL ALLOCATION
AS PROPORTION OF BIDS: REGIONS 1987/88

FIGURE 9d
ROADS CAPITAL PROVISION: TSG AND CAPITAL ALLOCATION
AS PROPORTION OF BIDS: REGIONS 1988/89
FIGURE 10a
LOCAL AUTHORITY CAPITAL EXPENDITURE
FINANCING OF EXPENDITURE 1986/87
FIGURE 11
LOCAL AUTHORITY CAPITAL EXPENDITURE
CAPITAL RECEIPTS PER CAPITA 1986/87

FIGURE 12
LOCAL AUTHORITY CAPITAL RECEIPTS PER CAPITA
SHIP COUNTIES BY REGION 1986/87
FIGURE 13a
LOCAL AUTHORITY CAPITAL EXPENDITURE COMPARED WITH ALLOCATION
LONDON BOROUGHS 1986/87

FIGURE 13b
LOCAL AUTHORITY CAPITAL EXPENDITURE COMPARED WITH ALLOCATION
METROPOLITAN DISTRICTS 1986/87

FIGURE 13c
LOCAL AUTHORITY CAPITAL EXPENDITURE COMPARED WITH ALLOCATION
SHIRE COUNTIES 1986/87
FIGURE 16e
ROADS CAPITAL EXPENDITURE COMPARED WITH ALLOCATION
HEREFORD AND WORCESTER CC 1986/87-1987/88

FIGURE 16f
ROADS CAPITAL EXPENDITURE COMPARED WITH ALLOCATION
KENT CC 1986/87-1987/88

FIGURE 16g
ROADS CAPITAL EXPENDITURE COMPARED WITH ALLOCATION
NORFOLK CC 1986/87-1987/88

FIGURE 16h
ROADS CAPITAL EXPENDITURE COMPARED WITH ALLOCATION
NOTTINGHAMSHIRE CC 1986/87-1987/88
FIGURE 16i
ROADS CAPITAL EXPENDITURE COMPARED WITH ALLOCATION
OXFORDSHIRE CC 1986/87-1987/88
Notes on Figures

Figure 1
1. 'Expenditure' = outturn for 1985/86 and 1986/87 and budget for 1987/88
   'Provision' = gross provision for roads and car parks up to 1986/87, but roads only from 1987/88
   'Allocation' = roads capital allocation, excluding car parks from 1987/88
   'TSG-Accepted' = expenditure accepted for TSG support including both major and minor works


Figure 2
1. This figure compares roads capital budgets for 1987/88 (87/8 BD) with capital allocations (87/8 AL).

2. 'TSG Major' = Expenditure on major works (> £1m) eligible for TSG support
   'TSG Minor' = Expenditure on minor works eligible for TSG support
   'Non TSG Alloc' = Expenditure on schemes not eligible for TSG support within the roads capital allocation
   'Other' = Expenditure on non TSG works in excess of roads capital allocation

3. Data are in outturn prices.


Figure 3
1. This figure shows trends in roads capital allocations and expenditure accepted for TSG support (gross expenditure before adjustment for TSG ‘clawback’).

2. See Figure 2 for notes on categories.

3. Data reduced to 1985/86 using GDP deflator (cf. Figure 1).

4. Source is data supplied by DTp.

Figure 4
1. Data for 1985/86 relate to the GLC and Metropolitan Counties; for 1986/87 onwards to the London Boroughs and Metropolitan Districts.
2. 'Inner LBCs' = Inner London Boroughs (excl. City)  
'Outer LBCs' = Outer London Boroughs  
'Met DCs' = Metropolitan District Councils  
'Shire CCs' = Shire County Councils

3. Source is data supplied by DTp.

**Figure 5**

1. This figure shows trends in roads capital allocation per capita and the proportion relating to expenditure accepted for TSG support by standard region in England 1985/86 to 1988/89.

2. Regions are: North (N), Yorkshire and Humberside (YH), North West (NW), West Midlands (WM), East Midlands (EM), East Anglia (EA), Greater London (GL), remainder of South East excluding Greater London (SE), and South West (SW).

3. Source is data supplied by DTp.

**Figure 6**

1. This figure compares expenditure accepted for TSG support and roads capital allocations with bids submitted by authorities in TPPs for England as a whole, 1985/86 to 1988/89.

2. 'TSG Accepted' = Total expenditure accepted for TSG support net of adjustments for underspending on major schemes  
'TSG Bid' = Expenditure submitted in TPPs for TSG support Net of adjustment for underspend on major schemes  
'Allocation' = Roads capital allocation  
'Total Bid' = Expenditure submitted in TPPs for capital allocation (including TSG-eligible)


4. Source is data supplied by DTp.

**Figure 7**

1. This figure shows TSG-accepted expenditure and roads capital allocations as a proportion of the respective TPP 'bid expenditures' by local authority class 1985/86 to 1988/89.

2. See notes on Figure 4.

3. Source is data supplied by DTp.
Figure 8

1. This figure shows TSG-accepted expenditure and roads capital allocations as a proportion of the respective TPP 'bid expenditures' in the six main city authorities in the metropolitan areas compared with the Metropolitan Districts as a whole, 1986/87 to 1988/89.

2. The six city authorities are: Manchester, Liverpool, Sheffield, Newcastle, Birmingham, Leeds.

3. Source is data supplied by DTp.

Figure 9

1. This figure shows TSG-accepted expenditure and roads capital allocations as a proportion of the respective TPP 'bid expenditures' by standard region in England 1985/86 to 1988/89.

2. For definition of regions see notes on Figure 5.

3. 'Alloc' = Roads capital allocation as a percentage of total TPP 'bid expenditure'
'TSG' = Expenditure accepted for TSG support as a proportion of the TPP bid for such support.

4. Source is data supplied by DTp.

Figure 10

1. These figures present information on local authorities' capital expenditure in terms of means of financing, composition of payments and source of capital receipts in 1986/87.

2. Data in each local authority class relate to those authorities submitting returns to CIPFA as follows:
'LBCs' = London Boroughs (23 out of 33 incl. City)
'MDCs' = Metropolitan District Councils (30 out of 36)
'SDCs' = Shire Counties (38 out of 39)


Figure 11

1. This figure compares local authority classes in terms of per capita spending power available from capital receipts in 1986/87.

2. 'Applied' = Total capital receipts utilised during the year in capital financing
'Prescribed' = Spending power deriving from prescribed proportions.

3. See Note 2 on Figure 10.
4. Source: See Note 3 on Figure 10.

Figure 12
1. This figure illustrates the regional breakdown of the Shire Counties in terms of per capita receipts applied to capital financing in 1986/87.
2. For definitions of regions see Note 2 on Figure 5.
3. For other definitions and source see notes on Figure 11.

Figure 13
1. This figure compares per capita payments and allocations in respect of selected services by local authority class in 1986/87.
2. 'PSS' = Personal Social Services
   'EDUC' = Education
   'TRAN' = Highways and Local Transport (incl. public transport in the shire counties)
3. Data on payments in each local authority class relate to those authorities submitting returns to CIPFA as follows:
   a) London Boroughs: All boroughs (23 out of 33 incl. City) for personal social services and highways; Outer London Boroughs only (16 out of 20) for education
   b) Metropolitan Districts (30 out of 36)
   c) Shire Counties (38 out of 39)
4. Data on capital allocations relate to all authorities in each class (Outer London Boroughs only for education).
5. Source: see Note 3 on Figure 10.

Figure 14
1. This figure compares per capita roads capital allocation and TSG-accepted expenditure on major and minor works for the sample of thirteen local authorities and all shire and metropolitan authorities, 1985/86 to 1988/89 (1985/86 Shire CCs only).
2. For definitions see notes to Figure 2.
3. The identification of the sample authorities is provided in Note 36 to the text.
4. Data are reduced to 1985/86 prices using GDP deflator.
5. Source is data supplied by DT.

**Figure 15**
1. This figure compares roads expenditure with capital allocation and TSG-accepted expenditure in 1986/87 and 1987/88 for the sample of shire counties and the total sample of authorities.
2. Expenditure data is outturn in 1986/87 (87/7 EX) and budget in 1987/88 (87/8 BD).
3. For other definitions see Notes 1 and 2 to Figure 2.
5. Source is data supplied by individual authorities and by DTp.

**Figure 16**
1. These figures disaggregate the information summarised in Figure 15 to individual authorities.
2. See notes to Figure 15.
References

Note: A considerable amount of information upon which this analysis was based, was obtained from the annual 'Transport Policies and Programme' documents prepared by individual local authorities, and from specific reports (e.g. committee reports) supplied by authorities. These are referred to as appropriate in 'Notes on Text' and are not repeated here.


