

## POST-HS2 FUNDING – WHERE’S THE MONEY GOING?

In October 2023, the Prime Minister announced the scrapping of the HS2 leg north of Birmingham and that the £36bn previously allocated for high-speed rail would be released. This money is to be reinvested in alternative rail, road and bus schemes across the North and Midlands under the banner Network North.

Perhaps the most significant take-aways from the government’s plan are that all the money released from HS2 has been retained in the transport budget (rather than clawed back by the Treasury) and that more or less all the money has already been allocated either to specific projects or budget lines.

The sums involved are very considerable indeed. However, the projects announced are broadly the sorts of investment in local road, rail and bus services that the Alliance has been calling for over a number of years.

Local authorities should note that while the money has been allocated, not all of it has yet been ringfenced for specific projects and therefore a considerable amount is still likely to be up for grabs at the local level.

	Allocated to specific projects	Potentially still up for grabs	
<i>City Region Sustainable Transport Settlement 2 (CRSTS2) uplift</i>		✓	Allocated to MCAs to develop projects
<i>Local Transport Fund</i>		✓	Allocated to non-MCA LTAs to develop projects
<i>Northern Powerhouse Rail</i>	✓		
<i>West Yorkshire Mass Transit</i>	✓		Allocated via WYCA.
<i>Midlands Rail Hub</i>	✓		
<i>North Wales Main Line electrification</i>	✓		
<i>Contactless and smart ticketing</i>	✓		
<i>Major Road Network (MRN) and Large Local Majors (LLM)</i>	✓		First round allocated to named road schemes.
<i>Major Road Network round 2 (MRN2)</i>		✓	Example projects listed but not finalised.
<i>Highway maintenance (resurfacing)</i>		✓	

## Devolved transport spending

City Region Sustainable Transport Settlements (CRSTS) are the five-year, single-pot funding allocations to mayoral combined authorities. The first allocation, for the period up to 2026/27, totalled £5.7bn. The second round of funding increased the baseline to £8.8bn for the subsequent five-year period to 2031/32.

Following the announcement of Network North, this second-round CRSTS allocation was uplifted by a further £5bn to a total of £13.8bn:

Mayoral combined authority	Original allocation (£m)	Post-HS2 uplift (£m)	New total (£m)
Greater Manchester	1,546	928	2,474
Liverpool City Region	987	594	1,581
North East	1,164	685	1,849
South Yorkshire	912	543	1,455
Tees Valley	617	361	978
West Midlands	1,566	1,082	2,648
West of England	652	100	752
West Yorkshire	1,326	789	2,115
<b>Total</b>	<b>8,770</b>	<b>5,082</b>	<b>13,852</b>

CRSTS-funded projects are to be developed by the combined authority and assessed by the Department for Transport. Funding profiles are to be split between capital and revenue funding, with the potential for a small portion of the CRSTS2 funds to be brought forward into the final two years of CRSTS1.

An indicative allocation of £1.5bn has been set for the new East Midlands Mayoral Combined Authority. This will be CRSTS funding in addition to baseline annual highways funding.

Transport authorities in the North and Midlands that fall outside combined authorities will receive a total of £4.7bn from a Local Transport Fund. This funding has been allocated for the seven-year period from 2025 to 2032.

## Rail investment

### *Northern Powerhouse Rail*

The government has announced it will take forward a £3bn plan to improve connections between major northern cities including Leeds, Hull, Sheffield and Manchester. A further £2bn has been announced to bring Bradford and Huddersfield into Northern Powerhouse Rail. This funding is in addition to an existing £12bn commitment to support connectivity between Liverpool and Manchester.

### *West Yorkshire Mass Transit*

A total of £2.5bn has been allocated to fund a mass-transit metro in Leeds and West Yorkshire. This will be overseen by the Mayoral Combined Authority and includes £500m allocated as part of CRSTS2 and a further £2bn for CRSTS3 and beyond.

### *Midlands Rail Hub*

Contrary to the impression given by the name, this is not a single hub but a programme centred around Birmingham to improve the rail network, capacity and frequency of services across the East and West Midlands. Investment in the scheme is to increase by £1bn to a total of £1.75bn.

### *North Wales Main Line electrification*

£1bn has been allocated to fund the electrification of the 126-mile line between Crewe and Holyhead. This has been criticised by the Welsh Government as being based on a now-outdated business case from 2015. The Welsh Government says a sum closer to £1.5bn is required.

### *Contactless and smart ticketing*

The North and Midlands will share an additional £100m to rollout London-style tap-in / tap-out ticketing.

## **Bus funding**

Over £1bn has been announced for bus service improvements across the North and Midlands. The government's initial Network North plan stated that over £700m would go to the North and nearly £230m to the Midlands. Initial allocations to Local Transport Authorities totalling £150m have been announced for 2024/25.

The Department for Transport also announced £260m to extend the England-wide £2 bus fare scheme. This is in addition to the existing bus service operators grant and concessionary fares.

## Road investment

An uplift of £1.3bn has been announced for road programmes. The uplift covers non-motorway schemes that have already been submitted by local authorities but have yet to reach the final business case stage. The funding consists of £410m for 21 named schemes in the North, £250m for 10 roads in the Midlands, and £610m for 39 schemes in the East, South East and South West.

A second round of funding for major roads has also been announced with £1bn going to the North, £650m to the Midlands, and £1bn to the rest of the country.

An increase in allocations to local highway authorities has been announced for road repairs and tackling potholes. A total of £8.3bn over 11 years from 2023/4 is made up of £3.3bn allocated to the North, £2.2bn to the Midlands, and £2.8bn for the East, South East and South West. The allocation will follow the existing highways maintenance allocation process within the new regional envelopes.

## Further allocations

While the vast majority of the post-HS2 funding has been allocated, at least indicatively, the government's Network North plan includes a number of named projects for which a sum has not yet been announced. This may account for the differences between the sums announced by the government and the total funding for programmes announced so far (see table below).

***National Secretariat  
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Fund	Regional / national allocations (£ millions)					Total
	North	Midlands	Rest of England	Wales	Scotland	
<b>Devolved transport spending</b>	<b>6,400</b>	<b>4,782</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>11,282</b>
City Region Sustainable Transport Settlement 2 (CRSTS2) uplift	3,900	1,082	100	-	-	5,082
East Midlands Combined County Authority CRSTS settlement	-	1,500	-	-	-	1,500
Local Integrated Transport Settlements	2,500	2,200	-	-	-	4,700
<b>Rail investment<sup>1</sup></b>	<b>7,050</b>	<b>1,050</b>	<b>0</b>	<b>1,000</b>	<b>0</b>	<b>9,100</b>
Northern Powerhouse Rail (including Bradford)	5,000	-	-	-	-	5,000
West Yorkshire Mass Transit system	2,000 <sup>2</sup>	-	-	-	-	2,000
Midlands Rail Hub	-	1,000 <sup>3</sup>	-	-	-	1,000
North Wales Main Line electrification	-	-	-	1,000	-	1,000
Contactless and smart ticketing <sup>4</sup>	50	50	-	-	-	100
<b>Bus funding</b>	<b>700</b>	<b>230</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,190</b>
Bus service improvements	700	230	-	-	-	930
£2 bus fare scheme extension	-	-	-	-	-	260 <sup>5</sup>
<b>Road investment</b>	<b>4760</b>	<b>3100</b>	<b>4410</b>	<b>0</b>	<b>8<sup>6</sup></b>	<b>12,278</b>
Major Road Network and Large Local Majors	460	250	610	-	8	1,328
MRN2 (tbc spring 2024)	1,000	650	1,000	-	-	2,650
Highways maintenance (resurfacing)	3,300	2,200	2,800	-	-	8,300
<b>Total</b>	<b>18,910</b>	<b>9,162</b>	<b>4,510</b>	<b>1,000</b>	<b>8</b>	<b>33,850</b>
<b>Government announcement</b>	<b>19,800</b>	<b>9,600</b>	<b>6,500</b>			<b>36,000</b>

<sup>1</sup> Funding allocations for some announced projects (e.g. Energy Coast Line upgrade in Cumbria) have not yet been announced.

<sup>2</sup> In addition to the £500 million from CRSTS2 announced at the 2023 Spring Statement.

<sup>3</sup> In addition to the £750 million from existing Rail Network Enhancements Pipeline budgets.

<sup>4</sup> Allocated as £100m to be shared across North and Midlands.

<sup>5</sup> Nationwide scheme – funding recorded in Total

<sup>6</sup> Allocated to the Scottish Government to upgrade the A75.