

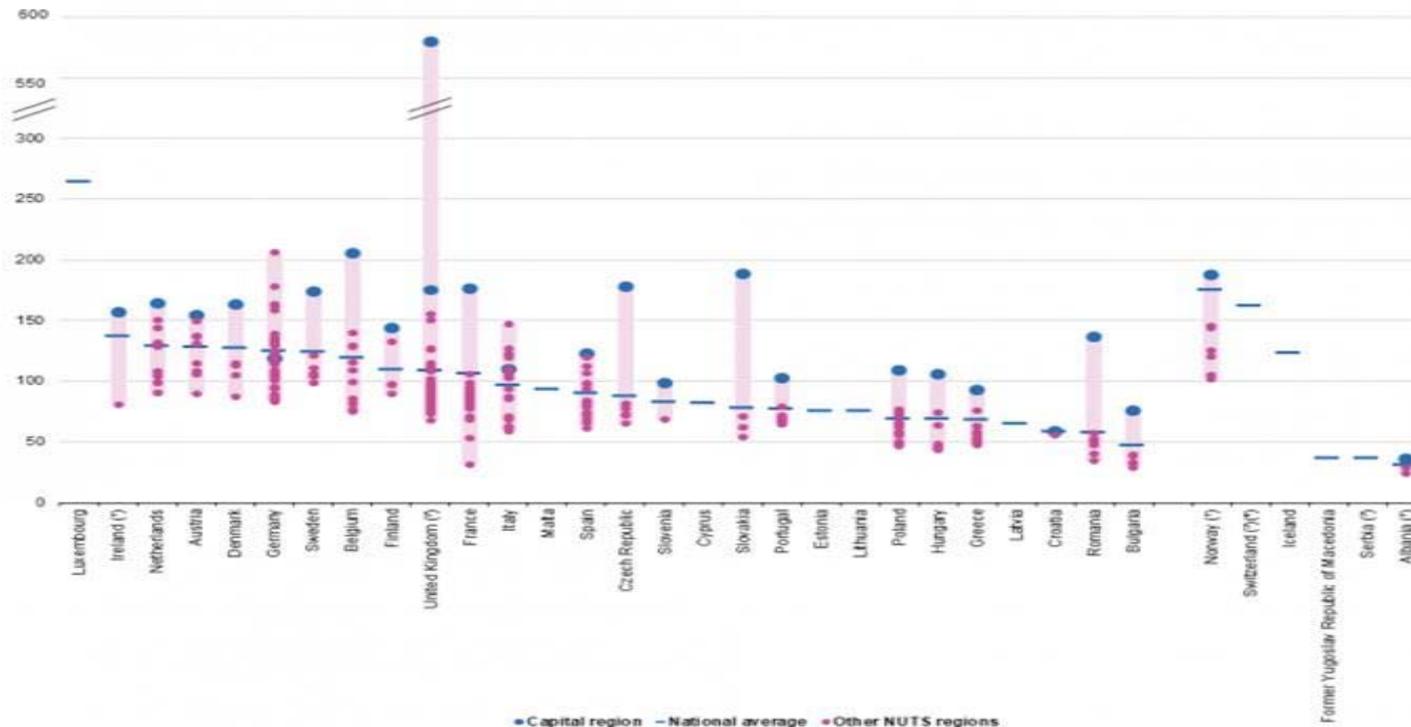
# The Imperial Treasury: Appraisal Methodology and Regional Economic Performance in the UK

Diane Coyle, University of Cambridge  
&

Marianne Sensier, University of  
Manchester

# More regional skew than most

## GDP per capita, 2015



Note. Ranked on national average. The light lilac shaded area shows the range of the highest to lowest region for each country; the blue bar shows the national average; the blue circle shows the capital city region; the lilac circles show the other regions.

(\*) 2014.

(\*\*) Note there are two capital city regions: Inner London - East and Inner London - West.

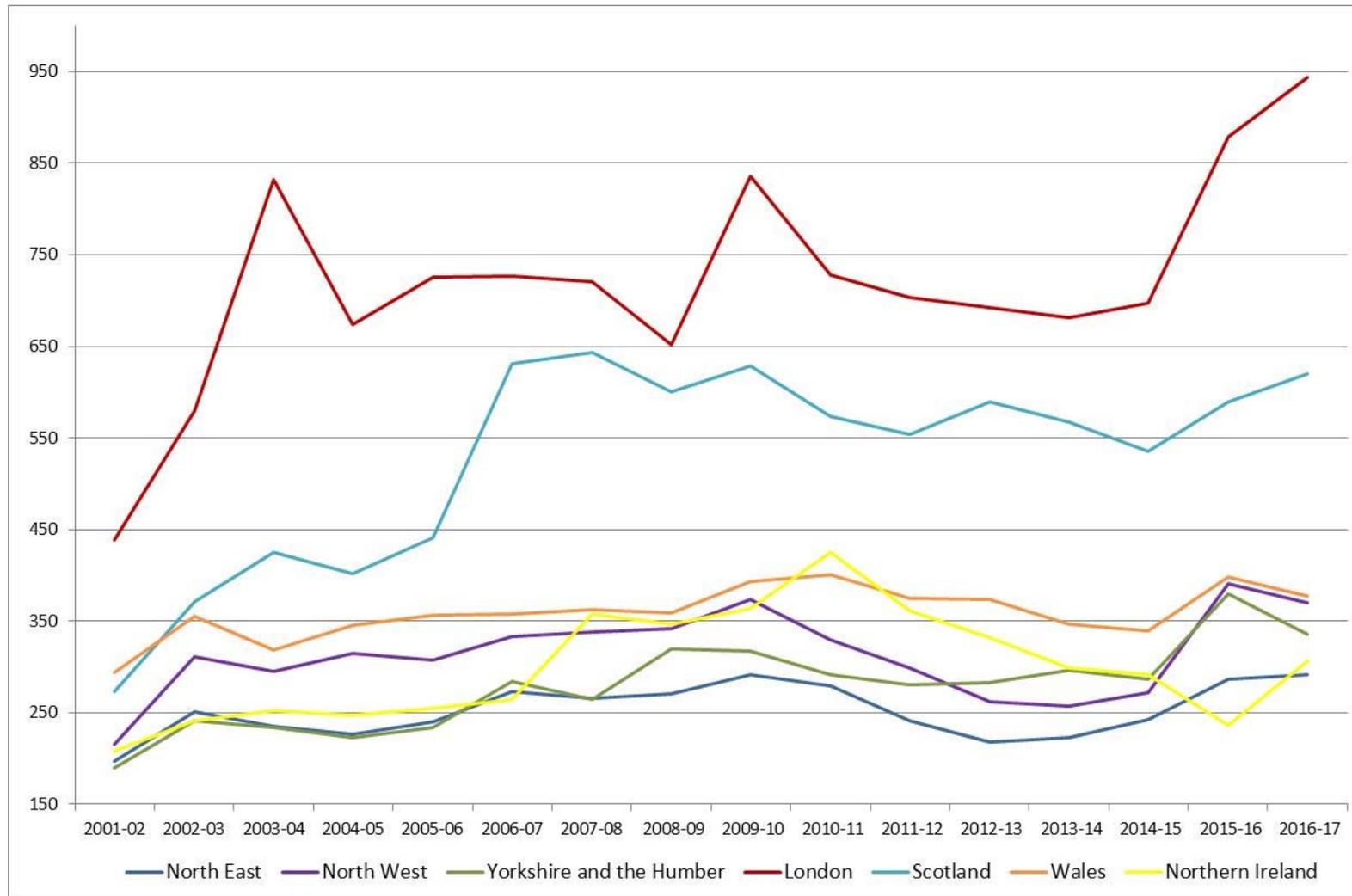
(\*) National data.

(\*\*) Provisional.

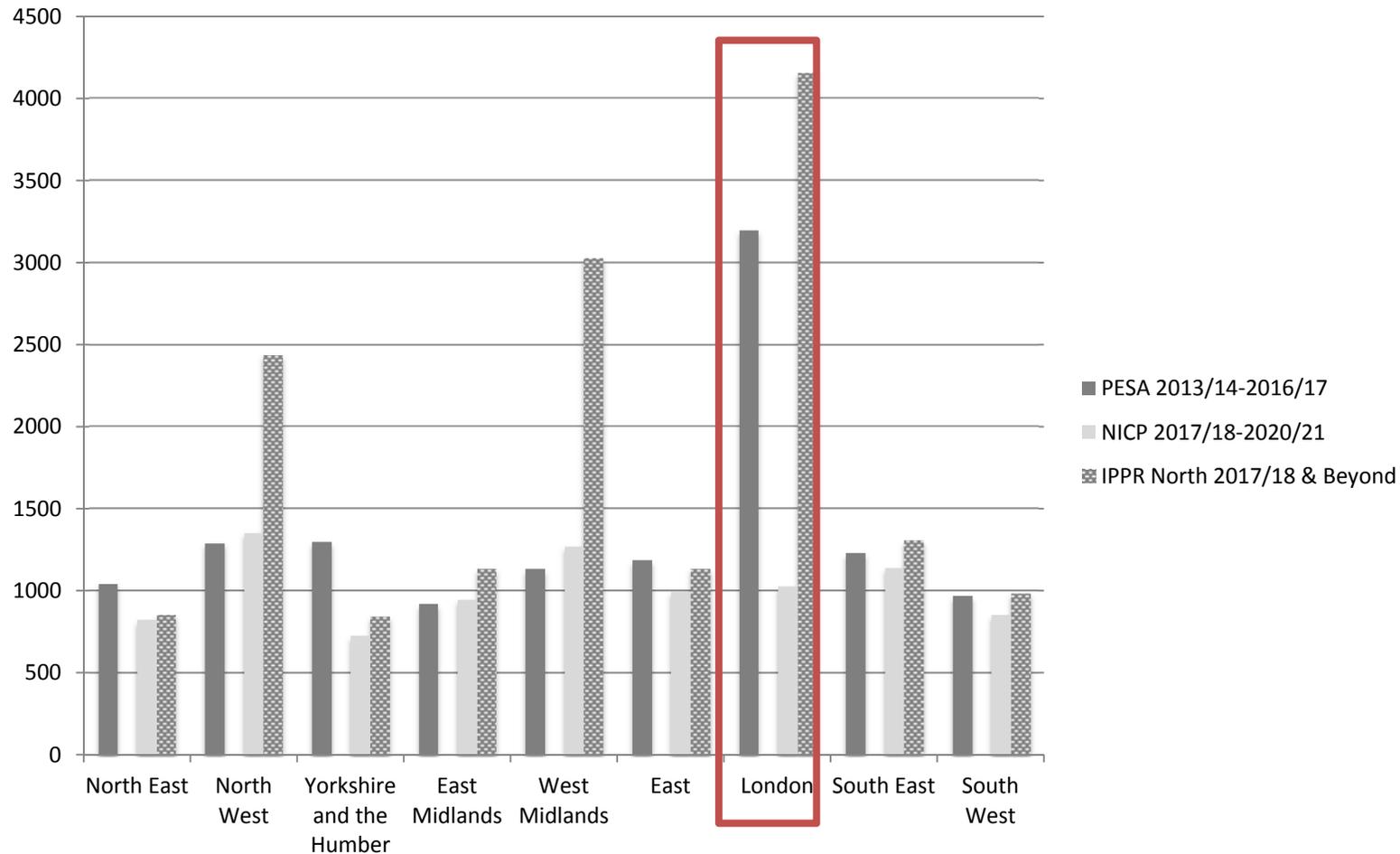
Source: Eurostat (online data codes: nama\_10r\_2gdp and nama\_10\_pc)

# Public spending on transport, per capita

London, devolved nations, northern England 2001/02-2016/17



# Actual & projected per capita transport spend, £



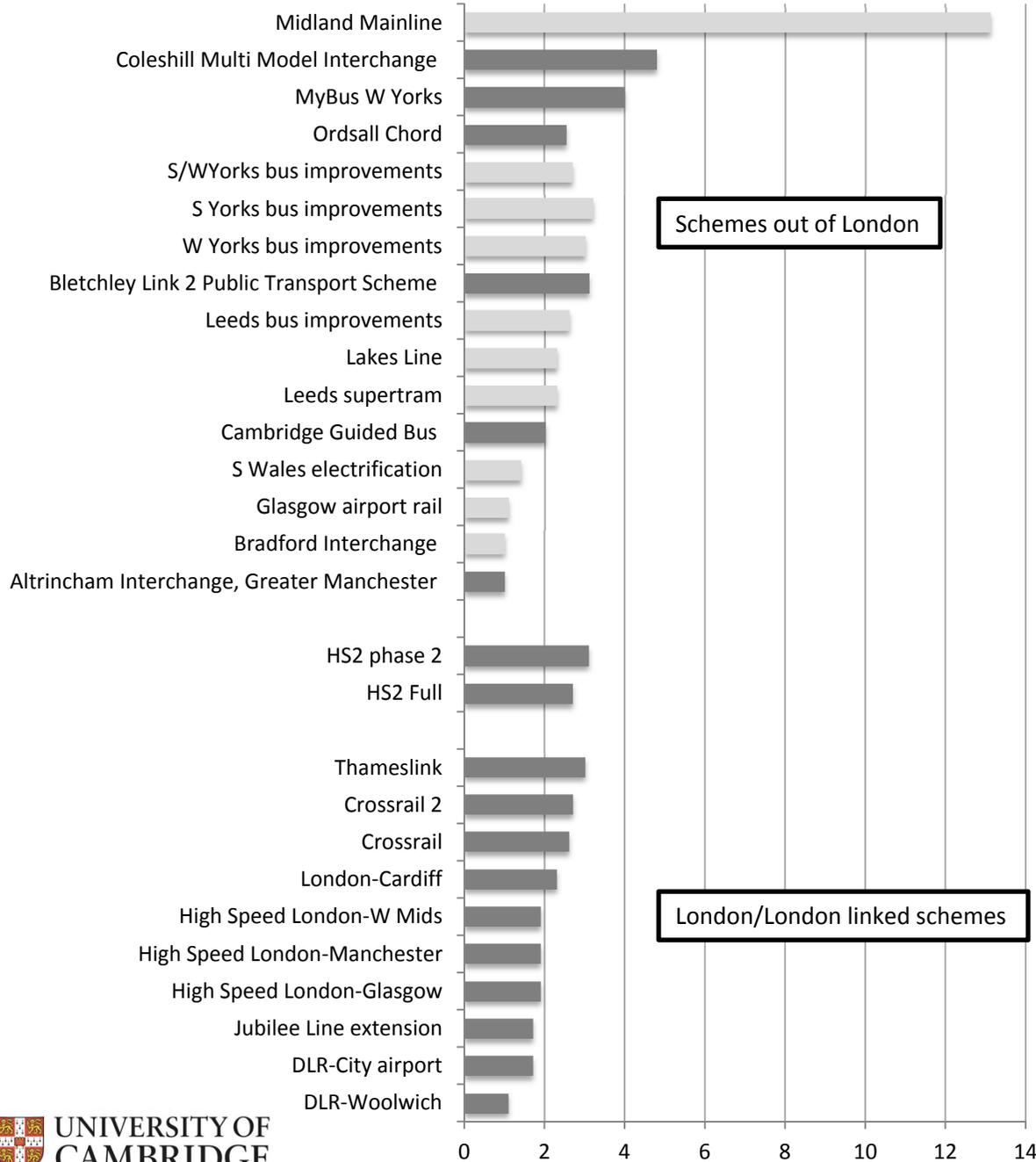
## IPA omits:

- Local government spending when provided jointly with central government, eg Crossrail (£2.3bn) and Thameslink (£765 mn)
- London Underground renewal (£1.1bn) and line upgrades (£1.1bn)
- Private sector spending when central or local government is the co-funder, eg Barking Riverside extension (£61mn).
- HS2 beyond 2021/22.
- Crossrail 2 (£31 billion)

## IPPR North includes:

- Regional allocations of national programs.
- HS2 beyond 2020/21 spending round
- All public and public/private spending categories (government share)
- GLA and TfL funding on the grounds that central government guarantees them
- All spending in NICP beyond 2020/21

# BCRs for specific public transport projects



Schemes with dark shading were funded

# The Green Book & the Matthew Effect

- Since 2011 the Green Book has included “non-market impacts” to attempt to take into account social costs and benefits eg attempts to quantify non-market impacts on health, educational success, family/community stability, environmental assets.
- 2018 update allows consideration of dynamic productivity and employment effects – if there is ‘objective evidence’ for them
- Furthermore, market prices must be used → projects in the most productive areas continue to score higher in appraisals of benefits, particularly transport where time saved on journeys is valued using wage rates
- ‘Matthew Effect’ of ever more investment in places already most productive.

# Transport for Greater Manchester

- TfGM uses productivity measures as a 'sifting test', BCRs not used to prioritise.
- Investments prioritised based on impact on GVA per £ invested.
- The CBA appraisal a hurdle project needs to clear, after priorities have been established.

# Conclusions

- Matthew Effect embedded in CBA appraisals
- Methodology is not appropriate for non-marginal projects – known for many years
- Funding decisions should be taken in context of a strategic view about economic development around the UK
- Past transport investments have had strong regional skew – CBA rankings inconsistently applied