

# Possible Future Funding Streams for LTP3

## 1 Introduction

1.1 The DfT White Paper, 'Creating Growth. Cutting Carbon' has set out a simplified structure for transport funding, reducing the number of funding streams from 26 to four:

- A major schemes capital programme of over £1.5 billion for schemes costing over £5 million. This funding is a national pot and covers the four years of the current funding cycle. This funding has secured all of the previous RFA priority schemes for Merseyside. However it is unlikely that new funding will become available for additional schemes during this funding cycle.
- £3 billion in capital over four years on a national basis for local highways maintenance. Locally the maintenance settlement paid to the ITA is as follows. The ITA will passport this funding to the districts who have statutory responsibility for highways maintenance.

2010/11	2011/12	2012/13 (indicative)	2013/14 (indicative)
£13,061,000	£12,611,000	£12,002,000	£11,054,000

- £1.3 billion in capital over four years on a national basis for the Integrated Transport Block. Locally the ITB settlement paid to the ITA is set out below. These amounts will be shared between Merseytravel and the districts using the locally agreed formula used in LTP2

2010/11	2011/12	2012/13 (indicative)	2013/14 (indicative)
£11,489,000	£12,255,000	£12,255,000	£17,234,000

Very broadly that formula works in the following proportions:-

Authority	Proportion (%)
Merseytravel	51.51
Liverpool	19.18
Wirral	9.74
Sefton	8.28
St Helens	5.61
Knowsley	5.67
<b>Total</b>	<b>100%</b>

- A new Local Sustainable Transport Fund, which makes £560 million of capital and revenue funding available over four years. The breakdown of that funding is noted below. Metropolitan areas like Merseyside are

expected to make joint bids, though separate bids by local authorities are permitted. Bids can be classed as 'small' for a package of measures under £5million, or 'large' for packages of up to £50m.

- The aim of the fund is to help authorities deliver transport solutions that address the problems of congestion, improve the reliability of journey times and enhance access to employment. These solutions should work toward bringing about sustained behaviour change and greater use of sustainable modes, thus reducing carbon emissions and addressing poor air quality. The fund provides an opportunity to develop an integrated package of transport measures that also deliver wider social, environmental, health, safety and social inclusion benefits.
- This fund is seen as a major source of potential funding, with the DfT stating that it wishes to help as many local authorities as possible. In that context, the finite amount of funds and the sheer number of local authorities in England (outside London) may mean that only a few receive substantial sums with the balance receiving relatively small amounts.

<b>Local Sustainable Transport Fund</b>	<b>2011/2012</b>	<b>2012/2013</b>	<b>2013/2014</b>	<b>2014/2015</b>
Revenue Funding	£50,000,000	£100,000,000	£100,000,000	£100,000,000
Capital Funding	£30,000,000	£40,000,000	£60,000,000	£80,000,000
Total	£80,000,000	£140,000,000	£160,000,000	£180,000,000

- 1.2 A top slice from this fund will be used to continue to provide Bikeability training for the lifetime of the current parliament. In January the DfT made an offer of £420,000 which will deliver 10,500 Bikeability places to the partnership for 2011/2012. It is clear from the foregoing that we face considerable difficulties in maintaining adequate levels of funding in the short term. Prior to in year cuts in 2010/2011 Merseyside's ITB settlement was £32,721,000 reduced to £24,539,000 following those cuts. Following the Comprehensive Spending Review that settlement for 2010/2011 is now just £11,489,000. This is a 65% reduction on what we expected to be receiving this time last year. It is therefore very important that we constantly strive not just for innovation and efficiency but for new sources of funding,
- 1.3 We have a good record of bringing in a range of new funding to support our programmes; some of this has involved European funding from the Regional Development Fund, (ERDF). £2.97bn of ERDF funding is available to England, covering the period 2007-2013. Only £1bn had been contracted as of March 2010 leaving a further £1.9bn available for spending.
- 1.4 The table below sets out a summary of possible alternative funding sources, outside the four funding streams provided by the DfT. A narrative explaining the funds in more detail follows the table. It should be noted that not all funding sources may be applied to all types of transport scheme or objective and the duration of funding also varies between the different sources.

Funding Source	Amount Available	Description /Eligibility
<b>National Government Backed Sources</b>		
Green Investment Bank	£2 billion	For investments in the low-carbon sector. It will consider new energy and transport projects.
Accelerated Development Zones	Variable	ADZ designation would enable a local authority to borrow funds to deliver enabling infrastructure such as transport links against the projected income from business rates of the final occupier
Tax Increment Financing	Variable depending on development and business rates	Enables the capture of some of the increase in land value due to new infrastructure.
Regional Growth Fund	£1.4 Billion over 3 years	The fund is available to support transport infrastructure, which as part of a wider investment unlocks specific business investments.
Community Infrastructure Levy	Varies depending on size and character of development	Empowers local authorities to levy on most types of new development. The proceeds may be used to provide new transport Infrastructure that support the development
Prudential Borrowing	Varies	Can fund local transport improvements by borrowing for capital investment without seeking the consent of Central Government (subject to affordability)
Big Society Bank	Dependant upon project	Local authorities cannot access funds directly, but by partnering charities and the 3 <sup>rd</sup> sector they may be able to positively influence such groups to adopt projects that further local transport objectives
<b>Government Agency Grants</b>		
DCLG Children & Young Peoples Grant	Unknown	Grant currently under review
<b>European Funding Sources</b>		
European Regional Development Fund	At least £9m of a £12m unallocated under action area 4.2. Available through to 2013.	To improve access links to employment for disadvantaged areas. The partnership can potentially bid into action area 4.2 through working with potential funding applicants to build in a transport element to the bid. This would be beneficial in securing

Funding Source	Amount Available	Description /Eligibility
		contributor funding to our LTSF bid.
Urban Development fund through JESSICA (Joint European Support for Sustainable Investment in City Areas.	Depends on Project. No transport projects currently included but maybe included at a later date	Funding for projects is in the form of a loan that is repaid with interest, rent guarantee or an equity share.
Intelligent Energy Europe II Programme	Varies	Can cover areas such as awareness campaigns, information, education and training and sustainable energy development.
7 <sup>th</sup> Framework Programme for Research and Development	Dependant on project	Supports projects from greening surface transport to encouraging modal shift, to improving safety and security.
Marco Polo Programme (Freight Transport)	Dependant on project	Supports projects that reduce road congestion and improve the environmental performance of the transport system by shifting freight from road to short sea, rail and inland waterway transport
Progress	Approximately €100m per year is available.	Covering social inclusion and employment for the years 2007-13.
Interreg IVB NW Europe Programme	The budget for the whole 6 year period, 2007-13 is €350m.	Funding covers projects that improve connectivity by promoting intelligent and sustainable transport and ICT solutions.
Interreg IVB Atlantic	The budget is €102m for the six year period 2007-13.	The main goal is to contribute to the territorial cohesion between regions on the EU Atlantic seaboard which includes the LCR.
Interreg IVC North Sea Programme	The budget is €302m for the six year period 2007-13	Transport is one of four thematic priorities and includes both passenger and freight transport.
<u>URBACT II Programme;</u>	The total budget is €67.8m with €150,000 to €710,000 available for individual projects.	One of the two priorities is to develop attractive and cohesive cities and this offers scope for transport related projects.
<u>Trans-European Transport Network (TEN-T)</u>	In 2010 €77m was available for promoting various projects. Future levels of funding are to be decided following a review of the guidance undertaken in	The fund is for European transport infrastructure

Funding Source	Amount Available	Description /Eligibility
	summer 2010.	
Funding to support Climate Change Actions	It is not known at this time if the funding was a one off or if it continue	An allocation of €150 to support local climate actions which included promotion of low carbon sustainable transport
<b>Private Sector Funding</b>		
Private Finance Initiatives	Depends on scheme	The most common form of Public Private Partnership, PFI is where the private sector design, build finance and operate infrastructure and local authorities then pay to use it over a set period of time.
Section 106 agreements	Varies	Developer contributions to provide or improve transport infrastructure to a new development.
<b>Charitable Organisations</b>		
National Lottery Funding	Varies depending on fund	Various funds available that relate to access to nature, heritage, active travel and community transport
National Sports Foundation	Requires £50,001 of new sponsorship money from a commercial or private investor. The Foundation will match it £ for £ up to the maximum cost.	2012 projects should focus on getting more children, young people and women playing sport.
Sport England Small Grants	£300 to £10,000, but total project cost cannot exceed £50,000	Available for projects which seek to increase participation, sustain participation or develop opportunities for people to excel at their chosen sport. Could link to access to sports venues or active travel schemes.
<b>Other Funding Sources</b>		
Land Value Taxation	Varies	Raising revenues by charging each land owner in proportion to the benefits resulting from new infrastructure
Congestion Charging/Road pricing	Variable by scope and type of scheme	Enabled by the Transport Act 2000 but not really applicable to the LCR due to low congestion levels
Impact Fees		Developer Charges can be related to the number of trips a site generates.
Business Improvement Districts (BIDs)		Small areas of towns or cities where finance is raised on a

Funding Source	Amount Available	Description /Eligibility
		voluntary basis via the property tax mechanism.
Workplace Parking Levies	Varies	local authorities can fund transport improvements by charging for parking in private workplace car parks

## 2 National Infrastructure Plan and Green Investment Bank

- 2.1 The National Infrastructure Plan has made available over £1.5 billion for local authority major transport schemes from now until 2014-15: from this over £900 million will go on new schemes while committed schemes will receive over £600 million. This amount has ensured full approval of all prioritised RFA schemes from LTP2 in the LCR.
- 2.2 The Government intends to establish a Green Investment Bank (GIB), operational by spring 2011. The GIB will be mandated to invest in the low-carbon sector and will consider new energy and transport projects in particular, where the equity gap is likely to be most critical.
- 2.3 The Government will initially capitalise the GIB with £1 billion of funding together with additional significant proceeds from the sale of Government-owned assets. £250 million of the allocated funding will be made available on the basis that the Scottish Government agrees to the drawdown of funds from the Scottish Fossil Fuel Levy surplus. The Green Investment Bank will make its investment decisions independently from political control and will employ private sector skills and expertise.

## 3 Accelerated Development Zones and Tax Increment Financing

- 3.1 An ADZ designation would enable a local authority to borrow funds to deliver enabling infrastructure such as transport links to an end development, such as a Business Park, against the projected income from business rates which would be generated by the future occupiers of the Park. However,
- (i) ADZs would require the Treasury to cede control of revenue to local authorities.
  - (ii) There is also the question whether the current inflation cap on business rate increases would be eased to permit increases in property values to be captured.
  - (iii) Expected increases in revenue would have to be underwritten by somebody.
- 3.2 In the 2010 Budget, the Government announced it will set up an ADZ pilot programme, whereby selected Local Authorities or Combined Authorities will receive capital grant funding to a total of £120 million.

- 3.3 ADZ's may potentially form part of any Local Enterprise Partnership (LEP) activity. A LEP is a partnership of locally-elected leaders, working with business, to lead local economic development. A LEP may be centred around major cities or other natural economic areas, to enable improved coordination of public and private investment in transport, housing, skills, regeneration and other areas of economic development. The Liverpool City Region LEP, which is currently operating in shadow form comprises of the five Merseyside local authorities plus Halton.
- 3.4 Tax Increment Financing is designed to complement LEPs and the Regional Growth Fund in driving investment and local growth by funding key infrastructure and capital projects, which include Transport. It operates on the principle of allowing Local Authorities to borrow against predicted growth in their locally raised business rates. They can use that borrowing to fund projects, which will support locally driven economic development and growth.
- 3.5 The government have yet to release full details on Tax Increment Financing and as such it is unclear at present, if it is just the local authorities or the ITA/PTE's and private sector that will be permitted to promote TIF schemes.

#### **4 Regional Growth Fund**

- 4.1 In 2010 the Government announced the launch of a £1.4 billion Regional Growth Fund to help areas and communities at risk of being particularly affected by public spending cuts. The fund, which will operate over 3 years, from 2011/2012 to 2013/2014 will help areas most dependent on public sector employment as the country makes the transition to private sector-led growth and prosperity. Both private bodies and public-private partnerships will be able to bid for funding by demonstrating that their proposal will bring in private investment and support sustainable increases in private sector jobs and growth in their area.
- 4.2 The DfT have contributed £265m to the fund and there is a clear expectation from the DfT that the fund will support transport infrastructure, which as part of a wider investment unlocks specific business investments.
- 4.3 RGF bids may be submitted directly to the government or via the city region LEP, in order to gain wider community and business support. To date only a proportion of city region RGF bids have been submitted via the LEP.

#### **5 Community Infrastructure Levy**

- 5.1 The Community Infrastructure Levy (CIL) empowers but does not require local authorities in England and Wales to levy on most types of new

development in their areas. The proceeds of the levy will provide new local and sub-regional infrastructure to support the development of an area in line with local authorities' development plans. Such Infrastructure includes transport. However The Localism Bill passed in December 2010 amended the CIL so that some of the revenue would be available for the local community as well as infrastructure projects. This will reduce the amount available for transport related infrastructure projects.

- 5.2 The amount of each levy is based on a formulae which relates the charge to the size and character of the development and is expressed as a cost per unit of development, e.g.: £1000 per dwelling.

## **6 Prudential Borrowing**

- 6.1 This enables local authorities to fund local transport improvements by borrowing for capital investment without seeking the consent of Central Government (subject to affordability). Local authorities can borrow capital resources against long term income streams, such as developer charges. The prospect of ADZ's may affect this potential stream.

## **7 Big Society Bank**

- 7.1 Big Society Bank will be funded using cash from dormant bank accounts and private sector investment. The first funds are expected to be distributed from April 2011. The bank would finance voluntary groups, charities and social services to enable them to run vital services. While there is currently no mention that the bank will provide funding directly to local authorities or the ITA's, members and officers from these organisations could join voluntary groups to lend expertise and guide thinking around potential transport projects.
- 7.2 It should be noted that the Prime Minister has already outlined that allowing local residents to decide on what improvements are made to local transport is one idea that encompasses the Big Society approach.
- 7.3 As Liverpool is one of four 'Vanguard Communities' testing the Big Society approach it would be among the first to apply for funding from the bank. It is therefore imperative that transport professionals broaden their level of engagement with the general public, third sector and voluntary organisations so that we may have an opportunity to fund essential transport projects in partnership with local citizens.

## **8 Government Agency Grants**

- 8.1 The Children and Young People's Grant (DCLG) includes money for, school improvements which may extend to provision of infrastructure to support sustainable school travel. The grant is currently under review and it is not known if it will continue or what form it will be in.

## 9 European Funding Sources

- 9.1 European Regional Development Fund. Action Area 4.2 of the fund addresses the improvement of access links to employment for disadvantaged areas. Although the partnership can not bid directly into the fund it can work with applicants to build in a transport element. This would be particularly beneficial for securing match funding for our LTSF bid.
- 9.2 Urban Development fund through JESSICA (Joint European Support for Sustainable Investment in City Areas); With almost €30bn in lending support to urban transport and renewal projects over the past 5 years, EIB has extensive experience in preparing and financing urban development projects across Europe. Funding for projects is in the form of a loan that is repaid with interest, rent guarantee or an equity share. No transport projects are currently being loaned funds from this source, however there is no restriction on applying at a later date.
- 9.3 Intelligent Energy Europe II Programme; There are two strands of relevance to the transport sector (one for energy efficiency, the other renewables) covering areas such as awareness campaigns, information, education and training and sustainable energy development. The MIDAS Merseytravel project has received funds from the IEE programme in the past. Calls recur annually; the next deadline is May 2011.
- 9.4 7<sup>th</sup> Framework Programme for Research and Development; this runs for seven years from 1 January 2007. One of the themes is transport and supports projects from greening surface transport to encouraging modal shift, to improving safety and security. New annual work programmes appear each summer with a schedule of calls for proposals for the coming year.
- 9.5 Marco Polo Programme (Freight Transport); The objective is to reduce road congestion and improve the environmental performance of the whole transport system by shifting freight from road transport to short sea, rail and inland waterway transport or to a combination of modes minimising the road element.
- 9.6 Progress is the EU integrated programme covering social inclusion and employment for the years 2007-13. Previous work programmes contained priorities of relevance to transport and social inclusion and the 2011 work programme (publication of which is imminent) may contain similar priorities. Approximately €100m per year is available. The work programme will outline the schedule of calls for the coming year.
- 9.7 Interreg IVB NW Europe Programme aims to contribute to the NW Europe competitiveness while equally promoting regionally balanced and sustainable development. The programme has four priorities, one of which is focused on transport. This aims to improve connectivity by

promoting intelligent and sustainable transport and ICT solutions. The next call is expected in March 2011. The budget for the whole 7 year period, 2007-13 is €350m with €50m available in 2010.

- 9.8 Interreg IVB Atlantic Area's main goal is to contribute to the territorial cohesion between regions on the EU Atlantic seaboard which includes the LCR. The transport priorities are to promote interoperability and continuity of existing transport networks and sea/road/rail/air intermodality; and secondly to promote short-sea shipping and co-operation between ports. The next call will be in the first quarter of 2011. The budget is €102m for the 7 year period 2007-13.
- 9.9 URBACT II Programme; One of the two priorities is to develop attractive and cohesive cities and this offers scope for transport related projects. It will also finance knowledge sharing amongst European cities. The next URBACT calls are not expected until 2011. The total budget is €67.8m with €150,000 to €710,000 available for individual projects.
- 9.10 Trans-European Transport Network (TEN-T) funding: The fund is for European transport infrastructure projects. In 2010 the annual programme focused on three priorities with €30m available for promoting the development of an integrated and environmentally friendly transport system, €40m for projects in the rail and inland waterways sectors and €7m for studies supporting public-private partnerships. Calls for 2011 will be published early this year.
- 9.11 LIFE+; This is the general EU funding programme for the environment. The sub-strand LIFE + Environment Policy and Governance supports technological projects that offer significant environmental benefits, for example process or efficiency improvements. This part of LIFE+ also helps projects that improve the implementation of EU environmental legislation, that build the environmental policy knowledge base, and that develop environmental information sources through monitoring. Under this strand there is a specific urban environment objective, which supports projects for integrated urban management "including the transport sector", green public procurement and greening existing transport infrastructure. Projects can be co-financed up to a level of 50%. They do not

## 10 Private Sector Funding

- 10.1 Public Private Partnerships (PPPs) are partnerships between the public and private sectors with a requirement that schemes above the £5m threshold be assessed for their suitability for private finance. Examples of PPPs include Bristol's showcase bus routes and the delivery of Southampton's Cycle policy.
- 10.2 Private Finance Initiative (PFI): The most common form of PPP is the PFI, which is a form of contracting or procurement whereby the private sector design, build finance and operate infrastructure and local authorities then

pay for the use of the asset over an agreed period of time. Contracts are typically 25 years. PFI's can be used for lighting, highways maintenance, trams and light rail schemes and traffic information systems and All schemes over £5m and have to be assessed

- 10.3 Section 106 agreements require developers to secure provision of, or improvement to, existing transport infrastructure to meet the needs of new development. The development of ADZ's may affect the future of such agreements.

## **11 Charitable Organisations**

- 11.1 National Lottery can provide as much as over £500k in funding for a single project. A full list of applicable funding sources can be accessed via the Lottery website. Transport priorities include community transport schemes to reduce social exclusion such as dial-a-ride and projects to improve people's health by increasing their levels of physical activity.
- 11.2 National Sports Foundation provides grants to a minimum value of £50,001 to a range of organisations as match funding for activities aimed at increasing levels of physical activity. There is the potential to obtain significant funding for investment in active travel schemes, especially those undertaken in partnership with community under the Big Society agenda. The focus for 2012 funding is children, young people and women.
- 11.3 The Sport England Small Grants Programme supports local community sport projects which seek to increase participation, sustain participation or develop opportunities for people to excel at their chosen sport. This may include end user access to sports venues and could link up with LTP3 active travel programmes. The fund is open to statutory bodies as well as any bona fide not-for-profit club or association. Applications can be from £300 to £10,000 but the total project cost cannot exceed £50,000. Such schemes lend them self to big society and partnership with communities to develop and improve active travel.

## **12 Other Funding Sources**

Other possible funding sources are introduced briefly below:

- 12.1 Land Value Taxation - a means of raising revenues from all land uses by charging each land owner in proportion to the benefits resulting from new infrastructure.
- 12.2 Congestion Charging/Road pricing - enabled by the Transport Act 2000 but not really applicable to the LCR.

- 12.3 Impact Fees - Developer Charges can be related to the number of trips a site generates.
- 12.4 Business Improvement Districts (BIDs) - small areas of towns or cities where finance is raised on a voluntary basis via the property tax mechanism.
- 12.5 Workplace Parking Levies- introduced by the Transport Act 2000 and provides local authorities with powers to fund transport improvements by charging for parking in private workplace car parks.