

Local Transport Funding Guidance for Funders of Transport Schemes

by A Binsted and C Brannigan

PPR 327

PUBLISHED PROJECT REPORT



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**LOCAL TRANSPORT FUNDING GUIDANCE FOR FUNDERS OF
TRANSPORT SCHEMES**

Version: Final

by A Binsted and C Brannigan

Prepared for:

**DISTILLATE: Design and Implementation Support
Tools for Integrated Local Land use, Transport and
the Environment**

Client: EPSRC

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1 Introduction

1.1 Background

Identifying and obtaining appropriate funding for both capital investment and for operation is a recognised barrier for the effective planning and implementation of transport and land-use schemes by local authorities. This issue has been addressed within the UK DISTILLATE¹ project (Design and Implementation Support Tools for Integrated Local Land use, Transport and the Environment), a UK EPSRC (Engineering and Physical Sciences Research Council) funded project which seeks to enable significant improvements in the ways in which sustainable transport and land use strategies are developed and delivered in the UK. More effective and efficient selection, planning and delivery of schemes and projects will enhance the sustainability of urban areas and the quality of life of people who live in them.

One of the DISTILLATE projects focused on ‘Organisational Behaviour’, which dealt with the identification of barriers to the implementation of sustainable urban transport systems at the Local Authority level. The methodological approach included circulation of questionnaires to, and subsequent in-depth interviews with, Local Authority practitioners to identify issues from a Local Authority perspective.

A questionnaire on barriers to the delivery of transport solutions was developed, and administered amongst UK Local Authority partners (Hull and Tricker, 2006a). Interviews and a second survey were undertaken in 2006. This was addressed to local transport planners and their counterparts in public health, environmental strategy, land-use planning and Local Authority corporate policy units, and focused on the barriers to cross-cutting sustainable transport solutions and methods of cross-sector working. Barriers were identified that related to identifying and obtaining funding for transport and land use schemes, and further research was dedicated to the funding issues that Local Authorities may face. Additional research included workshops and extensive literature reviews.

This guidance document has been developed as a response to the funding barriers and issues that have been identified throughout the course of the DISTILLATE project which appear to be having a negative impact upon the effective planning and implementation of transport and land-use schemes.

This document builds upon an earlier scoping study which revealed that financial, institutional and cultural barriers are faced by Local Authorities in delivering sustainability in transport and land use. All subsequent research has sought to identify the implications of different funding strategies and contractual arrangements in order to achieve more effective delivery of sustainable transport and land use schemes.

Please see the website for more details of the DISTILLATE programme: www.distillate.ac.uk.

1.2 Aims of Deliverable

This guidance document is primarily aimed at institutions involved in funding transport and land use schemes and projects (referred to in this report as ‘funders’). The aim of this document is to inform those who are involved in the provision of finance to local authorities of some of the recurring issues which have been identified throughout the consultation and research activities involved in this DISTILLATE Funding Project workstream. This document will provide stakeholders with an overview of the barriers faced by Local Authorities which have been shown to compromise the effectiveness of the delivery of transport and land use projects. The potential implications of each of the funding barriers with respect to the projects that they are helping to finance will be outlined along with any impact upon the Local Authority itself. Where appropriate, this discussion will be supplemented by suggestions for improvement of the relevant funding mechanisms.

Potential funders of transport and land use schemes at which this guidance is aimed include:

- Central Government;
- Local Government;
- Regional Government;
- Governmental Organisations;
- The Private Sector;
- The Voluntary/Charitable Sector.

1.3 Content

This guidance document provides a brief overview of the barriers to identifying and obtaining funding that have been found in the process of DISTILLATE research activities. The potential implications that these barriers may have on the design and delivery of transport and land use schemes are outlined, along with a range of suggestions which funders of transport and land use projects may wish to consider.

2 Barriers to Identifying and Obtaining Funding

The barriers identified throughout the DISTILLATE project have encompassed institutional, technical and political issues which have impacted upon the funding process. Those that are addressed within this guidance document include:

- Addressing the ‘capital-rich revenue-poor’ mismatch;
- Dealing with high levels of funding uncertainty;
- Recognising the constraints on the application of funding streams and potential impacts on local transport priorities;
- Overcoming the funding difficulties relating to ‘soft’ transport schemes; and
- Simplifying funding processes and associated guidance.

Other important barriers include:

- Overcoming the organisational constraints of a lack of staff time and resources;
- Overcoming the constraints of narrow leadership interests and political will;
- Complementing the technical capabilities of tools and officers; and
- Effectively managing partnerships.

These barriers and their effects, both on transport and land-use schemes funded and the Local Authorities implementing them, can have wide-reaching implications with respect to the design and implementation of schemes. Local Authorities employ a range of mechanisms to help cope with and manage some of the negative impacts resulting from these funding barriers. Many of the barriers are however inherent to the funding process and the conditions imposed by funders. It is therefore of paramount importance that funders of transport and land-use schemes are aware of these barriers and the effect that they can have upon scheme design and delivery.

2.1 Addressing the ‘Capital-Rich, Revenue Poor’ Mismatch

One of the key barriers to the effective delivery of transport and land-use schemes is the mismatched availability of capital and revenue funding. This issue has been widely documented, particularly since the end of the first Local Transport Plan (LTP) period, and it has been frequently identified throughout the DISTILLATE project as a key barrier to the effective delivery of transport projects.

A research study commissioned by the DfT into the first round of Local Transport Plans; ‘*Long Term Process and Impact Evaluation of the LTP Policy*’ (DfT, 2006) also found that Local Authorities identified revenue as a key barrier to LTP delivery. The study, which is based on the findings of workshops with a range of stakeholders and local transport practitioners as well as interviews, data analysis and regional case-studies, suggests that as a result it is becoming increasingly difficult to fund maintenance for infrastructure. A lack of revenue funding was outlined by all stakeholders as being a ‘*pressing*’ issue. The result can be that benefits obtained from capital schemes may diminish, schemes requiring high revenue may be delayed or cancelled, and easily-funded capital works may replace more cost-effective revenue-based schemes such as an increase in bus services. It can also make it difficult for Local Authorities to repay debts to Prudential Borrowing.

A questionnaire which was disseminated to stakeholders as part of the DISTILLATE project (Hull et al, 2006b) identified that non-central government sources of funding needed to be used as creatively as possible in response to the lack of available revenue funding, particularly for the introduction of

new bus routes. The poor availability of revenue funding for public transport schemes was highlighted as a particular concern because unless such schemes are viable in business terms funding is not granted. Other schemes which are particularly revenue intensive and not suited to capital funding include instruments to encourage sustainable transport, such as travel plans, cycle training, and the marketing and promotion of sustainable modes.

The capital-rich revenue-poor problem is caused in part by the fact that revenue funding provided to Local Authorities is not ring-fenced for transport and must instead compete for resources with other services, such as education and health. The result is that revenue spending is influenced by the perceived importance of transport schemes in relation to these other services. The DfT's 2004 Standard Spending Assessment (SSA) found that 84 of the 106 Authorities and Districts surveyed spent less than the allocated SSA amount on transport, with revenue funding having been transferred to other services (DfT, 2005b). The Commission for Integrated Transport (CfIT) published a review of capital and revenue funding for transport in 2005 which identified that there was an inverse correlation between the performance of a Local Authority in delivering its transport strategy and the extent of diversion of the transport allocation to other areas. This highlights the impact that revenue shortfalls can have upon the provision of transport services.

Another part of the problem is that capital and revenue funding are not currently linked. This means that there is often enough capital to build infrastructure, but not sufficient funds to maintain that infrastructure. CfIT (2005) identified that 75% of Local Authorities are dissatisfied with the level of revenue funding available to them as it has not matched the increased provision of capital funding. CfIT's 2005 review of capital and revenue funding for transport details that increases in capital funding have outstripped increases in revenue funding, raising issues over how the operation, servicing and maintenance of new capital assets will be funded.

A number of DISTILLATE case study partners have identified the relatively poor availability of revenue funding as a barrier to effective project delivery. It has been a challenge for Bristol City Council, for example, to source the high levels of revenue required for the maintenance and operation of their Showcase Bus Routes. The City Council has tried to overcome some of their maintenance revenue problems by ensuring the use of high-quality materials for the City's second Showcase Bus Route, but this has short-term capital implications. Maintenance requirements can also be difficult to predict, for example in relation to vandalism and real time information provision.

DISTILLATE research has also identified that revenue shortages could result in inadequate staffing, particularly in rural areas where measures tend to be more revenue intensive and where options for external support are more limited. Participants at the DISTILLATE funding workshop estimated that staff time was responsible for approximately 30% of project costs, and as this could not be charged to projects the implication was that some schemes may be made unviable. Factors such as increasing costs for existing transport services and local political issues may further exacerbate the problems of low revenue funding. Attendees at the DISTILLATE workshop also stated that where revenue shortages reduced the availability of staff time there can be implications on capital allocations. The availability of the appropriate staff may, for example, be insufficient to apply and spend capital funds.

Poor availability of revenue funding can also act as a deterrent to both identifying and applying for potential sources of funding. The resource intensive process of bidding for and managing separate funding streams, and the lack of available staff and skills, are often cited as being significant obstacles to obtaining finance. The increasingly wide variety of competitive funding sources which are available to supplement the LTP capital allocation exacerbates this problem by increasing the risk associated with the preparation of bids that are not guaranteed to be successful. The result is that

Local Authorities may miss out on funding opportunities as they perceive that the amount of resources required to make an application, particularly in light of their low availability, outweighs the likely outcome or benefit.

The design and construction of a National Cycle Network Route, Colliers Way (Route 24), by case-study partner Bath and North East Somerset Council (B&NES) is an example of a project where a wide range of funding sources had to be identified, and bid for, in order to fund what was essentially a relatively small scale scheme. Smaller or 'soft' schemes often require a high level of revenue funding, and are therefore notoriously difficult to finance as highlighted by the fact that the NCN Route 24, which to date has cost just over £2 million to construct, required 25 different funding sources to be identified. When bidding for funding, a number of different business cases had to be constructed so as to tailor the application to eligibility criteria and thereby maximising the chance of success. Decisions on which sources to bid for were based upon the effort required to complete an application versus the likely benefit. The result of this was that relatively few applications were turned down, but that funding streams which could have provided significant levels of funding were not bid for. The DEFRA Rural Enterprise Scheme, for example, would have required the completion of a new business case, which was deemed to be too resource intensive to be worthwhile.

The poor availability of funding for cycling schemes has meant that B&NES has had to stretch funds as far as possible to complete parts of the cycle/shared use route. As a result the quality of the scheme has been lower in some areas, which will have maintenance (revenue) implications for the future. This in itself is another major problem, as revenue to maintain off-highway cycleways is also difficult to achieve. The difficulties in obtaining funding led to the cycle route being completed in mid 2007, two years later than originally planned.

All funding streams require time-consuming proposals and appraisals to be carried out to ensure that the often extensive eligibility criteria are fulfilled. If the Government asks Local Authorities to revise bids then further resources are consumed. This whole process reduces the resources which are available for the actual delivery of transport projects and the already limited revenue budget of the Local Authority.

The DfT's Major Scheme funding pot is an example of a funding source which requires detailed proposals for any schemes to be considered. Applications need to detail whether proposed transport schemes will form an integral part of authority's LTP, offer value for money, outline how it would be delivered, and show that financial and commercial risks have been taken into account (DfT, 2005a). The DfT does not meet any revenue costs incurred in putting bids together and therefore the significant burden and risk which is placed upon Local Authorities as part of the bidding process can form a barrier to applying. Additional to this is the expense incurred by Local Authorities in identifying sources of match funding. Many funding pots are conditional on match funding being attained from elsewhere, but again these can be time consuming to source.

The House of Commons Transport Committee (2006) details the costs associated with the preparation of a number of Major Scheme bids, the outcome of which is currently unknown. Preparation of a tram scheme for South Hampshire, for example, has cost slightly over £10 million for a DfT contribution of £170 million. Similarly a busway scheme developed by GMPTE for Leigh, Salford and Manchester, which has not been granted conditional funding approval, has so far cost £4.3 million to develop and is seeking £45 million. The preparation costs for the Leeds Supertram are also believed to be approximately £40 million. The House of Commons Transport Committee found that between 5 and 15% of total scheme costs are being spent without the proposal receiving any guarantee of funding (2006).

Addressing the ‘Capital-Rich, Revenue Poor’ Mismatch - Implications of this Barrier

- The availability of capital can be sufficient to fund transport and land-use projects, although there can be issues over how the operation, servicing and maintenance of these capital assets will be funded.
- Poor availability of revenue support can diminish the benefits associated with capital schemes.
- Inadequate revenue funding can result in available funds being stretched thereby decreasing the quality of the scheme and increasing future revenue implications.
- Revenue intensive schemes may be delayed or cancelled.
- Easily funded capital schemes may replace more suitable revenue-based schemes.
- The viability of Prudential Borrowing may be compromised by a lack of revenue to repay the debt.
- Effective forward planning can be jeopardised by varying year-on-year revenue allocations from central government.
- Public transport schemes that are not viable in business terms are rarely funded.
- Revenue payments from developer contributions tend to be of a short term nature. The future of such schemes can be jeopardised when the funding stops.
- The lack of revenue can mean that sources of funding are not pursued due to the time consuming nature of identifying sources other than those normally used. In many Local Authorities it is not feasible to free up staff time to research such sources.
- Revenue shortages can result in inadequate staffing.
- Poor availability of revenue funding can act as a deterrent to identifying and applying for sources of funding owing to the resource intensive nature of preparing bids. This is exacerbated when match funding also needs to be sourced.
- The lack of revenue to fund staff and enhance their skills in bidding for and managing funding streams is a barrier to obtaining finance.
- The lack of revenue to fund staff time can mean that the appropriate staff are not available to apply and spend capital funding obtained.
- Sustainable transport schemes are particularly at risk because of their heavy reliance on revenue funding.

Points to Consider

- If the role of local government could be strengthened then Local Authorities would have more control over the way in which revenue and capital are spent. Fare income in London is a source of over £2 billion a year.
- If Local Authorities outside London could keep locally-generated revenue then this could be reinvested in their transport networks.
- The introduction of a new source of funding could help to bridge the gap between capital and revenue funding. Sources of ring-fenced revenue are likely to have the most impact.
- Clear guidance from funders regarding what can be classified as revenue funding and what needs to be classified as capital funding would reduce the confusion experienced by accountants regarding how the fine line between revenue and capital can be managed.
- The capital/revenue mismatch could be managed if both types of expenditure could be integrated.
- Increased availability of revenue funding would enable Local Authorities to meet regional and central government objectives more effectively.
- Revenue support from central government to Local Authorities would reduce the risk associated with resource intensive bidding processes.
- If ongoing maintenance charges could be included as part of the initial capital charge for new works, as is done in some other EU countries, then pressures upon revenue budgets could be significantly reduced.

- Sources of revenue funding tend to be of a relatively short-term nature. If funders could look to provide more long-term contributions then the services and infrastructure that they are used to support could become more sustainable.
- If Local Authorities were given more notification of revenue allocations then they would be able to use their allocations more effectively.
- Organisations which supply revenue funding to Local Authorities could assess whether payments could be made over a long period as opposed to being made on a short-term basis.

2.2 Dealing with high levels of funding uncertainty

The funding process is imbued with a degree of uncertainty which can make effective long-term planning problematic. DISTILLATE research has shown that this is a criticism that can be levelled at the vast majority of funding sources and which has considerable implications for scheme design and delivery.

Several case-study partners identified that the nature of allocations in LTP1 made long-term planning difficult. Local authority transport departments were often not informed of their allocation until five months had elapsed from the receipt of funding from the DfT. The allocations also needed to be spent within a year, which did not enable local authorities to effectively plan and implement schemes. This problem has been addressed by the DfT, but uncertainty is still experienced in relation to other sources of funding. The uncertainty of developer contributions has, for example, been a challenge for DISTILLATE case study partner Bristol City Council. They were successful in securing developer contributions to help finance and maintain their Showcase Bus Routes, but the allocation of the contributions tends to be relatively sporadic, which means that they cannot be relied upon for the implementation of schemes. The contributions have therefore had to be used to help finance additional enhancements to the scheme, such as the development of key public transport waiting areas, as opposed to fundamental elements of the project.

DISTILLATE case-study partner Surrey County Council has also experienced challenges related to the uncertainty of developer contributions. In Surrey a large housing development of approximately 2,600 homes is planned for Horley. Financial support over a 10 year period for a Fastway bus service, a guided bus service running from Crawley to Horley, was secured through Section 106 and 278 Agreements as part of a package of measures to provide infrastructure and services to support this new residential development. In order to encourage sustainable travel behaviours and maximise patronage Surrey County Council made the decision to launch the bus service in October 2005, a year in advance of the anticipated occupation of the dwellings. However, although building was due to commence a couple of years ago, this is yet to happen. Therefore, no funding has yet been received from the developers to support the running of the bus service. The developer contributions are tied into a Section 106 Agreement which stipulates that revenue will not be released until the first 100 properties are occupied, which has left the County Council with a revenue shortfall. The Local Authority is hoping to be reimbursed by the developers at a later stage, but in the meantime operating costs are in the region of £330,000 per year. There is uncertainty about the continued covering of these costs due to the numerous difficulties involved in funding non-commercial transport schemes. Revenue support is particularly crucial before the service becomes established and before the dwellings become occupied.

The uncertainty in relation to funding provision also stems largely from the requirement for funding to be bid for with no guarantee that the proposed scheme will be approved. Even if funding bids are approved then there can also be uncertainty over whether funding will be available to ensure the effective operation of the asset or service over its lifetime. There is also no guarantee of how long it

will be until funding is made available. It is also not uncommon for transport and land use schemes to be implemented years after the bid has been submitted, by which time local priorities may have changed and the cost implications are likely to have altered. The likelihood is that costs will have increased, but again with a large number of funding sources awarding capped amounts of finance the future of the project can become uncertain.

Successful bids require the investment of a significant amount of resources, and the lack of revenue funding to support this process, coupled with the uncertainty of whether a bid will be successful, can be risky for Local Authorities. The increase in the number of competitive funding streams increases the amount of available funding, but it also increases the cost implications should bid(s) be unsuccessful. Uncertainty is further increased as a result of competition for funding becoming fiercer. The DfT, for example, is receiving many more requests for Major Scheme allocations. Given that preparation for a Major Scheme bid can cost millions of pounds the lack of certainty of whether a scheme will be approved can in some instances act as a barrier to applying for funding. The assessment of schemes for their suitability for private finance can be equally resource intensive and have the same concomitant risk.

The uncertainty over whether a bid will be approved can also make it challenging for Local Authorities to plan strategically. The uncertainty of whether funds bid for will be forthcoming, and therefore whether a scheme will be implemented, has implications for other elements of LTP strategy. This can reduce the effectiveness of planning, particularly given that some bids can take years to be approved or rejected.

The significance of the cost implications which can result from schemes being delayed, for example as a result of uncertainty over funding provision, is evidenced in the experience of Strathclyde Partnership for Transport (SPT) in relation to the Glasgow Airport Rail Link. The SPT is a case-study partner in the process of developing a direct rail link between Glasgow Central and Glasgow airport. The project was expected to be completed in 2008, although owing to numerous delays the scheme has now been in the planning stages for 15 years and is due to be completed in 2010. In 2004 the total scheme cost was expected to be £160 million, but it is now estimated that, owing to delays, costs could reach £210 million. The Scottish Government (previously the Scottish Executive) continues to support the project, but on the condition that SPT explore all possible options for contributions to the project. This has added further delays to implementation and incurred further costs.

Dealing with high levels of funding uncertainty - Implications of this Barrier

- The amount of time that elapses between bid preparation and outcome can significantly hinder scheme delivery.
- The local needs and priorities that a scheme is designed to address may have changed by the time funding is approved.
- The cost implications associated with delay may result in resources being stretched and a subsequent decrease in scheme quality.
- Effective planning is made difficult owing to uncertainty over funding allocations as a result of settlements not being known until well into the financial year. This also reduces the amount of time in which the funding must be spent. This can make long-term planning and the phasing of transport schemes difficult.
- More bid preparation implies more revenue investment in bidding, thereby reducing the availability of funding for scheme delivery and maintenance.
- Uncertainty over the likely outcome of a funding application can lead Local Authorities to miss out on funding opportunities owing to the perceived level of risk.

- Strategic planning can be challenging in the face of funding uncertainty.
- Uncertainty over the funding of a transport scheme can have implications across the LTP strategy which can reduce the effectiveness of planning.
- An inaccurate anticipation of capital or revenue allocations can result in a shortfall.
- Lengthy delays to scheme delivery can be incurred as a result of extensive bid documents and business cases having to be prepared.
- Local Authorities may miss out on funding opportunities owing to the perception that the amount of revenue required and the degree of risk involved in preparation outweighs the likely outcome or benefit.

Points to Consider

- The financial burden of the uncertainty of the success of funding bids could be alleviated if Local Authorities were given financial assistance with which to develop proposals.
- The more advice and guidance provided by funding bodies to Local Authorities the less uncertainty is involved in the process.
- If Local Authorities whose bids have been unsuccessful were given more feedback on rejected schemes, this would increase their future confidence that schemes submitted would be approved.
- Where appropriate, funders of transport and land-use schemes should try to ensure that a steady stream of finance is provided over an agreed period rather than sporadically.
- Enabling Local Authorities to carry funding forward from one year to the next would increase the effectiveness of the phasing of transport schemes and enhance the ability of Local Authorities to undertake long term planning.
- An analysis of whether there are currently too many agencies involved in the planning and appraisal process could lead to the process of identifying and obtaining funding being streamlined and the delay and uncertainty experienced by Local Authorities being minimised.

2.3 Recognising the constraints on the application of funding streams and potential impacts on local transport priorities

The current funding framework means that Local Authorities only have a limited control over the type of schemes which are implemented as they are constrained by the availability of specific funding streams. The Eddington Review (2006) expressed a concern that this could result in Local Authorities skewing their transport scheme proposals to reflect the funding criteria of the DfT as opposed to basing scheme designs upon local priorities. This could cause local problems to be sidelined in order to access funding pots.

A DISTILLATE report which explored barriers to sustainable transport solutions as experienced by stakeholders (Hull et al, 2006b) identified that many of the participants were critical of the LTP policy framework with respondents commenting on the sometimes undesirable effects of priorities set out by central Government at the national level for the development of LTPs. Local Authorities are penalised financially if they miss targets, and therefore LTP strategies must focus upon delivering targets developed by central Government. One participant was also concerned that national policy priorities had an overemphasis on roads and infrastructure-based transport schemes, and that the government focus upon tackling congestion can make it more difficult to deliver more sustainable transport schemes. Transport officers from one Local Authority stated that they were unable to support transport schemes which would enhance local quality of life and economic development because they did not correlate well with the key priorities of central government. Policy officers also regarded funding streams which had to be bid for as an aspect of government centralisation. It was felt that the eligibility criteria for such funding did not represent local objectives and concerns thereby undermining the bottom-up approach advocated by LTPs.

The Transport Innovation Fund is an example of a funding pot which requires Local Authorities to submit local scheme proposals which comply with two relatively narrow central government priorities – congestion and productivity. The House of Commons Transport Committee (2006) states that LTP Regional Funding Allocations are expected to reach £850 million in 2014-15, whereas the Transport Innovation Fund budget is £2.55 billion¹. There is increasing concern that such sources of funding will result in Local Transport Plan frameworks being overlooked in favour of funding streams which focus upon central UK and EU governmental objectives. The potential negative impact of this approach has widespread implications as there is less chance of successful delivery and of attaining the best value for money if schemes are designed which impose national objectives on localities in order to enhance likelihood of funding. The House of Commons Transport Committee has referred to such funding pots as ‘a form of central Government micromanagement of local transport planning’ (2006).

Effectively managing the potentially adverse impacts upon local transport priorities of funding streams which relate to national transport priorities - Implications of this Barrier

- Schemes which fulfil a number of local priorities and needs may be delayed or cancelled in favour of schemes that correlate with national or European objectives and priorities.
- Transport scheme proposals could be altered to reflect national or European funding criteria, effectively sidelining local priorities.
- The value-for-money and effectiveness of transport and land-use schemes may be reduced if schemes are designed to impose national objectives on localities in order to enhance the likelihood of successfully obtaining funding.

Points to Consider

- The impact of this barrier could be reduced if the role of local government was strengthened to give Local Authorities more control over the way in which revenue and capital are spent.
- Funders of transport and land-use projects could increase the extent to which funding decisions are based on the provision of detailed local information rather than at a strategic level.
- Funders could identify ways in which sources of funding could be tailored to local conditions.

2.4 Overcoming the funding difficulties related to ‘soft’ transport schemes

‘Soft’ schemes, such as those involving walking and cycling or education and campaigns, are often relatively small-scale in relation to other transport projects, but despite the lower costs involved, Local Authorities have experienced difficulties in obtaining funding. The main difficulty lies in appraising these schemes. Cycling and walking schemes in particular are likely to have a range of potential benefits. These include enhanced security, health and physical fitness, improved access, and a reduction of the many negative impacts of motorised transport. Such benefits can, however, be difficult to quantify, particularly in relation to other more easily quantified schemes which exhibit time and financial savings. In some instances new business cases need to be prepared. Applications for the Aggregates Levy Sustainability Fund, for example, need details of the impact upon local people, which can be difficult in relation to cycling and walking schemes².

¹ A DISTILLATE guidance document, *A review of ways of overcoming the inconsistencies between targets and appraisal*, also considers this issue.

² The *Small and Local Scheme Assessment* tool, developed by the DISTILLATE consortium, seeks to address some of these concerns by helping decision makers to analyse and document their decisions on schemes of this kind.

The DISTILLATE Organisational Barriers Deliverable (Hull et al, 2006b), which reports on barriers to sustainable transport solutions, reported on concerns of transport planners who felt that the government focus upon roads in national policy priorities, and on tackling congestion, was making it more difficult to embed sustainability into schemes. Concerns were also raised regarding the increasing emphasis on the ‘*value management*’ of schemes, which require transport planners to justify scheme selection on the basis of cost. This approach can lead to projects with benefits that are more difficult to quantify being sidelined. This problem is compounded by the fact that respondents experience poor availability of resources for the design of alternative transport schemes and modes as opposed to availability for traditional road based schemes.

The implementation of a cycle/shared use route case-study which is currently being constructed by DISTILLATE case-study partner B&NES demonstrates how a relatively low cost ‘soft’ transport scheme has struggled to obtain funding. The NCN Route 24, which cost just over £2 million, required 25 different funding sources to be identified ranging in value from £250 to £250,000. Each funding application required different business cases to be constructed, each focusing upon different benefits. The key benefits anticipated to arise from this scheme, however; such as enhanced security, health benefits and physical fitness, tend to be undervalued in relation to the more easily quantifiable time and cost savings that other schemes may provide.

Overcoming the funding difficulties relating to ‘soft’ transport schemes - Implications of this Barrier

- Local Authorities may miss out on funding opportunities as a result of the perception that the amount of revenue required to develop new business cases, particularly owing to the difficulty in quantifying scheme benefits, may outweigh the likely outcome or benefit.
- Projects that may be less effective and which may generate more negative externalities can be implemented in place of what could be more appropriate and sustainable walking and cycling schemes.
- The relatively poor availability of revenue funding to identify, apply for and potentially manage a range of separate funding streams may act as a disincentive to pursue soft transport schemes.

Points to Consider

- Funding bodies should try to enhance the extent to which benefits of schemes are recognised in non-financial terms. Enhanced consideration could be given to scheme impacts upon issues such as health and carbon emission savings.
- The impact of this barrier would be reduced if the number of specific funding streams available for financing ‘soft’ schemes was increased.

2.5 Simplifying funding processes and associated guidance

The research has also identified more generic recommendations regarding the simplification of funding processes and associated guidance documents issued to applicants, in addition to the more specific issues raised in the previous sections. These are summarised below:

Funding process simplification issues:

- An analysis of whether the process for obtaining funding for transport and land use projects is overly restrictive or complex could reduce the revenue burden associated with preparing bids.
- Local Authorities could benefit from bidding appraisal processes being made less resource intensive.

- A review of the process for obtaining funding for transport and land-use projects and an assessment of whether it is overly restrictive or complex could reduce the amount of time between bid submission and hearing of the outcome.

Guidance-related issues:

- If sources of funding were promoted more widely then the process of identifying potential sources of funding could be less resource intensive.
- It could be beneficial for funders to share best practice examples of ways in which Local Authorities have been successful in obtaining revenue funding.
- The provision of enhanced guidance and detailed eligibility criteria for sources of funding could reduce the likelihood of Local Authorities investing revenue in the preparation of unsuccessful bids.

3 Summary

Research undertaken throughout the DISTILLATE project highlights a range of barriers faced by Local Authorities when identifying and obtaining funding for transport and land-use projects. These barriers have a number of implications, each of which can undermine the ability of Local Authorities to effectively deliver schemes that have been designed to fulfil locally-defined needs and priorities.

There is evidence that Local Authorities are becoming increasingly adept at obtaining and managing both capital and revenue funding. DISTILLATE research, however, suggests that many Local Authorities still do not have experience of using what are widely considered to be relatively traditional funding sources, such as private funding, regeneration/Challenge funding streams, or European funding (Hull et al, 2006a). The same report found that a number of authorities were not aware of a wide range of innovative funding sources, such as Business Improvement Districts (BIDs), local authority business grants, or Work Place Parking Levies. It is these Local Authorities whose scheme delivery is likely to be impacted the most by the numerous funding barriers that DISTILLATE has found to be associated with traditional sources of funding³, such as LTP allocations.

Case study research has identified that there are many examples of good practice where Local Authorities have employed numerous approaches to try and manage some of the potentially negative implications of funding mechanisms. It needs to be recognised, however, that the barriers are externally driven in nature and that unless the organisations who provide funding for transport and land use projects are aware of the issues faced by Local Authorities then they will remain constrained by the external framework.

An increasing body of literature, driven in part by the end of the LTP1 period and the publication of prominent reports such as the Lyons Inquiry (Lyons, 2005) and the Eddington Review (Eddington, 2006), is suggesting that the structure and policy of local and central government policy is not conducive to the effective financing of transport and land use projects. Such literature focuses upon the need to strengthen local government to give them more control over the way in which capital and revenue budgets are spent. DISTILLATE research reinforces the potential benefits of such a move, which would give Local Authorities more control over the funding process and remove some of the barriers which are currently constraining effective scheme design and delivery. An LGA policy discussion paper (LGA, 2006) argues that existing mechanisms could be developed to bring about changes to current institutional arrangements to empower local government. These more effective structures could be formed with minimal reorganisation. The House of Commons Transport Committee (2006) also recommends restructuring the funding framework and the role of local and central government within it. Both Lyons (2005) and Eddington (2006) discuss whether existing funding sources and assets could be consolidated into a single sub-national body with separate revenue and capital budgets (2006). It is envisaged that such a restructure would create more opportunities for investment in infrastructure and provide easier access to capital expenditure.

It remains important, however, for all organisations that provide funding to Local Authorities to be aware of the barriers Local Authorities currently face. In the long-term relatively large-scale shifts will be needed in the way in which funding is provided, but in the short-term there are a number of relatively straight-forward changes which could be made by funders to enhance the effectiveness of

³ Some of the funding barriers faced by local authorities have been identified and addressed within this deliverable. However, for further information regarding other funding barriers, please see the DISTILLATE *Local Transport Funding Toolkit for Local Authorities* (Guidance Document) and *An Assessment of the Implications of Funding Restraints* (Discussion Note).

transport solutions delivered. This research project has highlighted a number of such points which funding providers should consider, including:

- Enhancing the extent to which benefits of schemes are recognised in non-financial terms.
- Giving local authorities more control over the way in which revenue and capital are spent.
- Increasing the extent to which funding decisions are based on detailed local information rather than at a strategic level.
- Providing financial assistance to develop proposals, or enabling costs to be partially reimbursed if the scheme is successful in obtaining funding.
- Enhancing the provision of advice and guidance to local authorities to reduce uncertainty.
- Providing feedback on unsuccessful bids to increase future confidence that schemes submitted would be approved.
- Trying to provide a steady stream of finance over an agreed period rather than sporadically.

Abbreviations

ASLF	Aggregates Sustainability Levy Fund
B&NES	Bath and North East Somerset
BID	Business Improvement District
CfIT	Commission for Integrated Transport
DEFRA	Department for the Environment, Fisheries and Rural Affairs
DfT	Department for Transport
DISTILLATE	Design and Implementation Support Tools for Integrated Local Land use, Transport and the Environment
EPSRC	Engineering and Physical Sciences Research Council
GMPTE	Greater Manchester Passenger Transport Executive
LTP	Local Transport Plan
NCN	National Cycle Network
SPT	Strathclyde Partnership for Transport
SSA	Standard Spending Assessment
SWERDA	South west England Regional Development Agency

References and Further Reading

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