

# Overcoming financial barriers

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Neil Paulley, TRL

## Funding of Local Authority Transport and Land Use Projects

- Identifying and obtaining funding for capital investments and for operation
- Barrier for effective planning and implementation of transport and land use schemes
- Understand funding procedures affecting transport and land use projects – how procedures affect implementation

# Barriers to Funding

	Progress towards more sustainable urban transport systems	Other sector's ability to engage in policy formulation and with the implementation of transport schemes at the local level	Funding-related barriers
Technical	Analytical capabilities and skills		
Institutional	Organisational complexities Lack of control Professional mindsets	Mismatches between service delivery across different sectors Organisational constraints (time, resources, leadership, interests, structures and systems)	Adverse effects on availability of staff time Difficulties in delineating contributions between partners in joint funding packages
Political	Societal constraints Lack of national government support Politics	Political influences adversely affecting cross-sector policy integration Impact of direction and decision of central government	
Funding-Specific	Strength of focus on narrow transport priorities Funding for sustainable urban transport solutions	High levels of funding uncertainty	Adverse impacts upon scheme prioritisation and delivery processes due to specific funding pots/ schemes
Other	Physical characteristics of local areas		

# Barriers

- **Institutional, Technical and Political Barriers:**
  - Dealing with high levels of funding uncertainty
  - Narrow leadership interests and political will
  - Complimenting the technical capabilities of tools and officers
  - Effectively managing partnerships
  - Organisational constraints of a lack of staff time and resources
  
- **Funding-specific Barriers:**
  - Addressing the 'capital-rich revenue-poor' mismatch
  - Effectively managing the potentially adverse impacts upon local transport priorities of funding streams which relate to national transport priorities
  - Difficulties relating to funding 'soft' transport schemes

# Implications

- Schemes do not go ahead
- Type of scheme funded changes
- Details of schemes may be altered
- Reduced cost effectiveness of investment
- Delays to scheme delivery
- Cost of scheme can increase

## Funding Issues: Revenue Funding

- ‘Capital-rich, revenue-poor’
- Operation of services, maintenance of vehicles and infrastructure, provision of information, road markings, removal of graffiti/vandalism
- Not ring-fenced for local authorities in the UK
- Easily funded capital projects replacing revenue-based schemes
- Obtaining revenue – time consuming process



## Funding Issues: Formation of Partnerships

- Types of Partnerships:
  - Within authorities (planning, health, environment, education departments)
  - With other authorities
  - External organisations (private, voluntary etc)
- Partnership Issues:
  - Both positive and negative aspects
  - Relevant skills required
  - Managing large number of partners
  - Organisational aspects of partnerships are often a barrier
  - Positive aspects include the range of funding sources that become available to the partnership widens
  - LAs would recommend this approach

## Funding Issues: 'Soft' schemes

- Walking and cycling - often much smaller scale
- Part of the problem appraisal of such schemes
  - Difficult to adequately assess the benefits such as health, security and access



## Case Study Experience: 'Soft' Schemes

- Extending Cycle/Shared Use Route:
  - Total cost just over £2m
  - Managed to fund the route extension with in excess of 25 funding sources (between £250 and £250,000)
  - Scarce availability of funds leads to them being stretched - results in lower quality routes with future revenue implications.
  - Bank and hedgerow maintenance contract



## Funding Issues: Political Support

- Local authorities have expressed the importance of political support when trying to obtain funding for schemes
- If local/national political support is not there, problems in obtaining funding for schemes
- Political Support:
  - Essential in the funding and implementation process
  - Needs to be consistent over time
  - Funding can fluctuate with political commitment

## Funding Issues: Timing Constraints

- Time taken to prepare bids, restricted
- Timescales imposed on certain funding sources
- Particularly problematic when schemes are part-funded/match funding required, and remainder of funding needs to be obtained before scheme can be implemented
- Can lead to original funding being lost
- Timing Restrictions
  - Make it hard to spend most effectively
  - Plans are made before it is known what funding allocation transport departments will receive
  - Time limit on when funds have to be spent by

## Funding Issues: Phasing of Implementation

- The phasing of scheme implementation has led to some problems with funding, particularly when funding is from developer contributions (Surrey Fastway and housing development)
- Often not all contributions have been received but schemes need to be implemented, requiring funds to be temporary sourced from elsewhere (e.g. LA)
- Phasing considerations – Wildlife/countryside acts, badgers, nesting etc



Some solutions

## Maximise locally generated revenues

- Road user charging schemes
- Parking levies
- Land value taxes
- Business Improvement Districts (BIDs)
- Developer contributions
- Advertising
- Tax Incremental Finance
  
- **Potential to address:**
  - Adverse impact upon local priorities of national funding source criteria
  - Constraints of a lack of staff time and resources

## Case study

- **Sheffield City Centre redevelopment**
- **Creative Sheffield (formerly Sheffield One)**
  - First UK City Development Company
  - Yorkshire Forward, Sheffield City Council, English Partnerships
- **Creative Sheffield:**
  - Identified and pursued funding opportunities
  - Prepared bids
  - Contributed commercial expertise
  - Conducted negotiations (i.e. obtained forward funding)
  - Engaged partners
  - Managed diverse funding package

## Identify stable continuous sources of funding

- Form statutory agreements with developers to provide a steady revenue stream over an agreed period
- Investigate the potential for some form of taxing or charging
- Secure advertising revenue
- **Potential to address:**
  - High levels of funding uncertainty

## Partnership working

- Mechanism to obtain funding
- Maximise private finance
  - Set staff time aside to identify opportunities
  - Invest in training to enhance commercial skill set
- **Potential to address:**
  - Capital-rich revenue poor mismatch
  - Complimenting technical capabilities of tools and officers
  - Constraints of a lack of staff time and resources
  - Effectively managing partnerships
  - Difficulties of funding soft transport schemes
  - High levels of funding uncertainty

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## When applying for funding

- Taylor funding applications to funding criteria preferable to applying for numerous funding pots
- Ensure likely benefits are commensurate with the resources required to apply
- Determine scope to tailor funding to be tailored to local conditions
- Identify ways that schemes less likely to be funded can be incorporated into a package of measure
- **Potential to address:**
  - Difficulties of funding soft transport schemes
  - High levels of funding uncertainty
  - Adverse impact upon local priorities of national funding source criteria.

## Provision of guidance

- Disseminate best practice
- Increase awareness of the range of available sources
- **Potential to address:**
  - Capital-rich revenue-poor mismatch
  - Constraints of a lack of staff time and resources
  - Constraints of narrow leadership interests and political will
  - High levels of funding uncertainty
  - Difficulties of funding soft transport schemes

## Other approaches

- Bristol Showcase Bus Routes
  - reduced revenue requirements by using high quality materials, part funded by advertisers ADSHEL
- Glasgow Airport Rail Link
  - Maintained consistent political support

- Barriers are externally driven
- Require action by:
  - Funders of transport schemes
  - Government.
  
- Recommendations include:
  - Government restructure to empower local government;
  - Giving local authorities more control over revenue and capital spending;
  - Enhance level of guidance and feedback;
  - Increase emphasis given to local, rather than strategic concerns, when making funding decisions.

## Distillate 'Funding' Products

1. Funding 'Toolkit'
  - Addressing funding barriers and potential solutions
2. Guidance/Note for Funding Agencies
3. Assessment of the Implications of Funding mechanisms

# 1: Funding Toolkit

- Aimed at Local Authorities
  - *Section One:* Barriers to identifying and obtaining funding
  - *Section Two:* Overcoming barriers to identifying and obtaining funding
  - *Section Three:* Funding Considerations by Scheme Type
  - *Section Four:* Mechanisms to obtain and effectively utilise funding
  - *Appendix A:* Funding Sources
  - *Appendix B:* Case Studies



# Appendices: Funding Sources and Case Studies

- European Union
- UK Central Government
- UK Regional
- Government Agencies and Organisations
- Charitable Organisations and Trusts
- Private Sector
- Innovative Funding Sources

## Case Study E2: Waterways Trust - Droitwich Canals Restoration

The Droitwich Barge Canal and Droitwich Junction Canal are undergoing restoration as part of a £11.5 million project - £1 million of which will be funded by the Waterways Trust. The rest of the funding is coming from Heritage Lottery Fund State One support (£4.5 million), and Advantage West Midlands (£5 million) (Waterways Trust, 2006a).



The scheme will involve linking the Worcester and Birmingham Canal with the River Severn, thereby enhancing the accessibility and integration of the waterways. The project will also involve upgrading the walkways around the canal route, and creating a new link under the M5. It is expected that the scheme will lead to increased...

## Case Study G3: Land Value Tax - Jubilee Line Extension

Riley (2002, in Wetzel, 2005) calculated the total land value increase that arose within a 1,000 yard radius of the JLE extension. He found that these land values alone increased by £13 billion when construction cost £3.5 billion.



Riley suggests that some of this wealth should have been collected by the government in order to fund the project. An independent study carried out by Transport for London, also estimated that between 1992 and 2002 the JLE caused land values to rise by £2.8 billion close to two of the 11 new stations (Southwark and Canary Wharf). The extension could have been paid for by the land value increase, but instead it was paid for from taxation (with the exception of two small contributions). One of these contributions was from the owners of Canary Wharf to the value of £180 million – only a fraction of the amount that they gained as a result of the transport investment. Other developers and landlords along the route did not, however, contribute anything despite having seen the value of their properties double, and in some cases quadruple.

## 2: Guidance to Funding Bodies

- This guidance is for the potential funding sources of transport and land use schemes/projects (including DfT)
- Identifies and examines the funding barriers faced by LAs and the potential implications this may have on:
  - Organisations; and
  - Resultant schemes
- Where appropriate, recommendations on improvements to funding mechanisms are to be made
- The guidance note is to be based on:
  - Barriers work undertaken in Projects A and D;
  - Project E case study and toolkit research; and
  - Discussions with local authorities during the Project E Funding workshop

### 3: Assessment of the Implications of Funding Restraints

- Builds upon the two earlier products (E1 and E2),
- Examines the implications of various funding restraints/barriers.
- In some cases, the funding source itself can distort the planned scheme:
  - may be in terms of objectives the scheme is trying to meet being altered to obtain funding from a particular source, or
  - the availability of funding sources to fund particular scheme types leading to favouring ‘hard’ schemes over ‘soft’ ones.
  - links to option generation

EPSRC

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Thank you for listening

npaulley@trl.co.uk  
www.distillate.ac.uk

