

FACT SHEET: Description and Assessment of National Support Mechanisms for Financing Projects of Urban Transportation

GREAT BRITAIN

Item	Year				
	1992	2002	2012	2022	2032
Year					
Population (millions) ¹	50,7	52,4	56,2	N/A	N/A
Share of population living in urban areas (%) ²	88,7	89,4	90,1	91,1	92,2
Gross domestic product per capita (current US\$) ³	18,387	24,880	38,818	N/A	N/A
Vehicle ownership per 1,000 residents ³	N/A	N/A	523 (2009)	N/A	N/A
Administrative structure: Unitary state governed under a constitutional monarchy and a parliamentary system, in which the Monarch is the head of state and the Prime Minister of the United Kingdom is the head of government. It consists of four administrative divisions (countries)					

1. NATIONAL POLICIES

Trends in Transportation

- There has been a steady falling trend in trip rates since 1995/97, falling 12% by 2010, with 960 trips per person per year leading to the lowest level of trips made since the mid-1970s. Average trip length was 7 miles.
- Trips by private modes of transport fell by 14% while public transport modes increased by 8%. Walking trips saw the largest decrease.
- Trips by car (as a driver or passenger) accounted for 64% of all trips made and 78% of distance travelled in 2010.
- Most of the decline in overall trips rates between 1995/97 and 2010 can be accounted for by a fall in shopping and visiting friends.
- Concessionary travel pass take-up in 2010 was 78% of those eligible.
- Average annual car mileage was estimated to be 8,430 miles in 2010.

¹ 2011 Census http://www.ons.gov.uk/ons/dcp171778_277794.pdf

² The Guardian

³ The World Bank

National Policies

The national government holds several different policy documents for transportation, especially urban transportation. While putting a high priority to the responsibility of local authorities in planning and developing infrastructure, the national government published documents targeted for local governments. Their main aim is to outline the plans and objective that the national government of one legislative period has for the transport area.

Institutional Framework

Level of Government	Institutions	Role
First	Department for Transport	Defines transport policy for the whole UK (there are some areas where European Union legislation takes precedence or where power has been devolved)
Second	Regional bodies	Development of local and regional transport policies (Regional Transport Strategy)
Third	Local authorities	Implementing the Local Transport Plans (LTP)

Note: The case of urban transport in London is not taken into account in the document, since its financing structure is slightly different from other cities in the UK. Transport for London (TfL), the transport authority for London, receives 48% of its fundings from the central government through the Department of Transport (39% of total revenue comes from fares)⁴. TfL can as well borrow from Public Works Loan Board, a statutory body that lend money from the National Loans Fund.

Funding only at a national level accounts for a smaller part of the global budget of a local transport authority (around 8% in 2011-2012 for Centro, the West Midland transport authority⁵, and 29% for the Local transport Authority of Greater Manchester in the same period⁶). Indeed, the largest part of local transportation authorities comes from levy on local councils and other financing tools such as Tax Increment Financing (see below).

⁴ 2011 Figures: <http://www.tfl.gov.uk/assets/downloads/tfl-rating-report-7-march-2012.pdf>

⁵ <http://www.centro.org.uk/nmsruntime/saveasdialog.aspx?IID=9518&SID=4272>

⁶ http://www.tfgm.com/Corporate/Documents/AnnualReportsBusinessPerformancePlans/11-0909-Ann_Performance-Report-AW.pdf

Since 2010, the funding process at the national level for transportation projects has been simplified, it consists in four funds:

Local Transport Funding 2011/12 to 2014/15				
<i>Spend item £m</i>	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>
Committed major schemes*: Infrastructures (Old projects still going on)	418	160	29	10
New major schemes: Infrastructures For large projects (>£5M)	0	204	306	417
Maintenance (Roads) Infrastructures	806	779	750	707
Integrated Transport Block: Infrastructures For smaller projects (<£5M)	300	320	320	450
Local Sustainable Transport Fund (LSTF)	80	140	160	160
Of which Operations**	50	100	100	100
Of which Infrastructures	30	40	60	60
Total	1,604	1,603	1,565	1,764
* These figures are based on current estimates of spend on committed schemes. Actual spend will depend on the progress of individual schemes.				
** The great majority of transport revenue funding is provided to local authorities via the Department for Communities and Local Government's Formula Grant.				

Source: Adapted from the Standard Note: SN5735: Local transport governance and finance in England, 2010-
www.parliament.uk/briefing-papers/sn05735.pdf

The broad principles of former and existing local major scheme funding are as follows: Existing public finance arrangements encourage a system where the Government is assured that funding will be spent; funding is spent on the delivery of capital transport projects; it is generally paid once delivery is achieved, rather than before, which is in line with good public accounting. The former Regional Funding Allocation created some longer-term certainty than over Spending Review periods, which helped some regions plan for sustainable growth.

Adapted from: www.parliament.uk/briefing-papers/sn05735.pdf

Tax Increment Financing (TIF):

In 2010, the national government decided to allow local authorities to use Tax Increment Financing (TIF): “Local authorities borrow the funds to deliver infrastructure vital for development and repay the borrowing from the increase (the ‘increment’) in business rates generated by the new economic activity”⁷. The policy is under implementation and several pilot cities are running it.

2. PROJECT IDENTIFICATION AND DEVELOPMENT

Institutions in charge of the development of mass transit technical projects	National Government – Department for Transport
Financial assistance at the national level	Direct financial support (mainly coming from bills and taxes) for the national road projects and releases different funds for communities to apply for their local projects.
Technical assistance at the national level	The British government publishes various documents and policies regarding different modes, and has a broad collection of data and case studies, all publicly available for local communities to conduct feasibility studies and plan their projects on. Assistance may include informal reviews of draft project submittals. The national direction and a variety of publications is available on shifting transport to more environmental friendly modes.

Strengths	<ul style="list-style-type: none"> • National priorities provided by DfT give a clear direction for local authorities • Local determination of needs = local decision making • Financial contribution from local side (even if money for transport project is granted) → stronger consideration of project need from local authorities
Weaknesses	<ul style="list-style-type: none"> • Authorities with low expertise and financial resources likely to experience worsening transport conditions • Sub-regional connections lack planning link (similar with links from national to local transport infrastructure) • Felt regional differences in approving money from different funds (north and very rural areas with disadvantages compared to south and more urban areas)

⁷ www.parliament.uk/briefing-papers/sn05735.pdf

3. FUNDING FOR INFRASTRUCTURE

Local Sustainable Transport Fund

Program	Local Sustainable Transport Fund
Administering Entity	Department for Transport
Objectives	Supporting economic growth by improving the links that move goods and people and meeting its commitment to reducing GHG emissions
Scope	Finances local infrastructure projects (and not inter-urban journeys)
Eligible modes	There is no limit on the types of measures that might make up a package proposal; except that the Fund will not support major rail, passenger transport or road infrastructure enhancements, which would be more appropriately funded from other sources. Proposals could though include measures that complement and add value to a major rail, passenger transport or road scheme that is in the process of being delivered or for which funding approval has been confirmed.
Eligibility	Any English local transport authority outside London
Authorization	Multiple-year
Award types	Grant
Recipients	Local authorities

Evaluation Process

The department for transport will contact the successful local authorities regarding the evaluation, which will require local authorities to provide baseline and monitoring data relating to the specific transport challenges in their area, e.g. current measures of congestion problems, levels of air quality, volume and proportion of journeys by different modes and road accident data.

A cost-benefit analysis only needs to be provided by projects which receive more than 5 million pounds. Projects exceeding this sum will have to submit a business case as part of their application which outlines expected costs and benefits from the desired scheme.

Key Aspects in the Evaluation Process ⁸

- The national government may decline to fund a project if the quality of the alternatives analysis is poor or an alternative that appears preferable was excluded.
- Cost-benefit analysis results are rated, and this rating may then be adjusted based on the presence of significant quantitative or qualitative costs and benefits.
- Cost estimates must incorporate risks as well as inflation factors to account for the chronic underestimation of project costs.

⁸ EMBARQ (2012) *Evaluate, Enable, Engage – Principles to support effective decision making in mass transit investment programs*. [Online] Available at: http://www.embarq.org/sites/default/files/EMB_Evaluate_Enable_Engage.pdf. [Accessed 15 October 2012].

- Project sponsors must consider how a project’s benefits and externalities would be borne by low-income or “vulnerable” populations.
- Projects are derived from and must support the objectives of local transport plans.
- Project’s consistency with land use policies and plans at the local, regional, and national levels is assessed, in particular whether the project would further or hinder plans and policies.

Cost-Benefit Analysis⁹

Discount rate (%)	3.5 (3.0 from year 31)
Typical analysis period (years)	Up to 60
Residual value included (Yes/No)	If project live is less than 60 years
Initial year in analysis	Initiation of investment planning
Threshold for viability	BCR rated; typical minimum threshold is 1.5
Non-monetized costs and benefits (please briefly describe parameters evaluated)	
Economic	Indirect economic benefits
Environmental	<ul style="list-style-type: none"> • Air quality impacts • Landscape impacts • Townscape impacts • Historic resource impacts • Biodiversity impacts • Water environment impacts • Physical fitness impacts
Service Quality	<ul style="list-style-type: none"> • Travel time reliability • Accessibility - travel times to key destinations • Frequency, physical access at stops • Journey and station quality • Security impacts
Strategic	<ul style="list-style-type: none"> • Integration with other government • Policies
Distributional	<ul style="list-style-type: none"> • Employment changes in areas with low economic activity or employment ("regeneration areas") • Social and distributional impacts of user benefits and certain externalities across vulnerable groups
Other (Health, road safety, etc.)	<ul style="list-style-type: none"> • Severance caused by roads, particularly for pedestrians • Option value • Affordability

⁹ EMBARQ (2012) *Evaluate, Enable, Engage*.

Funding Shares

Maximum national funding share	No maximum national funding share, although local authorities are strongly advised to contribute with own financial resources
Minimum private participation required	No
Minimum local governments participation required	No

Evaluation and Participation

Are technical evaluators and funding decision makers separated?	Yes
Who is in charge of technical evaluation?	Technical committees within the Department for Transport
Are other public agencies involved in the evaluation and decision-making process?	While transport ministers are involved in funding decisions for all projects, the national treasury also reviews decisions for costlier projects.
How local governments are involved in the decision-making-process?	Projects derive from local transport plans.
Is community involved in the decision-making process?	Local governments are required by law to involve the public in decision making, and public transport users are among the specific groups that must be consulted in developing transport plans. Guidance encourages local governments to involve the public throughout the planning process and to use multiple outreach approaches. Sponsors are also expected to conduct project-specific outreach during the alternatives analysis process.

Strengths	<ul style="list-style-type: none"> • Fund with a purpose for sustainable transport, yet flexible measures for the local authorities to meet their needs • Widespread papers and information released by DfT to support local authorities in their decision-making for bids → clear direction
Weaknesses	<ul style="list-style-type: none"> • Sums granted usually not enough to cover larger schemes for sustainable transport • Difficult planning process for authorities regarding the implementation of measures, as successful bids were announced in the same year of starting the proposed actions

Major Schemes Programme

Program	Major Schemes Programme
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Administering Entity	Department for Transport
Objectives	Support large transport schemes (approximately £5 million) which, because of their size, might otherwise be unaffordable. Encompasses transport in general, not only urban transport
Scope	Finances local/regional infrastructure projects
Eligible modes	There is no limit on the types of measures that might make up a package proposal; except that the fund will not support major rail, passenger transport or road infrastructure enhancements, which would be more appropriately funded from other sources. Proposals could include measures that complement and add value to a major rail, passenger transport or road scheme, that is in the process of being delivered or for which funding approval has been confirmed.
Eligibility	Any English local transport authority outside London
Authorization	Multiple-year 2011-2015
Award types	Grant (£210M in total between 2011 and 2015) ¹⁰
Recipients	Any English local transport authority outside London ¹¹

For Integrated Transport Blocks, the process is identical but for smaller projects (<£5M).

4. FUNDING FOR OPERATION

Program	Bus Service Operator Grants
Administering Entity	Department for Transport
Objectives	The grant refunds some of the Fuel Duty incurred by operators of registered local bus services in the United Kingdom
Scope	N/A
Eligible modes	Only bus services
Eligibility	Operators of local public bus services; with stops not more than 15 miles apart. The grant is also available to operators of vehicles with Small Bus Permits when providing services for specific groups of passengers.
Authorization	Yearly refund of parts of the fuel duty
Award types	Refunds
Recipients	Bus service operators

Evaluation Process

Due to the nature of the fund as being a refunding system, no formal evaluation process is in place.

¹⁰ www.parliament.uk/briefing-papers/sn05735.pdf

¹¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/43561/guidance.pdf

Program	Local Sustainable Transport Fund
Administering Entity	Department for Transport
Objectives	Support projects which stimulate economic growth whilst reducing carbon emissions
Scope	Finances local projects (and not inter-urban journeys)
Eligible modes	There is no limit on the types of measures that might make up a package proposal; except that the Fund will not support major rail, passenger transport or road infrastructure enhancements, which would be more appropriately funded from other sources. Proposals could though include measures that complement and add value to a major rail, passenger transport or road scheme that is in the process of being delivered or for which funding approval has been confirmed.
Eligibility	Any English local transport authority outside London
Authorization	Multiple-year 2011-2015
Award types	Grant (£350M between 2011 and 2015) ¹²
Recipients	Any English local transport authority outside London

Evaluation Process

Evaluation process and key aspects are the same as mentioned in part 3 referring to the Local Sustainable Transport Fund

¹² www.parliament.uk/briefing-papers/sn05735.pdf