Transport Innovation Fund (TIF), 2005-2010

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This note outlines what the Transport Innovation Fund (TIF) was, from its inception in 2005 to its demise in 2010.

TIF was a Labour initiative designed in large part to encourage local authorities to implement road charging schemes in their areas. Despite the lure of almost £9.5 billion in funding between 2008/09 and 2014/15, no significant awards were ever made and in 2010, before the election, Labour indicated that TIF would be wound up into a wider urban transport funding scheme. The Conservatives had long opposed both road charging schemes in general and TIF in particular and indicated that they would also wind up the scheme.

Information on road charging schemes such as the London congestion charge and toll roads can be found on the Roads Topical Page of the Parliament website.

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As far back as the beginning of 2009 the Conservative Party had indicated that it would scrap TIF if it were elected. In a February 2009 speech the Shadow Transport Secretary, Theresa Villiers, announced that a future Conservative Government would convert TIF into a Transport Carbon Reduction Fund to support walking, cycling and public transport projects:

> Villiers said the Government had been wrong to link TIF awards to congestion charging. A Conservative Government would honour any TIF commitments it inherited but she said the remainder of the £200m per annum fund would then go into a Transport Carbon Reduction Fund. Local authorities and voluntary organisations would be able to bid to the fund for cash to enhance walking, cycling and public transport. The amount of paperwork needed for bids would be kept to a minimum, she said.[1]

In July 2009 Ms Villiers indicated that one scheme that could be funded using former TIF money could be a subsidised 'dial-a-taxi' scheme for those living in rural areas without access to a local bus service.[2]

Although the Conservative-Liberal Democrat Coalition Government that took power in May 2010 made no explicit mention of TIF or a future 'Transport Carbon Reduction Fund' in their Coalition Agreement, it does indicate the Coalition's intention to "support sustainable travel initiatives, including the promotion of cycling and walking".[3] The Conservative Manifesto for the 2010 election contained almost identical wording.[4] There was no mention of the issue in the Liberal Democrat Manifesto.[5] There has been no statement yet from the Coalition Government on their future plans for TIF funds; bearing in mind the government's priority to make savings and cut the deficit, it may be that money will not be available for any 'son of TIF' in the immediate future.

In March 2010 the Labour Government published a discussion document on the future of funding for urban transport. The central proposal in the paper was the winding-up of TIF along with a number of other initiatives into an 'urban challenge fund' to support sustainable local transport and to tackle congestion. The paper stated that the key weaknesses of TIF were "too narrow a focus on the issue of congestion, the failure to win public acceptance for the more challenging proposals and inability to transform governance at the same time as delivering radical change".[6] Nothing further happened before the General Election; there was no mention of this area in Labour's manifesto for the election.[7]

2 Operation of TIF, 2005-2010

2.1 Generally

TIF was announced in the July 2004 transport White Paper as a way of incentivising local and regional transport bodies to "develop and deploy coherent, innovative, local and regional transport strategies" which would include road pricing, modal shift, and better bus services.[8]

1 "Villiers sets sights on revamping transport funding rules and NATA", *Local Transport Today*, 13 February 2009 [LTT 513]
2 Conservative Party press notice, "Villiers announces 'dial-a-taxi' plans for rural areas", 7 July 2009
3 HMG, *The Coalition: Our Programme for Government*, May 2010
4 Conservative Party, *Invitation to join the Government of Britain: the Conservative manifesto 2010*, April 2010, p24
5 Liberal Democrats, *Liberal Democrat Manifesto 2010*, April 2010
6 DfT, *Supporting cities: a discussion paper on plans for an urban challenge fund*, 3 March 2010, para 4
7 Labour Party, *A Future fair for All: the Labour Party Manifesto 2010*, April 2010
8 DfT, *The Future of Transport: a network for 2030*, Cm 6234, July 2004, p18

No further information was released until July 2005 when the then Secretary of State for Transport, Alistair Darling, announced details of the fund:

> Today, I am publishing further information on how we expect to deploy the transport innovation fund, which will come on stream from 2008–09 and is set to increase over time, reaching some £2.5 billion by 2014–15. We are also today asking local authorities to bid for development funding, which will be made available over the next three years to support planning for local demand management schemes in which pricing is a major element. We have set aside £18 million between 2005–06 and 2007–08 to support preliminary scheme development by local transport authorities. These schemes could ultimately be funded from the transport innovation fund. Within the fund, therefore, we are prepared to ensure that up to £200 million a year is ultimately available to support such local pilots. If more good schemes emerge, more can be made available.[9]

Substantive TIF money became available from 2008/09. The resources available through the Fund were "subject to such pressures as may emerge in other areas of transport spending over time". Over the period covered by the Department for Transport's long-term funding guideline the Fund was forecast to grow from £290 million in 2008-09 to over £2 billion by 2014-15 and totalled almost £9.5 billion over the seven-year period.[10] As a precursor to TIF, the Department earmarked £18 million during the period 2005-08 to support initial schemes development by local authorities within the Congestion Strand ('pump priming').

During the debate following the Secretary of State's statement in July 2005, he was asked whether the money for the TIF was 'new money' or whether it had been "taken from elsewhere in the Department for Transport budget". The Secretary of State said:

> It is part of the additional money allocated to the Department for Transport in last year's spending review. The purpose of the fund is specifically to support innovative projects to tackle congestion and improve productivity. It is in addition to the normal course of funding that the Department embarks on, whether it be for local authorities, the Highways Agency, railways or whatever. The vast majority of the Department's budget is allocated in that way and the fund is supplementary.[11]

All schemes seeking funds from the TIF were subject to an assessment of value for money (VFM measures the benefits per £1 spent). The Department stated that the factors assessed would include:

- practicality/deliverability;
- public acceptability;
- distributional and equity impacts;
- affordability and financial sustainability;
- contribution to central government, local and regional objectives; and
- the amelioration of identified problems.[12]

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9 HC Deb 5 July 2005, cc171-172
10 DfT, *The Transport Innovation Fund*, 5 July 2005
11 HC Deb 5 July 2005, c177
12 op cit., *The Transport Innovation Fund*

Where funds were sought from TIF, departmental guidance stated that the sum sought should "represent the minimum additional funding required to deliver an eligible scheme". Further, the Fund should not be used to "offset pressures on existing budgets but to deliver radical schemes which require some additional funding to be deliverable. Further, schemes should be able to show that, without Transport Innovation Fund resources, they could not and would not be deliverable using either conventional or other funding sources".[13]

Three kinds of scheme were eligible to receive TIF resources: those combining "effective demand management with better public transport" (e.g. travel planning, car sharing, road charging); those identifying and utilising new sources of funding to deliver priority transport schemes (again, e.g. raising money through road charges); and schemes that would contribute to 'national productivity' (e.g. by cutting congestion). There were also other, general, expectations, that projects would, for example, make use of other funding mechanisms, represent good value for money, and be deliverable.

2.2 Congestion TIF

In July 2004 the Labour Government published a feasibility study on a future national road pricing scheme. The study identified targeted local congestion charging schemes as an important step on the road to future decisions about national road pricing.[14] In mid-2005 the government announced that a limited number of local authorities would be offered some financial assistance with scheme development, in advance of decisions on substantive TIF funding, this was referred to as 'pump priming'. The process for allocating pump priming money was separate from the process of allocating substantive TIF funding. The government said at the time that it was "not, at this stage, seeking a firm commitment from local authorities to implement particular schemes".[15] In considering who would receive pump priming funds, the Department issued criteria setting out what proposals should demonstrate. This included things like the potential to tackle congestion, increase public transport patronage and eventually become self-financing.[16] More detailed guidance on how the allocation of TIF funds would be made was published in January 2006, this included comment on the kinds of 'demand management' that the government was looking for.[17]

Local authorities were asked to submit a formal bid for TIF funds to the Government Office for their region by 7 October 2005 and an outline of how their proposal met the criteria. In November 2005 the then Secretary of State, Alistair Darling, announced the names of the first seven successful bidders for pump priming funding, selected from 33 submitted bids. These were: Bristol City Council, Bath and North East Somerset Council, North Somerset Council, South Gloucestershire Council; Cambridgeshire; Durham County Council (for Durham City); Greater Manchester; Shropshire County Council (for Shrewsbury); Tyne and Wear; and the West Midlands conurbation. Local authorities in all these areas would carry out feasibility studies on how local demand management and better public transport could together improve travelling conditions for local people.[18]

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[13] ibid., other available resources could include 'national' transport budgets; other central government spending; local government revenues; local spending; and sources of private finance

[14] DfT, *Feasibility Study of Road Pricing in the UK*, July 2004, p41

[15] DfT, *TIF Pump priming Round 1: Criteria*, 5 July 2005

[16] ibid.

[17] DfT, *Transport Innovation Fund: Guidance*, 26 January 2006, paras 2.5-2.7

[18] HC Deb 28 November 2005, cc3-4WS

In May 2006 the government published further guidance on TIF, setting out the criteria the Department intended to use to assess bids for the second round of pump priming.[19] The deadline for receipt of bids from local authorities for the second round pump priming was 31 July 2006. The successful bids, sharing £7.5 million, were announced by the then Secretary of State, Douglas Alexander, on 6 November 2006. All the local authorities receiving funding in the first round were awarded further funding, except for Bristol. In addition, three local authorities not included in the first round were awarded funding: Reading; Norfolk (for Norwich); and Nottingham, Derby and Leicester and the surrounding counties.[20]

In December 2007 the Department published a further paper setting out additional funds that remained available for 2007/08.[21] The Department requested submissions by 31 December. On 15 January 2008 the then Transport Minister, Rosie Winterton, said that the Department had allotted £1 million to Cambridgeshire; up to £1.5 million to Greater Manchester; and up to £675,000 to the West of England Partnership (covering Bristol City council, Bath and North East Somerset council, North Somerset council and South Gloucestershire councils).[22]

In the same statement in January 2008 the Minister confirmed that a third round of bids for pump priming would take place for 2008-09. Alongside the announcement, the government published further guidance to bidders.[23] In April 2008 the Minister announced that £500,000 of pump priming money would be made available to the West of England Partnership,[24] and in July 2008 the Secretary of State announced that further pump priming funds would be made available to Cambridgeshire, Reading and Leeds.[25]

The government published guidance for those authorities aspiring to secure full Congestion TIF Partnership status in November 2006.[26] The TIF Partnership was an optional stage of the overall TIF process, designed to enable closer working between the Department for Transport and local authorities to develop demand management proposals with a view to applying for Congestion TIF. It was not a precondition for the Programme Entry phase and no legal partnership, or any other legal relationship, was intended to be created. Partnership status offered no guarantee of success in securing funds from the substantive TIF. In February 2007 the government published guidance for those authorities considering submitting a bid for a substantive Congestion TIF scheme, outlining the key requirements for prospective TIF bidders.[27]

In June 2008 the Secretary of State announced that Greater Manchester's TIF bid had been granted 'programme entry' (meaning that the government supported it and would work with the applicant authorities to deliver the proposals) and would receive almost £2.8 billion to support improvements in public transport and a congestion charging scheme for central Manchester. The £2.8 billion package consisted of £1.5 billion from the Department for Transport, £1.2 billion from local contributions, and a £100 million local third party

[19] HC Deb 23 May 2006, cc84-85WS; and: DfT, *Transport Innovation Fund Pump Priming Criteria - Round 2*, May 2006
[20] HC Deb 6 November 2006, cc30-32WS
[21] DfT, *Additional TIF pump priming and development costs: 2007-08*, 7 December 2007
[22] HC Deb 15 January 2008, c28WS
[23] DfT, *Supporting the development of TIF packages*, January 2008
[24] HC Deb 2 April 2008, c63WS
[25] HC Deb 16 July 2008, c33WS
[26] DfT, *Guidance for Local Authorities on congestion TIF partnership*, November 2006
[27] DfT, *Executive Summary - TIF Business Case Guidance,* 8 February 2007

contribution. This was over and above existing funding for Greater Manchester.[28] However, following a local referendum in December 2008 a local road charging scheme was comprehensively rejected by the voters of Greater Manchester and the authorities withdrew their TIF bid. Durham followed suit and Cambridgeshire has also rowed back from its previous proposals.

2.3 Productivity TIF

In addition to inviting bids for Congestion TIF pump-priming from local authorities, the government invited Regional Development Agencies (RDAs) to submit details in March 2006 of those schemes in their region that could be eligible for the Productivity Strand of TIF. The government asked the RDAs to initially identify those schemes that could be completed in the 2008/09 to 2009/10 period, focusing on:

- measures to improve the capacity and resilience of the strategic national freight distribution networks, hence supporting international trade and competitiveness; and
- measures to make the most of capacity at key pressure points on the strategic networks, thus improving mobility for business and freight users.

Following the submission of advice from the RDAs, the then Secretary of State made an announcement on schemes to be taken forward in June 2006. These included Crossrail and a number of 'strategic freight schemes' and 'strategic network schemes':

Strategic freight schemes

- Teesport/East Coast Main Line rail gauge enhancement (North East)
- Reinstatement of Olive Mount rail chord, Liverpool (North West)
- Humber ports/Immingham - East Coast Main Line rail capacity enhancement (Yorks & Humber)
- Nuneaton - Peterborough rail gauge enhancement (East Midlands)
- Gospel Oak - Barking rail gauge enhancement (London)
- Southampton - West Coast Main Line rail gauge enhancement (South East)

Strategic network schemes

- A14 corridor traffic management (East of England)
- Birmingham motorway box - active traffic management (West Midlands)
- M62 Leeds Bradford traffic management (Yorks & Humber)
- Improving resilience and flexibility between A1, M1 and M11 (London/East of England)
- A14 widening: Ellington - Fen Ditton (East of England).[29]

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[28] DfT press notice, "Kelly signals £2.8 billion boost for transport across Greater Manchester", 9 June 2008; full details in the letter from the Secretary of State to the Manchester Councils

[29] HC Deb 27 June 2006, cc6-8WS

Business cases for these schemes were then submitted to Department by the Highways Agency (for road schemes) and Network Rail (for rail schemes) in summer 2006. In December 2006 the Secretary of State announced a shortlist of schemes that would be taken forward for further consideration:

> My Department will now be working with Network Rail to take forward work on the detailed case for TIF funding for the following rail freight schemes: the re-instatement of Olive Mount Chord at Liverpool (including Chat Moss), the Humber ports/Immingham rail capacity enhancement, gauge and capacity enhancements from Peterborough to Nuneaton, and gauge enhancements from Southampton to the West Coast Mainline near Birmingham. My Honourable Friend the Parliamentary Under Secretary for Transport, the member for Glasgow South has similarly agreed that work should be taken forward on the Gospel Oak to Barking line scheme, in which I have an interest. Particularly if some or all of these schemes were taken forward together, they would greatly enhance the capacity of the railway to move modern, larger containers that would otherwise have to move by road.
>
> We will work with the Highways Agency to develop the case for TIF funding for the traffic management schemes on the Birmingham Motorway Box and the M62 (Leeds Bradford). We will also be asking the Highways Agency to do further work on the A14 traffic management scheme.
>
> Consideration of TIF funding for some of these schemes will be dependent on confirmation of funding contributions from regional bodies and private sector beneficiaries. We will be making final decisions on the allocation of funding as these schemes develop and in the light of my Department's detailed investment appraisal and business case scrutiny process.[30]

In April 2009 the then Transport Minister, Paul Clark, gave an outline of the funding for these schemes to 2011.[31]

2.4 Criticisms

As mentioned above, the Conservatives had long been sceptical of TIF. For example, during debates on what became the *Local Transport Act 2008*, the Conservative Transport Spokesman at the time, Stephen Hammond, indicated that he did not approve of the link between Congestion TIF funds and road charging schemes.[32] In a speech in the House in March 2007 Mr Hammond referred to the lack of local accountability to TIF funding.[33]

The Transport Committee published a number of reports which included recommendations on the operation of TIF. For example, in an August 2007 report on TIF generally, it welcomed the extra money being made available to local authorities but was critical of the fact that there was such a strong link to road charging schemes:

> We welcome the introduction of the Transport Innovation Fund to help local authorities explore solutions to the growing problem of congestion. But it can only be seen as one part of a much wider approach to tackling congestion. In particular it must be tied to improved local public transport, better co-ordination of neighbouring authorities, and increased strategic control over transport services (...)

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[30] HC Deb 18 December 2006, cc134-136WS
[31] HC Deb 30 April 2009, cc1445-46W
[32] PBC Deb 8 May 2008, c348
[33] HC Deb 12 March 2007, cc114-115

> ... access to Transport Innovation Fund money is entirely dependent on those authorities being prepared to introduce charging schemes. Since the fund now represents the only significant additional money that is available outside the regional allocation process, the pressure on local government to bring forward proposals for charging schemes is now very powerful. In the face of severe funding pressure we do not accept that Congestion TIF guidance should, in effect, restrict the availability of funds for much needed improvements in transport infrastructure to only those authorities that will consider local road pricing schemes. This risks blackmailing local authorities to conduct road pricing trials on behalf of Government in advance of a possible national scheme.[34]

In July 2009, the Committee published a report on taxes and charges which concluded that the whole approach to TIF needed to be revisited:

> It seems unlikely that more than a handful of local authorities will pursue congestion charge proposals in the near future. The Government therefore needs to reconsider its approach to the Transport Innovation Fund. Monies that were earmarked by HM Treasury for transport should not be lost to transport for want of a charging element in otherwise sound proposals.[35]

Other organisations similarly sought a revision of TIF. For example, in April 2009 the Centre for Cities think tank published a report urging the government to:

> ... abandon its local road pricing push for now, if no cities opt for congestion charging this year. Instead, the £1bn remaining funding should be safeguarded for other, more badly needed public transport projects - like new commuter rail links, better city buses and tram extensions (...)
>
> By the end of 2009, transport ministers should liberate the £1bn funding earmarked for congestion charging and seek cross party consensus to safeguard the money for city transport improvements. After the general election, the next Government should create a £4bn Urban Transport Investment Fund, using the congestion charging pot as a starting point.
>
> Dermot Finch, Director of the Centre for Cities, said:
>
> "Cities like Manchester and Edinburgh have found congestion charging a tough sell. Other cities considering a charge - like Cambridge, Reading and Bristol - are undecided. If there are no takers by the end of the year, the Government should call it a day on its current road user charging push.
>
> "A tough post-recession fiscal climate means central government transport grants are likely to dwindle post 2011. The next Government should use the congestion charging pot to start up a new fund for transport projects, together with councils and the private sector. This fund would keep UK cities' moving and help shift the national economy towards recovery".[36]

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[34] Transport Committee, *The draft Local Transport Bill and the Transport Innovation Fund* (ninth report of session 2006-07), HC 693, 3 August 2007, paras 162 & 168

[35] Transport Committee, *Taxes and charges on road users* (sixth report of session 2008-09), HC 103, 24 July 2009, para 121

[36] Centre for Cities press notice, "It's 'use it or lose it' for congestion charging cash in UK cities", 17 April 2009; the executive summary, *Keeping the wheels from falling off*, is available on the organisation's website