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# Transport Innovation Fund

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## Introduction

1. In the July 2004 White Paper, '*The Future of Transport*' <sup>1</sup>, the Secretary of State announced the creation of the Transport Innovation Fund (TIF). The Fund will support:

- the costs of smarter, innovative local transport packages that combine demand management measures, such as road pricing, with measures to encourage modal shift, and better bus services;
- local mechanisms which raise new funding for transport schemes; and
- regional, inter-regional and local schemes that are beneficial to national productivity.

2. Initial information on TIF was set out in the paper "Transport Innovation Fund" <sup>2</sup> in July 2005. This document provides further guidance on the operation of the Fund and explains how the Government will (a) seek proposals for packages and schemes aimed at tackling congestion through demand management and better public transport ("congestion schemes") and (b) identify schemes which meet productivity objectives ("productivity schemes"). For both categories (a) and (b) we will give priority to those proposals which are most effective in securing a financial contribution from significant beneficiaries

3. **Chapter 1** sets out the background to the fund, and provides high level information on how it will operate. **Chapter 2** offers guidance for bidders proposing congestion schemes. **Chapter 3** explains the selection process for productivity schemes. **Chapter 4** sets out the forward timetable and describes a flexible process between initial bid submission and full approval.

4. We anticipate that TIF will operate as a rolling process, and will not be aiming to fully allocate the funding for early years in 2006. There will be further opportunities after 2006 for schemes to be considered, and we will provide further guidance on how this will work in 2006.

5. This document is accompanied by **five Annexes** setting out powers and process issues, more detail about how we will assess scheme bids and giving guidance on good practice for scheme evaluation.

<sup>1</sup> Available from the Department for Transport web site at <http://www.dft.gov.uk/pgr/strategy/whitepapers/fot/>

<sup>2</sup> Available from the Department for Transport web site at <http://www.dft.gov.uk/pgr/strategy/tif/>

## Chapter 1: Background to the Transport Innovation Fund

1. The Transport Innovation Fund represents a new approach by the Department for Transport ("DfT" or "the Department") to the allocation of some of its budget. Through the TIF, we will be able to direct resources towards the achievement of two very high priority key objectives - specifically tackling congestion and improving productivity. The principle underlying the TIF is that resources should be allocated on the basis of an assessment of how these objectives can be most effectively and sustainably met.

1.1 The TIF will operate as a single pot. There will, however, be significant differences in the way in which we deal with and assess proposals which are principally "congestion schemes" - for which bids are invited from local authorities - and those which are principally "productivity schemes" - for which the Department will identify potential schemes after seeking the views of the Regional Development Agencies (RDAs) during the early part of 2006. Proposals will need to be assigned to one or other of these categories (or "points of entry") on the basis of evidence that it will make a significant contribution to the achievement of the relevant key objective. More detail about the kinds of schemes we are looking for in each category is in Chapters 2 and 3.

1.2 There may be instances where prospective TIF schemes offer both congestion and productivity benefits. In these circumstances it will be necessary to decide which single entry point is more appropriate for the scheme. We would be happy to provide further information to those who are unsure as to which entry point fits their scheme.

### How much money is available?

1.3 Money from the TIF will become available from 2008/09. The Fund is forecast to grow from Â£290 million in 2008/09 to over Â£2 billion by 2014/15 as follows:

| 08/09  | 09/10  | 10/11  | 11/12   | 12/13   | 13/14   | 14/15   |
|--------|--------|--------|---------|---------|---------|---------|
| Â£290m | Â£600m | Â£930m | Â£1300m | Â£1680m | Â£2100m | Â£2550m |

1.4 At this stage, we have not taken a view on how much of this pot will be made available to meet either congestion or productivity objectives. The allocation of funding between these objectives will depend on the quality of the schemes considered through each entry point. However, we have announced that ultimately up to £200m<sup>3</sup> per annum will be made available to support TIF schemes involving demand management each year between 2008/09 and 2014/15, if suitable packages are developed by local authorities. If high quality schemes to a higher value emerge then further funding may be made available. However, the resources available through the Fund will be subject to such pressures as may emerge in other areas of transport spending over time.

1.5 Eligibility for both congestion and productivity schemes is limited to schemes in England. The funding is part of the long term funding guideline for the Department and will be reflected in the funding allocations for Scotland and Wales through the Barnett Formula. However, we envisage that any authorities in Scotland or Wales that have shown an interest in road pricing will have an opportunity to participate in collaborative working, alongside English authorities.

<sup>3</sup> available at:

[http://www.dft.gov.uk/stellent/groups/dft\\_about/documents/page/dft\\_about\\_038816-01.hcsp#P23\\_1139](http://www.dft.gov.uk/stellent/groups/dft_about/documents/page/dft_about_038816-01.hcsp#P23_1139)

## **Chapter 2: Bidding guidance for "Congestion TIF schemes"**

2. Through this entry point, we are seeking bids which contribute to the achievement of the demand management objectives set out in the Future of Transport White Paper, and to the Government's objectives on road pricing. We are seeking bids for effective demand management proposals as part of wider packages of interventions to tackle congestion at a local level.

2.1 We recognise that it is difficult to compare the challenge/circumstances of say a major conurbation, a small market town or historic city, national park or group of urban centres. DfT wants to support development of appropriate packages in different circumstances, but also needs to take account of the potential to make a difference at the national level.

2.2 We therefore propose to assess proposals in 3 broad categories:

- Individual smaller towns and smaller cities, and other generators of traffic such as airports or national parks;
- Groups of towns or cities together in an area or region, where the innovation is a scheme covering more than one centre;
- Major conurbations.

2.3 We have not yet taken a view on how many schemes we will fund in each category, though we expect the bulk of funding to be used to support the development of large scale schemes in large places.

### **Charging for road use**

2.4 The Transport Act 2000 provides local authorities in England with powers to introduce - subject to the approval of the Secretary of State - road pricing schemes covering a local area, either alone, in partnership with one or more neighbouring authorities, or with the Highways Agency<sup>4</sup>. Similar powers are in place for London. We are therefore particularly seeking bids from authorities which have the power to charge

for use on their local networks. These bids could either be made alone, or in partnership with other local stakeholders (e.g. other transport operators such as airports, the Highways Agency, regional bodies such as RDAs, Regional Assemblies, PTEs or National Parks).

## Road pricing proposals

2.5 There are many forms of demand management - ranging from relatively simple parking measures, to high technology road pricing. Although all of these have the potential to improve the efficiency of road networks to some extent, schemes supported by TIF will need to demonstrate a step change from the approaches currently used by bidding local authorities. We are therefore most likely to fund packages involving road pricing, although we may, by exception, consider bids involving a Workplace Parking Levy <sup>5</sup> .

2.6 We are interested in schemes that have the potential to develop more sophisticated road pricing systems, including those not yet tested in this country. However, we know that such systems may take some time to reach operation so we are also interested in those that can be implemented in a shorter time period (within the next 5 years). We will want to explore with bidders how such schemes might take account of more sophisticated technology as it becomes available. We will work with all scheme promoters to ensure appropriate commonality and consistency among solutions. This will include some common components and common rules, for example.

2.7 We expect the early focus of activity by TIF bidders to be on evaluating the impacts of scheme types and whether they should be cordon, area or distance-based. In parallel, we will work with local authorities to start the process of defining any required common components and rules and may use TIF funding to do so.

### Road Pricing Local Liaison Group

Although the development of detailed scheme parameters will be a matter for individual local authorities, Ministers are very keen to ensure those schemes are developed within a coherent national framework, offering interoperability to users wherever practicable.

We will therefore be working both bilaterally and, through the Road Pricing Local Liaison Group <sup>6</sup> , collectively, with local authorities, to develop consistent standards on matters where it makes sense to have a coherent approach across all schemes. This may result in definition of national components and national rules that should be used by all schemes. Ministers will invite authorities which appear to them to be in the forefront of thinking on local road pricing to join the Road Pricing Local Liaison Group. A successful bid at any phase of the TIF process is no guarantee of being invited to the group. Nor does being a member of the group offer any guarantee of success in a bid for scheme funding.

The Group will reflect national Government responsibilities and the need to share knowledge between national and local Government. It will be kept informed of progress on the Government's road pricing strategy and will be used as a sounding board to identify, discuss and where possible resolve issues that arise.

## **Complementary public transport improvements and other scheme elements**

2.8 Authorities should combine demand management measures with other measures to encourage modal shift, such as improved public transport. Bidders will be expected to demonstrate how these will complement the demand management elements of the bid in tackling local congestion problems.

2.9 Examples of such complementary measures might include:

- sophisticated real time information and traffic management systems;
- re-evaluation of the design of road space to improve traffic flow;
- the development of Smarter Choices initiatives such as school and workplace travel planning;
- measures to improve the experience of cycling and walking;
- improved transport interchanges; and
- measures to improve public transport provision (including bus, light rail and heavy rail).

2.10 The market for future public transport services might be expected to be enhanced by the introduction of demand management. Introduction of demand management should reduce revenue risk for scheme promoters, by increasing the overall cost of at least some car-based alternative trips.

## **Assessment of strategic fit**

2.11 All proposals and full business cases for congestion TIF will be assessed for strategic fit against the following criteria:

- their potential to be effective in tackling a current or emerging congestion problem, so that transport can promote wider economic growth, social inclusion and environmental objectives, in a sustainable way;
- the extent to which the scheme fits with the Government's strategic aims and objectives for road pricing, through improved understanding of scheme design, technology, implementation and operation;
- the extent to which they combine effective demand management with better public transport, especially bus service improvements, in mutually supportive packages;
- the potential of ideas/approaches to be transferred elsewhere;
- the potential for public transport patronage growth;
- the extent of coverage of the scheme proposed. We expect to give greater weight to schemes where the impact of the scheme could bring benefits across a wide geographical area;
- the long term financial impacts of the scheme.

## **Deliverability and Value for Money**

2.12 All schemes seeking funds from the Transport Innovation Fund will be subject to an assessment of value for money. A more detailed explanation is given in Annex 2 and Chapter 4 outlines the role value for money plays in the assessment process, what information we expect from local authorities and when. Schemes which impose unacceptable environmental, social or other costs will not be funded.

2.13 We will be assessing the quality of authorities' project management and delivery arrangements at various stages of implementation. These are key factors in delivering successful projects. In line with the Major Schemes guidance <sup>7</sup> process, bidders should demonstrate how they will apply project management principles, what their governance and staffing needs are, their process for risk assessment, their project plan, their milestones and their stakeholder analysis.

<sup>4</sup> Further information on the legislative framework is at Annex 1. This framework might change as policy and understanding develop.

<sup>5</sup> See paragraph 4.13

<sup>6</sup> Information made available to those local authorities which are members of this group will be made public unless there are compelling reasons for it not to be disclosed. Participation in the development of the materials will in no way guarantee that local authorities will ultimately be successful in receiving local TIF funding.

<sup>7</sup> Available at the DfT's website at [http://www.dft.gov.uk/stellent/groups/dft\\_localtrans/documents/pdf/dft\\_localtrans\\_pdf\\_037039.pdf](http://www.dft.gov.uk/stellent/groups/dft_localtrans/documents/pdf/dft_localtrans_pdf_037039.pdf)

## **Chapter 3: Guidance on the allocation of funding to "Productivity schemes"**

3 The second entry point for TIF funding is for national, inter-regional, regional, inter-urban and - exceptionally - local packages and schemes that would generate substantial and sustainable benefits for national (and potentially international) productivity. This section of the guidance sets out the process for the allocation of funds for this entry point.

3.1 Because of the emphasis on national productivity, where DfT is best placed to judge priorities, it will avoid wasted effort if the Department gives a preliminary indication of what it has in mind. Therefore, the Department will not be holding a formal bidding process for productivity schemes. Instead it intends itself to identify potential candidates, after taking account of the RDAs' views on priorities. The selection process is set out in more detail in Chapter 4.

### **Contribution of transport to national productivity and international competitiveness**

3.2 Transport has a key role in making the economy more productive. Better transport can lead to improved access to markets and customers, higher mobility and flexibility of the labour market, more reliable supply of goods and services and is an important element in international competitiveness.

3.3 Ministers have asked Sir Rod Eddington to advise on the long-term impact of transport decisions on the UK's productivity, stability and growth after 2015. He is expected to give advice to Ministers in mid-2006. It is possible that the allocation process for productivity schemes in future TIF rounds may need to be refined and developed in the light of his advice. But Ministers do not want to hold up worthwhile enhancements so we are proceeding with a first round now, in which proposals will be evaluated against the criteria set out in this document.

## **Productivity proposals**

3.4 The TIF will be available for packages and schemes, including regional, inter-regional, inter-urban, and - exceptionally - local schemes, which by their nature and/or scale are expected to make a major contribution to national (and potentially international) productivity but for which existing sources of funding are insufficient. These schemes will have benefits and a strategic significance which extend beyond the immediate geographical locality or region to make an impact at a national level. They could include infrastructure work as well as other measures.

3.5 As outlined in the Transport Innovation Fund Information Paper (July 05), our appraisal and decision making processes already take into account many productivity benefits. However we are now in a position to capture additional national productivity benefits, consider them in the context of national priorities and provide funds to deliver these schemes. Whilst no decision has been taken to include or exclude particular types of scheme at this stage, schemes which do not demonstrate a good strategic fit against the objectives set out later in this chapter are unlikely to be allocated funding.

3.6 Examples of schemes which have so far been identified as having the potential to deliver significant productivity gains at the national level include improved road or rail access to ports and airports of national significance which are important for international trade and promote competitiveness, and improved inter-urban connections which have strong mobility and business cost reduction benefits. However all schemes will be considered on their merits against the strategic objectives and the appraisal criteria set out later in this document.

3.7 Although schemes which demonstrate the use of innovative funding mechanisms will be viewed favourably, it should be noted that it is not the intention of TIF to replace contributions from developers or other existing funding streams which may be available. As highlighted in the TIF Information paper, successful productivity schemes will be expected to make full use of other sources of funding, and significant beneficiaries will be expected to contribute a proportion of the costs, in line with the gains that they receive.

3.8 Successful productivity schemes will implement a specific transport scheme or package which will secure the delivery of national productivity benefits. It should be noted that proposals for research and development will not be considered.

## **Funding**

3.9 It should be noted that we do not currently intend to seek any new grant making powers and therefore it is essential that existing statutory or other powers are available to enable the Department to transfer funds to any delivery agent expected to deliver a TIF productivity scheme. In addition, schemes for which TIF funding may constitute a state aid will not be eligible unless appropriate clearances can be secured from the European Commission or an exemption exists in relation to such aid.

## Assessment of strategic fit

3.10 In assessing potential productivity schemes against our strategic objectives, recognising the need for a sustainable balance between wider economic growth, social inclusion and environmental objectives, we will take account of the extent to which proposals could potentially, for the economy as a whole:

- (a) increase the mobility of people or goods in a way that reduces business costs;
- (b) support agglomeration of business activity;
- (c) support the mobility and flexibility of the labour market;
- (d) increase international competitiveness and trade through improving ease of movement of goods and services;
- (e) increase network resilience and choice for business users.

## Sources of advice and support for productivity schemes

3.11 The Department will respond to queries and provide assistance to bodies as part of the selection process, within the confines of available resources, ahead of the completion of full business plans. Bilateral support with scheme development and policy support will be co-ordinated by the Department's local and regional policy leads and may include technical support where necessary.

3.12 Guidance on the new approach to measuring the contribution of schemes to GDP is set out in Annex 2 and in more detail in "Transport Wider Economic Benefits and Impacts on GDP", which can be found on the Department's website

<http://www.dft.gov.uk/pgr/economics/rdg/webia/transportwidereconomicbenefi3137>

## Deliverability and Value for Money

3.13 All schemes seeking funds from TIF will also be subject to an assessment of value for money. A more detailed explanation is given in Annex 2 and Chapter 4 outlines the role value for money plays in the process. Schemes which impose unacceptable environmental, social or other costs will not be funded.

3.14 Project management and delivery arrangements will be assessed at various stages of implementation. These are key factors in delivering successful projects.

## Chapter 4: Process and timetable

4. The process for development and submission of congestion TIF bids is heavily modelled on the process developed by the Department for the approval of major local authority projects. Annex five outlines how the different processes compare. However, there are a number of key differences reflecting the fact that:

- for these major and usually innovative TIF projects, it may be helpful for the Department to give an early signal that they see a *prima facie* case for scheme development, in advance of the availability of a full business case. We are therefore offering a preliminary TIF Partnership relationship. This will

provide a trigger for the development of a joint DfT and Local Authority work plan setting out key work areas and decision points for the project.

- a key characteristic of congestion TIF schemes is that they will be packages of interventions rather than free-standing projects. The process set out below will therefore incorporate the need to for a bespoke approach to the approval timetable.

4.1 The process for selecting productivity schemes is rather different, as explained below, but for schemes being taken forward will also broadly follow the staged approval process used for major local authority projects.

## **Pathway to implementation - Congestion schemes**

4.2 The pathway to implementation that we would expect TIF congestion schemes to follow has four steps, plus a preliminary pump-priming stage. However, it is not necessary to go through a successful pump-priming bid in order to bid for scheme funding. Nor does a successful pump-priming bid offer any guarantee of success in a bid for scheme funding. **A checklist of the information which bidders will need to provide at each stage in the process is at Annex 4.**

## **Pre-TIF: Pump priming**

4.3 For congestion TIF DfT is making available Â£18m in total over three years to assist local authorities in development of local demand management schemes. This pump-priming funding is being provided in recognition of the fact that there is a general need to build capacity and knowledge around the development of demand management schemes. The first round of pump-priming funding which was allocated to seven local authority areas was announced on 28 November 2005.

4.4 There will be a further opportunity to bid for pump priming funding in July 2006 and we expect to give decisions by the end of October. We will consider at that point whether there is a need for further pump priming rounds.

## **Phase 1: TIF Partnership**

4.5 'TIF Partnership' <sup>8</sup> involves:

- a statement from DfT that a particular proposition is worthy of further development;
- the agreement of a protocol for the handling of the bid approval process, which can include commitments from both sides on issues such as the provision of information and responses within certain deadlines;
- the opportunity for DfT to engage in the preparation of bid material and a detailed business case, above and beyond what would normally be available.

4.6 Authorities will be free to submit applications for programme entry (see below) without going through the Partnership stage, but in this situation the benefits set out above will not be available.

4.7 TIF Partnership will be available both to authorities in receipt of pump priming funding and to others. TIF Partnership will be granted on the basis of an assessment of strategic fit against the scheme criteria set out in Chapter 2. An application for TIF Partnership will be different in kind from an application for pump

priming funding, as it will relate to a specific proposition for implementation, rather than a forward work programme analysing different options. All authorities seeking TIF Partnership including those in receipt of pump priming funding will need to apply through this process.

4.8 Application for TIF Partnership should take the form of submission of a scheme proposal. This should summarise the available information on the proposed package of measures to tackle congestion and how it meets the criteria in Chapter 2. While it will be an advantage for local authorities to be clear on details of the packages that they propose to implement, it will not be a prerequisite at this stage. Therefore the scheme proposal should normally, as a minimum, contain the following:

- Scheme description;
- Problems and objectives identified;
- Assessment of alternative options;
- Stakeholder engagement to date and future plans;
- An outline of the main risks;
- A description of the commercial aspects;
- An early indication of costs for the public transport element of the package - this can only be an estimate at this point and the authority will not be held to account should costs depart from this estimate in further phases;
- As far as possible the proposal should also include a vfm assessment of the preferred option.

4.9 Once an authority is selected as partner, the next step in the process will be the development of 'Partnership Document' <sup>9</sup> with DfT, setting out how the two will work together on the development of the congestion Scheme, and identifying key milestones for project decisions and submissions. If different elements of a congestion scheme will require decisions to be taken at different times, that will need to be spelled out in the Partnership Document. We envisage that this Partnership arrangement will be a living document, revised as schemes develop and decision points crystallise.

4.10 TIF Partnership does not imply a commitment from an authority to implement a given scheme, but to develop their proposed scheme in more detail. Neither does it commit the Department to TIF funding.

## **Phase 2: TIF programme entry**

4.11 Programme entry will only be granted on the basis of an acceptable full Scheme Business Case (for the package of demand management and transport investment). This should include the five key aspects of scheme bids as set out in Major Schemes guidance and Chapter 2 of this document:

- Strategic fit;
- Appraisal and value for money - the scheme's benefits, including non-monetised benefits, and costs;
- Delivery - how the scheme will be delivered to time and budget, and how successful implementation will be ensured;
- Financial - funding sources, financial risk and financial sustainability;
- Commercial - the strategy for procurement and management of commercial risks.

4.12 The elements to be included in a Business Case are set out in more detail at Annex 2. Programme Entry offers an indication that the Department would expect to fund the scheme subject to certain conditions, particularly but not exclusively in respect of:

- the authority obtaining any necessary powers or consents (such as statutory consents or orders);
- there being no significant changes to costs, scheme design or expected benefits;
- affordability, including long term impacts on local authority and HMG resource budgets (taking account of all possible sources of funding, not just TIF).

4.13 Development of road pricing schemes is likely to take some time for most authorities and, given the priority which the Department attaches to having at least one large scale road pricing scheme under development before the end of the decade, we want to ensure that there is sufficient funding in TIF to support such a project when it is ready to come forward. We will not, therefore, be approving for programme entry in 2006 any schemes which do not include a commitment to take forward a road pricing element. Authorities proposing schemes which do not involve road pricing will be free to bid for programme entry in 2007. As set out in our earlier guidance, however, we are likely to give priority and offer the bulk of the funding to schemes involving introduction of road pricing.

### **Phase 3: TIF Conditional approval**

4.14 This will occur after any necessary powers or consents have been obtained. This offers a commitment to funding, subject to a number of conditions. These will include that the cost estimates and risks remain unchanged and the scheme being ready to commence within a certain period. It is following conditional approval that any necessary tendering processes will be expected to be undertaken. We recognise that there may be multiple procurements for different elements of the package, in such cases the approach for full approval would be on a case by case basis, with conditions binding the complete packages together.

### **Phase 4: TIF full approval**

4.15 Once the Secretary of State for Transport is content that an authority has fulfilled the conditions imposed at phase 3, he will make a final decision to contribute funding to the scheme.

### **Timetable for Congestion TIF**

4.16 We are seeking some further information in relation to congestion TIF by 31 March 2006. For local authorities, this is the deadline for the submission of final Local Transport Plans for the period 2006-2011 and we expect a straightforward, but separate statement alongside their LTP setting out brief details of any TIF bid they are considering and specifically:

- the demand management and public transport improvement measures being considered;
- the likely timetable for development of their ideas;
- the outcomes envisaged.

4.17 Authorities should submit their proposal for TIF Partnership entry when they are ready to do so. Bespoke timetables will then be arranged through the TIF Partnership Agreement.

4.18 The programme is therefore flexible in order to deal with the different requirements of different schemes. But there will be defined lead times between the provision of appraisal and scheme information by authorities and the decisions to be taken by DfT. For congestion schemes, these lead times will be agreed through TIF Partnership agreements. If programme entry is sought by the end of 2006 then a full Business Case will need to be submitted by the end of July 2006. There will be a similar timetable for 2007. We envisage that this will eventually become a rolling-process, with defined lead times between different stages, and will provide further guidance on this process from 2008 onwards.

4.19 Both delivery and appraisal information will need to be updated and refreshed as necessary prior to each approval stage.

### **Pathway to implementation - productivity schemes**

4.20 As explained in Chapter 3 the Department will not be holding a formal bidding process for productivity schemes. It plans to engage with RDAs in order to seek their views by the end of March 2006 on potential candidates for productivity TIF. Taking account of the RDAs' views and of its own knowledge of the transport networks, and of pre-existing transport schemes, the Department will identify a shortlist of potential schemes, which appear to be most promising, against the criteria for productivity schemes set out in this document, for further evaluation.

4.21 The Department will then work collaboratively with the bodies which would be responsible for delivering those schemes (the "delivery agents") to work up business cases for them. For schemes for which programme entry or the equivalent is potentially envisaged by the end of 2006, a full business case will be needed by the end of July 2006. Decisions on the final allocation of TIF funds between these potential schemes will be taken against the criteria set out in this document, alongside the bids for congestion schemes.

### **For Both Congestion and Productivity TIF**

### **Ensuring delivery: costs and risks**

The level of information required at each stage, and the degree of scrutiny the Department applies, will be proportionate to the overall cost and risk of the scheme. The Business Case will need to be updated and refreshed as necessary prior to each approval stage and will be proportionate to the overall cost and risk of the scheme.

The Department will have the same expectations for project governance as for Major Schemes. The bespoke Local TIF Partnership Agreement will set out when Gateway Reviews are necessary on a case by case basis.

The Department's desire to encourage a rigorous approach to the project management of schemes is reflected in the processes for allocating grant. The need to manage budgets effectively continues to be important for central government.

For all TIF schemes we require accurate forecasting and timely reporting and claiming of expenditure, in order to meet the requirements placed upon the Department. Failure to meet these deadlines will lead to a reconsideration of the financial support for a TIF scheme.

## **Financial arrangements**

4.22 Once TIF schemes are Fully Approved, the central Government funding provision is likely to be in the form of grants.

4.23 It is anticipated that section 31 of the Local Government Act 2003 will be used as the mechanism for paying grants to local authorities. As we do not currently intend to seek any new grant making powers it is essential that existing statutory or other powers are available to enable the Department to transfer funds to any delivery agent expected to deliver a scheme for which TIF funds are allocated. In addition schemes which may constitute a state aid will not be eligible for TIF resources unless appropriate clearance can be secured from the European Commission or an exemption applies.

4.24 All business cases should highlight the relevant grant making power and whether there are any potential state aid issues.

## **Third Party Contributions**

4.25 The July 2005 Information Paper explained that where funds are sought from the TIF the sum sought should represent the minimum additional funding required to deliver an eligible scheme. TIF should not be used to offset pressures on existing budgets but to deliver schemes which meet the aims of the Fund but which require some additional funding to be deliverable. Schemes should be able to show that, without TIF resources, they could not and would not be deliverable using either conventional or other funding sources.

4.26 Therefore, as with Major Schemes, TIF business cases should outline all sources of funding (e.g. private funding or grants from other public sector bodies) and their contribution. Authorities will be expected to seek to minimise the amount of scheme costs that fall to the public sector. Promoting authorities should explore fully the scope for contributions from other sources such as developers,

transport operators and PFI.

### **Ensuring delivery: Monitoring Implementation**

TIF schemes will use the standard major scheme process for financial monitoring. Payment will be conditional on progress and the Department will take a close interest in the ongoing monitoring of the schemes.

Payments for any part of the scheme will only be granted on the basis of performance against these targets. If milestones are not met, revised targets must be agreed with the Department. Failure to meet any target may result in reconsideration of funding approval. The grant award letter will set out further requirements. It is therefore imperative that the authority immediately brings to the attention of the Government Office for the Region and the Department any arising issues which put the timetable or cost of the project at risk.

<sup>8</sup> No legal partnership is intended or will be created. The word 'Partnership' is used merely to indicate a close working level of assistance and advice.

<sup>9</sup> Once again, no legal partnership is intended or will be created.

## **Annex 1: Powers, procedures and guidance**

### **Section A: Statutory Requirements relating to Road Pricing**

1. Part Two of the Transport Act 2000 provides local authorities with powers to introduce congestion charging (road pricing) schemes covering a local area, either alone, in partnership with a neighbouring authority, or with the Highways Agency. Each scheme will be established by an Order which, in England, will need the approval of the Secretary of State.
2. Under the Transport Act the Secretary of State can make regulations in relation to schemes on a variety of different areas, such as exemptions from charges and enforcement.
3. The Government will keep under review the need for any new regulations in these and other areas and the potential for new primary legislation. We would expect to involve those authorities on the Road Pricing Local Liaison Group in discussions on whether there are any legislative changes might help facilitate the introduction of local schemes.
4. The Mayor of London and London authorities have similar powers to introduce congestion charging as part of the Greater London Authority (GLA) Act 1999 (the legislation which provided for the establishment of the office of the Mayor of London, the Greater London Authority and Transport for London), although in the case of London a scheme has to be approved by the Mayor acting on behalf of the GLA rather than the Secretary of State.

### **Section B: Statutory requirements in relation to buses - Bus Quality Partnerships and Quality Contracts**

5. The Transport Act 2000 also provides local authorities with powers to establish quality partnership schemes or quality contracts schemes, either of which may be helpful in supporting congestion charging or other demand management measures. The Department is considering ways in which statutory bus partnership schemes and existing or future partnership arrangements could deliver major improvements in bus services as part of a package to improve traffic flows in cities outside London. We are discussing with the Office of Fair Trading how to ensure that these partnerships are consistent with competition law.
6. Full guidance on the implementation of Statutory Quality Partnerships will be issued in due course
7. Guidance on quality contracts schemes is issued by the Department and available on the DfT website at: <http://www.dft.gov.uk/pgr/regional/buses/quality/qualitycontractsforbusservic3577>.

## **Annex 2: Business Case requirements**

### **Elements of a TIF business case**

1. To reach "TIF Programme Entry", congestion TIF bidders will need to carry out a detailed assessment both of the package as a whole and of individual elements, covering:
  2.
    - a) Fit with national, regional and local strategy. For the national aspect, we will assess how effectively a proposal meets the high level strategic objectives set out in Chapters 2 (for Congestion Schemes) and 3 (for Productivity Schemes);
    - b) Economic appraisal and value for money - based on the DfT's *New Approach to Appraisal* ("NATA");
    - c) Deliverability - based on the methodology for the development of a Major Scheme Business Case;
    - d) Financial - Funding sources, financial risk and financial sustainability;
    - e) Commercial - the strategy for procurement and management of commercial risks.
  2. It will be on the basis of performance against these criteria that TIF schemes are judged. The Department reserves the right to ask additional questions in relation to any scheme.

### **National, regional and local objectives**

3. Chapters 2 and 3 set out the high level national objectives against which schemes will be assessed.
4. TIF proposals should also be explicit about how they are consistent with the policies and objectives in relevant regional, pan-regional and local strategies.
5. TIF bids by local authorities will also need to be explicit about how they would help to deliver targets and strategies in Local Transport Plans. They will need to explain the potential of schemes to contribute to the delivery of more stretching targets. Where the benefits of a scheme would only be realised after the second LTP period, bids should make reference to the potential of the scheme to meet the longer term objectives of the authority or authorities.
6. All business cases will need to demonstrate that consultations have taken place with local and regional authorities and that the proposals also support regional economic, transport and spatial priorities.

## Economic appraisal and Value for Money

7. DfT will carry out an assessment of scheme appraisals looking at value for money, but it is the responsibility of promoters to construct a robust appraisal of the proposed scheme. The business case will need to follow the NATA requirements for major schemes set out on Webtag (<http://www.webtag.org.uk/>), which provides an overview of the different elements of the required appraisal. The appraisal information allows an assessment of the scheme's value for money to be made in officials' advice to Ministers. This information is reported under the following headings.
8.
  - Scheme description;
  - Problems and objectives identified;
  - Assessment of alternative options;
  - Capital costs;
  - Operating costs;
  - Risk assessment and optimism bias;
  - Traffic/passenger modelling/assumptions;
  - Worksheets for NATA objectives (all items in the NATA checklist are required);
  - Transport Economic Efficiency data;
  - Sensitivity and scenario analyses;
  - Supporting analyses;
  - Overall vfm conclusions.
8. As far as possible, the business case should follow these headings for the appraisal section. WebTAG also sets out what supporting information, including audit trail, is needed as an evidence base for the vfm assessment.
9. All schemes seeking funds from the Transport Innovation Fund will be subject to an assessment of value for money. This assessment draws on appraisal information submitted with bids. The assessment considers all of the impacts of a scheme - those which can be easily quantified and valued as well as other non-monetised impacts such as regeneration and the environment.
10. Guidance on value for money has been published by the Department ("Guidance on Value for Money", available at <http://www.dft.gov.uk/about/how/vfm/guidanceonvalueformoney>). An annex to this VfM guidance (published in conjunction with this document) discusses the consistent assessment of VfM for proposals for schemes which raise net revenues.
11. The VfM guidance is for officials when providing advice to Ministers and ensures a clear and consistent assessment of the costs and benefits of a scheme.
12. However the guidance will also be of interest to promoters/delivery agents who may wish to consider the full range of impacts when developing a scheme. They may also wish to consider whether a scheme can be shown to unlock indirect benefits (e.g. enhancing future schemes). Such impacts may be of greater importance for congestion TIF schemes - particularly where schemes are innovative designs which could enhance or enable future projects.
13. VfM is one of a range of considerations which are taken into account in assessing schemes. Other factors include:
14.
  - Practicality / deliverability;
  - Public acceptability;
  - Distributional and equity impacts;

- Affordability and financial sustainability;
  - Contribution to central government, local and regional objectives;
  - The amelioration of identified problems.
14. However in all but exceptional circumstances DfT expects to consider only TIF packages/schemes that represent high value for money. Schemes that are "high" value for money have benefits that are at least twice the costs.
  15. The Department's guidance makes clear that, in this context, value for money includes all the benefits and costs - including those that relate to productivity, safety, the environment and regeneration.

## **Productivity**

16. Whilst many of the productivity benefits are already within the NATA appraisal and the value for money assessment, DfT will also use the TIF to test its new approach to measuring the contribution of schemes to GDP. Further details on how bidders can demonstrate any GDP benefits of TIF schemes are set out in '*Transport, Wider Economic Benefits and Impacts on GDP*', available at <http://www.dft.gov.uk/pgr/economics/rdg/webia/transportwidereconomicbenefi3137>. Paragraphs 26 and 27 of that technical document have been amended to reflect the TIF processes set out here.
17. The Department will assess the Value for Money of all schemes seeking funding through TIF. All potential productivity TIF schemes will be assessed for their contribution to wider productivity benefits and GDP. This will use the new guidance published in July on '*Transport, Wider Economic Benefits and Impacts on GDP*'.
18. Bidders to the congestion TIF are also invited to follow the approach set out in that guidance, for those parts of the packages that do not involve demand management. The methods have been developed principally to measure the productivity benefits of infrastructure investment (and using evidence from such schemes). We are exploring the feasibility of developing these methods for the very different task of estimating the productivity benefits of road pricing schemes, and plan to provide guidance in due course. If potential bidders are doing work to develop their thinking on this, we would encourage them to discuss it with the Department.

## **Appraising packages**

19. TIF schemes may involve packages of mutually supportive demand management and public transport improvement measures: for example urban road pricing and new bus infrastructure. Given the reinforcing nature of these links and DfT's desire to see the elements working in concert, the bidders' principal assessments should be of the whole local TIF package.
20. However, DfT does not expect to fund individual elements of any local TIF package which do not improve the value for money case of the scheme as a whole. We therefore expect business cases to include a sensitivity analysis on the basis of the removal of key elements from the appraisal. This will assist in demonstrating that there is no element which is reducing the net present value of the congestion TIF scheme.

## **Deliverability**

21. In line with the Major Schemes guidance, business cases should seek to demonstrate that the scheme will be delivered to time and budget, and explain through what process successful implementation will be ensured. This will include a demonstrably independent and competent gateway review process that has validated project governance, cost control and funding/financing mechanisms.
22. As in the Major Schemes regime, bidders/delivery agents will be expected to demonstrate that they have:
23.
  - a sound financial plan for proceeding with a TIF scheme;
  - a sound process for handling the procurement aspects of their scheme, identifying the commercial risks;
  - reliable project management principles in place;
  - adequate governance and staffing arrangements in place to ensure delivery of the project;
  - the right strategy for managing risks to the TIF scheme;
  - undertaken stakeholder analysis and have plans for engagement of all key stakeholders in the scheme;
  - a clear understanding of where Gateway Reviews will be needed in the development of the TIF scheme and evidence from any Gateway Reviews already undertaken;
  - a process to monitor progress on the scheme.

## **Annex 3: Monitoring and evaluation**

### **Evaluation**

1. Evaluation is about objectively monitoring and assessing the outcomes of a decision or investment. An evaluation, therefore, is an independent quantitative and qualitative assessment of the processes of implementing a scheme and its impacts. The Department wishes to ensure that evaluation of TIF schemes is conducted according to similar standards and methodologies, to enable cross-comparison of evaluation data.
2. In general, TIF evaluation should be carried out using the same principles in the Major Schemes guidance. Further detailed guidance on evaluating major schemes will be issued in early 2006. The Department also wishes to work with Local Authorities to develop evaluation guidance specifically for Congestion TIF projects. This will be issued later in 2006; in the interim Local Authorities developing evaluation strategies should follow the evaluation principles outlined below.

### **Baseline Data**

3. Before submitting a business case, promoters should have a clear understanding of the nature and pattern of the issue which the scheme is intended to address and its impact on the wider strategic context. For example, for a congestion scheme, this should include the locations and causes of congestion generally. Where appropriate, authorities should follow best practice on congestion data, for example that explained in the second edition of the Full Guidance on Local Transport Plans. The evaluation should address how the scheme has contributed to tackling congestion problems through demand management.

4. Specifically baseline data should also be collected on the volume or pattern of travel in the planned area of the scheme. This should go beyond road car transport to allow for evidence of modal shift. Expected outcomes and targets should be set for the demand management schemes on the basis of this information.

## **Targets**

5. The evaluation should include an assessment of how the TIF scheme has contributed to the delivery of local and national targets. The scheme should also be assessed against wider economic growth, social inclusion and environmental objectives. Evaluation proposals that take account and assess these factors would be welcomed.

## **Sharing Best Practice**

6. In an evaluation we would also expect to see how the proposals demonstrate or exceed best practice benchmarks and for schemes promoted by local authorities go beyond the policies already in the Local Transport Plans.
7. We would expect scheme promoters/delivery agents to share the methods used to deliver TIF schemes with others. The evaluation of the scheme should therefore include how the methods may be transferred elsewhere and how the implementation process or the scheme itself could be changed to reflect lessons that have been learnt. We would also expect scheme promoters/delivery agents to take the lead in disseminating this information.

## **Communications**

8. Communication strategies will be very important during the implementation of TIF schemes. These should be closely monitored and analysed over the period before, during and after the delivery of the project.

## **Timetable**

9. We would expect an initial scheme evaluation to take place within twelve months of the scheme's completion. This should identify the timetable for further monitoring over the following five years.

## **Annex 4: Congestion TIF - Checklist of information needed at different stages**

### **TIF Partnership**

1. Authorities should submit a scheme proposal, summarising the available information on the proposed package of measures to tackle congestion. While it will be an advantage for local authorities to be as clear as possible as to details of the packages that they propose to implement, it will not be a prerequisite at this stage. However, in order to be eligible for TIF Partnership, authorities will need to be clear as to their proposed demand management measures and their proposed public transport improvement measures and how these fit against the criteria in Chapter 2.

2. Therefore the scheme proposal normally should, as a minimum, contain the following:
3.
  - Scheme description;
  - Problems and objectives identified - including the wider benefits;
  - Assessment of alternative options;
  - Stakeholder engagement to date and future plans;
  - An outline of the main risks;
  - A description of the commercial aspects;
  - An early indication of costs (for the public transport element of the package - this should only be an estimate and the authority will not be held account in further phases);
  - Where vfm information is available it should also be included.

## **Programme Entry**

3. In order to obtain Programme Entry an authority will need to submit a Business Case to the Department which covers all the aspects described in the Major Schemes Guidance. In particular, it will include:
4.
  - A value for money appraisal in line with the latest WebTAG guidance (see unit 3.9 and allied units);
  - Project management information covering project milestones, risks, stakeholder management, governance arrangements.

## **Conditional Approval**

4. In order to obtain Conditional Approval authorities will need to follow the same procedure as set out in the Major Schemes Guidance. This includes the provision of an update on the aspects of the original Business Case. The Department will at this stage require details of the commercial aspects and the procurement strategy, and may request specific related documents (e.g. draft specifications, OJEU notices, draft contract documents, tender evaluation criteria).
5. In particular the authority should demonstrate that:
6.
  - any necessary powers or consents have been obtained;
  - the scheme can be afforded on current cost estimates;
  - the updated scheme appraisal remains sound;
  - the promoter has conducted adequate supplier assessment and market intelligence and has a robust procurement strategy in place;
  - the scheme remains deliverable by the authority to time and budget;
  - the arrangements for evaluation and monitoring are satisfactory (in cases where this is a requirement at this stage).

## **Full Approval**

6. Again the authority should follow the same processes in the Major Schemes guidance. In particular the authority should demonstrate that:
  - Tenders have been received with firm prices. Normally this will mean a preferred bidders have been selected, and any post tender negotiations completed;
  - The scheme appraisal has been updated to reflect the latest information on expected costs and benefits.

## **Annex 5 - Congestion TIF Stages**

Annex 5 is available as a PDF download from the bottom of this page.