

**SOUTH EAST ENGLAND
REGIONAL TRANSPORT BOARD**

Date: 26 April 2007

Subject: **Transport Innovation Fund**

Report of: Head of Transport & Infrastructure
South East England Development Agency

It is recommended that the Board:

1. Approve in principle the draft criteria set out in Annex I, subject to any comments made by Board members;
2. Support the establishment of a 'task-and-finish' group to help co-ordinate the development of feasibility studies, business cases and funding packages with stakeholders and partners;
3. Instruct the 'task-and-finish' group to prepare a draft list of proposals that satisfy the draft criteria for its consideration at the next meeting of the Board;

Purpose of Report:

To set out for the Board's consideration draft criteria that enable it to identify schemes, or packages of schemes, that it wishes to support as potential bids for funding from the Transport Innovation Fund.

Key Issues:

SEEDA has a level of expertise and knowledge in the preparation of bids for funding from the Transportation Innovation Fund upon which the region needs to build. The opportunity exists to use the Board's approach to prioritisation as a means of ensuring improved alignment of the TiF funding stream with other investment funds. In seeking to play a more proactive role in supporting bids going forward for consideration funding the Board needs to establish an approach that ensures consistency in the assessment of individual proposals or packages.

1. Context

- 1.1 The Transport Innovation Fund (TiF) was announced in 2005 and initial bids for funds were submitted during the course of 2006. The fund is subdivided into two strands, "Congestion" and "Productivity". The first strand is very much aimed at local authorities, especially metropolitan ones to prepare schemes for congestion charging which will eventually be integrated into a national road user charging.
- 1.2 The second strand is very innovative insofar as it focuses on the economic aspect of transport schemes. Given this focus it is not unsurprising that for the initial bids the Regional Development Agencies played a key role in helping to facilitate and bring forward proposals for consideration by the Department for Transport. In so doing it is important to bear in mind that proposals put forward for support from the TiF must have a clear and quantifiable dimension in terms raising regional productivity. To assist in this process the Department identified five economic criteria that all proposals had to satisfy.
- 1.3 The initial bids for funding from the TiF were very much focussed on driving forward the delivery of gauge enhancement and specific rail freight schemes, which firstly tie into the Network Rail (NR) National Freight Strategy and secondly into the recommendations emerging from the Eddington Report. (The latter was commissioned by Treasury to identify the economic value of transport and what needs to be delivered in the UK in order to ensure continued economic competitiveness in the global market place). Efficient and higher capacity access to international gateways was identified as one of the major, three geographic priorities in the Eddington report.
- 1.4 In this context SEEDA worked closely with Network Rail, DfT, GOSE and the Assembly to bring forward proposals that will deliver the gauge enhancement scheme for the rail freight route from the port of Southampton (the UK's second largest container port) to the West Midlands. This scheme had previously been identified as a regional priority by the Board and one that could be potentially put forward for funding from the TiF. The bid was submitted after the summer recess in 2006 and achieved a "minded to" decision from DfT just before Christmas 2006.

2. Towards a Board Criteria for TiF-P Proposals

- 2.1 The DfT have made it clear that it is not their intention to have formal bidding rounds in future. Rather it is clear that the DfT are keen to consider proposals for future funding through the TiF on their merits when the said proposal is at an appropriate stage in its development. The DfT are also keen to avoid creating an unrealistic expectation as to the potential of the TiF to fund an extensive programme of schemes. It is also important to bear in mind that funding from the TiF only provides a proportion of the total funding of any scheme; the remainder coming from either the RFA and/or contributions from third parties.

- 2.2 A key issue for the Board has been the desire to improve the alignment of funding streams that exist to support investment in transport infrastructure. The approach adopted by the Board to date has been to focus on identifying the priorities for investment and to consider the most appropriate funding programme as a second step in the process.
- 2.3 Such an approach has a number of benefits. First of all it enables the Board to focus on identifying the investment required to enable the planned outcomes to be achieved. Secondly it enables guidance to be developed by the Board that can be made available to delivery agencies on where they should focus future bids for funding. Such an approach helps avoid the situation where resources are wasted making multiple bids for the same proposal.
- 2.4 Undoubtedly a consideration in the success to date of the proposal for the rail route from the port of Southampton was its identification as a regional priority through the Board's work on prioritisation.
- 2.5 In considering its advice to the Secretary of State on regional priorities for the period to 2016 the Board agreed that it would be helpful to identify at an early stage in the process those schemes that are a regional priority and which have the potential to secure funding from the TiF. Informal indications from the DfT suggest that such an approach would be welcome.
- 2.6 In order to achieve this objective it is helpful for the Board to identify a set of criteria that it might apply in considering whether to support a proposal being put forward for TiF. It is important to emphasise that in supporting proposals for funding from the TiF the primary objective is to bring forward schemes that help deliver the policy framework set out in the draft South East Plan and the RES. As such one would normally expect such any such proposal to already be identified as a high priority through the Board's work on prioritisation.
- 2.7 Annex I sets out some initial thoughts on the criteria that might be applied in identifying those proposals that the Board would support as having the potential for submission as bids for funding from the TiF. The Board is invited to comment on these draft criteria.
- 2.8 It is important to emphasise that just because the Board does not support a proposal being put forward for consideration for funding from the TiF does not preclude scheme promoters developing a submission for consideration by the DfT.

3. Next Steps

- 3.1 If one uses the recommendations of the recent Eddington report as an indicator of the potential areas in which the DfT wish to focus funds available through the TiF the region potentially has much to play for. A co-ordinated approach to putting forward proposals, one that can demonstrate a strong linkage with the region's work on prioritisation, has the potential to secure substantial additional funds for investment in the region.
- 3.2 In order to co-ordinate the development of feasibility studies, business cases and funding packages with a large variety of stakeholders and partners and particularly to focus on the co-ordinated delivery of substantial TiF-P bids to Government it is suggested to set up a regional TiF-P Scheme Preparation Group on a "Task and Finish" basis. For ease of managing the process it is suggested that this group could be related to the existing officer group that supports the Board.
- 3.3 This small, regional group will undertake to co-ordinate the development of bids through partnership working between the regional partners and the respective delivery agencies / stakeholders. Regular reporting back to the Board will ensure that key regional stakeholders are kept informed of progress and will ensure continued alignment of the work on securing funding through the TIF with the Board's work on other funding streams.
- 3.4 As a first task it is proposed that the Group will refine the criteria set out in Annex I in light of the Board's comments. This would then allow the Group to begin to identify those schemes, or packages of schemes, that the Board may wish to promote as potential schemes for funding from the TiF.

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(Draft) Potential Criteria for Supporting TiF-P Schemes

1. For a scheme to be supported by the Board it would need to be consistent with the relevant national policy framework and guidance, including that specifically published in respect of the TiF-P.
2. For a scheme to be supported by the Board it would need to be consistent with the relevant regional policy framework and guidance, in particular the statutory frameworks set out in the South East Plan and Regional Economic Strategy.
3. In order to ensure that any proposal supported by the Board has the best opportunity of securing funding from the TiF it is imperative that as many economic criteria as possible are met and that any scheme is “mature” enough to be developed into a business case within a reasonable time period. It is proposed that the Board will consider proposals against the following set of criteria:

3.1 SPATIAL FOCUS

- i. Improving inter-urban connectivity;
- ii. Improving access to global gateways;
- iii. Development of innovative and comprehensive access packages for major economic transport corridors;
- iv. The scheme must have a clear regional and preferably a national dimension of delivering transport improvements beyond the boundary of a single region with ideally the support of more than one Region;
- v. Addressing problems on the regional road and rail network that are not covered by the “Congestion Strand” of TiF (this could be facilitating better co-modality or earlier eradication of road bottlenecks which have a national and regional dimension of easing traffic through the region).

3.2 ECONOMIC FOCUS

- i. Quantifiable increase in economic productivity of those businesses (or the region) which directly and indirectly benefit from the submitted scheme;
- ii. Quantifiable and demonstrable “agglomeration” effect that is generated or increased through the scheme;
- iii. Contribution to achieving the overall GVA growth aspirations in the region, i.e. clearly focussing on regional productivity;
- iv. Releasing untapped economic potential of currently lagging areas, hence tackling economic underperformance and enabling better access of successful sub-regional economies to global gateways;

3.3 FUNDING FOCUS

- i. Existence of a draft or full business case, where schemes have been designed and engineered to a stage where capital spent can be allocated, spent and completed (part or full) within the time scale of the TiF-P programme (2008 – 2013);
- ii. Political and planning processes have been set in motion to move the scheme through the system;
- iii. For rail schemes – all or the majority of the scheme components will have to have achieved GRIP4 stage clearance;
- iv. Innovative funding package which can be developed with the private sector (hence clear benefits to the private sector must be demonstrable);
- v. Ability for the private sector to make a substantial monetary contribution to transport (this must be justified from a company's business plan perspective, i.e. the contributions must be ring fenced for the delivery of a specific scheme directly benefiting the private sector partner(s), the implementation of the scheme must be time bound and the scheme is ideally managed at regional or sub-regional level)

NOTE: Any transport scheme with a private and public sector funding package must be State Aid cleared and the public sector contributions must not distort competition.