BIRMINGHAM MOBILITY ACTION PLAN

TECHNICAL WORK PACKAGE 6
BIRMINGHAM CONNECTED REVIEW OF POTENTIAL FUNDING SOURCES
NOVEMBER 2014

Birmingham City Council
# Quality Management

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BIRMINGHAM MOBILITY ACTION PLAN – TECHNICAL STUDY GROUP REPORT

To be updated following stakeholder Meetings and receipt/calculation of capital costs from package leads

02/07/2014

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# Table of Contents

1. **Birmingham Connected Funding and Finance – Baseline Analysis** .......................................................... 6
   1.1 Introduction .................................................................................................................. 6
   1.2 Summary ...................................................................................................................... 14

2. **Scenario 1: Baseline/Steady State: Transport Funding Packages Currently Available** ........................................ 15
   2.1 GB&S LEP Strategic Economic Plan ......................................................................... 15
   2.2 Integrated Transport Block ....................................................................................... 15
   2.3 GB&S LTB Local Major Scheme Allocation ............................................................. 16
   2.4 Parking ...................................................................................................................... 16
   2.5 Bus Route Advertising Revenue ............................................................................... 17
   2.6 Challenge Funds ...................................................................................................... 17
   2.7 Local Pinch Point Application Funding .................................................................. 17
   2.8 GB&S LTB Local Major Scheme Allocation ............................................................. 16
   2.9 Highways Agency Pinch Point Application Funding ............................................... 18
   2.10 Birmingham Cycle Ambition Grant/ Birmingham Cycle Revolution ......................... 18
   2.11 Bike North Birmingham .......................................................................................... 18
   2.12 Local Sustainable Transport Fund (Scheme titled “Smarter Network, Smarter Choices”) .................................................. 18
   2.13 Growing Places ...................................................................................................... 19
   2.14 European Structural and Investment Fund (ESIF) .................................................. 19
   2.15 Section 106 and Community Infrastructure Levy (CIL) ......................................... 20

3. **Scenario 2: Ten Year Transport Settlement** ......................................................................................... 21
   3.1 10 year transport capital settlement/fund .................................................................. 21
   3.2 Bus Route Sponsorship ............................................................................................ 21

4. **Scenario 3 Regulatory Reform** ................................................................................................. 22
   4.1 Franchising of Bus Routes ....................................................................................... 22
   4.2 Lane Rental ............................................................................................................... 22
   4.3 Alternatives to Lane Rental – Coring and Permit Schemes ........................................ 24
   4.4 Bus Lane Enforcement ............................................................................................. 24
   4.5 Business Improvement District ................................................................................ 25
   4.6 Retention of additional Business Rates locally (Tax Incremental Financing) ............... 26
   4.7 Metro ......................................................................................................................... 26

5. **Scenario 4a and 4b New Forms of Taxation** .................................................................................. 27
   5.1 Scenario 4a: Workplace Parking Levy ..................................................................... 27
   5.2 Scenario 4b: Corporate (Employee) Transport Levy or additional Business Rates (ring-fenced) .................................................. 27
   5.3 Other Funding Streams ............................................................................................. 28

6. **Appendix A Use of Parking Income** ......................................................................................... 30
   6.1 Legislation ............................................................................................................... 30
   6.2 Setting Level of Parking Charge ............................................................................. 30
   6.3 Limitation on Use of Parking Revenue .................................................................... 30
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.4</td>
<td>Case Law</td>
<td>31</td>
</tr>
<tr>
<td>6.5</td>
<td>Conclusion</td>
<td>31</td>
</tr>
<tr>
<td>7</td>
<td>Appendix B Section 55 of the Road Traffic Regulation Act 1984 (as amended)</td>
<td>32</td>
</tr>
<tr>
<td>8</td>
<td>Appendix C Tyne and Wear Proposed Quality Contract Scheme</td>
<td>36</td>
</tr>
<tr>
<td>8.1</td>
<td>Financial Modelling Methodology</td>
<td>36</td>
</tr>
<tr>
<td>8.2</td>
<td>Modelled Impacts on Patronage</td>
<td>36</td>
</tr>
<tr>
<td>8.3</td>
<td>Contingencies</td>
<td>37</td>
</tr>
<tr>
<td>8.4</td>
<td>Summary of Results</td>
<td>38</td>
</tr>
<tr>
<td>9</td>
<td>Appendix D Business Improvement District (BID), Corporate and Workplace Parking Levy (WPL)</td>
<td>41</td>
</tr>
<tr>
<td>10</td>
<td>Appendix E- Capital Spend and Revenue Stream Summaries</td>
<td>44</td>
</tr>
</tbody>
</table>
1 Birmingham Connected Funding and Finance – Baseline Analysis

1.1 Introduction

1.1.1 The Birmingham Mobility Action Plan sets out a transformational programme of investment that “will reinvent Birmingham’s transport system to meet current and future mobility challenges; facilitating strong and sustainable economic growth”. Birmingham Connected identifies a figure of £4bn as an appropriate aspiration for a 20 year transport investment programme, which will cover all modes and ‘whole of life costs’. Experience from Birmingham’s twin city Lyon illustrates how in that city they have managed to deliver a step change in transport infrastructure, policy and approach over the last 20 years.

1.1.2 Whilst the current level of investment identified for transport infrastructure improvements within Birmingham is impressive, it is not sufficient to deliver the aspirations of the plan, and the associated large scale investment plan, within an appropriate timescale. Based upon existing funding levels, which is likely to be of the order £1bn-£1.2bn over the next 10 years, it would take approximately 40 years to deliver the £4bn programme set out in Birmingham Connected. Appendix E includes graphs summarising the funding by type included within the scenarios, over the 20 year period considered.

1.1.3 The main aim of this report is to establish the ‘baseline’ funding available for investment in Birmingham Connected. We have then considered how Birmingham Connected can be funded and delivered within 20 years, which, based upon European experience, is an appropriate, yet realistic, challenging timescale to deliver such a transformational project.

1.1.4 The main focus of this report is therefore to consider:
   - Scenario 1: Baseline/Steady State to 2025/26

1.1.5 Consideration is then given to a further three scenarios for funding and financing of the plan,
   - Scenario 2: As above, but with additional funding, building upon existing initiatives, including further capital (challenge) finance (in the context of a 10 year transport capital settlement/fund) and additional revenues generated from advertising/sponsorship;
   - Scenario 3: As above but implementing new initiatives, through regulatory reforms; and
   - Scenario 4: As above but including new or additional forms of levy/taxation.

1.1.6 The report has not considered in detail the options, and associated advantages or disadvantages of potential new sources of funding. Instead the report focuses on identifying the baseline funding. It then considers the overall level of funding required in the context of the likely programme requirements. The report identifies that there is a gap between the existing ‘baseline’ (steady state) and the cost of the identified programme.

1.1.7 Importantly the report has been produced to start the debate on funding and finance of transport investment in Birmingham, highlighting that new approaches to funding and finance are required within the Greater Birmingham (and wider West Midlands) to achieve the ambitions set out in Birmingham Connected within a reasonable, yet realistic, timescale of twenty years. This includes consideration of new methods of raising finance, as well as revenues, and increasing the funding made available to Birmingham from the more traditional funding mechanisms, both from within the UK and Europe.

1.1.8 It should also be noted that there are many restrictions imposed centrally by Government in relation to how revenue and capital funding can be invested, as well as restrictions over how income from operations such as car parking can be spent (see appendix B). To deliver Birmingham Connected
successfully will require more freedom and flexibility with respect to funding and finance and the associated expenditure programmes. The Core Cities group are lobbying for greater devolution of power and responsibility to metropolitan local authorities, which it will be important for Birmingham to support in the context of delivering Birmingham Connected and the wider development and regeneration of the City.

1.1.9 Experience within the Midlands and across the UK highlights the need to consider funding and finance in the context of wider geographies and/or in collaboration with other organisations, particularly Network Rail and the Highways Agency. Strong Governance and collaboration amongst local government organisations within the identified geography of interest (Midland Connect, One North etc) provides a stronger platform for lobbying for increased investment from central government. It is also important to prioritise the investment programme to secure the greatest economic benefit (GVA), both to secure government support and to maximise private sector finance.

1.1.10 The report has been produced to provide an indication of the level of funding that could be secured for investment in Birmingham Connected through extending existing approaches further and/or adopting new approaches to raising finance and funding. Many have been implemented, or are being considered, elsewhere, including different levels of regulatory reform.

1.1.11 This report does not, however, make a recommendation on any particular funding mix. To make recommendations would require more detailed consideration and financial modelling, consultation and stakeholder engagement with businesses and residents of Birmingham. It does, however, illustrate the level of funding that can be secured through new measures.

1.1.12 In developing this report we have consulted with

- West Midlands Integrated Transport Authority officers;
- Chief Executive, Centro;
- Network Rail;
- Highways Agency;
- Birmingham City Council Planning Officers to understand the funding that may be secured through development contributions (CIL/S106);
- Birmingham City Council European Funding team;
- Birmingham City Council Public Health; and
- Birmingham City Council Transportation and Highways officers;
The scenarios are illustrated in the diagram and described in more detail below. In total four scenarios have been considered as set out in summary below.

**Scenario 1: Baseline (Steady State)**

The main purpose of this report is to establish the baseline scenario both current and predicted. As the scenario title indicates this focuses on the level of funding and finance currently made available for transport investment within the Greater Birmingham area. This includes:

- Existing finance from GBS LEP, Birmingham City Council and the West Midlands Integrated Transport Authority and developer generated finance (from planning obligations/CIL);
- Challenge funds (LSTF, Cycle Ambition) and European Funding (ESIF/ERDF in particular, but also TEN-T, Horizon 2020 and other European challenge monies);
- Projecting the existing finance forward to 2025/26 (up to the arrival of HS2) informed by government projections at a national level;
- Other Government agencies committed investment programmes informed by Midland Connect, including the Highways Agency, HS2 and Network Rail;
The level of funding and finance available to transport is set to rise from approximately £65m per annum in 2014-15 to an average of approximately £100m-£120m per annum from 2015-16 onwards and predicting forward based upon Government national projections. This indicates that the gap in funding that would exist; if we continued with the same level of funding available to Birmingham today, to deliver Birmingham Connected in 20 years is approximately £1.8bn over 20 years.

Figure 1

Baseline (Scenario 1)

<table>
<thead>
<tr>
<th>Year</th>
<th>Funding Available Under Scenario 1</th>
<th>Average Annual Investment to Meet BMAP Aspirations</th>
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<tr>
<td>2014-2015</td>
<td>£65m</td>
<td>£100m-£120m</td>
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A further three scenarios have then been generated for illustrative purposes only, as set out below.

**Scenario 2: Ten Year Transport Settlement/Fund**

This includes the funding identified in the baseline (Scenario one above); plus additional funding that could be levered into Birmingham Connected in the context of a 10 year Transport fund to 2025/26, and every 10 years thereafter, including

- Additional capital funding for transport, based upon the City Council/ITA securing additional (challenge) monies for a 10 year transport investment programme/fund in the Birmingham City Region (as being championed by the Core Cities group and as has already been secured in Greater Manchester, South and West Yorkshire and by the West of England Partnership); and

- Further finance raised through advertising income and sponsorship of Birmingham Connected investment initiatives which would provide a contribution to an enhanced programme.
1.1.18 With additional funding made available from a 10 year transport fund there would be an increase in the funding available to Birmingham by about £8m per annum or £160m over 20 years, reducing the funding gap to £1.6bn over the 20 years.

**Scenario 3 Regulatory Reform**

1.1.19 This includes all elements in Scenario 2, but implementing new initiatives, through regulatory reforms including finance options (likely to be politically more acceptable), including:

- introduction of franchising (quality contracts);
- lane rental; and
- further enforcement of moving traffic offences (infringement of yellow box junctions)
- sponsorship of transport routes and schemes, such as the Sprint network
1.1.20 Under scenario 3 it is estimated that up to approximately £13m per annum could be raised as a consequence of regulatory reform. Whilst it would provide additional funding and finance for investment in Birmingham, as illustrated in the graph below, it would not be sufficient to close the gap, meaning that there would still be a need to find an additional £1.4bn of funding/finance over the 20 year plan period.

Figure 3

<table>
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<tr>
<th>Year</th>
<th>Funding Available Under Scenario 1</th>
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<th>Funding Available Under Scenario 3</th>
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1.1.21 Given the gap that will exist between the funding likely to be made available through conventional means and the costs associated with the delivery of the plan we have considered the scale of funding that could possibly be made available with the implementation of new forms of tax/Levy and/or extending (and then ring fencing) the existing business rates.

1.1.22 In the context of delivering the ambitions set out in Birmingham Connected it is important that all potential options are explored. It is also recognised that any finance option involving the use of tax income would require careful consideration in the context of public acceptability and/or require public and stakeholder engagement, and agreement of the business community, within the City. However, at this stage we have considered new finance mechanisms to illustrate the level of funding that could be secured through the introduction of new or additional taxes.

1.1.23 For the purpose of this report it includes
- 4a) Consideration of revenues that could be raised through a workplace parking levy; and
- 4b) consideration of a corporate transport employee tax as implemented successfully in France (‘Versement Transport’) or an equivalent increase in the business rates (based upon employee numbers). To fill the gap a rate equivalent to just under 1% of the gross wage bill of employers within Birmingham would be required. In Lyon, a twin city of Birmingham, the tax is levied at a rate of 1.8% of the gross wage bill;
It has been assumed that in all instances the additional finance raised would be ring fenced for transport investment (Birmingham Connected). The above is in no way exhaustive and there are many other possible ways of providing additional finance for Birmingham Connected, including wider use of Tax Incremental Financing (TIF), the adoption of the Earn Back model of Greater Manchester (wider application of TIF), congestion charging or consideration of new forms of private sector investments (specific infrastructure funds or pension fund investments).

It should be noted that the Tax Incremental Financing (TIF) System is already being used within the Enterprise Zones of Greater Birmingham and Solihull LEP area. This essentially involves the retention locally of ‘additional’ and ‘new’ business rates generated by the developments within the Enterprise Zones locally for a period of up to 25 years. With the finance raised being used for supporting infrastructure, mostly transport related. There are, however, risks associated with borrowing against future forecast business rates growth, in particular being clear on what is additional and new, against what would have been generated anyway (without the Enterprise Zone).
Figure 4a

Workplace Parking (Scenario 4a)

Funding Available Under Scenario 1
Funding Available Under Scenario 2
Funding Available Under Scenario 3
Funding Available Under Scenario 4a
Average Annual Investment to Meet BMAP Aspirations

Figure 4b

Corporate Levy (Scenario 4b)

Funding Available Under Scenario 1
Funding Available Under Scenario 2
Funding Available Under Scenario 3
Funding Available Under Scenario 4a
Funding Available Under Scenario 4b
Average Annual Investment to Meet BMAP Aspirations
1.2 Summary

1.2.1 The above three scenarios illustrate that a 'step change' in the level of funding and arrangements for generating it is required to deliver Birmingham Connected. Whilst additional 'traditional' funding and revenue streams such as capital funding from central Government and advertising revenue can help to secure further investment, it is not sufficient to fill the gap between the funding available and the aspirations of the plan. Regulatory reforms could help contribute to narrowing the gap, but even with new regulations a considerable gap would still exist. Consideration therefore needs to be given to other sources of funding, including new taxes/Levies. In this report we have considered both a workplace parking levy and the potential funding that could be raised through the implementation of a corporate levy (or through additional business rates). This illustrates that a corporate levy (or a ring-fenced increase in business rates) can provide the level of funding required to deliver Birmingham Connected within a 20 year time horizon.

1.2.2 In the following section we outline in more detail the funding sources for Birmingham Connected both existing and potential that we have included within our Scenarios.
Scenario 1: Baseline/Steady State: Transport Funding Packages Currently Available

2.1.1 This section provides details of the funding streams that have been included in the baseline funding levels with further information on the source of the data and any associated calculation.

2.2 GB&S LEP Strategic Economic Plan

**Funding Type:** Largely Capital

2.2.1 The LEP Strategic Economic Plan sees the allocation of the LEP’s funding to several schemes within Birmingham, aiming to increase accessibility to the region and hence improve its economy and employment.

2.2.2 The Local growth funding was announced by central government on July the 7th 2014 and consists of a block of money supplemented by ‘unlocked’ local contributions and match funding. This package will fund a wide range of schemes in the Birmingham area, principally focused on “Investing in Greater Birmingham & Solihull”, “Maximising the benefits of HS2” and “Enhancing Growth Sectors and Supporting and growing business”. Whilst the latter includes non-transport funding, the former two include most of the relevant transport investment elements with funding for interchange (Birmingham Snow Hill, University Station and New Street/Moor Street/HS2 ‘One Station’), road improvements (Selly Oak New Road phase 1b, Ashford Circus and Battery Way extension), bus rapid transit (Hagley Road and A45 Sprint routes), Metro (extension to Five Ways, Edgbaston and Eastside via HS2), cycling (funding toward the aforementioned Birmingham Cycle Revolution) and an integrated package titled “Making the Connections” which brings together the above with additional personalised travel planning elements.

**Source:** [http://www.thechamberlainfiles.com/357m-greater-birmingham-growth-fund-award-is-huge-vote-of-confidence-for-region/](http://www.thechamberlainfiles.com/357m-greater-birmingham-growth-fund-award-is-huge-vote-of-confidence-for-region/)

**Calculation:** Local Growth Fund Allocation: Adding together the GBSLEP schemes which will take place in the Greater Birmingham region.

2.3 Integrated Transport Block

**Funding Type:** Capital

2.3.1 The integrated Transport Block Funding, originating from central government, is split between the West Midlands Transport Block fund and the Centro Transport Block fund. The former is for allocation by local authority to schemes of their choice, as well as maintenance of existing works, whilst the latter is to be spent on region-wide projects and technological development. The funding is split between the regional authority and Centro. The regional funding is distributed approximately on a pro-rata basis according to district population. Given that Birmingham has a PFI there is no maintenance block allocation for Birmingham.

2.3.2 Projects covered by the funding include, for example development of cross-authority information sharing system and smart travel initiatives. Some of the funding is also allocated to the administration of existing funding streams and the monitoring of their delivery.

**Source:** Integrated Transport Block Funding and Highway Capital Maintenance Block Funding Allocations for 2014/2015, meeting February 2014

**Calculation:** Birmingham’s allocated section of the Integrated Transport Block has been calculated based upon a per capita calculation.
2.4 GB&S LTB Local Major Scheme Allocation

Funding Type: Capital

2.4.1 Local Major Transport Scheme funding is intended for schemes with a capital investment value in excess of £5m. Local Major Transport Schemes have traditionally been approved and funded individually by Central Government under a centralised bidding process. The previous Government’s Regional Funding Allocations process took the initial scheme prioritisation away from Whitehall, but the business cases for individual schemes still had to be submitted, as before, to the Department for Transport (DfT) for approval. For the 2015-19 spending review period however, the prioritisation and approval of local major schemes in Greater Birmingham and Solihull fell to the newly formed GBS Local Transport Body, which is now a fully integrated part of the GBS Local Enterprise Partnership. £26.1m of funding was allocated to GBSLTB for major transport schemes, with the remaining funding of the £68.137m programme being funded from local contributions. Four major schemes are to be delivered, One Station (public realm improvements between New Street and Moor Street Station); an extension of the Midland Metro from New Street Station to Centenary Square; public realm improvements between New Street Station and the City Centre/Enterprise Zone and the delivery of the Hagley Road Sprint. The Government have indicated that post the current settlement all future major scheme funding will form part of the Local Growth settlement.

Source: GBSLTB Major Scheme Documents

Calculation: The total value of the allocation separated by year as per the LTB inputs shown on the “Input from LMS Appendix B Prioritised Schemes GBS LTB 31 07 13”

2.5 Parking

Funding Type: Revenue (from parking charges and fines)

2.5.1 The power to make charges for parking is defined by law to be for “relieving or preventing congestion of traffic”. Local authorities must not set charges in order to provide a source of revenue for other activities, even if the money raised is used to fund transport provision. Details of the legislative background are set out in Appendix A and Appendix B. The level of charges must be based solely on the need to manage parking; if that level generates a surplus (including from the use of Penalty Charge Notices) then it may be used for other purposes as set out in of Section 55 of the Road Traffic Regulation Act 1984 (as amended) – see Appendix B. There are also more general powers to manage parking for safety and amenity but these do not permit charging.

2.5.2 In 2011/12 Birmingham City Council received £8.4m of which £3.1m was defined as surplus. The City Council’s annual parking report states an expenditure of £5.3m with a surplus of £3.1m, which was used to contribute to off-street parking running costs (£2.6m) and to prudential borrowing charges incurred for car park capital investment. Whilst surplus funds cannot be planned for, they could be used for additional infrastructure provision rather than being used to offset revenue payments. This income stream could then be used to part fund the wider infrastructure strategy.

Source: Birmingham City Council’s Annual Parking Report 2011-2012
2.6 Bus Route Advertising Revenue

*Funding Type:* Revenue

2.6.1 Centro control and maintain the West Midlands bus infrastructure. From this, they generate a certain amount of advertising revenue from selling sites mounted on shelters on key routes around the city.

*Source:* Centro Budget Consultation 2014/15 Long Version

*Calculation:* At present, Centro receives £11 million per annum in income from shelter and bus station advertising. Birmingham pays 39.38% of Centro’s overall levy. This % was then applied to the £11 million to calculate Birmingham’s proportion.

2.7 Challenge Funds

*Funding Type:* Capital

2.7.1 Challenge funds are monetary sources released periodically by National Government to support the attainment of particular government transport goals, such as reducing congestion or supporting cycling. In the calculation for future years, we have assumed that funding from Challenge Funds will be approximately half of the present annual level for the last two years. This is due to the fact that the local growth fund has included some of the challenge streams and is designed to cover some of these funding initiatives going forward. However, we recognise that there will inevitably be new challenge initiatives in the future, but not at the same level as historically because of the introduction of the LGF. The current challenge funds secured for investment in Birmingham are identified below in items 7 to 12.

2.8 Local Pinch Point Application Funding

*Funding Type:* Capital

2.8.1 Local Pinch Point funding is supplied by the DfT in order to ‘improve the quality of our road network and reduce congestion and disruption for road users’. To date, £270 million have been made available nationwide, of which Birmingham has received £13.15 million. The Birmingham allocation is committed to two schemes. One of these concerns improving access to facilitate the Aston Advanced Manufacturing Hub, through improvements of currently congested junctions accessing the site. The other includes several roundabouts on Birmingham’s ring road, where it crosses key arteries into the city centre. This work is being undertaken to improve their capacity, flow and, in one case, pedestrian facilities.


*Calculation:* Ring Road Roundabout work £10,800,000 + Aston Access Scheme £2,350,000
2.9 Highways Agency Pinch Point Application Funding

*Funding Type:* Capital

2.9.1 The Highways Agency is investing £840,000 in order to fund improvements to M6 Junction 6 Salford Circus Roundabout. Work seeks to reduce peak period congestion at the junction through provision of traffic signals and adjustments to the islands on the approaches to the junction.


2.10 Birmingham Cycle Ambition Grant/ Birmingham Cycle Revolution

*Funding Type:* Capital

2.10.1 The Cycle City Ambition Grant, locally called the Birmingham Cycle Revolution, received £17 million from the DfT to be spent on cycling infrastructure, with an additional £7.3 million being locally sourced. The deadline for completion is April 2015. The funding is to be spent on routes within 20 minutes cycle time of the city centre. This includes 95km of improvements to existing routes and 115kms of new cycle routes on side roads. There is also scope for provision of secure cycle parking hubs and the introduction of loan/hire schemes to get people cycling. Work is also scoped to allow for extension of the project to cover a greater area of the city and a greater number of routes should more funding become available at a future date. Finally, it is intended that the routes promotion and future development will be funded through advertising and sponsorship along the route.

*Source:* [http://www.birmingham.gov.uk/bcr](http://www.birmingham.gov.uk/bcr)

*Calculation:* The fixed sum is from the Birmingham Cycle Revolution report whilst the advertising revenue is the latest BCC estimate of £1.2 million per annum.

2.11 Bike North Birmingham

*Funding Type:* Capital

2.11.1 Bike North Birmingham has received £6.4 million funded through a mix of Birmingham City Council money, The Big Lottery Fund and £4.1 million from the Local Sustainable Transport Fund detailed in full below. The project predominantly covers Sutton Coldfield and Erdington and is to include network improvements alongside ‘soft’ measures such as promotional events, cycle training, travel planning and marketing information. Work on this started in 2011 and is set to be ongoing.


2.12 Local Sustainable Transport Fund (Scheme titled “Smarter Network, Smarter Choices”)

*Funding Type:* Capital

2.12.1 Smarter Network, Smarter Choices is a project funded through the DfT Local Sustainable Transport Fund. There is £48 million available across the West Midlands region including a mixture of ‘hard’ infrastructure measures and ‘soft’ information measures. ‘Hard’ schemes include work on the A45 Coventry road from the City and on the ‘South Birmingham Technology Route’, seeking to deliver sustainable transport improvements. ‘Soft’ measures include travel planning for families and better passenger information. There is also a technological element, with the introduction of Smart Card...
ticketing. One particular package of LSTF works is the aforementioned Bike North Birmingham, detailed above. We have calculated that approximately £17.56million in total will be invested in Birmingham.

Source: [http://www.mynetwork.org.uk/](http://www.mynetwork.org.uk/)

**Calculation:** At present, there is no scheme-level breakdown of the LSTF funding available. Therefore we have generated an estimate by removing the already accounted for Bike North Birmingham Fund from the £48million and dividing it between the ten corridors. The Birmingham relevant ones have then been added together to give £17.56million.

2.12.2 These are:
- Airport and NEC Corridor (A45 Coventry Road)
- South Birmingham Technology Corridor (linking the Birmingham City Centre Enterprise Zone with Longbridge, Bristol Road and Pershore Road)
- Warwick Road Corridor (A41 south)
- Connecting Dudley with Birmingham along the A457 Dudley Road

2.13 **Growing Places**

**Funding Type:** Public Sector Capital, with payback via developer funding

2.13.1 The Growing Places fund from central government is designed to boost economic growth by obtaining the required funding to provide the infrastructure which will enable the creation of new jobs. The funding also seeks to facilitate leverage of finance, pay back through planning obligation from private sector parties as projects get unlocked and completed by the infrastructure.

2.13.2 With regard to transport, schemes funded have included master planning for the UK Central transport project, alongside small elements such as building access roads to scheme sites. Specific schemes within Birmingham which have benefited from the Growing Places fund include the East Aston Regional Investment site, Icknield Port Loop development and the Lyndhurst Estate in Erdington.


2.14 **European Structural and Investment Fund (ESIF)**

**Funding Type:** Capital

2.14.1 Greater Birmingham and Solihull Local Enterprise Partnership are seeking to ‘lever’ funding from a range of European sources, in order to continue their present involvement in region-level transport and to ‘unlock the benefits’ from schemes such as HS2. The funding document identifies transport under Priority 3 of 6. This priority seeks to “focus activity on driving growth in the low carbon economy, through actions on energy efficiency and its economic impact on the supply chain, sustainable transport and resource efficiency”.

2.14.2 £17.5 million is allocated to delivering the low carbon economy. Unfortunately, there is no breakdown in the source report as to how much of the priority’s funding is to be spent on transport specifically. Assuming that transport is a key generator of carbon and the key issue to be tackled we have included the full £17.5m split across 2014/15 and 2015/16. This also covers the potentiality of funding from other packages being allocated to transport projects.
2.14.3 For future years we have included £4.3 million per annum which we believe to be a reasonable assumption for ERDF type funding based upon discussions with the Birmingham City Council European Funding team.


2.15 Section 106 and Community Infrastructure Levy (CIL)

**Funding Type:** Third Party Capital and revenue finance

2.15.1 Section 106 grants are in the process of being replaced by Community Infrastructure Levies. Both share the same fundamental goal; to obtain payment from developers to provide infrastructure in support of their development sites, based upon the size and location of the proposed site. This infrastructure money can then be put into a range of facilities, both transport (e.g. cycle lanes or traffic calming) and non-transport (e.g. children’s play equipment). In regard to Birmingham Connected, development unlocked through improved transport infrastructure could be made to pay for the further development of the infrastructure.

Source: [http://www.birmingham.gov.uk/cil](http://www.birmingham.gov.uk/cil)

**Calculation:** An approximation of Section 106 and CIL revenue in future years based upon discussions with BCC officers and associated historic/future projections.
3 Scenario 2: Ten Year Transport Settlement

3.1.1 This scenario covers the funding that could be secured from Government for a 10 year transport investment programme, allied with additional revenue raised from advertising/sponsorship.

3.2 10 year transport capital settlement/fund

**Funding Type:** Capital

3.2.1 This scenario considers additional capital funded for transport, based upon the City Council/ITA securing additional (challenge) monies for a 10 year investment programme/Transport Fund. This proposal is being championed by the Core Cities group and is already in place in Greater Manchester, South and West Yorkshire and by the West of England Partnership. We have allowed for an additional £8m per annum should this be awarded to Greater Birmingham, which is pro-rata similar to the award allocated to Greater Manchester. Match funding would need to be identified for such a fund, which could be from existing sources, extending existing approaches or through additional advertising/sponsorship (see below). In addition regulatory reform (see scenario 3) or the introduction of new forms of taxation (scenario 4) provide further additional match funding sources.

3.3 Bus Route Sponsorship

**Funding Type:** Revenues from sponsorship/advertising

3.3.1 As a result of the Birmingham Connected investment there will be an increase in service reliability and frequency of buses, bought about by improved bus priority. The network will secure a step change in image, both along routes and at transport interchanges. As a result there will be opportunity to secure new forms of sponsorship and further advertising revenues. Sponsorship may be possible for certain routes, transport interchanges/stops or along network sections, possibly from major employers that are located adjacent to them. This could promote brands or organisations in the name of the route or stop. Initiatives could also be linked to Business Improvement Districts and the proposed Green Travel Zones. In addition it is already intended that the Birmingham Cycle Revolution and associated routes will attract sponsorship.

**Calculation:** We have included an estimate of £1,000,000 per annum from sponsorship Birmingham Connected elements.
4 Scenario 3 Regulatory Reform

4.1 With the implementation of new regulatory measures within Birmingham it would be possible to raise additional finance for investment in transport. We have considered a number of these below.

4.2 Franchising of Bus Routes

**Funding Type: Revenue**

4.2.1 Tyne and Wear have produced a draft Quality Contract Scheme for buses in the area. The scheme revenue is forecast to exceed costs by around £79m over 10 years, however around £78m of this has been allocated to contingencies. Details of the methodology are attached at Appendix C. Under the Quality Contract Scheme Nexus, the passenger transport executive, would take the revenue risk and retain all revenues generated.

4.2.2 The bus operators are objecting to the Quality Contract Scheme and proposing an alternative Quality Partnership Scheme, claiming that the Quality Contract Scheme does not satisfy the public interest criteria specified in section 124(1) of the Transport Act 2000 (as amended) which is required in order to take forward the scheme. Under the Quality Partnership Scheme the bus operators would continue to determine their own fare levels on a commercial basis, with increases in fares being limited to once per calendar year. Bus operators would continue to retain and control the fare revenues under their proposal.


*Calculation:* The population of Tyne and Wear is broadly similar to Greater Birmingham. Therefore the estimated £1,000,000 per annum (modest income generation scenario after contingency) from their report (covered in Appendix C) has been included within scenario 3. Whilst any franchising deal would need to include the wider regions served by the routes, we believe that this is the proportion of the income which Birmingham would receive. This is a provisional estimate, further detailed analysis would be required to verify actual sum likely to be realised by implementing such a scheme in the West Midlands.

4.3 Lane Rental

**Funding Type: Revenue**

4.3.1 A number of different mechanisms exist to regulate utilities, all of which are largely aimed at reducing congestion and delay associated with road works, whilst also ensuring that work carried out in reinstating the highway is of an appropriate quality and represents like for like replacement (nil detriment). These include permit schemes, coring schemes and lane rental. Out of all of the schemes nationally the TfLs Lane Rental has proven to be one of the most successful schemes and has the benefit of raising revenue money for investment in the transport network, particularly related to the regulation of traffic and measures that support the management of traffic associated with street works. This can include investment in Urban Traffic Management and Control and associated traffic systems, driver information and CCTV systems for monitoring and enforcement.

4.3.2 Lane rental schemes impose a daily charge on street works undertakers for each day during which their works occupy the highway, focused on the most critical parts of the highway network and with charges applying only at the busiest times. Their aim is to encourage those undertaking works on

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¹ Tyne and Wear has a similar population to the Birmingham City Council area
The Government considers that well-designed and well-targeted lane rental schemes, focused on the most critical parts of the highway network and with charges applying only at the busiest times, should encourage those undertaking works to carry out their works in a less disruptive manner. For example, where appropriate and consistent with protecting public safety, schemes could provide real financial incentives that encourage works promoters to:

- reduce the length of time that sites are unoccupied, hence reducing total works durations;
- improve planning, coordination and working methods to maximise efficiency;
- carry out more works outside of peak periods, reopening the highway to traffic at the busiest times (e.g. by platting over their excavations) and/or making greater use of evening or weekend working where the local environmental impact is acceptable;
- optimise the number of operatives on site to enable works to be completed as quickly as possible; and
- Complete works to the required standard first time, and with permanent reinstatement, reducing the need to return to the site to carry out remedial works.
4.3.4 The Street Works (Charges for Occupation of the Highway) (England) Regulations 2012 require that the surplus revenues, after deduction of running costs and costs of carrying out scheme evaluation, are used “for purposes intended to reduce the disruption and other adverse effects caused by street works”.

4.3.5 Transport for London introduced a scheme in June 2012. The scheme applies to 57% of TfL’s Transport for London Route Network of priority corridors.

Source:

Calculation: The area covered by the TfL scheme is broadly similar to that covered by present Birmingham Connected proposals for Bus Priority routes, the most likely candidate for a lane rental scheme to be based upon. Therefore costs and benefits are based upon the TfL report.

4.4 Alternatives to Lane Rental – Coring and Permit Schemes

4.4.1 Under a Coring scheme, road works completed by contractors are tested through core sampling to see whether they meet minimum standards set by the authority. If they do not the contractors at fault are required to fund remedial works and further inspections to rectify the issue. This scheme is currently in place in Greater Manchester and generates £5.5 million per annum in revenue. The revenue, however, is predominantly spent on covering the scheme’s overheads.

4.4.2 A Permit Scheme is similar to lane rental in being related to the management of road space and takes the form of companies booking out permits with the local authority prior to commencing works. This then enables the local authority to co-ordinate highway works in their area to minimise disruption as well as issuing penalty notices should a scheme over-run. Whilst the permitting process generates some revenue, current legislation dictates that it cannot be greater than the costs.

4.4.3 For the purposes of this report we have therefore considered lane rental, as this secures the greatest contribution to the investment programme, particularly in relation to the complementary initiatives associated with the management of traffic.

4.5 Bus Lane Enforcement

Funding Type: Revenue

4.5.1 Civil enforcement of bus lanes is enabled under the provisions of the Transport Act 2000. One of the prerequisites for a local authority wishing to introduce civil enforcement of penalties for bus lane contraventions is that the local authority should have acquired (or applied for) civil (formerly known as decriminalised) parking enforcement (CPE) powers. This is to ensure that authorities are taking a comprehensive approach to enforcement. An authority cannot be approved for bus lane enforcement unless an order has been made designating all or part of its area as a permitted or special parking zone. Birmingham City Council already operates a civil enforcement regime for parking.

4.5.2 Section 144 of the Transport Act 2000 provides the necessary powers to enable the Secretary of State by regulation to make provision for the imposition of penalty charges in respect of bus lane contraventions, and the payment of such penalty charges. Section 144 also includes the following key provisions that are relevant to authorities outside London:

a) only County Councils, Metropolitan District Councils and Unitary Authorities with decriminalised parking enforcement powers can be given approval to use these enforcement powers;

b) it defines, for the purpose of the Act, what constitutes a bus lane;

c) it provides for the setting, administering and application of penalty charge notices;
d) a penalty charge can be imposed only on the basis of a record produced by an appropriate device, which means an approved unattended camera enforcement system or approved equipment for recording the evidence from attended camera systems; and
e) there can be no double jeopardy for the same contravention between any criminal proceedings by police (including by a fixed penalty notice) and a bus lane contravention.

4.5.3 Revenue raised from extending bus lane enforcement penalty charge notices should initially be used to recover the costs of setting up, operating and maintaining the extended bus lane enforcement scheme. Any surplus revenue raised should be spent in accordance with regulation 36 of the Bus Lane Contraventions (Penalty Charges, Adjudication and Enforcement) (England) Regulations 2005. The purposes set out are:

a) returning to the general fund any money provided to cover a deficit in the bus lane enforcement account in the four years immediately before the financial year in question;
b) meeting costs incurred, by the authority or some other person, to provide or operate public transport services or facilities; and
c) highway improvements in the authority’s area.

Source: http://www.bbc.co.uk/news/uk-england-birmingham-28791608

Calculation: Birmingham City Council expected to raise £1.7m-£3.5m per annum from increased enforcement of its existing lanes. We have taken the middle point of this estimate. Also, whilst normally bus lane enforcement revenue tapers away as people learn the network, for the initial phases of Birmingham Connected we have assumed a constant stream as people avoiding areas are offset by the expansion of bus lane enforcement in conjunction with the development of the Sprint and CityLink networks (and the Metro, to a lesser extent).

4.6 Business Improvement District

Funding Type: Revenue

4.6.1 A Business Improvement District (BID) is the term given to a local authority and business community partnership that develops and takes forward projects and services that benefit the trading environment and public realm. BIDs are essentially driven by the local planning authority and are an investment in the environment through the provision of added value services. The nature of the investment is defined by the BID partners as a response to local needs. BIDs can provide an ongoing funding stream for sustainable transport measures which could increase accessibility to the area while improving the local environment. They also provide equality among businesses in an area by ensuring that all companies benefiting from improvements to the public realm share the cost. Further information on Business Improvement Districts is set out in Appendix D.
4.7 Retention of additional Business Rates locally (Tax Incremental Financing)

**Funding Type:** Revenue from business rates

4.7.1 Business rates are charged on most non-domestic properties. The income generated goes back to central Government. However, within Enterprise Zones and designated locations the money raised can go to the local authority (BCC) for investment in local services to support the Enterprise Zone, including transport. One additional location where this stream is being considered is in the implementation of Curzon Street HS2 station where business rates raised by the development could be used to part fund infrastructure and ongoing accessibility enhancements (Bus/Metro Services) to the area.

*Source: https://www.gov.uk/introduction-to-business-rates/overview*

4.8 Metro

Funding Type: Revenue from fares from new lines on the Metro

4.8.1 The Midland Metro is currently operated on franchise by National Express West Midlands who have recently reported that it is making a profit. Following discussions with Centro we understand that future extensions to the system will be procured through Gross Price Contracts, with excess revenue being ring fenced to part finance the extensions, with funding already identified against planned metro extensions and developments.
5 Scenario 4a and 4b New Forms of Taxation

5.1.1 These scenarios consider the potential revenue that could be raised from the introduction of new local taxation measures in Birmingham, drawing from experience in Nottingham (Work Place Parking Levy) and in France (Employee Transport Levy) or increased business rates within Birmingham, with finance raised ring fenced towards investment in transport.

5.2 Scenario 4a: Workplace Parking Levy

**Funding Type: Revenue from Levy**

5.2.1 An example of such a scheme is the Nottingham Workplace Levy Scheme, introduced in Nottingham in April 2012. A Workplace Parking Levy (WPL) is a congestion charging scheme which imposes a charge on employers that provide workplace parking over an agreed threshold. The flagship (and sole) WPL scheme in the country, introduced by Nottingham City Council, currently charges employers (both public and private sector) £334 per parking space for car parks with 11 spaces or more.

5.2.2 Estimates suggest that Birmingham currently has a private non-residential (parking associated with private business) parking stock of an estimated 62,350 across the city, 15,050 of which are in the City Centre, with an additional quantum to be delivered as part of the future development of the city centre. Greater control and management of PNR parking is therefore required. A WPL scheme has the potential to deliver substantial revenue. Adopting a similar pricing structure as the successful Nottingham Workplace parking levy scheme could generate funding of approximately £23,323,200 per annum that could be ring fenced and invested back into Birmingham Connected. Furthermore, future revenue from the scheme, for example over a five or ten year period, could be leveraged or borrowed from the private capital market to create a substantial fund of tens of millions of pounds that could in turn lever additional match funding from both domestic and European sources, creating a significant fund for alternative transport measures. For the purposes of the this report, however, we have only included the core funding as there will be potential duplication with other funding sources already identified in relation to leveraged monies. More details can be found in Appendix D.

**Calculation:** In the City Centre a previous study established that there were between 11,500 and 34,500 spaces to which a parking levy might be applicable. For the purpose of Birmingham Connect, we have taken the preceding study’s medium base scenario figure of 21,000 City Centre spaces. In the remainder of the City we have estimated 1 space for every 5 jobs, giving 47,300 spaces in the wider City. From these, we have applied a charge of £334 (same as Nottingham) to the out-of-centre spaces and a premium of £500 in the City Centre Green Travel Zone. This makes for £10,500,000 of potential funds from the City Centre and £15,798,200.00 from the rest of the City, for a total of £26,298,200.00 per annum across the whole area.

**Source:** [http://www.birmingham.gov.uk/carparkingspd](http://www.birmingham.gov.uk/carparkingspd)

5.3 Scenario 4b: Corporate (Employee) Transport Levy or additional Business Rates (ring-fenced)

**Funding Type: Revenue from Levy or Business Rates**

5.3.1 Alongside an increase in the number of BIDs in Birmingham being considered, and as part of a Service Review Green Paper looking at which services Birmingham City Council may support, and
potentially increase, investment into transport priorities and a long-
term urban mobility strategy through a new system of Government-agreed employee tax models.

5.3.2 Under this scenario, companies would pay a proportion of their employees’ wages into a ‘pot’ specifically for spending on transport schemes. This would ensure that companies based in larger conurbations such as Birmingham support the operation and investment costs of their operations not covered by their own revenue accounts.

5.3.3 The current leader in this concept is France, where the ‘Versement Transport’ system was introduced in the early 2000s. This enables local government to raise funding from employers of over 10 employees for investment in the transport system, based upon 0.5-1.8% of the gross wages of the employees. In 2010 nearly 40% of the operation cost of the network was paid through these means, as well as enabling loans to be taken out for large schemes with pay-back funded from the levy.

5.3.4 Introducing this concept would require legislation at a national level to enable its introduction as presently there’s no allowance for such methods in UK policy. The alternative would simply be to increase the business rates at a level that would generate similar funds, ensuring that the monies raised was ring fenced for investment in infrastructure (transport in particular) to support the economy.

Source: Average Earnings – Resident Analysis

Calculation: The potential finance unlocked by this concept is 1.8% of the £ 7,003,152,000 (gross) earned by people working for companies of over 10 employees in Birmingham each year. This figure is reached by multiplying the average annual pay for working in Birmingham of £22,620 by the number of jobs in Birmingham created by companies with over 10 employees, which is 309,600. This latter figure was reached through analysis of ONS data.

5.4 Other Funding Streams

5.4.1 In undertaking this work we have considered a number of alternative funding mechanisms, but with this baseline report focusing on establishing the existing funding situation and then considering the potential revenue that could be raised from funding streams that are currently being considered and/or have been realised elsewhere within the UK and/or within Europe.

5.4.2 It will be important to consider further and in more detail funding and finance options. To identify the preferred approach requires consultation with the business community, stakeholders and local people. In addition further and more detailed work should be undertaken to consider whether further finance could be secured from investors (pension funds etc) and the private sector.

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Appendices
Appendix A  Use of Parking Income

6.1 Legislation

6.1.1 The key pieces of legislation are listed below, in chronological order:

- Road Traffic Regulation Act 1984
- Road Traffic Act 1991
- Local Authorities’ Traffic Orders (England and Wales) Regulations 1996 (SI 1996/2489)
- Civil Enforcement of Parking Contraventions (England) General Regulations 1997
- Traffic Management Act 2004
- Civil Enforcement of Parking Contraventions (Guidelines on Levels of Charges) (England) Order 2007 (SI 2007/3487)

6.2 Setting Level of Parking Charge

6.2.1 The 1984 Act does not place any express restriction on the level of charges that may be set for parking in a designated space. The charge must be prescribed by the designation order or separate order made by the authority and can be either an “initial charge” for a certain period followed by an “excess charge” or an amount payable regardless of the period for which a vehicle is left. There are guidelines for setting the level of penalty charges but these are not mandatory.

6.3 Limitation on Use of Parking Revenue

6.3.1 A local authority must keep an account of its income and expenditure in respect of designated parking places. At the end of each financial year, any deficit in the account shall be made good out of the general fund and any surplus must be either carried forward to the following year or applied for all of any of a number of specific purposes, as follows:

i. The making good to the general fund of any amount charged to that fund in relation to parking in the preceding four years;

ii. Meeting all or any part of the cost of the provision and maintenance by the local authority of off-street parking accommodation, whether in the open or under cover;

iii. Making contributions to other local authorities, or to other persons towards the cost of the provision and maintenance by them, in the area of the local authority or elsewhere, of off-street parking accommodation; and

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2 1984 Act, s.46(1) and (1A)
3 Civil Enforcement of Parking Contraventions (Guidelines on Levels of Charges) (England) Order 2007 (SI 2007/3487)
4 1984 Act, s.55
5 1984 Act, s.55(2)
6 1984 Act, s.55(4), as amended by the Traffic Management Act 2004, s.95
iv. Where it appears to the local authority that the provision in its area of further off-street parking accommodation is unnecessary or undesirable then the funds can be used for the following purposes -

- Meeting costs incurred, whether by the local authority or by some other person, in the provision or operation of, or of facilities for, public passenger transport services;
- The purposes of a highway or road improvement project in the local authority's area;
- In the case of a London authority, meeting costs incurred by the authority in respect of the maintenance of roads maintained at the public expense by them;
- The purposes of environmental improvement in the local authority's area; and
- In the case of such local authorities as may be prescribed, any other purposes for which the authority may lawfully incur expenditure;

6.3.2 Surpluses may be carried forward indefinitely until they are applied to projects that fall within the specific statutory purposes.

6.4 Case Law

6.4.1 In the context of the 1984 Act, the High Court has stated that the purpose of the Act is: “the expeditious, convenient and safe movement of traffic and the provision of suitable and adequate parking facilities on and off the highway” (R v. London Borough of Camden (ex parte Cran) [1995] RTR 346 at 360 per McCollough J).

6.4.2 In particular, it is “not a revenue raising Act” (Cran at 365D) and “is not a fiscal measure” (Cran at 360J). Furthermore, local authorities, in determining charges to be made in pursuance of the designation of parking places, should not have regard to the manner in which the Act permits any resulting surplus to be spent (Cran at 365D-F).

6.4.3 The principles in Cran were approved by Scott Baker J in R v. The Parking Adjudicator (ex parte the London Borough of Bexley) [1998] RTR 128.

6.5 Conclusion

6.5.1 The power to make charges for parking is defined by law to be for “relieving or preventing congestion of traffic”. It is illegal for local authorities to set charges in order to provide a source of revenue for other activities, even if the money raised is used to fund transport provision. The level of charges must be based solely on the need to manage parking; if that level generates a surplus then it may be used for other purposes. There are also more general powers to manage parking for safety and amenity but these do not permit charging.
Appendix B: Section 55 of the Road Traffic Regulation Act 1984 (as amended)


1) A local authority shall keep an account of their income and expenditure in respect of parking places [F1 for which they are the local authority and which are—

   a) in the case of [F2 in the case of] the council of a London borough and the Common Council of the City of London, parking places on the highway; and

   b) in the case of any other authority, designated parking places.]

2) At the end of each financial year any deficit in the account shall be made good out of the [F3 general fund][F4 or, in Wales, council fund], and (subject to subsection (3) below) any surplus shall be applied for all or any of the purposes specified in subsection (4) below and, in so far as it is not so applied, shall be appropriated to the carrying out of some specific project falling within those purposes and carried forward until applied to carrying it out.

3) If the local authority so determine, any amount not applied in any financial year, instead of being or remaining so appropriated, may be carried forward in the account kept under subsection (1) above to the next financial year.

   [F5(3A)[F6 Transport for London,] The council of each London borough and the Common Council of the City of London shall, after each financial year, report to the [F7 Secretary of State] on any action taken by them, pursuant to subsection (2) or (3) above, in respect of any deficit or surplus in their account for the year.

   (3B) The report under subsection (3A) above shall be made as soon after the end of the financial year to which it relates as is reasonably possible.]

4) The purposes referred to in subsection (2) above are the following, that is to say—

   a) the making good to the [F8 general fund][F4 or, in Wales, council fund] of any amount charged to that fund under subsection (2) above in the 4 years immediately preceding the financial year in question;

   b) meeting all or any part of the cost of the provision and maintenance by the local authority of [F9 off-street parking accommodation, whether in the open or under cover.];

   c) the making to other local authorities, F10... or to other persons of contributions towards the cost of the provision and maintenance by them, in the area of the local authority or elsewhere, of [F9 off-street parking accommodation, whether in the open or under cover.];

   d) [F11 if it appears to the local authority that the provision in their area of further off-street parking accommodation is unnecessary or undesirable, the following purposes—

      i. meeting costs incurred, whether by the local authority or by some other person, in the provision or operation of, or of facilities for, public passenger transport services,
ii. the purposes of a highway or road improvement project in the local authority's area,

iii. in the case of a London authority, meeting costs incurred by the authority in respect of the maintenance of roads maintained at the public expense by them,

iv. the purposes of environmental improvement in the local authority's area,

v. in the case of such local authorities as may be prescribed, any other purposes for which the authority may lawfully incur expenditure;

e) in the case of a London authority, meeting all or any part of the cost of the doing by the authority in their area of anything—

i. which facilitates the implementation of the London transport strategy, and.

ii. which is for the time being specified in that strategy as a purpose for which a surplus may be applied by virtue of this paragraph;

f) in the case of a London authority, the making to any other London authority of contributions towards the cost of the doing by that other authority of anything towards the doing of which in its own area the authority making the contribution has power—

i. to apply any surplus on the account required to be kept under subsection (1) above; or

ii. to incur expenditure required to be brought into that account.

[(4A) For the purposes of subsection (4)(d)(ii)—

a) a highway improvement project means a project connected with the carrying out by the appropriate highway authority (whether the local authority or not) of any operation which constitutes the improvement (within the meaning of the Highways Act 1980) of a highway in the area of a local authority in England or Wales; and

b) a road improvement project means a project connected with the carrying out by the appropriate roads authority (whether the local authority or not) of any operation which constitutes the improvement (within the meaning of the Roads (Scotland) Act 1984) of a road in the area of a local authority in Scotland.]

[(4B) For the purposes of subsection (4)(d)(iv) “environmental improvement” includes—

a) the reduction of environmental pollution (as defined in the Pollution Prevention and Control Act 1999 (c. 24); see section 1(2) and (3) of that Act);

b) improving or maintaining the appearance or amenity of—

i. a road or land in the vicinity of a road, or

ii. open land or water to which the general public has access; and

c) the provision of outdoor recreational facilities available to the general public without charge.

(4C) Regulations for the purposes of subsection (4)(d)(v) above—

a) may prescribe all local authorities, particular authorities or particular descriptions of authority,
b) may make provision by reference to whether the authority or authorities in question have been classified for the purposes of any other enactment as falling or not falling within a particular category, and

c) may make provision for the continued application of that provision, in prescribed cases and to such extent as may be prescribed, where an authority that is prescribed or of a prescribed description ceases to be so.

Amendments to 1984 Act Incorporated Above

F1 Words in s. 55(1) substituted (5.7.1993, 4.10.1993, 6.12.1993, 31.1.1994, 5.4.1994 and 4.7.1994 respectively for specified London boroughs and otherwise prosp.) by Road Traffic Act 1991 (c. 40, SIF 107:1), s. 81, Sch. 7 para. 5(2); S.I. 1993/1461, art. 3(1)(e)(f); S.I. 1993/2229, art. 3(e)(f); S.I. 1993/2803, art. 2(e)(f); S.I. 1993/3238, art. 2(e)(f); S.I. 1994/81, art. 3(e)(f); S.I. 1994/1482, art. 2(a), Sch.; S.I. 1994/1484, art. 2(a)

F2 Words in s. 55(1)(a) inserted (3.7.2000) by 1999 c. 29, s. 282(2) (with Sch. 12 para. 9(1)); S.I. 2000/801, art. 2, Sch.

F3 Words substituted by Local Government Finance Act 1988 (c. 41, SIF 81:1, 103:2), s. 137, Sch. 12 Pt. III para. 42(1)–(3)

F4 Words in s. 55(2)(4)(a) inserted (1.4.1996) by 1994 c. 19, s. 22(1), Sch. 7 Pt. II para. 38(6)(a) (with ss. 54(5)(7), 55(5), Sch. 17 paras. 22(1), 23(2)); S.I. 1996/396, art. 3

F5 s. 55(3A)(3B) inserted (5.7.1993, 4.10.1993, 6.12.1993, 31.1.1994, 5.4.1994 and 4.7.1994 respectively for specified London boroughs and otherwise prosp.) by Road Traffic Act 1991 (c. 40, SIF 107:1), s. 81, Sch. 7 para. 5(3); S.I. 1993/1461, art. 3(1)(e)(f); S.I. 1993/2229, art. 3(e)(f); S.I. 1993/2803, art. 2(e)(f); S.I. 1993/3238, art. 2(e)(f); S.I. 1994/81, art. 3(e)(f); S.I. 1994/1482, art. 2(a), Sch.; S.I. 1994/1484, art. 2(a)

F6 Words in s. 55(3A) inserted (3.7.2000) by 1999 c. 29, s. 282(3)(a) (with Sch. 12 para. 9(1)); S.I. 2000/801, art. 2, Sch.

F7 Words in s. 55(3A) substituted (3.7.2000) by 1999 c. 29, s. 282(3)(b) (with Sch. 12 para. 9(1)); S.I. 2000/801, art. 2, Sch.

F8 Words substituted by Local Government Finance Act 1988 (c. 41, SIF 81:1, 103:2), s. 137, Sch. 12 Pt. III para. 42(1)–(3)

F9 Words in s. 55(4)(b) and (c) substituted (1.11.1991) by New Roads and Street Works Act 1991 (c. 22, SIF 59, 108), s. 168(1), Sch. 8 para. 46(2); S.I. 1991/2286, art. 2(2), Sch. 2; S.I. 1991/2288, art. 3, Sch.

F10 Words in s. 55(4)(c) repealed (1.10.1991) by Road Traffic Act 1991 (c. 40, SIF 107:1), ss. 81, 83, Sch. 7, para. 5(4), Sch. 8; S.I. 1991/2054, art. 3, Sch.
F11 s. 55(4)(d) substituted (E.W.) (4.10.2004 for E. and 26.10.2006 for W.) by Traffic Management Act 2004 (c. 18), ss. 95(2), 99 (with s. 38); S.I. 2004/2380, art. 2(f); S.I. 2006/2826, art. 2(d)

F12 S. 55(4A) inserted (1.11.1991) by New Roads and Street Works Act 1991 (c. 22, SIF 59, 108), s. 168(1), Sch. 8 para. 46(4); S.I. 1991/2288, art. 3, Sch.

F13S. 55(4B)(4C) inserted (4.10.2004 for E. and 26.10.2006 for W.) by Traffic Management Act 2004 (c. 18), ss. 95(3), 99 (with s. 38); S.I. 2005/2380, art. 2(f); S.I. 2006/2826, art. 2(d)
8 Appendix C Tyne and Wear Proposed Quality Contract Scheme

8.1 Financial Modelling Methodology

8.1.1 The method used by Nexus to consider the affordability of any proposed Quality Contract scheme comprised a spreadsheet based modelling tool that allows the user to estimate the effect of changing key factors that affect bus ridership. It calculates the impact on both the number of people wishing to travel and the amount of income earned from travellers resulting from possible changes to fare structures and pricing strategies, demographics and other factors.

8.1.2 It is based on the National Bus Model which is an established transport model, developed by The TAS Partnership Ltd and used by Department for Transport (DfT) and the Commission for Integrated Transport. Nexus has produced its own modified version of the National Bus Model to take account of additional information.

8.1.3 The model estimates the annual revenue within the Tyne and Wear bus market by using information on patronage levels and fare revenue from a Fares model which is validated against the annual accounts of the three main bus operators in Tyne and Wear. The model then estimates the annual costs within the Tyne and Wear bus market by using unit costs derived from information supplied by The TAS Partnership Ltd that take account of driver pay rates, fuel and maintenance costs. The unit costs are estimated both for each operating hour and annually for each vehicle type. These derived unit costs are then applied to the existing network to establish a total cost of provision. These cost estimates are also validated against the annual accounts of the three main bus operators.

8.1.4 Demographic information was sourced from information made available by the Department for Transport (DfT) in ‘The National Trip End Model forecasts and TEMPro (Trip End Model Presentation Program). The forecasts include population, employment, households by car ownership, trip ends and simple traffic growth factors based on data from the National Transport Model.

8.1.5 The model uses inflation forecasts which have been supplied by the Centre for Economics and Business Research. Finally, the model takes account of historical cost information published by the Confederation for Passenger Transport UK (CPT UK publishes a 6-monthly historical cost index for the bus and coach industry using figures supplied by volunteer member companies in each region).

8.1.6 The inputs set out above were supplemented with Nexus’ own information on existing expenditure on secured bus services, and how the QCS would impact the existing staffing and support costs within Nexus.

8.2 Modelled Impacts on Patronage

8.2.1 The main areas which Nexus has modelled as having an impact on the level of patronage are:

- the level of fares charged;
- the level of service provided;
- the impact of underlying demographics; and
- the impact of ‘soft measures’
Nexus used The ‘Black Book’ (research published by TRL Limited for the DfT that sets out suggested transport elasticities) to help assess the likely impact of proposed changes.

Within the Quality Contract proposal, average fare increases are capped at the level of the Retail Prices Index (RPI). The ‘Black Book’ suggests that this would have a neutral impact on the level of demand from the market; however, the Quality Contract proposal does introduce a 2.5% reduction in the average fare charged from the outset; which has been modelled and is forecast to lead to an increase in demand at the start of the Quality Contract.

The Quality Contract proposal is seeking to increase bus network operating hours by 2%. It does not specify where the growth in the network would occur, and therefore has not been included in any estimate of resulting impact on demand. The impact of changes to the underlying population across various age bands, together with forecast levels of car ownership and employment have been modelled using elasticity values from the ‘Black Book’.

Nexus refer to ‘The Role of Soft Measures in Influencing Patronage Growth and Modal Split in the Bus market in England’ published by DfT in 2009 which suggests that the introduction of various initiatives such as simplified ticketing, real time information and passenger displays have a measurable benefit to patronage. Nexus carried out its own local market research to confirm the DfT’s findings in a local context. The Quality Contract proposal would introduce simplified ticketing and a unified customer charter, and hence the modelling includes to an estimated uplift in demand in line with the recommendations in the DfT report.

Contingencies

The Quality Contracts will be let on a gross cost basis. The proposal is that the ITA will determine the fare structure and pricing approach to ensure integration and therefore will also retain risk in respect of fare revenue.

The model contains Nexus’s estimates of initial set up costs covering the procurement and implementation of quality contracts, and an on-going level of additional resourcing to manage those contracts. Nexus made assumptions over the available levels of public subsidy, funded through the ITA levy on Tyne and Wear local authorities. Further discussions with the ITA and the Tyne and Wear local authorities are to be undertaken to refine the assumptions. Nexus acknowledge that whilst level of Bus Service Operators Grant (BSOG) will continue at the current level for the immediate future there is a risk over the longer term that government may review the level of BSOG.

The model includes a risk contingency of £78m (equal to approximately 5% of the total cost) which has been allocated over the proposed ten-year life of the Quality Contract scheme. Alternative scenarios were tested using different assumptions for key factors (including inflation, unit costs, and demand). In 80% of those scenarios, the risk contingency was sufficient to cover additional cost. In the event that the risk contingency is not sufficient to cover additional costs, the contracts set out under the Quality Contract proposal allow for 10% of bus hours to be varied. This introduces the option of reducing expenditure by between £14m-£18m in extreme circumstances. On that basis, Nexus consider that the scheme is affordable.

The four main categories of risks covered by the contingency are:

(a) Fare revenue: due to the absence of any revenue data being provided by existing Operators the fare revenue is based on estimates from passenger surveys. Approximately £36m has been included to mitigate this risk;
(b) Inflation risk: the Quality Contract proposal contains 10 years of inflation forecasts provided to ATOC (the Association of Train Operating Companies) members by the Centre for Economic and Business Research. Nexus has allocated £30m across to cover for any variance to these forecasts;

(c) Employees: feedback from trades unions suggests that there will be an element of transitional risk attached to the letting of Quality Contracts. For example, disruption caused to current employees may require compensatory payments. In order to mitigate against these risks Nexus has allocated £7m across the first two years; and

(d) Cross boundary collaboration: concern has been expressed during informal dialogue of effects on routes that do not enter the Quality Contract area but which interwork with, or are in some other way dependent on cross boundary routes. The concern is that the routes which do not enter the area are left uneconomic and therefore reduced or cancelled, or depots outside Tyne and Wear are left with insufficient critical mass to make the routes viable. £5m has been allocated to cater for the risk of providing stability and protection to services in Northumberland and Durham from adverse consequences as a result of the award of Quality Contracts.

8.4 Summary of Results

8.4.1 The scheme proposes to reduce average fares by 2.5% from the outset and increase network operation hours by 2%. The scheme revenue is forecast to exceed costs by around £79m over 10 years, however around £78m of this has been allocated to contingencies.
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Appendix D Business Improvement District (BID), Corporate and Workplace Parking Levy (WPL)

9.1.1 A BID is the term given to a local authority and business community partnership that develops and takes forward projects and services that benefit the trading environment and public realm. BIDs are essentially driven by the local planning authority and are an investment in the environment through the provision of added value services. These can include additional street cleaning, environmental enhancement, security and transportation improvements. The nature of the investment is defined by the BID partners as a response to local needs. BIDs can provide an on-going funding stream for sustainable transport measures which could increase accessibility to the area while improving the local environment. They also provide equality among businesses in an area by ensuring that all companies benefiting from improvements to the public realm share the cost.

9.1.2 Birmingham residents are being asked to take part in a review of council services, via the release of a suite of green papers covering all the services it currently provides, which started in September 2013. BCC believe that in the face of unprecedented financial challenge they must be more radical in their approaches to secure both improvements in the support for the economy and savings for the city council. This will be achieved through the development of new tools and methods to generate income to support the economy, particularly by looking to the beneficiaries of interventions to provide support. One such tool BCC favour is supporting, and potentially increasing, investment into sector priorities through an expansion of more BIDs in the city, working on the premise that to generate income and support the economy, the beneficiaries of interventions in these areas should provide support to their implementation.

9.1.3 Alongside an increase in the number of BIDs in the city being considered as part of a service review Green Paper, BCC wish to support, and potentially increase, investment into transport priorities and a long-term urban mobility strategy through a new system of Government-agreed employee tax models. This would emulate models that have been successfully developed across Europe and provide long-term investment for key infrastructure developments.

9.1.4 Such a model has been in place in France since the early 2000’s through the Versement transport (VT) scheme. VT is a local tax levied on the total gross salaries of all employees of companies of more than nine employees, originally ring fenced to raise capital for investment in local public transport infrastructure, but more and more used to cover its operating expenses. The tax is levied on the employer, not the employee directly. The money is directed to the Urban Regional Transport Authority, the local government authority responsible for organising public transport. In 2010, this tax financed nearly 40% of the operational cost for the public transport network of the Paris Metropolitan region.

9.1.5 A similar scheme closer to home is the Nottingham Workplace Levy Scheme, introduced in Nottingham in April 2012. A Workplace Parking Levy (WPL) is a congestion charging scheme which imposes a charge on employers that provide workplace parking over an agreed threshold. The flagship (and sole) WPL scheme in the country, introduced by Nottingham City Council (NCC), currently charges employers (both public and private sector) £334 per parking space for car parks with 11 spaces or more.

9.1.6 Two options were considered for Nottingham, a WPL or a road user charging scheme (RUC). Whilst the RUC was anticipated to have a greater impact on reducing congestion, NCC did not believe it was is realistic to consider a RUC scheme for Nottingham until technology was further developed and pilot schemes or best practice delivered a “national standard” accompanied by clearer guidance is available from the Government. The defeat of the proposed congestion charging scheme in
Manchester in 2008 also saw similar schemes across the country shelved indefinitely. Political will at a national level for similar schemes to the London congestion charge has waned, with attention shifting to controlling the worst polluting vehicles through emissions monitoring or LEZ’s.

9.1.7 NCC had a clear vision of what is required to create a progressive, sustainable city. Its vision for transport was central to this by generating a package of proposals to encourage economic growth while controlling traffic growth. Whilst the WPL charge started off as a highly contentious scheme, Nottingham City Council set a robust rationale in line with their vision for development and transport in the city:

- New developments need to be made accessible by public transport and this will require major public investment.
- Building more roads is not a viable option because of land and environmental constraints, public acceptability and the resultant traffic growth—car use needs to be restrained.
- It is now widely recognised that incentives alone will not be enough to reduce car use in line with national objectives on air quality and traffic/casualty reduction. Charging would not only encourage more sustainable travel choice but also raise revenue to support public transport alternatives.

9.1.8 NCC argued that as congestion is worst at rush hours when people are going to and from their workplaces and when the best alternative options are available it is reasonable for businesses to pay towards improving those alternative options from which they will benefit most.

9.1.9 Nottingham City Council’s strategic objective for WPL is to speed up progress towards meeting LTP targets by generating:

- A financially efficient scheme which will produce the required revenue stream whilst keeping operating costs low.
- Contribution to a package of measures aimed at managing congestion, particularly at peak times.
- A practical charging scheme able to be implemented relatively early.
- A scheme which can be made acceptable to the general public and the business community.
- Minimal technological risk, road building and large scale traffic management.
- A flexible scheme capable of treating groups with special needs differently.

9.1.10 Approximately 2,500 eligible employers have complied with the Levy since it came into effect in April 2012, contributing just under £8m towards local transport investment in the first year. The WPL also helps to lever in £3 of government funding for every £1 from the levy and once the schemes it funds are complete, it will deliver £10 of economic benefits to the city for every £1. It’s predicted that together with tram, train and bus improvements, the WPL will help reduce traffic growth from 15% to 8% and reduce annual car journeys by 2.5 million by 2015 in Nottingham.

9.1.11 Many were concerned that WPL would put businesses off from investing in Nottingham or drive existing businesses away. However 99% of all identified workplace parking places were licensed in the first licensing period (2012) and 86% of employers renewed their licenses for the next licensing period (2013). 2012 (year of introduction of the WPL) also saw the highest number of companies that NCC has supported moving to the city for over five years.
Estimates suggest that the city centre currently as a whole has a private non-residential (parking associated with private business) parking stock of between 20,000 and 40,000 vehicles. Evidence to refine this number further is limited, a situation consistent across many local authorities in the UK.

Working on a similar pricing structure as the successful Nottingham Workplace parking levy scheme,

- Low PNR base: 25% of spaces in scope for levy: 11,500 car parking spaces liable for the levy
- Medium PNR base: 50% of spaces in scope for levy: 21,000 car parking spaces liable for the levy
- High PNR base: 75% of spaces in scope for the levy: 34,500 private nonresidential spaces liable for the levy
- £334 per parking space – current cost per space for the financial year 2013/14, an increase of 16% from £288 in 2012/13.
- Low PNR base – generate revenue of £3,841,000 per annum
- Medium PNR base – generate revenue of £7,014,000 per annum
- High PNR base – generate revenue of £11,523,000 per annum.

Whilst the figure presented above can be considered broad brush and a number of additional factors will need to be considered in greater detail (cost of implementing and managing the scheme(s), potential indexation of charging etc.) It is clear with a private non-residential parking stock of between 20,000 and 40,000 spaces, with an additional quantum to be delivered as part of the future development of the city centre greater control and management of PNR parking is required. Therefore the concept of a workplace parking levy needs careful and detailed examination so as to deliver two fold benefits.

The first, in purely financial terms in these times of austerity, is such a scheme could generate substantial revenue of between £4 and £12 million per annum that could be ring fenced and invested back in to the city centre transport system. Alternatively future revenue from the scheme for a five or ten year period could be leveraged or borrowed from the private capital market to create a substantial fund of tens of millions of pounds that could in turn lever additional match funding from both domestic and European sources, creating a significant fighting fund for alternative transport measures in the city centre.
10 Appendix E- Capital Spend and Revenue Stream Summaries

10.1.1 As discussed in the main text, each scenario’s funding total is divided into constituent parts. The contribution of these parts over each twenty year scenario is illustrated in the series of graphs below, both in monetary totals and percentage totals.
Scenario 1 Funding Sources (Percentage Split)

- Centro Advertising Revenue
- BCC Parking Revenue
- Developer Contribution
- European Structural Funds
- Integrated Transport Block-Centro
- Challenge Funds
- Integrated Transport Block-BCC
- LGF Streams
Scenario 2 Funding Sources (Values in £ Millions)

- Additional Sponsorship
- Ten Year Transport Investment Fund
- Centro Advertising Revenue
- BCC Parking Revenue
- Developer Contribution
- European Structural Funds
- Integrated Transport Block-Centro
- Challenge Funds
- Integrated Transport Block-BCC
- LGF Streams

Scenario 2 Funding Sources (Percentage Split)

- Additional Sponsorship
- Ten Year Transport Investment Fund
- Centro Advertising Revenue
- BCC Parking Revenue
- Developer Contribution
- European Structural Funds
- Integrated Transport Block-Centro
- Challenge Funds
- Integrated Transport Block-BCC
- LGF Streams
Scenario 3 Funding Sources (Values in £ Millions)

- Bus Fares & Lane Rental
- Additional Sponsorship
- Ten Year Transport Investment Fund
- Centro Advertising Revenue
- BCC Parking Revenue
- Developer Contribution
- European Structural Funds
- Integrated Transport Block-Centro
- Challenge Funds
- Integrated Transport Block-BCC
- LGF Streams

Scenario 3 Funding Sources (Percentage Split)

- Bus Fares & Lane Rental
- Additional Sponsorship
- Ten Year Transport Investment Fund
- Centro Advertising Revenue
- BCC Parking Revenue
- Developer Contribution
- European Structural Funds
- Integrated Transport Block-Centro
- Challenge Funds
- Integrated Transport Block-BCC
- LGF Streams
Scenario 4a Funding Sources

- £500.00
- £1,000.00
- £1,500.00
- £2,000.00
- £2,500.00

- Workplace Parking Levy
- Bus Fares & Lane Rental
- Additional Sponsorship
- Ten Year Transport Investment Fund
- Centro Advertising Revenue
- BCC Parking Revenue
- Developer Contribution
- European Structural Funds
- Integrated Transport Block-Centro
- Challenge Funds
- Integrated Transport Block-BCC
- LGF Streams

Scenario 4a Funding Sources (Percentage Split)

- 0.00%
- 10.00%
- 20.00%
- 30.00%
- 40.00%
- 50.00%
- 60.00%
- 70.00%
- 80.00%
- 90.00%
- 100.00%

- Workplace Parking Levy
- Bus Fares & Lane Rental
- Additional Sponsorship
- Ten Year Transport Investment Fund
- Centro Advertising Revenue
- BCC Parking Revenue
- Developer Contribution
- European Structural Funds
- Integrated Transport Block-Centro
- Challenge Funds
- Integrated Transport Block-BCC
- LGF Streams
Scenario 4b Funding Sources (Values in £ Millions)

- Corporate Levy
- Bus Fares & Lane Rental
- Additional Sponsorship
- Ten Year Transport Investment Fund
- Centro Advertising Revenue
- BCC Parking Revenue
- Developer Contribution
- European Structural Funds
- Integrated Transport Block-Centro
- Challenge Funds
- Integrated Transport Block-BCC
- LGF Streams

Scenario 4b Funding Sources (Percentage Split)

- Corporate Levy
- Bus Fares & Lane Rental
- Additional Sponsorship
- Ten Year Transport Investment Fund
- Centro Advertising Revenue
- BCC Parking Revenue
- Developer Contribution
- European Structural Funds
- Integrated Transport Block-Centro
- Challenge Funds
- Integrated Transport Block-BCC
- LGF Streams
This Report Has Been Prepared by the Birmingham Connected Technical Study Group

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