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| London Councils’ TEC Executive Sub Committee |
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| Borough Transport Funding | Item no: | 04 |
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| Report by: | Jennifer Sibley | Job title: | Principal Policy Officer |
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| **Summary** | This report provides members with background information on Local Implementation Plan funding and engagement London Councils has undertaken with TfL on the development of a new Mayor’s Transport Strategy and LIP implementation funding.  |
| **Recommendations** | Members are asked to note and discuss the report. |

**Introduction**

1. Each Mayor of London develops their own Mayor’s Transport Strategy (MTS). Boroughs are then required to develop a Local Implementation Plan (LIP) as to how they will deliver the MTS in their area. TfL provides boroughs with LIP funding in recognition that the MTS cannot be delivered without borough action.
2. LIP funding is used by boroughs to deliver a range of local improvements. These include initiatives on road and cycle safety; improving road layouts such as through roundabout design; schemes to improve town centres; lowering pavement curbs to make them more accessible for wheelchair users; cycle parking; pedestrian crossings and 20mph zones.
3. The LIP funding associated with MTS1 was heavily focused on bidding for multiple funding streams (more than 20) with specific focus, such as school travel, road safety, cycling improvements. MTS2 moved away from this, into fewer funding streams and greater borough discretion. In recent years there has been an increase in additional non-LIP funding that boroughs can bid for. There is a view from officers that whilst this funding model may not be perfect, it is far preferable to a return to bidding for multiple funding streams that characterised funding to deliver MTS1.
4. The current level of LIP funding and the way this funding is determined is outlined in the table below.

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| **Programme** | **LIP funding 2016/17** | **Funding model** |
| Principal road maintenance | £22.00m | Allocated by asset condition, for principal roads only |
| Bridge strengthening | £8.90m | Allocated by asset condition |
| Major schemes | £28.00m | Competitive bidding for schemes costing more than £2m. Business case required and staged release of funding for each project.  |
| Traffic Signal Modernisation  | £10.30m | “Top slice” spent by TfL |
| Corridors, Neighbourhoods and Supporting Measures | £74.25m | Allocated by funding formula to be spent on named projects that deliver the MTS. The funding formula was agreed by TfL, London Councils and the London Technical Advisory Group (LoTAG) in 2010.  |
| Top slice by TfL (local transport fund, support for sub regional partnerships and borough apprenticeships) | £4.35m | Boroughs receive £100k to spend at their discretion on projects that achieve MTS outcomes. This is established in the City Charter. Boroughs can bid for funding for training.  |
|  | £147.80m |  |

1. In addition to the LIP funding outlined above, in 2015/16 boroughs were able to bid for cycle funding, for example to deliver Mini Hollands, cycle parking and measures on cycle safety. Other funding has included the Mayor’s Air Quality Fund, which was allocated through a bid process, funding for bus stop accessibility, and targeted funds, for example on bus priority pinch points and measures around Crossrail stations.
2. TfL use this additional funding to indicate that whilst LIP funding was £147.8m in 2015/16, total available funding to the boroughs was £261.6m. Boroughs will note that not all boroughs have been able to take advantage of this funding as some of it is targeted to specific areas, and other funding had to be bid for.

**MTS3**

1. It is expected that Sadiq Khan will produce the third Mayor’s Transport Strategy (MTS3). Once the MTS is published TfL will issue revised guidance to boroughs to enable boroughs to produce a LIP.
2. 2016/17 marks the final year of the current three-year LIP funding period. London Councils has previously secured greater certainty for boroughs over LIP funding by persuading the Mayor to move to a three-year funding cycle rather than a single year funding regime. The last time LIP funding was reviewed, in 2013, London Councils secured a continuation of LIP funding against proposals to reduce LIP funding by 25 per cent.
3. The indicative timescale for the production of the MTS3 and LIP3 is as follows, although the new Mayor and Deputy Mayor of Transport may wish to vary this.

September/October 2016 – “Towards…” Mayoral direction of travel document published

March 2017 – Draft MTS published, alongside TfL Business Plan and strategies for housing, economic development and environment. Draft LIP3 guidance published.

May 2017 – interim guidance for LIP funding for 2018/19 published by TfL.

October 2017 – Final MTS and LIP3 guidance published, boroughs submit 2018/19 LIP programmes.

November 2017 – boroughs begin preparing LIP3 documents.

1. TfL are conscious that borough elections take place in May 2018, which may affect borough ability to engage in the LIP3 process.

**Interim LIP**

1. If this year had been a normal year without a Mayoral election, TfL would have provided boroughs with guidance on LIP requirements in May / June and boroughs would have submitted programmes to TfL in October.
2. In light of the appointment of a new Mayor and the subsequent development of a new Mayor’s Transport Strategy and TfL Business Plan to achieve the Mayor’s transport manifesto pledges, TfL has not issued full guidance to boroughs. Instead, high-level guidance was issued on 24 June 2016 which recommends that boroughs continue to use the guidance issued by TfL for 2016/17 until notified otherwise.
3. With regards to LIP funding, TfL has advised boroughs to assume a ‘business as usual’ approach to planning their programmes for 2017/18 based on the current guidance and funding levels. Boroughs have been asked to prioritise their programmes in the event of less funding being available.
4. TfL has asked boroughs to plan on a basis of funding continuing at the same levels, and on similar lines to the split of LIP funding by programme as outlined in the table above at paragraph 3. TfL has requested that boroughs prioritise projects, so that if funding is reduced, boroughs can identify quickly which projects they will take forward.

**LIP funding**

1. TfL’s revenue budget will be withdrawn by government by 2018/19, meaning that TfL will rely on its ticketing revenue and other commercial ventures to replace it. This is of concern for boroughs as LIP funding currently comes from TfL’s revenue budget.
2. London Councils has worked to understand whether there are options for TfL to pass capital funding to the boroughs rather than revenue funding, as TfL’s capital funding is less affected by cuts. Boroughs frequently capitalise some of the LIP funding they receive, and have long been of the view that some capital funding would be more appropriate. Boroughs have been told by TfL in the past that it is not possible to pass on capital funding when it would not be spent on their own assets, but we have checked with HM Treasury and the DfT neither of whom recognised this ‘rule’.
3. Following advice from CIPFA, London Councils believes that a mechanism known as REFCUS (Revenue Expenditure Funded from Capital Under Statute) may be used and officers at TfL concur.
4. It is important to stress that any reduction of LIP funding due to the cutting of revenue funding by the DfT would be an unintended consequence. In London, boroughs receive their principle transport funding from TfL (alongside any funding boroughs may themselves contribute from their budgets or from contributions they secure from third parties). Local authorities outside London receive transport funding directly from DfT. It is not the stated intention by DfT that boroughs receive less transport funding as a consequence of the withdrawing of TfL’s revenue grant. Risks of a reduction in transport funding for boroughs include deterioration in road quality, a decline in town centre improvement works, and a worsening of accessibility and sustainable transport programmes.
5. LIP funding is the only mechanism that links boroughs to the MTS, as the two go together in legislation. TfL recognises that the MTS cannot be delivered without boroughs, and an absence of LIP funding would give boroughs no reason to deliver the MTS.

**Engagement with TfL on the LIP process and LIP funding**

1. The Chair of TEC and the Vice-Chairs have been discussing LIP funding with the TfL Commissioner at their quarterly meetings. Understandably the TfL Commissioner has needed to wait for the new Mayor to provide direction before committing anything.
2. London Councils has established a LIP working group which includes officer representation from each of the five sub-regional partnerships, as well as representatives from the GLA and TfL.
3. London Councils has continually stressed that maintaining the current funding levels, if not increasing it is the minimum expected, given the challenging financial circumstances of the boroughs. Additionally, a degree of certainty is required to enable boroughs to plan effectively.
4. Following the attendance of Mike Brown, the TfL Commissioner, at CELC (the Chief Executive London Committee) chief executives have expressed interest in forming transport sub-group.
5. Given Val Shawcross’s attendance at TEC Executive, this is a good opportunity to discuss LIP funding with the Deputy Mayor for Transport.

**Recommendations**

The Committee is asked to:

* + Note and discuss the report.

**Financial Implications**

There are no financial implications for London Councils.

**Legal Implications**

There are no legal implications for London Councils.

**Equalities Implications**

The are no equalities implications of the recommendation.