

REPORT FRONT SHEET

AGENDA ITEM: 8

Combined Authority: 12 December 2014

Report Title: West Yorkshire plus Transport Fund - Programme and Cost Review

Report Summary

This report provides feedback on work to revise the West Yorkshire Plus Transport Fund programme and a matching funding profile including increased local contributions. The Growth Deal funding previously announced would have funded a £1bn programme over 20 years. The proposed programme has a value of around £1.4bn (outturn prices) and an anticipated delivery programme of 11 years. Approval is sought for the revised programme and increased local contributions. The approach was recommended by the WYCA Investment Committee. The report seeks approval, in principle, to the initial additional resource needed to deliver the fund programme.

Possible Questions

- 1. Is WYCA happy that the revised Transport Fund programme continues to meet the programme objectives (economic growth and a fair distribution of increased access to employment opportunities)?**
- 2. Is WYCA happy that the revised programme is deliverable and robust?**
- 3. Is WYCA content with the revised local funding commitment associated with the revised programme?**
- 4. Is WYCA content for the additional resources needed to deliver the fund to be progressed as set out in the report?**

Note: The above questions may arise during the debate, but do not preclude other items for discussion and debate.

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Director Development



ITEM 8

Report to: Combined Authority

Date: 12 December 2014

Subject: West Yorkshire plus Transport Fund - Programme and Cost Review

1. Purpose

- 1.1. To agree a revised programme and funding plan for the West Yorkshire Plus Transport Fund (WY+TF) including increased local contributions to support that programme.

2. Information

Summary

- 2.1. The Leeds City Region achieved a very positive outcome from the Local Growth Fund settlement. Over the 6 year period (2015/16 – 2020/21) of the Deal, the Leeds City Region secured £572.9 million, which is the largest settlement in the Country. The settlement also included the previously accepted Department for Transport 'legacy' schemes, such as Leeds Station Southern Entrance and NGT.
- 2.2. For the West Yorkshire plus Transport Fund, the Growth Deal allows the WYCA to establish a £1 billion Transport Fund for West Yorkshire and York as shown below:

Period	Funding Available	£m
2015/16 – 2020/21	LGF - 6 years @ £30m per year	180
2015/16 - 2024/25	Devolved DfT Major Scheme Funding	183
2021/22 – 2034/35	LGF - 14 years @ £30m per year (subject to independent assessment of satisfactory delivery and economic impact)	420
2015/16 – 2034/35	Public Sector match funding including committed levy	217
Total		1,000

- 2.3. The estimated cost of delivering the Transport Fund portfolio in full was £1.7 billion in outturn prices based on the original 10 year delivery schedule after taking into account inflation. A review has been undertaken to develop a revised programme that matches the funding.
- 2.4. By following the steps below, the review has identified a balanced portfolio that continues to deliver the objectives of the fund over a similar timescale to that originally envisaged. This has been achieved by taking opportunities to accelerate delivery, re-profiling schemes where there is more risk associated with delivery and phasing the delivery of larger schemes to deliver the most effective elements sooner. The key elements are:
- A revised programme that maximises delivery as soon as is realistically feasible, thereby reducing the impacts of inflation on costs;
 - A reduction in the cost of the portfolio – this would be achievable through a new approach to procurement, value engineering and working closely with partners to align work with their programmes and funding streams; and
 - Increasing the funding available – increasing the local contribution from the West Yorkshire Districts and York above what has already been agreed to support additional borrowing.

Background

- 2.5. The WY+TF projects were prioritised using the Urban Dynamic Model (UDM) which predicted the contribution they would make to unlocking economic benefits in terms of GVA created, employment and housing growth across West Yorkshire and York. They were also developed to ensure benefits were equitably distributed across the individual districts and, despite additional commuting associated with more employment, would not increase carbon emissions.
- 2.6. The original package of schemes, agreed in 2012/13 was prioritised based on the amount of GVA forecast by the UDM generated per £1 of public investment. The agreed programme of £1.7 billion (at outturn cost based on circa 80% locally generated funding with the remainder from national resources) over 10 years would deliver the following:
- Generate significant additional economic investment to deliver jobs and growth - 20,000 new jobs in West Yorkshire and York and £2.4bn GVA per annum by the mid-2030s;
 - Bring specific local benefits to residents, businesses and communities by improvements in the West Yorkshire and York transport networks;

- Unlock key employment and housing growth sites in West Yorkshire and York in the city/town centres and Local Plan growth points; and
 - Unlock growth of around 10,000 new homes by around 2030.
- 2.7. There is £1 billion of funding available in 2015 prices spread over a 20 year period up to 2035 (see Table above). This is made up of around 80% government grant and 20% raised locally through the previously agreed levy increase which ramps up to £11.4m per year over 10 years. This is then assumed to rise to £13.2m over the following years.
- 2.8. In order to balance the programme, a review has been undertaken underpinned by the following principles:
- No projects should be removed since this reduces the integrity of the package, and may affect achieving the pre-defined objectives related to the distribution of benefits among partners;
 - A programme of around 10 years should be maintained to ensure all projects are delivered in a 'medium' term time-horizon in line with the original City Deal agreement; and
 - The revised programme should seek to phase elements of larger projects to deliver the most effective and feasible components early to maximise the delivery of impacts.
- 2.9. The review has been undertaken in three stages as set out below:

Stage 1 - Revised Programme

- 2.10. A revised programme has been developed that seeks to maximise delivery as soon as is realistically feasible, thereby reducing the impacts of inflation on costs. This also has the benefit of achieving positive impacts on employment growth, productivity and GVA sooner.
- 2.11. The revised WY+TF programme would be one that is deliverable over 11 years 2015 to 2025, breaks up larger projects into phases, and maintains the integrity of the whole package by not removing projects. **Appendix A** shows the schemes in the portfolio that would be underway before the end of 2020/21, those that will be underway by that time and those that will be delivered by 2025.
- 2.12. As the growth deal provides flexibility at a programme level there is scope to amend the list of projects in future and update the pipeline being developed. This could be as a result of new projects being considered, existing projects not passing appraisal gateways or as a result of new opportunities and priorities emerging. Any changes would be made in accordance with the principles set out in the Single Appraisal Framework (SAF).

Stage 2 – Reducing Funding Required

- 2.13. It is proposed, through discussions between the partners, that two elements of the programme could be reduced in scale and cost whilst delivering the majority of the outputs.
- Transformational projects – reduce funding required from £25m to £12.5m for development work to influence government and other partners to justify future transformational investments such as rail electrification, airport access, rolling out of mass transit (tram-train and/or NGT for example) and preparing for HS2 and HS3; and
 - Highways Efficiency and Bus Package - reduce funding required from £250m to £125m for the package of highway improvements across the strategic road network bringing benefits for road users and buses. The review identified that there is a case for reducing the scale of the funding required because of overlaps with other corridor projects.
- 2.14. There are a number of opportunities to reduce the overall cost of delivering the portfolio:
- The scale of the WT+TF justifies a new approach to procurement with significant potential to reduce costs through economies of scale and longer time scale certainty. HM Treasury reports suggest that cost savings of 12% can be gained in highway infrastructure delivery through improved collaboration;
 - As projects develop opportunities will be taken to undertake value engineering to reduce costs; and
 - Working with other major infrastructure providers (such as the Highways Agency and Network Rail) to align programmes and seek full or partial contributions towards the development and delivery of Transport Fund projects.

Stage 3 – Increasing Funding Available

- 2.15. The outcome of Stage 1 is a revised programme of £1.46 billion and Stage 2 suggests that further reductions of up to 20% are achievable but this still leaves a funding gap.
- 2.16. The most achievable way of closing this funding gap would be to borrow this sum with the debt costs supported by additional local contributions through the levy. It is recognised that the requirement to increase further local funding is, in the current financial climate, an extremely difficult one to commit to at this stage. The initial focus is on delivery in the first six years to the first 'performance gateway' in 2019 and as such there needs to be a commitment to funding the projects over that

period. Opportunities to provide local contribution through the use of the business rates pool are being explored.

- 2.17. The financial modelling has assumed prudent interest rates and 'capex' inflation in order to provide costs that contain an amount of risk and contingency. There are also options that can be further developed with regard to the timing and length of loans that are taken out. The modelling suggests that the most cost effective way to raise the extra financing would require increased levy contributions from 2016/17 onwards, starting at £1.5m over and above that already agreed , rising to £8-10m and continuing to rise to £25m plus by 2020.
- 2.18. The actual contributions required would be highly dependent on movements in interest rates and any changes in the timing and size of the schemes in the programme and would be regularly revised to reflect the delivery of the programme. There are ways in which the debt costs can be managed to offer a more affordable profile but which would increase the total costs to be paid over the 30 year term of the borrowings. A number of scenarios have been modelled which require no extra funding in the first year and which then ramp up over different timeframes to a maximum contribution level of £20m or £25m for the funding period.
- 2.19. It should also be noted that unlocking the further LGF from Government beyond 2021 of £420m is dependent upon successful delivery and achieving an agreed set of outputs, outcomes, and impacts, which will be subject to independent assessment at five yearly intervals (covered elsewhere on the Agenda). Because the Growth Deal is based on a payment by results mechanism, any projects which rely in whole or in part on LGF beyond 2020/21 are therefore subject to risk.

Impact of the Revised Programme

- 2.20. The primary objective for the WY+TF is to achieve:
- An increase in employment and productivity growth by the completion of transport schemes across West Yorkshire and York, irrespective of boundaries.
- 2.21. In West Yorkshire further objectives were put into place to ensure an equitable distribution across the area. Against the primary objective of supporting the maximum possible impact on GVA and employment, two accessibility minima have been agreed:
- A better than average improvement in employment accessibility for residents in the most deprived 25% of West Yorkshire communities; and
 - Every West Yorkshire district to gain an average improvement in employment accessibility no less than half the average across West Yorkshire.
- 2.22. In terms of environmental impacts, a further objective was established as follows:
- The overall impact of the Fund's interventions would be carbon neutral at the package level.

- 2.23. The original proposed package was tested in the Urban Dynamic Model (UDM) and was successful in meeting all these agreed objectives. The revised programme has been re-assessed to ensure that these objectives would still be delivered.
- 2.24. The outputs suggest that by the mid-2030s the revised transport fund package would deliver at least an additional 18,500 new jobs, 10,500 new homes and £2.45 billion of GVA (per annum) across West Yorkshire and York. These forecasts do not include the additional uplift arising from the network wide benefits of delivering the package as a whole. Previous experience suggests these employment forecasts would exceed 20,500 new jobs by the mid-2030s after these network impacts are included.
- 2.25. The new analysis for the revised and re-profiled package also forecasts a 30% increase in employment accessibility for West Yorkshire residents and that all Districts show an increase greater than half the West Yorkshire average. Furthermore residents living in 'deprived' areas within West Yorkshire would experience an increase in the number of accessible jobs of 8.5% above the average.
- 2.26. Until the full package is tested collectively it is not possible to assess the impact on carbon. However at this stage the cumulative effects of each individual project suggest a reduction in around 18,500 car commuting trips per day would lead to an overall reduction in carbon emissions compared to the modelled baseline.
- 2.27. In summary, the revised package delivered over a re-profiled timescale is forecast to be more effective than the original at delivering the objectives of the transport fund as a result of accelerating more effective projects (in full or in part) and benefiting from improved connectivity sooner, so that by the mid-2030s these improvements have had a longer period to have a positive contribution on the economy.
- 2.28. The approach to re-profiling the programme and associated additional local contributions was endorsed by the Investment Committee at their meeting on 28 November.

3. Financial Implications

- 3.1. As set out in paragraphs 2.15 – 2.19 above, in order to deliver the full programme as agreed further local contributions will be required from 2016/17 onwards. The extent of borrowing required will be kept under review as scheme delivery progresses in order to minimise the costs to the WYCA and District Councils.
- 3.2. The funding profile scenarios are being discussed with finance officers at District Councils. A decision on the preferred profile will be included in the medium term financial strategy and Capital Plan and will not require any further local contributions in the first year other than the previously agreed modest increase in the transport levy.

- 3.3. For the purpose of financial modelling prudent assumptions have been made about inflation and interest rates however given the timescale for the programme there is a risk associated with future fluctuations around these assumptions.
- 3.4. The revised programme includes expenditure on developing projects which would be delivered after 2021. Funding from Government for delivery beyond 2021 is dependent upon the independent assessment at 2019. Therefore expenditure in preparing for delivery post 2021 would be at risk.
- 3.5. Because the LGF funding is based on a 'payments by result' mechanism, any projects or potential borrowing which rely in whole or in part on that funding beyond 2021 are subject to risk.
- 3.6. The West Yorkshire and York Financial Officers have been involved in the review of the WY+TF portfolio and the financial implications for increased local contributions.

4. Legal Implications

- 4.1. None as a result of this report.

5. Staffing Implications

- 5.1. The availability of staffing resources (along with the level of funding available) is a major risk to the development and delivery at the scale required to implement the revised programme, particularly as it seeks to accelerate and maximise delivery by 2021.
- 5.2. Additional resources were provided at risk to commence work on the development of early win projects before the Local Growth Fund announcement, and this has been an important factor in making good progress with preparing for the delivery of projects in 2015/16 and 2016/17.
- 5.3. In the short term, the Combined Authority has identified options which could reallocate internal staffing resources to support the development of transport fund projects. This would also expand the central resource available to support projects being developed across the partners. The costs of these additional short term resources would be met through capital allocations for the fund and are included within the current budget.
- 5.4. Notwithstanding these short term actions, a significant step change in the scale, capacity and capability of resources will be required to manage, develop and deliver the programme as proposed. The costs for these resources would be met from the Transport Fund budget as cost estimates include overheads for programme and project management, feasibility, design, procurement and delivery. A detailed resource proposal is under development and this is likely to involve a mix of new resources, existing partners' resources and external delivery partners(s). In order to

minimise the risk to the programme, the first phase of resources would need to be in place as early as possible in 2015.

- 5.5 An initial requirement of up to an additional 30 FTE (Full Time Equivalent) staff has been identified across the delivery partners and WYCA. Options for utilising existing resources more effectively in a more collaborative way will be explored alongside the recruitment of new posts where required. Approval is sought to delegate the agreement of an initial recruitment exercise covering these posts, including explaining the options for secondment and collaboration to the Head of Paid Service.

6. Consultees

- 6.1. The Investment Committee, the Transport Committee, the Transport Portfolio Advisory Group, the CA Head of Paid Service and West Yorkshire and York Chief Executives have been consulted in the preparation this report.

7. Recommendations

- 7.1. That the re-profiled West Yorkshire+ Transport Fund Programme is approved.
- 7.2. That the Committee recommends the proposed approach to increasing local contributions to meet the anticipated funding gap as set out in 2.15 to 2.19 to the Combined Authority.
- 7.3 That the Head of Paid Service is authorised to approve a resourcing plan and commence recruitment of the posts set out in paragraph 5.5

8. Background Documents

- Local Growth Fund Delivery, West Yorkshire and York Investment Committee, Item 5, 1 October 2014
- Leeds City Region Growth Deal Delivery, West Yorkshire Combined Authority, Item 6, 18 September 2014

PROJECTS TO BE DELIVERED IN FULL BY 2021

Rail station gateways – Phase 1
Highways network efficiency (UTMC) across West Yorkshire strategic highway network
Wakefield Eastern Relief Road
A650 Tong Street Corridor Improvements, Bradford
Wakefield City Centre Package (Kirkgate and Denby Dale junctions)
East Leeds Orbital Road and northern outer ring road junctions
Aire Valley - Leeds Integrated Transport Package (phase 1 park and ride only)
Halifax- Huddersfield A629 Corridor Improvements and Halifax town centre (Phases 1-4 only)
Glasshoughton Southern Link Road
A650 Hard Ings Road and Keighley town centre improvements
West Yorkshire package of highways efficiency (all vehicles) and bus improvements (Phase 1 - focusing on priority corridors)
Rail Station parking expansion programme across West Yorkshire
Pontefract Northern Bypass (now on site and completed early in 2015 using 30% advance funding from the Fund)
Calder Valley Line rail enhancements (to enhance Network Rail commitments)
A65 to the Airport Link Road, Leeds
A62 Cooper Bridge Junction, Kirklees
Harrogate Road/New Line Junction Bradford
Leeds city centre network improvements – Phase 1 orbital capacity on the Inner Ring Road
York Central Access including rail station gateway improvements and access to the development site
Public Transport Improvements in York city centre
York Northern Outer Ring Road Improvements

OTHER PROJECTS ON SITE BY 2021

Rail station gateways – Phase 2
Aire Valley - Leeds Integrated Transport Package (Phase 2 highway Access)
A62 to Huddersfield and A644 works (excluding later delivery of Ravensthorpe Relief Road)
Halifax- Huddersfield A629 Corridor Improvements and Halifax town centre (Phase 5)
West Yorkshire package of highways efficiency (all vehicles) and bus improvements (Phase 2)
A653 Dewsbury to Leeds corridor
M62 Junction 24a on A641 Bradford Road south of Brighouse (this project is dependent on the Highways Agency)
Bradford to Huddersfield A641 Corridor (partially completed)
Bradford - Shipley Corridor Improvements along Canal Road and Manningham Lane
East Leeds Parkway
South East Bradford Access Route, Bradford
Clifton Moor Park and Ride, York

FURTHER PROJECTS TO BE DELIVERED BY 2025

Rail station gateways - Phase 3
Castleford Highways Improvements
A644 Ravensthorpe Relief Road, Kirklees
West Yorkshire package of highways efficiency (all vehicles) and bus improvements (Phase 3)
NGT to Aire Valley, Leeds
A6110 Leeds Outer Ring Road Route Improvement (Stanningley Bypass to M621), Leeds