

**Executive**

**24 November 2016**

**Report of the Director of Economy and Place and Deputy Chief Executive / Director of Customer and Corporate Services**

**Portfolio of the Executive Member for Finance and Performance and Executive Member for Planning & Transport**

**Funding Major Transport Projects – West Yorkshire Transport Fund**

**Summary**

1. The report sets out a proposal to formally join the West Yorkshire Transport Fund to enable Capital Funds to be released to undertake delivery of York's two primary strategic major Transport Projects namely roundabout improvements on York Outer Ring Road and York Central Access Road and Station Gateway.
2. This report identifies the risks of joining the fund but also sets out a number of mitigations that have been proposed. It also sets out the need to set funds aside to fund the levy that will support the cost of the investment.

**Recommendations**

3. Executive is asked to recommend to Council:
  - To agree to formally join the West Yorkshire Transport Fund.

Reason:- To ensure the delivery of the York Outer Ring Road improvements and York Central Access Road and Station Gateway schemes.

- To accept the financial liability that arises from joining the fund and to note that future increases in the levy would represent as unavoidable additional cost in future budgets. The precise figures cannot be determined at this stage but will be within the parameters identified in this report which estimates an increase from the budgeted contribution of £500k per annum to £1m to £1.5m per annum in 2025.

Reason :- To ensure proper financial planning within the authority

- To delegate to the Deputy Chief Executive/Director of Customer and Corporate Services the finalisation of the legal agreement in consultation with the Leader of the Council, the Deputy Leader of the Council and the Finance Portfolio holder

Reason:- To ensure that York's position is fully protected in line with the principles set out in this report.

## Background

4. The West Yorkshire Transport Fund (WYTF) dates back to 2012 when a Leeds City Deal was announced with Government in July 2012. At that time there was a commitment to create a £1billion fund to invest in 33 major transport projects across the region over a ten year period.
5. As part of that programme a set of schemes relating to York was agreed as being the following.

Scheme	Cost £m *	Description
York Central Access	27.0	New access road to development site and rear of station (inc. Bridge over rail lines), Queen Street bridge demolished and improved transport interchange at front of station.
A19 Bus Lane and access to Designer Outlet P&R	1.9	A19 Bus Lane and improved access to and egress from existing Designer Outlet P&R
Clifton Moor P&R and Corridor Improvements	9.8	New Clifton Moor P&R site and bus priority and general corridor improvements
Passenger Transport Improvements – City Centre Infrastructure	7.2	City Centre Bus priority infrastructure and traffic management measures
Northern Outer Ring Road Improvements	37.6	7 No Roundabout upgrades similar to recent A59/A1237 changes
Total	83.5	

\* includes optimism bias

6. At this time the funding was going to be a combination of Local Authority Contributions (Levy), Local Transport Plan (LTP) top slice and Department for Transport (DfT) major scheme funding. For York the levy was assumed to increase from £452k up to a maximum of £4,070k in 2022/23.
7. Cabinet (7<sup>th</sup> May 2013) agreed to support in principle the establishment of the fund and York's involvement however this was subject to satisfactory progress on City Deal negotiations with the Government.
8. Since Members made this decision there have been a number of developments which have changed the current position of the fund :
  - Significant reductions in Local Authority funding coupled with The Local Audit and Accountability Act 2014 which limited the amount of money that Local Authorities can raise through Council Tax
  - The 2014 Local Growth Deal
  - The creation of West Yorkshire Combined Authority
9. The introduction of the Local Audit and Accountability Act 2014 meant that West Yorkshire Districts were no longer able to fund proposed Local Authority contributions through a Transport Levy as this would count towards the council tax cap.
10. The subsequent Leeds City Region growth deal however provided significant additional government funding towards the fund, reducing the need for Local Authority contributions.

	£m	%
Local Growth Fund 2015/16 to 2020/21	180	18
Local Growth Fund 2021/22 to 2034/35*	420	42
Devolved DfT Major Scheme Funding	183	18
Local Authority Borrowing	217+	22
	<b>1,000</b>	100

\* Subject to satisfactory delivery.

11. The current “deal” therefore is that of a £1billion fund, Local Authorities are only funding approximately 22% of the overall contributions. It should be noted however that any costs over £1billion are required to be funded by the Local Authorities.
12. The total costs of the schemes considered within the overall programme range from £1,020m to £1,478m depending on assumptions relating to

inflation and optimism bias. At the highest cost the borrowing levels would total up to £700million for the Local Authorities.

13. The creation of the West Yorkshire Combined Authority (WYCA) with the five West Yorkshire Districts constituent members (Bradford, Calderdale, Kirklees, Leeds and Wakefield) is such that they are not required to formally “join” the fund as WYCA levy them on an annual basis. This levy covers all functions that are now provided by WYCA including concessionary fares, bus subsidies as well as the Transport Fund schemes.
14. York is formally recognised as a non constituent member of the West Yorkshire Combined Authority within the statutory instrument that established that authority. By virtue of a decision made by the Authority, York has voting rights at meetings of the Authority. York also has representation and voting rights on several of the Authority’s committees including the West Yorkshire and York Investment Committee which advises the Authority on matters relating to economic and transport led regeneration. The Combined Authority assumed the powers of the former Integrated Transport Authority and is therefore responsible for concessionary fares and bus schemes for the West Yorkshire districts while the City of York Council retains those powers in this area.

### **Latest Position on York’s Schemes**

15. Initial preparatory work has progressed on the schemes included in the West Yorkshire Fund as detailed in the Table below.

WYCA programme management methodology

- Gateway 1 – Project Initiation
- Gateway 2 – Outline Business Case
- Gateway 3 – Funding Approval
- Gateway 4 – Delivery

Scheme	Current Status
York Central Access	Gateway 1 approved by WYCA subject to York formally joining fund. Further development of the project will be progressed using funding allocated to the York Central Scheme
A19 Bus Lane and access to Designer Outlet Park & Ride (P&R)	Completed using A19 Pinch Point Funding

Clifton Moor P&R and Corridor Improvements	On hold
Passenger Transport Improvements – City Centre Infrastructure	On hold
Northern Outer Ring Road Improvements	Gateway 1 approved by WYCA subject to York formally joining fund. Next steps would be public consultation and land acquisition negotiation.

16. At each Gateway stage, as more detail is determined, the scope and cost estimates for the schemes are reviewed. In addition, as the timetable for delivery becomes clearer, an allowance for inflation can be included to provide estimated outturn costs. The table below shows the costs in the original programme along with the current assumed costs at 2016/17 prices and at outturn prices.

Scheme	Original WYTF Cost £m *	Current WYTF Cost £m	Outturn Cost £m
<b>Priority Schemes</b>			
York Central Access and Station Gateway	27.0	33.6	37.4
Northern Outer Ring Road Improvements	37.6	31.0	34.2
<b>Total Priority Schemes</b>	<b>54.6</b>	<b>64.6</b>	<b>71.6</b>
<b>Lower Priority Schemes</b>			
A19 Bus Lane and access to Designer Outlet P&R	1.9	-	-
Clifton Moor P&R and Corridor Improvements	9.8	8.5	10.8
Passenger Transport Improvements – City Centre Infrastructure	7.2	7.9	9.7

Total Lower Priority Schemes	18.9	16.4	20.5
<b>Total</b>	<b>83.5</b>	<b>81.1</b>	<b>92.2</b>

\* includes optimism bias

17. The table above show that the council's priority schemes are currently assumed to cost £64.6m at latest (2016/17) prices and £71.6m at assumed outturn prices including future years inflationary increases. The lower priority schemes are still considered within the overall fund however are not currently being actively progressed.

### **Costs of the Fund and York's Ask**

18. The West Yorkshire Transport Fund is the most affordable way of funding the major investment of York Outer Ring Road and York Central as the borrowing costs will be much lower than if the council was to fund themself. Whilst it is likely that York's element of the Major Scheme could be redirected to York it is unlikely that any Local Growth Fund monies would be available to York outside of the fund.

19. The indicative costing for CYC are that the Levy payments from CYC to WYCA will increase from £500k to £1m in 2024/25. This level will be dependent on total borrowing incurred as well as interest rates and borrowing costs. The level of York's proportion of the levy is based on its proportion of the regions population (currently 8.2%). Ultimately the borrowing costs of £217m could equate to a cost to CYC of c£1.5m per annum although in the short term this figure could be higher prior to Local Growth Fund monies being received. This however needs to be compared to approximate borrowing costs of approximately £4.0m per annum if CYC self funded the capital.

20. The key risks surrounding the council's payments into the fund relate to

- a) Not receiving funding for the priority schemes
- b) Any costs over £1bn can only be funded by additional borrowing at direct cost to the partners
- c) Receiving the second phase of Local Growth Fund which is dependent on satisfactory scheme delivery progress

21. Looking at these risks in turn

- a) Not receiving funding for the priority schemes

As the West Yorkshire programme is being managed as a whole regardless of where schemes are located it is possible (although unlikely) that York's schemes would not pass Gateway reviews

and funding to deliver the key infrastructure would not be released.

b) Any costs over £1bn can only be funded by additional borrowing at direct cost to the partners

There are scenarios where the fund could increase significantly beyond £1bn if all schemes within the fund are to be delivered. This puts a significant risk on the overall affordability of the fund as costs above £1bn are fully funded by Local Authority levies.

c) Receiving the second phase of Local Growth Fund which is dependent on satisfactory scheme delivery progress

There is a risk that delivery of the fund is not acceptable to Government at the time of review in 2020/21 and phase 2 Local Growth Funding will not be provided. That will have a significant impact to either the deliverability of the programme or the affordability of the fund. It is necessary therefore to protect CYC's position whereby it has had its major schemes funded in the earlier years.

22. In order to mitigate the risks associated with joining identified in the paragraphs above negotiations have been undertaken with WYCA to protect the council's liabilities. The council's "asks" have been that
- a) Minimum funding of £72m is provided to fund YORR and York Central Access / Station Gateway. If required CYC have acknowledged that a maximum cap of £85m towards its key schemes could be acceptable.
  - b) The maximum fund size that CYC will support borrowing is £1bn
  - c) CYC is protected from large increases in the levy should the second tranche of Local Growth Funding not being made available.
23. Officers within the Combined Authority are generally supportive of agreeing a deal with York as they understand our unique position of not being a constituent member of the combined authority. There is also a need for York's schemes to boost early years expenditure which will increase the likelihood of receiving Phase 2 expenditure.

### **Further Process**

24. In order for full agreement it will be necessary for the West Yorkshire Combined Authority to agree to City of York Council formally joining the fund along with the associated conditions. The principal was considered by the West Yorkshire Combined Authority Investment Committee on 9<sup>th</sup> November and recommended that York's inclusion is endorsed.

25. If Executive are to agree to the recommendations in this report the full Combined Authority Meeting on 1<sup>st</sup> December 2016 will determine whether to approve York's inclusion. This will allow CYC Full Council on 15<sup>th</sup> December 2016 to finally determine whether CYC joins the fund.
26. A formal funding arrangement between CYC and WYCA will need to be agreed that formalises the obligations on the two partners. This will also reflect the risk mitigations outlined in paragraph 22.

### **Options**

27. The two options considered as part of the report are
  - i) To recommend to Council to join the West Yorkshire Transport Fund
  - ii) To not join the West Yorkshire Transport Fund

### **Analysis**

28. The York schemes in the WYTF are considered to be critical to ensure the necessary infrastructure is in place to successfully deliver the future growth aspirations of the city identified in the emerging Local Plan. Uncertainty around the funding of these transport elements could potentially undermine the viability of the Local Plan when taken through to the public inquiry.
29. Existing and projected journey time delays on the A1237 will be reduced by the WYTF upgrades which will be designed to enable future dualling of the route. Without the WYTF funding the capacity of the A1237 will continue to be a constraint on the prosperity of the city. Independent funding through the Council or via contributions from development would be needed to deliver the schemes.
30. The development allocations for the York Central site are not deliverable without a new access over the rail lines at the rear of the station. The WYTF funding will enable the access to be delivered and provides funding for enhancements at the front of the station to deliver the necessary capacity improvements in line with demand projections for rail patronage.
31. The other WYTF schemes are designed to provide the necessary sustainable transport infrastructure to reduce the number of car based trips in the city. Lower trip rates will reduce congestion and improve air quality in the city centre.



32. Whilst the joining of the fund does add a financial burden to the council over future years, the burden would be significantly greater if the council was to self fund the schemes. The indicative cost of borrowing £72m over a twenty five year period would be approximately £4.6m per annum and even taking into account likely access of Major Scheme Devolved funding of £10m this would still equate to £4.0m per annum. It is the support through the fund from the Local Growth Fund which makes the borrowing more affordable to the council and the funding at this level is only available through the WYTF.

### **Consultation**

33. The requirement for the infrastructure at both York Central and York Outer Ring Road have been key elements of the city's Local Plan which has been the subject of significant public consultation. Specific consultation exercises will be undertaken as the individual elements of the projects are progressed.
34. The progress of scheme delivery and the drawing down of funds will be dependent on appropriate decision making by both CYC Executive and WYCA Investment Committee following Gateway reviews.

### **Council Plan**

35. The investment in the Major Transport Schemes is important in order to support the Council Priority "A prosperous city for all". Identified within the plan was that the council will "work to ensure York gets the best deal from regional partners, including in relation to investment in Transport Infrastructure. The investment will also
- Deliver infrastructure necessary for the Local Plan housing aspirations
  - Reduce congestion so local business can thrive
  - Provide efficient and affordable transport links to enable residents and businesses to access key services and opportunities.

### **Implications**

36. The implications are as follows:
- **Financial** – Should the council join the West Yorkshire Transport Fund, it will be accepting that the WYCA can "levy" the council each year to fund the borrowing costs associated with the fund. These payments will be determined annually as part of WYCA's budget process however indicative levies have been provided to all authorities with York's level rising by 8% per annum from £530k in

2016/17 to £957k in 2024/25. The council currently has a base budget of £500k set aside for levy contributions to the fund.

The current level of assumed contributions per annum are as follows

Year	2016/17	2017/18	2018/19	2019/20	2020/21
Levy	£530k	£570k	£614k	£661k	£712k
Year	2021/22	2022/23	2023/24	2024/25	
Levy	£766k	£825k	£889k	£957k	

It should be noted however that the overall cost to the council cannot be provided as it will ultimately depend on factors out of CYC's control such as overall programme spend and prevailing interest rates when loans are drawdown. It is anticipated that the levy could increase to a maximum of £1.5m however the levy will ultimately be set by the WYCA as part of their annual budget process. The mitigations that have been identified will limit CYC's overall liability.

It will be necessary for Full Council to accept the increasing costs arising from the levy as being an unavoidable commitment for future budgets, noting that this delivers significant investment in key projects.

- **Human Resources (HR)** – There are no Human Resources Implications
- **Equalities** – There are no equalities implications
- **Legal** – The Legal implications are considered within the body of the report
- **Information Technology (IT)** - There are no IT implications.
- **Crime and Disorder** – There are no crime and disorder implications
- **Property** – There are no property implications

### **Risk Management**

37. The primary risks have been identified at paragraph 20 relating to the impact of changing future government support for the fund and these are being addressed as part of the legal arrangement with the WYCA.
38. There remains a risk that the full meeting of the Combined Authority will not agree to CYC's terms of joining in which case it will be necessary to

pause the delivery of York Central Access and the Outer Ring Road improvements and seek alternative funding mechanisms.

## Contact Details

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Report approved  14<sup>th</sup> Nov 2016

### Specialist Implications Officer(s) *List information for all*

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**Wards Affected:** All

All

**For further information please contact the author of the report**

**Annexes:** None

### List of Abbreviations

CYC - City of York Council  
DfT – Department for Transport  
LGF – Local Growth Fund  
LTP - Local Transport Plan  
P&R – Park & Ride  
WYCA – West Yorkshire Combined Authority  
WYTF – West Yorkshire Transport Fund  
YORR - York Outer Ring Road