
9th October 2012

Cabinet

Cabinet Member for Transport, Planning & Sustainability

Devolution of Major Transport Scheme Funding

Executive Summary

1. This report explains the Government's approach to the devolution of post 2014 funding for major transport schemes, including the creation of Local Transport Bodies (LTBs). It sets out the principles of the Government's approach and the different options arising from this for York. A preferred approach is identified.

Background

2. Major transport schemes can vary significantly in their nature and cost. As a rule of thumb major transport schemes tend to cost in excess of £5m. Such schemes are largely beyond the scope of local transport funding (the Integrated Transport Block) and traditionally have been approved and funded by central Government through a centralised bidding process.
3. For the current spending review period the major transport schemes programme has been the result of a national competitive bidding process, put in place in October 2010. Schemes were selected from those that formed part of the previous Government's Regional Funding Allocation (RFA) process. £15m funding was successfully secured for the City Of York through this process for the delivery of Access York Phase 1, the new park and ride sites at Askham and Poppleton Bars and their associated highway and bus priority works.
4. For the next spending review period the Government wants to create a devolved funding system based on voluntary partnerships and with decisions on funding being taken by local partners at a local level. A consultation exercise took place between January and April 2012. In July 2012 The Department for Transport (DfT)

published an analysis of the consultation responses. In September 2012 DfT published detailed proposals on next steps taking into account those views. Key messages from the exercise are support in principle for:

- The devolution of major transport scheme funding
 - The establishment of Local Transport Bodies (LTBs), and
 - The use of Local Enterprise Partnership (LEP) geography as a starting point for LTBs
5. DfT have requested that the Chief Executives of Local Transport Authorities and Chairs of Local Enterprise Partnerships should agree and confirm LTB geography by 28th September 2012. If there is no local agreement by 28th September 2012 then DfT will reserve the right to determine the LTB boundary itself or to reduce the funding allocation available to any area that takes longer than this to establish its geography. DfT have accepted that formal confirmation from Local Authorities may be delayed because of meeting cycles and requested that an informal indication be given by the end of September.
6. The devolvement of transport funding is happening concurrently with City Deals and the devolvement of a range of powers from Government to Local Enterprise Agencies (LEPs). The City Deal for Leeds City Region (LCR) spans 6 themes, transport is recognised as a very significant element of the LCR City Deal. A separate report is being prepared for a future Cabinet, which will look at the implications for the Council of the LCR City Deal.

Local Transport Bodies – Key Principles and Geography

7. In inviting local partners to confirm their LTB geography the Department for Transport has set out the following principles:
- LTBs will have defined and non-overlapping boundaries
 - In most cases LTB boundaries should be coterminous with Local Transport Authority (LTA) and LEP boundaries (it is recognised that this may not be possible in a minority of cases)
 - LEPs and LTAs should seek to resolve overlapping LEP boundaries by forming a single larger LTB by agreement that covers the area of more than one LEP, if not then

- Where an LTA is in more than one LEP area it should choose which LTB boundaries it will sit within.

Options

8. City of York Council is a Local Transport Authority (LTA). York sits fully in two overlapping LEP geographies: York, North Yorkshire and East Riding LEP and Leeds City Region LEP (covering West Yorkshire, Barnsley, York and the North Yorkshire districts of Harrogate, Selby and Craven). Different LTB options for York are considered below.

Option 1: York LTB

9. The option of York (as a Local Transport Authority) becoming a 'stand alone' Local Transport Body (LTB) has been explored with DfT officials. This would be on the basis of collaboration agreements being reached with other potential Local Transport Bodies, such as for West Yorkshire, North Yorkshire and East Riding/Hull. The steer from DfT is that this would run counter to the objective of LTB's being strategic transport bodies covering a meaningful/larger LEP based geography.

Option 2: Leeds City Region LTB

10. A Leeds City Region approach to transport funding has previously been explored. This would have involved West Yorkshire Authorities, York, North Yorkshire County Council and geographically the Districts of Selby, Harrogate and Craven. This approach did not materialise resulting in the development of the West Yorkshire 'Plus' Transport Fund approach for major transport scheme investment, which is open to the participation of York and others. An LTB based on LCR geography therefore appears to remain undeliverable.

Option 3: West Yorkshire and York LTB

11. The economic links between York and West Yorkshire are identified in the LCR Transport Strategy (2009). This interdependency is likely to increase as the housing stock and employment grows in York over time and will create an increasing need for improved connectivity between York and its neighbouring functional areas, including West Yorkshire.

12. The LCR 'City Deal' with Government aims to unlock and drive economic and productivity growth by investing in infrastructure, skills and business trade and investment through devolved power and resources covering: transport; an economic infrastructure investment fund; trade and inward investment; and skills and worklessness.
13. As a condition of the City Deal, the West Yorkshire local authorities are working collaboratively to develop and launch by spring 2013 the West Yorkshire 'Plus' Transport Fund and a combined authority by April 2014. The Fund will include devolved post 2014 major transport scheme funding and local sources of funding. These arrangements are being put in place to enable the delivery of a world class fully integrated transport system to drive economic growth and create jobs.
14. In return, the Government will grant local partners freedoms to build, manage and sustain the WY 'Plus' Transport Fund. These include a 10 year allocation of devolved post 2014 major transport scheme funding (subject to agreeing LTB geography); co-investment from DfT on a strategic investment programme in the next spending review; and provision for retaining of a larger proportion of the fiscal benefits arising from economic growth which is attributable to local investment. Also supported is the devolution of the northern/transpennine rail franchise to Leeds City Region and other City Regions in order to significantly improve connectivity across the North of England.

Option 4: North Yorkshire and York LTB

15. York fulfils the role of a key economic centre in North Yorkshire and acts, as a focus of employment and services for large areas of North Yorkshire and the East Riding of Yorkshire. York is working collaboratively with North Yorkshire (and East Riding) partners through the Local Enterprise Partnership and the North Yorkshire and York Spatial Planning and Transport Board. Cooperation and joint working will remain critical to planning and meeting the infrastructure needs of York and its hinterland. The York Sub Area Study (May 2011) commissioned by authorities within the York and North Yorkshire sub region concluded that for transport there is a "strong case for joint working to advance strategic transport priorities".

16. A York and North Yorkshire LTB would have a much smaller overall pot of major scheme funds and would involve just two Local Transport Authorities. It is envisaged that District Councils would also have a key role in any LTB arrangement. It is understood that the East Riding of Yorkshire wants to form part of an East Riding/Hull based LTB, thereby option 4 would not cover the whole LEP area.
17. The York Ring Road (A64/A1237) is a vitally important transport link for the York and North Yorkshire LEP area. It provides access to York itself (a retail, employment and tourism town), the A1 (M) and the wider strategic road network for the Ryedale and Scarborough districts and parts of the East Riding of Yorkshire, North Yorkshire has a large rural area, where access to employment and education is a major challenge. East – West connectivity is a key constraint on the economic performance of the coastal parts of the economy.
18. Supporting the delivery of strategic development sites, improvements associated with the Harrogate line, A64 corridor improvements and improved rail/bus interchange facilities in towns are examples of the other types of schemes that could come forward across North Yorkshire. An appraisal model would need to be developed and worked through to reflect the urban (eg York, Harrogate), coastal and rural needs of the area.

Options Analysis

19. Options 1 and 2 are not deliverable approaches. Options 3 and 4 are considered further below in terms of how they:
 - Maximise funding for the City Of York
 - Support the delivery of economic growth
 - Address key transport issues

Maximising funding for the City of York

20. DfT are devolving major transport scheme funding on a population basis. Thereby the 'York equivalent' funding would be the same in both options. In terms of the allocation of funding any LTB will require a collaborative approach and agreement of an appraisal model to prioritise funding packages and schemes. All partners in the Body will therefore run the risk of less funding being spent in

their geographic area that would have been the case on a per capita basis. The opposite is also the case. The basis of collaboration involves the situation whereby investment in one local transport authority area can realise benefits in other local authority areas.

21. An LTB based on a West Yorkshire and York geography offers the added value of the City Deal with Government which includes a 10 year programme and freedoms to build, manage and sustain a £1bn WY 'Plus' Transport Fund, with devolved post 2014 major scheme funding as a key component. York would benefit from the work already undertaken by West Yorkshire Authorities to develop a larger transport investment fund, along the lines of Greater Manchester model, which offers greater opportunities to build up funds that match the scale and cost of major infrastructure schemes.
22. At the moment there is not a City Deal on the table for North Yorkshire. A request to DfT has however been made for a 10 year funding allocation for North Yorkshire. A larger investment fund could be created by pooling other local resources but this will not be on the scale of the West Yorkshire Fund.

Supporting the delivery of economic growth

23. The Leeds City Region economy is the predominant sub-national economic driver for the city of York. At £52 billion in annual GVA and a major player on the policy agenda for Local Enterprise Partnerships, the LCR has the potential through both natural supply chain links and sub-national economic policymaking, to have significant influence on the future economic growth potential for York.
24. The economies of Leeds and York are the principal economic engines of the LCR economy - demonstrated by the fact that every year, Leeds and York are net contributors to business rates revenue collected nationally.
25. Whilst Leeds may have greater critical mass, the York economy contributes substantial R&D expertise in the form of our four higher and further education institutions, skills and sectoral strengths. The Leeds City Region is home to internationally significant clusters in industries including IT/digital/creative industries, low

carbon and life sciences. In these sectors, York as an economy and business base benefits from the support infrastructure and promotion of the industry driven through LCR LEP.

26. Beyond the transport fund and associated governance arrangements being developed to exert greater localised influence over infrastructure development in future, the City Deal for Leeds includes the potential for Government to match an LCR Investment Fund - similar to the York Economic Infrastructure Fund, but on a greater scale and with greater potential to match and leverage further investment from both public and private sectors. Additional asks in the form of skills funding and added support from UKTI in promoting trade and export in the city region will contribute directly to ambitions of CYC to create jobs and grow the economy locally.
27. Option 3 would support the coordination of transport, green and economic investment funds to maximise their collective benefit and ensure that the best outcomes are achieved for the York and Leeds City Region economy. This would also support and influence wider collaboration with and between the Leeds and Manchester City Regions to drive economic growth across the North of England.
28. The Leeds City Region Local Enterprise Partnership has recognised the economic significance of York to the partnership, and that the corollary is that transport planning should take place on the same spatial dimension as economic planning. The Chair of the LEP Board has expressed the view that “the LEP appreciates that York is a key driver of the wider Leeds City Region economy, which is a very strongly defined functioning economic area – 95% of people who work in the City Region also live in it. Improving connectivity between York and the towns and cities of West Yorkshire is crucial if the City Region is to make the most of its collective potential, not just because of general labour market flows but also because of particular common strengths in LEP priority sectors including financial and business services, low carbon, medical technology and creative and digital industries”.

Addressing key transport issues

29. Both options 3 and 4 highlight that York has key transport linkages with both West Yorkshire and North Yorkshire in terms of the role that York plays and its transport connections. All LTB's will need to

work together to address their strategic transport infrastructure needs. Joint packages or schemes could be taken forward where there is mutual benefit to West Yorkshire, York and North Yorkshire (and/or other LTB's). This may be applicable to schemes such as improving surface access to Leeds Bradford International Airport, the York Northern Outer Ring Road and the Harrogate rail line.

30. Both options could achieve economies of scale on delivery through a shared programme and delivery resource, although there is likely to be a wider range of scheme types being taken forward through Option 3.

Preferred Option

31. The recommended way forward is for York to indicate to the DfT that in terms of LTB geography York is looking to form a LTB with West Yorkshire (Option 3). This locally determined partnership based approach offers the greatest potential to maximise the level of transport funding for York, particularly by realising the benefits of the Leeds City Region Deal. It supports the alignment and delivery of transport and economic interventions and funding in order to achieve the best economic outcomes for the city of York. Whilst a West Yorkshire and York LTB would not cover a contiguous area, there is a strong local funding and economic rationale for this approach.
32. In developing the detailed Governance arrangement for a West Yorkshire and York LTB it is proposed that this is done on the basis that York's per capita allocation of major scheme funding is spent either on schemes with a mutual benefit to West Yorkshire and York (and potentially other LTB's) or on schemes of benefit to York and its hinterland. The lead objective across the funds will be the delivery of the maximum net increases in GVA and jobs for York.
33. It is vitally important that a West Yorkshire and York based LTB works collaboratively with a North Yorkshire based LTB, an East Riding/ Hull based LTB and any other LTB.

Implications

34. The following implications have been identified:

- Financial – Major scheme transport funding would be additional Government funding. For the next four year period this is estimated to be £4m. Failure to indicate to DfT which Local Transport Body York would join could put this funding at risk. Once York is in a Local Transport Body there will then be a competitive situation to allocate the total pot of funding devolved by Government. This risk needs to be managed. In terms of developing a larger transport investment fund there is no further local funding identified at this point and this would need to be considered through the budget process. The earn-back proposition has yet to be agreed between LCR and Government.
- Equalities – There are no Equalities implications.
- Human Resources – There are no HR implications.
- Legal – The Government is still consulting on options for the membership of local transport bodies. It is envisaged that the DfT would enter legally binding grant agreements with each LTB. However, the detailed arrangements are yet to be determined. CYC is actively seeking to become part of a Combined Authority. Whilst there are current legal barriers to establishing a single Combined Authority where the geography is not fully contiguous, legal advice has identified the scope to disapply this legislation.
- Crime and Disorder – There are no Crime & Disorder implications.
- Information Technology (IT) – There are no IT implications.
- Property – There are no Property implications.
- Other – There are no other implications.

Risk Management

35. The future agreement of the detailed arrangements for a West Yorkshire and York LTB will need to be done on the basis that York's per capita major scheme funding is spent either on

schemes with a mutual benefit to West Yorkshire and York (and potentially other LTB's) or on schemes of benefit to York and its hinterland.

36. The transport propositions in the City Deal, including earn back, are being taken forward through the implementation plan for the Leeds City Region Deal.
37. The formation of a West Yorkshire and York LTB will require collective confirmation to DfT from all partners and LEP support. Final agreement will be needed from DfT. CYC has worked closely with the Association of West Yorkshire Authorities to progress joint transport working and held discussions with DfT officials throughout.

Recommendation

38. Members are requested to agree that the DfT be notified that York wishes to be included in the arrangements for a Local Transport Body for West Yorkshire and York, subject to detailed Governance arrangements being agreed.

Reason – This approach offers the greatest potential to maximise the level of transport funding for York, particularly by realising the benefits of the Leeds City Region City Deal, and to align with economic investment to support growth.

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Report Approved

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Wards Affected: List wards or tick box to indicate all

All

For further information please contact the author of the report

Background papers

- Unlocking our Economic Potential, A Leeds City Region Deal, July 2012
- Devolving local major transport schemes: consultation responses, DfT, July 2012
- Devolving local major transport schemes: Next steps, DfT, September 2012