

Report of the Cabinet Member for City Strategy

Access York Park & Ride Funding Bid

Summary

1. This report requests that Cabinet recommends for approval by the Staffing Matters and Urgency Committee the submission of the 'Best and Final Bid' for the Access York Project to the Department for Transport (DfT) on 9th September 2011.
2. Phase 1 of the Access York project to enhance the Park & Ride network is critical for the future economic prosperity and environmental wellbeing of the city. In recognition of the reduced national budget available and to maximise the likelihood of bid being successful it is considered necessary to make changes to the scope, programme or funding arrangements of the project.
3. Owing for the need to amend the Council's Capital Programme and the 9 September deadline final approval of the proposed submission needs to be by the Staffing and Urgency Committee.
4. Members are provided options to package the sites and alternative funding options to meet projected 20% and 30% target local contribution levels.
 - Option 1 -- 3 Site Option with additional £6m of Council Funding (Total £9.7m)
 - Option 2 – 2 Site Option (Askham Bar and Poppleton Bar) with additional Council funding of £0.7m or £2.9m (Total £4.4m or £6.6m)
 - Option 3 – 2 Site Option (Poppleton Bar & Clifton Moor) with additional funding of 1.0m or £2.7m (Total £3.7m or £5.4m)
5. Funding sources for the 3 options are identified and Members are requested to recommend approval of one of these options and the

provisional funding allocations to the Staffing and Urgency Committee to enable the bid to be submitted by 9th September.

Background

6. Expanding the Park & Ride network is a key Council Plan priority under the 'Get York Moving' banner. Additional Park & Ride capacity will
 - Provide a high quality alternative to the car
 - Address congestion which is seen as the key constraint on York's growth – a consistent and prominent message from businesses
 - Reduce emissions and address air quality issues in the city
 - Build on the success of the current P&R provision which currently caters for 4.3m passenger boardings each year (3 million pure P&R boardings) and removes over 1 million cars per year from the city centre network

7. The existing Park & Ride service has insufficient capacity to keep pace with York's buoyant and growing economy. The full Access York Phase 1 project involves:
 - the construction of 3 new Park & Ride sites at Askham Bar, A59 near Poppleton and Clifton Moor,
 - a major upgrade to the A59/A1237 Outer Ring Road roundabout,
 - associated bus priority measures,
 - procurement of the Park & Ride operator.

8. The number of Park & Ride sites in the City would be increased from 5 to 7 with over 40% more parking spaces. It is anticipated that an additional half a million cars per annum will be removed from York's road network reducing Carbon emissions by over 2000 tonnes per year.

9. The project has a long approval history:
 - Submission to Regional Transport Board --February 2008
 - Approval of Regional Transport Board – April 2008
 - Submission of Major Scheme Bid to DfT – Feb 2009

- Approval of DfT (Programme Entry) – March 2010
10. The coalition government suspended the Major Projects process in June 2010 with the scheme confirmed to be in the 'Development Pool' of 45 Major Schemes in October 2010. An Expression of Interest was submitted by the Council in January 2011 confirming the continued commitment to the project.
 11. Planning consent has been obtained for all of the sites and the acquisition of the land secured. Owing to the funding uncertainties detailed design work has been suspended on all of the sites except Askham Bar.
 12. A Best and Final bid must now be submitted to the DfT by 9th September with an expectation that a decision will be received by the end of 2011.

The Original Bid

13. The key facts for the original Major Scheme Bid to the DfT for all 3 sites were:
 - Total cost --£25.5m
 - DfT Contribution -- £22.9m (90%)
 - CYC contribution -- £2.3m (9%)
 - Third party contribution -- £0.3m (1%) based on developer contributions
 - Benefit Cost Ratio (BCR) (the overall value for money) -- 3.5

Expression of Interest/ Interim Bid

14. Interim information was submitted to the DfT in June 2011 giving an update on the projected costs for the scheme. The additional design work since the submission of the original bid and slippage in the overall programme led to an anticipated increase in the scheme cost to £28.5m. The higher overall cost was principally due to inflation and increased costs at Askham Bar for ground compaction and access arrangements. With the local contribution increased by £300k in accordance with the February 2011 budget the requested DfT contribution was maintained at 90% but increased in value by approx. £2.7m to £25.6m.
15. Feedback on the interim information from the DfT was very unfavourable due to the increased overall scheme cost and greater cost to the DfT.

Current Scheme Costs/Benefits

16. Since June further work has been undertaken to review risks, costs and evaluate the scheme benefits. The current estimated overall costs and benefit to cost ratios of the individual sites and the full project with the scope remaining as the original scheme are indicated in the following table.

Site	Cost	BCR
Askham Bar	£9.61m	4.5
Poppleton Bar	£12.06m	5.8
Clifton Moor	£5.71m	3.8
3 Site Package	£27.63m	4.3

Changes to the DfT Funding Process

17. Significant changes to the DfT Major Scheme processes have been introduced since the change in government in May 2010 and suspension of the programme in June 2010.
18. The risk sharing mechanism between Councils and the DfT in the previous Major Scheme process has been discontinued. This enabled 50% of cost overruns up to a ceiling level to be funded by the DfT. Approximately £3.2m of additional funding would have been available for the Access York Scheme in the event of increased costs. Funding is now provided on a maximum DfT contribution basis with any cost overruns, including inflation, construction risks, programme delays etc. to be funded by the Local Authority.
19. The DfT have also instructed that Land Compensation claims under Part 1 of the Land Compensation Act 1973, previously included in the bid, should be removed. These claims must be now be fully paid by the Local Authority in the event of successful applications being received from property owners in the areas affected by the project. This increases the risk of additional funding being required.
20. Traditionally DfT funding decisions have been based on the value for money, policy fit and deliverability. The Access York scheme

scores well on all 3 fronts hence the previous DfT decision to fund the scheme and our case continues to stress the 'Economic' and 'Carbon' benefits of the project.

21. Although the methodology still includes all of the previous assessment criteria the final approval process is now considered to be more of a direct funding competition with the other schemes in the programme. The DfT's Major Scheme Funding Block to 2014/15 is currently substantially oversubscribed in a period of significant public expenditure cutbacks. The value of the 45 schemes in the Development Pool is approximately £870m with approximately £600m of funding available in the period up to 2014/15. This will mean that some of the schemes already in the Development Pool will not be funded in this CSR period.
22. Analysis of schemes that had moved from a qualifying pool in January 2011 to the development pool showed that successful schemes had reduced costs by about 20%. A review of the June 2011 interim information submissions indicates that there has been an average 15% reduction in overall costs and 30% reduction in DfT contribution requirement.
23. The latest publicly available information based upon the Expressions of Interest in January 2011 indicates a wide range of local contribution values. Approx. 20% of the projects have local contributions below 15% and a further 20% of schemes are below 20%. 17% of projects have local contributions between 20% and 30%. It should be noted that schemes vary considerably in makeup with some having high associated developer contributions.
24. Intelligence picked up on other local authority schemes highlights that scheme costs are being cut significantly and local contributions for some schemes are being raised to levels between 30% and 50% of total scheme costs. However some of these will be relative to an originally high level.
25. Reaction to York's successful LSTF bid highlighted that the level of partnership working and collaborative funding had been a key success factor. The Council have a strong partnership working relationship with the current operator which will be used as a basis for progressing the operation of the new Park & Ride sites. The DfT are also looking for certainty that the revenue implications of projects can be accommodated in Local Authority budgets.

26. To make York's bid as attractive as possible to the DfT it is therefore recommended that the final bid should:

- Reduce overall costs
- Reduce the DfT's funding contribution by at least 20% (based on the original ask of £22.89m from the DfT)
- Increase the level of local contribution to at least 20% (i.e. double existing level)
- Preferably include additional third party contributions (thereby providing more of a public/private partnership approach)
- Incorporate funding profile flexibility to enable the DfT to manage their overall funding programme.
- Minimise revenue uncertainty.

Consultation

27. Considerable levels of consultation have already been undertaken on the scheme during the preparation of the planning applications. Further consultation will be undertaken during the preparation of the detailed designs for the highway works.

Options

28. There are a number of options which could be progressed to maximise the likelihood of the project being successful through the funding bid process. To meet the targets indicated above the scope of the project will need to be decreased or the levels of local funding contribution increased (or both).

29. All of the options expect DfT funding to be available in 2012/13 and anticipate completion in Mid 2014. Completion dates will be brought forward where possible.

Scope Reduction

30. Previous reviews have been undertaken to ensure the specification of the individual sites is the most cost effective possible. It is considered that significant further cost reductions are not possible without lowering the desired specification or removing major elements of infrastructure which would undermine the fundamental quality and viability of the proposed and existing network. Value

engineering will continue to be undertaken to minimise costs throughout the detailed design stage.

31. It is considered that the only remaining option to reduce costs significantly is to reduce the number of sites in the bid to focus on the highest ranked locations. All of the sites are considered to be important for the future transport needs of the city but they can be ranked against immediate benefit, future growth potential and risk of subsidy requirement criteria. Any site which is not delivered through this Major Scheme Bid could be progressed using alternative funding mechanisms in the future. The sites each have key benefits and disadvantages which are summarised below with more detail in Annex 1
32. **Poppleton Bar** is considered to be the highest priority site due to the highest benefit to cost ratio, new corridor, large new market, link with future growth, upgrade of A1237/A59 roundabout, lower long term subsidy risk and availability of funding from developments.
33. **Askham Bar** is considered to be the second priority site due to good benefit to cost ratio, known suppressed demand, large market, key gateway for city, link with York Central development, increased revenue opportunity and funding contributions available from existing site sale and developments.
34. **Clifton Moor** is considered to be the third priority site due lowest benefit to cost ratio of the 3 sites, likely need for operational subsidy, lack of direct funding contribution, available spare Park & Ride capacity to North & East of the City and lower market growth potential.
35. Three combination options have been reviewed based upon the ranking identified above.

Options-Current Estimated Capital Cost			
	Option 1	Option 2	Option 3
	All 3 Sites	Askham Bar & Poppleton Bar	Poppleton Bar & Clifton Moor
Total Capital Cost	£27.63m	£21.92m	£17.77m
Operating Subsidy Risk	Moderate	Low	High

36. The revenue impact of the new services will be dependent on the result of the procurement of the operator for the new sites, the projected patronage and the number of back trips to destinations along the route. In Option 1 the anticipated operational subsidy requirement for the Clifton Moor site and initial revenue risk for the Poppleton Bar site would be offset by the expected increased revenue income from Askham Bar (projected annual operating surplus range (-£100k to +£100k)). In Option 2 the expected increased income from Askham Bar would offset the initial revenue risk of Poppleton Bar (projected annual operating surplus range (+£50 to +£250k)). Under Option 3 it is anticipated that overall ongoing service subsidy will be required due to lower patronage levels and higher concessionary fare support (projected annual operating subsidy range (£-150 to -£50)).

Current Funding Levels

37. The Council must have an approved method of funding the proposed local contribution to the project to enable the Section 151 Officer to sign the bid application. For funding requirements which alter the existing capital programme approval from Council (or Staffing and Urgency Committee) is required before the bid is submitted. If the current bid is successful further reports will be submitted to the Council to approve funding sources in advance of the Final Approval submission to the DfT, anticipated to be later in 2012, following the receipt of tenders for the construction works.
38. The current approved local contribution includes funds from a variety of sources including the LTP, section 106 developer contributions and sale of the existing Askham Bar site. Prudential borrowing up to the value of £496k was approved in the amended budget taken to Council in June 2011. The inclusion of the value of the Sim Hills tip site, which is the location of the proposed Askham Bar site, would need approval to be confirmed by Cabinet.
39. The approved Council capital budget also includes a maintenance allocation for improvements to a section of the A59 where bus priorities are proposed in the Access York Project. The eligible spend in 2010/11 for the design of the scheme since Programme Entry Award has also been included.

Funding Source	£k
10/11 costs post Programme Entry	292
A59 Maintenance	150
LTP	1,500
CYC Capital Receipt (inc. sale of Existing Askham Bar Site)	557
Prudential Borrowing (Approved)	496
Value of Sim Hills Tip	350
Developer Contributions	400
Total	3,745

40. The following table identifies the possible site options and currently available funding levels. Lower contribution levels are available for Option 3 because the sale of the Askham Bar site and value of Sim Hills tip site can not be used.

Option Contributions at Currently Approved Funding Levels			
	Option 1	Option 2	Option 3
	All 3 Sites	Askham Bar & Poppleton Bar	Poppleton Bar & Clifton Moor
Total Capital Cost	£27.6m	£21.9m	£17.8m
Existing Local Contribution	£3.7m	£3.7m	£2.7m
DfT Contribution	£23.9m	£18.2m	£15.1m
DfT Contribution Variation	+4.3%	-20.4%	-34.1%
Local Authority Contribution	13.5%	16.9%	15.1%

41. At the current funding approval levels none of the options meet the minimum 20% contribution target levels. Option 1 has an increased DfT contribution and fails to meet the Local Authority contribution target. Both Options 2 & 3 meet the DfT contribution reduction target but have a lower Local Authority contribution than desired.

Bid and Funding Options

42. Bids with higher reductions in DfT funding are likely to be the most advantageous in the bidding process. To achieve the anticipated funding contribution levels to maximise the likelihood of success of the bid it is anticipated that the local contribution would need to be increased to meet the target levels indicated in the Changes to the DfT Funding Process section. Higher local contribution levels will be important to the DfT but are likely to be a secondary consideration to the reduction in DfT funding requirement.

43. Local Contribution levels for the project will need to be increased to achieve the levels considered necessary for a successful bid. 20% is considered the minimum appropriate. A level of 30% may increase the likelihood of success however the key criteria is considered to be the reduction in DfT contribution levels. These 2 alternative local contribution levels are provided in the following table for consideration. Contributions between 20% & 30% could be considered. Detailed provisional funding sources for these contribution options are indicated in Annex 2.

Additional Funding required to meet Targets			
	Option 1	Option 2	Option 3
	All 3 Sites	Askham Bar & Poppleton Bar	Poppleton Bar & Clifton Moor
Total Cost	£27.6m	£21.9m	£17.8m
Existing CYC	£3.7m	£3.7m	£2.7m
Additional Funding to meet 20% DfT Reduction and 20% Local Contribution Targets			
Additional CYC	£6.0m	£0.7m	£1.0m
Total CYC	£9.7m	£4.4m	£3.7m
DfT Contribution	£17.9m	£17.5m	£14.1m
DfT Contribution Variation	-21.9%	-23.5%	-38.5%
LA Contribution	35.3%	20.1%	20.8%
Additional Funding to meet 20% DfT Reduction and 30% Local Contribution Target			
Additional CYC	£6.0m	£2.9m	£2.7m
Total CYC	£9.7m	£6.6m	£5.4m
DfT Contribution	£17.9m	£15.3m	£12.4m
DfT Contribution Variation	-21.9%	-33.1%	-45.9%
LA Contribution	35.3%	30.1%	30.3%

Funding Sources

44. Subject to Cabinet approval more of the LTP funds within the existing Capital Programme could be used to increase the local contribution. Currently it is proposed to allocate £1.5m of the LTP (25% of expected grant) to the project over three years however this could be increased to up to £2.5m (40% of expected grant). This would reduce the funding available for other transport priorities across the city. However the expectation would be that the additional contribution would be covered by future s106 contributions from developments in the area such as York Northwest.
45. Other additional capital funding sources have been investigated but satisfactory conclusions have not yet been reached. These opportunities will be investigated further but have been excluded

from the bid due to their current uncertainty and the requirement for all funding to be underwritten by the Council.

46. The New Homes Bonus is a new funding arrangement designed to create a fiscal incentive to encourage local authorities to facilitate housing growth and will sit alongside the existing planning system to deliver the vision and objectives of the community and spatial strategy. It will assist with issues such as service provision and infrastructure delivery and mitigate the strain caused by population increase - transport improvements can form part of this.
47. The New Homes Bonus fund is provided in the context of reducing grants from central government which will have significant implications on the Council's total funding availability, both revenue and capital. There are concerns if too many commitments were identified against this fund at an early stage given the uncertainty and wider picture of public sector funding reductions.
48. Nationally DCLG has set aside £1b over the CSR period for NHB, including £200m in 2011/12 and £250m for each of the following years (funding beyond those levels will come from formula grant).
49. The expectation is that the NHB will be paid for 6 years as an unringfenced grant through Section 31 of the Local Government Act 2003. Funding for the first 2 years is confirmed.
50. Locally CYC received £714,000 for year 1 (2010/11) and this could result in a total payment of £4.28m over 6 years based on a net change in housing stock of +468 homes (a relatively low level of housebuilding compared to recent years). Given market conditions this provides a sensible planning level.
51. Over the next 6 years, based on 468 net additions to the housing stock each year and assuming the fund continues after the first 2 years, CYC would receive up to £15m of NHB funding (this is based on £714,000 being received each year for six years and the same amount being received again for 5,4,3,2 and 1 years respectively).
52. Guided by the LDF Core Strategy draft Infrastructure Delivery Plan a proposed CYC NHB model is being developed along the lines of
 - The additional payment on affordable housing being directly re-invested in affordable homes

- A top slice is taken to contribute to the provision of community facilities
- A proportion is invested in bringing empty homes forward
- The bulk of the funding is targeted at bringing new housing development forward (through a viability fund approach to enable/bring forward delivery) and at delivering critical transport infrastructure
- Over the early years a larger proportion (eg two thirds) would be prioritised towards housing viability as this would maximise future levels of new homes bonus
- The annual amount targeted at critical transport infrastructure would taper up over the six years (eg up to two thirds by the end of the six year period and of a larger total)

53. A separate paper will be presented to Members in the Autumn identifying options for the use of the fund. Council approval would be required to use this new funding source for the Access York Project at this stage.

Prudential Borrowing

54. Prudential borrowing could be used to meet any shortfall if it was decided not to allocate the full amount from the New Homes Bonus or if the New Homes Bonus was not received after 2012/13. In the worse case scenario all of the allocation identified to be sourced from the New Homes Bonus (up to £5m) would have to be replaced by Prudential Borrowing. The Prudential Borrowing would require additional revenue funds to cover repayments (Approx. £450k per year would be required to borrow £5m). Owing to the current revenue position additional equivalent savings would need to be identified to cover these repayments.

55. Any cost overruns on the project would also have to be covered by Council funds from the sources identified above. The Council will need to commit that any shortfall in funding is met from prudential borrowing, and agree to meet any consequential revenue implications that arise.

Revenue Implications

56. In addition to the Prudential Borrowing repayments some of the new sites may need revenue subsidy to pay for any shortfall in the operating costs. The existing Park & Ride sites operate on the basis of a license fee paid to the council. Long term income will be dependent on future procurement exercises.
57. It is expected that the Clifton Moor site would need revenue support as the fare revenues are not expected to cover the cost of operating the site. Owing to initial lower patronage levels support may also be required for the Poppleton Bar site. It is anticipated that the new Askham Bar site will operate without subsidy with additional revenues used to support the other sites.

Option 1 Funding

58. Option 1 would need additional Council Resources of approximately £6m to achieve both of the targeted contribution levels. This additional contribution level would not be possible without impacting on the council's ability to deliver other priorities.
59. The £6m additional funding projected to be required to maximise the success of an Option 1 bid would mean, in effect, the entire Clifton Moor site would be Council funded. Increased capital and revenue risks would be incurred if this site was progressed. A separate decision could be taken to fund this site independently at a later date if considered to be a high priority against other Council objectives.
60. If Option 1 is progressed through the Major Scheme process approximately £1m could provisionally be funded from the LTP in the short term, subject to Cabinet approval, with the expectation that the funds would be 'paid back' from developer contributions in the A59 corridor area.
61. The remaining £5m could be funded from the New Homes Bonus. Additional funding for the Access York Project is not needed until 2013/14 at the earliest as other funding sources can be used in the early stages of the project. For the 3 site option it is anticipated that approx. £3.5m would be required in 2013/14 and £1.5m in 2014/15. This would allow the 11/12 and 12/13 NHB contributions to be used for other priorities.

Option 2 & 3 Funding

62. The level of funding required for these options is dependent on the contribution target levels to be progressed.
63. To achieve the 20% DfT contribution and 20% local contribution targets a maximum of £1.0m of additional resources is required. This could provisionally be provided from the LTP subject to Cabinet approval but would limit the progression of other Transport schemes across the City. Alternatively the New Homes Bonus could be used subject to Staffing and Urgency Committee approval.
64. To achieve the 30% Local Contribution Level additional funds would be required. The New Homes bonus could be provide the necessary maximum of approx. £2.0m. This would principally be required in 2013/14 (Approx. £1.5m) and 2014/15 (£0.5m).
65. It is anticipated that Option 3 which includes the Clifton Moor site would need additional revenue support to cover any operational shortfall.

Council Plan Priorities

66. Phase 1 of the Access York is critical to the future economic prosperity and environmental wellbeing of the city and assists in the delivery of the following Council Plan Priorities:

Get York Moving –

- Removes traffic from the city centre
- Increases capacity of the Outer Ring Road.
- Provides bus priority for Park & Ride and service bus routes to encourage transfer to sustainable transport.
- Improves access across Outer Ring Road by walking and cycling

Create jobs and grow the economy –

- Reduces impact of congestion on business
- Provides improved public transport options for staff and customers

Protect the Environment –

- Improves air quality in the city centre
- Reduces carbon emissions.

Implications

Financial

67. The financial implications are dependent on the funding option approved. Funding requirements are identified in the Bid and Funding Option section of the Report. Further reports will be presented to Members in advance of Final Approval and throughout the progress of the project.

Human Resources (HR)

68. Subject to the success of the bid it is proposed to recruit additional project management staff on fixed term contracts for the duration of the project.

Equalities

69. The work carried out will benefit everyone in the community, either because of the opportunity to use the new Park & Ride sites or because of the benefit of reduced congestion on the roads and improved air quality. Sites will be designed to incorporate measures to ensure good accessibility.

Legal

70. Dependent on the success of the bid and timing of final approval the existing Conditional Contracts for the purchase of the land for the sites may need to be extended.

Property

71. The existing Askham Bar site will become vacant as a result of the project and be available for sale. The project will increase the Council's property assets with the operator undertaking maintenance of the sites and buildings.

Risk Management

72. The financial risk to the Council is dependent on the funding option approved. The scheme has a detailed construction phase risk register which will be managed and monitored through the delivery of the project. Major risk elements such as the acquisition of land and granting of planning consent have already been resolved.

73. At this stage in the bid process the Council commits that it has the intention and means to deliver the scheme. Final commitment to fund the construction of the scheme will be required once tenders have been received for the main elements of the scheme and final approval is received from the DfT.

Recommendations

74. It is recommended that Members note the contents of the report and identify the site and funding option to recommend to the Staffing and Urgency Committee to approve. Clear recommendations need to be provided to the Committee in the following format:

- i) Recommend Option X is progressed
- ii) Recommend the approval of the funding approach identified in Option XX of Table 1 of Annex 2
- iii) Recommend the approval of the allocation of £X.Xm from within the existing Council Capital Programme
- iv) Recommend the approval of the increased allocation of LTP grant funding (to £X.Xm) to the scheme, as part of the local contribution, with the expectation that additional developer contributions will be used when received.
- v) Recommend the approval of the use of £X.Xm from the New Homes Bonus and/or Prudential Borrowing, with the actual split to be determined at a later date, with a commitment to fund any shortfall in funding from prudential borrowing, and to agree to meet any consequential revenue implications that arise.
- vi) Recommend the approval of the use of the £350k value of the Sim Hills tip site as part of the Council's contribution.
- vii) Note the additional risk to the Council, such as funding all cost overruns, which result from the changes to the DfT funding processes.
- viii) Note the increased revenue risk from operating additional Park & Ride Services.

Reason: To maximise the likelihood of a successful bid for funds from the DfT.

Contact Details

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Report

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Date

26 August

Approved

Specialist Implications Officer(s):

Finance: Patrick Looker Finance Manager City Strategy

Wards Affected: All

For further information please contact the author of the report

Background Papers:

(1) Access York Phase 1 Park & Ride Development – Update Report
Following Programme Entry – to the Executive 13 April 2010.

(2) Update Report to City Strategy Decision Session – 1 Feb 2011

Annexes

Annex 1 – Site and Option Advantages and Disadvantages

Annex 2 -- Detailed Provisional Funding Allocations