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Report to: West Yorkshire and York Investment Committee

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Subject: WYCA Capital Programme Update

1. Purpose

- 1.1. The purpose of this report is to provide an overview of the West Yorkshire Combined Authority's (WYCA) programme of capital expenditure. This report details each funding stream, the management processes and any requirements in terms of spend and achievement of the funding bodies. The report also provides highlights of progress.
- 1.2. The report seeks consideration of future monitoring and reporting of the WYCA capital programme.

2. WYCA Capital Programme

- 2.1. The table below details all non-Growth Deal capital funding streams included in the WYCA Capital Programme 2017/18. It should be noted that this includes additional funding streams awarded to WYCA after the Capital Programme was approved by the Combined Authority at its meeting on 2 February 2017. The table includes expected income, forecast expenditure and expenditure incurred as at end September 2017.

	Capital Funding Programme	Income 2017/18	Forecast Expenditure 2017/18	Expenditure to end Sept 2017
1	Growth Deal	£72,228,329	£100,150,000	£27,529,175
2	Leeds Public Transport Investment Fund (LPTIP)	£21,000,000	£4,948,000	£0
3	Local Transport Plan Integrated Transport Block	£13,100,000	£13,100,000	£5,166,622
	Local Transport Plan Integrated Transport Block c/f from 2016/17	£780,000	£780,000	£0
	Highways Maintenance Block	£25,970,000	£25,970,000	£6,494,000
	Highways Maintenance Incentive Fund	£2,500,000	£2,500,000	£625,000
	Pothole Action Fund	£2,230,000	£2,230,000	£1,116,000
	National Productivity Investment Fund (NPIF)	£6,930,000	£6,930,000	£1,327,000
4	DFT Cycle City Ambition Grant (CCAG)	£9,873,000	£13,940,000	£191,955
	WY Cycling and Walking Fund	£1,500,000	£1,500,000	£144,367
5	ULEV	£495,000	£175,000	£3,938
6	Broadband UK (BDUK)	£2,967,956		
	European Regional Development Fund	£2,967,956	£6,315,913	£985,459
7	Growing Places Fund	£0	£800,000	£0
	Total	£162,542,241	£179,338,913	£43,583,516

It should be noted that public sector spend is often weighted towards year end. There are a variety of reasons for this including that claims from partners and invoices are paid in arrears. The funding streams and the projects/programmes they support are summarised in Section 3 below.

3. Projects and Programmes

3.1. The funding received by WYCA have been grouped into categories to allow ease of reporting.

1. Growth Deal – Regular update provided in a separate report.

2. Leeds Public Transport Investment Fund (LPTIP)

The LPTIP was developed because of the government decision not to grant powers for the construction of the Leeds New Generation Transport (NGT) trolleybus system. The Department for Transport recognised the need for further investment in public transport in the region and on 21 April 2017 approved the funding of £173.5m for public transport improvements in Leeds. These funds have been devolved to WYCA to work in partnership with Leeds City Council, WYCA is the accountable body and all of the projects and programmes arising from this package will follow the WYCA assurance process. These schemes must be substantially complete by March 2021. The packages identified in the initial business case are:-

- Bus priority corridors
- Bus Park and Ride
- City Centre Gateways
- Rail
- Bus transformation
- Mass transit

In addition to this the bus operators will be investing £70m in the upgrade of their fleet of vehicles.

In addition to the £173.5m from DfT, there is £8.8m match from Leeds City Council and £0.966m from WYCA.

In June 2017 Investment committee approved £15.3m of development funding to advance the packages as outlined above. This will be delivered either directly by WYCA projects team or by Leeds City Council by way of a funding agreement.

At this stage the DfT do not require that the annual allocation is spent in year, the main requirement is that the full programme should be delivered by March 2021.

3. Local transport Capital Funding: Integrated Transport Block, Highways Maintenance need element, Highways Maintenance Incentive element and Pothole Action Fund; plus National Productivity Investment Fund (NPIF)

The Department for Transport (DfT) provides capital funding for local transport programmes from a number of different funding grants, for which WYCA is the

accountable body in West Yorkshire and funding is allocation and paid to WYCA. These programmes and grants are outlined below:

- *Integrated Transport:* Integrated Transport Block (IT) provides funding support to local authorities to deliver smaller scale improvements to transport networks and facilities, to be spent at local discretion. Annual funding allocations are usually confirmed for a 3 year period, and confirmed funding for 2017/18 and indicative allocations for 2018/19 and 2019/20 of £13.1m per annum.

IT funding is used to deliver the Local Transport Plan (LTP) Implementation Plan 3 (IP3) programme which is the first of the five year Implementation Plans that are proposed to deliver the recently adopted West Yorkshire Transport Strategy 2040.

The IP3 programme was developed with input from Transport Committee and approved by WYCA in April 2017, with endorsement from Transport Committee – with a detailed programme identified for the first two years (2017/18 and 2018/19) and indicative allocations for the final three years.

WYCA has the responsibility for distributing IT funding to the District Councils to deliver projects and programmes included in IP3 for which they have responsibility. In order to do this a mechanism has been established to make payments to Districts during the year that reflects the planned delivery of the Integrated Transport Block funded programme.

- *Highways Maintenance needs based element:* Highways Maintenance (HM) block funding is provided to local authorities for maintenance of the local road network. The “needs based” allocations are determined on the basis of a formula that assesses road lengths, number of bridges that require maintenance and strengthening, and street lighting columns relating to local authority road networks. This funding is distributed to West Yorkshire District Councils to deliver their identified highways maintenance programmes, in line with DfT’s formulaic allocations.
- *Highways Maintenance incentive element:* In December 2014, DfT announced a Highway Maintenance Incentive Fund to reward councils who demonstrate they are delivering value for money in carrying out cost effective improvements. This is determined on the basis of self-assessment questionnaire assessing their asset management regime against set criteria. West Yorkshire Local Authorities have all achieved Band 3 status, the highest possible.
- *Pothole Action Fund:* DfT announced the creation of the Pothole Action Fund in 2016 and confirmed funding for 2017/18 to be paid to WYCA in March 2017. In 2016/17 Pothole Action Fund funding was paid directly to

Districts but following a change to DfT arrangements, this is now paid to WYCA to distribute to Districts.

WYCA is required to certify to DfT the level of spend of the local transport grants detailed above on an annual basis, but do not require funding to be returned if not spent in year.

National Productivity Investment Fund (NPIF): In addition to the Local Transport funding detailed above, the Government announced a new National Productivity Investment Fund (NPIF) in the Autumn Statement 2016, as additional funding for transport and other sectors that are key to boosting productivity. This is a separate fund to the Northern Powerhouse Investment Fund (also NPIF) which is managed by the British Business Bank in collaboration with Local Enterprise Partnerships in the North, to provide commercially-focussed finance products to businesses.

In January 2017, DfT confirmed that an initial round of £185 million of the NPIF would be allocated to local authorities to improve local road networks and public transport in 2017/18, with £6.925m made available for West Yorkshire Combined Authority, based on a formulaic approach.

This funding is being alongside the IT block funding to deliver the IP3 programme, as well as a discretionary element for partners to spend on additional schemes that meet the fund's objectives, with a focus on improving the efficiency and resilience of our highways networks against surface water flooding, and our public transport services.

As part of the requirements for the funding, WYCA published a list of schemes that will be delivered with NPIF funding in 2017/18, and it is expected that NPIF funding will be spent in year in line with the published programme.

In addition to the 2017/18 allocation, NPIF funding for the period 2018 - 2020 is being granted on the basis of a competitive bidding process which was open from April to June 2017, for submissions made by local highways authorities (i.e. in West Yorkshire, the WY District partners) and with WYCA playing a role in co-ordinating and ranking bids.

Bids were submitted by Bradford, Calderdale, Kirklees, and Leeds Council; Wakefield Council did not submit a bid. In October 2017, Government announced that the bids from Bradford, Calderdale and Leeds Council had been successful, with £12m funding secured in total from the Department for Transport.

4. Cycle City Ambition Fund (CCAG) / West Yorkshire Cycling and Walking Fund

In August 2013 West Yorkshire was awarded £18.05m CCAG funding to deliver a package of cycling infrastructure and engagement activities across Leeds and Bradford, including a 23km Leeds – Bradford Cycle Superhighway, Canal Towpath improvements and area wide 20mph zones. This was supported by local match

funding of £10.89m.

This first phase of the programme was split into eight projects and work has progressed well on each of these over the last 3 years, with the infrastructure projects largely completed by the end of 2016.

In March 2015 an additional £22.11m CCAG funding was announced for West Yorkshire to deliver a further transformational package of cycling infrastructure, along with further local match funding of £8.17m. This phase includes projects in each of the West Yorkshire districts and York, along with additional engagement and encouragement activities as well as a package of monitoring and evaluation. The second phase projects are on track to be completed by late 2018.

In January 2017 a further £1.5m was awarded by DfT from the Cycling and Walking to Work Grant. WYCA, through the CityConnect Communications and Engagement project, has developed a series of initiatives to enable people to overcome transport barriers and access employment and training. This includes working with communities and businesses to increase numbers of people travelling to work by bike or on foot.

The programme level objectives are common for both phases:

- To increase walking and cycling so that it becomes part of a residents' healthy living plan
- To make cycling a natural and popular choice for short journeys
- To make cycling accessible to all low income and vulnerable groups
- To improve access to employment, skills and education
- To reduce CO2 and improve local air quality; and
- Create a safe and attractive environment for active travel modes

Current Position - Four projects have been formally approved to progress to construction phase: Leeds City Centre; Bradford Canal Road; Wakefield Phase 1; Canals (4 schemes). The remaining projects form a reserve list and work continues to prioritise those schemes to be delivered with the remaining funding for the programme. Alternative funding streams are also being explored as the available funding is insufficient to deliver the full ambition. Options will be considered and presented to the Project Appraisal Panel for recommended approach by end of October with Transport Committee/MD delegated approval by end of November. A table of projects is included as **Appendix 1**.

5. Ultra Low Emissions Vehicles

This project seeks to improve air quality, by funding and installing up to 88 rapid charge points for sole use by taxi and private hire operators in West Yorkshire. This will remove one of the main barriers that has been identified to uptake of Ultra-Low Emission Vehicles (ULEVs) by taxi and private hire operators. Collectively, the five authorities have agreed to deliver the following additional mechanisms to support ULEV uptake, that are considered to be outside of the scope of this charging point project:

- Implementation of the Leeds Clean Air Zone by 2020.
- Demonstration of the benefits of ULEVs to the taxi and PH trade
- District licensing hackney incentives to promote ULEV uptake.

The Secretary of State for Transport has awarded West Yorkshire Combined Authority (WYCA) a capital grant of up to £1.98m to deliver its Ultra-low Emission Vehicle (ULEV) Taxi Infrastructure proposals. WYCA is named as delivery lead, and financial accountable body for the Office for Low Emission Vehicles (OLEV) grant funding. The funding is available to WYCA until 31 March 2020.

OLEV will fund up to 75% of the cost of a rapid charge point, with the funding capped at £22.5k. If costs are significantly higher, for example in relation to electricity connection costs, this can be discussed with OLEV on a case-by-case basis. WYCA has indicatively allocated £1.2m match funding from the Local Transport Plan.

The charge points must remain in operation on a pay-as-you-go basis for taxi drivers for at least three years after installation. There is no revenue funding allocated to this project, so any charge point provider must cover the operating costs using the income from the taxi drivers.

An 'Inception Report' has been considered by the West Yorkshire Chief Highways Officers, who have recommended further work on project risks by an appointed sub-group.

6. Broadband UK (BDUK) and European Regional Development Fund (ERDF)

The West Yorkshire and York (WY&Y) Broadband programme uses public sector funds to incentivise BT Openreach to deploy superfast broadband infrastructure to geographies in WY&Y where they would not go on a purely commercial basis. The funding is a combination of UK government contributions BDUK, ERDF and contributions from WY&Y local authorities.

The first contract with BT was signed in 2013 and its subsequent deployment of fibre infrastructure by BT Openreach is complete. The participating WY authorities in Contract 1 were Leeds, Bradford, Calderdale and Wakefield. This achieved over 90% access to superfast broadband in the region, more than 65,000 business and residential premises were given access to superfast broadband and the project was considered by BDUK to be in the top two nationally for good value-for-money. Contract 2 with BT, signed in June 2015, also included Kirklees and York. The first phase of the contract is underway and is expected to deliver 98% access to superfast broadband to 30,000 more premises across WY&Y by 2020 – very close to the 100% ambition in the LCR Strategic Economic Plan. The second phase of deployment is currently being modelled by Openreach. Contract 2 is capital funded from BDUK (£6.89m), ERDF (£6.89m), and from Contract 1 BT underspend (£2.551m of efficiency savings).

7. Growing Places Fund

In 2011/12 the Leeds City Region Enterprise Partnership (the LEP) received

£36.23m from the UK Government Growing Places Fund to provide a grants and loans fund, with the emphasis on creating a revolving loans facility. The initial purpose of the funding was to release stalled infrastructure projects but this has developed over the years. There were initially two calls for applications through the scheme which is now open to applications subject to the availability of monies. The loans are used by the private sector to acquire or upgrade physical assets such as property, industrial buildings or equipment. A frequent purpose for a loan is to complete the costly infrastructure works required to make a brownfield site commercially viable. The fund accelerates economic growth by delivering new jobs, removing barriers to development or using resources more efficiently. Loans were offered for capital projects on a 'no fee' basis at interest rates that comply with State Aid regulations.

Typically loans have been made where mainstream finance could not be obtained or the financial market would not lend the full amount required to enable a project to go forward. This meant the Fund's loans carried higher risks than a commercial lending bank would accept, and whilst the loans were justified in terms of strategic gain for the Region, it was anticipated a proportion of loans would fail.

Currently just under £30m has been drawn down through loans against which £5.9m of capital and £1.3m of interest has already been repaid. Whilst capital repayments are available for future projects the interest is built into the WYCA base budget assumptions.

Regular monitoring of projects confirms as a result of these investments currently 81 hectares of land has been regenerated, 371 new homes have been built (plus a further 47 affordable homes), 141 jobs and 33 apprenticeships have been created or safeguarded and close to a billion pounds of additional investment has been unlocked. These outputs will continue to grow.

The fund is open to all businesses and organisations of any size based in or looking to invest in the city region. Annual expenditure relates to the drawdown of approved loans.

- 3.2. An update is provided on the spend and performance of the Growth Deal at each Investment Committee. It is not proposed that this should be the case for the other funding streams as in general the requirements of the funding bodies are less rigorous in relation to achievement of spend and represent a lower risk than is involved in the Growth Deal. It is therefore proposed that a report on the full programme should be undertaken every six months providing progress mid-year and after financial year end, with an interim report in March setting out expected outturn. Reports on individual funding streams or programmes will be submitted by exception as required.

4. Financial Implications

- 4.1. A key area of consideration for the WYCA Capital Programme is the risk of loss funding where the requirements of the funding bodies are not achieved either through underspend or underperformance. In practice all programmes included within this report are rated at low risk.
- 4.2. The risk of not achieving spend levels is managed on a programme by programme basis in agreement with the funding bodies. It is important to ensure that funding bodies are fully aware of the progress of projects and programmes and agree to any re-profile of expenditure.

5. Legal Implications

- 5.1. There are none arising directly from this report.

6. Staffing Implications

- 6.1. There are none arising directly from this report.

7. Recommendations

- 7.1. It is recommended that the Investment Committee notes the summary of the WYCA Capital Programme and agrees that a report on the Programme will be received three times a year at mid-term, in March outlining projected outturn and after the end of the financial year.

8. Background Documents

- 8.1. None.