

**Report to:** Leeds City Region Enterprise Partnership Board (LEP Board)

**Date:** 16 January 2020

**Subject:** **Transport Fund Update**

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Is this a key decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:		

## 1 Purpose of this report

- 1.1 This transport fund update report concentrates on summarising the review that has been undertaken of the West Yorkshire plus Transport Fund and sets out the proposals for the revised funding and programme for all projects within that funding programme.
- 1.2 The position on the Growth Deal spend and forecast as a whole remains as reported at the November 2019 LEP Board meeting. An update will be provided at the February 2020 LEP Board meeting once Quarter 3 2019/20 data has been received.

## 2 Information

### Background

- 2.1 The West Yorkshire plus Transport Fund commenced on 1 April 2015. This is a £1 billion programme funded as follows:

<b>Funding Source</b>	<b>Amount (£) million</b>
Local Growth Fund	600
Transport Majors	183
Local Contribution (borrowing)	217
<b>Total</b>	<b>1000</b>

- 2.2 The original funding programme included 33 named projects each with an allocated sum of funding which totalled £1.27 billion based on prices in 2012. As the funding programme has developed the original 33 projects have increased to 82 projects. This is as a result of funding programmes being developed and a number of original programmes have either been phased or have developed into separate individual projects (e.g. Corridor Improvement Programme, Station Gateways Programme, Rail Parking Package).
- 2.3 In 2018 the Investment Committee raised concerns that as projects were submitted for consideration through the assurance process the level of funding requested was often exceeding the funding allocation. There were various reasons for this including: cost increases, scope creep, scope change or revised scheme requirements. The funding programme is being actively managed and outputs and benefits remain as expected, but there was concern that the overall budget for the Transport Fund would be exceeded. Workshops were therefore held to consider options for addressing this issue and determine a way forward.
- 2.4 On 26 February 2019 a joint workshop of the Investment Committee and Transport Committee agreed that partner councils would be requested to prioritise projects and that following this further review would be undertaken to manage the programme within the funding envelope.
- 2.5 A joint exercise with district partners in West Yorkshire and York (through Directors of Development (DoD's) and Chief Highways Officers (CHO's)) has been undertaken to review and prioritise all projects in the Transport Fund.

#### Results of Transport Fund Review

- 2.6 The conclusion of this exercise was that, following review by each partner council, the level of funding required by each project was considered to be at a manageable level. Whilst it exceeds the funding available it is considered that a level of over-programming is reasonable at this stage because the Transport Fund is ongoing over a number of years and includes levels of risk in relation to possible underspend. The attached Appendix 1 summarises the Transport Fund projects setting out actual and forecast spend, and the revised funding required. It also identifies the quantified risk assessment (QRA) included within each project. The revised funding baselines for the Transport Fund give a programme of between £1.12 billion and £1 billion. This is in line with the original aspirations/agreements and are therefore affordable.
- 2.7 LEP Board is asked to note that there is still the commitment to borrow £217 million to meet the programme costs. The Combined Authority is building up a reserve to do so and the timing and costs of such borrowing is being reviewed

in the context of these baselines and will be included in the budget papers under preparation for the meeting of the February 2020 Combined Authority.

- 2.8 The Transport Fund faces the challenge of slower progress than agreed. Accurate forecasts of spend and a programme for submission of business cases at each decision point through the assurance process has proved challenging due to a variety of factors involved. To devise a way forward, a full review of all forecast spend and programme dates has been undertaken
- 2.9 The outcome of the review is that the following proposals should be agreed:
- (i) To fix a revised funding baseline allocation for each project. This amount is fixed and cannot be increased unless additional funding is sourced outside the Transport Fund or is considered to be acceptable at a future annual Transport Fund Review. Whilst these allocations represent maximum funding levels, they will be subject to approval through the Assurance Framework at the relevant Decision Points (Appendix 1).
  - (ii) To undertake an annual review of the Transport Fund to be carried out in June each year. The scope of this review will consider, for all projects: any increased requirement for funding; the QRA and risk of underspend; actual spend and forecast spend; and programme dates. Any future changes to the baseline figures will be dealt with either individually through the Assurance Framework at the relevant Decision Points or through a further report to the Investment Committee following the annual review. Reference will be made to how the change will be managed at the programme level to ensure it is still affordable within the revised overall baseline.
  - (iii) To over-programme to a percentage within the level of identified risk (QRA and other areas of possible underspend). This to be monitored annually as projects progress through the assurance process. Appendix 1 includes over-programming of just over 11% (£113.81 million) with QRA included within projects of £120.95 million. As the funding programme progresses the levels of underspend will be monitored, and over-programming levels may need to be adjusted.
  - (iv) Two new transport projects and some additional funding for existing projects were agreed as part of the Call for Projects approved by the Combined Authority in June 2018. These are now all included within the Transport Fund. The Combined Authority agreed that all projects within the Call for Projects should come forward at full business case by June 2020 and must spend by March 2021. It is proposed that this requirement should be waived for projects within the Transport Fund as Transport Fund funding is not required to be spent until 31 March 2035.
- 2.10 The review of the revised funding baselines for each project is included in the attached Appendix 1 and the review of the programme dates for each project is included in the attached Appendix 2.

- 2.11 There are a number of changes to the proposed funding baselines and programme dates. There are numerous reasons for these changes, including inflation, scope creep, scope change and / or revised scheme requirements. This reflects the usual ongoing development of projects and changes required following consultation and engagement, survey works, land assembly, detailed design and more detailed cost estimating.
- 2.12 Approval will be sought at the 06 February meeting of the Combined Authority, after a recommendation from the 09 January meeting of the Investment Committee for the revised baseline allocation for each project (Appendix 1 - Total Forecast Spend (£m) June 2019) and the revised programme dates for each project (Appendix 2).

### **3 Clean Growth Implications**

Clean growth considerations and references to related activities have been embedded throughout the Assurance Framework and related internal governance documents and decision-making procedures. Building on the recent work to strengthen how clean growth and climate change impacts are considered as part of all new schemes that come through the Combined Authority's Assurance Framework (Decision point 1 and 2), the Combined Authority are now in the process of procuring expert advice to frame and develop a robust quantifiable methodology for assessing all new scheme's predicted carbon emissions / wider clean growth impacts. This will include a review of all existing Combined Authority schemes and additional resource to support the development and implementation of the new assessments. Clean growth, including climate change, impact assessment / considerations are all now included in all Capital Spending and Project Approvals reports.

### **4 Financial implications**

- 4.1 The revised baseline allocation and the revised spend profiles for each project can now support a financial review of the programme and establish when borrowing will be required and the financial implications of this (the Transport Levy is collected for this purpose and held in a separate account). This information will be used to support the budget report that is considered by the Combined Authority in February each year.
- 4.2 Other financial implications are included within the body of the report.

### **5 Staffing implications**

- 5.1 There are no staffing implications directly arising from this report.

### **6 Legal implications**

- 6.1 There are no legal implications directly arising from this report.

### **7 External consultees**

- 7.1 No external consultations have been undertaken.

## **8 Recommendations**

- 8.1 That the LEP Board notes the proposals set out in section 2.9 and the approval sought from the Combined Authority for the revised baseline allocation for each project (Appendix 1 - Total Forecast Spend (£m) June 2019) and the revised programme dates for each project (Appendix 2).

## **9 Background documents**

- 9.1 None.

## **10 Appendices**

- 10.1 Appendix 1 – Transport Fund Financial Spreadsheet
- 10.2 Appendix 2 – Transport Fund Schedules