

Report to: Finance, Resources and Corporate Committee

Date: 10 November 2022

Subject: **Inflation: Transport Programmes**

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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 checked="" type="checkbox"/> Yes <input 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:	
Are there implications for equality and diversity?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

1. Purpose of this Report

- 1.1 To recommend the programme savings identified for West Yorkshire Transport Fund (WYTF), Transforming Cities Fund (TCF) and City Region Sustainable Transport Settlement (CRSTS) are taken to CA for approval.
- 1.2 To recommend the projects to be paused and pipelined in WYTF, TCF and CRSTS; as set out in this report, are taken to CA for approval.
- 1.3 To recommend the additional funding requests on projects in WYTF, TCF and CRSTS, as set out in this report are taken to CA for approval.
- 1.4 To recommend that the projects identified in the report are taken to CA for approval to progress to the next development decision point
- 1.5 To recommend to CA that both WYTF and TCF projects can be re-baselined based on the milestone information included in the report.

2. Information

- 2.1 A paper was presented to FRCC on 12 July 2022, where it was agreed that the Combined Authority and partner councils would work in partnership to address the inflation issues that are collectively being experienced on transport projects. FRCC agreed that work should be undertaken to review the current transport portfolio to consider where

projects could be paused and added to a future funding pipeline. Pausing and pipelining projects will reduce levels of overprogramming and allow us to move forward with more sustainable programmes which can accommodate the unprecedented levels of inflation currently threatening the successful delivery of our programmes. WY+TF is a £1bn programme that currently has overprogramming of £151m, which could potentially increase in the near future to £215m due to the impact of current inflation rates. Overprogramming needs to be reduced and headroom created within the programme to fund unforeseen cost rises expected in the coming 12-18 months due to inflation rises. The review has therefore identified expenditure that can be reduced in the existing programmes to enable a smaller number of schemes to move ahead at this time. Programmes will be delivered over longer timeframes and schemes that are added to a pipeline will seek funding from alternative sources.

- 2.2 The TCF programme, whilst not currently over-programmed, has also seen financial pressures across the programme as schemes complete procurement for construction and high inflation rates are causing costs to rise steeply. Without this programme review, TCF would likely exceed the programme budget if all schemes were to progress to delivery in their current form. Other considerations, such as meeting bus and cycling and walking output and quality expectations by DfT and changes to travel demand and patterns since Covid have also led to a review of the schemes across the programme. The review has identified projects that will continue to be developed and delivered to ensure the desired outputs and priorities can be achieved. A number of projects in the TCF programme with key outputs for TCF and BSIP, that are in the earlier stages of development, will continue to be scrutinised through the assurance framework and will progress to delivery where they can ensure the desired transport benefits and outputs are achievable.
- 2.3 The £830m approved CRSTS programme is over-programmed by £90m with only 7% allocated to cover inflation costs overall. This is below the current inflation costs which are running at over 10%. Construction materials are higher than this inflation rate which is creating increasing costs on delivering construction projects.
- 2.4 External influences have created pressure on funding. The high inflation rates, war in the Ukraine, BREXIT and covid have all added financial and / or resource pressure to transport programmes. The result is that costs have and continue to increase on all transport programmes, however the funding allocation remains the same, meaning there is a significant risk that the funding allocations won't be able to fund all the current projects within the transport programmes. The CA and partners want to continue to deliver the programmes in their entirety, therefore the agreed way forward is to pause and pipeline certain projects for delivery over a longer time frame and continue to deliver prioritised projects at pace.

- 2.5 Effective programme management requires regular reviews of financial, milestone and strategic fit of projects as well as responded to immediate issues which could affect deliverability and finances. Therefore, the decision was made at FRCC to review and assess the current portfolio of transport projects to allow for funding to be returned back into the transport programmes, to address overprogramming, additional costs increases and overall, reduce financial pressure.

Analysis and Assessment

- 2.6 Projects were assessed against the following criteria:
- Financial viability.
 - Deliverability (and delivery being within agreed timescales).
 - Strategic fit and suitability against sustainable travel. West Yorkshire current strategic priorities give a focus to more sustainable travel options.
- 2.7 Working jointly with our Partner Councils, the assessment has been undertaken for each project within TF and TCF against these criteria.
- 2.8 A series of inflation review meetings were conducted jointly with the CA and Partner Council officers over the summer. In these meetings we worked collaboratively to assess projects that could be delivered over a longer timeframe, or continue to develop and add to a pipeline, or pause and add to a pipeline. This will reduce overprogramming and proactively address the rising inflation costs on our infrastructure schemes.
- 2.9 We have received positive responses from Partner Councils and we are collectively able to put forward a number of schemes which can be paused, pipelined or developed over longer timeframes. Collectively, we propose the release of costs from the current programmes of approx. £270m to ease the immediate pressure on budgets and to allow this funding to both mitigate current inflationary issues and be set aside to deliver key transport priorities on projects currently in development. By continuing to develop schemes we can include 'shovel ready' schemes on the pipeline which will be ready to apply for the residual and any future funding opportunities as and when it becomes available. Available funding will be prioritised for those schemes that demonstrate significant local transport outputs, benefits and deliver against our priorities such as the BSIP.
- 2.10 Engagement with Partner Council officers, portfolio holders and leaders has been crucial in shaping the recommendations being put forward in this report.

Principles

- 2.11 The projects recommended for pausing will, where possible, continue to be developed to the next decision point. After this stage, those projects identified as being able to pause, will be added to the pipeline to respond to

alternative funding when it becomes available. This means projects will have a longer duration for delivery than previously planned. This allows us to address the immediate inflation issues on projects, whilst maintaining our transport portfolios for future funding opportunities.

- 2.12 Two Bus Park and Ride, and a number of Rail Park and Ride schemes will be paused and added to the pipeline. This will allow demand levels to be further reviewed as current demand levels have not yet returned to pre-covid levels. As demand increases we will further review schemes at that point.
- 2.13 The Corridor Improvement Programme Phase 2 projects will continue to be developed to the next decision point. After this decision point, these projects will be added to the pipeline to respond to alternative funding sources as they become available.
- 2.14 Some projects have already applied for alternative funding such as City Regional Sustainable Transport Settlement (CRSTS), Major Road Network (MRN) and Levelling Up Fund (LUF) Round 2. We have been successful in securing the CRSTS funding, and some projects have been identified to transfer to the CRSTS programme. We are awaiting decisions on whether projects have been successful in securing MRN and LUF2 funding.
- 2.15 A number of TCF corridor projects will be taken forward to the next development stage and the intention will be to identify elements of these that meet our BSIP priorities and take these into final development and delivery stages subject to these meeting the desired expectations around outputs, benefits and quality standards.

Schemes to be Developed Further and Added to the Transport Pipeline

- 2.16 The table in **Appendix 1** lists the pause and pipeline projects that have been identified. It also includes those projects where alternative funding sources have been bid for, the indicative funding approvals and the next decision point that these projects will be developed to before being paused and pipelined.
- 2.17 The table in **Appendix 2** shows the additional funding requests on projects that have been prioritised and the new indicative funding total.

Cross Boundary Schemes

- 2.18 As detailed in the district information above, there are a number of cross boundary schemes that have been considered as part of the inflation review. The recommendations for these are detailed below:
 - A641 Calderdale, Kirklees, Bradford- recommend continue to develop and deliver through Transport Fund.

- A629 Ph4- Calderdale, Kirklees- recommend phase 4 is paused and added to pipeline to seek alternative funding.
- M2D2L- Kirklees, Leeds- recommend to continue to develop to FBC and deliver activity in Leeds, within budget and add to pipeline for unfunded elements.

2.19 There are two cross boundary schemes within the TCF Programme, A61 and A639, both being delivered by Leeds and Wakefield. The recommended approach to these have been agreed between the partners and have been detailed in the previous sections of this report.

- A61 Leeds, Wakefield- continue to develop to OBC, with Wakefield elements developed to FBC.
- A639 Leeds, Wakefield- continue to develop to OBC with limited delivery funded and the main works added to the pipeline.

Financial Summary

	TF	TCF	CRSTS	Additional TF	Additional TCF	Additional CRSTS	District / CA total
TOTALS	£ 235,014,133	£ 96,774,005	£ 14,000,000	-£ 31,617,323	-£ 40,858,557	-£ 3,000,000	£270,312,258
Total Savings	£ 345,788,138						
Total Additional Ask	-£ 75,475,880						
OVERALL	£ 270,312,258						
Headroom	£ 84,014,133	£84,742,607					

2.20 The table above shows overall net savings of £270m have been identified across all transport programmes. This reduces over-programming and allows for some inflation headroom in both the TCF and TF programmes and within TCF this also allows us to identify key elements of the corridor schemes in the programme that can be delivered to meet TCF and BSIP priorities.

2.21 The detail of the individual projects to be paused and pipelined is found in **Appendix 1**.

Assurance Framework Implications

2.22 The approval of the recommendations in this report will mean that no further approvals for the changes requested will be required through the Assurance Framework. Projects will continue on their approval pathways and routes, as set out in their existing approvals or revised through this report, to the next decision point.

2.23 Deeds of variation will be executed to enable the changes to finances and milestones to be enacted. A recommendation is included to allow this.

- 2.24 Projects will only spend within their current funding allocation to get them to the next decision point and will not require additional funding other than funding that has been requested through the inflation review. The new indicative approvals have been detailed in **Appendix 1 and 2**.
- 2.25 Projects will continue to be developed to relevant quality standards, e.g. LTN/120 to ensure those that continue into delivery or continue onto a pipeline maintain the quality standards required for transport projects. Some schemes have had change requests or business cases for consideration through the Assurance Framework during this programme review period. In order to expedite delivery on these schemes some recommendations for approval that relate to these are included within this report. These include Leeds Rail Station Sustainable Travel Gateway Approval to Proceed to Delivery and the Bradford TCF Package Change Request approval to release further Development Funding.

Consultations and Discussions

- 2.26 The following consultations and discussions have taken place in making the recommendations in this report.

Group / Committee	When	Complete
Finance and Resources Committee (FRCC)	July 2022	Complete
Chief Highways Officers	July 2022 onwards	Complete
Directors of Development	July 2022 onwards	Complete
Chief Executives	July & October 2022	Complete
The Mayor and Council Leaders	July & 13 October 2022	Complete
FRCC	10 November 2022	Complete
Combined Authority	8 December 2022	

DfT

- 2.27 The TCF and CRSTS programmes were developed with DfT approval of named projects and outputs. DfT have confirmed that they do not need to review/approve the notion or process of an authority-led Inflation review. However, DfT would want to review the changes the authority wants to make as a result of that review, if they fall under the change control criteria for the relevant scheme/s (£20m change to projects requires DfT approval, below £20m change is assured through the CA assurance framework).

Timescales Review

- 2.28 The annual Transport Fund Review requires districts to submit information relating to changes to finances and milestones on all transport projects. As a result of the urgent inflation work, the decision was made to utilise the inflation review to assess the milestone timescales information on projects with a view

to resetting baseline milestone data based on any changes to timescales on projects. This is in place of undertaking a separate review. The outcome of this milestone review is included in **Appendix 3**.

2.29 It is worth noting that increases in project timescales could result in further cost increases as inflation rates are expected to increase further.

2.30 A parallel review of project key milestones and timescales has taken place on the TCF Programme. The new assurance milestone dates are included in this report as **Appendix 4** and are recommended for approval.

3. Tackling the Climate Emergency Implications

3.1 Through the scoring criteria, analysis has been done on the sustainability of projects. As a result of this analysis, projects have been assessed against their ability to meet sustainable travel aims. Those projects which had a RAG rating of red or amber against financial viability, deliverability or sustainable travel were considered for the pause and pipeline option. Therefore, those projects which meet sustainable travel objectives, and are affordable and deliverable remained in their current transport programme.

4. Inclusive Growth Implications

4.1 Through the scoring criteria, work has been undertaken to prioritise projects that have sustainable travel elements to them to ensure that public infrastructure projects continue to progress. This will mean access to employment, skills and training will continue.

5. Equality and Diversity Implications

5.1 All projects are required to develop Equality Impact Assessments as part of their development and delivery stages. These are submitted for review as part of the project appraisal process and inform recommendations and decisions on projects progression.

6. Financial Implications

6.1 None arising directly from this paper; the recommendations will be forwarded to the next meeting of the Combined Authority. The Combined Authority will continue to review the economic climate and take advice on how future inflation trends could impact on its programme of works.

7. Legal Implications

7.1 There may be legal implications if grant funding agreements have already been issued and where these projects are paused and pipelined. This may result in deeds of variations needing to be executed.

8. Staffing Implications

- 8.1 There are potentially some staffing implications as some projects will be paused and pipelined. However, projects are being taken to the next decision point in most cases in order to get them into a viable position to take forward once alternative funding has been identified.
- 8.2 Within the Combined Authority we operate a flexible pool of resources that can work across transport programmes. These resources are deployed to new funding streams as they arise. An exercise is also being undertaken to move projects to the most appropriate programme team where there is dual funding, rather than the project being managed by two separate teams.

9. External Consultees

- 9.1 No external consultations have been undertaken.

10. Recommendations

- 10.1 That the Committee recommends to the Combined Authority that the projects listed in current **Appendix 1** are paused and pipelined.
- 10.2 That the Committee recommends to the Combined Authority the new indicative allocations identified in **Appendix 2**.
- 10.3 That the Committee recommends to the Combined Authority that the projects identified in **Appendix 1** continue to develop to the next identified decision point and the additional development costs to do this are approved.
- 10.4 That the Committee recommends to the Combined Authority that the re-baselined milestones for TF and TCF projects can be approved as set out in **Appendices 3 and 4**.
- 10.5 That the Committee recommends that the CA approves the recommendations in this report and that no further approvals for the changes requested will be required through the Assurance Framework and that projects continue on their approval pathways and routes to the next decision point.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

Appendix 1 - List of pause and pipeline projects, including projects with alternative funding sources, new indicative funding allocation and next decision point information.

Appendix 2 - List of additional funding requests, including new indicative allocations.

Appendix 3 - Transport Fund revised milestone data.

Appendix 4 - TCF revised milestone data.