

27th January 2020

PROPOSED 2020/21 SOUTH YORKSHIRE TRANSPORT CAPITAL PROGRAMME

Purpose of Report

To seek approval from the MCA of the proposed 2020/21 South Yorkshire Transport Capital Programme.

Thematic Priority

Secure investment in infrastructure where it will do most to support growth.

Freedom of Information and Schedule 12A of the Local Government Act 1972

The paper will be available under the Combined Authority Publication Scheme.

Recommendations

That Members:

- Consider and approve the proposed 2020/21 South Yorkshire Transport Capital Programme report.

1. Introduction

- 1.1** This paper presents the proposed 2020/21 South Yorkshire Transport Capital Programme, including indicative figures for the following 4 years 2021-25.

On 10th January, members of the Transport Board considered and endorsed the proposed capital programme for submission to the MCA for approval on 27th January 2020.

- 1.2** The South Yorkshire Transport Capital Programme includes projects managed by the South Yorkshire Passenger Transport Executive (SYPTTE), as well as programmes commissioned by the MCA as the accountable body for central government grant.

- 1.3** It is important to note that there are no new scheme proposals within the proposed 2020/21 capital programme that will have an impact on the revenue budget due to the costs of borrowing required to fund such schemes.

2. Proposal and justification

- 2.1** It is proposed to invest £60.3m in the South Yorkshire Transport capital programme in 2020/21, as summarised in the following table. Taking into account indicative figures for the 4 years 2021-25, the total investment in the capital programme would reach £273.4m, on the assumption that the MCA's bid in November 2019 for Tranche 2 of the Transforming Cities Fund (TCF) will be successful at the higher end of its bid.

2.2	2019/20 Forecast £'000	2020/21 Proposed £'000	2021/22 Indicative £'000	2022/23 Indicative £'000	2023/24 Indicative £'000	2024/25 Indicative £'000
South Yorkshire Transport Programmes:						
Transforming Cities Fund - Tranche 1	4,300					
Transforming Cities Fund - Tranche 2		30,400	109,000	90,100		
Highways Capital Maintenance Integrated	11,901	12,219				
Transport Block SYLTE	8,428	8,428				
	8,754	9,250	6,056	4,179	3,800	
BDR Transport Capital Pot	2,693					
Pothole Fund						
Total	36,076	60,297	115,056	94,279	3,800	0

2.3 The South Yorkshire Transport Capital Programme is limited geographically to the area covered by the four constituent member authorities and also funds programme activity undertaken by SYLTE. The programme largely comprises:

- Transforming Cities Fund
- SYLTE's capital programme (covering both small and large scale projects)
- Highways Capital Maintenance (HCM) (mainly carriageway resurfacing projects carried out by 3 of the 4 constituent member authorities)
- Integrated Transport Block (ITB) (a range of schemes designed to meet local transport needs and priorities)
- Ongoing work to develop the Mass Transit scheme beyond outline business case (OBC) stage.

2.4 The vast majority of funding for the South Yorkshire Transport Capital Programme comes from central government grants, but as shown in the following table the funding mix also includes borrowing for one scheme in next year's proposed programme: Supertram Re-railing Phase 2. This method of financing was approved as part of the 2018/19 capital programme. No borrowing is planned for any other schemes, now that Rotherham Interchange has been completed, and it is expected that the BDR pot will be fully spent in 2019/20.

2.5 When assessing the borrowing requirement, finance officers have had regard to the Prudential Code and built assumptions around capital financing costs into the South Yorkshire Transport revenue budget.

2.6 Of total funding (£60.3m) for the proposed 2020/21 capital programme, central government grant accounts for £54.8m (91%), borrowing £4.2m (7%) and revenue £1.2m (2%).

	2020/21 Proposed £'000
South Yorkshire Transport Programmes:	
Transforming Cities Fund	30,400
Highways Capital Maintenance	12,219
Integrated Transport Block	8,428
Borrowing	4,236
Tram-Train grant	1,890
Mass Transit grant	1,000
Use of reserves	664
Revenue contributions to capital	588
Capital grants unapplied	772
Better Bus Area grant	100
Total	60,297

Transforming Cities Fund

- 2.7** The figures in the table above assume that the MCA will be successful in securing funding at the higher end of its bid, i.e. £230m. The announcement from DfT is expected in late February or early March 2020, i.e. after the MCA on 27 January. **Appendix A** shows the split of proposed programme by corridor and sources of funding.
- 2.8** If the outcome of the bid differs from what has been assumed in this report, a report seeking approval to vary the programme will be submitted to the next available MCA meeting.
- 2.9** It is assumed for the purposes of this report that the £4.3m of TCF Tranche 1 funding will be fully defrayed by the end of 2019/20.

SYPTE

- 2.10** SYPTE's proposed capital programme for 2020/21 amounts to £20.1m, an increase of £9.2m compared to the 2019/20 original budget. This increase is primarily driven by the anticipated TCF Tranche 2 programme, as can be seen in the table at paragraph 2.12.
- 2.11** A breakdown of each project within the proposed SYPTE capital programme is shown in **Appendix B**, totalling £20.1m as noted above. This is £10.9m higher than the figure of £9.2m as per the table in paragraph 2.2 because SYPTE's proposed programme includes projects which are funded by TCF (£8.9m) and ITB (£2m). TCF and ITB are separately identified at programme level in the table at paragraph 2.2, thus avoiding double-counting.
- 2.12** Within SYPTE's element of the overall programme is the Mass Transit post-OBC scheme. A separate report on this scheme is on the agenda for the MCA in January. The latest estimated cost for 2020/21 of continuing to develop this scheme after the OBC has been submitted is c.£2.5m, of which DfT has already committed to fund £1m, thus underlining the Department's confidence that this scheme will gain programme entry. The proposed funding mix is shown in the table below:

Funding source	£'000
DfT	£1,000
Reserves	£664
SYLTE Revenue	£400
ITB	£200
SCR Revenue	£160
SCC	£50
Total	£2,474

Of the above, £2.26m will pass through SYLTE accounts whilst the remaining £210k represents the estimated cost of time worked on the project by officers from the SCR Executive Team and Sheffield City Council.

Highways Capital Maintenance

- 2.13** HCM accounts for 20% of the overall programme, and it is proposed to retain the current methodology for allocating funding to the three constituent member authorities. In other words, the DfT formula will be applied and the grant will be passported accordingly to Barnsley, Doncaster and Rotherham, split £3.7m, £4.9m and £3.6m respectively. Sheffield does not receive an allocation because of its Streets Ahead programme which is part-funded by PFI credits from central government.
- 2.14** A breakdown of the proposed HCM programme for 2020/21 is shown in **Appendix C**.
- 2.15** The future of HCM beyond 2020/21 is currently uncertain. The Mayor will continue to lobby central government on behalf of the MCA for the continuation of HCM. Representations have already been made in readiness for the Spending Review in 2020, although this approach may need to be revisited due to the political uncertainty at a national level.
- 2.16** A bid has been submitted for 2019/20 HCM Challenge funding which could see individual authorities granted additional funding, via the MCA, before the end of the current financial year. The bid allocation is as follows: Barnsley £1.08m, Doncaster £4.9m and Rotherham £0.8m. Notification of the outcome of the bid is due before the end of December 2019, however this date was set prior to the General Election being called, so there is a reasonable chance that any announcement will be delayed. The second part of the Challenge Fund was submission of an expression of interest against a larger pot of funding to be allocated during 2020/21. A single regional bid has been submitted, led by Doncaster but still through the MCA, for £10.25m. The due date for announcing if the bid will proceed to the next stage is also end of December 2019.

Integrated Transport Block

- 2.17** ITB accounts for 14% of the overall programme, and it is used by the four constituent member authorities and SYLTE to deliver schemes which meet local transport needs and priorities. It is currently delivered as a single fund and not disaggregated into five individual pots; this enables the funding to be flexibly deployed to meet fluctuating needs and to provide the best investment for the region. However, to facilitate the initial development of the programme, partners are given approximate values to work towards, using population estimates as part of the methodology.
- 2.18** Each partner then develops and submits a provisional programme in line with its local priorities and the LTP team then review this against regional strategic priorities, including

the Mayor's SCR Transport Strategy. If any of these priorities are revised prior to adoption, the relevant areas of the ITB programme will be re-assessed.

- 2.19** Each partner's draft programme still needs to go through full board/cabinet approval. This will not be completed until later in Q4 2019/20, so it needs to be noted that the current proposed allocations could still be subject to change. The 'shares' of the programme are not fixed though; this is a single fund which can be re-allocated when appropriate to deliver the best possible return for the region.
- 2.20** A breakdown of the ITB programme is shown in **Appendix D**. As reported at Q2, it is expected that there will be some slippage in the 2019/20 programme, partly due to the fact that local transport officers have prioritised resources towards the development of the TCF Tranche 2 bid, submitted on 28 November 2019. At this stage it is too early to say what the level of slippage is likely to be, so it has been disregarded for the purposes of setting the 2020/21 capital programme. Requests for slippage will be brought back to the MCA as part of the 2019/20 outturn report.
- 2.21** As with HCM, the future of ITB beyond 2020/21 is currently uncertain. The loss of £20m per annum of transport capital funding (HCM & ITB combined) would significantly impair the region's ability to respond to local transport needs and priorities.

ITB is used as a means of funding feasibility work as preparatory activity leading up to grant approval for full scale schemes, for instance those schemes in the proposed TCF Tranche 2 programme. ITB is also to be used as match funding for the proposed TCF programme.

Hence, the loss of ITB in particular would increase delivery risk of the TCF programme not only in SYPTE's case as the primary source of funding for the local contribution but also because it provides capacity to develop schemes at feasibility stage.

As noted in the 2020/21 revenue budget report, work on the medium term financial strategy will be starting early in the new year, and the identification of the future funding model or alternative options for local transport activity will be considered as a priority.

3. Consideration of alternative approaches

- 3.1** Do nothing – the option of not developing a proposed capital programme for 2020/21 has been disregarded because the MCA has a statutory duty to set its capital programme in advance of the forthcoming financial year.

Do more – the option of developing a larger scale capital programme has been dismissed because it would be imprudent to set a programme without the means to fund that programme.

4. Implications

4.1 Financial

The financial implications are clearly set out in Section 2 and the accompanying appendices of this report.

4.2 Legal

There are no legal implications arising directly from this report.

4.3 Risk Management

Although by its nature the capital programme for the forthcoming year is always based on assumptions, for 2020/21 there is considerable uncertainty in terms of the largest element of the programme, i.e. Transforming Cities Fund. The outcome of the MCA's bid will not be known until late February or early March. The programme will need to meet an aggressive timescale if it is to avoid the risk of grant clawback by DfT. For some schemes within the TCF programme, the delivery risk presents a considerable challenge.

This risk can be mitigated to a certain degree by spending at risk (using local contribution) on resourcing up, proceeding with design, feasibility and OBC work now in anticipation of a successful outcome.

There are further risks around future funding beyond 2020/21, especially re: HCM & ITB. ITB is of particular concern, as noted in paragraph 2.21. These risks will be taken into consideration as part of medium term financial planning.

4.4 Equality, Diversity and Social Inclusion

The principles of equality, diversity and social inclusion are built into the annual budget-setting process, and are taken into consideration when assessing budget pressures and savings proposals. Any equality implications that members must have regard to under s.149 Equality Act 2010 will be set out in detail in the report that accompanies any recommendation about specific proposals.

5. Communications

- 5.1 Consultation with transport officers of all four constituent member authorities has been undertaken in the process of developing the various elements of the capital programme.

The TCF bid was presented to the MCA at its previous meeting in November 2019.

6. Appendices/Annexes

- 6.1 Appendix A – Transforming Cities Fund capital programme 2020-23
Appendix B – SYPTE capital programme 2020/21
Appendix C – Highways Capital Maintenance programme 2020/21
Appendix D – Integrated Transport Block programme 2020/21

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ

Other sources and references: n/a