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ITEM 7

Report to: West Yorkshire Combined Authority

Date: 29 January 2015

Subject: Business Plan and Budget 2015/16

1. Purpose

- 1.1. To consider the outline business plan for the Combined Authority for 2015/16 and its strategic aims on behalf of local people.
- 1.2. To approve the proposed revenue budget and transport levy for 2015/16, the indicative three year capital programme and the treasury management statement.
- 1.3. To consider the further work required to develop the medium term financial strategy during the coming year.

2. Information

- 2.1. Since its creation on 1 April 2014 the Combined Authority has established itself as the key player in developing and driving economic growth in West Yorkshire, York and the wider City Region. Its success in establishing the West Yorkshire plus Transport Fund and securing one of the best Growth Deals nationally clearly demonstrate the benefits of having a clear, democratically rooted strategic planning and decision making body for the region.
- 2.2. Further substantial devolution will enable the region to build upon this success and ensure economic growth through improvements to connectivity and housing, increasing the number of good quality jobs and moving young people into employment, education or training. In bringing together the work of the former transport authority and the city region economic agenda WYCA is confident it will secure the growth of the region and demonstrate its part in the Northern powerhouse.
- 2.3. The ambitions and priorities of the WYCA were set out when it was established in April and good progress has been made against many of these objectives. For example the funding secured this year through the Leeds City Region Growth Deal will be used in 2015/16 to deliver key housing, regeneration and transport schemes. Work done during 2014/15 to establish Rail North will continue to be developed next

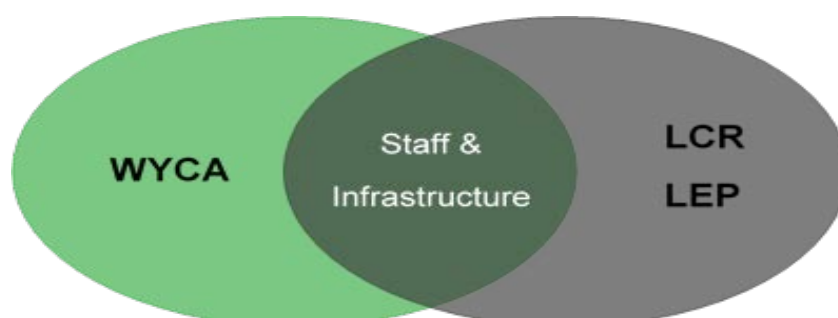
year to ensure the region is able to more fully influence and contribute to local rail issues. An ambitious programme for the coming years has been drawn together to enable WYCA to make a positive contribution towards the plans for the wider City Region. These include the creation of job opportunities, providing training to young people, enabling further new homes to be built, enhancing transport connections and transforming public sector partnership working.

Business plan 2015/16

- 2.4. A business plan is being developed that sets out the practical actions for WYCA in 2015 that will assist in delivering its aspirations. The budget proposed supports the delivery of those actions.
- 2.5. The outline of the business plan is attached as Appendix A. It sets out a number of key actions, including agreeing and implementing the devolution deal, moving to the delivery phase of the Growth Deal and West Yorkshire plus Transport Fund and supporting the work on HS2/HS3 through Transport for the North. Further development of WYCA is also planned, with a focus on ensuring the organisation is in the best position to deliver these projects.

Revenue budget 2015/16

- 2.6. The WYCA has previously considered a number of reports on the medium term financial strategy and the budget strategy for 2015/16. This work has been informed and supported by the Budget Working Group which has considered the 2014/15 transport budget taken over by the WYCA and the issues underlying this.
- 2.7. At present WYCA has direct control and management of the budget relating to transport activities, largely funded by the transport levy on the District councils, which it took over from the former West Yorkshire Integrated Transport Authority. For its first year of activity the economic functions have been fulfilled by the LCR Enterprise Partnership and the Leeds City Region Leaders' Board for which Leeds City Council (LCC) control and manage the staff, funding and budgets. The clear intention has been to bring all of this together and the first step to this has been the co-location of the LEP staff with their WYCA colleagues. From 1 April these staff will be formally transferred to WYCA and along with this the accountable body function will also move from LCC to WYCA.
- 2.8. The LEP will continue to take decisions on the development of the Strategic Economic Plan and its achievement, working alongside the WYCA, as shown below.



2.9. The changes on 1 April 2015 will also include the transfer of the budget that has been agreed by the Leaders' Board. LEP officers have worked with colleagues within the WYCA in establishing this budget and it has been set at a level that ensures the LEP will transfer in to the WYCA fully funded for 2015/16. The budget is summarised below in table 1 for information.

Table 1 LEP budget			
LEP Budget	2014/15 Original	2014/15 Revised	2015/16 Original
Expenditure	£000's	£000's	£000's
LCR Economic Development	1,925	2,492	2,516
Funded By:			
Brought Forward	273	645	356
Partnership Contributions	734	734	734
Government Funding:			
- Direct Support for LEP's	526	529	529
- Projects and Programmes (supporting staff)	342	657	547
- Interest on balances	50	283	350
	1,925	2,848	2,516
Carried Forward		356	

2.10. With regard to the transport budget work has been undertaken to establish a robust position for 2015/16 that recognises the severe funding difficulties facing the District Councils but which enables WYCA to continue delivering the services required. The proposed budget is set out below in table 2, along with a narrative of the key movements in each block. Pay negotiations are still underway for 2015/16 and a small pay award could be accommodated within the proposals should it be agreed.

Table 2				
Transport budget	2013/14	2014/15	2014/15	2015/16
	Actual	Original	Revised	Original
	£000	£000	£000	£000
Expenditure				
Concessionary travel scheme	52,362	53,242	54,341	55,474
Subsidised bus services	19,175	19,490	19,343	19,632
Passenger Services	7,851	8,172	7,971	7,791
Prepaid Tickets	30,610	31,000	31,000	31,000
Rail support	64,391	64,391	43,155	43,155
Pensions	1,541	1,431	1,406	1,406
Combined Authority	121	67	-	-
Financing charges	7,668	7,609	7,352	7,233
Strategic priorities - Rail/Bus	-	250	-	-
Development and Corporate	5,608	6,045	6,209	6,207
	189,327	191,697	170,777	171,898
Less Prepaid Ticket sales	30,610	31,000	31,000	31,000
Special Rail Grant	64,209	64,209	43,155	43,155
Interest Receivable	303	253	369	530
Net Expenditure	94,205	96,235	96,253	97,213
Funded by:				
Transport levy	96,198	96,198	96,198	96,198
(Transfer to)/Use of reserves	(1,993)	37	55	1,015
	94,205	96,235	96,253	97,213

- 2.11. **Concessionary travel** – this is the largest budget line funded by the transport levy and represents the payment to bus and train operators for reimbursement of travel concessions. The largest component of this is the £45m reimbursement to bus operators for the statutory English National Concessionary Travel Scheme (ENCTS). The WYCA is required to reimburse operators on a ‘no better no worse’ principle which is achieved through using the Department for Transport approved reimbursement model.
- 2.12. Any changes to the costs of funding the statutory scheme are not matched by changes in funding and hence as costs have increased savings have had to be found in other areas. Three year agreements have been negotiated with the major bus operators in order to better manage the significant risks that can arise from variations applied to the model as bus fares increase for example.
- 2.13. £9m of this budget funds the concession for young people. Changes have been made in recent years to the way in which these concessions have been provided, with the bus operators providing a larger commercial contribution to these costs. There is a clear objective to increase the concessionary offer to young people, to assist in travelling to college or training for example and further work will be undertaken in 2015/16 to set out the options, costs and funding to achieve this. The WYCA is keen that this should help to support the twin objectives of increasing gross added value and access to employment or training for those in the most deprived communities.
- 2.14. The increase in the budgeted costs for 2015/16 is in accordance with the three year agreement and reflects the modelled expected costs for the discretionary elements ie young persons’ concessions and senior rail concessions.

- 2.15. **Subsidised bus services** – this budget line represents the net payment to bus operators for providing supported bus services, schools services and AccessBus. The major element is the £15.4m of non-schools tendered services which supplement the commercially run network. These services are procured in accordance with value for money criteria ie there are too few passengers for the service to run commercially but sufficient passengers to justify operating the service for the social benefits it provides.
- 2.16. A programme of area network reviews commenced in 2011 and has established a core network of services largely operated commercially and which has reduced WYCA costs by over £5m per annum. There is now little scope to further reduce these costs without cutting services and reducing the viability of the network.
- 2.17. An effective procurement strategy in renewing recent tenders means this budget remains relatively unchanged going into 2015/16 but this will be a challenge to maintain.
- 2.18. **Passenger services** - the passenger services budget line covers the direct costs of provision of bus stations, bus shelters and all passenger information across West Yorkshire. This includes the provision of 8 major bus stations with customer care staff, travel centres, toilets, CCTV, retail and electronic information. Over 30% of bus users visit a major bus station each month and on average 20,000 customers use a bus station each day. In addition WYCA operates a number of unstaffed bus stations such as Batley, Cleckheaton, South Elmsall, Hemsworth and Ossett.
- 2.19. WYCA has 14,000 bus stops and 4,500 bus shelters. An advertising contract allows for a number of these shelters to be maintained by a third party and income of £850k pa is generated through this contract as well as saving on maintenance costs. Opportunities to generate further income at bus stations continue to be explored. There is currently a high level of occupancy of the retail units.
- 2.20. This budget also covers all the direct costs of passenger information. This includes the MetroLine call centre which is open 7 days a week from 7am to 10pm, with an element of this cost being met by bus operators to bring the net operating cost down to £210k. Printed timetables are available for all bus and train services in West Yorkshire as well as printed bus stop timetable displays at 9,000 stops. Bus real time information is available through the internet based journey planner, on screens at bus stops and via text messages. Marketing campaigns to get key messages to public transport users take place periodically and support work to encourage commuters to use public transport through the Travel Plan Network. Funding is also provided to assist job seekers into employment. Automated messages and updates on changes to travel are provided through MetroMessenger.
- 2.21. This budget also includes the costs of service monitoring (surveys to establish bus usage and adherence to conditions), travel planning, management and planning of bus networks and tenders and the provision of schools transport liaison. Savings have been possible in setting the 2015/16 budget as a result of reducing costs in a number of areas. This includes the renegotiation of the contract for shelter repairs

and savings in passenger information as well as an increase in the income generated by advertising on bus shelters.

- 2.22. **Rail costs** - the costs of meeting the rail franchise in West Yorkshire are paid out via the WYCA but fully funded from the Department for Transport (DfT). The reduction in both costs and income in the revised budget for 2014/15 and the budget for 2015/16 is a result of the negotiation between the DfT and the train operating company. In addition an administration grant is received which meets the costs of managing the franchise, including the rail monitoring team and producing rail timetables. The future of this grant is unclear in the light of the move to Rail North and a shared franchising agenda with the Department for Transport. It is assumed that any reduction (or loss) of the grant would be matched by a reduction in the need for the WYCA to undertake the associated work so should not cause a significant budget problem.
- 2.23. **Pensions** - the pension costs are a fixed sum payable to the West Yorkshire Pension Fund in relation to former bus employees prior to 1986; whilst this figure will reduce over time it is a commitment that must be met. The ongoing pension costs of current employees are included in the Passenger Services and Development/ Corporate budget lines.
- 2.24. **Financing costs** - the financing charges relate to the interest and minimum revenue provision for the WYCA's loan book of £79m. The loans in place are part of the capital financing undertaken in the years prior to receiving capital funding as grant and are all at low rates of interest. Decisions on the means of funding the West Yorkshire plus Transport Fund will have an impact on this budget line in future years.
- 2.25. **Corporate and development** - the corporate and development budget line covers all central costs including accommodation and all the costs of ICT, HR, finance, PR, planning/development and legal and democratic services, including staffing, insurance and Members allowances. Savings and efficiencies have continually been sought in these areas through staffing reviews and renewals of contracts.
- 2.26. The total staffing figure for WYCA expressed as full time equivalents is 338, of which 65% are within the passenger services budget line and a further 15% within Development and projects. A vacancy target is set each year and a process to challenge all vacancies before proceeding to recruitment is in place.
- 2.27. As set out earlier in the report there is an intention to transfer in further staff during 2015/16 from the inward investment function of Leeds and Partners and the Regional Economic Intelligence Unit, currently hosted by Leeds City Council. Detailed work is being done by the LEP to identify the funding that will transfer with these functions and ensure their integration with WYCA. This will be reflected through the business plan as it is developed.
- 2.28. The position for 2015/16 is only possible through the use of reserves and the proposal is that, for one year only, up to £1.0m of reserves is utilised to balance the budget.

Reserves policy

- 2.29. The budget proposals must be supported by an appropriate reserves policy. Good practice is that such a policy should be based on a risk assessment of the different areas of spend and as such will vary from year to year and from organisation to organisation. A calculation regarding the transport spend and the related risks for each of its budget blocks has been considered and the workings are set out in table 3 below along with the reserves position from the proposed budget (table 4).

		Budget £m	Reserves £m
Concessions	ENCTS Budget	44.7	
	5% contingency for volatility of ENCTS payments		2.2
	Young Persons Concession	10.0	
	7% contingency re patronage volatility		0.7
Subsidised services	Tendered service budget	19.6	
	7% contingency re contract inflation/renewal rate/BSOG		1.4
Other activities	Passenger Services	7.8	
	Development/corporate	6.2	
	Financing charges	6.7	
	5% contingency for other spend areas		1.0
			5.3

	2013/14 Actual	2014/15 Latest projection	2015/16 Budget
	£000	£000	£000
brought forward	4,577	6,570	6,515
movement in year	1,993	-55	-1,015
carried forward	6,570	6,515	5,500

- 2.30. The projected reserves for the end of 2014/15 are higher than those previously assessed as required, due largely to savings achieved in 2013/14 over those budgeted. This effectively provides the opportunity to release up to £1.0m of reserves to support the 2015/16 budget which will then enable the time for a more considered approach to be undertaken in the coming year with regard to cost reductions. Work will also be undertaken to ensure the reserves policy is set at the optimum level to meet the requirements of WYCA and the District Councils.

Transport levy

- 2.31. The transport levy for normal transport activities has been either reduced or frozen for a number of years, a position that has been agreed between the former WYITA and the District Councils who are served by the public transport network. Cost reductions over recent years have been achieved against a background of an increasing workload with the development and implementation of the third Local Transport Plan, Combined Authority developments and work towards quality contracts, rail devolution and the WY+TF. In 2013/14 the Government clarified that the transport levy falls within the council tax referendum limit for the District Councils that pay the levy.
- 2.32. Increases to the levy have been made to respond to the demands of the West Yorkshire plus Transport Fund (WY+TF). These have been kept in a ringfenced reserve and released solely to fund WY+TF activities. As part of the negotiations with government regarding a payment by results approach to the WY+TF Districts agreed to a small annual increase in the levy for a ten year period. For 2015/16 that increase is £388k, a 0.38% levy increase. Further information on the position with the WY+TF is set out in paragraphs 2.55 onwards.
- 2.33. The levy proposal for 2015/16 has been previously endorsed by the WYCA and is that the levy for normal transport purposes remains unchanged. This position is supported by a use of reserves of £1.0m. This will enable the WYCA to set a balanced and robust budget for 2015/16 which will see current service levels and activities maintained, supported by reserves of £5.5m, which is in accordance with the proposed reserves policy.
- 2.34. Adjustments have been made to the levy for a number of years to enable an equitable distribution of funding that has been paid to Districts when formerly it was paid directly to the former WYITA. This includes for example concessionary fares funding that was paid to the Districts on a different formula basis than population. These adjustments were agreed with the Districts and ensure that they each 'passport' through to the Authority any relevant direct funding received. The mechanism involves setting a gross levy and providing a rebate to each District in the year to compensate for any over-recovery. In order to ensure consistency in respective levy payments these agreements have been presumed to continue for 2015/16.
- 2.35. Table 5 below sets out the net and gross levy by population, in accordance with the regulations. Table 6 below demonstrates the movement in the net levy between 2014/15 and 2015/16 which takes into account the 0.38% increase in the levy and the movement in population which this year is relatively small.

	Relevant Population	Net Levy 2014/15 £	Gross 15/16 £	% of levy by District	Refund 2015/16 £	Net levy 2015/16 £
	June'13 for 2015/16					
Bradford	526,369	23,854,422	25,007,407	23.4%	1,091,663	23,915,744
Calderdale	206,355	9,119,713	9,803,776	9.2%	648,715	9,155,061
Kirklees	428,279	18,627,886	20,347,223	19.0%	1,629,026	18,718,197
Leeds	761,481	34,032,078	36,177,407	33.8%	2,016,459	34,160,948
Wakefield	329,708	15,459,168	15,664,187	14.6%	132,670	15,531,517
	2,252,192	101,093,267	107,000,000	100.0%	5,518,533	101,481,467

	Relevant Population	WYTF Extra Levy	Levy Change Population	Total levy Increase
	June'13 for 2015/16	£	£	£
Bradford	526,369	91,486	-30,165	61,321
Calderdale	206,355	35,021	326	35,347
Kirklees	428,279	71,604	18,707	90,311
Leeds	761,481	130,675	-1,803	128,872
Wakefield	329,708	59,414	12,935	72,349
	2,252,192	388,200	0	388,200

- 2.36. In accordance with the regulations District Councils will be notified of the transport levy by mid February and will make payments to the WYCA in ten monthly instalments from 1 April 2015.

Capital programme

- 2.37. The following paragraphs set out the capital funding available to the WYCA for 2015/16 and subsequent years and the indicative capital programme for which this funding will be used. It reflects the impact of the changes to the way in which the Department for Transport provides capital funding, most notably the devolution of the major scheme funding and the topslice of LTP funding to the regional Growth Deals.
- 2.38. The indicative programme for 2015/16 reflects the priorities of the WYCA as set out in the business plan, and will see the completion of a number of key projects such as the Leeds Station Southern Entrance and the start of work on a range of projects. The work being undertaken on a strategic Single Transport Plan will inform future project prioritisation and funding allocations.

Integrated transport block

- 2.39. In the LTP settlement letter issued on 24 July 2014, the Department for Transport (DfT) confirmed the Integrated Transport block allocations from 2015/16 to 2017/18 with indicative allocations provided for 2018/19 to 2020/21. The Combined Authority is the accountable body for transport in West Yorkshire and funding will

therefore be allocated to the Combined Authority.

- 2.40. The Authority therefore has the responsibility for distributing LTP funding to the District Councils to deliver the agreed Implementation Plan (IP). In order to do this a mechanism has been established to make payments to District Councils during the year that reflect the planned delivery of the Integrated Transport Block funded programme.
- 2.41. The Highways Maintenance funding is received by the WYCA with allocations, as determined by the DfT's formulaic allocation, made to District Councils in full through the quarterly payments process. A Challenge Fund has recently been announced; the outcome of the bid submission for further highway maintenance funding will be reported to a future meeting.
- 2.42. The Integrated Transport block allocations for the period 2015-18 reflect the latest settlement from DfT and show a reduction due to the Local Growth Fund (LGF) top-slice. The IP2 programme also includes funding carried forward from IP1 which has been integrated into the capital plans during 2014/15 and 2015/16. The DfT major scheme funding allocations are in relation to Leeds Station Southern Entrance (LSSE) and Kirkstall Forge and Apperley Bridge stations (KFAB) with non LTP funding relating primarily to NGT, KFAB and the Local Sustainable Transport Fund (LSTF). Table 7 below sets out the cash allocations for the next three years including the carry-over of funding.

Funding Source	IP2				
	14/15	2015/16	2016/17	2017/18	IP2 Total
	Confirmed	Confirmed	Confirmed	Confirmed	
	£000s	£000s	£000s	£000s	£000s
Integrated Transport	27,165	13,104	13,104	13,104	66,477
Integrated Transport Carried Forward from 2013/14	7,487	4,465	-	-	11,952
Funding transferred from Maintenance Block	1,000	-	-	-	1,000
TOTAL LTP IT BLOCK	35,652	17,569	13,104	13,104	79,429
Non LTP3 Funding	22,363	23,977	4,153	20	50,513
Maintenance	22,766	29,213	26,782	25,971	104,732
DfT Major Scheme - legacy	16,628	4,706	-	60,000	81,334
Total	97,409	75,465	44,039	99,095	316,008

- 2.43. The Authority's capital available for transport schemes in 2015/16 is therefore £75.465m, with this funding being provided as capital grant (not supported borrowing).
- 2.44. The governance arrangements that worked effectively in IP1 have largely continued to operate for LTP3 IP2 Integrated Transport Block 2014-17, now under the direction

of the Combined Authority, with a key change being the establishment of a Transport Committee.

- 2.45. Since the creation of the WYCA on 1 April 2014 the Transport Committee has been overseeing the delivery of the transport schemes provided for within the indicative capital programme and approving the release of integrated transport block funding for individual projects. It has also been responsible for approving quarterly payments to the District partners. These arrangements enable progress to be made on delivery whilst ensuring appropriate scrutiny of plans. It is proposed that this arrangement continues to enable progress with schemes due to be started in late 2014/15 and the early part of 2015/16, with this approach formalised within the Committee terms of reference and delegations that will be presented to the AGM.
- 2.46. The IP2 shows a detailed breakdown of project interventions across the partners with allocations of funding reflecting this plan. The indicative Implementation Plan was previously approved by the WYITA last February and was subsequently approved by the Combined Authority at its inception in April. The allocation of IT block funding across district partners is shown in table 8 below.

Partner Authority	IP2				TOTAL £000s
	2014/15 (Indicative) £000s	2015/16 (Indicative) £000s	2016/17 (Indicative) £000s	2017/18 (Indicative) £000s	
Bradford	1,260	1,675	1,518	Subject to development of programme	4,453
Calderdale	1,544	815	721		3,080
Kirklees	2,364	2,497	1,518		6,379
Leeds	5,618	1,972	2,240		9,830
Wakefield	1,494	1,423	1,260		4,177
WYCA	12,748	11,906	4,701		29,355
Held centrally	425	348	2,073	13,104	15,950
Cycle City Grant	-	6,205	-		6,205
Total	25,453	26,841	14,031	13,104	79,429

- 2.47. The allocation of IP2 funding reflects the impact of the government's decision to create a local growth fund (LGF) which will be worth £2bn (un-ring-fenced) per year from 2015/16-2020/21. The LGF draws funding from central government with a large proportion coming from DfT replacing funding streams such as major scheme funding, LSTF and a top slice nationally off the Integrated Transport Block. The outcome of the Strategic Economic Plan (SEP) bid into the LGF was announced on 7 July 2014 with the Leeds City Region securing a settlement of £572.9m over a 6 year period (further detail is provided at paragraph 2.52 of the report). The impact of this on the IP2 integrated transport block allocations for 2015-17 is a reduction of 52% against the 2014/15 allocation and the IP2 plan which was approved as an interim

plan last year has been adjusted to reflect this new strategic approach to funding allocations.

- 2.48. The 3 year implementation plan 2014-2017 identifies successful funding bids to DfT including the Local Sustainable Transport Fund (LSTF), Cleaner Bus Technology Grant and contributions for the Carplus scheme. Additionally other funding sources are identified including Leeds City Council funding for NGT development and developer contributions funding the KFAB scheme. The West Yorkshire Implementation Plan 2 2014-17 (the financial year 2018 falls into LTP IP3 so is not shown in detail) is shown in detail at Appendix B). A summary of the funding for IP2 is shown in table 9 below. This includes a small element of overprogramming to assist in ensuring available funds are fully utilised in the year.

Funding Source	IP2				
	2014/15	2015/16	2016/17	2017/18	TOTAL
	£000s	£000s	£000s	£000s	£000s
LTP IT Block Funding	27,165	13,104	13,104	13,104	66,477
LTP IT Block Funding (Carried Forward from IP1)	7,487	4,465	-	-	11,952
Funding transferred from Maintenance Block	1,000	-	-	-	1,000
LTP IT Block adjustments to reflect reprofiling	-10,199	9,272	927	-	-
Subtotal IT Block	25,453	26,841	14,031	13,104	79,429
Non LTP Funding	22,363	23,977	4,153	20	50,473
DFT Major Scheme legacy	16,628	4,706	-	60,000	81,334
Total LTP3 IT Implementation Plan	64,444	55,524	18,184	73,124	211,236
IT overprogramming	3,318	5,932	1,003	-	10,293
Total WY Implementation plan value (including overprogramming and Major scheme Funding)	67,762	61,456	19,187	73,124	221,529

- 2.49. The implications for the Authority's capital programme, which is a component of the overall West Yorkshire programme, is that the Combined Authority will directly deliver £37.217m of schemes in 2015/16, as summarised in table 10 below and set out in more detail in Appendix C.

Funding Source	IP2		
	2014/15	2015/16	2016/17
	£000s	£000s	£000s
LTP3 IT Block Funding	12,748	11,906	4,701
Non LTP Other funding	17,042	15,561	3,609
DfT Major Scheme Funding	16,628	4,706	-
Total LTP3 Funding	46,418	32,173	8,310
IT Overprogramming	183	4,772	782
WYCA LTP3 IT Implementation Plan (including overprogramming)	46,601	36,945	9,092

Highways

- 2.50. The West Yorkshire partners are anticipating utilising all the allocated Highways Maintenance Block funding for 2014/15. Table 11 below shows the proposed allocation of Highways Maintenance Block funding for future years between the LTP3 District Partners which is in line with DfT's formulaic allocation.

Partner Authority	IP2			
	2014/15	2015/16	2016/17	2017/18
	(Confirmed)	(Confirmed)	(Confirmed)	(Confirmed)
	£000s	£000s	£000s	£000s
Bradford	5,228	6,180	5,665	5,494
Calderdale	3,367	3,941	3,613	3,504
Kirklees	4,333	6,116	5,607	5,437
Leeds	6,858	8,700	7,977	7,735
Wakefield	2,980	4,276	3,920	3,801
WYCA	-	-	-	-
HM Payback to IT block	1,000	-	-	-
Total	23,766	29,213	26,782	25,971

- 2.51. Additional IT Block funding of £3.018m awarded by DfT in 2011/12 was utilised to provide funding for Highways Maintenance in IP1. Under the terms of this arrangement this funding is to be repaid to the IT Block from the Highways maintenance allocations during IP2. This is not yet reflected in the IP2 programme.

The SEP and Growth Deal

- 2.52. Government has created a new Local Growth Fund, of around £2bn per year, to operate from April 2015. Each of the 39 Local Enterprise Partnerships (LEPs) in England was asked to submit a Strategic Economic Plan (SEP) to government by 31

March 2014 as part of a competitive bidding process to win a share of the new Fund. The government then announced 'growth deals' that allocate both financial resources and devolved powers and flexibilities for each LEP for 2015-16 and beyond.

- 2.53. The government announced the Growth Deals for all LEPs on 7 July 2014. The headlines are that over the 6 year period (2015/16 – 2021/22) of the deal the Leeds City Region has secured £572.9 million, which is the largest settlement in the country. This includes £180m for the West Yorkshire plus Transport Fund (WY+TF). In addition a further £420m will be provided between 2020/21 and 2034/35 (£30m per year) for the Transport Fund.
- 2.54. The delivery of the non transport elements of the Growth Deal are being progressed by the LCR Enterprise Partnership. As part of the close working relationship with WYCA this is being overseen by the Investment Committee and WYCA which provides a governance arrangement that will be formalised from 1 April.

WY+TF and devolved Major Scheme Funding

- 2.55. Within the Growth Deal West Yorkshire and York also secured a unique 20-year settlement of £30m per year to support the West Yorkshire plus Transport Fund. This will deliver a further £420m in government funding from 2021-22 to 2034-35. Taken together with previously announced devolved transport funding and locally-agreed contributions, this will facilitate a Transport Fund of around £1billion.
- 2.56. Subsequent feedback from Government has provided clarity on future funding profiles to be made available to the West Yorkshire Combined Authority (WYCA) and York. A commitment has been made over the 20 year life of the settlement to provide £183m from the Department for Transport devolved local major scheme fund and £180m from the Local Growth Fund. Subject to satisfying a gateway review process at five yearly intervals a further £420m will be available over the 20 years of the settlement. In combination with local contributions from the Combined Authority Partners and York (£217m) this gives a total available funding pot of £1bn.
- 2.57. Funding beyond 2021 would be subject to 5 yearly reviews starting in 2019. These reviews are required to be undertaken by an independent panel that will assess the economic impacts of the schemes delivered as well as considering the success of delivering on time and on budget.
- 2.58. The WYCA has previously considered the position with regard to the WY+TF and has endorsed the programme of schemes that have been agreed as best meeting the objectives of the Fund. Contributions have been made via the transport levy for the last four years and a small further contribution has been agreed for 2015/16 and subsequent years. Work is still underway to establish the most appropriate way in which to increase local contributions from 2016/17 onwards in order to address the remaining funding gap.

- 2.59. The specific local contributions from previous years have been kept in a ringfenced reserve and released in order to enable progress with the development of schemes. The current position is set out in table 12 below.

Table 12 WY+TF specific reserves		2013/14	2014/15	2015/16
		£000	£000	£000
Total	brought forward	2,700	4,085	1,862
	Contributions in the year	3,352	4,895	5,283
	Utilisation of reserves	-1,967	-7,118	-7,145
	carried forward	4,085	1,862	-

Treasury management

- 2.60. The treasury management function is undertaken in conjunction with Leeds City Council. The WYCA is required to prepare an annual prudential statement, setting out treasury activity in the year, the arrangements in place and details of the funding position. This is set out in full in Appendix D.
- 2.61. The current treasury management arrangements have been regularly reviewed to ensure they are appropriate for the organisation. The next year will see significant change, with increases in funding arising from the LEP activities including the Growth Deal and the development of the WY+TF. This will necessitate a review of the arrangements to ensure they are still best meeting the needs of the WYCA. Any proposed changes will be progressed through the Governance and Audit Committee.

Future work

- 2.62. The development of the 2015/16 budget and transport levy has been assisted by the work of the Budget Working Group. It has identified further work to be undertaken during 2015/16 which could usefully be overseen by a similarly constituted working group with a broader remit regarding the further financial development of the organisation. This would include consideration of the budget taken on with the LEP in April 2015, how this is integrated with the existing budgets and what the future shape of the WYCA budgets should look like going forward. The work would include further development of an appropriate reserves policy and a treasury management policy that reflected the changing shape and size of the organisation. This work would involve input from the Governance and Audit Committee and the Scrutiny and Overview Committee.
- 2.63. A previous meeting of the WYCA has already noted the requirement to consider options to reduce expenditure from 2016/17 onward as it is not prudent to continue relying on reserves to support ongoing expenditure. That work will involve input from the Transport Committee to consider the consequences of different proposals to reduce expenditure or service levels.
- 2.64. The WYCA is asked to approve the change from a Budget Working Group to a Finance Working Group that will oversee work on developing the medium term financial strategy that will support the full aspirations of the WYCA.

3. Financial implications

- 3.1. As set out in the report.

4. Legal Implications

- 4.1. The Combined Authority is required to set the transport levy for the coming year. An Order amending the Transport Levying Bodies Regulations to apply to Combined Authorities has been laid before Parliament and is expected to become law prior to 1 April 2015.

5. Staffing Implications

- 5.1. The budget for 2015/16 includes the funding for the current approved establishment and the associated employer on-costs.

6. Consultees

- 6.1. The Head of Paid Service, Acting Director Transport, Transport Committee and the Budget Working Group have provided input to this report.

7. Recommendations

- 7.1. That approval be given to the revised budget for 2014/15 and the proposed budget for 2015/16 for the WYCA.
- 7.2. That approval be given to the indicative capital programme for 2015/16 – 2017/18.
- 7.3. That the Transport Committee be delegated to approve individual schemes within the integrated transport block of the 2015/16 capital programme up to a maximum cost of £3m.
- 7.4. That in accordance with the powers contained in the Local Government Finance Act 1988 (as amended) and by virtue of article 9(6) of the West Yorkshire Combined Authority Order and the Transport Levying Bodies Regulations 1992 (as amended) a levy of £107m be determined for the year ended 31 March 2016.
- 7.5. That the Chief Financial Officer be authorised to issue the levy letter in respect of the financial year ending 31 March 2016 to the five District Councils in West Yorkshire.
- 7.6. That a payment of £5.519m be made to the District Councils in accordance with table 5 of the report.
- 7.7. That in principle approval be given to the transfer of staff working for the inward investment function of Leeds and Partners and those working within the Regional Economic and Investment Unit to the LEP function, pending receipt of detailed plans and funding from the LEP Board to be considered by the WYCA at a future meeting.

- 7.8. That authorisation be given to the Chief Financial officer to arrange appropriate funding for all expenditure in 2014/15 and 2015/16 subject to statutory limitation.
- 7.9. That the adoption of the CIPFA Code of Practice for Treasury Management in Public Services be reaffirmed.
- 7.10. That the treasury management policy as set out in Appendix D be approved.
- 7.11. That the prudential limits for the next three years as set out in Appendix D be adopted.
- 7.12. That the Budget Working Group be modified to a Finance Working Group and oversee the work set out in paragraphs 2.62 to 2.64 above.

WYCA Business Plan - outline

INTRODUCTION

The WYCA is the driving force for economic growth across the Bradford, Calderdale, Kirklees, Leeds and Wakefield districts and the City of York Council area. Our key achievements of 2014 include:

- Best Growth Deal in the country
- Creation of the West Yorkshire plus Transport Fund
- Smart Card Implementation, changing the way we do business
- Progress with major infrastructure projects (Bus and Rail Stations)
- Tour de France

WYCA brings together key decision-making powers into a single body, putting West Yorkshire and the wider Leeds City Region, including the City of York, in a much stronger position to tackle its shared economic challenges - including improving transport - by boosting jobs and growth.

The manifesto for WYCA is:

1. We're going to become the most enterprising part of the UK and become an overall contributor to the national economy within five years.
2. We're going to create 20,000 job opportunities, equip 50,000 people with the skills our economy and public services need and enable 200,000 new homes that are affordable to be built, so that every young person is guaranteed either a job or training opportunity and no one is homeless.
3. We're investing £1 billion for the long term to create a smart Metro-style transport system that gets people around quickly and comfortably, so that everyone is closer to our City and Town centres and travel between them is simple, we live in a cleaner local environment and have access to superfast broadband.
4. We're going to show how local government can transform and work better with the NHS, police and other public sector partners to better co-ordinate our approaches and collaborate effectively to provide the best public sector support to citizens; relevant, enterprising and caring.
5. We want the newly-elected Government to back our unique team of council and business leaders by giving us more powers and responsibilities over transport, jobs, skills and housing.

STRATEGIC ECONOMIC PLAN

The WYCA Vision is to unlock the potential of the City Region, developing an economic powerhouse that will create jobs and prosperity.

The headline targets by 2021:-

- £5.2bn additional economic output beyond current projections
- 62,000 extra jobs
- £675m in benefits savings
- Making the City Region a net contributor to the national economy

Our Plan is founded on four strategic pillars, which respond to our key economic challenges and opportunities:

- 1 Supporting growing businesses
- 2 Developing a skilled and flexible workforce
- 3 Building a resource smart City Region
- 4 Delivering the infrastructure for growth

The priorities which the Strategic Economic Plan (SEP) will deliver are:-

better connectivity – our economic potential is clear: our ambition and intention is to connect people to jobs and goods to markets seamlessly.

more and better jobs – in addition to delivering a NEET-free City Region, we will create more of the good quality jobs that offer real opportunity for prosperity – including 3,000 apprenticeships.

more and better housing – we will double house-building by 2021, creating more affordable housing to increase living standards and disposable income, and reduce our benefit bill yet further.

private sector growth – that is sustainable, above-trend and based on innovation, exports and inward investment.

a lean, resource-efficient City Region – underpinned by a 21st Century energy infrastructure that is already generating one-sixth of the country's electricity.

TRANSPORT

Good local and regional transport links underpin the development of business and the creation of new jobs. For this reason, the WYCA will be using a planned £1bn West Yorkshire plus Transport Fund targeted at reducing congestion, improving the flow of freight and making it easier for people to commute to and from expected major growth areas.

In July, the Government announced that the WYCA had secured funding to establish a £1bn West Yorkshire plus Transport Fund. The Fund will comprise £600m of Government funding government over 20 years and £183m of other devolved transport funding previously secured through the City Deal and local contributions. It will foster growth by improving the City Region's roads and railways and connecting people to jobs and goods to markets seamlessly.

The WYCA is also committed to seizing the economic benefits of high-speed rail for the region. HS2 is expected to directly benefit Leeds City Region to the tune of £1bn a year in extra economic growth, and Transport Fund investment will ensure the key towns and cities in this large and diverse City Region have fast, efficient access to the high-speed network.

Better transport connections are the lynchpin of WYCA's objectives and improvements to the local transport network feature in its plans. Alongside Trans-Pennine rail electrification, other investment programmes such as NGT, Leeds Station Southern Entrance, the new Castleford Bus Station, and Kirkstall Forge and Apperley Bridge rail stations are already in place and forecast to play their part in unlocking billions of pounds of additional economic output and creating thousands of jobs. By helping create around 18,000 new jobs over the next 10 years and increasing economic output by £1bn per year, the Transport Fund will be key to increasing economic prosperity and sustainability.

The WYCA works to develop better transport networks and provide day-to-day services, such as bus stations and travel centres under the Metro brand name. It also runs the MetroLine call centre, the Metro websites and the yournextbus real-time service. The Combined Authority also works with the region's bus and train operators to bring about improved services and better value for money on behalf of local people. This includes subsidising local bus and train services and funding concessionary fares for young people, disabled and blind people and seniors.

WYCA DEVELOPMENT

Change for WYCA is essential to ensure that the organisation is in a position to deliver these aspirations. The WYCA development programme will focus on integrating the economic and transport functions and evolving WYCA vision. The change will be focused particularly in the following areas:

- The incorporation of the Local Economic Partnership (LEP),
- The new focus on economic growth as a driver for everything we do,
- The massive opportunities associated with the additional funding secured for the delivery of an ambitious programme of work.

The Development Programme follows on from the formation of the Combined Authority, via four key work streams:

- **Mission:** Developing our mission and vision as a means of directing and prioritising our work, taking on multiple brands and identities and working out how to make sure we set out our message in the right way for the right audience.
- **Governance:** Embedding new ways of working, particularly in relation to the decision making arrangements, both internally and across the Leeds City Region.

- **Government:** Being clear about who we need to work with, using our new status to 'open doors' in Whitehall and making sure that everyone knows what we're all about and what we're working towards.
- **Organisation:** Making sure we have the right people, with the right skills, in the right teams doing the right work. Ensuring our organisational structures match the work we have to do, looking at different ways to 'package' teams together in order to get the best out of them.

WYCA HEADLINES

The WYCA key priorities for 2015/16 are to:

- Agree and implement the Devolution Deal
- Review the effectiveness of City Region governance
- Prepare for the outcome of the general election and the subsequent spending review
- Complete development of the Single Transport Plan, including a bus strategy and low emission / low carbon initiatives.
- Support preparatory work for HS2/HS3 and pan-northern connectivity through Transport for the North.
- Start to deliver the schemes funded through the Growth Deal and the West Yorkshire plus Transport Fund.
- Develop financial strategies and associated efficiencies and economies, including further collaboration and development of self-service options.
- Enhance procurement and contract management procedures, including those relating to the West Yorkshire plus Transport Fund.
- Make a Ticketing Scheme under the Transport Act 2000 to secure the benefits of investment in ticketing technologies.
- Adopt smartcard data for reimbursing bus and rail operators for concessionary travel and apportioning pre-paid multi-operator ticket revenues, achieving efficiency savings.

PROGRAMME AREA	2014/15			2015/16			2016/17			TOTAL		
	TOTAL	Total LTP (IP1+IP2)	Other (DFT Majors and Non-LTP)	TOTAL	Total LTP (IP1+IP2)	Other (DFT Majors and Non-LTP)	TOTAL	Total LTP (IP1+IP2)	Other (DFT Majors and Non-LTP)	TOTAL	Total LTP (IP1+IP2)	Other (DFT Majors and Non-LTP)
Highway Asset												
Highway Resurfacing / Reconstruction	14,458	14,458										
Bridges, structures and retaining walls	6,662	6,662		29,213	29,213		26,782	26,782		78,761	78,761	
Street Lighting	1,646	1,646										
TOTAL Highway Assets	22,766	22,766		29,213	29,213		26,782	26,782		78,761	78,761	
Public Transport Asset												
Leeds City Bus station Carriageway Reconstruction	25	25		800	800					825	825	
Bus shelter programme – 30 shelters per year	250	250		250	250		223	223		723	723	
Smart 5 refurbishment to extend asset life				900	900		900	900		1,800	1,800	
Access bus and operational vehicle replacement	783	783					488	488		1,271	1,271	
MyBus extend life - CVTF Phase 1	1,069	570	499				180	180		1,249	750	499
ICT system infrastructure				272	272		274	274		546	546	
Desktop Virtualisation	293	293								293	293	
Schemes Costing less than £250k	520	472	50	413	413		420	420		1,175	1,125	50
SUB TOTAL PUBLIC TRANSPORT ASSET	2,940	2,393	549	2,635	2,635		2,485	2,485		7,882	7,333	549
Network Management												
Joint UTC Control – WY wide	205	205		166	166					371	371	
West Yorkshire Improved Data Network – WY wide	505	505		607	607		467	467		1,579	1,579	
Improve Signals Operation – WY wide	1,241	1,241		1,080	1,080		1,148	1,148		3,469	3,469	
Variable Message Signs and other signing – WY wide	272	272		621	621		180	180		1,073	1,073	
Kirklees Snow Signs / Information	4	4		120	120					124	124	
New information signs	76	76		490	490		519	519		1,085	1,085	
Traffic Signals Maintenance	441	441		330	330		360	360		1,131	1,131	
Freight	50	50		50	50					100	100	
Leeds Rodley roundabout	306	306								306	306	
Leeds Thornbury barracks	533	533								533	533	
Pontefract Town End	208	208		208	208					416	416	
Horsforth roundabout, Leeds	1,466	1,466								1,466	1,466	
SUB TOTAL NETWORK MANAGEMENT	5,307	5,307		3,672	3,672		2,674	2,674		11,653	11,653	
Information												
Smartcards	3,200	1,272	1,928	400	400					3,600	1,672	1,928
Transport Data management				475	475		425	425		900	900	
Multi-modal, hubs, disruption information, web portal				575	575		525	525		1,100	1,100	
Bus real time Evolution	108	108		356	356		536	536		1,000	1,000	
SUB TOTAL INFORMATION	3,308	1,380	1,928	1,806	1,806		1,486	1,486		6,600	4,672	1,928
Cycling and Walking												
CCAG City Connect superhighway (Bradford & Leeds)	6,294		6,294	17,739	7,500	10,239	662		662	24,695	7,500	17,195
CCAG 2				1,000	1,000		1,000	1,000		2,000	2,000	
LCCN9 Chaple Allerton to Leeds centre route	500	500								500	500	
Cycling and Walking Calderdale / Kirklees / Wakefield	840	840								840	840	
SUBTOTAL CYCLING AND WALKING	7,634	1,340	6,294	18,739	8,500	10,239	1,662	1,000	662	28,035	10,840	17,195
Integrated Public Transport												
Bus Quality Contract / Bus Quality Partnership development	100	100		1,000	1,000		266	266		1,366	1,366	
Hubs Programme	752	752		435	435		150	150		1,337	1,337	
Bus Hotspots	441	441		150	150		150	150		741	741	
Castleford Bus Station	5,414	5,351	63							5,414	5,351	63
Low Moor Rail Station	2,012	1,442	570	7,932	7,932		595	595		10,539	9,969	570
Leeds Elland Road Park and Ride	1,600	1,600								1,600	1,600	
Huddersfield Town Centre	1,565	1,565								1,565	1,565	
Pontefract Monkhill	396	296	100							396	296	100
WiFi on Trains	750		750							750		750
Wakefield Kirkgate	589	589								589	589	
Integrated Transport Schemes costing £250k or less	510	510		200	200					710	710	
SUBTOTAL INTEGRATED PUBLIC TRANSPORT	14,129	12,646	1,483	9,717	9,717		1,161	1,161		25,007	23,524	1,483
Safer Roads												
Bradford KSI Casualty Reduction including locally determined Traffic Management	809	715	94	923	923		923	923		2,655	2,561	94
Bradford Local Traffic Management	306	306								306	306	
Calderdale KSI Casualty Reduction including locally determined Traffic Management	325	325		442	442		442	442		1,209	1,209	
Calderdale locally determined Traffic Management	113	113								113	113	
Kirklees KSI Casualty Reduction including locally determined Traffic Management	528	528		754	754		754	754		2,036	2,036	
Kirklees locally determined Traffic Management	226	226								226	226	
Leeds KSI Casualty Reduction including locally determined Traffic Management	1,035	1,035		1,478	1,478		1,477	1,477		3,990	3,990	
Leeds locally determined Traffic Management	443	443								443	443	
Wakefield KSI Casualty Reduction including locally determined Traffic Management	369	369		737	737		736	736		1,842	1,842	

PROGRAMME AREA	2014/15			2015/16			2016/17			TOTAL		
	TOTAL	Total LTP (IP1+IP2)	Other (DFT Majors and Non-LTP)	TOTAL	Total LTP (IP1+IP2)	Other (DFT Majors and Non-LTP)	TOTAL	Total LTP (IP1+IP2)	Other (DFT Majors and Non-LTP)	TOTAL	Total LTP (IP1+IP2)	Other (DFT Majors and Non-LTP)
Wakefield locally determined Traffic Management	368	368								368	368	
WY Safer Roads support	66	66		66	66		68	68		200	200	
SUB TOTAL SAFER ROADS	4,588	4,494	94	4,400	4,400		4,400	4,400		13,388	13,294	94
Bids and Leverage												
Rail Devolution	700	245	455	635	223	412	50	50		1,385	518	867
Rail Development programme	265	263	2	200	200		200	200		665	663	2
Station Enhancements and accessibility improvements - Match to lever in rail industry / 3rd party funds (* dependent on external funding opportunities)					1,050		250	250		250	1,300	
Local LTP match for funding bids. Non-rail projects e.g. Local Pinch Points, Cycle City Ambition etc (* dependent on external funding opportunities)	179	179		180	180		941	941		1,300	1,300	
LSTF 2015/16				2,924		2,924				2,924		2,924
Bids and Leverage schemes costing £250k or less	233	180	53	100	63	37				333	243	90
SUBTOTAL BIDS AND LEVERAGE	1,377	867	510	4,039	1,716	3,373	1,441	1,441		6,857	4,024	3,883
Low Carbon Fuels and Technologies												
Low Carbon Fuels and Technology schemes costing £250k or less	160	160		160	160		40	40		360	360	
OLEV - Electric Vehicle Charging Points	364	19	345							364	19	345
SUB TOTAL LOW CARBON FUELS AND TECHNOLOGIES	524	179	345	160	160		40	40		724	379	345
Other												
Other schemes costing costing £250k or less	166	166		167	167		167	167		500	500	
TOTAL OTHER	166	166		167	167		167	167		500	500	
TOTAL INTEGRATED TRANSPORT BLOCK	39,973	28,772	11,203	45,335	32,773	13,612	15,696	15,034	662	100,826	76,399	25,477
DfT Major Schemes												
Rail Growth	9,425		9,425	5,519		5,519	55		55	14,999		14,999
Leeds Station Southern Entrance	7,603		7,603	6,079		5,029				13,682		12,632
NGT	10,760		10,760	4,523		4,523	3,436		3,436	18,719		18,719
TOTAL MAJOR SCHEMES	27,788		27,788	16,121		15,071	3,491		3,491	47,400		46,350
INTEGRATED CAPITAL PROGRAMME GRAND TOTAL	90,527	51,538	38,991	90,669	61,986	28,683	45,969	41,816	4,153	226,987	155,160	71,827
FUNDING	97,409			75,465			44,039			216,913		

PROGRAMME AREA	2014/15			2015/16			2016/17			TOTAL		
	TOTAL	Total LTP (IP1+IP2)	Other (DFT Majors and Non-LTP)	TOTAL	Total LTP (IP1+IP2)	Other (DFT Majors and Non-LTP)	TOTAL	Total LTP (IP1+IP2)	Other (DFT Majors and Non-LTP)	TOTAL	Total LTP (IP1+IP2)	Other (DFT Majors and Non-LTP)
	Public Transport Asset											
Dewsbury bus station refurbishment				75	75		75	75		150	150	
Leeds City Bus station	35	35		930	930					965	965	
CCTV system (pan, tilt, zoom) camera replacement – various bus stations				75	75		75	75		150	150	
Cleckheaton bus station culvert structural repairs	100	100								100	100	
Bus shelter programme – 30 shelters per year	250	250		250	250		223	223		723	723	
Smart 5 refurbishment to extend asset life				900	900		900	900		1,800	1,800	
Access bus and operational vehicle replacement	783	783					488	488		1,271	1,271	
MyBus extend life - CVTF	1,069	570	549				360	360		1,429		
Bus Station Works	50		50							50		50
ICT system infrastructure	654	654		259	259		170	170		1,083	1,083	
SUB TOTAL PUBLIC TRANSPORT ASSET	2,941	2,392	599	2,489	2,489		2,291	2,291		7,721	6,242	50
Information												
Smartcards	3,200	1,272	1,928	400	400					3,600	1,672	1,928
Transport Data management				475	475		425	425		900	900	
Multi-modal, hubs, disruption information, web portal				575	575		525	525		1,100	1,100	
Bus real time Evolution	108	108		356	356		536	536		1,000	1,000	
SUB TOTAL INFORMATION	3,308	1,380	1,928	1,806	1,806		1,486	1,486		6,600	4,672	1,928
Cycling and Walking												
CCAG City Connect superhighway (Bradford & Leeds)	1,120		1,120	3,158	1,335	1,823	118		118	4,396	1,335	3,061
CCAG 2				178	178		178	178		356	356	
SUBTOTAL CYCLING AND WALKING	1,120		1,120	3,336	1,513	1,823	296	178	118	4,752	1,691	3,061
Integrated Public Transport												
Bus Quality Contract / Bus Quality Partnership development	100	100		1,000	1,000		266	266		1,366	1,366	
IP1 Hubs Programme	302	302								302	302	
Heckmondwike Hub	70	70								70	70	
Castleford Bus Station	5,414	5,351	63							5,414	5,351	63
Low Moor Rail Station	2,012	1,442	570	7,932	7,932		595	595		10,539	9,969	570
Elland Rail Station				200	200					200	200	
Leeds Elland Road Park and Ride	120	120								120	120	
CIS Screens at Rail Stations Phase 3	115	115								115	115	
Pontefract Monkhill	396	296	100							396	296	100
Traffic Light Priority	30	30								30	30	
WiFi on Trains	750		750							750		750
Wakefield Kirkgate	589	589								589	589	
SUBTOTAL INTEGRATED PUBLIC TRANSPORT	9,898	8,415	1,483	9,132	9,132		861	861		19,891	18,408	1,483
Bids and Leverage												
Rail Devolution	700	245	455	635	223	412	50	50		1,385	518	867
Rail Development programme – from RailPlan7				200	200		200	200		400	400	
Completion of Phase 2	35	33	2							35	33	2
HS2 - Connectivity Plan & Requirement to be HS2 ready	200	200								200	200	
Feasibility	20	20								20	20	
ECML development works	10	10								10	10	
Station Enhancements and accessibility improvements - Match to lever in rail industry / 3rd party funds (* dependent on external funding opportunities)					1,050		250	250		250	250	
LSTF 2015/16				2,924		2,924				2,924		2,924
CarPlus Demonstration Project				100	63	37				100	63	37
SUBTOTAL BIDS AND LEVERAGE	965	508	457	3,859	1,536	3,373	500	500		5,324	1,494	3,830
Gas Station Feasibility												
Gas Station Feasibility	15	15								15	15	
Select Project - Procurement Evaluation Tool	35	35		35	35					70	70	
OLEV - Electric Vehicle Charging Points	364	19	345							364	19	345
SUB TOTAL LOW CARBON FUELS AND TECHNOLOGIES	414	69	345	35	35					449	104	345

PROGRAMME AREA	2014/15			2015/16			2016/17			TOTAL		
	TOTAL	Total LTP (IP1+IP2)	Other (DFT Majors and Non-LTP)	TOTAL	Total LTP (IP1+IP2)	Other (DFT Majors and Non-LTP)	TOTAL	Total LTP (IP1+IP2)	Other (DFT Majors and Non-LTP)	TOTAL	Total LTP (IP1+IP2)	Other (DFT Majors and Non-LTP)
	Other											
LTP feasibility	66	66		67	67		67	67		200	200	
LTP Monitoring and Evaluation / analysis	100	100		100	100		100	100		300	300	
TOTAL OTHER	166	166		167	167		167	167		500	500	
TOTAL INTEGRATED TRANSPORT BLOCK	18,813	12,930	5,932	20,824	16,678	5,196	5,601	5,483	118	45,237	33,111	10,697
DFT Major Schemes												
Rail Growth	9,425		9,425	5,519		5,519	55		55	14,999		14,999
Leeds Station Southern Entrance	7,603		7,603	6,079		5,029				13,682	1,050	12,632
NGT	10,760		10,760	4,523		4,523	3,436		3,436	18,719		18,719
TOTAL MAJOR SCHEMES	27,788		27,788	16,121		15,071	3,491		3,491	47,400	1,050	46,350
INTEGRATED CAPITAL PROGRAMME GRAND TOTAL	46,601	12,930	33,671	36,945	16,678	20,267	9,092	5,483	3,609	92,637	34,161	57,047

PRUDENTIAL FUNDING STATEMENT

- 1 This statement has been prepared in accordance with the CIPFA Code of Practice ‘Treasury Management in Local Authorities’ which is re-adopted each year by Members of the Authority. The statement and its implementation is currently reviewed and updated twice annually, in the final accounts and budget reports.
- 2 The Local Government Act 2003 and Local Authorities (Capital Finance and Accounting) Regulations 2003 set out the system of capital finance to be followed by all local authorities from 2004. This appendix is intended to take account of the requirements of the regulations and to set them in the context of the Treasury Management Code of Practice.
- 3 In preparing this statement no account has been taken of the proposed West Yorkshire plus Transport Fund. This report assumes no borrowing takes place in 2015/16 to support the WY+TF. Work is currently on-going to establish the borrowing requirements of the fund over the next 3 years. A full report on the projected borrowing requirements of the Transport Fund will be prepared at the appropriate time for approval.

Treasury management activity – borrowing and investments

		£m
Total Loans outstanding at 1/4/2014		
Interest:	Fixed (incl LOBOs)	78.5
	Investments	-27.5
Activity expected during 2014/15:		
	Loan repayments	-1.0
	Net movement in temporary loans	0.0
	New borrowing	0.0
	New Investment	-15.0
Anticipated loans outstanding at 31/3/2015:		77.5
	Investments at 31/3/2015	-42.5
Activity expected during 2015/16		
	New borrowing	0.0
	Debt repayments	-1.0
Anticipated loans outstanding at 31/3/2016:		76.5

- 4 The current financial year has seen a continuation of the overall situation from 2013/14. Interest rates have remained low, with bank base rate remaining at 0.5% and opportunities both to refinance loans and to place money on the market at competitive rates remain limited.
- 5 Leeds City Council undertakes the monitoring of the financial markets on behalf of the Authority. The agreed policy is to seek to minimise the rates at which the Authority borrows and to continue to refinance any longer term loans if rates appear advantageous.

- 6 No such opportunities have arisen so far in 2014/15. The Authority has a loan portfolio with extremely competitive rates and the economic climate has been such that there have been no suitable opportunities identified for refinancing.
- 7 The Authority is in a position where it is unlikely to be required to undertake more borrowing in future years for its normal activities as all of its funding is cash grant. Under the prudential regulations the Authority will need to start repaying debt within the next five years and the investment strategy is geared towards ensuring it is in a position to do so without incurring financial penalties for early repayment of loans. There is likely to be a requirement to undertake borrowing to support the WY+TF and further work with financial advisors is underway to establish the level and timing of this borrowing and to determine whether all borrowing across the Authority should be consolidated into one loan book.
- 8 The expected debt repayment for 2015/16 shown in the table above relates to the next instalment of the EIP loan. No further repayments are anticipated. The LOBO option that falls due in February is not expected to be called in by the banks and the next opportunity for this is later this year. This will be monitored and appropriate action taken if this occurs.
- 9 A decision was made over the course of the last financial year to invest £27.5m split into maximum tranches of £7.5m for terms ranging from 3 months to one year in order to maximise the returns available to the Authority on cash balances. The rates achieved ranged from 0.5-0.98% being significantly higher than the prevailing rate of 0.25% with the Authority's bankers Natwest. The selected counterparties are constantly monitored and meet the strict eligibility criteria stipulated under Leeds City Council's investment policy which has been adopted by the Authority. Expansion of the amounts and terms of these investments was agreed by the Authority last year. This approach will continue during 2015/16 with an expectation that the Combined Authority will have cash balances to invest due to the advance payment of capital and other grant funding.
- 10 The general level of borrowing and investments is handled efficiently by Leeds City Council and has produced a situation where the Authority has, in relative terms, very low borrowing costs. Regular meetings are held with the Leeds City Council staff who undertake treasury work for the Authority and these meetings ensure a satisfactory level of control and monitoring is achieved. These meetings also consider the overall treasury management strategy and ensure that the policies in place continue to be appropriate to ensure that the Authority's funds are managed in the most effective and secure way.
- 11 The Authority has strict rules on investment criteria which are set out in paragraphs 12 to 14 for consideration and re-approval. These are set so as to minimise the risk to the Authority's funds but does also mean that interest earned on deposits is lower than it could be. It is therefore in the Authority's interests to seek to utilise any cash balances to reduce the costs of long term borrowing and this policy will continue to be pursued if possible. The increase to the PWLB rates announced in October 2010 reduced the opportunities to repay long term debt without incurring extra cost. The PWLB rates were later improved through the introduction of a certainty rate

reduction but discount rates have not changed and it is these rates that are used to determine premiums and discounts on loan repayments. The Combined Authority would incur significant premiums by repaying borrowing but will review this situation as interest rates start to rise.

Treasury Management Activity – Investments Criteria

- 12 In general it is intended there should be no long term investments by the Authority with any surplus cash being invested short term up to a maximum term of one year. The level of future investments will fluctuate on a short-term basis due to cash flow requirements but will be maintained as low as possible. Any investments undertaken by the Combined Authority follow the guidance of DCLG having regard to the concept of Security, Liquidity and then Yield with emphasis being placed on the “return of funds” rather than the “return on funds”.
- 13 It is proposed that the existing policy of utilising the expertise of the Treasury Management Team in Leeds City Council be reaffirmed for 2015/16.
- 14 It is also recommended that the following rules for short term investments/borrowing should continue to be applied:-
 - a. The Chief Financial Officer shall determine the amounts and periods.
 - b. The procedural document as approved for their Treasury Management Division by Leeds City Council shall be adopted in relation to the Authority’s short-term investments encompassing the Council’s list of approved financial organisations and the maximum lending limits per organisation, as specified in that document from time to time.
 - c. No investment will be for a period exceeding 12 months.
 - d. In principle there shall be no cross borrowing or investments with Leeds City Council (although this may be varied if late cash movements on the bank account occur creating a surplus/deficit cash position after the markets have closed for the day).
 - e) Investments with any one counterparty should not exceed £7.5m.

PRUDENTIAL FUNDING ARRANGEMENTS

- 15 The principal purpose of the prudential system is to allow authorities as much financial freedom as possible whilst requiring them to act prudently. There will be no government borrowing approvals issued but restrictions are imposed through the CIPFA Prudential Code which requires every authority to set prudential indicators and limits and thus be satisfied that it can afford the results of its borrowing. These limits, which must not be exceeded, have to be formally agreed by the authority before the start of each financial year. The government has retained the power to, if it so wishes, limit the level of borrowing incurred by authorities.

- 16 The Code requires full capital and revenue plans to be prepared for at least 3 years forward in order to assess the financial effects of the planned capital investment. In this Authority the three year financial strategy is considered by Members on a regular basis and to ensure a level of affordability it is currently the policy that borrowing to meet capital expenditure will be limited to existing levels plus any additional SCE(R) or SCA issued by the government through the LTP settlement and the SEP (Local growth fund and devolved major scheme funding). Restricting borrowing in this way ensures that all debt charges are covered by the Combined Authority through its levy on the Districts.
- 17 The draft three year capital programme is considered earlier in this report and is set out in Appendices B and C. It should be noted that in accordance with the above, whilst there has been some deliberate over-programming to ensure expenditure achieves the LTP settlement, overall capital expenditure will be met firstly by grants and other resources leaving the balance to be met by borrowing or through charges to revenue. The programme assumes there is to be no unsupported borrowing outside the LTP.
- 18 Since the levels of grant provided to the Authority under the LTP are below those required to fully implement the draft capital programme it is proposed to examine alternative methods of financing during the year to assist with the possible shortfall. As an example leasing might be used for the acquisition of vehicles. The financial viability and value for money of such methods will require investigation and savings found within the budget to accommodate the costs involved. Members will be asked to approve any such methods before they are implemented.
- 19 Discussions are underway with the European Investment Bank regarding the provision of an option whereby it could provide a flexible financing offer to support the West Yorkshire plus Transport Fund. Many of the schemes in the Fund meet their funding criteria and this would provide an attractive alternative to the traditional PWLB lending.
- 20 It is not proposed at this stage that the Authority enter into any credit arrangements as defined by the regulations, other than as described above. If and when these are to be progressed then it should be recognised that they would be classified as borrowing and would need to be recognised in the operational boundary and authorised limit approval. Should any such arrangements be required these will be expected to be funded within the approved strategy.
- 21 When Leeds City Council last reviewed the borrowing limits in the light of market rates they determined that they would allow the limit to be set at a level sufficient for the current year plus the equivalent of 2 years anticipated borrowing requirement which is derived from the capital allocations. This was intended to provide flexibility for fund management allowing borrowing to take place when rates are low rather than being tied into strictly annual borrowing.
- 22 The Annex initially creates limits set at the required level of borrowing for 2014/15 and 2015/16. To provide more flexibility in managing the funding operation it was previously agreed that approval be given to borrow to cover loan requirements for

the current plus the following 2 years. In view of the change to the LTP allocation from borrowing to grants this is now irrelevant and will only be applied if any new major schemes are approved. Such approval will therefore be sought at that time.

- 23 The attached Annex shows the calculation of the following prudential indicators:
- a. The ratio of debt charges to overall expenditure. This is not significant to this Authority as it is effectively controlled through the level of the Levy (as referred to above).
 - b. Setting the borrowing requirement for the year (similar to total loans outstanding) but called 'the operational boundary'.
 - c. Setting the maximum borrowing permitted in the year defined as 'the authorised limit'. This is about £10m higher than the operational boundary to create flexibility to allow temporary additional borrowing (for example if it becomes prudent to borrow in advance of normal requirements because long term interest rates are low).
 - d. Setting the maturity loan structure which is defined as 'amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate' as well as the draft capital programme. These are set out in the Annex.
- 24 The Prudential Code requires Members to have an approved Treasury Management Policy (this is set out above) and to agree limits for variable and fixed rate loans. It is recommended that the maximum limit for variable rate loans continues to be set at 40% and the limit for fixed rate loans is uplifted from 130% to 200%. This would better reflect the current position that arises from the increase in cash balances and investments resulting from an increase in advance grant funding.

West Yorkshire Combined Authority		Capital Financing Annex			
Summary Capital Programme					
		2014/15	2015/16	2016/17	2017/18
Expenditure per programme		£000	£000	£000	£000
Local Transport Plan		28,771	32,773	15,034	13,104
Highways Maintenance Plan		22,766	29,213	26,782	25,971
Major scheme Expenditure		16,628	4,706	-	60,000
Non LTP Funding (Excluding Majors)		22,363	23,977	4,153	20
		90,528	90,669	45,969	99,095
Less overprogramming		-3,318	-5,932	-1,003	-
		87,210	84,737	44,966	99,095
Financing					
LTP Grant		27,165	13,104	13,104	13,104
LTP Grant (C/Fwd IP1)		7,487	4,465	-	-
Highways Maintenance Plan		23,766	29,213	26,782	25,971
Major scheme Expenditure		16,628	4,706	-	60,000
Non LTP Funding (Excluding Majors)		22,363	23,977	4,153	20
Total Funding Available		97,409	75,465	44,039	99,095
LTP IT Block Re-profiling		-10,199	9,272	927	-
Funding Applied		87,210	84,737	44,966	99,095
Calculation of Prudential Indicators:					
		2014/15	2015/16	2016/17	2017/18
AFFORDABILITY		£000	£000	£000	£000
Ratio of financing costs to net revenue stream					
Debt Charges		6,983	6,703	6,518	6,365
Levy		96,198	96,198	96,198	96,198
(Assumes continuing levy freeze)					
Resultant ratio:		7.3%	7.0%	6.8%	6.6%
Notes: All additional debt charges should be covered by Levy					
PRUDENCE					
Net external borrowing does not exceed the total of capital financing requirement in previous year plus the estimate of any additional financing requirement for the current and later years.					
Loans outstanding at 1 April		78,500	77,500	76,500	75,500
Estimate of Capital Financing Requirement (CFR)		91,945	88,267	84,736	81,347
Additional borrowing requirement in year		0	0	0	0
Less debt repayments in year		-3,678	-3,531	-3,389	-3,254
Estimate of CFR 31 March		88,267	84,736	81,347	78,093
Calculated Operational Boundary		91,945	88,267	84,736	81,347
Safety factor		10,000	10,000	10,000	10,000
Forecast Authorised Limit		101,945	98,267	94,736	91,347
Maturity of Loan Structure					
	Minimum	Maximum	Projected 31/03/2015	Interest Rate Structure:	
Loans up to 1 year	0%	30%	1%	Variable rate loans - maximum 40%	
Loans between 12 and 24 months	0%	20%	8%	Fixed rate loans - maximum 200%	
Loans between 24 mths and 5 yrs	0%	50%	21%		
Loans between 5 and 10 years	0%	75%	0%		
Loans between 10 and 20 years			0%		
Loans between 20 and 30 years			0%		
Loans between 30 and 40 years	25%	100%	35%	70%	
Loans between 40 and 50 years			35%		
Loans 50 years +			0%		
			100%		