

**Report of Director of City Development and WYCA**

**Report to Scrutiny Board (City Development)**

**Date: 20<sup>th</sup> July 2016**

**Subject: Inquiry into the Development of NGT**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input type="checkbox"/> No

**Summary of main issues**

1. Following a lengthy Public Inquiry in 2014 the DfT announced on the 12<sup>th</sup> May 2016 that the Transport and Works Act Order (TWAo) powers for the New Generation Transport (NGT), would not be granted. In an unprecedented move, the £173.5m funding from DfT for NGT was earmarked for public transport improvements in Leeds.
2. NGT was the successor to the Leeds Supertram project which was cancelled by the DfT in November 2005 for stated reasons of affordability.
3. The Leader of the Council has formally requested Scrutiny Board to “consider undertaking a Scrutiny Inquiry into the role of the Council, the West Yorkshire Combined Authority/METRO and the city’s public transport operators in relation to the decisions for both NGT and Supertram.”
4. The Leader also announced the holding of a Transport Summit to initiate a city wide conversation on the future transport strategy for the city.

## **Recommendations**

1. Members are requested to note and comment on this report.

1. Purpose of this report

- 1.1 This report provides Members with initial background information on the development of the Supertram and NGT projects including decisions made by the Council and the approvals and guidance from the DfT that helped shape the projects. It also provides a brief summary of the next steps on the city wide conversation following the Transport Summit held on 10<sup>th</sup> June.

2. **Background information**

- 2.1 **Leeds Transport Summit**

- 2.2.1 The Leeds Transport Summit held on 10th June 2016 was attended by 170 stakeholders from across the city and discussed the city's transport ambitions. The next major step is to initiate a significant engagement exercise across the city which will seek views from key stakeholders, partners and most importantly, communities from across the city; this "conversation" with the city is expected to take many months to undertake and will ultimately culminate in a report to Executive Board in Spring/ Summer 2017.

Within this extended engagement and bearing in mind the considerable uncertainties that are prevalent in the political and economic arenas at present, there is a desire to achieve an interim milestone by "locking-down" the £173.5m earmarked for Leeds by the end of this calendar year. To that end, within the extended conversation referred to above, a short on-line survey supported by a short brochure on the future vision for Leeds will be distributed towards the end of July. Questions will be based around the current balance of road space, people's willingness for road space reallocation and the city's priorities for transport investment moving forward. As the West Yorkshire Bus Strategy and West Yorkshire Transport Strategy are being consulted upon by West Yorkshire Combined Authority over the summer too, the intention is that we will take opportunities to align engagement so we avoid duplication.

- 2.2.2 We will also want to test emerging ideas at stakeholder events in the summer and talk with our community committees.
    - 2.2.3 Using the initial feedback from the Summit and the above exercises and working with WYCA, we will draw up an outline strategic case for the £173.5m funding by the early autumn with the intention of seeking an announcement in the Autumn statement being expected at the end of the calendar year.

- 2.2.4 This will be framed within a wider a set of strategic principles on which further conversations with the city will continue before finalising the long-term strategy at Executive Board sometime next year (Spring/Summer 2017).

## **2.3 Supertram Background Information**

- 2.3.1 Leeds Supertram formed a key element of the 1991 Leeds Transport Strategy. The scheme gained parliamentary approval in 1993, with full network approval given in March 2001. At around the same time, the Government set out its' 10 Year Plan for transport which included provision for 25 new light rail lines. Funding approval for Supertram was conditional although it allowed for utility diversions, demolition work, advanced highways modification work and a strategic land acquisition programme to commence.
- 2.3.2 In November 2005 the project was cancelled by the DfT on the grounds of affordability.
- 2.3.3 Much of the increased costs of the project were due to the PFI procurement route which the DfT steered the Promoters (Metro and Leeds CC) down. Further detailed work was then undertaken to reallocate project risks, thereby reducing overall costs. Ultimately the costs were brought back to close to the originally approved figure.
- 2.3.4 Despite the fact that Leeds CC had tabled an offer to meet the gap in funding (See Appendix A) the decision was not overturned. By this time more than £45m had been invested in the scheme.

## **2.4 NGT Background Information**

- 2.4.1 Following the cancellation of Supertram, WYCA and Leeds City Council were directed by the Secretary of State for Transport to develop a "top of the range bus system". See Appendix B.
- 2.4.2 Discussions then took place with the DfT on the development of revised transport proposals for the City. The premise of which, as agreed with the DfT, was to develop proposals for the three former Supertram corridors. It was envisaged that further proposals would be developed for a wider network over time. At the same time the wider transport needs were being considered by the City through the Leeds City Transport Vision.
- 2.4.3 An Initial Business Case was presented to the DfT in March 2007 which included an option appraisal on the vehicle type. This document was not a formal part of the government approval process but the Promoters chose to submit their emerging proposals for initial feedback at the earliest opportunity given the experience on Supertram.
- 2.4.4 The initial proposals for the NGT scheme, developed with significant engagement with the DfT consisted of three routes to North, South and East Leeds, including a loop round the city centre, and linking key trip generators including the city's hospitals and universities. The scheme included enhanced cycling facilities and

park and ride sites and a significant degree of priority over general traffic in order to deliver high levels of reliability across the network. Electrically powered trolleybuses were proposed to operate the system.

- 2.4.5 Analysis by appointed consultants, SDG, using DfT guidance showed that NGT could generate around 4,000 long term jobs, both in Leeds and the wider City Region in addition to generating a £160m per annum economic boost for the City Region. In addition around 1,000 jobs would be created during the construction phase.
- 2.4.6 In July 2008 LCC Executive Board gave authority to spend £2.316m, as the Council's contribution towards scheme development costs, to cover design fees and the preparation and consultation costs necessary to develop the work through to a Major Scheme Business Case submission.
- 2.4.7 Following significant engagement with the DfT on the development of the scheme the Major Scheme Business Case (MSBC) for the project was submitted to the DfT at the end of October 2009. This included a comparison with the "next best alternative to NGT" of a high quality diesel electric bus on the same route as NGT and a low cost alternative.
- 2.4.8 After a prolonged period of analysis and scrutiny by the DfT, the Secretary of State announced on the 22nd March 2010 that Programme Entry Approval had been granted but only for the North and South Routes. The DfT indicated that they didn't believe the East Route would offer value for money. They did not accept the argument that this route was necessary for social/regeneration reasons and the importance in serving St James' Hospital. The DfT did however support the extension of the North Route to serve Holt Park. The DfT also concluded that compared with the alternatives NGT was the optimum economic option.
- 2.4.9 The revised scheme therefore comprised the North Route from Holt Park to the city centre and the South Route serving Hunslet and Stourton. Major park and ride sites were to be provided at Stourton and Bodington.
- 2.4.10 The Programme Entry Approval included in principle DfT funding of £235m towards the £254m project. Under this arrangement the DfT would have funded all of the construction costs and a proportion of the development costs.
- 2.4.11 Programme Entry was the first stage in the DfT approval process, the other stages being;
  - 1. Conditional Approval – This is an intermediate stage which requires a re-submission of the Business Case following the granting of statutory powers e.g. TWAO. This would have been the next stage for NGT.
  - 2. Full Approval – Awarded when firm prices (tender returns) have been obtained and the scheme appraisal updated. Only when Full Approval is granted will the Department confirm that funds are available and work can commence.

- 2.4.12 On 10th June 2010, the incoming Coalition Government announced that all major transport schemes were to be reconsidered as part of the wider Comprehensive Spending Review (CSR) process. As a result, development activity on NGT was paused pending the outcome of the CSR and confirmation of funding from the DfT.
- 2.4.13 Subsequently the DfT requested promoters to submit Best and Final Bids (BAFB) by Autumn 2011. These bids were to consist of the Promoters' final proposals in terms of the revised scope and cost of the scheme, the amount of Government contribution required and the economic case for the scheme.
- 2.4.14 In May 2011 Executive Board gave approval to submit a Best and Final Bid (BAFB) to the Department for Transport (DfT). The report to the Board detailed the increased costs mainly due to inflation resulting from the pause in project development, and the value engineering made on the project to bring costs down. This resulted in a revised scheme of £244m. The BAFB approved by Executive Board consisted of an increased local contribution to £57.1m in line with DfT aspirations.
- 2.4.15 In July 2012 the Department for Transport announced that NGT had been re-awarded Programme Entry status with a maximum contribution from the DfT of £173.5m towards the increased estimated scheme cost of £250.6m.
- 2.4.16 This was reported to Executive Board in October 2012 where the funding gap between the £173.5m and the previously approved £57.1m was acknowledged. The Board also gave approval to spend £1.2m of the £57.1m to progress the scheme to enable the submission of a TWAO application.
- 2.4.17 A Local Partnerships Gateway 1 Review was held in January 2013 (see Appendix C). Local Partnerships is a joint venture between HM Treasury and the Local Government Association (LGA), formed in 2009 to help the public sector deliver local services and infrastructure. They provide short but effective reviews to project owners on high risk projects or programmes where public sector organisations have to keep them on track.
- 2.4.18 The purpose of this was to consider the 'business justification' for the project and to provide an independent peer assessment of the project's potential for success. The key messages from this report were;
- There is a great deal of confidence in the Project Team and the Review Team has been impressed by the commitment and enthusiasm of the team and most of the stakeholders interviewed
  - This project is being well managed from a standing start where the team has had to be re-formed at short notice.
  - The project team would appear to be building positively on the previous work that has been undertaken and have learnt lessons from previous schemes and will build these into the current processes.

- The Review Team is conscious that there is still a lot of work to do on some key issues that include:
  - o updating documentation;
  - o stakeholder engagement;
  - o scoping and communicating the benefits;
  - o outline design;
  - o procurement strategy.
- The Review Team are aware that there is organised opposition to the proposals and this needs to be taken seriously as the scheme is developed.

2.4.19 The review also stated that Leeds' planned New Generation Transport trolleybus system is 'an innovative project and as the first of its type in the UK in recent years, is at the cutting edge of transport provision'.

2.4.20 In March 2013 Executive Board approved expenditure of £19.2m from within the existing Capital Programme to meet the Council's share in the development costs to progress the scheme to the start of the construction phase.

2.4.21 The TWAO and associated applications for NGT were submitted to the Secretary of State for Transport on 19 September 2013. Section 239 of the Local Government Act 1972 required 2 resolutions supporting the application from Full Council; these were obtained at the Full Council meetings on the 1 July 2013 and 13th November 2013.

2.4.22 The TWAO powers would have provided the Promoters with the powers to build and operate the scheme and to deliver and sustain its key objectives in the long term. For example, under powers achieved through TWAO, the Promoters would have had greater scope to influence the specification for the vehicles and infrastructure, priority given, than through any other deliverable options. The TWAO would have provided for, amongst other matters, the acquisition of land or rights over land, the payment of compensation, the carrying out of civil engineering works, fares and tolls, policing and the making of byelaws. Also using the TWAO powers, the Promoters would have been able to specify the service requirements such as reliability, accessibility, fare level and integration of NGT and through greater enforcement powers than with other deliverable options.

2.4.23 The planning consent application submitted within the TWAO was similar to an outline planning application for determination by the Secretary of State.

2.4.24 In April 2014 the NGT Public Inquiry commenced. The Inspector's original timetable for the Inquiry assumed 30 sitting days over 8 weeks. This was consistent with inquiries for similar schemes (see 3.5 below). In October 2014 the Inquiry finished having sat for 72 days.

2.4.25 The Inspector's report was submitted in July 2015 for consideration by the DfT. The DfT guidance indicates a 6 month timescale for making decisions on TWAO submissions although it notes that larger or more complex schemes may take longer.

- 2.4.26 The DfT announced on the 12th May 2016 that the TWAO application had not been granted. (See Appendix D) for a copy of the letter from the SoS). However in an unprecedented announcement the DfT did still award the £173m to Leeds for public transport projects in the City. This was despite the DfT previously and consistently stating that the £173m DfT contribution was only available for NGT.

### 3 Main Issues

- 3.1 The Council and WYCA/METRO have spent around 27 years and £72m developing proposals for both Supertram and NGT. Both schemes received Business Case Approvals from the DfT before being cancelled and Supertram was also granted powers following a Public Inquiry. A timeline of key events and a summary of expenditure are given in Appendices E & F.
- 3.2 Following their cancellations in November 2005, the National Audit Office carried out a review of the Leeds Supertram, and Manchester and Hampshire's tram proposals, which all experienced substantial increase in costs and as a consequence had their funding withdrawn by the DfT. This report highlighted the emergence of Bus Transit system as an alternative to Leeds Supertram. The report stated that "During 2005 the Department kept abreast of developments in Bus Rapid Transit through its contacts with the bus industry. In such contacts First Group identified Leeds as one of the cities for which its brand of Bus Rapid Transit known as ftr was particularly suitable and in January 2005 indicated to the Department that ftr might provide a more comprehensive service, and at a lower cost than the proposed Supertram scheme."
- 3.3 The report also acknowledged that all three of the Manchester, Leeds and South Hampshire Schemes were positive in cost benefit terms.
- 3.4 The report concluded that the Department's evaluation of the schemes was robust but the decision making process was lengthy and noted that the Department had since made changes to its funding and approval processes.
- 3.5 The TWAO application received 1759 objections. A comparison with other similar sized transport projects is provided in the table below:

Scheme	Scheme Length	Number of Objections	Public Inquiry Timescale
<b>Leeds NGT</b>	<b>14km</b>	<b>1759</b>	<b>72 sitting days between 29/4 and 31/10/14</b>
Cambridgeshire Guided Busway	25km	2741	31 sitting days between 28/9 and 2/12/04
Nottingham (NET) (Tram) Phase 2	18km	1115	28 sitting days between 6/11 and 21/12/07
Leigh Guided Busway	7km	544	Between 10/9 and 8/10/02
Bristol Busway (Ashton Vale to Temple Meads)	4km	210	21 sitting days between 28/5 and 4/7/12

- 3.6 In addition a number of city Stakeholders and businesses formally supported the application including: University of Leeds, Leeds University Union, Leeds Teaching Hospitals Trust, Leeds College of Building, Leeds City College, Town Centre Securities, Allied London and the Royal Armouries

- 3.7 Apart from Adjacent Landowners there were no objections to the TWAO from the Statutory consultees e.g. English Heritage. Subsequent to the TWAO inquiry, Vastint, Ikea's property development arm and recent purchasers of Tetleys Brewery site wrote to the Secretary of State expressing support for NGT.
- 3.8 The Public Inquiry was attended by community groups, particularly from the North of the City and First Group, represented by a QC who all attended for the majority of the 72 sitting days.
- 3.9 The Inspector completed his 900 page report in July 2015. A summary of his findings are enclosed in Appendix G. After considering the report the Secretary of State announced the cancellation of the NGT Project in May 2016.
- 3.10 Throughout the development of NGT the project has been overseen by a Project Board comprising senior representatives from Metro/WYCA and LCC. A list of all Project Board members and an indicative timeline outlining their input is shown in Appendix H.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 In addition to the formal requirements of the TWAO process, consultation and engagement has been carried out on the project including:
- Feasibility consultation in 2008
  - Consultation carried out in 2009/2010 involving 21 days of exhibitions along the route – showed strong support for the proposals.
  - Area Committee presentations.
  - Briefing to the main political groups September-November 2012
  - 26 Public Consultation events held October 2012 - July 2013: over 1,100 attendees
  - 52,000 leaflets distributed
  - Quarterly E-newsletter with circulation of around 450 people
  - Meetings with Businesses, access groups, Tenant organisations, Civic Trust, Cycling Forum and the Universities
  - Meetings with Councillors and MPs
  - Engagement with officers from across the Council.
  - Meetings with affected land and property owners along the route.
  - City Plans Panel meetings devoted to the NGT proposals.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 A full equality impact assessment was undertaken on the Project and accompanied the TWAO application. The assessment concluded by stating that the provision of a new and frequent public transport service in the form of a trolleybus network would improve access to a whole range of social and economic resources along the route including the City Centre, Leeds' two universities, a major hospital, and a whole range of other facilities from shops to places of



worship. It also acknowledged however that the construction and implementation phases may have a negative effect on a range of local socio-demographic groups and communities. The report contained a number of recommendations to mitigate the negative impacts.

### **4.3 Council policies and Best Council Plan**

- 4.3.1 This inquiry will support objectives as defined in The Vision for Leeds 2011 – 2030 and the Best Council Plan 2015-20.

### **4.4 Resources and value for money**

- 4.4.1 This report has no specific resource and value for money implications

### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 This report has no specific legal or access to information implications

### **4.6 Risk Management**

- 4.6.1 This report has no risk management implications.

## **5 Conclusions**

- 5.1 The Supertram and NGT proposals were developed over a period of nearly 30 years. At all stages the Department for Transport were fully engaged and awarded both schemes formal approvals at key stages of their development. During this time period the schemes were supported by the major political parties at both national and local level.
- 5.2 Supertram and NGT were both cancelled by the Department for Transport after each had spent over 10 years in development.
- 5.3 This report has presented an initial overview of the background position to the development of both Supertram and NGT.

## **6 Recommendations**

- 6.1 Members are requested to note and comment on this report.

## **7 Background documents<sup>1</sup>**

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website,

## 7.1 Appendices

- Appendix A: Letter from Council Leaders to Secretary of State for Transport 16th September 2005
- Appendix B Leeds Supertram decision letter
- Appendix C: Local Partnerships, Gateway Report February 2013
- Appendix D: DfT Rejection letter May 2016
- Appendix E: Timeline of events
- Appendix F: Table of expenditure year by year
- Appendix G: Summary of Inspector's Comments
- Appendix H: List of Project Board Members