

Mayoral Combined Authority Board

14 November 2022

Programme Approvals

Is the paper exempt from the press and public?	No
<i>Reason why exempt:</i>	Not applicable
Purpose of this report:	Funding Decision
Is this a Key Decision?	Yes
Has it been included on the Forward Plan?	Yes

Director Approving Submission of the Report:

Gareth Sutton, Chief Finance Officer/s73 Officer

Report Author(s):

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Executive Summary

This paper requests progression of three capital schemes subject to conditions set out in the Assurance Summaries.

What does this mean for businesses, people and places in South Yorkshire?

This report is seeking approval to progress business cases and enter into contract for a number of investment proposals which will support the MCA's aspirations.

Recommendations

The Board consider and approve.

1. Release of £8.60 CRSTS grant funding to South Yorkshire Passenger Transport Executive (SYLTE) for the delivery of urgent Mass Transit renewals work.
2. Progression of the Mass Transit Scheme to Outline Business Case and the release of £4.34m development funding to SYLTE to be funded from CRSTS grant.
3. Progression of scheme D0049 to Full Business Case.
4. Progression of scheme D0050 to Full Business Case.

5. Delegated authority be given to the Head of Paid Service in consultation with the Section 73 and Monitoring Officer to enter into legal agreements for the schemes covered above subject to funding being available.

Consideration by any other Board, Committee, Assurance or Advisory Panel

Assurance Panel	18 October 2022
Assurance Panel	02 November 2022
Transport and the Environment Board	27 October 2022
Business Recovery and Growth Board	27 October 2022

1. Background

- 1.1 This report seeks progression and the release of City Region Sustainable Transport (CRSTS) development funding for one transport scheme. The report also requests delegated authority to enter into legal agreements for the scheme.
- 1.2 This report further details the results of the assurance process for two currently unfunded capital investments business cases totalling £13m. The report recommends both schemes progress to OBC/FBC, subject to the satisfactory conclusion of due-diligence and assurance processes and the agreement of a suitable investment models.
- 1.3 The report notes that before progression to grant award a funding source would need to be agreed for these two schemes. This could include draws on the gainshare capital resource available in 2022/23 and 2023/24 and/or calls on the Place/TIIP allocations.
- 1.3 **Mass Transit Network Infrastructure (Phase 1 & 2) – Progression to Contract Award**

This is a fully funded project which will enable the delivery of replacement tram vehicles, tram tracks, and traction current supply and will modernise the depot and passenger facilities for the Supertram mass transit system.

Supertram was built in the early 1990s and has been operated by a subsidiary firm of Stagecoach under a concession agreement for the period April 1997 to March 2024. Stagecoach provide routine maintenance of the system as part of the agreement, however the infrastructure and vehicles are owned by SYPTE and are reaching the end of their economic life.

The Mass Transit project is a retained scheme within the CRSTS programme. This means that the assurance for the project is ultimately delivered by the DfT. Following engagement with the DfT and HM Treasury, authority has been received by Government to commit monies to the urgent renewals work ahead of review of the approval of the formal business cases. This work will enable the safe operation of the tram network whilst business case activity for the wider project progresses.

Accordingly, approval is sought to release £8.60m of the approved CRSTS allocation to fund urgent work on the tram tracks and renew some of the vehicles and to award £4.34m to develop the OBC for submission to the DfT in 2023/4.

Appendix 1 provides a summary of the project assurance and the suggested conditions of award.

1.4 **D0049 – Progression to Full Business Case**

This is a private business sponsored project that is seeking £7m of loan funding. This project is currently unfunded but has been endorsed by the Business Growth and Recovery Board for consideration by the MCA Board.

The project aims to develop a manufacturing, testing, and operations centre for hybrid air vehicles. The project intends to base itself in Doncaster, exporting its product globally.

The project is sponsored by an innovative British company who have developed the aircraft and the underlying hybrid aircraft technology. This is the first in a planned family of aircraft using this technology.

This new aircraft type has been designed to maximise efficiency, improve the flying experience, and enable a range of civilian and defence use cases. The company is the world leader in hybrid aircraft and after more than a decade of UK-based R&D, has now developed the aircraft to the point of readiness for commercial production.

This project will enable the creation and establishment of the South Yorkshire base and comprises:

- On-going development of plans to realise the establishment of three production facilities in South Yorkshire
- On-going research and development of the concept and prototype including:
- Product development and the creation of a dual pilot flight simulator preliminary design review of the major systems/sub-assemblies
- The establishment of an office in South Yorkshire and recruitment of the regional team to manage the facility construction, coordinate local supply chain and academic institute engagement.

The Assurance Summary notes some conditions of approval, these are detailed in full within Appendix 2.

Should the scheme progress through assurance processes to contract award a decision will be required on how to fund the scheme.

Should the project be approved today officers will begin discussions with partners on an appropriate funding source.

1.5 **D0050 – Progression to Full Business Case**

This is an NHS sponsored project that is seeking grant funding of £6m. This project is currently unfunded but has been endorsed by the Business Growth and Recovery Board for consideration by the MCA Board.

The project aims to deliver an international centre of excellence for child health technology that will support world-leading research and innovation through partnerships between industry, clinical and academic experts focused upon taking services and products from concept to market. It is designed to drive national change in child health through collaboration.

The project will be based at the Olympic Legacy Park in Sheffield.

The project will:

- Catalyse the development, evaluation, and commercialisation of child health technologies
- Attract national and international investment, create jobs and establish and develop new companies
- Reduce NHS costs through early diffusion and adoption of new technology
- Create long term sustainable health change, reducing the burden of ill health for decades to come
- Address the levelling-up agenda, by addressing health inequalities in the North of England through a digital and data driven which will aim to end the geographical inequality which is such an evident feature of the UK
- Help to address the prevention agenda (Prevention is better than cure: our vision to help you live well for longer - DHSC, 2018) with the ethos of 'start-well, live well' making the North and UK a healthier place to live.

Further details of the schemes and risks are included in the Assurance Summary at Appendix 3.

Should the scheme progress through assurance processes to contract award a decision will be required on how to fund the scheme.

Should the project be approved today officers will begin discussions with partners on an appropriate funding source.

2. Key Issues

- 2.1 Further scheme details and risks are included in the assurance summaries which are presented as appendices to this report.

3. Options Considered and Recommended Proposal

3.1 Option 1

Approve all recommendations.

3.2 Option 1 Risks and Mitigations:

Approval to progress the unfunded business investment proposition may result in a requirement to make a commitment against gainshare allocations.

3.3 Option 2

Reject some, or all, of the recommendations.

3.4 Option 2 Risks and Mitigations:

Rejection of some, or all, of the recommendations would place delivery of this project at risk.

3.5 Recommended Option
Option 1

4. Consultation on Proposal:

4.1 Discussions for these projects has continued with thematic boards during project development.

5. Timetable and Accountability for Implementing this Decision

5.1 Subject to the approval of the recommendations and approval by the MCA, the Head of Paid Service in consultation with the Section 73 Officer and Monitoring Officer will progress to enter into a legal agreement with the promoter.

5.2 The promoter is responsible for the further development of projects that have gateway approval to the next stage of the MCA Assurance process.

6. Financial and Procurement Implications and Advice:

6.1 One project is recommended for a funding award in this report. Funding has previously been committed to the scheme, and accordingly this recommendation is in budget and affordable.

6.2 The report seeks approval to progress two further schemes through assurance processes. These schemes are currently unfunded – that is, no funding source has currently been committed to the schemes.

6.3 Opportunities to fund these schemes are available through the gainshare capital resource set aside in 2022/23 and 2023/24 for delivery ready opportunities. Of this funding £25m is available with agreement from the Board that this funding will be deployed on an equitable basis. Funding could also be found from the longer-term Place/TIIP allocations that have been committed to.

6.4 Should these two schemes be approved for progression officers will engage partners on a suitable funding solution.

7. Legal Implications and Advice:

7.1 The legal implications of the projects have been fully considered by a representative of the Monitoring Officer and included in the recommendations agreed within the Assurance Summaries as presented in the Appendices.

7.2 Prior to awarding grants and entering into investment, the MCA shall ensure contracts are put in place to ensure the recipients comply with the grant conditions

8. Human Resources Implications and Advice

8.1 Not Applicable

9. Equality and Diversity Implications and Advice

9.1 Appropriate equality and diversity considerations are considered as part of the assurance of the project business cases.

10. Climate Change Implications and Advice

10.1 The schemes include new and/or enhanced improvements to public and community transport infrastructure thereby shifting private vehicle use to more sustainable modes of transport. This aims to deliver huge benefits for health and the prosperity of cities, positively contributing to the the MCA's climate change aspirations.

11. Information and Communication Technology Implications and Advice

11.1 Not Applicable

12. Communications and Marketing Implications and Advice:

12.1 The approvals provide positive opportunities to highlight the difference the MCA's investments will make to people and passengers, businesses and places across South Yorkshire and how Members are taking action to support the region's recovery from Covid-19.

List of Appendices Included

- 1 Assurance Summary – Mass Transit
- 2 Assurance Summary – D0049
- 3 Assurance Summary – D0050

Background Papers

None