

TRANSPORT BOARD

4TH September 2020

DELIVERING THE TRANSFORMING CITIES FUND PROGRAMME - UPDATE

Purpose of Report

This report provides an update on how the MCA Executive intends to continue to work with scheme sponsors to deliver the Transforming Cities Fund programme by March 2023.

Thematic Priority

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

Recommendations

That members of the Transport Board:

- Note the current programme delivery issues, and approaches being used to mitigate them.
- Agree to undertake a review of the current programme with a view to receiving a revised programme at the October Transport Board meeting.

1. Introduction

- 1.1** The Strategic Outline Business Case (SOBC) for the Transforming Cities Fund (TCF) programme was submitted to the Department for Transport (DfT) on 27th November 2019. The subsequent acceptance of the £166m grant from DfT was reported at the MCA meeting on 1st June 2020.
- 1.2** The development and delivery of a large capital programme requires significant early investment and resources. This is especially important with the TCF programme given the 3-year delivery timeframe. This paper provides an update on the current position with the programme, issues which could impact on the current profile and approaches being used to mitigate them.

2. Proposal and justification

- 2.1** The original TCF bid submitted in November 2019 set out the overall programme spend each year between 2020/21 and 2022/23. The profile on the grant letter from DfT started from 2019/20 (a year earlier than requested).
- 2.2** In order to update the overall programme and likely spend profile, scheme promoters were asked to provide updated information in June 2020 with a deadline of August 2020. The information predominantly remains outstanding.
- 2.3** However, there are already concerns that scheme promoters are increasingly seeking to move project spend towards the end of the programme. The latest profile is shown below

but this is expected to change further as additional information becomes available from partners.

SCR TCF Programme				
	19/20	2020/21	2021/22	2022/23
Spend Profile in the bid	-	£20m	£81m	£65m
DfT Grant letter	£8m	£21m	£65m	£72m
Latest Profile	-	£16m	£72m	£78m

- 2.4** There are a number of reasons for the request of scheme promoters to move project spend into later years, not least the impact of Covid-19 along with new pressures related to additional funding being secured by the MCA as a result of recent Government announcements.
- 2.5** Covid-19 has had a significant impact on TCF programme delivery and planning. Issues include delays to data collection and the need to re-consider how consultation is undertaken, both of which could affect delivery of the overall programme by six to nine months. The MCA Executive is reducing the effect of data collection delays by being pragmatic about what can be used as an appropriate data source for a scheme appraisal while partners are adjusting their consultation processes on projects as it is not expected that we will be back to 'normal' in the next few months.
- 2.6** Projects in the early delivery phase of TCF have seen delays in more specialist construction materials, as well as inflated cost estimates linked to supply and demand within the supply chain. This issue is expected to be seen throughout the programme life, and although there is a £16m programme level risk allowance to help mitigate this situation in Tranche Two, this value will need to be regularly reviewed in light of 'actual' costs within the programme.
- 2.8** In order to supplement internal resource, scheme promoters have also needed to use the commercial market, especially for construction. Whilst several scheme promoters are already starting to use existing frameworks and procurement processes to bring in scheme development, design and project management resources, there is still a concern about the scale and pace of this intervention. Although the assumption is that the construction of many of the schemes within the TCF programme will be initially offered to local Direct Labour Organisations (DLO's), it is not expected that they will have enough capacity to deliver the whole programme as well as their other commitments.
- 2.9** Initial discussions have taken place with representatives of the construction industry. The MCA will continue to work with partners to provide visibility to contractors of a pipeline of coordinated projects coming to the market to try to reduce the risk that scheme promoters are disadvantaged by others monopolising limited construction resources. There is still a risk that there will be a lack of capacity in the market due to pressures of national infrastructure and other TCF programmes, but the MCA Executive is looking at mitigating this through early engagement.
- 2.10** As there are a number of risks to the current TCF programme, both in terms of the backdated spend profile, the lack of up to date scheme information from promoters and capacity constraints, there is a need for the MCA Executive to review the current programme and put in place mitigations to ensure a deliverable profile is in place.

- 2.11** Although the DfT have stated that there are currently no plans to extend the March 2023 programme end date, the SCR Executive Team is working to understand whether other MCAs that received their funds directly (rather than through a bidding process) have additional flexibilities that the SCR MCA could then seek to improve the likelihood of successful programme delivery.
- 2.12** In June the MCA approved release of project development costs in advance of full approval, totalling £2.9m across 29 contracts, to be claimed in 2020/21. This was intended to help accelerate project development and assist with scheme promoter capacity. However, out of the 29 contracts; 13 have been signed, 15 are overdue and one is pending release subject to receipt of additional detail. The sole output of the contracts is submission of an Outline Business Case ('OBC') within an agreed deadline. During the contracting process so far, six requests were received to push back the agreed deadline by up to three months.
- 2.13** As a result of these issues, it is recommended that the MCA Executive works with projects displaying slower than anticipated progress and, as per normal procedures, request that they submit a remedial plan to help inform an overall programme review. As part of this review the MCA Executive will inform CEX's and Directors of Finance of progress and highlight any issues.
- 2.14** In parallel with these remedial plans, it is recommended that the MCA Executive undertake an assessment of project deliverability within the TCF programme based on currently available data. This re-baselining work will produce a new overall programme. The outcome of the review will be issued to scheme promoters over the next month and a deadline set for receipt of feedback. Any projects deemed undeliverable by the programme end date will be considered either for removal or revision at the Transport Board in October and escalated where required to the MCA Board. It is recommended that the value of any projects removed (or where there is a difference in value as a result of a revision) will be added to the available funding within the programme, to ensure grant availability for projects considered deliverable and/or to enable new projects to be developed. Programme outcomes need to be maintained so any formal change control will be conducted in accordance with the SCR Assurance Framework.

3. Consideration of alternative approaches

- 3.1** No interventions – Not recommended given the number of risks and issues highlighted to date and the risk of a failure to meet the spend profile.

4. Implications

4.1 Financial

The programme is at risk of significant under performance resulting in a risk of considerable grant being returned to the DfT. The recommendation includes a programme review which may result in undeliverable projects being removed and funds being recycled.

4.2 Legal

Contracts have been issued to scheme promoters regarding project development costs. It is proposed to use provisions within the contracts to formally encourage remedial plans when necessary.

4.3 Risk Management

The development of robust, transparent, proportionate and efficient systems for delivering TCF is a key part of managing a successful programme and the significant risks associated with delivering a large programme in a relatively short time frame.

The risk of increased project costs could lead to reduction in outcomes delivered.

There is a risk that insufficient information could hamper timely and effective decision making.

A number of additional Government funds announced recently, with end dates ranging from September 2020 to March 2022. Although welcomed, there is a risk that there is a considerable and continued knock-on effect on TCF delivery as existing scheme promoter resources are stretched across multiple priorities.

4.4 Equality, Diversity and Social Inclusion

No specific equality, diversity and social inclusion issues are considered at this stage.

5. Communications

5.1 No communications are proposed in relation to this report.

6. Appendices/Annexes

6.1 Nil

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

Other sources and references: n/a