

23rd October 2020

Transforming Cities Funds Tranche 2 ('TCF T2') Programme Review

Purpose of Report

This report provides a progress update on the TCF T2 programme review.

Thematic Priority

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

Freedom of Information

This paper will be available under the Combined Authority Publication Scheme

Recommendations

- To discuss the findings of the review and approaches being used to mitigate them.
- Agree the recommendations detailed in 2.2 of the report

1. Introduction

- 1.1** In March 2020 the Department for Transport ('DfT') approved a grant award of £166.3m for the MCA's TCF aspirations. This grant was allocated from April 2019 to March 2023 resourcing a programme of transformational public transport, active travel and rail initiatives. The award fell short of the £185m the region had bid for.
- 1.2** Following initial concerns on the pace of the programme's initial delivery, a request was made in July 2020 for scheme promoters to provide a further update on the progress of their projects. Submissions were provided from only 2 of the 5 scheme promoters prompting a decision to escalate concerns on the programme status.
- 1.3** On 4th September 2020 the Transport Board approved a proposal to commence a programme review and a further report would then be provided to the Transport and Environment Board in October with a revised TCF T2 programme.
- 1.4** The outcome of this review identifies that against a baseline expenditure target of £29.3m c. £3.8m of expenditure is forecast, leading to an adverse variance of 87%.
- 1.5** Underspend of this magnitude will place strain on capacity in the coming financial year when the existing expenditure target is due to increase from £29.3m to c. £67m.
- 1.6** To deliver the programme within the funding timeline, the MCA and partners will now be required to deploy £162m of resource over the two years running from April '21 to March '23 (£81m p/a).

- 1.7 Without remedy there is a growing risk that the delivery of the programme will become increasingly difficult to achieve, leading to DfT unilaterally intervening in the programme by withdrawing funding or refusing to allow time extensions to the programme. This will impact on the delivery objectives of the programme and reduce investment in the South Yorkshire economy.
- 1.8 This report details the changes in forecast expenditure and outlines a number of proposed steps to increase oversight on performance and mitigate some of the delivery risk.

2. Proposal and justification

- 2.1 In undertaking the programme review, 3 strands of activity were focused on -
1. Contract review: status of stage 1 grant letters related to the development costs
 2. Delivery review: status of project/package development
 3. Internal review: whether additional activity could be developed

Following the deadline for receipt of the related information from scheme promoters, review meetings were arranged between the MCA Executive and scheme promoters to analyse the detail of the returns.

The review findings were as follows:

Contract Review:

There are 59 individual projects within the programme, grouped into 28 development packages. All projects have been afforded the opportunity to draw down development funding at 2% of the project value. This funding is designed to support initial OBC development activity ahead of delivery funding being made available.

In response to the offer of development funding, 15 work packages (54%) have formally returned signed grant acceptance letters, whilst 11 (39%) are yet to formally respond, and 2 (7%) have declined the offer of development costs due to 1 scheme not progressing at this stage and 1 scheme included in a GBF FBC.

At this stage, five OBCs are overdue with only one in appraisal. Furthermore, sixteen projects (57%) have requested that their OBC submission date be delayed.

Financial Position

The baseline expenditure target for 2020/21, as determined by the DfT funding agreement, is £29.3m. Prior to the review, the forecast expenditure provided by partners was £19.8m which would have led to an in-year underspend of £9.5m.

The initial review returns from scheme promoters reduced forecast expenditure to £7.2m and, following analysis during the review meetings this has further been reduced to £6m. Following further analysis this figure is considered challenging, and £4.1m is a more prudent estimate consisting solely of OBC development activity. At this level of expenditure an underspend of £25.2m will accrue.

The review has further identified that 17% of projects totalling £83.5m (50% of the programme) will now complete beyond the deadline for which all TCF resource must be used.

Set against these forecasts, however, the review has also identified a request for £9.4m of additional resource to be drawn from the programme's unallocated contingency and be

allocated to schemes that now forecast higher resource requirement. These asks will need to be tested against ability to deliver within the required timescales.

A summary of this overview is detailed below

SCR TCF Programme				
	19/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
DfT Grant letter	£8m	£21m	£65m	£72m
Pre-Review Profile	-	£19m	£72m	£78m
Post Review Profile	-	£6.7m	£59m	£92.5m
Variance	-£8m	-£14.4m	-£6m	+20.5m

Outcome (Milestones) -

- Overall the milestones impact is varied. A summary is below based on 59 projects; 1 declined and data unavailable on 1 –

	No Change	Delayed	Accelerated	Total
OBC Submission Date	10	25	22	57
FBC Submission Date	25	13	19	57
Works State Date	24	22	11	57
Works End Date	24	27	6	57

Outcome (Outputs/Outcomes)

No changes were noted for outputs/outcomes during the programme review. However, scheme promoters have advised that they do expect changes which they will be in a position to confirm when the OBC is submitted.

2.2 Management Action

Given the outcome of the programme review, several recommendations are proposed to enable further scrutiny of the current programme status to inform the mitigation plan. It is recommended that action is phased to enable robust consideration of the options.

Phase 1 – Monitoring and Review

Consider the additional activity felt necessary to conclude appropriate remedial action, predominantly –

- reissue revised Grant Letters in accordance with agreed change control
- a second review to commence in Q4 2020/21 to review progress against agreed milestones, specifically status of the claims against development costs and whether OBCs were submitted in line with contractual expectations
- review current project scope enhancements, with risk to be included within projects and any changes following full approval managed via change control, thereby removing the £16.5m ring fenced risk pot.
- To increase the resilience, and therefore likely performance, of the programme a level of over-programming could be more actively developed, the review process has indicated that the current pipeline for eligible schemes is weak.

The outcome of Phase 1 would include an overview of progress against agreed milestone, adjusted programme and proposed pipeline.

Phase 2

Focus on the progression of options for a remedial plan, this may include -

- triggers/tolerances to align with agreed milestones and approval gateways to incentivise scheme promoters to maintain strong and timely progress
- Repurposing existing resources working on the programme or related sustainable transport programmes should be considered.
- Consideration could be given to changing the scope of the programme, this could include eligible activities. This might result in a small number of additional schemes coming into the programme, however these will also be subject to the same delivery constraints and timelines as those schemes that are currently included. This would be subject to agreement with the Department for Transport.
- Although external resources are now being brought into Local Authorities, there are still capacity contracts within the system. Augmenting LA capacity project development capacity could be considered. This could focus on business case development of existing projects, developing a pipeline of projects and/or to bringing new projects into the programme if the scope changes. Additional Programme Management capacity within Local Authorities to orchestrate the programme given the significant scale, number and variety of projects could be considered
- A more phased delivery on larger projects could be considered. This would enable elements of larger schemes to be delivered in advance of others. This would help sequencing works on the highway and potentially produce greater spend however could result in reduced, fragmented or delayed benefits. This would require additional programme management support in both Local Authorities and the MCA Executive in particular for additional FBCs. Appropriate risk sharing models between parties would need to be agreed.
- Local Authority partners have raised that the MCA approval process can slow down delivery. However, this is only likely to be by a few weeks and the indications at this stage are that business cases are being delayed in the development phase. Members had previously suggested they weren't keen on these proposals.
- The DfT could be approached to extend the programme, or consider financial interventions to evidence transactions, however there currently is no indication that this would be fruitful particularly given government financial pressures resulting from Covid19.
- An alternative approach might therefore be to forgo the funding

The outcome of phase 2 would be an agreed reconfiguration of the programme to enable achievable targets to be set and control mechanisms to be embedded

3. Consideration of alternative approaches

- 3.1** A do-nothing approach would result in significant under performance of the programme targets and inability to deliver the objectives of the SOBC.

4. Implications

4.1 Financial

This report notes significant slippage against the expenditure profile agreed with government. Slippage at this level will impact upon the level of delivery activity required in the new financial year, placing further strain on capacity. Continued underperformance on the programme may also lead to unilateral intervention from the DfT which could impact on the level of resource made available to us in future years.

Consideration could be given to whether this resource could be re-purposed to other unfunded MCA transport priorities.

4.2 Legal

Revised contracts are required for the stage 1 development costs.
A Grant Determination Letter is in place between the MCA and DfT for the TCF T2 programme with annual reporting a requirement to review progression against annual targets

4.3 Risk Management

Significant underperformance across the TCF T2 programme resulting in loss of funding, inability to deliver investment objectives and reputational damage.

4.4 Equality, Diversity and Social Inclusion

N/A

5. Communications

5.1 No communications are proposed in relation to this report.

6. Appendices/Annexes

6.1 None

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Background papers used in the preparation of this report are available for inspection at:

Other sources and references: