

8th January 2021

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

Purpose of Report

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

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 current status of the programme and approaches being used to mitigate.
- 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, the Transport Board approved a proposal to commence a programme review
- 1.3** The outcome of this review and subsequent risk adjustment identified that against a baseline expenditure target of £29.3m c. £3.8m of expenditure is forecast, leading to an adverse variance of 87%.
- 1.4** 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).
- 1.5** Without remedy there is a growing risk that the delivery of the programme will become increasingly difficult to achieve within the terms of the funding. This will impact on the delivery objectives of the programme and reduce investment in the South Yorkshire economy.
- 1.6** 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 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 £3.8m 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.

Actual claims this year total £900k. 1 OBC has been submitted and approved for progression to FBC and a further 2 schemes are being presented today at Agenda item 13.

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 (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 management actions have already been put in place to enable further scrutiny of the current programme status to inform the mitigation plan.

The additional activity felt necessary to conclude appropriate remedial action, were predominantly –

- reissue of revised Grant Letters in accordance with agreed change control
- a second review to commence in Q4 2020/21 to focus on contractual progress and delivery forecasts
- 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
- Review project phasing options for those projects forecasting end dates significantly beyond the programme end, to inform deliverability by March 2023
- 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.

The outcome of this phase included an overview of progress against agreed milestones, adjusted programme and proposed pipeline.

Further recommended Management Actions

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 constraints 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
- 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 this phase 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 have been 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: