

4th March 2021

Transforming Cities Fund Tranche 2 and Intra City Transport Fund

Purpose of Report

This report provides a progress update on the Transforming Cities Fund Tranche 2 ('TCF Programme') review and the new Intra-City Transport Fund

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 TCF Programme review
- Agree the proposed remedial actions for the TCF Programme as detailed in 2.4 below
- Agree the proposed approach to the flexible management of capital programmes in relation to the end of the TCF Programme and the start of investment from the Intra City Transport Fund as detailed in 2.5 below
- To endorse the creation of a prioritised pipeline of transport schemes in anticipation of the ICTF programme for consideration at a future TEB meeting.

1. Introduction

- 1.1** In March 2020 the Department for Transport ('DfT') approved a grant award of £166.3m for the MCA's Transforming Cities Fund Tranche 2 programme ('TCF Programme') aspirations. This grant was allocated from April 2019 to March 2023 resourcing a programme of transformational public transport, active travel and rail initiatives.
- 1.2** By September 2020 a TCF Programme review had commenced to test deliverability of the Programme against funding timelines. This review identified a number of concerns around the pace of activity and the ability of a number of schemes to complete within the funding deadline of March 2023. Addressing the findings of that exercise, the TEB approved the following recommendations -
 - MCA to support promoters in business case development and managing resource capability
 - Consider phased delivery for bigger projects
 - Develop a pipeline and an over programming position
 - Integration of the risk pot into project costs
- 1.3** This report details -
 - the outcome of the TCF Programme review and proposed remedial actions

- an update on early discussions with DfT and HM Treasury ('HMT') officials on the interface between the TCF Programme and the new Intra City Transport Fund ('ICTF'), including a proposal to gain some flexibility between funds in order to support the delivery of transformational TCF Programme schemes as well as develop a robust pipeline of schemes for the new fund.

2. Proposal and justification

TCF Programme Review

2.1 In undertaking the second TCF Programme review, 3 strands of activity were focused on:

1. Delivery progress
2. Delivery confidence
3. Proposed remedial actions

Meetings were held with promoters to discuss the granular detail of the review returns and strategic priorities. The findings of the review are summarised in sections 2.2 and 2.4 below.

2.2 Delivery Progress

Claims totalling c.£0.9m and 12 business cases have now been submitted. However, as the pace of grant drawdown and the passage of business cases through assurance gateways has been slower than forecast, programme risk subsequently remains high.

In summary -

- Since the release of development costs was approved in June 2020, 20% of the contracts remain unsigned and c.31% of the available £2.9m has been claimed
- Of the 2020/21 baseline expenditure target of £29.3m, c.£4.2m (c.14%) spend is now forecast, with the claims submitted to date equating to c.3% against the baseline
- Nine (c.43%) of the Outline Business Cases due in 2020/21 have been received, with two approved. Three Full Business Cases have also been received in 2020/21, with one approved. The forecast submission profiles are -

	2019/20	2020/21	2021/22	2022/23	Total
Outline Business Case	0	21	5	0	26
Full Business Case	0	3	25	5	33

2.3 Delivery Confidence

The TCF Programme review indicates that without further mitigation the DfT Baseline spend target of £166.3m will be missed by £3.2m.

	2019/20	2020/21	2021/22	2022/23	Total
DfT Baseline	£8.3m	£21.0m	£64.8 m	£72.2m	£166.3m
Programme Review	£0.4m	£3.8m	£50.4m	£108.5m	£163.1m
Variance	-£7.9 m	-£17.2m	-£14.4m	£36.3m	-£3.2m

A delivery confidence exercise sought to cross reference the Programme Review projected expenditure (£163.1m) against forecast delivery dates and key risks. In this scenario -

- there is medium/high confidence of £103.9m (c.64%) being spent and delivered by March 2023

- there is lower confidence of £59.2m (c.36%) being spent and delivered by March 2023, linked to 15% of programme activity (5 projects) forecasting completion in 2023/24 with significant project risks

2.4 Proposed Remedial Actions

- Phasing - Promoters to refine phasing options for larger projects. This would help mitigate the £59.2m currently categorised within low confidence of delivery and spend by March 2023 by enabling a proportion of proposed activity to confidently move back into the current delivery timeframe
- Pipeline - An additional 5 EOIs totalling c.£6m have been received and are under review. If considered a strong strategic fit and deliverable by March 2023, these can be added to the pipeline for progression within the TCF Programme
- Programme reconfiguration - Continue discussions with DfT to refine scope changes, this includes the proposals detailed in section 2.5

Intra City Transport Fund

- 2.5** The March 2020 Budget confirmed the creation of the Intra City Transport Fund ('ICTF') consisting of £4.2bn available for eight MCAs from 2022/23. This is to be delivered through five-year, consolidated transport settlements agreed with central government and based on plans put forward by MCAs.
- 2.6** The November 2020 Spending Review confirmed that funding for the first year of ICTF settlements will include a portion of the final year of the Transforming Cities Fund. The Spending Review also confirmed a further £50 million of resource funding will be provided in 2021-22 to support the relevant MCAs prepare business cases for the new fund. We await further guidance from Government on the scope of the ICTF.
- 2.7** Initial conversations have taken place with DfT and HMT, and the MCA Exec has set out a potential option to officials that would enable the MCA to manage transport capital programmes more flexibly. This would see government afford the MCA the flexibility to continue delivery of TCF Programme schemes beyond the existing funding window into 2023/24, recognising the current delivery profiles. In turn, this would potentially release funding now to develop a pipeline of high-quality business cases for the new ICTF. This flexibility would support the wider delivery of transport aspirations in South Yorkshire by ensuring that transformative TCF Programme schemes could deliver with funding certainty and providing the platform for the MCA to bid for, develop and deliver schemes as part of the new ICTF in what will likely be equally challenging timeframes.
- 2.8** Board members are invited to comment on this proposal, endorse its further development and support a continued dialogue with Government officials and to endorse the creation of a prioritised pipeline of transport schemes in anticipation of the ICTF programme for consideration at a future TEB meeting.

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 for the remainder of the TCF Programme, placing further strain on capacity and could impact on the level of resource made available to us in future years.

The report sets out a proposal to Government for future arrangements to allow for more flexibilities for the MCA in the management of capital programmes.

4.2 Legal

A Grant Determination Letter is in place between the MCA and DfT for the TCF Programme with annual reporting a requirement to review progression against targets. Variations to contractual terms will be required for any significant changes to grant and/or business case submission dates.

4.3 Risk Management

Significant underperformance across the TCF 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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