

## Mayoral Combined Authority Board

Tuesday, 14 November 2023

### Tram Renewal Outline Business Case

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

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**Director Approving Submission of the Report:**

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#### Executive Summary

South Yorkshire's Supertram network was constructed between 1991 and 1995 and opened for tram service operations in phases during 1994 and 1995. With the infrastructure and fleet assets nearing the end of their life, the original system requires significant renewal to secure the continued operation of tram services.

In 2021, the MCA successfully secured a £100m grant from the Department for Transport's City Region Sustainable Transport Settlement (CRSTS), which supports a partial renewal and life-extension of the tram assets.

To establish the case for renewing all life-expired tram assets, the MCA has developed a tram asset renewal Outline Business Case (also referred to as the Mass Transit OBC) for submission to the Department for Transport (DfT) to confirm the release of resources and satisfy the DfT that there is a case for ongoing tram asset renewal.

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

Submission of the OBC to the DfT for approval will support the securing of renewal funding required for Supertram network to continue to provide transport services to residents, giving them access to work, services, education and leisure activities with minimal impact on the

environment. It will also reduce congestion on highways, contribute to carbon reduction goals and support economic growth.

## Recommendations

That MCA Board approve the following:

1. Delegate authority to the MCA's Acting Executive Director of Transport and the Section 73 Officer (Executive Director Resources and Investment), in consultation with the MCA Chief Executive and the Mayor of South Yorkshire, to submit the completed tram asset renewal (Mass Transit) OBC to the DfT upon conclusion of the final review stages (estimated January 2024).
2. To engage with Local Authority Transport Officers in the detailed review of the Mass Transit OBC to support the finalisation of the documentation, ahead of submission to the DfT by the January 2024 target date.

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

Assurance Panel/Programme Board

23 August 2023

### 1. Background

- 1.1 In 2021, the MCA secured a £100m allocation from DfT's CRSTS to start the process of renewing the MCA owned tram infrastructure and fleet assets. The DfT have earmarked this as a "retained" scheme. To release the £100m CRSTS allocation to the MCA, the DfT require submission of the Mass Transit Outline Business Case (OBC) for approval.

The OBC concludes that, the option that best supports the MCA's policy and strategic objectives and has a reasonable BCR, is the option to continue operation of tram services at pre-Covid level service frequencies. This is as opposed to the other options of network closure, non-tram service solutions and alternative service frequencies.

The OBC sets out that the overall capital investment required to renew all life-expired assets is £596m (including inflation and the £100m CRSTS allocation). If approved by the DfT, the OBC supports the case for a future grant funding for the further asset renewal required.

DfT have confirmed that their approval of the OBC will be based on the full cost of renewals (up to 2032), not just the CRSTS funding to 2026/27. The work for the OBC was carried out in compliance with Treasury Green Book and DfT WebTAG guidance.

- 1.2 MCA transport officer colleagues from SCC and RMBC have been closely engaged throughout the detailed development of the OBC over the years via the Tram Board, which was established to oversee and support the OBC development process. DfT officers have also been consulted continuously throughout the development process.

- 1.3 **Scope of the Mass Transit OBC**

The OBC looks at the case for the provision of public transport services in the corridors served by the current network, including non-tram options.

It does not cover:

- **Any extensions.** It was agreed that the case for renewing the existing network needs to be made and opportunities for extensions are actively being reviewed as part of a separate tram vision exercise
- **The recently approved operating model starting from March 2024**
- **Renewals on the Tram-Train network.** The Tram-Train network is too new to require any renewals at present, but the revenue costs and longer-term capital costs are accounted for in the appraisal
- **Work on Park & Ride sites** (which are part of a separate programme within the MCA)
- **Changes to future ticketing arrangements or equipment** (as no details were available when the OBC was prepared), other than fare increases in line with inflation

The objectives (in bold) and success factors for the project are:

- i) Delivering a sustainably funded transport system**
  - Ensures interventions deliver positive economic benefits
  - Interventions reduce operating costs
  - Interventions increase patronage and revenue
- ii) Contributing to net zero carbon and enhancing the environment**
  - Reduced tonnes of NO<sub>2</sub> within mass transit catchment area
  - Interventions support integration with active and public transport
  - Reduced tonnes of CO<sub>2</sub> to support the carbon pathway
- iii) Integrating and enabling sustainable journeys**
  - Improves customer perceptions and experience of mass transit
  - Increases modal share from private vehicles to mass transit
  - User generalised journey times (including turn up and go) are maintained or enhanced
- iv) Enhancing connectivity and accessibility**
  - Maintains links between areas of current population and employment
  - Enables and supports the delivery of planned housing and employment growth

1.4

A long list of possible options (including non-tram options) was prepared at the start of work on the Business Case. Four options from a long list of 12 were chosen to be investigated in the OBC, 3 'Do Somethings' and 1 'Do Minimum'. These were:

- **Option 1** Renewals and a more frequent tram service than offered pre-Covid
- **Option 2** Renewals and a tram service similar to that offered pre-Covid
- **Option 3** Truncation of the network, with the remaining elements renewed

- **Option 4** Closure (Do Minimum). Public transport services (bus) provided by private sector operators as elsewhere in the region.

Each of the 'Do Something' options were compared to the 'Do Minimum' option (Closure) over the appraisal period (up to 2060). The outcomes from this are summarised in the table below:

Item	Option 1	Option 2	Option 3	Option 4
Capital Cost over appraisal period, at 2023 prices	£912M	£810M	£690M	£482M
As above at outturn prices	£1,767M	£1,522M	£1,156M	£550M
Bid to DfT - 2023 prices	£453M	£442M	£480M	N/A
Bid to DfT – outturn prices	£612M	£596M	£638M	N/A
Patronage after completion of works (trips per annum)	20.2M	18.7M	13.7M	N/A
NPV of Costs <sup>(1)</sup>	£445M	£376M	£264M	N/A
NPV of Benefits <sup>(1)</sup>	£451M	£426M	£316M	N/A
BCR	1.01	1.13	1.20	N/A
Wider Benefits	£73M	£69M	£54M	N/A
BCR Incl. Wider Benefits	1.18	1.32	1.41	N/A

Notes:

- *N/A = Not applicable. BCR = Benefit Cost Ratio. NPV = Net Present Value*
  - *Figures shown are based on 90% of DfT “core case”. (DfT’s “Core Case” assumes higher level of recovery post Covid than is believed to be the case for local recovery)*
  - *Figures shown are outputs from Economic Case, outcomes from financial modelling given in section 2.2 iii) and iv)*
- (1) Option under consideration less Option 4*

The outcome of this work was the selection of Option 2 as the preferred option on the basis of its balance of fit with MCA goals and affordability and does not conflict with any possible future expansions.

## 2. Key Issues

### 2.1

Although the substantive OBC work is complete, final DfT review, MCA transport officer final reviews, refinement and the detailed write up has to be completed ahead of submission to the DfT for approval in late January / early February 2024 (target date).

The retained allocation of £100m from CRSTS will not be released to the MCA until DfT have approved the OBC. At this point, procurement for the renewal works can be completed for delivery of the initial renewal programme.

With the tight supplier market for tram infrastructure, potential bespoke requirements and long lead times for manufacturing infrastructure and fleet components against a CRSTS time-frame of March 2027, achieving a timely approval for submission of the

OBC to the DfT and subsequent DfT approval is critical to achieve release of the £100m CRSTS funding and deliver the initial programme of renewal by March 2027.

### **3. Options Considered and Recommended Proposal**

#### **3.1 Option 1**

Approve delegating authority to the MCA's Acting Executive Director of Transport and the Section 73 Officer (Executive Director Resources and Investment), in consultation with the MCA Chief Executive and the Mayor of South Yorkshire to submit the completed Mass Transit OBC with the recommended Option 2, to the DfT in late January 2024.

#### **3.2 Option 1 Risks and Mitigations**

There is a risk of identification of an issue with the assessment work during the final review stage by MCA Transport Officer colleagues and the DfT that materially affects the assessment results of the four options.

The OBC work to date has been subjected to extensive technical review within the MCA and the DfT and the probability of any major issues being found is low. If issues should be identified during the final MCA Transport Officer and DfT review stage and these issues result in a material change to recommendation and conclusions of the OBC, reauthorisation will be sought from the MCA Board.

#### **3.3 Option 2**

To defer approval to submit the Mass Transit OBC to the DfT to a later date when all detailed documentation of the OBC is available.

#### **3.4 Option 2 Risks and Mitigations**

This would delay timescales for DfT approval of the Mass Transit OBC and carries the risk of extended deferral of approvals to May 2024 and therefore the release of the £100m CRSTS tram renewal allocation by the DfT to the MCA, should there be a pre-election period.

This increases the probability of the MCA not being able to deliver the £100m CRSTS asset renewal programme by the end of March 2027 (the CRSTS time-frame) and increases the risk of losing this earmarked capital investment.

In extremis, if the investment is not released, there is a risk that assets cannot be renewed and tram services are adversely affected. To mitigate this risk partially, the MCA would need to secure permission from the DfT to extend the CRSTS timeframe beyond March 2027.

### **4. Consultation on Proposal**

4.1 Consultation has been undertaken with key stakeholders, partners and statutory consultees. The OBC contains a detailed plan for ongoing consultation.

### **5. Timetable and Accountability for Implementing this Decision**

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5.1 The Senior Responsible Owner is ultimately responsible for delivery of the Mass Transit project. The forecast completion date for the works is 2032 with up to 3 years post implementation monitoring and evaluation.

## 6. Financial and Procurement Implications and Advice

6.1 The financial implications are clearly set out in the main body of this report. The report notes that the capital cost of the preferred option, including risk allowance and inflation, is £596m for the period to 2032. £100m of the MCA's £570m CRSTS capital funding has already been earmarked for this scheme. Release of the £100m allocation is conditional on DfT approval of the OBC. The programme costs will need to be carefully managed within this funding envelope. Funding for the remaining £496m of estimated costs of the programme to 2031/32 will be sought from government grant such as CRSTS2. Although indicative allocations for CRSTS2 have been released recently, further discussions with DfT will be required to understand the parameters of that programme.

6.2 Works to the tramway will be procured in accordance with the Utilities procurement regulations.

## 7. Legal Implications and Advice

7.1 SYMCA is the asset owner of the System and will retain responsibility in the new operating arrangements for capital investment. The MCA has the legal powers to undertake the required works under the authorising tramway acts, subject to relevant consents and approvals.

## 8. Human Resources Implications and Advice

8.1 The successful implementation of this project will require that the MCA's delivery team is in place in a timely manner.

## 9. Equality and Diversity Implications and Advice

9.1 As disadvantaged and protected groups are a higher proportion of public transport users than for other modes, and Census data shows most areas near the tram have a higher proportion of these groups than elsewhere, retaining and improving the tram network has overall positive Equality and Diversity implications.

## 10. Climate Change Implications and Advice

10.1 Retaining and improving the tram network will have a significant positive impact on delivering the MCA's climate change targets.

## 11. Information and Communication Technology Implications and Advice

11.1 There are no significant IT issues arising from this report. IT issues relating to the tram are mainly being dealt with as part of the Concession End work stream.

## 12. Communications and Marketing Implications and Advice

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12.1

The Communications and Marketing team have been involved in the consultation to date and have developed the plans for consultation and stakeholder engagement referred to in the OBC.

Marketing of the network is being carried out as part of the concession end work stream, not the renewals referred to in this paper. It is anticipated that the communications team will continue to support delivery of comms and stakeholder engagement around the business case process. If the FBC is successful, the team will also have involvement in communications around the procurement and delivery of new trams and other assets.

**List of Appendices Included:**

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None.