

Report to: West Yorkshire Combined Authority

Date: 1 August 2019

Subject: **Transforming Cities Fund**

Director: Alan Reiss, Director of Policy, Strategy and Communication

Author(s): Tom Gifford

Is this a key decision?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	3

1. Purpose of this report

1.1 To provide an update on Transforming Cities Fund (TCF), which is central to contributing to the Combined Authority's core aims of enabling inclusive growth, boosting productivity, delivering 21st century transport and enabling clean growth, including:

- The Tranche 2 'big bid' Transforming Cities Fund Strategic Outline Business Case which was submitted in draft form on 20 June 2019; and
- The Future Mobility Zone (FMZ) Transforming Cities Fund bid where we have now been shortlisted to submit a second stage bid to the DfT by late September.

1.2 To present to the Combined Authority the risks associated with the programme, particularly the short timescales set by Government and the resulting delivery challenges, and therefore the need to mitigate these risks through carrying out development work on the programme as soon as is practicable.

- 1.3 To approve the use of capital of up to £3m from the West Yorkshire + Transport Fund Transformation Programme to fund TCF development work in the short term, to place the Combined Authority and partners in the best possible position to deliver the TCF programme;
- 1.4 To delegate to the Managing Director, in consultation with the Chair of the Transport Committee, the release of funds for individual schemes to enable progression to Decision Point 1 and Decision Point 2 of the Assurance Framework, within the approval at 1.3 above;
- 1.5 To note that it is intended that this money would bring additional resource to assist with the development of the schemes in the Transforming Cities Fund Programme;
- 1.6 As TCF is a competitive bidding process, this public report is accompanied by a number of confidential appendices which set out the content and risks associated with the forthcoming TCF and FMZ bids.

2. Information

- 2.1 As part of the Government's Industrial Strategy and the National Productivity Investment Fund, the Transforming Cities Fund (TCF) aims to drive up productivity through improved connections between urban centres and suburbs. To do this, the Transforming Cities Fund provides a significant opportunity to invest in infrastructure to improve public and sustainable transport connectivity in some of England's largest cities.
- 2.2 Transforming Cities Fund is a £2.45 billion capital only fund, of which:
 - £1.1 billion has been grant awarded to 6 Mayoral Combined Authorities (the grant award was based on a per capita basis). For example, the West Midlands have already received £341million through TCF, as a result of having a mayoral devolution deal
 - The 12 shortlisted non mayoral regions have already submitted 'Tranche 1' bids and been successful in being awarded shares of the £60m through the 'small bids'. Small bids for investment of up to £2.2m in Kirklees and York were approved by Government in September 2018.
 - The 12 shortlisted non mayoral regions (which includes Leeds City Region) are 'allocated' £1.28billion over a 5-year period to March 2023 and these areas are able to bid for a share funding – the Tranche 2 'big bids'
 - There is a separate £90 million TCF fund requiring a separate bid for the Tranche 3 - 'Future Mobility Zones'.

Tranche 2 – Big Bids

- 2.3 On behalf of the Leeds City Region, the West Yorkshire Combined Authority submitted a Strategic Outline Business Case (SOBC) to the DfT, as draft, on 20 June 2019. The SOBC puts forward funding scenarios for a share of the £1.28 billion available to the 12 successful areas, to be spent by March 2023. The Executive Summary of the draft June Leeds City Region SOBC submission is included in **Appendix 1**.
- 2.4 Following receipt of the draft June submissions, the Department for Transport anticipates providing comments to the 12 shortlisted non-mayoral areas during August. The guidance sets out that the final SOBC submissions must be made by 28 November 2019 through co-development with the DfT. Grant approval would be made by March 2020, with all funding to be spent by March 2023.
- 2.5 The DfT guidance sets out that the submission needs to be for a coordinated package of proposals, which deliver transformed local public transport. The key elements of the DfT Criteria are summarised in Table 2.1.

Table 2.1 DfT Criteria for ‘big bid’ inferred from guidance document

Essential Criteria <i>(i.e. schemes ‘must’ support)</i>	Desirable Criteria <i>(i.e. schemes should support)</i>
<ul style="list-style-type: none"> • Improving capacity on commuting trips, access to employment / development centres • Reduce Carbon Emissions • Value for Money <ul style="list-style-type: none"> • Benefits to bus users • Benefits for walking and cycling • Deliverable by 2023 • Be Financially Sustainable to DfT • Match Funding Maximised 	<ul style="list-style-type: none"> • Social Value <ul style="list-style-type: none"> • Eg support Skills/Apprenticeships • Improve accessibility • Directly support housing delivery • Improve Air Quality • Integrates with Future Mobility Grand Challenge • Prioritised as part of Stage 1 TCF submission • Links to Prioritised TCF Corridors

- 2.6 This is a competitive bidding process and the guidance sets out that funding will be awarded to proposals which best meet the strategic objectives of the fund and demonstrate strong value for money. The DfT have also highlighted that whilst business cases will be considered ‘in the round’, the greater the overall local contribution towards the costs and the more the contribution is from the private sector and other external organisations such as private transport operators, the more positively the business case will be considered in the assessment process. The risks associated with our submission are set out in **Appendix 2**.
- 2.7 The guidance sets out that the economic appraisal for the SOBC should be consistent with Web TAG principles but should be carried out in a

proportionate way. It also reiterates that as with Growth Deals, schemes should be at least “High” VfM (i.e. with a Benefit Cost Ratio of 2:1), and if not, then they should only be developed in exceptional circumstances which are clearly identified. Each scheme will require a VfM statement.

- 2.8 If the available £1.28billion were allocated on a per capita basis, the Leeds City Region would receive in the region of £300m through TCF. However there are no guarantees that this level of funding will be made available by the DfT to Leeds City Region as a result of the competitive bidding process which all shortlisted non-mayoral areas had to follow.

Undertaking Development Work at Risk by Utilising the WY+TF

- 2.9 The Executive Summary included within **Appendix 1** sets out three funding scenarios - ‘Lower’, ‘Core’ and ‘Higher’ - with the strategic case focussing on the ‘Core’ scenario. All of the scenarios are a significant scale of funding ask and projects need to be developed to a minimum of Strategic Outline Case stage by the end of this financial year, if they are to be delivered by March 2023.
- 2.10 The DfT have also confirmed that they will not provide any further development costs (beyond the £50,000) to support the bid development to date. To achieve these TCF timescales, it is proposed to utilise up to £3m from the WY+TF Transformational Fund to ‘pump-prime’ development work, to ensure that the Combined Authority, District Partners and the schemes are ‘TCF delivery ready’. Further details are provided in **Appendix 3**.

TCF Tranche 3 – ‘Future Mobility Zone’

- 2.11 Department for Transport announced the bidding process for Future Mobility Zone (FMZ) funding in March 2019. £90 million funding has been made available to the 19 areas which have been successful in the first stage of TCF bidding process. £20m of this funding was awarded to the West Midlands as part of the Budget announcement last year.
- 2.12 The Combined Authority submitted a FMZ bid to DfT in May 2019 which has successfully progressed to the second stage of development along with six other authorities (around 18 areas in total submitted bids)¹. Details regarding the Future Mobility Zone can be found in **Appendix 4**.
- 2.13 Combined Authority Officers and District partners are now developing a detailed submission, with emphasis on the economic case and plans for monitoring and evaluation, for submission to DfT the week commencing 23rd September 2019.

3. Financial Implications

- 2.14 The DfT has made a contribution of £50,000 to the development of TCF. This has been used on consultancy support to develop the June SOBC submission, the small TCF submissions and the May ‘Future Mobility Bid’. The use of the

¹ <https://www.gov.uk/government/publications/future-mobility-zones-fund-competition-process>

West Yorkshire + Transport Fund, Transformational Fund, will help ensure we are able to put forwards the strongest possible bid, and be 'TCF delivery ready'. The areas where the funding would be utilised are outlined in section 1.4 of Appendix 3, and the release of funds is subject to decision by the Managing Director as set out in section 1.

- 2.15 No budget allocations have been set by Government for the money available to the 12 successful Stage 2 regions. Allocations for the 12 successful authorities including Leeds City Region will be developed through the Stage 2 co-production phase with the Department for Transport.
- 2.16 Devolved City Regions (such as Manchester, Liverpool and Tees Valley) are not required to 'bid' for any of this funding and instead have been allocated/devolved funding on a per capita basis.
- 2.17 To note the financial implications as set out in section 1.4 of Appendix 3.

4. Legal Implications

- 4.1 On 13 December 2018, the Combined Authority delegated authority to Transport Committee to oversee and submit both the 'big bid' and the 'Future Mobility bid' and to utilise member working groups to develop the detailed scope and specification of the bids.
- 4.2 As this is a competitive bidding process, the details of the submission are confidential until the submission is deposited in November 2019 at which point the bid submission will be published on the Combined Authority website, in accordance with TCF guidance.
- 4.3 The information contained in **Appendices 1,2, 3 and 4** have been identified as exempt under paragraph 3 of Part 1 to Schedule 12A of the Local Government Act 1972 as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that the public interest in maintaining the content of the appendix as exempt outweighs the public interest in disclosing the information as publication could prejudice current and future negotiations."
- 4.4 In this instance a Key Decision Notice has not been published 28 days in advance as the need for this Key Decision was not known at that time, and it is considered that due to the urgency of the matter it is not practicable to defer the decision. Therefore, in accordance with the general exception procedure 5 clear days notice is hereby given and the Chair of the Overview and Scrutiny committee has been duly notified.

5. Staffing Implications

- 5.1 The development of the TCF submissions has required significant internal resource, which has been led by the Combined Authority's Policy and Strategy team, with significant input from colleagues across the organisation and from

district partners. Some elements of the bid (in particular the economic analysis) has been undertaken by external consultants Mott MacDonald.

5.2 To note the staffing implications as set out in section 1.4 of Appendix 3.

6. External Consultees

6.1 The Transforming Cities Fund has been developed in partnership with District partners.

7. Recommendations

7.1 That the Combined Authority notes this progress update and notes the risks associated with the Tranche 2 'big bid' set out in Appendix 2.

7.2 That the Combined Authority notes the draft June SOBC TCF submission as set out in Appendix 1.

7.3 That the Combined Authority notes the progress update of the Future Mobility Zone bid as set out in Appendix 3.

7.4 To approve the use of capital of up to £3m from the West Yorkshire + Transport Fund Transformation Programme to fund TCF development work in the short term, to place the Combined Authority and partners in the best possible position to deliver the TCF programme;

7.5 To delegate to the Managing Director, in consultation with the Chair of the Transport Committee, the release of funds for individual schemes to enable progression to Decision Point 1 and Decision Point 2 of the Assurance Framework;

8. Background Documents

Transforming Cities Fund: Supplementary Guidance for Shortlisted City Regions for Tranche 2:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/786857/transforming-cities-tranche-2-applications.pdf

Future Mobility Zones Fund call for outline proposals guidance:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/784621/future-mobility-zones-call-for-proposals.pdf

9. Appendices

Exempt Appendix 1: Executive Summary of the draft June SOBC TCF submission

Exempt Appendix 2: Key Risks associated with Big Bid

Exempt Appendix 3: Use of the WY+TF Transformational Fund for TCF

Exempt Appendix 4: Draft approach for the Future Mobility Zone bid