

Report to: Investment Committee

Date: 15 May 2020

Subject: **Transforming Cities Fund – Progress Update**

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" 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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	

1. Purpose of this report

- 1.1 To provide an update on Transforming Cities Fund (TCF) Programme, 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.
- 1.2 To recommend approval of the release £11.851m of TCF funding to repay development costs incurred by partners and enable further development work on the projects within the programme as per Appendix A to enable progression to their next Decision Points of the Assurance Framework.
- 1.3 To recommend approval of up to £3m TCF funding, to re-pay spend incurred to date on early development work, previously approved from the Transport Fund Transformational Pot.
- 1.4 To recommend approval of £4.930m for TCF Programme Management to enable the Combined Authority to effectively undertake Programme Management functions for the lifetime of the TCF funded programme.

- 1.5 To recommend approval of the £1.00m TCF Benefits Realisation allocation, to enable the Combined Authority to provide monitoring and evaluation of the overall programme in line with DfT expectations

2. Information

Programme Strategic Outline Business Case Summary

2.1 Forming part of the Government's Industrial Strategy and National Productivity Investment Fund the Transforming Cities Fund forms the next major Programme of transport infrastructure for our City Region and will be essential to reducing reliance on car travel and meeting the Leeds City Region commitment to become a net zero carbon city region by 2038. Continued investment in capital infrastructure is critical as we continue to plan for economic recovery and growth across the region.

2.2 The Programme's Strategic Outline Business Case (SOBC), as submitted to DfT in November 2019, was framed around three funding scenarios, Low, Core and High. These scenarios included a mix of schemes that were deliverable at different scales in the three scenarios as well as some schemes that were only funded in core and high scenarios.

2.3 The Programme is made up of 22 packages of schemes across West Yorkshire, and North Yorkshire (York, Selby, Craven and Harrogate). The programme is made up of schemes delivering a mix of public transport, cycling and walking infrastructure. It builds on the City Region's existing programmes including the West Yorkshire + Transport Fund (WY+TF) and Leeds Public Transport Investment Programme (LPTIP).

2.2 The Prioritised programme of interventions will:

- Transform the bus offer by providing two new Park and Rides and new bus priority on 6 major bus corridors to create more reliable and faster bus journey times from deprived communities to key employment sites.
- Transform our town and city centres for walking and cycling by delivering high quality CityConnect style infrastructure and improved sustainable access to rail stations in Leeds, Halifax, Huddersfield, Bradford, Wakefield, Harrogate, York, Skipton, and Selby
- Transform the bus navigation and provision of bus travel information across the Core Bus Network in West Yorkshire
- Provide a step change in the waiting environment at Heckmondwike, Cleckheaton, Bradford Interchange, Glasshoughton, and new bus interchanges with improved cycling and walking access in Dewsbury and Huddersfield
- Deliver significant improvements to walking and cycling by delivering high quality mostly segregated routes, similar to those delivered through the Combined Authority's CityConnect programme' on 6 key corridors to housing and employment sites
- Deliver a new White Rose Rail Station to accommodate future connectivity and

employment growth

- Enable direct sustainable access to major development sites, including White Rose Business Park, Olympia Park and York Central
- Complement and prepare for High Speed2, Northern Powerhouse Rail and Transpennine Route Upgrade

2.3 Through delivery of these interventions the TCF Programme will:

- Improve public transport and active travel options for 1.5 million people, of which 41% live in the 20% most deprived communities
- Take up to 12.5 million car trips per year off our roads by 2036
- Against a forecasted increase in carbon emissions from transport, reduce CO2 emissions from car travel by up to 1.5% (up to 15,000 tonnes) by 2036
- Increase bus trips by up to 6%, rail trips by 4% and walking and cycling to 7% by 2036 – contributing to our targets
- Add over 1,100 jobs and up to £1bn to the economy by 2036
- Support connectivity to 650 housing and 220 employment sites that have the potential to deliver 45,000 new homes and 1,573ha of employment space.

2.4 The programme will deliver against our objectives of:

- Transforming access to employment opportunities and skills provision for our communities in areas of persistent poverty
- Creating smart, clean and liveable places which make cycling and walking the obvious choice for accessing town and city centres
- Improving air quality and reducing car dominance in our town and city centres
- Transforming the public transport and active travel offer to and from housing and employment sites, ensuring that people are able to make sustainable travel choices from day one
- Making travel by bus an attractive and more reliable offer for commuters by spreading the benefits of 'Connecting Leeds' to the rest of the City Region

Funding Award

2.5 The March 2020 Budget announcement detailed that the West Yorkshire Combined Authority would receive £317m from the DfT TCF fund to progress all schemes against its 'low' scenario, including those in North Yorkshire (York, Selby, Harrogate and Carven), plus an additional £25m to be allocated across the programme reflecting the Partners priorities. A summary of the programme finance case is provided below:

Table 1: TCF Programme Budget:

Item	Allocation
Scheme Development and Delivery	£246.40m
Programme Contingency/Risk	£19.72m
Programme Inflation	£20.08m
Programme Management	£4.93m
Benefits Realisation (M&E)	£1.00m

Additional Allocation	£25.00m
Total	£317m

- 2.6 Through West Yorkshire’s Devolution deal, also announced on 11th March 2020, in line with flexibility provided to other Mayoral Authorities, West Yorkshire Combined Authority will have scope to prioritise investments above this level. A funding strategy for those schemes in the core and higher scenarios is therefore being explored with Partners.

Governance and Reporting Arrangements

- 2.7 Work has been underway with partners through the Shadow Programme Board to shape the proposed governance and reporting arrangements for the programme. This includes the establishment of a Portfolio Board with membership made up of officers from the Combined Authority and Partner Councils as well as Thematic Programme Boards focussing on groups of projects providing infrastructure along ‘Corridors’, improving access to ‘Places’ and improving ‘hubs and Interchange facilities.
- 2.8 The overarching approach is aligned to the existing Governance and reporting structures of the Combined Authority. Including the requirements of the Assurance Framework with decision making powers being retained by the Combined Authority for Project and Programme approvals and delegations to the Investment Committee and the CA’s Managing Director as appropriate.
- 2.9 The DfT has detailed requirements around delivery against specific quality expectations, such as for cycling and walking design infrastructure. Therefore, further work is underway to understand how key stakeholders can be engaged in scheme development including opportunity for wider political oversight such as through the Transport Committee’s thematic sub-groups.

Progress to date and Assurance Path

- 2.10 Our Transforming Cities Fund Programme builds on our extensive experience of delivering transformational change in the City Region through large scale investment programmes such as WY+TF, CityConnect and LPTIP.
- 2.11 In some cases, the TCF schemes will take the form of enhancements and additional scope to existing WY+TF and LPTIP projects, or TCF will deliver projects that have had development work funded through alternative sources to date. However, the majority of TCF schemes are new and have had little detailed development work completed to date.
- 2.12 Following the Programme Strategic Outline Business Case (SOBC) submission to DfT in November 2019, work has continued to develop the 22 packages of schemes across the programme in anticipation of the funding announcement. Through the DfT consideration of the SOBC and subsequent grant award there is confidence that the programme is aligned to national and local strategic objectives, provides value for money, and is deliverable. The DfT Grant Award letter gives the CA the ability to assure all Transforming Cities schemes locally.

- 2.13 At its meeting in August 2019 the Combined Authority approved £3m from the West Yorkshire + Transport Fund's Transformational pot to fund TCF development work in the short term to complete the work required on the Programme SOBC as well as enable individual packages of schemes to progress to Decision Point 1 and Decision Point 2 of the Assurance Framework.
- 2.14 Some of this funding was allocated directly to Partner Councils and the remainder was used to appoint a Strategic Development Partner for the programme that is supporting both programme management activity and individual scheme development, where resourcing needs have been identified in the short term.
- 2.15 All 22 packages of schemes have achieved approval at DP1 of the Combined Authority's Assurance Framework. To date, eight packages of schemes have submitted Strategic Outline Cases (SOCs) for approval over the next quarter. The remainder of SOCs are expected to be submitted by July 2020, for appraisal, with approvals programmed for October 2020. A summary of the programme's Packages and their component schemes along with their current progress against key milestones is provided in Appendix A.
- 2.16 Following Package SOC submissions and approvals, individual scheme OBCs and FBCs will be developed that will determine the delivery pathways and timescales with the first schemes forecast to be on site in early 2021.

Development Funding

- 2.17 Given the constrained timescales for delivery of the Programme it is essential that we expedite project development work if the programme is to achieve delivery by the DfT deadline of March 2023. Therefore, £11.851m TCF funding is recommended for approval to fund forecast costs for Business Case development work, to the next Decision Points, across the programme.
- 2.18 This funding will allow the Combined Authority and its Partners to source and appoint resources to undertake development work, at scale, through both local arrangements in place; as well as a further Development Partner procurement by the CA (if need is identified by partners). Enabling efficiencies in both time and resource through utilising framework arrangements across the programme. The spend of this funding will be allocated to the projects across the programme as per the forecast breakdown in Appendix A
- 2.19 In addition, a small number of schemes are well advanced and have already completed substantial development work prior to the TCF programme being announced as a funding opportunity. It is expected that these will be early delivery schemes and it will be necessary to utilise TCF funding to complete the final stages of development work on the projects and undertake procurement of a delivery contractor.

2.20 At the time of the Combined Authority's approval of the initial £3m TCF Development Funding, from the WT+TF's Transformational Pot, it was anticipated that there would be opportunity to pay back or re-allocate this funding once the TCF allocation had been confirmed by DfT. Therefore, it is recommended that up to £3m of TCF funding is approved to be used to repay costs incurred to date against the initial £3m approved as development funding from the WY+TF Transformational Pot.

2.21 Recommendations:

The Investment Committee recommends to the Combined Authority that:

- (i) £11.851m of TCF funding is approved to repay early development costs incurred by partners and enable further development work on the projects within the programme as per the Appendix A to enable progression to their next Decision Points of the Assurance Framework.
- (ii) Up to £3m TCF funding is approved, to re-pay spend incurred to date on early development work, previously approved from the Transport Fund Transformational Pot.

Over-programming and Approach to future Programme Funding Allocations

2.22 As detailed above the DfT has awarded £317m from the national Transforming Cities Fund to deliver against the Leeds City Region's Low scenario.

2.23 There are a number of schemes in the 22 packages that have no funding identified in the low scenario and a range of others that have additional scope, cost and associated benefits identified in the Core and High funding scenarios. The West Yorkshire Authorities have an ambition to progress all WY projects in the Higher Scenario.

2.24 The timescales for delivery against the TCF £317m funding are significantly constrained with delivery required by March 2023. There will therefore need to be an approach to over-programming and prioritisation of the programme as the project development work progresses. It is likely that there will be risks and issues that materialise which would mean that some projects are no longer deliverable within the timescales specified by DfT for TCF. There needs to be a continued focus on ensuring delivery despite the current challenging pandemic environment and flexibility is being urged by DfT. A mechanism for managing this is being developed including application of a Programme Health check Tool that will be used to measure progress and identify key risks to delivery across the programme.

2.25 This process is being initiated and managed by the TCF Portfolio Board. It is being used to identify scheme level risks and the approach to allocation of the programme contingency risk funding, which forms 8% of the overall programme budget, and is currently not allocated across all the schemes in the programme. Furthermore, inflation was also applied at the programme level in the SOBC, this represents 6% of the overall budget and will need to be allocated to projects, as required, when they come forward with their programmes and spend forecasts. Furthermore, a mechanism to allocate the additional £25m

across the programme (including a split across West and North Yorkshire authorities) is being developed by the Portfolio Board and a recommendation on this be brought forward in due course.

- 2.26 Therefore, it is proposed that over programming is progressed, with all schemes across the high funding scenario in West Yorkshire continuing to be developed up to the point of OBC. Those schemes with a full allocation within the low scenario will be given priority; with further proposals on alternative funding sources, to be developed, for funding beyond the low scenario schemes.

Programme Management and Monitoring & Evaluation

- 2.27 TCF is a significant programme (doubling capital expenditure on transport projects over its lifespan) with constrained timelines, quality & benefit expectations set by DfT and an initial defined funding envelope. There is a clear need to undertake robust and proactive Programme Management to ensure effective delivery. As the accountable body for the funding it is appropriate that the Combined Authority undertakes this function including key activities such as:

- Providing appropriate and effective leadership and programme management structures and teams to support the delivery of the overall programme.
- effectively and efficiently apply the Combined Authority's Assurance Framework to the Programme, ensuring that projects are appraised, and approvals are managed.
- Reporting to DfT
- Providing appropriate support services to ensure efficient and timely progress
- Ensuring that the communications, engagement and consultation is co-ordinated and delivered effectively across the programme
- Enabling the input of 'end user' and 'client' considerations via Transport Services and Assets team's involvement in projects.

- 2.28 A comprehensive resource planning exercise has been completed. It looked at the additional resource and staffing needs, across the whole organisation, that will be required to undertake delivery of the TCF programme. This was informed by lessons learnt from delivery across the existing portfolio and the approach taken by other authorities.

- 2.29 Within the overarching Programme SOBC Financial case £4.93m was identified for programme management across the 3-year lifetime of the TCF funded programme in the Low Scenario. It is recommended that this funding is approved in full to put in place the structures, skills and resources required to actively manage and deliver the programme.

- 2.30 Parallel resource planning process are underway within Partner Councils and key delivery stakeholders and the Combined Authority is working with these Partners in a co-ordinated way to ensure that the Programme is sufficiently

resourced to deliver whilst minimising risk to delivery of our wider capital programmes.

2.31 Furthermore, as set out in the Programme SOBC it is proposed that the Combined Authority undertakes and manages the approach to Benefits Monitoring and Evaluation across the Programme. A £1m 'Benefits Realisation' budget line was included within the Programme's Financial case in all scenarios.

2.32 Undertaking this function at a programme level will enable efficiencies in data collection, analysis and reporting as well as ensuring compliance with the DfT requirements for Monitoring and Evaluation of the national programme. A comprehensive Monitoring and Evaluation framework and plan is being developed and initial baseline data collection is now required to be progressed prior to any works commencing in earnest.

2.33 Recommendations:

The Investment Committee Recommends to the Combined Authority that:

- (i) £4.930m for TCF Programme Management is approved to enable the Combined Authority to effectively undertake Programme Management functions for the lifetime of the TCF funded programme.
- (ii) the £1.00m TCF Benefits Realisation allocation is approved, to enable the Combined Authority to provide monitoring and evaluation of the overall programme in line with DfT expectations

3. Financial Implications

3.1 The DfT has awarded £317m to the Leeds City Region for the delivery of the TCF Programme. This will enable delivery of the low scenario of the TCF programme of 22 packages of schemes by March 2023. In order to facilitate delivery of the programme funding should be released to undertake further development work across the programme as well as implement resource plans for programme management and initiate Monitoring and Evaluation activities across the programme.

3.2 The report seeks endorsement to expenditure of the Transforming Cities Fund as set out in this report.

4. Legal Implications

4.1 That Funding Agreements are entered into with the Partners listed for the amounts detailed in Appendix A

4.3 A Key Decision Notice will be published 28 days in advance of this decision being taken by the Combined Authority

5. Staffing Implications

5.1 A comprehensive resource plan has been developed for the TCF programme which will have significant staffing implications for the Combined Authority. This Organisational Design process has been the subject of internal reports and

processes for consideration by the Combined Authorities Senior Leadership Team and Managing Director.

6. External Consultees

- 6.1 The Transforming Cities Fund has been developed in partnership with District partners and the contents of this report have been consulted on with the TCF Portfolio Board.

7. Recommendations

- 7.1.1 That the Investment Committee notes this progress update in the context of TCF funded projects that are also being brought for consideration of Approval at this meeting and subsequent meetings.

- 7.1.2 The Investment Committee recommends to the Combined Authority that:

- (i) £11.851m of TCF funding is approved to repay development costs incurred by partners and enable further development work on the projects within the programme as per Appendix A to enable progression to their next Decision Points of the Assurance Framework.
- (i) Up to £3m TCF funding is approved, to re-pay spend incurred to date on early development work, previously approved from the Transport Fund Transformational Pot.
- (ii) The Combined Authority enters into Funding Agreements with partners for expenditure as detailed in Appendix A plus the spend incurred to date on early development work, previously approved from the Transport Fund Transformational Pot from the Transforming Cities Fund.

- 7.3 The Investment Committee Recommends to the Combined Authority that:

- (i) the £4.930m TCF Programme Management allocation is approved to enable the Combined Authority to effectively undertake Programme Management functions for the lifetime of the TCF funded programme.
- (ii) the £1.00m TCF Benefits Realisation allocation is approved, to enable the Combined Authority to provide monitoring and evaluation of the overall programme in line with DfT expectations

8. Background Documents

Transforming Cities Fund- Leeds City Region SOBC Submission
<https://www.westyorks-ca.gov.uk/improving-transport/transforming-cities-fund/>

9. Appendices

Appendix A – TCF Schemes Summary, Progress to Date and Development Funding Request