

Report to: West Yorkshire and York Investment Committee

Date: 8 June 2021

Subject: **Transforming Cities Fund Programme Review**

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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 progress of delivery of the Transforming Cities Fund (TCF) Programme.
- 1.2 To define the projects within the programme and provide an overview of a high-level review of the projects within the programme including updating key financial and milestone information.
- 1.3 To recommend changes to scheme indicative funding allocations as set out in Appendix B of the report
- 1.4 To recommend approval of further release of development funding as detailed in sections 2.26 and 2.27 of the report

2. Information

Overview of TCF Programme

- 2.1 The March 2020 Budget announcement detailed that the West Yorkshire Combined Authority would receive £317 million from the DfT Transforming Cities Fund to progress all schemes against its 'Low Scenario'. The original TCF bid to DfT was framed around three funding scenarios, Low, Core and High. These scenarios included a mix of schemes that were deliverable at different

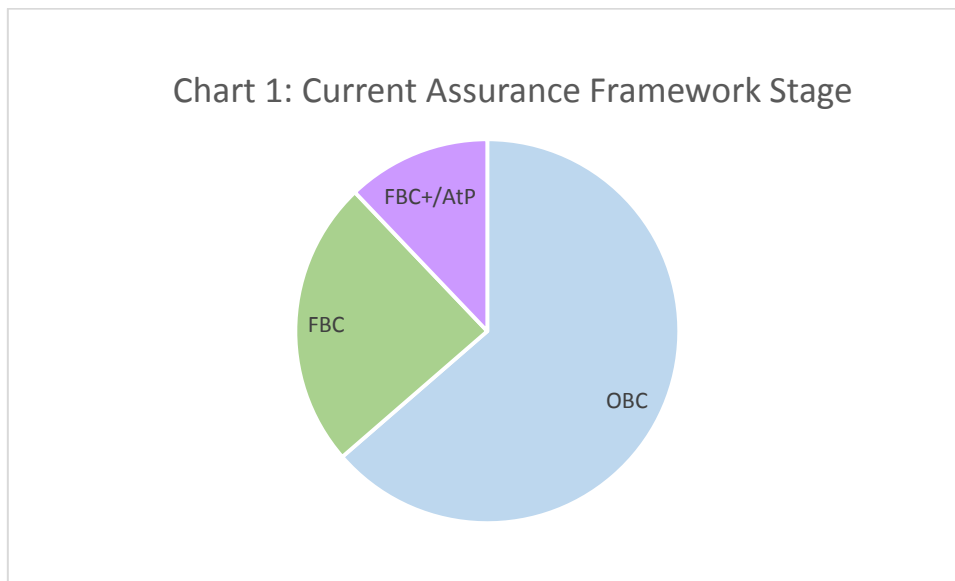
scales in the three scenarios as well as some schemes that were only funded in core and high scenarios.

- 2.2 The Combined Authority at its meeting on 27th July 2020 approved the use of future gainshare to support delivery of the 'High Scenario' of the Transforming Cities programme at an additional cost of up to £164.5 million. Following this approval West Yorkshire scheme promoters are developing a range of options as part of scheme Business Cases to determine the best scheme, which will include options costing up to the High Scenario. A range of options will therefore be considered at the Strategic Outline Case and Outline Business Case stages and those options that demonstrate greater benefits and value for money will be recommended to move forward.
- 2.3 The Transforming Cities Fund forms part of the Government's Industrial Strategy and the National Productivity Investment Fund, the TCF aims to drive up productivity through improved connections between urban centres and suburbs. The TCF programme is organised into three themes:
 - improving public transport and cycling corridors:
 - improving accessibility to key locations,
 - and improving transport hubs and Interchange facilities.
- 2.4 Developing a 21st Century transport system is central to the Combined Authority's vision of building a strong, successful, zero carbon economy that provides a great quality of life for everyone who lives and works in the region. The TCF Programme is central to realising this vision through providing accessible, attractive and cleaner alternatives to car journeys through delivery of transport infrastructure including new and improved bus and rail stations, cycling and walking infrastructure and new bus based Park and Ride facilities. The TCF schemes are focussed on connecting people in the communities of greatest economic need with job and training opportunities, helping to boost productivity, living standards and air quality.

Progress to Date

- 2.5 It is over a year since the TFC Funding was announced and the programme mobilised towards delivery. In that year there has been good progress in some areas, however the ongoing Covid-19 restrictions and implications have impacted on progress overall, along with a need to undertake more detailed work around scope and deliverability of projects and delays to resourcing of schemes. The programme is now formed of 35 individual schemes that are in various stages of development, with some now in the early stages of construction.
- 2.6 Appendix A lists each of the schemes and their current progress through the Combined Authority's Assurance Framework. The current progress against stages in the Assurance Framework is summarised in Chart 1 below. In summary:

- a) Phase 1 of Leeds City Centre Cycle Connectivity is in the Delivery (early construction) Phase
- b) Halifax Bus Station, White Rose Rail Station and York Rail Station Gateway schemes are working on the final phase of their Business Case working with contractors to agree finalised costs for delivery
- c) 8 schemes are currently working on their Full Business Cases, developing detailed designs, securing any land required and completing necessary approvals such as Planning consent.
- d) The remainder of the programme, 21 schemes are currently working on Outline Business Cases, undertaking initial designs and public consultation to define the scope of the schemes to be taken forward, and developing scheme costs plans.



- 2.7 As a programme the internal governance structures are now well established with project boards, teams and external resources in place to undertake the design, business case development and project management of the schemes. Many of the partners have also secured additional internal resource to manage their schemes, and where this has been the case good progress is starting to be made. However, others have struggled with securing the necessary resources to enable timely progress of project development and the Combined Authority is working with partners to identify how this capacity issue can be addressed.
- 2.8 Since the start of the TCF programme two key pieces of DfT Guidance has been issued that the schemes within the programme need to be cognisant of. Firstly, the Local Transport Note 1/20 – Cycling Infrastructure Design Guidance and secondly, the National Bus Strategy, published in March 2021. Scheme promoters will demonstrate they are adhering to relevant guidance and, where appropriate provide details of any departures from standards. Key stakeholders, such as Bus Operators, have also been involved in discussions around scheme design and quality.
- 2.10 The TCF High Scenario included £8m Carbon Mitigation funding, to support further and deeper reductions in carbon emissions, within the construction, and lifetime, of the TCF schemes in West Yorkshire. Promoters are being asked to

consider interventions for consideration for funding through this mechanism. This could be enhancements to the existing projects in the programme to increase carbon reductions or stand alone schemes. One scheme, a public e-bike share scheme in Leeds is being considered for inclusion in the programme through the Strategic Assessment stage of the Assurance Framework(Decision Point 1).

- 2.11 Given the relatively short timescales for the programme, Consultation and engagement activities have been moving forward apace. Significant efforts have been made to accelerate a number of activities, utilising innovative approaches to audience engagement through digital platforms, including the CA's Your Voice, online Q&A and webinars, virtual walk throughs using Google Maps to partly address the challenges of covid-19, with no face-to-face consultations. In addition, projects, such as the CA bus station schemes, have conducted some detailed early key stakeholder engagement to help shape the scope and design of schemes with key users such as mobility and access groups.

Review of Project Milestones

- 2.12 Approximately two thirds of the TCF schemes are currently within the Outline Business Case (OBC) development stage. Within this stage designs are being progressed, site investigations and surveys completed, key risks and constraints established, public and stakeholder consultation carried out as well as development of detailed project schedules (which are informed by the outcome of the activities listed above).
- 2.13 Where available, these new indicative forecast milestones have been incorporated into Appendix A, for information, at this stage. The following should be noted:
- a) A significant proportion of schemes are now forecasting completion of construction beyond the DfT Funding Deadline of March 2023. (these are highlighted in Amber on Appendix A)
 - b) A small number of schemes are currently forecasting a start on site date beyond March 2023 (these are highlighted in Red on Appendix A)
 - c) Several of the schemes are part funded by TCF and it is expected that TCF funding will be utilised first to deliver the combined scheme. With spend of other CA funding (such as WY+TF) and local match funding thereafter.
 - d) It is expected that in West Yorkshire the use of Devolution Gainshare funding to deliver the High Scenario will enable some scheme delivery beyond the DfT Funding deadline of March 2023.
 - e) A number of schemes have not provided updated milestones for the latter stages of their schemes as they are currently reviewing these following recent appointment of development and delivery partners
- 2.14 Work is underway with partners to review the scope of the schemes and identify opportunities to accelerate programmes to achieve construction earlier than currently forecast. Opportunities being explored include:
- a) Phasing delivery of interventions

- b) Bringing forward aspects of the scheme that will enable it to be delivered in good time for example, utility diversions, purchase of land, pre-ordering of necessary materials and equipment or demolition and site clearance.
- c) Bringing forward aspects of the scheme that may deliver opportunity cost savings (and programme savings), for example if other schemes or developments are taking place in the same location prior to the main scheme delivery.
- d) Running some activities in parallel where possible.
- e) Ensuring delivery timescales are at the forefront of planning and decision making for example in procurement.

2.15 It is therefore recommended that the milestones detailed in Appendix A are noted and that a further review is conducted over the next six months of the programme, to be brought back to a committee for consideration in January 2022. At this point all Outline Business Cases should be complete and the risks to delivery of the programme within the funding deadlines will be better understood.

Programme Finance Review

2.16 The TCF programme was shaped around 22 packages of schemes in the Strategic Outline Business Case that was submitted to DfT. These Packages, made up of groups of schemes, then came forward for approval at Strategic Outline Case. Individual scheme funding allocations are now needed to be formally approved, to provide clarity of scope and funding for scheme promoters across the 35 schemes. The total programme funding remains the same.

2.17 The programme and its component schemes have a number of funding sources, with associated constraints that need to be considered when making decisions about investment. The DfT TCF contribution is £317m and has a spend deadline of end of March 2023. The Combined Authority has committed to delivering up to the high scenario schemes within West Yorkshire, providing a total programme pot of £457m. It is expected that the Devolution gainshare funding will enable delivery beyond the March 2023 DfT funding deadline. However, this is funding of last resort and other funding avenues and local match funding contributions continue to be sought where possible. The gainshare funding will not be used to develop additional scope beyond the outline higher scenario on projects, or to fund expanded scope or completely new projects.

2.18 Discussions are ongoing with the DfT on the funding deadline through quarterly update meetings. To date there has been no flexibility indicated on carry over of funding beyond the March 2023 date. The Combined Authority will continue dialogue with DfT to make the case for flexibility on delivery timescales. However, projects must progress at pace so we can demonstrate the region's commitment to deliver the spend and transformational programme within the timescales set by Government.

2.19 There are local match funding contributions relating to a number of schemes and other funding sources. As noted above in 2.11c) it is proposed that the

principle of spending TCF monies first will be applied, except where other constraints are clearly identified through the business cases. It is expected that local match funding contributions will be at least that committed to at bid stage and secured prior to decisions on project delivery, ideally at OBC stage.

2.20 Within the overarching £457m TCF budget there is currently a risk/contingency and inflation amount of £63.440m. Throughout the lifetime of the programme, it is expected that this will be allocated to individual schemes as required. The proposed guiding principles for allocation of this funding are:

- a) Uplifts to scheme budgets to be considered at OBC approval to allow appropriate appraisal and assessment of the funding requirements and scheme business case overall. (Scheme options within existing budget allocation should also be presented for consideration).
- b) Schemes in FBC stage and beyond should have considered risk, contingency and inflation within their scheme budgets for delivery, so it is not expected that there will be significant calls for increased budget from these schemes.
- c) The remaining funding is identified to cover risk, contingency and inflation, it is not for core delivery of scheme scope.
- d) Unspent funding should be returned to the Programme pot and not utilised for further delivery or enhancements to schemes/expansion of scope.
- e) It is expected that a proportion of the risk funding held at a programme level will be retained until the majority of schemes are within the construction phase to allow for the potential for unforeseen costs within this stage.
- f) It is recognised that there may be a requirement to increase funding for a project due to exceptional circumstances where there is a need to deliver original bid aspirations.

2.21 Alongside the review of indicative project milestones a review of scheme's Indicative Budget Allocations has been undertaken, along with immediate requirements for funding to be released to continue scheme development. This is presented in Appendix B.

2.22 Initial indicative scheme budgets were agreed at the point of SOC approval for most of the schemes, as they were presented within original 22 scheme packages in the Programme SOBC to DfT. In some cases, the assumptions around the scope of the individual schemes (and therefore their indicative budgets) has changed through the early OBC development stages and some scheme budget allocations have been revised to reflect this.

2.23 In addition, some scheme indicative budget allocations were capped at the 'low' funding allocation as their approval pre-dated the West Yorkshire Combined Authority's approval to utilise Devolution gainshare funding, there is now an opportunity to address this discrepancy and clarify project budget Indicative Allocations.

2.24 It is therefore recommended that the following changes to scheme budget TCF Indicative Allocations as set out in Appendix B column headed 'Indicative Funding Recommended for Approval June 2021' are recommended for approval. Table 1 below summarises the changes.

Table 1: Summary of changes to Indicative Funding Approval Recommendations

Scheme	Description of Change	Revised Amount £m	Variance £m
Halifax Rail Station Gateway	Increase TCF Indicative Allocation contribution to account for High Scenario	22.5	+6.0
Dewsbury Town Centre Cycling and Walking	Increase the TCF Indicative allocation to account for re-alignment of Highway Scope from the Bus Station (CA led) project to this project (Kirklees led). Bus station allocation to remain at £8m to account for refurbishment requirements.	10.25	+2.25
Heckmondwike Bus Hub	Increase TCF Indicative Allocation to account for emerging design of new facility	4.0	+1.0
A638 Dewsbury-Cleckheaton Corridor	Reduce the Indicative Allocation to account for the increase to the Heckmondwike bus hub scheme	12	-1
Leeds Rail Station Sustainable Travel Gateway	increase the TCF Indicative funding allocation to rebalance the package funding following Leeds City Centre Cycling scheme costs reducing at Full Business Case stage.	32.44	+0.75
A64 Park and Ride, Bus, Cycle and Walking Improvements	Increase the TCF Indicative Allocation to account for high Scenario scheme	11.6	+4.6
Brighouse Cycling and Walking	Reduce TCF funding for Brighouse; it is now expected that these measures will be brought forward within the A641 WY+TF scheme and the TCF funding will be utilised to deliver the Elland Access Package.	0.1436	-2.276
Programme Management	Increase Approved Budget to account for delivery of High Scenario Programme along with elongated timescales for delivery	7.69	+2.76

2.25 Appendix B also provides an overview of those schemes that may require/request additional funding through their OBC approvals. It is important to note, that this is a high-level overview and in many cases detailed work on project costs and options is still in the early stages. It is expected that a more comprehensive financial review will be completed in January 2022. Two schemes, Harrogate Rail Station Gateway and Skipton Rail Station Gateway are being considered for approval of OBC at the June 2021 meeting of Investment Committee. Both these schemes have identified additional funding requirements for risk and

contingency. These figures are noted in Appendix B. The overall delivery costs of the programme have not increased and any cost increases at a scheme level are being managed within the available risk/contingency and inflation amount.

2.26 As the schemes develop, some schemes identify requirements for additional development funding to be released within development stages, from their overall approved indicative funding allocation. The following are recommended for approval at this time to enable completion of the next assurance stage :

- a) Huddersfield Trinity St Access Improvements - £103,773
- b) Huddersfield Rail Station Access - £76,679
- c) A61 Bus, Cycle and Walking Improvements - £79,990
- d) Wakefield City Centre, Bus, Cycle and Walking Improvements - £172,226
- e) A639 Bus, Cycle and Walking Improvements -£110,000
- f) York Tadcaster Road Corridor Improvement Scheme -£64,355

2.27 As per the previous report to Investment Committee in May 2020, approval of an allocation of development funding across the programme provides significant benefits in terms of flexibility, agility to respond to risks and opportunities and expedience of activity to achieve milestones. Therefore, a further allocation of £1m programme development funding is recommended for approval at this time to be overseen by the TCF Portfolio Board and approved by delegation to the Director of Delivery.

2.28 The York Rail Station Gateway scheme is part funded by TCF and Part funded by WY+TF. To date, £5.532m for development and enabling works has been approved from the WY+TF Indicative funding allocation. In line with the principles set out in section 2.11c) above it is recommended that the remaining unspent £2.8m of this approved funding is switched to TCF to enable accelerated spend of the TCF proportion of the overall project. Release of this funding at this time is from within their current approved Indicative funding allocation of £13.117m

Spend to date and Forecast Spend

2.29 The programme has completed its first full financial year since the funding announcement. Spend to date has been lower than initially forecast due to a range of factors previously detailed in this report, delays to procurement and resourcing, Covid-19 impact, reviewing the scope and deliverability of some of the projects as well as optimistic forecasting at the start of the programme.

2.30 A revised spend profile for the programme is provided below, this is based upon the current estimated milestones and delivery timescales and therefore represents a less optimistic scenario.

Table 2: TCF Financial Forecast Summary	£
Actual 20/21	£10,774,026
Forecast 21/22	£57,504,492
Forecast 22/23	£199,284,828

Forecast up to March 23	£267,533,346
Forecast 23/24	£170,238,829
Forecast 24/25	£22,294,652

2.31 Work is underway with the programme partners to understand opportunities for accelerating spend as detailed in 2.21 above. However, the risk of not achieving the spend of the £317m DfT funding within the March 2023 deadline is currently significant.

Review of Programme Risks to Delivery

- a. Project sponsors identify risks which are used to inform the key programme risks. The main risks to delivery are: land assembly- time required to secure land required will cause delays to delivery. A snapshot survey of all scheme's land requirements has been undertaken. This has indicated that that 27 of the 35 TCF schemes have identified some land requirements. Work is underway to understand what if these are crucial to the schemes and what stage in the acquisition process, they are at to further quantify the impact of this risk.
- b. Statutory Approvals-Time required to undertaken statutory approvals processes will cause delays to delivery. Schemes are developing their detailed programmes through OBC development. Opportunities to run activities in parallel are being explored and early key stakeholder engagement is being undertaken to minimise some of this risk, for example ensuring Network Rail are aware of the Programme timescales and requirements for their input.
- c. Stakeholder engagement - Scheme promoters are being encouraged to undertake comprehensive early stakeholder engagement to understand any issues with their proposals and work through these. A strategic bus operators forum has been established to raise awareness of the schemes and manage any issues that may arise.
- d. Cost increases- Details of how this risk is being managed have been set out earlier in this report. The programme team is actively monitoring and managing any emerging cost increases. It is essential that scheme forecasts are aligned to delivery timescales and managed accordingly.
- e. Scheme benefits may be compromised due to transformational nature of the schemes, it is recognised that some schemes may not deliver high benefit to cost ratios due to changes to traffic routing and the emphasis of the programme being on sustainable travel. Sensitivity tests will be included in the economic case. Once the CA's Carbon Impact tool is available this will be used to measure the environmental impact of the scheme.
- f. Delivery Timescales – schemes may not deliver by the funding timescales set by Government. As set out in section 2.14 of this report mitigation against this risk through seeking opportunity to accelerate project delivery and deliver early benefits to users is a key priority for the programme over the coming months.

3. Tackling the Climate Emergency Implications

3.1 The Combined Authority has taken action to ensure all decisions we make include Climate Emergency considerations. The Combined Authority:

- Has strengthened how clean growth and climate change impacts are considered as part of all schemes that come through the Combined Authority's Assurance Framework.
- Requires LEP and the Combined Authority reports to include clean growth / tackling the Climate Emergency implications, including qualitative impact assessments.

3.2 To fully strengthen decision making across the whole of the Combined Authority's Assurance Framework a robust, quantifiable methodology and tool for assessing all new schemes predicted carbon emissions/wider clean growth impacts is being developed. The tool will be incorporated into the Assurance Framework so that it can be used to assess future proposals as they progress through the assurance process. Once available the TCF schemes will utilise this tool to assess the Carbon and clean growth implications at key decision points.

4. Inclusive Growth Implications

4.1 Equality Impact Assessments (EQIA) will be undertaken on all projects included in this report as part of their business case development.

5. Financial Implications

5.1 Financial implications are included within the body of the report.

5.2 The report seeks endorsement to expenditure from the available Combined Authority funding as set out in this report.

6. Legal Implications

6.1 The payment of funding to any recipient will be subject to a funding agreement being in place between the Combined Authority and the organisation in question.

7. Staffing Implications

7.1 There are no staffing implications directly arising from this report.

8. External Consultees

8.1 No external consultations have been undertaken.

9. Recommendations

9.1 That the progress made in the delivery of the TCF programme is noted, in particular the key messages presented on milestones, finances and risks.

- 9.2 That a further TCF Programme review is conducted over the next six months to report back to Committee in January 2022. This should consider opportunities to phase projects and accelerate delivery of schemes and associated spend.
- 9.3 That partners develop plans to phase delivery of projects where possible to accelerate delivery to not only maximise spend but also deliver earlier benefits to users by March 2023
- 9.4 That the guiding principles around allocation of the remaining risk/contingency and inflation detailed in section 2.20 are noted
- 9.5 That the Investment Committee recommends to the Combined Authority the changes to Indicative Funding Allocations set out in Table 1 of the Report
- 9.6 That the Investment Committee recommends to the Combined Authority approval to the £2.760m uplift in Programme Management budget to £7.690m to reflect the larger high scenario programme being delivered and anticipated longer timescales for delivery.
- 9.7 That the Investment Committee recommends to the Combined Authority the following development funding to be released:
- a) Huddersfield Trinity St Access Improvements - £103,773
 - b) Huddersfield Rail Station Access - £76,679
 - c) A61 Bus, Cycle and Walking Improvements - £79,990
 - d) Wakefield City Centre Bus, Cycle and Walking Improvements- £172,226
 - e) A639 Bus, Cycle and Walking Improvements -£110,000
 - f) York Tadcaster Road Corridor Improvement Scheme -£64,355
 - g) Programme Development - £1.0m

10. Background Documents

None.

11. Appendices

Appendix A – TCF Programme Milestones

Appendix B – Scheme Budget Indicative Allocations and Local Match Funding