

Report to: Place, Regeneration and Housing Committee

Date: 7 February 2021

Subject: **Transforming Cities Programme Review**

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

1. Purpose of this report

- 1.1 To provide an overview of the progress made on the Transforming Cities Fund Programme since the last review in June 2021 as well as highlighting key issues and risks to delivery of the programme.
- 1.2 To update the committee on the funding for the programme including changes anticipated as a result of the new five year City Region Sustainable Transport Settlement (CRSTS)
- 1.3 To update and approve TCF Project milestones and delivery timescales.
- 1.4 To provide an overview of TCF financial information including project budget allocations and anticipated spend profiles.

2. Information

Background

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. The requirement for Gainshare funding to support delivery of the high scenario has now been assessed as £140m rather than the original maximum value of up to £164.5m, providing a total programme budget of £457m. These figures will be subject to further review as the programme progresses and in the context of the emerging City Region Sustainable Transport Settlement funding regime.

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.

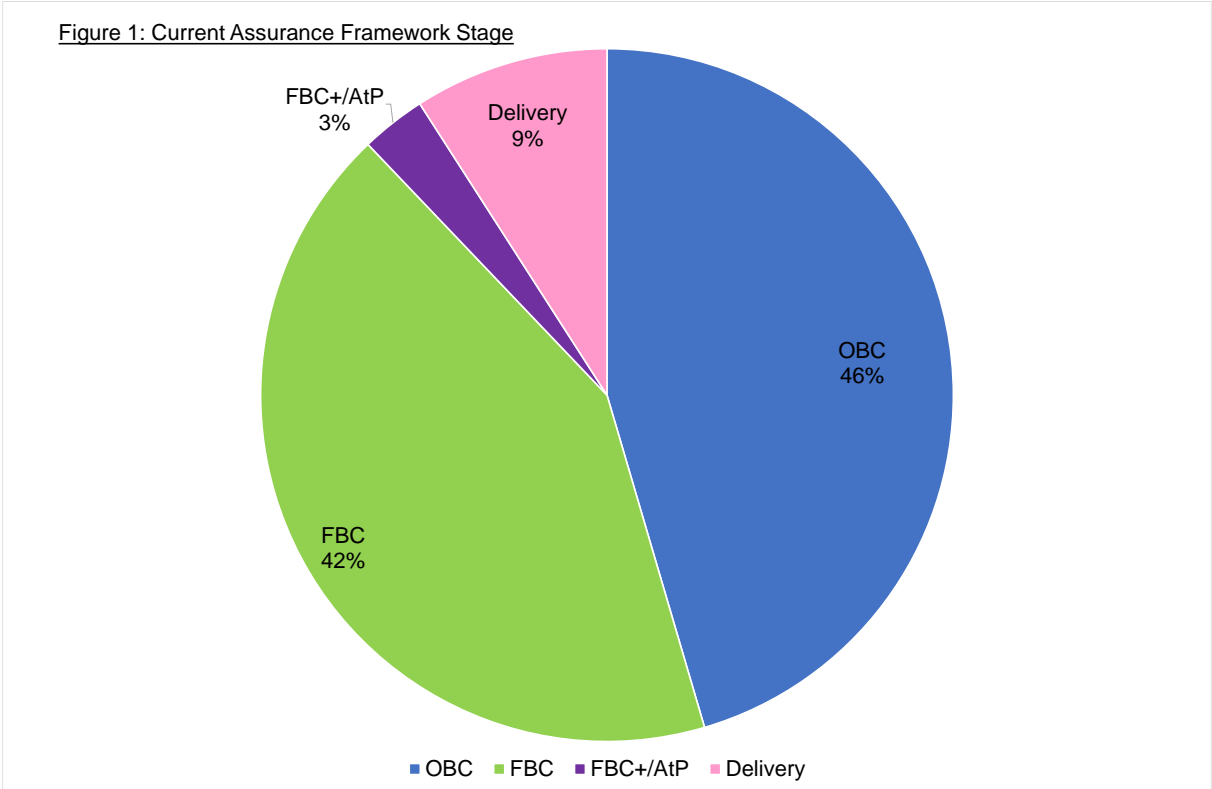
2.4 Developing a 21st Century transport system is central to the Combined Authority's vision of building a strong, successful, zero carbon economy that provides a great quality of life for everyone who lives and works in the region. The TCF Programme is central to realising this vision through providing 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 The TCF Programme is comprised of 34 individual projects across the three programme areas. Some projects are jointly funded by other Combined Authority Funding streams such as the West Yorkshire Plus Transport Fund and the Local Transport Plan Integrated Transport Block (ITB) and many are also supported by local contributions (please refer to Appendix A for details).

2.6 Since the last programme review there has been some good progress on projects with two projects now in the delivery on site stage, Halifax Bus Station and Leeds City Centre Cycle Improvements. Some projects, such as Leeds Sustainable Travel Gateway and York Rail Station Gateway are also undertaking early enabling works in preparation for the full construction period. These include activities such as diversion of statutory undertakers' equipment, purchase of land, site clearance, bus stop relocations and other necessary off-site highways works. Projects are also considering options for phasing of delivery and early delivery of elements to accelerate completion of the programme.

2.7 Fourteen projects have completed Outline Business Case activity (with some recently submitted for appraisal and approval as shown on Appendix B). The remainder of the programme, 15 projects are still undertaking Outline Business Case Activity, whilst this does show some slippage on anticipated milestones, partners are taking robust approach to development of these schemes by undertaking further design, consultation and other development activities (such as land negotiations and site surveys) prior to OBC to mitigate risks to delivery such as future cost increases, design change and public acceptability to the preferred schemes. It is expected that by undertaking these activities earlier in the project lifecycle time savings can be realised in the later stages. Figure 1, below summarises the current status of project progress within the assurance stages.



2.8 All TCF projects, with the exception of the A61 and A639 corridors have completed at least one round of public consultation. These two schemes are being jointly developed by Wakefield and Leeds Councils and have recently agreed to undertake further design work on options prior to public consultation early in 2022. Within the next quarter there will be significant further consultation and engagement activity on second round public consultations for a large proportion of TCF projects, this will need to be managed around the upcoming purdah period, which can limit this activity.

2.9 The Combined Authority continues to work with our partners to identify and put in place the resources needed to develop and deliver the TCF programme. A new multi-supplier professional services consultancy framework has recently been procured by the Combined Authority for TCF and other CA funded projects. Partners can directly 'call off' service contracts to support project development and delivery. This will enable a compliant, flexible and quick route to procurement of specialist

resources complementing the project teams within the Combined Authority and our Partners.

Impact of City Region Sustainable Transport Settlement

2.10 In Summer 2021 Government announced a new capital funding programme City Region Sustainable Transport Settlements, which is available to Mayoral Combined Authority areas. This new funding will come in the form of a five-year settlement and is focussed on delivering improvements to public transport, cycling and walking infrastructure, aligning with the objectives set out in the National Bus Strategy and National Cycling and Walking Investment Strategy and aimed at:

- Driving growth and productivity through infrastructure investment;
- Levelling-up services towards the standards of the best; and
- Decarbonising transport, especially promoting modal shift from cars to public transport, walking and cycling.

As well as additional new funding the settlement will also ‘wrap up’ a number of existing funding streams, including the DfT’s contribution to the TCF Programme from financial year 2022/23.

2.11 Whilst this new funding regime enables an element of flexibility to the TCF programme timescales (along with the flexibilities provided by the local gainshare contribution), it does not mean that the projects within the programme can progress at a slower pace. There will be significant pressure to deliver in the early years of the settlement, and it is expected that TCF will form the bulk of this early delivery as it is further progressed than other components of the CRSTS programme.

2.12 Government have indicated that West Yorkshire is likely to receive in the region of £830m for CRSTS. A business case is being developed for submission to DfT in mid-January 2022. This will detail the funding allocation requested to support the delivery of the TCF programme.

2.13 CRSTS provides a funding opportunity for West Yorkshire only. Therefore, the Combined Authority is continuing dialogue with DfT on the funding route beyond March 2022, for those schemes in North Yorkshire (York, Selby, Harrogate and Skipton) which form part of the programme as approved in March 2020. It is envisaged that DfT funding outside of the West Yorkshire CRSTS settlement will fund these projects.

2.14 A further update on the outcome of the CRSTS Business case and final TCF implications will be presented through the next TCF Programme Review.

Quality Management

2.15 Since the start of the TCF programme two key pieces of DfT Guidance have been issued that the schemes within the programme need to be aligned with. Firstly, the Local Transport Note 1/20 – Cycling Infrastructure Design Guidance and more recently the National Bus Strategy. The CRSTS guidance and correspondence from the DfT have also stressed the need to deliver against these quality expectations, with indications given that schemes that do not meet these requirements will not be funded.

2.16 To ensure that those schemes still in the earlier stages of design and development are taking this into consideration, along with local strategies and guidance such as the Mayor's priorities and pledges, a Quality Management Strategy for the programme has been developed. This management strategy includes quality checklists and the setting up of a quality review panel. Scheme promoters are required to complete a quality checklist to confirm they are adhering to guidance and, where appropriate, provide details of any departures from the quality guidance and expectations. The Quality Panel provides an independent review to cover key quality aspects of each scheme. This approach complements the existing Assurance Framework and helps to demonstrate compliance with the funders expectations.

Challenges to Delivery and Progress

2.17 There have been some significant challenges faced by the programme over the last six months which have impacted on progress against milestones. The impact of the ongoing Covid-19 pandemic has been felt across all schemes and is expected to continue to affect programme delivery and cost.

2.18 Availability and continuity of resource. In addition to absence periods due to sickness and isolation, staff retention in key roles across the partnership has been an issue and is expected to continue as the economy recovers. The Combined Authority will continue to work with partners collaboratively to manage this issue including through the sharing of staff across the partnership, for example through informal secondments of CA staff to support Partner's projects.

2.19 Capacity for timely decision making has been more limited during the Pandemic and partly also as the CA adjusted to new Governance arrangements as a Mayoral Combined Authority. This will improve as new governance arrangements are 'bedded in' and flexibility is applied to provide additional capacity for decision making to manage peaks in activity.

2.20 While there has been significant public and stakeholder consultation activity across the programme as detailed in paragraph 2.8 there has not been the ability to fully engage with seldom heard groups and communities in consultation periods due to restrictions on face-to-face engagement. This could result in an increased risk of challenge to decisions. Further work is underway to ensure that projects fully consider their local communities and circumstances and increase the reach of engagement through the next stages of consultation, including particularly how this is linked to Equality Diversity and Inclusion considerations through Equality Impact Assessments.

2.21 As already detailed earlier in this report projects that are more progressed and have undertaken more detailed work on costs have reported increased costs, due to significant increases in materials costs and inflation levels far in excess than was expected at earlier stages. For projects in the later phases of the pre-construction stage, this has often also led to more protracted negotiation periods, requirements for last minute value engineering exercises or further procurement exercises, also causing delay. For projects working on OBC currently, high levels of inflation may need to be accommodated for delivery in future years. Whilst at present, as shown in Appendix A the costs reported to date can be accommodated

within the overall TCF programme budget, there are still a significant number of projects yet to complete robust costing as expected at OBC. Future Programme reviews may therefore need to consider options for dealing with this issue.

2.22 Projects currently in the latter stages of construction procurement and undertaking engagement with contractors are reporting extended lead in times for materials and supply issues. This is being monitored and is linked to the inflation issue above. It is unclear at this stage how long this impact will be felt and partners are being encouraged to engage with the construction market early and throughout the project development process as well as consider opportunities to phase delivery where this will assist with supply issues without increasing cost.

2.23 Delays to procurement of development and delivery partners for some schemes have impacted on progress over the last six months however these resources are now in place and progress is being made to bring the schemes forward for delivery.

2.24 Some schemes have been impacted by external national priority schemes being brought forward within TCF timescales. For example, the scope of the Huddersfield Town centre package of schemes has needed to be reviewed following the announcement of TRU works which may impact the works that were planned in and around Huddersfield Town Centre and the Rail Station. In addition, the recent announcement of the Integrated Rail Plan has resulted in unanticipated further work to assess the impact of this on the business case for some of the TCF schemes that have an interface with these plans, this may impact on the timescales for these scheme elements being delivered.

Programme Review Key Messages and Outcomes

2.25 The TCF Programme Team initiated a review of the programme and its projects with Partners in early-November 2021. The review has considered project key milestones, finances and risks to delivery. Partners were asked to provide an update on their anticipated project milestones, overall budget requirements, financial forecasts and key risks and issues that they are managing.

2.26 The review also provided an opportunity to explore with partners if there are any challenges to project delivery that could not be resolved through the programme tolerances at this time (overall cost and time) and if options for reductions in scope, phasing or pausing of projects should be considered through the review. No projects are requesting change outside of the normal Assurance Framework at this time, therefore, no recommendations of this nature have been brought forward for consideration through this report. However, as the programme progresses, and delivery challenges are experienced this may be an option to be considered for future reviews.

2.27 Appendix A sets out the details of the projects and their current approved funding allocations from the overarching £457m programme budget. Partners were asked to review their current overall project costs and in some cases there are indications that the current approved indicative budget allocations will be insufficient to realise expected outputs from the project for a variety of reasons. The reasons identified by projects for additional costs include;

- insufficient risk and contingency,

- inflation rates (materials costs) currently running at over double expected at previous business case stages,
- funding allocations insufficient to realise quality expectations

2.28 The potential future funding requirements are detailed in Appendix A. The programme budget includes a separate allocation for risk/contingency and inflation. This funding will be allocated to projects as and when the business case is made for an increase in project delivery funding; to be determined through the Assurance Framework. The figures in this review are therefore for noting only at this stage. The exceptions to this are the uplifts shown for Selby Station Gateway and Heckmondwike Bus Hub as these are subject to recommendations being considered through separate Capital Approvals reports at the February 2022 Place and Regeneration Committee meeting. The overall delivery costs of the programme have not increased and any cost increases at a scheme level are currently being managed within the available risk/contingency and inflation amount.

2.29 In line with other CA funded projects the CA incurs overhead costs that need to be met through the capital programme. These are now being captured at a project level. Therefore, all project budget indicative allocations need to be adjusted to reflect these amounts, which have been capped at 3% (which is a prudent estimate which provides headroom to cover any future funding requirements) over the lifetime of the project, and are recommended for approval through this report. These costs include the wider costs of managing within the Combined Authority of managing the capital programme (including legal, finance, IT, monitoring evaluation, governance, assurance framework, funding programme legacy management etc) over and above the direct costs of direct programme costs (charged to the programme and included as a separate budget line) and project management (charged to the project and included within each project budget).

2.30 The TCF programme budget included an £8m allocation for Carbon Mitigation. A prioritisation exercise has been undertaken to identify which schemes would benefit from an allocation of this funding to enhance the carbon outputs of the scheme such as through inclusion of power generation (Solar PV), energy saving technologies, electric vehicle technology or SUDs (sustainable urban drainage). The funding approvals for this additional scope will also be considered through the usual Assurance Framework processes. In addition, there is also a contribution towards a bid to DfT for electric buses and bus charging infrastructure (ZEBRA); as well as an allocation towards a new Leeds public e-bike share scheme, which has recently submitted an SOC for consideration for approval at a future meeting.

2.31 The TCF Programme is applying the same criteria and principles to exceptional circumstances as previously established for the WY+TF. Whereby project budgets are set at the Outline Business Case stage and cost increases are only accepted beyond this in exceptional circumstances as approved by the Investment Committee in June 2021 as follows:

- (i) A project that experiences a change in design standards or where new regulations need to be implemented, a review of scope options and value engineering needs to take place. Once all options have been explored,

the project will be considered for additional funding through the Assurance Process.

- (ii) All projects need a comprehensive QRA risk register that includes extraordinary risks. Other exceptional risks (where they are unforeseeable) will be considered for additional funding through the Assurance Process if value engineering and a scope option review has taken place. All projects should continually review overall risk to project delivery. If the overall risk to delivery is very high, a review of the viability of the project needs to take place in partnership with the Combined Authority.
- (iii) All projects should continually review overall risk to project delivery. If the overall risk to delivery is very high, a review of the viability of the project needs to take place in partnership with the Combined Authority.
- (iv) All projects must demonstrate value for money. Where costs are increasing, value engineering must be evidenced, and other sources of funding explored before further funding will be considered.
- (v) New guidance or regulations must be included in project development at the strategic outline case and outline business case stages in the assurance process.
- (vi) Inflation must be included in project budget costs.
- (vii) VAT needs to be understood and factored into project costs where relevant.

Projects are expected to undertake a robust Quantified Risk Assessment at Outline Business Case stage and include allowance for this along with contingency and inflation within their agreed project budgets. If projects are forecast to exceed their agreed budgets across the programme due to unforeseen circumstances further Programme Reviews may need to consider reduction of scope to ensure that the programme remains within the funding available.

2.32 The project partners were asked to review their spend forecasts and update in line with any changes to key milestones. This exercise has resulted in the overall programme annual spend forecasts being adjusted as set out in Table 1 below.

Actual 20/21	£10,758,886
Forecast 21/22	£38,756,506
Forecast 22/23	£129,518,965
Forecast 23/24	£146,122,163
Forecast 24/25	£131,843,479

2.33 Appendix B sets out the updated project milestones and delivery timescales for each of the projects. As detailed earlier in this report there has been a delay to some

schemes completing Outline Business Case Activity, which is to accommodate more detailed development activities within this stage to reduce risk at the full business case stage/construction phase. Partners have also reviewed future milestones and expected construction periods, again these have been elongated, as a result of early contractor involvement at earlier stages in the process, learning lessons from previous delivery, as well as reflecting challenges expected in the near future relating to materials and resource constraints in the construction market.

2.34 With the challenging deadline previously set by DfT for the programme now relaxed through CRSTS and the local Gainshare contributions it is now recommended that the updated, milestones are accepted and formally approved to enable projects to progress and plan for future stages with more certainty. It is expected that the increased flexibility on timescales will enable projects to be developed to high quality and risks associated with delivering within constrained timescales can be mitigated.

3. Tackling the Climate Emergency Implications

3.1 The TCF Programme is delivering Transport Projects across the region that provide high quality cycling, walking and public transport infrastructure to enable a shift away from private vehicle usage. This supports the West Yorkshire Climate and Environment Plan's vision zero that requires more journeys to be undertaken by public transport, cycling and walking. [west-yorkshire-climate-and-environment-plan.pdf \(westyorks-ca.gov.uk\)](https://www.westyorks-ca.gov.uk/wp-content/uploads/2021/06/westyorks-climate-and-environment-plan.pdf)

3.2 The schemes within the programme deliver against the following policies within the action plan; Connectivity Infrastructure Plan, Road Space Reallocation, Cycling and Walking infrastructure, Electric Vehicle Charging, Bus Reform, Shared Mobility and Better Active Mobility Neighbourhoods.

3.3 Each of the TCF schemes will utilise the Combined Authority's Carbon Impact tool, once it is available, to measure their contribution to delivering against the Climate Emergency.

4. Inclusive Growth Implications

4.1.1 The programme is focused on connecting people in the communities of greatest economic need with job and training opportunities, through delivery of public transport, cycling and walking schemes across the region. This will, in turn, help boost productivity, living standards and air quality, helping to create happier healthier communities for the future. The programme scheme prioritisation that formed part of the SOBC submission was developed to deliver early outcomes and interventions identified in the Leeds City Region Connectivity Strategy and Inclusive Growth Corridors Plans.

4.3 Each scheme business case will detail its contribution to Inclusive Growth including an assessment of the social and distributional impacts of the investment to communities.

5. Equality and Diversity Implications

5.1 Each TCF scheme is required to complete and update scheme specific Equality Impact Assessments.

5.2 Public and stakeholder consultation undertaken on TCF schemes requires development of a stakeholder engagement plan to ensure that the needs of protected groups and seldom heard groups are taken into consideration through the development of the project.

6. Financial Implications

6.1 The report recommends that the project indicative budget allocations are approved as set out in Appendix A which includes programme management costs. These costs are contained within the overall programme budget allocation of £457m.

7. Legal Implications

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

8. Staffing Implications

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

9. External Consultees

9.1 No external consultations have been undertaken.

10. Recommendations

10.1 That the Place Regeneration and Housing Committee notes the progress update on the TCF Programme following the review in November and December 2021 provided in this report

10.2 That the Place Regeneration and Housing Committee approves the updated project key milestones as detailed in Appendix B

10.3 That the Place Regeneration and Housing Committee approves the updated Project Indicative Budgets, including the CA Programme Management overhead costs as detailed in Appendix A, to be funded from the TCF Programme Budget allocation of £457m.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

Appendix A – TCF Project Budget Allocations

Appendix B – TCF Project Milestones