

18th November 2019

TRANSFORMING CITIES FUND BID SUBMISSION

Purpose of Report

This report seeks approval to submit the business case for Sheffield City Region's Transforming Cities Fund (TCF) bid due on 28th November 2019.

Thematic Priority

Secure investment in infrastructure where it will do most to support growth.

Freedom of Information and Schedule 12A of the Local Government Act 1972

The paper will be available under the Combined Authority Publication Scheme

Recommendations

That members of the Mayoral Combined Authority (MCA) agree:

- To delegate authority to finalise the submission of the TCF business case to the Chief Executive and Chief Financial Officer of the Mayoral Combined Authority, in consultation with the Mayor, based upon the comments received on this report and its appendices.

1. Introduction

- 1.1 In September 2018, Sheffield City Region (SCR) were confirmed as one of 12 areas to have been shortlisted for the Transforming Cities Fund (TCF) bidding round. The requirement was to submit a draft business case to the Department for Transport (DfT) by the 20th June 2019, followed by submission of a final business case by 28th November 2019, for consideration as part of a £1.22bn funding pot.
- 1.2 The draft business case developed and submitted by SCR was focused around three types of intervention:
 - **Public Transport** – a series of infrastructure improvements aimed at improving the performance of the public transport network, principally journey time, punctuality and reliability, within and between the main urban centres and SCR's growth locations
 - **Active Travel** – drawing on the draft Local Cycling and Walking Infrastructure Plan (LCWIP) and the appointment of an Active Travel Commissioner to start developing a network of active travel routes, taking advantage of the relatively low commuting distances across the SCR at present
 - **Rail** – enhancing accessibility to/from and at rail stations within SCR and interventions that support connectivity to HS2/Northern Powerhouse Rail

touchpoints so that the rail network can become a viable alternative to the private car for those taking advantage of the significant economic growth opportunities.

These types of intervention were themselves based around three broad economic corridors set out in the original TCF Prospectus approved in July 2018:

- River Don
- Dearne Valley
- Advanced Manufacturing Innovation District (AMID).

1.3 The draft business case included three funding scenarios as requested by DfT – labelled ‘Low’, ‘Medium’ and ‘High’ – comprising the following levels of Government funding over the four year programme up to 2022/23:

- Low - £183 million
- Medium - £204 million
- High - £227 million.

1.4 Feedback on the draft business case was received from the DfT in July and August 2019, and a revised business case has now been prepared for submission on 28th November.

2. Proposal and justification

2.1 The formal feedback on the draft business case was generally positive, including:

- There is a clear thread running from the bid to SCR’s strategic transport priorities, the Local Industrial Strategy, the Transport for the North Strategic Transport Plan and the Industrial Strategy.
- The focus on transport poverty is very interesting and has a positive link to MHCLG’s developing ‘Stronger Towns’ agenda.
- The objectives of the programme are clearly set out, along with the context behind the strategic case – the evidence presented is strong and well used.
- A clear prioritisation and sifting process has been followed with evidence provided.
- All three packages appear to offer ‘High’ value for money at present, although there is uncertainty around both baseline and demand uplift for active travel schemes.
- A good range of impacts have been identified at this stage, although for non-active travel schemes these are qualitative.

2.2 Particular areas for the final business case to concentrate on included:

- The schemes are clearly defined at the South Yorkshire level and some data is provided on issues in the specific corridors – further detail is required at the corridor level.
- The benefits of individual interventions are not clear and a summary of individual bus schemes, costs, and benefits would be helpful, as well as evidence of support for the package by operators.
- There is no direct evidence of stakeholder support apart from references to previous public consultations and earlier workshops.
- Further work should explore the interdependencies between modes to avoid double counting impacts.
- The overall appraisal should be improved by use of fully validated multi-modal model.
- Further work on the financial case is to be completed on third party contributions, quantified risk and long term sustainability.
- Further work is required to establish the detailed programme management arrangements.
- Each local authority should have a clear plan for how each of their interventions will be procured.

- 2.3** This feedback has been used, along with a period of co-development with DfT Officials, to develop the revised business case. There has also been significant input from the four Local Authorities and SYPTE, collectively developing the components of the bid through a Task & Finish Group that has met regularly over the last four months and supervised through a Project Board. SCR Officers have also provided an external review of the benefits and costs of the bid's components.
- 2.4** The updated TCF programme has been designed to be cohesive as well as aligning to wider activity (including Future High Streets, National Productivity Investment Fund, Local Growth Fund and Housing Infrastructure Fund bids), supporting transformational uplift to facilitate sustainable economic growth and housing delivery. The significant schemes that are included within the bid are set out for each corridor in Appendix 1.
- 2.5** It should be noted that the interventions listed in Appendix 1 represent the 'High' value TCF package and so is the SCR's ambition for this funding pot, agreed by all South Yorkshire Local Authorities. Depending on the actual award, some of the above interventions may not progress at this stage, and each one will need to pass a value for money assessment under the SCR Assurance Framework prior to implementation.
- 2.6** The new SCR Transport Model has been used to model the impacts of individual bus schemes and to reflect interdependencies between modes, with bus operators involved in the refinement of the proposed schemes themselves. Additional baseline surveys have been undertaken to improve the robustness of the appraisal of active travel schemes. This latest work on appraisal has resulted in the following revised bid over the four years:
- Low - £185 million
 - Medium - £200 million
 - High - £232 million.
- These values include for 5% inflation per year across the funding period and an allowance for programme level risk based on a quantified assessment of the risks identified in the risk register.
- 2.7** The latest draft of the revised business case itself is provided in Appendix 2 – this addresses all of the feedback set out in paragraph 2.2. Refinement of the overall value for money assessment of the three funding scenarios is ongoing and a verbal update on the latest position will be provided at the meeting. The appraisal work will continue up to the date of submission in order to ensure that the most robust case possible is presented to the DfT.
- 2.8** The MCA's comments on the content of the bid would be welcomed, with an agreement to delegate authority to finalise the submission of the TCF business case to the Chief Executive and Chief Financial Officer of the Mayoral Combined Authority, in consultation with the Mayor, based upon the comments received on this report and its appendices. The revised draft business case was considered by the MCA Transport Board at its meeting on 25th October 2019 and Members of that Board have also been provided with a copy of the most up-to-date version of the business case.

3. Consideration of alternative approaches

- 3.1** Option 1: Increase the total value of the business case submission
The submission already contains a 'Low', 'Medium' and 'High' funding scenario. It is possible to increase the total value in all three scenarios, however following discussions with DfT this is not recommended based upon the highly competitive process expected, and the formal feedback on the draft business case highlighted a need to prioritise further, if possible, which has been done. The figures presented are therefore seen as a pragmatic but ambitious range of schemes.

- 3.2 Option 2: Decrease the total value of the business case submission**
As above, reducing the total amount requested may also have the impact of negatively affecting the chances of success i.e. due to the competitiveness of the process, DfT may use it as an opportunity award less funding if presented with a viable opportunity to do so.

4. Implications

4.1 Financial

The costs of developing the business case have been managed from within existing resources, including a £50,000 revenue grant from the DfT. Confirmation of the level of the local contribution to the programme from project sponsors as well as their commitment to any ongoing revenue support will be provided in advance of submission of the bid.

4.2 Legal

No specific legal implications at this stage of the process.

4.3 Risk Management

Consistent with the development of a five-case business case, a programme-level risk register has been produced by the Project Board and individual project risks have also been identified through this process. The bid values in the Financial Case include a quantified allowance for these risks.

4.4 Equality, Diversity and Social Inclusion

The SCR Transport Strategy includes an Equalities Impact Assessment as part of the Integrated Assessment. It is expected that equalities and diversity issues will be considered in the delivery of schemes in each package.

5. Communications

- 5.1** A communications plan has been developed as part of the revised business case, demonstrating a pro-active approach to communications in this case. A media statement will be issued following the MCA meeting, and updates shared online and on social media.

6. Appendices/Annexes

- 6.1** Appendix 1 – SCR TCF Programme – ‘High’ Funding Scenario
Appendix 2 – Revised TCF Strategic Outline Business Case

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ

Other sources and references: