

**REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY
COMMITTEE**

DATE: 16 DECEMBER 2022

REPORT TITLE: TRANSFORMING CITIES FUND

**DIRECTOR: ALISTAIR KIRK, INTERIM DIRECTOR OF
INFRASTRUCTURE**

AUTHOR: NUALA WATERS, PROGRAMME MANAGER

Purpose of Report

- 1 The purpose of this report is to request delegations to the Chief Executives in consultation with the Programme Review Board to utilise the underspend identified on the capital Transforming Cities Fund (TCF) which concludes in March 2023. It is also to propose the implementation of lessons learnt against the remaining Infrastructure Portfolio of works.

Recommendation

- Approve the recommended use of TCF as set out in paragraph 4.
- Agree to delegate the approval of urgent change requests relating to the fund to the CEO's meeting in consultation with the Programme Review Board, to ensure that the fund is fully utilised by March 2023.
- Agree to delegate the approval of the Cycle Hangars Full Business Case to CEO's.
- Agree to delegate the approval of an addendum to the Cycle Hangars Full Business Case to CEO's.
- Committee request the implementation of the recommendations arising of the lessons learnt review.

Reasons for recommendation

- 2 A potential underspend was identified on the Transforming Cities Fund or approximately £10m, against an £80m budget. As stated in the background section, the original budget was £103m. We have identified up to £20.1m of opportunities which could absorb this underspend.
- 3 Options to use potential underspend are outlined below. These options are not exclusive to each other:
 - a. Take a largely risk-based approach, by refinancing projects and designating these as part of Transforming Cities Fund scope while ensuring these do not generate calls on further funding.

- b. Identify 'quick wins' and transferring in committed spend on existing projects.
 - c. Accelerate CRSTS over planning work, particularly bus stops, and transferring in to TCF scope to contribute to the £5m target for bus stops.
- 4 It is proposed that the Infrastructure Directors in consultation with the Programme Review Board is delegated authority to enact the below decisions to realise the opportunities necessary to utilise remaining TCF underspend by end of March 2023. These opportunities are:
- d. Change request to draw down £510k of additional spend to complete works on the South Gloucestershire STP 2018-2021 A432 Badminton Road Cycle Improvement project.
 - e. The approval of the Cycle Hangars Full Business Case and award of up to £500k from TCF for delivery of the project. This also includes the reprofiling of £139k of awarded funds from the development stage to the delivery stage of this project.
 - f. The approval of a change request for £200k from TCF which updates the existing Business Case via an addendum and delivers Cycle Hangars in the Bath and North-East Somerset area. This will ensure that there is no impact on the existing Cycle Hangar project delivery timescales but will ensure we provide a Value for Money case for these additional works.
 - g. The subsequent approval of this addendum to the Cycle Hangars FBC.
 - h. Approval to spend up to £170k of this allocation at risk to procure materials in advance of the approval of the addendum given the proven high Value for Money from the FBC. This is to ensure the Cycle Hangars are delivered within the TCF funding window.
 - i. Direct funding swaps between the Economic Development Fund (EDF) and TCF funds - £2.266m subject to approval at the Joint Committee
 - j. Direct funding swaps between the Investment Fund (IF) and TCF funds - £1.006m
 - k. Reallocation of CRSTS maintenance spend into the TCF budget - £11m
 - l. Should the options above be exhausted and a shortfall remain, change requests into the TCF from other Unitary Authority funding sources - £5.05m
- 5 The Programme Review Board has been tasked with assuring the financial health of the investment portfolio of works. The Board meets on a monthly basis and is comprised of the Section 151 Officers and Directors of Infrastructure from Bristol City Council, Bath and North-East Somerset Council, South Gloucestershire Council, North Somerset Council and the Combined Authority. Therefore, it was deemed appropriate that this Board, continues to provide oversight on a monthly basis on the performance of the Transforming Cities Fund to ensure that the forecasted spend is met.

Recommendations arising from the lessons learned review

Lessons learned sessions have been held with Directors and the following identified:

- 6 **Resource and organisational capacity to deliver projects** needs to be secured, ring fenced from the onset of all works. Provision of a clear resource profile is required before any funding is awarded. A change to funding applications and change submissions is required to ensure detailed information is provided to support applications and or changes. These will be set out in consultation with the Section 151s and Head of Grant Assurance. It is noted that ensuring projects have sufficient funding for mobilisation of project is also needed to support ensuring that this is in place.

- 7 **Ensuring a clear and unambiguous political mandate, alignment to strategy, affordability and deliverability** is continuously present. A review of the infrastructure portfolio against these criteria is required. Political support for this exercise will be sought as this may result in re-prioritisation of funds to deliver a balanced portfolio of works.
- 8 **A clear pipeline of works, that is scoped and bid ready** is required to ensure that when funding opportunities arise, any bids are backed up by robust plans. Ring fencing of a seed fund to develop pipeline works is required. The conditions and funding necessary will be requested at a subsequent Committee, following further consultation with Section 151's and Grant Assurance.
- 9 **Improvements to quality and frequency of reporting** has supported the identification and review of the Fund underspend. Monthly reporting on spend and forecasts against plan must be mandated across the portfolio to ensure the most up to date information is provided to decision makers. Monthly reporting process is proposed to be rolled out across the Portfolio in Q4 2022/23.
- 10 **A review of project control and delivery procedures** is required to ensure lean and appropriate methods are used across the Combined and Unitarity Authorities. It is proposed to review these processes and propose amendments to all four organisations' processes and Assurance Framework. Once completed, proposals will be raised with the Department of Transport for agreement. It is requested that approvals for any further amendments to the Assurance Framework or Unitary Authority standards is delegated to the Audit Committee.

Voting arrangements

- *Decision requires majority agreement of Committee Members in attendance, or their substitutes (one vote representing each Authority) and including the West of England Combined Authority Mayor*

Background / Issues for Consideration

- 11 A review of the Transforming Cities Fund (TCF) programme was initiated to assess risks to delivery and agree mitigation for potential underspend. The original award was based on a formulaic allocation from the Department for Transport and not a pre-identified list of schemes. The Fund was treated as an being integrated with the Investment Fund, and clear segmentation of what projects were attributed to the Fund was not determined until September 2020. The original Fund award was £103m, however, the Cities Region Sustainable Travel Settlement (CRSTS) award in April 2022 subsumed £23m of this resulting in a residual Transforming Cities Fund budget of £80m up to March 2023. In addition, the Eastern Entrance Project received £24m of funding from the Bristol Temple Quarter Bid in April 2022. This was originally part of the Transforming Cities Fund.
- 12 Following a review with officers from the Combined Authority, Bath & North-East Somerset, Bristol and South Gloucestershire, a forecasted underspend was identified of approximately £9.854m against a total budget of £80m.
- 13 Approximately £20.031m of opportunities have been proposed which could absorb this underspend. £710k of this requires immediate decision in order to meet delivery of the capital spend by March 2023. Therefore, we are seeking Committee approval for a change request to draw down these funds.

Consultation

- 14 This paper has been produced in consultation with the Infrastructure Directors, project delivery teams, Chief Executives, Section 151, Finance and Grant Assurance teams.

Other Options Considered

- 15 Other funding opportunities have been considered; however, these have been discounted as the funds need to be spent and delivered by March 2023.
- 16 The fund is ring fenced for transport projects and therefore cannot be spent on other types of projects. Ensuring that there is no further draw on the Investment or City Regions funds means that any project which will not deliver within March 2023 was also discounted.

Risk Management/Assessment

- 17 There is a risk that if lessons are not implemented future spend and delivery programmes will not be met.

Public Sector Equality Duties

- 18 Not applicable

Climate Change Implications

- 19 The Combined Authority's Climate Emergency Action Plan has been considered in the production of this report. Points of relevance have been added to this report and reviewed by the Head of Environment.
Report and advice reviewed and signed off by not applicable

Finance Implications, including economic impact assessment where appropriate:

- 20 All Financial Implications are contained within the body of the report.

Report and advice reviewed and signed off by: Selonge Russell, Head of Finance.

Legal Implications:

- 21 Please state any exceptional legal implications arising from this report.
Report and advice reviewed and signed off by: not applicable

Human Resources Implications:

- 22 Please state any HR implications arising from this report.
Report and advice reviewed and signed off by: not applicable

Land/property Implications

- 23 Please state any land/property implications arising because of this report.
Report and advice reviewed and signed off by: not applicable

West of England Combined Authority Contact:

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