

REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY COMMITTEE

DATE: 27th January 2023

REPORT TITLE: TRANSFORMING CITIES FUND

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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 7.
- Approve the delegation of urgent change requests relating to the fund to the Infrastructure Directors meeting in consultation with the Programme Review Board, to ensure that the fund is fully utilised by March 2023. Where agreement is not reached decisions will be escalated to the CEO's meeting.
- Subject to decision by the CA Section 73 Officer regarding eligible capital spend, to delegate to the Combined Authority Director of Infrastructure in consultation with the Unitary Authority Directors the approval of change requests within overall funding envelopes for schemes in the City Regions Sustainable Transport Settlement programme to utilise any potential underspend in the TCF.

Background / Issues for Consideration

- 2 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 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, thereby 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. It is acknowledged that the underspend is reflective of issues with speed of delivery. The lessons learnt are captured later in this report. It is intended that the Programme Review Board will oversee more detailed lessons learnt and the delivery of consequent actions.

- 3 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. This has subsequently moved to approximately £11m underspend as at December
- 4 We have identified that the opportunities are broadly evenly split out between the Unitary Authorities and the City Regions Programme.

Reasons for recommendation

- 5 A potential underspend was identified on the Transforming Cities Fund of approximately £11m, against an £80m budget. As stated in the background section, the original budget was £103m.
- 6 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.
- 7 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. Where agreement is not reached decisions will be escalated to the CEO's meeting. These opportunities are in total £14.056m:
 - a. Direct funding swaps between the Investment Fund (IF) and TCF funds - £1.006m for the Chew Valley Lake North Project
 - b. Reallocation of CRSTS spend into the TCF budget - £5.5m (up to £11m available if needed)
 - c. Should the options above be exhausted and a shortfall remain, change requests into the TCF from other Unitary Authority funding sources - £2.05m (including - for Bus Shelter Bristol project (£0.2m), EV Charging points in South Gloucestershire (£0.4m), Bath & North East Somerset Liveable Neighbourhood (£0.75m), Kingswood Pedestrianisation (£0.3m), Northern Fringe Infrastructure Programme (£0.4m).
- 8 In addition to the above, the following changes are included in the Delivery Assurance report on this Committees agenda and in the LEP Budget report on the agenda of the Joint Committee. These are noted in this paper for reference as they impact the Transforming Cities Fund:

- a. Direct funding swaps between the Economic Development Fund (EDF) and TCF funds - £2.266m subject to approval at the Joint Committee for Cribbs Patchway Metrobus Consolidation (£1.01m), Thornbury High Street (£0.4m) and Emerson's Green (£0.856m) projects in South Gloucestershire.
- 9 There are also a number of decisions sought via the Delivery Assurance Paper and Infrastructure Transport Committee papers which will also utilise Transforming Cities Fund. These are noted in this paper for reference as they impact the Transforming Cities Fund and total £1.2967m.
- a. 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.
 - b. Change request to draw down £283k of spend to support the delivery of the Old Market Gap walking and cycling project.
 - c. Change request to draw down an additional £284k to support the delivery of the East Bristol Liveable Neighbourhood (St. George) in the City Regions Programme
 - d. The approval of the Cycle Hangars Full Business Case and award of £219.7k from TCF for delivery of the project. This also includes the reprofiling of £9k of awarded funds from the development stage to the delivery stage of this project.
- 10 The Programme Review Board is 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:

- 10 **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.
- 11 **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.
- 12 **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.

- 13 **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 between Q4 2022/23 and Q1 2023/24.
- 14 **A review of project control and delivery procedures** is required to ensure lean and appropriate methods are used across the Combined and Unitary 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

Consultation

- 15 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

- 16 Other funding opportunities have been considered; however, these have been discounted as the funds need to be spent and delivered by March 2023.
- 17 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

- 18 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.

| | |
|---|--------------|
| Opening Balance | 103 |
| Government transfer to CRSTS | 23 |
| Total Budget | 80 |
| | |
| Current Forecast spend | 69 |
| CRSTS maintenance (50% of the underspend) | 5.5 |
| EDF transfer (para 8) | 2.27 |
| Delivery Assurance Commitments (para 9) | 1.30 |
| Sub Total | 78.07 |
| | |
| Remaining balance | 1.93 |
| Total | 80 |

The table above demonstrates that there is a remaining balance of £1.93m to be spent as listed in Paragraph 7.

Infrastructure Directors have identified a long list of further opportunities to the value of £8.855m that they will prioritise against this remaining balance. Should there be any underspend against the £80m budget at year end, a further transfer will be made to the City Regions Programme up to a further £5.5m.

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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NB: This paper was republished following the initial publication of the papers to correct some minor clerical errors in the original report.