

## AGENDA ITEM 15

### REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

1<sup>st</sup> June 2018

#### REPORT OF: HEAD OF TRANSPORT

## TRANSFORMING CITIES FUND

### SUMMARY

This report provides an update on the Transforming Cities Fund. It details the funding profile of the allocation provided to the Combined Authority, describes the principles of the fund as outlined by the Secretary of State for Transport in his March letter to the Tees Valley Mayor and outlines an approach towards establishment of a delivery plan for the fund.

### RECOMMENDATIONS

Cabinet are recommended to

- i. Note the content of the report

### DETAIL

1. On the 20<sup>th</sup> of November 2017 Department for Transport announced a £1.7bn Transforming Cities Fund (TCF). The Transforming Cities Fund is part of the Government's National Productivity Investment Fund (NPIF), which was announced in 2016. A proportion of the fund is for transport.
2. £850m of the TCF fund was awarded directly to the 6 Mayoral Combined Authorities on a per capita basis. The remaining £850m is available to other cities of the UK via a competitive bidding process, with 7-8 areas expected to receive an allocation. Scotland has received a discrete allocation of £300m.
3. The Tees Valley Combined Authority has received an allocation from the fund of £59m, with this allocation being profiled over a four-year period from 2018/19 to 2021/22. The TVCA also has other funding directed at transport infrastructure with £115m of available and committed expenditure incorporated in to our March 2017 Investment Plan.

4. The TCF funding is Capital Grant and its profile is as follows:

2018/19: £4m

2019/20: £13m

2020/21: £18m

2021/22: £24m

5. Although this is the profile of grant from government, the TCF forms part of the Combined Authority's "single pot" of capital funding, and our wider Investment Plan. As such, we have the opportunity to commit funding for projects on a flexible basis, with a profile that fits the needs of the Tees Valley and the delivery of specific projects. This includes the flexibility to commit resource in advance of the grant funding from government.

### PRINCIPLES GUIDING INVESTMENT OF THE FUND

6. In establishing this fund the government aims to transform intra-city connectivity, supporting access to jobs across England's largest city-regions and driving productivity.
7. The letter received from the Secretary of State stipulates that TCF investment should be focused on improving public and sustainable transport, helping to reduce congestion and on improving air quality. The TVCA is encouraged to consider use of new mobility systems and technology.
8. The letter also confirms that allocations that have been provided directly to Mayoral Combined Authorities can be used to take investment decisions according to their own priorities. The funding will form part of the 'Single Pot' for the TVCA but TVCA should have regard to the national objectives of the fund.
9. Feedback from the Tees Valley Mayor, Combined Authority Cabinet and the Transport Committee indicates a strong preference for the fund to be directed towards improvements in the local public transport system with an emphasis on improvements to local rail infrastructure and services.
10. The TVCA draft Strategic Transport Plan provides an excellent framework to determine direction of the TCF with its vision to "*provide a high quality, quick, affordable, reliable and safe transport network for people and freight to move within, to and from Tees Valley.*"

### STRATEGIC PRIORITIES

11. Strategic priorities identified within our emerging Transport Plan that fit with the objectives of the TCF include:
  - **Improvements at major rail gateways.** Delivery of the masterplan for Darlington Station is a key priority for the TVCA, and an important component of our

Devolution Deal. The current estimated cost of the project is over £100m, and therefore larger than the funding available via the TCF. However, to promote delivery of large infrastructure projects of this nature an identified local contribution is generally required. A local contribution of 20% is considered best practice and could be made available via the fund.

- **Improvements at other key stations on the local rail network.** Emerging priorities identified as part of the TVCA Rail Strategy include delivery of the masterplan for Middlesbrough Station (including a remodelled southern entrance, and third platform to ensure current and future franchise commitments are met), extra platform capacity at Hartlepool Station and accessibility/interchange improvements at both Eaglescliffe and Redcar Central Stations.
- **Bus infrastructure improvements.** These could include improvements to the interface between bus and rail within the Tees Valley, improvements at key bus interchanges and more rural locations and the potential for interventions to improve the reliability and punctuality of bus services utilising the identified Key Route Network within the Tees Valley.
- **Use of Intelligent Transport Systems and innovative technology.** The effective and expeditious flow of traffic on the Key Route Network identified by the Combined Authority is an important component of our Road Strategy. Improvement and expansion of our Urban Traffic Management and Control System (UTMC) has the potential to assist in reducing congestion and improving journey times for commuters, bus services and freight. Improvements to the system also allow the potential for innovative technological interventions such as parking guidance, better driver information and improved air quality monitoring.
- **Other priorities.** Other priorities identified within the TVCA transport plan that fit with the objectives of the TCF include improvements to our strategic cycling and walking network and the introduction of improved electric vehicle charging infrastructure on a strategic basis.

## **DELIVERY OF THE PROGRAMME**

12. As the TCF is part of the single pot process, decisions on which projects receive funding are the responsibility of the TVCA and are subject to our single pot Assurance Framework. TVCA is responsible for ensuring that any schemes funded represent value for money and DfT will not cover any funding shortfalls.
13. TVCA will be required to produce a TCF delivery plan for DfT, and also an annual update on progress. Critically, projects that receive TCF funding will be required to produce a Value for Money Statement (VFMS). Production of a VFMS requires a green-book type business case, and so a degree of scrutiny and adherence to our established single pot Assurance Framework process will be required of schemes before they can fully enter any agreed TCF programme in order to ensure that they are indeed value for money.

14. This guidance from DfT suggests that an Expression of Interest round for detailed scheme proposals is not appropriate at this stage, when the value for money of many suggestions will not have been proven as part of the development of a wider business case for a project.
15. Establishment of a thematic programme based around the Transport Plan strategic priorities identified in paragraph 11 would enable production of a delivery plan for DfT, and allow time for the value for money of schemes or programmes suggested for inclusion in the delivery plan to be established. It should be noted that this approach will require some resource for both programme management of the TCF and to assist in the development of business cases.
16. Proposals delivering the strategic priorities identified in paragraph 11 of this report will be brought forward to future Cabinets for discussion.

## **NEXT STEPS**

17. The Transport Advisory Group propose to hold an officer workshop to discuss the approach to a thematic programme and delivery plan, to inform a future Cabinet discussions.

## **FINANCIAL IMPLICATIONS**

18. The TCF fund will be subject to appropriate due diligence through the Tees Valley Assurance Framework'.

## **LEGAL IMPLICATIONS**

19. There are no specific legal issues arising from the provision by the Combined Authority of funding for TCF projects. The Combined Authority will use its standard funding agreement for capital projects to govern the terms of its funding via the TCF. Funding agreements will be tailored so as to minimise risk as far as possible.

## **RISK ASSESSMENT**

20. The approach to TCF is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk."

## **CONSULTATION**

21. Consultation on the transport priorities for the TVCA has been undertaken as part of the development of the existing Transport Framework.

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