

LIVERPOOL CITY REGION COMBINED AUTHORITY

To: The Metro Mayor & Members of the Combined Authority

Meeting: 11 January 2019

Authority/Authorities Affected: All

EXEMPT/CONFIDENTIAL ITEM: No

REPORT OF THE DIRECTOR OF POLICY AND STRATEGIC COMMISSIONING AND PORTFOLIO HOLDER: TRANSPORT AND AIR QUALITY

TRANSFORMING CITIES FUND: UPDATE AND PROPOSED NEXT STEPS

1. PURPOSE OF REPORT

- 1.1 This report updates the Combined Authority on the progress of the Transforming Cities Fund programme, following the first commissioning round launched in July 2018. It also provides a brief update on additional Transforming Cities Funding that has been secured within the 2018 Autumn Budget.
- 1.2 Following consideration of the issues by the Transport Committee on 13 December 2018, the Combined Authority is recommended that the detail and timing of future Transforming Cities Funding “calls” (i.e. invitations to submit bids and applications) be delegated to the Director of Policy and Strategic Commissioning, in conjunction with the Lead Portfolio Member for Transport and Air Quality.
- 1.3 This is in the interests of effectiveness and efficiency, by ensuring that schemes and priorities are brought forward on a rolling basis per the overarching principles agreed by the Combined Authority in July 2018. However, all final project funding decisions on Transforming Cities Fund applications will rest with the Combined Authority in line with the SIF Investment Strategy and assurance framework.

2. RECOMMENDATIONS

- 2.1 It is recommended that members of the Liverpool City Region Combined Authority:
 - (a) note the progress to date with the development of the first tranche of Transforming Cities Funding;
 - (b) agree that commissioned “calls” for the Transforming Cities Funding be delegated to the Director of Policy and Strategy Commissioning in conjunction with the Lead Portfolio Member for Transport and Air Quality in the interests of effectiveness and efficiency; and

(c) agree that further updates on future commissioning rounds and on emerging schemes and priorities be provided at regular intervals.

3. BACKGROUND

3.1 Members will recall that, as part of the 2017 Autumn Budget, the Government created a £1.7bn Transforming Cities Fund. This had the aim of driving up productivity through investment in public and sustainable transport, focused on enhanced intra-city connectivity in some of England's biggest cities.

3.2 Half of this funding was allocated on a per capita basis to Mayoral Combined Authorities with an existing, directly-elected Mayor. The remainder was set to be allocated by a competitive process to up to ten other city regions.

3.3 Through this process, the Liverpool City Region Combined Authority was initially awarded £134 million over four years. As a condition of funding, the allocation falls under the Combined Authority's Strategic Investment Fund ("SIF") and will be managed in accordance with its assurance framework.

3.4 In July 2018, the Combined Authority agreed a broad commissioning plan¹ for the funding, based on the key issues and challenges identified by the city region. Three priority themes were agreed:-

- **Theme 1: Improving and expanding the public transport network to meet new areas of demand**

Transforming intra-city regional rail connectivity and exploiting the city region's rail network to maximise the attractiveness and uptake of the new, bespoke rolling stock on the Merseyrail network from 2019/20 onwards. This will improve the quality, capacity and resilience of the network, particularly at Liverpool Central Station, which serves the main areas of growth in the city centre.

- **Theme 2: Improving the appeal of public transport, and particularly bus, against private transport**

This will principally entail a programme of enhancements to the city region's bus highway infrastructure on core commuting routes to the main growth areas that exist or which are developing. The focus will be on technological enhancements to secure more competitive journey times, operational efficiencies, lower levels of congestion and improved air quality.

- **Theme 3: Intervening for health and wellbeing**

This will be focused on decarbonising the transport network, reducing emissions and encouraging more healthy forms of travel. It will entail the development of a comprehensive programme of a network of high quality cycleways linking key residential areas and employment areas and also measures that reduce emissions and pollution from motorised transport.

¹ http://liverpoolcityregion-ca.gov.uk/uploadedfiles/Members/lcrca_270718_agenda.pdf

- 3.5 The Combined Authority also agreed to start the commissioning process, focusing on the first year's funding allocation, with the aim of seeking to commit, and where possible, spend the £10 million of funding available in 2018/19.
- 3.6 More specifically, members agreed to commission Merseytravel, on behalf of the Liverpool City Region's local authorities, to bring forward three proposals at a Strategic Outline Case stage ahead of a deadline of 1 November 2018:-
- a) Funding for the launch of a smart ticketing portal and new ticketing media as a successor to "Walrus";
 - b) Support for a new, low carbon and low emission vessel(s) to replace the ageing Mersey Ferries; and
 - c) Match funding in respect of the priority European Regional Development Fund Sustainable Urban Development (SUD) programme of green travel routes for cyclists
- 3.7 These interventions were identified as they directly support Mayoral priorities and were in the strongest position to commit funding that is available this financial year.
- 3.8 In addition, £500,000 of development funding was made available in the current financial year, to allow Merseytravel, again on behalf of the Liverpool City Region, to accelerate scheme development work, to help bring forward future transforming cities funding schemes. This pre-development funding was made available under the SIF Round 1 process and assurance framework tests, and applications thus require approval by the Combined Authority. All future development funding is proposed to follow the updated assurance framework submitted for approval in a separate report to this meeting of the Combined Authority.
- 3.9 Furthermore, members will be aware that all final project funding decisions on Transforming Cities Fund applications rest with the Combined Authority in line with the SIF Investment Strategy² and when approved, the updated assurance framework.

4. PROGRESS TO DATE

- 4.1 Firstly, at a national level, it is worth noting that in September 2018, the government shortlisted the following ten cities to progress their competitive bids:-

- Derby & Nottingham
- Leicester City
- the North East
- Norwich
- Plymouth
- Portsmouth
- Southampton,
- Sheffield
- Stoke-on-Trent
- West Yorkshire

- 4.2 At a Liverpool City Region level, benefiting from its predetermined allocation, three Strategic Outline Cases (SOCs) were duly received in respect of the three

² http://www.liverpoolcityregion-ca.gov.uk/wp-content/uploads/LCRCA_Strat_Invest_Fund_July_2018.pdf

commissioned projects outlined in paragraph 3.6 above. At the time of writing this report, these are in the process of being appraised by the Combined Authority's Investment Team in line with the new Investment Strategy and Assurance Framework principles.

4.3 Should these applications meet the underlying requirements and tests, they will be invited to progress to the next stage of development, namely to Outline Business Case (OBC) level. For projects costing less than £5 million, the Combined Authority has previously agreed³ that these can take the form of conjoined Outline Business Cases and Full Business Case, in the interest of expediency.

4.4 In addition, four bids seeking a share of the £500,000 development fund were received, to support the following concepts:-

- transforming Commuter Bus Corridors;
- a Liverpool City Region Cycle and Walking Network;
- Liverpool City Region Mass Transit Options; and
- Hydrogen fuelling options study.

These development funding bids will be presented to a future meeting of the Combined Authority.

4.5 In parallel, the 2018 Autumn Budget confirmed that the Government had extended the Transforming Cities Fund by a year, from 2021-22 to 2022-23. The Budget provides an extra £240 million to the six Metro Mayors for significant transport investment in their areas, of which the Liverpool City Region will receive £38.5 million. A further £440 million was made available to the non-Mayoral Combined Authority city regions shortlisted for the competitive funding element.

4.6 In light of this additional funding and in order to explore the potential of introducing and delivering more transformational public transport and sustainable transport schemes, it is also proposed that in addition to the list of proposals that have been submitted by partners and that can be packaged together where appropriate, we now explore a range of other initiatives that could include the following:

- A surface or underground access system linking Liverpool South Parkway to Liverpool John Lennon Airport
- The potential devolution of Merseyrail Infrastructure
- Introducing digital railway technology on the Merseyrail network to improve journey time reliability, safety and public information
- Urban Traffic Control technology to improve journey time reliability and punctuality whilst at the same time reducing delays and air pollution.

4.7 The additional funding thus alters the profiling of the Combined Authority's overall Transforming Cities Fund allocation as follows:-

³ <http://councillors.knowsley.gov.uk/documents/s46436/Item%2012%20-%20Liverpool%20City%20Region%20Single%20Investment%20Fund.pdf?StyleType=standard&StyleSize=none>

| Year | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | Total |
|---------|---------|---------|---------|---------|---------|---------|
| Profile | £10m | £30m | £40m | £54m | £38.5m | £172.5m |

- 4.8 This means that the Combined Authority has both additional time and additional funding to deliver transformational enhancements to sustainable transport, and which is extremely welcome. However, this creates further pressure to accelerate scheme development and delivery on the ground, to maximise the impact and success of the funding. It is also important to note that the funding allocations each year are in-year allocations, not indicative levels and must be spent or swapped with other capital funds, as they cannot be carried over. There are significant reputational issues associated with this.

5. NEXT STEPS

- 5.1 As agreed in principle by the Combined Authority in July 2018, the city region's Transforming Cities Funding will be commissioned on a rolling basis, with "calls" (i.e. invitations to submit specific bids and applications) issued at regular stages until all of the funding has been committed and ultimately, spent in an appropriate way. This approach reflects the fact that candidate measures that support the three agreed priority themes are at varying states of readiness, with some at an embryonic or conceptual stage. This is not unexpected, given the scale and transformational significance of the measures at stake.
- 5.2 Allied to this, members will appreciate the importance of ensuring a steady flow of funding "calls" from the Combined Authority to applicants, to secure a steady flow of applications and ultimately, scheme approvals. This is especially important in view of the increased level of funding that the Combined Authority now benefits from and the imperative to deliver on the ground. At a practical level, the actual timing of these calls also needs to be responsive to eligible schemes' state of development and readiness.
- 5.3 As such, the Transport Committee recommends to the Combined Authority that the detail and timing of future Transforming Cities Funding "calls" is delegated to the Director of Policy and Strategic Commissioning, in conjunction with the Lead Portfolio Member for Transport and Air Quality. These funding "calls" or commissions will be published on the Combined Authority's website and communicated to local authority and other interested parties as they become available. The "calls" would be linked wholly to the three agreed priorities and associated commissioning text agreed by the Combined Authority in July 2018.
- 5.4 This approach is commended in the interests of effectiveness and efficiency, by ensuring that schemes and priorities are invited to be brought forward on a rolling basis and without needing formal approval by the Combined Authority each time. It is important to note that the Director of Policy and Strategic Commissioning also sits as a member of SIF Investment Panel, and that in the interests of transparency, they will be required to register an interest when considering projects that they have specifically invited to come forward.

- 5.5 In addition, Members are reminded that all final funding decisions on Transforming Cities Fund applications rest with the Combined Authority, in line with the principles governing the Strategic Investment Fund as set out in the newly adopted Assurance Framework. This proposal to streamline the commissioning process does not alter the overriding tests and safeguards set out within the Assurance Framework.

6. RESOURCE IMPLICATIONS

6.1 Financial

The funding takes the form of a section 31 capital grant. It will be managed by the Combined Authority in accordance with the new Single Investment Fund Assurance Framework.

In addition to the need to manage the grant funding across financial years, there will be financial implications associated with the development of business cases and with their associated appraisal.

The Combined Authority agreed in October 2018 to commission £6.4 million in pre-development funding, now provided for in the updated assurance framework, and the appraisal costs will be met from within the Combined Authority's operating budgets.

6.2 Human Resources

There will be Human Resource implications associated with the management of the fund from within the Combined Authority in terms of the commissioning process, the appraisal of submissions and with the monitoring and evaluation of measures. These will be addressed as part of the ongoing resourcing of the Combined Authority.

6.3 Physical Assets

The funding will support the delivery and enhancement of sustainable transport infrastructure across the Liverpool City Region.

6.4 Information Technology

There are likely to be Information Technology implications associated with the funding, given the imperative by government and by the Combined Authority alike to support technological enhancements that break down barriers to the increased use of sustainable transport (e.g. smart ticketing and the provision of high quality information).

7. RISKS AND MITIGATION

- 7.1 The funding will be managed as part of the Strategic Investment Fund. Through adherence to the Assurance Framework, safeguards exist to ensure that value for money is achieved and that funds are committed appropriately. There will also be a need to ensure that appropriate capacity is in place to oversee the successful delivery of the measures.

- 7.2 The principal risks relate to ensuring that funding is spent in line with the annual funding allocations, as set out in paragraph 4.8 above.

8. EQUALITY AND DIVERSITY IMPLICATIONS

- 8.1 There are no direct implications at this strategic level, but equality and diversity considerations will be addressed in detail as part of the business cases that are developed for the ensuing measures.

9. COMMUNICATION ISSUES

- 9.1 There are no direct implications issues at this stage, but the marketing and promotion of new sustainable transport infrastructure that is delivered using the funding will be important, in order to maximise its success.

10. CONCLUSION

- 10.1. This report updates the Combined Authority on the progress of the Transforming Cities Fund, following the first commissioning round launched in July 2018. The report also provides a brief update on additional Transforming Cities Funding that stems from the 2018 Autumn Budget.
- 10.2 At a city region level, three Strategic Outline Case (SOC) applications have been received in respect of the three commissioned projects previously invited to come forward by the Combined Authority. These are being considered. In addition, four bids seeking a share of the development funding have been received and form a separate agenda item.
- 10.3 It has previously been agreed in principle that Transforming Cities Funding will be commissioned on a rolling process, to reflect the fact that candidate measures are at varying stages of readiness. To this end, the Transport Committee recommends that the detail and timing of future Transforming Cities Funding “calls” is delegated to the Director of Policy and Strategic Commissioning, in conjunction with the Lead Portfolio Member for Transport and Air Quality. This is in the interests of effectiveness and efficiency, by ensuring that schemes and priorities are brought forward on a continuous, rolling basis. This proposal does not alter the overriding tests and safeguards set out within the Assurance Framework.
- 10.4 Members will receive further regular updates on future commissioning rounds and on emerging schemes.

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Appendices:

None

Background Documents:

None