



West Midlands
Combined Authority

WMCA Investment Board

Date	24th July 2023
Report title	Update Report: City Region Sustainable Transport Settlement – Quarter 4 FY 2022-23
Portfolio Lead	Councillor Bob Sleight - Finance & Investments
Accountable Chief Executive/TfWM Director	Anne Shaw (Executive Director of Transport for West Midlands)
Accountable Employee	Carl Beet (Head of Strategy & Intelligence)
Report has been considered by	N/A

Recommendation(s) for action or decision: Report for information only

The WMCA Investment Board is recommended to: Note the contents of this Report, including:

1. The status of the City Region Sustainable Transport Settlement change control application submitted to Department for Transport, set out at **Section 4**.
2. The proposal to formally re-base the CRSTS1 programme, allowing for over-programming, ready for further consideration by WMCA Board in September 2023, working with all scheme promoters to ensure realism over scheme costs, spending and delivery profiles for all schemes. This is in response to the DfT's 'once in a programme' opportunity to re-baseline the programme (**Section 4**).
3. The M&E and reporting requirements associated with the City Region Sustainable Transport Settlement set out at **Section 5**.
4. The programme monitoring plans set out at **Section 6**.
5. The Quarter 4 FY22-23 progress reported at **Section 7**.
6. The key points concerning the CRSTS1 Memorandum of Understanding updated Terms and Conditions that the WMCA Section 151 Officer is required to sign-off, set out at **Section 8**.

7. The announcement from Central Government within the Spring Budget for a second round of CRSTS ('CRSTS2'), summarised at **Section 9**.
8. The CRSTS Annual Monitoring Report for FY22-23 at **Appendix 1**.

1 Purpose

- 1.1 The Investment Board agreed on 14th November 2022 to receive a quarterly report on the status of the City Region Sustainable Transport Settlement ('CRSTS'), to help set the context for any investment decisions being made by the Board. This report fulfils that requirement.
- 1.2 The purposes of this report are to:
 - (a) Update Investment Board on any key events since the previous update report;
 - (b) Outline the requirements for monitoring & evaluation (M&E) and reporting of the CRSTS programme;
 - (c) Update Investment Board on the progress made across the programme to date; and
 - (d) Set the context for any investment decisions being made by the Board.

2 Background

- 2.1 The Investment Board was established by the WMCA Board as a key element of the approvals process across the WMCA Investment Programme.
- 2.2 On 10 June 2022, WMCA Board approved extending the role and remit of WMCA Investment Board to cover all WMCA projects (**including those within the CRSTS programme**), allowing investment decisions to be made for values between £5m and £20m in line with the WMCA Single Assurance Framework.
- 2.3 The Investment Board considered and endorsed an enhanced Terms of Reference at its meeting on 24th July 2020. This set out an enhanced role supporting decision-making, greater post approval controls, performance management and effective delivery of monitoring & evaluation requirements.
- 2.4 The enhanced Terms of Reference included the following:
 - To add conditions to any funding decision that falls within its delegated authority. Minimum conditions should specify the availability period, conditions to drawdown of funds, conditions for withdrawal of support and terms of clawback, start date and completion date for the project or programme.
 - Where oversight of monitoring and evaluation applies to the Investment Board, to consider whether a formal review of project or programme is required, and to consider this review itself or instruct the Investment Panel to do so on its behalf.

3 Overview of the CRSTS Programme

- 3.1 The National Infrastructure Strategy committed to investments in local transport networks to improve productivity in our largest cities. The national CRSTS programme aims to deliver transformational change through investments in public and sustainable transport infrastructure in some of England's largest city regions through grant funding of £5.7bn over five years (2022/23 – 2026/27).
- 3.2 The CRSTS funding is aimed at achieving the following objectives:
 - Driving growth and productivity;
 - Decarbonising transport; and
 - Levelling up services and areas.

- 3.3 The West Midlands submitted a programme level business case consisting of 50 projects and programmes totalling an investment of over £1bn in transport improvements. This investment includes a government grant of £1.05bn along with £120.1m as a local contribution from West Midlands Local Authorities, made up of:
- LA internal resources linked to ITB replacement programmes;
 - Enterprise Zone (Snow Hill Growth Strategy / Birmingham Victoria Square / One Station);
 - Private Sector inc. provision of new hydrogen vehicles & S.106;
 - Clean Air Zone and Bus Lane Enforcement; and
 - Local Authority borrowing.
- 3.4 The CRSTS funding consolidates a number of historic funding sources (including highways maintenance) and provides a very welcome five-year planning and resourcing horizon.
- 3.5 The government have made it clear that they expect the CRSTS programme and its outputs to be delivered in full by the end of March 2027.
- 3.6 Although the mechanics are yet to be confirmed, in principle future settlements will be merged into the Devo Deal single funding pot which is to be further considered by the WMCA Board in October 2023.

4 CRSTS Change Control Submissions

February 2022 Change Control Application

- 4.1 The WMCA Board approved the submission of a formal change control application to DfT which included bringing into the core delivery programme additional public transport interchange activity which was previously funded by TCF, as well as flexibility to address cost pressures emerging on Rail Package 1 & 2 (arising from the wider regional transport investment programme). This application was made in early February 2022 and following consideration by DfT Officials and Ministers a response was received on the 5th May 2023 approving the entry of the former TCF scheme into the CRSTS1 programme (subject to confirmation of how the financial implications of this will be managed in the overall programme).
- 4.2 This same change control application also sought to bring into the CRSTS programme the Rail Package 1 & 2 schemes as reserve schemes. This would enable them to be pulled into the main core funded CRSTS programme should it be necessary to support their current approved budget position. This aspect of the application has not at this stage been approved by DfT, who require some further clarifications, including information on the current funding mix of non-CRSTS funds such as the use of Rail Network Enhancement Pipeline funding (RNEP) and other local funding solutions.

Re-base Opportunity

- 4.3 WMCA officers have provided briefings to sittings of WMCA Board from December 2022 advising of the extent of cost pressures emerging across the Transport for West Midlands capital programme.
- 4.4 Some of this is a reflection of a wider national and international picture and some as a result of unique local factors including, but not limited to, programme adjustments to accommodate the Commonwealth Games and HS2 delivery. Significant efforts remain in place to mitigate these cost pressures as far as possible.

- 4.5 In recognition of the issues which all recipients of CRSTS are having, at a national level the DfT have set out a 'once in a programme' opportunity to formally re-base the CRSTS programmes to account for these inflationary pressures. They have been clear that this means increased costs for schemes which are currently included in the CRSTS programme can be addressed, either through slippage, scope reduction or removal. They have also been clear that the re-base should not be considered as an opportunity to generate new schemes or ideas for inclusion in CRSTS1.
- 4.6 DfT have set a deadline of the end of September 2023 to return any submissions (which are not mandatory). Should the West Midlands wish to pursue this opportunity it would need to do so with WMCA Board approval secured at its September meeting. When and if any submission is approved by DfT the programme that is accepted at that point would be what the T&Cs outlined above would apply to (specifically in terms of delivery expectations).
- 4.7 WMCA Board agreed on 9th June 2023 to begin work on rebasing the WMCA CRSTS programme for presenting in detail the rebased programme at the September 2023 meeting, before submission to DfT.

5 Monitoring & Evaluation and Reporting Requirements

- 5.1 In addition to it being good practice to regularly monitor programme performance, part of the funding conditions associated with the CRSTS allocation is that West Midlands Combined Authority, acting as the accountable body, is required to undertake M&E of the West Midlands programme.
- 5.2 The Department for Transport (DfT) require a quarterly update on programme progress via an Excel template and a fuller annual update containing updates on project progress. This annual update includes information on deliverables or key milestones and any changes to outputs or delivery start and end dates expected from projects within the programme.
- 5.3 WMCA submitted the Q4 FY22-23 update and annual report to DfT in early May 2023.
- 5.4 The quarterly update requires in-depth information on the programme covering aspects such as:
 - Overall progress summary (at programme level);
 - Delivery confidence assessment (at project and programme level);
 - Programme level expenditure by funding source and financial quarter (both forecast and outturn);
 - Details of local contributions achieved, by source;
 - Details of project / programme change control requests and decisions;
 - Progress against key milestones for each project;
 - Key risks (at project and programme level); and
 - Progress against outputs delivery and outcomes.
- 5.5 The level of detail requested by DfT for monitoring purposes for CRSTS is much more expansive than any recent funding streams and will require significant levels of engagement with, and information from, project teams.
- 5.6 DfT have recently issued a set of Terms and Conditions for CRSTS, and a formal Memorandum of Understanding has been issued for the WMCA S151 officer to sign and agree. This emphasises a number of key points including WMCA accountability for scheme costs incurred which are outside CRSTS funding allocations and the potential for CRSTS funding to be reduced if delivery is considered to be below required standards.

6 TfWM Programme Monitoring Plans

- 6.1 Given the greater emphasis being placed on Monitoring and Evaluation (M&E), there is clearly the need for WMCA to implement a robust mechanism for meeting the requirements of DfT and to ensure that the programme is on track to deliver as required by the end of March 2027.
- 6.2 As a result of the enhanced monitoring & evaluation requirements, TfWM allocated a portion of the CRSTS allocation to establishing a small team to undertake both the monitoring and reporting to DfT and also to designing and undertaking an amount of M&E for each project within the programme. It was recognised particularly large or novel projects (e.g., Coventry Very Light Rail) would require additional M&E activity to be funded by that specific project directly from its allocated funding.
- 6.3 The TfWM M&E team have created excel-based templates to capture project milestones and risk information which have been distributed to each CRSTS project team to enable a consolidated programme position to be captured and reported.
- 6.4 There is a separate spreadsheet which is distributed by WMCA finance to capture the financial information which is undertaken in order to secure S151 sign-off and is in a format which is already familiar with local authority finance teams. This information is being passed back to the TfWM M&E team for consolidation with the rest of the project information.
- 6.5 The use of excel spreadsheets to capture this information is not ideal and generates risks around version control, errors when transferring data and data formatting / consistency. For these reasons TfWM have been exploring the use of a cloud-based project & programme management tool. This will be developed and piloted initially for CRSTS monitoring and reporting, but a wider project has been initiated to see if this same tool could be applicable more widely across the WMCA portfolio.
- 6.6 For the first few reporting periods TfWM will be gathering project update information via spreadsheets and entering the returns into the management software. The aspiration is that once the system is fully set-up and tested, project teams will be able to provide updates directly into the system.

7 CRSTS Q4 2022-23 and Year 1 Progress Update

- 7.1 The second round of updates from project teams has generally worked well, with responses from all teams in advance of the DfT Q4 reporting deadline.
- 7.2 A summary of the current capital Q4 position and forecast position is outlined below:

Programme Progress

- 2 (Sub-)Programme Business Case has been approved;
- 10 Strategic Outline Cases have been approved;
- 3 Outline Business Cases have been approved;
- 10 Full Business Cases have been approved;
- 8 projects / programmes have reached delivery stage;
- £501.97m of CRSTS funding has been approved as at 31st March 2023; and
- £91.35m of expenditure incurred funded from the £1.05bn West Midlands CRSTS capital settlement as at 31st March 2023.

Funding Approved

- 7.3 Since the previous Q3 CRSTS Update Report, the following submissions have been approved:
- Metro Line 1 Renovation Costs – A FBC submission to award £27.85m of CRSTS funding bringing the total allocation to this project to £30m, was approved on 17th March 2023 by the WMCA Board.
 - ULEV Black Country – An OBC submission to award £0.23m of CRSTS funding was approved by the CRSTS WMCA Executive Director on 27th March 2023.
 - Foleshill Transport Package – Junction 9 Cycleway – A BJC submission to award £0.22m CRSTS funding for the delivery of a cycleway within the existing Foleshill Transport Package on 20th April 2023 by the CRSTS WMCA Executive Director.
 - Coventry South Sustainable Transport – A SOC submission to award £0.57m of CRSTS funding was approved on 5th May 2023 by the CRSTS WMCA Executive Director.
- 7.4 The funding approved from the £1.05bn West Midlands CRSTS programme totals £503.12m as at 31st May 2023. It should be noted that WMCA are required to maintain a 'soft contingency' of £100.00m of unapproved funding until the end of Year 3 of the programme, being 31st March 2025.

Other Project Updates

- 7.5 The Wednesbury to Brierley Hill Extension scheme has seen increased projected costs due to supply chain and inflationary pressures. In order to address these pressures, the WMCA has secured £60m capital from DLUHC through the Deeper Devolution Deal, which is subject to a review of the business case.
- 7.6 However, it is noted that this additional funding is not enough to affordably deliver the whole WBHE scheme. It has therefore been proposed to split the WBHE scheme into phases, with phase 1 delivery to Merry Hill being funded by a combination of funding that is already committed within CRSTS, WMCA financing, the newly allocated DLUHC funding and a further allocation of CRSTS funding which is expected to be confirmed within the overall CRSTS programme rebase.
- 7.7 The Very Light Rail programme is a retained scheme requiring explicit approval from DfT before spending could be distributed by the WMCA. A Strategic Outline Business Case was submitted to DfT to the value of £36.8m, however DfT have advised that they require an alternative approach to be pursued which better reflects the innovative and R&D nature of the VLR programme.
- 7.8 In the interim £7.3m of the SOBC approval already agreed by the WMCA Board has been approved by DfT for release. This funding headroom is close to being reached and consequently there is a risk of delay to this programme. This matter is being pursued with DfT officials in close collaboration with WMCA officers, TfWM and Coventry City Council.
- 7.9 Aldridge Station is a second scheme which is retained by DfT. An SOBC to the value of £3.6m was submitted to DfT and they have since expressed their willingness to release these funds subject to an agreement being reached with Network Rail on the scope and funding of a further electrification study. Engagement is ongoing with Network Rail on this point; however, it is important to note that the scope approved by WMCA excluded funding for this further study.

Key risks

- Inflationary pressure may result in cost overruns or the need to reduce the scope of some projects or the overall programme.
- Public objection to projects which reallocate road space or prioritise bus and active travel over cars
- Over half of projects (55%) are currently reported to finish delivery in the final year of the programme with 39% reported to complete in the final quarter of the programme.
- Potential for problems with supply chain and simultaneous disruption on the network.
- Potential for the CRSTS fund to be impacted by projects currently outside the programme but already in flight and experiencing cost inflation ultimately requiring them to be included within the CRSTS programme (following appropriate formal change control).

7.10 The overall delivery programme also remains substantially heavily back ended within the 5-year period. Over half the schemes in the programme are not due to complete delivery until the last half of the final year (2026/27). This means that there remains a significant risk of delivery slipping into the next CRSTS funding and delivery period. As set out further below, under the current funding terms and conditions, it is not permitted to carry over of funding beyond the end of the CRSTS1 period. Therefore, underspend in the CRSTS1 delivery period risks funding to the region being lost. This will be addressed as we re-baseline the programme as referred to in **Section 4**.

7.11 The reporting of projects as being currently planned to deliver relatively late in the programme is due to the relative early stage of development of many of the projects. Many projects have been dependent on the CRSTS funding programme commencing in order to be able to access capital development funding. As the next few quarters are reported it is expected that the currently reported delivery profile will evolve. Work will be undertaken with scheme promoters to identify how schemes can be accelerated and the risk of delays mitigated.

7.12 Whilst the actual spend to date is strong and stands at c.£100m for Year 1, it is behind the originally envisaged spend profile for the programme of £140m. This is not currently considered unreasonable, especially given the circa 3-month delay during Year 1 allowing for the final funding programme business case approval by DfT and the release of funding. However, moving forward, increasing the delivery pace by all scheme promoters and work to bring forward activity and reduce the back-ended nature of the programme will be crucial to reduce the risk of CRSTS1 funding withdrawal by the DfT.

Local Contribution

As a condition of the CRSTS funding, the West Midlands programme business case was required to demonstrate a commitment to provide match funding towards the programme. The commitments made are outlined below:

Authority	Local contribution (£m)
Birmingham	32.30
Coventry	8.57
Solihull	3.00
WMCA	76.19
Total	120.06

- 7.13 A set of schemes which can be pulled forward without further explicit approval has been agreed with DfT. These could be used to off-set slippages or where a specific project is cancelled. The ability to trigger this change control process is also linked to the soft-contingency mechanism addressed below.
- 7.14 The outturn local contribution is a metric that the Department for Transport are asking WMCA to report on. To date £0.53m of local contributions have been secured. Whilst it is not essential that the split by authority is as shown in the table above, it is important to secure the total amount of local contribution agreed of c. £120.06m, over the five-year period to meet DfT funding terms and conditions. Promoters should be actively seeking contributions, in particular from the private sector, wherever possible.

Capacity funding to Support CRSTS

- 7.15 During FY 2021/22 DfT provided £8.9m of revenue capacity funding to enable scheme promoters to develop projects in advance of the full CRSTS funding. This £8.9m has been distributed amongst scheme promoters as directed, following WMCA Board approval (September 2021), although no scheme promoters have fully exhausted this funding to date.
- 7.16 In addition to the £8.9m received in FY 2021/22, DfT awarded a further £16.6m of revenue funding. Agreement as to how this funding will be distributed has been reached by WMCA Finance Directors and Strategic Transport Officer Group, and was endorsed by WMCA Board on 17th March 2023.
- 7.17 This funding is being distributed amongst scheme promoters and is being used to support wider capacity in the Local Authority transport teams and to bring forward activity in the remaining CRSTS capital schemes which do not yet benefit from the first stage of business case development (the costs of which cannot be capitalised).

Programme Baseline and Future Updates

- 7.18 This update is the second undertaken for the CRSTS programme since the bid was submitted. A considerable number of projects are still very early in their development cycle with some project teams still in the mobilisation phase after completion of other projects over the summer. This means that there is a degree of uncertainty in some of the forecasts presented in this update report.
- 7.19 It is envisaged that as more engagement takes place with project teams and as projects become more mature, it is likely that timescales and funding profiles are likely to change and become more certain.
- 7.20 As such it would be inadvisable to rely solely on this programme update for use as a baseline against future programme performance.

Anticipated progress during Q1 FY 23/24

- 7.21 Based upon the latest information provided by scheme promoters the following milestones were expected in Q1 of FY 23/24:

Submission expected	Project	Business Case Stage
Apr-23	Wolverhampton City Centre Movement – Walk, Cycle and Bus Package	FBC
Apr-23	Mobility Hubs & E-bikes	SOBC
May-23	Sutton Gateway	SOBC
Jun-23	Solihull Rail Station	OBC

Submission expected	Project	Business Case Stage
Jun-23	Chester Road Corridor – Segregated Cycleway and Capacity Enhancement	OBC
Jun-23	UKC – Solihull – Dorridge Bus Priority	SOBC
Jun-23	Dickens Heath to Solihull Town Centre LCWIP Scheme	OBC
Jun-23	Knowle to Solihull Town Centre LCWIP Scheme	OBC
Jun-23	A454 Walk, Cycle and Bus Corridor – Phases 1 & 2	OBC
Jun-23	Park & Ride Estate Development	SOBC

Annual Monitoring Report FY22-23

- 7.22 The FY22-23 CRSTS Annual Monitoring Report presented to WMCA Board on 9th June 2023 is provided at **Appendix 2**.
- 7.23 Good progress has been made during the first financial year of the CRSTS programme up to the end of March 2023. This has not represented a full 12 months of activity because the final approvals were not received from DfT until July 2022.
- 7.24 **Appendix 2** sets out the development and delivery status of each scheme within the programme, as well as headline delivery metrics based on the end of Q4 Year 1 monitoring returns from scheme promoters. The appendix includes some illustrative case studies of delivery activity.
- 7.25 Approximately £100m of delivery activity has been achieved across a number of schemes, including active travel, cycling, public transport, road safety and highway maintenance schemes. Most scheme promoters have been able to use the past year to increase their delivery capacity, appoint additional support and are on track to submit further business cases for funding approvals over the next year. This paves the way for a step-up in delivery pace following the critical mobilisation activity which has been taking place.
- 7.26 Other new funding has been secured and provided for 23/24 through a highway maintenance pothole fund, which is additional to the CRSTS1 highway maintenance allocations which themselves represent a 20% uplift on previous funding levels. This provides additional resource for the constituent Local Authorities except for Birmingham (as it is funded separately for this activity via a PFI arrangement).

8 Updated CRSTS Funding Terms and Conditions

- 8.1 The DfT have recently issued a consolidated set of Terms and Conditions for the funding. This includes the hardening up of a number of objectives for which the funding is expected to be used. These re-enforce the need to focus delivery activity on active travel and bus-based measures which maximise the impact on de-carbonisation and air quality.
- 8.2 A formal Memorandum of Understanding has been set out by the DfT which the WMCA's Section 151 Officer is required to sign. This emphasises a number of key points including WMCA accountability for scheme costs incurred which are outside CRSTS funding allocations; and the potential for CRSTS funding to be reduced in response to any delivery which is considered to be below the required standards (for example LTN1/20 compliance for cycle provision).

9 National Funding Announcement of CRSTS2 Enabling a 10 Year Funding Strategy

- 9.1 During HMG's 2023 Spring Budget announcements a national fund for a second round of CRSTS was announced (CRSTS2). This is to be made available exclusively to Mayoral Combined Authorities. At £8.8bn this is approximately £3.1bn larger than the current round of funding. It is understood HMG do not currently anticipate releasing any guidance on funding criteria (or any formulae based or competitive element to the funding approach) until into 2025. However, it is near certain that it will have to be used in a way that supports national transport policy. This is highly unlikely to change from the current broad emphasis on de-carbonisation, social equity, air quality etc, and consequently detailed guidance will favour active travel and public transport investment priorities.
- 9.2 If confirmed during future comprehensive spending reviews under the next HMG it is likely that the national fund will need to be shared amongst an additional 2-3 Mayoral Combined Authorities than was the case for CRSTS1. Once inflation is factored in, it is anticipated that the CRSTS2 allocation for the West Midlands will be broadly commensurate with the CRSTS1 allocation of c.£1bn (in today's value).

10 Financial Implications

- 10.1 There are no direct financial implications arising from the recommendations within this report.

11 Legal Implications

- 11.1 There are no legal implications as a result of the recommendations within this report.

12 Equalities Implications

- 12.1 There are no equalities implications as a result of the recommendations within this report.

13 Inclusive Growth Implications

- 13.1 There are no inclusive growth implications as a result of the recommendations within this report.

14 Geographical Area of Report's Implications

- 14.1 There are no geographical implications as a result of the recommendations within this report. The CRSTS Programme comprises an array of projects throughout each of the seven West Midlands constituent member areas. These programmes also have implications for some non-constituent areas and the wider local area beyond the constituent member regions.

15 Other Implications

- 15.1 Not applicable.

16 Schedule of Background Papers

- 16.1 Appendix 1 – CRSTS Annual report 2022/23 FY