



Transport Delivery Overview & Scrutiny Committee

Date	11 December 2023
Report title	Update Report: City Region Sustainable Transport Settlement – Quarter 2 Financial Year 2022-23
Portfolio Lead	Transport - Councillor Mike Bird
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Report has been considered by	N/A

Recommendation(s) for action or decision:

The Transport Delivery Overview & Scrutiny Committee is recommended to:

- (1) Endorse the contents of this report, including:
 - (a) The status of the City Region Sustainable Transport Settlement change control application submitted to Department for Transport, set out at **Section 3**.
 - (b) The terms, process and content of the CRSTS 1 programme re-base submission approved by WMCA Board on 15th September 2023. This was in response to the DfT's 'once in a programme' opportunity to re-baseline the programme (**Section 4**).
 - (c) The M&E and reporting requirements associated with the City Region Sustainable Transport Settlement set out at **Section 5**.
 - (d) The Quarter 2 FY23-24 progress reported at **Section 6**.

- (e) The implications for the West Midlands of the announcement of Network North and CRSTS 2 set out at **Section 7**.

Purpose

- 1.1 The report is intended to provide Transport Delivery Overview and Scrutiny committee with an update on the £1.05Bn West Midlands City Region Sustainable Transport Settlement ('CRSTS') programme.
- 1.2 The purpose of this report is to:
- (a) Update on any key events that have an impact on the programme e.g. changes in guidance or advice from DfT;
 - (b) Outline the requirements for monitoring & evaluation (M&E) and reporting of the CRSTS programme; and
 - (c) Update on the progress made across the programme to date.

2 Overview of the CRSTS Programme

- 2.1 The Government's 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).
- 2.2 The CRSTS funding is aimed at achieving the following objectives:
- Driving growth and productivity;
 - Decarbonising transport; and
 - Levelling up services and areas.
- 2.3 The West Midlands submitted a programme level business case consisting of over 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 WMCA and Local Authorities.
- 2.4 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 CRSTS Change Control Submission

- 3.1 In February 2023 the WMCA Board approved the submission of a formal change control application to DfT which included bringing the Dudley Interchange project into the core delivery programme, which was previously funded by Transforming Cities Fund (TCF). The change control also requested flexibility to address cost pressures emerging on Rail Packages 1 & 2. This application was made in early February 2023 and following consideration by DfT Officials and Ministers a response was received on the 5th May 2023 approving the entry of Dudley Interchange into the CRSTS1 programme (subject to confirmation of how the financial implications of this will be managed in the overall programme).
- 3.2 Following further negotiations with DfT officials, approval of the inclusion of Rail Packages 1&2 into the programme was received on 22nd November.

4 CRSTS Rebase

Context

- 4.1 A number of CRSTS eligible MCA's raised that, given the high rate of inflation since the creation of the original programme, delivery of all of the outputs forecast in the initial programmes developed over 2021 and submitted in January 2022 will be unaffordable. In acknowledgement of this, the DfT and HM Treasury agreed to permit a one-time only re-base of CRSTS programmes across the country.
- 4.2 The following conditions were required to be met as part of this exercise:
- Projects can be removed from the programme or added but DfT have emphasised this should not be seen as an opportunity to introduce brand new initiatives.
 - All projects must align with the objectives of the national CRSTS programme.
 - The total funding envelope must remain the same.
 - Overall, the target 15-20% local contribution must be met.
 - The outputs can be reduced.
 - The funding time horizons must remain the same (spend and delivery by March 2027).
 - The re-based programme submitted to DfT will need to demonstrate that it still delivers good value for money.
- 4.3 During the development of the re-base position, DfT supplied further guidance which permitted MCAs in receipt of CRSTS funding to over-programme their portfolio by up to 25% of their allocation.

Process

- 4.4 In June 2023, TfWM issued a template to representatives from the 7 constituent authorities to provide them with an opportunity to re-base their CRSTS schemes.
- 4.5 The completed templates were submitted to WMCA to allow a West Midlands wide view to be developed. The information was consolidated and checked with further clarifications sought where required. Collaboration between Officers of all seven Local Authorities, TfWM and WMCA Finance has been undertaken to ensure that the total programme remains balanced and affordable, and that the balance of investment across the region remains consistent with that of the original programme. The revised programme was submitted to DfT in early October 2023.

4.6 DfT have acknowledged the receipt of our re-based CRSTS programme and we are expecting formal approval of the re-based programme in early 2024. Operationally we are now conducting business as usual on the basis of that re-based programme.

Key changes

4.7 As detailed above, the baseline CRSTS funding award totalled £1.050bn. In June 2023, WMCA Board approved the incorporation of £160.2m of additional costs into the CRSTS programme to accommodate project specific cost escalations. These escalations occurred due to the turbulent delivery environment, where material and labour costs / availability exceeded the estimates which were largely assembled before the onset of the pandemic and other significant macroeconomic events.

4.8 The £160.2m included the items contained within the DfT change request above plus other items approved by Board and the re-base provided the opportunity to formalise these with DfT. The incorporation of those costs into the programme gave a total re-based CRSTS1 programme value of £1.2102bn.

4.9 A summary of the changes put forward into the re-base is included below.

Baseline Programme	£1,050.0m
Changes	
Plus : TfWM imported pressures (WMCA Board Approved 9 June 2023)	£160.2m
Less : Deduction on Hagley Road Rapid Transit	-£15.0m
Plus : Retained by TfWM for critical / unavoidable cost escalations (e.g. Package 1)	£15.0m
Rebased Programme	£1,210.2m

SUMMARY OF NET £ NIL CHANGES

Lead Authority	Scheme	Decrease	Increase
Birmingham	City Centre Active Travel Connections to Interchange One Station and Smallbrook Queensway	£5.0m	£5.0m
Solihull	East Birmingham to Solihull Corridor		£4.0m
	Multi-modal Access to HS2 Enhancement	£1.0m	
	Solihull Rail Station	£1.0m	
	UKC - Solihull - Dorridge Bus Priority	£1.0m	
Wolverhampton Sandwell	West Coast Mainline and M42 Public Transport and AT links to HS2 Hub	£1.0m	
	A4123 Walk, Cycle and Bus Corridor	£1.2m	£1.2m
Walsall Wolverhampton	A454 Walk, Cycle and Bus Corridor	£3.7m	£3.7m
Wolverhampton	A449 Walk, Cycle and Bus Corridor Wolverhampton City Centre Movement - Walk, Cycle and Bus Package	£4.0m	£4.0m
Coventry	Very Light Rail	£14.0m	
	Coventry South Sustainable Transport (GIGA Factory Links)		£4.0m
	Highways Maintenance		£10.0m
Dudley WMCA	Dudley Town Centre Interchange Sustainable Connectivity Package Dudley Interchange	£3.0m	£3.0m
TOTAL		£34.9m	£34.9m

4.10 With the exception of the £160.2m of items approved by Board, the remaining changes included in the re-base were cost neutral, albeit, in some cases, there is a reduction in delivery outputs over the CRSTS1 period.

4.11 The total post re-base programme cost totals £1.2102bn and represents an overprogramming of 15%, which is well within the 25% overprogramming limit stipulated by DfT and, as detailed above, is in line with the value agreed at WMCA Board in June 2023.

4.12 It should be noted that the resources receivable under CRSTS1 to March 2027 are fixed at £1.050bn. The ability to over programme to the value of £1.2102bn is made possible due to the announcements on Transport funding post March 2027 (CRSTS2) and the principle of WMCA essentially cash-flowing the works pending receipt of CRSTS2 payments was accepted by WMCA Board. There will, however, be a stock-take when CRSTS commitments reach £900m to ensure the assumptions underpinning the principles remain intact.

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 Q2 FY23-24 update and annual report to DfT in early November 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 had recently issued a set of Terms and Conditions for CRSTS, and a formal Memorandum of Understanding had been issued for the WMCA S151 officer to sign and agree. This emphasised 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. This has been signed and agreed.

6 CRSTS Q2 FY23-24 Progress Update

- 6.1 The most recent round of updates from project teams has generally worked well as teams have become more familiar with reporting requirements.
- 6.2 A summary of the current capital Q2 FY23-24 position and forecast position is outlined below:

Programme Progress

- 2 (Sub-)Programme Business Case has been approved;
 - 12 Strategic Outline Cases have been approved;
 - 3 Outline Business Cases have been approved;
 - 10 Full Business Cases / Business Justification Cases have been approved;
 - 8 projects / programmes have reached delivery stage;
 - £503.6m of CRSTS funding has been approved as at 31st October 2023; and
 - £161.5m of expenditure incurred funded from the £1.05bn West Midlands CRSTS capital settlement as at 30th September 2023.
- 6.3 It should be noted that the cumulative amount of funding formally approved has been reduced by WMCA rescinding funding approved on 25th November 2022, totalling c. £3.2m, to accelerate project development. This decision was made after DfT released guidance and a Memorandum of Understanding clarifying the eligibility requirements in respect of early project development expenditure funded from CRSTS.

Programme progress highlights

- 6.4 Since the previous update report for Q4 2022-23, the following submissions have been approved:
- Coventry South Sustainable Transport – An SOBC submission to award £0.57m of CRSTS funding was approved by the CRSTS WMCA Executive Director on 5th May 2023
 - A449 Walk, Cycle and Bus Corridor – An SOBC submission to award £1.2m of CRSTS funding was approved by Statutory Officers on 11th August 2023. The funding will be released conditionally as follows: £0.1m immediately, £0.68m following further design and costing work and £0.43m contingency (if required).
 - Mobility Hubs and e-bikes – An SOBC submission to award £0.41m of CRSTS funding was approved by the CRSTS WMCA Executive Director on 3rd July 2023
 - A454 Walk, Cycle and Bus Corridor: Noose Lane to Pinson Road – An FBC submission to award £0.3m of CRSTS funding was approved by the CRSTS WMCA Executive Director on 13th July 2023
 - Park and Ride Estate Development: Tile Hill Delivery – An SOBC submission to award £0.4m of CRSTS funding was approved by the CRSTS WMCA Executive Director on 8th September 2023
 - A454 Walk, Cycle and Bus Corridor: Phase 3 – An SOBC submission to award £0.9m of CRSTS funding was approved by the CRSTS WMCA Executive Director on 29th September 2023
- 6.5 The funding approved from the £1.050bn West Midlands CRSTS programme totals £503.6m as at 31st October 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.

6.6 In addition to this, a “CRSTS stock take” is to be undertaken once cumulative commitments total £900m (as approved at WMCA Board on 15th September 2023).

Key risks

6.7 In the 2023/24 Q2 templates, scheme promoters were asked to identify their top risks and assign a category to each risk. The breakdown of risks across the programme, by type, is given in **Appendix 1**.

6.8 The most common types of risk across the programme are budget risks (22%), followed by schedule risks (16%) and operational risks (10%).

6.9 Key programme risks are summarised in the list below:

- 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 (58%) are currently reported to finish delivery in the final year of the programme with 35% reported to complete in the final quarter of the programme.
- Potential for problems with supply chain and simultaneous disruption on the network.

6.10 The reporting of projects as currently planned to deliver relatively late in the programme is due to the relatively 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. It is therefore 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.

6.11 Whilst the actual spend to date is strong and stands at c.£162m as at Q2 FY-24, it is less than the envisaged spend at this point based on the baseline for the CRSTS programme set at January 2023. In most cases, 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 profiles being amended by the DfT.

6.12 WMCA are not presently forecasting expenditure to occur after the end of the current CRSTS settlement period but remain in regular dialogue with DfT so that they remain informed in respect of this risk.

Local Contribution

6.13 As a condition of the CRSTS funding, the West Midlands programme business case was required to demonstrate a commitment to provide match funding, derived from local sources, towards the programme.

- 6.14 The level of match funding expected to be required is c. £120m, representing approximately 15% of the region's CRSTS settlement (after the deduction of Highways Maintenance and Local Network Improvement Plan elements). It is important to secure the total amount of local contribution agreed 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.
- 6.15 The outturn local contribution is a metric that the Department for Transport are asking WMCA to report on. To date c. £6.5m of local contributions have been secured, though this could be amended in the future and is subject to potential re-financing.
- 6.16 As a result of the CRSTS re-base, the composition of the CRSTS local contribution is under review. There are numerous opportunities being explored across the region to help meet this target.

Programme forecast

- 6.17 A considerable number of projects are still very early in their development cycle, this means that there is a degree of uncertainty in some of the forecasts presented in this update report.
- 6.18 It is envisaged that as more engagement takes place with project teams and as projects become more mature, timescales and funding profiles are likely to change and become more certain.
- 6.19 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 Q3 FY 23/24

- 6.20 Based upon the latest information provided by scheme promoters the following milestones were expected in the remainder of Q3 of FY 23/24:

Submission expected	Project	Business Case Stage
Nov-2023	A454 Walk, Cycle and Bus Corridor: East Park active travel	SOBC
Nov-2023	Selly Oak to Longbridge Segregated Cycling	SOBC
Nov-2023	Black Country Walking and Cycling Package	SOBC
Dec-2023	Dudley Port ITH - Phase 1 and Phase 2 Development	BJC
Dec-2023	East Birmingham to Solihull Corridor: Damson Parkway active travel / Sprint improvements	FBC
Dec-2023	East Birmingham to Solihull Corridor: Bus Priority	OBC
Dec-2023	East Birmingham to Solihull Corridor: Damson Parkway active travel / Sprint improvements	OBC
Dec-2023	A454 Walk, Cycle and Bus Corridor: Phases 1 & 2	OBC
Dec-2023	Multi-modal Access to HS2 Enhancement.	SOBC

Submission expected	Project	Business Case Stage
Dec-2023	City Centre Active Travel Connections to Interchange: City Centre Active Travel Connections to Interchange Phase 2	SOBC
Dec-2023	UKC - Solihull - Dorridge Bus Priority	SOBC
Dec-2023	ULEV Infrastructure: ULEV - Rest of West Midlands	SOBC

7 Network North and CRSTS 2

Background

- 7.1 The Government announced on 4 October 2023 that parts of the HS2 scheme were to be cancelled. These changes to the scope of HS2 means that Phase 1 will be completed between London (Old Oak Common) to Birmingham and with a rescoped Euston station which will require a private consortium to invest in its completion. Phase 1b to Crewe would be removed and the HS2 line would reconnect to the existing West Coast Mainline at Handsacre to provide rail connectivity North.
- 7.2 The Prime Minister's statement highlighted that all of the £19.8bn committed to the northern leg of HS2 will be reinvested in the North and £9.6bn committed in the Midlands will be invested in the Midlands. A saving from the rescoped Euston station of £6.5bn will be reinvested across the Country. This funding is to be reallocated to other significant and important projects in the Midlands and North of the Country as part of a new £36bn plan to improve the country's transport. These changes were covered in the Network North document published on the same day and which indicated how this funding will be allocated and provides indicative timelines for delivery.
- 7.3 This funding is to be shared across City Regional Sustainable Transport Settlements (CRSTS), Bus Service Improvement Plans (BSIP's), local highway maintenance, the Major Road Network, Large Local Majors Programme (MRN/LLM) and the newly created Local Integrated Transport Settlements (LITS) for places not in combined authority areas. In addition to this, funding will be allocated to the Midlands Rail Hub for both scheme development and delivery.

Impact on CRSTS

- 7.4 On the 4th of October the Department of Transport (DfT) also published the changes to CRSTS allocations providing information with regards to the uplift of CRSTS 2.
- 7.5 In the Prime Minister's statement, it was stated that £100m would be made available within CRSTS 1 to the WMCA to support the delivery of existing metro extensions including the full scheme for Wednesbury to Brierley Hill High Street with some being available for Birmingham Eastside Extension as well as funding for Arden Cross located around the HS2 station in Solihull.

- 7.6 This funding is in addition to the £1.05bn of capital funding allocated for CRSTS 1 for the period 2022/23 -2026/27. The indicative amount for CRSTS 2 for the period of 2027/28 to 2031/32 is a total of capital and revenue increased from a baseline figure of £1.566bn to £2.648bn. An additional allocation of just over £1bn has therefore been provided additionally as a direct reinvestment of HS2 funds. £250m of this funding will be available early as revenue funding and will be made available during CRSTS1 period to support network stability to enhance the outcomes of CRSTS investment in public transport.
- 7.7 The allocations to CRSTS2 provide the confidence to over-programme CRSTS1 as detailed above thereby ensuring delivery of strategically important schemes in the current programme. Whilst CRSTS1 funds are not expected to be within the scope of the Single Settlement, CRSTS2 funds are expected to fall within the scope / arrangements of the Single Settlement. The allocation of available CRSTS2 funds will therefore follow the arrangements including the overarching functional and place-based strategies with relevant consultation / influence over the programme from Local Authority stakeholders and approval by WMCA Board.

8 Financial Implications

- 8.1 There are no additional budgetary implications as a result of the recommendations within this report being approved.
- 8.2 The report outlines the baseline CRSTS1 resources of £1.050bn and the current commitments of £1.2102bn against those resources. WMCA Board agreed in June 2023 the principle of over-programming against CRSTS1 with CRSTS2 resources being used to fund the over-programmed value once these are received.
- 8.3 Whilst government agreed to provide additional resources to WMCA under the Network North announcement, some of which will be received prior to March 2027 (being the end date for CRSTS1), these resources are earmarked for specific purposes (Wednesbury to Brierley Hill Metro and Arden Cross).
- 8.4 Any unallocated CRSTS2 resources will be deployed in line with arrangements used to deploy the single settlement with appropriate input from Local Authority stakeholders and approvals being sought by WMCA Board.

9 Legal Implications

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

10 Equalities Implications

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

11 Inclusive Growth Implications

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

12 Geographical Area of Report's Implications

12.1 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.

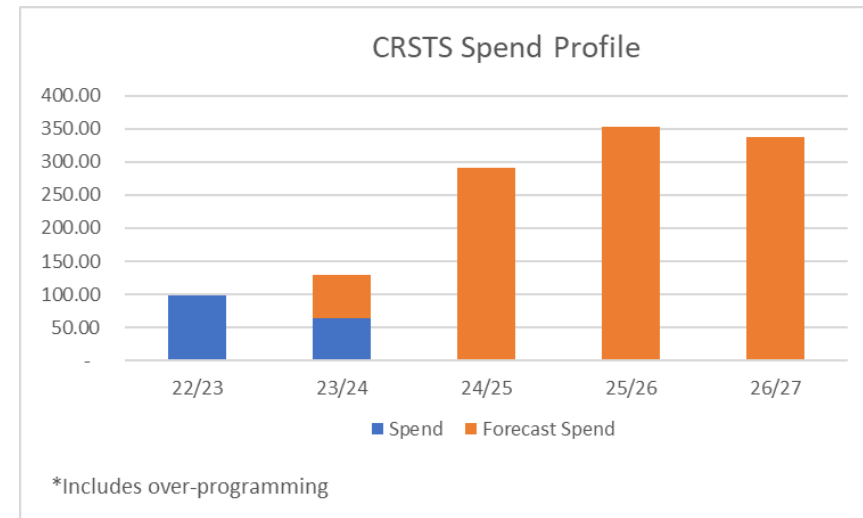
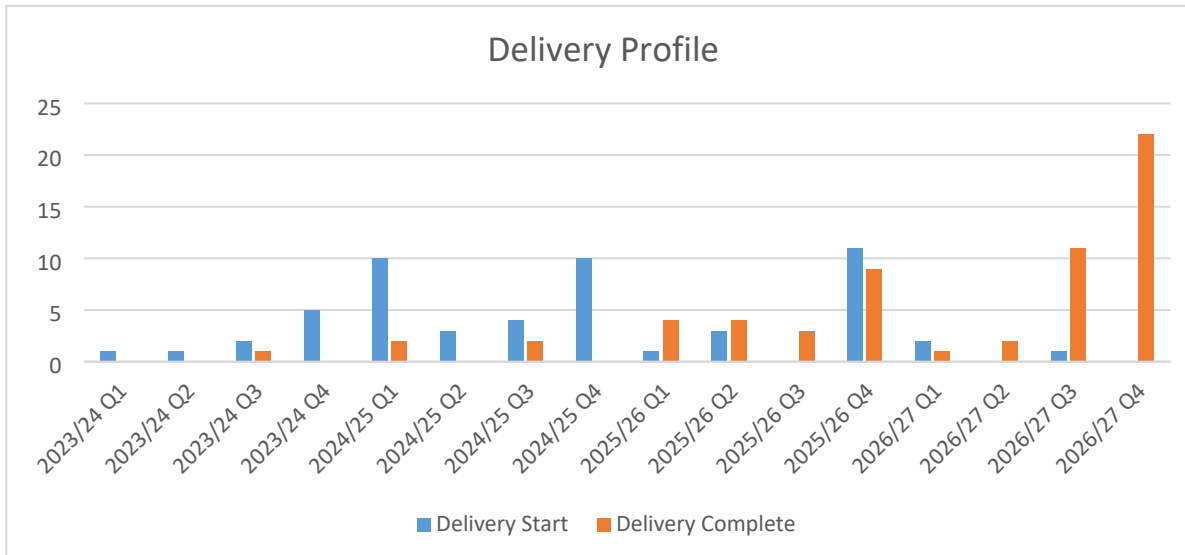
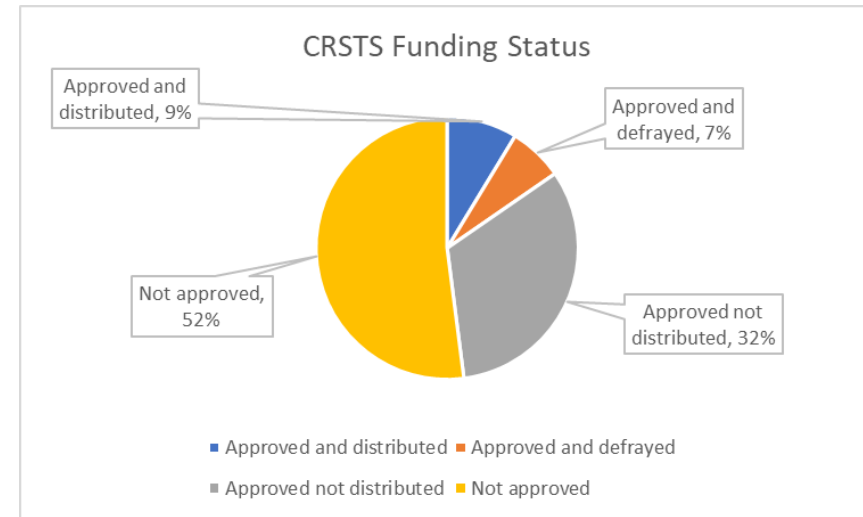
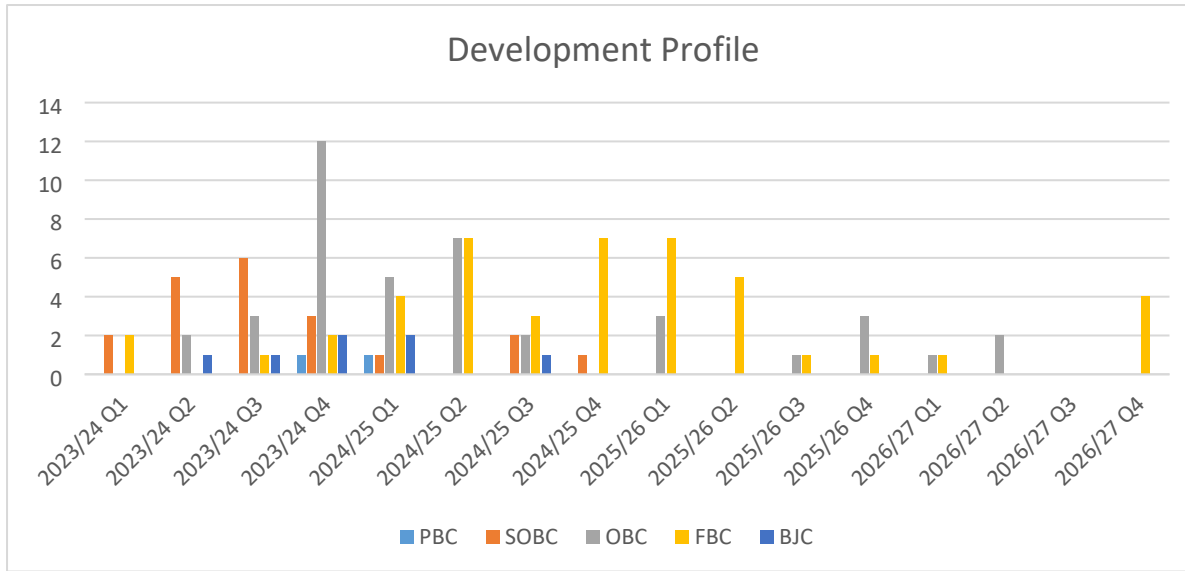
13 Other Implications

13.1 Not applicable.

14 Schedule of Background Papers

14.1 Appendix 1 – CRSTS Reporting Charts

APPENDIX 1: CRSTS Reporting Charts





Programme RAG Status

