

## Transport Scrutiny Sub-Committee

<b>Date</b>	24 November 2021
<b>Report title</b>	City Region Sustainable Transport Settlement
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<b>This report has been considered by</b>	WMCA Board 17 September 2021

**Recommendation(s) for action or decision:**

**Transport Scrutiny Sub-Committee is recommended to:**

1. Note an update on the WMCA's City Region Sustainable Transport Settlement with Government and on the next steps that are set out in section 7.1-7.5.

## **1. Purpose**

- 1.1 To provide an update on the regional transport infrastructure programme with Government, which forms part of the City Region Sustainable Transport Settlement (CRSTS). The Budget/Spending Review 2021 confirmed a WMCA allocation of £1.05bn for 2022-27.

## **2. Background**

- 2.1 CRSTS is a five-year capital settlement to enable the region to achieve its ambitions in terms of transport investment. The fund is overseen by DfT and aligns with the planned publication of a new Local Transport Plan (LTP). CRSTS commences in 2022-23 with £8.9m allocated to the West Midlands in 2021-22 to assist preparation and delivery of the settlement.
- 2.2 On 20 July 2021, WMCA and other Mayoral Combined Authorities received guidance from DfT pertaining to the CRSTS. Previously badged as the Intracity Transport Settlement, the fund is a five-year capital settlement to enable the region to achieve the Government's ambitions in terms of Transport investment, Carbon reduction, economic growth and levelling up.

## **3. CRSTS Prospectus**

- 3.1 Issued guidance by DfT set out that the WMCA area was given a funding range of between £780m - £1,280bn. This would include the final year of Transforming Cities Fund (TCF), Integrated Transport Block (ITB) and Highway Maintenance Grants as part of a 5-year funding programme.
- 3.2 In response to the guidance, a WMCA CRSTS investment prospects was developed and set out against Government priority outcomes of;
  - Growth and Productivity
  - Levelling up
  - Decarbonisation
- 3.3 However, the prospectus was developed locally and identified Programme Themes which were based on their alignment to emerging LTP, as well as Government priorities. This provided the framework for programme development and also included the principle of replacing the current Integrated Transport Block (ITB) allocations with Local Network Improvement Plans for each CRSTS programme theme.
- 3.4 This equates to a £107.5m 5-year rolling programme budget across the local authorities and TfWM. This will facilitate the continued delivery of minor schemes as per the current ITB funding. The current budget allocated for Local Network Improvement Plans represents a 21% increase on current ITB funding and a 18% increase on current maintenance block funding was also included.

- 3.5 The investment prospectus submitted by the WMCA totalled £1.732bn. This included an over programming of 35% (£452m), but also aimed to provide over £500m in local match funding. A total programme of £2.289m submitted to Government.
- 3.6 A draft prospectus was approved by WMCA Board on 17th September, which was developed in partnership between TfWM and the constituent authorities. The prospectus made the case for a funding programme which supports the long-term ambitions for the area and a strategic case for investment.

#### 4. WMCA settlement allocation

- 4.1 The WMCA formally submitted a full prospectus for £1.732bn of asks to DfT on 29th September 2021 (against an upper advised limit of £1.28bn). Ongoing negotiations took place between TfWM, Treasury and DfT during October 2021.
- 4.2 The Budget/Spending Review has confirmed a WMCA allocation of £1.05bn for 2022-27. Any final programme will have to be formally agreed with Government.
- 4.3 The first-year funding (2022-23), includes the final year of the TCF. The settlement also includes future allocations of existing devolved grants i.e. ITB and Highway Maintenance Block Grant. ITB has been historically calculated on a per capita basis by DfT and paid to the WMCA. Highway Maintenance Block Grant (including the incentive fund and potholes fund) is based on a technical formula set by DfT for each highway authority (except Birmingham).
- 4.4 If the historic arrangement was to be continued broad assumptions could be used to calculate what ITB and Highway Maintenance Block Grant allocations would have been beyond 2021/22\*, as set out below.

WMCA	2022/23	2023/24	2024/25	2025/26	2026/27	Total
ITB	£17.75m	£17.75m	17.75m	£17.75m	£17.75m	<b>£88.75m</b>
Highway Maintenance Block Grant	£20.35m	£20.35m	£20.35m	£20.35	£20.35m	<b>£101.75m</b>
TCF	£71.5m					<b>£71.5m</b>
					Total	<b>£262m</b>

*\*It is to be noted that this assumption is only made for the purposes on understanding new monies to the WMCA. The bid to government included an uplift for both ITB capital and Maintenance as part of the proposals.*

- 4.5 Removing TCF and the above assumptions on what the continuation of existing devolved grants might have looked like, the additional new money available to WMCA totals £788m over a five-year period. With the proposed Local Network Improvement Plans and Highway Maintenance Grant uplifts, as set out 3.4, this amount would reduce further.
- 4.6 It should be noted that Birmingham City Council receives a separate settlement for highway maintenance, through its PFI arrangements with the DfT. This equates c.£50m per annum (£250m over the CRSTS period) and includes PFI credits and additional Birmingham City Council investment.

## **5. Developing a revised West Midlands CRSTS programme**

- 5.1 The WMCA's investment prospectus submission was above the funding range which government indicated was available. DfT have confirmed that WMCA were not marked down for submitted a bid above this range. No MCA area received the maximum range of their submitted bids.
- 5.2 The local contribution that had been identified in the bid was significantly larger than other MCA's bids, however, some of it was predicated on achieving the full bid value which was above the top of the range (£1.7bn) so could not be guaranteed.
- 5.3 TfWM are now in discussions with DfT and Treasury to understand the next phase of the process to release the funding and what specific funding conditions HMG will apply to the West Midlands allocation. These are likely to reflect requirements to deliver cycle and bus infrastructure to a certain minimum level of standard; requirements for quantified de-carbonisation and various monitoring and evaluation requirements. Some schemes will be likely to be retained for final approval by DfT.
- 5.4 Government is also set to issue detailed guidance on how the statutory LTPs will need to demonstrate quantifiable carbon impacts, as set out in its Transport Decarbonisation Plan and national Net Zero Strategy.
- 5.5 Officers from TfWM and the constituent authorities are already working together to assimilate any HMG requirements in a local process to transparently prioritise the current £1.732bn programme to match the available funding. This will focus on deliverability, specific fund criteria and ability to achieve the outcomes set out in the prospectus approved by the CA Board in September. This will result in series of recommendations and dialogue with the Strategic Transport Board prior to further consideration by Board.
- 5.6 Recommendations for Board will include addressing how the principles captured in the bid are carried forward. This will cover issues such as how the replacement of Integrated Transport Block funding at an enhanced level (delivered in CRSTS under similar principles but through a series of Local Network Improvement Plans); and increased funding for highways maintenance will be met within the total available allocation.

## **6. Alignment to other new national funding streams**

- 6.1 The Budget/Spending Review 2021 also announced £1.2bn of new bus funding to deliver improvements in fares, services and infrastructure. This will be set out in the published Bus Service Improvement Plans (BSIP), the WMCA's BSIP is was submitted to DfT on 5<sup>th</sup> November 2021.

- 6.2 Advice received from Urban Transport Group suggested that the national BSIP funding will be evenly split between capital and revenue. It is understood that Government is likely to focus the capital elements of the BSIP on investing in areas that do not have a CRSTS allocation. This may place additional pressure on the CRSTS allocations, as Government are still likely to require similar outcomes regarding improvements to the public transport system.
- 6.3 Recent written DfT correspondence on the TfWM/WMRE unsuccessful Restoring Your Railways Fund bids and unsuccessful Levelling Up Fund bid (Metro depot expansion) may also add further pressures to the already over-programmed CRSTS prospectus programme. It should also be noted that in September 2021, WMCA Board agreed the principle that in the event the £50m Levelling Up Fund bid for the Metro Depot was not successful, the project would have a high-priority call against the CRSTS.

## **7. Next steps**

- 7.1 Confirmed funding of £1.05bn provides a great opportunity for the WMCA area to bring forward schemes which would not otherwise have been possible.
- 7.2 A further round of local prioritisation is required to match the programme to the confirmed allocation. The WMCA and local authority partners will need to satisfy government requirements to deliver against the settlement outcomes. This will also require direction and approval from WMCA Leaders and the Mayor. It is planned to come to either the January or February 2022 CA Board for formal approval of a recommended programme and final programme level business case (which DfT and HMT will need to approve).
- 7.3 Resources within TfWM, constituent authorities and delivery partners will need to be ramped up to manage the scale of any final programme. This is supported by the £8.9m of capacity revenue funding which WMCA Board approved the distribution of in September 2021.
- 7.4 As soon as HMG have confirmed the grant conditions and requirements for the final programme level business case a more detailed view of the impact on programme prioritisation can be formed. Monitoring and Evaluation will also be important as we will need to demonstrate impact of funding and delivery progress to inform future settlement rounds.
- 7.5 A programme level business case has to be developed and submitted to Government before April 2022.

## **8. Financial Implications**

- 8.1 The Financial Implications are set out in the report.

## **9. Legal implications**

- 9.1 There are no direct legal implications arising in regards to the recommendations set out in the report. Notwithstanding this, Legal notes that the capital projects identified in respect of the Settlement will require legal support and assistance to facilitate the delivery of those projects. Given this, legal will assist and support as necessary particularly in ensuring that funding agreements between the parties set out terms and conditions on which the funding is being made available by WMCA. The WMCA will need to ensure that decisions around programming after agreed allocation follow the usual principles of good governance including transparency, equitability and proportionality.

## **10. Equalities implications**

- 10.1 The proposed programme is likely to help support connectivity and improve the transport network, with a subsequent positive equality impact. At design stage individual schemes would need to undergo equality impact assessment to ensure equality considerations are embedded. Following confirmation of the funding allocation a full programme level business case will be required by HMG and this will include a comprehensive equalities assessment.

## **11. Inclusive Growth Implications**

- 11.1 The schemes for investment have been selected by theme and location and ensure that many of the region's most underinvested places are prioritised. This potentially covers several of the inclusive growth fundamentals:
- Climate resilience: resulting from investment into low carbon modes of transport and demand reduction.
  - Connected Communities: creating the right sort of mobility for the right places, based on social links as well as economic ones.
  - Health and Wellbeing: making it easier to choose active travel modes and improving air quality.
  - Equality: ensuring that people can access mobility regardless of where they live in the WMCA area.
  - Inclusive Economy: ensuring that people can travel quickly and conveniently to employment opportunities.
- 11.2 As this proposal will not be funded in full, it is important consider the programme match against the final allocation, to ensure that areas with the greatest need are not disadvantaged. Any areas not benefiting from direct CRSTS investment should be considered for application of other funding pots wherever possible.

## **12. Geographical Area of Report's Implications**

- 12.1 The report encompasses the West Midlands region. The CRSTS fund is specifically targeted at the constituent authority area, with existing Integrated Transport Block and maintenance funding for this area being wrapped in and the fund being attached to a requirement for a refreshed Local Transport Plan.
- 12.2 Notwithstanding this many of the identified initiatives provide significant benefit to the wider travel to work area, and as the LTP is refreshed continued dialogue will be held with non-constituent Transport Authorities to ensure good alignment and synergy between priorities and investment proposals.

## **13. Other Implications**

- 13.1 There are no other implications