

Birmingham City Council

Report to Cabinet

26 March 2019



Subject: **UPDATED TRANSPORTATION AND HIGHWAYS
CAPITAL PROGRAMME 2019/20 TO 2024/25
OPTION APPRAISAL**

Report of: **DIRECTOR, INCLUSIVE GROWTH**

Relevant Cabinet Member: **Councillor Waseem Zaffar – Cabinet Member for
Transport and Environment, Councillor Tristan
Chatfield – Cabinet Member for Finance and
Resources**

Relevant O &S Chair(s): **Councillor Liz Clements – Sustainability &
Transport
Councillor Sir Albert Bore – Resources**

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Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 005877/2018		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		

1 Executive Summary

- 1.1 To seek approval to the Option Appraisal (OA) updating the Transportation and Highways Capital Programme (THCP) for the period 2019/20 to 2024/25 to best achieve the Council's key policies and priorities, whilst facilitating streamlined and expeditious delivery at a total estimated cost of £221.024m (£210.683m approved programme, £8.093m to be approved in this report and £2.248m funding

pressure). The OA reflects new resources, revised project costings and programmes, expenditure profiles and policy changes that have occurred since approval of the previous strategy in July 2018. Within this update, approval is sought to allocate new Integrated Transport Block (ITB) capital funding available through the West Midlands Combined Authority (WMCA) devolved transport grant process (£5.160m in 2019/20) to support a range of projects and programmes that contribute towards key Council priorities set out in the West Midlands Strategic Transport Plan: Movement for Growth, Birmingham Development Plan and Birmingham Connected transport strategy; and to allow the Council to fulfil its obligations towards Clean Air and as Host City for the 2022 Commonwealth Games (CWG).

- 1.2 The CWG Transport Plan will be published for Consultation during 2019. This includes projects which will be required to be delivered by 2022 to facilitate the delivery of the games and the scope of the works will be subject to finalisation of the CWG Budget. However, some schemes which are already being developed and have been accelerated for the games are included in this funding strategy including the 3 CWG Sprint routes. Once the CWG Transport plan is published, CWG budget is agreed with Government and the full scope of transport works is identified and funded, further schemes will be added to the THCP at the appropriate time if the Council has a role in their delivery.
- 1.3 To seek approval to release development funding of £0.730m ITB to progress individual projects to Outline Business Case (OBC) or Full Business Case (FBC) stage in accordance with the Council's Gateway and Related Financial Approval Framework and to the delegations proposed within this report to expedite project delivery and enable a rapid response to be made to emerging grant funding opportunities.

2 Recommendations

That Cabinet:

- 2.1 Approves the Option Appraisal (OA) provided as Appendix A to this report at a total estimated capital cost of £221.024m (£210.683m approved programme, £8.093m to be approved in this report and £2.248m funding pressure), including Annexes A to F setting out major schemes, programme governance and prioritisation criteria, as an update to the Transportation and Highways Funding Strategy 2018/19 to 2023/24 authorised by Cabinet in July 2018 at a total estimated capital cost of £237.757m.
- 2.2 Approves an allocation of £5.160m in 2019/20 of new ITB funding provided through the WMCA devolved transport grant process.
- 2.3 Approves the release of ITB development funding of £0.730m to progress individual projects to OBC and FBC stage in accordance with the Council's Gateway and Related Financial Approval Framework (GRFAF) pursuant to the delegations set out in recommendations 2.5, 2.6, 2.7, and 2.8.

- 2.4 Notes that approved prudential borrowing (PB) detailed in Appendix B and associated PB financing will be formally committed at project FBC stage in accordance with the Council's GRFAF, with new resources and windfalls used to offset the requirement for borrowing wherever possible; the strategy for funding Tame Valley Viaduct capital works is included in Annex F of the OA accompanying this report, including a £2.248m funding pressure.
- 2.5 Delegates approval of all OBCs, FBCs and related reports including revised financial appraisals for named projects and programmes detailed in Appendix A (Annex F) of this report to the Director, Inclusive Growth in conjunction with the Chief Finance Officer, and in consultation with the Cabinet Member for Transport and Environment up to a maximum value of £2.000m.
- 2.6 Delegates approval of all Options Appraisals and Full Business Cases (FBCs) and related reports including revised financial appraisals for named projects and programmes detailed in Appendix A (Annex F) of this report to the relevant portfolio holders, jointly with the Director, Inclusive Growth, in conjunction with the Chief Finance Officer, up to a maximum value of £10.000m.
- 2.7 Delegates authority to bid for and accept external capital and revenue resources in line with Council priorities and consistent with the policies and objectives of the West Midlands Strategic Transport Plan, Birmingham Development Plan and Birmingham Connected transport strategy to the Director, Inclusive Growth, in conjunction with the Chief Finance Officer, and in consultation with the Cabinet Member for Transport and Environment, up to a maximum value of £2.000m, noting that such bids are to be subject to initial capital board oversight.
- 2.8 Delegates authority to bid for and accept external capital and revenue resources in line with Council priorities and consistent with the policies and objectives of the West Midlands Strategic Transport Plan, Birmingham Development Plan and Birmingham Connected transport strategy to the relevant portfolio holders, jointly with the Director of Inclusive Growth, in conjunction with the Chief Finance Officer, up to a maximum value of £10.000m, noting that such bids are to be subject to initial capital board oversight.
- 2.9 Notes that the West Midlands Combined Authority (Functions and Amendment) Order 2017 allows the WMCA to undertake works on the Key Route Network with the agreement of the City Council. The WMCA will take the lead role on projects such as SPRINT, along with a number of smaller projects that provide transport benefits for which it is the main funder. These will be developed and introduced to the programme throughout the year. All projects on the public highway undertaken by WMCA will be subject to a Section 8 / Section 278 (Highways Act 1980) Agreement and the appropriate approvals being secured through the Council's GRAF. The Council's relevant fees will be recovered from WMCA and administered through voyager.

- 2.10 Approves the additional £8.093m capital budget, which is funded from external funding resources, details of which are set out in Appendix D alongside the £2.248m funding pressure.
- 2.11 Authorises the City Solicitor to negotiate, execute and complete any necessary legal documentation to give effect to the above recommendations.

3 Background

- 3.1 The Transportation and Highways Capital Programme (THCP) performs an essential role in supporting a range of projects and programmes that contribute towards achieving the Council's key policies and priorities, as set out in the West Midlands Strategic Transport Plan, Birmingham Development Plan and the Birmingham Connected transport strategy.
- 3.2 The THCP was previously updated and approved by Cabinet on 31st July 2018 for a rolling 6 year period up to 2023/24. This report reflects new resources, priorities, opportunities, revised project costings and programmes, expenditure profiles and policy changes that have occurred since this time. Such changes include:
- 3.2.1 Support for the delivery of the Birmingham 2022 Commonwealth Games Transport Strategy, following the announcement of Birmingham as the Host City, with new and accelerated infrastructure schemes being a key part of the post games legacy;
 - 3.2.2 More clarification on the requirement for the Council to develop measures to meet European Air Quality Targets linked to compliance with the provisions of the Ambient Air Quality and Cleaner Air for Europe Directive 2008 and the Air Quality Standards Regulations 2010 (which sets limiting values for a range of pollutants to protect public health), through the proposed implementation of a Clean Air Zone (CAZ).
 - 3.2.3 Programme alignment opportunities with Network Rail and Highways England.
- 3.3 As part of the West Midlands Devolution Deal, HM Government agreed to devolve a consolidated local transport budget and provide a multi-year transport funding settlement, for which the WMCA Mayor became accountable from 2018/19. Devolved grant resources comprising ITB, Highways Maintenance Block, Highways Maintenance Incentive Funding and Bus Services Operating Grant (BSOG) have been confirmed until 2020/21, with annual allocations (£41.578m in 2019/20, of which £17.618m is ITB) to be paid to the WMCA as the relevant 'accountable body'.
- 3.3.1 Funding for highway maintenance is 'passported' directly to Councils, with the exception of Birmingham, whose allocation is deemed to be included within funding arrangements for the Highways Maintenance and Management Private Finance Initiative (HMMPI).

- 3.3.2 BSOG will be paid directly to Transport for West Midlands as revenue funding for tendered bus services.
- 3.3.3 The WMCA have allocated ITB funding to Birmingham and the other Metropolitan District Councils to be used for 'small transport improvement projects' on a per capita basis. This is in accord with the intention of Government that funding is used by transport authorities to help stimulate local economies by reducing congestion, improving road safety, improving accessibility and supporting the use of active and sustainable modes of travel. A total of £5.160m of new ITB capital funding has been allocated to Birmingham for integrated transport projects in 2019/20.
- 3.4 The structure of the THCP comprises the following programmes as described in Appendix A: Major Schemes; Inclusive and Sustainable Growth; Walking and Cycling; Local Measure (including Road Safety, Safer Routes to School, Local Minor Measures and District Schemes); and Infrastructure Development. A summary of ITB allocations is provided in the Finance Section.
- 3.5 ITB allocations have been determined on the basis of previously agreed commitments, particularly in relation to the Major Schemes, Inclusive and Sustainable Growth and Walking and Cycling programmes. Other allocations reflect rolling programmes in respect of Road Safety and Safer Routes to Schools, albeit with increased resources for local safety schemes in response to an increase in locations citywide meeting the intervention criteria set out in the Council's Road Safety Strategy.
- 3.6 As set out in paragraph 3.2, the process of updating the THCP provides an opportunity to reflect new resources, priorities, opportunities, revised project costings and programmes, expenditure profiles and policy changes. In this context it is proposed to complete the three year pilot programme for the prevention of damage to grass verges introduced following work by the former Economy, Skills and Transport Overview and Scrutiny Committee. This programme has an allocation of £1.000m of ITB funding to introduce prevention, regulation and accommodation measures over three financial years, with specific projects to be determined by Ward Councillors and implemented by the Local Engineering service. Further guidance for this programme is provided in Appendix A (Annex C).
- 3.7 In the development of previous iterations of the THCP a number of funding pressures were identified and a strategy formulated to resource these projects over a number of years using a mixture of PB and direct allocation of net Bus Lane Enforcement (BLE) surplus. The 2019/20 THCP continues to support this strategy and work is ongoing to minimise the amount of prudential borrowing which is eventually required through the wider ongoing management of the existing THCP resources and new resources as they become available. Further information is provided in the finance section.
- 3.8 In the context of emerging Council future operating models, there is a clear rationale to streamline project development and delivery processes associated

with the THCP to maximise delivery, enhance the Council's reputation, minimise costs and offset reduced officer resources in relevant departments. In addition, there is a need to respond more expediently to external funding opportunities that become available (Air Quality and Transforming Cities Fund/Commonwealth Games as examples in this report), often at short notice, and enable more effective budget and resource management within the confines of an agreed 6 year investment programme. To this end the delegations in recommendations 2.5, 2.6, 2.7, and 2.8 of this report are being sought.

4 Options considered and Recommended Proposal

- 4.1 Alternative options have been explored as part of the OA provided as Appendix A to this report, with the proposed option selected on the basis of best achieving the Council's key policies and priorities within finite resources, whilst maximising delivery and minimising risks.

5 Consultation

- 5.1 Consultation has been undertaken with the Assistant Director Highways, Assistant Director Planning, Assistant Director Development and the Assistant Director Transportation and Connectivity, who support the proposals contained within this report.
- 5.2 Full external consultation will be undertaken as part of individual OBCs and FBCs in accordance with normal practise including Ward Councillors, residents, emergency services, businesses, WMCA/TfWM and the Cycling Forum. Consultation will also be undertaken with Sutton Town Council and New Frankley in Birmingham Parish Council where appropriate.
- 5.3 Consultation has been undertaken with the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) in respect of Local Growth Fund (LGF) resources who support this approach.
- 5.4 Officers from City Finance, Procurement, and Legal Services have been involved in the preparation of this report.

6 Risk Management

- 6.1 Key risks are outlined in Appendix A (Annex E). It should be noted that a significant shortage of consultant and contractor resources in the marketplace could impact upon programme delivery and further increase project costs. Such risks will be managed by senior Transportation and Highways officers in conjunction with the relevant portfolio holders.

7 Compliance Issues:

- 7.1 **How are the recommended decisions consistent with the City Council's priorities, plans and strategies?**

- 7.1.1 The Transportation and Highways Capital Programme (THCP) performs an essential role in supporting a range of programmes and projects that contribute towards achieving the Council's key policies and priorities as set out in the Council Plan and Budget 2018+, West Midlands Strategic Transport Plan, Birmingham Development Plan, Birmingham Connected transport strategy, Clean Air and Commonwealth Games agendas.
- 7.1.2 In the context of inclusive economic growth, the THCP has a strong focus on supporting the Council's core mission to be a 'city of growth where every child, citizen and place matters'. In addition, the programme seeks to make a significant contribution towards the key priorities of children, jobs and skills, housing and health by reducing congestion, enabling growth, improving road safety, improving accessibility, improving air quality and encouraging active and sustainable modes of travel.

7.2 Legal Implications

- 7.2.1 The relevant primary legislation required to implement individual projects contained within the THCP comprises the Highways Act 1980; Road Traffic Regulation Act 1984; Road Traffic Act 1988; Transport Act 2000; Traffic Management Act 2004; Town and Country Planning Act 1990 and Planning and Compulsory Purchase Act 2004, together with related regulations and guidance. The Bus Lanes Contraventions Regulations 2005 are also directly relevant to this report in terms of the use of bus lane enforcement surpluses, alongside the Ambient Air Quality and Cleaner Air for Europe Directive 2008 and the Air Quality Standards Regulations 2010 in relation to Clean Air Zone implementation.
- 7.2.2 Section 111 of the Local Government Act 1972 empowers local authorities to do anything (whether or not involving the borrowing, expenditure or lending of money or the acquisition or disposal of any of its property) which, is calculated to, or is conducive or incidental to the discharge of any of their functions.

7.3 Financial Implications

Capital

- 7.3.1 The total forecast capital cost of the 6 year T&HCP 2019/20 to 2024/25 is £221.024m. This comprises £218.776m (£210.683m approved programme, £8.093m programme additions subject to approvals sought within this programme report) and a £2.248m funding pressure in respect of A38 (M) Tame Valley Viaduct (TVV) as detailed in the LGF section below. This programme profile is summarised in the table below:

	Approved	Subject to Approval	TVV Funding Pressure	Total forecast
Year	£m	£m	£m	£m
2019/20	61.262	1.183	0	62.445

2020/21	50.989	1.0	0	51.989
2021/22	47.353	0.75	0	48.103
2022/23	33.252	0	0	33.252
2023/24	15.582	0	0	15.582
2024/25	2.245	5.160	2.248	9.653
Total	210.683	8.093	2.248	221.024

7.3.2 The 6 year programme is split by funding source as follows:

Funding Source	£m
ITB	30.960
Transforming Cities Fund	4.425
Air Quality Grant	11.264
Cycle City Ambition Grant	3.007
DfT Major Scheme	0.227
DfT HS2	2.660
DfT SCE	0.670
LGF Major	106.761
Enterprise zone	8.342
Section 106/278	11.526
ITB Previous Years	5.111
Net Bus Lane Enforcement Surplus	7.937
Prudential Borrowing/Corporate Resources	25.886
Funding Pressure	2.248
Total Forecast Programme	221.024

Integrated Transport Block (ITB) funding

7.3.3 ITB Capital funding of £17.618m is to be allocated to the WMCA for 2019/20 as part of a multi-year transport funding settlement agreed as part of the West Midlands Devolution Deal. The WMCA is responsible for reallocating ITB funding to Metropolitan District Councils and Transport for West Midlands. A total of £5.160m of new ITB capital funding has been allocated to Birmingham for integrated transport projects in 2019/20.

7.3.4 Total ITB funding split across key themes within programme structure is shown in the table below. The confirmed values for 2019/20 include both the new 2019/20 allocation and prior years' allocations. The allocations shown from 2020/21 are yet to be confirmed.

	Confirmed	Provisional			Forecast		
ITB Programme Allocations	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Major Schemes	1,751	651	869	0	0	0	3,271

Inclusive and Sustainable Growth	486	75	875	1,575	1,575	1,575	6,161
Walking and Cycling	4,400	2,540	1,458	1,000	1,000	1000	11,398
Local Measures	2,634	1,325	1,325	1,325	1,325	1,325	9,259
Infrastructure Development	1,000	569	633	1,260	1,260	1,260	5982
Total	10,271	5,160	5,160	5,160	5,160	5,160	36,071

Other Funding Sources

7.3.5 ITB funding is significantly supplemented by bidding activities to Government and GBSLEP for funding including Local Growth Fund (LGF) as detailed below, Cycle City Ambition Grant (CCAG), Air Quality Grant, National Productivity Investment Fund (NPIF), Enterprise Zone (EZ), Transforming Cities Fund, and HS2 Road Safety Fund. In addition there is also funding from Corporate Resources including Prudential Borrowing (PB). These additional funding sources over the 6 year programme are shown in the Funding Source table above alongside ITB.

7.3.6 LGF Major Projects - The Council also has two major projects within its LGF programme:

- A457 Dudley Road major transportation improvements;
- A38 (M) Tame Valley Viaduct (TVV) critical strengthening works.

7.3.7 Final approval of these projects is retained by the DfT, with approval based upon the submission of green book compliant major scheme business cases. Submissions are expected in 2019/20 and on the basis of current estimates the local contribution required for these schemes totals £22.435m (£7.044m Dudley Road and £15.391m TVV) and is within the range expected by the DfT for major schemes (between 10% and 20% of overall project costs). The contributions will be required between 2021/22 and 2024/25 to lever a total of £94.450m from the LGF Growth Deal One programme.

7.3.8 A457 Dudley Road, the funding strategy is set out in the Cabinet report, approved on 26 June 2018, which includes prudential borrowing of £7.044m funded from net Bus Lane Enforcement (BLE) surplus. Further details in respect of BLE are provided in Appendix B.

7.3.9 A38 (M) TVV, since the 2018/19 THCFS work has been on-going to develop a funding strategy for the TVV scheme. As a result of further work to better define the full costs the estimated local contribution has

increased from £13.143 to £15.391m and as a result a funding gap has emerged of £2.248m. It should be noted that the DfT have confirmed that their contribution of £72.110m is capped and this change therefore results in a pressure which will have to be addressed as part of the Council's 2020/21 Capital Budgeting Cycle if the works are to progress. TVV will be subject to a separate Cabinet Report in 2019/20 which will set out the full funding strategy.

- 7.3.10 Net Bus Lane Enforcement Surplus Direct Allocation - In the development of previous iterations of the THCP a number of funding pressures were identified and a strategy formulated to resource these projects over a number of years using direct allocation of net Bus Lane Enforcement (BLE) surplus. The 2019/20 THCP continues to support this strategy.
- 7.3.11 Corporate Resources including Prudential Borrowing (PB) – The existing programme is part funded through corporate resources including PB, as detailed in the Funding Source table above. PB costs are funded from in year Net BLE surplus. The need to use corporate resources, including PB, will be minimised wherever possible through the wider ongoing management of the existing THCP resources and the identification of alternative funding streams/new resources. Further information on PB is provided in Appendix B.
- 7.3.12 The complete capital programme is provided in Appendix A – Annex F, detailing projects and associated funding sources on an annual and all years summary basis.

Revenue

Revenue Maintenance Costs

- 7.3.13 New capital transport projects by nature can attract additional ongoing maintenance costs in respect of improved or new assets. In addition there is also the opportunity to remove existing assets during works to mitigate cost increases. All projects will need to identify revenue maintenance implications and funding as part of the OA and FBC governance processes.
- 7.3.14 For projects approved during 2019/20 (excluding those deemed to be major projects), an ongoing annual corporate policy contingency allocation of up to £0.250m is available to accommodate inventory growth and expenditure incurred as a result of new capital works will be monitored to ensure this budget allocation is not exceeded. In the unlikely event that potential pressures are identified measures to mitigate, including project revisions or deferral of projects will be considered.
- 7.3.15 For projects deemed to be major projects, (for example Metro, HS2, Sprint), the corporate policy contingency allocation is not available to fund associated revenue maintenance impacts and as a result associated OBCs and FBCs will be required to identify a funding source. In some

cases, these projects are funded by external bodies and contributions to revenue costs and ongoing maintenance will specifically be explored as part of the project development.

Prudential Borrowing Costs

7.3.16 As detailed above the existing programme is part funded through corporate resources including PB. The revenue cost of PB is funded from in year Net BLE surplus. Further information on PB is provided in Appendix B. Revenue consequences of PB will continue to be managed within Inclusive Growth Directorate Budgets.

7.4 Procurement Implications (if required)

7.4.1 There are no direct procurement implications contained within this report. However, it should be noted that schemes will be delivered by the Council and the procurement strategy will be reported in individual OBC and FBC reports as per normal practise, with value for money and compliance with the Birmingham Business Charter for Social Responsibility clearly set out.

7.5 Human Resources Implications (if required)

7.5.1 N/A

7.6 Public Sector Equality Duty

7.6.1 An initial screening for an Equality Analysis (EA) has been undertaken for the THCP and has concluded that a full EA is not required at this time, with no adverse impacts on the protected groups and characteristics under the Equality Act 2010 This position will be reviewed for each composite project and/or programme at OBC and FBC stage as necessary. The initial screening is provided as Appendix C to this report.

8 Appendices

- 8.1 Options Appraisal – Appendix A (including Annexes A to F)
- 8.2 Usage and Forecasts of Net Surplus Bus Lane Enforcement Income – Appendix B
- 8.3 Equalities Assessment Initial Screening – Appendix C
- 8.4 Increased Capital Spend – Appendix D

9 Background Documents

- 9.1 Council Financial Plan 2019-23
- 9.2 West Midlands Strategic Transport Plan
- 9.3 Birmingham Connected Transport Strategy
- 9.4 Birmingham Development Plan
- 9.5 Greater Birmingham and Solihull LEP Strategic Economic Plan

- 9.6 West Midlands Devolution Deal
- 9.7 Devolved Transport Grant - WMCA Board Report 20 January 2017
- 9.8 Updated Transportation and Highways Funding Strategy (2018/19 to 2023/24)
- 9.9 Programme Definition Document – Report of the Strategic Director for Economy to Cabinet – 31st July 2017