



Department
for Transport



Transforming Cities Fund

Transforming Cities Fund Supplementary Guidance for Shortlisted City Regions: Tranche 1

Moving Britain Ahead

November 2018

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1. Introduction

- 1.1 This guidance is intended solely for use by the city regions that submitted a proposal for the Transforming Cities Fund (“the Fund”) and were shortlisted in September 2018 to progress to the co-development phase and invited to develop a business case for their package of proposals. It covers how the Department aims to disburse £60 million profiled in 2018-19. This guidance also sets out the expected timetable for receiving business cases and announcing decisions. It should be read alongside the [Call for Proposals guidance](#) published in March 2018. Further guidance will be provided to shortlisted city regions concerning the full co-development process for the remaining years of the Fund.

Background

Phase 1: Shortlisting city regions

- 1.2 The *Call for Proposals*¹ phase of the Transforming Cities Fund was launched by the Chancellor during Spring Statement 2018 with the window for submitting bids closing on 8 June. The Department sought brief proposals from non-mayoral city regions with workday populations above approximately 200,000 for consideration.
- 1.3 27 proposals were received in total from all regions in England and following an assessment process, 10 city regions were shortlisted to progress to the next phase.

Phase 2: Co-development and assessment of business cases

- 1.4 In phase 2, the Department is inviting the shortlisted city regions to develop their plans into packages of proposals which will be scrutinised against our assessment criteria.
- 1.5 The Department will allocate funding via two tranches – Tranche 1 focusing on early-delivery schemes this financial year, followed by Tranche 2 supporting longer-term programmes to be agreed in 2019-20. More information on the process for allocating funding in Tranche 2 will be made available in due course.
- 1.6 As part of the Government’s co-development ‘offer’ the Department will provide access to experts and constructive challenge, as appropriate, to support the development of business cases and maximise the value of investments. The level of funding to be awarded to shortlisted city regions will be agreed by the Secretary of State after these proposals have been fully scrutinised.
- 1.7 At Budget 2018² the Government announced that the Fund will be extended by a year to 2022-23. This will provide an extra £440 million to the city regions shortlisted for competitive funding, and a further £240 million will be made available to the six metro mayors. An announcement of an additional two shortlisted city regions will be made shortly.
- 1.8 To support the Industrial Strategy Future of Mobility Grand Challenge, £90 million from the National Productivity Investment Fund will also be allocated to the Transforming Cities Fund to create Future Mobility Zones. This will trial new transport modes, services, and digital

¹ <https://www.gov.uk/government/publications/apply-for-the-transforming-cities-fund>

² <https://www.gov.uk/government/publications/budget-2018-documents/budget-2018#productivity>

payments and ticketing. £20 million of this has already been allocated to the West Midlands. More information on the process for allocating funding to Future Mobility Zones will be made available in due course.

Funding Available

1.9 The Fund is now £2.45 billion, of which £1.28 billion (which is entirely capital) is available to the shortlisted city regions over a five year period to 2022-23 as follows:

Competitive Fund	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Capital (£m)	60	110	160	510	440	1,280

Table 1: Five Year Funding Profile for Shortlisted City Regions

Driving up productivity through improved public and sustainable transport investment

- 1.10 As part of the Government’s Industrial Strategy and the National Productivity Investment Fund, the Transforming Cities Fund aims to drive up productivity through improved connectivity. To do this, we will invest in infrastructure to improve public and sustainable transport connectivity in some of England’s largest cities.
- 1.11 Encouraging an increase in journeys made by low carbon, sustainable modes is a key objective of the Fund. Proposals which include cycling and walking will be viewed more favourably where they have been derived and prioritised using the [Local Cycling and Walking Infrastructure Plan \(LCWIP\)](#) process or equivalent. Proposals should demonstrate a clear link to the city region’s emerging LCWIP or existing cycling and walking strategy.
- 1.12 Additionally, the Fund aims to support wider cross-cutting priorities such as:
 - Improving access to work and delivering growth
 - Encouraging the use of new mobility systems and technology as part of the Grand Challenge on the Future of Mobility
 - Tackling air pollution and reducing carbon emissions
 - Delivering more homes
 - Delivering apprenticeships and improving skills
- 1.13 Both tranches of the Fund will align to these objectives and proposals will be assessed against these when taking investment decisions with scrutiny placed on the quality of evidence given and proportionate analysis conducted.

2. Tranche 1: Early delivery of small schemes in 2018-19

Supporting the main programme through early delivery

- 2.1 The Department is seeking to deliver a number of small schemes across the 10 shortlisted city regions in 2018-19. These schemes should be aligned to the overall aims and assessment criteria of the Fund, and support the wider programme being developed by each shortlisted city region.
- 2.2 The intention is to draw on the profiled £60 million to provide capital grants of up to £10 million per city region for multiple schemes such as cycling and walking interventions, smart traffic controls, low-carbon vehicle support and similar measures, to demonstrate early momentum and support the long-term investments to be made as part of the Fund. Spend should begin in 2018-19 while development work continues on the wider programme.
- 2.3 City regions should consider schemes which present good value for money, have a high likelihood of delivery within the funding envelope, and link to the corridors or vision of their main programme.
- 2.4 As part of the Transport Investment Strategy the Department has offered 'to provide targeted support to local authorities to develop their bidding and delivery capability, to ensure that all areas have the potential to produce high quality bids and can realise the benefits that strong projects will unlock'. In recognition of this, the Department will allocate £50,000 to each city region in 2018-19 to support delivery of the Fund's capital programme.
- 2.5 The timetable for the submission of the Application Form and supporting material for Tranche 1 schemes is as follows:

	Deadline	Decisions expected
Submit application for early delivery of small schemes in 2018-19	4 January 2019	February 2019

Table 2: Timetable for Tranche 1

3. Assessment approach

- 3.1 The Department will make decisions on proposals by considering the evidence presented to it in a business case, but will also have regard to the strategic objectives of the Fund and Government. City regions may receive less or no funding for schemes if they fail to meet the assessment criteria.
- 3.2 The Department's assessment will be consistent with the Transport Business Case process covering strategic, financial, economic, commercial, and management cases.
- 3.3 For Tranche 1, eligible city regions must complete an Application Form and supporting appraisal documents. A list of required documents is provided as an annex to this guidance. In completing the Application Form, city regions should set out the economic narrative, identifying the existing problems the proposal seeks to overcome, how the proposed solutions would solve these problems, and how these schemes fit into a wider transformation of the city region. Any evidence presented in the narrative of the strategic case should be consistent with the impacts identified in the economic case. There should be an emphasis on how the problems were identified, which options were considered/how each scheme was prioritised, and the economic analysis underpinning the decision to promote these schemes. There is recently published guidance on development of an economic narrative in section 5 of Unit A2.1 of [WebTAG](#).
- 3.4 Specific reference should be made to the geographic corridor(s) targeted by the scheme, and the user segments (e.g. existing commuters, opening up new access to workplaces, linking businesses to housing) most expected to benefit. Evidence on the assumptions and data inputs underpinning the numbers in the appraisal documents should be provided in the table at Annex A of the Application Form. This section should also set out the full range of impacts – both beneficial and adverse, and monetised and non-monetised – in relation to the economic, environmental and, social and distributional impacts of a proposal. It should also include an estimate of the value for money category in accordance with DfT's [Value for Money framework](#). Also included should be any impacts or wider benefits that do not fit into the pro forma – WebTAG should be consulted for the assessment of different impacts.

Value for money

- 3.5 Value for money will be a key consideration in the assessment process. The schemes proposed in the business case need to maximise the overall benefits and seek to identify all the positive and negative impacts. It is also important to identify the main uncertainties in the value for money assessment, such as around the estimation of key impacts, and assumptions used in analysis. The principles for assessing value for money follow the guidance set out in DfT's [Value for Money framework](#).
- 3.6 For each element of your scheme, please provide the following appraisal documentation that is relevant to your scheme:
 - **Walking and cycling schemes:** Complete the [Active Mode Appraisal Toolkit](#) (AMAT). The evidence on the assumptions and data inputs underpinning this should be included in Annex A of the Application Form.
 - **Bus or multi-modal schemes:** Complete as much as possible of the Scheme Impacts Pro Forma. This summarises the impact of proposals against a number of metrics

relevant to the scheme objectives. Again, the evidence on assumptions and data inputs underpinning this should be included in Annex A of the Application Form.

- **Schemes that cut across several categories (for example, those that affect both public transport and cycling):** Complete as much as possible of both the AMAT and the Scheme Impacts Pro Forma.
 - **Innovative schemes (for example, those that involve the use of new technologies):** Provide details of the scheme's return on investment and relevant costs and benefits. An indication of the associated risk should also be included.
- 3.7 It is important that both the AMAT and/or pro forma are completed as fully as possible, as they will be used by DfT to inform an estimate of the likely value for money of the scheme. Guidance on filling out the AMAT and the Scheme Impacts Pro Forma is provided separately.
- 3.8 As outlined above, any evidence on the assumptions and data inputs underpinning the numbers in the appraisal documents should be provided in the table at Annex A of the Application Form. Applications that attempt to fully consider this will be assessed more favourably.

Financial requirements

- 3.9 The Department wishes to see local commitment to the proposed scheme. All proposals must therefore include a local financial contribution towards the overall costs of the measures put forward. City regions must identify whether the local contribution will come from local authority sources or external partners and the private sector, including transport operators. While we will consider the business case in the round, the greater the overall local contribution towards the costs and the more the contribution is from the private sector and other external organisations, the more positively the business case will be considered in the assessment process.
- 3.10 The proposals will need to explain how the measures will be viable and benefits maintained and sustained beyond the period of the Fund without further long term DfT financial support, for example assessing how likely it is that expected revenues will at least cover any operational, maintenance and renewal expenditure. Where the measures are not expected to become fully financially viable in the short term, the basis for provision to be sustained after the Fund period should be explained and the expected local authority and/or external sources of future funding support stated and quantified.
- 3.11 Responsibility for estimating and controlling all project costs lies entirely with the shortlisted city region. The Department will not consider any requests for increased funding.

Deliverability

- 3.12 Subject to other criteria in this guidance being met, schemes that can demonstrate the potential for early delivery may be prioritised over schemes which are expected to complete towards the end of 2019/20. Statutory powers, if required, should either be in place or be sufficiently advanced to allow delivery in this timeframe.
- 3.13 Proposals must be able to demonstrate that they have a sound implementation strategy for delivering each component of the package. Applications should detail how implementation will be managed within the city region and clearly identify the roles, responsibilities and the level of involvement of any partnership bodies in the delivery process. There should be a clear statement of senior level support from any partner organisations.
- 3.14 All applications should include a short summary of the key risks to delivery and planned measures for managing those risks. Output milestones should also be included to measure progress towards delivery of the package components to time and budget over the period to be covered by the funding. These milestones should be measures that city regions readily identify with in monitoring progress on a local public and sustainable transport project and

the many strands within it. The Department will, in assessing proposals, consider how far the proposed milestones are both ambitious and realistic.

- 3.15 Procurement is also important and proposals that involve lengthy procurement processes may struggle to meet the delivery timeframes of this Fund. The Department therefore expects that promoters will demonstrate how the use of existing framework contracts can deliver both value for money and an expedited delivery schedule.
- 3.16 The Senior Responsible Owner for the project should be identified and details of the project management arrangements should be provided.

Summary of evidence required

- 3.17 The table below provides an illustrative guide, setting out how city regions should present their evidence across each of the five cases of the Transport Business Case model:

Type of case	Required evidence
Strategic case	<p>Evidence of how far the proposals meet the core policy objectives of the Fund to:</p> <ul style="list-style-type: none"> • Invest in new local transport infrastructure to boost productivity • Improve public and sustainable transport connectivity • Improve access to employment sites, Enterprise Zones, development sites, or an urban centre that offers particular growth/employment opportunities <p>Please see guidance from the Rebalancing Toolkit which is designed to help authors of strategic cases assess how a programme or project fits with the objective of spreading growth across the country. Any evidence presented in the narrative of the strategic case should be consistent with the impacts identified in the economic case.</p>
Economic case	<p>An appraisal of the economic impacts of the proposals, such as user benefits, but also encompassing evidence on wider impacts consistent with the principles of WebTAG, e.g. increasing access to employment through greater connectivity between workers in suburbs and city centre firms³, unlocking housing⁴, or how interventions could contribute to reducing deprivation or improving the urban realm.</p> <p>It is expected that not all impacts will be monetised at this stage, especially for wider benefits ascribed to small schemes. Where this is the case, the business case should set out the narrative around the non-monetised benefits with appropriate supporting evidence. A proportionate approach should be adopted.</p>
Commercial case	<p>A brief description of the level of market engagement and procurement strategy for the packages. Proposals that involve lengthy procurement processes may struggle to meet the delivery timeframe of this Fund.</p>
Financial case	<p>Evidence on financial sustainability, project costs and affordability. This should include a funding profile, broken down by the total scheme cost, Fund contribution, total public sector contribution and any other local or private contribution. It should also include accepting financial responsibility for the project going forward and background on source of any local contributions, and how funding has been secured.</p> <p>Confirmation from promoter's Section 31 Officer that the authority has the available funds to meet the total local funding contribution.</p>

³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/725179/tag-unit-a2-3-employment-effects.pdf

⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/712890/tag-unit-a2.2-induced-investment.pdf

Type of case	Required evidence
Management case	Evidence on the delivery arrangements for the project. All business cases should contain a clear timetable for delivery. Statutory powers, if required, should either be in place or be sufficiently advanced to allow delivery in this time frame. The Senior Responsible Owner for the project should be identified and details of the project management arrangements should be provided.

Table 3: Required evidence across each of the five cases

Meeting the Fund’s Objectives

3.18 We will sift out schemes according to whether they meet the overarching objectives of the Fund, before any other factors are taken into account. In doing so we will be strongly guided by the following factors:

Proposals **must meet** both of the following objectives and assessments will be made of the extent to which proposals deliver against each of the criteria:

- support the local economy and facilitate economic development, for example by improving access to centres of employment, Enterprise Zones, and development sites that have the potential to create additional jobs, reducing congestion, or improving the reliability and predictability of journey times; and
- reduce carbon emissions, for example by bringing about an increase in the volume and proportion of journeys made by low carbon, sustainable modes including walking and cycling. We would expect this approach to be proportionate, for example, while we would not expect sophisticated modelling to be conducted at this stage, proposals will be assessed more favourably if city regions use existing tools such as the webTAG Active Mode Appraisal Tool guidance, but we would accept additional evidence provided from case studies or emerging planning tools such as the Propensity to Cycle Tool to make assumptions about mode shift. These could cover existing government targets as well as more ambitious scenarios and how they could lead to additional health benefits on top of carbon impacts.

Proposals which in addition meet some or all of the following objectives will be favourably considered in the assessment process:

- help to deliver wider social and economic benefits for the community (e.g. improving skills and use of apprenticeships, accessibility and social inclusion);
- support housing delivery;
- bring about improvements to air quality, particularly to support compliance with legal limits in those areas where NO2 exceedances have been identified and are in the process of developing plans; and
- align to the Future of Mobility Grand Challenge. The business case will be assessed more favourably if it is able to qualitatively set out how options will be robust to a range of futures, given wider societal and technological changes such as urbanisation and uptake of connected and autonomous vehicles.

The criteria also cover the **value for money, deliverability and affordability** of package proposals. **Proposals must meet all of the following criteria** and the more a proposal delivers against each criterion, the better its chances of success:

- represent good value for money and deliver additional benefits over and above those already planned in Local Transport Plans and/or funded from alternative sources;
- be financially sustainable with benefits enduring beyond the Fund period without further DfT support, with plans, where appropriate, for any guaranteed local authority and/or external funding support;
- incorporate a credible delivery plan with realistic milestones for progressing the different elements to completion on time and within budget;
- be affordable in relation to the overall funding available and the Government's wish to maximise the number of proposals it can support;
- include a commitment to make a local contribution towards the overall costs. This might include relevant resources from the local authority's formula grant, funding from a local stakeholder, development related funding, contributions from transport operators, private sector organisations or other sources.

Evaluation and monitoring of scheme impacts

- 3.19 It is vital that the investments made as part of the Fund are measured for their impact.
- 3.20 All funded city regions will be expected to complete an evaluation of interventions after the completion of the Fund. The Department and city regions have a shared interest in evaluating over time the effectiveness of the Fund and measuring post-implementation the impact on productivity growth and levels of congestion and other benefits secured from different types of measures taken forward. For the Department, it will inform future funding decisions; for local authorities it will add to the evidence of which combination of measures are the most effective in specific circumstances and help them design better interventions in the future.
- 3.21 The Department will lead the Fund's overall evaluation, built on appropriate baseline and monitoring data relating to the specific transport challenges in the local areas, for example, current measures of congestion problems, levels of air quality, volume and proportion of journeys by different modes and road accident data. Some of this data should form part of the evidence base already available to local authorities and used to drive the development and delivery of their Local Transport Plans. Additional data may have to be collected by local authorities.
- 3.22 In addition, the Department will be developing theme-specific case studies, which will require the co-operation of local authorities, for example by taking part in stakeholder interviews.
- 3.23 It is expected that evaluation processes will be developed alongside the co-development of business cases. The Department will consult successful authorities in due course about the design of an evaluation framework to ensure it meets both Government and local needs.

4. Next steps and submission of business cases

Engagement with the Department



- 4.1 Department officials will be happy to answer any questions about this guidance, including clarification of the process and business case requirements.
- 4.2 Shortlisted city regions have been given a designated DfT Area Lead as a first point of contact for any queries.

October to December 2018 – prior to business case submission

- 4.3 We are holding inception meetings with shortlisted city regions between October and November 2018 to discuss and clarify requirements. We also want to learn what each city region's highest priority/anchor schemes for investment are, and get an indication of the level of funding required, alongside discussing each city region's governance arrangements.
- 4.4 Promoters are strongly encouraged to discuss the modelling and appraisal of business cases early on to ensure that any DfT feedback and advice can be incorporated into the business case. Meetings will be carried out without prejudice and do not guarantee success in the assessment process.

January to February 2019 – post-business case submission for Tranche 1

- 4.5 For those city regions able to make a submission for an early delivery scheme in 2018-19, business cases and supporting material should be submitted by **6pm on 4 January 2019**. The Department aims to announce the outcome of Tranche 1 by the end of February 2019 and to issue to successful city regions a conditional offer letter, setting out the terms and conditions for Fund support for the agreed package of work.

Summer 2019 – submission of draft business case for Tranche 2

- 4.6 To seek funding for the main programme of schemes, city regions will be required to submit a draft programme level Strategic Outline Business Case by summer 2019 following discussions and co-development with DfT. Guidance on the process for applying for Tranche 2 will be made available in due course.

4.7 All materials should be sent to:

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Head of English Devolution Team
Transforming Cities Fund Business Cases
Department for Transport
2/19, Great Minster House
33 Horseferry Road
London
SW1P 4DR

Email: tcfproposals@dft.gov.uk

Enquiries

4.8 If you have any questions about this guidance, including clarification on the information and appraisal requirements for the Fund, please contact the relevant DfT Area Lead who has been assigned to each city region as the main point of contact.