

**MEETING OF THE WEST YORKSHIRE COMBINED AUTHORITY  
TO BE HELD ON THURSDAY 2 FEBRUARY 2017 (11.00 am)  
AT WELLINGTON HOUSE, LEEDS**

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**A G E N D A**

- 1. APOLOGIES FOR ABSENCE**
  - 2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS**
  - 3. EXCLUSION OF THE PRESS AND PUBLIC**
  - 4. MINUTES OF THE MEETING HELD ON 1 DECEMBER 2016**  
(pages 3 - 14)
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**For Decision**

- 5. DEVOLUTION**  
(Member lead: Cllr P Box, Author: Rob Norreys)  
(pages 15 - 26)
- 6. EAST COAST MAIN LINE PRIORITIES**  
(Member lead: Cllr K Wakefield, Author: Rob Norreys)  
(pages 27 - 35)
- 7. INDUSTRIAL STRATEGY**  
(Member lead: Roger Marsh, Author: Rob Norreys)  
(pages 36 - 46)
- 8. WYCA CORPORATE PLAN AND BUDGET 2017/18**  
(Member lead: Cllr T Swift, Author: Angela Taylor)  
(pages 47 - 67)

**9. LCR ASSURANCE FRAMEWORK**

(Member lead: Roger Marsh, Author: Melanie Corcoran)  
(pages 68 - 116)

**10. CAPITAL SPENDING AND PROJECT APPROVALS**

(Member lead: Cllr S Hinchcliffe, Author: Melanie Corcoran)  
(pages 117 - 122)

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**For Information**

**11. LEEDS CITY REGION HOUSING POLICY POSITION STATEMENT**

(Member lead: Cllr T Swift, Author: Rob Norreys)  
(pages 123 - 131)

- 12. (a) DRAFT MINUTES OF THE GOVERNANCE & AUDIT COMMITTEE HELD ON 1 DECEMBER 2016** (to be approved at the next meeting of the Committee on 6 April 2017)  
(pages 132 - 136)

- (b) MINUTES OF THE OVERVIEW & SCRUTINY COMMITTEE HELD ON 7 DECEMBER 2016**  
(pages 137 - 141)

- (c) DRAFT MINUTES OF THE TRANSPORT COMMITTEE HELD ON 9 DECEMBER 2016** (to be approved at the next meeting of the Committee on 24 February 2017)  
(pages 142 - 150)

- (d) DRAFT MINUTES OF THE WEST YORKSHIRE & YORK INVESTMENT COMMITTEE HELD ON 4 JANUARY 2017** (to be approved at the next meeting of the Committee on 8 March 2017)  
(pages 151 - 158)

Signed:



**WYCA Managing Director**

**MINUTES OF THE MEETING OF THE  
WEST YORKSHIRE COMBINED AUTHORITY  
HELD ON THURSDAY 1 DECEMBER 2016 AT WELLINGTON HOUSE, LEEDS**

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<b>Present:</b>	Cllr Peter Box (Chair)	-	Wakefield MDC
	Cllr Tim Swift (Vice Chair)	-	Calderdale MBC
	Cllr Susan Hinchcliffe	-	City of Bradford MDC
	Cllr David Sheard	-	Kirklees Council
	Cllr Judith Blake	-	Leeds City Council
	Cllr Andrew Carter	-	Conservative Representative (Leeds City Council)
	Cllr Simon Cooke	-	Conservative Representative (City of Bradford MDC)
	Cllr Jeanette Sunderland	-	Liberal Democrat Representative (City of Bradford MDC)
	Roger Marsh	-	Leeds City Region LEP
<b>In attendance:</b>	Cllr Keith Wakefield	-	Chair, WYCA Transport Committee
	Ben Still	-	WYCA
	Caroline Allen	-	WYCA
	Angie Shearon	-	WYCA

**57. Apologies for Absence**

Apologies for absence were received from Councillors Keith Aspden and David Carr.

**58. Declarations of Disclosable Pecuniary Interests**

Roger Marsh declared an interest (not comprising a Disclosable Pecuniary Interest) in Agenda Item 5 (Project Approvals and Inclusion of York in the West Yorkshire Plus Transport Fund), paragraph 4.3 (University of Leeds – Nexus (University Innovation and Enterprise Centre)) stating that he was a member of the University of Leeds Council.

Councillor Simon Cooke declared an interest (not comprising a Disclosable Pecuniary Interest) in Agenda Item 7 (Leeds City Region Flood Review) as a member of Elland Car Co.

**59. Exempt Information – Possible Exclusion of the Press and Public**

**Resolved:** That in accordance with paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, the public be excluded from the meeting during consideration of Agenda Item 17 (Transport for the North Rail Priorities) on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information and for the reasons set out in the report that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**60. Agenda Item 18 – Better Homes Update**

**Resolved:** That consideration of the report be deferred to a future meeting of WYCA to enable further work to be carried out on the detail of the report.

**61. Minutes of the Meeting held on 29 September 2016**

**Resolved:** That the minutes of the meeting of the WYCA held on 29 September 2016 be approved and signed by the Chair.

**62. Project Approvals and Inclusion of York in the West Yorkshire Plus Transport Fund**

The Authority considered a report of the Director of Delivery seeking the progression of, and approval of funding for, schemes from the West Yorkshire plus Transport Fund and the Local Growth Fund.

Project Approvals

The report provided details of the projects which had been considered by the Investment Committee on 9 November and were recommended to WYCA for progression and approval of funding. The report mapped each of the projects across to the new Project Management Office (PMO) process.

Inclusion of York in the West Yorkshire Plus Transport Fund

It was reported that given that York were not full members of the West Yorkshire Combined Authority and in order to progress two York schemes within the Fund, it would be necessary to enter into a funding agreement with them. The City of York Council's WYCA member, although unable to be present at the meeting, welcomed the recommendation of WYCA's Investment Committee that York be included in the Fund and would be seeking formal approval to the arrangements. It was proposed that final details of the agreement be delegated to WYCA's Managing Director.

**Resolved:**

- (i) That progression of, and funding for, schemes from the West Yorkshire plus Transport Fund and Local Growth Fund be approved as follows, with a decision on the final details on terms and conditions of the individual approvals to be delegated to the Managing Director:-
- progression of the West Yorkshire & York Broadband Coverage Phase 3 project to full business case for Growth Deal funding;
  - progression of the Leeds Enterprise Zone Power Solution scheme to full business case for Growth Deal funding;
  - the full business case and funding for the Leeds City College, Quarry Hill project with grant funding of up to £33.4m (with £10m to be spent in 2016/17) and a cash flow (loan) facility of up to £8.8m. The funding package would be subject to addressing the outstanding risks set out in the report and subsequent legal negotiations, including the requirement for the College to repay to the Authority any asset surplus realised from the three assets to be disposed of as part of the project.
- (ii) That approval be given to WYCA entering into a funding agreement with the City of York Council regarding their partnership in the West Yorkshire Plus Transport Fund, and that the detail of the funding agreement be approved through delegation to the Managing Director.
- (iii) That WYCA note the recommendation of the Investment Committee on 9 November 2016 to delegate progression and associated funding for the following projects to WYCA's Managing Director:
- Urban Traffic Management Control (UTMC) Centre
  - Wakefield City Centre Package
  - Tackling Fuel Poverty Phase 3
  - York Guildhall
  - University of Leeds – Nexus (University Innovation and Enterprise Centre)
  - LCR Flood Alleviation for Growth Programme
  - Bradford Forster Square
  - East Leeds Orbital Road

**63. One Public Estate**

The Authority considered a report of the Director of Policy, Strategy & Communications providing an update on the One Public Estate Programme.

The report set out details of the One Public Estate programme, an initiative designed to facilitate and enable local authorities to work successfully with central government and local agencies on public property and land issues through sharing and collaboration. It was noted that WYCA had already bid for, and successfully been awarded, £380,000 from the programme and had now submitted a bid for a further £712,000 under Phase 5 of the programme. A decision on bids for Phase 5 funding was expected in January 2017.

Members discussed the mechanism for approving individual allocations to projects and the approval of projects within any future phases of the One Public Estate programme.

**Resolved:**

- (i) That the WYCA One Public Estate Programme be approved, consisting of £330,000 confirmed for Phase 4 and that the £712,500 requested for Phase 5, and that any submissions to further phases, be supported.
- (ii) That WYCA's Managing Director use his existing delegated authority to approve individual allocations to projects within the Phase 4 WYCA One Public Estate programme.
- (iii) That WYCA's Managing Director use his existing delegated authority to approve projects within any future phases of the One Public Estate Programme, providing that the value of each phase was less than £1m.

**64. Leeds City Region Flood Review**

The Authority considered a report of the Director of Policy, Strategy and Communications on the findings of the Leeds City Region Flood Review which had been commissioned by WYCA's Leaders in response to the 2015 Boxing Day floods recognising that the greater frequency and severity of future floods was likely to be inevitable due to climate change.

The report set out details of the scope and remit of the Review to better understand the causes and impacts of the flooding and to develop actions which, when implemented, would reduce the likelihood and impacts of future flooding and enable more effective and joined up response and recovery phases to be put in place. The key findings of the Review were detailed in the report along with 19 strategic recommendations to address the issues identified. Members discussed in detail the key recommendations of the Review.

It was recognised that it was crucial that WYCA, the local authorities and the Environment Agency adopt better and more collaborative ways of working. A multi-partner officer group, reporting directly to WYCA, had been set up to oversee the work programme identified as a result of the Review and to implement the recommendations. Alongside this, work was also underway to develop a long-term

City Region Flood Resilience and Investment Delivery Plan. The final report of the Flood Review was still in production and would be circulated to members upon completion.

**Resolved:**

- (i) That the key findings of the Leeds City Region Flood Review be noted.
- (ii) That the feedback provided by members be noted.
- (iii) That, once finalised, the report of the Leeds City Region Flood Review be circulated to members and that thereafter the Chair be delegated authority to sign-off the final report in liaison with the Managing Director.
- (iv) That the need for additional funding of at least £5m per annum over the next 5 years to enable and bring forward flood mitigation schemes to protect more homes, businesses and communities earlier, be noted.
- (v) That WYCA be kept updated on progress by the City Region Flood Resilience Group with implementing the recommendations of the Leeds City Region Flood Review.

**65. Creating Local Jobs through Major Capital Schemes**

The Authority considered a report of the Executive Head of Economic Services seeking approval to a proactive and consistent approach to embedding employment and skills outcomes in the procurement of major infrastructure schemes including the West Yorkshire Transport Fund.

WYCA had been working with the Joseph Rowntree Foundation's "More Jobs, Better Jobs" project to support WYCA's coordinating role in the development of a Leeds City Region approach to maximising jobs, skills and poverty reduction through the procurement of major capital schemes and had developed a policy statement, appended to the report, which built on existing good practices in local authorities. It was noted that, following advice from the LEP Board, the proposed policy statement had been reviewed by WYCA's legal advisers who had confirmed its legal compliance.

Members discussed the importance of ensuring that discussions take place with Further Education colleges, Higher Education and other skills providers to identify possible skills gaps, the potential for re-training the workforce and the impact which a hard Brexit may have on skills and the migrant workforce. It was reported that the Leeds City Region Employment & Skills Plan had addressed some of those issues and work to identify potential Brexit implications would add further context to the latter.

**Resolved:**

- (i) That a consistent approach be taken to embedding employment and skills outcomes in the procurement of major schemes by the West Yorkshire Combined Authority and that the scoring criteria and contract clauses developed for the West Yorkshire Transport Fund be used for the procurement of all major schemes by WYCA.
- (ii) That the draft “policy statement” for embedding jobs and skills in the delivery of major capital schemes across Leeds City Region be approved subject to the following amendment:-

Page 3, penultimate paragraph – at the end of the second sentence starting with “This will include ...” insert the words “regardless of their geographical base or origin”.

**66. Developing the LCR Strategic Economic Plan : Ensuring Good Growth Benefits All**

The Authority considered a report of the Managing Director concerning inclusive growth in the context of the LCR Strategic Economic Plan (SEP).

In recognition of the importance of good/inclusive growth, the report summarised various strands of work underway across the city region on the work-stream proposed in the WYCA/LEP joint Brexit Action Plan to support a cohesive society by overcoming the disconnection between communities and national politics.

It was reported that the Royal Society of Arts (RSA’s) Commission on Inclusive Growth had carried out a ‘deep dive’ of issues and successes in Bradford, involving the West Yorkshire and York authorities, which focussed on how inclusive growth may be achieved and that it was proposed to hold an RSA/Leeds City Region event in Bradford in early 2017 to mark the launch of the final RSA report.

The report also set out plans for a collaborative project across public and private partners to better enable the city region to capitalise on new opportunities and achieve the SEP’s outcomes making good growth real for residents.

Members commented that in light of the government’s commitment to see inclusive growth, it was important for the Leeds City Region to demonstrate how it could support the government’s agenda and influence the outcome. Affordable housing, transport links and health were all vital to help people succeed.

**Resolved:**

- (i) That the outline project set out in the submitted report, which would be accountable to WYCA and the LEP Board, be endorsed.



- (ii) That, following on from the RSA's Inclusive Growth Commission and its deep-dive of the issues and successes in Bradford, WYCA confirm its support for an RSA/Leeds City Region-led national conference in Bradford on inclusive/good growth.

#### **67. City Region Response to Brexit**

The Authority considered a report of the Director of Policy, Strategy and Communications concerning implications for the city region economy following the vote to leave the European Union.

Members discussed the evolving implications of the UK's vote to leave the EU. It was acknowledged that, whilst the City Region economy continued to perform well, there was no room for complacency and the City Region should be ready to react to any changes either as a result of Brexit or other potential changes to global trade as a result of the US election. Key to this was maintaining close working relationships with businesses and further education establishments and focussing on maximising opportunities for businesses. Repatriation of European funding locally also remained a key concern.

The report highlighted several potential issues and explored the financial and policy changes which WYCA may wish to make in response and the potential for flexibility in the LEP's current programmes to address particular risks which may emerge as the UK prepares to exit Europe. Members asked that they be provided with clarification on the flexibilities referred to in paragraph 2.8 of the submitted report.

#### **Resolved:**

- (i) That the contents of the report be noted.
- (ii) That WYCA continue to monitor the evolving global situation and its impacts on the Leeds City Region economy.
- (iii) That a note be circulated to members clarifying the flexibilities to be sought and that authority be delegated to WYCA's Managing Director, with the agreement of the LEP Chair, to implement those flexibilities as necessary should circumstances demand urgent action to secure the health of the city region economy.

#### **68. Implications of the Autumn Statement for the City Region**

The Authority considered a report of the Director of Policy, Strategy and Communications regarding the 2016 Autumn Statement.

It was noted that WYCA had been active in seeking to shape the government's approach to the Autumn Statement by making a submission covering the city region's major investment priorities, a copy of which was appended to the report. In

addition, WYCA continued to seek devolved powers and was calling on government to provide assurances around European funding in light of Brexit.

Members were provided with a brief outline of the headline announcements in the Chancellor's Autumn Statement made on 23 November and discussed its effects on the city region economy.

**Resolved:** That the implications of the Autumn Statement, and the impact for the city region, be noted.

#### **69. Post NGT Funding – Leeds Transport Strategy**

The Authority considered a report of the Director of Policy, Strategy and Communications concerning devolution of funding which had previously been allocated to the NGT project.

Leeds City Council and WYCA had been working jointly on the development of a new Leeds Transport Strategy and on a Strategic Outline Case (SOC) for the £173.5m previously earmarked for the NGT project. The report provided an update on the development of the SOC which had been informed by a major transport consultation in the city, and a summary of initiatives which the £173.5m may be used to fund was set out in paragraph 2.4. Given the transport focus of the SOC, it was proposed to delegate consideration of the schemes to be incorporated within it to WYCA's Transport Committee who would be meeting on 9 December. Leeds City Council's Executive Board would also be considering the proposed SOC submission at its meeting on 14 December and, subject to approval at that meeting, it was proposed to submit the SOC to the DfT in mid-December.

WYCA would be the accountable body for the £173.5m funding and it was therefore proposed that the Leeds City Region Assurance Framework provide the governance model in the SOC submission and that, as with Growth Deal schemes, WYCA's Investment Committee be delegated the responsibility for assurance of the package following DfT approval to proceed.

**Resolved:**

- (i) That the development of the Strategic Outline Case submission to the Department for Transport for the £173.5m funding which had previously been allocated to the NGT project be noted.
- (ii) That consideration of the schemes to be incorporated within the Strategic Outline Case be delegated to WYCA's Transport Committee.
- (iii) That, subject to LCC approving the Leeds Transport Strategy report at its Executive Board on 14 December, the use of the Leeds City Region Assurance Framework as the proposed governance model in the Strategic Outline Case submission be noted.

- (iv) It was noted that, as with Growth Deal schemes, WYCA's Investment Committee would have responsibility for assurance of the package following DfT approval.

#### **70. WYCA Consultation Response – Kirklees Draft Local Plan**

The Authority considered a report of the Director of Policy, Strategy and Communications seeking endorsement of the proposed West Yorkshire Combined Authority (WYCA) response to support the Kirklees Draft Local Plan a part of the Combined Authority's role under the Duty to Cooperate.

WYCA had been consulted by Kirklees Council in November 2016 on their Draft Local Plan which outlined the housing and employment growth requirements for Kirklees up to 2031 and provided a portfolio of proposed site allocations to meet those needs. WYCA's proposed response to the Draft Kirklees Local Plan document, attached at Appendix 1 to the report, confirmed its alignment with the Strategic Economic Plan and emerging West Yorkshire Transport Strategy.

**Resolved:** That the response to the Kirklees Draft Local Plan consultation, as set out in Appendix 1 of the submitted report, be endorsed.

#### **71. WYCA Medium Term Financial Strategy and Budget 2017/18**

The Authority considered a report of the Director of Resources on WYCA's medium term financial strategy and budget for 2017/18.

It was reported that a business planning process had been underway during the autumn to ensure that the budget was aligned with the priorities identified through the Strategic Economic Plan. Appendix A of the submitted report set out the emerging priorities for 2017/18 identified through the business planning process.

Progress on the budget process was set out in the report and highlighted the challenges and pressures of setting a balanced budget taking account of the difficult funding climate in local government and the growing operational requirements of the organisation. A revised forecast budget for the current year and a proposed budget for 2017/18 was attached at Appendix B to the submitted report. Members noted the proposed £1m cut in the transport levy for 2017/18 which, given the non-discretionary nature of the English National Concessionary Scheme reimbursement, effectively represented a 2% cut of discretionary expenditure and would, taken in conjunction with other budget assumptions and pressures, require savings of £2m to be found in 2017/18. Members considered the various policy options available to achieve savings of such scale, including changes to tendered bus services and the provision of passenger information. Work was currently underway to understand the implications of changing policies in relation to tendered bus services.

The final budget would be agreed at WYCA's meeting scheduled for 2 February.

**Resolved:** That the draft budget for 2017/18 and the underlying assumptions and challenges be noted.

## **72. WYCA Corporate Plan**

The Authority considered a report of the Managing Director on WYCA's Corporate Plan for 2016/17.

The report provided members with a mid-year update on performance and progress against the WYCA Corporate Plan focussing on the key measures which had been identified. It was reported that of the 35 measures included in the report, 17 were currently on target to achieve the annual targets, 5 were marginally off target and 3 were off target.

Members were also provided with a progress update on the One Organisation change programme.

**Resolved:**

- (i) That progress made to date on performance against the Corporate Plan be noted.
- (ii) That progress made on the One Organisation change programme be noted.

## **73. Appointment of External Auditors and Additional Governance and Audit Committee Members**

The Authority considered a report of the Director of Resources on the appointment of external auditors and additional Governance and Audit Committee members.

### Appointment of External Auditors

The report set out details of the new arrangements for the audit of authorities which had been established by the Local Audit and Accountability Act 2014 following abolition of the Audit Commission. Members considered the three options set out in the report for appointing an auditor for the 2018/19 accounts onwards noting that WYCA's Governance and Audit Committee had considered the matter at its meeting on 29 September and had recommended option 3.

### Governance and Audit Committee

Members were asked to consider appointing an additional member or members to the Governance and Audit Committee in order to limit the risk of meetings being inquorate. The Committee currently comprised of 3 WYCA members.

### Independent Chair of Governance and Audit Committee

It was reported that by May 2017 WYCA would, by Order, be required to appoint an independent Chair of the Governance and Audit Committee. The recruitment process for an independent chair would need to be progressed to enable the anticipated appointment to be made at WYCA's meeting in April 2017.

#### **Resolved:**

- (i) That the new options for appointing external auditors be noted.
- (ii) That WYCA opt into a 'sector led body' scheme for appointing its auditors for the 2018/2019 accounts and onwards for the compulsory period of 5 years further to the Local Audit and Accountability Act 2014 (as set out in option 3 of the submitted report).
- (iii) That WYCA's Director of Resources be authorised to sign and return the notice of acceptance of the invitation to become an "opted-in" authority, and to take any other steps to progress the new arrangements as required.
- (iv) That Councillor Tim Swift be appointed to the Governance & Audit Committee.
- (v) That WYCA's Head of Legal and Democratic Services progress appointment arrangements for an independent Chair for the Governance and Audit Committee, including convening an interview panel of 3 WYCA Members to make recommendations in relation to the appointment.
- (vi) That WYCA's Independent Remuneration Panel be asked to advise on appropriate remuneration for the independent Chair of the Governance & Audit Committee.

#### **\*74. Transport for the North Rail Priorities (Report exempt in accordance with paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972)**

The Authority considered a report of the Director of Policy, Strategy and Communications providing an update on Transport for the North's Northern Powerhouse Rail priorities emerging from the current phase of work.

Members were provided with an update outlining progress made by Transport for the North in developing Northern Powerhouse Rail. A summary of TfN's priorities emerging from the work done to date was set out in the report. Members noted that the proposed priorities would be discussed and agreed at the TfN Partnership Board on 19 December and discussed WYCA's input to that meeting.

**Resolved:** That the progress made in developing Northern Powerhouse Rail by Transport for the North and its partners be welcomed and endorsed.

**75. Draft Minutes of the meeting of the Governance & Audit Committee held on 29 September 2016**

**Resolved:** That the draft minutes of the meeting of the Governance & Audit Committee held on 29 September 2016 be noted.

**76. Draft Minutes of the meeting of the Transport Committee held on 14 October 2016**

**Resolved:** That the draft minutes of the meeting of the Transport Committee held on 14 October 2016 be noted.

Director: Rob Norreys,  
Director Policy, Strategy &  
Communications  
Author: James Flanagan,  
Executive Officer (Policy  
Implementation)



## ITEM 5

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**Report to:** Combined Authority

**Date:** 2 February 2017

**Subject:** Devolution – Discussion Paper

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### 1. Purpose

1. To provide an update to the Authority on progress made in securing a second stage devolution deal for Leeds City Region, which is seeking to build on the first stage deal agreed with Government in spring 2015.
2. In line with the commitment of West Yorkshire's Council Leaders in January 2017 - which was in response to the ongoing challenges of agreeing a second stage 'mayoral' Leeds City Region devolution deal with Government - this report explores policy options for a devolution deal and seeks the views of Authority members, including on possible geographic footprints based on a larger area, and related governance arrangements including for a model based on a single Mayor with multiple Combined Authorities representing the distinct functional economic market areas of any larger geography. The Authority is requested to note the extent to which these options could unlock the Leeds City Region deal, and progress other City Region deal proposals for the benefits of everyone in the region.
3. This report also seeks support for further discussions with Authorities across Yorkshire, and fostering a wider community conversation, to explore the options for building a strong workable economic partnership for the Leeds City Region, which delivers the best deal for Yorkshire. Agreement is also sought for a letter to be sent to Government seeking a formal response to proposals for a Leeds City Region deal submitted to HM Treasury in September 2015, to confirm that this city region based proposal has been rejected by Government and provide clear reasons for this.

### 2. Progress

- 2.1. In September 2016 the Authority considered an update about devolution 'asks' lodged with HM Treasury and on the progress with Government on securing a further second stage devolution deal for Leeds City Region.

- 2.2. Discussions to make progress with Government on securing an ambitious deal have remained ongoing. On 2<sup>nd</sup> December 2016, the Northern Powerhouse Minister met with West Yorkshire's Council Leaders and the Leeds City Region Enterprise Partnership Chair. The following points were made in relation to devolving powers and funding to local areas:
- Government shall require that any new devolution deals have broadly-based support of local directly elected representatives and business.
  - Government wishes to engage in 2017 with local partners with a view to the agreement of a devolution deal covering those areas of Yorkshire without a deal in place.
  - West Yorkshire's Council Leaders confirmed with the Minister that:
    - they wished to agree a further devolution deal with Government that would deliver transformative devolved powers and funding to the City Region;
    - they understood that such a deal would require a directly elected Mayor;
    - they were seeking Government's formal response to proposals for a Leeds City region deal, with the presumption that Government has rejected it;
    - any deal would need to deliver local ambitions for 'good' growth as set out in the LCR Strategic Economic Plan; and
    - robust and fit for purpose governance arrangements would be needed to ensure both accountability and transparency to the public and business, as well as an economically led focus.
- 2.3. Because the Government haven't yet formally responded to Leaders' proposals for a Leeds City Region deal, in order to make progress, Leaders have confirmed they are willing to consider other options for devolution based on a larger geography but that these must be based on what is best placed to deliver economic growth and provide real identity and purpose.
- 2.4. The remainder of this paper looks at various related policy options, and asks the Authority to consider the extent to which these options could unlock the Leeds City Region deal, and progress other City Region deal proposals, for the benefit of everyone in the Region.



### **3. Policy Options**

#### *Geographic footprint options*

- 3.1. There are numerous possibilities for a larger geographic footprints for a Mayoral devolution deal that have been raised, for example South and West Yorkshire, Yorkshire absent South Yorkshire, and all of Yorkshire, each depending on those Authorities both willing and able to enter into such an arrangement.
- 3.2. In terms of any larger footprints involving South Yorkshire, it is recognised that Sheffield City Region (SCR) partners already have a deal agreed with the former Chancellor which is legally underpinned by a Mayoral Combined Authority Order for the area of South Yorkshire. This paper is not proposing that the work undertaken by SCR should be stopped or modified in any way. The desire of SCR partners to deliver their deal is understood. Rather, an all of Yorkshire proposal would provide another avenue for SCR to achieve their aims if their current work proves not possible, albeit on the basis of a single Yorkshire Mayor.
- 3.3. And as an economically, socially and geographically diverse region of significant scale, with a 5m population (about the same size as Scotland's), Yorkshire comprises the core City Regions of Leeds and Sheffield, as well as vast rural and coastal areas, which is over seven times as big as Greater London. Yorkshire generates over a £100bn a year in GVA – one third of all Northern Powerhouse output.
- 3.4. Any sustainable local governance reform linked to an ambitious devolution deal based on a larger than Leeds City Region geography must resonate with a shared sense of identity and must also promote the specific interests and priorities of local communities. An ambitious, all of Yorkshire, devolution deal could for example mobilise popular community and business support, enabling local partners across the Region to build on a strong shared sense of identity and purpose and individual and collective strengths and assets, and properly address our key challenges, as set out our local Strategic Economic Plans (SEPs).

#### *Asks and outcomes*

- 3.5. With an ambitious package of devolution in place, including significant fiscal powers and long-term funding arrangements, as set out in existing published deal proposals, a larger geography would potentially be in a position to positively address key SEP challenges, and close economic performance gaps.
- 3.6. It is possible that a larger area deal could lever a better deal than the sum of individual City Region deals. There would be an opportunity to secure a 'Yorkshire premium', due to the scale of the deal including an enhanced 'gainshare' revenue funding ask of up to £125m p.a. and up to a £500m housing investment fund, which would recognise the opportunities for strategic investment at the larger area level.
- 3.7. On the basis of an ambitious deal of this scale, and local control over key Whitehall budgets, including skills and innovation, and the use of proposed Mayoral fiscal

powers such as a supplementary business rates levy, Authority officers have estimated that in 10 years' time everyone could be on average £583 each year better off within an economy which in 30 years is up to £100 billion bigger than it otherwise would have been.

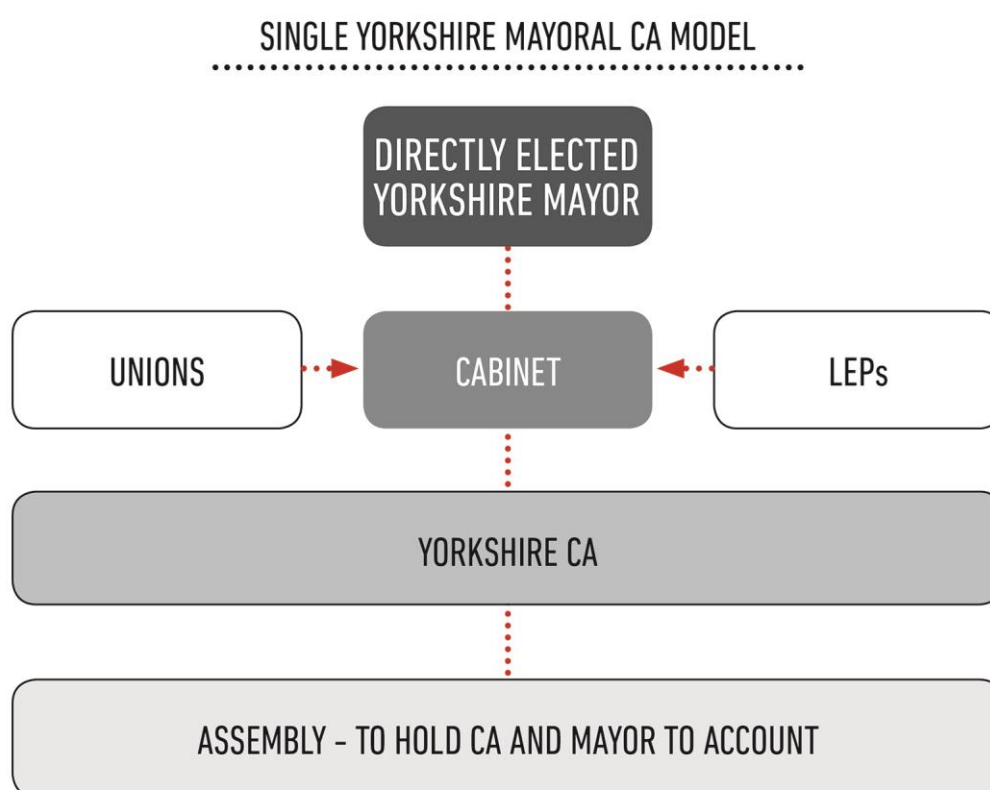
#### Mayoral CA governance options

- 3.8. For any large scale deal involving multiple overlapping labour markets, any workable regional local governance model would need to retain a strong focus on its underpinning 'functional economic areas'. In order to satisfy Government's accountability requirements, it is accepted that a directly elected mayoralty spanning the region's economic geographies would need to be created.
- 3.9. A clear mayoral remit would be key in ensuring a positive electoral response and therefore local mandate. The Mayors' mandate could for example enable a number of activities, including potentially the following, and also others:
- a Yorkshire-wide focus on delivering a stronger relationship with Government, including securing additional devolved powers, such as fiscal freedoms;
  - influencing national Brexit policy and securing the best possible deal for the region and pursuing 'double devolution' from Brussels directly to Yorkshire;
  - stronger input to national trade and investment strategies based on the globally recognised Yorkshire brand;
  - co-ordination of regional tourism, culture and events promotion; and
  - a strong voice for Yorkshire in the Northern Powerhouse and Transport for the North.
- 3.10. Alongside the requirement for a directly elected Mayor, Government (and the underpinning legislation) also requires areas with an ambitious devolution deal to form Combined Authority governance arrangements, if not already in place. The following two Combined Authority (CA) based governance models are therefore considered below in relation to maximising the opportunities and minimising risks of taking on devolved powers to a larger geographic area:
- A single Mayoral CA model.
  - Multiple CAs covering (with no gaps or no overlaps in CA coverage), with a single directly elected Mayor.

#### Option of a single Mayoral CA model

- 3.11. This option would provide for a single, directly elected, Mayoralty and a single underpinning Combined Authority, of which the Mayor would be a member and the Chair.

- 3.12. For purely illustrative purposes, the single Mayoral CA model is shown in the diagram below in relation to an all of Yorkshire deal.
- 3.13. This governance option would necessitate the abolition of WYCA and SCR CA, both of which were established in 2014, and would need consent by all of Yorkshire's Councils (unitary, lower and upper tier) to the membership and creation of the Yorkshire CA, following full public consultation.
- 3.14. The creation of a single Mayoral CA for the Region could arguably offer streamlined decision making arrangements, with individual sub regional area Committees created under the CA to discharge City Region related CA functions, such as local transport, housing and regeneration, and skills programmes, although new and additional bodies would need to be established.



- 3.15. However, the single Yorkshire Mayoral CA model has a number of significant drawbacks:
- Appears to be backward looking, harking back to former regional government (highlighted by the 2004 North East referendum), and the re-creation of 'regionalism', which has only relatively recently been dismantled.
  - Would almost inevitably draw focus of partners away from economically led City Region working, which is at the heart of the concerns raised recently by the

Centre for Cities in their assessment of early proposals for a Yorkshire deal based on a single CA.

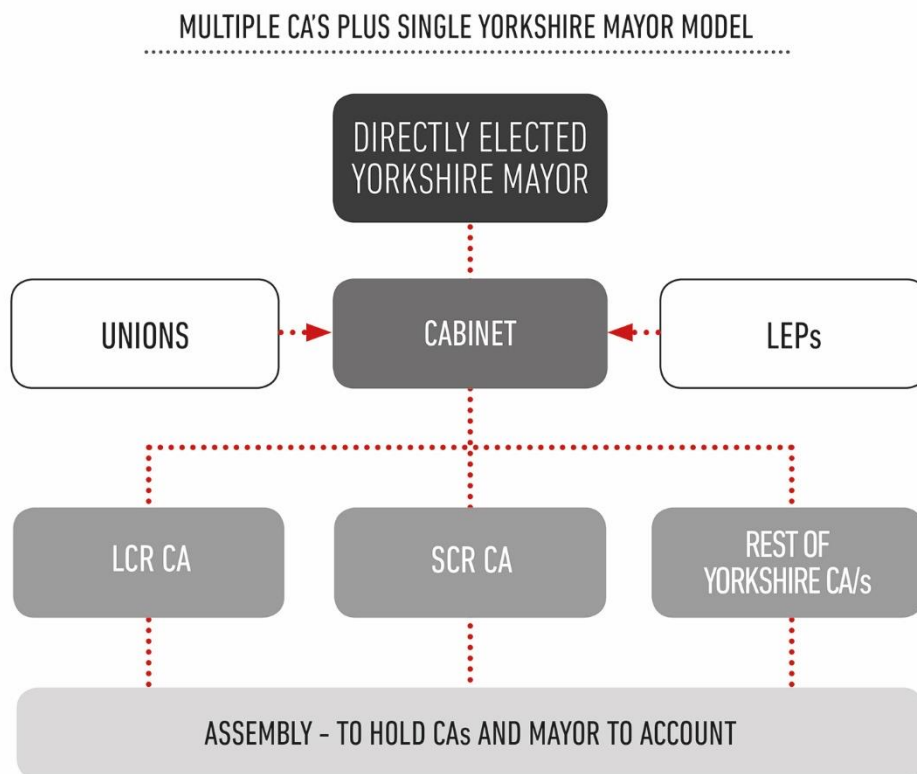
- The creation of new regional CA institutional architecture (ie not just the office of Mayor, and possibly also sub regional functional bodies), with the bulk of the new structures likely operating at the regional level.
- Although CA Area Committees could be created to deal with sub regional issues, these may not be sufficiently accountable or flexible enough to easily enable the “slotting in” of existing deals, or the complex metropolitan issues around public transport provision and levy arrangements.

Option of multiple CAs, with a single directly elected Mayor

- 3.16. Under a multiple CAs based around the key labour markets of a larger area, with single Mayoral model, the Mayor would be a member (or chair) of the individual CAs. The CAs could come together to collaborate on pan-regional issues, eg major events and tourism, Transport for the North issues, and inward investment. This model would not require the abolition of any existing CAs, however in the case of an all of any Yorkshire or majority of Yorkshire option would still require CA coverage/establishment in those parts of the region currently without a CA. Secondary legislation (a legislative reform order) would be needed to enable the multiple CAs mayoral model (or an amendment to the 2016 Mayoral devolution Act), this requiring the agreement of Government, which is a risk factor, and could cause delay. Consent by all Councils/CAs within the larger geography to the creation of a single Mayoralty would be required, following full public consultation.
- 3.17. The multiple CAs with single Mayor model would however deliver a number of significant advantages and deal with the issues/ risk factors associated with the single CA model identified above:
- Goes with the grain of established City Region working arrangements (evidenced by City Deals and Growth Deals) which are based on functional economic geographies. The multiple CAs model has been recognised by Centre for Cities as a workable solution to retaining an economically led approach to devolution within a wider regional framework, concluding that: *“a county-wide devolution deal with city regions at its heart is significantly better than holding out for a city region devolution deal if this is not possible – and both Leeds and Sheffield City Regions’ economies (and that of the UK as a whole) will benefit from more decisions being made locally about boosting economic growth and improving local services”*.
  - Requires only the establishment of a Mayor’s office at regional level and does not need a significant – and costly – new regional tier of bureaucracy in order to operate. Therefore is less like the re-creation of ‘regionalism’ which was rejected in the North East in 2004.

- The multiple CAs model would help with public understanding of the separation of functions between Mayor and CA; giving the Mayor a more distinctive role.
- Provides ‘big bang’ change but with minimal institutional disruption (creation of additional local CA arrangements only where none exist, and nothing dismantled), and the establishment of the Mayor’s office.
- The existing City Region deals could be simply “slotted” into place via the individual CAs and a shared Mayor.

3.18. The proposed ‘multiple CA with single Mayor’ model is shown (again for illustrative purposes, based on an all of Yorkshire geography) more fully below:



- 3.19. The diagram above shows multiple CAs spanning the Region, with each promoting a distinctive economically led rationale related to their inherent logic as functional economic areas, and given autonomy by an agreed set of devolution Asks.
- 3.20. The diagram shows for illustrative purposes three individual CAs in respect of a Yorkshire deal, however there could be more than three, subject to local agreements, providing these each CA reflected functional economic areas. Associate membership of individual CAs would ensure that economic linkages beyond formal CA boundaries were maintained and developed through the devolution deal.
- 3.21. Within a multiple CAs single Mayor model described above, the following could constitute objectives for meaningful collaboration between CAs, and with the Mayor, at regional level:

- To promote, strengthen and stimulate the social, cultural and economic links within the region, ensuring that local plans (such as SEPs, Local Transport Plans, and spatial investment plans and frameworks) are aligned and consistent across the wider Yorkshire region.
- To strengthen the long-established working relationships between the City Region LEPs, positioning them on a strategic long-term footing, and with an outward looking focus, including across the North.
- To enhance the leadership position of the City Regions within the Region and strengthen their local coordination role and national policy influencing activities for the benefit of all our communities.
- To develop links with other Local Authorities, eg through the proposed Council for the North, and regional stakeholders including NHS England North, Yorkshire Universities and Transport for the North.

#### Cross-CA working options

##### *Option of a Memorandum of Understanding (MoU)*

3.22. An MOU between CAs collectively and with the Mayor (the ‘parties’) would be a non-statutory agreement, also falling short of a more formalised joint working arrangement. The parties could agree to work collaboratively towards the objectives and deliver these through, for example:

- An informal Advisory Forum incorporating an agreed number of elected members and business members of the ‘parties’ to identify areas for cooperation and strategic alignment, where value for money may be best delivered.
- A joint Senior Officer Steering Group comprising the Chief Executives and Directors of the ‘parties’ to drive and oversee collaborative projects and programmes related to the agreed themes.

3.23. A significant drawback to the above MoU model is that no Mayoral powers and funding could be delegated jointly to the CAs on an MoU basis, nor could CAs’ powers be exercised jointly at the regional level without referring back to the individual CAs for a formal decision on appropriate matters eg approving or otherwise any Mayoral spending plans and strategies. Government may also be concerned that the multiple CAs and single Mayor with an MoU model of regional collaboration is not sufficiently robust, durable and accountable in comparison with the single CA with single Mayor model.

##### Option of a Joint Committee

3.24. Alternatively, the CAs covering the larger geography could come together more formally (for example through a legally constituted Joint Committee) to act as a ‘Cabinet’ as shown in the above diagram (comprising at least all upper tier

constituent CA members, and with business and social partners - represented by eg the Unions and the LEPs - to be observers, and chaired by the Mayor). Detailed membership of/representation on the Cabinet would be subject to further local discussions and agreement with Government and other partners, eg Unions. The Cabinet, once established, would enable collaboration between CAs and the discharging of Mayoral functions. Issues of common endeavor and co-operation between CAs could potentially include: tourism, TfN issues, climate change and flooding resilience; inequality/inclusion; and inward investment. The joint committee 'Cabinet' is suggested as the preferred model because it enables CA and Mayoral functions to be formally delegated into the joint committee by agreement, enabling more meaningful collaboration at regional level. A suitably constituted Joint Committee is considered more likely to secure Government support needed for the establishment of the multiple CAs with single Mayor model.

### Options for an Assembly

- 3.25. An Assembly is shown in the diagrams above as an underpinning element of the proposed models. It is envisaged this would ensure broader local member and partner involvement in the shaping of Mayoral and CA spending plans and strategies, stronger links between local authorities, the CAs and the Mayor, and to hold the CA/s and Mayor to account.
- 3.26. The Authority's Overview and Scrutiny Committee have requested that an option for a directly elected and proportionate Assembly be considered as part of any deal. It has been stressed by the Committee that adequate checks and balances should be incorporated within the framework for any Mayoral office to ensure proper accountability and provide scope for effective scrutiny as well as to help in the development of the Mayor's strategies and other functions.
- 3.27. The nearest comparator to an elected assembly for a regional Yorkshire wide deal is the Greater London Assembly (GLA) model. The London model has a number of distinctive features:
  - Mayoralty is underpinned by a directly elected Assembly;
  - GLA functions are discharged by "functional bodies" (including Transport for London and Mayor's office for policing and crime (which replaced the Metropolitan Police Authority) which are distinct corporate entities in their own right;
  - the Mayor directs and sets the policy for the functional bodies;
  - the functions of the Assembly are limited, and principally include a scrutiny role; and
  - functions discharged through the GLA by the Mayor/functional bodies are broad, and include some planning, housing, taxi licensing and tourism functions.

3.28. In order to adopt a London-style model as part of any deal would require a significant reform over and above establishing a directly elected assembly (including establishing functional bodies under the Mayor which currently are not envisaged). Moreover, the 2016 Cities and Local Government Devolution Act does not provide for an Assembly on the lines of the London model to be established elsewhere. That is, there is no provision in the Act for creating a directly elected Assembly outside of London, nor functional bodies. To implement this model in Yorkshire would, therefore, require constitutionally significant primary legislation, which represents a significant barrier.

3.29. At least into the medium term, it is therefore anticipated that Assembly arrangements for any deal could be based on appointments from member authorities and other partners as appropriate. Early agreement would need to be reached by Authorities in terms of:

- The Assembly governance, eg Joint Advisory Committee of the CAs or an informal association membership model?
- The number of appointments to the assembly from each authority (and authority type)?
- Politically balanced membership, or otherwise?
- Inclusion of other partners/stakeholders eg business and Unions?
- Formal powers (eg 'pooled' overview and scrutiny of the Mayor and Cabinet), or limited to an influencing and communicating role?
- Frequency of meetings, eg in line with the Cabinet joint committee cycle of meetings?

#### Possible next steps

3.30. Members are asked to consider the issues discussed in this paper. Subject to an in-principle endorsement of the proposed 'multiple CAs with a single Mayor' option of local governance over a larger geography in return for an ambitious devolution deal, discussions could be progressed with other Authorities in Yorkshire to test the appetite for a deal. Subject to these discussions, the following could be progressed:

- Negotiations with Government on the most appropriate governance model and ambitious devolution Asks.
- Exploring with Government officials the best way of securing legislative change to allow the multiple CAs with single mayor model, for example through a legislative reform order mechanism.



- In the case of a Yorkshire deal, local discussions to agree CA geography or geographies, where arrangements do not currently exist, along with appropriate associate membership.
- Exploring with Government the legal and administrative feasibility of a Mayoral election as early as 2018.

#### **4. Financial Implications**

- 4.1. None arising directly from this report.

#### **5. Legal Implications**

- 5.1. None arising directly from this report.

#### **6. Staffing Implications**

- 6.1. None arising directly from this report.

#### **7. Consultees**

- 7.1. None in relation to this report.

#### **8. Recommendations**

- 8.1. The Authority is requested to:
- Note the ongoing challenges related to securing Government agreement to a transformative mayoral devolution deal for Leeds City Region.
  - Request a formal response from Government on the proposal for a Leeds City Region deal which was submitted to HM Treasury in September 2015, and seek to agree a way forward.
  - Note on other policy options that could secure transformative devolution to Leeds City Region, which also deliver the best deal for Yorkshire, including possible geographic footprints and related governance arrangements such as a model based on a single Mayor with multiple Combined Authorities representing the distinct functional economic market areas of any larger area.
  - Support discussions with Authorities across the region, and a wider community conversation, to explore the most appropriate options.

25 January 2017

V2



**Director:** Rob Norreys, Director,  
Policy, Strategy & Communications  
**Author:** James Nutter



## ITEM 6

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**Report to:** Combined Authority

**Date:** 2 February 2017

**Subject:** East Coast Main Line Priorities

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### 1. Purpose

- 1.1. To agree WYCA's proposed priorities for services and infrastructure on the East Coast Main Line.

### 2. Information

#### Background

- 2.1 The draft West Yorkshire Transport Strategy seeks to help deliver the outcomes set out in the Leeds City Region Strategic Economic Plan (SEP), including the vision for 'Good Growth'.
- 2.2 The proposed priorities for services and infrastructure on the East Coast Main Line were endorsed by Transport Committee at its meeting on 9 December 2016. This built on the rail theme in the draft transport strategy, which was considered in more depth at the Transport Committee meeting on 14 October 2016, including through a paper entitled 'West Yorkshire's Rail Delivery and Ambition' and a further item entitled 'Developing the Northern and Transpennine Rail Franchises'. Taken together and alongside a paper on the 'Yorkshire Hub', improvements to rail within and to/from the city region over the short, medium and long term were considered, including services and associated infrastructure on the East Coast Main Line (ECML).
- 2.3 Until the completion of HS2, the ECML is the Leeds City Region's 'trunk' rail route to London, Scotland and places in between. It is a vital transport artery providing inter-city, inter-urban and local rail journeys for employment, business and leisure purposes. It also provides vital capacity for significant volumes of rail freight. The ECML:
- Connects communities that already generate more than £300 billion each year to 'UK plc'.
  - Carried circa 80 million passenger journeys across all operators in 2015.
  - Carried nearly 2 billion net tonne kilometres of freight in 2012.

- Through inter-city services operated by Virgin Trains East Coast, Grand Central and Arriva Cross Country, connects Leeds City Region with London, and places in between, and with Sheffield, the North East and Scotland; and
  - Through inter-regional services operated by Transpennine Express connects our region to the North East; and through Arriva Rail North provides local stopping services connecting Leeds and Wakefield with Doncaster/Sheffield, as well as services between West Yorkshire and York.
- 2.4 WYCA is involved in, is cognisant of and is informing a number of strategic planning workstreams that are shaping options and choices about the future requirements of and investment priorities for the ECML, including:
- The development of Northern Powerhouse Rail and HS2.
  - The East Coast Main Line Authorities Consortium (ECMA).
  - The regulated, rail industry led long term planning process; and
  - The Hendy Review of Control Period 5 (2014 – 19) railway investment, and short term service plans and priorities of train operating companies.

#### East Coast Main Line and HS2/Northern Powerhouse Rail

- 2.5 The HS2 Phase 2b Route Decision Command paper announced by the Secretary of State on 15 November 2016, confirms that it is the Government's intention for HS2 services to join the East Coast Main Line to serve York, Darlington, Durham and Newcastle. This represents a great opportunity for more places to be integrated with and benefit from HS2, however also represents a challenge in terms of capacity required on the ECML.
- 2.6 Leeds City Region is a member of the HS2 East partnership which formed to continue to make the case for the HS2 eastern leg. Recent work completed has demonstrated the significant economic benefits of HS2 connecting to Scotland via the ECML.
- 2.7 HS2 services to Leeds and York offer the opportunity to re-think how to make best use of capacity on the East Coast Main Line in a post-HS2 era. Led by the objective of boosting the economy, the then PTE Metro carried out some joint work with South Yorkshire PTE to understand how released capacity could be best utilised post HS2. This has helped inform some of the evidence led work undertaken by the East Coast Main Line Authorities (see below).
- 2.8 In addition to HS2, Transport for the North is developing proposals for transformed connectivity between six of the north's cities and Manchester Airport, known as Northern Powerhouse Rail (NPR). Included in this is the link between Leeds and Newcastle, which could be provided for through the upgrade of the ECML to create greater capacity for more frequent, faster, services, including HS2 services, alongside improved local services.
- 2.9 At meetings in July and September 2016 respectively, the West Yorkshire Combined Authority and Leeds City Region LEP agreed the Leeds City Region position in relation to requirements of NPR. Based on an evidence led approach of how to maximise economic benefits for the north, our requirements include the need for NPR to serve

Bradford, Leeds and York. This implies that significant capacity upgrades to the ECML (and between Leeds and the ECML) will be required to cater for more frequent, faster services provided by NPR, alongside HS2 and other inter-city, and local services. Ensuring Leeds, Bradford and York stations have sufficient capacity for these services will be a key consideration.

- 2.10 In order to inform the design work required for the preparation of the HS2 Phase 2 Hybrid Bill, the first half of 2017 will see significant decisions being made about NPR's corridor alignments and touchpoints with the HS2 network. Included in this will be a decision about what junctions are required between HS2 and the classic network, and an indication of the strength of case regarding whether or not an NPR alignment between Leeds and Manchester will run via and call at Bradford. Given that planning work is already underway by the rail industry to develop possible ECML upgrade solutions (see Long Term Planning Process below), and the recent HS2 Phase 2b Route Decision, it seems a logical step to press for ECML upgrade works to create the required capacity as an early intervention in creating the NPR network.

#### East Coast Main Line Authorities

- 2.11 WYCA is a member of the Consortium of East Coast Main Line Authorities (ECMA) and is represented by Cllr Eric Firth. Evidence led work by the Consortium seeks to make the case for ongoing investment in the line to support the economies on the route, in advance of and to take best advantage of the completion of HS2.
- 2.12 Recent research by ECMA updates the evidence base and can be found in appendix 1, with the key requirements summarised as follows:
- The ECML improvements set out in Peter Hendy's report on Network Rail's programme to be delivered on time or earlier (e.g. works to allow the new longer trains to run, changes to better allow fast and slow trains to interact (e.g. over take).
  - Investment worth £3billion in the ECML from 2019. This needs to be delivered on a whole route ethos to expedite the improvement in line capacity, connectivity, reliability and resilience before and after HS2 East becomes operational.
  - Investment in other routes that connect with the ECML also needs to be integrated to maximise the potential for improved connectivity; and
  - Stakeholders outside the rail industry also need to be genuine partners in work to improve the route, so that all opportunities to add value and attract new sources of funding are taken.
- 2.13 Whilst the ECMA has undertaken some communications activity, it is suggested that working with the North East LEP and LEPS along the length of the ECML and the Scottish Government, WYCA and the Leeds City Region LEP could play a greater advocacy role in communicating the need and engendering support for investment in the route to decision-makers in Government. This will be particularly important

during 2017 as Government will be publishing its 'High Level Output Specification' and 'Statement of Funds Available' for the railway.

#### Long Term Planning Process - East Coast Route Study

- 2.14 Network Rail, working with the rail industry and wider stakeholders and partners such as WYCA, is required to plan for future use of and investment in the railway as part of the regulated Long Term Planning Process. The relevant workstreams in this case are the rail industry Market Studies (published in October 2013), and the East Coast Route Study.
- 2.15 The market studies determine the required railway outputs (frequency, journey time, capacity, punctuality etc.) between centres to support broader Governmental economic, societal and environmental objectives. The route study considers and proposes the rail investments required to help deliver those outputs e.g. four-tracking, longer trains, improved line speeds, for funders to make choices about what they will invest in. The route study considers all users and potential users of a route and impact they will collectively have on investment requirements e.g. freight, local, inter-urban and intercity passenger services.
- 2.16 WYCA has been involved in technical work led by Network Rail in developing the East Coast Route Study, our input having been based on WYCA's current Railplan 7 and associated Yorkshire Rail Network Study, as well as evidence produced by ECMA. It should be noted that NPR and HS2 requirements are a consideration in developing the investment strategy as part of the route study.
- 2.17 The East Coast Route Study will be published for consultation in spring 2017, however it is thought that the strategy that is likely to be proposed can be summarised as:
- Remove bottlenecks and the constraints of mixed traffic;
  - Adopt digital signalling and traffic management;
  - Enable higher more uniform speeds;
  - Build resilient infrastructure;
  - Deliver enhancements in steps; and
  - Broaden funding opportunities.
- 2.18 WYCA and its partners will need to respond to the East Coast Route Study when it is published for consultation in 2017.

#### The Hendy Review and Train Operating Company Considerations

- 2.19 Sir Peter Hendy was appointed to review the rail enhancement programme to 2019 and re-plan it, with the benefit of a better understanding of cost and delivery challenges. The conclusion of the review, published in late 2015 and updated in September 2016 is that the vast majority of programmes and projects will go ahead for delivery by 2019. No projects have been cancelled. The remaining projects will be delivered after 2019.

- 2.20 The Government's 2012 High Level Output Statement included a circa £250m East Coast Connectivity Fund with the objective of improving capacity and reduction in journey times on the ECML between the major centres. The proposed infrastructure investment was to dovetail with the investment in new rolling stock (the Intercity Express Programme). The Hendy Review indicated that the East Coast Connectivity Fund would continue but extend into the next investment period (2019-2014).
- 2.21 Train operating companies serving West Yorkshire have a number of very positive plans for improvements to services in our area using the ECML, which will help support the Leeds City Region economy. To mention only one example, Virgin Trains East Coast are committed to running faster, more frequent services to Bradford, Leeds, Harrogate and York. It will be highly important that the requisite rail infrastructure improvements that facilitate these and the committed service improvements of other train operating companies (e.g. Northern and Transpennine Express), are delivered in time. Interventions that provide for the required line capacity, journey time improvements and resilience, including power-supply, are a critical priority.

#### Proposed WYCA ECML Priorities

- 2.22 Following consideration of the areas of strategic planning mentioned above, the following ECML priorities were endorsed by the Transport Committee, to be agreed by the West Yorkshire Combined Authority:
- Short term: delivery of the post Hendy Review investment to enable train operating company service improvement commitments to be delivered.
  - Short term; consideration to be given and a response provided to the forthcoming East Coast Main Line Route Study, including on planning for a post HS2 era.
  - Medium term: Investment on a whole route ethos from 2019 worth £3bn in upgrades to capacity, journey time improvements and resilience to pave the way for HS2 and NPR.
  - Medium term: Investment in other routes that connect with the ECML also needs to be integrated to maximise the potential for improved connectivity;
  - Long term: Investment in capacity and connectivity improvements in preparation for a post HS2 era.
  - Cross-cutting: Stakeholders outside the rail industry also need to be genuine partners in work to improve the route, so that all opportunities to add value and attract new sources of funding are taken.

### **3. Financial Implications**

- 3.1. None directly as a result of this paper. It is proposed that investment is made on a whole route ethos from 2019 worth £3bn in upgrades to capacity, journey time

improvements and resilience to pave the way for HS2 and NPR investment worth. This will require significant Government/Transport for the North expenditure in the ECML, though there is scope for private sector and local government contributions.

#### **4. Legal Implications**

- 4.1. None as a result of this report.

#### **5. Staffing Implications**

- 5.1. None as a result of this report.

#### **6. External Consultees**

- 6.1. Network Rail have been consulted in the preparation of this report.

#### **7. Recommendations**



- 7.1 That the proposed East Coast Main Line priorities outlined in paragraph 2.22 are agreed.
- 7.2 That the proposal for the Leeds City Region LEP, working with other LEPS and the Scottish Government, to play a greater advocacy role in voicing the need for ongoing investment in the ECML is noted.

#### **8. Background Documents**





The Consortium of  
East Coast Main  
Line Authorities

 [ecma@investineastcoast.co.uk](mailto:ecma@investineastcoast.co.uk)  
 [www.investineastcoast.co.uk](http://www.investineastcoast.co.uk)

# Invest £3 billion in the East Coast Main Line for £9 billion economic boost

New research shows investing £3 billion in the East Coast Main Line will generate £9 billion for the UK economy, and:

1

Deliver economic benefits  
across the length of the UK

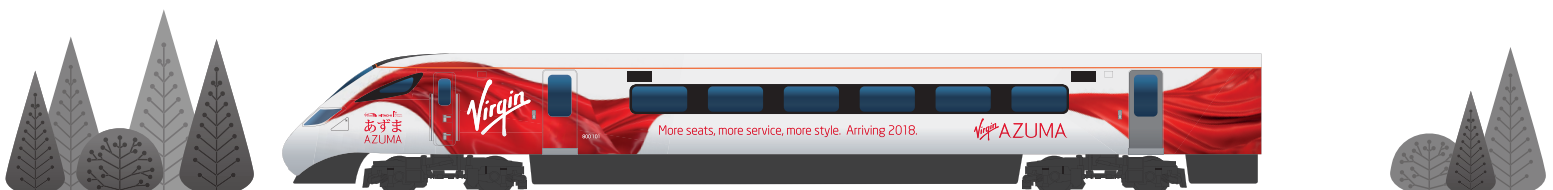
2

Maximise the potential benefits that  
HS2 East can bring to the whole route

3

Deliver more destinations, improved  
journey times, increased journey frequencies,  
better reliability and greater resilience

Investing in the East Coast Main Line now,  
will deliver **£9bn** for the economy



The East Coast Main Line is a vital rail artery connecting communities that already generate more than £300 billion each year to UK plc.

Work is already underway to solve issues of capacity, reliability and resilience that are needed to create a railway spine that can meet the needs of each economy in a safe, affordable and timely manner. But UK plc needs these plans to be delivered from 2019.

We call for the schemes that are needed to deliver our Gold standard to be prioritised for delivery by 2032, with guaranteed funding to enable the rail industry to get on with the job.

We need Network Rail to propose, design and deliver the infrastructure that will be needed. For our part, ECMA member organisations will continue to bring forward economic development proposals that can help finance the upgrade of the East Coast Main Line.

## 1 Deliver economic benefits across the length of the UK

- The economic benefits are worth up to £9 billion GDP with strong, positive economic cost-benefit ratios
- Benefits of investment will be felt by the nearly 13 million residents living in east coast communities, as well as those living elsewhere. The East Coast Main Line serves economies from northern Scotland to the home counties and London
- Cities and towns like Lincoln, Bradford and Middlesbrough – which are not on the main east coast route – will benefit as well as destinations in the south, the Midlands, the north of England, central and northern Scotland
- The proposed creation of a £250 million fund to help better connect associated routes to the East Coast Main Line spreads these benefits even further

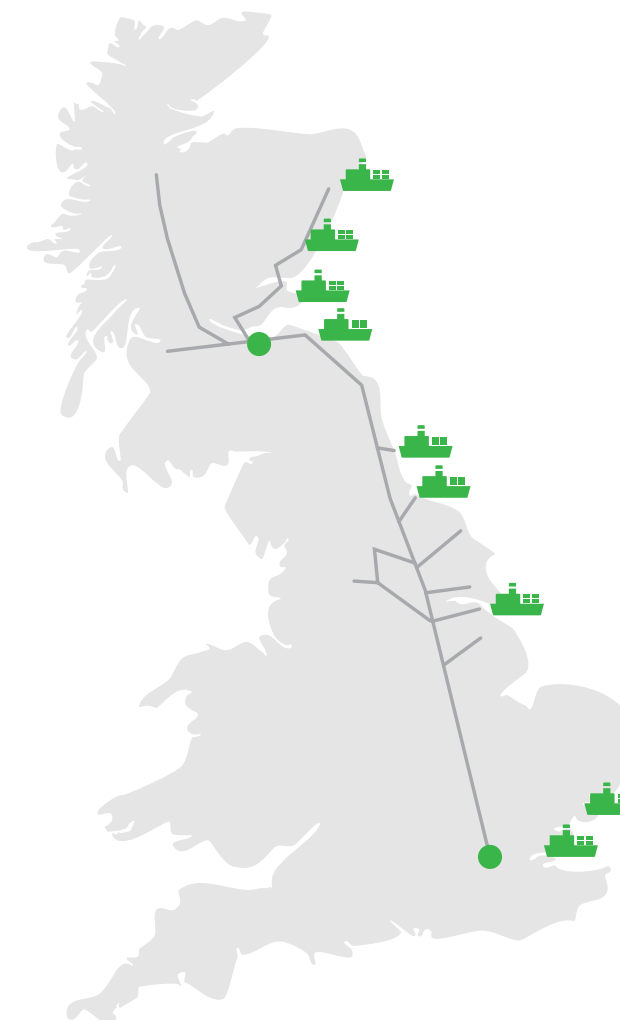
## 2 Maximise the potential benefits that HS2 East can bring to the whole route

- Every £1 spent on capital schemes to improve the East Coast Main Line and associated routes will result in £3.33 of wider economic benefits in addition to the benefits of HS2 East

- It is impossible to realise the full £9 billion of economic benefits without significant investment in both the East Coast Main Line and HS2 East
- Benefits nearly 13 million residents and 20 million passengers every year. Freight customers will also benefit from the investment

## 3 Deliver more destinations, improved journey times, increased journey frequencies, better reliability and greater resilience

- The economy needs an East Coast Main Line that has more capacity, reliability and resilience to deliver the safety, affordability and connectivity that is required to achieve the potential for economic growth
- The new trains and improved passenger journey experience being delivered by Virgin Trains East Coast are a first step towards the service that is needed. But these will only deliver their full potential with investments in infrastructure along the whole route
- The infrastructure is also needed by other passenger and freight operators using the route to deliver their plans for growth
- Many of the UK's key growth industries will benefit from this investment



Growth plans along the line include:

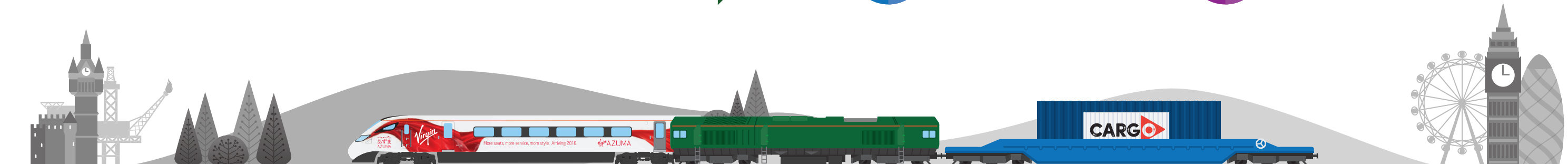
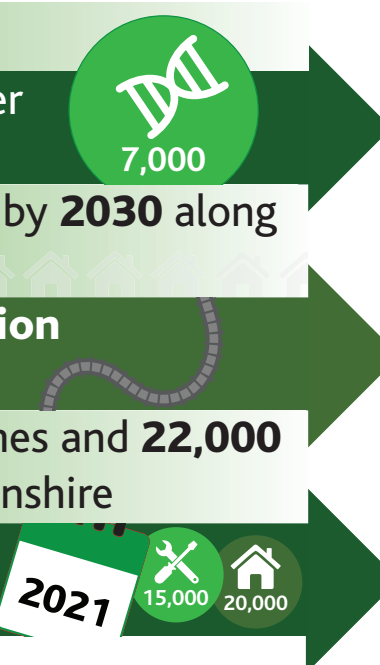
The **£1 billion** Dundee Waterfront plan will create over **7,000 new jobs** in biotech and other industries

An expected **24,900 new jobs** in south east Scotland by **2030** along with **135,000 new homes**

Improving connections along the line to serve **15 million** people in northern England

**13,000** new jobs, **100,000** new homes and **22,000** growing businesses in Greater Lincolnshire

The Hertfordshire Growth Deal, that includes **15,000 new jobs** and **20,000 new homes** by **2021**



## What needs to be done?

In order to keep all the economies along the line competitive in both global and national markets, UK plc needs:

- The East Coast Main Line improvements set out in the Hendy report to be delivered on time or earlier
- Investment worth £3billion in the East Coast Main Line from 2019. This needs to be delivered on a whole route ethos to expedite the improvement in line capacity, connectivity, reliability and resilience before and after HS2 East becomes operational.
- Investment in other routes that connect with the East Coast Main Line also needs to be integrated to maximise the potential for improved connectivity
- Stakeholders outside the rail industry also need to be genuine partners in work to improve the route, so that all opportunities to add value and attract new sources of funding are taken

## The evidence

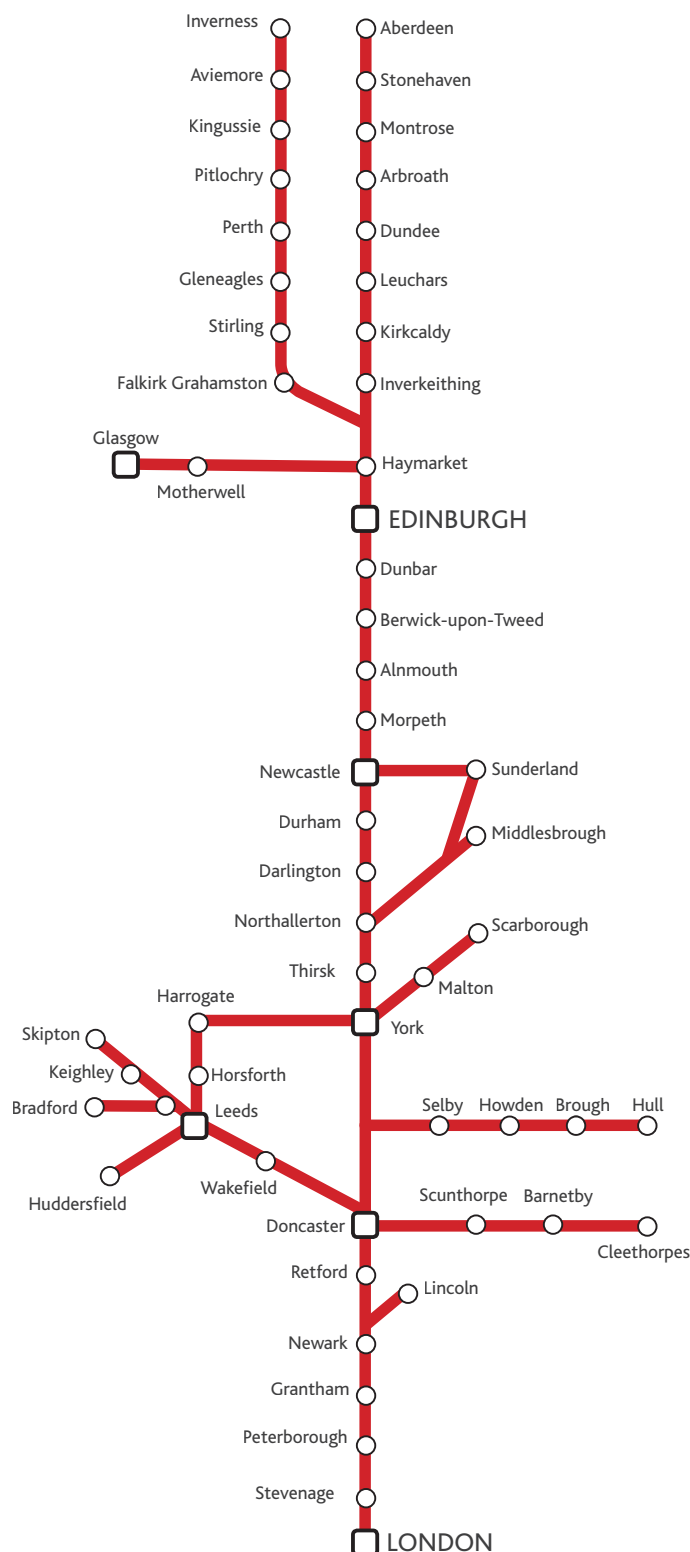
Read the independent research in detail at [www.investineastcoast.co.uk](http://www.investineastcoast.co.uk)

The wider economic benefits of this investment will be felt from the north of Scotland all the way to London with smaller economies seeing proportionally larger gains.

These benefits can start to be realised as soon as 2020 as the new Virgin Trains East Coast timetable will deliver economic benefits worth £154 million each year. As investment increases, then the forecast economic benefits each year will increase to £515 million.

## The Consortium of East Coast Main Line Authorities (ECMA)

ECMA members across the 580-mile east coast route have commissioned this research. ECMA represents local authorities and Scottish Regional Transport Partnerships throughout the area served by the East Coast Main Line.



The Consortium of  
East Coast Main  
Line Authorities

 [ecma@investineastcoast.co.uk](mailto:ecma@investineastcoast.co.uk)

 [www.investineastcoast.co.uk](http://www.investineastcoast.co.uk)

 @InvestEastCoast

**C/O City of York Council**  
Directorate of City and Environmental Services  
West Offices, Station Rise, York YO1 6GA



**Director:** Rob Norreys, Director of Policy, Strategy and Communications  
**Author:** David Walmsley, Head of Economic Policy



## ITEM 7

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**Report to:** Combined Authority

**Date:** 2 February 2017

**Subject:** Industrial Strategy

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### 1. Purpose

- 1.1 Government launched an industrial strategy green paper<sup>1</sup> on 23 January. This report highlights key issues alongside further information about particular challenges in the Leeds City Region (LCR).
- 1.2 Government's broad intentions correspond to the strategic economic priorities of the LCR, where significant work is already underway and making a difference. There are, however, several areas where the WYCA, LEP and partners might lobby for the final Industrial Strategy to go further. For example, the move to a more interventionist, place-based approach offers an opportunity to implement in full Lord Heseltine's recommendations from 'No Stone Unturned' for a single, devolved investment pot. In creating the right institutions to bring together sectors and places, ambitious devolution is crucial (including fiscal powers) to achieving the aims of the industrial strategy.
- 1.3 It is proposed that the WYCA/LEP coordinate a full draft city region wide response to Government's consultation for further consideration by the WYCA. In doing so, this will draw widely on the views of businesses, local authorities and partners in universities, trade unions, etc. around an inclusive industrial strategy.

### 2. Information

#### **Background**

- 2.1 On taking office, the Prime Minister called for a 'proper' industrial strategy (IS) to achieve several outcomes, including higher wages, opportunity for young people, regional rebalancing and a sustained drive to improve productivity. Government's approach to IS is led by a Cabinet Committee, chaired by the Prime Minister and includes the Chancellor and 10 Secretaries of State. Greg Clark MP has been appointed to lead this work from the new Department for Business Energy & Industrial Strategy.

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<sup>1</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/585273/building-our-industrial-strategy-green-paper.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/585273/building-our-industrial-strategy-green-paper.pdf)

2.2 November's Autumn Statement saw the Chancellor set aside his predecessor's fiscal targets (i.e. no budget surplus by 2020), and heralded a more interventionist approach with greater investment through borrowing:

- **£23bn National Productivity Investment Fund (NPIF) from 2017-18 to 2021-22**, with:
  - £7.2bn for housing, including delivery of 100,000 new houses in areas of high demand;
  - £4.2bn to improve research and development; and,
  - Monies for transport and digital improvements, but £7bn remains uncommitted.
- **The Northern Powerhouse Strategy<sup>2</sup>**, published alongside the Autumn Statement, restates existing commitments (e.g. upgrading the Trans-Pennine railway and M62 improvements between J32 and J35a) and commit to “work with” the North on other issues (e.g. school attainment, attracting skilled workers and approaches to trade and investment). It does though commit to more intensive engagement with LEPs, Combined Authorities and Councils which is an opportunity to build upon.

2.3 The **Modern Industrial Strategy green paper** launched on 23 January sets out the Government's approach in more detail, structured around '10 pillars'. The green paper seeks views by 17 April 2017 on the approach and 38 specific consultation questions (attached at Appendix A):

#### The pillars

1. **Investing in science, research and innovation** – we must become a more innovative economy and do more to commercialise our world leading science base to drive growth across the UK.
2. **Developing skills** – we must help people and businesses to thrive by: ensuring everyone has the basic skills needed in a modern economy; building a new system of technical education to benefit the half of young people who do not go to university; boosting STEM (science, technology, engineering and maths) skills, digital skills and numeracy; and by raising skill levels in lagging areas.
3. **Upgrading infrastructure** – we must upgrade our standards of performance on digital, energy, transport, water and flood defence infrastructure, and better align central government infrastructure investment with local growth priorities.
4. **Supporting businesses to start and grow** – we must ensure that businesses across the UK can access the finance and management skills they need to grow; and we must create the right conditions for companies to invest for the long term.
5. **Improving procurement** – we must use strategic government procurement to drive innovation and enable the development of UK supply chains.
6. **Encouraging trade and inward investment** – government policy can help boost productivity and growth across our economy, including by increasing competition and helping to bring new ways of doing things to the UK.
7. **Delivering affordable energy and clean growth** – we need to keep costs down for businesses, and secure the economic benefits of the transition to a low-carbon economy.

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<sup>2</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/571562/NPH\\_strategy\\_web.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/571562/NPH_strategy_web.pdf)



**9. Driving growth across the whole country** – we will create a framework to build on the particular strengths of different places and address factors that hold places back – whether it is investing in key infrastructure projects to encourage growth, increasing skill levels, or backing local innovation strengths.

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**10. Creating the right institutions to bring together sectors and places** – we will consider the best structures to support people, industries and places. In some places and sectors there may be missing institutions which we could create, or existing ones we could strengthen, be they local civic or educational institutions, trade associations or financial networks.

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- 2.4 Initial analysis shows that for each pillar there is SEP-related work to improve the performance of the LCR. Further analysis is needed to determine where and how city region policy and delivery approaches need to evolve to take account of these Government priorities. This activity will link with inclusive growth activity agreed by the WYCA at its last meeting and on the joint WYCA and LEP Brexit Action Plan.

### ***Outline Leeds City Region response (proposed)***

- 2.5 It is proposed that the LCR position is to welcome what we know so far of Government's broad approach to Industrial Strategy:
- To have a strategy focused on increasing productivity and ensuring the proceeds are shared fairly across society.
  - To increase investment (as announced in Autumn Statement), noting however that the OECD recommends that a more expansionary policy than projected can boost growth and equity while maintaining fiscal sustainability<sup>3</sup>. This means there is opportunity to go even further than the £23bn announced.
  - To adopt a local approach to strategy, recognising and reflecting that the strengths of each place and what they need is different.
  - To empower leadership at the right level with the necessary tools to do the job, and ensure that leadership is accountable to residents, businesses and government.
- 2.6 We should be equally clear that a genuinely inclusive Industrial Strategy means a fresh approach to combined socio-economic policy if the LCR and wider Northern Powerhouse are to equal or exceed the UK average growth rate, whilst making the biggest difference for the most disadvantaged. Achieving this would, by 2030, add more than £37bn in real terms to the North's existing output of £289bn per year.
- 2.7 In particular, we should be clear that for the Industrial Strategy to be successful, delivery should work with the grain of the local growth infrastructure that has been put in place since the 2011 Local Growth White Paper and subsequent evolution through City Deals, Growth Deals and Devolution Deals. This applies particularly to funding streams to support Industrial Strategy, where the Autumn Statement announcement of the National Productivity Investment Fund creates an opportunity for Government to deliver something closer to Lord Heseltine's vision of a £49bn Single Pot for LEPs than has so far been put in place. For Government, this creates an opportunity to focus on key national strategic issues, such as the arrangements for

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<sup>3</sup> <http://www.oecd.org/eco/economicoutlook.htm>

existing the EU, repatriation of areas of policy which have been run from Brussels, and identifying and negotiating priorities for our new external trading relationships through the WTO and bilateral trade agreements.

2.8 For the City Region, this mitigates the risk of new bureaucratic transactional burdens that might arise, if Government invents new processes for allocating new funding. It offers the opportunity to support our ambitions in relation to infrastructure and more importantly, to bolster our economic service offer to grow an inclusive economy, creating new and better jobs by:

- Attracting new business investment in key sectors;
- Helping people and firms to increase skill levels and take advantage of economic opportunities; and,
- Supporting strategic business development, particularly through investment in technology, innovation and trade.

### ***Analysis of LCR-specific issues***

2.9 There is much in the green paper that reflects the Coalition Government's (2010-2015) Industrial Strategy and the issues identified in Lord Heseltine's report "*No Stone Unturned; in pursuit of Growth*"<sup>4</sup> (2012) – the productivity gap as the key challenge; the persistence of regional disparities; the need to invest in infrastructure, innovation, and skills and improve access to finance; the importance of strong strategic relationships between government and business, particularly in respect of key sectors; the role that Government procurement can play in driving growth; and the need to reduce regulatory burdens. The key difference is the failure to mirror Lord Heseltine's commitment to localism with LEPs as the key deliverers of local growth. The announcement of "Sector Deals" is the key feature distinguishing the new approach from the Coalition Industrial Strategy ("deals" being Greg Clark's preferred approach to partnership, as seen previously in City Deals, Growth Deals and Devolution Deals, with agreed commitments and responsibilities for both parties).

2.10 The rationale for further Government action appears compelling on several matters:

- a) **Regional inequality** in the UK is higher than most developed economies;
- b) **UK productivity** is generally lower than international standards, with big variations within industrial sectors. The LCR has proportionately more people employed in low productivity sectors like retail, hospitality and care;
- c) **Investment** (particularly from business on R&D) is very low in Yorkshire and Humber by international standards, which inhibits productivity growth; and
- d) **Fragmented governance** holds back inclusive economic development in major city economies.

A short analysis is provided below for each of these factors.

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<sup>4</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/34648/12-1213-no-stone-untuned-in-pursuit-of-growth.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/34648/12-1213-no-stone-untuned-in-pursuit-of-growth.pdf)



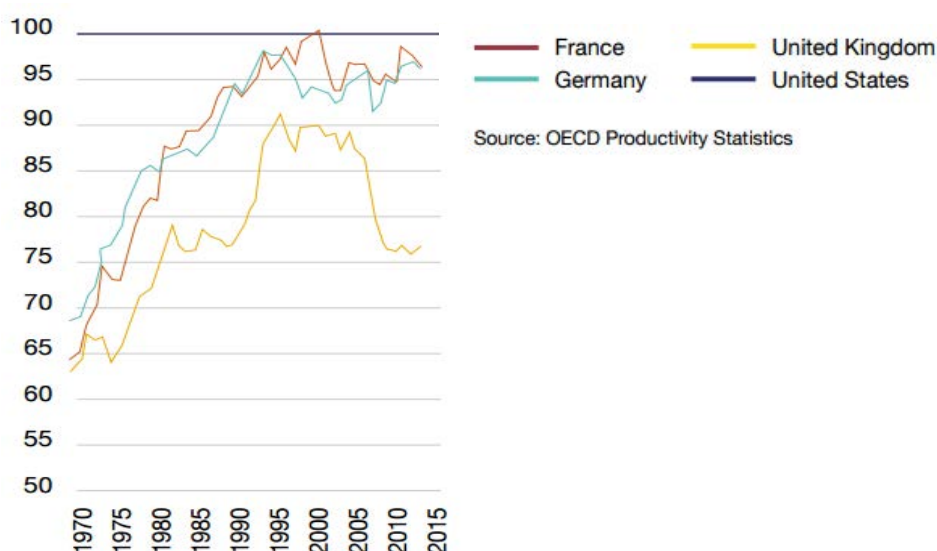
- 2.11 **Regional inequality** – for almost four decades, regional inequality in the UK has been widening and the UK is now the most unequal of the major European economies<sup>5</sup> (see table below). Uniquely, the trend in the UK has been for inequality to grow much more quickly in the 21<sup>st</sup> Century than the final decades of the 20<sup>th</sup> Century. The RSA’s Inclusive Growth Commission identified how the Brexit vote correlated to older industrial areas in England, which was a theme recognised by the LEP Board and WYCA in preparing a joint response. It seems inconceivable that the Prime Minister will be able to deliver on her aspiration of “*a country that works for all*” without addressing this wide and growing imbalance.

Fig 1: Regional inequality of major European nations (1980 – 2011)

Coefficient of variation of GDP per head (%) <sup>6</sup>	1980	2001	2011
United Kingdom	0.31	0.36	0.45
Belgium	0.43	0.44	0.37
Germany	0.35	0.23	0.23
Italy	0.32	0.28	0.22
Netherlands	0.17	0.20	0.21
France	0.15	0.18	0.19
Spain	0.14	0.19	0.15
Greece	0.35	0.21	0.14

- 2.12 **UK productivity growth** – UK productivity is low by international standards, and the LCR is 12% lower in the LCR than the UK as a whole, though this is similar to other core cities.

Fig 2: Productivity in UK, France and Germany compared to US (per hour worked)



Productivity weakened significantly following the 2007/8 financial crisis to just a quarter of its long-run trend<sup>7</sup>, stunting growth in real wages and living standards. It

<sup>5</sup> Cambridge Econometrics, European Regional Data Base. Cited in ‘*Spatially Rebalancing the UK Economy: Towards a New Policy Model?*’. Regional Studies 2016, 50(2), 342-257

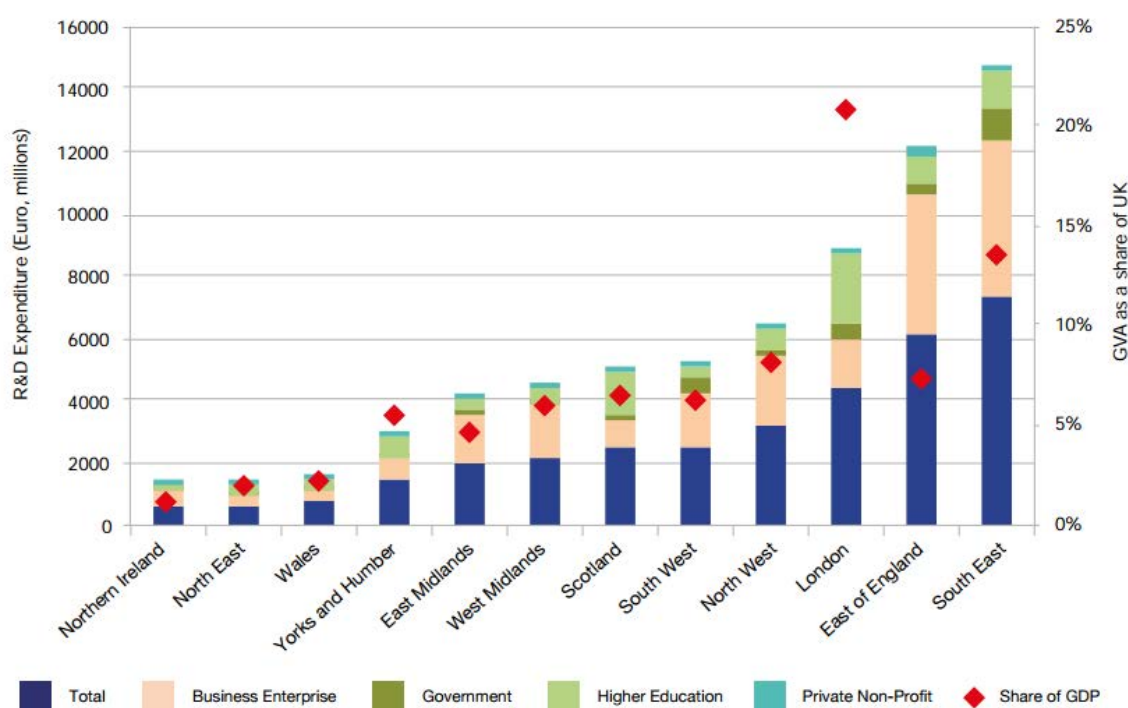
<sup>6</sup> The % relates to the degree of difference between. Therefore, a score of 0 means that all regions in a nation have the same level of prosperity, whereas a score of 1 means that all a nation’s prosperity is in a single region.

has stabilised, but the OBR has decided to revise down its future assumptions from a pre-crisis 2.2% to 2% p.a. There is also an issue about variable productivity of different firms within the same sector: the top 10% of firms in each industry in the UK are estimated to be **over five times** as productive as the bottom 10% of firms, which is a bigger gap than in the US. Sir Charlie Mayfield, chairman of John Lewis, has been leading work across business to increase productivity through better management. The green paper helpfully recognises several drivers of improved productivity including better skills and transport connectivity – where the WYCA/LEP have a current offer, which could be significantly enhanced through real devolved powers and funding.

- 2.13 **Innovation and investment** – by international standards, the UK has very low levels of Research and Development (R&D) spending. Even by those modest standards, R&D spending in Yorkshire and Humber is chronically low (proportionately about half that in the North West, and five times lower than the East of England) – and virtually all of this gap is in private investment:

#### Annual research and development expenditure

GERD, average 2010-2014



Source: Eurostat database, 2016. Annual R&D expenditure is total intramural R&D expenditure (GERD) by sectors of performance and NUTS 2 regions, 2016.

- 2.14 **Governance** - Evidence from a study of cities across the UK, US, Spain, Germany and Mexico also suggests that larger cities are more productive just because they are bigger<sup>8</sup> but that cities with fragmented governance structures tend to have lower levels of productivity. This effect is mitigated by the existence of a metropolitan

<sup>7</sup><https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/bulletins/labourproductivity/aprtojune2016>

<sup>8</sup> Ahrend and Lembcke (2015) - What Makes Cities More Productive? Agglomeration Economies and the Role of Urban Governance: Evidence from 5 OECD Countries (SERC)

governance body. Devolution of powers offers a means of providing stronger, more accountable decision-making with genuine local powers to improve outcomes. This also offers the best means of ensuring businesses, community groups and other partners are able to play appropriate roles in public decisions.

### ***Next steps***

- 2.15 Further work will be undertaken with local authorities to establish an agreed position on the consultation questions and submitted before the 17 April. Further papers will be brought to the next meeting of the Combined Authority with further detail about how an inclusive industrial strategy might mean better outcomes for businesses and residents, and particularly the most deprived.

## **3. Financial Implications**

- 3.1 There are no direct financial implications as a result of this report. There are, however, significant potential financial implications including seeking devolved powers and a larger single pot (as per Lord Heseltine's Review) will mean the WYCA may be faced with additional risks.

## **4. Legal Implications**

- 4.1 There are no legal implications to this report, although there will be legal implications for delivering devolved powers.

## **5. Staffing Implications**

- 5.1 Developing a strategic city-region/local approach to inclusive industrial strategy will require a step-change in the capacity to work across partners. The WYCA's corporate plan and budget paper (item 8) provides limited opportunity to exploit these emerging opportunities, but it is likely that a broader and/or deeper city region agenda will require commensurate resources. Not providing these resources means there is a significant risk that the city region will not achieve its ambitions to bring decision-making closer to businesses and residents and to drive a stronger, more inclusive economy.

## **6. External Consultees**

- 6.1 The LEP Board has discussed a similar report. Local authority chief executives and the managing director have been consulted on this report.

## **7. Recommendations**

- 7.1 That publication of Government's Modern Industrial Strategy green paper is noted.
- 7.2 That the WYCA agrees with the proposed outline response, particularly to work through the LEP Network and other structures to make the funding announced in the Autumn Statement an opportunity to deliver the Heseltine Review through stronger

local decision-making over a single pot. Further, this response will reiterate that a step-change improvement in outcomes depends on ambitious devolved powers.

- 7.3 That the likely requirements for further resources and cross city-region activity to fully exploit the potential for and inclusive industrial strategy with ambitious devolved powers be noted.

## **8. Background Documents**

- 8.1 Industrial Strategy (Report to the LEP Board - 24 January 2016)
- 8.2 Good Growth report (1 December)
- 8.3 Brexit Action Plan (1 December)

## ***Appendix A – Modern Industrial Policy Green Paper: Consultation Questions***

1. Does this document identify the right areas of focus: extending our strengths; closing the gaps; and making the UK one of the most competitive places to start or grow a business?
2. Are the ten pillars suggested the right ones to tackle low productivity and unbalanced growth? If not, which areas are missing?
3. Are the right central government and local institutions in place to deliver an effective industrial strategy? If not, how should they be reformed? Are the types of measures to strengthen local institutions set out here and below the right ones?
4. Are there important lessons we can learn from the industrial policies of other countries which are not reflected in these ten pillars?
5. What should be the priority areas for science, research and innovation investment?
6. Which challenge areas should the Industrial Challenge Strategy Fund focus on to drive maximum economic impact?
7. What else can the UK do to create an environment that supports the commercialisation of ideas?
8. How can we best support the next generation of research leaders and entrepreneurs?
9. How can we best support research and innovation strengths in local areas?
10. What more can we do to improve basic skills? How can we make a success of the new transition year? Should we change the way that those resitting basic qualifications study, to focus more on basic skills excellence?
11. Do you agree with the different elements of the vision for the new technical education system set out here? Are there further lessons from other countries' systems?
12. How can we make the application process for further education colleges and apprenticeships clearer and simpler, drawing lessons from the higher education sector?
13. What skills shortages do we have or expect to have, in particular sectors or local areas, and how can we link the skills needs of industry to skills provision by educational institutions in local areas?
14. How can we enable and encourage people to retrain and upskill throughout their working lives, particularly in places where industries are changing or declining?

Are there particular sectors where this could be appropriate?

15. Are there further actions we could take to support private investment in infrastructure?
16. How can local infrastructure needs be incorporated within national UK infrastructure policy most effectively?
17. What further actions can we take to improve the performance of infrastructure towards international benchmarks? How can government work with industry to ensure we have the skills and supply chain needed to deliver strategic infrastructure in the UK?
18. What are the most important causes of lower rates of fixed capital investment in the UK compared to other countries, and how can they be addressed?
19. What are the most important factors which constrain quoted companies and fund managers from making longer term investment decisions, and how can we best address these factors?
20. Given public sector investment already accounts for a large share of equity deals in some regions, how can we best catalyse uptake of equity capital outside the South East?
21. How can we drive the adoption of new funding opportunities like crowdfunding across the country?
22. What are the barriers faced by those businesses that have the potential to scale-up and achieve greater growth, and how can we address these barriers? Where are the outstanding examples of business networks for fast growing firms which we could learn from or spread?
23. Are there further steps that the Government can take to support innovation through public procurement?
24. What further steps can be taken to use public procurement to drive the industrial strategy in areas where government is the main client, such as healthcare and defence? Do we have the right institutions and policies in place in these sectors to exploit government's purchasing power to drive economic growth?
25. What can the Government do to improve our support for firms wanting to start exporting? What can the Government do to improve support for firms in increasing their exports?
26. What can we learn from other countries to improve our support for inward investment and how we measure its success? Should we put more emphasis on measuring the impact of Foreign Direct Investment (FDI) on growth?

27. What are the most important steps the Government should take to limit energy costs over the long-term?
28. How can we move towards a position in which energy is supplied by competitive markets without the requirement for on-going subsidy?
29. How can the Government, business and researchers work together to develop the competitive opportunities from innovation in energy and our existing industrial strengths?
30. How can the Government support businesses in realising cost savings through greater resource and energy efficiency?
31. How can the Government and industry help sectors come together to identify the opportunities for a 'sector deal' to address – especially where industries are fragmented or not well defined?
32. How can the Government ensure that 'sector deals' promote competition and incorporate the interests of new entrants?
33. How can the Government and industry collaborate to enable growth in new sectors of the future that emerge around new technologies and new business models?
34. Do you agree the principles set out above are the right ones? If not what is missing?
35. What are the most important new approaches to raising skill levels in areas where they are lower? Where could investments in connectivity or innovation do most to help encourage growth across the country?
36. Recognising the need for local initiative and leadership, how should we best work with local areas to create and strengthen key local institutions?
37. What are the most important institutions which we need to upgrade or support to back growth in particular areas?
38. Are there institutions missing in certain areas which we could help create or strengthen to support local growth?





**Director and Author:**  
Angela Taylor, Director Resources



## ITEM 8

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**Report to:** Combined Authority

**Date:** 2 February 2017

**Subject:** WYCA corporate plan and budget 2017/2018

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### 1. Purpose

- 1.1. To consider the outline corporate plan for the West Yorkshire Combined Authority for 2017/18 and its strategic aims on behalf of local people.
- 1.2. To approve the proposed revenue budget and transport levy for 2017/18, the indicative capital programme and the treasury management statement.

### 2. Information

#### Background

- 2.1. The West Yorkshire Combined Authority (WYCA) has brought together the organisations and teams responsible for public transport, economic growth, research and intelligence and inward investment for the Leeds City Region who are uniting around a shared agreed focus on good economic growth for the region. Following the appointment of the Managing Director in February 2016 the One Organisation programme was established and this is now making good progress in delivering a number of workstreams covering new delivery processes, changes to organisational culture and structure, governance, policy, strategy and services. New directorates have been created and directors and heads of service appointed to take forward new ways of working and improved processes and systems to ensure that resources are all best aligned towards good growth.
- 2.2. WYCA has been successful in securing significant external funding to support its delivery of the ambition set out in the Strategic Economic Plan. The region has previously secured the largest Growth Deal in the country and has recently received confirmation of a further £67.45m to continue some key programmes and to commence other critical projects. A significant number of projects are underway including skills capital projects at colleges across the region and West Yorkshire plus

Transport Fund schemes are progressing in all Districts, with Wakefield Eastern Relief Road set to complete this month.

- 2.3. The focus for 2017/18 remains on achieving economic growth, through improving connectivity and housing stock, increasing the number of good quality jobs, encouraging businesses both to grow and to move to the region and increasing the opportunities for young people to access training and employment. Negotiations continue with government on the size and shape of a devolution deal that could bring significant benefits to the region and build on the successes achieved to date. In the current context of public sector funding cuts and the huge pressures on the District Councils that largely fund WYCA's revenue budget securing the right devolution deal could help to ensure that the improvements in economic growth across the region are delivered.
- 2.4. The work underway through the One Organisation Programme will enable WYCA to respond to any devolution deal and adapt its shape and processes accordingly.

### **Corporate Plan 2017/18**

- 2.5. WYCA's activities are led at an overarching strategic level by the Strategic Economic Plan approved by both the LEP and WYCA. In order to translate this into practical measurable actions a corporate plan was produced and approved for 2016/17. This confirmed the vision and mission for the organisation and the practical steps for how these were to be progressed during the year. The plan includes key performance indicators to measure the success of these deliverables and regular reports have been provided to WYCA to provide information on progress against these indicators.
- 2.6. The 2016/17 corporate plan is available at [www.westyorks-ca.gov.uk/about/priorities](http://www.westyorks-ca.gov.uk/about/priorities). It is proposed that the 2017/18 plan follows a similar format and is updated to show achievements to date and set out the targets and measures for the year.
- 2.7. Appendix A sets out a high level summary of the draft targets for 2017/18. The final full version of the 2017/18 corporate plan will be brought to the next meeting of WYCA for approval following further work to develop the details of how delivery of these objectives and targets will be measured.

### **Revenue budget 2017/18**

- 2.8. WYCA has considered a number of reports on the medium term financial strategy and the budget strategy for 2017/18. At its meeting on 2 December it considered a report putting forward a £1m cut in the transport levy for 2017/18 which would necessitate a reduction in expenditure of some £2m, depending on the outcome of further work on the detailed budget with regard to both income and expenditure. Whilst there have been some small changes in the projected budget figures for both this year and next year the overall position remains largely unchanged from that previously reported. The challenges as previously reported remain and are set out in the following paragraphs.

## Income

- 2.9. **Transport levy:** the largest element of revenue income for WYCA is the transport levy. In 2016/17 this is £101m (of which £96.2m is utilised to support revenue expenditure) and is paid by the five West Yorkshire District authorities in proportion to the population of each District. £85m of this directly supports passenger transport activities in accordance with the policies and principles established by WYCA. Of this £45m pays for the statutory element of the concessionary travel scheme for seniors and almost £20m supports subsidised bus services, making reductions in this expenditure difficult. The levy has remained unchanged in recent years, with WYCA managing increases in costs and expectations within this fixed funding whilst also applying an increasing proportion of the levy to support the West Yorkshire plus Transport Fund.
- 2.10. In recognition of the continuing pressure on local government funding it is proposed that the levy is reduced by £1m in 2017/18 with further reductions in future years. The implications of this are set out from paragraphs 2.23 onwards.
- 2.11. **LEP subs/government funding:** the Leeds City Region authorities pay subscriptions to support the activities of the Leeds City Region Enterprise Partnership. These continue unchanged at £0.7m and are supplemented by government funding of £0.5m. This level of government funding has also remained unchanged for a number of years and it should be noted that the same amount is paid to each LEP irrespective of the size and shape of each region.
- 2.12. **Enterprise Zone receipts:** WYCA took on the inward investment function of the former Leeds and Partners in April 2015. The costs of this function (circa £1.5m) were to be met through business rates income from the Leeds Aire Valley Enterprise Zone (EZ) in part in 2015/16 and then in full from 2016/17 onwards, this income accruing to WYCA as the accountable body for the Leeds City Region Enterprise Partnership (LEP). The timing of new businesses opening on the EZ as well as the formal valuation of them has been slower than anticipated and to date actual income has not met forecast levels. This leaves a funding timing difference over this and future years, necessitating WYCA funding the costs of the inward investment team through the use of reserves. The latest forecasts are included in the figures in table 1 at paragraph 2.22 and are significantly short of the income expected when budgets were set a year ago. To date no money has actually been paid across to WYCA. Work is continuing to fully understand the timing of the payment of business rates to Leeds City Council and the risk of appeals to rateable values and this may result in the actual income in 2017/18 exceeding that assumed in the budget. There is also a need to consider how to encourage further businesses to locate to the Enterprise Zones and to recognise that further upfront investment, potentially through capital budgets, may be required to achieve this. Enterprise Zones are to be established in other parts of the region and it is likely that similar challenges will be faced with these.
- 2.13. **Business skills and employment:** this income funds the work of the economic services team in providing support to businesses to upskill their employees and expand their activities. These funding streams are awarded to WYCA usually on an annual basis with a requirement to spend in that time period. This gives no certainty

to being able to continue with these workstreams in future years – the 2017/18 budget reflects the awards made for that year.

## **Expenditure**

- 2.14. **Concessionary travel:** this is the highest individual budget line with table 1 currently showing a £1m saving against the original budget for reimbursement to bus operators of the statutory element of the concessionary travel budget of £46m. From 1 April 2017 data collected through smartcard technology will be utilised in the Department for Transport calculator which is used to establish the basis of the ‘no better, no worse’ reimbursement principle. This is expected to demonstrate that future levels of reimbursement should remain at a similar level as at present under the old system and the 2017/18 budget is therefore showing no increase against the revised outturn for 2016/17. This creates an area of risk for WYCA as there may be expectations from bus operators that they will see a further increase as has been the situation previously with a history of annual increases in reimbursement driven by inflation in salary and fuel costs within the bus industry. This risk is addressed through the reserves policy set out in paragraphs 2.26 and 2.27.
- 2.15. **Transport services:** Work has been undertaken to understand how a review of the policies applied to these areas of expenditure could result in changes that would lead to service cuts and thereby reduce expenditure, particularly with regard to bus tendered services. This could include for example reducing the support provided for Sunday services, increasing the minimum number of passengers required to be carried to qualify for support, the withdrawal of the more expensive services (on a cost per passenger trip basis) or reductions in the dial-a-ride AccessBus service. Whilst these could in total reduce annual expenditure by up to £5-6m there would be significant consequences to the bus network and passengers affected negatively by the changes. A saving/cut of £650k against the modelled expected expenditure for 2017/18 has been factored into the budget and the options to achieve this will be brought to a future meeting of WYCA.
- 2.16. **Growing agenda:** Work underway to establish the policy and strategy team suggests that it is likely that if WYCA/LEP wish to operate at an influential national level on relevant policy areas including social inclusion, employment, health, housing, fiscal and Brexit policy then current resourcing levels are likely to be insufficient. Ways of increasing and funding resource in this area will need to be identified. It is vital that WYCA and the City region is active on these agendas to achieve their strategic ambitions, influencing national policy and securing the resources to enable the organisation to deliver through devolution and future Government bidding opportunities.
- 2.17. Raising the Leeds City Region’s national and international profile, so that it competes effectively for its full share of government and commercial investment, has been identified as another key priority by Leaders and Chief Executives. In addition to core “business as usual” communications and marketing activity - including promoting transport and economic services and campaigns, attracting inward investment into the region, and communicating the impact of WYCA’s work locally and regionally – a number of further areas of activity have been identified by Leaders and Chief Executives as requiring further investment. These include appropriate

engagement on devolution and continuing to raise the City Region's national profile and influencing key stakeholders through more concerted public affairs and media relations activity.

- 2.18. **Other inflationary pressures:** Inflation on contracts, including bus tendered services as well as on salaries and other overheads will have to be managed with these budgets. A one percent pay award in line with local government settlements is included in budgets but the outcome of the pension revaluation is awaited. The West Yorkshire Pension Fund is undertaking its triennial revaluation with new employer contribution rates to take effect from April 2017. Initial information from the Fund is that it expects a 'headline' increase to contributions of 3%. This will vary by individual employer according to the specifics of their current and former employees and WYCA is still awaiting notification of its new rate.
- 2.19. **West Yorkshire plus Transport Fund:** This has received £30m funding through the Local Growth Deal for each of 20 years subject to achieving targets at periodic gateway review points. The ambition is to deliver these schemes over 10-11 years in order to address the backlog of underinvestment and make a step change in the economic growth needed in the region. To achieve this requires a local contribution, and this was recognised at the time of agreeing the City Deal. Small annual increases to the levy have been made to date but the intention was always to borrow against the future income in order to make faster progress, with these costs met by increases in the transport levy. Original projections showed significant borrowing requirements over the coming years to be met by a growing transport levy.
- 2.20. Work is underway through the Investment Committee to confirm a robust programme of project expenditure, accompanied by the necessary financial modelling to identify the extent of further increases that would be required to the levy to support the borrowing required to deliver the programme. Whilst District Councils are aware of the commitment to local contributions to fund the WY+TF it is recognised that increases in expenditure in the current financial climate are especially difficult. At this stage WYCA is undertaking to deliver the WY+TF schemes and other Growth Deal capital projects within the funding it has available (through a combination of grant and cash balances) and not undertake any borrowing in 2017/18 to meet these costs. As the delivery timescales for projects are further developed by the new Delivery directorate and the Director of Delivery future years' budgets are likely to require an element of funding to support borrowing.
- 2.21. Opportunities, possibly through the devolution asks, to raise this funding for future years without requiring a levy increase, will continue to be explored. Another way to approach this may be 'recycle' any reductions in the levy generated by cuts or efficiencies elsewhere into providing the funding for increased borrowing to support the WY+TF.
- 2.22. The outcome of the work undertaken to date is set out in table 1 below and shows the original budget for 2016/17, the revised outturn for 2016/17 and the proposed budget for 2017/18 alongside indicative figures for future years. Reflecting the progress of the One Organisation Programme it should be noted that the budgets have been realigned during the year to reflect the new directorate structures and to bring together similar areas of spend.

<b>Table 1</b>						
<b>Combined Authority revenue requirement</b>						
All £000's						
	Actuals	Budget	Forecast	Forecast	Forecast	Forecast
	2015/16	2016/17	2016/17	2017/18	2018/19	2019/20
<b><u>Transport Services:</u></b>						
Concessionary Fares	55,452	57,003	55,994	55,994	55,994	55,994
- English National Concessionary Scheme	45,142	46,205	45,718	45,366	45,366	45,366
- rail	646	662	635	708	708	708
- young people	9,664	10,136	9,641	9,920	9,920	9,920
Subsidised Bus Services	19,614	18,999	18,999	18,235	18,560	18,760
Passenger Services	6,725	8,216	8,512	8,187	8,309	8,434
Rail - franchise costs	44,375	904	932	904	904	0
<b><u>Economic Services</u></b>						
Business, Skills and Employment		##	8,542	8,592	3,192	3,192
Trade and Inward Investment	1,332	1,778	1,263	1,263	1,263	1,263
<b><u>Policy, Strategy and Communication</u></b>	2,323	2,552	3,117	3,367	3,517	3,517
<b><u>Delivery - funded through capital</u></b>		0	0	0	0	0
<b><u>Resources</u></b>						
Pensions	1,240	1,394	1,274	1,274	1,274	1,274
Financing Charges	6,089	6,160	5,785	5,256	5,070	4,869
Corporate inc one organisation	5,431	6,049	6,380	6,019	6,109	6,201
<b>Strategic priorities</b>	0	350	0	0		
<b>Savings/cuts</b>					-3,500	-3,500
	142,581	103,405	110,798	109,090	100,692	100,004
<b>Funded by:</b>						
Special Rail Grant	44,372	904	904	904	904	0
LEP General Funding	2,872	1,407	1,407	1,407	1,407	1,407
Growing Places Fund Interest	1,026	300	593	179	586	329
Enterprise Zone Receipts		500	311	669	1,495	1,878
Transport levy applied	96,198	96,198	96,198	95,198	93,312	93,312
Business and Skills Funding		##	8,420	8,470	3,050	3,050
<b>Net (addition to)/use of reserves</b>	-1,887	4,096	2,965	2,263	-62	28
	142,581	103,405	110,798	109,090	100,692	100,004
Closing Reserves	9,831	4,270	6,866	4,603	4,664	4,637
# these lines were not separately identified in the original budget for 2016/17. The income received is used to fund the activities of the business, skills and employment teams.						

- 2.23. The budgets set out a robust position for the two years, recognising the financial difficulties facing local authorities but seeking to ensure that current levels of service can be maintained as far as possible. Further work will continue during 2017/18 to thoroughly review and test each service area to ensure their actions are fully aligned with the SEP and demonstrate value for money. This will identify how and where funding could be redirected to ensure better and more focussed delivery of agreed SEP/WYCA outcomes and tackle the requirement for cuts in subsequent years.
- 2.24. Whilst the transport levy is being cut by £1m the level of savings or cuts required by WYCA to produce a balanced budget total £2m. This is due in part to inflationary increases but is significantly affected by the lack of income from the Enterprise Zone business rates, with these falling short in 2015/16, 2016/17 and 2017/18 compared to the costs of operating the required inward investment team. In order to balance the budget savings or cuts of £650k have been factored into the subsidised bus services line, £1m against debt financing costs and £350k against transport services. This follows discussions at previous meetings which identified a number of areas that would, as a minimum, be expected to contribute to the savings required.
- 2.25. The pressures on budgets intensify in subsequent years and in order to deliver further cuts to the transport levy as shown more work will be required to identify options to reduce services by potentially £3.5m.

#### **Reserves policy**

- 2.26. Any budget proposals should be supported by an appropriate reserves policy. Good practice is that such a policy should be based on a risk assessment of the different areas of spend and as such will vary from year to year and from organisation to organisation. The workings for this year's reserves policy are set out in table 2 below.

Table 2 Reserves policy							Reserves
						2017-18 £m	2017-18 £m
Risk on Concessions							
	Budget					56.0	
	4% contingency for volatility of payments: no agreements in place with operators as paying on SMART data						2.24
Risk on Subsidised Bus services							
	Budget					18.20	
	Contingency due to inflation higher than budget						0.5
	Risk of not reducing budget/unintended reactions from operators						0.6
Risk on other areas of spend							
	Budget:						
	Passenger Services					8.2	
	Business and skills					8.6	
	Trade and inward investment					1.5	
	Policy and strategy					3.1	
	Financing					6.6	
	Resources					6.0	
						34.0	
	Risk of inflation increases/capacity demands etc at 3%						1.02
Risk on income							
	Risk that income falls short of expectations						0.30
Total reserves required							4.71

- 2.27. The closing reserves position for 2016/17 is £6.9m, and that for 2017/18 is £4.6m, which is in line with the policy as set out above. The reserves policy will be kept under review to ensure it is kept at an optimum level to best meet the needs of both WYCA and the District Councils.

### Transport levy

- 2.28. WYCA is required to set the transport levy annually and in accordance with the regulations meaning that the levy must be set by 15th February in the year preceding that to which the levy applies. Over recent years an element of the transport levy has been allocated to supporting the West Yorkshire plus Transport Fund and the rest of the levy applied to normal transport activities. This element has been either reduced or frozen over the last five years, with the proposed position for 2017/18 being a £1m reduction. Whilst this appears to be only a 1% reduction in reality it is closer to 3% when the non-discretionary nature of expenditure is considered ie statutory concessionary reimbursement. This position is supported by a continuing use of reserves.



- 2.29. Adjustments have been made to the levy for a number of years to enable an equitable distribution of funding that has been paid to Districts when formerly it was paid directly to WYCA (and the former WYITA). This includes for example concessionary fares funding that was paid to the Districts on a different formula basis than population. These adjustments were agreed with the Districts and ensure that they each 'passported' through to WYCA any relevant direct funding received. The mechanism involves setting a gross levy and providing a rebate to each District in the year to compensate for any over-recovery. In order to ensure consistency in respective levy payments these agreements have been presumed to continue for 2017/18.
- 2.30. Table 3 below sets out the net and gross levy by population, in accordance with the regulations, showing the effect of the decrease of £1m and the change in the population base which this year is relatively insignificant.

<b>Table 3 District Council levies</b>						
	Relevant Population	Net 2016/17	Gross 2017/18	% of levy by District	Refund 2017/18	Net 2017/18
	June'15 for 2017/18	£000	£000		£000	£000
Bradford	531,176	23,980,644	24,676,431	23.3%	961,697	23,714,734
Calderdale	208,402	9,189,936	9,681,570	9.1%	601,096	9,080,474
Kirklees	434,321	18,809,463	20,176,913	19.1%	1,558,087	18,618,826
Leeds	774,060	34,328,291	35,959,904	33.9%	1,914,055	34,045,849
Wakefield	333,759	15,592,252	15,505,182	14.6%	64,479	15,440,703
	2,281,718	101,900,586	106,000,000	100.0%	5,099,414	100,900,586

- 2.31. In accordance with the regulations District Councils will be notified of the transport levy by mid February and will make payments to the WYCA in ten monthly instalments from 1 April 2017.

### **Capital programme**

- 2.32. The following paragraphs set out the capital funding available to WYCA for 2017/18 and subsequent years and the indicative capital programme for which this funding will be used. It reflects the impact of the changes to the way in which the Department for Transport provides capital funding, most notably the devolution of the major scheme funding and the topslice of Local Transport Plan (LTP) Integrated Transport (IT) block funding to the regional Growth Deals. It also sets out information regarding Growth Deal funding for the region awarded to the LEP, for which WYCA is the accountable body. Whilst this provides significant sums for investment in interventions there are also requirements to ensure grant conditions are met, including an unwritten requirement to spend in year and this has necessitated a review of funding and expenditure to ensure the most effective and efficient use of resources to ensure delivery of key priorities alongside maximising the funding available.
- 2.33. In 2015/16, following discussions with the Investment Committee WYCA endorsed the approach whereby at the year end the available funding was applied to

appropriate capital schemes in a way to maximise the use of time limited funding and reduce the risk of funding being clawed back or reduced in future years. This enabled certain funding streams to be carried forward to this and subsequent years in order to ensure the full portfolio of approved projects can be funded.

- 2.34. Table 4 below sets out the capital funding to be paid to WYCA in the period 2017/18 to 2020/21.

<b>Table 4</b>					
<b>CAPITAL FUNDING</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>TOTAL</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Growth Deal 1 & 2	127,658	56,515	61,619	66,997	312,789
Growth Deal 3			23,400	24,300	47,700
Subtotal Growth Deal	127,658	56,515	85,019	91,297	360,489
<i>Leeds Transport Investment Programme</i>	0	21,000	48,700	49,100	118,800
Integrated Transport	13,104	13,104	13,104	13,104	52,416
Integrated Transport C/Fwd	7,370	0	0	0	7,370
Funding carried forward for Growth Deal		18,090			
Highways Maintenance Block	26,781	25,971	23,507	23,507	99,766
Highways Incentive Funding	1,637	2,432	4,896	4,896	13,861
DfT Cycle City Ambition Grant	6,751	13,941	0	0	20,692
Non LTP / Non Growth Deal Transport Capital	5,431	503	0	0	5,934
BDUK	595	2,275	3,018	1,002	6,890
Growing Places Fund	1,145	3,476	701	2,715	8,037
ERDF	959	2,870	3,533	1,082	8,444
WY+TF Reserve					0
WY+TF Borrowing					0
<b>TOTAL</b>	<b>191,431</b>	<b>160,177</b>	<b>182,478</b>	<b>186,703</b>	<b>702,699</b>

- 2.35. The figures for Growth Deal 1 and 2 are the announced allocations to WYCA. The decision on Growth Deal 3 has just been made and this may afford the opportunity to reconsider the funding profile across all the Growth Deal to better match the expected spend of the projects it is funding.
- 2.36. Indicative figures have been included in the table for the Leeds Transport Investment Programme, the means by which the money allocated to the NGT project will be used for public transport improvements in the Leeds area. A strategic outline business case was submitted to government in December 2016 and confirmation of this funding is expected from the Department for Transport (DfT) in March 2017. This confirmation will also clarify the phasing of both the funding and the expenditure across these and future years.
- 2.37. The LTP settlement letter issued on 24 July 2014 by the DfT confirmed the Integrated Transport block allocations from 2015/16 to 2017/18 with indicative allocations provided for 2018/19 to 2020/21. WYCA is deemed to be the accountable body in West Yorkshire and funding will be allocated and paid to it.

- 2.38. WYCA therefore has the responsibility for distributing LTP funding to the District Councils to deliver the agreed Implementation Plan. In order to do this a mechanism has been established to make payments to Districts during the year that reflects the planned delivery of the Integrated Transport Block funded programme.
- 2.39. The Highways Maintenance allocations are made to District Councils in full with the funding received by WYCA paid over to the Districts via the quarterly payments, as determined by the DfT's formulaic allocation. Similarly the highways maintenance incentive funding is received from DfT and redistributed to Districts in accordance with their formula for this funding.
- 2.40. Table 4 also includes further funding from DfT for the cycle city ambition grant, BDUK for the broadband project, as well as European funding for a number of projects.
- 2.41. Table 5 below sets out the expected capital expenditure for the next three years.

<b>Table 5</b>					
<b>CAPITAL EXPENDITURE</b>	2016/17	2017/18	2018/19	2019/20	<b>TOTAL</b>
	Forecast	Forecast	Forecast	Forecast	
	£000	£000	£000	£000	
Growth Deal 1 & 2					0
Priority 1 - Growing business	11,646	7,177	5,842	4,352	29,017
Priority 2 - Skills capital	29,883	33,567	9,612	158	73,221
Priority 3 - Clean energy & environmental resilience	1,296	8,314	3,921	149	13,680
-Priority 4a Housing & Regeneration	8,633	9,827	4,689	4,901	28,050
-Priority 4b West Yorkshire + Transport Fund	35,289	50,032	70,685	82,841	238,846
Growth Deal 3		18,500	15,950	13,250	47,700
<b>Subtotal Growth Deal</b>	<b>86,748</b>	<b>127,416</b>	<b>110,699</b>	<b>105,651</b>	<b>430,514</b>
<i>Leeds Transport Investment Programme</i>	<i>0</i>	<i>21,000</i>	<i>48,700</i>	<i>49,100</i>	<i>118,800</i>
Integrated Transport	23,516	13,104	13,104	13,104	62,828
Highways Maintenance Block	26,781	25,971	23,507	23,507	99,766
Highways Incentive Funding	1,637	2,432	4,896	4,896	13,861
DfT Cycle City Ambition Fund	6,751	13,941	0	0	20,692
Non LTP / Non Growth Deal Transport Capital	5,431	503	0	0	5,934
Non Growth Deal Economic Development	4,291	9,265	9,263	4,498	27,317
					0
<b>GRAND TOTAL</b>	<b>155,155</b>	<b>213,632</b>	<b>210,169</b>	<b>200,756</b>	<b>779,712</b>

- 2.42. The indicative capital programme for 2017/18 reflects the priorities of WYCA as set out in the corporate plan, in turn derived from the SEP, and will see the completion of a number of key projects such as Low Moor Rail Station, Aire Valley park and ride, Dewsbury College, Leeds City College Quarry Hill and the start of work on a range of projects across all West Yorkshire Districts. This will include work on the Leeds

University Innovation and Enterprise Centre, the continuation of the Business Growth Programme and development work on station gateway masterplans, the A62 Cooper Bridge scheme, the East Leeds Orbital Road and the Halifax Station Gateway scheme. The work being undertaken on a strategic Single Transport Plan will inform future project prioritisation and funding allocations.

- 2.43. Work is continuing through the Investment Committee to consider the individual projects within the West Yorkshire plus Transport Fund (WY+TF) and the results of this work will impact on the timing of delivery of schemes and the required funding. In accordance with the City Deal funding for these schemes is partly through government grant but is also required to be supported through local contributions, which has previously been agreed as a levy supporting borrowing. The mismatch between the funding and expenditure tables will therefore be addressed through borrowing, and indicative figures are set out in the capital annex. As noted in paragraph 2.19 above the release of funding through the Growth Deal to support the WY+TF from 2020/21 onwards is dependent on the outcome of regular independent reviews, the first of which will take place in 2019. This is expected to focus on expenditure against forecast with later reviews considering whether the stated aims and objectives have been achieved.
- 2.44. The release of funding to progress projects is subject to the assurance process – a revised version of the Leeds City Region Assurance Framework is considered elsewhere on this agenda. The Investment Committee will continue to be a key part of the process whereby Growth Deal and other projects are considered and recommended for progression from initial idea through to construction. It is proposed that the arrangement in place for 2016/17 whereby Transport Committee approve Integrated Block funded projects up to a value of £3m is continued for 2017/18, with reporting to WYCA of such decisions, as with the Investment Committee.

### **Treasury management**

- 2.45. The treasury management function is undertaken in conjunction with Leeds City Council. WYCA is required to prepare an annual prudential statement, setting out treasury activity in the year, the arrangements in place and details of the funding position. This is set out in full in Appendix B.

## **3. Financial Implications**

- 3.1. As set out in the report.

## **4. Legal Implications**

- 4.1. WYCA is required by the levying regulations to set the transport levy for 2017/18 by 15 February 2017.

## **5. Staffing Implications**

- 5.1. The budgets for 2016/17 and 2017/18 include the funding for current approved establishment and the associated employer on-costs.

## **6. Recommendations**

- 6.1. That the approach to the corporate plan for 2017/18 be endorsed.
- 6.2. That approval be given to the revised budget for 2016/17 and the proposed budget for 2017/18 for the WYCA.
- 6.3. That approval be given to the indicative capital programme for 2017/18 – 2019/20.
- 6.4. That the Transport Committee be delegated to approve individual schemes within the integrated transport block of the 2017/18 capital programme up to a maximum cost of £3m.
- 6.5. That in accordance with the powers contained in the Local Government Finance Act 1988 (as amended) and by virtue of article 9(6) of the West Yorkshire Combined Authority Order and the Transport Levying Bodies Regulations 2015 (as amended) a levy of £106m be determined for the year ended 31 March 2018.
- 6.6. That the Chief Financial Officer be authorised to issue the levy letter in respect of the financial year ending 31 March 2018 to the five District Councils in West Yorkshire.
- 6.7. That a payment of £5.099m be made to the District Councils in accordance with table 3 of the report.
- 6.8. That authorisation be given to the Chief Financial officer to arrange appropriate funding for all expenditure in 2016/17 and 2017/18 subject to statutory limitation, including the most appropriate application of capital funding as set out in the report.
- 6.9. That the adoption of the CIPFA Code of Practice for Treasury Management in Public Services be reaffirmed.
- 6.10. That the treasury management policy as set out in Appendix B be approved.
- 6.11. That the prudential limits for the next three years as set out in Appendix B be adopted.

## **7. Background Documents**

- 7.1. None



The table below summarises the main focus, key priorities and headline deliverables for each of the newly established WYCA directorates. The **focus** reflects the WYCA Leadership Team's overarching objectives for each directorate, the **priorities** relate to our long-term Strategic Economic Plan (SEP) objectives and explain what we are working towards during the coming year and the **deliverables** are focused on additional planned activities without listing all existing services and Business as usual activities.

	Policy and Strategy	Delivery	Economic Services	Transport Services	Resources
Focus	<ul style="list-style-type: none"> <li>Develop a Transport vision for the Leeds City Region integrating existing strategies and plans.</li> <li>Maintain the SEP and keep it current.</li> <li>Support the development of devolution asks and implement the outcome of negotiations</li> </ul>	<ul style="list-style-type: none"> <li>Increase the pace of delivery</li> </ul>	<ul style="list-style-type: none"> <li>Develop new and existing services to meet demands and deliver against the SEP objectives.</li> <li>Meet Key Performance Indicators and provide excellent customer service.</li> <li>Forge new relationships with the wider organisation and exploit synergies between transport and economic services.</li> </ul>	<ul style="list-style-type: none"> <li>Deliver Transport services efficiently and effectively.</li> </ul>	<ul style="list-style-type: none"> <li>Enable WYCA to work as 'One Organisation'</li> </ul>
Priorities	<ul style="list-style-type: none"> <li>Maximise positive connections between health, jobs and prosperity through the LCR Cohesion Agenda.</li> <li>Close the gap to the UK average on high level skills.</li> <li>Establish Leeds City Region Infrastructure Investment Framework.</li> <li>Explore opportunities to use alternative technologies to improve the region's digital infrastructure.</li> <li>Refresh and deliver the Leeds City Region Green Infrastructure Strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Deliver the early win strategic projects within £1 billion West Yorkshire plus Transport Fund</li> <li>Accelerate delivery of sustainable homes in spatial priority areas</li> <li>Deliver improvements that make homes across the City Region warmer and reduce fuel poverty.</li> <li>Develop and embed the Portfolio Management Office and support new ways of working to improve consistency, transparency deliver better outcomes from project and programme delivery.</li> </ul>	<ul style="list-style-type: none"> <li>Introduce new services to support SMEs to be more strategic, innovative, and resource efficient.</li> <li>Deliver targeted inward investment and investor development through tailored propositions in financial and professional services, health, digital and manufacturing sectors.</li> <li>Address skills gaps and shortages with education and employers in key areas including digital, engineering and infrastructure.</li> <li>Review grant schemes for business, including LEP capital grants, skills fund and apprenticeship grants.</li> </ul>	<ul style="list-style-type: none"> <li>Plan, procure and manage socially necessary bus services.</li> <li>Reduce costs by reviewing and managing a rolling programme of contract renewals.</li> <li>Provide <b>quality bus stations and public transport assets</b> to improve connectivity and customer experiences.</li> <li>Support "Bus 2018" initiatives and Leeds Transport Strategy outcomes</li> <li>Implementation of smart card ticketing and back office systems to transform the customer experience.</li> <li>Expand the existing product range to grow the market in multi-operator ticketing schemes.</li> <li>Enhance the digital information offer to encourage channel shift.</li> <li>Continual improvement of health and safety at bus stations.</li> </ul>	<ul style="list-style-type: none"> <li>Provide fit for purpose accommodation to meet the changing needs of the organisation.</li> <li>Implement strategy to maximise the use of corporate resources and technology.</li> <li>Embed new values and behaviours through workforce development.</li> <li>Develop new procurement function and associated processes</li> <li>Develop approach to business planning and performance management.</li> </ul>
Deliverables	<ul style="list-style-type: none"> <li>Implement the outcome of the LCR devolution bid</li> <li>Develop a Leeds City Region Digital Delivery plan.</li> <li>Support and influence the implementation of the Portfolio Management Office.</li> <li>Develop economic research, analysis, appraisal and evaluation services to support internal decision-making.</li> <li>Develop strategic housing and regeneration policy for the Leeds City Region</li> </ul>	<ul style="list-style-type: none"> <li>Deliver key infrastructure projects (LTP, Growth Deal and Transport Fund)</li> <li>Deliver projects to transform transport ticketing and information provision.</li> <li>Deliver the West Yorkshire Broadband programme.</li> <li>Deliver the FE college skills capital programme</li> </ul>	<ul style="list-style-type: none"> <li>Resource Efficiency Fund launched and integrated with other Business Growth services.</li> <li>ESIF funded business support programmes set up for: <ul style="list-style-type: none"> <li>Access to innovate</li> <li>Strategic business growth</li> </ul> </li> <li>Digital and STEM campaigns launched to address skills shortages.</li> <li>Preparation for devolution of adult education budgets and post-area review strategic planning with FE.</li> <li>Inward investment pipeline expanded and increased export appetite from businesses.</li> <li>Expansion of capital grants programme to support large firms and inward investors</li> </ul>	<ul style="list-style-type: none"> <li>Review door to door transport services linking communities with local facilities.</li> <li>Monitor contracted bus services to meet agreed standards.</li> <li>Develop Low emission bus bids.</li> <li>Develop bus stations as community hubs.</li> <li>Improve partnership working with West Yorkshire Police and Safer Travel Partnership.</li> <li>Expand the range of services on offer to Local Authorities for home to school transport.</li> <li>Support the Policy and Delivery teams to understand impacts of policy changes, new schemes and proposals.</li> </ul>	<ul style="list-style-type: none"> <li>Support and monitor the delivery of capital expenditure programmes.</li> <li>Develop approach to 'thought leadership' in finance to maximise funding.</li> <li>Support the organisational transformation and development programme.</li> <li>Develop the risk-based audit plan</li> <li>Develop and deliver WYCA's ICT strategy.</li> </ul>





PRUDENTIAL FUNDING STATEMENT

- 1 This statement has been prepared in accordance with the CIPFA Code of Practice 'Treasury Management in Local Authorities' which is re-adopted each year by Members of the Authority. The statement and its implementation is currently reviewed and updated twice annually, in the final accounts and budget reports.
- 2 The Local Government Act 2003 and Local Authorities (Capital Finance and Accounting) Regulations 2003 set out the system of capital finance to be followed by all local authorities from 2004. This appendix is intended to take account of the requirements of the regulations and to set them in the context of the Treasury Management Code of Practice.
- 3 This report assumes no borrowing takes place in 2016/17 to support the West Yorkshire plus Transport Fund (WY+TF) but that there will be borrowing requirements from 2017/18 onwards. Estimates of the likely funding required are set out in the capital annex and further work is underway to ensure there is a full robust programme of delivery for all schemes within the WY+TF that will enable the borrowing requirements for future years to be fully understood. A full report on the projected borrowing requirements of the Transport Fund will be prepared at the appropriate time for approval.

**Treasury management activity – borrowing and investments**

		£m
<b>Total Loans outstanding at 1/4/2016</b>		
Interest:	Fixed (incl LOBOs)	76.5
Activity expected during 2016/17:		
Loan repayments		-1.0
Net movement in temporary loans		0.0
New borrowing		0.0
<b>Anticipated loans outstanding at 31/3/2017:</b>		<b>75.5</b>
Activity expected during 2017/18		
New borrowing		0.0
Debt repayments		-0.5
<b>Anticipated loans outstanding at 31/3/2017:</b>		<b>75.0</b>
<b>Total Investments</b>		
Investments at 1/4 /2016		70.0
New Investment		10.0
<b>Anticipated Investments placed at 31/3/2017</b>		<b>80.0</b>

- 4 The current financial year has seen a continuation of the overall situation from 2014/15. Interest rates have remained low, with bank base rate remaining at 0.5% and opportunities both to refinance loans and to place money on the market at competitive rates remain limited.

- 5 Leeds City Council undertakes the monitoring of the financial markets on behalf of WYCA. The agreed policy is to seek to minimise the rates at which WYCA borrows and to continue to refinance any longer term loans if rates appear advantageous.
- 6 No such opportunities have arisen so far in 2015/16. WYCA has a loan portfolio with extremely competitive rates and the economic climate has been such that there have been no suitable opportunities identified for refinancing.
- 7 WYCA is in a position where it is unlikely to be required to undertake more borrowing in future years for its normal activities as all of its funding is cash grant. Without the need to borrow brought into play by the WY+TF under the prudential regulations WYCA would need to start repaying debt within the next five years and the investment strategy has been geared towards ensuring it is in a position to do so without incurring financial penalties for early repayment of loans. Further work with financial advisors is underway to establish the level and timing of the borrowing that may be required to support the WY+TF and the impact this will have on the overall loan portfolio.
- 8 The expected debt repayment for 2016/17 shown in the table above relates to the final instalment of the EIP loan. No further repayments are anticipated. One of the LOBO options will fall due during 2016/17 but given the current position with interest rates it is not expected to be called in by the banks. Additionally Barclays are seeking to move the LOBOs to fixed rate arrangements. This will be monitored and appropriate action taken if this occurs.
- 9 Since 1 April 2015 WYCA has become the accountable body for the Leeds City Region Enterprise Partnership (LEP) which has resulted in significant extra cash balances coming into WYCA as a result of the Growth Deal funding paid in large instalments at the start of each financial year. In recognition of the increasing cash balances counterparty limits had been revisited during 2014/15 and a policy adopted whereby tranches of £7.5m have been invested for terms ranging from 3 months to one year in order to maximise the returns available to WYCA on cash balances. The rates achieved have ranged from 0.5-0.98% being significantly higher than the then prevailing rate of 0.25% with WYCA's bankers Natwest. The rate offered by Natwest has now fallen to 0.01% and WYCA is now seeking to maximise usage of the call arrangements in place with Svenska and Leeds City Council rather than leave money overnight with Natwest. For longer term deposits the selected counterparties are constantly monitored and meet the strict eligibility criteria stipulated under Leeds City Council's investment policy which has been adopted by the Authority. This approach will continue during 2016/17 with an expectation that WYCA will continue to have cash balances to invest due to the advance payment of capital and other grant funding. Within the existing policy WYCA can also invest in money market funds and this opportunity may also be taken to enable effective management of what is expected to be further significant cash advances in April 2016 of Growth Deal funding.
- 10 The general level of borrowing and investments is handled efficiently by Leeds City Council and has produced a situation where WYCA has, in relative terms, very low borrowing costs. Regular meetings are held with the Leeds City Council staff who

undertake treasury work for WYCA under the terms of a recently updated service level agreement, and these meetings ensure a satisfactory level of control and monitoring is achieved. These meetings also consider the overall treasury management strategy and ensure that the policies in place continue to be appropriate to ensure that WYCA's funds are managed in the most effective and secure way.

- 11 WYCA has strict rules on investment criteria which are set out in paragraphs 12 to 14 for consideration and re-approval. These are set so as to minimise the risk to WYCA's funds but does also mean that interest earned on deposits is lower than it could be. It is therefore in WYCA's interests to seek to utilise any cash balances to reduce the costs of long term borrowing and this policy will continue to be pursued if possible. The increase to the PWLB rates announced in October 2010 reduced the opportunities to repay long term debt without incurring extra cost. The PWLB rates were later improved through the introduction of a certainty rate reduction but discount rates have not changed and it is these rates that are used to determine premiums and discounts on loan repayments. WYCA would incur significant premiums by repaying borrowing but will review this situation as and when interest rates start to rise.

#### **Treasury Management Activity – Investments Criteria**

- 12 In general it is intended there should be no long term investments by WYCA with any surplus cash being invested short term up to a maximum term of one year. The level of future investments will fluctuate on a short-term basis due to cash flow requirements but will be maintained as low as possible. Any investments undertaken by WYCA follow the guidance of DCLG having regard to the concept of Security, Liquidity and then Yield with emphasis being placed on the "return of funds" rather than the "return on funds".
- 13 It is proposed that the existing policy of utilising the expertise of the Treasury Management Team in Leeds City Council be reaffirmed for 2017/18.
- 14 WYCA has a number of rules in place for short term investments/borrowing, as set out below and that these should continue to be applied with the addition of the amendments added in bold:-
  - a. The Chief Financial Officer shall determine the amounts and periods.
  - b. The procedural document as approved for their Treasury Management Division by Leeds City Council shall be adopted in relation to WYCA's short-term investments encompassing the Council's list of approved financial organisations and the maximum lending limits per organisation, as specified in that document from time to time.
  - c. No investment will be for a period exceeding 12 months other than with other local authorities and then only for a period not exceeding 36 months. The limits for each of the next three years are that for investments for a

period greater than 364 days, that no more than £20m will mature in each of 2017/18, 2018/19 **and 2019/20**.

- d. Investments with Leeds City Council will **not exceed £20m** (formerly £15m), the interest rate for such deposits being agreed between the Chief Financial Officers of both organisations.
  - e Investments with any one counterparty should not exceed £15m.
  - f Investments with WYCA's bankers are specifically excluded from the limits set out, in recognition of the fluidity of such arrangements.
- 15 The amendments proposed above would provide further flexibility for WYCA to invest its surplus funds which, as they are expected to continue to increase, will become increasingly difficult to place on the market. The amendments proposed are deemed low risk and are in accordance with the criteria applied by Leeds City Council to its treasury arrangements. The amendment at point c continues arrangements previously agreed for a further year and that at point d increases the sum available following a review of how this has operated since it was approved in 2016/17.

## **PRUDENTIAL FUNDING ARRANGEMENTS**

- 17 The principal purpose of the prudential system is to allow authorities as much financial freedom as possible whilst requiring them to act prudently. There will be no government borrowing approvals issued but restrictions are imposed through the CIPFA Prudential Code which requires every authority to set prudential indicators and limits and thus be satisfied that it can afford the results of its borrowing. These limits, which must not be exceeded, have to be formally agreed by the authority before the start of each financial year. The government has retained the power to, if it so wishes, limit the level of borrowing incurred by authorities.
- 18 The Code requires full capital and revenue plans to be prepared for at least 3 years forward in order to assess the financial effects of the planned capital investment. In this Authority the three year financial strategy is considered by Members on a regular basis and to ensure a level of affordability it is currently the policy that borrowing to meet capital expenditure will be limited to existing levels plus any additional SCE(R) or SCA issued by the government through the LTP settlement and the SEP (Local growth fund and devolved major scheme funding). Restricting borrowing in this way ensures that all debt charges are covered WYCA through its levy on the Districts.
- 19 The capital programme is considered in detail earlier in this report. It should be noted that in accordance with the above overall capital expenditure will be met firstly by grants and other resources leaving the balance to be met by borrowing or through charges to revenue. The programme assumes there is to be no unsupported borrowing for 2017/18.

- 20 There are significant levels of grant provided to the Authority under the Integrated Transport block and Growth Deal for 2016/17 and 2017/18. Recognising the demands upon infrastructure investment it is proposed that other alternative methods of financing during the year remain under consideration as and when appropriate. As an example leasing might be used for the acquisition of vehicles. The financial viability and value for money of such methods will require investigation and savings found within the budget to accommodate the costs involved. Members will be asked to approve any such methods before they are implemented.
- 21 Discussions have been progressed, following approval to do so last year, with the European Investment Bank (EIB) regarding the provision of an option whereby it could provide a flexible financing offer to support the West Yorkshire plus Transport Fund. Many of the schemes in the Fund meet their funding criteria and this would provide an attractive alternative to the traditional PWLB lending. Negotiations have been concluded and WYCA is awaiting a decision from the EIB which is considering its lending position to the UK following the EU referendum result.
- 22 It is not proposed at this stage that WYCA enter into any credit arrangements as defined by the regulations, other than as described above. If and when these are to be progressed then it should be recognised that they would be classified as borrowing and would need to be recognised in the operational boundary and authorised limit approval. Should any such arrangements be required these will be expected to be funded within the approved strategy.
- 23 When Leeds City Council last reviewed the borrowing limits in the light of market rates they determined that they would allow the limit to be set at a level sufficient for the current year plus the equivalent of 2 years anticipated borrowing requirement which is derived from the capital allocations. This was intended to provide flexibility for fund management allowing borrowing to take place when rates are low rather than being tied into strictly annual borrowing.
- 24 The Annex initially creates limits set at the required level of borrowing for 2016/17 and 2017/18. To provide more flexibility in managing the funding operation it was previously agreed that approval be given to borrow to cover loan requirements for the current plus the following 2 years. In view of the change to the LTP allocation from borrowing to grants this is now irrelevant and will only be applied if any new major schemes are approved. Such approval will therefore be sought at that time.
- 25 The attached Annex shows the calculation of the following prudential indicators:
- a. The ratio of debt charges to overall expenditure. This is not significant to this Authority as it is effectively controlled through the level of the Levy (as referred to above).
  - b. Setting the borrowing requirement for the year (similar to total loans outstanding) but called 'the operational boundary'.
  - c. Setting the maximum borrowing permitted in the year defined as 'the authorised limit'. This is £20m higher than the operational boundary to

create flexibility to allow temporary additional borrowing (for example if it becomes prudent to borrow in advance of normal requirements because long term interest rates are low). This is a change from the previous limit of £10m and reflects both the volatility of WYCA's expenditure as capital expenditure increases as well as the likely need to borrow to fund activities in future years.

- d. Setting the maturity loan structure which is defined as 'amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate' as well as the draft capital programme. These are set out in the Annex.

- 26 The Prudential Code requires Members to have an approved Treasury Management Policy (this is set out above) and to agree limits for variable and fixed rate loans. It is recommended that the maximum limit for variable rate loans continues to be set at 40% and the limit for fixed rate loans remains at 200%. This reflects the current position that arises from the increase in cash balances and investments resulting from an increase in advance grant funding.

**West Yorkshire Combined Authority****Capital Financing Annex****Summary Capital Programme**

	2016/17	2017/18	2018/19	2019/20
<b>Expenditure per programme</b>	£000	£000	£000	£000
Local Transport Plan	23,516	13,104	13,104	13,104
Highways Maintenance Plan	28,418	28,403	28,403	28,403
Major scheme Expenditure	0	21,000	48,700	49,100
Non LTP Funding (transport)	12,182	14,444	0	0
Growth Deal	86,748	127,416	110,699	105,651
Other economic growth funding	4,291	9,265	9,263	4,498
	155,155	213,632	210,169	200,756
Less overprogramming		-17,179	0	0
	<b>155,155</b>	<b>196,453</b>	<b>210,169</b>	<b>200,756</b>

**Financing**

LTP Grant	20,474	13,104	13,104	13,104
LTP Grant carry forward				
Highways Maintenance Plan	28,418	28,403	28,403	28,403
Major scheme Expenditure	0	21,000	48,700	49,100
Non LTP Funding (Excluding Majors)	12,182	14,444	0	0
Growth Deal & Economy	127,658	56,515	85,019	91,297
Other economic growth funding	2,699	8,621	7,252	4,799
Carry forward		54,366		
Borrowing requirement			27,691	14,053
Total Funding Available	<b>191,431</b>	<b>196,453</b>	<b>210,169</b>	<b>200,756</b>

**Calculation of Prudential Indicators:**

	2016/17	2017/18	2018/19	2019/20
<b>AFFORDABILITY</b>	£000	£000	£000	£000
Ratio of financing costs to net revenue stream				
Debt Charges	5,785	6,256	7,084	8,431
Levy	101,481	100,901	99,901	99,901
(Assumes continuing levy freeze)				
<b>Resultant ratio:</b>	<b>5.7%</b>	<b>6.2%</b>	<b>7.1%</b>	<b>8.4%</b>

Notes: All additional debt charges should be covered by Levy

**PRUDENCE**

Net external borrowing does not exceed the total of capital financing requirement in previous year plus the estimate of any additional financing requirement for the current and later years.

Loans outstanding at 1 April	76,500	75,500	75,000	116,744
Estimate of Capital Financing Requirement (CFR)	84,736	81,347	78,093	74,969
Additional borrowing requirement in year	0	0	27,691	14,053
Less debt repayments in year	-3,389	-3,206	-3,124	-2,999
Estimate of (CFR) 31 March	<b>84,736</b>	<b>81,347</b>	<b>111,959</b>	<b>86,023</b>

**Calculated Operational Boundary**      **88,267**      **84,736**      **115,083**      **89,022**

Safety factor      20,000      20,000      20,000      20,000

**Forecast Authorised Limit**      **108,267**      **104,736**      **135,083**      **109,022**

<b>Maturity of Loan Structure</b>	Minimum	Maximum	Projected 31/03/2017	<b>Interest Rate Structure:</b>
Loans up to 1 year	0%	30%	1%	Variable rate loans - maximum 40% Fixed rate loans - maximum 200%
Loans between 12 and 24 months	0%	20%	7%	
Loans between 24 months and 5yrs	0%	50%	21%	
Loans between 5 and 10 years	0%	75%	0%	
Loans between 10 and 20 years	25%	100%	0%	70%
Loans between 20 and 30 years			0%	
Loans between 30 and 40 years			60%	
Loans between 40 and 50 years			11%	
Loans 50 years +			0%	
			100%	





**Director:** Melanie Corcoran, Director  
of Delivery  
**Author:** Dave Haskins



## ITEM 9

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**Report to:** Combined Authority

**Date:** 2 February 2017

**Subject:** Leeds City Region Assurance Framework

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### 1. Purpose

- 1.1. To provide WYCA with an update on progress relating to changes proposed to the Leeds City Region Assurance Framework arising from its annual review, and with the recently issued "LEP National Assurance Framework".
- 1.2. To ask WYCA to provide feedback on the updated assurance requirements, approve the substantive form of the document following the incorporation of further changes requested and to authorise WYCA's Managing Director to finalise the document in consultation with the Chair of WYCA and the Chair of the LEP Board for submission and to make further in year changes as may be appropriate.

### 2. Information

#### Background

- 2.1. In view of the growing levels of investment and funding under local control or influence, it is essential that there are robust, transparent and accountable processes in place to ensure value for money for the public purse.
- 2.2. As part of the Growth Deal with Government, a local Assurance Framework was developed in 2015 that covers all funding flowing through the LEP. WYCA, as the accountable body for the LEP, is also covered by this framework.
- 2.3. Our previous Local Assurance Framework was approved by the LEP Board and by WYCA as the accountable body in March 2015. It is the key mechanism to ensure that there are robust processes in place to support the developing confidence in delegating central budgets and programmes to the LEP and WYCA. It covers all significant discretionary projects and programmes funded from Government or local sources that flow through the LEP and WYCA, and has been prepared in accordance

with HM Government National Assurance Framework guidance (2014) (see below), and builds on a body of existing good practice.

2.4. The Assurance Framework must be published on each Local Enterprise Partnership's website, and reviewed annually. A revision to the 2014 "Local Enterprise Partnership National Assurance Framework" Guidance was published by DCLG in October 2016. This brought in a set of new requirements. A summary of the substantive changes, which are being incorporated, is provided below:

- A strengthening of guidance to ensure that it is unambiguous about who has the authority for decision making;
- To include rules for the conduct of LEP Board members to ensure greater transparency around LEP reporting and engagement with local stakeholders and the wider public;
- Greater clarity in setting out LEP processes and arrangements relating to Value for Money, including;
  - setting out processes that ensure all funding decisions are based on impartial advice;
  - setting out arrangements around the active management of risks;
  - providing clarity of the processes in place used to assess Value for Money, including the degree of detail required; and
  - specifying the requirement that LEPs must ensure that the commercial, financial and management arrangements are appropriate for effective delivery.

2.5. Section 151/Section 73 Officers are required to write to HM Government by 28 February 2017 ahead of next year's Local Growth Fund payment to certify that our Local Assurance Framework is compliant with the national framework.

2.6. On the basis of the updated guidance, a revised version of the document has been developed. The scope of the revised Assurance Framework is as follows:

- detail on the LEP's governance and decision-making arrangements and processes for accountable and transparent decision-making to ensure the proper use and administration of funding, such as:
  - a clear description of the roles and responsibilities of the LEP Board and its panels and WYCA and associated committee structures;
  - detail of the relationship between the LEP Board and the WYCA in terms of the decision-making process;

- the processes that are in place to allow decisions to be taken to deal with any problems that may arise with projects or programmes that have been allocated funding following an assessment by the Single Appraisal Framework (SAF); and
  - scrutiny arrangements.
- information on how the LEP will prioritise and appraise schemes, facilitate business case development and undertake risk management; and
  - a description of the arrangements for supporting the effective development, appraisal and delivery and implementation of projects and programmes, including relationships with delivery bodies.
- 2.7. The principles and direction of the revised Assurance Framework have been shared and discussed with Investment Committee, Overview & Scrutiny Committee and the LEP Board. Overview & Scrutiny Committee, through the SEP Delivery Working Group, have offered a level of challenge as ‘critical friends’ to the approach taken and have indicated that they are content with the current direction of travel. Further scrutiny sessions will focus on ensuring that the document remains ‘live’ and is fit-for-purpose.
- 2.8. The current working version of the Assurance Framework is provided as **Appendix 1** to this report.

#### Next Steps

- 2.9. It is the responsibility of the Director of Resources, as WYCA’s Section 73 Officer (the Chief Finance Officer) to write to HMG ahead of the 2017 Local Growth Fund payments to certify that the Local Assurance Framework has been agreed, is being implemented, and meets the revised standards set out in the National Framework.
- 2.10. It is envisaged that further changes will need to be made to the Assurance Framework during the year either as a result of revised guidance or updated governance requirements. Authority is sought for WYCA’s Managing Director to amend and update the Assurance Framework as required during the year with an update to the Assurance Framework brought to the LEP Board and WYCA on an annual basis.

### **3. Financial Implications**

- 3.1. There are no financial implications arising from this report.

### **4. Legal Implications**

- 4.1. The requirements set out in the revised National Framework will be a condition of funding in Growth Deal grant offer letters – the formal means by which the annual Growth Deal allocation is made to each LEP.

## **5. Staffing Implications**

5.1. There are no staffing implications arising from this report.

## **6. Recommendations**

6.1. WYCA is asked to:-

- (i) approve the substantive form of the draft Assurance Framework subject to the incorporation of any further feedback;
- (ii) Authorise WYCA's Managing Director to finalise the content of the Assurance Framework in consultation with the Chair of WYCA and the Chair of the LEP Board and to submit the document to Government by 28 February 2017;
- (iii) note that further changes and updates to the Assurance Framework are anticipated during the year and to authorise WYCA's Managing Director to make such further changes as are appropriate and to update WYCA and the LEP Board on an annual basis.

## **7. Background Documents**

7.1. None.

# LEEDS CITY REGION

# ASSURANCE

# FRAMEWORK

*DRAFT January 25<sup>th</sup> 2017*  
*Version 3.4*

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### Appendix 1: Roles of Boards and Panels

### Appendix 2: European Funding (to follow)

# 1. INTRODUCTION

## 1.1 Background

The Leeds City Region (LCR) is strongly committed to putting in place stable, accountable and transparent decision making. Critical to this is a strong private sector-led Leeds City Region Enterprise Partnership (LEP) underpinned by the West Yorkshire Combined Authority (WYCA).

The LCR spans 10 local authority areas: Barnsley, Bradford, Calderdale, Craven, Harrogate, Kirklees, Leeds, Selby, Wakefield and York. Leeds City Region local authorities – the above 10 areas plus North Yorkshire County Council – have been at the forefront of partnership working since 2004, building robust, transparent and accountable governance for over a decade. The LCR brings together the private and public sectors from across the Leeds City Region to provide strategic leadership in driving economic growth and competitiveness.

Localities in receipt of a 'Local Growth Fund' as part of their devolution Growth Deal agreement with Government are required to have an assurance framework that explains how they will:

- appraise projects and allocate funding;
- demonstrate appropriate levels of transparency in the way they operate; and
- monitor and evaluate projects to ensure that they achieve value for money and projected outcomes.

As set out in the National Guidance Local Assurance Frameworks issued in October 2016 by the HM Government, the Strategic Economic Plan for the Leeds City Region will provide the basis for investment decisions alongside the delivery of statutory requirements, conditions of funding, and other local transport objectives. As such, WYCA will be the Accountable Body with regard to the Leeds City Region Growth Deal funding, whilst the LEP will be responsible for setting strategic direction and will hold partners to account in the delivery of our Strategic Economic Plan (SEP).

## 1.2 Scope of the Assurance Framework

This Assurance Framework covers capital and significant revenue expenditure funded by Government or local sources and invested by WYCA in projects and programmes, including all Government funding received by the LCR LEP, via WYCA as the LCR LEPs accountable body.

It therefore covers the funding received by WYCA as accountable body in respect of the Local Growth Fund<sup>1</sup>, the Integrated Transport Block and a number of other funding streams.

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• <sup>1</sup> Note the following variations:

- EU regulations mean that government departments have key decision-making authority as 'managing authorities' of the European Structural and Investment Fund (ESIF), and the key local input into appraisal is via assessment of strategic fit and economic impact only;
- the Transport Fund is subject of periodic independent appraisal as part of an agreement to enable the WYCA to draw down the entire £600m announced in the Growth Deal in July 2014. Eligible Local Authorities which form the fund are Bradford, Calderdale, Kirklees, Leeds, Wakefield and York; and
- well-established, highly-regarded (by applicants and government alike) and effective governance procedures for existing programmes under LEP control such as the Business Growth Programme and Growing Places Fund. The principles of the SAF will continue to be applied in appraising companies' applications for these funds, but we intend to retain the existing governance procedures, subject to regular review and evaluation of their effectiveness.

The Assurance Framework sets out arrangements adopted by the LCR in relation to:

- governance and key decision-making, including how transparency and accountable decision-making is promoted and delivered (**Section 2**).
- processes used to prioritise (**Section 3**);
- assurance around project and programme delivery, including our approach ensuring value for money (**Section 4**); and
- approach to monitoring and evaluation (**Section 5**)

### 1.3 Purpose of the Assurance Framework

A key requirement of Growth Deal funding is that it is deployed in accordance with decisions made through a local assurance framework agreed between the LCR LEP and WYCA as accountable body<sup>2</sup>. Any local assurance framework agreed must be consistent with standards set out in the National Assurance Framework.

This document is the local assurance framework agreed to comply with this requirement.

The Assurance Framework is one element of the Government's wider assurance systems. The Accountability System Statements for both Local Government and the Local Growth Fund (LGF) set out other key mechanisms in relation to LCR funding which include:

- regular reporting to the government against agreed output metrics;
- an evaluation framework; and
- annual performance conversations between the government and city regions.

The purpose of the Assurance Framework is to ensure that the necessary systems and processes are in place to manage funding effectively, and to ensure the successful delivery of SEP outcomes. Its focus is to ensure that necessary practices and standards are implemented to provide Government and local partners with sufficient assurance that decisions over funding (and the means by which these decisions are implemented) are proper, transparent and deliver value for money.

As such, the Assurance Framework is a key mechanism to ensure that we have robust systems and processes in place to support the developing confidence in delegating funding from Government to the LCR.

We view the Assurance Framework as an essential part of good practice and of our development as a mature partnership that can increasingly be trusted by the public and by government to take its own investment decisions. The degree of flexibility in the Leeds City Region Growth Deal demonstrates that the LCR is one of those most trusted by Government, and we intend that this Framework keeps us at the leading edge in our approach to governance and appraisal.

### 1.4 Strategic Framework for Investment

Government allocated the competitive element of Growth Deal funding to LEPs on the strength of multi-year Strategic Economic Plans (SEPs) submitted by LEPs to Government.

The SEP<sup>3</sup> for the Leeds City Region, now revised to cover the period 2016 – 2036, sets out the LCR LEP's vision and key economic funding priorities for the Leeds City Region. The LCR LEP is responsible for developing and maintaining the SEP, and deciding the key funding priorities. The LCR LEP is also responsible for ensuring there is adequate capacity and expertise to deliver the key priorities.

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<sup>2</sup> Unless this requirement is waived by Government in respect of specific schemes

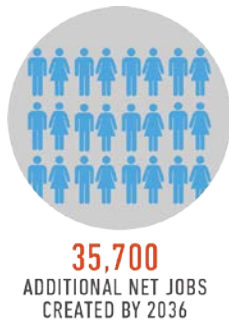
<sup>3</sup> see <http://www.the-lep.com/about/strategic-economic-plan/>



The LCR LEP vision is: “to be a globally recognised economy where good growth delivers high levels of prosperity, jobs and quality of life for everyone”.

#### Our ambition:

THE SEP’s ambition is to deliver an 36,000 extra jobs and £3.7 billion of economic output by 2036, on top of the business as usual growth that is expected over that period.



#### Our priorities are:



A number of the challenges identified in our 2014 SEP remain, notably the imperatives to raise exports, innovation, productivity and skills, and the need to underpin growth with better physical and digital infrastructure.

What was less well recognised two years ago, at the time our first SEP was completed, was the scale of the challenge to ensure that the opportunities and benefits of economic recovery are spread across all communities. We will tackle this by applying the principle of **good growth** to all that we do, in order to provide better jobs, good quality homes for all and a great environment for all our residents.



The €396m Leeds City Region European Structural and Investment Funds (ESIF) Strategy for 2014-20 is also aligned with the SEP.

## 1.5 West Yorkshire Combined Authority (WYCA)

As part of the City Deal, local partners agreed to the creation of a **West Yorkshire Combined Authority** (WYCA). WYCA is a local authority which was established on 1<sup>st</sup> April 2014<sup>4</sup> to work alongside the LCR LEP in relation to devolved local growth funding and responsibilities. It is also responsible for transport functions across West Yorkshire. The membership of WYCA and LCR LEP overlap.

WYCA has endorsed the SEP as its own economic strategy. The SEP underpins the decision-making of both the LEP and WYCA, so in this respect they work seamlessly.

## 1.6 WYCA's role as accountable body

WYCA and the LCR LEP must comply with the conditions or requirements attached to any funding received from Government.

WYCA is responsible to Government for complying with any conditions or requirements attached to funding directly allocated to WYCA, to be used to carry out its functions across West Yorkshire.

Following the Growth Deal agreed by the LCR LEP and Government, LCR LEP has a decision-making role in relation to Local Growth Fund grant payments made by Government in respect of the Leeds City Region. However, the LCR LEP is an unincorporated voluntary partnership, and as such cannot be held legally accountable for complying with grant conditions or requirements. Therefore, WYCA, (which is a corporate body), acts as the accountable body for funding allocated to the LCR LEP for the Leeds City Region.

In practice, this means that LCR LEP funding is held and spent by WYCA on behalf of the LEP. In short, WYCA is the vehicle through which the SEP is implemented, as well as being the statutory, publicly accountable, decision-making body.

As accountable body, WYCA must ensure:

- all funding is used in accordance with grant requirements and conditions;
- that funding is not used ahead of approvals, or for unapproved purposes;

<sup>4</sup> By the West Yorkshire Combined Authority Order 2014

- the Assurance Framework is adhered to (withholding funds if the Assurance Framework is not adhered to or places undue financial risk on WYCA);
- all applicable legal requirements are complied with (including relating to state aid, public procurement) and ensuring records are maintained so that this can be evidenced;
- local audit arrangements for funding allocated by the LCR LEP are at least equivalent to those in place for WYCA spend;
- it fulfils its Public Sector Equality Duty<sup>5</sup>, when apportioning Local Growth Funding;
- principles preventing public expenditure being incurred in retaining the services of lobbyists are adhered to;
- the release of funds to scheme promoters in line with approvals;
- that it prepares appropriate Financial Statements as required; and
- that it maintains the official record of LCR proceedings and holds all documents relating to the LGF and other funding sources.

WYCA is responsible for LCR decisions to approve expenditure, including the final approval of projects<sup>6</sup>. WYCA may only approve decisions where it is satisfied that a decision complies with all relevant requirements including those set out in this Assurance Framework. In the event that WYCA as accountable body is not able to endorse a decision of the LCR LEP, the matter would be referred back to the LCR LEP for re-consideration

There are a number of strong linkages between the LCR LEP and WYCA, notably:

- the SEP forms the basis of the work of both the LCR LEP and WYCA;
- WY council leaders are members of both WYCA and LEP Boards;
- The LEP Chair is a member of WYCA; and
- The Assurance Framework has been adopted by both the LCR LEP and WYCA.

A summary of decision making responsibility is given in Table 1.1.

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<sup>5</sup> S149 Equality Act 2010

<sup>6</sup> in some circumstances authority to approve projects will be delegated by the WYCA to a relevant committee or officer; see further section 2

**Table 1.1: Overview of Decision-Making Responsibility (draft)**

Function	Role of WYCA MD/WYCA statutory officers	Role of WYCA	Role of the LEP
<b>Setting LCR -level economic strategies</b> e.g. SEP	Officer support / provision of advice	Endorsement	Strategic Leadership/Private Sector input
<b>Strategic transport decisions</b> including transport strategies	Officer support / provision of advice	Decision-making body	Receive items for information / comment
<b>Operational transport decisions</b>	Officer support / provision of advice	Delegated to Transport Committee	Receive items for information / comment
<b>Skills e.g. Skills Capital</b>	Officer support / provision of advice	Decision-making body	Strategic Leadership
<b>Integrated Infrastructure strategy</b>	Officer support / provision of advice	Decision-making body	Strategic Leadership
<b>Enterprise Zone Activities</b>	Officer support / provision of advice	Decision-making body	Strategic Leadership
<b>Growth Service (Business support / inward investment)</b>	Officer support / provision of advice	Decision-making body	Strategic Leadership
<b>European funding (SUD)</b>	Officer support / provision of advice	Decision-making body	Strategic Leadership

Notes:

- Where WYCA is referred to as decision-making body, this also includes its role as Accountable body. It also includes any delegations given to the WYCA MD acting on behalf of the WYCA (see section 2.1).
- Note that Business Grant award making arrangements are currently under review (given some legacy arrangements from before the CA was created still exist) and are not included in the above table at present.

## 1.7 Reviewing, approving and publishing the Assurance Framework

It is important that we learn from experience, so the LCR LEP and WYCA review the Assurance Framework annually to ensure that it meets:

- the needs of local investors, all our partners and the wider public; and
- the standards set out in the National Assurance Framework.

For 2016/17 the review included input from WYCA's Overview and Scrutiny Committee.

The Assurance Framework was reviewed and approved by the LEP Board on 24 January 2017 and by WYCA on 2 February 2017.

For transparency, the Assurance Framework is published on the LCR LEP and WYCA websites, together with supporting information.

## 2. GOVERNANCE AND DECISION-MAKING ARRANGEMENTS

### 2.1 Introduction

The principal decision-making bodies for the Leeds City Region are the LCR LEP and WYCA.

The role of the LCR LEP setting the Strategic Economic Plan for the region is set out in Section 1.

The LEP also appoints a number of Panels and advisory groups which do not take decisions on its behalf, but provide advice to the LEP in relation to its developing strategy. Further detail about the governance arrangements and membership of the LCR LEP and its advisory groups and panels is set out in Appendix 1.

This section focusses on how WYCA makes its investment decisions about projects and programmes, both in its capacity as accountable body for the LEP and in its own right in relation to funding for which the LCR LEP is not responsible.

#### Overview

WYCA itself may make any investment decision at any of its formal meetings, and makes the key significant decisions in relation to any proposed investment. However, WYCA has also delegated its authority to make decisions in specified circumstances, to:

- the **Transport Committee**, and
- WYCA's **Managing Director**.

Transport Committee has delegated authority to approve individual schemes within the Integrated Transport Block of the 2016/17 capital programme, up to a maximum cost of £3m. The committee also oversees, and is accountable for, public transport revenue expenditure raised by the West Yorkshire transport levy.

The Managing Director's delegated authority is exercised in respect of relatively minor or straightforward matters, such as finalising contractual arrangements, to expedite and speed up the decision-making process. It is subject to appropriate input from Members – see further below.

WYCA has also appointed two **advisory committees** to advise WYCA in relation to investment decisions:

- the **Investment Committee**; and
- the **LCR Partnership Committee**.

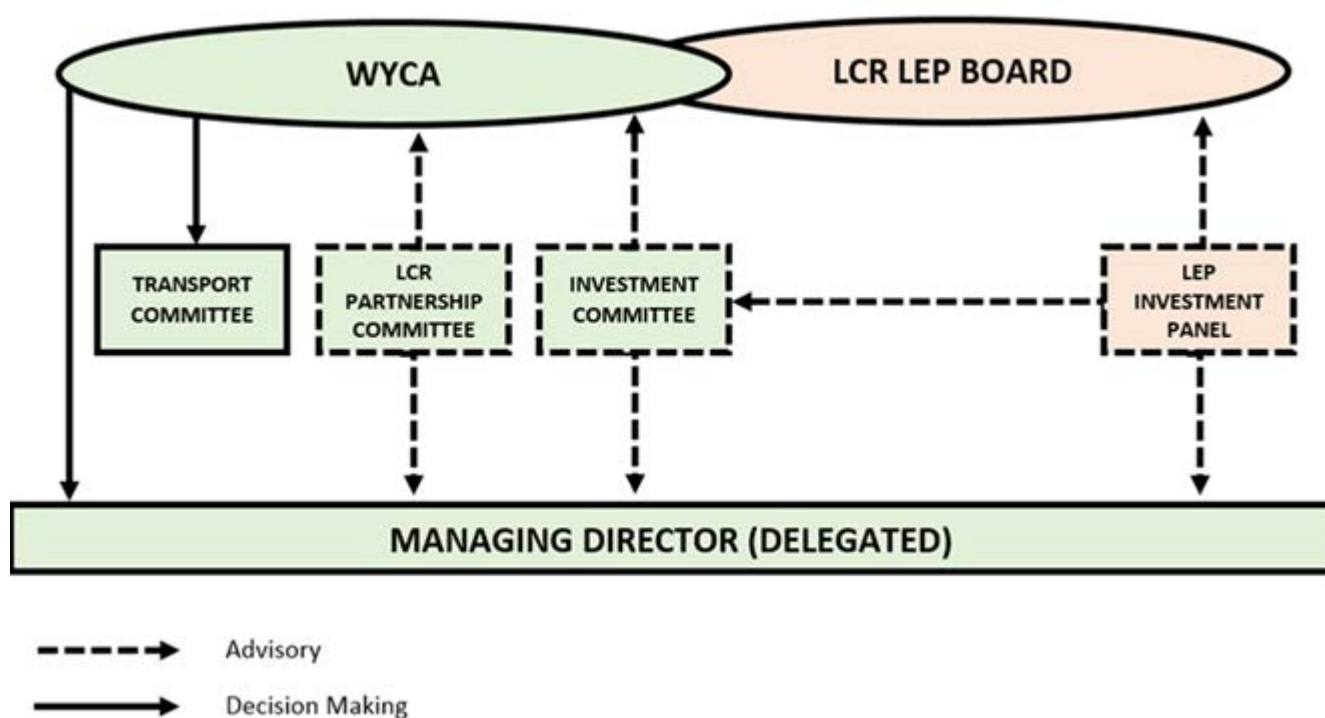
These committees also advise the Managing Director when he is making delegated investment decisions on behalf of WYCA. The Investment Committee provides a key advisory role in the decision making process and constitutes a fundamental part of the assurance process for scheme progression as set out in more detail in Section 4 of this document. Delegated decisions by the Managing Director in relation to schemes taken through the assurance process are taken with the benefit of a written report providing the appropriate level of information as to the assurance process outcomes and recommendations that flow from that process and the Investment Committee. He may also consult with WYCA's Leadership Team – the senior officers of WYCA.

The LEP has also appointed an **Investment Panel** to advise the LEP, and the panel also provides advice to

- the Investment Committee in relation to business grants and loans; and
- the Managing Director, when he is making delegated investment decisions on behalf of the WYCA.

The governance structure of WYCA, and the LCR LEP (in so far as this relates directly to specific investment decisions), is set out in the diagram below.

Figure 2.1 Leeds City Region Enterprise Partnership /WYCA Governance arrangements



As set out in detail in section 4 of this framework, each potential scheme requiring investment goes through a 3 stage assurance process. As a scheme progresses through the process, various decisions about whether and how the scheme should be developed are required.

Under the assurance process, the 2 key decision points in which the Investment Committee **MUST** give a positive recommendation for a project to proceed are:

- at **Activity 2 (Case Paper Approval)**: approve entry into the development programme (“the pipeline”), determine the approval route that the scheme will need to follow, (see below), and agree resource commitments to support project development; and
- at **Activity 5 (Final Cost Approval)**: agree financial commitment to the project, and key funding conditions.

Subject to exceptions relating to business growth grants and loans, all schemes require initial **approval from WYCA to proceed, under activity 2** (case paper approval), further to recommendations of the Investment Committee. WYCA’s approach to prioritising schemes for approval is set out in section 3.

The approvals pathway agreed by WYCA for schemes that progress from activity 2 (case paper approval) provides a level of flexibility to enable subsequent stages to be approved either by WYCA or the Managing Director. The Investment Committee acts as the key advisory body to WYCA and makes recommendations having regard to the size/scale/sensitivity/risks (i.e. the tolerances) around each specific scheme. Options include that decisions:

- must be considered by WYCA during its development; or
- may be delegated to the Managing Director, provided that the project remains within scheme tolerances; or
- may be delegated to the Managing Director for approval up to an identified activity, at which point, the scheme should be referred back to the Investment Committee for review and recommendation and /or WYCA for decision.



WYCA must take any investment decision which hasn't been delegated to either the Transport Committee or the Managing Director, including those decisions where a scheme has fallen outside of the tolerances identified by WYCA. Any decisions made by Transport Committee are brought forward to Investment Committee for information.

In practice, **Investment Committee** considers all schemes at least once during the assurance process and is regularly updated and monitors scheme progress.

Where any funding decision is taken by the Managing Director under delegated authority, he needs to be satisfied that WYCA assurance framework has been complied with. Such decisions are usually taken in consultation with WYCA's Leadership Team (its senior Officers), who are provided with evidence through supplied reports (Requests for Decision).

The Managing Director also has delegated authority to approve the terms of any Funding Agreement in respect of a scheme which has previously been approved by WYCA or under delegated authority under Activity 5 (final cost approval)

The Managing Director reports his delegated decisions to WYCA Investment Committee and to WYCA.

## 2.2 Business Grants, Economic Development Loans and Enterprise Zone Activities

There are specific arrangements in place in relation to business grants and economic development loans.

### Business Grants

The process for Business Grants is currently under review, as it currently comprises legacy (ie before CA creation) approvals via Leeds City Council. The intention is to bring these approvals within the WYCA Assurance process. The process at present is as follows.

The LEP offers grants of £10,000 to £250,000 to small and medium sized businesses (and large businesses by exception) to support them with capital expenditure through the LEP Business Grants Programme. All applications are appraised by officers, who consider the impact the project will have on the economy, value for money, strategic fit, risk, financial viability and additionality (the added value that the grant will bring). For grants over £100,000 the Investment Panel (consisting of senior leaders in the public and private sectors) make recommendations to WYCA's Managing Director.

Grants of between £500 and £50,000 are available to support small and medium sized businesses with training costs through the LEP Skills Service. Applications are appraised by officers and weekly and monthly panels are held to make recommendations which are then formally endorsed under delegated authority by WYCA's Managing Director. Grants of over £100,000 are however subject to a recommendation in relation to due diligence, from the LEP's Investment Panel.

It should be noted that remainder of the Apprenticeship Grant programme are also currently delegated to officers and are included in the above review.

### Economic Development Loans

WYCA makes the final decision for entering into the economic development Loans, following consideration of the recommendations made by the **Investment Panel** and the **Investment Committee**. WYCA approves projects and the loan amount in principle and the Managing Director under his delegated authority finalises and approves the details, following appropriate due diligence and agreement on final terms by the Investment Panel.

However, if approval on such applications cannot be sought from WYCA in a timely way, due to decisions being required in between scheduled meetings, the recommendations of the **Investment Committee** are circulated by email to WYCA Members for comment within a specified timeframe of 5 working days. If no objections are raised over this period then the Managing Director determines the application under delegated authority.



If any WYCA Member raises an objection or issue in relation to an application, the Managing Director refers the application back to WYCA for further consideration.

If a loan application comes from the wider Leeds City Region area (Craven, Harrogate, Selby and Barnsley) then the **LCR Partnership Committee** is consulted<sup>7</sup>. If recommendations cannot be sought from the LCR Partnership Committee in a timely way, individual members of the LCR Partnership Committee are consulted by email with any resulting views and any recommendations being referred to WYCA, as the LCR Partnership Committee is not a decision-making body.

The Managing Director reports decisions on loans made under delegated authority, to subsequent WYCA meetings.

### **Enterprise Zone Programme**

The LCR EZs Programme provides support (via grants or loans) to partner districts and applicable landowners/developers to unlock an accelerate development across the 10 Enterprise Zones (EZs) that are managed by WYCA (as accountable body for the LEP). Broadly this support falls into three categories

- Occupier Incentives
- Support for Infrastructure; and
- Developer Incentives.

With the exception of work on the Leeds (Aire Valley) EZ which has projects at Stage 2: Pipeline Development (e.g. Leeds Electricity Substation), the Programme is currently in the Policy and Strategy / feasibility stage (i.e. pre-Stage 1).

As the site feasibility stage develops and interventions required at each EZ location are defined, discreet projects and/or packages of interventions for development and delivery will be progressed into the Assurance Process and be assessed on a case by case basis. This will be initially by via Programme Appraisal Team prior to progressing to Investment Committee and WYCA as required. Delegations may then be requested to allow WYCA Leadership to approve further feasibility / project development spending as part of Stage 2: Pipeline Development.

## **2.3 How Growth Priorities are Supported by Collaboration and Joint Delivery**

WYCA works collaboratively with a range of partners. Some examples of this are provided below.

The LEP delivery of **Skills Capital** allows for greater coherence and understanding in the way that FE providers across LCR are aligning curriculum offers to reflect the skills requirements set out in the LCR SEP and Skills Strategy. The Employment & Skills Panel set conditions for the grant programme to address gaps in skills provision and to hold an overview of future revenue allocations, such as ESIF. Collaboration with partners supports the understanding of employment opportunities in the region to maximise GVA. It encourages improved collaboration between colleges and employers so that new curriculum is more aligned to employer needs.

**LEP Growth Service** is a 'hub and spoke' collaboration with Local Authorities, universities and private sector business support organisations. The LEP skills service is jointly delivered with a college consortium and Chambers of Commerce.

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<sup>7</sup> Not every Leeds City Region local authority is directly represented on the LCR LEP Board, (although those which are not may have representatives on LEP Panels or Advisory Committees).

The LCR Partnership Committee provides a forum to bring together representatives from all Leeds City Region local authorities. Its purpose is to facilitate direct collective engagement with WYCA, the key local authority arrangement supporting the LEP, as its accountable body.

The WYCA **Transport Strategy and policy teams** working closely with District partners, Network Rail and Highways England, operate and run a strategic Land-Use Transport Interaction (LUTI) model which can forecast evidence to support the impacts on investment priorities on employment, housing and GVA. These models are also used to test investment projects and programmes to help sift into priorities and inform their strategic businesses cases. They are particularly helpful in understanding cross boundary implications of investment and transport policies.

The **Growth Funded Housing and Regeneration Programme** is developed jointly with public sector partners. Proposals are put forward by either Local Authorities or organisations working closely with WYCA's strategic partners. These proposals are developed into business cases through close collaboration with WYCA and in some cases joint due diligence with other agencies. In many instances projects may have multiple funding streams, with some of these coming from the public sector. When this occurs, a joint approach towards delivery is developed whenever possible. The City Region Land and Assets Board (including representatives from the LEP, Local Authorities the Homes and Communities Agency and the National Housing Federation) brings together organisations with a common interest in delivering infrastructure, homes and jobs and ensures a strategic approach to the delivery of these outputs, especially where this involves the use of public sector assets.

## 2.4 Transparency

WYCA and the LCR LEP are mindful of the need to build the trust and confidence of stakeholders and the public, in the relation to our ability to take investment decisions. Promoting transparency in its decision-making is a key part of this, and so is taken very seriously.

WYCA by law must designate a **Monitoring Officer**, who is responsible for ensuring that decisions conform to the relevant legislation and regulation. This is WYCA's Head of Legal and Democratic Services. A key part of this role is to ensure that the legal responsibilities of WYCA as accountable body, in relation to ensuring the transparency provisions are met, as set out below.

### 2.4.1 Meetings

Specific statutory requirements apply to WYCA in relation to transparency. The key provisions are:

- the public's rights to attend meetings and inspect documents of WYCA as set out in its Procedure Standing Orders;
- agendas and reports of meetings of WYCA and its committees are available to the public on its website, in accordance with its Procedure Rules, 5 clear days before a meeting, at <http://www.westyorks-ca.gov.uk/your-ca/combinedauthority/>;
- minutes of meetings are published on WYCA website;
- significant decisions taken by officers are published on WYCA web-site; and
- WYCA adheres to the Local Government Transparency Code which requires the publication of additional data.

The LEP Board is working towards similar standards; currently the agenda, papers and minutes of LCR LEP Board meetings are published on the LCR LEP website.

### 2.4.2. Requests for information

WYCA is subject to the Freedom of Information Act 2005 and the Environmental Impact Regulations 2004, and will respond to statutory information requests in accordance with approved procedures. WYCA also deals with any requests for information from the LCR LEP, on its behalf, in accordance with the same procedures. Further information on the Authority's Freedom of Information policy can be found at <http://www.westyorks-ca.gov.uk/what-we-do/foi/>;

- An overview of all scheme business cases and evaluation reports are published on WYCA website. A nominated point of contact is made available to receive public and stakeholder comments;
- summaries of business cases to be considered by WYCA as part of the Single Appraisal Framework (SAF) Approval process (see Section 3) are published electronically ahead of meetings to allow for external views to be sought. (There are a small number of exceptions to this rule in order to maintain commercial confidentiality); and
- regular scheme and programme progress reports will also be available on WYCA and LEP websites, including key funding decisions and monthly performance dashboards providing information on expenditure and output/outcome performance.

## 2.5 Use of Resources and Accounts

The use of resources by WYCA are subject to the usual local authority checks and balances, including the financial duties and rules which require councils to act prudently in spending. These are overseen by WYCA's Chief Finance Officer, who is its Director of Resources. This post has statutory responsibility to administer WYCA financial affairs<sup>8</sup>, and is responsible for ensuring that funding is used legally and appropriately.

WYCA has clear accounting processes in place to ensure that all funding sources (including devolved Major Scheme Transport Funding) are accounted for separately and that funds can only be used in accordance with WYCA decisions.

WYCA has a statutory duty to keep adequate accounting records and prepare a statement of accounts in respect of each financial year. This statement of accounts will be published (usually in June) and will cover expenditure from the Local Growth Fund and other funding sources received from Government.

WYCA will publish a public notice each year, setting out a specific period during which any person may inspect and make copies of the Authority's accounting records for the financial year.

During the same period, the local auditor must give a local government elector within the West Yorkshire (or their representative) an opportunity to question the external auditor about the accounting records, and objections may be made to the auditor about any relevant item.

## 2.6 Audit

As a local authority, WYCA complies with statutory requirements relating to audit arrangements, principal elements of which are:

- appointing an **audit committee**;
- inspection by **external auditors**; and
- adopting **internal audit arrangements**.

These audit arrangements apply to LCR LEP funding in respect of which WYCA is the accountable body, in the same way as for other WYCA expenditure.

WYCA's Governance and Audit Committee which fulfils the requirement to appoint an **audit committee**, which (from May 2017) must include at least one independent person.

The role and responsibilities of this Committee include

- reviewing and scrutinising WYCA's financial affairs;
- reviewing and assessing WYCA's risk management, internal control and corporate governance arrangements;

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<sup>8</sup> under Section 73 Local Government Act 1985

- reviewing and assessing the economy, efficiency and effectiveness with which resources have used by WYCA;
- approving the review of internal controls and the annual governance statement;
- considering and approving the statement of accounts;
- considering external audit arrangements and reports; and
- advising WYCA in relation to the Assurance Framework.

Further detail on the membership and meetings of this Committee can be found at <http://www.westyorks-ca.gov.uk/your-ca/governance-audit/>.

An annual independent audit is conducted by **externally appointed auditors** ensuring WYCA operates a robust financial management and reporting framework, including reviewing whether WYCA meets its statutory obligations in relation to grant funding.

WYCA's **internal audit** function carries out independent and objective appraisals of relevant systems and processes, including ensuring that effective procedures are in place to investigate promptly any alleged fraud or irregularity.

The Assurance Framework is a 'live' document, which for the purposes of Growth Deal activities is required to comply with National LEP guidance. In addition to this, it is envisaged that the document will be subject to further revision and update across the year to ensure that it remains fit for purpose. An Action Plan will sit alongside the document, which will be used as a tool to monitor ongoing compliance. A structured audit of the document, in particular around ancillary information such as web links, will be developed and embedded as part of this plan.

WYCA's financial regulations set out further detail in relation to WYCA's audit arrangements ([link](#)).

## 2.7 Scrutiny

WYCA is required by law to appoint an **Overview and Scrutiny Committee**. This Committee is authorised to:

- review or scrutinise decisions made or other action taken in connection with functions of the Authority<sup>9</sup>;
- make reports or recommendations to WYCA with respect to WYCA's functions; and
- receive and monitor responses to any reports or recommendations made.

The Committee may therefore scrutinise any decision of WYCA made in its role as accountable body for the LCR LEP. This provides an additional safeguard in relation to LCR LEP decision-making.

The independent element of this scrutiny is safeguarded by a requirement that membership of this Committee cannot include any member of WYCA. It comprises Members co-opted from its constituent and non-constituent councils.

Further detail on the membership and meetings of this Committee can be found at <http://www.westyorks-ca.gov.uk/your-ca/overview-scrutiny-committee/>.

## 2.8 Codes of Conduct

There are procedures in place to ensure that an individual involved in the decision-making process discloses any personal interest which might affect their judgement in a matter. Where appropriate, any individual with such an interest is precluded from taking part in decision-making.

<sup>9</sup> In relation to a decision made but not implemented, this includes the power to recommend that the decision be reconsidered by WYCA in accordance with the Scrutiny Standing Orders

In relation to the LEP, the LEP Chair, and other LCR LEP Board and Panel members are subject to the Nolan Principles of public life. On appointment these members are required to:

- confirm in writing that they agree to follow the Nolan Principles, and
- provide written information to WYCA about their business interests, and the capacity in which these interests arise (for example, as employee, or company director).

At the beginning of each meeting, all members present are asked to declare any potential conflict of interest. Any member making a declaration cannot take part in the decision. These declarations are minuted.

The LEP has a published conflicts of interest policy and a published register of interests [\(link\)](#)

In relation to WYCA, there are statutory provisions which require WYCA to adopt a Code of Conduct for its Members and voting co-opted Members. The Code sets out the conduct expected of Members, including procedures for declaring and registering:

- acceptance or receipt of a gift or hospitality and
- disclosable pecuniary interests, which are defined by the code.

The code is publicly available on WYCA website [\(link\)](#)

Failing to comply with requirements for registering and disclosing pecuniary interests may be a criminal offence.

The register that records Members' interests is also publicly available on WYCA website [\(link\)](#).

WYCA has also approved arrangements under which allegations that the Code has been breached can be investigated and for making decisions on such allegations [\(link\)](#).

WYCA has also adopted a Code of Conduct for Officers, which includes procedures for registering personal and prejudicial interests. Officers also need to comply with a Gifts and Hospitality policy. Failure to comply with the Code may lead to disciplinary action.

### **2.8.1. Conflicts arising during funding allocation and appraisal processes**

Section 4 sets out in detail how potential conflicts of interest arising during funding allocation and appraisal processes are addressed. That is, there is a clear separation between the LEP/WYCA appraisal functions and the project sponsor/promoter. Officers carrying out appraisals are not involved in advising on project and business case development activity as part of the sponsor promoter team.

## **2.9 Complaints and Whistleblowing**

WYCA will consider any complaints received in accordance with its agreed complaints procedure. Any complaint about the LCR LEP will be dealt with by WYCA in accordance with WYCA's complaints process.

WYCA has also adopted a Whistleblowing policy [\(link\)](#), to investigate and resolve any case where it is alleged – by stakeholders, members of the public or internal whistle-blowers – that WYCA is acting in breach of the law, failing to adhere to the framework or failing to safeguard public funds. Should any allegations arise in relation to the LCR LEP, the same policy will apply.

## **2.10 WYCA Resources and Capabilities**

WYCA will have a scale of staff resource with the necessary key functions to enable it to:

- Managing the pipeline, including supporting business case development;
- carrying out programme and project appraisal;

- co-ordinating and managing the approval process (e.g. timing of meetings and associated paperwork); and
- overseeing the delivery, monitoring and evaluation of schemes (e.g. benefits realisation management, financial and resource management, risk).

WYCA will also draw on external expertise and technical support such as financial, economic, property, legal and evaluation advice, for example through consultancy frameworks or from partner organisations including the HCA, local authorities, Skills Funding Agency and others.

## 2.11 Local Engagement (to be updated)

Section below to be re-written/edited

- Engagement on strategy and policy
- Engagement on projects
- Outreach to hard-to-reach groups

Engagement with stakeholders and the wider public is regarded as a central part of the process to develop, monitor and implement the SEP, the Growth Deal and all other aspects of the work of the LCR LEP and WYCA.

For example, over 600 organisations and individuals were engaged in the development of our SEP, via public meetings, electronic consultation and social media. In addition to the contributions from local businesses and other stakeholders, we also engaged consultants and academics to act as ‘critical friends’ to provide objective and external challenge as the SEP was developed.

The LCR LEP has continued to engage with businesses and public sector partners since the SEP was published.

The LCR LEP has established a Business Communications Group made up of spokespeople from key business representative organisations in the Leeds City Region. The Group plays an active role in supporting business growth in the region by helping to coordinate effective communications between the LCR LEP and the business community. The Group also act as an advisory group to the LEP Board; consulting with their members on barriers to growth and ensuring businesses are at the heart of everything we do.

The Group brings together 18 business representative organisations and sector bodies in the region, collectively representing around 20,000 local companies, and provides a channel both for the business community to influence LCR LEP policy and delivery, and for the LCR LEP to communicate information to that membership base. The Group has influenced the development of key LCR LEP products and services, including its recently launched skills service and the LCR LEP growth service. Local public sector and university partners are also heavily engaged in project design and implementation, with cross-sector working groups having been established to shape work on LCR LEP priorities including innovation, exports, inward investment, skills and apprenticeships and resource efficiency.

The LCR LEP also engages and communicates with partners through channels including social media, press releases, the LCR LEP website, events and a monthly eNews, which is distributed to around 33,000 businesses and stakeholders. Social media has been used particularly effectively for informal engagement of businesses and partners on policy and project development, and the LEP’s “innovative use of social media for consultation and engagement” was highlighted in a 2014 report by IPPR North.

In any future work to develop the SEP, or any key strategies that underlie the overall Plan, we will take steps to ensure that these principles of open and inclusive engagement are maintained and enhanced.

## 2.12 Arrangements for cross-LEP working

There are a number of areas where the LCR LEP works closely and interfaces with neighbouring and other regional LEPs. These include:

- Yorkshire LEP meetings, which take place 4 times a year;
- Cross-LEP meetings sharing best practice around skills;
- As part of the LEP network, where wider best practice is shared;
- Through Transport for the North, where there is a significant degree of cross-LEP collaboration, working down from the Partnership Board, through to officer working group meetings around Northern Powerhouse Rail, Strategic Transport Plan and Roads Strategy;
- Core Cities forums, which take place 4 times a year, covering a wider spectrum of national policy issues; and
- LCR LEP is also invited to attend the Sheffield Combined Authority as an observer, given the close links between the two functional economies.

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## 3. APPROACH TO PRIORITISATION

### 3.1 Introduction

The approach for identifying and prioritising those programmes and projects which are most likely to provide value for money, maximise economic benefits and deliver against the LCR SEP's vision and strategic priorities, is set out in the following section.

### 3.2 Identifying need and scheme prioritisation

Prioritisation is a stand-alone process that can happen at various stages between and within programmes. For example this could be:

- between spending areas;
- between projects in a programme; or
- in relation to funding opportunities/
- bids that come forward.

The prioritisation of projects is critical to the creation of a focused programme of investment across the four priorities of the SEP. Our appraisal framework (the SAF) has been designed to facilitate the prioritisation of projects in an objective, consistent and transparent way by selecting schemes that:

- offer the greatest opportunity to maximise economic benefits, in terms of jobs and GVA growth across the Leeds City Region;
- offer the greatest potential to deliver value for money;
- are deliverable; and
- contribute to our 'good growth' aspirations.

### 3.3 Identifying candidate schemes

Local partners will largely be responsible for identifying and developing candidate schemes for inclusion in the project pipeline. To assist the identification of schemes, a number of guiding principles have been, and will continue to be used.

- Focus on economic growth and fit with the vision, targets and priorities of the SEP e.g.:
  - SEP priorities of Good Growth, job creation, improving skills and employability, supporting businesses growth, delivering housing growth, CO<sub>2</sub> reduction, and improving accessibility
- Be identified in, or fit with, existing local plans and strategies e.g.:
  - Local Development Frameworks and area masterplans
- Lever other investment e.g.:
  - Private sector investment;
  - Unlock/enable follow on investment in priority locations across the City Region; and
  - Unlock Spatial Priority Areas by transport interventions.
- Be deliverable within required timeframes to meet local and national expenditure/outcome targets
- Reflect and align with wider national policy or plans to ensure added value can be achieved e.g.:
  - Homes and Communities Agency, Skills Funding Agency, BEIS, Highways Agency, Network Rail and other public bodies



- Seek to be transformational e.g.:
  - Deliver a City Region-wide impact or delivery greater value added by aligning with major infrastructure schemes such as Northern Powerhouse Rail, HS2 and industrial strategy activities

### Calls for proposals

Other avenues for potential schemes to access funding opportunities from the LEP/WYCA could be through funding competitions with specified deadlines for submissions as well as open calls where the LEP/WYCA will be seeking on-going business case submissions from scheme promoters.

All calls for proposals with specified deadlines, including details of the application and decision process and assessment/eligibility criteria will be posted on the LEP/WYCA website and promoted with public sector partners and the business community. Templates will be available on request once a sponsor has made initial contact with the Portfolio Management Office.

## 3.4 Methodology for prioritising investment

Prioritisation of projects to enter the pipeline is an important stage of the business case development process and is critical to the creation of a focused programme of investment across the four priorities of the SEP.

Scheme promoters are required to submit evidence on standard WYCA business case templates which have been designed in line with HM Treasury Five Cases guidelines. The business case develops iteratively over time and is used to justify WYCA and LEP investment. The information presented in the business case helps facilitate the appraisal of schemes at each key Decision Point.

Part of the evidence presented in the business case (e.g. economic and other impacts) will form an input to any modelling, Cost Benefit Analysis, or scoring to assess schemes consistently. A scheme/project cannot progress through the prioritisation process until this evidence has been provided.

### 3.4.1 Single Appraisal Framework assessment criteria

The **Single Appraisal Framework (SAF)** is the agreed 'tool-kit' for determining whether investments represent value for money, are delivered effectively through strong business case development, project development, project and options appraisal and prioritisation.

The SAF itself is not a decision-making tool. Instead, it informs decision-making by providing an objective, transparent and rigorous system of appraisal to assess programmes and individual projects objectively. It is a flexible framework that can be adapted to the specific nature, scale and scope of the project and/or programme. It sets out how on all City Region projects and programmes, whether they are housing, regeneration, transport, low carbon, skills, innovation or anything else that comes to WYCA and the LEP for consideration, will be appraised and evaluated based upon the evidence provided<sup>10</sup>.

The SAF will be applied to the assessment of all significant discretionary projects and programmes funded from Government or local sources that flow through WYCA and the LEP projects, drawing on national guidance (e.g. Green Book, Treasury Five Cases, WebTAG and CLG Appraisal Guidance),

The following assessment criteria are used by the SAF:

- fit with the SEP and other relevant strategies;
- clear evidence of the rationale and need (or demand) for the project;

<sup>10</sup> The SAF will be used in a slightly different manner for the purposes of the European Structural and Investment Funds (ESIF). ESIF projects will not be subject to the full SAF assessment. Instead the SAF will focus on elements of the strategic fit and value for money assessment of project proposals, thereby complementing the formal, more extensive, technical assessment which will be carried out by the Government in its role as Managing Authority.

- the additional GVA and employment impacts, as well as the wider benefits, at the LCR level (see Section 3.4.2 below for further detail);
- clearly defined inputs, activities, outputs, and anticipated outcomes and an assessment of additionality of benefits;
- confirmation that the investment represents value for money and is the preferred option;
- clear detail of the financial costs of the proposal and evidence of the need for WYCA/LEP support and availability of match funding; and
- the project is deliverable, has robust risk management, delivery, and monitoring and evaluation arrangements

**Preference will be given to those schemes that:**

- deliver 'high' value for money (e.g. a Benefit Cost Ratio or other appropriate VfM benchmark that meets established guidance for the project type being assessed);<sup>11</sup>
- offer the potential to generate a return; and
- maximise private sector and other public sector investment.

It should be noted that there will also be cases when WYCA approves scheme where there is a lower Value for Money case. This could be where there are convincing wider economic and environmental impacts or where a scheme meets multiple SEP priorities. There may also be instances where there is a need to invest quickly in conjunction with significant levels of private sector leverage, in order to unlock a major development.

### 3.4.2 SAF tools for estimating economic and wider benefits

All programmes and projects will be expected to have a positive (direct or indirect impact) impact on growth through job creation, skills improvement, productivity, improved connectivity etc. to ensure that the good growth aspirations articulated in the SEP are realised.

In order to assess GVA and jobs growth, as well as wider economic benefits, both quantitative and qualitative assessment will be required. WYCA/LEP will take into consideration broader strategic value of proposals, particularly with regard to their potential to deliver increased GVA impact, as well as carbon and wider social benefits (e.g. contribution to the good growth principles set out in the SEP), in finally determining whether to approve a scheme.

A range of tools and models will be used to help estimate the wider economic impact of scheme proposals in order to facilitate the prioritisation and decision-making process. These currently include:

- **The Regional Econometric Model (REM)** – will be used on non-transport schemes to help determine their net additional employment and net additional GVA impact; and
- **The Urban Dynamic Model (UDM)** – will be used for transport schemes to understand how employment and GVA growth could be constrained without the proposed transport intervention(s).
- **Skills Value Model** - An in-house approach has also been developed to quantify the impact of skills interventions. The approach allows us to estimate the potential increase in earnings attributable to acquiring a new qualification. The Net Present Value (NPV) and/or the net increase in earnings can be used as a proxy for GVA.

Net additional economic output, measured by Gross Value Added (GVA) per pound invested will be used as a key metric for determining whether a project delivers value for money. Other measures of value for money will be used where necessary to provide more information on the richness and scale of the potential impact of projects. Such measures include total cost per job and total GVA per job.

<sup>11</sup> For transport schemes DfT guidance highlights that there is an expectation that a high VfM is achieved at all stages of the approval/assurance process and is independently verified.

The qualitative assessment will seek to consider the strategic importance of the scheme (e.g. an assessment of how the scheme contributes to the priorities and objectives of the SEP). This more qualitative assessment is particularly important for revenue programmes, the direct effects of which are traditionally more difficult to quantify.

DRAFT

## 4. ASSURANCE AROUND PROGRAMME & PROJECT DELIVERY

### 4.1 Introduction

This section sets out the project and programme assurance process for all WYCA and LEP investment beyond the initial prioritisation stage, and is broken down by:

1. Scheme development; and
2. Scheme delivery;

All investment decisions by WYCA and the LEP will be made by reference to:

- The SEP;
- Statutory requirements;
- Any grant conditions attached to funding; and
- Local transport objectives.

All schemes will be assessed and guided using the **Single Appraisal Framework (SAF)** at all stages of a Projects Lifecycle.

### 4.2 Assurance Process

Critical to the Single Appraisal Framework, as described in the previous section, is the **Assurance Process** (see Figure 4.1). The Assurance Process is a system for project control to deliver value for money in a transparent and accountable way. It has been designed to take all schemes through their project/programme lifecycle, and provides the framework for business case development activities and for making key decisions. It provides a practical “step-by-step” framework to aid the development of business cases, using an approach which is both scalable and proportionate, and which offers a structured process for appraising, developing and planning that is in line with HM Treasury guidance to deliver best public value.

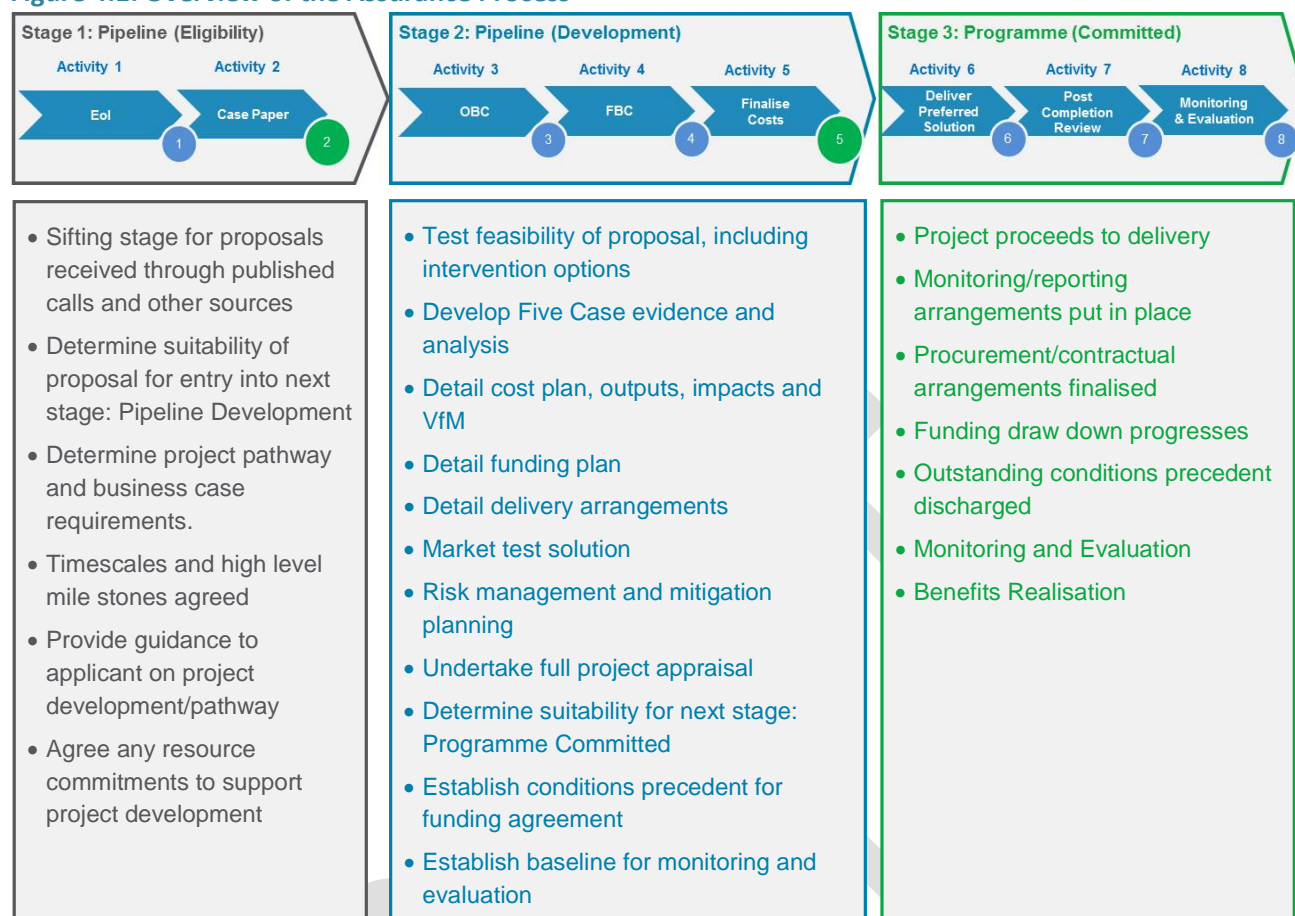
The Assurance Process should be used by the following:

- **Project Sponsors:** it provides a pathway to allow sponsors to develop proposals in a way that will give them the best chance of success;
- **Decision Makers:** it is a framework to provide the information they need to take investment decisions and to prioritise between different proposals in a clear and transparent manner; and
- **Partners and the wider public:** to give confidence that there is a clear and transparent framework to appraise and prioritise schemes and to take investment decisions

An important feature of the assurance process is its **flexibility in that it can be adapted to the specific nature, scale and scope of the project and/or programme**. For example, it offers the potential for accelerated decision-making, e.g. for small scale, less expensive projects which can move quickly through the key decision points described below.

Programmes which often comprise of multiple projects for their delivery may also be subject to accelerated decision-making. In these instances, the assessment of the cost and benefit information may be at a high level with the programme level business case providing the strategic context for subsequent investments (projects). Following approval to fund the programme, the projects comprising the programme must be subject to individual business cases.

**Figure 4.1: Overview of the Assurance Process**



**Stage 1 ‘Pipeline Eligibility’:** Stage 1 of the Assurance Process is designed to act as the sifting stage for proposals that have been received through published calls and other sources. It is used to determine:

5. The suitability of proposal for entry into next stage: Stage 2 - Pipeline Development;
6. A scheme’s Pathway through the process and business case requirements;
7. Provide guidance to an applicant on project development/pathway; and
8. Agree any resource commitments to support project development

The output from this stage is a ‘Case Paper’ to Investment Committee.

**Stage 2 Pipeline development:** Whilst Stage 1 ‘Pipeline Eligibility’ of the Assurance Process forms the basis of the initial test for a scheme and aids in prioritising which schemes should be invested in, **Stage 2, Pipeline Development** sets the framework under which all schemes will progress and develop through the preparation and finalisation (including due diligence) of the “business case”.

During Stage 2 the following activities could occur:

- the project sponsor will revisit the case for change, confirm the option that optimises value for money, undertake a cost benefit analysis (where applicable), ascertain affordability, finalise costs and confirm delivery and management arrangements;
- WYCA will assess the project (see stage 2 business case assessment below); and
- Subject to the outcome of the appraisal WYCA will either:
  - reject or redirect the scheme for alternative funding; or

- agree the funding approval, confirm any key funding conditions.

The output from this stage is a Full Business case, and at this point the scheme enters into the next Stage of Assurance Process: Stage 3 – Project Commitment

**Stage 3: Programme committed:** Once an investment decision to approve a project has been made, a funding agreement will be drafted and signed. At this point a scheme will enter **Stage 3: Programme Committed**.

During this stage monitoring/reporting arrangements are put in place to track the progress of a scheme as it is delivered, all procurement and contractual arrangements are finalised and a scheme proceeds to delivery. At this point the funding will be drawn down. Towards the end of this stage and the practical completion of a scheme, any outstanding conditions will be discharged before final payments are signed off.

A scheme will then be subject to monitoring and evaluation in order to determine if the scheme benefits have been realised (further detail on Monitoring & Evaluation is covered in Chapter 5).

**Further key elements of the assurance process include:**

- **Activities:** Under each stage outlined above there are a series of Activities that need to be carried out in order to progress each scheme. Whilst there are eight possible Activities, not all would apply to all schemes and the process and intensity of appraisal applied can be tailored for each scheme depending on its type, scale and complexity, with the appropriate Activities applied (e.g. not all schemes will be required to complete an Outline Business Case and Full Business Case);
- **Decision Points:** Appraisal is carried out continuously along the Assurance Process at a number of key Decision Points. This staged approach has been developed in line with the HM Treasury 'Five Cases Model'. This model has been refined and tested over many years and provides a clear framework for considering spending proposals. This approach is recognised as best practice and is the Treasury's standard methodology.

There are at two key Decision Points at 2 and 5 (highlighted in green in Figure 4.1). All schemes must go through at least these two decision points. The number of decision points a scheme will be required to go through will depend on the selected pathway following a scheme being deemed eligible for further development, and will be determined by a PAT recommendation to Investment Committee at Decision Point 2. The outcome of each decision point could be either to:

- reject the project;
- revisit the business case to address issues raised during the appraisal; or
- approve the project through the particular Decision Point with a series of actions to be addressed during the next stage.

As such, project sponsors must demonstrate that a robust, accurate and compelling business case exists at each stage of the process.

**What happens at Decision Points:**

#### **Decision Point 1**

- Approve progression of a scheme to Activity 2
- Approve scheme eligibility for Capital Funding
  - Eligibility for funding is based upon a scheme's strategic fit with the SEP
  - Further eligibility tests are applied where there are specific restrictions around how different funding streams can be allocated
- Approval to prioritise a scheme over other schemes that may have come forward as part of a call for projects

## Decision Point 2

- Approve progression of a scheme to enter into the Stage 2: Pipeline for Development of the Assurance Process
- Approve Case Officer recommendations based on light touch appraisal of scheme<sup>12</sup>
- Recommendations will cover:
  - Which funding stream a scheme should be allocated to
  - A scheme's Assurance Pathway
  - The Approval Route for each Decision Point on the Pathway
  - High level milestones
  - Tolerances around risk, cost and programme, which when exceeded will require additional approvals
  - Resource commitments to support project development (if applicable to funding stream)
  - The recommended level of appraisal required for the Outline and Full Business Case stages.

## Decision Point 3 (if needed)

- Approve progression of a scheme to Activity 4 or 5 (as set out in Assurance Pathway at Decision Point 2)
- Approve Case Officer recommendations based on detailed appraisal of scheme
- Recommendations will cover:
  - Approval of scheme's Outline Business Case and Preferred Option
  - Resource commitments to support project development (if applicable to funding stream)
  - High level milestones
  - Amendments to tolerances

## Decision Point 4 (if needed)

- Approve progression of a scheme to Activity 5
- Approve Case Officer recommendations based on detailed appraisal of scheme
- Recommendations will cover:
  - Approval of scheme's Full Business Case
  - To commit to conditional fund scheme cost, subject to due diligence / procurement / funding agreement negotiations successfully undertaken in Activity 5
  - To reconfirm the approval route and tolerances set for Decision Point 5
  - Resource commitments to support project development (if applicable to funding stream)
  - High level milestones
  - Amendments to tolerances

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<sup>12</sup> Appraisal based around HM Treasury Green Book 5 cases. Focus on strategic fit, scope to deliver economic benefits and deliverability

#### Decision Point 5

- Approve progression of a scheme to enter into the Stage 3: Programme Committed of the Assurance Process
- Approve Case Officer recommendations, including:
  - Approve the Full Business Case with Costs
  - To fund scheme costs
  - Tolerances for delivery of the scheme
  - High level milestones

#### Decision Point 6 (if needed)

- Approve progression of a scheme to Activity 7
- Approve Final Monitoring Report
- If Final Monitoring Report not approved, agree next steps to seek remedy
- Approve any variations outside of tolerances

#### Decision Point 7 (if needed)

- Approve progression of a scheme to Activity 8
- Approve Project Completion Report
- Approve Final Funding Payment
- If not approved, agree next steps to seek remedy

#### Decision Point 8

- Approve Project Closure report
- If not approved, agree next steps to seek remedy

### 4.3 Business Case Requirements at each stage of the Assurance Process

A key objective of the Assurance Framework is to support WYCA in assessing whether potential investments offer good value for money and have the capacity to generate and deliver the growth objectives set out in the Strategic Economic Plan, or specific objectives relevant to a funding stream.

Along with the focus of the business case changing as a scheme progresses through the Assurance Process, the focus of the Business Case appraisal is structured around a series of key appraisal questions which enable the appraiser to review and test the evidence presented in the Business Case across the 'Five Cases'. Project promoters are made aware of the key appraisal questions in order to guide the presentation of evidence in the Business Case.

All projects will undergo a 'five cases' assessment to ensure a project demonstrates that the outcomes and outputs are deliverable, that the associated business case is a sound one and that the scheme represents value for money.

The following business case templates will be completed by projects during Stages 1 and 2 of the assurance process.

#### Stage 1: Pipeline (Eligibility)

The **STAGE 1 BUSINESS CASE** is an Expression of Interest (EoI) form: the information collected at this stage is used to undertake a high level assessment of the strategic and economic case for investment and project deliverability. The aim is to identify if projects could deliver the type and scale of outputs and outcomes within the necessary timescales and therefore be prioritised for inclusion on WYCA pipeline.



A summary of the criteria that will be used to aid the Stage 1 assessment and prioritise and select those schemes that will progress to Stage 2 are set out below in Table 4.1.

**Table 4.1: Overview of the Stage 1 Assessment Criteria**

Criteria	Description
<b>Strategic case</b>	<ul style="list-style-type: none"> <li>• <b>Initial gateway review of the project against key objectives:</b> <ul style="list-style-type: none"> <li>○ <i>Increasing jobs and GVA:</i> is there a clear rationale / need / market failure case for investment? (e.g. including evidence to support employment and GVA growth, improving access to employment)</li> <li>○ <i>Secondary objective</i> – for example to improve the ability of all people to access jobs, with particular focus on those living in the most deprived communities, and to achieve a carbon neutral impact</li> </ul> </li> <li>• <b>Testing of the project against the SAF ‘Strategic Fit’ criteria</b> – for example, clear articulation of how the project contributes to one or more of the four SEP priorities, headline priorities and good growth principles.</li> </ul>
<b>Economic case - value for money and scheme optimisation</b>	<ul style="list-style-type: none"> <li>• Initial review of project costs to help identify those elements that offer the potential to deliver the most benefits (to maximise benefits and minimise costs).</li> <li>• Where appropriate using strategic and economic modelling to carry out an initial test of a project to identify a GVA/£ ratio e.g. Urban Dynamic Model (UDM) or the Regional Econometric Model (REM)</li> </ul>
<b>Deliverability and compliance</b>	<ul style="list-style-type: none"> <li>• High level development and delivery timetable identifying any potential barriers or constraints (e.g. planning, legal, land ownership issues).</li> <li>• Initial assessment of any potential state aid implications.</li> </ul>
<b>Other criteria (if applicable)</b>	<ul style="list-style-type: none"> <li>• For transport schemes this could include modelling to predict changes in carbon emissions, accidents, mode splits and impacts at different geographies including deprived communities.</li> </ul>

The appraisal outcome from the ‘Eligibility’ assessment (which will be written up in the form of a Case Paper) will determine whether a project proposal proceeds through Decision point 2 and is invited to prepare a Business Case – outline (OBC) or full (FBC) depending on the pathway for the project as determined by the Programme Appraisal Team (PAT). For example, an OBC may be requested where the project proposal is considered novel or contentious or is of a scale that requires further detailed technical analysis. It is also at this stage that any decision to commit to project development resources/support will be made.

## **Stage 2: Pipeline (development)**

The **STAGE 2 BUSINESS CASE** (the business case): forms a detailed ‘five cases’ assessment (see below) of the project that demonstrates that the outcomes and outputs are deliverable, that the associated business case is a sound one and that the scheme represents value for money.

At this stage the Business Case template seeks to build on the evidence presented in the EoI in order to present the full details of the project across the ‘Five Case’ model to include:

- Strategic case: refinement from the EoI;
- Commercial case: market demand/testing evidence;
- Economic case: to include options analysis, economic impact assessment and value for money analysis;
- Financial case: costs, funding and financial profile; and

- Management case: governance/project management, programme, confirmation of procurement arrangements, risk mitigation and State aid compliance.

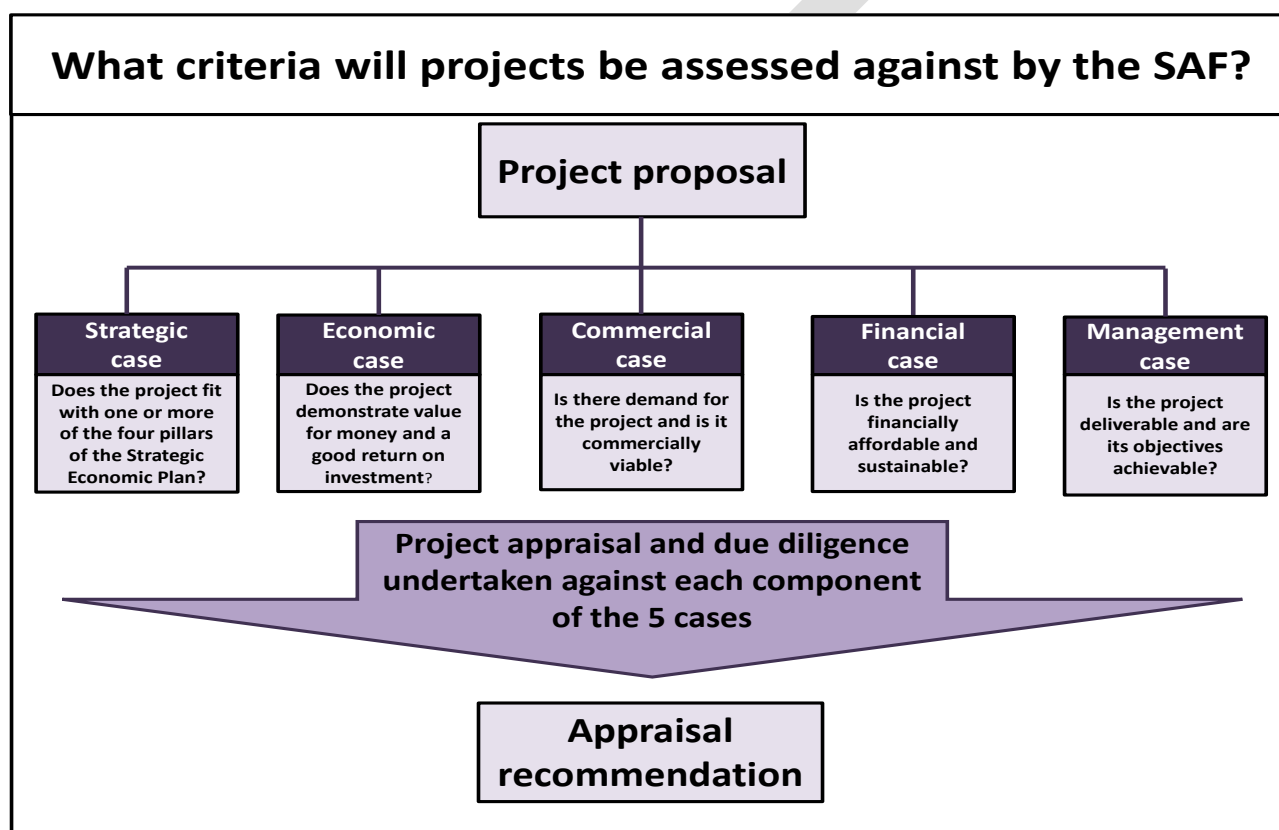
#### 4.3.1 Appraisal - Business Case Assessment Criteria

All projects will have to meet the requirements of each component of the five cases assessment, as summarised in Figure 4.2.

Key questions for the business case appraisal are contained within the templates that are used throughout the Assurance Process. These include:

- Stage 1 – Case Paper
- Stage 2 – Outline Appraisal Report and Full Appraisal Report

Figure 4.2: SAF Stage 2 Business Case Assessment Criteria



A summary of the criteria that will be used to aid the Stage 2 assessment and prioritise and select those schemes that will progress to Stage 2 are set out below in Table 4.3.

**Table 4.3: Stage 2 Assessment Criteria**

Criteria	Description
<b>Strategic case appraisal</b>	<p>Has the project been clearly defined?</p> <p>Does the scheme have a clear strategic rationale and align to Strategic Economic Plan objectives?</p> <p>Is it clear what strategic economic contribution the project could make to the City Region economy?</p> <p>Are the project's objectives SMART, clear and consistent with the nature of the scheme?</p> <p>Are there any adverse consequences if the scheme does not go ahead / LGF is not secured?</p> <p>Is it clear why WYCA investment is needed and what it will be used for?</p>
<b>Commercial case appraisal</b>	<p>Is the project feasible and has market potential / evidence of need / demand been adequately assessed / evidenced?</p> <p>Is there evidence that the private sector will respond to the WYCA investment?</p> <p>Is there evidence that the project is commercially viable and financially sustainable following WYCA investment?</p> <p>Is a robust procurement strategy in place?</p>
<b>Economic case appraisal</b>	<p>Has a robust assessment of alternative options been considered, including a sound reference case?</p> <p>Have gross and net economic impacts been quantified appropriately?</p> <p>Does the scheme offer reasonable value for money prospects (see Section 8 below for further information on how value for money will be assessed)?</p> <p>Does the scheme deliver wider, non-quantifiable benefits?</p> <p>What are the key risks, sensitivities, and uncertainties relating to the economic impact analysis?</p> <p>Are there any significant environmental dis-benefits?</p> <p>Are there any significant social and distributional impacts?</p>
<b>Financial case appraisal</b>	<p>Have scheme finances – costs and funding been assessed appropriately?</p> <p>Is further analysis needed to confirm costs?</p> <p>Is there a clear funding plan, and what is the status of other match funding? – Has other funding been confirmed or what is the timescale for confirmation?</p> <p>Is it clear how cost over-runs will be managed / mitigated?</p> <p>Have the financial risks been identified and is there a plan to manage them appropriately?</p>
<b>Management case appraisal</b>	<p>Is there a clear governance structure that will oversee strategy and delivery of the project?</p> <p>Is there a clear project management and delivery plan in place for day to day delivery?</p> <p>Is the procurement strategy clear with defined milestones?</p> <p>Are monitoring and evaluation procedures in place?</p> <p>Are the levels of risk acceptable and capable of being managed?</p> <p>Is State Aid compliance confirmed?</p>

The Business Case appraisal is effectively a risk-based appraisal designed to enable the appraiser to test and report on key project risks across the Five Cases. This ensures that decision-makers at any level of delegation fully understand project risks, particularly in terms of benefits realisation, financial outcomes and value for money. It also provides the basis on which any conditions precedent for a funding agreement can be proposed. Business cases are scored against an appraisal framework and each of the five 'cases' given a RAG (red, amber and green) rating based on the response to the key appraisal questions as follows:

<b>RED</b>	Does not adequately address one or more of the key assessment questions
<b>AMBER</b>	Addresses all of the key assessment questions but specific issues may require further consideration or action
<b>GREEN</b>	Presents a clear and comprehensive response to the key assessment questions

The main findings in respect of the five cases are then brought together into a single assessment summary and an overall project RAG rating. It is anticipated that projects receiving an overall red rating may require the applicant to provide extensive additional information prior to subsequent reappraisal. Projects receiving an overall amber rating may require special conditions (or conditions precedent) to be included in any subsequent grant agreement between the applicant and the accountable body.

#### 4.3.2 Assessment of Economic Impact & Value for Money

This exercise will draw on a range of tool-kits and approaches to demonstrate wider economic benefits and value for money in order to prioritise and assess the overall business case for a scheme. In line with recognised VfM guidance the assessment will consider: **economy** (minimising the cost of resources used); **efficiency** (the relationship between the output from goods or services and the resources to produce them); and **effectiveness** (the relationship between the intended and actual results of public spending (outcomes) – meeting objectives).

Section to add - how and when we determine the level of VfM assessment and the methodology to adopt for any given scheme

As set out in the LEP National Assurance Framework guidance, the methodology used to assess VfM will be in line with the established guidance prescribed by the relevant government department, described below:

- Transport: the standard against which WYCA will assess the robustness of the economic case of transport projects with a capital cost in excess of £5m (tbc) will be the established WebTAG methodology. See section 4.3.3 for further detail;
- Housing: the appraisal will draw on advice and guidance from the HCA alongside DCLG's Appraisal guide for residential and non-residential development
- Enterprise, business support and innovation: these projects will need to demonstrate ability to deliver VfM through evidence-based business cases aligned with HM Treasury Green Book guidance, with a commitment to publishing results to add to the evidence base on what works and contribution to local and national policy goals on productivity and growth
- Skills capital: the appraisal will continue to draw on Skills Funding Agency guidance (e.g. for the financial appraisal of schemes);
- Regeneration: projects will need to be in line with the National Planning Policy Framework and the Planning Practice Guidance. Projects beyond housing and transport interventions, for example enabling works, land assembly, utilities and/or public realm projects, the DCLG appraisal guide will be useful in helping to appraise the costs and benefits of these types of interventions.

The approach adopted will also be proportionate to the scale and risk of the proposal, and will draw on a range of techniques, including:

#### Cost Benefit Analysis (CBA)

The CBA calculates the costs and benefits for each year covered by the proposal and other shortlisted options (including the do-nothing/do minimum 'counterfactual' position) which are then summed to produce a net

figure for each year. Each of these annual net values is then discounted (as set out in the Green Book) and the results are summed to give a Net Present Value (NPV) and forms the basis on which value for money is assessed.

### **Wider Economic Impact Assessment**

As set out in 3.4.2, in generating a prioritised shortlist of schemes, a wider economic impact assessment will be undertaken, utilising a range of tools and models. Taking the findings from this analysis, the SAF will draw on a range of nationally recognised value for money benchmarks relevant to the type of scheme under review.

Other measures of value for money will be used where necessary to provide more information on the richness and scale of the potential impact of projects. Such measures include:

- total cost per job;
- total GVA per job;
- cost benefit ratio; and
- grant per job.

To enhance the rigour of the assessment we will apply and/or draw on a range of nationally recognised guidance and value for money benchmarks relevant to the type of scheme under review, such as:

- WebTAG - as outlined in Section 4.3.3 (below) the modelling and appraisal of transport schemes will be developed in accordance with the guidance published in WebTAG;
- the HCA Additionality Guidance<sup>13</sup> and other appropriate sources, including DCLG Appraisal Guidance for housing and regeneration schemes;
- the Regional Development Agency Impact Study 2009<sup>14</sup>;
- evaluation evidence produced by the What Works Centre for Local Economic Growth

The adopted approach also aims to provide a 'level playing field' between the wide range of intervention types that are being considered across the four strategic priorities of the SEP. This has been identified as the right approach to allow the LEP and WYCA to maximise the employment and productivity outcomes from available funding.

### **4.3.3 Compliance with DfT's WebTAG Guidance**

All transport schemes will be subjected to the minimum requirements on modelling and appraisal, Value for Money (VfM) Statement, assurance and evaluation as set out in the National Assurance Framework Guidance (LEP and Single Pot)<sup>15</sup>. **Include text from Growth Deal relating to transport schemes**

The modelling and appraisal work will be scrutinised to ensure it has been developed in accordance with WebTAG, is robust, and is fit-for-purpose. A mix of both internal and external resources (partner local authorities and independent consultants) in the form of a Gateway Peer Review Panel, so that appropriate and independent recommendations can be provided to decision-makers. Opinion from DfT may be sought for high value or contested schemes. Responsibility for quality assurance of the assessment and scrutiny will rest on WYCA's Head of Feasibility and Assurance.

An Appraisal Summary Table (AST) and VfM Statement will be produced by following WebTAG and DfT's VfM guidance. A VfM Statement will be produced for decision-makers summarising the conclusions from VfM assessment taking into consideration whether benefits outweigh the costs whilst identifying key risks and sensitivities that may affect the VfM conclusion. The statement will be prepared by the scheme promoter. This will be reviewed and signed off by suitably qualified and authorised WYCA personnel who is independent.

<sup>13</sup> See [http://cfg.homesandcommunities.co.uk/sites/default/files/aboutus/additionality\\_guide\\_2014\\_full.pdf](http://cfg.homesandcommunities.co.uk/sites/default/files/aboutus/additionality_guide_2014_full.pdf)

<sup>14</sup> See <http://webarchive.nationalarchives.gov.uk/20090430145135/onenortheast.co.uk/impact/index.cfm>

<sup>15</sup> Single Pot Assurance Framework – National Guidance. Department for Community and Local Government. April 2016.

The VfM Statement will be presented to the Combined Authority for decision making process at appropriate stages in the approval process.

To maintain the value for money for major transport investments from the public purse, WYCA is committed to approve schemes with a final VfM category of 'High' or above. In exceptional circumstances any scheme with a VfM category lower than 'High' may be approved. An example of such a transport scheme could be one which unlocks a major development site or a scheme which can be directly attributed to job creation and/or GVA growth.

WYCA Appraisal Function and Project Appraisal Team (PAT) scrutinise and quality assure the process to ensure that the work undertaken is independent of the authority promoting the scheme. The recently established Feasibility & Assurance Function that sits within the Delivery Directorate of WYCA will provide advice to scheme promoters on appraisal and modelling to ensure that the approach adopted is fit-for-purpose.

#### 4.3.4 Appraisal Proportionality

The level of appraisal will be proportionate to the nature, scale and scope of each project and/or programme. For example, **where a scheme carries greater risk and/or is more complex, the intensity of the appraisal will reflect this.** This is not simply a matter of the financial scale of a project, but will also need to take account of how the project is structured, its processes and dependencies. The capital-intensive nature of transport projects and the accompanying high costs mean that transport schemes will have different financial thresholds in terms of the how they are treated.

The proposed framework is set out in Table 4.2 below. These are **indicative** investment thresholds that will be used as an initial guide to determine the level of appraisal required for transport and non-transport schemes, and which will be reviewed in light of experience.

**Table 4.2: Investment thresholds to determine level of appraisal**

Complexity / risk	Cost – total public sector costs/WYCA (£m): indicative						
	Non-transport schemes				Transport schemes		
		Low (less than £5m)	Medium (£5m to £10m)	High (greater than £10m)	Low (less than £20m) tbc	Medium (£20m to £50m) (tbc)	High (greater than £50m) (tbc)
	Low	Value for money/GVA impact - ratio of GVA per £ spent simple appraisal	Value for money/GVA simple appraisal	Full HM Treasury 'Green Book' compliant business case including GVA assessment	BCR/GVA simple appraisal	BCR/GVA simple appraisal	Full WebTAG compliant business case & GVA assessment
	Medium	Value for money/GVA BCR and other 'relevant'	Value for money/GVA BCR and other 'relevant'	Full HM Treasury 'Green Book' compliant	BCR/GVA wider benefits appraisal	Full WebTAG compliant business	Full WebTAG compliant business case & GVA assessment

		benefits appraisal	benefits appraisal – Cost Benefit Analysis (CBA)	business case including GVA assessment		case & GVA assessment	
	<b>High</b>	Value for money/GVA BCR and other 'relevant' benefits appraisal	Value for money/GVA BCR and other 'relevant' benefits appraisal – individual Green Book cases may be applied	Full HM Treasury 'Green Book' compliant business case including full CBA and GVA assessment	Full WebTAG compliant business case & GVA assessment	Full WebTAG compliant business case & GVA assessment	Full WebTAG compliant business case & GVA assessment

#### 4.3.5 Who will undertake the Appraisal of Projects?

##### WYCA Appraisal Function

The responsibility for appraisal of projects sits within the Delivery Directorate. Each scheme will be assigned a Case Officer when it enters the Assurance Process. The Case Officer will be responsible for carrying out the appraisal of a scheme. This may be done using their own expertise, or where necessary bringing together expertise from within WYCA or from external advisors and partners. This may cover financial, transport, economic, property, legal matters and experience of the relevant priority areas of the SEP

As well as being multi-disciplinary, membership can also include representation from different authorities and organisations as appropriate (e.g. peer review by officers from non-promoting authorities). Where appropriate and necessary, external advice will be procured to support the process (e.g. independent appraisal of WYCA projects). Wider independent advice may also be sought in some cases, including liaison with DfT and HMT economists.

There will be a clear separation between the appraisal function and the project sponsor/promoter. This means that staff carrying out appraisal will not be involved in advising on project and business case development activity.

Following each assessment of a project, a template will be completed by the Case Officer that reports the findings of the appraisal and this will be reviewed by the Programme Appraisal Team (PAT).

##### Programme Appraisal Team (PAT)

The PAT consists of a core membership representing WYCA programme delivery, feasibility and assurance, policy, economic, legal, and financial functions. Membership is supplemented by Case Officers, independent technical advisers, peer group representatives (including representatives from partner authorities and/or third party private businesses) and other attendees as required to supplement the decision making process.

The PAT meets on a regular cycle (monthly or more frequently subject to the programme) to ensure the Assurance Framework and SAF principles are applied consistently at all three stages of the assurance process and to facilitate the progress of projects through these stages (see Figure 3.1). This includes:

- Receiving and reviewing project Case Papers, Outline Appraisal Reports and Full Appraisal Reports from Case Officers and considering Case Officer recommendations;



- Requesting further information/clarifications as appropriate to facilitate approvals;
- Ensuring that appropriate levels of peer consultation and review has been undertaken as part of project appraisal by Case Officers;
- Recommending the approvals pathway for projects once accepted into the pipeline (e.g. once a project has received Stage 1 approval).

The PAT will also be responsible for:

- providing strategic and operational guidance to projects and programmes through the monitoring of progress and key risks;
- reviewing the need and basis for change requests (linked to project tolerances), and providing advice where required to inform decision-making;
- specifying at what stage of the project any Peer Review exercises will be required; and
- strategic and operational insight to support the development of calls for proposals to ensure an adequate pipeline is maintained and in the allocation of resources (including underspend) to support the development and delivery of schemes that deliver SEP objectives.

#### 4.3.6 When will projects be assessed?

It is expected that discussions between the scheme promoter and the LEP/WYCA will be an on-going and iterative process.

There will be a number of avenues for potential schemes to access funding opportunities from the LEP/WYCA. For example, this could be through funding competitions with specified deadlines for submissions as well as open calls where the LEP/WYCA will be seeking on-going business case submissions from scheme promoters.

All calls for proposals with specified deadlines, including details of the application and investment decision process, will be posted on the LEP/WYCA website and promoted with public sector partners and the business community.

The timescales for the assessment of business cases will vary depending upon the nature and complexity of the scheme, on the quality of information provided by the scheme promoter and on the volume of business cases under review. However, milestones will be agreed and set out between the Promoter and LEP/WYCA following all Decision Points within the Process in order to establish a clear picture of what needs to be done next in the development of a scheme and when it can expect to be assessed and appraised across all areas of its business case.

#### 4.3.7 Reporting of Appraisal Findings

The findings of the appraisal for all schemes will be reported to the PAT in order to determine if a scheme can progress to the next Activity in the Process Pathway. At key Decision Points e.g. Stage 1 Pipeline Eligibility into Stage 2 Pipeline Development and then Stage 2 into Stage 3 Programme Committed, the results of any appraisal will be reported to the Investment Committee who will then make a recommendation to WYCA and/or WYCA Managing Director to approve any project funding.

### Approvals Pathway

An example of the approvals pathway is shown in Figure 4.3. The key principle is that the PAT will always review a scheme at a Decision Point to check whether the SAF has been applied correctly and assess whether a scheme is eligible to progress to the next Activity. At the key Decision Points (2 and 5), the Investment Committee will see the PAT's recommendations and make a recommendation themselves to WYCA on whether or not a scheme should be given an approval to progress to the next Stage. This includes any approval of financial commitments to a scheme.

Schemes by default will always be seen by the PAT at each Decision Point as defined and agreed at Decision Point 2. However, the PAT have the option to defer the responsibility for seeing a scheme's business case at Decision Points as they see fit e.g. LEP Loans would be seen by PAT at Decision Point 2, they would then come back at Decision Point 4, but will be assessed by the LEP Investment Panel. If they are satisfied then scheme can progress to Activity 5.



Schemes will be assessed on a case by case basis, with the approvals pathway set out and agreed at Decision Point 2 which best serves the needs of WYCA in carrying out the correct level of assurance, enabling schemes to progress quickly, and enabling WYCA to respond quickly to investment opportunities. There are 4 possible approval routes at each Activity where funding is attached:

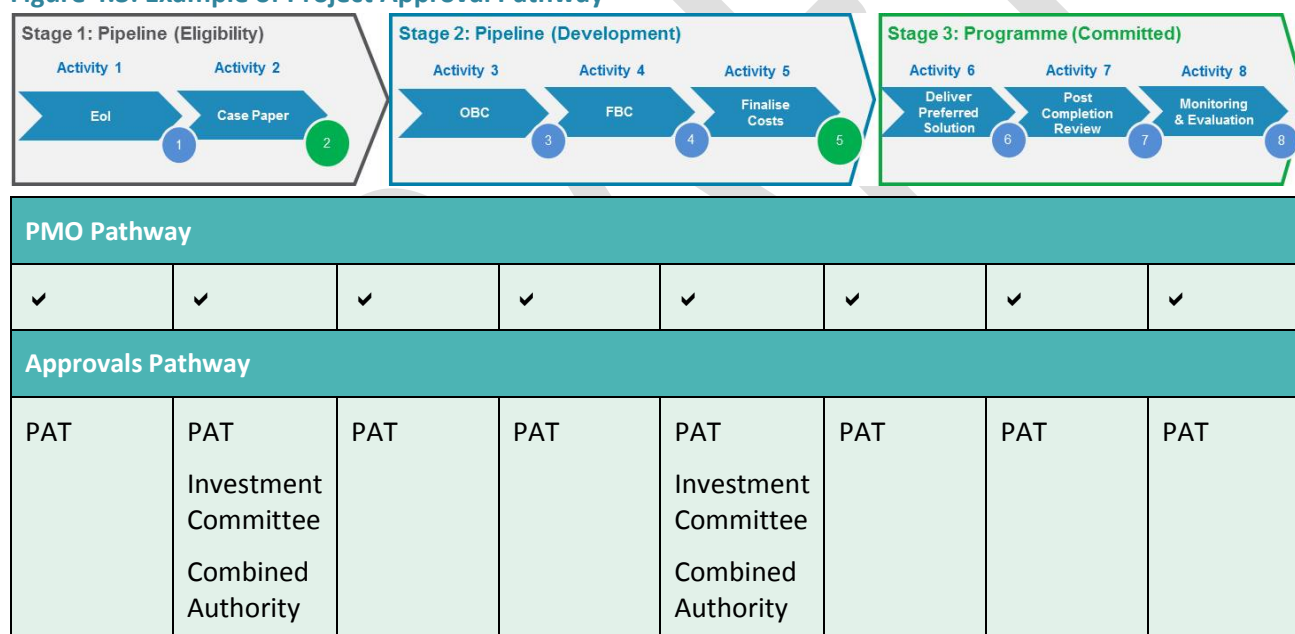
- PAT – Investment Committee – CA
- PAT – Investment Committee – MD
- PAT – Combined Authority
- PAT – Managing Director

In the case where the situation arises that the PAT agrees to reject a scheme, it is the role of the PAT to advise the Combined Authority, who would then make a decision.

Depending on the cost, complexity and risk of a scheme, the Investment Committee may request that a scheme is referred back to the Committee at subsequent Decision Points for their recommendation to progress along the PMO Process in advance of Decision Point 5.

There is also the option for the Investment Committee to recommend to WYCA that further approvals after Decision Point 2 be delegated to WYCA Managing Director to facilitate speeding up the delivery of schemes that are considered low cost, less risky and complex.

**Figure 4.3: Example of Project Approval Pathway**



### External views on business cases

An overview of business cases will be published and publicised at least one week in advance of Investment Committee meetings on WYCA website to allow for the views of external stakeholders and the public to be taken into consideration by the Investment Committee when making their recommendations to approve a scheme. A legal review of these documents will be required in respect of any potential commercially confidential information. In such instances, versions of the document may need to be redacted. The Action Plan accompanying this framework will include for clarifying the process for publishing documentation, dealing with comments/feedback and wider communication around publication.

### 4.3.8 Due Diligence Assessment

Due diligence is the independent verification of key information and assumptions. The purpose of due diligence is to protect all parties from acting on incorrect or impartial information.

Due diligence may be carried out at any point in the development of a scheme, however it will be formally required as part of Activity 5 – Finalising Costs. Information requirements at this stage will depend upon the nature of the scheme, the findings of the Full Business Case assessment and any outstanding actions still to be undertaken prior to any funding agreement being approved.

Each case will of course be different depending upon the nature of the scheme, but could include:

- **Lending:** financial standing of delivery body, company ownership and creditworthiness, value of security offered and details of any existing charge, terms of loan including drawdown and repayment, consideration of State Aid;
- **Recoverability:** projects need to demonstrate the income from which the loan will be repaid;
- **Deliverability and risk:** confirmation that the project is ready to start and a risk management plan is in place; and
- **Final economic impact / VfM statement:** jobs created, contribution to the City Region economy and other outputs/outcomes such as remediated land, apprentice positions, houses built, private sector deliverability.

#### 4.4 Release of Funding, Cost Control and Approval Conditions

The funding offer will be bespoke to each individual project. The arrangements for the draw down and release of funding will be agreed during Stage 2 and Stage 3. To illustrate, the following funding conditions could apply and will be specified in the funding agreement:

- Funding to scheme promoters will be capped at the maximum level;
- Any potential overspends (costs exceeding the agreed tolerances) will be escalated by the Project Executive to WYCA. WYCA will consider the appropriate options which will include a requirement for the Business Case to be re-worked and presented back to WYCA for further consideration. If the scheme fails to produce an adequate Business Case it will be deferred;
- The Promoter's Chief Internal Auditor to provide assurance and to certify all expenditure on an annual basis, as is the case for LTP expenditure;
- The Promoter's Chief Finance Officer (Director of Resources) to sign off all expenditure, as is the case in the current arrangements for LTP expenditure;
- Claw-back provision in place to ensure funding is only to be spent on the specified scheme and that any cost savings achieved on the completed scheme are returned to the Fund;
- WYCA, as the Accountable Body, will release funding in advance in instalments (on a quarterly basis unless agreed otherwise), but only when it is needed. Regular reconciliation will be adopted to accelerate or pause payments to keep pace with actual spend; and
- WYCA will arrange for local audit of schemes to detect any misuse of funds.

Overall, WYCA's Internal Audit arrangements will sign off all total expenditure as part of the Annual Audit process.

## 5. MONITORING AND EVALUATION

### 5.1 Introduction

The following section sets out the approach to Monitoring and Evaluation, including ongoing reviews of the Assurance Framework

### 5.2 Scheme Monitoring and Evaluation

#### Monitoring During Development and Delivery

All projects will be monitored throughout their progression through the Assurance Process. Monitoring reports will be used to guide the collection of data from individual projects and is designed to ensure that it captures information required by WYCA/LEP and HMG.

To ensure the benefits of the assurance process are fully met, WYCA will invest in a new Programme Information Management System (PIMS) which will provide the following benefits:

- **Transparency**
  - Allows informed and improved decision making.
  - Provides visibility of project progress.
  - Provides a full audit trail of project data.
  - Linkages and dependencies between various projects in the portfolio can be viewed and managed more easily.
- **Consistency**
  - Provides a robust and automated method of project gate review.
  - Standardised templates and reports will offer more robust project controls.
  - Centralised repository for cost and risk management activities will provide a uniform approach.
- **Efficiency**
  - Manual data input and manipulation is reduced.
  - Standardised reports, documents and dashboards enable project teams and stakeholders to concentrate on delivery.
  - Resource management allows for resource planning ahead of demand.
  - The organisation's ability to plan using future project deliverables is increased.
  - Lessons learned can be more easily understood and shared between stakeholders
- **Focus on delivery**
  - Aggregation of project data can identify trends in advance.
  - Facilitates alignment of projects to corporate strategy.
  - Recommendations and actions to be carried out in a more structured and timely way.

Key metrics of information on the performance on delivery include income and expenditure, programme and top risks. These will be reported at regular intervals from when a scheme enters Stage 2: Pipeline Development.

The individual project monitoring information will feed into an overall monitoring plan for WYCA funding, which will be reported to WYCA/LEP to enable effective management of all projects and programmes and schemes are being delivered.

All WYCA/LEP Board monitoring reports are published on WYCA and LEP websites.

### **Post Scheme Delivery Monitoring and Evaluation**

All projects funded by WYCA and the LEP will be required to have an effective Monitoring and Evaluation (M&E) plan in place which will form a key aspect of a project's business case. The M&E plan will be used to assess the effectiveness and impact of investing public funds and to identify good practice and key learning points that can inform decisions about future delivery.

The achievement of wider impacts will also be gathered as part of the evaluation work, including the extent to which projects are contributing to the overall objective of WYCA and the LEP.

### **SEP Evaluation Strategy**

A SEP Evaluation Strategy has now been agreed in principle with Government and will be used to further assess how well and cost effectively schemes have delivered, and the learning points that have emerged.

The principles behind the Evaluation Strategy are that it is locally owned, managed and draws on local systems; it will be proportionate and selective (e.g. we will not evaluate everything) and we will work with partner LEPs and government to identify opportunities for thematic evaluations that could be conducted across LEP areas or centrally commissioned.

The Strategy, which draws on recognised evaluation techniques and methodologies (e.g. to determine net impact/understand economic impact, etc.), will play an important role in strengthening the evidence base in order to inform the future strategic direction of policy development and assist in the design and delivery of future policy by:

- **Establishing evaluation frameworks with supporting tools and templates:** such as the adoption of agreed indicators and measures, data collection procedures and reporting mechanisms;
- **Identifying benefits and impacts:** Establishing the outcomes and impacts of a given project or programme and understanding whether the project under/over performed;
- **Demonstrating value for money:** showing that the public funds (e.g. Local Growth Fund, Growing Places Fund, Regional Growth Fund, Enterprise Zone, etc.) the LEP, WYCA and partners are managing is being used effectively and efficiently and are delivering a positive return on investment; and
- **Understanding the key lessons learnt:** Exploring what is working well and what is not, including management, content, delivery, recruitment and how far projects or programmes are meeting beneficiaries' needs.

WYCA and the LEP will ensure that learning is disseminated and accessible to partners within the Leeds City Region and other key partners.

### **Five Year Gateway Review**

As part of the LCR Growth Deal agreement the West Yorkshire Plus Transport Fund will be subject to five-yearly Gateway Reviews to assess impact. At this stage, the Government has suggested that the Gateway Review will focus on evaluating the performance of the investment fund with economic growth becoming the primary measure for assessing impact.

An independent panel, as agreed with HM Government, has been commissioned to undertake the Review. The first Gateway Review in 2019-20 will determine the availability of future Government payments for 2021-22 to 2024-25.

The evaluation component of individual Transport Fund scheme's Monitoring & Evaluation plans will need to complement the five-year Gateway Review.

A review of the overall Monitoring & Evaluation activity forms part of the Action Plan, and will advise on the development of an overarching Monitoring & Evaluation framework.

### 5.3 Risk and Issue Management

Risk is managed in line with HM Treasury 'Orange Book' Guidance on the Principles and Concepts of Risk.

WYCA recognise that effective risk management is an integral part of good corporate governance and as such should be a part of everyday management processes. WYCA are committed to ensuring that robust risk management arrangements are in place and operate effectively at all times. The Portfolio Management Office will champion risk management, providing a management lead and ensuring that appropriate arrangements are maintained, but the day to day management of risk sits with Directors, Heads of Services and risk owners.

#### Identification and Assessment of Risk

Full project-level risk analyses and mitigation/contingency plans are required for each scheme as part of the application process and in developing the business case, using the matrix illustrated below.

		Impact				
		1	2	3	4	5
Likelihood	5	Red				
	4	Amber				
	3	Green				
	2					
	1					

Score	Likelihood	Impact	Cost	Outputs	Schedule
1	Very Unlikely	Very Low	£100s	Meets 100% Targets	Day
2	Unlikely	Low	£1000s	Meets >75% Targets	Week
3	Maybe	Medium	£10,000s	Meets >50% Targets	Month
4	Likely	High	£100,000s	Meets <50% Targets	Year
5	Very Likely	Very High	£ms	Meets <25% Targets	Years

#### Monitoring Risk

Funding recipients are required to submit updated risk assessments including mitigations on a monthly basis as part of the Monitoring Reporting process.

A strategic risk register with mitigations and responsibilities at the overarching Growth Deal level is also produced and reviewed every six months by the Growth Deal Management Group.

## Appendix 1

### Role of Boards and Panels

#### LEP Board

##### Role and Responsibilities

The LEP Board:

- Provides high quality leadership by
  - setting the strategic direction for the sustainable economic growth of the Leeds City Region economy, as outlined in the Strategic Economic Plan (SEP), and
  - proposing key objectives and investment priorities to deliver the overall vision and strategy of the LCR LEP;
- Oversees the delivery of the SEP and through partnership with the private, public, voluntary and social enterprise bodies who all contribute to this aim;
- Leads the development of both existing and future Enterprise Zone in the Leeds City Region;
- Leads and coordinates funding bids and leverages funding from the private and public sector to support the delivery of agreed LCR LEP priorities;
- Works with WYCA to set the forward strategy for attracting new financial and business investment into the area;
- Approves joint a Business Plan and performance reporting with the WYCA on its plans and the SEP;
- Influences key sub-regional, regional, national and international strategies;
- Publishes an annual report; and
- Provides a link to Government on all aspects of the LCR LEP's work.

##### Membership

The LEP Board brings together business and council leaders to oversee and make strategic decisions related to our Strategic Economic Plan.

This approach to partnership working provides the best of both worlds: private sector expertise on what businesses need to grow, and democratic accountability for public sector investment.

Details about the current membership of the LEP Board, including their positions are set out on the LCR LEP website [\(link\)](#).

The LEP Board has a private sector Chair, and at least 50% of the rest of the members also come from the private sector. One member is appointed to represent and engage with the SME business community.

The LEP Board:

- appoints its private sector members, following open recruitment procedures
- appoints at least one representative from public sector organisations which are not local authorities
- appoints its Chair and Vice Chair
- annually reviews its membership having regard to the skills, knowledge and competencies it needs and the geography of the Leeds City Region, its key business sectors and different sizes of business operation

- Has adopted a diversity statement explaining how the LEP looks to ensure diverse representation at Board and sub-group level which is reflective of their local business community (including geographies and protected characteristics).

## LEP Panels and Advisory Boards

### Roles and responsibilities - overview

The LEP Board appoints LEP Panels and thematic Advisory Boards, to assist in developing and implementing projects under the strategic priorities of the SEP. The Panels and Advisory Boards do not have decision-making powers in relation to Growth Deal or other investment projects. The LEP Board decides the role of each Panel or Advisory Board, which are set out in their terms of reference.

The LEP Panels and Advisory Boards play a proactive role in identifying and 'working up' project ideas for the project pipelines within their respective themes. In this way, a strong link is maintained between project development and the overall strategy and policy led by the LEP:

- Business, Innovation & Growth Panel – innovation, export promotion and business support projects (SEP Strategic Pillar 1)
- Employment & Skills Panel – skills and labour market projects (SEP Strategic Pillar 2)
- Green Economy Panel – resource smart projects (SEP Strategic Pillar 3)

The Panels report back to the LEP Board; each LEP Board meeting receives an update on the work of each Panel.

### Membership

The LEP Board determines the membership of each Panels and Advisory Board, taking into account the need to ensure both democratic accountability and a balance of expertise around strategic LEP priorities, financial matters, and green credentials.

The LEP Board appoints the members of each Panel or Advisory Board. All private sector members are appointed following open recruitment procedures.

Membership of a Panel or Advisory Board may include non-LEP Board members.

The LEP Board appoints the Chair of each Panel, who is a LEP Board member.

#### LEP Investment Panel

This Panel ensures that all applications for financing from the LCR LEP are appraised in a robust and transparent way, and oversees all funding awards.

Funding applications are considered by this Panel first, before making recommendations to the LEP Board and WYCA for endorsement.

A list of the members of the Investment Panel can be found at <http://www.the-lep.com/about/lep/lep-investment-panel/>.

#### Business, Innovation and Growth Panel

This industry-led Panel, made up of businesses, universities, policy-makers and delivery partners, ensures that our work is driven by the needs of business. The Panel oversees projects that will realise the Leeds City Region's economic potential by strengthening our global competitiveness, encouraging innovation and enterprise and unlocking small business growth.

A full list of the members of the Panel can be found at [\(link\)](#)

### Green Economy Panel

This Panel is a joint partnership between local government and private sector businesses in the region. The Panel oversees projects that are helping to develop a cutting-edge energy infrastructure for the region that will drive innovation and contribute to business growth. The Panel's main objective is to achieve a substantial and continued decrease in carbon emissions, while also increasing economic output and employment.

A full list of the members of the Panel can be found at [\(link\)](#)

### Employment and Skills Panel

This Panel brings employers together with local authorities and skills providers. The Panel oversees projects to address skills gaps in the Leeds City Region's key industry sectors, and create local leadership that drives improvements in skills and employment. The Panel's work is driven by the needs of employers and the Leeds City Region's economy.

A full list of members of the Panel can be found at [\(link\)](#)

### Land and Assets Board

This Board has dual aims; to develop strategic housing and regeneration policy and strategy; and also to achieve a more integrated approach to how the public sector uses its assets in the Leeds City Region, supporting economic growth and deliver better value for money as a result.

Business Communications Group (BCG) – see further below.

## **West Yorkshire Combined Authority**

The area of WYCA is that of its 5 constituent Councils, the West Yorkshire authorities of Bradford, Calderdale, Kirklees, Leeds and Wakefield.

Members are appointed in accordance with the Order which established it. This provides that West Yorkshire constituent council appoints at least one Member to WYCA, with a further two West Yorkshire appointments to reflect the balance of political parties among the West Yorkshire councils.

York is a non-constituent Council of WYCA, and appoints one of its Members to be a WYCA Member, and the LEP also nominates one of its members to be a WYCA Member. These two Members are non-voting, except in so far as WYCA gives them voting rights.

Membership of WYCA is set out on WYCA web-site [\(link\)](#).

### **WYCA Transport Committee**

In accordance with the policies and strategies set by WYCA, the Transport Committee meets on a monthly basis to consider matters relating to WYCA transport functions. In relation to transport-related investment, the Committee has a specific role in liaising with the West Yorkshire and York Investment Committee to promote the strategic alignment of regional transport funding investment.

The terms of reference, membership of the Committee, the dates of future meetings and agenda items can be found at <http://www.westyorks-ca.gov.uk/your-ca/transport/>.

### **West Yorkshire & York Investment Committee**

In relation to any function of WYCA relating to economic development and transport-led regeneration, the West Yorkshire and York Investment Committee<sup>16</sup> is authorised to:

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<sup>16</sup> This is an advisory committee appointed under S102(4) Local Government Act 1972.



- advise WYCA about any proposed funding submissions by the Authority; local financial strategies; and project management and delivery arrangements;
- advise WYCA on the adoption, application and review of a Single Appraisal Framework (SAF) for schemes seeking funding from the Authority or the LEP<sup>17</sup>;
- review the impact of programmes funded by the Authority or the LEP and make recommendations to the Authority as appropriate;
- liaise with the Transport Committee to promote the strategic alignment of regional transport funding investment<sup>18</sup>; and
- advise the Authority about any other key issues affecting the discharge of these functions.

The terms of reference, membership, future meeting dates and agenda items of the Investment Committee can be found at <http://www.westyorks-ca.gov.uk/your-ca/west-yorkshire-york-investment/>.

### LCR Partnership Committee

Not every Leeds City Region local authority is directly represented on the LCR LEP Board, (although those which are not may have representatives on LEP Panels or Advisory Committees).

The LCR Partnership Committee provides a forum to bring together representatives from all Leeds City Region local authorities. Its purpose is to facilitate direct collective engagement with WYCA, the key local authority arrangement supporting the LEP, as its accountable body.

The terms of reference provide for the Committee to advise WYCA in relation to any function of WYCA relating to its role as accountable body for funding allocated to the Leeds City Region (including the Local Growth Fund), including to ensure that decisions and activities of the LEP conform with legal requirements and that funds are used appropriately.

The terms of reference also provide for the Committee to act as a consultative forum on any matter referred to it by WYCA. This could include matters raised with WYCA (through the Chair), or by LCR authorities not represented on WYCA, as well as any raised by the LCR LEP Board.

Recommendations made by the LCR Partnership Committee may be referred to WYCA, or implemented under officer delegated authority. Where necessary, decisions may also be ratified by relevant authorities.

Six WYCA Members are on the Partnership Committee; one from each constituent West Yorkshire Council, alongside WYCA Member appointed by the non-constituent council (York). The five Leaders of the City Region authorities not represented on WYCA are voting co-opted members of the Committee.

The terms of reference, membership, meeting dates and agenda items of the Partnership Committee can be found at [\(Link\)](#)

<sup>17</sup> Including gateway criteria for entry of schemes into the SAF.

<sup>18</sup> This may be through holding joint meetings with the Transport Committee.



**Director:** Melanie Corcoran,  
Director, Delivery  
**Author:** Emma Wright



## ITEM 10

**Report to:** Combined Authority

**Date:** 2 February 2017

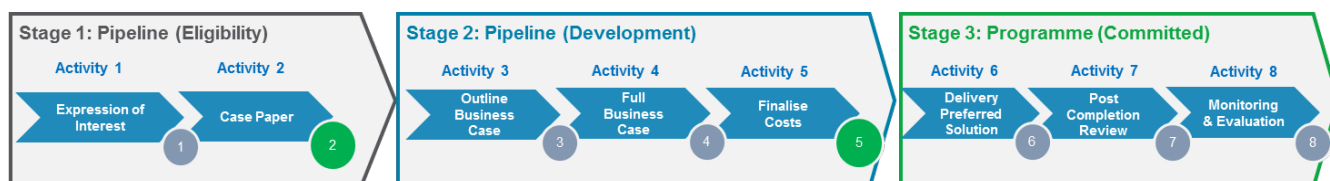
**Subject:** Capital Spending and Project Approvals

### 1. Purpose

- 1.1. To approve the progression of and funding for schemes from the West Yorkshire Plus Transport Fund and Local Growth Fund.

### 2. Information

- 2.1 This report puts forward proposals for the progression of, and funding for, a number of West Yorkshire Plus Transport Fund and Growth Deal projects for approval by WYCA, following consideration by the Investment Committee. The Authority will recall that a three stage approach has been introduced as part of an enhancement to the current project management arrangements, with the requirement that all projects will, as a minimum, need to formally pass Decision Points 2 (case paper approval) and 5 (final cost approval), highlighted in green below, with the requirement to meet the intervening activities deemed on a project by project basis.



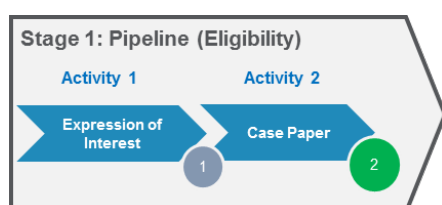
### Planned Acceleration and Future Years

- 2.2 District sponsors and WYCA officers are reviewing current Growth Deal schemes in the WY+TF and Housing and Regeneration schemes. We are exploring where these schemes can be accelerated within existing programmes in 2016/17 and from 2017/18 onwards and working through the resource implications of the acceleration. An officer/member workshop for Investment Committee members was held on 25 January to consider project acceleration in more detail.

- 2.3 In order to actively manage spend in-year we propose to formally use over-programming for infrastructure schemes in the growth fund (including Housing and Regeneration and WY+TF) from 2017/18. This will also allow us to report on allocations by project from the start of the year, introducing transparency on allocations and clear accountability for delivery.

### 3. Projects in Stage 1: Pipeline Eligibility

- 3.1 Projects at the eligibility stage are seeking entry into the portfolio and should demonstrate a strategic fit in terms of project outcomes, with further project definition including costs and detailed timescales to be developed as the project progresses through the pipeline. At this stage funding may be sought to enable this work to progress.



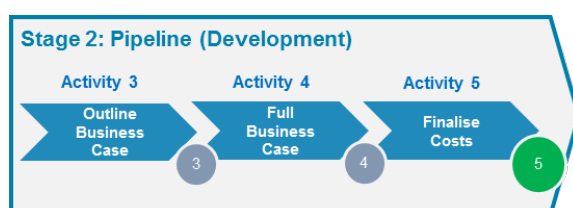
#### **Request for Pre-Feasibility Funding Approval – Car Park Extensions Phase 2 (Parking Extensions at Rail Stations - PEARS)**

- 3.2 The demand for car parking at rail stations is increasing and requests to create car park extensions on 3rd party land options are being received. There is now a requirement to strategically review potential car park extension options, on any land adjacent to all of West Yorkshire's rail stations, in order to contribute to the priorities in the SEP.
- 3.3 To identify future locations for station car parking, a study of all rail stations in West Yorkshire and those outside the boundary which are significantly used to commute to West Yorkshire's urban centres was completed. This was a high level, desktop assessment of all stations and opportunities to boost car parking capacity. These sites were prioritised in terms of demand, location, cost to deliver, no obvious constraints and political support.
- 3.4 The Investment Committee has recommended that the PEARS has met the criteria of Decision Point 1 (expression of interest approval) and is accepted into the portfolio and progresses through to Activity 2 (case paper) and that the pre-feasibility work is carried out, at a cost of £138k. This will be funded from the WY+TF.

## **Request for Pipeline Eligibility Approval – Project Beta**

- 3.5 UKTI has introduced a company seeking to establish a new UK based, bulk manufacturing facility for the treatment of blood plasma. Subject to regulatory approval these could treat a wide range of conditions. The Leeds Enterprise Zone was put forward as a location for this company and detailed dialogue has taken place with Leeds City Council and the LEP about funding to help to support the project. The scale of investment required will require a cocktail of funding which may involve both the LEP and Government alongside any private investment to secure the development. The company is expected to make a final decision shortly about their preferred location. The plant could create c£1bn growth for the city region.
- 3.6 The Programme Appraisal Team has considered the limited information available at this stage and has concluded that the project has potential to be strategically significant to the city region. It therefore recommended that the project continues to Activity 4 (full business case) and is invited to submit a full business case for consideration. This will also support the activity of Leeds City Council in assembling an offer to attract the company to locate in the Leeds Enterprise Zone. Although there has not been time to take this project to the Investment Committee, the ask of the West Yorkshire Combined Authority is for an indication that, subject to a full business case, in principle it will consider recoverable funding to support this inward investment opportunity.
- 3.7 It is therefore recommended that WYCA accepts the project to be a good strategic fit with the Strategic Economic Plan, that it is accepted into the pipeline and continues to Activity 4 (full business case) defining the amount of funding required and the details of the project.

## **4. Projects in Stage 2: Pipeline Development**



- 4.1 The projects set out below have progressed through stage one and have now developed robust costs and programme information that enables approval to be sought to the full costs of the project and for it to be recommended to progress to the delivery phase.

### **Wakefield Kirkgate**

- 4.2 The “key scheme components” of the Wakefield Kirkgate scheme comprise:
- Carriageway widening to Marsh Way and Kirkgate to provide additional traffic lane on the approach to the roundabout and priority bus lane.
  - Improvements to traffic signals and pedestrian crossings.

- Extensive landscaping, lighting and paving improvements.
  - Removal of the pedestrian subway and improvements to storm water drainage.
- 4.3 The scheme follows West Yorkshire Local Transport Plan (2011 to 2026) objectives to:
- Improve connectivity to support economic growth.
  - Make substantial progress towards a low carbon, sustainable transport.
  - Enhance the quality of life of people living in, working in, and visiting West Yorkshire.
  - The scheme also aligns to the priorities of the Strategic Economic Plan (SEP) – supporting growing businesses, developing a skilled and flexible workforce and delivering infrastructure for growth.
  - It is identified as a key ‘pipeline’ project by the Leeds City Region.
- 4.4 This project secured Activity 3 (outline business case) funding approval for total scheme costs of £5.9m from WYCA on 23rd June 2016 following a thorough peer review to ensure strategic objectives and business case were consistent with the SEP priorities and project objectives. Following this approval, a tender process has been carried out resulting in an agreed tender price of £2.573m (this compared to an estimated tender price at Activity 3 (outline business case) of £2.995m).
- 4.5 As part of the project scope a number of additional items have been included:
- construction supervision costs are estimated at £236,800
  - traffic signals installation at £210,000
  - street lighting installation at £120,000
  - Statutory Undertakers diversion works at £1,408,000
  - project contingency at £813,000
  - the post construction evaluation costs at £23,000
  - scheme development costs at £172,000
- 4.6 These additional items, combined with a reduced tender return result in a lower total scheme cost of £5.556m, but an improved benefit cost ratio (BCR) of 2.13:1, compared to a previous BCR of 1.73:1 at Activity 3 (outline business case).
- 4.7 Wakefield City Council are now seeking approval to sign the contract for scheme delivery and start works on site, Activity 6 (delivery of preferred solution). If approval is forthcoming then works will start on site in April 2017 and are anticipated to take 12 months.
- 4.8 The Investment Committee has recommended the approval of the completion of Activity 5 (finalise costs) and Decision Point 5 (final cost approval) and the funding request of £5.556m to WYCA for approval. No further spending approvals will be required after this stage, Investment Committee and WYCA will be given a post completion update as part of Activity 7 (post completion review).

## **Project Approvals that are being progressed through delegation to the Managing Director**

- 4.9 The following projects were reported to Investment Committee on 4 January 2017. Investment Committee recommended their progression and approval of associated funding should be progressed through the delegation to the Managing Director:
- (i) grant funding of £286k for the Leeds A6110 outer ring road improvements to fund project through Activity 3 (outline business case);
  - (ii) funding of £140k for the A629 Halifax to Huddersfield Corridor Improvements to fund the baseline monitoring and evaluation activity, enabling the first delivery phase (Phase 1a) to progress through the Assurance process;
  - (iii) funding of £670k for the South Elmsall Rail Station Car Park Extension to progress through Decision Point 5 (final cost approval) to Activity 6 (delivery of preferred solution);
  - (iv) rail car park extensions at Hebden Bridge, Mytholmroyd, Shipley, Steeton and Silsden, Fitzwilliam, Mirfield and Normanton be progressed through Decision Point 5 (final cost approval) to Activity 6 (delivery of preferred solution); subject to the current approved projects costs as set out in the report not increasing by more than 10%.

## **5. Financial Implications**

- 5.1 Funding for the projects Car Park Extensions Phase 2 and Wakefield Kirkgate from the West Yorkshire Plus Transport Fund and the Local Growth Fund Award for 2016/2017.

## **6. Legal Implications, Access to Information**

- 6.1. The payment of any funding received through the Local Growth Deal to any partner will be subject to a funding agreement being in place between the WYCA and the partner in question.

## **7. Staffing Implications**

- 7.1. None arising from this report.

## **8. Recommendations**

- 8.1 That WYCA approves the funding for the Parking Extensions and Rail Stations proposal is accepted into the portfolio (i.e. satisfies Activity 1) and that funding of £138k is approved to carry out the pre-feasibility work. The project will be funded from the WY+TF.

- 8.2 That WYCA accepts Project Beta into the pipeline and that it continues to Activity 4 (full business case).
- 8.3 That WYCA approves funding of £5.556m for the Wakefield Kirkgate scheme to progress through Decision Point 5 (final cost approval) to Activity 6 (delivery of preferred solution).
- 8.4 That WYCA notes the progression of and funding for schemes from the West Yorkshire plus Transport Fund (WY+TF) as follows, where Investment Committee has delegated the final details of the individual approvals to be delegated to the Managing Director:
- (i) grant funding of £286k is approved for the Leeds A6110 outer ring road improvements to fund project development through to Activity 3 (outline business case);
  - (ii) funding of £140k is approved for the A629 Halifax to Huddersfield Corridor Improvements to fund the baseline monitoring and evaluation activity, enabling the first delivery phase (Phase 1a) to progress through the Assurance process;
  - (iii) funding of £670k is approved for the South Elmsall Rail Station Car Park Extension to progress through Decision Point 5 (final cost approval) to Activity 6 (delivery of preferred solution);
  - (iv) Rail Car Park Extensions at Hebden Bridge, Mytholmroyd, Shipley, Steeton and Silsden, Fitzwilliam, Mirfield and Normanton be progressed through Decision Point 5 (final cost approval) to Activity 6 (delivery of preferred solution), subject to the current approved projects costs as set out in the report not increasing by more than 10%.

## **9. Background Documents**

None.



**Director:** Rob Norreys, Director,  
Policy, Strategy & Communications  
**Author:** Colin Blackburn



## ITEM 11

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**Report to:** Combined Authority

**Date:** 2 February 2017

**Subject:** Leeds City Region Housing Policy Position Statement

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### 1. Purpose

- 1.1 To consider the draft Leeds City Region Housing Policy Position Statement developed by the City Region Land and Assets Board, which is intended to update existing WYCA and Leeds City Region Enterprise Partnership (LEP) housing policy as currently set out in the 2014 Leeds City Region Housing and Regeneration Strategy.
- 1.2 The draft Housing Policy Position Statement, including proposed joint actions and activities to deliver the ambitions and requirements of both the Policy Position Statement and the Strategic Economic Plan (SEP), is attached at Appendix 1.

### 2. Information

- 2.1 The existing housing strategy and policy position was established in the Housing and Regeneration Strategy 2014, but this now requires a refresh due to changes in the national housing policy and investment environment and the need to seek to influence the delivery of more housing and related outputs and outcomes, as set out in the SEP. This has therefore been prepared in the context of:

- A range of new Leeds City Region housing research. This has provided a refreshed evidence base which the WYCA are asked to note.
- An updated understanding of housing market conditions and trends
- The forthcoming Government policy white paper on housing
- Aligning with the revised Strategic Economic Plan (SEP) 2016 – 2036
- Agreeing the role of WYCA in supporting housing delivery and investment.
- The increasing capacity constraints in local authorities and wider public sector
- The increasing need to intervene and support the market to deliver more housing and affordable homes
- The need to reflect the major opportunities of better linking housing, health and the care system, to improve people's lives, improve coordination between

housing and health services, and improve public sector efficiencies. All these aspects are important to ensure that growth is inclusive, which is a key priority for WYCA, and the subject of a wider workstream.

- Informing the City Region Housing & Regeneration Strategy and Delivery Plan which is part of the suite of delivery plans for the SEP (Strategic Economic Plan).

2.2 The SEP focus on 'Good Growth' has needed to be reflected in the housing policy position. This means achieving the right quantity and quality of housing growth, which has a relationship with:

1. Improved productivity and economic output
2. Good jobs, incomes and reduced inequalities
3. Quality of place, environmental good practice and low carbon emissions

2.3 This draft Housing Policy Position Statement has been developed in liaison with all City Region Authorities (Chief Officers, Directors of Development and Chief Executives), the Homes and Communities Agency (HCA), and the National Housing Federation and Housing Associations operating within the City Region, under the leadership of the Leeds City Region Land and Assets Board. The Board considered the final draft Housing Policy Position Statement at its meeting on the 12 January 2017 and recommended it to WYCA and LEP for discussion.

2.4 The resulting work programme and resource plan for undertaking the draft action and activities set out in the Position Statement are being developed with the City Region Land and Assets Board.

2.5 A key issue that has particularly been emphasised by public sector partners is the shrinking capacity and reduction of expertise within local authorities and the HCA, particularly in relation to major schemes' project development, negotiation, and wider development expertise. A key proposed action therefore includes exploring the benefits of a strategic joint mechanism(s) to provide additional capacity and expertise to fill these capacity gaps to deliver more homes and major growth schemes.

2.6 The Housing Policy Position Statement will also be reported to the LEP for consideration and endorsement.

2.7 The Government is expected to publish a Housing White Paper in February, which could have implications for WYCA, Local Authorities and other partners. It is therefore proposed that a further paper will be brought to the WYCA outlining the proposed national policies and refining the LEP/WYCA policy position in the light of this.

### **3. Financial Implications**

3.1 None from this paper which is for information only. However, there will be financial implications in taking forward some of the Key Policy Theme Actions in Appendix 1,

which will be outlined in a further paper to the WYCA covering work programme and resource plan.

#### **4. Legal Implications**

- 4.1 None from this paper. In due course there could be legal implications resulting from the outcomes of the proposed Key Theme Policy Actions such as in establishing new mechanisms to influence and support housing delivery and partnership working. These would be fully set out before the WYCA is asked to adopt the policies.

#### **5. Staffing Implications**

- 5.1 There are no immediate staffing implications from this report as the Key Thematic Policy Actions form part of the core activities of the Infrastructure and Investment Team within Economic Policy. A work programme and resource plan to undertake the proposed activities to deliver the Housing Policy Position proposed actions is being developed with the Leeds City Region Land and Assets Board.

#### **6. Recommendations**

- 6.1 That the draft Leeds City Region Housing Policy Position Statement in Appendix 1, be noted and discussed, in context that it will be updated in the light of the forthcoming Government statements on housing, and in consideration of linkages to the parallel work underway on inclusive growth.
- 6.2 That the refreshed evidence base summarised in Appendix 1 be noted.



## Appendix 1

### **Draft Leeds City Region Housing Policy Position Statement – Maximising Good Growth Benefits**

#### **OVERVIEW**

Leeds City Region's economic vision as set out in its Strategic Economic Plan (SEP) 2016-2036 is:

*"To be a globally recognised economy where good growth delivers high levels of prosperity, jobs and quality of life for everyone".*

The SEP's focus on the principal of 'Good Growth' means achieving the right quantity *and* quality of growth, and combines:

- improved productivity and economic output;
- good jobs, incomes and reduced inequalities; and
- quality of place, environmental good practice and low carbon emissions

The four priorities of the SEP taking forward this principle primarily includes Priority 4 'Infrastructure for Growth.' The collective aspiration for housing growth set out in the SEP identifies the ambition to increase housing delivery up to 10,000 net additional dwellings per year by 2021 and between 10-13,000 per year thereafter.

It is considered that the policy position approach needs to focus on how we can jointly provide additionality, whilst also responding to resource and capacity issues within the City Region Local Authorities and the Homes and Communities Agency in relation to supporting and stimulating housing growth and investment across the City Region to deliver the ambitions in the Strategic Economic Plan (SEP). This will involve creating a more entrepreneurial approach across the public sector, and developing new partnerships and joint delivery mechanisms to deliver better 'Good Growth' outcomes.

In recent years government funding has been increasingly focussed away from affordable renting towards the private market and home ownership. Pressures on social housing stock through demand and sales has seen a reducing the supply of social housing. While home ownership remains desirable there are emerging challenges around affordability in the City Region that has seen the private rented sector double in scale in the last 15 years, but which often provides poorer quality accommodation.

#### **KEY HOUSING HEADLINES AND CHALLENGES**

There are a number of significant structural shifts and challenges facing the city region:

##### **1. Building rates are below what's needed to meet demand**

- Housing need is forecasted to be between 10-13,000 net completions per year.
- Around 7,000 new homes are currently being delivered each year, in comparison to a high of 14,000 in 2007/8 and a low of circa 6,000 in 2012/13 following the economic downturn.
- There is a significant supply of land with planning permission - 60,000+ new homes, 40,000 of which is are brownfield land (c600 brownfield sites have planning permission for housing).

- The private sector development industry is the major provider of new housing. Few local authorities are currently involved in directly commissioning housing development to complement the Market and provide additional new homes.
- Government considers that circa 250,000 new homes are required every year to meet housing needs. Apart from the 1960's the private sector has since averaged per decade between c125,000 and c140,000 per annum.
- Average dwellings completed in England over the recent 5 years from 2010 - 2015 were 97,145 (private sector); 23,952 (Housing Associations); and 1,673 (Local Authorities) – total 122,770 new homes (DCLG Table 244).
- Opportunities presented by new innovative building approaches including modular house building.
- Uncertain 5 year economic outlook with the potential to negatively impact on housing development and growth.

## **2. Affordable housing needs are increasing**

- Average sale prices of newly built housing across the City Region are largely unaffordable to any households earning average incomes or less.
- Income / house price ratios up to 1:12
- Median entry level house price ranges between £109k in Barnsley to over £167k in York and Harrogate
- Average deposit required to purchase an entry level home is almost £18k (£25k in Harrogate)
- A return to interest rate increases would exacerbate affordability problems
- Median house prices rose by approximately 6.5% between 2014 and 2016
- After several years of increases, there is now a decline in the levels of home ownership, indicating a period of 'generation rent' occurring in the housing Market, which it is forecast to continue to grow.
- Waiting lists for social housing have reduced but there were still 77,500 applicants on social housing registers in 2015.
- Growth in the private rented sector accounts for 16.1 % of households and is rising, whereas the supply of social housing is reducing.
- Reducing levels of affordable housing and social housing being provided by the public sector and Registered Providers, reflected in a reduction in 'firm bids' to the Homes and Communities Agency's current Affordable Housing Programme.
- Housing Benefits bill of c£950m per year in the City Region.
- Welfare reforms affecting the confidence of Housing Associations to develop new homes

## **3. There is a significant number of poor quality and energy inefficient homes**

- There are 1.3m homes in the Leeds City Region.
- 450,000 homes (c40%) requiring energy efficiency improvements to help tackle fuel poverty and health impacts and reduce health hazards
- Estimated 220,000 Category 1 Hazards (severe cold and damp homes & major trip and fall hazards) within the private housing stock, particularly prevalent in the private rented sector
- Opportunity to better link housing and health activity and investments to tackle these Hazards, including to reduce hospital admissions and Excess Winter Deaths.

## **4. The complexity of major development sites is delaying delivery**

- Barriers to development particularly on brownfield sites often lead to significant delays in bringing forward sites for development, particularly major sites – these include site contamination and abnormalities, infrastructure requirements, low land values/ poor margins, land owner expectations, financial and viability issues, and specific planning issues.

- Need for innovative use of public funding, particular co-investment opportunities, to bring forward sites for delivery
- Skills and labour shortages in the construction industry and potential for these to increase if labour market is constrained or there is a downturn in the economy.

#### **5. There is a falling number of SME developers contributing to housing delivery**

- Continuing reduction of SME builders in the Market since the 2008 economic downturn, reducing overall development capacity of the Market.
- Capacity and knowledge difficulties within SMEs in finding available small sites for development and negotiating the Planning processes.
- A lack of development finance within SMEs to increase housing delivery rates.
- Reluctance of mainstream lenders to provide finance

#### **6. Public sector capacity to enable and support housing development is reducing**

- Although significant funding (mainly loan funding) is available through the HCA nationally to support housing development, there is a lack of development ready sites being brought forward for funding and development across the City Region.
- This is in part due to the significant reductions in capacity within local authorities since 2010 as part of wider Public Service Reforms, particularly project development, land development, Development Management and Planning, and legal capacity.

### **EVIDENCE BASE**

The West Yorkshire Combined Authority and Leeds City Region partners are committed to addressing the housing challenges facing the City Region. The proposed refreshed housing policy position has been guided and shaped by the existing and emerging housing research, including:

- LCR Housing Market Assessment (2015)
- LCR Private Sector Stock Modelling and Health Impacts Assessment (2016)
- LCR Housing Markets Geographies Study (2016)
- LCR Housing Affordability Refresh (2016)
- LCR Housing Requirements (2015/16)

This joint evidence base complements further more detailed work at the local level undertaken by individual local authorities, Registered Providers and other partners.

### **SPECIFIC POLICY THEMES**

In line with the SEP and its 'Good Growth' ambitions, discussion with Chief Housing Officers, the HCA and Registered Providers and the City Region Land and Assets Board have developed the following three key overarching housing policy themes. These have been updated in the context of recent changes and shifts in Government policy, the context of housing market conditions and trends, and the findings of the above mentioned City Region housing research base.

#### **1) HOUSING GROWTH**

**In the Leeds City Region we will enable and invest in housing and regeneration to maximise the City Region's economic growth potential, delivering balanced 'good' housing growth across tenures, age ranges and price ranges. This will be housing led and driven growth through:**

- Developing and supporting balanced and sustainable communities.
- Meeting the housing needs of vulnerable people
- Delivering more homes for older people, including better care housing, to enable older people to downsize to more affordable housing and release larger family homes back into the Market.
- Tackling growing and emerging affordability issues in the city region.
- Greater coordination of the affordable housing programme to deliver more affordable homes for rent and sale
- Developing an ambitious and coordinated investment programme of combined and complementary funding
- Accelerating growth through direct delivery or commissioning in areas where it will support growth ambitions
- Engaging with the private rented sector including institutional investors
- Prioritising housing and regeneration investment in spatial priority areas.
- Taking advantage of growth opportunities across the city region.
- Increasing public sector house building
- Replacing public stock lost to the 'Right to Buy'
- Aligning activity with wider infrastructure growth proposals
- Returning empty homes into use

## 2) HOUSING CONDITION

**In the Leeds City Region we will address poor housing condition within our existing housing stock, across tenures and property types, with a focus on sustaining and improving housing quality. We will support good health and wellbeing and maximise and maintain independence, through:**

- focusing on housing standards and quality and not just housing growth
- supporting and developing a high quality private rented sector housing offer
- delivering improvements to make homes warmer and reduce fuel poverty
- working with health authorities and the social care sector to tackle housing issues that are detrimental to continued good health and safety, and which impact negatively on health service and social care provision
- Improving flood resilience in new and existing housing stock
- Maintaining levels of 'Decency' in public rented stock

## 3) HOUSING CONSTRUCTION

**The Leeds City Region will deliver its housing growth ambitions and sustain and improve the quality of its existing stock by supporting a multi-faceted approach to housing construction. This will include seeking to increase capacity and outputs, and support the growth of businesses, jobs and skills, including:**

- accelerating levels of housing construction by the Market, as well as complementary activity by the public sector where appropriate
- supporting and enabling the growth in offsite (modular) construction
- support for business growth and retention from the WYCA business support theme



- retaining, growing and attracting new SME developers such as through targeted support in project development, planning and business advice
- supporting the growth in the skills required to support housing policy ambitions and delivery, improving links and activity between the education sector and the development industry

## **SPECIFIC POLICY THEME ACTIONS**

In taking forward the three draft housing policy themes a number of actions will be developed for each theme that will be ambitious but in line with what is possible through applying good practice and practical approaches, and within reasonable budgets where there is a financial cost requirement.

The themes will continue to be supported and underpinned by gathering and maintaining a ‘fit for purpose’ evidence base that will be timely and robust across these key areas. It will also be critical to continue the alignment and integration of investment programmes to create sustainable communities including housing, transport, green infrastructure and flood risk mitigation.

### **Housing Growth – Key Policy Theme Actions**

1. Working to accelerate housing delivery, identifying relevant and appropriate innovative delivery mechanisms including more integrated direct intervention and delivery by the Combined Authority and local authorities. This will include an immediate focus on accelerating delivery of more affordable homes for all tenures including first time buyers, families and older people, including better care homes, part funded through the HCA Shared Ownership & Affordable Housing Programme, utilising the flexibilities introduced in the 2016 Autumn Statement.
2. Responding to the resource and capacity funding issues that are emerging within the City Region Local Authorities. Developing collective resources such as based on the HCA ATLAS team model, providing additionality and offering support on a broad range of issues to build capacity, accelerate development and deliver on housing growth ambitions.
3. Investigating options for a delivery mechanism to speed up acquisition and if necessary packaging of strategic sites and other public assets, ensuring they are brought to market and/or are developed as early as possible for the development of housing where appropriate. This enable a stronger influence over the acceleration of key strategic land assets in to productive use; and potentially taking advantage of potential land uplift for reinvestment in additional site enabling and infrastructure development.
4. Working proactively with the City Region’s Registered Providers (RP), building on the existing positive relationships with the National Housing Federation and individual RPs, to take advantage of the growth ambition and capacity of the RP Sector to accelerate development of a range of housing tenures. This will include seeking to develop a shared agreement / compact between WYCA, local authorities and the RPs to agree shared housing ambitions and more collaborative ways of working.
5. Concluding work with the HCA to develop a shared investment programme aligning HCA, WYCA and other funding streams and project development support.
6. Specifically focusing on supporting the development of a pipeline of investment projects in the SEPs Spatial Priority Areas to maximise the City Region’s economic potential, enable housing growth and wider regeneration, and accelerate housing delivery.

7. Taking advantage of other housing growth opportunities that may be outside of the SPA's across the City Region that contribute to the City Region's economic growth.
8. Encouraging and supporting the sharing of 'Stalled Sites' good practice from across the City Region, and investigate mechanisms to de-risk sites and bring stalled sites through to successful development, including the contribution of the Combined Authority.
9. Linking wider project pipeline development activity into the wider strategic packaging and use of land and assets developed through the WYCA One Public Estates initiative.
10. Engaging more closely with institutional investors, developing site packages and other propositions to attract more Institutional Investment into the City Region, particularly in relation to providing more affordable housing of mixed tenure and private rented sector housing.
11. Proactively engaging with regional and national house builders and the larger national Housing Associations currently not building homes within the City Region, to provide support and approaches that offer an attractive place for investors in housing to develop.

#### **Housing Condition - Key Policy Theme Actions**

1. Encouraging and supporting the development and provision of a better quality private rented sector where poor housing quality is particularly prevalent.
2. Accelerating delivery of the Better Homes Yorkshire programme schemes to increase the number of warmer homes across the City Region and reduce fuel poverty, particularly in the more deprived areas.
3. Developing partnerships and funding models with the health sector and social care sector to deliver collaborative interventions that reduce Category 1 Hazards of extreme cold and damp and influencing delivery both of the Sustainability and Transformation Plans which direct funding resources to the NHS, and social care programmes.
4. Addressing the health impacts of Category 1 Trips and Falls Hazards, improving data collection, and responding to trends and gaps in knowledge and how these may be filled. Exploring opportunities to put into place good practice in terms of prevention and responses.

#### **Housing Construction – Key Policy Theme Actions**

1. Stimulating an acceleration in traditional house building and private sector developer completions to deliver the housing growth required in the City Region
2. Encouraging and supporting growth in modular construction methods to accelerate supply and speed of delivery, building on and taking advantage of existing support for this growing sector in the City Region
3. Working with the HCA to develop a framework specifically targeted at supporting SME house builders and retaining and growing SME's in construction, as well as supporting self-build and custom build housing.
4. Supporting and encouraging the growth in the skills required to support our housing policy ambitions, potentially developing an enhanced targeted skills programme to meet the changing needs of the housing sector.
5. Promoting the delivery of a quality housing offer across tenures and price ranges

## ITEM 12(a)

### MINUTES OF THE MEETING OF THE GOVERNANCE & AUDIT COMMITTEE HELD ON THURSDAY 1 DECEMBER 2016 IN WELLINGTON HOUSE, LEEDS

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#### Present:

Roger Marsh (Chair)  
 Councillor Andrew Carter  
 Councillor David Sheard

#### In Attendance:

Angela Taylor	-	WYCA
Russell Gott	-	WYCA
Ruth Chaplin	-	WYCA
Khaled Berroum	-	WYCA
Steve Appleton	-	Mazars
David Brown	-	Leeds City Council

#### 19. Apologies for Absence

There were no apologies for absence.

#### 20. Declarations of Disclosable Pecuniary Interests

There were no pecuniary interests declared by members at the meeting.

#### 21. Minutes

**Resolved:** That the minutes of the meeting held on 29 September 2016 be approved.

#### 22. Revised Committee Membership

The Committee considered a report informing members of a review of the current membership of the Governance and Audit Committee by WYCA and proposed arrangements for the appointment of an independent Chair for the Committee.

It was reported that WYCA had considered the membership of the Governance and Audit Committee and agreed that Councillor Tim Swift be appointed as an additional member.

It was anticipated that, because of a forthcoming legislative Order, the WYCA would be required to appoint an independent Chair for the Governance and Audit Committee. The WYCA had agreed that in such an event an interview panel be

convened of 3 WYCA members to make recommendations in relation to the appointment and it was proposed that members of the Governance and Audit Committee be involved in the recruitment. It was reported that the WYCA's Independent Remuneration Panel would also be asked to advise on appropriate remuneration.

**Resolved:**

- (i) That the revised membership of the Governance and Audit Committee be noted.
- (ii) That members of the Governance and Audit Committee be involved in the recruitment of an independent Chair for the Committee.

**23. Treasury Management Presentation**

The Committee considered a report and were given a presentation on the treasury management arrangements in place for the WYCA.

The meeting was attended by David Brown from Leeds City Council who provided an overview and answered questions in respect of treasury management including underlying risks, measures in place to manage the risks and the role of the Governance and Audit Committee in monitoring these arrangements. It was noted that WYCA's treasury management was undertaken jointly by WYCA and Leeds City Council officers, under the terms of a Service Level Agreement (SLA). The SLA had recently been fully updated and signed off by both organisations and a copy would be circulated to the Committee.

Members discussed the Committee's responsibility for considering treasury management arrangements including the adequacy of treasury management policies and practices and the need to ensure compliance with statutory guidance. It was requested that additional information with regard to the monitoring of treasury management practices be brought to a future meeting of the Committee.

The Committee thanked officers for their informative presentation.

**Resolved:**

- (i) That treasury management arrangements in place be noted.
- (ii) That a copy of the Service Level Agreement be circulated to the Committee.

**24. External Audit Matters**

The Committee considered a report which provided information on:

- The annual audit letter for 2015/16
- Future appointment of external auditors

- Consultation on the work programme and fees for 2017/18
- Mazars planning for the 2016/17 audit.

It was reported that the WYCA had approved the use of Public Sector Audit Appointments (PSSA) as the appointing body for future auditors and a formal acceptance to the proposal, which would run for up to 5 years, would be submitted.

Members noted the consultation document in respect of the proposed work programme and scales of fees for 2017/18 which was attached at Appendix C to the submitted report. It was considered that as there were no changes to the work or fee for the WYCA no response to the consultation was necessary.

Members considered Mazar's Audit Progress Report which was attached at Appendix D and set out their planning for the 2016/17 year end audit. The report highlighted a request for information in respect of the arrangements in place for preventing fraud and ensuring legal compliance and it was agreed that the Committee would provide a response for consideration at the next meeting. It was requested that copies of previous responses also be provided at the meeting.

**Resolved:**

- That the annual audit letter and the audit progress report be noted.
- That the arrangements with Public Sector Audit Appointments be noted and that no response to the consultation on fees and work programme be sent.
- That the Committee provide a response to Mazars at the next meeting in respect of the arrangements in place for preventing fraud and ensuring legal compliance.

**25. Internal Audit Progress Report**

The Committee considered a report on work undertaken by the Internal Audit Section from 1 September 2016 to 30 November 2016.

Details of progress made to date in completing the Audit Plan for 2016/17 were provided in Appendix A of the submitted report. It was reported that additional resources have been secured to address the imbalance between the audit resource which could be provided by the in-house service and the level of assurance required through the performance of audit reviews identified in the Plan.

The report provided members with an overview of the audit reviews undertaken in the latest period and the key issues which had been identified were outlined in paragraphs 4.3.1 to 4.3.6 of the submitted report.

**Review**

Payroll & HR Records

**Opinion**

Controlled

Apprenticeship Grants for Employers  
Tendered Subsidised Bus Services  
Skills Capital Funding  
Green Deal Communities Fund  
L-CREATE

Requires Improvement  
Controlled  
Requires Improvement  
Certification of expenditure  
Certification of expenditure

In addition to completion of the above, audit reviews had also been undertaken in relation to West Yorkshire & York Broadband Programme, Growing Places fund and Treasury Management. A summary of the results from those reviews would be provided at the next meeting.

It was reported that work on the development of the Internal Audit Plan 2017/18 was due to commence and, as part of the process, members of the Committee would need to be consulted regarding the scope and level of assurance required. It was proposed that the Internal Audit Manager would consult with members individually prior to formal approval being sought for the Audit Plan at the April meeting.

**Resolved:**

- (i) That the report be noted.
- (ii) That the Internal Audit Manager consult with members of the Governance & Audit Committee, on an individual basis, on the development of the 2017/18 Internal Audit Plan.

**26. Internal Controls and Financial Monitoring**

The Committee considered a report on any changes to internal control arrangements since the last meeting and the current financial position of WYCA.

Internal Controls

It was reported that since the last meeting there had been no changes to the arrangements for internal controls within the Combined Authority.

Key Indicators

It was noted that the key indicators showed no matters of concern. With regard to accidents reportable to the Health and Safety Executive, members were advised that there had been one reportable accident in the period 1 April – 31 October 2016 relating to a fall at a bus station but there was no indication of any defect having contributed to the incident.

Financial Monitoring – Revenue Budgets

Members noted the revised forecast for 2016/17 and the proposed draft budget for 2017/18. It was noted that the WYCA had considered a report on the budget position. This had set out the likely closing position for 2016/17 and also the challenges in setting a

balanced budget for 2017/18 in view of the difficult local government funding position and the increasing demands on the WYCA.

The WYCA budget report outlined the uncertainties regarding the timing of the business rates income from the Enterprise Zone, the challenges in respect of the English National Concessionary Travel Scheme, bus tendered services and the desire from the District Councils to see a reduction in the transport levy. The full capital and revenue budgets would be considered by the WYCA on 2 February 2017.

**Resolved:** That the report be noted.

DRAFT





## ITEM 12(b)

### MINUTES OF THE MEETING OF THE OVERVIEW & SCRUTINY COMMITTEE HELD ON WEDNESDAY 7 DECEMBER 2016 AT WELLINGTON HOUSE, LEEDS

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#### Present:

Cllr Robert Light (Chair)  
 Cllr Stephen Baines  
 Cllr James Baker  
 Cllr Barbara Boyce  
 Cllr Jenny Brooks  
 Cllr Ian Cuthbertson  
 Cllr Mike Ellis  
 Cllr Dot Foster  
 Cllr Kim Groves  
 Cllr Nussrat Mohammed  
 Cllr Jonathan Pryor  
 Cllr Betty Rhodes

#### In attendance:

Roger Marsh	-	Chair, LCR LEP
Rob Norreys	-	WYCA
Angela Taylor	-	WYCA
Sue Cooke	-	WYCA
James Flanagan	-	WYCA
Ruth Chaplin	-	WYCA
Khaled Berroum	-	WYCA

#### 27. Apologies for Absence

Apologies for absence were received from Councillors A Cooper, P Harrand, P Kane, A Manifold, M Isherwood and F Shaheen.

#### 28. Declarations of Disclosable Pecuniary Interests

Councillor Ellis declared an interest in Agenda Item 4, Minutes, as he is a member of the Regional Flood and Coastal Committee and Airedale Drainage Commission.

Councillor Baines declared an interest in Agenda Item 5, LEP Priorities, as he is a member of the Local Enterprise Partnership's ESIF Sub-Committee (European Structural & Investment Funds).

#### 29. Exclusion of the Press and Public

There were no items on the agenda requiring exclusion of the press and public.

### **30. Minutes of the Meeting held on 22 September 2016**

Further to minute 19, Flood Response, it was reported that the WYCA had discussed the findings of the Leeds City Region Flood Review at their meeting held on 1 December 2016.

The Committee recognised that it was crucial for WYCA, local authorities, Environment Agency and emergency services to adopt better and more collaborative ways of working. They considered it vital to have consistent planning policies across the City Region and that local authorities incorporate the best use of additional resource during emergencies into their plans. The Armed Services had provided support during the Boxing Day floods and they had expressed a need to be involved early in the planning process to ensure they were prepared for any future emergency. Members stressed that this should also be considered as part of individual local authority's emergency planning procedures, particularly as each may have different requirements for the support the Armed Forces could provide.

Members asked for their comments to be passed to WYCA and they were advised that they would be incorporated into the Flood Review report which was still to be finalised.

**Resolved:** That the minutes of the meeting held on 22 September 2016 be approved and signed by the Chair.

### **31. LEP Priorities**

The Committee was given a presentation by Roger Marsh, Chair of the LEP which provided an overview in respect of the LEP's functions and priorities.

It was noted that the WYCA and LEP brought together local authorities and the private sector to enable delivery of the Strategic Economic Plan (SEP). The SEP was the long-term plan which had been developed to transform the Leeds City Region economy and used as a bidding document for Growth Deal funding. It was noted that an announcement on Growth Deal 3 funding was expected in the near future.

Roger Marsh outlined the remit of the LEP and members were given the opportunity to ask questions. The presentation highlighted the impact and changes the funding was making to the Leeds City Region and members discussed issues covering business growth, skills, work opportunities, apprenticeships, productivity, transport, housing, outcomes and accountability. The following additional comments were noted:

- Further engagement needed between schools/colleges/businesses to encourage and support young people.
- The challenge of reducing congestion was recognised and the need for improved transport connectivity and infrastructure to increase productivity.
- It would be helpful to have a better understanding of outputs and how they are promoted.

- Publicise the good news but needs to be easy to read/short –challenge of communicating to 3 million people recognised.

Copies of the LCR Employment and Skills Plan and ‘Small Report of Big Impact’ were provided at the meeting. Information on apprenticeship starts in the Leeds City Region, including the proportion of higher and degree apprenticeships and details of the annual labour market figures, which had just been published, would be circulated to members.

It was reported that the LCR Growth Deal Assurance Framework was being reviewed and a report would be prepared for the next meeting of the Overview & Scrutiny Committee. This was also to be considered by the Overview & Scrutiny’s SEP Delivery Working Group. Further information on the geographical spread of investments and possible future investments would be provided at the next meeting.

The Committee thanked Roger Marsh for attending the meeting and for the discussion which members had found informative.

**Resolved:** That the information provided in respect of the LEP priorities be noted.

## **32. Devolution Update**

The Committee considered a report which provided an update on the progress in securing the devolution of further powers and budgets away from Whitehall and Westminster to Leeds City Region.

It was reported that the Northern Powerhouse Minister, Andrew Percy MP had met with West Yorkshire Councils’ Leaders and the Leeds City Region Enterprise Partnership Chair on 2 December 2016 and the following points were made in relation to devolving powers and funding to local areas:

- Government shall require that any new devolution deals demonstrably have the broadly-based support of local directly elected representatives and business.
- Government wishes to engage in 2017 with local partners with a view to agreement a devolution deal covering those areas of Yorkshire without a deal in place.
- Leaders confirmed that:
  - they wished to agree a further devolution deal with Government that would deliver transformative devolved powers and funding to the City Region;
  - any deal would need to deliver local ambitions for ‘good’ growth as set out in the LCR Strategic Economic Plan; and

- robust and fit for purpose governance arrangements would be needed to ensure both accountability and transparency to the public and business.

It was reported that the Leaders would have a broader discussion in the New Year and progress would continue to be reported to the Committee.

**Resolved:** That the report and current status on securing a Devolution Deal for Leeds City Region be noted.

### **33. Forward Programme of Work**

The Committee considered the work programme for the coming year which had been agreed at the last meeting.

Members were advised that Councillor Susan Hinchcliffe, Chair of the West Yorkshire & York Investment Committee would now attend the meeting scheduled for 22 March 2017.

The SEP Delivery Working Group and Transport Plan Working Group were continuing to meet and it was proposed that they would report back to the Committee on 22 March 2017.

The further work required from the item on LEP priorities would be provided at the meeting on 25 January 2017.

Members were reminded that the programme could be amended to incorporate any further requests.

**Resolved:** That the forward programme be noted.

### **34. Items for Information:**

**(a) Draft Minutes of the meeting of WYCA held on 29 September 2016**

**(b) Update of the Transport Plan Delivery and Strategic Economic Plan Delivery Working Groups**

The Committee was updated on the areas being considered at the meetings of the Transport Plan Delivery and Strategy Economic Plan Delivery Working Groups.

It was reported that a programme of meetings had been arranged for both Working Groups and it was proposed that any recommendations would be reported to the meeting of the Overview & Scrutiny Committee to be held on 22 March 2017.

**Resolved:**

- (i) That the draft minutes of the WYCA meeting held on 29 September 2016 be noted.

- (ii) That the updates of the Transport Plan Delivery Working Group and Strategic Economic Plan Delivery Working Group be noted.

**35. Items for Feedback to WYCA**

The Committee asked that their comments in respect of the Leeds City Region Flood Review as detailed in minute 30 above, be reported to WYCA.



## ITEM 12(c)

### MINUTES OF THE MEETING OF THE TRANSPORT COMMITTEE HELD ON FRIDAY 9 DECEMBER 2016 IN WELLINGTON HOUSE, LEEDS

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**Present:** Councillor K Wakefield (Chair)

**WYCA Transport Committee:**

CLlr Martyn Bolt  
CLlr Neil Buckley  
CLlr Peter Caffrey  
CLlr Eric Firth  
CLlr Abid Hussain  
CLlr Hassan Khan  
CLlr Glynn Lloyd  
CLlr Mick Lyons  
CLlr Marielle O'Neill  
CLlr Andrew Pinnock  
CLlr Rebecca Poulsen  
CLlr Dan Sutherland  
CLlr Kevin Swift  
CLlr Christine Towler

**In Attendance:**

CLlr Peter McBride (Kirklees)  
CLlr Richard Lewis (Leeds)  
Ben Still (WYCA)  
Angela Taylor (WYCA)  
Dave Pearson (WYCA)  
Dave Haskins (WYCA)  
James Nutter (WYCA)  
Angie Shearon (WYCA)

#### 33. Apologies for Absence

Apologies for absence were received from Councillors Tim Swift, Taj Salam, Ian Gillies, Barry Collins and Denise Jeffery.

#### 34. Declarations of Disclosable Pecuniary Interests

There were no pecuniary interests declared by Members at the meeting.

#### 35. Exempt Information – Possible Exclusion of the Press and Public

**Resolved:** That in accordance with paragraph 3 of Part 1 of Schedule 12A to the

Local Government Act 1972, the public be excluded from the meeting during consideration of Agenda Item 15 on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information and for the reasons set out in the report that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**36. Minutes of the meeting of the Transport Committee held on 14 October 2016**

**Resolved:** That the minutes of the Transport Committee held on 14 October 2016 be approved and signed by the Chair.

**37. Transport and Bus Strategies Consultation**

The Committee considered a report which summarised the initial analysis and conclusions from the 14 week public consultation period on the draft West Yorkshire Transport Strategy and draft West Yorkshire Bus Strategy.

Members were pleased to note that from the consultation feedback it was clear that there was strong support for the Strategies from the public and stakeholders. It was proposed to hold a workshop in January 2017 involving members of the Transport Committee and Portfolio Holders in order to consider the analysis of the consultation responses in detail and the next steps in respect of adopting the two strategies. The final version of the strategy documents would be recommended to WYCA for consideration and adoption once the Transport Committee are satisfied with them.

**Resolved:**

- (i) That the initial headline analysis of the Transport and Bus Strategy consultations be noted.
- (ii) That a member working group be held on 23 January 2017 to consider the full findings of the consultation feedback.

**38. Leeds Transport Strategy – Post NGT Funding**

The Committee considered a report on the post NGT funding and the development of the Leeds Transport Strategy and the scope of the initiatives to be included within the Strategic Outline Case (SOC).

Following the Department for Transport's (DfT) announcement that they were to make available to WYCA the £173.5m funding previously earmarked for the NGT project for public transport improvements in Leeds, Leeds City Council and WYCA had been working closely together on the development of a new Leeds Transport Strategy, informed by a major transport consultation in the city. Members discussed details of the transport initiatives which it was proposed that the £173.5m would be



used to fund, and which formed the Strategic Outline Case (SOC) submission to the DfT, including:

- Development of three new rail stations to serve Leeds Bradford Airport, Thorpe Park and the White Rose Centre.
- 2,000 additional park and ride spaces.

It was reported that, subject to approval from the Transport Committee and Leeds City Council's Executive Board on 14 December, the Strategic Outline Case would be submitted to the DfT in mid-December to enable them to consider the submission and reach a decision to proceed by March 2017.

Members also discussed developments with the broader Leeds Transport Strategy, a copy of which had been circulated to the Committee following publication on 6 December of Leeds City Council's Executive Board report (attached at Appendix 2 to the report). It was noted that WYCA and Leeds City Council were in ongoing dialogue with bus operators to secure a package of proposals involving investment by them in vehicles, fares, ticketing and route network. An agreement had already been reached with the First Group, and heads of terms were appended to the report, which would see additional investment of £71m to provide 284 brand new, comfortable and environmentally clean buses with free wi-fi and contactless payments.

Members welcomed the proposals for the city, acknowledging that consultation was ongoing to build evidence for the case to improve public transport links and infrastructure across the whole of the City Region and agreed that cross-party dialogue on the proposals should continue.

**Resolved:**

- (i) That the development of the Leeds Transport Strategy be noted.
- (ii) That the scope of initiatives to be included within the Strategic Outline Case submission to the Department for Transport be endorsed.

**39. Transport Strategy Implementation Plan – LTP Integrated Transport Block**

The Committee considered a report on the preparation of a Transport Strategy Implementation Plan for the period 2017-2022.

The report provided an overview of Local Transport Plan funding from DfT in the form of capital funding through 2 block allocations – Integrated Transport (IT) and Highways Maintenance (HM). Members noted that it was proposed to now deliver the Transport Strategy through 4 five-year Implementation Plans as opposed to the previous IP period of 3 years with the first of these (IP3) covering the period 2014-22. Work had already commenced on developing the IT block funded element of IP3 and funding priorities had been identified. An indicative programme for IP3 setting

out seven proposed programme areas, and indicative percentage allocations of funding to each programme area, was detailed in Appendix A of report.

Members discussed the importance of tackling air quality and pollution by reducing vehicle emissions.

A further report would be submitted to the Transport Committee on 25 February 2017 seeking approval of a detailed IP3 programme.

**Resolved:**

- (i) That the commencement of work to prepare a Transport Strategy Implementation Plan for the period 2017-2022 be noted.
- (ii) That the priorities for funding and indicative allocations as set out in the submitted report be noted.
- (iii) That a conference be arranged to take place in early 2017 to explore measures to improve air quality and consider the West Yorkshire Low Emissions Strategy, and that experts from the District Councils be invited to take part.

**40. Smart Transactions and Information – Next Steps**

The Committee considered a report which provided an update on progress with the Smartcard and Information Programme.

The report provided a detailed update on progress with the development of smart transactions and real time information and identified how they supported WYCA's wider policies. Members were pleased to note the progress made in expanding the range of smartcard ticket products introducing a 'Pay as you Go' product and a new on-line customer service portal. The next stage in the development of smart transactions would include in 2017 the introduction of a "capping" approach to Pay as you Go, similar to the Oyster card scheme, and the capability for MCard customers to buy and renew their ticket products on line.

It was reported that contractors had been appointed to provide a new 'back office' real time system and that arrangements were in hand to update the signs at larger bus stops in 2017 and to renew those at smaller bus stops. Additionally, audio announcements would be available to customers with sight impairment triggered by a smartphone app.

The next stages of both schemes would require further capital funding approvals to be included in the 2017/18 programme and would be considered at the next meeting.

**Resolved:**

- (i) That the progress made to date on the development of smart transactions and real time information be noted.
- (iv) That the next steps outlined in the submitted report be endorsed as consistent with the Authority's policies with regard to economic growth.
- (v) That members be provided with a timeline indicating the next steps in development of smart transactions against which progress could be measured.

**41. East Coast Main Line Priorities**

The Committee considered a report which set out the WYCA's proposed priorities for services and infrastructure on the East Coast Main Line.

The report provided details of the strategic planning work-streams which were shaping options and choices about the future requirements of, and investment priorities for, the ECML including:

- The development of Northern Powerhouse Rail and HS2.
- The work of the East Coast Main Line Authorities Consortium (of which WYCA is a member).
- Long term planning process – the East Coast Route Study.
- The Hendy Review of Control Period 5 railway investment, and short term service plans and priorities of train operating companies.

Members considered 6 priorities for WYCA to pursue working with Transport for the North, HS2, Network Rail and the wider rail industry. The priorities which were set out in paragraph 2.20 of the report were in line with, and built upon, those of the Consortium of East Coast Main Line Authorities. Members also discussed the collective benefits which could be realised from the Local Enterprise Partnerships working together to add weight to the case for investment in the ECML.

**Resolved:** That the proposed East Coast Main Line priorities as outlined in paragraph 2.20 of the submitted report be endorsed.

**42. Transport for the North : Freight and Logistics Update**

The Committee considered a report which provided an update on current Transport for the North activity relating to freight and logistics.

The Committee discussed the Freight and Logistics Report published in September 2016 which provided a good understanding of the baseline position of the freight

and logistics sector in the North set in a national context. Suggested interventions to strengthen the network were detailed in paragraph 2.5 of the report. Members discussed the various ways of moving freight including road, rail and water and the use of inland ports. It was noted that a number of freight priorities were to be investigated further in order to develop a coherent message to underpin TfN infrastructure proposals including:

- Skills – training, centres of excellence, future needs.
- Workforce profile – labour mobility, serving demand.
- Last mile – enabling a seamless, reliable end-to-end journey.

Members noted that TfN was undertaking further work, as detailed in paragraph 2.13, to develop an understanding of the issues and the main conclusions of that work would feed into TFN's Strategic Transport Plan which was due to initially report in Spring 2017.

**Resolved:**

- (i) That the updates provided in the submitted report be noted.
- (ii) That a report be prepared for a future meeting covering the LCR freight and logistics perspective, including issues affecting the 'last mile'.
- (iii) That TfN's officer contact on freight be invited to attend the next meeting of the Committee.

**43. Transport Levy Policy Options**

The Committee considered a report which provided information on the policy options that drive the expenditure on transport budgets within the WYCA.

In recognition of the severe budgetary constraints on local authorities and the need to ensure expenditure was targeted in the most effective way, members discussed in detail the transport levy and how WYCA spends that levy. The report set out a number of policy options available to reduce expenditure including changes to concessionary travel, tendered bus services and passenger information. Portfolio Holders had taken part in a workshop session on 15 November to consider the options available for reducing expenditure and input from the session had been fed into the submitted report. It was noted that work was currently underway to understand the implications of changing policies in relation to tendered bus services.

Members were assured that WYCA were looking at making savings within the organisation before making any cuts which would impact on the public.

It was reported that, at its meeting on 1 December, WYCA had considered a full budget report and options for reducing expenditure ahead of WYCA's meeting scheduled for 2 February at which the budget would need to be agreed.

**Resolved:** That the policy options available to influence transport expenditure be noted.

#### **44. City Region Transport Update**

The Committee considered a report which provided a detailed update on the following:

##### Bus Service Bill

Members were provided with an update on the current position with the progress of the Bill through the parliamentary process and input from the WYCA.

##### Bus 18

It was reported that WYCA and the leading bus operators had reached agreement on a protocol for bus service changes aimed at providing network stability.

##### ECO Stars

The report provided an update on the launch in West Yorkshire of the ECO stars fleet accreditation scheme, the purpose of which was to promote sound environmental practice and improved vehicle emission standards.

##### West Yorkshire Low Emission Strategy

It was reported that the District Councils were currently seeking to adopt the West Yorkshire Low Emission Strategy and a full report setting out the transport implications would be reported to a future meeting.

##### Statutory Ticketing Scheme

Members were provided with an update on progress with implementation of the statutory ticketing scheme which would compel bus operators to accept multi operator/multi modal tickets and the implications of Transport for the North powers.

##### Concessionary Fares – issue of eligibility passes

The reported provided an update on the move to renewal of concessionary passes on-line and new arrangements for assessment of eligibility of disabled people.

##### City Connect

Members were provided with an update on the first phase of the programme, including completion of the eastern section of the Cycle Superhighway to Seacroft and maintenance arrangements. Members discussed the consultation strategy and the absence of a Calderdale to Kirklees link.

#### Large Majors Fund bids

Members were disappointed to note that bids to the Large Majors Fund for the North Kirklees Orbital Road and York Outer Ring Road schemes had been unsuccessful and requested further information.

#### **Resolved:**

- (i) That the updates provided in the submitted report be noted.
- (ii) That members be provided with an explanation of why the North Kirklees Orbital Road and York Outer Ring Road schemes had been unsuccessful in the Large Majors Fund bidding process.

#### **45. District Consultation Sub Committees**

The Committee considered a report on a review which had been undertaken of the current format of the District Consultation Sub Committees (DCSCs).

It was reported that the review had been undertaken in order to determine whether the DCSCs provided the most effective and efficient forum for consulting with members of the public on public transport matters. Appendix 1 provided a detailed summary of WYCA's approach to consultation, background on the format of the current DCSCs and legislative provisions together with 3 options for the future of the sub-committees which members were asked to consider.

#### **Resolved:**

- (i) That the current District Consultation Sub Committees remain as advisory sub-committees of the Transport Committee and that no amendments be made to their terms of reference.
- (ii) That the Director, Transport Services be delegated authority, in consultation with the Chair of the relevant District Consultation Sub Committee, to appoint additional public representatives to each District Consultation Sub Committee with the appointment process targeting recruitment through disability user groups, younger people's forums and other equality and community groups in addition to appointment through the standard recruitment process.
- (iii) That, with effect from the start of the 2017/18 municipal year, an open forum session be held after each meeting of a District Consultation Sub Committee.

#### **46. Minutes of the Meetings of the District Consultation Sub-Committees**

**Resolved:**

- (i) That the minutes of the meeting of the Leeds District Consultation Sub-Committee held on 10 October 2016 be approved.
- (ii) That the minutes of the meeting of the Calderdale District Consultation Sub-Committee held on 11 October 2016 be approved.
- (iii) That the minutes of the meeting of the Kirklees District Consultation Sub-Committee held on 12 October 2016 be approved.
- (iv) That the minutes of the meeting of the Wakefield District Consultation Sub-Committee held on 20 October 2016 be approved.
- (v) That the minutes of the meeting of the Bradford District Consultation Sub-Committee held on 21 October 2016 be approved.

#### **\*47. Sale of Land : Low Moor Station**

The Committee considered a report which sought formal approval to the disposal of a parcel of freehold land at Low Moor to Network Rail Infrastructure Limited for the construction and operation of a new rail station in Low Moor.

**Resolved:** That the disposal of the parcel of land to Network Rail for the construction and operation of a new railway station at Low Moor be approved.





## ITEM 12(d)

### MINUTES OF THE MEETING OF THE WEST YORKSHIRE & YORK INVESTMENT COMMITTEE HELD ON WEDNESDAY 4 JANUARY 2017 IN WELLINGTON HOUSE, LEEDS

<b>Present:</b>	Cllr Susan Hinchcliffe (Chair)	-	City of Bradford MDC
	Roger Marsh	-	WYCA/Leeds City Region LEP
	Cllr Alex Ross-Shaw	-	City of Bradford MDC (from minute 27)
	Cllr Barry Collins	-	Calderdale MBC
	Cllr Peter McBride	-	Kirklees MC
	Cllr Richard Lewis	-	Leeds CC
	Cllr Denise Jeffery	-	Wakefield MDC
	Cllr Ian Gillies	-	City of York Council
<b>In attendance:</b>	Rob Norreys	-	WYCA
	Angela Taylor	-	WYCA
	Melanie Corcoran	-	WYCA
	Lisa Childs	-	WYCA
	Sally Hinton	-	WYCA
	Rachel Jones	-	WYCA
	Jessica McNeill	-	WYCA
	Gary Bartlett	-	Leeds CC (from minute 27)
	Ruth Chaplin	-	WYCA
<b>Observers:</b>	Councillor K Wakefield	-	WYCA Transport Committee
	Councillor E Firth	-	WYCA Transport Committee

#### 22. Apologies for Absence

There were no apologies for absence.

#### 23. Declarations of Disclosable Pecuniary Interests

There were no pecuniary interests declared by members at the meeting.

#### 24. Exempt Information – Possible Exclusion of the Press and Public

**Resolved:** That in accordance with paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, the public be excluded from the meeting during consideration of appendix 1 to Agenda Item 9, LEP Loan 102 : Stage 3 Variation, on the grounds that it is

likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information and for the reasons set out in the report that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

## **25. Minutes of the Meeting held on 9 November 2016**

**Resolved:** That the minutes of the West Yorkshire and York Investment Committee held on 9 November 2016 be approved and signed by the Chair.

## **26. Leeds City Region Growth Deal Delivery**

The Committee considered a report which provided an update on:

- The progress made in implementing and achieving target expenditure on Growth Deal (Rounds 1 and 2)
- The outcome of the Annual Conversation which took place between Government and the LEP on 6 December 2016.

Members were advised that the total funding available for 2016/17 is £127m and the revised profile aimed to achieve £86.75m spend on Growth Deal projects this year. The main areas of risk to achieving the expenditure and how they could be mitigated by bringing forward Growth Deal 3 early win projects were discussed. Members emphasised the importance of ensuring that the focus on spending and the challenges of delivering and bringing forward projects were recognised by the District Councils. They were advised that District sponsors and WYCA officers were exploring where West Yorkshire plus Transport Fund (WY+TF) and housing and regeneration schemes could be accelerated within existing programmes from 2017/18 onwards. A letter had also been sent to Chief Executives from Roger Marsh, Chair, LCR Local Enterprise Partnership and a copy would be circulated to District Leaders and members of the Committee. A workshop had also been arranged for 25 January 2017 for Investment Committee members and district officers to consider the acceleration of projects and the resource implications in more detail. Councillor Hinchcliffe asked members to prepare for the workshop in respect of projects in their own districts.

The Committee noted that the Annual Conversation (a formal dialogue between the government and each LEP) had involved a review of implementation of agreed actions from the previous year, delivery to date, LCR lifetime Programme Plan and compliance with the new National Assurance Framework. It was reported that an Annual Conversation review meeting would be held at the end of January 2017 to confirm Growth Deal spend for 2016/17 and the possibility of revising profiled allocations would also be discussed.

**Resolved:**

- (i) That the progress in delivering the Growth Deal (Rounds 1 and 2) be noted.

- (ii) That a workshop be held for Investment Committee members and officers in January 2017 to consider the acceleration of West Yorkshire plus Transport Fund and Housing and Regeneration projects.

## **27. Capital Spending and Project Approvals**

The Committee considered a report on proposals for the progression of, and funding for, a number of West Yorkshire plus Transport Fund and Growth Deal projects at Stages 1 and 2.

Members were reminded of the three stage approach which was being introduced to enhance current project management arrangements and a table showing an overview of Growth Deal 1 and 2 schemes provisionally mapped onto the new PMO (Portfolio Management Office) process was attached at Appendix 1.

The Committee considered the following projects:

### **Stage 1: Pipeline (Eligibility)**

#### Leeds A6110 Outer Ring Road Improvements

It was reported that the scheme had been mandated as part of the original WY+TF schedule and Leeds City Council were accelerating it for early delivery. The Committee considered the request for £286k funding approval from the WY+TF, through delegation to the Managing Director, to complete the modelling and appraisal necessary to progress the scheme to Activity 3 (Outline Business Case) by the end of 2017/18.

#### Request for Pre-Feasibility Funding Approval – Car Park Extensions Phase 2 (Parking Extensions at Rail Stations – PEARS)

The Committee was advised that the demand for car parking at rail stations was increasing and there was a requirement to review potential car park options on any land adjacent to all of West Yorkshire's rail stations. An initial list of 41 stations where land is available had been identified and a copy would be circulated to the Committee. Members asked for clarification in respect of legal agreements with Network Rail including arrangements for future proofing any revenue generating opportunities against WYCA's investment.

The request was for the Investment Committee to consider recommending to the WYCA that the Parking Extensions at Rail Stations (PEARS) proposal be accepted into the portfolio (ie. satisfies Activity 1) and for funding of £138k from the WY+TF, to carry out the pre-feasibility work. On conclusion of the pre-feasibility work a further request for additional funding will be submitted to advance projects through the PMO process. It was anticipated that a number of schemes could be delivered by 2021.

## Stage 2: Pipeline Development

The Committee considered the following projects in Stage 2: Pipeline Development. These projects had progressed through Stage 1 and had developed robust costs and programme information that enabled approval to be sought to the full costs of the project and for them to be recommended to progress to the delivery phase.

### A629 Halifax to Huddersfield Corridor Improvements Monitoring & Evaluation

The Committee considered a funding request for £140k from the WY+TF, through delegation to the Managing Director, to fund a monitoring and evaluation activity to take consideration of the current position of the programme through base data collection in advance of any works commencing on site. This would determine the immediate output and outcomes as well as the longer term impacts from a transport, economic and environment perspective. It was considered that this monitoring and evaluation exercise could be used as a pilot project which would help guide the approach to future WY+TF projects and the whole of the Growth Deal.

Members discussed the importance of the programme, particularly in respect of providing access to health services in Calderdale and Kirklees and asked that the scheme be revisited to see whether it could be accelerated.

### Rail Package (Parking) Schemes:

#### (i) Request for Decision Point 5 (Gateway 3) Funding Approval – Car Park Extension at South Elmsall

The Committee considered a funding request for £670k from the WY+TF, through delegation to the Managing Director, to progress the South Elmsall Rail Station Car Park Extension scheme through Decision Point 5 to Activity 6. The scheme would provide an additional 53 parking bays, CCTV, lighting and future proofing for EV charging. The construction costs also included ground remediation work, additional drainage and resurfacing of the existing car park.

#### (ii) Request for Decision Point 5 (Gateway 3) Delegated Approval – Car Park Extensions at Seven Locations

Members considered a request for the Managing Director to exercise his delegated authority to progress Rail Car Park Extensions at the following seven locations through Decision Point 5 to Activity 6:

- Hebden Bridge (81 additional spaces, forecasted spend £1.23m)
- Mytholmroyd (203 additional spaces, forecasted spend £3.64m)
- Shipley (84 additional spaces, forecasted spend £2.55m)
- Steeton & Silsden (70 additional spaces, forecasted spend £2.53m)
- Fitzwilliam (108 additional spaces, forecasted spend £650,000)
- Mirfield (89 additional spaces, forecasted spend £1.69m)

- Normanton (189 additional spaces, forecasted spend £1.44m)

It was noted that delegated approval would allow work on Activity 6 to commence two months earlier on some projects and accelerate individual project delivery. The progression would be subject to the current approved project costs as set out in paragraph 2.34 of the submitted report not increasing more than 10% for each individual project.

#### Wakefield Kirkgate

It was noted that WYCA had approved Outline Business Case Activity 3 funding for total scheme costs of £5.9m. A tender process had been carried out and the agreed price was £2.573m compared to the estimated tender price of £2.995m. A number of additional items which were detailed in the submitted report had been included into the project scope and these, together with the reduced tender return had resulted in a lower scheme cost of £5.556m with an improved benefit cost ratio. Wakefield Council were now seeking approval to sign the contract for scheme delivery and start works on site (Activity 6) and the Committee was asked to consider recommending the funding request to WYCA for approval.

#### **Projects in Stage 3 – Programme Committed**

##### York Central – Stage 3 Variation

Councillor Gillies reported that following the WYCA willingness to consider a further £2m of funding for the York Central project, City of York Council had advised that the HCA will fund the whole of the site assembly costs for this phase, therefore the request for WYCA funding was being withdrawn at this time, although a further bid could be made in the future. This news was welcomed by the Committee as it enables WYCA to support other projects and achieve further outputs with the Local Growth Funding.

#### **Resolved:**

- (i) To recommend through delegation to the Managing Director approval of £286k grant funding for the **Leeds A6110 Outer Ring Road Improvements** to fund project development of the Outline Business Case through Activity 3.
- (ii) To recommend to WYCA that the **Parking Extensions and Rail Stations** Proposal is accepted into the portfolio (ie. Satisfies Activity 1) and that funding of £138k be approved to carry out the pre-feasibility work. The project will be funded from the WY+TF.
- (iii) To recommend through delegation to the Managing Director approval of £140k for the **A629 Halifax to Huddersfield Corridor Improvements** to fund the baseline monitoring and evaluation activity, enabling the first delivery phase (Phase 1a) to progress through the PMO process.

- (iv) To recommend through delegation to the Managing Director approval of £670k for the **South Elmsall Rail Station Car Park Extension** to progress through Decision Point 5 to Activity 6, to deliver the preferred solution. The project will be funded from the WY+TF.
- (v) To recommend through delegation to the Managing Director, in order to accelerate delivery, that **Rail Car Park Extensions at Hebden Bridge, Mytholmroyd, Shipley, Steeton & Silsden, Fitzwilliam, Mirfield and Normanton** be progressed through Decisions Point 5 to Activity 6 to deliver the schemes subject to the current approved costs as set out in the submitted report not increasing by more than 10%. This will be funded from the WY+TF.
- (vi) To recommend to WYCA approval of £5.556m for the **Wakefield Kirkgate** scheme to progress through Decision Point 5 to Activity 6 to deliver the scheme.
- (vii) That, at the request of City of York Council, the request for an additional loan to accelerate the delivery of the **York Central** project be withdrawn although a further bid may be submitted in the future.

## 28. **Leeds Transport Strategy – Post NGT**

The Committee considered a report on the development of the Leeds Transport Strategy following the decision by the Government not to proceed with the NGT (New Generation Transport) trolleybus system but to make £173.5m funding available for “public transport improvements in Leeds”.

It was noted that a Strategic Outline Case had been submitted to the Department of Transport (DfT) and, following approval, the Investment Committee would have responsibility for assurance of the programme and the individual projects within it.

Members discussed the Investment Programme which was attached at Appendix 2 to the submitted report. This included a package of initiatives for transforming the bus network and the development of new rail stations. In welcoming the proposals for the city, comment was made that access from all districts to the Airport Parkway station was essential and it was noted that consultation was ongoing to build evidence for the case to improve public transport links and infrastructure across the whole of the City Region.

Further reports around the scope and delivery of the programme would be brought to future meetings of the Committee once a decision to proceed has been received from the DfT.

### **Resolved:**

- (i) That the development of the Leeds Transport Strategy and Strategic Outline Case submission to the Department for Transport be noted.

- (ii) That the proposal to utilise the Growth Deal Assurance Framework (as used for West Yorkshire plus Transport Fund schemes) as the governance model for delivery of schemes including within the Strategic Outline Case submission be noted. Therefore, as with Growth Deal/Transport Fund schemes, the WYCA Investment Committee would have responsibility for assurance of the programme and the individual projects within it, following DfT approval.

## **29. Leeds City Region Growth Deal Assurance Framework**

The Committee considered a report which provided an update on progress relating to changes proposed to the local Assurance Framework arising from its annual review, and with the recently issued “LEP National Assurance Framework”.

It was suggested that as the Assurance Framework was currently being updated to reflect changes to the Guidance published by the Department for Communities and Local Government (DCLG) in October 2016, that a copy of the document, with changes indicated, be circulated to members for comment. The Assurance Framework had to be approved by the LEP Board and the WYCA and WYCA’s Section 151/Section 73 officer (Chief Financial Officer) is required to write to HM Government by 28 February 2017 to certify that the Assurance Framework is compliant with the national framework.

### **Resolved:**

- (i) That the development of the Leeds City Region Assurance Framework be noted.
- (ii) That a draft of the Assurance Framework with changes indicated be circulated to members.

## **30. LEP Loan 102: Stage 3 Variation**

The Committee considered a report which provided information relating to LEP Loan 102 and to consider a proposal for the provision of grant funding of £200k.

In recommending the approval of grant funding, members asked that regular updates be provided to the Committee.

### **Resolved:**

- (i) To recommend through delegation to the Managing Director approval of grant funding of £200k, of which £150k will be spent in 2016/17 to support **LEP Loan 102**, and the further £50k subject to further consideration at a later date. The details of the final terms and conditions be progressed through delegation to the Managing Director.

- (ii) That regular updates on progress be provided to the Committee.

DRAFT