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**Report to:** LEP Board

**Date:** 19 July 2017

**Subject:** Growth Deal Update

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## 1. Purpose

- 1.1 To update the Board on the current progress on spend and performance on the Growth Deal in 2017/18.

## 2. Information

### Outturn 2016/17

- 2.1 The final outturn (subject to audit) for the Growth Deal 2016/17 is £84.77m. This is lower than the estimate of £85.71m reported to the LEP Board on 17 May 2017 but still represents 98% of the revised forecast.

### Expenditure 2017/18

- 2.2 Monthly monitoring of expenditure against profile has now commenced for the 2017/18 financial year. The table below details target expenditure for the year and the first quarter, actual spend and percentage achieved against target.

	Target spend 2017/18	Target Spend Quarter 1	Target Spend Quarter 1	% of 2017/18 target
Priority 1 - Business	£13.52m	£0.59m	£1.85m	14%
Priority 2 - Skills Capital	£29.33m	£3.03m	£0.51m	1.5%
Priority 3 - Environmental Infrastructure	£8.07m	£0.46m	£0.08m	0.1%
Priority 4a - Housing & Regeneration	£3.87m	£0.15m	£0	
Priority 4b - West Yorkshire + Transport Fund	£37.46m	£0.80m	£0	
Priority 4c - Flood Resilience	£2.00m	£0	£0	
Priority 4d - Enterprise Zones	£4.00m	£0	£0	
WYCA Programme Management	£1.90m	£0	£0	
<b>Total</b>	<b>£100.15m</b>	<b>£4.22m</b>	<b>£2.44m</b>	<b>2.4%</b>

- 2.3 In reviewing the table it should be noted that whilst spend on the WYCA internally delivered projects (included in Priorities 1, 3, and 4b) as well as Skills Capital and Housing projects is monitored each month, the partner led WY+TF projects submit quarterly claim forms so spend on these projects can only be updated at the end of each quarter.
- 2.4 The attached Growth Deal Dashboard at **Appendix 1** and Growth Deal Pipeline at **Appendix 2** detail the latest forecast expenditure and provide a RAG rating for each project. Although it is too early in the year to determine how the Growth Deal is performing against its annual target of £100.15m the forecast spend is currently £95.34m, this reduction is due to changes made to forecast expenditure following direct consultation with partner organisations on the spend targets for each project. This shortfall against target will be addressed through changes in project spend during the year and the development of pipeline projects.

### **Programme and Project Risk**

- 2.5 The main risk to the Programme is the failure to achieve the £100.15m profiled expenditure for 2017/18. This risk is carefully monitored through ongoing review of individual projects and RAG rating of each one. The key areas of risk at programme level to the achievement of spend can be summarised as follows:
- New projects in the pipeline which are subject to approval in 2017/18 (either of the full business case at decision point 5 or development costs at decision point 2): total £32.9m. At 33% of total forecast spend this represents the greatest risk to the programme. This must be assessed as a Red risk, mitigation involves ongoing support and additional capacity ensuring that projects are brought forward in accordance with agreed timetables.
  - Slippage of projects currently in delivery e.g. Leeds College of Building. The majority of these projects will only be identified as the Programme progresses. The main mitigation will be to accelerate expenditure on other projects wherever possible.
  - Projects where funding is approved but where legal agreement is not yet signed e.g. Huddersfield Incubation and Innovation Programme. Minimal risk to the overall Programme, whilst this is a Red risk for the project it is only an Amber risk for the Programme.
  - Payment of the second tranche of Growth Deal funding for 2017/18 is subject to achievement of Key Performance Indicators. Whilst all the KPIs are achievable they could be subject to external factors there is minimal option for mitigation. However the KPIs will be closely monitored to identify any issues as early as possible.
- 2.6 A number of individual projects are currently assessed as Red rated, the reasons for these are detailed below:

- **Huddersfield Incubation and Innovation Unit**

Huddersfield University has reported that a change request will be submitted on this project which is likely to come forward for consideration by the Investment Committee at its next meeting in September. Expenditure on this project cannot be achieved until the change request is considered.

- **Energy Accelerator**

A revised application was submitted in May 2017 to the European Investment Bank for the match funding for this project. Following negotiation the funding requested has been reduced from €5.5m to €3.5m. Clarification was requested by the EIB on a number of points, this has now been provided. A decision on the application is expected by the end of July 2017.

- **Leeds District Heat Network**

The Combined Authority agreed conditional approval for additional funding for this project up to £10m subject to receipt of further information and confirmation of business rate income. A revised proposal is due to come forward for consideration through the Assurance process in the Autumn. Leeds City Council has confirmed there will be no expenditure on the project in 2017/18, expenditure will commence in 2018/19.

- **WY+TF Pipeline**

Projects to the value of £21.6m in this financial year are currently included in the WY+TF pipeline, this represents 66% of the total programme pipeline. The majority of this spend relates to three projects: East Leeds Orbital Road £8.5m, A629 Phase 1a £4.5m and Rail Station Car Parks £5.8m.

## Key Performance Indicators

- 2.7 At the last meeting it was reported that a number of Key Performance Indicators were in the process of being agreed with the Cities and Local Growth Unit. Discussions are still ongoing to finalise the exact wording and targets of the KPIs, however three of the deadlines have passed or are imminent, progress towards achieving them is detailed in the table below:

Key Performance Indicator	Progress
<p>WYCA is undergoing a One Organisational design process. Business cases for Delivery and Policy and Strategy teams were approved in March / April 2017. These include 8 programme management posts, 11 project definition / development posts and 22 project management posts.</p> <p><b>KPI 1</b> - 75% of these posts will be filled by end June. Remaining posts will either be recruited internally or externally appointed by end September.</p>	<p>The restructure of the Delivery Directorate is currently being implemented all internal recruitment through slotting in and ring-fenced posts will be completed by the end of June 2017.</p>

<p>WY+TF - WYCA and project sponsors (LAs) have identified a need for between 20 and 25 FTE posts to accelerate project development and address specific skills gaps. This resource requirement will be met via direct recruitment and, where gaps remain, through recruitment of a strategic partner.</p> <p><b>KPI 2</b> – At least 10 appointments will be made, and a decision taken on how to cover remaining gaps (including possible appointment of a strategic partner to provide consultancy support), by end of July. A strategic partner (or equivalent) will be appointed by end of September.</p>	<p>Appointments have been made by a number of individual authorities. Tenders seeking appointment of a recruitment consultant have been received and are currently being evaluated.</p>
<p>WYCA and LAs have identified a need to boost capacity to drive housing and regeneration projects in to full development (ie. beyond initial feasibility/demolition/enabling works).</p> <p><b>KPI 3</b> – WYCA and LAs, with the HCA where appropriate, will identify by end June the additional capacity required to accelerate the delivery of housing and regeneration projects (and associated housing and employment outputs). Arrangements to address the identified capacity gap will be in place by end of September.</p>	<p>Capacity needs have been identified.</p>

2.8 Progress towards achieving the remaining KPI's is ongoing a further update will be provided at the LEP Board meeting in September.

### Outputs and Achievements

2.9 The Leeds City Region Growth Deal Programme is now entering its third year of delivery and a number of major projects have either reached completion or will do so in the over the next six months. These include:

- **Wakefield Eastern Relief Road** – the first major WY+TF transport project to be completed, opened on 27 April 2017
- **Aire Valley Park and Ride** – the second major transport project will be complete and opened this month.
- Four skills capital projects are due to be formally opened by October: **Selby College (opened 28 June 2017), Bradford College, Leeds City College Printworks and Wakefield College.**
- A number of station car park extensions are due to commence on site over the summer with **South Elmsall** already on site and due to open in June.

2.10 The Growth Deal rounds 1 and 2 has two main output targets to achieve: creation of 10,000 jobs and building 2,000 new homes. Each project within the Growth Deal

must contribute to achievement of these outputs. The table below details the forecast timetable for achievement of these outputs based on the approved projects within the programme:

<b>Jobs created or safeguarded</b>	<b>2015 /16</b>	<b>2016 /17</b>	<b>2017 /18</b>	<b>2018 /19</b>	<b>2019 /20</b>	<b>2020 /21</b>	<b>2021 /25</b>	<b>Total</b>
Priority 1	225	2,304	663	639	344	317	0	4,492
Priority 2	0	0	5	2	6	24	0	37
Priority 3	0	0	0	1	2	2	10	15
Priority 4 H&R	0	0	100	515	1,787	1,412	300	4,114
Priority 4 WYTF	0	0	1,928	7,143	534	6,110	18,067	33,782
Priority 4 EcRes	0	75	250	175	22,500	0	0	23,000
<b>Total</b>	<b>225</b>	<b>2,379</b>	<b>2,946</b>	<b>8,475</b>	<b>25,173</b>	<b>7,865</b>	<b>18,377</b>	<b>65,439</b>
<b>New homes created</b>	<b>2015 /16</b>	<b>2016 /17</b>	<b>2017 /18</b>	<b>2018 /19</b>	<b>2019 /20</b>	<b>2020 /21</b>	<b>2021 /25</b>	<b>Total</b>
Priority 4 H&R	0	0	8	88	250	829	911	2,086
Priority 4 WYTF	0	0	0	350	96	2,951	10,058	13,455
<b>Total</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>438</b>	<b>346</b>	<b>3,780</b>	<b>10,969</b>	<b>15,541</b>

2.11 Some projects can demonstrate direct achievement of outputs, to date the Business Growth Programme has created 2,600 jobs (in accordance with the Growth Deal definition). However a number of the projects within the programme will, by their nature, only achieve these outputs indirectly. An example of this is that transport projects will not create sustainable jobs or new homes themselves but will instead open up areas where new jobs and homes will be created. In order to be able to claim these outputs all LEP's have to identify Growth Deal impact sites which are to be mutually agreed with the Government. Note: It is likely that there is some double counting in the figures above as some will be achieved directly and others indirectly, this issue will need to be addressed and will be considered in consultation with partner organisations once the impact areas are agreed.

2.12 The opportunity afforded through the agreement of the impact sites will be used to engage in further discussions with the Government to consider a wider acknowledgement of the outputs achieved by the Programme.

### **3. Recommendations**

3.1 The LEP Board is recommended to note the report and consider progress made in implementing the Programme and the major risks to full delivery in 2017/18.