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Report to: West Yorkshire and York Investment Committee

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Subject: Leeds City Region Growth Deal Delivery

1. Purpose

- 1.1. To update the Committee of progress made towards the achievement of Key Performance Indicators (KPIs) and on the implementation of the Growth Deal programme.
- 1.2. The report also sets out an overview of the Call for Projects and the current situation in defining the Growth Deal Impact Sites.

2. Key Performance Indicators

- 2.1. The attached **Appendix 1** details the seven KPIs agreed with the Government relating to the monitoring of the Growth Deal in the first six months of 2017/18. Four of the seven KPIs have now been achieved and the remaining KPIs are on track for full delivery.

3. Growth Deal Expenditure and Delivery

- 3.1. The table below details programme expenditure totalling £11.42m to end July 2017 (note: this now includes payment by WYCA against WY+TF claims for the first quarter of the year). The profiled expenditure for the first two quarters to end of September 2017/18 is £17.98m, 64% of this has been achieved as at the end of July 2017.

	Target spend 2017/18	Target Spend Quarter 2	Spend to end July 2017	% of 2017/18 target
Priority 1 - Business	£13.52m	£2.04m	£5.19m	38.4%
Priority 2 - Skills Capital	£29.33m	£8.27m	£2.47m	8.4%
Priority 3 - Environmental Infrastructure	£8.07m	£0.88m	£0.24m	2.9%
Priority 4a - Housing & Regeneration	£3.87m	£0.96m	£0.23m	5.9%

Priority 4b - West Yorkshire + Transport Fund	£37.46m	£5.83m	£3.29m	8.7%
Priority 4c - Flood Resilience	£2.00m	£0	£0	
Priority 4d - Enterprise Zones	£4.00m	£0	£0	
WYCA Programme Management	£1.90m	£0	£0	
Total	£100.15m	£17.98m	£11.43m	11.4%

3.2. The attached Growth Deal Dashboard at **Appendix 2** and Growth Deal Pipeline at **Appendix 3** detail the latest forecast expenditure and provide a RAG rating of each project. The target expenditure for the 2017/18 is £100.15m, the current forecast against this target £97.52m, this is expected to increase as further projects are approved.

3.3. The following projects are RAG rated as Red and represent a risk to the delivery of the Programme:

- **Hebden Bridge Rail Park and Ride**
Whilst some initial works have been undertaken the commencement of the main scheme has been delayed awaiting action by Network Rail. The scheme will not now commence until at least January 2018.
- **Leeds Station Gateway – New Station Street**
Project has been delayed awaiting appointment of subcontractor by Network Rail, this appointment has now been made and it is expected that the project will now progress.
- **Urban Traffic Management Centre (UTMC)**
Discussions are ongoing between local authority partners on the management arrangements for this Centre. The project will progress once agreement has been reached.
- **Rail Parking Package – Shipley Station and Steeton and Silsden Station**
Projects are both delayed awaiting the issue of Asset Protection Agreement's by Network Rail.
- **A650 Hard Ings Road and Harrogate New Line**
Both of these projects are subject to Public Enquiry and will not progress further until these have been concluded. The Public Enquiry for the A650 Hard Ings Road is set for 31 January 2018.
- **WY+TF Pipeline**
Forecast spend to the value of £16.36m included within the WY+TF pipeline still requires formal approval through the Assurance Process.

3.4. Three projects that are currently RAG rated at Red are now progressing through the Assurance Process, proposed approvals and actions on each are included within the Capital Spending and Project Approvals Report, these are: **Huddersfield Incubation and Innovation Unit, Energy Accelerator, Leeds District Heat Network.**

4. Cost of Managing the Portfolio

- 4.1 Accounting regulations and WYCA's accounting policies allow for costs to be capitalised when they are an intrinsic part of creating and bringing an asset to working condition. This can and does include project management costs and other professional fees and preparatory work necessary to bring the asset into use. In establishing the new Delivery directorate with the required capacity it was recognised that these costs would be capitalised. Where possible individual projects will include the costs of dedicated project managers and associated professional costs. However there are a number of costs that cannot be as simply allocated against a project such as the PMO team, the Feasibility and Assurance team and senior managers who are driving a number of projects at different stages. It is proposed that these are recovered against projects in the portfolio in proportion with the direct costs allocated.
- 4.2 For 2017/18 there is an expected spend of £145m across the full portfolio (including Growth Deal, Local Transport Plan (LTP), National Productivity Investment Fund (NPIF), Leeds Public Transport Investment Programme (LPTIP)). Direct costs are circa £1.5m in a full year with indirect at a similar level. In percentage terms this is well within acceptable levels for capitalisation and leaves some capacity for charging overhead costs from across the rest of the organisation, in particular the support teams whose costs are linked to the size of teams and volumes of work across WYCA. It is initially proposed that up to £1.5m be recovered in the same way as set out in paragraph 4.1.

5. Call for Projects

- 5.1. The West Yorkshire Combined Authority (WYCA) and Leeds City Region Enterprise Partnership (LEP) have issued an open call for proposals that can make a strategic impact across the city region: a growing, more inclusive and productive economy, with the greatest benefits felt by the most disadvantaged. Proposals can address direct or indirect determinants of inclusive growth.
- 5.2. The Call for Projects was issued on 23 August following circulation of a draft document to Directors of Development and Investment Committee Members to agree scope and content. Due to the requested timescales from Investment Committee Members for WYCA to present the outcomes of the Call to the 31 October Investment Committee workshop, a very tight turnaround was required with a return date of 25 September. WYCA will then review the submissions, with wider support as required.
- 5.3. While there is no available/allocated funding at present, there are several potential opportunities:
- **LCR Growth Deal programme pipeline** – this £516.35m capital funding programme is currently fully committed. WYCA is, however, keen to identify potential replacement projects to include in a pipeline/reserve list should projects be withdrawn or an underspend occur within our existing programme. The principal interest is in receiving proposals that can be delivered by March 2021 and will directly contribute to the delivery of Growth Deal targets by 31 March 2025:

- 19,595 jobs created
- 2,300 new homes
- £1.3bn Public/Private investment
- Contribution to GVA/increased productivity
- **Northern Cultural Regeneration Fund** – a £15m competitive pot for the eleven Northern LEPs to be delivered by March 2021. Each LEP can put forward only one single scheme (up to £4m, not exceeding 70% of total capital costs) that encourages sustainable cultural and creative regeneration in the North of England and benefits areas in the North of England that have historically had low levels of cultural and creative investment. Further information is available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/635574/Northern_Cultural_Regeneration_Fund_guidance_for_LEPs_July_2017_Final.pdf
- **LCR Business Rates Pool** – this funding (historically around £3m-4m per year, but volatile) is used alongside other city region funding mechanisms to maximise overall investment in city region priorities and where impacts accrue across multiple districts. It does not finance long-term capital investment because of the inherent volatility of receipts. Further information is available at: <http://www.leeds.gov.uk/council/Pages/Leeds-City-Region-business-rates-pool.aspx>
- **Other sources** of funding that may become available in the future (e.g. funds potentially linked to devolution, Industrial Strategy and/or the Shared Prosperity Fund that will take on the role currently played by European investment).

5.4. Some of the above funds are not governed by WYCA and they each have a different status and focus (for example, size of investments, delivery schedule, core outputs, etc.).

5.5. Potential project promoters have been offered two options for submitting information about their project:

1. **Growth Deal pipeline:** Where promoters believe the Growth Deal programme pipeline may be an appropriate funding stream and more detailed project information is available, a WYCA Expression of Interest (EoI) template should be completed;
2. **Other sources:** We are interested in proposals or ideas for other projects that, for example, could form part of a Leeds City Region funding bid to government should future opportunities arise. Promoters wishing to submit project ideas are required to submit a brief summary of their proposal using a separate pro-forma.

5.6. The information collected at this stage will be used by WYCA to undertake a high level assessment of relevance to appropriate city region funding opportunities, and the strategic and economic case for investment and project deliverability.

6. Impact Sites

6.1 At the meeting on 16 June 2017 the Committee were provided with an update on the performance of the programme in relation to outputs. It was noted that 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 must identify Growth Deal impact sites which are to be mutually agreed with the Government.

6.2 Work has been ongoing to map all of the Growth Deal projects in preparation for agreeing the proposed impact sites. The next step will be to agree how overlapping areas of impact will be agreed, as separate areas or as one area which will demonstrate overall impact of various projects. This exercise is now being informed through on-going discussions with SQW who, as reported to the June 2017 Committee, have been commissioned as the Independent Panel to evaluate the impact of City Deals, Growth Deals and Devolution Deals across the UK including the WY+TF. These discussions will be key to ensuring that the LCR approach in identifying impact areas is consistent with the approaches being adopted elsewhere in the Country.

7. Financial Implications

7.1. As set out in the report.

8. Legal Implications

8.1. There are none arising directly from this report.

9. Staffing Implications

9.1. There are none arising directly from this report.

10. Recommendations

10.1. It is recommended that the Investment Committee notes the progress towards achievement of the KPI's and the implementation of the Growth Deal.

10.2. It is recommended the capitalisation proposals set out in paragraphs 4.1 and 4.2 be endorsed and recommended to WYCA for approval.

11. Background Documents

11.1. None.