Director: Melanie Corcoran, Director of Delivery
Author: Lynn Cooper and Dave Haskins

WEST YORKSHIRE COMBINED AUTHORITY

Report to: West Yorkshire and York Investment Committee

Date: 3 January 2018

Subject: Leeds City Region Growth Deal Delivery

1. Purpose

1.1. To update the Committee of progress made on the implementation of the Growth Deal programme.

1.2. To consider criteria in relation to the de-commitment of Growth Deal projects.

1.3. To update the Investment Committee on current activity relating to forthcoming 2019/20 Growth Deal Review, and to seek approval for an allocation of £400,000 to undertake the work required in preparation for the Gateway Review.

2. Information

Growth Deal Monitoring

2.1. The table below details programme expenditure totalling £31.94m of expenditure to the end of November 2017.

	Target spend 2017/18	Spend to end November 2017	% of 2017/18 target
Priority 1 - Business	£13.52m	£6.89m	51.0%
Priority 2 - Skills Capital	£29.33m	£11.30m	38.5%
Priority 3 - Environmental Infrastructure	£8.07m	£1.08m	13.4%
Priority 4a - Housing & Regeneration	£3.87m	£1.28m	33.1%
Priority 4b - West Yorkshire + Transport Fund	£37.46m	£11.39m	30.4%
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**	**£31.94m**	**31.9%**

2.2. The attached Growth Deal Dashboard at **Appendix 1** and West Yorkshire + Transport Fund Dashboard at **Appendix 2** detail the latest forecast expenditure and provide a RAG rating of each project.

2.3. The target expenditure for the 2017/18 is £100.15m, the current forecast against this target is £91.25m. The forecast expenditure has reduced by £4.3m since monitoring was undertaken up to the end of September. Around £2m of this reduction relates to reduced forecast expenditure on a number of WY+TF projects following the latest quarterly monitoring (Quarter 2). It is likely this will result in further Red rated projects following the Quarter 3 WY+TF monitoring in January 2018. The remaining £2m reduction relates to a reduced forecast on the Leeds College of Building Skills Capital project which is now Red rated as detailed below. However, we have a contingency plan where spend could be accelerated on a number of other projects.

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

Projects that continue to be rated at Red:

- <u>Leeds Station Gateway – New Station Street</u>

  Project had been delayed awaiting appointment of subcontractor by Network Rail, Atkins have now been appointed. It is expected that the design stage for the project will be agreed early in the New Year. A full programme of design and development will be considered at a future Investment Committee.

- <u>Urban Traffic Management Centre (UTMC)</u>

  The project has been delayed subject to agreement on phased delivery, an Outline Business Case will now be submitted in the early in 2018.

- <u>A650 Hard Ings Road and Harrogate Road / New Line</u>

  Both of these projects are subject to Public Inquiry. The Public Inquiry for the A650 Hard Ings Road is set for 31 January 2018. A date has still not been set for Harrogate Road / New Line.

- <u>Bradford to Shipley Corridor</u>

  A Full Business Case for this project was expected in September 2017. A change request will be submitted shortly in advance of submission of an Outline Business Case later in the 2018.

- <u>Energy Accelerator</u>

  The Investment Committee has now approved the Outline Business Case for this project and agreed that it should come forward as a Full Business Case. A

decision on the approval of the European Investment Bank ELENA funding has still not been received. Senior Officers are now pressing the European Commission for an urgent decision.

Escalated to Red:

- Leeds College of Building

  The forecast of expenditure for this project has reduced by £2m to £2.79m for 2017/18. The main reason for the reduction is due to value engineering on the project leading to re-design which has meant the steelwork will not be delivered to site until January 2018. The majority of expenditure on the project will now take place in 2018/19.

Projects due to be de-escalated from Red:

- Rail Parking Package – Shipley Station and Steeton and Silsden Stations

  The Basic Asset Protection Agreements for both of these projects have now been issued. However following discussion with the appointed contractor an opportunity has arisen for additional parking spaces on both projects. A change request addressing this will be considered elsewhere on the agenda, if approved the projects will be de-escalated from Red rating.

De-escalated from Red:

- WY+TF Pipeline

  The report to the Investment Committee in November 2017 reported that £10.24m of forecast spend required formal approval through the Assurance Process. This figure has now reduced to £340k of approvals on Rail Park and Ride projects which will progress through Delegated Decision, this level of funding does not represent a major risk to delivery of the programme. The reduction is due firstly to two major approvals: East Leeds Orbital Route and the A641; and secondly to the slippage of expected expenditure into future years.

De-commitment

2.5. The Investment Committee is asked to consider the criteria for the de-commitment of schemes as set out in **Appendix 3** and recommend adoption of these to WYCA. The principles have previously been considered at the Investment Committee workshop on 31 October 2017 when principles to allow the de-commitment of projects currently included in the Growth Deal programme were discussed. These principles have been further developed to allow full consideration by the Investment Committee.

2.6. It is proposed that de-commitment should be a last resort and that WYCA will work with project sponsors to support the successful delivery of their programmes and projects. Furthermore, before projects are formally proposed for de-commitment this will be agreed with the relevant local authority and sponsors will be encouraged/supported to deliver within the Growth Deal timescales where possible.

2.7. In relation to WY+TF projects (Priority 4b) the workshop agreed that rather than de-commit projects at this time the fund should be re-profiled with projects phased over a longer timetable. This will allow projects which have the potential for early delivery to be included within the programme. This will impact on the overall size of the fund (currently circa £1bn) any increase in budget and costs will be subject to further consideration by this committee.

2.8. The Growth Deal programme is now moving towards the end of the third year of delivery of a six year programme. The majority of the projects currently included in the Programme have been in development for a number of years. It is a concern that unless funding is released and reallocated in a timely manner new projects will have insufficient time to progress through the Assurance Process, deliver activity / be fully constructed and achieve total expenditure by end March 2021 (the final spend date for the £516.35m of the 2015-2021 allocation). We therefore need to identify those projects that are currently not progressing or making sufficient progress. It is proposed that by 28 February 2018 projects which have not been spending allocations must be able to demonstrate progress has been made against key milestones and provide clear justification setting out why they should remain within the Growth Deal programme. This does not undermine the status of schemes that are currently within the Growth Deal Programme but restates that schemes are expected to make progress once they have been included within the Programme. Historically funding allocations have been carried forward to subsequent years, but beyond 2017/18 it is proposed that any carry forward will be by exception only.

2.9. Once projects have confirmed/ submitted their progress reports, responses have been assessed and discussions have taken place with sponsors, this will allow recommendations to be brought to the Investment Committee on 5 June 2018 on which projects should be de-committed and removed from the Programme, and therefore to quantify the headroom available within priority areas to introduce new projects into the Programme.

<u>Government Assessment: Growth Deal Gateway Review</u>

Overview

2.10. The West Yorkshire Plus Transport Fund (WY+TF) is subject to an independent assessment by Government in 2019. To ensure that funding for WY+TF schemes continues beyond 2019, it is critical that we demonstrate to Government that benefits can be traced right through to the outcomes – that is, we do not just consider that a project is complete once construction is complete, but track what has been achieved as a result of the project going forward. The need for WYCA to

demonstrate to Government that we have robust evaluation approaches in place is therefore critical, as is the need to ensure that projects are focused on direct and indirect outcomes.

2.11. As was reported to the November 2017 Investment Committee, to date, eleven city-regions, including LCR, have agreed devolved funding arrangements with Government. These funds are subject to five-year Gateway Reviews to evaluate whether (and if so, the extent to which) locally determined investments and interventions have had a positive impact on economic growth – which will in turn inform Government decision-making by ministers regarding the allocation of future funding to the individual Localities.

2.12. As part of the Growth Deal arrangements, a 2019/20 Independent Evaluation of Gainshare Investment Funds has been agreed with the eleven City Regions. Government has stated that subject to the outcome of the first Gateway review in 2019/20, they will provide up to £420m over the period 2021/22 to 2034/35 for the WY+TF. This funding will be provided as a grant, of up to £30m per annum from 2021/22 to 2034/35.

2.13. Whilst it is accepted that much of the spend to date on the transport projects will not be able to demonstrate outcomes by the time of the review, there will be keen focus on; progress against stated milestones, the delivery of outputs (and intermediate outcomes) and an increased emphasis around the growth of local capacity and cross-area working.

2.14. The success of the 2019/20 Growth Deal Gateway Review is critical for WYCA in that ongoing funding will potentially be withdrawn if we are deemed to have not met the required criteria. It should be noted that a number of projects will be in delivery at the point of the review, and that an unsuccessful Gateway Review may lead to risks around the withdrawal of funding prior to completion.

Scope of the Interventions

2.15. The remit of the National Evaluation Panel for the first Gateway Review of the Investment Funds is to provide evidence on the impact of the funds in delivering local growth outcomes; this 'impact evaluation' will be the core focus of the evaluation plans. Consultants SQW have been appointed at the national level (working across all eleven authorities) to undertake economic analysis to inform the Gateway Review process.

2.16. In some cases it may be too early for the evaluation to evidence impacts by 2019, even at an interim stage. The evaluation plans also therefore include 'progress evaluation' that reports on the progress that interventions have made by the point of the Gateway Review in their delivery, for example, against anticipated expenditure, delivery milestones, and in generating outputs.

2.17. In terms of 'impact evaluation', a number of Locality Evaluation Frameworks have been developed which are focused on interventions that have been approved formally, and where expenditure has been incurred (potentially in full), within the first Gateway Review period. Following a review of financial information relating to forecast project/programme delivery timescales (as supplied by scheme promoters), the following schemes have been deemed in-scope for inclusion of 'impact reporting' as part of the 2019/20 review:

- Wakefield Eastern Relief Road;
- Wakefield City Centre Package;
- Aire Valley Leeds, Temple Green Park and Ride;
- Rail Station Car Park extensions – South Elmsall, Fitzwilliam, Normanton and Hebden Bridge; and
- Leeds Station Gateway: New Station Street.

2.18. Working closely with the consultants SQW, four local Evaluation Plans have been developed in relation to the above projects, which comprise activity around the following areas:

- Consultation with project partners/stakeholders;
- Telephone interviews with local businesses;
- Telephone interviews with local residents;
- Consultation with local businesses;
- Data analysis; and
- Analysis and reporting.

2.19. All WY+TF schemes are required to collect baseline data as well as defining a programme for further data collection to enable monitoring and evaluation of the schemes. This work is budgeted for by project promoters.

2.20. Costed resource plans have been developed by SQW in conjunction with WYCA and the scheme promoters. This resource plan covers the following areas:

- Data collection and analysis – additional data to that specified by scheme promoters to support review of outcomes;
- Progress Evaluation – in relation to schemes which will still be in delivery (or only recently completed) at the time of the review;
- Capacity Development and Partnership Evaluation – reporting on how we do things differently in our 'ways of working' as a result of the WY+TF programme;
- Contextual Economic Forecasting – developing an economic baseline from which to measure impacts against;
- Reporting and ongoing engagement; and
- Central SQW costs – including advice from a panel of appointed economic experts.

2.21. A project ceiling budget of £400,000 has been identified by SQW as being required to undertake the Gateway Review exercise in the Leeds City Region, including all lead-in

activity and reporting to Central Government. As part of the process of more robustly defining the required budget to undertake the activity, and in order to seek cost efficiencies, an exercise is underway to seek to establish the optimal mix of SQW resource and in-house WYCA resource in this area. A key area where cost efficiencies may exist relates to the data collection and analysis element.

3. Financial Implications

3.1. The work will require an allocation of up to £400,000 from the Growth Deal fund in relation to the West Yorkshire + Transport Fund.

4. Legal Implications

4.1. There are no legal implications directly arising from this report.

5. Staffing Implications

5.1. There are no legal implications directly arising from this report.

6. External Consultees

6.1. No external consultations have been undertaken.

7. Recommendations

7.1. It is recommended that the Investment Committee notes the progress towards the implementation of the Growth Deal.

7.2. The Investment Committee is requested to recommend to the West Yorkshire Combined Authority that the De-commitment Criteria as detailed in Appendix 3 should be approved and that projects identified within the de-commitment criteria should be given until 28 February 2018 to demonstrate satisfactory progress to remain in the programme. Where insufficient progress is demonstrated projects will then be considered for de-commitment at the Investment Committee on 5 June.

7.3. The Investment Committee is requested to recommend to the West Yorkshire Combined Authority approval of a maximum of £400,000 from the Growth Deal to fund the above Growth Deal Review activity.

8. Background Documents

8.1. None.