
Report to: West Yorkshire & York Investment Committee

Date: 18 April 2018

Subject: Leeds City Region Growth Deal Delivery

Director(s): Melanie Corcoran, Director of Delivery

Author(s): Lynn Cooper

1 Purpose of this report

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

2 Information

Growth Deal Monitoring

- 2.1 The table below summarises Growth Deal expenditure totalling £53.48 million to the end of February 2018.

	Target spend 2017/18	Spend to end February 2018	Estimated Outturn 2017/18
Priority 1 - Business	£13.52m	£9.32m	£12.87m
Priority 2 - Skills Capital	£29.33m	£21.27m	£24.97m
Priority 3 - Environmental Infrastructure	£8.07m	£1.24m	£3.27m
Priority 4a - Housing and Regeneration	£3.87m	£2.01m	£5.84m
Priority 4b - West Yorkshire plus Transport Fund	£37.46m	£19.65m	£42.50m
Priority 4c - Flood Resilience	£2.00m	£0	£0
Priority 4d - Enterprise Zones	£4.00m	£0	£0
Combined Authority Programme Management	£1.90m	£0	£1.9m
Total	£100.15m	£53.48m	£91.35m

- 2.2 The attached Growth Deal dashboard at **Appendix 1** and West Yorkshire plus Transport Fund (the Transport Fund) dashboard at **Appendix 2** detail the latest forecast expenditure and RAG rating of each project. It should be noted that the current difference of £37.87 million between expenditure at the end of February and the projected outturn of £91.35 million is made up of the following: contingency payments £12 million, Transport Fund quarter 4 claims circa £12 million (these will be accrued as they will not be received until after the final date for payments in the 2017/18 financial year), Combined Authority management costs £2 million, Skills Capital quarter 4 claims £3m, other claims circa £9 million. The area of greatest risk to achievement of expenditure lies with the Transport Fund claims from partner councils which will not be received until 13 April.
- 2.3 The current forecast spend for 2017/18 is within 10% of the £100.15 million target spend with a projected outturn figure of £91.35 million. Claims for the final quarter of 2017/18 were submitted by partner councils in mid-April and these are currently being reviewed. Considerable progress has been made over the year in driving the programme and its projects forward to delivery and a total of £137 million of Growth Deal funding was approved in 2017 through the assurance process, with £38.84 million of this forecast to be spent in 2017/18.
- 2.4 As agreed at the Investment Committee on 21 March, payments in 2017/18 include three key areas of contingency:
- East Leeds Orbital Route (ELOR) development costs,
 - York Outer Ring Road Phase 1,
 - New Bolton Woods Urban Village, Bradford.
- 2.5 The fourth contingency that was identified in 2017 was to bring forward spend for the planned ELOR Outer Ring Road Junctions. Planned payment against this project would have ensured that achievement of 100% spend against the 2017/18 target. However it was not possible to bring these works forward in 2017/18 as the preferred contractor, Carillion, went into liquidation. Funding will not be lost, but this has caused delays to the delivery of the scheme and resulted in a shortfall against target in Growth Deal expenditure for 2017/18.
- 2.6 One further contingency payment of £2 million was identified and has been paid on the A629 Phase 1a Jubilee Road to Free School Lane.
- 2.7 In considering the Leeds City Region's performance against target spend for 2017/18 the Cities and Local Growth Unit (which manages the Growth Deal Programme) will take into consideration the reasons for underspend particularly where they are out of the control of the Combined Authority and its partners.

Growth Deal 2018/19

- 2.8 The expenditure forecasts for 2018/19 are currently being finalised across all projects and are expected to increase in line with the target of £102 million. These forecasts will take into consideration dates for submission of documentation through the assurance process and will include profiled expenditure and target dates for submission of Expression of Interests for the new projects considered at the Investment Committee workshop held on 14 March 2018 (and due to be further considered at the Investment Committee in June 2018). Sponsors will need to adhere to these submission dates to ensure that the expenditure profile is met.
- 2.9 As part of the Growth Deal the Combined Authority has secured significant funding for the West Yorkshire plus Transport Fund, to which local contributions are also required. The ambition is to deliver a programme of schemes over a shorter timescale than over the twenty years for which funding has been granted. Borrowing will be required in order to achieve this, although not in the current year (this is reflected in the medium term financial strategy and capital resourcing requirements). Discussions have been underway for some time with the European Investment Bank (EIB) who can offer a flexible facility that could be utilised alongside traditional Public Works Loan Board type lending. Many of the schemes within the Transport Fund provide a good strategic fit to the EIB requirements.
- 2.10 Contract negotiations are continuing and upon their conclusion the Combined Authority will be requested to authorise the Director, Resources to enter into a finance contract with the EIB, to the value of £100m, which would enable the Combined Authority to undertake drawdowns over a five year term. The EIB require a specific approval to this effect; the Authority should note that the Director, Resources as the s73 finance officer, already has authority to enter into appropriate borrowing and investment arrangements within the approved treasury management strategy.

Project Progress and Performance

- 2.11 The following projects have been RAG rated as red and represent a risk to the delivery of the Programme:

Projects that continue to be rated at red:

- **Leeds Station Gateway – New Station Street**
The final design option for this project has now been identified but delays over the last year or so have meant that the timescales are outside of tolerances. The Combined Authority is currently working with Network Rail to agree a revised timetable for the implementation of the project.
- **Harrogate Road / New Line**
A compulsory purchase order was made on 25 January 2018 and a number of objections were received, consequently the project will

progress to public inquiry and confirmation of a date for this is awaited.

- **Leeds College of Building**

The forecast expenditure for 2017/18 for this project has reduced by £2 million to £2.79 million. Delays in letting the main contract have led to delays in spend. The majority of expenditure on the project will now take place in 2018/19.

- **York Guildhall**

The project was awarded £2.3 million towards the remodel of the historic Guildhall to create an office hub and café/restaurant. Spend has been lower than forecast to date due to contract savings, sub contract pricing delays and a delay to the start on site.

Escalated to red:

- **Bradford Forster Square**

Spend has been lower than forecast because of delays in development activity due to lack of resources that have now been addressed. The project was originally expected to commence construction in 2018/19 but is not now expected to commence until 2019/20. Currently it is progressing towards full business case.

3 Financial Implications

3.1 Financial implications are set out within the report.

4 Legal Implications

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

5 Staffing Implications

5.1 There are no staffing 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.

8 Background Documents

8.1 None.

9 Appendices

Appendix 1 – Growth Deal Dashboard

Appendix 2 – West Yorkshire plus Transport Fund Dashboard