West Yorkshire Combined Authority

Report to:	West Yorkshire Combined Authority
Date:	27 July 2020
Subject:	**Single Investment Fund**
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Is this a key decision?	☐ Yes ☒ No
Is the decision eligible for call-in by Scrutiny?	☒ Yes ☐ No
Does the report contain confidential or exempt information or appendices?	☐ Yes ☒ No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	

1. Purpose of this report

1.1 To provide the Combined Authority with further information to consider on the principles and design of a Single Investment Fund (SIF) as we transition to a Mayoral Combined Authority (MCA).

2. Context

2.1 On the 11 March 2020 West Yorkshire Leaders and Government signed a 'minded to' devolution deal for West Yorkshire. The deal sets out a raft of new powers, funding and responsibilities to be transferred from central Government to West Yorkshire, along with the adoption of a directly elected Mayor from May 2021. Key elements of the deal are summarised in item 7 on devolution.

2.2 As set out in the draft Economic Recovery Plan, current predictions of the economic impact of Covid-19 range from a £5bn to £12bn reduction in the size of the economy. Recovery will require substantial national investment, however devolution provides an opportunity for greater local control and decision-making over investments than previously. The Single Investment Fund gives the Combined Authority greater ability to prioritise their investments in a way that will make a real difference to people and communities in West Yorkshire – including interventions on skills, businesses, inclusion, climate and infrastructure.

Information

2.3 The proposed approach to the development of a SIF is designed to ensure it supports delivery of the MCA's agreed strategic objectives and provides an opportunity to create an overall 'single pot' which brings together all the MCAs funding (some of which is ring-fenced to a degree), including legacy and new funding streams secured as part of the devolution deal. The aim is to give greater local freedom and flexibility over how to prioritise investments to fully realise the region's economic ambitions.

2.4 The broad process proposed is shown on Appendix 1 but in summary is:

- The MCA agree priority strategies and policies, both regionally and locally.
- The MCA agree pipeline of investments, programmes and products to be delivered in priority order and considering the need to balance spending across different objectives.
- Requirements for revenue and capital are identified, including providing development costs to help projects progress quickly.
- A funding method is agreed, using ringfenced or specifically allocated funding where possible, reserving the gainshare for activity that cannot be funded from elsewhere.
- Delivery models are agreed for each funded investment, programme or product.
- As additional funding becomes available, further programmes and products in the pipeline can be funded.

2.5 Appendix 2 sets out how an approach led by the MCA's strategic priorities could support the delivery of the region's projects and programmes of activity to deliver inclusive growth, address our climate emergency, deliver transport improvements and increase productivity, to unlock our economic potential and accelerate growth. This would require an agreed pipeline of investments and programmes to be developed and kept constantly under review. For information, the development of this pipeline is underway, bringing together existing pipelines previously developed e.g. flooding, housing, skills, employment, culture and connectivity.

Matter to Consider

2.6 To achieve this level of ambition, the Combined Authority are asked to consider the SIF from the perspective that it is outcome focussed, where local decision making is clearly guided by the overarching Strategic Economic Framework (SEF). The SEF brings all the policies and strategies under a single banner, ensuring greater alignment and identifying priorities based on local knowledge and robust intelligence to drive evidence-based policy making. The SEF must in turn support the prioritisation of any investments, under pinned by the MCAs Assurance Framework. It is a requirement of the devolution deal that all spend must go through a Government approved Assurance Framework.

2.7 Work is currently underway to fully articulate the priorities of the SEF and will be reported to a future meeting. Once agreed the SEF priorities, and any associated strategies, would be used to demonstrate how the MCA invests its funding to the taxpayer. As well as setting out the context, objectives and targets of the MCA, this would also identify / define the criteria that will be used to select and prioritise projects, as well as the conditions for stopping or deprioritising. This would enable a range of factors to be identified in the assessment of schemes in order to support social, economic and environmental objectives.

2.8 It is proposed that the design of the approach should not mean an equal share across themes or geographies and therefore ‘places’ could expect to benefit in different ways and at different times.

2.9 Whilst the Government are currently keen to invest in levelling-up and infrastructure, led largely by capital investment, the SIF will need to be designed to respond more effectively to other funding opportunities as they arise, which are often unpredictable and very specific. The approach will need to be designed to be agile and flexible as opportunities arise supported by a clear set of investment priorities and strong project pipelines.

2.10 The key feature would therefore be that for many public sector schemes, the ‘*project’* could be underwritten by the SIF, without pinning this to an exact funding source. This could give scheme promoters the ability to progress without the distraction of having to secure all the funding by source and would overcome the constraint of time limited funding. However, it also means that the MCA would need to have a focus on removing projects from the programmes that fail to deliver against their profiles or stall beyond their agreed tolerances, which in turn places more focus on the robust management of the overall programme.

2.11 Additionally, match/co-investment would remain important and would sit alongside the SIF, and where projects or programmes are constrained by match funding this would remain a risk that would be managed within the project, not by the SIF.

3. Clean Growth Implications

3.1 There are no direct clean growth implications contained within this report.

4. Inclusive Growth Implications

4.1 There are no direct inclusive growth implications contained within this report.

5. Financial Implications

5.1 There are no direct financial implications contained within this report, although the report sets out broad propositions for the future management of finances.

6. Legal Implications

6.1 There are no direct legal implications contained within this report.

7. Staffing Implications

7.1 There are no direct staffing implications contained within this report.

8. External Consultees

8.1 There are no direct external consultation implications contained within this report.

9. Recommendations

9.1 That the Combined Authority consider and agree the approach set out in the paper to the Single Investment Fund and supporting Strategic Economic Framework for the MCA as part of the West Yorkshire Devolution Deal.

10. Background Documents

There are no background documents referenced in this report.

11. Appendices

Appendix 1 – Investment Fund proposed process

Appendix 2 – Strategic Economic Framework