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**Report to:** West Yorkshire Combined Authority

**Date:** 1 February 2018

**Subject:** Leeds City Region Growth Deal Programme Review

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12a, Local Government Act 1972, Part 1	

## 1. Purpose

- 1.1. To update WYCA on the implementation of the Growth Deal and seek agreement of actions to actively manage scheme performance.
- 1.2. Following the recent Call for Projects relating to potential Growth Deal funding, this report also presents recommendations that a number schemes are brought forward for consideration, pending the outcome of the programme re-profiling exercise and the future availability of funding, and subject to approval through the WYCA Assurance Process
- 1.3. To update WYCA on current activity relating to the 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 Delivery

- 2.1. A report on the delivery and progress of the Growth Deal is considered at each meeting of the Investment Committee. A call for new projects across all Strategic Economic Plan priorities was undertaken in 2017. In parallel there is an ongoing review of current projects included within the Growth Deal to ensure projects are making sufficient progress. The review of progress has identified a need to introduce both a mechanism to allow a tighter review of progress made on schemes that are currently not drawing down funding, and to consider the possible re-profiling of projects that are not progressing as expected. This would allow headroom within the programme to bring forward agreed projects from the Call for Projects.

## **Managing Scheme Performance**

- 2.2. The Growth Deal programme is now moving towards the end of the third year of delivery of a six year programme. There are a number of projects which appear to be behind programme, for a variety of reasons, and are not progressing as expected or required. These schemes currently have an indicative allocation in the Growth deal Programme. 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). It is therefore important to identify those projects that are currently not making sufficient progress. It is proposed that by 28 February 2018 projects which have not been spending allocations must be able to demonstrate that progress has been made against key milestones and provide clear justification setting out why they should remain within the Growth Deal programme. We will consider where projects can be separated from a particular funding source, such as Growth Deal, when projects have identified that targets can no longer be met within the given timescales. As a result schemes could remain in the Capital Programme with expenditure and outputs delivered beyond the Growth Deal timescales and therefore alternative funding sources could be sought for such schemes. Historically, funding allocations in the Growth Deal Programme have been carried forward to subsequent years, but beyond 2017/18 it is proposed that any carry forward will be by exception only.
- 2.3. On 3 January 2018 the Investment Committee considered the performance of schemes in the Growth Deal. In relation to West Yorkshire plus Transport Fund (WY+TF) projects, the Investment Committee proposed that projects should be re-profiled with phases over a longer timetable (the WY+TF is phased over a 20 year period commencing in 2015/16). 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.
- 2.4. Once projects have confirmed/ submitted their progress reports by 28 February, these will be considered by an Investment Committee Workshop that will take place in March. The conclusions from the Workshop, detailing the timing and profiling of projects, will be brought to the Investment Committee on 5 June 2018 and WYCA on 20 June 2018. This will allow clarification of the headroom available within priority areas to introduce new projects into the Growth Deal Programme.

## **Call for Projects**

- 2.5. In recent months, WYCA has received a number of submissions from scheme promoters who are seeking to bring new projects forward for entry into the 'pipeline' for delivery. No mechanism currently exists to support this, and any opportunity to support new projects is held back by the lack of headroom funding available.

- 2.6. The initial stage of this process commenced through a Call for Projects which was issued by WYCA on 24 August 2017, and was publicised on the WYCA website with a return date of 25 September 2017. The purpose of the Call was to focus on schemes that could be delivered by March 2021 with jobs and housing outputs delivered by March 2024. It was highlighted that no funding is currently available, but further consideration would be given to schemes once further funding had been identified.
- 2.7. There were 93 projects submitted, of which 70 pertained to the Growth Deal. The assessment of the submissions was based on the criteria that was provided, and which related to information set out in the WYCA Assurance Framework. All evaluations were moderated, with input from District partners.
- 2.8. Projects were categorised into a number of thematic areas, which broadly relate to Strategic Economic Plan (SEP) priorities. A summary table of the submissions is provided below:

Priority	Type	WYCA Grant	Total Project Size	No of Applicants
Priority 1	Growing Businesses	£89.74m	£251.37m	10
Priority 2	Skills Capital	£79.07m	£141.91m	17
Priority 4 (a)	Housing, Regeneration and Digital	£121.08m	£1,170.64m	17
Priority 4 (b)	Transport Infrastructure	£446.98m	£1,064.39m	20
Priority S&C	Culture and Sport	£18.78m	£65.82m	6
<b>Grand Total</b>		<b>£755.65m</b>	<b>£2694.13m</b>	<b>70</b>

- 2.9. It is recognised that the nature of the Call for Projects was necessarily restrictive in terms of delivery timescales. It should also be noted that with the development of the Local Inclusive Industrial Strategy, there may be a policy shift that lends itself to supporting a wider range of projects. As a consequence of these factors, it is proposed that a further Calls for Projects are given consideration and the timing and nature of this is to be determined by a future Investment Committee meeting.
- 2.10. A number of strong projects were submitted that would potentially deliver direct jobs and houses by 2021. Based on the information supplied, the strongest performing schemes which are recommended for taking forward are;
- LCR Enterprise Zones Programme Phase 2, EZ Local Authorities (seeking £33.8m) – SEP Priority 1
  - Institute for High Speed Railways and System Integration, University of Leeds (seeking £10.88m) – SEP Priority 1;
  - York Central Phase 1 Kickstarter, City of York Council (seeking £16.3m) – SEP Priority 4a;
  - Wakefield City Centre South East, Wakefield Council (seeking £5.5m) – SEP Priority 4a;

- Halifax Living, Calderdale Council (seeking £1m) – SEP Priority 4a;
  - City Centre Heritage Properties, Bradford Council (seeking £7.2m) – SEP Priority 4a – SEP Priority 4b;
  - City Connect Cycle Programme Phase 1 and 2 Extension, WY-wide (seeking £11.402m) – SEP Priority 4b;
  - Rail Station Car Park Extension Programme Phase 2, WY-wide (seeking £54.94m, which is scalable) – SEP Priority 4b; and
  - Stourton Inland Port, Canal and River Trust (seeking £1.8m) – SEP Priority 4b.
- 2.11. There are also a number of potential pipeline schemes for delivery post-2021, including some which are seeking feasibility funding or additional allocations from the WY+TF. These include ambitious transport and regeneration schemes such as Huddersfield Station Gateway, Kirklees Council (seeking £27m) and Leeds City Centre Package, Leeds CC (seeking £30.3m). WYCA are currently working with scheme sponsors to identify where elements of a phased delivery by 2021 are achievable
- 2.12. Following the Investment Committee meeting on 3 January, letters have been sent to project sponsors to request further information on the schemes listed in 2.11 and 2.12 above. It is proposed that WYCA indicate our in-principle support to these schemes, subject to successful progression through the WYCA Assurance Process and the availability of funding. These schemes will be termed the 'Reserve List'. If further Calls for Projects are made, submissions from future calls will be considered alongside schemes submitted in the recent call for projects to ensure transparency. Project sponsors will be given the opportunity to update/ revise previous submissions.
- 2.13. In terms of the priority area around Sport & Culture, there is currently no clear funding source for these schemes, and although some interesting proposals were submitted, a WYCA policy shift will be required to support them. The Local Inclusive Industrial Strategy is currently being developed, which may assist in addressing this issue.

### **Government Assessment: Growth Deal Gateway Review**

#### **Overview**

- 2.14. 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.

- 2.15. As was reported to the November 2017 Investment Committee, to date, eleven city-regions, including Leeds City Region, 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.
- 2.16. 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.
- 2.17. 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.
- 2.18. 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**

- 2.19. 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.
- 2.20. 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.
- 2.21. 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.

2.22. 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.

2.23. 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.

2.24. 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.

2.25. 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. The cost of this work will be directly funded from the Growth Deal. We are challenging the scale of this budget requirement. 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. An update will be provided to Investment Committee on the revised budget figure following the conclusion of discussions with SQW.

### **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 staffing implications directly arising from this report.

### **6. External Consultees**

- 6.1. No external consultations have been undertaken.

### **7. Recommendations**

- 7.1. That WYCA approves:
  - (i) In-principle support to the projects identified in 2.10 and 2.11; LCR Enterprise Zones Programme Phase 2; Institute for High Speed Railways and System Integration; York Central Phase 1 Kickstarter; Halifax Living; Wakefield City Centre South East and Bradford City Centre Heritage Properties; City Connect Cycle Programme Phase 1 and 2 Extension; Rail Station Car Park Extension Programme Phase 2; Stourton Inland Port; Huddersfield Station Gateway; and Leeds City centre Package and these projects are brought forward for consideration for entry into the WYCA pipeline list, pending the outcome of the programme re-profiling exercise and the future availability of funding, and subject to approval through the WYCA Assurance Process.
  - (ii) A maximum of £400,000 to be funded from the Local Growth Fund to fund the Growth Deal Review activity as detailed in this report.

### **8. Background Documents**

- 8.1. None.

### **9. Appendices**

- 9.1. None.