

Report to: West Yorkshire & York Investment Committee

Date: 9 January 2019

Subject: **Capital Programme Three Year Budget and Update**

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1. Purpose of this report

- 1.1 To provide the Committee with the draft indicative three year capital programme that will be considered by the West Yorkshire Combined Authority at its meeting in February 2019.
- 1.2 The report also includes an update on actions to be undertaken to achieve the Growth Deal target spend, notes the review of the Growth Deal that is currently underway and provides an update on the independent evaluation of the Transport Fund.

2. Information

- 2.1 In February each year the Combined Authority considers a three year forecast budget for both capital and revenue expenditure. This report details the proposed capital programme budget that will be presented to the Combined Authority and which is required to inform the treasury management strategy and set the required prudential indicators.
- 2.2 The Combined Authority has been successful in securing significant external funding to support its delivery of the ambition set out in the Strategic Economic Plan. The number of projects funded through these programmes is currently in the region of 250 but it continues to rise.
- 2.3 **Appendix 1** summarises the Combined Authority's expected outturn for 2018/19 and three year forecast capital programme to 2021/22. The amount received in each year on each programme is either agreed with Government in advance or is claimed in arrears (after the money has been paid out by the Combined Authority). Where capital funding is received in accordance with an agreed profile there is often a balance of funding held within the Combined Authority's accounts and these figures are included in the brought forward and carried forward columns. The figures included in the table are currently in draft and further work will be required to finalise these before they are submitted for consideration to the Combined Authority meeting in February 2018.

- 2.4 In the Combined Authority budget report approved in February 2018 a profile of income had been agreed with Government for the Local Public Transport Investment Fund (LPTIP). The Combined Authority has now been notified that the funding will not be paid in accordance with this profile and that instead the funding paid will reflect the expected spend profile. This means that income will not be received on this programme in 2018/19. The Department for Transport has also confirmed that all expenditure must be achieved by March 2021.

Borrowing

- 2.5 The emphasis of the Growth Deal is on delivering job and housing outputs. Whilst the current Growth Deal is largely fully allocated against specific schemes it is recognised that over time additional projects will emerge and the current projects may change in scope and timing. The call for projects earlier in the year identified new projects that could contribute further to the jobs and housing outcomes and with the inclusion of these in the programme. With additional projects entering the programme there is a risk that the Growth Deal funding available may be insufficient to cover our commitments. This will be closely monitored and at the meeting of the Combined Authority on 28 June 2018 it was recognised that further funding of up to £90 million may be required to meet this risk.
- 2.6 This potential borrowing requirement will be monitored and reported as the Call for Projects and further funding for existing projects receive approval.
- 2.7 The West Yorkshire plus Transport Fund involves a local contribution of £217 million to support the delivery of the full programme of over £1 billion. The level of borrowing required by the partnership in the final two years of the current Growth Deal for the Transport Fund was always expected to be circa £40 million. Forecasts across the Transport Fund projects currently show a level of borrowing requirement significantly higher than this amount. Discussions are currently ongoing with district partner finance officers to establish the level of required borrowing. In the meantime the assumption is that the borrowing required on the programme by March 2021 will be circa £60 million.

Growth Deal Annual Conversation

- 2.8 The Growth Deal Annual Conversation took place on 13 December 2018. This involved a full review of the progress of the programme. All Local Enterprise Partnerships are assessed against set criteria which cover governance, delivery and strategy. A formal response is expected in February 2019.

Independent Evaluation of Local Growth Interventions

- 2.9 As part of the terms of the Growth Deal award to the Leeds City Region, an independent review of the impact of locally appraised interventions is to be

undertaken at the first five year gateway (also known as the Gateway Review 2019). Leeds City Region is one of four areas subject to this evaluation in 2019 – the other areas are Glasgow, Manchester and Cambridge.

- 2.10 Economic consultants SQW Limited are leading the National Evaluation Panel responsible for the monitoring and evaluation of investment funds across the UK. SQW have been commissioned to evaluate the Transport Fund and the first output of the research is a baseline report, which is expected to be issued in January 2019. Several strands of activity fed into the baseline report, including survey work and strategic interviews to establish a local capacity and partnership working baseline, work to look at how the economy was expected to develop since the launch of the Transport Fund in 2014, and progress to date on the delivery of transport funded schemes. The baseline report draft is currently being finalised, and a summary of the findings will be presented at the next meeting.
- 2.11 SQW are now starting work on a one-year out report, which is due early in 2019. This will assess progress of individual transport fund interventions, in terms of spend to date, outputs and when they will be realised relative to the position 12 months ago. This work will conclude in December 2019, with a final report to inform the first gateway review of the fund. The first gateway review will be completed by Government by the end of March 2020.

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 indicative three year capital programme that will be considered by the Combined Authority at its meeting in February 2019.

8. Background Documents

- 8.1 None.

9. Appendices

Appendix 1 – West Yorkshire Combined Authority Forecast Capital Programme