
Report to: West Yorkshire and York Investment Committee

Date: 13 March 2019

Subject: **Capital Spending and Project Approvals**

Director: Melanie Corcoran, Director of Delivery

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1 Purpose of this report

- 1.1 To put forward proposals for the progression of, and funding for, a number of West Yorkshire Combined Authority supported projects, including West Yorkshire plus Transport Fund (Transport Fund) and Growth Fund, for consideration by the Investment Committee at stages 1, 2 and 3 of the Combined Authority's assurance process.
- 1.2 The Investment Committee has delegated decision making authority, this was approved by the Combined Authority on 13 December 2018. Where Investment Committee is asked to make an approval decision this will be highlighted in the summary table and made clear in the recommendations.
- 1.3 This report presents proposals for the progression of seven schemes through the Combined Authority's assurance process in line with the Leeds City Region Assurance Framework. These schemes have a total combined funding value of £362.487 million when fully approved, of which the total value of £74.683 million will be funded by the Combined Authority. No expenditure recommendation is sought as part of this report. Further details on the schemes are summarised below and can be found as part of this report.

<u>Scheme</u>	<u>Scheme description</u>
<p>Leeds City Region Growth Service</p> <p>Leeds City Region</p>	<p>This scheme will deliver a dedicated, flexible business support service for the Leeds City Region's larger small and medium enterprises (SMEs). The support will be delivered by a team of 19 SME Growth Managers as a key component of the Leeds City Region Growth Service. The Growth Managers will be located within the City Region's districts and employed by the local authorities. They will provide information, diagnosis and brokerage function for their clients. This involves understanding the needs of the business and then linking them directly to the right support at the right time to meet their ongoing business needs. This will enable engagement with a broader range of businesses,</p>

	<p>whilst giving bespoke intensive support to 690 businesses focusing on assisting them with their growth, sustainability and resilience</p> <p>The scheme fits with Priority 1 of the Leeds City Region Strategic Economic Plan to boost business growth productivity, exports and investment by linking businesses to support and funding, including through the LEP Growth Service, Skill Service and support from other partners, including the Department for International Trade.</p> <p><u>Impact</u></p> <p>The scheme is considered to offer good value for money when compared against national comparator data for business support schemes.</p> <p>The SME's supported will improve their business resilience and, as a result, be in a stronger position to address future challenges and take advantage of future opportunities for growth. A significant proportion of the SMEs will receive support with property relocation / reconfiguration, which will make their futures more secure, sustainable and productive.</p> <p>The project will focus on business resilience by supporting the SMEs to undertake more holistic and longer-term financial planning that will enable them to address the challenges, and take advantage of any opportunities, arising from Brexit</p> <p>At a more macro level, the Leeds City Region will become stronger as a result of 690 of its SMEs becoming more resilient, sustainable and productive. This will enable them to strengthen their positions within national and international markets and continually introduce new products and processes.</p> <p><u>Decision sought</u></p> <p>Approval to proceed through decision point 2 and work commences on activity 5 (full business case with finalised costs) subject to external funding being secured.</p> <p>Total project value - £3,401,756. Total value of Combined Authority funding - £2,465,413 (£1,700,878 European Structural and Investment Funds, £764,535 Department of Business, Energy and Industrial Growth Hub) – not yet secured. The remaining contribution to total scheme costs will be from district partners who will fund £936,343.</p> <p>Funding recommendation sought - £0</p> <p>A recommendation to the Combined Authority is sought as part of this report.</p>
<p><u>Scheme</u></p> <p>Resource Efficiency Fund 2</p> <p>Leeds City Region and North Yorkshire local authority areas (excluding Barnsley)</p>	<p><u>Scheme description</u></p> <p>The Resource Efficiency Fund 2 (REF 2) project will provide both grant support and advice to Small to Medium Enterprises (SMEs) to help them become more resource efficient.</p> <p>This scheme will contribute significantly towards Priority 3 of the Strategic Economic Plan and aligns closely with the new 'Clean Growth' Combined Authority corporate priority. The</p>

	<p>project will provide support advice and/or grants to SMEs to improve their energy and resource efficiency.</p> <p>The project will:</p> <ul style="list-style-type: none"> • Offer SMEs advice and capital grants to reduce water, energy and waste consumption and to adopt circular economy principles. • Reduce SME costs, enabling them to be more productive and competitive. • Reduce carbon emissions estimated at 2,500 tonnes per annum. • Leverage in over £2.8 million ERDF funding and over £2.5 million private sector match funding. <p><u>Impact</u></p> <p>The value for money of the scheme appears to be good at this stage of scheme development.</p> <p>Up to 392 SMEs with Environmental Resource Efficiency (ERE) assessments.</p> <p>Approximately 169 grants (including the introduction of new large grants)</p> <p>Up to 66 SMEs supported, helping to create new circular, resource efficient business models, products or services (circular economy support).</p> <p>The scheme's wider social benefits include potential for improvements to employees' health and wellbeing through changes to the working environment as well as for both social and environmental benefits as a result of promotion of the Circular Economy business model approach.</p> <p><u>Decision sought</u></p> <p>Approval to proceed through decision point 2 and work commences on activity 5 (full business case with finalised costs) subject to external funding being secured.</p> <p>Total project value - £6.293 million</p> <p>Total value of Combined Authority funding - £3.786 million (This includes the funding covering the York and North Yorkshire elements of the scheme which the Combined Authority will be the accountable body for) (Local Growth Fund)</p> <p>Funding recommendation sought - £0</p> <p>A recommendation to the Combined Authority is sought as part of this report.</p>
<p><u>Scheme</u></p> <p>Leeds Flood Alleviation Scheme 2</p>	<p><u>Scheme description</u></p> <p>The Leeds Flood Alleviation Scheme (FAS) Phase 2 comprises Flood alleviation works to the River Aire - north west of Leeds Station to Apperley Bridge. It will extend linear and natural flood defences upstream of Leeds City Station to increase the standard of protection against flood events to withstand a 1 in 200-year event, upon completion of the works at Calverley, building on the defences provided in central Leeds for the River Aire by FAS Phase 1 in 2017.</p>

	<p>The scheme is funded by Defra and the Environment Agency, Leeds City Council, ESIF, Local Growth Fund with current applications to the Forestry Commission, Network Rail and others.</p> <p><u>Impact</u></p> <p>Benefit to Cost Ratio of 9:4:1 including GVA.</p> <p>The scheme's wider social benefits include creating commercial confidence, improving health and wellbeing for surrounding communities made free from stress about flooding and benefiting from enhanced riverside access and urban greenspace.</p> <p>The Local Growth Fund flood alleviation programme aims to reduce the flood risk of 1,385 businesses and therefore safeguard 11,000 jobs</p> <p><u>Decision sought</u></p> <p>Approval to proceed through decision point 3 and work commences on activity 5 (Full business case with finalised costs)</p> <p>Total value - £112 million</p> <p>Total value of Combined Authority funding – £3.9 million (Local Growth Fund)</p> <p>Funding recommendation sought – £0</p> <p>A recommendation to the Combined Authority is sought as part of this report.</p>
<p><u>Scheme</u></p> <p>A61 (North) Bus Priority Corridor</p> <p>Leeds</p>	<p><u>Scheme description</u></p> <p>The scheme consists of a series of improvements to bus prioritisation and complementary walking and cycling measures. This includes the extension of bus lanes, the reallocation of road space to provide shared bus/cycle lanes and key junction improvements</p> <p>The scheme supports Priority 4 (Infrastructure for Growth) of the Strategic Economic Plan. It is part of and funded by the Leeds Public Transport Investment Programme (LPTIP) and will be funded through the devolved Department for Transport funding.</p> <p><u>Impact</u></p> <p>The forecast benefit cost ratio (BCR) is 1.87:1 which represents 'medium' value for money (VfM) The scheme's wider social benefits include providing better accessibility to jobs and services for local communities, particularly lower income groups in north Leeds and helping to reduce levels of nitrogen oxides on this key transport corridor</p> <p><u>Decision sought</u></p> <p>Approval to proceed through decision point 3 and commence work on activity 4 (full business case)</p> <p>Total value - £16.1 million</p> <p>Total value of Combined Authority funding - £16.1 million (Leeds Public Transport Investment Programme)</p> <p>Funding recommendation sought - £0</p>

	<p>A recommendation to the Combined Authority is sought as part of this report.</p>
<p><u>Scheme</u> Wakefield South East Gateway Wakefield</p>	<p><u>Scheme description</u></p> <p>This scheme will assist the next phase of regeneration of the South East Gateway in Wakefield through the restoration of Rutland Mill into a creative industries jobs hub; and delivery of site acquisition and clearance of Kirkgate brownfield sites to enable the delivery of new homes.</p> <p>The scheme is to be funded by the Local Growth Fund.</p> <p><u>Impact</u></p> <p>The economic case has monetised the benefits that could result from the scheme and the resulting GVA demonstrates that the project could have a positive benefit cost ratio (BCR) of 14.1. However, in light of the risks associated with the project more work is needed as part of the FBC to further inform the scenarios that have been tested.</p> <p>The scheme's wider social benefits include new local employment opportunities, homes and attracting footfall to Wakefield.</p> <p><u>Decision sought</u></p> <p>Approval to proceed through decision point 3 and work commences on activity 4 full business case.</p> <p>Total value: £32.62 million</p> <p>Total value of Combined Authority funding – £6.5 million (Local Growth Fund)</p> <p>Funding recommendation sought - £0</p> <p>A recommendation to the Combined Authority is sought as part of this report.</p>
<p><u>Scheme</u> Dewsbury Riverside Kirklees</p>	<p><u>Scheme description</u></p> <p>This scheme involves the provision of site access and sustainable urban drainage systems (SuDS) infrastructure to bring forward the development of the first phase of 240 homes at Dewsbury Riverside at two sites; Lees Hall Road and Ravensthorpe Road.</p> <p>The scheme supports Priority 4 (Infrastructure for Growth) of the Strategic Economic Plan and Dewsbury Riverside is part of the North Kirklees Growth Zone (NKGZ) which is a recognised Spatial Priority Area.</p> <p>The scheme is the first phase of proposals to develop up to 4,000 new homes at Dewsbury Riverside which are the subject of a bid to the Housing Infrastructure Fund (HIF).</p> <p><u>Impact</u></p> <p>The scheme represents good value for money at this stage and this will be assessed further at full business case. This initial phase of development has a number of potential benefits linked the wider Dewsbury Riverside development including:</p> <ul style="list-style-type: none"> • Providing a catalyst for future housing development in the area

	<ul style="list-style-type: none"> • Establishing a quality benchmark for standards for future housing development • Enabling the development of an integrated flood risk reduction programme, incorporating flood defences, green infrastructure SuDS and sustainable development across the entire area. <p><u>Decision sought</u></p> <p>Approval to proceed through decision point 3 and work commences on activity 4 (Full business case)</p> <p>Total value - £4.612 million</p> <p>Total value of Combined Authority funding - £4.612 million (Local Growth Fund)</p> <p>Funding recommendation sought - £0 million</p> <p>A decision by the Investment Committee using the delegated authority from the Combined Authority is sought as part of this report.</p>
<p><u>Scheme</u></p> <p>York Central: Access Road and Station Access Improvements</p> <p>York</p>	<p><u>Scheme description</u></p> <p>The scheme involves the delivery of infrastructure, accessibility and public realm improvements at York Central and York station to support the delivery of a major mixed-use scheme in the centre of the City.</p> <p>The West Yorkshire plus Transport Fund will contribute to the funding of:</p> <ul style="list-style-type: none"> • A new access road into York Central to ‘unlock; housing and employment sites for development by the private sector • A series of accessibility and public realm improvements to the front (eastern side) of York station • Pedestrian access improvements to the western station entrance into the York Central site <p>The delivery of these elements of the scheme are dependent on City of York (CYC) Council funding and on securing match funding from the Housing Infrastructure Fund (HIF).</p> <p><u>Impact</u></p> <p>The forecast benefit cost ratio (BCR) of the scheme is 1.2:1 which represents low value for money as a stand-alone transport scheme. However, the core objectives of the scheme are to facilitate the delivery of up to 2,500 new homes (20% affordable) and a minimum of 76,000m2 of new commercial floorspace. It has the potential to generate up to 6,000 (gross) new jobs which could generate significant Gross Value Added (GVA) benefits to the Leeds City Region (LCR) and demonstrate potentially good value for money in terms of the public sector cost per job created.</p> <p><u>Decision sought</u></p> <p>Approval to proceed through decision point 4 (Full business case) and work commences on activity 5 (Full business case plus costs) subject to the conditions set out in this report</p>

	<p>Total value of scheme - £187.46 million</p> <p>Total value of Combined Authority funding - £37.32 million (a £4.32 million increase to the indicative scheme costs from the Gateway 1 approval of £33 million) (West Yorkshire plus Transport Fund)</p> <p>Funding recommendation sought - £0</p> <p>A decision by the Investment Committee using the delegated authority from the Combined Authority is sought as part of this report.</p>
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- 1.4 This report also presents recommendations for the following scheme that has had a change request assessed in line with the Combined Authority's assurance process. This scheme has a funding value of £10.828 million when fully approved, of which £10.828 million will be funded by the Combined Authority. Further details on the scheme is summarised below and can be found as part of this report.

<u>Scheme</u>	<u>Scheme description</u>
<p>Superfast West Yorkshire and York - Contract 3</p> <p>West Yorkshire and York</p>	<p>The City Region's Strategic Economic Plan (SEP) has laid out an ambition to achieve 99% superfast broadband 30 megabits per second connectivity across West Yorkshire and York by 2018/2019. The Superfast West Yorkshire and York Broadband (SWYY) programme is well on the way to meeting this ambition with the first two contracts of the programme on track to deliver up to 98% by 2021.</p> <p>Phase 3 will deploy broadband infrastructure across the West Yorkshire and York geography within some of the hardest to reach urban and rural areas, areas not already targeted through a commercial roll out and areas not targeted by the previous phases.</p> <p>The scheme is funded from the Department for Environment, Food and Rural Affairs (DEFRA), European Structural and Investment Funds (ESIF / ERDF), Business Rate Pool Allocation and gainshare (carried forward from the West Yorkshire Broadband Contacts 1 and 2.</p> <p><u>Impact</u></p> <p>The scheme will lead to a gross value added (GVA) over 15 years of around £100 million.</p> <p>The scheme's wider social benefits include improving the sustainability of local businesses and enabling expansion and increased access to employment.</p> <p><u>Decision sought</u></p> <p>Activity 3 Change Request to reduce the total scheme costs as a result of the Combined Authority being in receipt of a reduced level of funding than was forecast at decision point 2 when funding bids had just been submitted. There is also a proportionate reduction to the forecast scheme outputs.</p> <p>Total value - £10.828 million</p> <p>Total value of Combined Authority funding - £10.828 million (Department for Environment, Food and Rural Affairs, European Structural and Investment Funds and gainshare</p>

	<p>(carried forward from the West Yorkshire Broadband Contracts 1 and 2))</p> <p>Funding recommendation sought - £0</p> <p>A decision by the Investment Committee using the delegated authority from the Combined Authority is sought as part of this report.</p>
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1.5 Since the Investment Committee’s meeting in February 2019, the following decision points and change requests have been assessed in line with the Combined Authority’s assurance process and approved through the agreed delegation to the Combined Authority’s Managing Director. Under the delegation a total expenditure of £1.378 million has been approved.

<p><u>Scheme</u></p> <p>Harrogate Road/New Line Junction Improvement</p> <p>Bradford</p>	<p><u>Scheme description</u></p> <p>This scheme will rebuild the Harrogate Road / New Line Junction to create junction improvements to ease congestion.</p> <p>The expected outputs of the scheme are to reduce congestion, increase safety provision for cyclists and pedestrians and support delivery of significant new housing developments together with longer term development opportunities.</p> <p><u>Decision made</u></p> <p>The change request approved an increase of £990,000 in approved funding up to full business case (decision point 4), taking total approval to £2.875 million.</p>
<p><u>Scheme</u></p> <p>Apprenticeship Grants for Employers (AGE)</p> <p>Leeds City Region</p>	<p><u>Scheme description</u></p> <p>The scheme offers grants to employers to encourage and support more businesses to offer apprenticeship opportunities.</p> <p><u>Decision made</u></p> <p>The Activity 6 change request approved a revision to the size of business which could access grants to ones with 249 employees or fewer (previously 50 employees or less), any apprenticeship following the apprenticeship framework can access grants (previously it was limited to defined sectors) and an increase to the value of the core grant from £1,500 to £2,000.</p>
<p><u>Scheme</u></p> <p>Natural Flood Management - Upper Aire</p>	<p><u>Scheme description</u></p> <p>A programme of flood risk management projects has been developed that will improve the resilience of businesses in Leeds City Region Spatial Priority Areas.</p> <p>The expected outputs and benefits of the scheme are: flood risk reduction to 865 homes and 53 businesses; creation of 145 hectares of quality green infrastructure and creation of new woodland through planting 10,000 trees.</p> <p><u>Decision made</u></p> <p>Decision point 5 (full business case with finalised costs) for total project value of £408,000 is given and a Combined</p>

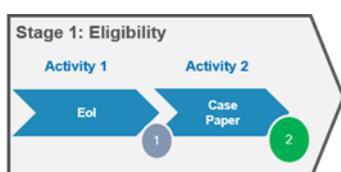
	Authority contribution of £388,000 (Local Growth Fund) and work commence on activity 6 (delivery).
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2 Information

- 2.1 The background information on the Combined Authority’s assurance framework through which each of the schemes outlined in this report are being approved is provided in **Appendix 1**. In addition, this appendix also provides a description of the approach for the future assurance approval pathway and the assurance tolerances for each scheme.

Programmes and projects for consideration

Projects in stage 1: Eligibility



- 2.2 Projects at the eligibility stage are seeking entry into the portfolio and should demonstrate a strategic fit in terms of project outcomes, with further project definition including costs and detailed timescales to be developed as the project progresses through the assurance process. At this stage funding may be sought to enable this work to progress.

Project Title	Leeds City Region Growth Service
Stage	1 (Eligibility)
Decision Point	2 (Case paper)

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

Background

- 2.3 This scheme will deliver a dedicated, flexible business support service for the Leeds City Region’s larger SMEs. The support will be delivered by a team of

19 SME Growth Managers as a key component of the Leeds City Region Growth Service. The Growth Managers will be located within the City Region's districts and employed by the local authorities. They will provide information, diagnosis and brokerage function for their clients. This involves understanding the needs of the business and then linking them directly to the right support at the right time to meet their ongoing business needs.

- 2.4 The project is open to all SMEs (less than 250 employees and annual turnover of under circa £40m) in Leeds City Region, but will primarily target those in the current priority sectors of the LEP's Strategic Economic Plan. 306 of the 690 businesses to be supported will receive more intensive support (i.e. minimum of 12 hours, remainder min. of 3 hours each) and these are expected to be larger ones (50+ staff) that are involved in international trade and are positioned within larger supply chains. They are also likely to be those that have current requirements to move or adapt their premises as there will be specific support available from the project to assist with this. Current intelligence points towards an ongoing increase in property requirements for larger SMEs.
- 2.5 The project will focus on business resilience by supporting the SMEs to undertake more holistic and longer-term financial planning that will enable them to address the challenges, and take advantage of any opportunities, arising from Brexit. This will be particularly important for businesses involved in international trade and that have employees from EU member states. It will also focus on SMEs that are in larger supply chains and also have numerous suppliers of their own. Private sector support will be procured to develop a financial health check product that will be used to improve cash-flow and risk management. The SMEs will also be directly referred into the Brexit preparation support available from the Department for International Trade and the Chambers of Commerce.
- 2.6 Examples could include brokering the businesses to export and innovation support schemes, assisting businesses to apply for capital grant investments, supporting businesses to work with a Higher Education Institution or directly assisting businesses with their property expansion requirements. The most important factor throughout is to remain responsive to the ongoing needs of the businesses, and to ensure that they are supported to meet ongoing challenges, and / or, take advantage of emerging opportunities. There remains a focus on growth, but also on business resilience and planning in the current environment.
- 2.7 The existing LEP Growth Service commenced in April 2015 (officially launched in July 2015) and since then has been funded by Government (BEIS) via its Growth Hub allocation. The LEP and Combined Authority received £612,500 in the first year (15/16) and £512,500 per year since (16/17), with this funding committed until the end of 19/20 at present.
- 2.8 Approximately half of the funding from Government has to date been used to 50% fund the salaries of the existing 10.5 FTE Growth Managers employed by the Local Authorities (LAs) of Leeds City Region, but who operate under the LEP brand, with the other 50% coming from the LAs.

- 2.9 If this funding is approved, the service will secure an additional £1.701 million of ERDF funding over three years from April 2019 to provide a more intensive support service to 690 of its larger SMEs.
- 2.10 To date, the Growth Service has supported over 4,000 SMEs with light-touch support and over 2,000 with more intensive support. The Growth Service has managed over 5,000 enquiries from new and existing businesses and has achieved a customer satisfaction rate of 86%. The LEP products accessed from the Growth Service have created over 4,000 jobs to date, and helped to safeguard another 1,500.
- 2.11 The objectives of the scheme are:
- Support and facilitate the growth and sustainability of strategically-important SMEs in Leeds City Region
 - Put SMEs in stronger positions to identify, and plan effectively for, short to mid—term changes in the economic, regulatory and legislative environment
 - Gather direct intelligence from SMEs on the main issues, challenges and opportunities facing them in the current climate
 - Develop a methodology for identifying the most strategically important SMEs within a district
 - Support a number of SMEs to find sustainable, long-term solutions to their accommodation requirements
 - Develop a contemporary financial health product and successfully apply it for SMEs
 - Support SMEs to trade more successfully and sustainably within the national and international markets.
- 2.12 The scheme fits with priority 1 of the Leeds City Region Strategic Economic Plan.
- 2.13 A summary of the scheme’s business case is included in **Appendix 2**.

Outputs, benefits and inclusive growth implications

- The SME’s supported will improve their business resilience and, as a result, be in a stronger position to address future challenges and take advantage of future opportunities for growth. A significant proportion of the SMEs will receive support with property relocation / reconfiguration, which will make their futures more secure, sustainable and productive.
- At a more macro level, the Leeds City Region will become stronger as a result of 690 of its SMEs becoming more resilient, sustainable and productive. This will enable them to strengthen their positions within national and international markets and continually introduce new products and processes.

- The Government's backing for the Growth Service is clear indication of it meeting national policy objectives in the field of business support, and that obviously extends to the Growth Manager function. In addition, the emerging National Industrial Strategy has a clear focus on improving productivity, which is also a primary aim of this project and of the LEPs own response to the 'long tail' productivity challenge.
- The ongoing work of the existing 10.5 Growth Managers will contribute to the provision of efficient local referral routes to ensure that small and medium enterprises are able to identify and access the most appropriate and tailored support to meet their need specific growth needs.
- The new 8.5 Growth Managers will support small and medium sized enterprises to develop focussed growth strategies and update or introduce new business models which will drive business performance. The property and financial health elements of the project will clearly align to this.
- The existing and new Growth Manager will provide elements of 'leadership and management support where connected to the development and implementation of a business growth plan. They will refer their client to more intensive support in this area where appropriate e.g. through the new Skills Service, the Godman Sachs 10k small businesses programme, Export for Growth, Manufacturing Growth Programme, Supply Chain Development Programme and the LEPs SBG programme.
- Existing clients will be referred to grant schemes to support productive investment and the provision of advice and consultancy on access to finance. The new Investment Readiness project will be a key referral product and the Growth Manager's most common product-referral is to the LEPs Capital Grants programme.
- 306 SMEs receive a minimum of 12 hours support.
- 690 SMEs receive a minimum of 3 hours of (Information, Diagnostic and Brokerage) IDB support.

Risks

2.14 The key design and delivery risks to the scheme and associated mitigation measure are: -

- The Combined Authority is not successful in gaining ESIF funding. The existing Growth Manager would continue to deliver account management support within the current Growth Service model and other sources of funding would be explored e.g. Local Growth Fund, Business Rates Pool and Growing Places Fund, but these are currently scarce in terms of Revenue funding. The opportunity to increase the Growth Manager resource and, in the process, provide more focussed and intensive support to a cohort of large SMEs would be lost.

- The Combined Authority receives a smaller ESIF grant than anticipated. The project model is adaptable to the resources available to the resources available as the investment is primarily in staff who will directly work with the SMEs. Therefore, if the amount of ESIF is reduced, the new Growth Manager resource would have to be reduced accordingly, and there would be a proportionate reduction on the number of SMEs supported.
- The award of the ESIF funding is delayed. As referenced above, the adaptability of the delivery model means that support to SMEs could still be delivered at whatever point in time the project commences. However, the current economic and legislative climate clearly point towards the need for SMEs to access support in the short-term, in order to put them in stronger financial and operational positions for the medium to long-term.
- The level of award for BEIS. At present, there is only funding committed from BEIS for 19/20, which means funding needs to be secured for the other two years of the project if BEIS does not extend the current Growth Hub funding. The likelihood of extended BEIS funding is reasonably high, but other options need to be fully explored so that the Combined Authority can match the three-year commitment of the Local Authorities to 50% fund the existing team of 10.5 FTE Growth Managers. Work is ongoing in this area, with Local Growth Deal, Growing Places Fund and Business Rates Pool identified as potential options, although none can be guaranteed for a range of valid reasons.
- There is a risk of clawback on all ERDF-funded projects, but this is mitigated by the Combined Authority's considerable experience and expertise in successfully managing ERDF projects.
- Ensuring that the SMEs most likely to benefit from the support are the ones that access it, will be a key priority to ensure that the resources are used most effectively. This will be mitigated by the utilisation of existing business networks and relationships in the districts, with private sector intermediaries and with business membership groups, and by integrating the support within the wider LEP Growth Service to ensure that any business that makes an enquiry can access as appropriate amount of support.

Costs

- 2.15 The current total forecast cost of the scheme is £3,401,756
- 2.16 The Combined Authority will fund £2,465,413 of the scheme costs, which will be funded as follows
- ESIF funding - £1,700,878
 - BEIS Growth Hub funding - £764,535
- 2.17 Both of these funding sources are in the process of being applied for and have not been confirmed yet.

2.18 The remaining contribution to total scheme costs will be from local authority partners who will fund £936,343.

2.19 If the Combined Authority is successful in securing the ESIF funding, the Combined Authority will be required to enter into a Funding Agreement with the Ministry for Housing, Communities and Local Government

Timescales

- Decision on ESIF funding is expected mid-March 2019
- Forecasted decision point 5 approval is April 2019
- Scheme start date – April 2019
- First businesses assisted – May 2019
- Scheme end date - March 2022
- Forecast decision point 6 approval is May 2019

Assurance pathway and approval route

Assurance pathway	Approval route
Decision point 2 (case paper)	Recommendation: Investment Committee Decision: Combined Authority
Decision point 5 (full business case with finalised costs)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Combined Authority's Managing Director

Assurance Tolerances

Assurance tolerances
<p>The Combined Authority contribution (ESIF and BEIS Growth Hub) should remain within 30% of the levels set out in this report.</p> <p>That programme timescales remain within 6 months of the ones set out in this report</p> <p>The number of SMEs receiving a minimum of 12 hours of support should remain within 15% of the 306 figure forecast</p> <p>The number of SMEs receiving a minimum of 3 hours of Information, Diagnostic and Brokerage (IDB) support should remain within 15% of the 690 figure forecast</p>

Project responsibilities

Senior Responsible Officer	Sue Cooke, Combined Authority
Project Manager	Henry Rigg, Combined Authority
Combined Authority case officer	Paul Coy

Appraisal summary

- 2.20 The Combined Authority has an existing, established Growth Service model, and it has been demonstrated that an expansion to this service through the delivery of this scheme would allow the service to look at the more critical issues that need to be addressed by the Leeds City Region including property investment, financial health and business resilience in the current and future economic climate.
- 2.21 As a comparator, the 'England ERDF Programme 2014-20. Output Unit Costs and Definitions' study states that the median cost per intensive business assist is £10,000, and on this project the cost per output will be lower at £5,534. Furthermore, the study puts cost per output for less intensive support to SMEs at between £2,500 and £4,700, and on this project the cost per output will be £2,454. This demonstrates that this scheme will deliver the type of business support proposed in a cost effective manner.

Recommendations

- 2.22 That Investment Committee recommends to the Combined Authority that:
- (i) The Leeds City Region Growth Service project proceeds through decision point 2 (case paper) and work commences on activity 5 (full business case).
 - (ii) An indicative approval to the total project costs of £3,401,756, of which the Combined Authority contribution will be £2,465,413 (which will be funded through £764,535 from the BEIS Growth Hub funding and £1,700,878 from the ESIF funding) is given with full approval to spend being granted once the scheme has progressed through the assurance process to decision point 5 (full business case with finalised costs). The remaining £936,343 will be funded by Leeds City Region District Partners.
 - (iii) The Combined Authority delegates the authority to enter into a funding agreement with Ministry for Housing, Communities and Local Government (ESIF) and BEIS (Growth hub funding) to the Combined Authority's Managing Director.
 - (iv) The Combined Authority delegates the authority to enter into or amend funding agreements with the local authorities to the Combined Authority's Managing Director.
 - (v) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report including at decision point 5 through a delegation to the Combined Authority's Managing Director following a recommendation by the Combined Authority's Programme Appraisal Team. This will be subject to the scheme remaining within the tolerances outlined in this report.

Project Title	Resource Efficiency Fund 2
Stage	1 (Eligibility)
Decision Point	2 (Case paper)

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

Background

- 2.23 The REF 2 project is funded through the Local Growth Fund. The purpose of this funding is to attract the next generation of jobs and deliver a step change to the growth of the City Region. The Growth Deal enables implementation of the priorities set out in the Strategic Economic Plan including the development of housing and commercial sites, expansion of a skilled workforce, support to growing businesses, promotion of resource efficiency and investment in integrated transport (through the West Yorkshire plus Transport Fund).
- 2.24 In addition the REF 2 project is seeking ERDF funding through Priority Axis 4 the “Low Carbon call for projects”. The objectives of this funding is to:
- Promote the production and distribution of energy derived from renewable resources
 - Promote energy efficiency and renewable energy use in enterprises
 - Support energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector
 - Promote low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures
 - Promote research and innovation in, and adoption of, low-carbon technologies.
- 2.25 The Resource Efficiency Fund (REF) is a project which provides both grant support and advice to SMEs to enable them to make their businesses more resource efficient. REF 1 is a successful grant funding programme which has

been operated by the Combined Authority since November 2016, and is due to conclude in October 2019. So far, in this period REF 1 has delivered the following outputs:

Table 1: Progress as at 31 January 2019

	Current	Revised Programme Target (31/10/19)
Total Business Contacts	554	501
Assessments Commissioned	294	321
Businesses Supported	213	303
Businesses receiving non-financial support	188	200
Businesses receiving information, diagnostic and brokerage support	82	75
Grants Completed	103	133

- Energy reduction (kWh) – 5,970,241 (target 1,018,335)
- CO2 savings (tonnes) – 1,707 (target 3,290)
- Water savings (m3) – 7,417 (target 11,828)
- Waste diverted (tonnes) – 35 (target 6,092)

2.26 The REF 2 scheme builds on the success of REF 1 and will provide enhanced Environmental Resource Efficiency (ERE) and Circular Economy (CE) support to Small to Medium Enterprises across the Leeds City Region and North Yorkshire. REF 2 differs from the REF 1 by offering additional larger grants and circular economy support. REF 2 is expected to deliver:

- Up to 392 SMEs with Environmental Resource Efficiency (ERE) assessments.
- Approximately 169 grants (including the introduction of new large grants)
- Up to 66 SMEs with new Circular Economy support, helping to create new circular, resource efficient business models, products or services.

2.27 Circular Economy is a new approach that challenges inefficient production, returning materials back to the economy. It directly supports the aims of the Industrial Strategy. This is a new rapidly emerging policy area that will enable a smarter approach to resources while supporting sustainable and inclusive growth. A small circular economy pilot aims to address the challenges of inefficient production by returning valuable materials back into the economy. It will do this by providing specialist business support to investigate new

business models for SMEs and further clean growth opportunities. REF 2 provides a unique opportunity to pioneer this approach.

- 2.28 ERE assessments involve providing information and advice to SMEs about the conservation of energy and resources. This will support reduction in CO₂, water and waste and will support air quality improvements thereby reducing the impact of the business on the environment, reducing costs and increasing competitiveness.
- 2.29 The programme will support improved productivity in SMEs as well as environmental improvements and carbon reduction. REF 2 clearly aligns with priority 1 and priority 3 of the Leeds City Region Strategic Economic Plan.
- Priority 1: Growing Businesses, offering information, advice and support to SMEs, which in turn will drive business growth and productivity. The introduction of large grants will target energy efficiency, supporting businesses to save costs and increase productivity. The programme also sits within, and complements, the City Region's Growth Hub.
 - Priority 3: Clean Energy and Environmental Resilience as this programme will support SMEs to improve their ERE performance and save an estimated 2,600 tonnes/CO₂ annually, thus helping to build a low carbon economy. The introduction of new larger grants is proposed to address a current barrier in the REF. A number of SMEs have been unable to deliver a greater range of ERE measures and maximise carbon savings due to the grants offered being too small. This new programme addresses this.
- 2.30 With support from the York, North Yorkshire and East Riding Local Enterprise Partnership, the REF 2 programme will extend support to SMEs across the four North Yorkshire districts which are not within the Leeds City Region geography - Richmondshire, Hambleton, Ryedale and Scarborough.
- 2.31 Two outline ERDF applications with a combined value of £2.825 million were submitted in November 2018 to corresponding Low Carbon calls for both the York North Yorkshire East Riding and the Leeds City Region Local Enterprise Partnership areas. This will provide the main source project funds from the public sector. If successful, the Combined Authority, acting as the lead applicant and delivery agent, will be invited to submit a full application to secure these funds. On the 13th of February it was confirmed that the Leeds City Region outline application has been successful and invited to submit a full application. The status of the North Yorkshire outline application is yet to be confirmed. Should the North Yorkshire application be unsuccessful the Leeds City Region application is unaffected and will proceed.
- 2.32 REF 2 will be delivered through the Leeds City Region Growth Service, transitioning from the current REF scheme. A team of six will deliver the programme for the Leeds City Region (LCR) with up to three additional members to cover the York, North Yorkshire and East Riding LEP area. This will comprise one team, based in the existing Leeds City Region Growth Hub. The whole team will be based out of the Leeds City Region Growth Service

but specific arrangements for staff covering North Yorkshire will be agreed as the project progresses.

- 2.33 It is also worth noting that the LEP review is moving forward with local consensus for the creation of a new LEP covering the areas of West and North Yorkshire. Both the Leeds City Region and York North Yorkshire East Riding LEPs have committed to take a proposal for the new LEP to their respective boards in March 2019. The new LEP would be operational by April 2020, in line with government guidance, and the geography is aligned to the REF 2 project.

A summary of the scheme's business case is included in **Appendix 3**.

Outputs, benefits and inclusive growth implications

- 2.34 The forecast outputs from the REF 2 project are as follows:

- 290 businesses assisted in Leeds City Region through ERE assessments
- 127 enterprises receiving grant support in the Leeds City Region – including new large grants
- 102 businesses assisted in North Yorkshire through ERE assessments
- 42 enterprises receiving grant support in North Yorkshire – including new large grants
- 36 businesses receiving Circular Economy support in the Leeds City Region
- 30 businesses receiving Circular Economy support in North Yorkshire
- Reduction of 1,941 tonnes of CO₂ per annum across the Leeds City Region
- Reduction of 630 tonnes of CO₂ per annum in North Yorkshire

- 2.35 Overall, the enhanced programme will directly benefit SMEs, resulting in:

- Improved productivity and environmental performance
- Reduced carbon emissions
- Resource efficient businesses: water, waste, emissions
- Business support and enhanced productivity
- New - Larger grants to enable greater financial and carbon savings
- Integration of renewable energy (to be explored at the Full application)
- New - Development of circular economy business models

- 2.36 It is expected these outcomes and outputs will be delivered by the conclusion of the programme in October 2022.

2.37 The wider inclusive growth benefits of the programme are as follows:

- Potential improved employee health and wellbeing through improved facilities/working conditions – this was reported from the participants in the existing REF project
- Potential to reduce local emissions, improve air quality and therefore have a positive impact on health
- Help businesses be more efficient in their use of energy and resources, allowing them to de-couple growth from carbon emissions and pollution
- Potential for both social and environmental benefits as a result of promotion of the Circular Economy business model approach

Risks

2.38 The key risks to the project and proposed mitigations are as follows:

- **Risk** – ERDF Funding is not approved and therefore the project cannot go ahead. **Mitigation** – Work closely with ESIF Committee/ Managing Authority to produce the best possible application.
- **Risk** – The project fails to comply with ERDF eligibility and State Aid regulations. **Mitigation** – Resources identified to work on full bid to manage compliance risks. State Aid study to be commissioned with funds identified.
- **Risk** – Low uptake of resource efficiency/Circular Economy services and projects meaning the projected ERDF outputs are not delivered resulting in funding clawback. **Mitigation** – Build on the success of the current REF 1 project as well as other programmes within the Leeds City Region growth service and national best practice (in particular looking to Zero Waste Scotland for best practice on Circular Economy). Set up a database of warm leads. Utilise learning from the existing project to ensure appropriate flexibility and project lead in times are built in to make the project as accessible as possible.
- **Risk** – ERDF funding is only secured for part of the geography and therefore the full project cannot be delivered as planned. **Mitigation** – Work closely with ESIF Committee/ Managing Authority to produce the best possible application. Introduce a condition that regardless of the success of the York, North Yorkshire East Riding bid, the Leeds City Region element can still go ahead which will mean the project can be partially delivered. If only the North Yorkshire element is approved, the project will not go ahead.
- **Risk** – Local Growth Fund for the North Yorkshire element of the project is yet to be formally secured. **Mitigation** – This has been agreed in principle at director level but formal sign off is still required. The team are working closely with colleagues within the York North Yorkshire East Riding LEP to ensure the North Yorkshire element can be delivered. Work is underway with the Combined Authority's legal team to ascertain the best way in which to do this.

Costs

2.39 The total cost of the scheme is £6.293 million. This will be funded as follows:

Source	Total (£m)	Current status
Leeds City Region Growth Fund (Over programming)	0.751	Indicative approval sought as part of this report
York, North Yorkshire and East Riding Local Enterprise Partnership Growth Fund	0.210	Approval will be sought from York, North Yorkshire and East Riding Local Enterprise Partnership
ERDF Leeds City Region	2.000	Outline application submitted 23/11/18 - approval to proceed to stage 2 application received 13/2/19
ERDF York, North Yorkshire and East Riding	0.825	Outline application submitted 23/11/18 - awaiting recommendation to proceed to stage 2
Sub Total – Public Sector Funding	3.786	
SME Match LCR	1.893	To be secured as part of the grant application process
SME Match YNYER	0.614	To be secured as part of the grant application process
Total Cost	6.293	

2.40 The Combined Authority will be the accountable body for all public sector funding on the project (Growth Fund and ERDF from Leeds City Region and York, North Yorkshire and East Riding City Region). This totals £3.786 million. Subject to a successful application to the Local Enterprise Partnership, York, North Yorkshire and East Riding Local Enterprise Partnership Local Growth Fund monies will be transferred to the Combined Authority for the delivery of this project.

2.41 If the Combined Authority is successful in securing the funding outlined above, it would need to enter into several funding agreements:

- Funding agreement with the Ministry of Housing, Communities and Local Government for the provision of ERDF funding of £2.825 million.
- Funding agreement with North Yorkshire County Council (as accountable body for York, North Yorkshire and East Riding Local Enterprise Partnership) for the Combined Authority to receive and manage the York, North Yorkshire and East Riding match funding contribution of £210,122 from the York, North Yorkshire and East Riding Local Growth Fund

Timescales

2.42 The table below outlines the key milestones for the project.

- Full ERDF application approval - Jun 2019
- Decision point 5 approval - Jun 2019
- Launch - Nov 2019
- First assessments - Nov 2019
- First grant claim - Jan 2020
- Last assessment - Jun 2022
- Last grant payment - Oct 2022
- Activity end date - 31 Oct 2023
- Decision point 6 approval - Nov 2019
- Financial completion - 31 Jan 2023
- Decision point 7 & final claim - 31 Jan 2023

Assurance pathway and approval route

Assurance pathway	Approval route
Decision point 2 (case paper)	Recommendation: Investment Committee Decision: Combined Authority
Decision point 5 (full business case with finalised costs)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Combined Authority's Managing Director

Assurance Tolerances

Assurance tolerances
That the project delivery timescale remains within ten months of the timescales identified within this report. That the total project cost remains within 15% of the costs identified within this report.

Project responsibilities

Senior Responsible Officer	Ian Smyth, Combined Authority
Project Manager	James Brass, Combined Authority
Combined Authority case officer	Alice Rowland Case paper appraisal undertaken by Mott MacDonald as external advisor.

Appraisal summary

- 2.43 This scheme has a very strong strategic fit with the Combined Authority's Strategic Economic Plan and Growth Deal objectives. There is confidence of successful delivery given this scheme follows on from a very successful existing project. Further detail required to strengthen the economic and management cases for the Full Business Case stage. The value for money (VfM) of the scheme appears to be good, however further detail around the assumptions underpinning the VfM and detailed examples of case studies from previous programme would be beneficial to be presented for review at decision point 5.

Recommendations

- 2.44 That Investment Committee recommends to the Combined Authority that:
- (i) The Resource Efficiency Fund 2 project proceeds through decision point 2 and work commences on activity 5 (full business case with finalised costs).
 - (ii) Indicative approval to the total project value for both regions (Leeds City Region and four North Yorkshire districts) of £6.293 million is given as detailed below, with full approval to spend being granted once the project has progressed through the assurance process to decision point 5 (full business case with finalised costs).
 - Leeds City Region element of the project of £4.644 million (subject to a successful ERDF application), of which £2.751 million will be funded by the Combined Authority (£2 million ERDF funding for Leeds City Region and £751,137 from the Leeds City Region Local Growth Fund). The remaining funding will be from £1.893 million SME match.
 - York, North Yorkshire and East Riding element of the project of £1.649 million (subject to a successful ERDF application) of which £1.035 million will be funded by the Combined Authority (from £824,522 ERDF funding and £210,122 from the York, North Yorkshire and East Riding region Local Growth Fund, which North Yorkshire County Council as the accountable body for the York, North Yorkshire and East Riding LEP will transfer to the Combined Authority and the Combined Authority will be the accountable body for its expenditure for the purposes of this scheme). The remaining scheme costs of £614,000 will be from SME match funding.
 - (iii) The Combined Authority delegates authority to the Combined Authority's Managing Director to enter into an agreement with North Yorkshire County Council as the accountable body for the York, North Yorkshire and East Riding Local Enterprise Partnership (at decision point 5), for the Combined Authority to receive and manage the York, North Yorkshire and East Riding match funding contribution of £210,122 from the York, North Yorkshire and East Riding Local Growth Fund.

- (iv) The Combined Authority delegates authority to the Combined Authority's Managing Director to enter into a contract for the provision of the ERDF funding with Ministry of Housing, Communities and Local Government (MHCLG) at decision point 5.
- (v) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report including at decision point 5 through a delegation to the Combined Authority's Managing Director following a recommendation by the Combined Authority's Programme Appraisal Team. This will be subject to the scheme remaining within the tolerances outlined in this report.

Projects in Stage 2: Development



2.45 Projects at this development stage should demonstrate that they have tested the feasibility of a solution through their business case. This business case should then be developed in order to confirm and detail the preferred solution including finalising its cost.

Project Title	Leeds Flood Alleviation Scheme 2
Stage	2 (Development)
Decision Point	3 (Outline business case)

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

Background

2.46 The Leeds Flood Alleviation Scheme Phase 2 (LFAS2), is a major project which will reduce flood risk to residential, commercial and industrial property and infrastructure assets along the River Aire in Leeds

- 2.47 The Combined Authority contribution to this scheme is funded through the Local Growth Fund. The purpose of this funding is to attract the next generation of jobs and deliver a step change to the growth of the City Region. The Growth Deal enables implementation of the priorities set out in the Strategic Economic Plan including the development of housing and commercial sites, expansion of a skilled workforce, support to growing businesses, promotion of resource efficiency and investment in integrated transport (through the West Yorkshire plus Transport Fund).
- 2.48 The scheme forms part of the Combined Authority's 20 million Leeds City Region Flood Alleviation programme. The objective of the programme is to improve the resilience of businesses in the parts of the Leeds City Region which are currently affected by high flood risk. The programme aims to reduce the flood risk of 1,385 businesses and therefore safeguard 11,000 jobs.
- 2.49 The scheme is intended to implement Leeds City Council's plans for managing current and future flood risk in the city from the River Aire. The FAS 1 project completed in 2017 provided linear defences and moveable weirs to the centre of Leeds that this project will extend. The current scheme will uplift the benefit of both Phase 1 and Phase 2 areas to a 1 in 200 year standard of protection. The peak river flows to the centre of Leeds will be further controlled increasing the resilience of the City to extreme events. The project fits the Council's Best Council Plan and Combined Authority Strategic Economic Plan priorities 3 & 4, which call for integrated flood risk reduction.
- 2.50 The scheme also compliments the Aire Valley Natural Flood Management project already approved.
- 2.51 The scheme encompasses the following works between the City Centre and Apperley Bridge:
- The removal of redundant bridges at Armley Mills to improve conveyance
 - Raising of Milford Place footbridge to remove the potential for flow restriction
 - The removal of the under-hanging structure at Redcote Lane bridge
 - The local widening of the channel adjacent to the A65
 - Construction of linear defences
 - Construction of new flood storage area at Calverley subject to funding
 - Provision of access improvements along the corridor and woodland creation at Kirkstall Valley Nature Park.
- 2.52 Leeds City Council are leading the project and have committed to obtain full funding with a possible further potential contribution from the Council to close any final gap.
- 2.53 This programme received decision point 2 approval from the Combined Authority on the 29 June 2017. This approval set out the indicative pipeline of schemes that would be eligible for programme funding if they continued to

demonstrate strategic fit and were progressed within the programme timescales. These schemes were

- Calderdale: Mytholmroyd, Brighouse & Clifton
- Leeds: Wyke Beck Valley/Aire Valley Enterprise Zone, Kirkstall Road
- Bradford: Canal Road corridor
- Wakefield: Castleford
- Kirklees: Leeds Road corridor
- North Yorkshire: Skipton
- Natural Flood Management Projects

- 2.54 The programme has been split into 3 phases, the first phase consists of schemes in Mytholmroyd, Skipton and Leeds. These schemes have a combined total value of £103 million, which includes Growth Deal contributions of £7.8 million. These schemes are either in delivery or complete.
- 2.55 The second phase consists of natural flood management projects within the Calder, Colne and Upper Aire catchments, in Calderdale, Kirklees and Craven; also the Wyke Beck project in Leeds. These projects are now either in delivery (activity 6) or due to commence delivery shortly. Growth Deal contributions of £4.3 million towards total project costs of £7.5 million are expected within this Phase.
- 2.56 Phase 3 of the programme consists of the indicative pipeline of schemes which are yet to secure approval, and are currently in development. This scheme is the first of those to come forward for funding.
- 2.57 The Leeds FAS Phase 2 demonstrates a strong strategic alignment with the aims of the flood programme around safeguarding businesses and jobs from flood risk, the full business case with final costs is expected spring 2019 and the scheme is expected to be delivered within the timeframes of the fund.
- 2.58 There remains £3.915 million of funding which is unallocated to schemes. The Combined Authority will work with the Environment Agency and District Partners to identify eligible schemes which could be funded from the remaining phase 3 funding within the programme timescales.
- 2.59 There is a stakeholder and communication strategy for the project and wider programme that recognises integration with work upstream with partners including Craven and Bradford District is critical. All public sector partners and infrastructure providers such as Network Rail and the Canal and Rivers Trust are part of this plan and many sit on the Programme Board.
- 2.60 A summary of the scheme's business case and location map is included in **Appendix 4**.

Outputs, benefits and inclusive growth implications

- 2.61 The key anticipated outputs from the scheme as a whole are:

- 474 existing businesses protected from flood risk
- 77 existing residential properties no longer in zones of significant or very significant risk,
- Up to 9 hectares of developable land protected, resulting in an £88.2m pa increase in net GVA for Leeds and potential 1,669 jobs created
- Up to 1,613 new homes estimated to be constructed
- 28 electrical substations, 9 telecoms centres and equipment protected.
- Airedale and Wharfedale railway lines and A65 protected from flooding
- Reduced sense of vulnerability to flooding
- New forest planting and carbon sequestration
- New wetland habitats and amenity spaces at Kirkstall Meadows
- Improved habitat as part of the NFM programme
- Creation of new public open spaces, including footpaths and cycle ways
- Protection of 5 leisure facilities, 2 places of worship, and 2 educational facilities
- The overall economic benefits over a 100-year period are estimated to be: £150m (existing) and £774.4m (future growth and regeneration)
- The scheme's wider social benefits include creating commercial confidence, improving health and wellbeing for surrounding communities made free from stress about flooding and benefiting from enhanced riverside access and urban greenspace.
- £3.82 million ESIF is being provided for work at Stourton and Kirkstall. Outputs for this funding will be shared pro-rata with the LGF funding.

Risks

2.62 A full Quantified Risk Assessment has been completed for the scheme and the main risks of the project and their mitigation are:

- Full funding for the scheme is not secured. There is a funding shortfall of £15 million. If the Council is not successful in securing full funding the Calverley flood storage area could stall. Applications to a wider range of potential partners are in place and when the current tendering exercise identifies the final main contractor final costs will be determined and savings are anticipated. The Council may consider a further contribution to close any final funding gap.
- The scheme requires the support and full engagement of a wide range of partners across political boundaries within the River Aire catchment. The risk is that partners and political commitment to supporting the scheme varies and becomes a barrier to delivery. This is being actively managed through the Programme Board composition and the stakeholder engagement strategy.

- Technical risks have been identified and are being managed by the Programme Board including:
 - Lack of agreement being reached with land-owners to locate defences away from the river albeit that this is mitigated through LCC statutory powers
 - The risk of an unexpected change to the scope or design concept of a stage of the scheme by a stakeholder.
 - Unforeseen contamination at any point of the river is a risk until works are underway
 - Works on a river with a fluctuating level carries a risk of flooding occurring during construction
 - Unknown buried services
 - Geotechnical properties resulting in additional excavation work

Costs

- The current total forecast cost of the scheme is £112 million. It is anticipated this will change and may decrease when the current tendering exercise for the main contractor is complete and final costs are compiled by summer 2019. The lead contractor has a major role in defining costs and creating potential savings.
- The scheme has been costed and verified by the Project Cost Tool against actual costs for FAS Phase 1. The costs have also been benchmarked against the Environment Agency's project cost tool.
- The Combined Authority contribution of up to £3.9 million to the total forecast cost of the scheme, from Local Growth Fund represents 3.6% of the total value of the scheme. The other main funding streams are Leeds City Council £10 million, ESIF £3.82 million, Network Rail £1.4 million and DEFRA £65 million.
- £3.82 million ESIF funding is being provided for work at Stourton and Kirkstall. Outputs for this funding will be shared at a rate consistent with the LGF funding.
- The Combined Authority will need to enter into a Funding Agreement with Leeds City Council for up to £3.9 million at decision point 5.

Timescales

- Forecast decision point 5 approval summer 2019 after the final contractor is appointed from the tender exercise and the cost plan agreed.
- Start construction summer 2019
- End of construction decision point 6 (delivery) will be confirmed at decision point 5 (summer 2019), once tenders have been received.

Assurance pathway and approval route

Assurance pathway	Approval route
Decision point 3 (outline business case)	Recommendation: Investment Committee Decision: Combined Authority
Decision point 5 (full business case with finalised costs)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Combined Authority's Managing Director
Decision point 6 (delivery)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Combined Authority's Managing Director

Assurance Tolerances

Assurance tolerances
<p>The Combined Authority contribution will remain at the value set out in this report.</p> <p>The programme timescales should remain within 4 months of the timescales set out in this report.</p> <p>The agreed outputs from the scheme allocated to the Growth Deal should remain within 10% of the number presented in this report (notwithstanding natural variation in business numbers).</p>

Project responsibilities

Senior Responsible Officer	Caroline Farnham Crossland, Combined Authority
Project Manager	Vicky Dumbrell/Daisy Johnson, Combined Authority
Combined Authority case officer	Chris Brunold

Appraisal summary

- 2.63 The project has a strong strategic and economic case, it builds on FAS1 and strong demand has been evidenced through public consultation and the impact of the 26 December 2015 flood on the business community. It has a BCR of 9.4, will protect over 470 businesses from flood risk and has many wider benefits for Leeds and the city region, and aligns with National Infrastructure Committee recommendations. There is widespread public support for the scheme as evidenced through the extensive public consultation.
- 2.64 Achieving full funding and finalising the cost profile of the project remains the largest risk. Clear project governance is set up to provide continuity from FAS

1 and to apply the lessons from that earlier project but the complexity and range of stakeholders involved mean there is more to be done on planning for and managing the mitigation of project risks.

Recommendations

- 2.65 That Investment Committee recommends to the Combined Authority that:
- (i) The Leeds Flood Alleviation Scheme Phase 2 proceeds through decision point 3 and work commences on activity 5 (full business case with finalised costs)
 - (ii) An indicative approval to the Combined Authority's contribution of up to £3.9 million, which will be funded through Growth Deal 3 is given with full approval to spend being granted once the scheme has progressed through the assurance process to decision point 5 (full business case with finalised costs). The total project value is £112 million.
 - (iii) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report including at decision point 5, through a delegation to the Combined Authority's Managing Director following a recommendation by the Combined Authority's Programme Appraisal Team. This will be subject to the scheme remaining within the tolerances outlined in this report.

Project Title	A61 (North) Bus Priority Corridor
Stage	2 (Development)
Decision Point	3 (Outline business case)

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

Background

- 2.66 This scheme forms part of the Leeds Public Transport Investment Programme, a £183.5 million programme using devolved Department for Transport funding supplemented with contributions from Leeds City Council and the Combined Authority. This programme aims to support economic growth by unlocking transport constraints, improve public transport journey times and usage and improve health outcomes by reducing overall transport emissions.
- 2.67 The A61 (North) Bus Priority Corridor scheme forms part of the Bus Priority Corridor package, which aims to target investment in a number of key corridors to reduce bus journey times and improve the reliability bus services. The other schemes included in the package are A660, A58, A647 and A61 (South), of which the A61 (South) and A647 have previously been approved by the Investment Committee (decision point 3).
- 2.68 The scheme interfaces with the East Leeds Orbital Route (ELOR) scheme which includes junction improvements to the A61 Harrogate Road and King Lane which have been allocated funding by the Combined Authority. The proposed Alwoodley Gates Park & Ride project would potentially add value to this scheme.
- 2.69 The A61 (North) corridor extends northbound from Leeds City Centre and is a key radial into the city centre from locations including Harrogate and Harewood. The corridor splits just north of the Sheepscar interchange, with one route operating via Chapeltown, Chapel Allerton and Moortown to the east (referred to as the eastern branch) and the other via the A61 Scott Hall Road to the west (referred to as the western branch), which includes King Lane.

- 2.70 Public and stakeholder engagement on the objectives of the scheme has fed into the emerging designs and a 2nd phase of consultation is taking place in February/March 2019. A range of options were developed and the preferred option (medium cost) comprises of a series of improvements to bus prioritisation and complementary walking and cycling measures including:
- Extension of bus priority to the south of Potternewton Lane (outbound) through the addition of a shared bus/cycle lane between Buslingthorpe Lane and the start of the existing outbound bus guideway at Scott Hall Grove, allowing buses to bypass queueing traffic in the evening peak.
 - Extension of the existing inbound bus lane along Harrogate Road and junction improvements at Harrogate Road / Potternewton Lane.
 - Reallocation of road space to provide shared bus/cycle lanes at key junctions along Harrogate Road where buses experience delays.
 - Conversion of the King Lane / Stonegate Road junction into a signalised crossroads and adding bus lanes (inbound and outbound) along King Lane between Stonegate Road and the A6120.
 - Improvements to the traffic signals at the A61 / A659 junction in Harewood.
 - Upgrade to existing signal installations across the route to incorporate detection and control technology, managing and improving traffic flows and the efficiency of junction operation.
- 2.71 The primary objective of the scheme is to increase bus patronage and improve bus journey times which support the delivery of Priority 4 (Infrastructure for Growth) of the Strategic Economic Plan. It will also support the delivery of Priority 1 (Growing Businesses), Priority 2 (Skilled People and Better Jobs), and Priority 3 (Clean Energy and Environmental Resilience).
- 2.72 The scheme forms part of the Leeds Public Transport Investment Programme (LPTIP). The programme received decision point 2 approval from the Combined Authority on 29 June 2017. As part of the LPTIP approval, the Bus Priority Corridor package was given an indicative allocation of £48.9 million towards scheme costs.
- 2.73 Leeds City Council (LCC) has provided further details on the prioritisation process for schemes coming forward in this package and this will be considered by the LPTIP Programme Board in early 2019.
- 2.74 LCC are the promoters for LPTIP with WSP as development partner and BAM are the appointed contractor for the corridors and Park & Ride elements of the programme.
- 2.75 A summary of the scheme's business case and location map is included in **Appendix 5**.

Outputs, benefits and inclusive growth implications

- 2.76 The forecast outputs, benefits and inclusive growth implications are
- A 20% reduction in end-to-end journey times and improved punctuality, reducing journey time variability.
 - Improved quality of bus passenger experience and levels of satisfaction.
 - Improved facilities for cyclists and pedestrians, including access to bus stops.
 - Improved network safety for all users.
 - Improved access to employment and training via public transport.
 - Reduced levels of nitrogen oxides on the key public transport corridors.
- 2.77 The scheme will enable a growth in more sustainable and attractive travel options, including walking, cycling and bus use, along this key commuting corridor. This will support anticipated employment growth in Leeds city centre. By upgrading transport and highway infrastructure, improving air quality and reducing accidents, the project will benefit local neighbourhoods.
- 2.78 The benefits will accrue from scheme completion in 2021 and will be measured 3 years after opening. The forecast benefit cost ratio (BCR) is 1.87:1 which represents 'medium' value for money (VfM).

Risks

- 2.79 The key design and delivery risks to the scheme and associated mitigation measure are:
- Objections to the proposed improvements – mitigated through further consultation and stakeholder engagement and the demonstration of scheme benefits arising from further transport modelling
 - Disruption to the road network during construction – significant construction work on the eastern and western branches of the corridor will be programmed to minimise disruption. The full business case will demonstrate how LCC will manage the interfaces between the construction impacts of this scheme with the construction impacts of the ELOR scheme.

Costs

- 2.80 The current total forecast of the scheme is £16.1 million. Two higher cost schemes were discounted following extensive and on-going public engagement and on the basis that they would deliver only limited additional tangible benefits for bus journey times.
- 2.81 The Combined Authority will fund the £16.1 million from the devolved Department for Transport LPTIP fund.

2.82 The scheme does not seek further project development funding at decision point 3, confirming the £900,000 approved at decision point 2 is satisfactory to progress the scheme to full business case with finalised costs (decision point 5).

Timescales

- Leeds City Council Executive Board and Highways Board approval – May/June 2019
- Full business case (decision point 4) –July/August 2019
- Full business case with finalised costs (decision point 5) – September/October 2019
- Construction commence - November 2019
- Construction complete (decision point 6) - March 2021

Assurance pathway and approval route

Assurance pathway	Approval route
Decision point 3 (outline business case)	Recommendation: Investment Committee Decision: Combined Authority
Decision point 4 (full business case)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Combined Authority's Managing Director
Decision point 5 (full business case with finalised costs)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Combined Authority's Managing Director

Assurance Tolerances

Assurance tolerances
Combined Authority costs should remain within 10% of the costs set out in this report The programme timescales should remain within 3 months of the timescales set out in this report

Project responsibilities

Senior Responsible Officer	Gary Bartlett, Leeds City Council
Project Manager	Robert Mason, Leeds City Council
Combined Authority case officer	Ian McNichol

Appraisal summary

- 2.83 The scheme is part of the LPTIP and its objectives are well aligned with SEP Priority 4 - Infrastructure for Growth - and other key local and national strategies and plans including the West Yorkshire Transport Strategy, and the West Yorkshire Bus Strategy. As well as improvements to bus journey times/reliability/quality it will improve facilities for cyclists and pedestrians and improve network safety for all uses.
- 2.84 The case for change is drawn from evidence of the performance of other similar schemes including the Leeds A65 Quality Bus Corridor and the procurement strategy is robust. The project forms part of the LPTIP and BAM have been appointed as main contractor with Mott MacDonald as their design subcontractors
- 2.85 The scheme represents 'medium' value for money (VfM) and further analysis to quantify the traffic accident benefits which could potentially improve value for money will be provided at decision point 4 (Full business case).
- 2.86 The project will be funded 100% through LPTIP and the key financial risks are understood. It has a clearly defined delivery plan with an existing governance structure and experienced team in place. The approach to risk is appropriate to the scale and complexity of the project and the programme appears achievable.

Recommendations

- 2.87 That Investment Committee recommends to the Combined Authority that:
- (i) The Leeds Public Transport Investment Programme: A61 (North) Bus Priority Corridor project proceeds through decision point 3 (outline business case) and work commences on activity 4 (full business case).
 - (ii) An indicative approval to the total project value of £16.1 million is given from Leeds Public Transport Investment Programme funding with full approval to spend being granted once the scheme has progressed through the assurance process to decision point 5 (full business case with finalised costs).
 - (iii) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report including at decision point 4 (full business case) and decision point 5 (full business case with finalised costs) through a delegation to the Combined Authority's Managing Director.

Project Title	Wakefield South East Gateway
Stage	2 (Development)
Decision Point	3 (Outline business case)

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

Background

- 2.88 This scheme is funded through the Local Growth Fund. The purpose of this funding is to attract the next generation of jobs and deliver a step change to the growth of the City Region. The Growth Deal enables implementation of the priorities set out in the Strategic Economic Plan including the development of housing and commercial sites, expansion of a skilled workforce, support to growing businesses, promotion of resource efficiency and investment in integrated transport.
- 2.89 The Wakefield City Centre, South East Gateway scheme forms part of the Housing and Regeneration programme. The objectives of this programme are to deliver commercial floor space and homes in the Leeds City Region.
- 2.90 This scheme presented for decision point 3 approval (outline business case) came forward through the 2017 Call for Projects. The Wakefield City Centre, South East Gateway scheme consists of two projects, Waterfront (Rutland Mills) and Kirkgate and received decision point 2 approval from the Combined Authority on 28th June 2018.
- 2.91 The scope of the project at that time was as follows:
- Bringing 3.3 hectares of key development sites to market by facilitating site assembly and clearance through a programme of acquisitions and demolition, enabling the building of new homes, and acting as a catalyst for regeneration;
 - Assisting with the future development of Rutland Mills at Wakefield Waterfront by conducting enabling and abnormal works including flood protection, drainage, minor highways works, public realm works and environmental treatments;

- Development of a masterplan including feasibility appraisal for the south side of the Kirkgate railway bridge.
- 2.92 Development of the Wakefield City Centre South East Gateway is a key priority for Wakefield Council and the Leeds City Region, to raise the national profile of Wakefield within the cultural and creative sector and to transform the city's image by redeveloping Kirkgate as a distinct part of the city centre, which links Wakefield's retail core with the Waterfront and the proposed new development at Rutland Mills.
- 2.93 The scope of the project is now as follows:
- Restoration of historic buildings at Rutland Mills and creation of high quality public realm at the Waterfront (see plan at Appendix 6, this outline business case (OBC) relates to works at Plot L only), delivered over two phases, creating a creative industries jobs hub; and
 - Delivery of site acquisition and clearance of brownfield sites at Kirkgate to enable the delivery of between 60 to 82 new homes (see plan at Appendix 6, this outline business case relates to works at Plot A, B and C only).

Waterfront

- 2.94 The first phase of development at the Waterfront delivered a commercial development in October 2009, and the Hepworth Wakefield gallery which opened in May 2011. The development proposed at Rutland Mills as part of this project will deliver 6,920 square metres of refurbished commercial space and create/safeguard 301 jobs.

Kirkgate

- 2.95 The regeneration of Kirkgate began with the restoration of Kirkgate train station, completed in September 2015 and construction of the new West Yorkshire Archive Building in June 2016. To complement this regeneration, £5 million of highways works were completed at Kirkgate in July 2018.
- 2.96 The funding sought through this OBC will deliver site acquisition of Plot B and site clearance and enabling works to plots B and C to prepare these sites for housing development, ranging between 60 to 82 units (subject to a housing developer partner being secured).
- 2.97 The Council have to date undertaken clearance work to plot A, acquired redundant buildings on Plot C, acquired Chantry House on Plot B and discussions have commenced with interested developers.
- 2.98 The Wakefield South East Gateway project is fundamental to all three core elements of Wakefield Council's adopted Economic Strategy 2018 – 2023 to deliver Successful People, Places and Businesses. The Economic Strategy highlights the need for delivery of sustainable economic growth that reduces the dependency on sectors and industries that are at high risk from technological automation. The implementation of the South East Gateway

project is a crucial element to unlock continued development and diversify the local economy and it is hoped this will be a catalyst for growth and innovation in the creative and digital business sector.

2.99 Housing growth is a key theme within the Economic Strategy. The south side of the railway at Kirkgate is adjacent to the City Fields development, which is a key site for housing growth in Wakefield and noted as a key housing growth area in the Leeds City Region SEP. The OBC includes a funding allocation towards a feasibility appraisal as part of a masterplan process for the south side of the railway, which will be the next housing growth area on completion of City Fields.

2.100 A summary of the scheme's business case and location map is included in Appendix 6.

Outputs, benefits and inclusive growth implications

2.101 The forecast outputs, benefits and inclusive growth implications as approved at decision point 2 were:

- Enable the building of approximately 83 new homes on the north side of the railway by March 2024.
- Deliver a master plan and feasibility appraisal for the south side of Kirkgate railway bridge to explore options for the delivery of long term housing development over a 10 year period;
- Enable the restoration/conversion of 10,000 square metres of historic listed buildings for retail, leisure, hotel, art gallery, conference spaces and employment uses;
- Approximately 415 temporary construction jobs (prior to 2024) and 758 permanent jobs across all phases of the development.

2.102 The forecast outputs, benefits and inclusive growth implications proposed in the outline business case (March 2019) are:

- Between 60 to 82 housing units completed – an indirect output by March 2024.
- Deliver a master plan and feasibility appraisal for the south side of Kirkgate railway bridge to explore options for the delivery of long term housing development over a 10 year period.
- 6,920 sqm commercial floor space constructed/refurbished by October 2021.
- +301 gross FTE (full time equivalent) jobs created/safe guarded.
- Enabling works through land reclamation and vacant property demolition.

Risks

2.103 The key risks to the project and the related mitigation are:

- No evident market demand for the proposed niche creative occupiers at Rutland Mills. Wakefield Council. Mitigation – An independent market demand report will be provided at FBC. Wakefield recognise that deliverability of the scheme is dependent upon identification of specific occupiers and this is the rationale for working with the proposed specialist developer who is less dependent upon the traditional occupier market. Wakefield Council and the developer are to work together to provide a clear marketing strategy with clarity of approach to identifying and attracting companies to locate to Rutland Mills. The developer is to undertake a marketing campaign to identify tenants, although it is anticipated that a significant proportion of occupiers will be identified through their existing contacts and occupiers in London who are seeking to establish a northern hub.
- Limited or no budget allocation to risk and contingency elements within the cost appraisals for the Waterfront project. The Grade II listed Rutland Mills complex has been vacant for circa 20 years and the historic environment is likely to mean the level of unknowns and costs risks are significant. Mitigation - The developer has commissioned specialist structural surveys which have been reviewed over time and subject to scrutiny of the Council's own structural engineers. The findings of these surveys have been reflected in detailed work programmes and specification for refurbishment of each of the buildings which have been produced by architects who have extensive knowledge of refurbishing listed buildings throughout the country. The works programme and specifications have been costed and subsequently reviewed by two firms of cost consultants who have established a budget for the works including appropriate levels of contingency for both unforeseen costs and anticipated inflation arising from projected timing of works. A detailed Development Viability Appraisal has also been undertaken by the developer based on their own previous experience and specialist knowledge of the intended market. This has been independently reviewed by both Jones Lang LaSalle and Engie / Arcadis. A comprehensive and reflective costed risk register will be prepared for the individual projects (currently combined). The Rutland Mills project risk register to be led by the developer and clarification provided on how costs will be managed in light of the nature and delivery risk associated in working with historic buildings. This costed risk register to be independently assessed.
- Risk of challenge with regards state aid, freehold transfer of Rutland Mills and procurement of the redevelopment works (Public Contracts Regulations). Mitigation – Wakefield Council to provide state aid advice with supporting appraisal, to provide a clear procurement strategy and to provide clarity on adherence to the Public Contract Regulations in the FBC – decision point 4. Wakefield Council will be the accountable body for the scheme and will include the Combined Authority in the review and agreement to the Head of Terms between Wakefield Council and the proposed developer to ensure its own funding obligations in the Funding Agreement between the Combined Authority and Wakefield Council are appropriately captured.

- Value for Money from a public sector perspective is not realised.
Mitigation – Prior to FBC the Head of Terms between Wakefield Council and the proposed developer will be finalised to ensure public sector funding is protected, e.g. through overage arrangements or that Wakefield Council seek to retain more control over the asset, and that these are appropriately reflected in the funding agreement between the Combined Authority and Wakefield.
- No consistent approach to funding assets owned by the private sector (the EZ programme is currently being scrutinised with regards this).
Mitigation – As part of the FBC Wakefield Council as the accountable body and scheme sponsor will demonstrate good value for money and the Combined Authority will assess this as part of their due diligence.

Costs

- 2.104 The total cost to deliver the project at decision point 2 was £41.55 million, with £6.505 million sought from the Combined Authority to be funded through over-programming against the Local Growth Fund.
- 2.105 The project costs are now £32.62 million (Waterfront (Rutland Mills) £21.52 million, Kirkgate £11.1 million)
- 2.106 The scheme now seeks the following funding contributions for the projects (£13.87 million public sector, £18.75 million private sector):

Waterfront

- £4.9 million from the Local Growth Fund
- £1.5m of Business Rate Pool funding (secured)
- £3.85m Wakefield Council - Capital resources
- £11.27m Private Funding (confirmation of funding will only be secured once the required Grant Agreement between Wakefield Council and the developer is signed).

Kirkgate

- £1.6m from the Local Growth Fund (land assembly, demolition and feasibility)
- £2.8m Wakefield Council - Capital Resources already committed to purchase of Chantry House – up to £2.17m available in the event of cost increases beyond existing contingency sum
- £7.48m - Housing developer(s) (yet to be secured)

Timescales

Waterfront (Rutland Mills)

- Planning permission for the scheme granted 12th April 2018

- Outline business case approval – March 2019
- Forecast decision point 5 approval – July 2019
- Start of construction – May 2019
- End of construction – October 2021
- Local Growth Fund elements completed March 2021

Kirkgate

- Outline business case approval – March 2019
- Chantry House acquisition - mid February 2019
- Demolition completion - December 2019
- Housing developer appointed - January 2020
- Planning approval – December 2021
- Construction commencement - April 2022

Assurance pathway and approval route

Assurance pathway	Approval route
Decision point 3 (outline business case)	Recommendation: Investment Committee Decision: Combined Authority
Decision point 4 (full business case)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Investment Committee
Decision point 5 (full business case with finalised costs)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Combined Authority's Managing Director

Assurance Tolerances

Assurance tolerances
<p>The funding requests sought under this outline business case are capped and fixed. No project cost increases will be approved or supported by the Combined Authority.</p> <p>That programme timescales should remain within 3 months of the timescales set out in this report.</p> <p>If the number of housing units being delivered is reduced by 10% notification further approval is required from the Managing Director...</p>

Project responsibilities

Senior Responsible Officer	Clare Elliott, Wakefield Council
Project Manager	James Stephenson, Wakefield Council
Combined Authority case officer	Jess McNeill

Appraisal summary

- 2.107 The implementation of the South East Gateway project is a crucial element of the Wakefield Economic Strategy to unlock continued development, diversify the local economy and enable housing growth. It will also contribute to a number of SEP Priorities.
- 2.108 The commercial case for the Waterfront scheme provides a risk largely based on the niche market proposed for the end user within Rutland Mills with little evidence of market demand, but has been driven by the ambition and commitment from the developer to take the scheme forward. There is also the risk of challenge with regards state aid, freehold transfer of Rutland Mills and procurement of the redevelopment works (Public Contracts Regulations). However, Wakefield Council will be the accountable body for the scheme and the Combined Authority will review and agree to the Head of Terms between Wakefield Council and the developer to ensure its own funding obligations in the Funding Agreement between the Combined Authority and Wakefield Council are appropriately captured prior to full approval. A clear procurement strategy is also required as part of the FBC.
- 2.109 The economic case has monetised the direct and indirect jobs that could result from the scheme and the resulting GVA demonstrates that the project could have a positive benefit cost ratio (BCR) of 14.1. However, in light of the risks associated with the project (Rutland Mills particularly) more work is needed in the FBC to understand the risks and contingencies that underpin the project to further inform the scenarios that have been tested.
- 2.110 The financial case has limited information on the level of budget allocation to risk and contingency elements for the Waterfront project but these will be clarified further at FBC. A comprehensive costed risk register is required as part of the FBC.
- 2.111 The management case sets out the broad governance arrangements for the project but clarification is required once they are in place.
- 2.112 Overall, there are significant issues with the project, in particular the Waterfront scheme and therefore a number of conditions have been set that need addressing as part of the FBC. It is also recommended therefore that individual full business cases are submitted for the Waterfront (Rutland Mills) and Kirkgate at decision point 4.

Recommendations

2.113 That Investment Committee recommends to the Combined Authority that:

- (i) The Wakefield City Centre, South East Gateway scheme proceeds through decision point 3 and work commences on activity 4 (full business case).
- (ii) The individual elements of the Wakefield City Centre, South East Gateway scheme progress as separate full business cases for Kirkgate and the Waterfront through activity 4 (full business case) and activity 5 (full business case with finalised costs).
- (iii) An indicative approval to the Combined Authority's capped contribution of £4.9 million to the Waterfront scheme and capped contribution of £1.6 million to the Kirkgate scheme (a total contribution of £6.5 million) to be funded from the Local Growth Fund programme is given towards a total scheme cost of £32.62 million (Waterfront (Rutland Mills) £21.52 million, Kirkgate £11.1 million) with full approval to spend being granted once the scheme has progressed through the assurance process to decision point 5 (full business case with finalised costs)
- (iv) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report following a recommendation by the Combined Authority's Programme Appraisal Team. This will be subject to the scheme remaining within the tolerances outlined in this report.

Project Title	Dewsbury Riverside
Stage	2 (Development)
Decision Point	3 (Outline business case)

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

Background

- 2.114 This scheme is funded through the Local Growth Fund. The purpose of this funding is to attract the next generation of jobs and deliver a step change to the growth of the City Region. The Growth Deal enables implementation of the priorities set out in the Strategic Economic Plan including the development of housing and commercial sites, expansion of a skilled workforce, support to growing businesses, promotion of resource efficiency and investment in integrated transport (through the West Yorkshire plus Transport Fund).
- 2.115 The scheme forms part of the Housing and Regeneration programme. The objectives of this programme are to deliver commercial floor space and homes in the Leeds City Region. The scheme supports Priority 4 (Infrastructure for Growth) of the Strategic Economic Plan and Dewsbury Riverside is part of the North Kirklees Growth Zone (NKGZ) which is a recognised Spatial Priority Area.
- 2.116 Dewsbury Riverside is an urban extension of 4,000 homes alongside new infrastructure and a new local centre. This scheme involves the provision of site access and sustainable urban drainage systems (SuDS) infrastructure to bring forward the development of a first phase of 240 homes at Dewsbury Riverside at Lees Hall Road (120 homes) and Ravensthorpe Road (120 homes). It consists of works to establish a new roundabout and access road together with SuDS and associated drainage improvements on both sites.
- 2.117 The subsequent development of the wider Dewsbury Riverside scheme is the subject of a £22.5 million bid by Kirklees Council to the Homes England Housing Infrastructure Fund (HIF) to fund strategic infrastructure, including a new primary school and local centre, and enable the subsequent delivery of up to 720 new homes by 2026/27.

- 2.118 The scheme was originally approved at decision point 2 (Case paper) by the Combined Authority on 28 July 2016 for a £4.6million loan for an adjacent site at Forge Lane on Dewsbury Riverside with the potential to deliver 170 new homes. A Change Request was approved by the Combined Authority on 2 August 2018. This substituted the Forge Lane site with the Dewsbury Riverside sites and changed the scheme funding from a loan to a grant.
- 2.119 The scheme (site access and SuDS infrastructure) will be delivered by Kirklees Council and the subsequent housing development will be delivered by Miller Homes and Yorkshire Housing. The site access and SuDS infrastructure will be completed in late 2019 and the 240 new homes are forecast to be delivered in stages by mid-2023.
- 2.120 Delivery is subject to planning (reserved matters) and a series of agreements between landowners Kirklees Council, Miller Homes and The Leeds Diocese about the two sites and the wider Dewsbury Riverside development. These agreements are expected to be in place by decision point 4 (Full business case) which is expected come forward in spring 2019.
- 2.121 A summary of the scheme's business case and location map is included in **Appendix 7**.

Outputs, benefits and inclusive growth implications

- 2.122 The primary objective of the scheme is to deliver site access and SuDS infrastructure to unlock the delivery of 240 new homes (20% affordable housing) on 12.8 hectares of land across two sites (Lees Hall Road and Ravensthorpe Road). The works will be completed in late 2019 with the first new homes are expected to be ready for sale in early 2020.
- 2.123 This initial phase of development has a number of potential benefits linked the wider Dewsbury Riverside development including: -
- Providing a catalyst for future private sector investment in housing development including those potentially brought forward with Housing Infrastructure Fund investment.
 - Help to establish a quality benchmark for standards for future housing development
 - Enabling the development of an integrated flood risk reduction programme, incorporating flood defences, green infrastructure SuDS and sustainable development across the entire area
- 2.124 Improvements to Ravensthorpe Railway Station and the trans-Pennine rail link as part of Network Rail's proposed Trans-Pennine Route Upgrade (TRU) has the potential to provide significant benefits for Dewsbury Riverside, helping the development to become an attractive location for commuters to Leeds, Manchester and beyond which could help to stimulate market interest and drive sales.

Risks

2.125 The key risks to the scheme and mitigating measures are:

- Risk; planning consent for the Ravensthorpe Road is dependent on the adoption of the Kirklees Local Plan. Mitigation; adoption anticipated in early 2019
- Risk; land assembly is dependent on securing options and collaboration agreements between delivery partners. Mitigation; options have been secured heads of terms of agreement are under negotiation
- Risk; ground conditions delay site access and SuDS infrastructure works. Mitigation; site investigations have been undertaken and a remediation strategy developed as part of the scheme design
- Risk; new homes not delivered by 2023 due to lack of demand. Mitigation; delivery partners plan to establish sales outlets on each of the two sites post completion of the site access and SuDS infrastructure works and provisional sales values reflect local market conditions

Costs

2.126 The current total forecast cost of the scheme (the provision of site access and sustainable urban drainage systems (SuDS) infrastructure to bring forward the development of a first phase of 240 homes) is £4.612 million and the Combined Authority is contributing 100% of these costs from the Local Growth Funding Grant (LGF). Scheme development costs of £214,275 are included in this figure.

2.127 The subsequent development of the wider Dewsbury Riverside scheme is the subject of a £22.5 million bid by Kirklees Council to the Homes England Housing Infrastructure Fund (HIF) to fund strategic infrastructure, including a new primary school and local centre, and enable the subsequent delivery of up to 720 new homes by 2026/27.

Timescales

- Forecast decision point 4 approval – Spring 2019
- Forecast decision point 5 approval – July 2019
- Start of construction – July 2019
- Forecast decision point 6 approval - October 2019
- Housing development completed – December 2023

Assurance pathway and approval route

Assurance pathway	Approval route
Decision point 3 (outline business case)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Investment Committee
Decision point 4 (full business case)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Combined Authority's Managing Director
Decision point 5 (full business case with finalised costs)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Combined Authority's Managing Director

Assurance Tolerances

Assurance tolerances
<p>Combined authority costs should remain within 10% of the costs set out in this report.</p> <p>The programme timescales should remain within 3 months of the timescales set out in this report</p>

Project responsibilities

Senior Responsible Officer	Naz Parker, Kirklees Council
Project Manager	Steve Hopwood, Kirklees Council
Combined Authority case officer	Ian McNichol

Appraisal summary

- 2.128 The scheme promoter has presented a clear assessment of the strategic drivers for change and demonstrates a good understanding of the housing market and the need for public sector investment to bring forward the delivery of new homes within the North Kirklees Growth Zone.
- 2.129 Given the uncertainties over the economic appraisal of schemes of this nature further work will be required to assess its potential economic benefits within the context of the wider Dewsbury Riverside development and the HIF bid. The HIF bid will include an assessment of potential economic benefits which includes the Lees Hall Road and Ravensthorpe Road sites being brought forward as a result of this scheme.

2.130 The scheme is 100% funded by the Combined Authority and an independent assessment of viability will help to reinforce the case for grant funding and provide an opportunity for the Combined Authority to benefit from any future economic benefits arising from its investment.

2.131 The delivery of the scheme (site access and SuDS infrastructure) and the subsequent delivery of new homes will be dependent on a series of agreements between landowners and delivery partners which are subject to further negotiation and should be in place at decision point 4 (full business case). The Combined Authority will consider overage clawback clauses in the funding agreement to ensure the use of public funds is safeguarded as part of decision point 4.

Recommendations

2.132 That Investment Committee approves that:

- (i) The Dewsbury Riverside scheme proceeds through decision point 3 and work commences on activity 4 (full business case).
- (ii) An indicative approval to the total scheme value of £4.612 million is given from the Local Growth Fund with full approval to spend being granted once the scheme has progressed through the assurance process to decision point 5 (full business case with finalised costs).
- (iii) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report including at decision point 4 through a delegation to the Combined Authority's Managing Director following a recommendation by the Combined Authority's Programme Appraisal Team. This will be subject to the scheme remaining within the tolerances outlined in this report.

Project Title	York Central: Access Road and Station Access Improvements
Stage	2 (Development)
Decision Point	4 (Full business case)

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

Background

- 2.133 This scheme will be funded from the West Yorkshire plus Transport Fund (WY+TF). This is a £1 billion fund, covering West Yorkshire and York. The objectives of the West Yorkshire plus Transport Fund are to enable key employment and housing development areas and will help to create about 20,000 new jobs over the next 10 years. These strategic transport projects will be delivered to facilitate the growth priorities identified in the Leeds City Region Strategic Economic Plan
- 2.134 York Central is a major mixed-use regeneration scheme located at York station. The 42-hectare site has the potential to accommodate 76,000 m² of office accommodation and up to 2,500 new homes (20% affordable). Together with significant improvements to station accessibility and the public realm it aims to establish a new high-quality urban quarter and gateway to the City and compliment the expansion of the National Railway Museum (NRM).
- 2.135 As a constrained and contaminated brownfield site there are significant ‘abnormal’ costs associated with the infrastructure needed to bring forward development and establish a high-quality accessible environment. These include:
- A new access road into York Central to ‘unlock; housing and employment sites’ for development by the private sector – including new road, pedestrian and cycle bridges over the East Coast Main Line
 - A series of accessibility and public realm improvements to the front (eastern side) of York station – including the removal of Queen Street Bridge

- Pedestrian access improvements to the western station entrance in the York Central site – to establish a Disability Discrimination Act (DDA) compliant access route.

2.136 The scheme supports Priority 4 (Infrastructure for Growth) of the Strategic Economic Plan (SEP) and York Central which is a recognised Spatial Priority Area. York Central is designated as both an Enterprise Zone and a Housing Zone recognising it as a strategically important site with potential for major housing and employment growth.

2.137 The scheme received Gateway 1¹ (GW1) approval from the Combined Authority on 31 March 2016 for £33 million from the WY+TF. At GW1 the scheme had an estimated total cost of £45 million with potential match funding of £12 million from Homes England (formerly the Homes & Communities Agency) and the forecast Benefit Cost Ratio (BCR) was 2.25:1. However this BCR was derived from potential increases in annual Gross Value Added (GVA) arising from new jobs created at York Central and was not based on WebTAG transport analysis guidance.

2.138 On 23 March 2018 the Combined Authority approved a change request from the scheme promoter, City of York Council (CYC), to amend the scope of the scheme in response to public consultation on the York Central masterplan. The proposed access point into the site was changed from the south (adjacent to Holgate Works) to the west, from Water End. This significantly increased the length of the access road and required the construction of a new bridge over the East Coast Main Line.

2.139 The realignment of the access road also provides the opportunity to develop a more comprehensive masterplan for the York Central area. This will incorporate additional elements, including a new park and public square and delivery of a new eastern station entrance building, to establish a high-quality gateway to the City and a sustainable new urban quarter with significant housing and commercial development.

2.140 The scheme presented at full business case is seeking £37.32 million from the WY+TF against a total scheme cost of £187.46 million. The current scheme funding profile is set out below.

Housing Infrastructure Fund (Homes England)	Amount	Status
Housing Infrastructure Fund (Homes England)	£77.10 million	Decision expected March/April 2019
West Yorkshire plus Transport Fund (Combined Authority)	£37.32 million	Decision point 4 (Full business case)

¹ Prior to the adoption of the Combined Authority's Assurance Framework

Prudential borrowing (City of York Council)	£35.00 million	Borrowing facility approved by CYC
Transforming Cities Fund (Department for Transport)	£18.87 million	EOI submission June 2019. Decision expected September 2019
Private sector development partners	£11.40 million	Developer contributions linked to planning approvals
Capital programme (City of York Council)	£4.66 million	Approved
Local Growth Fund York North Yorkshire & East Riding Enterprise Partnership	£3.11 million	Approved
Total	£187.46 million	

2.141 The scheme has been designed to be delivered in a series of phases subject to confirmation of funding. West Yorkshire plus Transport Fund will contribute towards the key first phase of the scheme which consists of:

- Enabling works, site clearance, demolitions and utilities diversions
- The new access road, including the new bridge
- A Disability Discrimination Act compliant western station access
- York station frontage improvements, including the demolition of Queens Street bridge

2.142 The delivery of this first phase is dependent on:

- Match funding from the Housing infrastructure Fund (HIF)
- Full planning consent secured for works to York Station Frontage
- Outline planning consent with reserved matters approval for York Central

2.143 CYC have adopted a twin track approach to procuring the works. For the York Central site infrastructure CYC will follow a 'design and build' approach to scheme deliver using the YORcivil2 framework. For the works to York Station frontage CYC will follow a 'traditional' approach letting a series of works contracts in phases using the YORcivil3 framework.

2.144 A summary of the scheme's business case and location map is included in **Appendix 8**.

Outputs, benefits and inclusive growth implications

2.145 The objectives of the scheme are to:

- Improve accessibility and the quality of the public realm into and around the station environment, providing a high-quality gateway to the City
- Increase housing availability across a range of tenures including a minimum 20% affordable homes
- Increase the number, value and accessibility of jobs in the city centre
- A fully accessible station from the west (York Central site)

2.146 The West Yorkshire plus Transport Fund will directly deliver:

- A Disability Discrimination Act compliant western station access by 2021
- 1.7 kilometres of new highway infrastructure by 2023
- 2.6 kilometres of new cycleway by 2023

2.147 The forecast benefit cost ratio (BCR) of the scheme is now 1.2:1 which represents 'low' value for money. However the BCR does not fully capture the potential wider economic benefits of the scheme and its contribution to the delivery of the Strategic Economic Plan (SEP) which are to facilitate the delivery of up to 2,500 new homes (20% affordable) and a minimum of 76,000m² of new commercial floorspace. It has the potential to generate up to 6,000 (gross) new jobs which could generate significant Gross Value Added (GVA) benefits to the Leeds City Region (LCR) and demonstrate potentially good value for money in terms of the public sector cost per job created.

2.148 Overall the scheme will potentially facilitate the delivery of:

- A minimum of 76,000m² of commercial floorspace by 2029
- Up to 2,500 new homes (20% affordable) by 2029.
- Up to 6,000 gross new jobs by 2029

Risks

2.149 The key risks to the scheme and mitigating measures are:

Type	Risk	Mitigation
Financial (Match funding)	Delivery of the scheme is reliant upon securing significant amounts of external funding	A business case has been submitted to Homes England and decision on HIF investment is expected in March/April 2019. CYC has agreed to Prudential borrowing facility of up to £35 million backed by future business rates retention on the York Central Enterprise Zone. York Central is seeking inclusion in Leeds City Region (LCR) Transforming Cities Fund bid

		(the bid submission has not been confirmed)
Planning	Delivery of the scheme is reliant on securing planning consent including reserved matters.	The scheme was subject to extensive pre-application engagement (which led to changes in scheme design). Outline planning approval for York Central is expected in March/April 2019 with reserve matters approval in August/September 2019. A full planning application for York station is expected to be approved in July 2019.
Financial (Market performance)	Prudential borrowing and developer contributions are subject to actual take-up (developers and occupiers)	CYC has applied prudent assumptions (take-up, rentals, yields etc.) supported by specialist property market advice
Financial (Scheme costs)	Cost increases during the detailed design process.	A quantified risk assessment (QRA) is being developed and early contractor engagement will help to manage costs through the detailed design process ahead of decision point 5 (Full business case plus costs)
Delivery (Governance)	Value for money and benefits of overall scheme not realised	Combined Authority part of the scheme's robust delivery governance structure including monitoring in close collaboration with scheme promoters

Costs

- The current total forecast cost of the scheme is £187.46 million
- The total forecast cost of the scheme at GW1 approval (31 March 2016) and on approval of a change request (21 March 2018) was £45 million. As part of the GW1 approval the CYC received £2.1 million of development costs to take the scheme forward to full business case (decision point 4).
- The Combined Authority contribution to the total forecast cost of the scheme is £37.32 million from the West Yorkshire plus Transport Fund. The increase from £33 million at GW1 is based on indexing for inflation to 2021 when the first phase of the scheme is scheduled for completion.
- On 28 July 2016 the Combined Authority approved Growth Deal funding of £2.55 million for York Central. CYC received a £2.35 million loan for land acquisition (Leeman Road) and a £200,000 grant for project

development costs associated with the design of the new access road.
The loan repayment date is 27 February 2027.

Timescales

- HIF approval from Homes England – March/April 2019
- York Central outline planning application approved – March/April 2019
- York Central access enabling works contractor appointed – March/April 2019
- York Station full planning application approved – July 2019
- York Central reserved matters approved – August/September 2019
- Forecast decision point 5 approval – in two phases (York Central and York station) from October to November 2019
- Start of construction – September 2019
- End of construction – Station frontage March 2021 / York Central Access early 2023
- Forecast decision point 6 approval – Station frontage March 2021 / York Central Access early 2023

Assurance pathway and approval route

Assurance pathway	Approval route
Decision point 4 (full business case)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Investment Committee
Decision point 5 (full business case with finalised costs)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Investment Committee
Decision point 6 (delivery)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Combined Authority's Managing Director

Assurance Tolerances

Assurance tolerances
Combined Authority costs should remain within the costs set out in this report. The programme timescales should remain within 3 months of the timescales set out in this report.

Project responsibilities

Senior Responsible Officer	James Gilchrist, City of York Council
Project Manager	Gary Frost, City of York Council
Combined Authority case officer	Ian McNichol

Appraisal summary

- 2.150 The scheme promoter has presented a clear assessment of the strategic drivers for change and demonstrates a good understanding of the housing and office market. It sets out the rationale for public sector investment to 'unlock' York Central and bring forward the delivery of new homes and employment floorspace linked to station accessibility and public realm enhancements.
- 2.151 This is a large and complex scheme which has grown in overall scope and scale in the period since the GW1 and change request approvals. The procurement strategy requires further consideration to establish an approach which enables the most effective and efficient delivery of the proposed infrastructure packages.
- 2.152 City of York Council are in the process of assembling a package of funding for the scheme and its constituent elements. The scheme cannot progress as currently proposed without HIF support alongside West Yorkshire plus Transport Fund, City of York Council may need to utilise prudential borrowing – potentially financed by future Enterprise Zone business rates income from commercial development on York Central – and other sources in order to fund the scheme.
- 2.153 The economic case for the scheme needs further consideration in order to ensure the assessment of transport costs and benefits are robust and the potential land value uplift delivered by the scheme is consistent with the HIF proposals. The BCR figure for the scheme (1.2:1) considers the potential land value uplift at York Central from the delivery of the wider scheme (including a new park and public square). This LVU figure is being appraised by Homes England and will be integrated into revised scheme business case.
- 2.154 The journey time and environmental impact from the additional trips generated by the development is not fully offset by the better journey quality due to the station improvements and health benefit associated with improved walking and cycling facilities. Therefore, the net transport and environmental impact are negative. However, the development will generate considerable wider economic impact such as Land Value Uplift which will move the VfM from the 'Poor' to 'Low' category. The commercial development is also expected to generate a significant number of jobs; however, it is unclear whether these are net national impact and as such are not directly reflected in the VfM category.
- 2.155 The delivery risks and constraints need to be further quantified within the context of available funding and the planning and other consents and agreements which need to be in place before delivery can commence,

together with the confirmation of robust governance arrangements with specific review and oversight by the Combined Authority's Director of Delivery. On this basis the scheme is ready to proceed to the next decision point subject to the following four conditions:

- Approval of Housing Infrastructure Fund (HIF) investment for the scheme
- Full planning permission for York station works and reserved matters approval for York Central.
- A WebTAG compliant assessment of the transport elements of the scheme
- A quantified risk assessment (QRA), comprehensive procurement strategy and detailed programme plan for the scheme which has been approved by the York Central Project delivery Board

Recommendations

2.156 That Investment Committee approves that:

- (i) The York Central Access Road and Station Access Improvement scheme proceeds through decision point 4 and work commences on activity 5 (full business case plus costs) subject to the conditions detailed in 2.177 being discharged to the satisfaction of the Combined Authority's Programme Appraisal Team.
- (ii) An indicative approval of £37.32 million is given from the West Yorkshire plus Transport Fund, an increase of £4.32 million from the previous Gateway 1 approval, towards a total scheme cost of £187.46 million with full approval to spend being granted once the scheme has progressed through the assurance process to decision point 5 (full business case with finalised costs).
- (iii) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report including at decision point 5 through a delegation to the Combined Authority's Managing Director following a recommendation by the Combined Authority's Programme Appraisal Team. This will be subject to the scheme remaining within the tolerances outlined in this report.

Project Title	Superfast West Yorkshire and York - Contract 3
Stage	2 (Development)
Decision Point	3 (Outline business case)

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

Background

- 2.157 The City Region's Strategic Economic Plan (SEP) has laid out an ambition to achieve 99% superfast broadband 30 megabits per second connectivity across West Yorkshire and York by 2018/2019. The Superfast West Yorkshire and York Broadband (SWYY) programme is well on the way to meeting this ambition with the first two contracts of the programme are on track to deliver up to 98% by 2021.
- 2.158 Phase 3 will deploy broadband infrastructure across the West Yorkshire and York geography within some of the hardest to reach urban and rural areas, areas not already targeted through a commercial roll out and areas not targeted by the previous phases of the programme.
- 2.159 The emerging Leeds City Region Digital Framework – Leeds City Region transformed by digital tech is the second big idea proposed as part of the emerging Local Inclusive Industrial Strategy. The Digital Framework has 5 interconnected outcomes which will help to set out our approach to the digital economy and to strengthening of digital capability across the City Region's population and institutions:
- **Digital opportunities for non-digital businesses** - helping all City Region businesses to embrace and grow through improved use of new technologies
 - **Digital skills for all** - giving everyone access to the skills they need to operate and thrive in a digital economy and tackling digital exclusion
 - **The digital sector that serves the rest** - making Leeds City Region the best place to start and grow a digital business

- **World class digital infrastructure** - ensuring everyone can access a fast, reliable and resilient network
- **A smarter, more intelligent City Region** - using technology and data to solve the City Region's biggest challenges and improve citizen outcomes.

2.160 Phase 3 will comprise of £10.042 million of capital funding and £0.786 million of revenue funding. This comprises funding from the Department for Environment, Food and Rural Affairs (DEFRA), European Structural and Investment Funds (ESIF / ERDF), Business Rate Pool Allocation, a refund from an earlier infill satellite technologies programme (BET refund) and Gain share (carried forward from West Yorkshire and York Broadband Contracts 1 and 2). A previous offer of funding from Broadband UK (BDUK) has been withdrawn which has had a subsequent impact on match-funding available to drawdown against ERDF.

2.161 The project will deploy broadband infrastructure across the West Yorkshire and York geography within:

2.162 Some of the hardest to reach urban and rural areas

2.163 Areas not already targeted through a commercial roll out over the next three years or areas of market failure

2.164 Areas not targeted by the previous phase (Contract Two) of superfast broadband delivery

Description of the Change Request

2.165 At decision point 2 the Combined Authority on 11 October 2018 approved that:

- (i) The superfast broadband contract 3 project proceeds through decision point 2 (case paper) and work commences on activity 5 (full business case with finalised costs).
- (ii) An indicative approval to the total project value of £16.428 million from the funding sources outlined in this report for which the Combined Authority is the accountable body is given, with full approval to spend being granted once the scheme has progressed through the assurance process to decision point 5 (full business case with finalised costs).
- (iii) Approval to reallocate all or part of the BET Refund funding from Contract 2 to Contract 3 as actioned at decision point 5 full business case with costs.
- (iv) Development costs of £120,000 are approved in order to progress the scheme to decision point 5 (full business case with finalised costs).

2.166 The change request is to accept a reduction in external funding now that clarity on some funding bids has been obtained and some indicative funding which was previously put forward by HM Government for the programme has

been removed by HM Treasury (BDUK, £1.1m). It was anticipated at the time of DP2 approval that overall funding may reduce once the outcome of funding bids was known and therefore a 25% cost tolerance was allowed for. However, this has been exceeded (DEFRA by 30.4% and ESIF by 45.8%) as detailed in the cost section below.

2.167 As a result the change request is also to accept the pro-rata reduction in outputs as detailed in the outputs section below.

Outputs, benefits and inclusive growth implications

- 2.168 This project focuses on connecting small and medium sized enterprises (SMEs) which is a requirement of government and European funding. As SMEs are connected neighbouring homes and non SME businesses will also be connected.
- 2.169 The objective of the project is to increase the percentage coverage of superfast broadband to as close to 99% of West Yorkshire and York as possible within the funding envelope.
- 2.170 The DEFRA funding application will have pro-rata reduced outputs: instead of 2,476 businesses to have access this will be reduced to 1,723. The DEFRA funding will only target business premises in rural postcodes, as defined in the DEFRA guidelines. DEFRA has a target of access to at least 1,723 businesses (of all sectors).
- 2.171 The ESIF / ERDF funding application will have pro-rata reduced outputs; instead of 1,255 businesses to have access this will be reduced to 702. The ESIF / ERDF funding will target urban and semi-urban geographies and will have a contractual output to deliver to 702 eligible SMEs.
- 2.172 In delivering fibre broadband infrastructure to these businesses, neighbouring residential premises will also get the benefit of the improved connectivity.

Risks

2.173 The key risks for this project are:

- The supplier not building sufficient broadband infrastructure within the timescales set by the funding bodies leading to clawback, particularly with regards ESIF (deadline dates for delivery are DEFRA December 2020, ESIF March 2021). To mitigate this, the programme for delivery is clearly planned and the draw down cut off dates are incorporated into the tender documents so that suppliers are fully aware of the drawdown limitations. The programme is subject to BDUK procurement rules, including the use of their standard form of contract; in the event of a severe risk of clawback, the programme may need to consider a reduction in scope to some elements which may not be delivered within external funding timescales.

Costs

Funding	Decision Point 2 Cost £ (Millions)	Change Request Cost £ (Millions)
Business Rate Pool Allocation (Project Development and Procurement Costs)	0.090	0.090
Capital		
DEFRA Rural Broadband Initiative Funding Bid	9.912	6.898
ESIF / ERDF Capital: Funding Bid	2.810	1.572
Contract One Gainshare	Up to 1.700	1.572
Broadband Delivery UK (Grant Confirmed)	1.110	0
Capital Total	15.532	10.042
Revenue		
ESIF / ERDF Revenue: Funding Bid	0.386	0.270
Combined Authority (BET Refund)	0.310	0.316
Business Rate Pool Allocation (ESIF / ERDF Revenue Match Funding)	0.076	0.076
Business Rate Pool Allocation (Additional Revenue Funding)	0.034	0.034
Revenue Total	0.806	0.696
Total	16.428	10.828

2.174 DEFRA requested the reduction because of the demand for funding across the national programme. The Gainshare has reduced to reflect the actual amount of funding received into the Combined Authority's bank account, as opposed to the estimate.

2.175 The BDUK capital funding contribution has been removed from the project. The funding has been reallocated to another broadband programme run by

DCMS full fibre networks. This was under the instruction of HM Treasury to redact this contribution into another programme. The Combined Authority has written to DCMS directly in regards to the impact of this decision in respect of reduction of benefits to local communities.

2.176 As a direct consequence of the reduction in BDUK funding, the ESIF / ERDF funding bid application has had to be reduced as it requires a 50:50 match funding split, including a reduction in revenue contribution.

Timescales

- ESIF sub-committee for consideration of the funding award - 20th March 2019.
- Forecast decision point 5 approval - May 2019
- Contract signing - May 2019
- Phase 3 start date - May 2019
- Phase 3 end date - April 2022

Assurance pathway and approval route

Assurance pathway	Approval route
Decision point 4 (full business case)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Investment Committee
Decision point 5 (full business case with finalised costs)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Combined Authority's Managing Director

Assurance Tolerances

Assurance tolerances
<p>Combined Authority costs should remain within 10% of the costs set out in this report.</p> <p>That the project delivery timescale remains within 12 months of the timescales identified within this report</p> <p>The number of businesses that would be connected is forecast not to drop by more than 10%</p>

Project responsibilities

Senior Responsible Officer	Kate Thompson, Combined Authority
Project Manager	John Bullivent, Combined Authority
Combined Authority case officer	Paul Coy

Appraisal summary

2.177 The project has a clear fit with Priority 4 in the Strategic Economic Plan to support employment and quality environments. It is part of a programme of broadband delivery projects which have had considerable success in delivering benefits to the City Region. There is clear evidence that increasing internet speeds improves the sustainability of local businesses and allows expansion and increased employment. The Combined Authority partners have a good knowledge and experience of delivering this type of scheme and has well established suppliers, so is confident in delivering the project competently within budget and timescale.

Recommendations

2.178 That Investment Committee recommends to the Combined Authority that:

- (i) The change request to the Superfast West Yorkshire and York – Contract Three project to reduce the total project value to £10.828 million due to changes in funding from Gainshare, DEFRA, BDUK and ESIF / ERDF is approved.
- (ii) An indicative approval to the total project value of £10.828 million from the funding sources outlined in this report for which the Combined Authority is the accountable body is given, with full approval to spend being granted once the scheme has progressed through the assurance process to decision point 5 (full business case with finalised costs)
- (iii) Future approvals are made in accordance with the approval pathway and approval route outlined in this report including at decision 5 (full business case with finalised costs) through a delegation to the Combined Authority's Managing Director following a recommendation by the Combined Authority's Programme Appraisal Team. This will be subject to the scheme remaining within the tolerances outlined in this report

Projects in Stage 3: Delivery and Evaluation



2.179 Once in Delivery and Evaluation the scheme is delivered and Combined Authority funding is drawn down. When delivery is completed a review is carried out to ensure that the scheme has met all its requirements and outputs in accordance with its Funding Agreement. Finally information about a scheme's performance following its completion is collected, in order to evaluate the success of the scheme.

Decisions made through the delegation to the Managing Director

2.180 Since Investment Committee's meeting on the 6 February 2019, decisions regarding the following schemes has been exercised. This decision was made though the delegation to the Combined Authority's Managing Director following a recommendation from Combined Authority's Programme Appraisal Team. In order for a decision to be made through a delegation to the Managing Director, the scheme must remain within the assurance tolerances that have been approved at an earlier decision point. All the schemes outlined below have remained within their approved delegations unless stated otherwise below.

Harrogate Road/New Line Junction Improvement

2.181 This change request is related to the scheme that will rebuild the Harrogate Road / New Line Junction to create junction improvements to ease congestion, increase safety provision for cyclists and pedestrians and support delivery of significant new housing developments together with longer term development opportunities.

2.182 This change request approved an increase of £990,000 in funding up to full business case (decision point 4), taking total approval sought to £2.875 million.

2.183 The further approved funding will to help accelerate the CPO / Land Assembly process, together with the S106 contribution to the scheme of £1.926 million. The scheme is not requesting additional grant funding from the Combined Authority.

2.184 This change request was approved through the delegation to Managing Director on 25 January 2019.

Apprenticeship Grants for Employers (AGE)

2.185 This change request is related to the Apprenticeship Grant for Employers (AGE) which is currently in activity 6 delivery. This scheme was approved by Combined Authority on 5 April 2018 at decision point 2 (case paper) with total scheme costs of £1.163 million funded entirely by the Combined Authority

through Education and Skills Funding Agency devolved funding. The scheme was approved at decision point 5 (full business case with finalised costs) through the delegation to the Combined Authority's Managing Director on 20 April 2018.

- 2.186 The scheme offers grants to employers to encourage and support more businesses to offer apprenticeship opportunities.
- 2.187 The Activity 6 change request approved a revision to the size of business which could access grants to ones with 249 employees or fewer (previously 50 employees or less), any apprenticeship following the apprenticeship framework can access grants (previously it was limited to defined sectors) and an increase to the value of the core grant from £1,500 to £2,000.
- 2.188 This change request was approved through the delegation to the Managing Director on 8 February 2019.

Natural Flood Management - Upper Aire

- 2.189 The LCR Natural Flood Management Programme is a pipeline of flood risk management projects has been developed to improve the resilience of businesses in Leeds City Region Spatial Priority Areas. The projects are being developed by Local Authorities, Catchment Partnerships, Yorkshire Dales National Park Authority, Yorkshire Wildlife Trust, White Rose Forest and Yorkshire Water to implement natural flood management measures within prioritised sub-catchment areas of the rivers Aire, Calder, Colne and Holme.
- 2.190 The expected outputs and benefits of the scheme are: flood risk reduction to 865 homes and 53 businesses; creation of 145 hectares of quality green infrastructure and creation of new woodland through planting 10,000 trees.
- 2.191 This approval was for decision point 5 (full business case with finalised costs) for a total project value of £408,000 and a Combined Authority contribution of £388,000 (Local Growth Fund) and for work to commence on activity 6 (delivery).

3 Financial implications

- 3.1 The report seeks endorsement to expenditure from the available Combined Authority funding as set out in this report.

4 Legal implications

- 4.1 The payment of funding to any recipient will be subject to a funding agreement being in place between the Combined Authority and the organisation in question.

5 Staffing implications

- 5.1 A combination of Combined Authority and local Partner Council project, programme and portfolio management resources are or are in the process of being identified and costed for within the schemes in this report.

6 External consultees

- 6.1 Where applicable scheme promoters have been consulted on the content of this report.

7 Recommendations

Leeds City Region Growth Service

- 7.1 That Investment Committee recommends to the Combined Authority that:
- (i) The Leeds City Region Growth Service project proceeds through decision point 2 (case paper) and work commences on activity 5 (full business case).
 - (ii) An indicative approval to the total project costs of £3,401,756, of which the Combined Authority contribution will be £2,465,413 (which will be funded through £764,535 from the BEIS Growth Hub funding and £1,700,878 from the ESIF funding is given with full approval to spend being granted once the scheme has progressed through the assurance process to decision point 5 (full business case with finalised costs). The remaining £936,343 will be funded by Leeds City Region District Partners.
 - (iii) The Combined Authority delegates the authority to enter into a funding agreement with Ministry for Housing, Communities and Local Government (ESIF) and BEIS (Growth hub funding) to the Combined Authority's Managing Director.
 - (iv) The Combined Authority delegates the authority to enter into or amend funding agreements with the local authorities to the Combined Authority's Managing Director.
 - (v) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report including at decision point 5 through a delegation to the Combined Authority's Managing Director following a recommendation by the Combined Authority's Programme Appraisal Team. This will be subject to the scheme remaining within the tolerances outlined in this report.

Resource Efficiency Fund 2

- 7.2 That Investment Committee recommends to the Combined Authority that:
- (i) The Resource Efficiency Fund 2 project proceeds through decision point 2 and work commences on activity 5 (full business case with finalised costs).
 - (ii) Indicative approval to the total project value for both regions (Leeds City Region and four North Yorkshire districts) of £6.293m is given as detailed below, with full approval to spend being granted once the project has

progressed through the assurance process to decision point 5 (full business case with finalised costs).

- (iii) Leeds City Region element of the project of £4.644 million (subject to a successful ERDF application), of which £2.751 million will be funded by the Combined Authority (£2 million ERDF funding for Leeds City Region and £751,137 from the Leeds City Region Local Growth Fund). The remaining funding will be from £1.893 million SME match.
- (iv) York, North Yorkshire and East Riding element of the project of £1.649 million (subject to a successful ERDF application) of which £1.035 million will be funded by the Combined Authority (from £824,522 ERDF funding and £210,122 from the York, North Yorkshire and East Riding region Local Growth Fund, which North Yorkshire County Council as the accountable body for the York, North Yorkshire and East Riding LEP will transfer to the Combined Authority and the Combined Authority will be the accountable body for its expenditure for the purposes of this scheme). The remaining scheme costs of £614,000 will be from SME match funding.
- (v) The Combined Authority delegates authority to the Combined Authority's Managing Director to enter into an agreement with North Yorkshire County Council as the accountable body for the York, North Yorkshire and East Riding Local Enterprise Partnership (at decision point 5), for the Combined Authority to receive and manage the York, North Yorkshire and East Riding match funding contribution of £210,122 from the York, North Yorkshire and East Riding Local Growth Fund.
- (vi) The Combined Authority delegates authority to the Combined Authority's Managing Director to enter into a contract for the provision of the ERDF funding with Ministry of Housing, Communities and Local Government (MHCLG) at decision point 5.
- (vii) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report including at decision point 5 through a delegation to the Combined Authority's Managing Director following a recommendation by the Combined Authority's Programme Appraisal Team. This will be subject to the scheme remaining within the tolerances outlined in this report.

Leeds Flood Alleviation Scheme 2

7.3 That Investment Committee recommends to the Combined Authority that:

- (i) The Leeds Flood Alleviation Scheme Phase 2 proceeds through decision point 3 and work commences on activity 5 (full business case with finalised costs)
- (ii) An indicative approval to the Combined Authority's contribution of up to £3.9 million, which will be funded through Growth Deal 3 is given with full approval to spend being granted once the scheme has progressed

through the assurance process to decision point 5 (full business case with finalised costs). The total project value is £112 million.

- (iii) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report including at decision point 5, through a delegation to the Combined Authority's Managing Director following a recommendation by the Combined Authority's Programme Appraisal Team. This will be subject to the scheme remaining within the tolerances outlined in this report.

A61 (North) Bus Priority Corridor

7.4 That Investment Committee recommends to the Combined Authority that:

- (i) The Leeds Public Transport Investment Programme: A61 (North) Bus Priority corridor project proceeds through decision point 3 (outline business case) and work commences on activity 4 (full business case).
- (ii) An indicative approval to the total project value of £16.1 million is given from Leeds Public Transport Investment Programme funding with full approval to spend being granted once the scheme has progressed through the assurance process to decision point 5 (full business case with finalised costs).
- (iii) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report including at decision point 4 (full business case) and decision point 5 (full business case with finalised costs) through a delegation to the Combined Authority's Managing Director.

Wakefield South East Gateway

7.5 That Investment Committee recommends to the Combined Authority that:

- (i) The Wakefield City Centre, South East Gateway scheme proceeds through decision point 3 and work commences on activity 4 (full business case).
- (ii) The individual elements of the Wakefield City Centre, South East Gateway scheme progress as separate full business cases for Kirkgate and the Waterfront through activity 4 (full business case) and activity 5 (full business case with finalised costs).
- (iii) An indicative approval to the Combined Authority's capped contribution of £4.9 million to the Waterfront scheme and capped contribution of £1.6 million to the Kirkgate scheme (a total contribution of £6.5 million) to be funded from the Local Growth Fund programme is given towards a total scheme cost of £32.62 million (Waterfront (Rutland Mills) £21.52 million, Kirkgate £11.1 million) with full approval to spend being granted once the scheme has progressed through the assurance process to decision point 5 (full business case with finalised costs)

- (iv) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report following a recommendation by the Combined Authority's Programme Appraisal Team. This will be subject to the scheme remaining within the tolerances outlined in this report.

Dewsbury Riverside

7.6 That Investment Committee approves that:

- (i) The Dewsbury Riverside scheme proceeds through decision point 3 and work commences on activity 4 (full business case).
- (ii) An indicative approval to the total scheme value of £4.612 million is given from the Local Growth Fund with full approval to spend being granted once the scheme has progressed through the assurance process to decision point 5 (full business case with finalised costs).
- (iii) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report including at decision point 4 through a delegation to the Combined Authority's Managing Director following a recommendation by the Combined Authority's Programme Appraisal Team. This will be subject to the scheme remaining within the tolerances outlined in this report.

York Central: Access Road and Station Access Improvements

7.7 That Investment Committee approves that:

- (i) The York Central Access Road and Station Access Improvement scheme proceeds through decision point 4 and work commences on activity 5 (full business case plus costs) subject to the conditions detailed in 2.155 being discharged to the satisfaction of the Combined Authority's Programme Appraisal Team.
- (ii) An indicative approval of £37.32 million is given from the West Yorkshire plus Transport Fund, an increase of £4.32 million from the previous Gateway 1 approval, towards a total scheme cost of £187.46 million with full approval to spend being granted once the scheme has progressed through the assurance process to decision point 5 (full business case with finalised costs).
- (iii) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report including at decision point 5 through a delegation to the Combined Authority's Managing Director following a recommendation by the Combined Authority's Programme Appraisal Team. This will be subject to the scheme remaining within the tolerances outlined in this report.

Superfast West Yorkshire and York - Contract 3

7.8 That Investment Committee recommends to the Combined Authority that:

- (i) The change request to the Superfast West Yorkshire and York – Contract Three project to reduce the total project value to £10.828 million due to changes in funding from Gainshare, DEFRA, BDUK and ESIF / ERDF is approved.
- (ii) An indicative approval to the total project value of £10.828 million from the funding sources outlined in this report for which the Combined Authority is the accountable body is given, with full approval to spend being granted once the scheme has progressed through the assurance process to decision point 5 (full business case with finalised costs)
- (iii) Future approvals are made in accordance with the approval pathway and approval route outlined in this report including at decision 5 (full business case with finalised costs) through a delegation to the Combined Authority’s Managing Director following a recommendation by the Combined Authority’s Programme Appraisal Team. This will be subject to the scheme remaining within the tolerances outlined in this report

8 Background documents

8.1 None as part of this report.

9 Appendices

Appendix 1 – Background to the report

Appendix 2 - Leeds City Region Growth Service business case summary

Appendix 3 - Resource Efficiency Fund 2

Appendix 4 - Leeds Flood Alleviation Scheme 2

Appendix 5 - A61 (North) Bus Priority Corridor

Appendix 6 - Wakefield South East Gateway

Appendix 7 - Dewsbury Riverside

Appendix 8 - York Central: Access Road and Station Access Improvements