

Report to: West Yorkshire and York Investment Committee

Date: 5 March 2020

Subject: Capital Programme Update

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" 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:	

1 Purpose of this report

1.1 To update the Committee on progress made on the implementation of the West Yorkshire Combined Authority's capital programme. This report provides an update on:

- the position on the Growth Deal spend and forecast as at Quarter 3 2019/20 and of the independent evaluation of the Growth Deal.
- preparation for the Transforming Cities Fund announcement.
- the Leeds Public Transport Investment Fund (LPTIP).

2 Information

Capital Programme

2.1 Table 1 below sets out the latest outturn forecast and actual spend at quarter 3 2019/20.

Table 1

Capital Programme	Revised Forecast 2019/20	Actual at Quarter 3 2019/20	%	Year End Forecast 2019/20	%
Growth Deal (including West Yorkshire Transport Fund)	£105,430,000	£31,466,000	29.8%	£81,558,000	77.4%
Leeds Public Transport Investment Programme	£59,954,000	£26,021,852	43.4%	£40,751,719	68.0%
Local Transport Plan	£12,752,000	£5,376,110	42.2%	£12,752,000	100.0%
Highways Maintenance (including Pot Hole funding)	£30,989,000	£27,202,049	87.8%	£30,989,000	100.0%
Other Transport Funding	£10,841,000	£3,422,558	31.6%	£8,129,894	75.0%
Economic Development Miscellaneous	£1,615,000	£454,562	28.1%	£647,417	40.1%
Corporate Projects	£6,041,649	£1,608,615	26.6%	£2,253,300	37.3%
Total	£227,622,649	£95,551,745	42.0%	£177,081,330	77.8%

2.2 Expenditure on quarter 3 remains lower than would normally be expected at this time of year at 42%. It is likely that year end spend will be lower than the revised forecast (in the table above) on a number of programmes as follows:

- Growth Deal and Leeds Public Transport Investment Programme are detailed below.
- **Local Transport Plan** – this is the first year of the second phase (2019-2022) of the five-year programme (2017-2022). The programme was reviewed, and new projects were agreed by the Combined Authority in April 2019. Partner council projects were approved as a programme by the Investment Committee in November 2019 and are spending well at 49%. Combined Authority projects are currently progressing through the assurance process, and actual expenditure is currently 18% of forecast for the year. Expenditure will increase once these projects receive approval and commence delivery.
- **Economic Development Miscellaneous** – the majority of forecast spend within this category related to the new Broadband Contract 3. The tender award has been delayed with the contract due to be signed in 2020/21.
- **Corporate Projects** – this includes two projects: Wellington House Accommodation and Corporate Technology Programme (CTP). CTP is now fully in delivery and is spending well. The Accommodation project has been delayed after the contractor went into administration in December 2019.

Growth Deal

Expenditure and Forecast Expenditure

2.3 Expenditure on the Growth Deal programme at quarter 3 2019/20 is at 65% of the total forecast for the programme (£336.09 million expenditure of £516.35 million). The level of expenditure up to quarter 3 is lower than forecast and based on the current forecast for quarter 4 it is likely that spend for this financial year will be lower than was originally expected at the start of the year. Whilst the economic development elements of the programme have delivered well (see section 2.6 to 2.12 below), the development and

delivery of the Transport Fund has been challenging and there is an ongoing concern regarding achievement of the forecast Transport Fund expenditure by March 2021. However, there is confidence that the remaining programme will be delivered over the next 5 to 10 years, which is well within the original agreed programme. The Growth Deal quarter 3 dashboard is attached at **Appendix 1**.

Expenditure Risk and Mitigation

2.4 In order to drive delivery and to improve forecasts the review of the Transport Fund was completed with formal agreement by this Committee in January 2020 and approval by the Combined Authority in February 2020. One purpose of this review was to balance the Transport Fund to the £1 billion available and to update annual spend forecasts. The revised forecast expenditure for 2019/20 within this review showed a reduction from the £77 million forecast at the beginning of the year to £50 million. Whilst this forecast has dropped further to £45.66 million in 2019/20, the current forecast of Transport Fund spend to the end 2020/21 is £284 million (against target of £280.90 million). It is expected that there will be some slippage and a factor reduction of 20% has been applied on forecast for 2020/21 giving total expected spend of circa £253 million.

2.5 Therefore, contingency schemes are being developed for 2020/21 delivery:

- Further flood resilience schemes costed at approximately £13 million which include:
 - Leeds Flood Alleviation Scheme (FAS): Natural Flood Management (NFM) as it provides a significant carbon savings, is deliverable and does not require significant funding.
 - York FAS - F4, F5 Tang Hall Beck & Osbaldwick Beck as it provided additional outputs and will deliver habitat and biodiversity improvements.
- Clean Growth and carbon off setting schemes including energy efficiency / fuel poverty in housing schemes and tree planting schemes, work is currently being undertaken on this to determine the viability of this.
- £2 million for Brexit business support activity.
- Additional £3 million of over-programming from the Local Growth Deal (Business Growth Programme) to fund grants to flood affected businesses. Please refer to separate report to this meeting (Item 7 - Grant support for flood affected businesses)
- Part fund the LEP Future Funding Investment to support businesses through with loans to work alongside returned Growing Places Fund. Activity is currently being undertaken on this to determine the timescale and scale of the funding required.

All of these proposals can be managed within existing borrowing as agreed by the Combined Authority meeting on 29 June 2018, although the aim is not to over-spend but achieve full spend of the £516.35 million available.

Growth Deal Economic Development

- 2.6 As a whole the Economic Development projects have demonstrated strong performance and full spend of the £235.45 million available is forecast, due to the decision to over programme and the flexibility to change the projects within the programme.
- 2.7 **Priority 1 Growing Business** is currently over-programmed by £20 million (rising to £23 million if grant to support flood affected businesses is agreed). Over-programming was introduced across the Growth Deal in 2018 to mitigate areas of identified risk to delivery of the programme spend and key outputs. Additional funding has been approved for the Business Growth Programme (£7 million). A proposal for further over-programming for this project, to support grants to businesses hit by the recent floods, is being put forward for consideration at this meeting. Additional over-programming was agreed for a new project, the Institute for High Speed Rail phase 1, £9.25 million was approved in December 2019 with a further £3.80 million coming forward in 2020 for phase 2. A further approval for the Resource Efficiency Fund to match European Regional Development Fund (ERDF) of £0.62 million (in Priority 3 Clean Energy) will allow continued support for businesses seeking to save resources.
- 2.8 All Growth Deal grant on the Skills Capital programme (**Priority 2 Skilled People and Better Jobs**) has now been spent with only Kirklees College - Dewsbury Learning Quarter still on site. The original allocation of £78 million is over-programmed by £8 million.
- 2.9 **Priority 3 Clean Energy and Economic Resilience** is a small but high priority element of the Growth Deal programme. The majority of the five projects now included in this priority were not included in the original submission as these proved unviable. Three of the projects are complete with two European match funded projects, the Energy Accelerator and the Resource Efficiency Fund 2 now in delivery.
- 2.10 **Priority 4a Housing and Regeneration** has proved the most difficult of the economic development projects to deliver as it has focussed on sites and buildings that require significant work in order to become viable, with outputs being delivered towards the end of the programme. It includes 14 approved projects with a further five currently progressing through the assurance process. Grant has been fully expended on four of these projects. Despite the challenges, housing is now being delivered on key sites, in particular New Bolton Woods in Bradford and Leeds Brownfield, with other sites now ready to progress: Halifax Beech Hill (where demolition and remediation is now complete) or being marketed and Leeds Redhall (which was held up awaiting works to commence on the East Leeds Orbital Route). Key regeneration schemes will be completed over the next year including York Guildhall and Halifax Northgate House. An exciting new programme (brought forward as

part of the call for projects) bringing derelict mills in Bradford and Wakefield forward for development, has now commenced.

- 2.11 **Priority 4c Economic Resilience Programme**, Government agreed grant for the Flood Resilience programme and the Enterprise Zones programme in January 2017 (as part of Growth Deal 3). Of the allocation of £20 million on Flood Resilience £16 million has been approved for seven projects, five on site and two complete, with approval of a further £1.9 million on 6 February 2020 for development costs of a project at Hebden Bridge and further schemes will be brought forward.
- 2.12 **Priority 4d Enterprise Zone Development** a total of £22.14 million has been approved for six Enterprise Zone projects, with a further approval due on 21 February 2020 through managing director delegation allowing the Combined Authority to purchase land at Langthwaite Business Park and infrastructure works are expected to start on site at Parry Lane in June 2020.

West Yorkshire plus Transport Fund

- 2.13 Although the Transport Fund is over-programmed the development and delivery of the programme has been challenging and there has been ongoing concern regarding achievement of the Transport Fund allocation of £280.90 million by March 2021.
- 2.14 Having said this, the conclusions of the independent review of the Transport Fund undertaken by SQW in 2019 have proved very positive. It reported that 7 projects had been completed: Wakefield Eastern Relief Road, Aire Valley Park and Ride, York Outer Ring Road Phase 1, A629 Phase 1, Wakefield City Centre Phase 1 – Kirkgate, Rail Park and Ride projects at South Elmsall and Fitzwilliam. The report highlighted significant improvements made in partnership working, local capacity and capability, and community and stakeholder consultation and engagement.
- 2.15 Further projects have been completed since the review including Leeds New Station Street, Rail Park and Ride at Garforth and Mirfield A, with East Leeds Orbital Route Ring Road advanced junctions work almost complete.
- 2.16 The following projects are on site or due to commence before the end of 2019/20: East Leeds Orbital Route, A650 Hard Ings Road (Keighley), Castleford Station Gateway, Glasshoughton South East Link Road, Bradford Harrogate Road / Newline, the UTM and Rail Park and Ride projects at Hebden Bridge, Mytholmroyd and Steeton and Silsden.

Annual Performance Review

- 2.17 The Growth Deal Annual Performance Review meeting took place on 21 January 2020. LEP's are rated under three categories: Governance, Strategy and Delivery. The result of the review and the rating for each category will be notified in March 2020.

Independent Review of the Transport Fund 2019

- 2.18 As previously reported, the independent review of the Transport Fund was completed in 2019 and the final report submitted to Government. The challenge session to consider this review and the report was held on 30 January 2020. The session was constructive and positive in terms of the progress made (from a standing start) in the first five years. Formal feedback is expected before the end of March 2020 and this will confirm if Transport Fund funding income from April 2021 will continue to be granted.

Preparation for Transforming Cities Fund (TCF) Announcement

- 2.19 A Programme level Strategic Outline Business Case was submitted to Department for Transport (DfT) on 28 November 2019 for up to £480 million of funding through the Transforming Cities Fund. Following this submission preparations are underway by the Combined Authority and partner councils in anticipation of a funding announcement expected in March 2020. The programme will be a range of transport infrastructure projects focussing on public transport, cycling and walking, which will build on the existing portfolio of transport projects across the region.
- 2.20 In recognition of the constrained timelines for delivery of this programme by March 2023, it has been essential to progress a number of activities 'at risk' (prior to the DfT announcement), which has been enabled by the release of £3 million of funding from the Transport Fund as approved by the Combined Authority at its meeting in August 2019.
- 2.21 This funding is being utilised by the Combined Authority and partner councils to progress development work on the packages of projects that will be brought forward for delivery through the Assurance Framework. All packages of projects have already completed strategic assessments and have been approved at decision point one of the assurance process. Strategic outline cases for all projects are now being developed by partner councils and the Combined Authority. Along with direct funding awards to partner councils, £1.3 million of the £3 million has been used by the Combined Authority to appoint an initial strategic development partner to provide support to partner councils on their strategic outline cases where gaps in resource capacity has been identified and at a programme level, including activities such as programme reviews, framework for prioritisation, cost control, risk management, procurement strategy and governance.
- 2.22 Programme governance arrangements are being established that will allow for impartial reprioritisation of the programme should the funding awarded from DfT not align to one of the scenarios bid for. A financial baselining exercise is being completed by the Combined Authority, to aid the prioritisation and gauge the cost profile of TCF projects.
- 2.23 Alongside the activities described above an organisational design and recruitment strategy has been developed for the Combined Authority. This process reflects the potential magnitude and impact of the TCF Programme across the whole organisation, which is expected to double the forecast spend across the Transport Portfolio for the lifetime of the programme. Partner councils are being asked to undertake similar resourcing plans, and it

is anticipated that this will be formed of a mix of in-house resource supplemented with technical expertise from consultancy where required. A number of the partner councils already have development (and delivery) partners in place that they can utilise to carry out this additional work.

Leeds Public Transport Investment Programme (LPTIP)

- 2.24 The latest spend forecast on LPTIP for 2019/20 is £40.75 million which, if achieved, will take total expenditure on the programme to circa £54.12 million by the end of the year. The current end date for spend on the programme is 31 March 2021 and discussions have taken place with Government regarding carry over of a small proportion of funding into 2021/22 for projects which are contractually committed prior to 31 March 2021. In order to ensure delivery, the LPTIP programme is being managed through over-programming. The programme dashboard attached at **Appendix 2** shows over-programming up to £215 million with funding available of £183.27 million (£173.50 million from Government, £8.80 million from Leeds City Council and £0.97 million from the Combined Authority).
- 2.25 Projects continue to progress through the assurance process but in order to drive spend Leeds City Council continues to deliver some projects at risk.
- 2.26 The Combined Authority and Leeds City Council are working together to determine which projects in the programme will be brought forward to full business case but will not progress further until additional funding is identified. A report will be brought to a future meeting of the Investment Committee setting out these proposals.

3 Financial Implications

- 3.1 Financial implications are included within the body of the report.

4 Legal Implications

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

5 Staffing Implications

- 5.1 There are no staffing implications directly arising from this report.

6 External Consultees

- 6.1 No external consultations have been undertaken.

7 Recommendations

- 7.1 It is recommended that the Investment Committee notes the progress made in implementing the Combined Authority capital programme including the Growth Deal and Leeds Public Transport Investment Programme and the preparation in anticipation of the announcement on the Transforming Cities Fund.

8 Background Documents

8.1 None.

9 Appendices

9.1 Appendix 1 – Growth Deal Dashboard Quarter 3 2019/20

9.2 Appendix 2 – Leeds Public Transport Investment Programme Dashboard
Quarter 3 2019/20