

**Report to:** West Yorkshire and York Investment Committee

**Date:** 9 June 2020

**Subject:** **Capital Programme Update**

**Director:** Melanie Corcoran, Director of Delivery

**Author(s):** Lynn Cooper

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 Combined Authority capital programme. The report summarises:

- The current impact of the Covid-19 pandemic on the implementation of the programme; and
- The position as at the end of 2019/20, focussing on the performance of the two biggest programmes the Growth Deal and the Leeds Public Transport Investment Programme.

## 2 Information

### **Impact of Covid-19 pandemic on delivery of projects**

2.1 This is an unprecedented time and the Combined Authority, and our staff, consultants, contractors and suppliers are all having to adapt to new ways of working. Currently the impact that this has had on our programmes and projects is mixed, but a more positive picture is emerging. There were four projects which had been halted on site, but works have now re-commenced at both the Mytholmroyd and Hebden Bridge Park and Ride sites.

2.2 The main impact is on projects that were due to start on site either in March 2020 or in the first quarter of 2020/21, all of these are currently being delayed by a minimum of three months. Projects in development are progressing but delays due to a variety of factors are already beginning to impact on the assurance process timetables.

2.3 We have set up a tracker which looks to record impacts to each programme and project to try and understand the impact of coronavirus, which the Combined Authority and partners are regularly updating. Issues include:

- Working from Home: The Combined Authority, partners and consultants have in the main closed their offices and the majority of staff are now working from home. Staff at the Combined Authority able to access our ICT systems fully and our broadband connection capacity has been increased to cope with the additional traffic of staff being at home and to date all is working well and efficiently and productivity has not suffered. There are some difficulties being reported from partners but none from consultants; this is being monitored.
- Contractors and suppliers: To date the majority of works that are on site are continuing as normal. However:
  - Availability of materials is becoming an issue, including the closure of quarries. We have had a few reports of delays in the supply chain.
  - A number of projects are currently being tendered and there are reports of contractors not willing to tender in the current climate.
- Consultation: Many projects are dependent upon consultation with the public. Although online methods are utilised it is common practice to hold public meetings to ensure transparency and equality. These cannot take place at present and therefore projects may be delayed until this consultation can take place.
- Surveys: There are reports of these being delayed, which may in turn delay projects.
- Resilience of partner infrastructure: e.g. some partners have been experiencing significant IT disruption across the board and operating a rota system in terms of access to emails and network files which is likely to cause delays to projects.

2.4 The effect on the level of expenditure on funding programmes for the financial year 2019/20 has been minimal. However, it is very likely that spend for this financial year (2020/21) will be lower than was originally expected. To that end, BEIS and DfT have been contacted to seek their support in helping us respond to the challenges posed by Covid-19 with regards extending reporting deadlines and managing possible delays to the programme. A holding response was received which stated that similar concerns had been raised by other LEP's and that a programme response is being considered. It also stated that work is being undertaken to consider the next steps for the Local Growth Fund 2021/22.

- 2.5 On a positive note, the Combined Authority and partners are exploring opportunities to bring forward specific works on site whilst traffic volumes are low.
- 2.6 The impact on other projects and programmes are considered later in this report.
- 2.7 The Combined Authority and partners are currently looking at how projects can aid the economic recovery once Covid-19 restrictions are eased.

### **Capital Programme**

- 2.8 Table 1 below summarises total expenditure on the Combined Authority's capital programme in 2019/20 against the revised outturn forecast.

**Table 1**

<b>Capital Programme</b>	<b>Revised Forecast 2019/20</b>	<b>Actual at Quarter 4 2019/20</b>	<b>%</b>
Growth Deal (including West Yorkshire Transport Fund)	£105,430,000	£71,154,595	67.5%
Leeds Public Transport Investment Programme	£59,954,000	£33,984,446	56.7%
Local Transport Plan	£12,752,000	£15,416,780	120.9%
Highways Maintenance (including Pot Hole funding)	£30,989,000	£28,757,248	92.8%
Other Transport Funding	£11,241,000	£4,747,320	42.2%
Economic Development Miscellaneous	£1,615,000	£2,177,419	134.8%
Corporate Projects	£6,041,649	£2,135,986	35.4%
<b>Total</b>	<b>£228,022,649</b>	<b>£158,373,794</b>	<b>69.5%</b>

- 2.9 Capital programme expenditure for 2019/20 has achieved 69.5% of the revised forecast. The majority of underspend against forecast relates to the two main funding programmes: Growth Deal and the Leeds Public Transport Investment Programme (LPTIP), the reasons why programmes have not spent at forecast levels is set out below. It should be noted that none of the available grant funding will be lost in the transition from 2019/20 to 2020/21.

### **Growth Deal Programme**

#### **Independent Review of the Transport Fund 2019**

- 2.10 Confirmation has been received from the Ministry of Housing, Communities and Local Government (MHCLG) that the Leeds City Region LEP passed the first Independent Review of the Transport Fund 2019 (also known as the Gateway review). Passing this review ensures that the 'gainshare' investment of £30 million per year for the Transport Fund will now be paid for the five years 2021/22 to 2025/26. The gainshare funding is subject to five year reviews with the next one due in 2024.

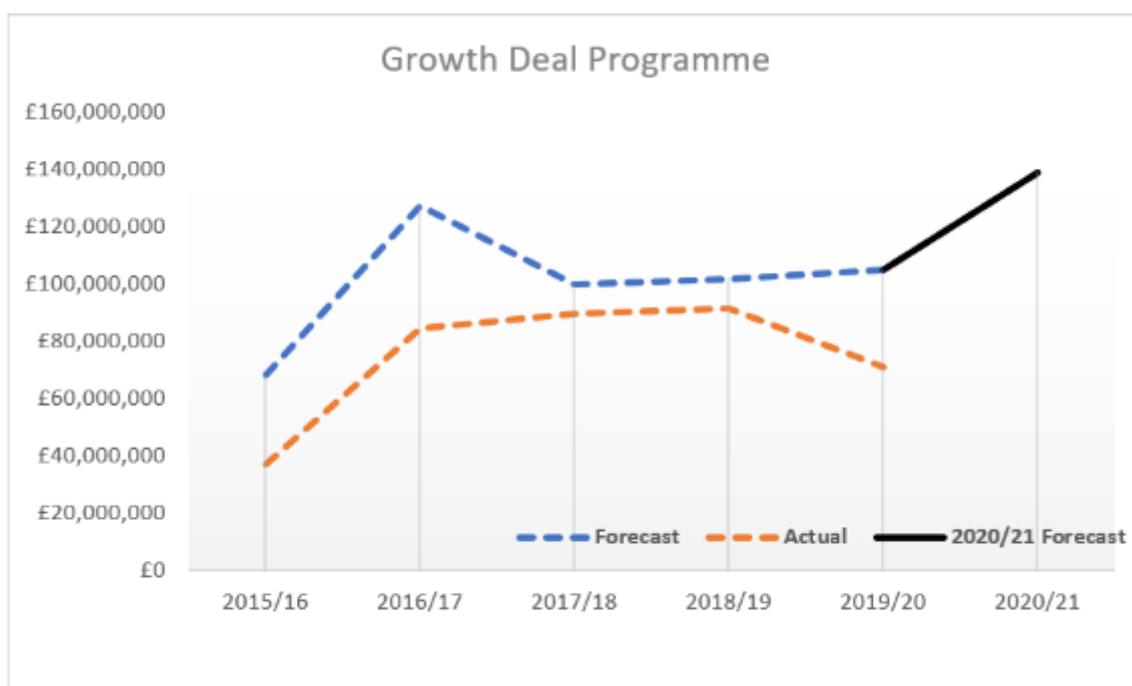
### **Programme Performance 2019/20**

## Expenditure

2.11 Growth Deal programme spend is reported to Government under two categories:

- **Expenditure** – This is the total Local Growth Fund (LGF) monies spent by project sponsors on their projects. In 2019/20 the expenditure on the programme totals £70.42 million.
- **Outturn** - The total LGF funds transferred to project sponsors by the Combined Authority (this specifically includes pre-payments to project sponsors where projects are in contract and / or eligible expenditure falls across two financial years). In 2019/20 outturn totals £71.15 million (as shown in Table 1 above). Outturn is demonstrated in the Growth Deal dashboard attached as **Appendix 1**.

2.12 Both outturn and expenditure are lower than the forecast of £105 million estimated for 2019/20. The total underspend against forecast is £33.85 million the majority of this £25.9 million (76%) relates to the Transport Fund. The graph below sets out outturn performance against forecast over the five years of the programme and the spend that needs to be achieved in the final year.



## West Yorkshire plus Transport Fund

2.13 In each of the previous four years of the Growth Deal spend against the Transport Fund has increased each year but at a slow rate. In 2019/20 a significant escalation was required for the programme to achieve target spend. Whilst this has not occurred expenditure on the Transport Fund is higher than in 2018/19.

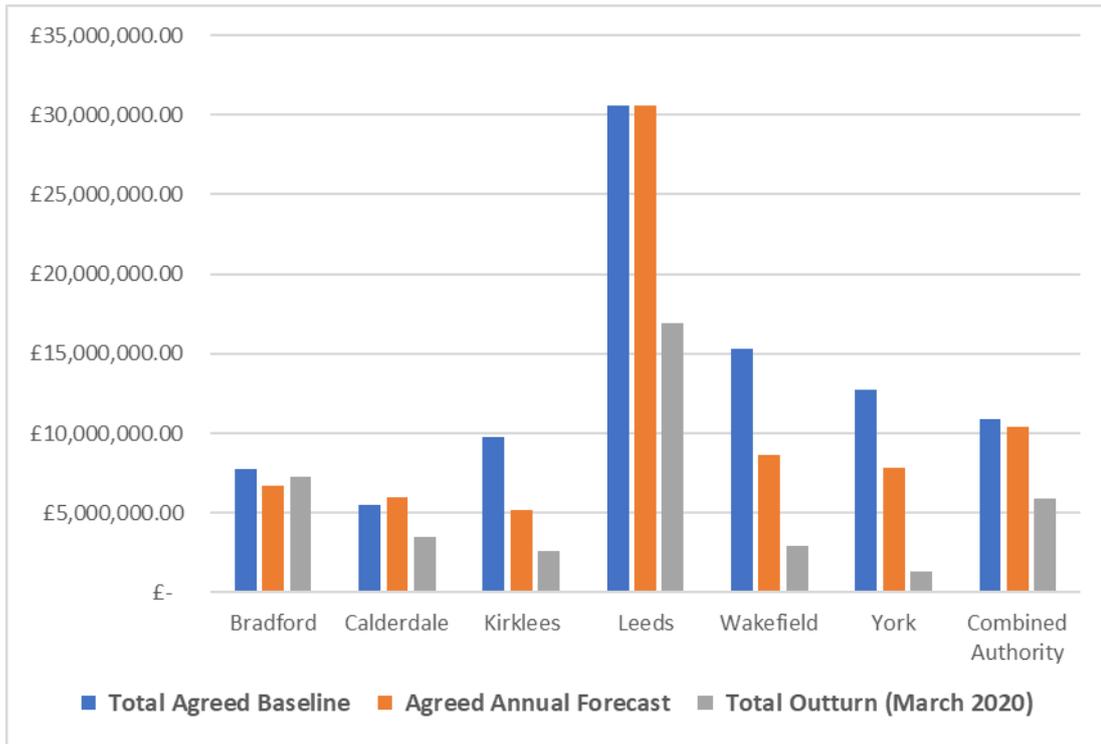
2.14 There are different reasons that individual projects have not achieved target spend, as detailed below. But a general issue that has been reported by partner councils is that resources have been diverted to work on bids for other funding (e.g. Transforming Cities Fund, Future Mobility Zones, Major Route Network, Housing Investment Fund, Streets for People etc.). Projects have also been delayed going forward whilst the results of these bids are awaited to allow available budgets to be finalised. The restrictions resulting from Covid-19 placed on the Combined Authority, partner councils and contractors have had some impact on overall delivery in 2019/20 mainly on projects that were due to start on site in March 2020 and are currently being delayed by a minimum of three months. Also, resources are being diverted to provide temporary cycling and walking routes.

2.15 Projects that have seen reductions against forecast include:

- **York Central Station Access and Gateway scheme** is dependent on Housing Investment Fund for which the announcement was substantially delayed and details have still not emerged to when the new funding will be available from MHCLG. Therefore, total spend on the scheme was approximately £2.5 million less than originally forecast for the year.
- Following the announcement from the Department for Transport on funding for dualling of the **York Outer Ring Road**, discussions are ongoing about the responsibility for the assurance of the scheme and the requirement for a new strategic model, which would take approximately 18 months to develop, and planning permission for the full scheme. This has delayed any further development of individual junctions and led to an underspend against forecast of £2.5 million.
- Delays to **Leeds Dawson's Corner** and the **A650 Tong Street** are linked to Major Route Network funding and the uncertainty around this.
- Two Corridor Improvement Projects: **Leeds Dyneley Arms** and **Wakefield Newton Bar** were also slow to progress and led to underspend totalling £3.7 million.

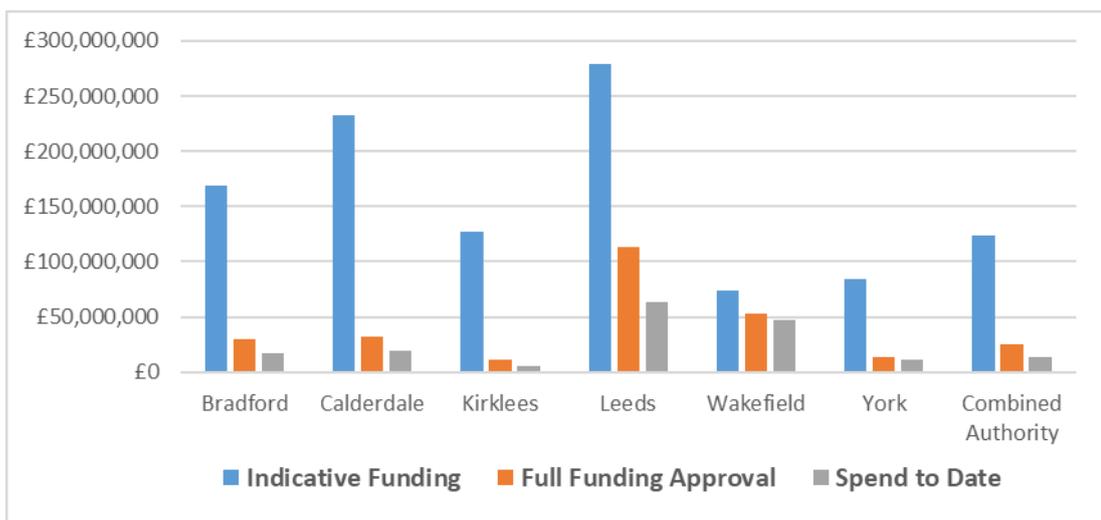
2.16 Forecasting of spend, especially on the Transport Fund remains a problem that is detracting from the positive messages of the programme. For example, the **East Leeds Orbital Route** commenced on site in March 2020. This is the biggest project in the Transport Fund to date with a total grant of £90.33 million. The project spend was lower than forecast by £6 million, the main reasons for this were that full forecast for on site delivery was not available until the contractor was appointed.

2.17 Accurate forecasting is vital in managing the programme. This ongoing issue of overly optimistic forecasting is demonstrated in the graph below which shows the original total amounts forecast for spend in 2019/20 across all partners. The baseline figure for each partner was the amount that was originally forecast. This was revised in consultation with the Combined Authority to the Agreed Annual Forecast.



2.18 It should be noted that Bradford proved particularly strong at providing accurate forecasting and have addressed the issues by undertaking detailed forecasting of spend on each project and then by applying a reduction of 20% on each forecast.

2.19 The above graph provides a snapshot of annual spend against forecast, this is not a measure of overall performance as some authorities performed better in terms of obtaining approvals and delivering spend against these. The graph below shows spend against indicative funding allocation and funding that has been formally approved:



## Economic Development Projects

2.20 The underspend against forecast on these projects is circa £4 million which relates to three projects:

- **Business Support Projects** (Business Growth Programme, Access to Capital Grants) – a slow down during the middle of the year due to uncertainties around Brexit has led to an underspend of £1 million.
- **Institute for High Speed Rail** – Spend in 2019/20 was at forecast, but the detail of actual spend is currently still being determined, which has led to a reduction to £3.24 million.
- **Dewsbury Riverside** – The forecast of £1.7 million was subject to the approval of the HIF bid and this project going through the assurance process. The HIF bid was unsuccessful and further consideration of the scheme is ongoing. It is likely that a bid for a reduced amount of funding will come forward in 2020/21.
- **Enterprise Zones** – The forecast was an estimate subject to projects coming forward through the assurance process. Whilst projects have progressed well and three are currently on site the programme underspent against forecast by £1.7 million.

2.21 The Aire Valley Power Supply project (included within the Priority 4c Enterprise Zones) has now been formally withdrawn from the programme as additional electricity provision is no longer considered as a requirement for the site. A total of £4.37 million was included in 2018/19 outturn as a prepayment to Leeds City Council. This funding will now be returned and has been deducted from the outturn spend in 2019/20.

## Final Year 2020/21

2.22 All underspend on the Growth Deal programme will be carried forward to be spent in the last year of the programme. A total of £155.78 million is required to be spent in 2020/21. This is a significant sum especially given the spend to date; 2019/20 was the highest spend to date at £92 million.

2.23 Notification has been received that payment of the 2020/21 allocation will be made in two tranches:

- The Leeds City Region was due to receive £100.34 million, the payment now expected in May will be the £30 million of 'gainshare' funding for the Transport Fund plus 2/3rds of the remaining funding, a total of circa £76.22 million
- With the remaining amount of £24.12 million subject to confirmation that spend can be achieved.
- The Cities and Local Growth Unit is currently developing templates that will need to be completed for each LEP area.

- A decision on the remaining payment will be subject to assessment of the completed templates, probably in September 2020.
- 2.24 An initial review of forecasts, whilst identifying some risk, appears positive. Please refer to Appendix 1 which forecasts spend of £141.07 million (£127.58 million + £13.49 million prepayments) in 2020/21. This will take total spend to £503.36 million. Although short of the £516.45 million target, if contractual commitments are acceptable, then the target can be met. This will be reported further at the next meeting once further information has been received from the Cities and Local Growth Unit.
- 2.25 Analysis is ongoing of risk relating to expenditure in order to feed into the Government review of the programme. The two key risks for the final year of the programme are:
- **Covid-19** – it is likely that this will lead to a slow-down across all projects with an unknown impact on some projects such as the business grant schemes where it is likely that businesses may curtail investment. Projects that may be affected include:
    - Business Growth Programme, Access to Capital Grants, Digital Investment Fund and Strategic Inward Investment Fund.
    - Institute for High Speed Rail – project now paused
  - **Approval of Expenditure** – until projects have achieved approval of full business case plus costs there is a risk that they may not spend as forecast. The following projects are due to commence on site in 2020/21, some of these, as shown, are yet to achieve approval of the full business case plus costs (127.FBC+):

**Table 2**

Project	Date of Funding Approval	2020/21 Forecast Spend
Harrogate Road / New Line Junction (contractual delays)	Approved	£2,950,506
Rail Parking Package - Hebden Bridge (S56 signed Nov 19, tenants being relocated)	Approved	£692,643
Rail Parking Package - Steeton and Silsden (S56 agreement approved 2019- delays re VAT issue)	Approved	£2,380,000
Rail Parking Package - Moorthorpe (S56 agreement delays)	Approved	£628,994
Rail Parking Package – Normanton (project delayed by covid)	Approved	£1,369,730
Flood Alleviation – Hebden Bridge	Approved	£1,900,000
Leeds City Centre Improvements – Meadow Lane	13/07/2020	£8,900,000
CityConnect Phase 3 Canals	14/01/2021	£0
CityConnect Phase 3 Castleford to Wakefield Greenway Phase 4	14/08/2020	£0
CityConnect Phase 3 Cooper Bridge	14/08/2020	£377,259
CityConnect Phase 3 Huddersfield Town Centre	14/12/2020	£1,016,347
CityConnect Phase 3 Leeds	14/08/2020	£0
Corridor Improvement Programme - Leeds - Dyneley Arms (CIP in total £3m 20/21)	14/08/2020	£1,550,000
Corridor Improvement Programme - Kirklees - A62 Smart Corridor	15/12/2020	£2,000,000
Corridor Improvement Programme - Kirklees - Huddersfield Southern Corridors	15/10/2020	£3,940,846
Dewsbury Riverside	15/06/2020	£885,000
Wakefield SE Gateway – Kirkgate	15/09/2020	£1,600,000
Wakefield SE Gateway – Rutland Mill	14/08/2020	£3,500,000
Flood Alleviation – Brighouse and Clifton	15/03/2021	£1,500,000
	<b>Total</b>	<b>£35,191,325</b>

- Underspend of Projects in Development, Delivery and On-site –**  
 there is also a risk that projects that have approved funding, either for delivery or development, will underspend. In 2019/20 the Transport Fund underspent against agreed baseline by over 50%. Table 3 below details the Transport Fund projects that are currently on site. Whilst there is risk of some slippage on these projects, the greater risk lies with projects not yet approved to spend and with projects in development where spend is less certain, especially when scarce resources are required elsewhere.

**Table 3**

Project	2020/21 Forecast Spend
A650 Hard Ings Road	£2,008,125
ELOR Construction (includes £11.80 million of prepayments made in 2019/20)	£38,762,371
Glasshoughton Southern Link Road (includes £1.25 million of prepayments made in 2018/19)	£3,179,994
Rail Parking Package - Mytholmroyd	£2,370,000
Rail Parking Package - Hebden Bridge	£692,643
Castleford Station Gateway	£1,769,786
West Yorkshire Integrated UTMC (Phase A)	£2,760,428
<b>Total</b>	<b>£51,543,347</b>

## Leeds Public Transport Investment Programme

- 2.26 Significant progress is being made on the schemes which are currently on site and being delivered as part of this programme. The delivery partners are very proactively and innovatively seeking opportunities to continue, and where possible, accelerate delivery while having strict regard to current rules for safe working. Highlights include:-
- **Elland Road Park and Ride** extension - is close to completion.
  - **Stourton Park and Ride** - bulk earthworks and drainage to new slip road completed, and ongoing on main site. Supply chain issues relating to Covid-19 are being managed by re-programming works and re-procuring supply where necessary.
  - **A61(south)** – early works at Thwaite Gate and Crown point road close to completion (some issues with supply chain and utilities are being addressed)
  - **Headrow Gateway** – Covid-19 related re-programming of works to allow paving to complete outside closed businesses. (reduce disruption when re-opened). Additional city fibre works now accommodated.
  - **Infirmity Street Gateway** – City Square East works almost complete, Park Row works commenced mid-May. Positive engagement with public during social distancing measures.
  - Early interventions - Gloucester Terrace & Moortown corner surfacing works have been completed
  - The BAM Group team (delivery partner) won award for enhancing lives through work with Mencap and supporting employment within the LPTIP programme.
- 2.27 Fortnightly update meetings directly with DfT are being held to ensure any cost or programme implications on areas of risk due to Covid-19 are being monitored and reported as necessary.
- 2.28 The programme has underspent based on the revised forecast; however, Leeds City Council continues to spend at risk against some projects so total spend is actually £42.63 million in 2019/20 (WYCA £33.98 plus £8.64 million spent at risk by Leeds). Total spend to date is £56 million, which leaves £117.5m to be spent in 2020/21.
- 2.29 But, unlike Growth Deal, LPTIP can spend in 2021/22 as long as schemes are contractually committed. Therefore, spend in 2020/21 is estimated at £79.5 million and £38 million in 2021/22. Expenditure and forecast are detailed in the attached **Appendix 2** (note this includes a level of over-programming).
- 2.30 Notification has been received that payment of the 2020/21 allocation will be made in two tranches:

- The Leeds City Region was due to receive £88.76 million, the payment now expected in July will be 50% of that - £44.38 million.
- With the remaining amount of £44.38 million subject to confirmation that spend can be achieved.
- DfT is currently determining how this review will be undertaken.
- A decision on the remaining payment will be subject to the review, probably in October 2020.

2.31 Continued focus in 2020/21 will be on ensuring that all projects are approved through the assurance process and that contracts for delivery are in place.

### **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 Programmes.

### **8 Background documents**

8.1 None.

### **9 Appendices**

Appendix 1 – Growth Deal Dashboard 2019/20

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