
Report to: Leeds City Region Enterprise Partnership Board (LEP Board)

Date: 10 June 2020

Subject: **LEP Capital Programme (Investment Committee)**

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1 Purpose of this report

- 1.1 To update the LEP Board on progress made on the implementation of the LEP 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 and consideration of the issues for 2020/21, the final year of the Growth Deal programme.

2 Information

Impact of Covid-19 pandemic on delivery of projects

- 2.1 This is an unprecedented time and the LEP, the Combined Authority its 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 The Combined Authority has 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 reports of delays in the supply chain.
 - A number of projects are currently being tendered and we are aware that some contractors are 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: These are 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 There has been some effect on the level of expenditure on funding programmes for the financial year 2019/20. However, it is very likely that spend for this financial year (2020/21) will be significantly affected and 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.

Integrated Clean Growth

- 2.8 Through the Assurance Framework and other internal decision-making procedures, the Combined Authority will review and embed clean growth considerations into our activities.
- 2.9 Building on the recent work to strengthen how clean growth and climate change impacts are considered as part of all new schemes that come through the Combined Authority's Assurance Framework (Decision point 1 and 2), the Combined Authority are now in the process of procuring expert advice to frame and develop a robust quantifiable methodology for assessing all new scheme's predicted carbon emissions / wider clean growth impacts. This will include a review of existing Combined Authority schemes and additional resource to support the development and implementation of the new assessments.
- 2.10 The development of the specification for the work (which has benefitted from active engagement and input from Leeds City Region local authorities) will allow the Combined Authority to map and detail the emissions footprint of the 180+ projects in the West Yorkshire Plus Transport Fund and Leeds City Region Local Growth Fund pipeline and provide technical advice and training support to project sponsors in the design and development of future investments. This will ensure that the business cases for these reflect the Leeds City Region Climate Emergency and that we can evidence that they will reduce carbon emissions (both directly and indirectly).
- 2.11 A tender has now been issued to the market with the intention of appointing a successful consultant (or consortium) in spring / summer 2020. It should be noted that Leeds City Region local authority officers will be involved in the evaluation of tender responses working alongside Combined Authority officers. It is anticipated this technical work will commence in July. Training and support elements will run throughout the year across a longer timeline.
- 2.12 Clean growth, including climate change, impact assessment / considerations are all now included in all Capital Spending and Project Approvals reports.

LEP Capital Programme

- 2.13 Table 1 below summarises total expenditure on the LEP capital programme in 2019/20 against the revised outturn forecast.

Capital Programme	Revised Forecast 2019/20	Year End 2019/20	%
Growth Deal (including West Yorkshire Transport Fund)	£105,430,000	£71,154,595	67.5%
West Yorkshire Broadband - contracts 2 & 3	£1,157,000	£226,008	19.5%
Growing Places Fund	£0	£1,511,040	0.0%
Warm Homes	£400,000	£440,370	110.1%
Total	£106,987,000	£73,332,014	68.5%

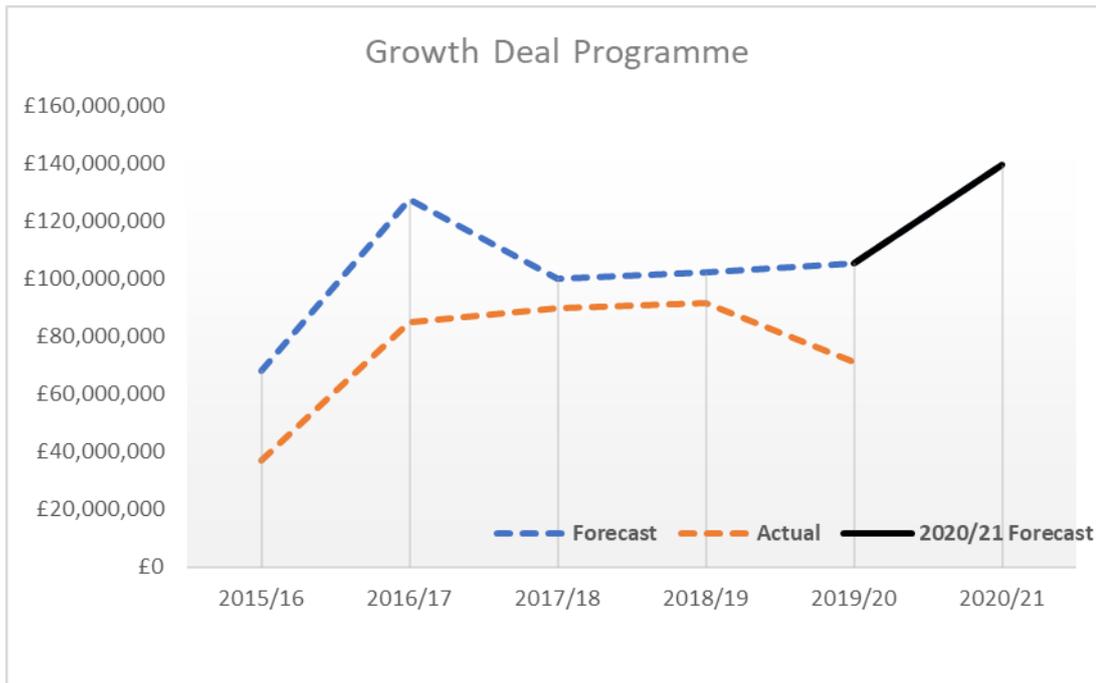
Growth Deal Programme

Independent Review of the Transport Fund 2019

- 2.14 Confirmation has been received from the Ministry of Housing, Communities and Local Government 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.

Expenditure

- 2.15 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**.
- 2.16 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 set 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

- 2.17 In all each of the previous four years of the Growth Deal spend against the Transport Fund has increased each year. This year 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.
- 2.18 There are different reasons that individual projects have not achieved target spend, as detailed below, one 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.
- 2.19 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 of Department for Transport 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 Dawsons Corner** and the A650 Tong Street are linked to Major Route Network funding and the need to have updated transport models.
- Two Corridor Improvement Projects: **Leeds Dyneley Arms** and **Wakefield Newton Bar** were also slow to progress and led to underspend totalling £3.7 million.

2.20 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.

Economic Development Projects

2.21 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 with uncertainty over Brexit, and then a slow down due to COVID-19, has led to an underspend of £1 million
- **Institute for High Speed Rail** – Spend in 2019/20 was at forecast but the detail is currently being determined, £3.24 million had been confirmed at year end. Work on the project could not continue as planned in March 2020 due to COVID-19
- **Dewsbury Riverside** – The forecast of £1.7m has not been met as the project has been waiting for a Government decision on HIF. The bid was subsequently unsuccessful which has led to revisions of the scheme.
- **Enterprise Zones** – The forecast was an estimate subject to projects coming forward through the assurance process. Whilst projects have progressed well there have been a number of delays due to COVID-19, with delays in planning permission, land assembly and acquisitions resulting in the full forecast not being achieved.

2.22 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

- 2.23 All underspend on the Growth Deal programme will be carried forward to be spent in 2020/21. A total of £155.78 million is available to spend in 2020/21 (this includes £15.75 million of prepayments). This is a significant sum especially given the current issues around the COVID-19 pandemic which is affecting capital spend across all funding streams.
- 2.24 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 to review spending.
 - A decision on the remaining payment will be subject to assessment of the completed templates expected to be by September 2020.
- 2.25 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 plus £13.49 million of prepayments) in 2020/21. This will take total spend to £503.36 million. Although short of the £516 million target, we have projects that will be in contract and therefore further spend which takes forecasts which show spend above the target. This will be reported further at the next meeting once further information has been received from the Cities and Local Growth Unit.

West Yorkshire and York Broadband Programme

- 2.26 The City Region's Strategic Economic Plan (SEP) laid out an ambition to achieve 99% superfast broadband connectivity across West Yorkshire and York by 2018/19. The West Yorkshire and York Broadband programme commenced in 2013 and is overseen by a partnership agreement between the West Yorkshire and York councils and the Combined Authority. The target of 99% coverage by 2018/19 was not met by the original Contract 1. However, with Contract 1 completed and Contract 2 in progress and on schedule, the programme is now on track to deliver up to 98% access to superfast broadband by end June 2021. A further Contract 3 to address some of the remaining most difficult to reach rural properties, is currently in procurement to secure the use of a broadband infrastructure supplier. The target for Contract 3 is to take coverage up to and over 99%.

2.27 Contract 3 was originally expected to commence in 2019/20 and spend was forecast accordingly. It will now commence in 2020/21. Expenditure in 2018/19 related to remaining activity on Contract 2.

Warm Homes Programme

2.28 The Warm Homes programme aimed to address fuel poverty amongst some of the most vulnerable households in the Leeds City Region through replacing old, obsolete, carbon and cost intensive heating with first time (for those who have not previously had any form of central heating) efficient gas central heating systems, and often a gas connection, in housing stock across all tenures.

2.29 The Combined Authority declared a Climate Emergency in 2019 and strengthened its regional target to become a net zero carbon economy by 2038. In addition, Priority 3 of the Leeds City Region Strategic Economic Plan (Clean Energy and Environmental Resilience) sets out a long-term ambition to become a resilient zero carbon energy economy underpinned by high quality infrastructure. Priority 3 particularly emphasises the ambition to:

- Deliver improvements that make homes across the Leeds City Region warmer and reduce fuel poverty.
- Develop partnership and funding models with the health sector to deliver collaborative interventions that reduce extreme cold and damp and improve health.

2.30 In December 2017, the LEP contribution to the Warm Homes programme of £1,619,960 (funded by the National Grid Warm Homes Fund) was approved through the assurance process. The total project value is £2.91 million, including £825,000 match funding from the partner councils and £465,000 private sector funding.

2.31 The programme was made up of two projects: the first delivering measures to over 200 privately owned and rented properties across the City Region. This project has been delivered through the Better Homes Yorkshire contract agreements. The second project delivered measures to 500 Leeds City Council owned properties and was delivered through Leeds own existing contract agreements.

2.32 The programme is now complete and 704 fuel poor (where the householder spends more than 10% of their income on fuel costs) properties have received first time central heating across both projects. The carbon savings achieved through replacing carbon intensive forms of heating for more efficient systems is 57,430 lifetime tonnes saved. This is expected to result in fuel bill savings of £7.75 million over the lifetime of the measures.

2.33 The Warm Homes programme followed on from the successful delivery of the Growth Deal funded Tackling Fuel Poverty programme. This programme delivered a range of energy efficiency and heating improvements to fuel poor households across the city region. The LEP contributed £5.70 million (funded

through the Local Growth Fund) towards the £10.50 million total cost. The programme delivered improvements in over 1,440 homes, the measures are expected to achieve future bill savings equivalent to £13.5 million, and carbon savings of almost 42,000 tonnes over the lifetime of the measures. This is equivalent to taking almost 22,000 cars off the roads.

- 2.34 In addition to a low income, many of the householders who have benefitted also have long term respiratory, cardiac or mental health conditions made worse by cold. The provision of an affordable, reliable heating system offers a significant improvement to their health and well-being. A programme closure report is now being completed. A small final balance of grant from the programme will be paid out in 2020/21.
- 2.35 Work is ongoing to develop pathways to meet its 2038 net-zero emissions target. Economy wide emissions reductions are being examined, with a specific pathway marked out for buildings and homes. One of the key assumptions is that ambitious energy efficiency improvements will be necessary in all scenarios, raising all homes to an energy performance of EPC (Energy Performance Certificates) C and better by 2030, with connection to a low carbon heating system. The Combined Authority's policy team is leading a project that is looking at delivery, finance, funding, and supply chain, necessary to deliver domestic energy efficiency at sufficient scale and pace to meet its net zero carbon emissions target.

3 Clean Growth Implications

- 3.1 The implications for clean growth are set out in paragraphs 2.8-2.12.

4 Financial implications

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

5 Legal implications

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

6 Staffing implications

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

7 External consultees

- 7.1 No external consultations have been undertaken.

8 Recommendations

- 8.1 That the LEP Board notes the year end performance of the LEP capital programme.

9 Background Documents

9.1 None

10 Appendices

Appendix 1 – Growth Deal Dashboard 2019/20