

Report to: West Yorkshire and York Investment Committee

Date: 7 January 2021

Subject: **Capital Programme Update**

Director: Melanie Corcoran, Director of Delivery

Author(s): Lynn Cooper, Portfolio Lead, Monitoring and Reporting

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's capital programme. The report provides an update on: the current level of Growth Deal overprogramming, the Getting Building Fund, the Growth Deal Business Support Programmes and the Brownfield Housing Fund.

2 Information

Capital Programme

- 2.1 Table 1 below summarises the expenditure as at quarter 2 on the Combined Authority's capital programme in 2020/21 against the in-year forecast:

Table 1

Capital Programme Expenditure 2020/21	Budget Forecast February 2020	In-Year Forecast June 2020	Actual Quarter 2 2020/21
Growth Deal Programme			
Priority 1 Growing business	£14,809,439	£11,368,691	£3,484,967
Priority 2 Skilled People and Better Jobs	£667,110	£667,273	£0
Priority 3 Clean Energy	£741,887	£1,022,946	£174,138
Priority 4a Housing and Regeneration	£6,500,000	£8,845,000	£0
Priority 4c Economic Resilience	£4,181,524	£4,279,598	£1,209,054
Priority 4d Enterprise Zones	£12,337,000	£15,699,938	£7,617,193
Growth Deal - Other	£2,000,000	£2,500,000	£1,126,062
Growth Deal Economic Development Total	£41,236,960	£44,383,446	£13,611,414
Priority 4b West Yorkshire plus Transport Fund	£110,670,000	£87,384,018	£14,244,863
Leeds Public Transport Investment Programme	£88,233,338	£66,024,000	£28,570,572
Local Transport Plan	£13,129,332	£13,129,332	£5,111,137
Highways Maintenance / Pothole Action	£29,997,000	£29,997,000	£25,955,154
Clean Bus Technology Fund	£0	£4,264,302	£2,175,088
Ultra Low Emissions Buses	£0	£617,000	£2,630
Corporate Projects	£5,503,000	£6,385,714	£1,374,116
Broadband	£2,608,437	£2,198,052	£68,641
Transforming Cities Fund*	£55,000,000	£55,000,000	£2,707,570
Getting Building Fund**	£0	£13,550,000	£0
Brownfield Housing Fund**	£0	£5,000,000	£0
Emergency Active Travel Fund	£0	£2,513,000	£109,956
Total Capital Spend	£346,378,067	£330,445,864	£93,821,185
*Amended forecast as incorrect forecast of £106million included in February 2020 CA report			
** New funding programme			

- 2.2 The monitoring process for quarter 3 is now open and the deadline for claims is very tight due to the Christmas holidays. The deadline has therefore been extended to ensure that as much expenditure as possible is claimed. The level of expenditure forecast for the final quarter is high, this is a significant risk given that this is the final year for expenditure on the Growth Deal economic development projects.
- 2.3 The current level of over-programming on the Growth Deal economic development is detailed in Table 2 below.

Table 2

Total funding available	Total spent to end of 2019/20	Balance of funding to be spent	2020/21 forecast in LGF review (June 2020)	2020/21 forecast to include changes to forecast (as at December 2020)
£235,450,000	£194,650,211	£40,799,789	£44,383,447	£53,542,134
Amount of overprogramming			£3,583,658	£12,742,344

- 2.4 It is appropriate to maintain a level of over-programming for a number of reasons including:
- Mitigation against possible underspend on projects to ensure achievement of full spend on the Growth Deal economic development programme.

- Opportunities for new funding are likely to occur in 2021, it is therefore appropriate to ensure that there are projects ready to take up and deliver against this funding.
- Expenditure targets on other funding programmes (see Getting Building Fund below) mean that maximising spend where possible is prudent at this time.

Getting Building Fund

- 2.5 The Cities and Local Growth Unit has confirmed that it is a requirement that the full amount of £26.30 million awarded for the Getting Building Fund (GBF) should be spent in 2020/21 or there is a risk of losing funding from the programme. The West Yorkshire submission for this programme forecast spend of £13.45 million in 2020/21 and the current forecast (following submission of business cases) is £9.80 million. However, it has been confirmed that the Combined Authority can use its freedoms and flexibilities under the conditions of this programme to offset spend from other programmes against this funding. A decision will be made at closedown which expenditure to use for this purpose which may be dependent on the spend achieved.

Growth Deal Business Support Programme

- 2.6 The following Business Support Schemes are being delivered through Growth Deal economic development funding up to the end of March 2021. Table 3 below provides headline progress on spend and outputs for each scheme.

Business Growth Programme and Access to Capital Grants

- 2.7 This project provides capital investment grants of up to £250,000 for existing Leeds City Region businesses to support the cost of new equipment / machinery / technology, and/or, property fit-out costs, but not property purchase. The funding has also been used to provide critical match-funding into other pivotal business support products in Leeds City Region, namely:
- Access Innovation and Connecting Innovation (grants and advice to support SMEs to develop and commercialise new products and processes);
 - Strategic Business Growth 1 & 2 (grants and advice to support SMEs with high growth/scale-up potential);
 - Digital Enterprise (grants and advice to help SMEs grow and develop through an enhanced use of digital technologies); and
 - AdVenture (grants and advice for start-up and early-stage businesses with growth potential). All of these products have been delivered through matching the Growth Deal funding with funding from the European Regional Development Fund.

- COVID 19 Response – the above allocation has also been used to provide critical support to small businesses in response to the impact of the pandemic. Circa £2 million is being used for a Digital Resilience Voucher scheme that is supporting almost 500 firms with grants of up to £5,000 to purchase digital equipment and solutions to facilitate safe and effective homeworking. In addition, a further circa £2 million is being used to support circa 400 firms to invest in capital equipment that will enable safe-working measures to be introduced. This is part of the COVID-19 Recovery Grants scheme that is also being supported with £1.2 million from the European Regional Development Fund.
- Business Floods Recovery Fund – £2 million of the overall Business Growth Programme budget was allocated to a fund to support those businesses severely impacted by the floods in City Region in early 2020. To date, 12 applications have been approved to a value of £444,000 and this has safeguarded 189 jobs in the grant-recipients. The grants have been used to replace essential capital equipment and to repair the internal fabric of buildings where insurance did not cover the full costs.

Strategic Inward Investment Fund and Digital Inward Investment Fund

- 2.4 Grant investment package to support major foreign and indigenous inward investment projects where there is net employment growth for the UK, and/or, significant numbers of jobs safeguarded. The package also includes a fund to specifically incentivise business investment within the digital sector, particularly within the sub-sectors of creative, financial services, technologies and healthcare technologies. The sub-funds are: -
- Strategic Inward Investment Fund - capital grants of up to £1 million, and potential to go above in exceptional circumstances, to support significant expansion or relocation projects by new or existing inward investors.
 - Digital Inward Investment Fund - known as #Welcome and #Grow, capital grants of up to £50,000 for existing and inward-investing creative & digital businesses implemented as part of the commitment to Channel 4's relocation to the City Region i.e. supply chain and sector development.
- 2.5 **Resource Efficiency Fund / REBiz** - capital grants of up to £40,000 and accompanying expert advice for SMEs in the City Region to reduce their energy usage and enhance waste collection / re-use). This programme is being delivered across all of West and North Yorkshire and the Growth Deal funding is used to draw down additional European Regional Development Fund funding, alongside contributions from the SMEs supported.

Table 3

Scheme	Allocation	Spend to Date (Dec 20)	Actual and Forecast Spend (March 21)	Outputs Targets	Outputs Achieved (as of Dec 20)
Business Growth Programme & Access to Capital Grants	£52.7m (original allocation was £42.7m, with an additional £10m approved in 2018)	£46.9m actual £51.5m committed	£47.8m	4100 jobs created 765 grants awarded £169m, private sector investment leveraged	5022 jobs created further 1200 committed 793 grants awarded £300m private sector investment leveraged
Strategic Inward Investment Fund & Digital Inward Investment Fund	£13.45m	£2.6m actual £5.86m committed	£10.2m	1245 jobs created £120.45m total investment	590 jobs created 1360 jobs committed* 450 jobs safeguarded £41.3m actual investment £56.2m committed investment
Resource Efficiency Fund / REBiz	£1.34m	£0.8m	£1.25m	By end of Dec 22 508 business supported 260 grants awarded	323 businesses supported 182 grants awarded

- Jobs can be created up to the end of March 2022

- 2.8 Since the commencement of lockdown in April 2020, activity levels and, consequently, grant investment take-up has been low on REBiz (approximately 50% lower than the pre-COVID 19 forecasts as of November 20). This has been the case for similar schemes across the country as businesses have, understandably, had to focus on more pressing matters and, as a consequence, deprioritise resource efficiency investments. Therefore, there is a risk of underspend on the Local Growth Fund allocation for REBiz in this financial year as the table above highlights. Plans are being implemented to increase business engagement with the programme, including through a proactive outbound campaign and increased business-networking, and this has resulted in a recent increase in enquiries. However, the second national lockdown and additional Tier 3 restrictions continue to impact on the number of grant applications coming forward. Work will continue to maximise as much spend as possible before the end of March 2021, with any shortfall being addressed by the £7 million Getting Building Fund allocation for 2021/22 (see below).
- 2.9 £7 million has been allocated for capital grants to businesses during 2021/22 from the Combined Authority's Getting Building Fund allocation. This will be critical in terms of continuing to support investment from the City Region's business base into next financial year, particularly as levels of demand are at their highest for three years and show no sign of decreasing. Investment activity within food and drink manufacturing, and its supply chain (e.g. machinery providers), remains high, along with activity within such sectors as healthcare and creative & digital. Although the focus on improving business productivity will remain into next financial year, the additional grant allocation will also have a positive impact on job creation (up to 800 jobs created and 200 safeguarded) at a critical time for employment rates in the City Region.
- 2.10 The £7 million allocation will continue to be used flexibly to support both indigenous and foreign direct investment, and there will remain a clear focus on digital, innovation and supply chain businesses. The key challenge as 2021/22 progresses will be to secure a successor fund for a longer period from April 2022 onwards (i.e. three to five years), and to also put in place a larger fund specifically for major inward and indigenous investment projects as the £7 million for 2021/22 could be fully committed well in advance of the end of the financial year.

Brownfield Housing Fund

- 2.11 In September 2020, officers confirmed to the Investment Committee that formal confirmation of the £67 million approved through Brownfield Housing Fund had been received. A draft funding agreement has been discussed with the Ministry of Housing Communities and Local Government (MHCLG) over the last few weeks and the key terms are summarised below. The terms are consistent across all existing and emerging Mayoral Combined Authorities (MCAs) who have had a direct allocation through this fund:

- Projects must be Green Book compliant with a Benefit Cost Ratio floor of 1 and should seek the best possible Value for Money opportunities.
- Projects must have an evidenced market failure and demonstrate that they cannot proceed without public sector financial support.
- The Combined Authority should seek to prioritise projects with the highest level of additionality.
- Homes brought forward will start on site in this Parliament i.e. before 31 March 2025.
- Councils must either have an up to date Local Plan or Spatial Framework in place, or an agreed plan with MHCLG for getting a Local Plan or Spatial Framework in place, to receive funding.

2.12 The agreement states that there is an expectation that the Combined Authority will have identified all projects being supported by the fund by **June 2021** and will provide MHCLG with a brief description of what is being funded and the cost at this time.

2.13 Through recent negotiation with MHCLG, verbal agreement to a revised spend profile of £0.6m in the current financial year has been provided. The spend profile for remaining years is unchanged, although the £4.4million from this financial year is expected to be profiled into future years. The revised spend profile is detailed below.

2020/21	2021/22	2022/23	2023/24	2024/25
£0.6m	£20m	£25m	£14m	£3m *

* awaiting confirmation of which year, the £4.4million will be re-profiled into.

2.14 MHCLG has also confirmed that there is flexibility in their grant agreement to enable use of loans as well as grants to unlock development and other such tools, if the funding is used as capital and for the same purposes. MHCLG has stated that it is their expectation that the return of loan funds and / or any return on the funding, is recycled into future housing funding by the Combined Authority.

2.15 Officers are now working with partner councils to finalise local priority schemes that can be realised through the funding.!

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

9.1 None.