

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

Date: 20 January 2021

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

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1 Purpose of this report

- 1.1 To inform the LEP Board of the progress made implementing the LEP capital programme for 2020/21. The report provides an update on the Growth Deal including the current overprogramming, the Getting Building Fund, the Growth Deal Business Support Programmes and the Transport Fund.

2 Information

Capital Programme

- 2.1 Table 1 below summarises the expenditure as at quarter 2 on the LEP 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
Broadband	£2,608,437	£2,198,052	£68,641
Getting Building Fund*	£0	£13,550,000	£0
Total Capital Spend	£154,515,397	£147,515,516	£27,924,919
*New funding programme			

- 2.2 Generally, spend across the LEP capital programmes is progressing well however 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.

Growth Deal Economic Development Projects

- 2.3 The Growth Deal Economic Development projects continue to progress strongly in this final year of the Growth Deal. The programme has achieved spend of £13.6 million which is in line with the forecast of £13.3 million submitted to the Cities and Local Growth Unit (CLoG) in the Local Growth Fund (LGF) review that took place in June 2020. Appendix 1 provides the full quarter 2 dashboard for the Growth Deal.
- 2.4 A level of over-programming was included within the estimated spend for the Economic Development projects in the LGF Review. However, this was a prudent estimate which did not include all projects with the potential to spend but were still to progress through the assurance process. There have been some changes to forecasts (detailed below) to take account of projects that have withdrawn but there is also additional spend now expected by existing projects and some further schemes that are likely to be approved by end March 2021. The quarter 2 forecast includes £10.74 million of overprogramming but this has since increased to £12.74 million as detailed in Table 2 below. The overprogramming will help to mitigate against possible underspend on the Growth Deal and possibly other funding programmes.

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

- 2.5 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.
- 2.6 Changes to the expenditure forecast that have occurred since the LGF review was submitted include:
- Two projects have now been withdrawn, these are Dewsbury Riverside (£0.89 million) and Flood Alleviation – Brighouse and Clifton (£1.5 million).

- The Business Grants Programme is forecasting an additional £3.5 million of spend by the end March 2021. This is made up from £1.5 million forecast to spend on Digital Resilience vouchers and £2 million which is being used to top up the Government COVID grants.
- An additional £1.34 million was approved for Parry Lane Enterprise Zone at the Investment Committee on 5 November.
- Additional spend of £2.9 million is now expected for Bradford Heritage Buildings – High Point, this was also approved by the Investment Committee on 5 November.
- An additional approval of £2 million was granted for Mytholmroyd Flood Alleviation in December.

2.7 The current achievement and forecast on Growth Deal programme outputs is detailed in Table 3 below:

Table 3

Output	Target (includes Growth Deals 1, 2 and 3)	Achieved to date as at Quarter 2 2020/21	Forecast 2021-25	Total
New jobs	19,595	8,075	7,114	15,189
Jobs safeguarded (flood resilience programme)	11,100	24,583	700	25,283
Houses	2,300	437	2,284	2,721
Public / private investment (match funding)	£1,031,000,000	£705,010,549	£377,453,695	£1,082,464,244

2.8 The majority of outputs are on track to be achieved. When new and safeguarded job are considered together the jobs target will be exceeded. However there is some concern relating to the achievement of jobs through the programmes approved as part of Growth Deal 3 which included the Business Expansion Fund and the Enterprise Zones. A report on this issue will be submitted for consideration at a future meeting.

Growth Deal Business Support Programme

2.9 The following Business Support Schemes are being delivered through Growth Deal economic development funding up to the end of March 2021. Table 4 below provides headline progress on spend and outputs for each scheme.

Business Growth Programme and Access to Capital Grants

2.10 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

- 2.11 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.
- 2.12 **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 4

Scheme	Allocation	Spend to Date (Dec 20)	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	£46m	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	£5.25m	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

2.13 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).

- 2.14 £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.
- 2.15 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.

West Yorkshire plus Transport Fund

- 2.16 The delivery of projects across the Transport Fund continues apace with construction work on site for projects with a total value of £107 million, these include East Leeds Orbital Route (ELOR), CityConnect Phase 3 Leeds, Castleford Station Gateway, Mytholmroyd Rail Station Car Park and the West Yorkshire UTM (Urban Traffic Management and Control) Element A. The £9.3 million A650 Hard Ings Road in Keighley has also been completed on site and is now open.
- 2.17 Attached for information at Appendix 2 is the Growth Deal monitoring return which is submitted to CLoG each quarter and was tabled at the LEP Board

meeting on 17 November 2020. Programme spend on this return is categorised in two ways:

- Expenditure – This is the total LGF monies spent by project sponsors on their projects.
- 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)

2.18 Expenditure and outturn on the Transport Fund in 2020/21 against the CLoG forecast is as follows:

Table 5

Spend Category	CLoG Forecast	Quarter 2
Outturn (Appendix 1)	n/a	£14.23m
Expenditure	£17m	£25.20m

The expenditure target has therefore been comfortably achieved.

The forecast expenditure for 2020/21 on the Transport Fund is currently £79.5 million. This is a reduction of £11 million against the previous quarter. Following a detailed review of the Transport Fund, partner councils have reprofiled expenditure on a number of projects that had been expected to spend in 2020/21 into 2021/22 including: Corridor Improvement Programme projects at Dawsons Corner, Dyneley Arms and A650 Newton Bar; also Leeds City Centre Package – Armley Gyrotory, Mirfield to Dewsbury to Leeds and Rail Parking Package project at Steeton and Silsden.

2.19 The overall forecast for spend against the full Local Growth Fund allocation is as follows:

Table 6

Transport Fund LGF Allocation	£280,900,000
Cumulative Spend to Quarter 2 2020/21	£195,261,652
Forecast for Quarter 3 & 4 2020/21	£64,789,661
Balance left to spend	£20,848,688

Although this represents a shortfall against expenditure the key issue is to ensure that the full allocation is contractually committed. The total amount contractual commitment is £271.70 million with a further £49.13 million forecast by the end of March giving a total of £320.83 million.

3 Clean Growth Implications

3.1 The Combined Authority has taken action to ensure all decisions we make include Climate Emergency considerations. The Combined Authority:

- has strengthened how clean growth and climate change impacts are considered as part of all schemes that come through the Combined Authority's Assurance Framework.
- requires LEP and the Combined Authority reports to include clean growth / tackling the Climate Emergency implications, including qualitative impact assessments.

3.2 To fully strengthen decision making across the whole of the Combined Authority's Assurance Framework a robust, quantifiable methodology for assessing all new schemes predicted carbon emissions/wider clean growth impacts is being developed. Please see the Climate Emergency report included on the agenda for the [November Investment Committee](#) meeting. The report provides an update on the work commissioned by the West Yorkshire Combined Authority to develop a carbon impact assessment tool and the incorporation into the Assurance Framework.

3.3 Clean growth, including climate change, impact assessment / considerations are all now included in all Capital Spending and Project Approvals reports. This ensures that the business cases now reflect the Leeds City Region Climate Emergency priority and evidence that they will reduce carbon emissions (both directly and indirectly).

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 progress of the LEP capital programme for 2020/21.

9 Background Documents

9.1 None.

10 Appendices

10.1 None.