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

Date: 24 February 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 capital expenditure at quarter 3 2020/21, Growth Deal Annual Performance Review, the Growth Deal economic development expenditure forecasts and closure and Getting Building Fund approvals.

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 Claims and monitoring for quarter 3 are currently being processed and will be reported at the next Investment Committee meeting in March.

- 2.3 There is an increase of £1.44 million spend on the Transforming Cities Fund (TCF) for quarter 2 against the amount reported in December 2020. This relates to early spend on development costs in 2019/20 prior to the approval of the TCF programme. This was originally funded through the Transport Fund which has now been formally transferred to TCF.

Annual Performance Review

- 2.4 The Annual Performance Review (APR) for 2020/21 undertaken by the Cities and Local Growth Unit (CLOG) took place on 27 January 2021. As in previous years the APR will cover three areas: Strategic Impact, Governance and Delivery. However, LEPs will no longer be given a ranking e.g. adequate, good, excellent, instead there will be an outcomes based approach with findings of 'met' or 'action needed'. The APR will include a review of delivery against both the Growth Deal and the Getting Building Fund (GBF) and is a key milestone in the process of confirming GBF payments for 2021/22.
- 2.5 In preparation for the meeting information was submitted to address key questions as required by CLOG. Whilst information on expenditure was required the question focussed on the level of contracted spend and any risk to achieving Local Growth Fund (LGF) being fully contracted by the end of 2020/21. The key message for the Leeds City Region is that the delivery of and reporting of outputs will continue until 31 March 2024 and the full financial allocation of LGF, for both the economic development projects and the Transport Fund, is now fully committed as demonstrated in Table 2:

Table 2

Programme	Total Funding	Total Contractually Committed to date
Growth Deal Economic Development	£235,450,000	£244,425,675
Transport Fund	£280,900,000	£271,701,996
Total	£516,350,000	£516,127,671

Growth Deal Expenditure

- 2.6 The Growth Deal economic development programme is now in its final quarter, the current forecast of programme spend is as follows:

Table 3

Economic Development Allocation	£235,450,000
Spend to end of 2019/20	£194,650,211
Balance to be spent in 2020/21	£40,799,789

Quarter 1 - 3 2020/21 spend	£22,904,583
Current forecast	£24,696,609
Forecast 2020/21	£47,601,192
Overprogramming	£6,801,403
Forecast spend at risk of underspend	£4,586,450

- 2.7 The programme remains overprogrammed but whilst this is the case there are a number of projects where there is a risk of underspend / slippage. Nevertheless the programme is still expected to overspend.
- 2.8 Whilst the aim of overprogramming is to not to overspend the message to all projects has been to maximise spend against approved funding wherever possible. The reason for this is that overspend can be used to offset against other programmes where they are unlikely to achieve target spend in 2020/21. These programmes include the West Yorkshire plus Transport Fund and the Getting Building Fund. Whilst ultimately this spend will need to be repaid it can remain offset within the Combined Authority accounts over future years.
- 2.9 It is also important where there is momentum on delivery that this is not curtailed as funding opportunities are likely to arise in the near future to support ongoing or shovel ready projects.

Growth Deal Economic Development Projects Closedown

- 2.10 The closedown of the Growth Deal portfolio is underway with additional temporary resource in place to coordinate and align closure of economic development projects and programmes by June 2021. An officer programme board has been established to support this process, enabling forward planning and flexible deployment of resources where required.
- 2.11 Of the 57 economic development projects (listed in Appendix 1) included in the Growth Deal, 15 have achieved decision point 7 (financial closure) to date, the aim is for the remaining 42 to progress through the assurance process by the end of June.
- 2.12 The Policy, Strategy and Communications Directorate is engaged with closedown to ensure that lessons learnt are captured, and that work is aligned with the emerging evaluation strategy. A communications plan is in development to ensure Growth Deal success stories are communicated to the public.
- 2.13 Work is also ongoing to capture benefits realised, and ongoing follow up of outputs and outstanding contract issues (including financial (loans, overage) legal (contract clauses)) will transition from the Delivery Directorate to Corporate Services Directorate following formal financial closure of each project.

Getting Building Fund

- 2.14 The approval of project funding through the Getting Building Fund is progressing well. All but two projects are expected to be approved by the end of March 2021. To date five projects have been approved for a total of £16.24 million. It is forecast that 14 projects, totalling £48 million will be approved by end of March 2021.

Enterprise Zones and Commercial Sites

- 2.15 The Combined Authority received £20 million of Local Growth Fund for delivery of Enterprise Zones under its Growth Deal 3 allocation and is on track to spend this allocation by the 31 March 2021 deadline.
- 2.16 Five of the ten sites are on site with some close to completion. A further two (Parry Lane and Langthwaite) will continue enabling works into next financial year, funded through the Getting Building Fund.
- 2.17 A new commercial pipeline is expected to emerge over the course of the next financial year, which will complement work already underway on a new Commercial Investment Fund. It is intended that the residual EZ sites will form part of this new commercial pipeline.
- 2.18 MCA status offers a range of new tools to help support the future development of commercial / employment space, e.g. borrowing for non-transport schemes; Compulsory Purchase; Mayoral Development Company. Use of these tools will be subject to agreement with the relevant local authority.
- 2.19 New funding streams announced in the Comprehensive Spending Review may offer an opportunity to take forward residual EZ sites. However, further details on the funding will be required in order to establish the relevance to fund enterprise zone activities.

3 Tackling the Climate Emergency 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 and tool for assessing all new schemes predicted carbon emissions/wider clean growth impacts is being developed. Plans for the use of the toolkit will be reported to the Combined Authority. The toolkit will be used to assess schemes currently going through the assurance process from early 2021, with results from these assessments expected by June 2021. At the same time, the tool will be incorporated into the Assurance Framework so that it can be used to assess future proposals as they progress through the assurance process. This part of the commission will involve a significant training element to ensure carbon assessment is properly embedded in the assurance process. It is anticipated that the commission will be completed by summer 2021. A more detailed report will be presented to the March Combined Authority meeting with

regards the Phase 2 Carbon Impact recommendations, which will set out the proposed changes to our business case processes for appraising carbon.

- 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 Inclusive Growth Implications

- 4.1 This report does not directly impact on Inclusive Growth; this is assessed as part of the appraisal of each project through the assurance framework and reported to the Investment Committee in the Capital Spending and Project Approvals report.

5 Financial implications

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

6 Legal implications

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

7 Staffing implications

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

8 External consultees

- 8.1 No external consultations have been undertaken.

9 Recommendations

- 9.1 That the LEP Board notes the progress of the LEP capital programme for 2020/21.

10 Background Documents

- 10.1 None.

11 Appendices

- 11.1 None.