

Report to:	West Yorkshire Combined Authority
Date:	9 March 2021
Subject:	The Single Investment Fund and the West Yorkshire Investment Strategy
Director:	Alan Reiss, Director of Policy, Strategy and Communications Angela Taylor, Director of Corporate Services
Author:	Heather Waddington, Policy Manager, ESIF and Future Funding Policy

Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input 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 provide the Combined Authority with an update on progress made on the development of the Single Investment Fund (SIF) and the design of a new West Yorkshire Investment Strategy (WYIS) which outlines the funding priorities for the SIF. This will facilitate the creation of an ambitious set of projects and programmes, based on core objectives to achieve far reaching outcomes in carbon reduction, inclusive growth and the reduction of inequality, connectivity and infrastructure.
- 1.2 For the Combined Authority to endorse the approach to the Single Investment Fund (SIF), the design of the West Yorkshire Investment Strategy and the proposed next steps.
- 1.3 This paper is concerned with the SIF framework and approach. It is not seeking funding approvals for any individual projects.

2. Information

- 2.1 In March 2020 West Yorkshire Leaders and Government signed a 'minded to' devolution deal for West Yorkshire, which sets out a raft of new powers and funding, including the requirement for the Combined Authority to create a Single Investment Fund (the "SIF").

- 2.2 At the Combined Authority in July 2020, the high-level operating principles of the SIF were agreed (**Appendix 1**). The proposed approach is designed to support delivery of the MCA's agreed strategic objectives and provides an opportunity to bring together all the MCA's funding (some of which is ring-fenced to a degree), including existing and new funding streams when secured. The aim is to give greater local freedom and flexibility over how to prioritise investments to maximise clean and inclusive growth in the region.
- 2.3 The Combined Authority agreed that the SIF should be outcome focussed, with local decision making clearly guided by the overarching Strategic Economic Framework (SEF).
- 2.4 Further work has been undertaken to develop the approach to the SIF and its operating principles and how to translate the priorities of the SEF into the investment priorities of the Investment Strategy. For the first investment period, it is proposed that the strategy focusses on economic recovery and resilience, including good jobs and skills, tackling the climate emergency, accelerating infrastructure and improving connectivity – all with the overarching aim of developing an inclusive economy which benefits everyone.

Designing a new approach to maximising local resources

- 2.5 The Single Investment Fund (the "SIF") approach will:
- ensure the resources available regionally are used in a way to **maximise the achievement of the Combined Authority's objectives**, with a focus on supporting **inclusive growth, tackling the climate emergency and reducing inequalities**.
 - include a clear set of **agreed strategic investment priorities** that are policy, evidence and outcome led, to aid how choices are made and how resources are allocated,
 - develop and manage a **pipeline of schemes**, so that maximum advantage can be taken as other funding becomes available - including an agreed approach to funding necessary development costs.
 - Be led by the principle of achieving **the best outcomes against objectives**, by commissioning if required, not simply the allocation of funding against available projects.
 - introduce an early **check and challenge stage**, as part of the new Assurance Framework, to direct the right investments in line with investment priorities.
 - sequence investments over a **multi-year period**.
 - demonstrate to Government/taxpayers/stakeholders a **transparent** process for investment decisions to support the region, and the **impact** of those investments.

Building blocks to enable investment decisions

- 2.6 In order to realise the ambitions as set out in section 2.3, there are a number of key building blocks required. The next sections describe these building blocks in more detail. In summary they are:

- The Single Investment Fund (the SIF) – an overall ‘**single pot**’ which brings together the Combined Authority’s existing growth funding with new funding streams secured as part of the devolution agreement, to support shared regional objectives. This is required by Government as part of the devolution deal.
- The West Yorkshire Investment Strategy (WYIS) – the key single document which sets out **what** the Combined Authority’s Investment Priorities are for the SIF, used to direct resources over an agreed ‘investment period’, building on policies and strategies agreed as part of the Strategic Economic Framework. This is required by Government as part of the devolution deal.
- The Assurance Framework – the Combined Authority’s tool used to **appraise** the investment propositions. This is required by Government.
- The Financial Strategy – the Combined Authority’s plan which will set out **how** schemes will be funded, spending plans, financial rules - e.g. commercial approach, risk, underwriting, use of grants vs loan, return on investments, recycling funds.

The Single Investment Fund

- 2.7 The Single Investment Fund is the overall ‘single pot’ which brings together all of the Combined Authority’s funding (some of which is ring-fenced to a degree), including legacy and new funding streams secured as part of the devolution agreement.
- 2.8 The ‘Single Pot’ approach to funding provides a significant fiscal agreement¹ as part of the devolution deal. This pot will comprise a flexible, multi-year settlement providing the Combined Authority the freedom to deliver its growth priorities, including the ability to re-direct funding to reflect changing priorities, whilst upholding its statutory duties.
- 2.9 The SIF will apply to the public funding the Combined Authority receives or can access to generate economic growth and transformational change. The funding considered to be in scope for the SIF is based on the following principles:
 - given this is a new approach, time is required for the SIF to mature and be fully operationalised - it is expected over time other funding will be added to the ‘pot’ to address and realise the scale of growth and ambition.
 - some current funds held by the Combined Authority and/or the Local Enterprise Partnership are time bound and/or are coming to an end so have not been included.
 - the focus is on public funding the Combined Authority receives or can access, to generate economic growth and is in its control.

- accepting that several allocations have their own requirements and restrictions ringfenced to a set purpose, timing and economic objectives, and are split by “capital” and “revenue” etc.
- noting the need to carefully manage the individual ‘parts’ of the fund, whilst taking a holistic view of the total quantum of resources available to the area to help support its wider economic ambitions.

The design of the SIF and the resources considered also recognises the different levels of flexibility which will need to be taken into consideration in terms of their usage. Funding proposed to be considered in the SIF , (subject to further revision as the framework is firmed up) is as follows;

- **Flexible Funds**
 - £38m per year ‘gainshare’ for 30 years (25% capital, 75% revenue)
 - funding available to the Combined Authority through its ability to raise money
- **Ringfenced for a set purpose - but flexibility in deployment**
 - Brownfield Housing Fund £67m (5 year)
 - Adult Education Budget £42m 2021-22, thereafter £65m per annum
 - £3.2m to develop a pipeline of housing sites
 - Highways/pothole monies (est. £30m)
 - Local Transport Plan (est. £13.1m)
 - Enterprise Zone receipts (est. £2.3m)
 - Capital Receipts (including repaid Growing Places Fund) (est. £21m)
NB. Part of this has been allocated to create the new Business Accelerator Fund noted in Item 7 on the agenda.
- **Ringfenced – for a set purpose but with reduced flexibility as projects are pre-determined.**
 - £317m to invest in public transport, cycling and walking through the Transforming Cities Fund, with local flexibility on delivery
 - £25m for development of a British Library North
 - £75,000 to support the West Yorkshire Local Digital Skills Partnership
 - Transport Fund gainshare (from 21/22 £30m for the next ten years, plus Wy+TF Reserve (£38.3m)
 - Transport Levy – WY+ Transport Fund (5.2m p.a)

Future external capital and revenue funding is expected to be added over time.

The West Yorkshire Investment Strategy

- 2.10 The Investment Strategy is the key public facing document which will set out the Combined Authority’s investment priorities and ensure they are effectively targeted at interventions and opportunities that deliver the ambitious transformational change that the Combined Authority and its partners are seeking to achieve. It will build on policies and strategies agreed as part of the Strategic Economic Framework. It will provide a mechanism which will deliver significant economic, environmental and social benefits through well

targeted investment, and help to deliver a net zero carbon, inclusive economy through which everyone in the region can have a great quality of life.

- 2.11 The Investment Strategy and its investment priorities will be set out over an initial agreed investment period, with the first WYIS covering the period **1 April 2021 to 31 March 2024**. The strategy will be developed for consideration once the Mayor is in post.
- 2.12 The Investment Strategy will set out an agreed list of top investment priorities for regional investment, used to inform decisions about programmes and schemes, and future funding bids. For this investment period, the Investment Priorities (IPs) selected and proposed, are those which best drive an inclusive green recovery, whilst tackling inequality and the climate emergency. These priorities are subject to future change by the Combined Authority, including to take account of the views and priorities of a future Mayor of West Yorkshire.
- 2.13 The WYIS will set out the approach to delivery, identifying the role of the Combined Authority in how investment decisions are made through its, Government approved, Assurance Framework and supported by the new Carbon Impact Assessment tool. It will also include how schemes are selected, including the assessment criteria.
- 2.14 The Investment Strategy will be reviewed at least annually to take account of changing economic circumstances, integrate new funding and investment opportunities and determine the best use of the resources available to the Combined Authority to maximise their potential.

Draft Investment Priorities of the WYIS and funding routes

- 2.15 The Investment Priorities (IPs) for this initial period are proposed to be framed across five investment areas. In each a number of priority project/programme areas are identified that are the focus for intervention over the next three years – though each is set within a long-term ambition to achieve an inclusive, net zero carbon economy that works for everyone. The IPs have been proposed to maximise the achievement of our shared objectives, with a focus on supporting **inclusive growth, tackling the climate emergency and reducing inequalities**.
- 2.16 Further detail can be found on each IP at **Appendix 2**. Further refinement of the IP wording will be made as the final strategy is drafted ;

▪ Investment Priority 1	▪ Good Jobs and Resilient Businesses
▪ Investment Priority 2	▪ Skills and training for people
▪ Investment Priority 3	▪ Accelerated Infrastructure
▪ Investment Priority 4	▪ Connectivity – Transport
▪ Investment Priority 5	▪ Tackling the Climate Emergency and Environmental Sustainability

- 2.17 These investment priorities are multi-dimensional and may be applied in combination. There will be an expectation any investments will need to substantially reduce carbon or are able to be offset by carbon mitigation at programme level, in line with the target of achieving a net zero carbon economy by 2038.
- 2.18 As the new process evolves and matures, it will be important to manage how funding proposals come forward in response to the proposed Investment Priorities. The following routes are proposed (all subject to assurance);
- **Route 1 – Early-stage pipeline:** the potential to bring forward schemes from agreed existing pipelines in response to the proposed investment priorities e.g. the Connectivity Plan, regeneration (and former EZ sites), flooding, in a sequenced and prioritised manner.
 - **Route 2 – Commissioning :** commission strategically important projects to fill gaps by specifying desired outcomes and procuring from partner organisations to deliver the outcomes. The Combined Authority may also publish targeted calls for projects to fill gaps and encourage innovative solutions.
 - **Route 3 - Continue to identify projects/programmes from the Recovery Plans** which best address the Investment Priorities, and which best help address issues which need intervention and support.

It is expected that in order to meet our overall economic priorities a mix of the proposed routes will be required over time.

The Assurance Framework

- 2.19 The Assurance Framework was developed in 2015 as part of the Growth Deal with Government. Its purpose is to ensure that the necessary systems and processes are in place to manage funding effectively, and to ensure the successful delivery of the Strategic Economic Framework (SEF) ambitions. Its focus is to ensure that necessary practices and standards are implemented to provide the Government, Combined Authority, the LEP and local partners with assurance that decisions over funding (and the means by which these decisions are implemented) are proper, transparent and deliver value for money. It covers all projects and programmes funded from Government or local sources that flow through the LEP and Combined Authority. The Assurance Framework is prepared in accordance with HM Government National Assurance Framework Guidance (2019) builds on existing good practice.
- 2.20 As part of the West Yorkshire Devolution Deal, the Assurance Framework has recently been subject to an extensive in-year review in advance of the Mayoral arrangements to be adopted. The updated Assurance Framework has been developed in line with the approach taken to develop the SIF and the role of the WYIS in making investment choices and was formally approved by Government in January 2021.

The Financial Strategy/Plan

- 2.21 Further work is to be undertaken over the coming months to develop the Combined Authority's financial strategy/plan to support the SIF, including for example;
- consideration to how schemes will be funded in order to maximise the resources available to the Combined Authority and its partners, including a range of funding products eg. approach to grant funding, first loss instruments, guarantees, debt (whether senior, junior, corporate or other), quasi-equity, equity and other risk sharing instruments in any combination it considers optimal).
 - the spending plans over the immediate years of the Fund, including annual profiles, split of capital and revenue funding.
 - the Combined Authority's approach to risk, underwriting and borrowing.
 - how funding in the future can be recycled to create a more sustainable legacy fund.

Next steps

- 2.22 Over time devolution provides an opportunity for greater local control and decision-making over investments than previously. The creation of the Single Investment Fund (SIF) will give the Mayoral Combined Authority greater ability to prioritise investments in a way that will make a real difference to people and communities in West Yorkshire – including interventions on skills, businesses, inclusion, climate and infrastructure.
- 2.23 If the Combined Authority approves the approach outlined above, further work will be undertaken at speed to complete and present the Investment Strategy document at a future meeting of the Combined Authority for agreement.

3. Clean Growth Implications

- 3.1 Clean growth is at the heart of the objectives for the WYIS and tackling the climate emergency is a key investment priority. Decision making in respect of climate change is being strengthened through the development of a carbon impact assessment tool. This will strengthen how clean growth and climate change impacts are considered as part of all schemes that come through the Assurance Framework.
- 3.2 The WYIS and SIF will be key mechanisms for the delivery of the measures, policy considerations and action identified in the West Yorkshire Carbon Emission Reduction Pathways and will contribute to the region achieving its target of being net-zero carbon by 2038 with significant progress by 2030.
- 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 Inclusive growth and reducing inequality are core and vital aims of both the SIF and in the process to identify key Investment Priorities to ensure everyone benefits from the investments made across the region. An inclusive growth framework is being considered in the March meeting of the Combined Authority, which will form a core part of the Strategic Economic Framework which guides the priorities of the WYIS.

5. Financial Implications

- 5.1 The investment strategy will allow the Combined Authority to take a new approach to capital and revenue projects/programmes, led by strategy rather than by specific funding pots. Financial reporting and monitoring will be re-shaped around this opportunity. Work is also underway within the Combined Authority to strengthen its commercial capability in line with the greater financial opportunities presented by the Devolution deal, and their incorporation into the WYIS.
- 5.2 With regard to the development of the SIF, at this stage, there are no direct financial implications contained within this report, although the report sets out broad propositions for the future management of funding available to the region and how it may be prioritised and deployed.

6. Legal Implications

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

7. Staffing Implications

- 7.1 As this report seeks agreement to the current way of working across the Combined Authority, further work, following the meeting will be required to consider the resource implications fully.

8. External Consultees

- 8.1 There are no direct external consultation implications contained within this report.

9. Recommendations

- 9.1 For the Combined Authority to approve the approach to the Single Investment Fund (SIF), the design of the West Yorkshire Investment Strategy (WYIS) and the proposed next steps.

10. Background Documents

- The previous July 2020 paper can be found [here](#)
- The West Yorkshire Devolution Deal March 2020 can be found [here](#)

11. Appendices

- 11.1 Appendix 1 - West Yorkshire Investment Strategy - Investment Priorities.
- 11.2 Appendix 2 – Key SIF principles agreed at previous Combined Authority meeting.