

**Report to:** West Yorkshire and York Investment Committee

**Date:** 8 June 2021

**Subject:** **Capital Programme Update**

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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 update the Committee on progress made on the implementation of the Combined Authority's capital programme. The report provides an update on the spend and performance of the programme for 2020/21. Including further details the performance of the Growth Deal (including the annual performance review), Leeds Public Transport Investment Fund, Getting Building Fund, Broadband, Active Travel, an update of activity on the Brownfield Housing Fund and summary of the Investment Committee Workshop held on 23 March 2021.

## 2 Information

### **Capital Programme 2020/21**

- 2.1 Table 1 below summarises total expenditure on the Combined Authority's capital programme in 2020/21 against the revised outturn forecast included in the budget reported to the Combined Authority at its meeting on 4 February 2021.

**Table 1**

Capital Programme Expenditure	Combined Authority Budget Forecast February 2021	Year End Expenditure 2020/21	%
Growth Deal - Economic Development	£47,439,952	£49,943,636	105.3%
West Yorkshire plus Transport Fund	£80,273,172	£87,943,917	109.6%
Leeds Public Transport Investment Programme	£68,492,090	£80,401,706	117.4%
Transforming Cities Fund (inc. Tranche 1)	£12,325,731	£11,828,410	96.0%
Integrated Transport Block / Highways Maintenance / Challenge Fund*	£66,223,502	£50,155,277	75.7%
Corporate Projects*	£5,690,578	£0	0.0%
Broadband	£2,274,633	£755,035	33.2%
Land Release Fund & One Public Estate	£1,070,522	£151,529	14.2%
Low Emission Vehicles	£1,058,434	£1,058,434	100.0%
Getting Building Fund	£26,300,000	£26,300,000	100.0%
Brownfield Housing Fund	£600,000	£644,448	107.4%
Active Travel Fund	£2,513,000	£2,221,521	88.4%
Other (Clean Bus, ULEB and CCAG)	£3,934,447	£3,453,560	87.8%
<b>Total Capital Spend</b>	<b>£318,196,060</b>	<b>£314,857,473</b>	<b>99.0%</b>

Capital expenditure is subject to verification through external audit of the annual accounts

\*Note: Expenditure of £18.26m offset from Corporate Projects and Highways Maintenance to support full spend on the Getting Building Fund

2.2 The Combined Authority has achieved capital expenditure of over £314 million (subject to audit) developing and delivering its projects in 2020/21. This is the highest level of expenditure achieved by the Combined Authority to date by almost double any previous year (as shown in the graph below). The graph also details forecast spend over the next three years.



2.3 This helps to demonstrate that the Combined Authority's and its partner councils development activities and implementation of resources are maturing into the delivery of planned programmes and projects. A total of 331 capital projects are currently live with 129 in development, 109 in delivery or about to commence, with 69 closed or going through closure and 10 of which are paused following initial development.

2.4 A number of funding programmes have now completed/are nearing completion including:

- **Growth Deal**

Overall spend on the Growth Deal is as follows:

**Table 2**

	<b>Growth Deal Funding Allocation</b>	<b>Total Spend to end Q4 2020/21</b>
	<b>£m</b>	<b>£m</b>
Transport Fund	280.90	257.71
Growth Deal Economic Development	235.45	244.59
<b>Total Programme Allocation</b>	<b>516.35</b>	<b>502.30</b>

Overspend against the Economic Development projects has offset a predicted underspend against the Transport Fund and the programme has achieved spend of £502 million against the forecast £516 million. All underspend will be carried forward to fund contractually committed schemes in the Transport Fund. The attached appendices 1 and 2 detail the Growth Deal and Transport Fund expenditure.

Expenditure of circa £500,000 has been incurred post March 2021. Under the freedoms and flexibilities agreed verbally, this will be charged to the programme in the final financial return. A review of the organisation's overhead charge will be undertaken to consider, in particular, the allocation of costs to the Transport Fund and the Economic Development element of the programme which may result in an element of balancing up between the two. It will also consider the ongoing costs of closing each project and of future monitoring and evaluation of the Growth Deal and how this is accounted for and funded.

- **Leeds Public Transport Investment Programme**

Whilst this programme was due to end on 31 March 2021 spend on approved and contractually committed projects will now be ongoing into 2021/22. A total of £128.80 million against the Department for Transport allocation of £173.50 million has been spent with £44.70 million carried forward to spend in 2021/22 on contractually committed schemes. The majority of projects are currently on site and will complete in 2021/22, a couple of projects will continue on site into 2022/23 using match funding.

- **Getting Building Fund**

The Getting Building Fund (GBF) programme was awarded to the Combined Authority in August 2020 to support 'shovel ready' schemes. Nine of the 15 projects have now been mobilised and have commenced delivery. All projects are on track to spend in line with the end of the programme on 31 March 2022. The Combined Authority has used its freedoms and flexibilities to offset spend on other programmes to achieve the full £26.30 million spend on the programme in 2020/21, this will be returned to be spent on the remaining GBF projects in 2021/22.

- **Broadband**

Expenditure on the Broadband programme mainly relates to the completion of Contract 2 which is being delivered through Openreach, and is due to end June 2021. All Building Digital UK (BDUK) and European Regional Development Fund (ERDF) money had been spent by end 2019/20, however, a final claim from Openreach is awaited, which will be utilising the £2.55 million underspend (with accrued interest) from Contract 1.

The underspend against forecast relates to the delayed start to Contract 3. Commencement by the new contractor Quickline could not progress until its cross-border policy was agreed by BDUK. The project has now commenced.

- **Active Travel**

The Emergency Active Travel Funding (Tranche 1) has been fully spent and a final declaration provided to DfT at the end of March. This programme saw the delivery of multiple active travel schemes to help districts respond to the ongoing pandemic and provide more space for easier and safer cycling and walking. This included the delivery of West Yorkshire's first Active travel Neighbourhoods, multiple school streets and segregated cycleways alongside an associated behaviour change package.

Active Travel Fund Tranche 2 is progressing well, with consultation due to start on the majority of schemes in the next month and delivery plans in place, with all schemes to be delivered by March 2022. There is an ambitious programme of works planned which includes up to 6 Active Travel Neighbourhoods, 10 segregated cycleways, multiple other improvements and a comprehensive behaviour change package all aimed at increasing active modes in the long term in line with governments Gear Change vision.

It was originally the expectation that only Tranche 1 grant would be spent in 2020/21 but activity and spend has also occurred on Tranche 2.

## **Annual Performance Review**

- 2.5 Confirmation was received on 7 May 2021 that the Combined Authority met all requirements against each of the three themes of the Annual Performance Review of the Growth Deal and Getting Building Fund which took place in January 2021. The Government has moved away from grading the programme performance (eg good, excellent) to either 'met requirements' or 'did not meet requirements'. Confirmation was received against all categories as follows:

**Governance:** Met requirements

**Strategic Impact:** Met requirements

**Delivery:** Met requirements

## **Growth Deal Performance**

2.6 The Growth Deal has four headline outputs and performance against these outputs as at the financial closure is as follows:

**Table 3**

Output	Target (includes Growth Deals 1, 2 and 3)	Achieved to date as at Quarter 4 2020/21	Forecast 2021-25	Total
New jobs	19,595	10,345	4,424	14,769
Jobs safeguarded (flood resilience programme)	11,100	24,583	1,816	26,399
Houses	2,300	1,316	2,091	3,407
Public / private investment (match funding)	£1,031,000,000	£767,823,915	£516,931,760	£1,284,755,675

2.7 In the six years of the programme over 10,000 new jobs have been created through the business grant support programmes and implementation of capital infrastructure. It is expected that the full target will be achieved. Changes have recently been made to the Portfolio Management Information System (PIMS) to make it easier for project managers to report target (as per full business case), forecast (as target figures may change through the lifetime of a project) and actual outputs. Once this information is recorded the forecast figures will increase in line with the Growth Deal targets. An update on this will be provided with quarter 1 reporting.

2.8 The following additional outputs have also been achieved through the programme:

- 83200 m<sup>2</sup> of new or improved floorspace for skills training
- 2156 new learners
- £3.22 million spend on specialist equipment for training and skills development
- 60.52 hectares of land remediated for housing
- 12,953 m<sup>2</sup> of new commercial floorspace
- 16,805,500 m<sup>2</sup> of land with reduced likelihood of flood risk
- 665 business and 528 homes with reduced flood risk
- 3535 businesses receiving grant support
- 1356 businesses receiving financial support other than grants
- 298 business receiving not financial support
- 42043 tonnes CO<sub>2</sub> reduction potential
- 2379 fuel poor homes receiving energy efficiency measures
- 20.65 km of new cycle ways
- 8 junctions improved, 3 new junctions created

2.9 Monitoring of the Growth Deal outputs will be ongoing to March 2025. An independent review of the impact of the Growth Deal is currently being finalised.

## **Brownfield Housing Fund**

- 2.10 In July 2020, the Combined Authority received a funding allocation letter from Ministry of Housing, Communities and Local Government (MHCLG) confirming an overall allocation of £66.7 million of capital funding from the Brownfield Housing Fund (BHF) to support the development of 4500-6000 new homes on brownfield sites in the region to start on site by March 2025. The Combined Authority was allocated this fund, without the need to bid, due to the organisation becoming a Mayoral Combined Authority in 2021. A programme level strategic outline case was presented to Investment Committee in September 2020 without a project shortlist identified, as it was recognised that further time was required to identify suitable projects.
- 2.11 Over the past few months, officers in the Combined Authority have been working with partner councils to identify projects from their strategic pipelines which could be suitable to meet the challenging targets set by MHCLG. In addition, work commenced on a wider call for projects, utilising existing networks and housing partnerships in the partner councils and the Combined Authority to identify further projects which could help accelerate the delivery of homes in the region, with the emphasis on encouraging projects which also meet the Strategic Economic Framework (SEF) priorities, particularly inclusive growth and clean growth agendas. All projects have been evaluated at a high level against pre-agreed criteria with partner councils to ensure that they meet the core MHCLG Fund requirements and demonstrate how they may contribute to the wider SEF priorities.
- 2.12 This has produced a longlist of potential projects with an ask of over £120 million that will be considered by the BHF Programme. Each partner council has reviewed and agreed the list to date for their area.
- 2.13 Not all projects on the longlist will be able to be taken forward into development and delivery within this specific funding programme. Following further evaluation of the longlist of potential projects, their readiness for investment and potential for deliverability, a refined list of sequenced projects, including an appropriate level of over-programming, will be reported to Combined Authority and MHCLG in June.
- 2.14 The assurance pathway and approval route for projects under the BHF Programme was agreed at the Combined Authority meeting in September 2020. The programme has been approved as part of our portfolio and each project that comes through the programme has delegation to Investment Committee and at decision point 5 through a delegation to the Combined Authority's Managing Director.
- 2.15 The total spend in 2020/21 for the BHF programme was £644,447.99 which has met the target for the year.

## **Investment Committee Workshop**

- 2.16 An Investment Committee workshop was held on 23 March 2021 to discuss the approach to future additional funding requests on Transport Fund projects and programmes. The discussion centred around how additional funding requests are considered through the Assurance Process going forward.
- 2.17 The agreement from members was that the over programming level on the Transport Fund was to remain the same and needs to be managed down over the remaining years of the fund. It was also recognised that there are exceptional circumstances where some projects may require additional funding over the agreed budget be required. Principles around how exceptional circumstances should be considered and managed were discussed. The following principles and exceptional circumstances were agreed:
- (i) A project that experiences a change in design standards or where new regulations need to be implemented, a review of scope options and value engineering needs to take place. Once all options have been explored, the project will be considered for additional funding through the Assurance Process.
  - (ii) All projects need a comprehensive QRA risk register that includes extraordinary risks. Other exceptional risks (where they are unforeseeable) will be considered for additional funding through the Assurance Process if value engineering and a scope option review has taken place.
  - (iii) All projects should continually review overall risk to project delivery. If the overall risk to delivery is very high, a review of the viability of the project needs to take place in partnership with the Combined Authority.
  - (iv) All projects must demonstrate value for money. Where costs are increasing, value engineering must be evidenced, and other sources of funding explored before further funding will be considered.
  - (v) New guidance or regulations must be included in project development at the strategic outline case and outline business case stages in the assurance process.
  - (vi) Inflation must be included in project budget costs.
  - (vii) VAT needs to be understood and factored into project costs where relevant.
- 2.18 Following the above principles and exceptions as agreed at the workshop it is recommended that the Investment Committee formally agree to:
- (i) The exceptional principles set out in paragraph 2.17.
  - (ii) All projects that are requesting additional funding will be considered on a case-by-case basis through the assurance process and reviewed against these principles.

### **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 and also that it approves:

- i) The exceptional circumstances principles relating to Transport Fund projects set out in paragraph 2.17; and that
- ii) All Transport Fund projects that are requesting additional funding will be considered on a case by case basis through the assurance process and reviewed against these exceptional principles.

### **8 Background documents**

8.1 None.

### **9 Appendices**

Appendix 1 Growth Deal Dashboard Quarter 4 2020/21

Appendix 2 Transport Fund Dashboard Quarter 4 2020/21

Appendix 3 Transforming Cities Fund Dashboard Quarter 4 2020/21