

**Report to:** West Yorkshire Combined Authority

**Date:** 24 June 2021

**Subject:** **The West Yorkshire Investment Strategy**

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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 For the Combined Authority to endorse the West Yorkshire Investment Strategy which details the investment priorities and process for use of the Single Investment Fund.
- 1.2 This paper is concerned only with the Investment Strategy. 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 set out a raft of new powers and funding, including the requirement for the Combined Authority to create a Single Investment Fund (SIF).
- 2.2 At the Combined Authority in July 2020, the high-level operating principles of the SIF were agreed. It was also agreed that the SIF should be outcome focussed, with local decision making clearly guided by the overarching Strategic Economic Framework.
- 2.3 Further development was then undertaken and at the Combined Authority in March 2021, the Combined Authority approved the approach to the SIF and the outline design of the West Yorkshire Investment Strategy (WYIS).

- 2.4 Further work has since been undertaken to develop the approach to the WYIS, its operating principles and the process to translate the investment priorities into investable schemes in a transparent yet simple way.
- 2.5 As previously agreed, for the first investment period, the strategy focusses on economic recovery and resilience, including good jobs and skills, tackling the climate emergency, accelerating infrastructure, improving connectivity and supporting the cultural and creative sector – all with the overarching aim of developing an inclusive economy which benefits everyone. It should be noted that the strategy and investment priorities have been reviewed to ensure that they take account of the Mayor’s pledges.

### **The process to enable investment decisions**

- 2.6 In order to realise the ambitions previously agreed, 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) – a ‘**single pot**’ which brings together 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 and is linked to five yearly gateway reviews undertaken by Government, the first of which is expected in 2024/25.
  - The West Yorkshire Investment Strategy (WYIS) – 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.
  - The Assurance Framework – the Combined Authority’s tool used to **appraise** the investment propositions. This is required by Government and has previously been endorsed by the Combined Authority.
  - The Financial Strategy – the Combined Authority’s plan which will set out **how** schemes will be funded, spending plans and financial rules. This strategy is not included with this paper for endorsement.

### **The Single Investment Fund**

- 2.7 The Single Investment Fund brings together Combined Authority funding streams (some of which is ring-fenced to a degree), including legacy and new funding secured as part of the devolution agreement.
- 2.8 The ‘Single Pot’ approach to funding provides a significant fiscal agreement as part of the devolution deal. This pot comprises of 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 principles of the funding held within the SIF were previously agreed as applying to the public funding the Combined Authority receives or can access to generate economic growth and transformational change. The design of the SIF and the resources considered recognise the different levels of flexibility which will need to be taken into consideration in terms of their usage. It should be noted that the Police Fund is held separately and is therefore not included in the SIF. Funding considered to be in the SIF, is therefore as follows:

- **Flexible Funds**
  - £38m per year for 30 years (25% capital, 75% revenue).
  - funding available to the Combined Authority through its ability to raise money.
  - Some 'unencumbered' capital receipts (such as proceeds from asset sales).
  
- **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).
  - Intra-City Transport settlement (£7.4m, with additional funds expected).
  - Some capital receipts (including repaid Growing Places Fund) (est. £21m).
  - Any future Mayoral precept receipts.
  
- **Ringfenced – for a set purpose and 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 plus annual Transport Levy contribution of circa £5.2m pa)).

Future external capital and revenue funding will be added over time.

### **The West Yorkshire Investment Strategy**

2.10 The Investment Strategy sets out the Combined Authority's investment priorities. It builds on policies and strategies agreed as part of the Strategic Economic Framework. The strategy and investment priorities are set out over an investment period, with the first WYIS, which is attached at appendix 1 covering the period **1 April 2021 to 31 March 2024**.

- 2.11 For this investment period, the Investment Priorities selected and proposed, are those which best drive an inclusive green recovery, whilst tackling inequality and the climate emergency. The priorities have been reviewed in the light of the Mayor’s manifesto pledges.
- 2.12 The WYIS also sets out the approach to delivery, identifying how investment decisions are made through the Assurance Framework. It also includes the assessment criteria for how schemes will initially be selected.
- 2.13 The Investment Strategy will be reviewed at least annually to take account of changing local and national circumstances, integrate new funding and investment opportunities and determine the best use of the resources available to the Combined Authority to maximise potential.

Investment Priorities and funding routes

- 2.14 The Investment Priorities are framed across six areas. In each, a number of priority project/programme areas are identified that are the focus for intervention over the next three years. The Investment Priorities have been developed with a focus on supporting inclusive growth, tackling the climate emergency and reducing inequalities and take account of the Mayor’s pledges.
- 2.15 Further detail can be found within the WYIS which is included as Appendix 1.

|                               |   |
|-------------------------------|---|
| <b>Investment Priority 1:</b> | Good Jobs and Resilient Businesses (including entrepreneurialism) |
| <b>Investment Priority 2:</b> | Skills and training for people                                    |
| <b>Investment Priority 3:</b> | Creating Great Places and Accelerated Infrastructure              |
| <b>Investment Priority 4:</b> | Tackling the Climate Emergency and Environmental Sustainability   |
| <b>Investment Priority 5:</b> | Future Transport  |
| <b>Investment Priority 6:</b> | Culture and Creative Industries                                   |

- 2.16 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.
- 2.17 The investment priorities align with the Mayor’s pledges as per the table below:

| Mayor’s Pledge                        | IP 1       | IP 2       | IP 3       | IP 4       | IP 5       | IP 6       |
|---------------------------------------|------------|------------|------------|------------|------------|------------|
| Prioritise skills and training        | Yellow     | Yellow     | Light Blue | Light Blue | Light Blue | Yellow     |
| Lead a Creative New Deal              | Yellow     | Yellow     | Yellow     | Light Blue | Light Blue | Yellow     |
| Bring buses back under public control | Light Blue | Light Blue | Light Blue | Yellow     | Yellow     | Light Blue |

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| 1,000 well paid skilled jobs for young people                 | ■ | ■ | ■ | ■ | ■ | ■ |
| Support local businesses & champion regional economy          | ■ | ■ | ■ | ■ | ■ | ■ |
| Appoint an Inclusivity Champion                               | ■ | ■ | ■ | ■ | ■ | ■ |
| Recruit 750 more front line police officers (separate budget) | ■ | ■ | ■ | ■ | ■ | ■ |
| Women and girls safe at the heart of policing plan            | ■ | ■ | ■ | ■ | ■ | ■ |
| Build 5,000 more sustainable and affordable homes             | ■ | ■ | ■ | ■ | ■ | ■ |
| Tackle the climate emergency                                  | ■ | ■ | ■ | ■ | ■ | ■ |

2.18 As the new process is embedded, it will be important to manage how funding proposals come forward in response to the proposed Investment Priorities, this process will be further developed over the coming months. The following routes are proposed (all subject to assurance);

- **Route 1 – Early-stage pipeline development:** the potential to bring forward schemes from agreed existing pipelines, whilst continuing to identify new projects and programmes in response to the proposed investment priorities 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, or from ‘calls for projects’ to deliver the outcomes.

### The Assurance Framework

2.19 The purpose of the Assurance Framework is to ensure value for money in the expenditure of public funds, that the necessary systems and processes are in place to manage funding effectively. It ensures that necessary practices and standards are implemented to provide the Government, Combined Authority and local partners with assurance that decisions over funding are proper, transparent and deliver value for money.

2.20 As part of the implementation of the West Yorkshire Devolution Deal, the Assurance Framework has recently been subject to an extensive in-year review as required by Government. 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; this will include;

- consideration to how schemes will be funded in order to maximise the resources available to the Combined Authority and its partners.

- the medium term spending plans, including annual profiles and capital/revenue split.
- how funding in the future can be recycled to create a more sustainable legacy fund.

### **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 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 Climate Emergency priority and evidence that they will reduce carbon emissions (both directly and indirectly).

### **4. Inclusive Growth Implications**

- 4.1 Inclusive growth is core within the Investment Priorities to ensure everyone benefits from the investments made across the region. In addition the Inclusive Growth Framework forms a core part of the Strategic Economic Framework which guides the priorities of the WYIS.

### **5. Equality and Diversity Implications**

- 5.1 Reducing inequality is a cross cutting theme within the Investment Priorities of the WYIS to ensure that investments made across the region support equality and diversity. It is expected that Equality Impact Assessments will be undertaken as part of scheme development to ensure that at schemes progress through the WYIS and Assurance Framework equality, diversity and inclusion is given due regard.

### **6. Financial Implications**

- 6.1 The Investment Strategy allows the Combined Authority to take a new approach to capital and revenue projects/programmes, led by strategy rather than by specific funding streams. Financial reporting and monitoring will be re-shaped around this opportunity.
- 6.2 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 propositions for the future management of funding available to the region and how it may be prioritised and deployed.

### **7. Legal Implications**

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

## **8. Staffing Implications**

- 8.1 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.

## **9. External Consultees**

- 9.1 None.

## **10. Recommendations**

- 10.1 For the Combined Authority to endorse the West Yorkshire Investment Strategy.

## **11. Background Documents**

- The previous July 2020 paper can be found [here](#)
- The previous March 2021 paper can be found [here](#)
- The West Yorkshire Devolution Deal March 2020 can be found [here](#)

## **12. Appendices**

Appendix 1 - West Yorkshire Investment Strategy