

Report to: Leeds City Region Enterprise Partnership Board

Date: 27 March 2018

Subject: **Growth Deal update**

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1 Purpose of this report

- 1.1 To update the LEP Board on progress made on the implementation of the Growth Deal programme.

2 Information

Growth Deal Monitoring

- 2.1 The table below summarises Growth Deal expenditure totalling £46.22million to the end of January 2018.

	Target spend 2017/18	Spend to end January 2018	% of 2017/18 target
Priority 1 - Business	£13.52m	£7.06m	52.2%
Priority 2 - Skills Capital	£29.33m	£16.97m	57.8%
Priority 3 - Environmental Infrastructure	£8.07m	£1.24m	15.3%
Priority 4a - Housing and Regeneration	£3.87m	£2.01m	51.9%
Priority 4b - West Yorkshire plus Transport Fund	£37.46m	£18.94m	50.6%
Priority 4c - Flood Resilience	£2.00m	£0	0
Priority 4d - Enterprise Zones	£4.00m	£0	0
Combined Authority Programme Management	£1.90m	£0	0
Total	£100.15m	£46.22m	46.2%

- 2.2 The attached Growth Deal Dashboard at **Appendix 1** and West Yorkshire plus Transport Fund Dashboard (the Transport Fund) at **Appendix 2** detail the latest forecast expenditure and RAG rating of each project.

Annual Targets and Forecast Spend

2.3 The Combined Authority is showing a year on year delivery improvement on Growth Deal spend. We have an ambitious target to spend £100.15 million in 2017/18. Expenditure is forecast which is close to this target; the estimated outturn spend (which includes contingencies outlined below) will be within 10% of the £100.15million target. All projects are assessed through the Leeds City Region Assurance Framework, offering good value for money and delivering outputs which bring benefit to the Leeds City region. Considerable progress has been made over the year in driving the programme and its projects forward to delivery and a total of £137million of Growth Deal funding was approved in 2017 through the assurance process, with £38.84million of this forecast to be spent in 2017/18.

2.4 The current forecast outturn for the programme of £82.64million represents a shortfall against target of £17.51million detailed below:

Target Spend	£100,150,000
Current Forecast	£82,640,963
Variance from Target	£17,509,037
Estimated Outturn (including contingencies detailed below)	£92,600,963

2.5 The following table provides details of the projects where the most significant reductions in expected spend have occurred between original forecast expenditure and estimated outturn.

Lead Organisation	Project / Programme	Original Forecast	Revised Forecast	Variance	Reason
WYCA	Strategic Inward Investment Fund / Digital Sector Soft landing Scheme	£5,250,000	£781,472	£4,468,528	Potential opportunities have a long lead in time
LCoB	Leeds College of Building	£7,886,362	£2,599,705	£5,286,657	Contract start was delayed
Kirklees College	Dewsbury Learning Quarter	£6,396,761	£6,126,962	£269,799	Delays to refurbished site. Payment capped in 2017/18
WYCA	Energy Accelerator	£490,986	£20,000	£470,986	Project delayed awaiting approval of ELENA funding (approval received December 2017)
Leeds	Leeds District Heat Network	£4,867,923	£0	£4,867,923	Project revised mid year (at start of the year the total approval was £7m with a revision of upto £10m pending) this led to delays in implementing the project. Grant payment is anticipated in 18/19
York	York Guildhall	£1,556,000	£658,500	£897,500	Delays in appointment of contractor
Environment Agency	Flood Resilience	£2,000,000	£0	£2,000,000	Natural Flood Management has proved more complex to develop than expected so there has been a delay in finalising the scope of the works. Final costs are awaited on Wykebeck.
Leeds City Council	Leeds Aire Valley EZ Power Supply	£4,400,000	£0	£4,400,000	The final cost is awaited, a request for a quotation was submitted to National Power Grid in October 2017. The quotation is expected by March but full approval required before project can progress.
	West Yorkshire + Transport Fund	£37,458,371	£35,395,596	£2,062,775	*WY+TF variances against forecast at start of year
			Total	£24,724,168	
*WY+TF Variances					
Calderdale	A629 Phase 1a	£1.7m Start of construction delayed in 2017			
Leeds	East Leeds Orbital Route	£4.2m Development activity delayed			
Calderdale	A629 Phase 1b	£0.63m Development activity delayed			
Bradford	Bradford Forster Square	£0.98m Resource delays			

2.6 The following contingencies have been identified in order to address the predicted shortfall:

Project	Possible Expenditure	Comment
ELOR	£3,960,000	Current approval for development funding upto £11.81m. Payment of £7.85m to date
York Northern Outer Ring Road Junctions	£3,000,000	Funding agreement needs to be signed
New Bolton Woods	£3,000,000	Funding agreement needs to be signed
*ELOR - Outer Junctions	£10,000,000	New funding agreement needs to be in place and contractor appointed. LCC are likely to be able to name preferred developer but unlikely to have contracted by 31 March 2018.
Total	£19,960,000	
*Unlikely to spend by end March 2018		

2.7 Contingencies to address a possible underspend were identified in 2017 as part of the review of the key performance indicators. However one of the contingencies was to bring forward spend for the planned East Leeds Orbital Route Outer Ring Road Junctions. This is no longer a contingency that can be brought forward in 2017/18 as the preferred contractor, Carillion, has gone into liquidation. While works had not started, and funding will not be lost, this has caused delays to the delivery of the scheme. The scheme is now scheduled to start in 18/19 but this has resulted in a shortfall against target in Growth Deal expenditure for 17/18. Where reductions are out of the control of the Combined Authority and its partners these will be taken into consideration by Government when reviewing our performance. The revised value of contingencies is £9.96million.

Expenditure Forecasts 2018/19 to 2020/21

2.8 A review has been ongoing of future year expenditure forecasts on the West Yorkshire plus Transport Fund projects. Meetings have been held with project sponsors to consider forecasts on each project. The purpose of this is to aim for a minimum level forecast which can be achieved and would give a clear indication each year where projects need to be accelerated in order to achieve targets.

2.9 Interim forecasts have been included within the attached dashboards, further revision will take place as timetables on submission of outline and full business cases are developed. The dashboards also include a new line highlighted in red which represents the amount the Combined Authority will need to borrow to cover the forecast expenditure on the Transport Fund up to the end of the current Growth Deal programme in 2020/21.

Note: the £1billion Transport Fund includes £217million of expected borrowing by the Combined Authority

2.10 In order to maximise spend and outputs through the Growth Deal, schemes will be encouraged to accelerate spend from 2018/19 onwards where possible and further over-programming opportunities will be explored. Combined Authority officers are currently investigating loan facility options to identify how

over-programming can best be funded. Options will be brought forward for consideration to the LEP Board and Combined Authority.

Project Progress and Performance

2.11 The following projects have been RAG rated as red and represent a risk to the delivery of the Programme:

Projects that continue to be rated at red:

- **Leeds Station Gateway – New Station Street**
The final design option for this project has now been identified but delays over the last year or so have meant that the timescales are outside of tolerances. The Combined Authority is currently working with Network Rail to agree a revised timetable for the implementation of the project.
- **Harrogate Road / New Line**
This scheme may be subject to a public inquiry. The compulsory purchase order was made on 25 January 2018 those that are impacted had until 22 February to object. If a Public Inquiry is required this is likely to be in summer/autumn 2018.
- **Leeds College of Building**
The forecast expenditure for 2017/18 for this project has reduced by £2million to £2.79million. Delays in letting the main contract have led to delays in spend. The majority of expenditure on the project will now take place in 2018/19.

Escalated to red:

- **York Guildhall**
The project was awarded £2.3million towards the remodel of the historic Guildhall to create an office hub and café/restaurant. Spend has been lower than forecast in 2017/18 due to contract savings and sub contract pricing delays. Consequently there has been a delay to the start on site with further forecast underspend in 2017/18.

Project due to be de-escalated from red:

- **Bradford to Shipley Corridor**
The full business case for this project was expected in September 2017. A change request will be considered through the Investment Committee (21 March 2018) and Combined Authority (5 April 2018) this includes a re-profile with the outline business case due to be submitted in March 2019.

A significant reason for the delay to this project has been a lack of resources. This has now been addressed through appointment of additional agency workers.

- **Urban Traffic Management and Control (UTMC)**
An outline business case for this project seeking further development spend has been submitted for consideration through the Investment Committee (21 March 2018) and Combined Authority (5 April 2018). The full business case is now expected to be submitted towards the end of 2018/19. This project was delayed subject to agreement on location and management of the new centre.

3 Financial Implications

- 3.1 There are no financial implications directly arising from this report.

4 Legal Implications

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

5 External Consultees

- 5.1 No external consultations have been undertaken.

6 Recommendations

- 6.1 That the LEP Board notes the progress towards the implementation of the Growth Deal.
- 6.2 That the LEP Board endorses the work to identify how to fund and manage over-programming.

7 Background Documents

None.

8 Appendices

Appendix 1 – Growth Deal Dashboard

Appendix 2 – West Yorkshire plus Transport Fund Dashboard