

Report to: West Yorkshire & York Investment Committee

Date: 5 June 2018

Subject: **Capital Programme Update**

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1 Purpose of this report

- 1.1 To update the Committee on progress made on the implementation of the West Yorkshire Combined Authority's capital programme in 2017/18.

2 Information

- 2.1 At its meeting on 1 February 2018 the Combined Authority agreed a revised forecast capital budget for 2017/18 and a future years' budget to 2020/21. Table 1 below summarises each of the Combined Authority's capital programmes included forecast outturn for 2017/18 agreed at the Combined Authority meeting on 1 February 2018, outturn figures were revised in quarters 3 and 4, expenditure of 86% has been achieved against this forecast.

Table 1

Capital Funding Programme	Forecast Outturn 2017/18	Expenditure 2017/18	%
Growth Deal (inc West Yorkshire plus Transport Fund)	£100,150,000	£90,532,409	90.4%
Leeds Public Transport Investment Fund (LPTIP)	£2,000,000	£3,378,202	168.9%
Local Transport Plan Integrated Transport Block and National Productivity Investment Fund (NPIF)	£20,025,000	£14,905,315	74.4%
Highways Maintenance Block / Incentive Fund	£28,402,000	£28,795,000	101.4%
Pothole Action Fund	£3,857,000	£1,875,000	48.6%
DFT Cycle City Ambition Grant (CCAG)	£10,547,000	£3,452,245	32.7%
WY Cycling and Walking Fund	£1,019,000	£835,979	82.0%
Ultra Low Emission Vehicles	£180,000	£25,000	13.9%
WY Broadband Programme	£5,936,000	£4,363,628	73.5%
Growing Places Fund	£800,000	£865,298	108.2%
High Speed Rail 2 Growth Strategy (revenue)	£1,079,000	£878,070	81.4%
One Public Estate (revenue)	£385,000	£284,615	73.9%
WYCA Corporate Projects	£440,000	£237,650	54.0%
Total	£174,820,000	£150,428,410	86.0%

Note: High Speed Rail 2 Growth Strategy and One Public Estate are revenue programmes that will no longer be included in this table in future and are not further reported on within this report.

The following provides a summary of the performance of each programme.

Growth Deal

- 2.2 Growth Deal target expenditure for 2017/18 was £100.15 million with an acceptable variance level within 10%, the programme achieved spend of £90.5 million (subject to audit). Whilst this spend was within tolerance, full spend would have been achieved had the identified contingency payment on the East Leeds Outer Ring Road been possible, however the liquidation of Carillion prevented this. Spend by priority is summarised in Table 2.

Table 2

	Target spend 2017/18	Outturn 2017/18
Priority 1 - Business	£13.52m	£13.16m
Priority 2 - Skills Capital	£29.33m	£25.07m
Priority 3 - Environmental Infrastructure	£8.07m	£3.15m
Priority 4a - Housing and Regeneration	£3.87m	£5.89m
Priority 4b - West Yorkshire plus Transport Fund	£37.46m	£40.86m
Priority 4c - Flood Resilience	£2.00m	£0.32m
Priority 4d - Enterprise Zones	£4.00m	£0.00
Combined Authority Programme Management	£1.90m	£2.08m
Total	£100.15m	£90.53m

- 2.3 The attached Growth Deal dashboard at **Appendix 1** and West Yorkshire plus Transport Fund (the Transport Fund) dashboard at **Appendix 2** detail the final spend and RAG rating of each project.
- 2.4 Work is ongoing to agree the forecast for 2018/19 and partner councils and sponsors have confirmed the information collated on each project is accurate. The final forecast spend is required by the Cities and Local Growth Unit by 30 June 2018.

Growth Deal Performance

- 2.5 The Growth Deal programme is measured against four main output targets: jobs created, jobs safeguarded (through flood resilience), new homes and match funding. Achievement against these targets is monitored quarterly, the outputs achieved to the end of 2017/18 are detailed in Table 3 below.

Table 3

Output	Target	Achieved as at March 2018	%
New jobs	19,595	5,443	27.78%
Jobs safeguarded (flood resilience programme)	11,100	22,000	198.20%
Houses*	2,300	254	11.04%
Public / private investment (match funding)	£1,031,000,000	£342,402,027	33.21%

*Note: Planning permission has been obtained for an additional 830 houses directly and 1,971 indirectly arising through Priority 4a Housing and Regeneration projects, with a further 834 new homes currently in construction / planned around the Wakefield Eastern Relief Road.

2.6 The Growth Deal is now half way through its six year programme period expenditure to date totals £213 million, 41% of the total programme of £516.35 million. Achievement of outputs generally occurs after project completion, this is reflected in the dates for achievement, all expenditure must be achieved by March 2021, whereas outputs can be achieved over a longer term and can continue to be reported until March 2025.

2.7 Outputs are achieved by individual projects but the programme level outputs are not the sum of those at project level, the programme level targets are much lower. It is therefore expected by Government that the programme would significantly over achieve against the targets detailed above. The projects are also monitored against a longer list of outputs, examples of other achievements of the programme to date include:

- 5.5 km of new road constructed
- 46,505 m² of new or improved learning / training floorspace
- 1,032 m² of training floorspace rationalised
- 611 enterprises receiving grant support

2.8 Table 3 represents outputs created to March 2018. Activity is currently ongoing to ensure all projects accurately collate, evidence and report on outputs.

Project Progress

2.9 Projects within the Growth Deal are currently RAG rated based on three criteria agreed by the Investment Committee at its meeting on 16 June 2017:

- % forecast outturn against annual allocation
- % actual expenditure against quarterly spend profile
- risk of not achieving full expenditure of annual allocation (this will take in to consideration the amount of annual allocation included in the final quarter as expenditure heavily weighted in the last quarter of the year represents a significant risk of underspend)

These criteria do not necessarily reflect project performance but focus on the effect of the project spend and how this impacts on the performance of the Growth Deal programme. The RAG rating criteria are currently being

reviewed and revised proposals will be brought forward for consideration at a future meeting.

2.10 The projects RAG rated as red are detailed below:

- **West Yorkshire plus Transport Projects**
A number of transport projects underspent in the final quarter of the year, these have been RAG rated red but as progress on these projects is generally on track and they will spend in 2018/19 they are likely to be de-escalated in the first quarter. The projects are: Wakefield City Centre Package Phase 1 Kirkgate, Leeds ELOR North Leeds Outer Ring Road and A629 Phase 1b (underspend related to land acquisitions coming forward later than forecast).
- **Leeds Station Gateway – New Station Street**
Issues with the final design have now been addressed and a change request is currently being processed to revise scheme timescales. If the change request is agreed the project will be de-escalated. The new timetable for the project expects enabling works to commence in October 2018 and works to start in January 2019.
- **Harrogate Road / New Line**
The public inquiry for this project has been set for 6 November 2018.
- **Leeds College of Building**
As expected the final spend figure on this project was £2.79 million, underspend against forecast of £5.10 million. The majority of expenditure on the project will now take place in 2018/19, as the project is now on track it is likely to be de-escalated in quarter 1.
- **York Guildhall**
York Council has agreed not to progress to stage 2 of the contract due to the contractors costs coming in higher than the approved budget of £9 million. The Council is now considering options including scaling back the original proposals.
- **Bradford Forster Square**
This project is red rated due to delays its progression to outline and full business case. Bradford Council is currently in the process of appointing resources to take this project forward through a design and build process. The full business case will be progressed as soon as the design and build arrangements have been finalised.

Leeds Public Transport Investment Fund (LPTIP)

2.11 The LPTIP programme achieved spend higher than forecast but it is at an early stage and despite progress being good, most of the schemes have just commenced development, major items of expenditure will not come through until the programme is further into delivery.

- 2.12 Progress in the past 12 months includes establishment of the programme board and employment of support staff both at Leeds City Council and the Combined Authority. Funding for individual projects totalling £15.3 million has been approved through the assurance process. In order to support this package boards have been established and initial development budgets agreed. In particular good progress has been made on the Realtime project with screens on order and contracts for installation being procured. Activity on new rail stations includes the appointment of the design team, who have submitted the strategic outline business case to the Department for Transport (DfT) for comment and approval.

Local Transport Capital

- 2.13 The Local Transport Capital Programme in 2017/18 includes five funding streams: Highways Maintenance Block, Highways Incentive Fund, Pothole Fund, Local Transport Plan Integrated Transport Block and National Productivity Investment Fund. Progress on these programmes is as follows:

- **Highways Maintenance Block / Incentive Fund and Pothole Action Fund** are paid to the Combined Authority and then shared between the West Yorkshire partner councils based on the DfT formula. Any underspend in a financial year is carried forward into the following financial year.

Monitoring of these programmes is undertaken to review of expenditure against allocation. Expenditure is monitored quarterly and reported to a meeting of the Chief Highways Officers, action would only be required if significant underspend occurred. At year end each partner council is required certify expenditure for the year, the Combined Authority then confirms this total spend on the three programmes to the DfT.

- **Local Transport Plan Integrated Transport Block (LTP) and National Productivity Investment Fund (NPIF)** are delivered through the Local Transport Plan Implementation Plan 3 which is the first of the five year implementation plans (2017/18 until 2021/22) that are proposed to deliver the West Yorkshire Transport Strategy 2040. A detailed programme has been identified for two years with indicative allocations for the remaining three. This includes allocated funding to individual projects and programmes.

The 2017/18 financial year is the first year of the five year Implementation Plan, the attached dashboard (**Appendix 3**) provides a breakdown of the initial allocation for 2017/18 and 2018/19 as well as the expenditure by each partner council and on each Combined Authority project (as agreed by the Transport Committee at its meeting on 24 February 2017).

Expenditure against target has achieved 36% of the two year allocation. This represents good progress as many projects are currently at development stage with the majority of spend forecast for 2018/19.

Other Transport Funding

2.14 Progress on the remaining transport programmes is as follows:

- **DfT Cycle City Ambition Fund**
This programme underspent against expected outturn for various reasons. In particular a number of new projects were in development but there was concern that the funding available was insufficient to fund all identified projects. Additional action was required in order to refine the programme. There were then delays in scheme design, procurement processes and finalising of grant agreements. There was also a delay to spend on the Leeds City Centre project due to the liquidation of Carillion (the appointed contractor); Leeds have now re-mobilised with a new contractor so expenditure on the project will now continue.
- **WY Cycling and Walking Fund**
Progress on this programme has been slower than expected due to procurement and legal issues which meant that some of the projects commenced later on the ground than anticipated. In August 2017 a six month extension was agreed to the programme to allow for successful delivery of the outputs. In January 2018, a further £640,000 was offered which allowed further extension to allow completion of spend. Therefore whilst there is underspend in 2017/18 the programme is expected to be fully complete by January 2019 in accordance with the revised timetable.
- **Ultra Low Emission Vehicles**
In 2017/18 priority was given to resourcing of other Combined Authority programmes therefore activity commenced later than expected. Activity will catch up in 2018/19 as will spend and is forecasted as such.

Other Economic Development Funding

2.15 The WY Broadband programme has achieved 73.5% of forecast outturn. The programme is ahead of schedule on providing access to fibre broadband to commercial & residential premises, payments to the contractor (BT Openreach) are behind schedule due to a number of technical issues which impact on the achievement of superfast speeds for premises in the current deployment plan. Discussion is ongoing with Openreach to resolve these issues and to get the programme back on track.

Notwithstanding the above, through the Superfast Programme from 2013 to the end of March 2018 an additional 90,517 premises have access to superfast speeds of at least 24 Mbps. 30,309 of these premises have been delivered under the current contract, which began in 2015.

2.16 The Leeds City Region Enterprise Partnership (LEP) **Growing Places Fund** provides loan funding to kick-start stalled development or infrastructure projects that will create homes, jobs and other economic benefits in Leeds City Region. The initial £35.5 million investment was provided by Government in 2012, specifically to invest through loans in development schemes that are

unable to proceed due to a lack of commercial finance. During the 2017/18 financial year one loan £800,000 was advanced to a company to enable the food grade fit out of a purpose built milk processing plant for school milk and to add two new production lines to use surplus milk in flavoured and sterilised milk products.

3 Financial Implications

3.1 Financial implications are set out within 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 Programme.

8 Background Documents

8.1 None.

9 Appendices

Appendix 1 – Growth Deal Dashboard

Appendix 2 – West Yorkshire plus Transport Fund Dashboard

Appendix 3 – Local Transport Capital Dashboard