

**Report to:** Leeds City Region Enterprise Partnership Board (LEP Board)

**Date:** 20 September 2018

**Subject:** **Investment Committee Update**

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## 1. Purpose of this report

1.1 To update the LEP Board with information on the progress on the West Yorkshire Combined Authority's capital programme as provided to the Investment Committee.

1.2 The report:

- sets out the current identified risks which could impact on the achievement of the Growth Deal 2018/19 expenditure target and sets out possible methods of mitigation;
- provides the draft of the proposals submitted to the Cities and Local Growth Unit (CLOG) for Growth Deal impact sites; and
- seeks endorsement of the CLOG Data Capture spreadsheet.

## 2. Information

2.1 Table 1 below summarises the capital programme for 2018/19 including the budget approved by the Combined Authority at its meeting on 1 February 2018, expenditure up to the end of quarter 1 and the outturn forecast.

Table 1

Capital Funding Programme	Budget Expenditure 2018/19	Expenditure Quarter 1 2018/19	%	Outturn Forecast 2018/19
Growth Deal (including West Yorkshire + Transport Fund)	£102,080,000	£10,998,406	10.8%	£91,525,221
Call for Projects	£14,282,000	£0	0.0%	£0
Connecting Leeds (formerly Leeds Public Transport Investment Fund)	£15,000,000	£1,174,538	7.8%	£9,934,026
Local Transport Plan Integrated Transport Block and National Productivity Investment Fund (NPIF)	£13,104,000	£1,302,000	9.9%	£13,104,000
Highways Maintenance Block / Incentive Fund	£28,403,000	£4,420,000	15.6%	£28,403,000
Pothole Action Fund	£2,231,000	£209,000	9.4%	£4,647,000
DFT Cycle City Ambition Grant (CCAG)	£4,094,000	£2,079,741	50.8%	£10,801,433
WY Cycling and Walking Fund	£1,121,000	£141,756	12.6%	£1,304,022
Ultra Low Emission Vehicles	£1,027,000	£5,318	0.5%	£977,500
WY Broadband Programme	£3,646,000	£1,247,714	34.2%	£3,262,205
Growing Places Fund	£4,550,000	£0	0.0%	£1,350,000
WYCA Corporate Projects	£5,300,000	£70,531	1.3%	£1,735,000
Warm Homes	£0	£142,000		£1,369,000
<b>Total</b>	<b>£194,838,000</b>	<b>£21,791,004</b>	<b>11.2%</b>	<b>£168,412,407</b>

- 2.2 The outturn forecast is the latest estimate of expenditure for 2018/19 and represents a reduction against the original forecast for the year. The aim is to increase expenditure and accelerate delivery wherever possible. However at the time the budget was submitted to the Combined Authority it was not clear how the projects within the 2017 call for projects would be funded. These will now be included within the Growth Deal programme (agreed at the Combined Authority meeting on 28 June 2018). These projects are currently progressing through the assurance process. The original expectation when the projects were agreed by the Combined Authority was that they would achieve £10.82 million in 2018/19, if this occurs it would support the programme to achieve its target spend.
- 2.3 Three programmes: Pothole Fund, Cycle City Ambition Grant and the Cycling and Walking Fund are forecast to spend more in 2018/19 than originally forecast, because the Pothole Fund received an additional allocation from the Department for Transport and the other two programmes are spending unspent funding from 2017/18. Warm Homes is a new programme which received approval after the Combined Authority in February 2018
- 2.4 This report focusses on the progress made in implementing the Growth Deal and Local Transport Capital Programmes.

### Growth Deal

#### Expenditure

- 2.5 Table 2 below details expenditure on the Growth Deal programme in quarter 1 2018/19.

Table 2

	Target spend 2018/19	Spend Quarter 1 2018/19	% of 2018/19 target	Total Actual & Forecast Spend
Priority 1 - Business	£6,678,461	£1,274,184	19.1%	£6,692,790
Priority 2 - Skills Capital	£15,619,301	£5,648,736	36.2%	£15,619,301
Priority 3 - Environmental Infrastructure	£2,182,145	£382,487	17.5%	£2,182,145
Priority 4a - Housing and Regeneration	£6,326,179	£0	0.0%	£5,356,179
Priority 4b - West Yorkshire plus Transport Fund	£61,197,162	£3,693,000	6.0%	£51,656,458
Priority 4c - Flood Resilience	£2,618,348	£0	0.0%	£2,618,348
Priority 4d - Enterprise Zones	£5,400,000	£0	0.0%	£5,400,000
Combined Authority Programme Management	£2,000,000	£0	0.0%	£2,000,000
<b>Total</b>	<b>£102,021,596</b>	<b>£10,998,407</b>	<b>10.8%</b>	<b>£91,525,221</b>

- 2.6 The Growth Deal dashboards are attached as **Appendix 1 and 2**. Expenditure in quarter 1 represents almost 11% of the annual target. This compares with quarter 1 spend in previous years of 6% in 2015/16, 2% in 2016/17 and 14% in 2017/18.
- 2.7 Each quarter a return is made to CLoG through their data capture system which collates Growth Deal programme information. The summary dashboard for quarter 4 2017/18 is attached at **Appendix 3**, and was submitted to CLoG in accordance with their deadline in July 2018. CLoG has requested that this

dashboard should be endorsed by the LEP Board each quarter. However due to the deadline for turnaround of this submission in is not always possible to bring it to a meeting prior to its submission. When this occurs it will be signed off by the Combined Authority's Section 73 officer and the LEP Chair and reported to the LEP Board at the next meeting.

- 2.8 A new ICT system, Portfolio Information Management System (PIMS) has been designed to support the performance management of the Combined Authority's portfolio, to ensure a greater focus on project delivery and associated costs and benefits, and to support and strengthen the Leeds City Region Assurance Framework. All portfolio data has now been uploaded to PIMS and currently checks are being undertaken to validate this data to ensure that reporting is accurate. PIMS will be used for quarter 2 monitoring data and claims and the PIMS reporting dashboard will be presented to the next Investment Panel and LEP Board meetings.

#### Achievement of Programme Outputs and Impacts

- 2.9 The outputs for the programme are detailed below. Match funding for the programme has increased by £41 million to £383.77 million.

Table 3

Output	Target (includes Growth Deals 1, 2 and 3)	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%

- 2.10 The original Growth Deal agreement identified that in order to quantify the impacts of the programme each Local Enterprise Partnership should agree 'impact sites'. These are areas where the impact of Growth Deal investment would be assessed through modelling and evaluation. There has been no formal guidance issued on how impact sites should be identified. A discussion paper has therefore been developed for submission to the CLoG setting out a proposal for identification of impact sites in the City Region. A draft copy is attached for consideration (**Appendix 4**). This provides details of how impacts can be captured and how double counting can be avoided. This document has been submitted to CLoG and a response is awaited.

#### Programme Level Risk

- 2.11 One of the main areas of risk in relation to the Growth Deal programme is the achievement of annual expenditure targets. Failure to achieve the agreed target could result in the introduction of key performance indicators and possibly a loss of grant to the programme.
- 2.12 There are currently a number of quantifiable risk areas within the 2018/19 spend profile that, if realised, would mean the programme will not achieve its annual target spend of £102.02 million. These are:

- A number of projects that are expected to proceed this year have not yet been approved through the assurance process; this represents £7.44 million on Transport Fund projects and £7.94 million on Economic Development projects.
- Economic Development projects where forecast spend has been reduced (Forge Lane originally forecast to spend £720,000 has now been replaced by Dewsbury Riverside which is not expecting any expenditure in 2018/19 and York Guildhall, where the scheme has been paused as costs are being reviewed, there is currently forecast spend of £250,000. These projects are RAG rated red in the 'in year' RAG rating).
- Reductions across the Transport Fund from forecasts agreed in May 2018 totalling £6.22 million (includes 'in year' RAG rated projects due to go into the delivery in 2018/19 where likely start dates have slipped resulting in expected spend reductions. These include: Castleford Growth Corridor, Leeds New Station Street and the Urban Traffic Management Control).
- Forecast expenditure identified as pipeline where funds have not been allocated to designated projects total £3.22 million in Housing and Regeneration and £18.49 million in the Transport Fund.

Total expenditure currently at risk: £44.28 million.

2.13 Whilst it is unlikely that all the identified risks on the Programme would be realised, a number of contingencies to mitigate against realisation of these risks have been identified or are being considered:

- Acceleration of delivery where contracts have been let. This will be subject to further discussion with project sponsors;
- Inclusion of call for projects in Growth Deal. This will be dependent both on projects progressing through the assurance process and the realisation of forecast spend. The spend forecast on these projects in 2018/19 is £10.82 million;
- On the Transport Fund an estimated forecast has been set for each project, however in response to discussions undertaken these represent worst case scenario rather than an ambitious forecast. Consequently in order to drive spend, in consultation with Chief Executives, a higher target spend is being considered for each partner council and the Combined Authority.

#### Local Transport Capital

(Includes Highways Maintenance Block, Incentive Fund, National Productivity Investment Fund (NPIF), Pothole Action fund, LTP Integrated Transport Block)

#### Integrated Transport Block

2.14 Department for Transport Integrated Transport Block (IT) is granted to the Combined Authority as the local transport authority for West Yorkshire, for delivery of smaller scale improvements to transport networks and facilities, to be spent at local discretion. IT funding is used to deliver the Local Transport

Plan (LTP) Implementation Plan 3 (IP3) programme which is the first of the five year Implementation Plans that are proposed to deliver the recently adopted West Yorkshire Transport Strategy 2040, covering the period 2017 – 2022.

- 2.15 The IP3 programme was developed with input from Transport Committee and approved by Combined Authority in April 2017 (endorsed by the Transport Committee) with a detailed programme identified for the first two years (2017/18 and 2018/19) and indicative allocations for the final three years. At approval, a mid-term review was proposed to develop the final three year programme.
- 2.16 The approach and timetable for the development of the detailed programme for years three, four and five (2019 – 2022) of IP3, endorsed by Transport Committee in July 2018, is:
- Agreement of programme shape – July – August 2018. A workshop was held on 6 August 2018 with Transport Committee members and partner council Portfolio Holders where a simplified programme shape was agreed, based around 3 core areas – One System Public Transport, Asset Renewal and Healthy Streets.
  - Detailed programme development – August – October 2018. Further input from Transport Committee members through potential workshops and formal reporting to Committee in November 2018 is proposed.
  - Formal approval by partners – with Transport Committee endorsement sought in January or March 2019, Combined Authority approval sought in February or April 2019. Individual partner approval would be expected to be sought between January and April 2019.

As part of the process of developing the next three years of the IT block programme all partners will be required to quantify the expected outputs (and anticipated contribution to Transport Strategy objectives and targets) that will be achieved from IT block spend. Whilst collation of outputs achieved by the programme used to be undertaken this no longer takes place. It is proposed to re-introduce both the setting and monitoring of targets.

- 2.17 The current LTP IT block and residual funding from the NPIF programme is spent across each partner council and the Combined Authority. This is against agreed designated projects. The LTP dashboard is attached as Appendix 5.
- 2.18 Highways Maintenance Block, Highways Incentive Fund and Pothole Action Fund and part of the NPIF funding are all paid to the partner councils directly based on Department of Transport formula. Expenditure against allocation on these programmes is monitored each quarter and reported to Chief Highways Officers. In the event of a significant underspend it would be possible to move funding between partner councils, which would be subject to an initial discussion by the Chief Highways Officers before any proposal was put

forward for consideration, firstly by the Investment Committee with any recommendations to the Combined Authority. The table below sets out current expenditure levels across each programme and partner council:

Table 4

<b>Funding Programme</b>	<b>Bradford</b>		<b>Calderdale</b>		<b>Kirklees</b>		<b>Leeds</b>		<b>Wakefield</b>	
Highways Maintenance Block / Incentive Fund	£1.049	18%	£0.925	23%	£0.838	14%	£0.550	6%	£1.058	25%
Pothole Action Fund	£0.068	7%	£0.020	3%	£0.121	13%	£0.000	0%	£0.000	0%

All figures in £ (million)

Note: the table shows spend as at the end of quarter 1 with a percentage spend of the 2018/19 funding allocation to each local authority.

### **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 That the LEP Board notes the progress made in implementing the Combined Authority Capital Programme.

7.2 That the LEP Board endorses the Data Capture Growth Deal Dashboard for Quarter 4 2018/19 (attached at Appendix 3).

7.3 That the LEP Board considers the attached proposals on Impact Sites (attached as Appendix 4).

### **8. Background Documents**

8.1 None.

### **9. Appendices**

**Appendix 1** – Growth Deal Dashboard

**Appendix 2** – West Yorkshire plus Transport Fund Dashboard

**Appendix 3** – CLoG Data Capture Summary

**Appendix 4** – Growth Deal Impact Sites

**Appendix 5** – Local Transport Capital Dashboard