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

Date: 22 November 2018

Subject: **Growth Deal (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 reported to the Investment Committee.

1.2 The report:

- Provides a more detailed update on the Growth Deal programme and the progress of the Corporate Projects; It utilises the new portfolio information management system (PIMS), which gives the Combined Authority much better management information and therefore offers 'one version of truth' and greater transparency on our Growth Deal programme. PIMS will also be utilised for the other funding programmes in future reports.
- Notes that two existing projects are seeking additional funding through over-programming of the Growth Deal;
- Seeks approval of the Data Capture spreadsheets for quarters 1 and 2 2018/19 (the completed spreadsheets will be tabled at the meeting).

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 01 February 2018, expenditure up to the end of quarter 2 2018/19 and the current outturn forecast 2018/19.

Table 1

Capital Funding Programme	Budget Expenditure 2018/19	Expenditure Quarter 2 2018/19	%	Outturn Forecast 2018/19
Growth Deal (including West Yorkshire + Transport Fund)	£102,080,000	£25,237,483	24.7%	£91,484,875
Call for Projects	£14,282,000	£0	0.0%	£0
Leeds Public Transport Investment Fund (supporting Connecting Leeds)	£15,000,000	£2,685,238	17.9%	£10,042,988
Local Transport Plan Integrated Transport Block and National Productivity Investment Fund (NPIF)	£13,104,000	£3,618,076	27.6%	£15,250,260
Highways Maintenance Block / Incentive Fund	£28,403,000	£13,915,000	49.0%	£28,442,000
Pothole Action Fund	£2,231,000	£2,095,000	93.9%	£4,647,000
DfT Cycle City Ambition Grant (CCAG)	£4,094,000	£1,740,000	42.5%	£3,700,000
WY Cycling and Walking Fund	£1,121,000	£271,118	24.2%	£1,304,022
DfT Cycle Safety Fund Grant	£0	£0	0.0%	£1,470,000
Ultra Low Emission Vehicles	£1,027,000	£14,978	1.5%	£215,000
DfT Clean Vehicle Technology	£0	£73,930	0.0%	£73,930
WY Broadband Programme	£3,646,000	£2,084,817	57.2%	£3,262,205
Growing Places Fund	£4,550,000	£1,000,000	22.0%	£1,350,000
WYCA Corporate Projects	£5,300,000	£70,531	1.3%	£1,735,000
Warm Homes	£0	£172,070	0.0%	£1,369,000
Total	£194,838,000	£52,978,241	27.2%	£164,346,280

Note: Four programmes: LTP Integrated Transport Block, Highways Maintenance Block, Pothole Action Fund and the Cycling and Walking Fund are forecast to spend more in 2018/19 than originally forecast, this is because the Pothole Fund received an additional allocation from the Department for Transport and the other three programmes are spending unspent funding from 2017/18. Warm Homes, DfT Cycle Safety Fund and DfT Clean Vehicle Technology are new programmes for which approval was received after the Combined Authority in February 2018.

- 2.2 The Portfolio Information Management System (PIMS) is now live, quarter two claims, monitoring and progress for the Growth Deal have been processed and reported through the system. PIMS will give the Combined Authority much better management information and therefore offers 'one version of truth' and greater transparency on our Growth Deal programme, allowing informed and improved decision making and a full audit trail of project data. It will also ensure consistency in project information and reporting including outputs, benefits, risks, issues, costs and milestones and greater efficiency by reducing manual data input and manipulation, providing an efficient method to submit and manage project documentation and enabling automated reporting, Which will enable project teams and stakeholders to focus on delivery and help understand project issues earlier. PIMS will also be utilised for the other funding programmes in future reports
- 2.3 The Leeds Public Transport Investment Programme and City Connect will be the next programmes to be added to the system to allow claims and monitoring to be undertaken from quarter three.

Growth Deal

Expenditure

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

Table 2

	Target spend 2018/19	Spend to end of quarter 2 2018/19	% of 2018/19 target	Total actual & forecast spend
Priority 1 - Business	£6,678,461	£2,426,529	36.3%	£6,307,353
Priority 2 - Skills Capital	£15,619,301	£8,815,158	56.4%	£15,619,301
Priority 3 - Environmental Infrastructure	£2,182,145	£749,709	34.3%	£6,182,145
Priority 4a - Housing and Regeneration	£6,326,179	£1,199	0.0%	£3,044,378
Priority 4b - West Yorkshire plus Transport Fund	£61,197,162	£13,244,888	21.1%	£51,656,458
Priority 4c - Flood Resilience	£2,618,348	£0	0.0%	£1,975,240
Priority 4d - Enterprise Zones	£5,400,000	£0	0.0%	£4,700,000
Combined Authority Delivery Costs	£2,000,000	£0	0.0%	£2,000,000
Total	£102,021,596	£25,237,483	24.4%	£91,484,875

2.5 The dashboard, produced through PIMS, summarising expenditure for the Growth Deal projects including the West Yorkshire plus Transport Fund is attached as **Appendix 1**. A further dashboard which details performance on projects is currently being reviewed with partner councils and will be reported from quarter three. The deadline for turnaround of claims received to reporting of the Investment Committee and LEP Board was very tight consequently the full range of report options available through PIMS has not fully been investigated. Further report options will be reviewed and submitted for consideration in future following quarter three monitoring.

Performance

2.6 Outputs, benefits and progress are now reported through PIMS. A full update on performance will be provided at quarter three. The current achievement of the programme is as follows:

Output	Target (includes Growth Deals 1, 2 and 3)	Achieved as at September 2018	%
New jobs	19,595	5,633	28.75%
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	£397,449,776	38.55%

Programme Expenditure Risk and Mitigation

2.7 Risk relating to possible underspend has been identified and was reported in September 2018. The risk identified includes:

- Projects where approval is awaited before spend can be recorded totalled £15.38 million in the September update, this has now reduced to £13.91 million. Whilst some of the approval dates for individual projects have been put back projects continue to progress through the assurance process and the majority are expected to be approved before year end.
- The amount of additional spend required to achieve the target identified as pipeline spend was reported to the last meeting in September as £21.71 million this has now reduced to £13.85 million.

The total quantifiable risk has reduced and is anticipated to drop further as programme activity progresses.

2.8 The Investment Committee agreed actions to mitigate against this risk which have been implemented where possible. The following provides an update of progress:

- Acceleration of delivery where contracts have been let
Currently options on a number of projects are being explored totalling between £8 million and £13 million, this would address the current identified gap in achievement of programme target spend (£102.08 million).
- Inclusion of call for projects in Growth Deal
All projects are being included within the Growth Deal as they progress through the assurance process, however it currently appears unlikely that there will be significant expenditure on these projects in 2018/19. Three projects: the Institute for High Speed Rail (full business case), Leeds Inland Port (outline business case) and Wakefield City Centre South East Gateway (full business case) are now progressing through the assurance process. The business cases for the remaining projects within the call for projects are currently being developed.
- Transport Fund stretch targets
Consultation has been undertaken with each partner council on the possibility of accelerating expenditure against approved Transport Fund spend. Current forecasts suggest that this could accelerate spending by up to £3 million.

Over-programming

2.9 At the Investment Committee workshop on 5 June 2018 members considered a report on over-programming. It was agreed that a recommendation would be made to the Combined Authority to borrow, if required, up to £90 million to allow over-programming of the Growth Deal (above currently agreed borrowing on the Transport Fund) to fund projects identified in the call for projects undertaken in 2017 (this was approved by the Combined Authority at its meeting on 28 June 2018). The workshop also considered that some existing projects may have the capacity to deliver increased outputs if an increased spend allocation was provided by 2020/21. It agreed that it would be appropriate to consider that, where projects can prove ongoing demand and increased realisation of benefits, to over-programme on a case by case basis. An evaluation will be need to be undertaken on each project to establish viability to over-programme taking into consideration the creation of additional new jobs and homes built.

2.10 Two existing projects have so far identified the ability to deliver increased outputs if an increased allocation of funding can be agreed, these are:

- **Business Growth Programme**

The Business Growth Programme (BGP) provides grants of £10,000 to £250,000 to SME's in the Leeds City Region for capital development leading to creation of jobs or productivity improvements. This project has a total approval of £27 million through the Growth Deal, the majority of this has now been committed.

This BGP is seeking a further £7 million which will allow the project to continue to commit grants to SMEs for at least a further year to September 2020. The project will then need to close to applications but grants will be able to be claimed and paid out until the closure of the Growth Deal in March 2021. Up to quarter two 2018/19 the project achieved 4,859 jobs created, 65 apprenticeships supported, 589 businesses assisted and £280.25 million of match funding. **The additional funding will provide an additional 600 jobs created, £30 million of private sector match and 150 to 200 additional businesses assisted.**

- **Resource Efficiency Fund**

The REF is a key initiative under Priority 3 of the Strategic Economic Plan. The existing scheme provides free resource efficiency assessments and potential capital grant funding for resource efficiency work for SME's in the Leeds City Region. The current project, which is funded through £1.14 million of European Regional Development Funding (ERDF) match funded with £720,000 from the Growth Deal, is due to end in October 2019 at which point there will be no further support available through the Combined Authority for resource efficiency related activity.

It is proposed that this project should be extended through a further application for ERDF of £2 million allowing the project to continue until 2022. The project is seeking an additional £753,085 of Growth Deal funding to match fund the application for ERDF. **The new project will provide support to a further 300 businesses and help to safeguard jobs through improving business efficiency.** The project will also provide ERDF and private match funding towards the Growth Deal match funding targets. The current programme has provided carbon emissions savings 1,835 tonnes of CO2 per year, saving businesses 6 million kwh or energy and a cash saving on £464,126 per year.

- 2.11 The Investment Committee agreed to recommend to the Combined Authority that these two projects should come forward for additional Growth Deal monies to be funded through over-programming, subject to approval through the assurance process. The main purpose of allowing over-programming on these two projects is not to over-spend against the programme but to compensate for other areas of the programme that are likely to underspend. However there is a risk of overspend that has previously been considered, the Combined Authority agreed that borrowing of up to £90 million would be available to address this. The funding for these two projects will be managed within this figure.

2.12 As reported to the last LEP Board each quarter a return is made to the Cities and Local Growth Unit (CLOG) through their data capture system which collates Growth Deal programme information. CLOG has requested that this dashboard should be endorsed by the LEP Board each quarter. The dashboard for quarters 1 and 2 2018/19 will be tabled at the meeting for consideration and endorsement prior to the submission date of 23 November 2018.

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 spreadsheets for quarters 1 and 2 2018/19 (to be tabled at the meeting).

8. Background Documents

8.1 None.

9. Appendices

Appendix 1 – Growth Deal Financial Dashboard