

**ITEM: 8**

**REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY OVERVIEW  
AND SCRUTINY COMMITTEE**

**DATE: 22 SEPTEMBER 2017**

**REPORT TITLE: UPDATE ON INVESTMENT PROGRAMME**

**AUTHOR: CHRIS JENNINGS**

**Purpose of Report**

1. To update the West of England Combined Authority (WECA) Overview and Scrutiny Committee on the planned process for prioritising WECA Investments from devolved funding.

**Issues for Consideration**

2. The West of England Devolution Deal secured £900m of funding for the region, over 30 years, and split equally between capital and revenue. This level of funding will not deliver the ambition of the region (the recent West of England Joint Transport Study alone has identified at least £9bn of transport schemes) and will just be a part of the overall funding required. In order to decide how best to invest the overall funding package for the West of England an objective, transparent prioritisation process is being developed to support the WECA Committee in making investment decisions. The process to approve prioritised projects will use a similar process to the existing 'one front door' arrangements by seeking to pool eligible funds to enable flexibility of investment and alignment with the WECA Assurance Framework approved by the WECA Committee in March 2017.
3. Aligned to regional strategies, the objective for the investment programme is to boost and strengthen economic growth in the West of England Combined Authority area through delivering:
  - a. Effective, resilient infrastructure;
  - b. World class skills for employment; and
  - c. Businesses that succeed
4. To deliver this objective it is envisaged that the broad types of investment the programme will consider are likely to be around transport, housing, regeneration & commercial development, skills and business support.
5. Work has been undertaken to develop a prioritisation process to ensure that investment decisions the WECA Committee will be asked to make will deliver these objectives. The table at Appendix A proposes six stages through to project delivery and outlines the key activity that will be undertaken at each stage as well as the decisions that will be sought by the WECA Committee throughout the process. The exact detail and timetable for each

stage is still being finalised but it is likely to take several months to reach a conclusion. The Committee may also wish to note that this prioritisation process will not be a 'one off' exercise and it will be necessary to iterate the programme from time to time. Further reports will consider the frequency of reviews to ensure a stable pipeline of projects can be established based on strategic plans.

6. The suggested principles on which this process has been developed are:
  - a. A proportionate, robust and standardised approach will be used to assist WECA Committee to make investment decisions;
  - b. Only projects that fit with regional strategies will be considered for entry into the investment programme;
  - c. The investment prioritisation process will be transparent;
  - d. The economic model will only be used to support political decision making and is not intended to be a decision making tool in its own right; and
  - e. A financial model will be developed alongside the economic model recognising that the investment programme will require more funding than is available from the Devolution Deal.

### Early Investment

7. In recognition that it will take several months (in other cities this process has taken more than 18 months) to develop a fully funded investment programme to present to the WECA Committee for approval, in parallel to developing the full process, we were asked by the WECA Committee to consider whether there are any projects that would be suitable for an earlier investment decision to progress priority areas such as delivery of housing and improving transport in the region.
8. A report was presented to the WECA Committee on 15th September seeking approval to the first of the early investment decisions and the release of £1.2m to progress business case development for transport schemes that support the Joint Spatial Plan (paper attached at Appendix B). Officers will update this Committee on the decision taken.
9. It is currently intended that additional feasibility studies will be considered at the October meeting of the WECA Committee and consideration is being given as to whether it would be appropriate to include any schemes for delivery too, alongside possible investment into projects to support the objectives set out in the West of England Strategy relating to skills and business support agendas.
10. We are intending to use the WECA Advisory Boards to help develop and test proposals for investment, though this was not possible for the September decision due to timing of meetings.

### Consultation:

11. This paper has been shared with colleagues within the constituent councils within the Combined Authority.

### Public Sector Equality Duties:

12. An Equality Impact Assessment will be developed to assist in the development of the investment strategy. In addition, as individual projects are then developed they will be supported by more detailed/tailored

**Economic Impact Assessment:**

13. There are no economic impacts arising as a result of this report though the investment programme itself will have an economic impact that will be assessed once the programme is developed.

**Finance Implications:**

14. The estimated costs of developing the investment programme, including the development of the economic model are already budgeted for in the WECA budget. No additional funding is required at this stage.

Advice given by: Tim Richens

**Legal Implications:**

15. There are no legal implications that arise as a direct result of this report.

Advice given by: Gill Sinclair

**Land/Property Implications;**

16. There are no land/property implications arising as a result of this report.

**Chief Executive Comments:**

17. There are no comments from the Chief Executive.

**Recommendation:**

18. That the Scrutiny and Overview Committee note the proposed process for investment prioritisation and discuss how they would like to incorporate this topic within their work programme.

**Report Author: Chris Jennings**

**West of England Combined Authority Contact: Chris Jennings**

**Background Papers**

Any person wishing to inspect the Background Papers, used in the preparation of this Report, should seek the assistance of the Contact Officer for the meeting, who is and who is available by telephoning Joanna Greenwood on 0117 35 76324. Writing to West of England Combined Authority Office, Engine Shed, Station Approach, Temple Meads, Bristol, BS1 6QH. Email: [Joanna.greenwood@westofengland.org](mailto:Joanna.greenwood@westofengland.org).

## Appendix A

	Stage	Key Activity & Decisions
1	Establish objectives & the metrics for assessing potential investments against these	<ul style="list-style-type: none"> <li>- Develop eligibility criteria, sifting criteria &amp; appraisal metrics to ensure the programme will deliver its objectives.</li> <li>- Develop information for a long list of projects eligible for the medium-term investment programme</li> <li>- <b>WECA Committee Approval will be sought for</b> <ul style="list-style-type: none"> <li>o <b>time horizon for investment programme</b></li> <li>o <b>the types of projects eligible for gainshare funding/ investment programme</b></li> <li>o <b>Agree sifting criteria for establishing medium-list of projects for detailed appraisal</b></li> <li>o <b>Agree appraisal metrics</b></li> </ul> </li> </ul>
2	Sift / filter projects	<ul style="list-style-type: none"> <li>- Officers to sift projects against already agreed criteria to arrive at a medium-list for appraisal.</li> <li>- Development of financial principles, including broad funding and financing options for analysis</li> <li>- Development of financial model</li> <li>- <b>WECA Committee Approval will be sought for a medium list of projects to be taken forward for detailed modelling and appraisal</b></li> <li>- <b>Agree broad funding and financing options ‘in play’ (but no decision on the level of funding) for further analysis</b></li> </ul>
3	Assess & prioritise	<ul style="list-style-type: none"> <li>- Develop detailed information for projects in the medium list for the purposes of appraisal (incl. financial and economic modelling)</li> <li>- <i>For infrastructure projects:</i> Use economic and financial models to assist in WECA decision making</li> <li>- <i>For business support and skills projects:</i> Appraise and rank projects against agreed appraisal metrics to assist WECA decision making (this may also be relevant for infrastructure projects not capable of being modelled)</li> <li>- Develop an understanding of the potential scale of co-funder contributions (e.g developers, Government)</li> </ul>
4	Create investment programme	<ul style="list-style-type: none"> <li>- Use financial model to define scale of investment programme according to affordability envelope(s) and use economic model to appraise whole programme against agreed metrics</li> <li>- <b>WECA Committee approval will be sought for prioritised investment programme</b></li> <li>- <b>Agree co-funder contributions (locally and with Govt)</b></li> </ul>
5	Develop full business cases	<ul style="list-style-type: none"> <li>- Detailed project business cases (based on five case model) to satisfy local assurance framework guidelines drawing on work</li> </ul>

		<p>in steps above</p> <ul style="list-style-type: none"> <li>- Project-specific business cases if required to release any specific government department funding contribution</li> <li>- Develop risk allocation procedures</li> <li>- <b>WECA Committee approval will be sought for Full Business Cases</b></li> </ul>
6	Deliver, monitor & evaluate programme	<ul style="list-style-type: none"> <li>- Delivery of project including procurement</li> <li>- Assurance, monitoring and evaluation procedures</li> <li>- <b>WECA Committee approval will be sought for Final Approval Business Case to release funding</b></li> <li>- <b>WECA Committee will receive reports on delivery and be asked for decisions if project tolerances are exceeded.</b></li> </ul>