

FINANCE, RESOURCES, AND CORPORATE COMMITTEE

**MEETING TO BE HELD AT 11.00 AM ON TUESDAY, 12 JULY 2022
IN LARGE MEETING ROOM, WELLINGTON HOUSE, 40-50
WELLINGTON ST, LEEDS, LS1 2DE**

A G E N D A

- 1. APOLOGIES FOR ABSENCE**
- 2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS**
- 3. EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE
PRESS AND PUBLIC**
- 4. MINUTES OF THE MEETING HELD ON 8 JUNE**
(Pages 1 - 4)
- 5. GOVERNANCE ARRANGEMENTS**
(Pages 5 - 14)
- 6. FINANCIAL PERFORMANCE REPORT**
(Pages 15 - 26)
- 7. INFLATIONARY PRESSURES ON CAPITAL PROGRAMMES**
(Pages 27 - 34)
- 8. BUS SERVICE REVENUE FUNDING AND EXPENDITURE**
(Pages 35 - 40)

Signed:



**Managing Director
West Yorkshire Combined Authority**

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**MINUTES OF THE MEETING OF THE
FINANCE, RESOURCES, AND CORPORATE COMMITTEE
HELD ON WEDNESDAY, 8 JUNE 2022 AT COMMITTEE ROOM 1,
WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS, LS1 2DE**

Present:

Mayor Tracy Brabin (Chair)	West Yorkshire Combined Authority
Mark Roberts (Substitute)	Leeds City Region Enterprise Partnership
Councillor James Lewis	Leeds City Council
Councillor Susan Hinchcliffe	Bradford Council
Councillor Matthew Morley (Substitute)	Wakefield Council
Councillor Cathy Scott (Substitute)	Kirklees Council
Councillor Jane Scullion (Substitute)	Calderdale Council

In attendance:

Ben Still	West Yorkshire Combined Authority
Melanie Corcoran	West Yorkshire Combined Authority
Alan Reiss	West Yorkshire Combined Authority
Lorna Jones	West Yorkshire Combined Authority
Celia Yang	West Yorkshire Combined Authority
Janette Woodcock	West Yorkshire Combined Authority

51. Apologies for Absence

Apologies for absence were received from Councillor Jeffrey, Councillor Pandor, Councillor Swift and Sir Roger Marsh

52. Declarations of Disclosable Pecuniary Interests

There were no declarations of pecuniary interest at the meeting.

53. Exempt Information - Possible Exemption of the Press and Public

There were no items on the agenda requiring the exclusion of the press and public.

54. Minutes of the Meeting held on 5 April 2022

Resolved: That the minutes of the meeting held on 5 April 2022 be approved.

55. Financial Reporting

Members considered a report to provide the latest financial position for 2021/22 and emerging inflationary and other financial pressures identified for the coming years. The report also advised of a delay for the audit of the annual accounts, due to the late completion of last year's police audit, and auditor pressures this year.

The Committee noted the financial position and considered the position regarding inflation and the budgetary pressures this presents.

Resolved:

- (i) That the contents of the report be noted.
- (ii) That the planned delay to the external audit for 2021/22 be noted.

56. Capital Spending and Project Approvals

The Committee considered a report which set out proposals for the progression of, and funding for West Yorkshire Combined Authority supported projects. Members discussed the proposals for the progression of the following schemes which were detailed in the submitted report.

- Inclusivity Champion
- The TCF A638 Dewsbury Cleckheaton Sustainable Travel Corridor.

Members welcomed the proposal for an Inclusivity Champion to shape an ambitious work programme.

Resolved:

That the Finance Resources and Corporate Committee approves that:

Inclusivity Champion

(i) The Inclusivity Champion scheme (Phase 1) proceeds through decision point 2 to 4 (business justification) and work commences on activity 5 (delivery).

(ii) An indicative approval to the Combined Authority's contribution of £400,000 is given. The total scheme value is £625,000.

(iii) Approval to the Combined Authority's contribution of £175,000.

(iv) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report. This will be subject to the scheme remaining within the tolerances outlined in this report.

The TCF A638 Dewsbury Cleckheaton Sustainable Travel Corridor

That the Finance, Resource and Corporate Committee approve that:

(i) The TCF A638 Dewsbury Cleckheaton Sustainable Travel Corridor scheme proceeds through decision point 3 (outline business case) and work commences on activity 4 (full business case), subject to the conditions set by PAT.

(ii) An indicative approval to the Combined Authority's contribution of £12,884,315 is given, subject to the conditions set by PAT. The total scheme value is £12,884,315.

(iii) Approval to additional development costs of £415,970 taking the total scheme approval to £1,367,470.

(iv) The Combined Authority enters into an addendum to the existing Funding Agreement with Kirklees Metropolitan Borough Council for expenditure of up to £1,367,470.

(v) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report. This will be subject to the scheme remaining within the tolerances outlined in this report.

Conditions

That Kirklees Metropolitan Borough Council provides a report to the Combined Authority's Programme Appraisal Team by 31st August 2022 to include the conditions outlined in the PAT Appraisal Report.

57. Corporate Planning and Performance

The Committee considered a report which provided an update on corporate planning and performance activities and was asked to note the contents of the report and endorse the Corporate Governance Code and Framework.

Finance, Resources and Corporate Committee have received regular updates throughout the business planning process. This year the business plans have been refined further to ensure that equality, diversity, and inclusion (EDI) implications are fully embedded within the plans to achieve the best outcomes for the people, communities and businesses of West Yorkshire in line with the Combined Authority's EDI vision statement and framework to meet the standards set out in the Local Government Equality Framework.

Resolved:

- (i) That the contents of the report including the corporate Key Performance Indicator end of year dashboard and Corporate Plan be noted.
- (ii) That the Corporate Governance Code and framework be endorsed.

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Report to: Finance, Resources and Corporate Committee

Date: 12 July 2022

Subject: **Governance Arrangements**

Director: Angela Taylor, Director, Corporate and Commercial Services

Author: Caroline Allen, Head of Legal and Governance Services

Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

1. Purpose of this report

- 1.1 To advise Finance, Resources and Corporate Committee of the governance arrangements approved by the West Yorkshire Combined Authority (the Combined Authority) at the Annual Meeting on 23 June 2022 in respect of the Committee.

2. Information

- 2.1 At the Annual Meeting the Combined Authority resolved to appoint the Finance, Resources and Corporate Committee on the **terms of reference** attached as **Appendix 1** to this report.
- 2.2 The **quorum** of the Committee is 3.
- 2.3 The Combined Authority appointed Mayor Tracy Brabin as Chair of the Committee and LEP Board Member Mark Roberts joins the Committee as Deputy Chair.
- 2.4 A table showing the Committee's membership is attached as **Appendix 2**, the new members are highlighted in red.

2.5 The Combined Authority also agreed meeting dates for the Committee, as follows:

- 12 July 2022
- 6 September 2022
- 10 November 2022
- 11 January 2023
- 13 March 2023
- 7 June 2023

3. Tackling the Climate Emergency Implications

3.1 The terms of reference require this, and all committees, to promote tackling the climate emergency implications in its actions.

4. Inclusive Growth Implications

4.1 The terms of reference require this, and all committees, to promote inclusive growth in its actions.

4.2. It is proposed that each decision-making committee continues to designate an Inclusivity Lead. This will ensure that equality, diversity and inclusion is fully embedded in the objectives of the committees

5. Equality and Diversity Implications

5.1 The terms of reference require this, and all other committees, to consider equality and diversity in its actions and decision making.

5.2 The diversity of the committee will be kept under review and steps will be taken, in future recruitment campaigns, to ensure as far as possible that the membership is representative of the population we serve.

6. Financial Implications

6.1 There are no financial implications directly arising from this report.

7. Legal Implications

7.1 There are no legal implications directly arising from this report.

8. Staffing Implications

8.1 There are no staffing implications directly arising from this report.

9. External Consultees

9.1 No external consultations have been undertaken.

10. Recommendations

- 10.1 That the Finance, Resources and Corporate Committee notes the governance arrangements approved by the Combined Authority at the Annual Meeting on 23 June 2022.

11. Background Documents

None.

12. Appendices

Appendix 1 – Terms of Reference for the Finance, Resources and Corporate Committee
Appendix 2 – Table of Members

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Part 3

Section 2.3 - Terms of Reference

Finance, Resources and Corporate Committee

The Finance, Resources and Corporate Committee is authorised:

1. To carry out any Non-Mayoral Function¹ of the Combined Authority which relates to **finance, resources² or a corporate issue³**, including:
 - a) progressing any element of the Mayor's pledges,
 - b) approving, amending or revoking any policy, investment priorities, strategy or plan⁴,
 - c) delivering, monitoring and reviewing the outcomes and impact of any policy, investment priorities, strategy or plan,
 - d) submitting bids for devolved and other funding,
 - e) oversight of the Leeds City Region Assurance Framework, and
 - f) delivering and overseeing any project or programme in accordance with the Leeds City Region Assurance Framework⁵, including the following where authorised by a bespoke approval pathway and approval route for a scheme⁶ (after decision-point 2 only):

¹ Functions in this context are to be construed in a broad and inclusive fashion, and as including the exercise of the ancillary powers under Section 113A of the Local Democracy, Economic Development and Construction Act 2009

² Including asset management, human resources, information and communications technology

³ Including equality, diversity and inclusion, knowledge and information management, procurement and purchasing, strategic risk management and business continuity, and health and safety, and any other issue which does not fall within the terms of reference of another committee.

⁴ With the exception of any major policy, investment priorities, strategy or plan reserved to the Combined Authority - see further Section 2.2 of Part 3 of the Constitution - and subject to any direction by the Mayor that any decision on a policy, investment priorities, strategy or plan be referred to the Combined Authority for determination

⁵ Or otherwise, where the project or programme does not fall to be considered under the Assurance Framework

⁶ The Finance, Resources and Corporate Committee is authorised to make any decision within a bespoke approval pathway and approval route which was previously delegated to the West Yorkshire and York Investment Committee. It is also authorised to amend any bespoke approval pathway and approval route which was approved by the Combined Authority before the municipal year 21-22, to provide for decisions to be taken by any thematic committee.

- making a decision to progress the scheme,^{7 8} or
- making any recommendation to the Combined Authority⁹ or the Mayor¹⁰ about progressing the scheme, and
- reviewing the scheme's impact,

with the **exception** of

- any function which requires a Statutory Consent¹¹ where that consent has yet to be given¹²,
 - any matter related to a Non-Mayoral Function conferred by the 2021 Order, which the Mayor has directed should be referred to the Combined Authority for determination¹³, or
 - any function which is reserved to the Combined Authority¹⁴.
2. To advise the Combined Authority in respect of any Non-Mayoral Function which relates to **finance, resources or a corporate issue**, including:
- a) any budget proposed for the Combined Authority to approve,¹⁵
 - b) the setting of any levy,
 - c) any function of the Combined Authority relating to its role as accountable body for funding received for the Leeds City Region,
 - d) any recommendation in respect of any decision to be taken by the Combined Authority at decision-point 2 of the Leeds City Region Assurance Framework,

⁷ including determining change requests

⁸ with the exception of any decision which would result in a revised financial approval which exceeds the cumulative total of the financial approval and tolerance threshold agreed by the Combined Authority at decision point 2 (or decision point 3) by more than 25%, in which case the decision must be referred to the Combined Authority

⁹ or to any other committee or relevant officer with delegated authority to make the decision

¹⁰ The Mayor will determine any aspect of a scheme which is a Mayoral Function

¹¹ These are specified functions conferred by the West Yorkshire Combined Authority (Election of Mayor and Functions) Order 2021 - see further the Access to Information Rules in Part 4 of the Constitution

¹² In relation to any function in respect of which a Statutory Consent has been given, the Committee must exercise their authority in accordance with the terms of any Statutory Consent

¹³ The 2021 Order provides that these matters require the support of the Mayor

¹⁴ The functions reserved to the Combined Authority are set out in Section 2.2 of Part 3 of the Constitution, and include the approval of any major policy, investment priorities, strategy or plan

¹⁵ Including the Mayor's budget

- e) any proposal to amend the Leeds City Region Assurance Framework,
 - f) any proposal to amend a major policy or investment priorities, strategy or plan which is to be determined by the Combined Authority, and
 - g) any proposal to amend the Constitution.
3. To advise the Mayor in respect of any Mayoral General Function¹⁶ which relates to **finance, resources or a corporate issue**.
 4. To promote, in collaboration with other committees,
 - equality and diversity,
 - inclusive growth,
 - tackling the climate emergency, and
 - the strategic alignment of the Combined Authority's policies, investment priorities, strategies and plans.
 5. To respond to any report or recommendation from an overview and scrutiny committee¹⁷.

Document version control	
Municipal Year:	2022-23
Version:	1 – 22/23
Document approved by:	The Combined Authority
Date:	23 June 2022
To be of effect from:	23 June 2022

¹⁶ The functions reserved to the Combined Authority are set out in Section 2.2 of Part 3 of the Constitution, and include the approval of any major policy, investment priorities, strategy or plan.

¹⁷ That is, any overview and scrutiny committee of the Combined Authority (in accordance with Scrutiny Standing Orders in Part 4 of the Constitution) or of any Constituent Council

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	CA Members (Voting)	Bradford	Calderdale	Kirklees	Leeds	Wakefield
Finance, Resources & Corporate Committee	Tracy Brabin (Mayor) Susan Hinchcliffe (L) Denise Jeffery (L) James Lewis (L) Shabir Pandor (L) Tim Swift (L) Mark Roberts (LEP) ¹	N/A	N/A	N/A	N/A	N/A
Chair: Tracy Brabin Dep Chair: Mark Roberts						

¹ Voting rights in accordance with the resolution of the CA – see agenda item 7 (CA annual meeting - 23 June 2022)

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Report to: Finance, Resources and Corporate Committee

Date: 12 July 2022

Subject: **Financial Performance Report**

Director: Angela Taylor, Director, Corporate and Commercial Services

Author: Katie Hurrell, Head of Finance

Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

1. Purpose of this report

- 1.1 To consider the final outturn position for both Revenue and Capital budgets for 2021/22 (subject to external audit)
- 1.2 To approve a ringfenced reserve to fund emerging inflationary and other financial pressures identified for the coming years.

2. Information

Financial Outturn 2021/22

- 2.1 The 2021/22 financial year was a challenging one for the Combined Authority, with the Mayoral election and devolution of powers in May 2021, along with the integration of the Police and Crime Commissioner function and team. Covid restrictions continued to stay in place for the start of the year, having an impact on bus patronage recovery.
- 2.2 The financial year 2021/22 has now been closed and we are reporting a surplus of £2.8 million, £0.6 million above the Q3 forecast. This is primarily due to salary savings in excess of the vacancy target, alongside underspend within the concessions budget, driven by the slow recovery of bus patronage in the region. This is offset by overspends across tendered services, also connected to changes in bus behaviours as a continuation of impacts resulting from Covid. In light of the increased volatility of these transport budgets and

the significant variances that emerged at year end, a thorough review is being undertaken, supported by Finance and Internal Audit, to ensure budgetary monitoring within the function is suitably robust and to highlight any weaknesses or gaps in current controls.

- 2.3 The full outturn position is included in Appendix 1 and the table below summarises this position and provides an overview of the main variances against the Budget and the Q3 Forecast position.

2021.22 Revenue Budget – final outturn	Variances to Budget	Variances to Forecast
	£	£
Staffing underspends ahead of target	2,927,283	(34,076)
Transport Services		
Concessions underspend	4,213,925	1,954,302
Tendered Services net overspend	(1,194,391)	(114,391)
Transport Services other (non-staffing)	773,945	(744,027)
Transport Services other (income)	71,003	615,267
	3,864,481	1,711,150
Capitalisation	(3,666,200)	(1,665,058)
Other	(300,747)	584,524
Net Surplus / Variance	2,824,817	596,539

- 2.4 Members are reminded that at the Combined Authority meeting in February 2022, approval was given to set up a ringfenced reserve with the forecast underspend in Concessions against budget, in preparation for funding the ongoing difficulty of post Covid recovery in the bus service industry. This figure was to be confirmed once the year end position had been finalised and it is now proposed that £2 million is transferred to an earmarked reserve for public transport support in 2022/23 and beyond. Use of this will be considered alongside the submission for Bus Services Improvement Programme, the impact of inflation, the conclusion of government funding for bus and the phased move back to reimbursing concessions on an actual basis. Item agenda 8 sets out further detail on the challenging environment for supporting local bus services and further reports will be provided seeking any release from the reserve when required.
- 2.5 There are still significant financial uncertainties and challenges which may require mitigation through contingent reserves, including cliff edge funding, inflation and post-COVID pressures. It is intended to update the budget forecast for 2022/23 at the end of Q1 and that this will then be considered in the context of a three-year medium term financial strategy, noting that there are currently budget funding gaps in the next two years. This will also need to consider any changes in expected income, particularly where this is funding people and services and is not guaranteed to continue. The Growth Service

team had its annual 2022/23 BEIS grant funding cut by 50% compared to last year and there are 10 further programmes where funding is due to end in 2022/23.

Capital Budget

- 2.6 The table below summaries the total expenditure on the Combined Authority's capital programme in 2021/22 against the revised forecasts included in both the budget reported to the Combined Authority in February 2022 and to the Finance Resources and Corporate Committee in March 2022.

Capital Programme Expenditure	Budget at Combined Authority February 2022	In-year Revised Forecast February 2022	Quarter 4 Expenditure 2021/22	% of in year forecast
West Yorkshire plus Transport Fund	£86,025,688	£64,206,570	£61,550,717	95.9%
Growth Deal	£480,329	£635,329	£402,367	63.3%
Leeds Public Transport Investment Programme	£45,270,442	£45,270,442	£42,798,253	94.5%
Transforming Cities Fund (inc. Tranche 1)	£39,605,197	£36,689,757	£26,316,007	71.7%
Integrated Transport Block / Highways Maintenance / Challenge Fund*	£52,450,545	£52,450,545	£49,448,798	94.3%
Corporate Projects	£4,038,709	£4,352,489	£4,770,121	109.6%
Broadband	£6,110,569	£6,110,569	£1,725,326	28.2%
Land Release Fund & One Public Estate	£1,028,993	£54,996	£168,967	307.2%
Getting Building Fund	£44,557,357	£44,557,357	£44,557,357	100.0%
Brownfield Housing Fund	£13,554,997	£12,912,988	£16,146,481	125.0%
Active Travel Fund*	£7,805,868	£7,805,868	£3,255,438	41.7%
British Library North	£151,414	£151,414	£5,480	3.6%
New Station Fund	£2,000,000	£0	£1,312,459	0%
Other (Clean Bus, ULEB, CCAG, HS2, Energy Accelerator, s106)	£1,000,000	£952,000	£1,039,573	109.2%
Total Capital Spend	£304,080,108	£276,150,324	£253,497,345	91.8%

* Active Travel includes both capital and revenue spend

- 2.7 Total expenditure in 2021/22 represents 83.3% of the forecast reported to the Combined Authority in February and 91.8% of the revised forecast following review of the quarter 3 claims. Whilst spend is lower than forecast, 2021/22 is a significant year of programme delivery and is the second highest year of capital spend. The delivery that has been achieved reflects well on both the Combined Authority and the partner councils having been achieved despite the many difficulties that have been experienced over the last two years including: the Covid pandemic, high numbers of vacancies, high levels of inflation, issues with obtaining both materials and construction labour.
- 2.8 Members are requested to note the 'temporary' adjustment to maximise the spend on the Getting Building Fund (GBF) programme. It is a requirement of GBF that we spend the total allocation of £52.6 million by 31 March 2022. To do this we use our freedoms and flexibilities to transfer expenditure out of the Transport Fund to offset the underspend on GBF, the entries are reversed as at 1 April 2022 allowing projects within GBF to spend the remaining £11.80 million remaining. This ongoing projects in GBF are detailed in paragraph 2.16.
- 2.9 The full reconciliation of programme expenditure has taken longer than usual to finalise, due in part to the late submission of claims. The closure of accounts for both the Combined Authority and partner councils is required at the same time, making it difficult for partner councils to completely finalise spend in order to submit claims in line with the Combined Authority's deadline.

- 2.10 The majority of the Combined Authority's forecast expenditure in 2021/22 is concentrated across six major programmes: the West Yorkshire plus Transport Fund; Transforming Cities Fund (TCF); Leeds Public Transport Investment Programme (LPTIP); Getting Building Fund (GBF); Brownfield Housing Fund (BHF) and Integrated Transport Block / Highways Maintenance / Challenge Fund (also known as the Local Transport Capital programmes). The following summarises the performance of these programmes.

West Yorkshire plus Transport Fund

- 2.11 The total amount spent on the Transport Fund in 2021/22 is £72.93 million. This is a reduction in forecast which is partly due to the prioritisation of spend against other funding sources. The funding within the Transport Fund is relatively flexible compared to other funding sources that have more rigid constraints over the timing of spend. Therefore, on a number of projects which are funded from more than one funding source, spend against these other programmes has been prioritised e.g. £1.3 million on York Station Gateway which is jointly funded by the Transforming Cities Fund.
- 2.12 There have been smaller variances across the programme but there are also some larger variances against individual schemes. This includes a £1.3 million underspend due to the deferral of land purchase on Leeds' Dawsons Corner Corridor Improvement Programme (CIP) scheme pending the outcome of a Major Route Network bid to government for funding. Rescheduling of utility diversion works on both Calderdale's A629 Phase 1b - Elland Wood Bottom to Jubilee Road scheme and Kirklees' A62 Smart Corridor CIP scheme led to variances of £0.84 million and £0.84 million respectively. Expenditure on the Hebden Bridge Station Car Park was delayed (£0.44 million) whilst works around an existing tenant at the station were completed. The start of construction on the Steeton and Silsden Station Car Park has been delayed by over 12 months due to issues around the grant agreement.
- 2.13 The significant reduction of reported spend on the WY+TF of £11.38 million relates to the use of the Combined Authority's Freedoms and Flexibilities in relation to the Getting Building Fund. Government require that the Getting Building Fund must report full capital expenditure up to the £52.6 million allocation, however the programme is underspent by £11.38 million. This underspend will be made up by spend against the East Leeds Orbital Route on the Transport Fund allowing ongoing spend into 2022/23 of the Getting Building Fund ongoing projects.

Transforming Cities Fund

- 2.14 Whilst there was an element of underspend across the whole programme, due to several factors previously reported to the Places, Regeneration and Housing Committee in February 2022, the remaining underspends relate to specific projects as follows:
- Huddersfield Rail Station Connections (£1.54 million): re-optioneering not completed before purdah period

- Selby Station Gateway (£1.41 million): awaiting agreement on preliminary designs and legal agreements on maintenance and liabilities,
- Leeds Station - Sustainable Travel Gateway (£0.84 million): programme of work affected by recent advice on structural works required, and there are interfaces with other projects in the city. The full business case has now been submitted (April 2022)
- White Rose Station (£1.95 million): Priority has been to spend New Stations Fund first due to the requirements of that funding programme. This project commenced on site in March 2022.
- Halifax Bus Station (£1.07 million): scheme delayed to provide additional health & safety measures. Construction of phase 3 has now started (April 2022).

Leeds Public Transport Investment Programme (LPTIP)

- 2.13. LPTIP funding was originally awarded to the Combined Authority in 2017. The programme, aimed at improving public transport and cycling and walking across Leeds and supported the Leeds City Council Connecting Leeds operational programme. The total funding for the programme included £173.50 million from the Department for Transport, £8.80 million from Leeds City Council and £0.97 million from the Combined Authority.
- 2.14. The programme was developed and implemented in close partnership between the Combined Authority and Leeds City Council. In order to ensure that it was fully delivered within the tight timescale Leeds commenced projects at risk prior to approval of Combined Authority grants. Initially activity was significantly overprogrammed and in order to deliver identified activity some projects developed initially through LPTIP have sourced funding through other Combined Authority funding programmes.
- 2.15. 2021/22 is the final year for Government spend on LPTIP, with a small contracted amount totalling £1.9 million relating to Leeds Bus Station falling into 2022/23. However, overall spend on the programme did exceed the £173.50 million of the Government contribution as there was expenditure of match funding by Leeds City Council. Match funding spend will continue into 2022/23 as the full programme of works is completed and formal evaluation of the programme's achievements continues. The full achievements of the programme will be reported to this Committee at a later date but the teams have successfully delivered a range of schemes across Leeds in challenging timescales, and within the available funding envelope.

Getting Building Fund (GBF)

- 2.16. 2021/22 is the final year in which GBF can be spent but as noted above freedoms and flexibilities have been applied to enable the underspend of £11.38 million to be offset against the WY+TF. This allows those projects that are in contract but have yet to achieve full expenditure of grant to finalise this in 2022/23. Ongoing projects are detailed in the table below:

Project Name	Amount of Freedom & Flexibilities Carried Forward to 2022/23
Business Growth Programme	£1,245,260
Enterprise Zones Bradford Parry Lane and Wakefield Langthwaite	£1,637,816
Bradford One City Park	£5,559,576
Leeds Liverpool Canal	£420,089
Beech Hill Phase 2 Group Repair & Regeneration Scheme	£799,523
Leeds City Centre 'Grey to Green'	£1,600,321
Wakefield Warm Homes Fund	£114,991
Total	£11,377,575

Brownfield Housing Fund

- 2.17. Activity to approve Brownfield Housing Fund (BHF) projects through the assurance process has continued rapidly with a total of £17.93 million approved against total funding of £67.6 million initial allocation. As more approvals were made this allowed additional spend to be claimed by project sponsors. The approved projects are:

Project Name	Approved Funding
BHF Bingley - Bradford	£1,031,915
BHF Leeds West	£7,650,000
BHF South Bradford	£1,198,353
BHF Pontefract - Wakefield	£419,124
BHF Castleford - Wakefield	£77,506
BHF Village - Leeds	£1,024,988
BHF Knottingley - Wakefield	£1,925,000
BHF Points Cross - Hunslet Road - Leeds	£2,755,000
BHF Leeds Central	£1,850,000
Total	£17,931,886

Integrated Transport Block / Highways Maintenance / Challenge Fund / Pothole Fund

- 2.16. This is the final year of specific funding against these headings (also known as Local Transport Capital) which are now included within the City Region Sustainable Transport Settlement (CRSTS). All funding for activities by partner councils has been paid in full ie highways maintenance and challenge and pothole funds.
- 2.17. It is worth noting that there is a significant underspend across the funding paid through to district partners on the Local Transport Capital programmes, as shown in the table below:

	District Allocation (2019/20 - 2021/22)	District Spend (2019/20 - 2021/22)	Balance remaining
HM Block	£77,683,000.00	£71,240,402.10	£6,442,597.90
IT Block	£28,559,000.00	£20,109,784.79	£8,449,215.21
Pothole Block	£36,795,398.00	£30,518,451.06	£6,276,946.94
HM Challenge Fund	£3,333,693.00	£2,781,548.22	£552,144.78
Total	£146,371,091.00	£124,650,186.17	£21,720,904.83

- 2.18. The amount of funding carried forward may be lower than the £21.72 million noted above however as monitoring returns have been delayed and it is expected that the remaining allocations will be spent in full.
- 2.19. The Combined Authority also receives an allocation of funding from the Local Transport Capital programmes through the Integrated Transport Block. Funding of £8.38 million has been allocated to individual projects which are ongoing and will continue to spend in 2022/23. These include: Bradford Interchange Resurfacing Works (not yet on site), Mobility Hubs and Transforming Travel Centres (works to update two of the Combined Authority centres at Bradford Interchange and Huddersfield Bus Station).

Other Funding Programmes

Broadband

- 2.20. Broadband Contract 2 and 3 are both live. The final claim from BT is still awaited on Contract 2 which will include reconciliation of any gainshare funding still owed and final reconciliation will now be undertaken in 2022/23.
- 2.21. There have been ongoing delays in relation to Contract 3 that have led to an underspend in year. This has been reported to the Place Committee as an exempt item.

Active Travel

- 2.22. A number of projects are continuing past 2021/22 and are now expected to complete in 2022/23. Expenditure has been delayed on Wakefield City Centre Package and Castleford - A639 Barnsdale Road / Three Lane Ends as more permanent solutions are being considered with a new estimated delivery date of Summer 2022 for Castleford.
- 2.23. Due to challenges over the proposed removal of parking as part of the South Bradford Cycle scheme, a redesign using bi-directional cycle lanes is underway, with a new estimated delivery date of December 2022 subject to further consultation. The E-bike trial is going well however, some slippage has occurred due to global shortages of bicycles meaning delays to delivery and training sessions.

2.24. The Primrose Lane (Spenn Valley Greenway) project has been delayed whilst design proposals are considered to ensure they meet both LTN 1/20 requirements and are suitable for horses and motor vehicles. It is now expected that the scheme will be delivered by the end of 2022.

Achievement of Outputs

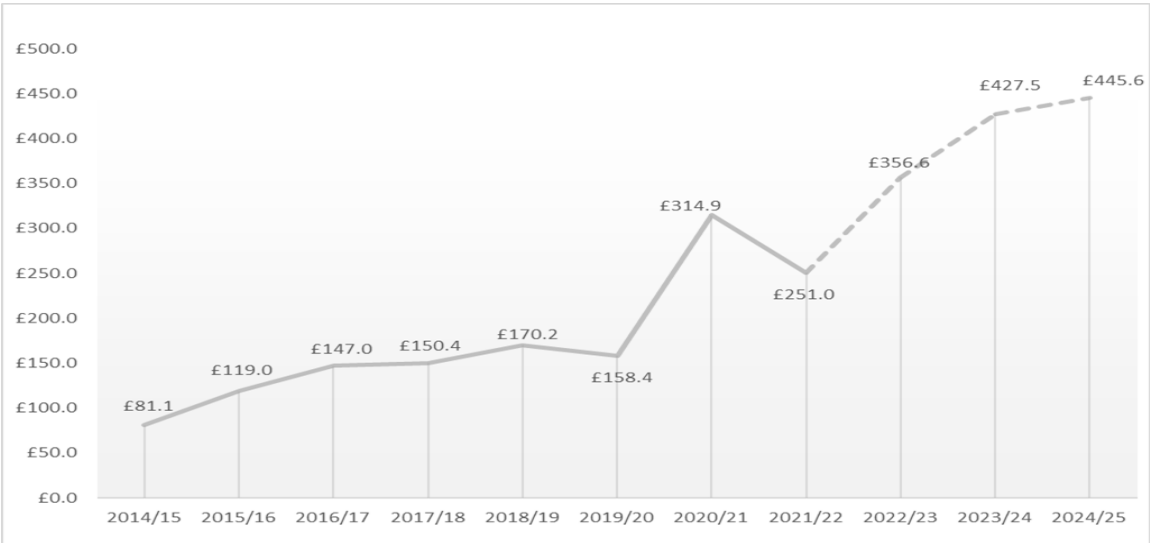
2.25. PIMS (the Portfolio Management Information System) is the system that the Combined Authority uses to collect information on all of its capital activity. It is directly accessed by district partners and is not only used for the submission of grant claims but also for information on progress, risks and achievement of outputs.

2.26. Outputs are generally reported in relation to funding programmes but it is also possible to review the outputs that have been achieved across all spend in a financial year. It should be noted that this does not always give a full picture of achievements as information on individual project outputs is often not reported until a project is complete or closed. Having said this it is encouraging to note some of the outputs reported in 2021/22 as follows:

- 68.25m kg of CO2 emissions avoided
- 1040 new jobs created
- 920 new homes enabled
- 1017m2 of new learning space created
- 2123m2 of new commercial floor space created
- 4135 sqm of green space improved or created

Capital Programme 2022/23

2.27. The approval of new funding in 2022/23 is forecast to make 2022/23 the Combined Authority’s highest year of spend to date, as shown in the graph below.



2.28. Whilst there will be significant spend on projects that are in development across all funding sources, particularly the new ones including CRSTS and ZEBRA (Zero Emissions Bus Regional Areas), there are also expected to be at least 90 projects on site already or due to start on site during 2022/23. Some of the most significant of these include:

- East Leeds Orbital Route (ELOR) – the second and final stage of this 7km long road commenced on site in 2020 and is due to be completed in June/July 2022. The road opens up land for development of circa 5000 new homes.
- Harrogate Road / Newline, Bradford – also commenced on site in 2020. This project improves a highly congested junction, this project was fully opened for use in May 2022.
- Corridor Improvement Programme (CIP) – four of the 16 CIP projects are currently on site (two in Calderdale, one in Kirklees, one in Wakefield) with a further three due to go on site in 2022/23 (one in Bradford and two in Leeds).
- City Park and Bradford Urban Village – these two projects funded through the Getting Building Fund are now both on site in Bradford and are due to complete in 2023.
- White Rose Station – the building of a new station at the White Rose centre commenced on site in March 2022 with the new Thorp Park Station likely to commence on site in the first half of 2023.
- Steeton and Silsden Rail Park and Ride – extension of the existing car park is now on site.

2.29 Work is underway to align reporting on projects with the approved investment priorities rather than by funding source. This work requires changes to the existing PIMS system and will be part of the functionality of the new finance system due to go live later this year.

5. Tackling the Climate Emergency Implications

5.1 There are no climate emergency implications directly arising from this report.

6. Inclusive Growth Implications

6.1 There are no inclusive growth implications directly arising from this report.

7. Equality and Diversity Implications

7.1 There are no equality and diversity implications directly arising from this report.

8. Financial Implications

8.1 These are contained in the main body of the report.

9. Legal Implications

9.1 There are no legal implications directly arising from this report.

10. Staffing Implications

10.1 There are no staffing implications directly arising from this report.

11. External Consultees

11.1 No external consultations have been undertaken.

12. Recommendations

12.1 That the Committee notes the financial position as reported.

12.2 That the Committee approves the transfer of £2 million into a ringfenced reserve for public transport support as set out in paragraph 2.3.

13. Background Documents

13.1 There are no background documents referenced in this report.

14. Appendices

Appendix 1 – 2021/22 Revenue Budget – final outturn

Appendix 1 - 2021.22 Revenue Budget – final outturn
Mar-22

WYCA

FY

Mar YTD	Revised Budget	Movement	FY Forecast Q3 £	YTD Actuals £	Utilised %	Notes / Commentary	RAG Rating
Employee Costs	31,332,399	(3,373,629)	27,958,771	28,405,116	101.6%	Spend as expected against forecast	
Indirect Employee Costs	1,664,300	(49,337)	1,614,963	1,281,545	79.4%	Underspends due to delays in recruitment and training spend	
Premises Costs	6,747,115	109,317	6,856,431	6,683,151	97.5%	Spend as expected against forecast	
Supplies and Services	2,049,205	(135,739)	1,913,466	1,551,920	81.1%	Spend to date lower than forecast, driven by marketing underspends	
- Supplies and Services (funded)	6,676,147	(1,749,170)	4,926,977	3,348,281	68.0%	Spend to date lower in funded ES projects	
ICT Related Costs	3,059,034	(63,157)	2,995,877	2,599,004	86.8%	Underspend in the Real Time Network, incorrect 20/21 accrual reversing out	
Travel, Subsistence & Transport Costs	381,596	(31,397)	350,198	414,977	118.5%	Member allowances not forecasted correctly, partially offset by travel underspends	
Tendered Services	25,866,000	251,000	26,117,000	31,609,624	121.0%	Spend in line with Government requirements during lockdown, additional costs due to Covid-19 (extra vehicles for social distancing, cleaning etc), as well as increased educational spend (offset by income below)	
Concessions	53,750,000	(2,259,623)	51,490,377	49,536,075	96.2%	MCard sales anticipated to be a lot lower with Covid, not reforecasted, however activity picked up more than anticipated - offset by MCard sales ##	
Prepaid Tickets Costs	13,500,000	0	13,500,000	20,378,438	151.0%	Low grant spend across a number of funded projects in Economic Services	
Grants and Agency costs	52,928,959	(7,102,101)	45,826,858	43,288,315	94.5%	Spend to date lower than forecast, driven by planned HS2 petitioning and lower new tenant searches	
Consultancy and Professional Services	1,271,146	28,436	1,299,582	791,614	60.9%	Underspends on district based staff in projects, Bus Options and Housing Revenue projects	
- Consultancy and Professional Services (funded)	6,257,764	1,988,690	8,246,453	7,347,292	89.1%	MRP costs increased slightly on forecast	
Financing Charges	6,964,657	0	6,964,657	7,128,015	102.3%		
Total Expenditure	212,448,322	(12,386,710)	200,061,612	204,363,366	102.2%		
Income - Transport	(11,310,082)	544,264	(10,765,818)	(11,495,079)	106.8%	Covid19 impact, increasing spend on Education transport being recovered from LA's	
Funding - Grants	(72,651,325)	11,768,607	(60,882,718)	(60,605,744)	99.5%	Grants received to date as expected	
Enterprise Zone Receipts	(3,202,886)	187,184	(3,015,702)	(3,214,215)	106.6%	EZ receipts forecast was more prudent due to uncertainties around occupation	
Interest Received	(818,000)	0	(818,000)	(850,586)	104.0%	Investment interest affected by BoE interest rate increase and more cash	
Income - Operational	(3,126,734)	(4,342,765)	(7,469,499)	(6,496,993)	87.0%	Lower income levels with lower spends above in Consultancy (funded)	
Capitalisation / Internal Recharges	(15,641,296)	2,001,142	(13,640,153)	(11,949,127)	87.6%	PAN recovery method 3% of capital project spend, which is also lower	
Pre Paid Ticket Income	(13,500,000)	0	(13,500,000)	(20,378,438)	151.0%	MCard sales anticipated to be a lot lower with Covid, not reforecasted, however activity picked up more than anticipated - offset by MCard payments ##	
Transport Levy	(92,198,000)	0	(92,198,000)	(92,198,000)	100.0%	Levy receipts as expected	
Total Income	(212,448,322)	10,158,431	(202,289,890)	(207,188,183)	102.4%		
Net Expenditure Total	0	(2,228,278)	(2,228,278)	(2,824,817)			

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Report to: Finance, Resources and Corporate Committee

Date: 12 July 2022

Subject: **Inflationary pressures on Capital Programmes**

Director: Melanie Corcoran, Director of Delivery

Author: Dave Haskins, Head of Transport Implementation

Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

1. Purpose of this report

- 1.1 To report on the current position regarding escalating costs across the capital programme, which is most acute in the West Yorkshire plus Transport Fund (TF).
- 1.2 To provide information on the impact inflation is having on the delivery of the capital programme and consider options for how this could be managed.

2. Information

- 2.1. At its last meeting the Committee considered a paper outlining the potential risks due to the recent unexpected growth in inflation. The focus was on the impact on the revenue budget and work is continuing to understand the scale of expected additional costs and options to manage this.
- 2.2. The report highlighted that work was underway to understand the impact on the capital programme and this paper provides further information on that.
- 2.3. The infrastructure programmes delivered by West Yorkshire Combined Authority and the five partner councils include projects which are reporting cost increases as a result of increased inflation costs on construction materials. Scheme sponsors and contractors are reporting less control over their supply chain costs.

- 2.4. The programme most adversely affected is the West Yorkshire plus Transport Fund (TF), which commenced on 1 April 2015 and is now in its eighth year of operation, but we are now seeing inflation increases across other programmes too. In recent years inflation was averaging around 2% and therefore the recent rapid increase is putting pressure across the whole programme. This includes the Transforming Cities Fund (TCF) programme and the projects due to be funded from the City Region Sustainable Transport Settlement (CRSTS) programme as current inflation costs already exceed the 7% level budgeted for in the bid.
- 2.5. When the TCF Programme was developed in 2019 inflation costs were included at 3% in the original three year programme. The TCF programme is now being delivered over five years to deliver the higher scenario of schemes so inflationary impact is greater than anticipated at bid stage even without inflation running at current levels. A significant rise in construction inflation costs has taken inflation levels (ONS data from March 2021) to 7.3%.
- 2.6. Inflation is affecting economic regeneration programmes but to a lesser extent as the Brownfield Housing Fund is supporting schemes where market failure is evidenced and a fixed contribution to overall scheme costs are agreed. Therefore, inflation increases are dealt with purely by the sponsor.
- 2.7. Beyond inflation there are a number of other challenges having an impact on the original funding allocation given. Factors such as Covid, Brexit, the Ukraine crisis and a change in Government and local policy around road usage with more focus on sustainable transport, including public transport and active travel, resulting in re-design and a re-focus of schemes. These challenges have all contributed to the cost escalation of projects within our capital programmes.

West Yorkshire plus Transport Fund (WY+TF)

- 2.8. Planned over-programming on the WY+TF is currently £151 million and it is expected this will increase over the next year as schemes are reviewed and updated, as they move towards on-site delivery. There is pressure to reduce this over-programming to bring the Transport Fund back in line with the original allocation of £1 billion. In comparison the TCF programme is not currently over-programmed and had a programme risk pot to cover increases. The risk pot is now allocated in principle and working with scheme sponsors there may be emerging costs that could be unfunded. Therefore, it would be prudent to review the programme at this stage to ensure that it remains affordable within the funding allocated. The CRSTS programme is over-programmed by approx. £100m with 7% allocated to cover inflation costs.
- 2.9. Given that the WY+TF is more adversely affected, this section looks at the implications for this £1 billion programme which is funded as follows.

Funding Source	Funding £(m)
Transport Fund Gainshare (agreed as part of the Growth Deal)	600
Department of Transport - Majors	183
West Yorkshire Match Fund (borrowing funded through Transport Levy)	217
Total	1,000

- 2.10. The £151 million over-programming could potentially increase in the near future to £215 million due to the impact of current inflation rates. Currently we have £342m expenditure on schemes either delivered or currently in construction, development costs incurred of £75m and a further £62m of development costs approved. This gives total current commitment of £479m leaving a balance of £521m indicatively allocated but not yet with final approvals in place. The table below details current levels of expenditure on Transport Fund:

Schemes complete	£228m
Schemes on site	£113m
Approved costs on development	£136m
Total	£479m

- 2.11. A significant number of additional funding requests are starting to emerge on these projects, which cannot be accommodated within the overall funding allocation plus overprogramming. Sponsors have been supported to consider value engineering, de-scoping and re-designing within individual projects and individual programmes have been reviewed on an annual basis. It is difficult to reduce costs further without significantly affecting the outputs and outcomes of schemes and programmes. This position has been discussed with officer groups across West Yorkshire to understand options to respond to this.
- 2.12. There is additional pressure on the programme as the focus from Government has moved more towards sustainable active travel and bus priority. Some transport projects were designed prior to this shift and schemes require a review in terms of strategic fit.
- 2.13. The original WY+TF programme included 33 named projects each with an allocated sum of funding which totalled £1.27 billion based on prices in 2012. It consists of both individual projects and projects within operational/delivery programmes which include the Corridor Improvement Programme, Station Gateways Programme and the Rail Parking Package. The total number of projects in the programme has now increased to 114. This is as a result of the development of projects within operational

programmes or individual projects that have been phased. A couple of new projects were also added in following a call for projects in 2017 (approved in 2018), these are the Leeds Inland Port (which is now unable to proceed) and City Connect Phase 3 (which is close to completion).

- 2.14. The ambition of local partners at the start of the WY+TF was to deliver the whole programme within 10 years (by 2025/26), even though the grant funding allocations will come in as £30 million each year until 2034/35, using the local contribution to balance cashflow and funding timing differences. Based on current project timescales the Transport Fund programme will be largely delivered by 2026/27.
- 2.15. An approach to managing cost increases on projects which are on site was approved at the Combined Authority meeting of 8 June 2021 ([WYCA - Modern Gov](#)). An approach in relation to what criteria needs to be met such that exceptional circumstances should apply to be able to apply for additional funding through the CA assurance process was approved at Place, Regeneration and Housing Committee on 8 March 2022 ([WYCA - Modern Gov](#)).

Options for Capital Programme Delivery

- 2.16. A number of options have been considered to respond to the emerging funding gap and it is likely that a blend of approaches will be needed to ensure the continuing focus on delivery. A review of existing projects is required that focuses not only on cost but that also considers any risks relating to deliverability and/or strategic fit, from which a range of approaches could be taken:
1. Continue as is / maintain status quo
 2. Use gainshare or other funding to fund cost increases
 3. Partners to deliver projects within their own funding allocation
 4. Re-define projects to align with strategic objectives
 5. Pause projects and add to pipeline for future funding opportunities/deliver over a longer timeframe as new funding becomes available, and return indicative funding to the programme
 6. Stop projects and return indicative funding to the programme
- 2.17. The first option is to continue as is/maintain status quo and continue to push for value engineering, de-scoping and re-design. Many projects have already maximised their value engineering options. Similarly, any further de-scoping or re-design may result in projects that no longer meet the programme objectives and/or are no longer viable in terms of benefits.
- 2.18. A second option would be to apply gainshare to address overprogramming and inflation issues. This in the short term would address funding gaps but it

would not be a longer-term option as inflation is likely to continue to increase which means project costs will continue to increase. The current capital allocation in gainshare has already been earmarked to funding the higher scenario TCF schemes. Similarly, it would not assist with addressing issues for the projects that are not affordable, have deliverability issues and may no longer have a strong strategic fit.

- 2.19. The third option is for all partners to take responsibility to deliver their programmes within their current nominal funding allocation. This would allow partners to prioritise their programmes and deliver those projects which are affordable and deliverable. However, we currently run our capital programmes as a strategic regional funding pot delivering schemes across the region, with the only exception to this being the partnership agreement we have with the City of York Council. If we changed to this approach this allows the districts to manage their programmes to deliver the most deliverable and affordable projects first, potentially prioritising these over the more high-risk projects and, instead of bringing maximum benefits to our region, districts may focus on ones that can be delivered rather than those that will bring maximum benefits but are more difficult to deliver. This is not a recommended option as members have previously indicated that the CA needs to ensure funding is treated as regional funding. Allowing districts to take control of their own expenditure, would inject risks to the current strategic West Yorkshire approach to identifying where the best interventions need to be made with the funding available.
- 2.20. A fourth option is to re-define projects to align with a sustainable transport focus. However, to consider this in isolation would likely lead to significant further design changes which would add in development costs and lengthen delivery timescales.
- 2.21. The fifth option is to pause projects that are at risk of not being delivered within reasonable timescales, have affordability issues or are not aligned with sustainability priorities. This option would prevent further costs being spent on development of projects which are high risk, allowing funding that has been indicatively allocated to return to the to reduce funding pressures overall. However, pausing them would ultimately lead to further delays on those projects. This approach would require a full review of infrastructure schemes across all capital programmes to finalise which projects are high risk and should/could be paused. Furthermore, these projects would stay in the programme subject to regular review to ensure they remain viable and deliverable strategically, financially, and timely. Projects could be moved to a pipeline project list to be delivered over a longer delivery period once funding becomes available and/or future funding opportunities arise.
- 2.22. A sixth option is to stop high risk projects which have affordability issues, deliverability issues or issues with strategic alignment. This would prevent further expenditure on development costs for these projects. It would also mean a faster option to reduce over-programming and inflation pressures This again would require a full review across funding programmes

Preferred Option

- 2.17. On balance it is proposed Option 5 (para 2.21) is recommended which is that projects which are high risk and cannot be delivered in the programme timescales/ realistic timescales or within the funding envelope are paused. This will stop further development costs being spent on projects that are considered high risk. This funding will be returned to the relevant programme funding pot. Work will continue with partners to define the criteria for high-risk schemes and undertake an evaluation of projects against these criteria over the summer. This would enable a decision to be made in the autumn to determine which projects are paused and for all partners to concentrate on delivering the more deliverable projects in the short term and deliver other schemes over longer delivery timeframes as future funding is secured. Similarly there may be a small number of schemes that have significant risk of not delivering within timescales and within budget and these schemes may be recommended to be stopped.
- 2.18. A collaborative approach is needed to understand which projects across the partner councils and the Combined Authority can be continued in current programmes, paused or stopped. This will affect all partners and Combined Authority sponsored schemes. If the proposed way forward is approved the review will be applied across the whole infrastructure portfolio and further work will be undertaken to understand the impact this would have on the projects to be delivered by each partner and each funding programme. Combined Authority and partner council officers will continue to work closely together to undertake reviews over the summer, allowing proposals to be brought back to Combined Authority members in the autumn.

3. Tackling the Climate Emergency Implications

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

4. Inclusive Growth Implications

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

5. Equality and Diversity Implications

- 5.1 There are no equality and diversity implications directly arising from this report.

6. Financial Implications

- 6.1 These are contained in the main body of the report.

7. Legal Implications

7.1 There are no legal implications directly arising from this report.

8. Staffing Implications

8.1 There are no staffing implications directly arising from this report.

9. External Consultees

9.1 No external consultations have been undertaken.

10. Recommendations

10.1 That the Committee agrees on the preferred way forward to address over-programming and rising inflation costs.

10.2 That the Committee agrees that some projects are at risk of not being delivered due to affordability, deliverability, or strategic alignment.

10.3 To hold review meetings with each partner to allow for a review of all schemes delivered by each partner across the portfolio.

10.4 That the Committee agrees that the scoring criteria for scoring projects is based on deliverability, affordability and strategic fit/ sustainable travel.

11. Background Documents

11.1 There are no background documents referenced in this report.

12. Appendices

None.

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Report to: Finance, Resources and Corporate Committee

Date: 12 July 2022

Subject: **Bus Service Revenue Funding and Expenditure**

Director: Dave Pearson, Director Transport & Property Services

Author: Edwin Swaris, Head of Mobility Services

Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

1. Purpose of this Report

- 1.1 To update the Committee on current financial pressures impacting spend on the bus services.

2. Information

Covid Funding For Bus Services

- 2.1 Since April 2020, Government has issued emergency funding to bus operators and Local Transport Authorities and continued to pay Bus Services Operators Grant (BSOG) at pre-pandemic rates. It requested that Local Transport Authorities (LTAs) continue to make concessionary fare payments to operators at pre-pandemic rates.
- 2.2 On 1 March 2022, Government announced a further funding programme for bus and light rail, the Local Transport Fund. This provides funding for six months direct to bus operators and LTAs calculated on the basis of the difference between costs and revenues and therefore intended to reduce as passenger revenues increase. The CA has been awarded £2,029,088 for the period 6 April to 4 October. It is estimated that bus operators in the region are receiving c £1.2m per month from Government.

- 2.3 Government has made it clear that no further funding will be provided after October. A condition to the current funding, applicable to both LTAs and operators, is that they must collaborate on a Network Sustainability Review to understand the position when funding ends. This was reported to Transport Committee on 1 July indicating 11% of the bus network (measured by mileage) is currently not generating sufficient revenue to continue to operate on a commercial basis once the funding ends in October. This could impact up to 62 routes where some or all of the journeys could be withdrawn. The Mayor has written to the Secretary of State seeking a further transitional period of funding as patronage recovers and the positive effects of the Bus Service Improvement Plan can be realised.
- 2.4 Following submission of its Bus Service Improvement Plan in October 2021, the Combined Authority has received an indicative award of £69m revenue funding over three years to fund a reduction in fares and an enhancement of the bus network. Confirmation of this funding is awaited.

Bus Service Expenditure

- 2.5 The Combined Authority has, under the Transport Act 1968, a duty to consider the need of socially necessary bus services and a power to procure such services. Approximately 22% of all bus service mileage operating in West Yorkshire is procured by the Authority through contracts with bus operators. The criteria for what is funded is set by Transport Committee.
- 2.6 The 2022/23 budget contains £16.6m for this purpose. This is broadly broken down as follows

Socially Necessary Bus Services	£14.1m
School Bus Services (net of revenue and contributions by Councils and other parties)	£2.6m
AccessBus	£2.4m
BSOG – Government Grant	-£2.0m

- 2.7 There are a number of cost pressures impacting on bus service expenditure at present. The wider economy is causing fuel and wage costs to increase; the latter is also affected by a labour market shortage of bus drivers and engineers. Bus patronage is around 75% of pre pandemic rates which, notwithstanding the pandemic funding summarised earlier in this report, is impacting on service viability.
- 2.8 As a result, this budget overspent by £1.1 million in 21/22 and is forecast to overspend by £2.25m in 2022/23. The causes of this overspend can be summarised as follows;

School Transport

- 11% of the cost growth in school transport arose as a result of contracts triggering automatic inflationary uplifts with an average uplift in contract value of 8.4%
- 56% related to other inflationary impacts on contracts with no automatic indexation where SME school bus contractors made claims linked to fuel

costs. Several operators have terminated contracts which were then re-procured at a higher cost (average 8-12%).

- The remaining 33% of the cost growth is where contracts were amended or re-procured to address capacity or other network issues, together with a reduction in payments to co-funding Councils of £150k to reflect changes to volume and school admissions and transport policies

Bus Services

- In 21/22 Arriva Yorkshire gave notice to withdraw some routes in Wakefield and Kirklees. Following an assessment of passenger use and social value, continuation of these services was secured from other bus operators at a full year cost of £285k. This was reported to Transport Committee.
- Contracts for services are typically awarded for three years and subject to re-procurement following a value for money appraisal. The full year additional cost of procuring contracts for existing services in 21/22 is £140k. Contract renewals in 22/23 are resulting in price increases of 12.5% causing a forecast cost increase of £347k
- Fares revenue on several contracts where the CA takes “revenue risk” has been lower than forecast due to reduced passenger demand
- Scope to mitigate this growth in costs is limited to withdrawal of poorly used bus services. The uncertainty around post pandemic demand, Covid funding and the ambition to improve bus services through the National Bus Strategy have prevented any ability to reduce services in line with cost pressures.

- 2.9 The withdrawal of Government Covid funding explained in paragraph 2.3 is likely to result in operators threatening service reductions and withdrawals leading to pressure on the Combined Authority to fund the continuation of services for some communities. This will place more pressure on an overspending budget.

Concessionary Fare Expenditure

- 2.10 The Combined Authority funds the ENCTS free bus pass scheme for older people and adults with disabilities together with reduced bus fares for under 19s. Whilst under 19 patronage has almost returned to pre pandemic rates, use of the free pass is currently around 65% of pre pandemic rates.
- 2.11 Ordinarily, bus operators are paid under the ENCTS scheme based on the actual passengers carried multiplied by a rate per passenger which reflects the average fare that would have been paid less a factor to identify that some journeys are made because of the free travel scheme. At Government request, the CA has been calculating the payments using passenger numbers and the rate per passenger in operation in 2019/20.
- 2.12 There is currently an underspend in this budget area. The 21/22 budget outturn was £4.2m less than budget and it is forecast that this budget could underspend by up to £6m in 22/23. The reasons for this can be summarised as follows

- ENCTS use had declined in the year prior to the pandemic however payments made prior to March 2020 were based upon a three-year forecast of patronage. This reduced expenditure in 2021 however the budget was maintained given the Covid uncertainty
- Bus operators have been reducing service frequencies since autumn 2021 as a result of driver shortages. A commensurate reduction in payments was made.
- From October 2022, the CA will begin a transition back to payment based on actual passenger numbers from the current use of 2019/20 data. This will be done at a rate of 5% per month in line with DfT advice. Assuming ENCTS use levels at 70% of 19/20 then this process will account for £3m to the current underspend
- Once this transition is complete, bus operators are expected to challenge the current rate per passenger which mostly have not been reviewed since 2017. If this results in an increase in rates, the budgetary impact would be from March 2023 onwards.

2.13 The withdrawal of Government Covid funding explained in paragraph 2.3 together with the transition of concessionary fare payments back to actuals will impact on the cashflow of bus operators who have asked if the CA could continue funding concessions at the higher rate for the remainder of the financial year in return for a deferral of service reductions.

Budget Monitoring

- 2.14 This report sets out how these two very significant areas of the Combined Authority's revenue budget have become volatile largely due to the current financial climate and operating environment. It has been identified that closer budget monitoring is required to ensure the financial consequences of operational and contractual decisions are well understood. A number of actions are in progress with support from Internal Audit which include;
- Breaking down the bus service expenditure into discrete cost centres separating School bus costs from general services to ensure clearer clarity of the bottom line implications
 - Revising Budget Holder and Controller responsibilities to ensure clearer accountability
 - Provide earlier warning of budget over/ underspends
 - Ensuring the budget consequences of contractual decisions are clear to the team when deciding courses of action
 - Review and remedy the information systems which sit behind the process on monitoring spend in this area.

3. Tackling the Climate Emergency Implications

- 3.1. A key aim of the bus network is to enable people to travel by sustainable modes in order to tackle the climate emergency.

4. Inclusive Growth Implications

- 4.1 The Bus Network Development Plan will seek to protect services to communities, particularly those areas of high deprivation, in order to support the region's inclusive growth ambitions.

5. Equality and Diversity Implications

- 5.1 Supporting Equality and Diversity through ensuring the bus service is attractive, inclusive and accessible for all is a key aim of the West Yorkshire Bus Service Improvement Plan.
- 5.2 An Equality Impact Assessment will be undertaken for any actions by the Combined Authority arising from the Bus Network Sustainability Review.

6. Financial Implications

- 6.1 This report currently presents a forecast overspend on bus services and underspend in concessions and identifies how this budget area will continue to be under pressure due to external factors. It is proposed to provide regular updates on expenditure to this Committee.
- 6.2 The current strike action by Arriva Yorkshire has resulted in the suspension of payments to the company which has not been taken into consideration in the figures presented in this report.

7. Legal Implications

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

8. Staffing Implications

- 8.1 There are no staffing implications directly arising from this report.

9. External Consultees

- 9.1 The Bus Network Sustainability Review has been undertaken with detailed input and engagement of bus operators.

10. Recommendations

- 10.1 That Finance, Resources and Corporate Committee notes the current position with bus service and concessionary fare spending and the actions being taken to mitigate the current budgetary position.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

None