

Report to: Finance, Resource and Corporate Committee

Date: 8 September 2021

Subject: **Finance Overview Report**

Director: Angela Taylor, Director, Corporate and Commercial Services

Author: Jon Sheard

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 capital budget monitoring for 2021/22 as at quarter 1 and the recommendations for the Leeds Public Transport Investment Programme (LPTIP) Review Part 2.

2. Information

Capital Budget Monitoring 2021/22

- 2.1 Attached at **Appendix 1** is a summary of the capital programme spend and funding as at July 2021. The appendix includes the indicative programme budget, programme end dates (where applicable) and budgets for 2021/22 and the first quarter spend / claims received from partner authorities.
- 2.2 The table below provides a more summarised version of Appendix 1 and focusses on the 2021/22 budget and spend on each funding programme.

Capital Programme Expenditure 2021/22	Revised Capital Budget	Qtr 1 Expenditure 2021/22	%
West Yorkshire plus Transport Fund / Growth Deal	£97,055,893	£15,681,378	16.2%
Leeds Public Transport Investment Programme	£57,595,374	£7,488,458	13.0%
Transforming Cities Fund	£65,224,365	£3,049,738	4.7%
Integrated Transport Block / Highways Maintenance	£57,461,017	£46,477,179	80.9%
Corporate Projects	£5,438,709	£993,544	18.3%
Broadband	£4,363,915	£6,172	0.1%
Getting Building Fund	£26,300,000	£1,992,917	7.6%
Brownfield Housing Fund	£20,000,000	£106,770	0.5%
Active Travel Fund	£10,053,000	£171,882	1.7%
British Library	£25,000,000	£1,934	0.0%
Other (eg Low Emission Vehicles, Clean Bus, City Connect etc.)	£38,500,000	£308,678	0.8%
Total Capital Spend	£406,992,273	£76,278,651	20.0%

2.3 In quarter 1 it is usual that expenditure is low across all programmes as significant spend occurs in quarter 4. The following is a summary of any key issues and risks on some of the programmes:

- Transport Fund / Growth Deal** – This is the seventh year of the Transport Fund and 2020/21 was the final year of the Growth Deal. Transport schemes continue to progress through the Assurance Framework with spend levels expected to increase throughout the year. The Combined Authority is set to receive circa £48m in funding in 2021/22 and, as reported to the Combined Authority in February 2021, the requirement for borrowing will be assessed during the year.

The Transport Fund is subject to periodical 5 year reviews by Central Govt (MHCLG) in the form of ‘Gateway Reviews’. The last review culminated in a positive decision by Govt which led to the confirmation of a further 5 years of MHCLG funding equating to £150m. The letter from the Minister also stated

“We are sure that your programme will continue to demonstrate positive outcomes over the next 5 years and, given the advance in project timelines relative to this first Gateway Review, we would expect the next gateway review to incorporate more impact evaluation for completed interventions and to evidence outcomes as well as outputs for completed interventions.”

- Leeds Public Transport Investment Programme (LPTIP)** – Originally LPTIP, which commenced in 2017/18, was due to end in March 2021, an extension to end March 2022 has been agreed by the Department for Transport (DfT). A full review of all projects will be undertaken with

Leeds City Council at the financial review on 17 September 2022, however currently all projects are on track to spend LPTIP in full by the end of 2021/22. Paragraph 2.4 below sets out a request for some realignment of funding between approved projects within the programme.

- **Transforming Cities Fund (TCF)** – expenditure has been slow in the first quarter partly due to delays with approvals, securing final procured costs and slippage with projects on site as some contracts have required renegotiation due to significant inflation in key cost areas. The TCF funding has been secured for 2021/22 in addition to the monies received / carried forward from 2020/21. The deadline for expenditure of the government funding is March 2023 and this timescale is expected to prove challenging.
- **Integrated Transport Block (ITB) / Highways Maintenance** – previously funding was paid in four equal instalments and the Combined Authority then passported money directly to district partners in accordance with a set formula. For 2021/22 the full funding was received quarter 1 and district partners have therefore also been paid in full for their Highways Maintenance allocation and their approved share of the ITB. The remaining funding is the Combined Authority's share of the ITB which will be spent on individual projects throughout the year.
- **Broadband** – It has been previously reported to the former Investment Committee that the new Broadband (Contract 3), which was due to start in September 2020, was delayed due to ongoing negotiations between the new contractor and BDUK on how cross regional border issues would be dealt with. Whilst these are now resolved and work has commenced no invoice has yet been received from the new contractor and at the time of writing the report is awaited.
- **Getting Building Fund** – 2021/22 is the final year of this £53.6 million programme which was awarded to the Combined Authority in August 2020. The programme includes 15 projects which have been progressing through the assurance process with 10 schemes already in delivery. A full review has been undertaken of all projects that looked at various scenarios suggesting a risk of underspend of between £1m and £16m that will need careful management and mitigation. Actions currently being considered include: transfer of spend from other funding programmes, discussions with government officials to consider if contractual commitment can be agreed as spend, and transfer of allocated funding between named projects in the programme.

It should be noted that actual spend in 2020/21 totalled £8.04 million and the balance to spend is included in the table above. However, government required that £26.3 million should be spent on the programme in 2020/21 so the Combined Authority used its freedoms and flexibilities to offset spend on other programmes to present full required spend. This offset funding has now been transferred back to the original funding streams.

- **Brownfield Housing Fund** - commencement of activity on this programme was delayed following political review, however projects are now progressing through the approval process and funding agreements are being negotiated. The forecast spend for the year on these new projects has not yet been finalised and will be updated as they progress through the assurance process. However, approximately 12 Full Business Cases are programmed to go through Committee this financial year, illustrating commitment to spend and progress of the programme to MHCLG.

Leeds Public Transport Investment Programme (LPTIP) - Review Part 2

- 2.4 Since the LPTIP Part 2 Review was presented to Investment Committee and the Combined Authority in March 2021, there have been several minor changes to the allocations or indicative costs against a number of schemes in the Bus Delivery Package. In addition, there have been increases to the Leeds City Council (LCC) costs on the Rail Package schemes and these have now been discussed and provisionally agreed between LCC and the Combined Authority.
- 2.5 The Finance, Resources and Corporate Committee is therefore asked to consider and approve Appendix 2 of this report, which sets out the figures approved by the Combined Authority at its meeting in March 2021 and the proposed revisions. These are reallocations of costs and do not result in any additional expenditure at programme level. The appendix shows:
- (i) The reprofiled (updated) indicative allocations - Appendix 2 (table 2).
 - (ii) The LCC costs for rail package schemes - Appendix 2 (table 3).

Approval is also sought to issue addendums to the existing Funding Agreements with LCC for expenditure from the LPTIP Fund for the LCC costs for rail package schemes.

Approval of funding for LCC on the LPTIP bus delivery package schemes

- 2.6 A number of the bus delivery package schemes have required the input of LCC to progress. This has incurred a cost to these schemes which to date has been agreed by the package leads and project managers but has not had a formal approval with a funding agreement in place which would allow the transfer of funds. It is therefore requested that the Committee approves the amounts shown for LCC inputs to the identified bus delivery package schemes, as shown in Appendix 2 (table 4), and to issue addendums to the existing Funding Agreements with Leeds City Council for that expenditure from the LPTIP Fund.

Approval to enter into a Funding Agreement with LCC for initial station masterplan expenditure

- 2.7 The Leeds Integrated Station Masterplan (LISM) is a joint scheme between the Combined Authority and LCC. An allocation of £5,000,000 of LPTIP funding, which has received full approval to spend, was provided for this scheme and has also contributed towards the delivery of the New Station Street improvement scheme.
- 2.8 In June 2018 approval was given for £1,000,000 of the £5,000,000 LPTIP allocation, towards the development of the Strategic Outline Business Case. At the time of the approval, it was uncertain if this initial funding would be expended by the Combined Authority or Leeds City Council and a recommendation to enter into a Funding Agreement was not made at the time. During the setup of the project and as the scheme developed Leeds City Council took the lead role and incurred the development costs. However, without a Funding Agreement in place it has not been possible to reimburse Leeds City Council for their costs against this initial tranche of LISM funding.
- 2.9 The LISM project received a subsequent approval for the remaining £3,221,000, from the £5,000,000 LPTIP allocation, and a Funding Agreement with Leeds City Council was entered into for this amount. However, the Funding Agreement did not include the initial £1,000,000 development costs and therefore approval is now sought for an addendum to the existing Funding Agreement with Leeds City Council for expenditure of £1,000,000.
- 2.10 The Finance, Resources and Corporate Committee is asked to approve the issuing of an addendum to the existing Funding Agreement with Leeds City Council for expenditure of £1,000,000 from the LPTIP Fund to the Leeds Integrated Station Masterplan (LISM) project.

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 notes the financial position as reported.

Leeds Public Transport Investment Programme (LPTIP) Review Part 2

10.2 The Finance, Resources and Corporate Committee approves:

- (i) The reprofiled (updated) indicative allocations, as set out in the updated version of Appendix 2 (table 2).
- (ii) The Leeds City Council costs for rail package schemes, as set out in the updated Appendix 2 (table 3).
- (iii) That the Combined Authority issues addendums to the existing Funding Agreements with Leeds City Council for expenditure from the LPTIP Fund for the LCC costs for rail package schemes.

Approval of funding for Leeds City Council on the bus delivery package schemes

10.3 The Finance, Resources and Corporate Committee approves:

- (iv) The LCC costs for bus delivery package schemes, as set out in Appendix 2 (table 4).
- (v) That the Combined Authority issues addendums to the existing Funding Agreements with Leeds City Council for expenditure from the LPTIP Fund.

Approval to enter into a Funding Agreement with Leeds City Council for initial Leeds Integrated Station Masterplan expenditure

10.4 The Finance, Resources and Corporate Committee approves:

- (vi) That the Combined Authority issues an addendum to the existing Funding Agreement with Leeds City Council for expenditure of £1,000,000 from the LPTIP Fund to the Leeds Integrated Station Masterplan (LISM) project.

11. Background Documents

11.1 There are no background documents referenced in this report.

12. Appendices

Appendix 1 – 2021/22 Capital Budget as at July 2021

Appendix 2 – LPTIP Review Part 2