

Report to: Finance, Resources and Corporate Committee

Date: 03 March 2022

Subject: **Financial Reporting**

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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 provide an update on the 2021/22 financial position on revenue and capital budget monitoring and forecasts as at quarter 3.
- 1.2 To provide an update on the work underway to progress the use of gainshare.

2. Information

2021/22 Revenue Budget as at 31 January 2022

- 2.1 A summary of the 2021/22 current revenue spend to original budget as at January 2022 is attached at **Appendix 1**. A brief narrative and RAG rating is included to help identify those budget lines that are emerging as a concern.
- 2.2 There are two 'Red' variances to highlight against the original budget; as previously reported Tendered Services has overspent slightly against budget due to additional costs around Covid and Financing Charges are underspent to date, however this is a timing issue as these costs are anticipated as part of year end adjustments.

- 2.3 There are two 'Amber' variances to highlight; Capitalisation is a timing issue, though is now forecasting a reduced spend due to vacancies. Supplies & Services underspends are across funded project activities and anticipate these will be lower than originally budgeted. There have been similar forecast reductions in Grants & Agency Costs and corresponding Funding Income, the net effect on outturn is immaterial.
- 2.4 The anticipated forecast savings as at January 2022 are £2.2m, a slight movement from the £2.5m reported to the Combined Authority in February 2022. The savings are mainly due to staffing costs and bus operator payments and are therefore not expected to recur in future years. These savings are offset by actual election costs being c.£300k higher than what was accrued for at last year end.
- 2.5 Regular forecasts continue to be undertaken and key matters brought to future meetings. At present the key risk remains the impact of the pandemic, and in particular the way in which this impacts on bus recovery. It is still unclear what government funding is available to support this into the new financial year and how any funding will be distributed as well as how the bus industry will respond to the changing situation.

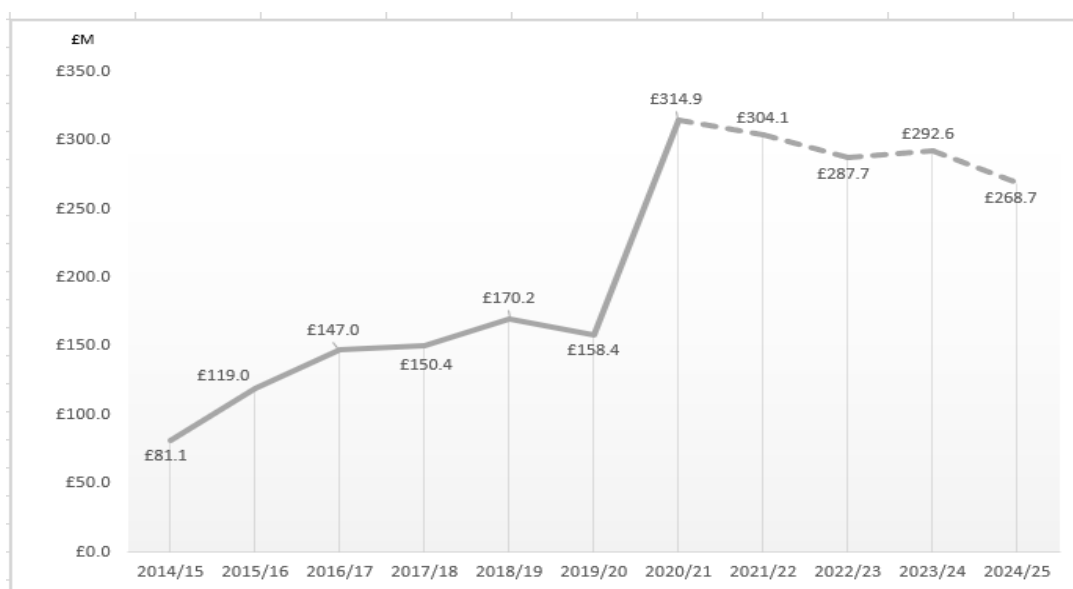
Capital Budget Monitoring at quarter 3 2021/22

- 2.6 Attached at **Appendix 2** is a summary of the capital programme spend and funding as at February 2022 (effectively quarter 3 spend). The appendix includes the indicative programme budget, programme end dates (where applicable) and budgets for 2021/22 and the third quarter spend / claims received from partner authorities. It should be noted that it is intended to review and revise the way in which spend is reported over the coming year, to better reflect the approach to the Single Investment Fund and the agreed investment priorities, rather than only view spend against specific funding programmes.
- 2.7 The table below summarises capital expenditure against forecast as at quarter 3 2021/22 (December 2021). The budget column shows the forecast reported to the Combined Authority in February 2021 and the updated forecast reported in February 2022.

Capital Programme Expenditure	Budget at Combined Authority February 2022	In-year Revised Forecast February 2022	Quarter 3 Expenditure 2021/22	% of in year forecast
West Yorkshire plus Transport Fund	£86,025,688	£64,206,570	£48,711,209	75.9%
Growth Deal	£480,329	£635,329	£480,329	75.6%
Leeds Public Transport Investment Programme	£45,270,442	£45,270,442	£21,986,807	48.6%
Transforming Cities Fund (inc. Tranche 1)	£39,605,197	£36,689,757	£15,728,905	42.9%
Integrated Transport Block / Highways Maintenance / Challenge Fund*	£52,450,545	£52,450,545	£47,842,531	91.2%
Corporate Projects	£4,038,709	£4,352,489	£4,276,648	98.3%
Broadband	£6,110,569	£6,110,569	£424,407	6.9%
Land Release Fund & One Public Estate	£1,028,993	£54,996	£54,996	100.0%
Getting Building Fund	£44,557,357	£44,557,357	£18,169,859	40.8%
Brownfield Housing Fund	£13,554,997	£12,912,988	£658,622	5.1%
Active Travel Fund	£7,805,868	£7,805,868	£1,238,654	15.9%
British Library North	£151,414	£151,414	£5,480	3.6%
New Station Fund	£2,000,000	£2,000,000	£0	0.0%
Other (Clean Bus, ULEB, CCAG)	£1,000,000	£952,000	£133,159	14.0%
Total Capital Spend	£304,080,108	£278,150,324	£159,711,607	57.4%

2.8 Capital expenditure in quarter 3 represents just over 57% of the in-year revised forecast. This compares well with previous years spend at quarter 3. It should be noted that the majority of spend across all programmes usually occurs in quarter 4. The actual figure reported in the table includes £40 million of claims that have not been paid out yet.

2.9 The Combined Authority continues to ramp up delivery with 2020/21 having seen a significant increase in annual expenditure to over £300 million. The graph below sets out previous years expenditure and current forecast excluding new funding programmes which have yet to be confirmed. In 2021/22 the Combined Authority is also expecting expenditure in the region of £300 million. This level of spend will continue and is likely to escalate further once new funding streams are confirmed, in particular the City Region Sustainable Transport Settlement (CRSTS).



2.10 The level of spend in any single year does not always fully reflect the level of work undertaken within the Combined Authority and its partners within that year. The reason for this is that normally the highest level of capital spend occurs when a project is on-site however significant activity is required at the development stage of a project. A lot of staff resources over the past two years have also been required to support funding bids across many new programmes (including the Transforming Cities Fund, CRSTS, Brownfield Housing Fund etc). The issue to note for the future is the sustained level of annual spend across the years.

2.11 The majority of the Combined Authority's forecast expenditure in 2021/22 is concentrated across six major programmes. The following provides a summary of current activity across these funding programmes which represent 92% spend in the 2021/22 revised forecast.

West Yorkshire plus Transport Fund (WY+TF)

2.12 The annual review of the WY+TF has now been completed and will be reported in full to the Place Regeneration and Housing Committee at its next

meeting on 8 March 2022. The review provides the opportunity to consider requirements for increased grants based on agreed 'exceptional circumstances' criteria. The annual review of the WY+TF was instigated by the Investment Committee to provide a method of managing over-programming. The programme is currently over-programmed by £116.05 million, a slight increase from the amount agreed by the Investment Committee £115.34 million due to the approval of additional funding for Harrogate Road / Newline in Bradford of just over £1 million.

- 2.13 The WY+TF review seeks to further over-programme the programme to £151 million, including £5.34 million for those projects that fit within the exceptional criteria. However, the majority of this increase is for the provision of the CA's organisational overhead and direct programme costs not previously included within the programme. Whilst this appears to represent a significant increase in over-programming this is still lower than the original Transport Fund over-programming of £227 million, which was the amount when the programme was submitted to Government in 2014.
- 2.14 The purpose of over-programming is to manage risk within the programme and to provide certainty of funding allowing projects to progress. The WY+TF includes funding to support risk within each project (quantified risk assessment and contingency across projects currently totals £98 million, though this funding may not be required). There is also risk that some projects will not progress at all particularly taking into consideration the change in direction of transport delivery given climate change. The aim is to reduce the value of the programme to the £1 billion available over the next few years.
- 2.15 Forecast expenditure on the WY+TF has reduced for two reasons. First the forecast spend on a number individual projects has reduced as part of the quarter 3 claims process. This includes reductions on a number of the Corridor Improvement Plan projects as the projects are unlikely to be approved at full business case until the new financial year, meaning that any spend by the relevant local authority cannot be claimed by the Combined Authority and one project which has commenced on site but spend level is lower than forecast in 2021/22. Spending is also expected to slip on other projects because they are funded by other funding programmes where spend will need to be claimed first due to spend deadlines, these include CityConnect projects funded from Getting Building Fund, Leeds City Centre Network – Meadow Lane funded from LPTIP.
- 2.16 Second, there is a timing issue due to the way in which freedoms and flexibilities have been utilised between this programme and the Getting Building Fund as detailed below.
- 2.17 The Transport Fund programme is included as **Appendix 3**.

Transforming Cities Fund (TCF)

- 2.18 The annual review of TCF was reported to the Place Regeneration and Housing Committee at its meeting on 7 February 2022. The full programme totals £457m which includes £317 million of Government grant and £140

million of Gainshare funding (plus an additional £2.18m of funding in Tranche 1 of TCF). The report outlined progress made on the programme, provided an update on changes to the programme as a result of the new CRSTS and agreed updated timetables and milestones as well as an overview of the project budget allocations and anticipated spend.

- 2.19 Learning from previous experience the TCF programme includes a pot of funding for inflation and contingency. However, it has been agreed that the exceptional circumstances criteria agreed by the Investment Committee for the Transport Fund will also be applied to TCF.
- 2.20 As part of the review all partners were asked to update forecasted spend across all projects. This led to a reduction of projected total programme spend in 2021/22.
- 2.21 The TCF programme dashboard is included as **Appendix 4**.

Leeds Public Transport Investment Programme (LPTIP)

- 2.22 The third review of LPTIP has now been completed and will also be reported to the Place Regeneration and Housing Committee at its meeting on 8 March 2022. The report sets out recommendations for managing the different financial elements of the programme. This is the final year of LPTIP and the aim is to ensure full spend of the Government grant of £173.50 million. LPTIP has been successful in developing an aspirational package of projects from development through to delivery in under four years. LPTIP is fully committed to the funding allocation from the DfT and is focused on maximising the usage of the total funding package to ensure maximum grant uptake and to fulfil the objectives of the Programme. The Programme is on track to spend all DfT funding by 31 March 2022. Any funding spent after this date will utilise the CA and Leeds City Council local contributions which total a further £9.9 million.

Getting Building Fund

- 2.23 At the Finance, Resources and Corporate Committee meeting in November 2021, it was reported that discussion / clarification had taken place with government officials in respect of managing spend delivery across the GBF programme and other funding programmes using our financial freedoms and flexibilities. This allows accountable bodies to swap payments between funding programmes to ensure funding is spent within the year.
- 2.24 A number of projects have now come forward seeking to spend into 2022/23 and are listed in the table below

Project Name	Freedom & Flexibilities Forecast
Business Growth Programme <small>(salary costs only, awaiting further estimates)</small>	£38,000
Enterprise Zones Bradford Parry Lane	£1,300,000
Bradford One City Park	£3,907,000
Leeds Liverpool Canal	£500,000
Beech Hill Phase 2 Group Repair & Regeneration Scheme	£790,000
Leeds City Centre 'Grey to Green'	£2,000,000
Total	£8,535,000

- 2.25 The agreed freedoms and flexibilities will now be used to allow these projects to continue to spend beyond this year and GBF spend will be used to fund two projects within the Transport Fund in 2021/22. This funding will be returned to GBF next year to fund the projects listed above.

Brownfield Housing Fund (BHF)

- 2.26 Activity on the BHF is concentrated on progressing projects through the assurance process. The majority of projects funded through the programme involve the private sector, three projects are now fully approved, these are: Points Cross, Regents Street, Citu Phase 1b and Jackson Quarry.
- 2.27 The majority of the projects within the programme are still progressing through the assurance framework and the profiles of expenditure for these have yet to be finalised and approved. Where forecast expenditure is against projects still in development it is difficult to obtain accurate forecasts, this is the reason for the reduction in the forecast level of expenditure in 2021/22.
- 2.28 As part of the Levelling Up White Paper announcement in February 2022, the CA has been given informal notification that it can receive an additional £22.28m of BHF grant to add to the existing programme with the same funding criteria, including the same programme end date of March 2025. Once firm details have been received, a Change Request will be progressed through the Assurance Framework to extend the budget and increase the output targets. Whilst the level of required additional outputs has still to be advised, it has been suggested that the level of additional spend would be flat-lined across the three remaining years of the programme, which will be a significant challenge.
- 2.29 A review of the current BHF programme pipeline – as endorsed by the Combined Authority – is ongoing. A small number of projects have been withdrawn from the programme by the sponsors since July 2021, which has reduced the programme from an over-programmed position on both outputs and spend to a shortfall on spend, prior to the additional funding announcement.
- 2.30 A review of the Strategic Housing Pipeline and the projects supported through the BHF sister programme – the Housing Revenue Fund – as well as projects

from the BHF Wave 4 reserve list indicates that these projects are not yet in a position to progress into the main programme. It is therefore recommended that the Combined Authority releases a further Call for Projects as soon as possible and to the widest possible audience in one Call in order to ensure that the challenging delivery timescales and spend targets can be met.

Integrated Transport Block/Highways Maintenance/Pothole Fund

- 2.31 These three funds are to be included as part of the CRSTS from 2022/23 onwards. The majority of the spend in 2021/22 (and in previous years) is Highways Maintenance and Pothole Fund totalling £36.50 million which has until now been passported directly to partner districts on receipt by the Combined Authority. The Integrated Transport Block supports three key areas of delivery: Asset Renewal, Healthy Safer Streets and Improving Public Transport, with projects delivered by district partners and the Combined Authority. There is no deadline for spend on these programmes and spend is forecast to continue into at least 2022/23.

Other capital programmes

- 2.32 **Social Housing Decarbonisation Fund (SHDF)** – confirmation has just been received of the award of £5.06 million through this funding stream. An application was submitted for this competitive fund in October 2021 and the full amount applied for has been awarded to West Yorkshire. The funding will be spent over a 12 month period from 1 April 2022 to 31 March 2023 supporting nine social housing providers to implement energy efficiency measures (including insulation, double glazing and renewables) into their housing stock. There is match funding from the social housing providers and the Combined Authority has the flexibility to move funding between providers in order to maximise programme spend. Further information on the detailed programme will be considered by a future meeting of the Climate, Energy and Environment Committee.

Gainshare

- 2.33 The Combined Authority has considered and agreed six investment priorities and the partnership work underway between the it and the local authorities is focussing on the approach to using gainshare to deliver on these. Decisions on expenditure will be made by the Combined Authority, with assessment undertaken through the Assurance Framework.
- 2.34 It is expected that gainshare will be prioritised against those priorities where no other funding source has been identified and that initial expenditure will be on revenue activities, either specific projects and interventions or developing capacity and building a project pipeline. As part of this opportunities to bring in other external funding to deliver the projects identified for the pipeline will be explored, acknowledging that the aspirations will be greater than the funding available.

- 2.35 The Combined Authority considered a paper on gainshare at its last meeting, identifying indicative funding envelopes for each of the investment priorities over the next three years, and indicatively approving capacity funding for all the partners. **Appendix 5** is an update on most recent approvals on Gainshare to date.
- 2.36 Work is currently ongoing to revise the structure of capital reporting in the future to identify spend across the full programme against the Combined Authority's priorities. This will require amendments to PIMS (the Portfolio Information Management System) and activity to identify the projects that fit into each category.

3. Tackling the Climate Emergency Implications

- 3.1 All projects approved through the assurance process are required to consider climate impact.

4. Inclusive Growth Implications

- 4.1 All projects approved through the assurance process are required to consider their impact on inclusive growth.

5. Equality and Diversity Implications

- 5.1 All projects are required to consider equality and diversity in their planning and delivery.

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 and considers the information provided.

11. Background Documents

11.1 There are no background documents referenced in this report.

12. Appendices

Appendix 1 – 2021/22 Revenue Budget as at January 2022

Appendix 2 – 2021/22 Capital Budget as at Quarter 3

Appendix 3 – WY+TF dashboard

Appendix 4 – TCF dashboard

Appendix 5 – Gain Share approvals