

**Report to:** Finance, Resources and Corporate Committee

**Date:** 05 April 2022

**Subject:** **Financial Update**

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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 checked="" type="checkbox"/> Yes <input 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 work underway to progress the use of gainshare.
- 1.2 To provide an update on the 2021/22 financial outturn ahead of year end finalisation.
- 1.3 To consider an opportunity to purchase a digital asset.
- 1.4 To provide an update on LEP funding and the temporary underwriting of roles across Economic Services for 2022/23.

## 2. Information

### Gainshare

- 2.1 At its last meeting the Committee considered the approvals to date for the gainshare funding secured through the devolution deal. The Committee requested a revised presentation of this information to reflect the scale of funding indicatively allocated to the Investment Priorities. **Appendix 1** sets out the intentions for funding all six of the Investment Priorities in the West Yorkshire Investment Strategy. These figures have been developed in

partnership between the Combined Authority and Local Authorities, with regular partnership meetings being held over a number of months to discuss and develop thinking. The Combined Authority meeting of 17 March 2022 approved capacity funding to enable each of the partners to progress with the development of pipelines of projects for each of the Investment Priorities.

- 2.2 The value, complexity and number of projects that will evolve is currently unknown but will probably be between 30 and 50. It is intended that over the medium term, a pipeline of overarching programmes/projects for each investment priority will be developed across the region. In order to enable this initial revenue funding envelopes have been agreed as set out, however pipelines will be developed to respond to wider funding streams, including future funding such as UK Shared Prosperity Fund and any other funding within the SIF. It is important to note that whilst the West Yorkshire Investment Strategy takes account of Combined Authority assured funding, the wider funding landscape including unknown future funding announcements will also be taken into account of when considering the balance of the programme, recognising that these programmes also contribute to regional outcomes.
- 2.3 Gainshare allocated to the region is £38 million per year, of which 75% (£28.5 million) is revenue and 25% (£9.5 million) is capital. It is not currently proposed that any revenue is used during this period to allow borrowing to take place, until the project pipelines emerge. All of the capital available during the period is currently allocated to Transforming Cities Fund (TCF) high scenario but borrowing will be required in due course to cover the full amount required.
- 2.4 Borrowing is expected to be used from 2025 onwards but this can be brought forward if a suitable pipeline of capital projects is identified. Confirmation has recently been received that borrowing powers for economic as well as transport powers have now been made into law. 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.

#### **2021/22 Outturn Year End Position as at 28 February 2022**

- 2.5 The final outturn position for the 21/22 year is unchanged from that reported to the budget meeting in February, with a non recurring surplus arising from vacancy savings and from lower payments on concessionary travel reimbursement. The latter savings will be ringfenced to support future bus activity, and a separate report on this agenda provides further information on bus funding. Further underspends have been produced by low spends across staff training, (although it is intended to use this saving in 2022/23 to support further learning and development) consultancy and supplies & services, though these smaller savings have been offset by overspends in tendered services, driven by government requirements combined with covid related pressures. The latest revenue outturn position is set out in **Appendix 2**.

- 2.6 An opportunity to purchase a digital asset is set out further in exempt Appendix 3.

### **LEP Funding**

- 2.7 During the budget setting in February 2022 the Combined Authority agreed to underwrite the costs of certain teams within the Economic Services directorate, as confirmation of future funding with regard to the LEP had not yet been received. This includes the Growth Service team and the core Business Support function for 2022/23, given that several funding streams are due to end this year with no clear sequel funding in place. This position was to be reviewed in March with the assumption that core LEP funding and Growth Hub funding would be confirmed by this point.
- 2.8 Confirmation is still outstanding but clarity has been promised as one of the outcomes of the Levelling Up White Paper. It is therefore proposed that this underwriting continues with an update provided to the next meeting of the Committee.
- 2.9 Underwriting of the Investor Development team from April to July 2022 is also required, whilst the usual renewal of the annual contract from the Department for International Trade (DIT) is awaited. The amount to underwrite equates to £57k, and the Committee is asked to endorse this approach with a further review at its next meeting.
- 2.10 There is a high level of confidence that the contract will be renewed. DIT received a favourable settlement from the Comprehensive Spending Review in October 2021 and the positive impact and performance of the team was recognised at the mid-year review with DIT in October 2021. The risk of the DIT funding not continuing is low and the need to deliver the service as a key economic recovery strand is essential for job retention and creation.

### **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 The information contained in Appendix 3 is exempt under paragraph 3 of Part 1 to Schedule 12A of the Local Government Act 1972 as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that the public interest in maintaining the content of the appendix as exempt outweighs the public interest in disclosing the information as publication could prejudice current and future decision making.

## **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.

10.2 That the Committee considers the options and recommendations in exempt Appendix 3.

## **11. Background Documents**

11.1 There are no background documents referenced in this report.

## **12. Appendices**

Appendix 1 – Gainshare

Appendix 2 – 2021/22 Revenue Outturn as at February 2022

Exempt Appendix 3 – Further information.