

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

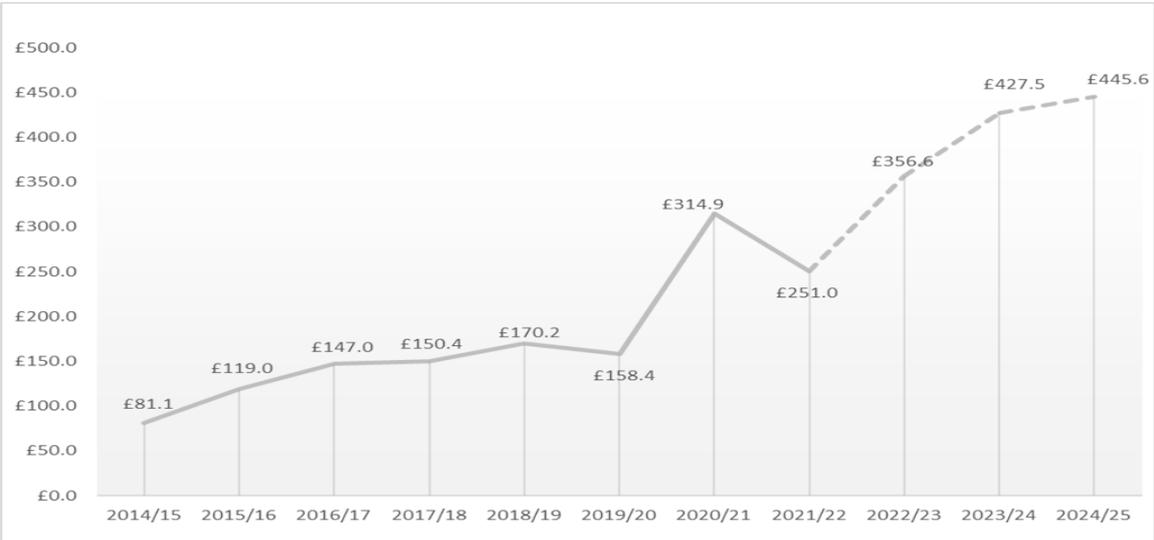
2.25. PIMS (the Portfolio Management Information System) is the system that the Combined Authority uses to collect information on all of its capital activity. It is directly accessed by district partners and is not only used for the submission of grant claims but also for information on progress, risks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