

Report to: West Yorkshire Combined Authority

Date: 22 July 2022

Subject: **Corporate Matters**

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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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No

1. Purpose of this report

- 1.1 To provide the Combined Authority with an update on the organisation's response to rising cost pressures, including highlighting the development of a new Medium Term Financial Plan and ongoing organisational readiness work.
- 1.2 To provide further detail on the updated Director roles and accountabilities, following endorsement to update the organisation's senior structure at the Combined Authority meeting on 23 June 2022.

2. Information

- 2.1 The country is currently facing significant economic and financial pressures due to a range of national and international factors. These pressures are being felt keenly by West Yorkshire residents including through rising costs of food, energy, and other consumer bills.
- 2.2 A detailed analysis of the latest economic data was considered at the Business, Economy and Innovation Committee and is available to read [here](#).
- 2.3 Following this, this paper sets out the Combined Authority's planning in response to these pressures across four areas: policy; delivery and capital programme; medium term financial planning; and longer-term organisational readiness work to ensure we remain focussed on mitigating cost pressures on West Yorkshire citizens, project delivery and agility to respond to changing circumstances.

Policy Response to Rising Living Costs

- 2.4 The Combined Authority's mission is to develop and deliver policies which directly benefit the people of West Yorkshire. The organisation is committed to supporting West Yorkshire residents using the policy levers, powers and funding available.
- 2.5 The primary lever available to the Authority is through the Bus Service Improvement Plan and Enhanced Partnership Schemes, which is presented in item 5. The Combined Authority, alongside bus operators, aims to reduce bus fares to a flat rate of no more than £2 across West Yorkshire to be implemented during the Autumn.
- 2.6 This is subject to statutory milestones and processes, and while operators have engaged in positive discussions regarding fare subsidies to date, this still has to be formally agreed. Further steps are also being taken to explore reducing the daily cost of an MCard ticket.
- 2.7 Public transport costs are a significant burden on those less able to absorb the ongoing increases in the cost of living and it is hoped that, if approved, these measures can make a tangible difference to many West Yorkshire residents.

Delivery and Capital Programme Response to Cost Inflation

- 2.8 Maintaining the pace and quality of delivery of projects and programmes is a key priority. At its last meetings the Finance, Resources and Corporate Committee (FRCC) has considered papers setting out the potential scale of cost pressures emerging as a result of current high rates of inflation. The meeting of 12 July 2022 agreed that work should continue at pace to review schemes across the Combined Authority's capital programmes, given rapidly rising cost pressures. To this end, Delivery teams are working with partner councils to review existing schemes against affordability, strategic fit and deliverability.
- 2.9 An early example of this is the detailed paper which sets out options for transport programmes, which can be viewed [here](#). Similar work is being carried out across other Combined Authority partnership programmes in order to gain an overall picture of anticipated cost pressures across our portfolio alongside proposals for how these are mitigated and managed.
- 2.10 The objective of the review is maintaining a strong delivery focus while ensuring best value for money and quality of schemes for projects that are underway. FRCC acknowledged that this work is likely to result in certain projects being deferred and slotted back into the pipeline to await a point when further funding becomes available. This comes in the context of an expanding capital programme with more funding likely to come through in the coming months, for example through City Region Sustainable Transport Settlement. As new funding programmes come on stream, these will be reviewed in line with cost increases to ensure they are still viable and deliverable. Due to the long lead-in time for programme development, it will be the case that project costs have changed since the original business cases were developed and so reviewing these at an early stage will be essential.

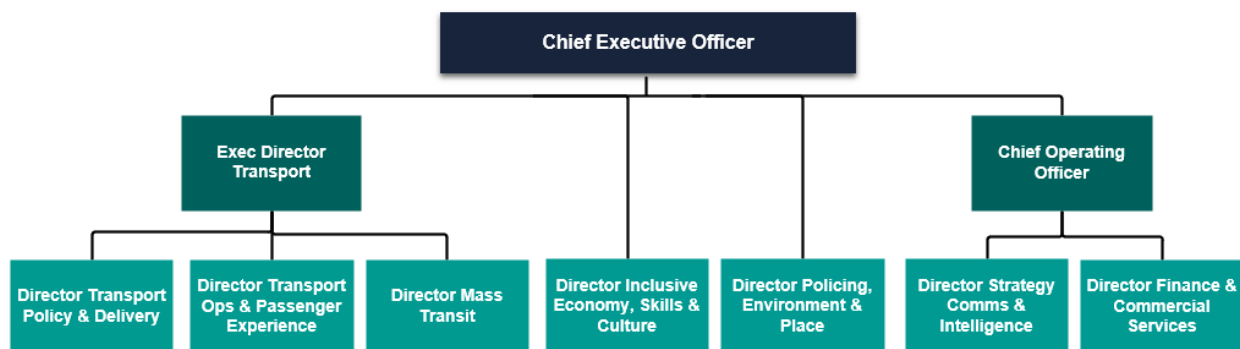
Medium-Term Financial Strategy

- 2.11 In order to address and manage these changes in the round, work is underway to develop a new Medium-Term Financial Strategy (MTFS) for the organisation which will set out budgets and cost scenarios for the next three years, better enabling the organisation to be on the front foot to respond to challenges. In recent years a one-year budget has been agreed, recognising the uncertainties and volatilities during Covid, devolution and wider economic and funding difficulties that made longer term planning challenging.
- 2.12 The three-year MTFS will take a broad-brush approach to horizon scanning and forward planning potential changes in income and expenditure, for example looking at future income streams, investments and reserves, and potential staffing costs over the coming years. A specific focus will be on expenditure on bus services and this is the subject of a separate report on this agenda.
- 2.13 In addition, work will be done to review existing contracts, with a view to both estimating inflation pressures within the existing term of contracts and building in increased contract renewal costs into the commercial strategy.
- 2.14 Consideration will also be given to further efficiency and organisational readiness, including how our processes and structures can be revised to make best use of existing and future resources to enable the maximum benefit in terms of outcome for West Yorkshire.
- 2.15 This work is in the early stages of development and further updates will be brought to the Combined Authority / Finance, Resources and Corporate Committee as and when appropriate.

Organisational Readiness and Evolution

- 2.16 Alongside the immediate changes and interventions set out above, work is underway to ensure the organisation is best structured to respond to both current and potential pressures in the longer term.
- 2.17 A detailed report was considered at the Combined Authority meeting on 23 June. Recommendations included to shift the organisation's operating model to become outcome focussed and a corresponding shift in the Director roles to embed this model and give greater transparency of senior accountability across key areas and a greater read across from job roles to key performance outcomes for West Yorkshire. These recommendations were agreed and progress is now being made on delivery.
- 2.18 Figure 1 below sets out the revised Director role structure.

Figure 1: Draft Revised Senior Roles



2.19 This structure changes the remit and accountabilities of all Director roles, and therefore new role profiles have been drafted setting the scope, accountabilities and key competencies for each position. These revised role profiles place significant focus on accountability for delivering Key Performance Outcomes for West Yorkshire, in line with the new operating model.

2.20 As previously agreed, the Executive Director Transport and Chief Operating Officer roles occupy an additional tier between the Chief Executive Officer and current Director level roles. These role profiles therefore reflect more demanding level of leadership, responsibility and competency.

2.21 The two new role profiles (Executive Director Transport and Chief Operating Officer) are currently being taken through an external evaluation process for senior roles, the results of which are not yet known. However, it is expected that the Executive Director and Chief Operating Officer roles will be graded between the grade of the current Director roles shown below and the Chief Executive Officer's salary. The Director level roles will be benchmarked, and it is anticipated that they will remain graded within the current bands.

- Director – Grade R £100,510 - £116,380
- Director (Mass Transit) Grade S £119,422 - £138,728

2.22 Therefore, the additional cost of this structure will remain well within the proposed £250k envelope which was set out at the 23 June meeting.

2.23 The draft role accountabilities, key competencies and person specification are set out in Appendix 1 for consideration by the Combined Authority. Should these be endorsed, the formal Management of Change process will begin with the existing Directors with a view to having the structure in place in the Autumn (subject to external recruitment to any vacancies).

2.24 The review has resulted in a recognised need to strengthen the corporate centre, and a further phase of work will be required to establish how the service areas which sit beneath the Chief Operating Officer are best configured to address this.

2.25 This further work to strengthen the corporate centre will be built into the longer-term organisational change programme which is being developed to implement the raft of recommendations from the independent review. These

relate to broader areas such as organisational strategy and vision, embedding cultural change, and improving efficiency of policies and processes. A more detailed update on the key elements of the programme will be brought to a future Combined Authority meeting.

3. Tackling the Climate Emergency Implications

- 3.1 The MTFS will support the organisation to continue to deliver on key programmes to achieve our key objectives, including on tackling the climate emergency.
- 3.2 Amendment of the senior level structure will bring greater senior capacity for the Combined Authority's work on tackling the climate emergency and a single senior point of accountability for achieving outcomes in this area.

4. Inclusive Growth Implications

- 4.1 The MTFS will support the organisation to continue to deliver on key programmes to achieve our key objectives, including delivering inclusive growth.
- 4.2 Amendment of the senior level structure will bring greater senior capacity for the Combined Authority's work on inclusive growth and a single senior point of accountability for achieving outcomes in this area.

5. Equality and Diversity Implications

- 5.1 Amendment of the senior level structure will bring greater senior capacity for the Combined Authority's work on embedding Equality, Diversity and Inclusion into everything we do.

6. Financial Implications

- 6.1 The financial implications relating to the MTFS are set out in the main body of the report, and further detail on this will be brought forward for consideration once available.
- 6.2 As previously reported, the proposals in relation to changing the director roles outlined in this paper will increase the total costs of the senior management structure. Once the role profiles have been independently evaluated and graded, the full costs will be confirmed, but it is expected they will not exceed £250k reported in the Combined Authority paper of 23 June. Additional funding to meet these costs will need to be identified from the funding received through recent awards including CRSTS and any revenue opportunities identified and will be built into the medium-term financial strategy being developed.

7. Legal Implications

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

8. Staffing Implications

- 8.1 The Executive Director Transport and Chief Operating Officer are new roles added to the organisational structure. Role profiles for these roles are subject to job evaluation to determine the rate of pay.
- 8.2 Director role profiles have been redefined to reflect the new responsibilities and will be reviewed and benchmarked to confirm the grade. Following this a

Management of Change Process will be undertaken with the current post holders following the Combined Authority's process.

8.3 There may be impacts on other roles, particularly with regards to change of line management reporting which will also require some management of change to implement.

8.4 The changes to the overall design of the organisation are within the organisation design principles created at the point of the previous organisational change programme that implemented the current directorate structure.

9. External Consultees

9.1 West Yorkshire local authorities and local bus operators have been consulted on the Bus Service Improvement Plan and Enhanced Partnership documents. Their feedback has been taken into account and has shaped proposals where appropriate.

10. Recommendations

10.1 That the Combined Authority notes the progress made to respond to increasing cost pressures and to develop a Medium-Term Financial Strategy.

10.2 That the Combined Authority notes the further detail on the revised Director role profiles set out in Appendix 1 and endorses the intention to proceed to fill these posts, subject to final evaluation and grading by an external provider.

11. Background Documents

Organisational Evolution Combined Authority Paper – 23 June 2022

Economic Reporting Business, Innovation and Economy Committee Paper – 12 July 2022

BSIP Enhanced Partnership Scheme Combined Authority Paper – 22 July 2022 (Item 5)

Inflationary Pressures on Capital Programmes Finance, Resources and Corporate Committee Paper – 12 July 2022 (Item 7)

12. Appendices

Appendix 1: Director Role Purpose, Competencies and Person Specification