

Report to: Finance, Resources and Corporate Committee

Date: 13 March 2023

Subject: **Financial Performance Report**

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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 2022/23 financial performance for the period ending 31 January 2023.

2. Information

- 2.1 **Q3 2022/23 Financial Update – revenue expenditure** The Combined Authority approved a revised revenue outturn budget at its meeting on 2 February along with the proposed revenue budget for 2023/24. Both of these presented a broadly balanced position after taking the opportunity to set aside some non recurring savings in 2022/23 to provide support in the coming year to bus tendered services and inflation on capital programmes.
- 2.2 Regular budget monitoring has continued in parallel with the detailed presentation to the 2 February meeting and this has identified a number of movements within individual budget lines as well as changes resulting from further funding receipts and approvals. This moves the net position from a small surplus of £145k as previously reported to a small deficit of £250k. It is expected as the year end approaches further revisions will be made and any

budgeted expenditure not spent in the current year will be used to contribute to reserves and support the funding challenges in future years.

- 2.3 Expenditure on bus tendered services and concessionary reimbursement is currently showing in line with the outturn approved in February. The bus team are now reporting some savings on concessions reflecting reductions in mileage operated and if this continues it will result in some further non recurring savings in year. The bus team is also working through the impact of the recent announcement of further bus recovery grant for both the current year and 2023/24 and a report will be made to a future meeting to consider how the grant can support current activities and the consequences of the grant ceasing after June 2023.
- 2.4 A summary of the 2022/23 current revenue spend to original budget and a comparison to the latest (Q3) forecast as at 31 January 2023 is attached at **Appendix 1**. A brief narrative and RAG rating is included to highlight those budget lines that are under/over-performing against budget.
- 2.5 The Committee has previously requested to be informed of the monthly reconciliations of bus tendered services payments to budget. These reconciliations continue to be prepared monthly and signed off by both the Mobility Services team and Finance team and indicate operator payments are within the approved budget.

2022/23 Capital Programme Update

- 2.6 The table below summarises the total expenditure on the Combined Authority's capital programme as at quarter 3 2022/23 (31 December 2022). This includes the current expenditure forecast on each funding programme in comparison with the budget forecast reported to the Combined Authority in February 2023.

Capital Programme Expenditure	Forecast as at Combined Authority February 2023	Expenditure upto Quarter 3 2022/23	% of CA Forecast
Transport Programmes			
City Region Sustainable Transport Settlement	£66,059,941	£25,621,635	38.79%
Transforming Cities Fund (inc. Tranche 1) (non CRSTS)	£37,940,399	£25,454,935	67.09%
West Yorkshire plus Transport Fund	£58,626,946	£46,041,525	78.53%
Zero Emissions Bus Regional Areas	£3,818,701	£0	0.00%
Leeds Public Transport Investment Programme	£2,870,000	£1,732,822	60.38%
Integrated Transport Block (CA legacy projects)	£4,666,883	£2,941,672	63.03%
Active Travel	£6,856,529	£2,874,993	41.93%
New Station Fund	£3,687,541	£3,731,910	101.20%
Economic Development Programmes			
Getting Building Fund	£11,377,575	£10,575,616	92.95%
Brownfield Housing Fund	£9,000,000	£299,787	3.33%
Social Housing Decarbonisation Fund	£4,661,627	£1,544,808	33.14%
British Library North	£6,000	£0	0.00%
Corporate Projects	£1,897,281	£1,083,158	57.09%
Broadband	£1,204,119	£1,208,410	100.36%
Growth Deal - Economic Development	£123,300	£0	0.00%
Business Accelerator Fund	£2,301,895	£2,202,883	95.70%
Flood Alleviation Scheme	£12,565,000	£0	0.00%
Total Capital Spend	£227,663,737	£121,902,861	53.55%

- 2.7 Expenditure of over 50% (of the 2022/23 February 2023 forecast) at quarter 3 is in line with prior years and seasonality of the Combined Authority's annual capital spend. The majority of spend, often over 60%, tends to be achieved in the final quarter.
- 2.8 Most of the Combined Authority's forecast expenditure in 2022/23 is concentrated across five major programmes: the new City Region Sustainable Transport Settlement (CRSTS); the Transforming Cities Fund (TCF); the West Yorkshire plus Transport Fund; Getting Building Fund (GBF); and the Brownfield Housing Fund (BHF). The following summarises the performance of these programmes.

City Region Sustainable Transport Settlement (CRSTS)

- 2.9 The CRSTS programme remains on target to spend £66 million this financial year. Most of this relates to the Network and Asset Improvements sub-programme, which covers activity by partner councils previously funded under Highways Maintenance, Pothole funding and the Integrated Transport Block. The funding approval for these was recently increased at the February Combined Authority meeting from the approval of quarter 1 and 2 payments to cover the full 2022/23 financial year. The remaining forecast for this financial year relates to Mass Transit, work which continues to progress at pace. A significant amount of modelling work is underway to understand potential demand to support option development, the strategic dimension and develop the specification.

Transforming Cities Fund

- 2.10 The TCF programme is in a strong position to spend its 2022/23 forecast of £37.9 million. At least one scheme in each of the three thematic areas are now in delivery, namely: Leeds City Centre Cycle Improvements, Halifax Bus Station, White Rose Station, and Tadcaster Road Corridor Improvements. Leeds Station - Sustainable Travel Gateway is due to start on site in March 2023, and several schemes are expected to commence delivery in early 2023/24.
- 2.11 The funding for York and North Yorkshire schemes is being managed separately following the commencement of CRSTS. The Department for Transport (DfT) have commissioned the consultants Arup to review all the North Yorkshire TCF schemes, which have slipped due to the Network Rail approvals process, land negotiations, and scope reviews because of inflation. These schemes were due to complete by March 2024, and there is a risk that funding will be limited to this timescale. However, the projects are progressing; in quarter 4 2022/23, Traffic Regulation Orders (TRO's) are being issued, demolition work commences, and planning application work continues.

Transport Fund

- 2.12 The West Yorkshire Transport Fund is progressing well with 24 schemes completed and a further 18 schemes on site. The Inflation Review, approved by the Combined Authority in December 2022, set out programme savings, projects to be pipelined in programme and additional funding requests on individual schemes. The net effect of these changes was a reduction to the total value of schemes in the Transport Fund programme from £1,151 million to £951.6 million. This has created headroom / contingency of £48.4 million within the overall £1billion Transport Fund.
- 2.13 As schemes on site are progressing well it is possible that total expenditure in 2022/23 will be ahead of the forecast position reported to the Combined Authority at its meeting in February 2023. Subject to progress made on schemes on site in the final quarter of the year, this could be approximately £10m ahead of the original £59.6 million forecast.
- 2.14 Two further schemes in the Corridor Improvement Programme have / are due to commence on site:
- Bradford - A6177 Great Horton Road-Horton Grange Road scheme has now received approval to proceed, and construction works will begin in the final quarter of 2022/23. The £6,257,000 scheme will deliver improvements to the western section of the A6177 Bradford Outer Ring Road to enhance the highway efficiency for the benefit of private vehicle and public transport (bus) road users. The highway improvements will be complemented by both public transport and active travel interventions as well as enhanced public realm.
 - Leeds – Fink Hill scheme has now commenced on site. £3,257,000 of Transport Fund monies will support the delivery of highway

enhancements to the A6120 Outer Ring Road corridor in Horsforth, increasing the operational capacity between the Fink Hill junction and Horsforth roundabout by enabling two lane traffic in each direction, plus new and improved walking and cycling infrastructure to enhance active travel provision.

Getting Building Fund

- 2.15 The GBF programme continues to make good progress on spend in comparison to forecast for the year particularly as projects approach closure. Leeds Liverpool Canal achieved delivery closure in quarter 3 whilst Holbeck Victorian Terrace Retrofit, Wakefield Warm Homes and Enterprise Zones Parry Lane have all now provided draft closure reports declaring outputs exceeding the targets originally agreed with Cities and Local Growth Unit.
- 2.16 Bradford One City Park claimed the remainder of its GBF allocation in quarter 3 leaving only the Business Growth Programme and Wakefield Langthwaite Enterprise Zone with project spend forecast in quarter 4. Forecast spend for the final quarter of the financial year also includes costs relating to Combined Authority programme management and overheads.

Brownfield Housing Fund

- 2.17 Projects within the programme continue to progress and to date 12 schemes have received an expenditure approval totalling £20.09 million of the £89.04 million funding award. During quarter 3 a further scheme received an indicative funding allocation following outline business case approval, this scheme has now commenced full business case development and is also scheduled to gain an expenditure approval by the end of the financial year.

Other Programmes

- 2.18 The current forecast for the Zero Emissions Bus Regional Area (ZEBRA) programme is £3.8 million. The project involves the purchase of new electric buses in partnership with bus providers: Arriva, First and Transdev. Currently funding agreements are being developed with the three providers and spend forecast has reduced to £1.18 million.

Devolution Gainshare

- 2.19 Details of the projects funded through the Devolution Gainshare monies of £38 million per annum have previously been shared with the Finance, Resources and Corporate Committee. Attached as **Appendix 2** are the full details of all approved projects under each of the Combined Authority's Investment Priorities along the value of proposed projects currently in pipeline.
- 2.20 The share of monies for each Investment Priority includes all of the funding for 2020/21 to 2024/25 (£38 million x five years = £190 million) plus £35 million overprogramming which totals £125 million.
- 2.21 To date 35 individual projects have received approval of funding totalling £140.19 million. Whilst a number of these projects are in full delivery some

have approval for development spend and will require approval of further funding before progressing into full delivery. Spend to date across all approved projects is £16.72 million.

National Evaluation of Gainshare Funding (aka Gateway Review)

- 2.22 Two of the Combined Authority's programmes are designated by Government as Gainshare funding. These include elements of the Transport Fund, agreed as part of the Growth Deal (£30,000,000 per year until 2034/35), and the Devolution Gainshare (£38,000,000 per year to 2049/50). Both of these programmes are subject to a Gateway Review which takes place every 5 years. The continuation of this funding is contingent upon a successful outcome to the review(s) and totals £68,000,000 per year.
- 2.23 The purpose of the review is to assess progress and evaluate the impact upon economic growth. This is a crucial part of the Combined Authority's accountability for public funds and provides assurance to Government that we can demonstrate a return on investment under Devolution.
- 2.24 The National Evaluation Framework, which sets out how the reviews will take place has been launched and the Combined Authority is required to submit Local Evaluation Frameworks for both the Transport Fund Gainshare and Devolution Gainshare by end of April and end of May respectively. The reviews will then commence with final reports due to be submitted to Government by October 2024.
- 2.25 In terms of scope any project which has spent monies in either of the programmes will need to be evaluated to some degree. The National Evaluation Framework states that 'projects will be 'in scope' for review where expenditure has been incurred at least 12 months before the Final Gateway Review Report'.

3. 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.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

Appendix 1 – Revenue Budget v Quarter 3 Forecast

Appendix 2 – Devolution Gainshare Programme