

Report to: Governance and Audit Committee

Date: 21 March 2019

Subject: Update on 2019/20 budget

Director(s): Angela Taylor, Director, Corporate Services

Author(s): Jon Sheard/Angela Taylor

1. Purpose of this report

- 1.1 To advise the Governance and Audit Committee on the budget for 2019/20 that was approved at the Combined Authority meeting 14th February 2019, including information on the Treasury Management Policy.
- 1.2 To approve the draft Capital Strategy, noting the additional development work to be undertaken.

2. Information

- 2.1 The Combined Authority approved the revenue and capital budgets for 2019/20 and subsequent years at its meeting on 14 February 2019. The full report is available [here](#) and attached to today's agenda at **Appendix 1** are the main revenue budget figures. The Combined Authority recognises the difficult funding position facing local authorities as they await the outcome of the fair funding review and comprehensive spending review in 2021. This is at a time when their funding continues to be cut and demand for their services is increasing. In the same way that local authorities are focussed on cost reduction, efficiencies and income generation the Combined Authority has, in developing its budget, reviewed its activities and found ways to deliver its services more efficiently. It also seeks to maximise third party income and opportunities to capitalise revenue costs where possible.
- 2.2 In summary the approved budget for 2019/20 showed a required use of reserves of £1.2 million. Further work is to be undertaken to achieve a balanced outturn for subsequent years.
- 2.3 Members are asked to note the position and that throughout the year this Committee will receive budget monitoring reports tracking progress against these approved estimates.

- 2.4 The indicative capital budgets also approved at that meeting are shown in the table below.

Summary Capital Programme

Expenditure per programme	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Local Transport Plan	9,335	20,000	19,093	13,104
Highways Maintenance Plan	34,630	32,320	31,550	31,550
Major scheme Expenditure	1,905	6,971	712	119
Non LTP Funding (transport)	20,412	76,005	81,725	17,614
Growth Deal (WY+ TF)	84,878	121,603	159,275	200,696
Other economic growth funding	12,124	6,386	3,172	4,072
Total Expenditure	163,284	263,285	295,527	267,155
Financing				
LTP Grant	13,104	13,104	13,104	13,104
LTP Grant carry forward	9,116	12,885	5,989	
Highways Maintenance Plan	31,550	31,550	31,550	31,550
Non LTP Funding (Excluding Majors)	2,810	63,773	81,725	17,775
Growth Deal, Economy & WY+ TF	74,349	73,510	100,340	40,000
Other economic growth funding	11,458	6,826	3,024	1,306
Carry forward	107,494	75,933	18,873	18,725
Borrowing requirement	2,221	10,566	59,647	160,815
Total Funding Available	252,102	288,147	314,252	283,275

- 2.5 At the previous meeting it was agreed that an update would come to this meeting with regards to both the development of a Capital Strategy and an update on Treasury Management.
- 2.6 On the latter, a presentation will be provided to a future meeting by Leeds City Council officers that manage the Combined Authority's arrangements under a service level agreement. As mentioned in the previous report senior officers meet quarterly to monitor progress with regards to investments, loans and prudential code indicators. For information the Treasury Management Policy approved at the Combined Authority meeting on 14th February 2019 is attached at **Appendix 2** for information.

Capital Strategy

- 2.7 Determining a capital strategy for the Combined Authority is a new requirement arising from changes in the Prudential Code that require all local authorities to have one in place for the 2019/20 financial year. It is required in order to demonstrate that the Combined Authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. The strategy, in a high level view, sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. The capital strategy should form a part of the authority's revenue, capital and balance sheet planning. The strategy needs to be tailored to an authority's circumstances but should include capital expenditure, investments and liabilities and treasury management.

- 2.8 A Capital Strategy for the Combined Authority has been drafted and is attached at **Appendix 3**. Members are asked to provide comments on the strategy and subject to any agreed changes members are asked to approve the Capital Strategy. The strategy will be presented to the Combined Authority meeting in April for approval and further work will be undertaken over subsequent months to refine the document. Any significant changes to the strategy will be reported to this committee.
- 2.9 Though not an exhaustive list, it is expected (CIPFA guidance) that a capital strategy would:-
- apply a long-term approach ie 20-30 years;
 - explore external influences (eg government funding / policy);
 - explore internal influences (eg corporate plan, local plan etc.);
 - ensure corporate plan priorities drive capital investment ambition;
 - determine implications of any Investment Strategy;
 - examine commercial activity / ambition;
 - examine available resources and capacity to deliver;
 - assess affordability against ambition and identify any gap;
 - identify capital financing principles;
 - demonstrate integration with other strategies / plans;
 - produce a 10 year capital investment plan;
 - capture risks and mitigating factors;
 - outline governance and monitoring processes
- 2.10 Members are asked to approve the Capital Strategy, note progress on other matters, provide any further areas for consideration, and confirm if there is any information they would like to have provided to future meetings.

3. Financial Implications

- 3.1 As set out in the report.

4. Legal Implications

- 4.1 None arising directly from this report.

5. Staffing Implications

- 5.1 None arising directly from this report.

6. External Consultees

- 6.1 None.

7. Recommendations

- 7.1 That the Governance and Audit Committee note the budget position for 2019/20 and approve the draft Capital Strategy, subject to any agreed amendments.

8. Background Documents

None

9. Appendices

Appendix 1 – Revenue Budget 2019/20

Appendix 2 – Treasury Management Policy

Appendix 3 - Draft Capital Strategy