

Report to: West Yorkshire Combined Authority

Date: 10 December 2020

Subject: **Draft business plan and budget 2021/22**

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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:	N/A

1. Purpose of this report

- 1.1 To provide West Yorkshire Combined Authority with the draft corporate business plan on a page and the proposed draft revenue and capital budget for 2021/22.

2. Information

- 2.1 2021/22 presents one of the most challenging years for budget setting for public bodies. The continuing impact of the Covid-19 pandemic, the need to address the economic downturn and to support residents and businesses is putting increasing pressure on expenditure as revenues are falling. The picture is a national one, with funding uncertainties continuing – the fair funding review and move to 75% business rates retention has been deferred again, alongside any longer term financial settlement, leaving local authorities uncertain of the future. At the same time the future funding model for combined authorities remains unclear.
- 2.2 At the previous meeting, the Combined Authority considered the position with regard to the medium term financial strategy and in particular the development of the 2021/22 proposal. As previously reported, the development of next year's business plan and associated budget is particularly challenging due to a

number of strategic factors where there still remains significant uncertainty. These include the ongoing preparatory work to the Mayoral Combined Authority model, continued response to the Covid-19 pandemic, preparing for the EU exit and the ending of the current Growth Deal.

- 2.3 Whilst work has been underway to define the impact of the challenging operational priorities for 2021/22, further work will continue between now and the February 2021 meeting where budgets and plans will be formally approved. The report today provides the Combined Authority with the latest 'draft' position for 2021/22.
- 2.4 The budget will be accompanied by business plans for each directorate that set out their planned activities and how these activities map out against the four Combined Authority and LEP objectives of boosting productivity, enabling inclusive growth, tackling the climate emergency and delivering 21st century transport. These four are used to guide and direct the allocation of budget resources and for 2021/22 also have to be considered in the light of the Covid-19 recovery, the EU exit and becoming a mayoral combined authority. Each plan is also being summarised as an individual plan on a page with an overarching corporate plan on a page – this corporate summary is attached as a draft at **Appendix 1**.
- 2.5 Work to deliver a balanced budget is progressing under scrutiny and engagement with appropriate committees, partners, including Directors of Finance and public engagement is being planned using the yourvoice portal. All this work is being overseen by the member Budget Working Group. The need to both achieve and demonstrate efficiency, effectiveness and value for money remains core to the approach being taken, alongside minimising impact on front line services to the public and businesses.
- 2.6 The 2021/22 business plans produced by each directorate reflect a focus on addressing the challenging, strategic factors and priorities mentioned earlier, whilst continuing to deliver services as effectively as possible. With limited opportunities to generate income and the ongoing squeeze on public sector finance exacerbated by Covid-19 it is clearly not possible at this point to set a budget that enables delivery of all elements of the business plan, or indeed to support the breadth of work that comes with being an MCA.

Revenue budget 2021/22

- 2.7 In November, a potential £6.5 million deficit position was reported, whilst recognising that further work would be undertaken. In parallel with the business planning work, further work has been undertaken on the detailed budget for 2021/22. The process is seeking to ensure that the detailed business priorities are clearly linked to achievable budgets and directly support the organisation in delivering its overarching corporate priorities.
- 2.8 The draft baseline revenue budget for the Combined Authority and the LEP is attached as **Appendix 2** and at this point shows an unbalanced position for 2021/22 of £3 million, with some of the key headlines covered in paragraph

2.11. Members are asked to note and comment on the progress made to date, in recognition that further work is needed between now and when the budget is approved in February 2021.

- 2.9 In terms of the changes brought about by any additional responsibilities and functions of the new mayoral combined authority at this stage the draft budget, under the row 'Mayoral office', includes the costs of the mayoral election and a placeholder for a mayoral office and associated functions. However, it is evident that existing resources are insufficient to meet the wider demands of delivering the MCA agenda and operational requirements. Work with local authority partners highlights the capacity gaps faced by them and the Combined Authority in seeking to support the scale of change needed in the region. In addition to corporate requirements, policy gaps have already been identified for example on both culture and climate change, and the emerging work on scrutiny arrangements is likely to require further resource. Work is underway to align the opportunity provided through devolution of the Single Investment Fund, and the gainshare that will form part of it, with the recovery and capacity needs in the region.
- 2.10 In setting its budget the Combined Authority recognises the difficult decisions being made by its local authority partners in order to provide a balanced budget. The focus in the Combined Authority on value for money must continue and previously agreed savings and reductions built into the baseline for 2020/21 will continue going forward, along with additional savings being identified.
- 2.11 Some of the key assumptions were detailed in the November 2020 update and will be covered again in the final budget approval report in February 2021. However, the following key headlines are provided:
- i. All directorates have reviewed their budgets and aligned with the proposed business plans for 2021/22, seeking to lead to net reductions in delivery costs where possible. There are currently gaps between the work required to be delivered and the resources needed to do this which are being further explored. In putting together budget submissions directorates within the Combined Authority are again reviewing costs and maximising income where possible. These actions have previously resulted in a range of efficiencies and savings each year that have contributed to the Combined Authority previously being able to present a balanced budget proposal.
 - ii. Budget estimates have been included for the costs related to being a Mayoral Combined Authority, including final costs of preparing / running the election which go beyond 31st March 2021 at £1.6 million and initial £500k estimate for the Mayor's Office. It is proposed that the £250k Mayoral Capacity Fund is used to meet these costs and the £1.85m balance funded from the £28.5 million revenue 'gainshare' allocation for 2021/22. It is unclear from the Comprehensive Spending Review whether the mayoral capacity funding will continue and at what quantum.

- iii. It is currently assumed that costs for subsidised bus services and concessionary fares will be largely at the levels previously set, other than, at this stage, a previously planned target reduction of £400k which is still under review in the context of the national pandemic. Department for Transport have recently updated their guidance with regard to statutory concessionary reimbursement, with a clear direction to transport and combined authorities to continue making payments to bus operators at pre-covid levels to support the recovery of the bus industry. This therefore means that any reduction to the transport levy is challenging and it must be assumed that the levy remains unchanged at £92.2 million (for revenue purposes).
 - iv. A range of legacy funding will continue or be extended as previously expected, however it should be noted that assurances have yet to be received from Government on these funds.
 - v. Income levels are not expected to recover to pre pandemic levels for some time and a range of the budget estimates have been adjusted to reflect this.
 - vi. On capitalisation, revenue costs are being reviewed to ensure they reflect the support provided to the delivery of the substantial capital programme, which now represents two thirds of all funding received by the Combined Authority which may enable recovery of a higher sum.
 - vii. Pay inflation estimates will be reviewed in light of government announcements on public sector pay, though currently the budget includes 2% inflation.
 - viii. Revised estimates will be provided once these matters become clearer and once the Order had been laid.
 - ix. For 2021/22 revenue budget costs and funding have been included for the Brownfield Housing development of £2,950,000 in 2021/22. A verbal agreement has been provided by MHCLG and we await the formal written agreement.
- 2.12 There are a significant number of risks and challenges that remain for 2021/22, including the recovery from the national pandemic, actions that may be required to respond to the UK bus operations, the uncertainty around funding for skills and business support and the impact of Brexit. In addition to these a number of resource requirements are included in the business plans that are currently unfunded, including additional support to scrutiny and delivery of the Economic Recovery plan.
- 2.13 A risk based review of the forecast level of general reserves and what is required is underway and will be brought to the next meeting.

Revenue budget beyond 2021/22

- 2.14 The focus of the budget update today is on 2021/22, however estimates will be brought to the February 2021 meeting for the following two years, to provide a medium term perspective on the financial position. Members should note however that these longer term estimates will require further review / revision due to the high level of uncertainties we are presently facing.

Capital budget

- 2.15 Work continues on the capital budgets, with a particular focus on the challenges of achieving expenditure on key programmes – Leeds Public Transport Investment Programme and Growth Deal, both of which are due to spend in full by March 2021. The programmes are being reviewed to ensure all funding is maximised, any risks of not delivering by this date are mitigated and to understand the risks around the timing of individual projects which may result in commitments beyond the funding availability. A final three year capital programme and any projected borrowing costs will be included as part of the budget approval process in February 2021.
- 2.16 **Appendix 3** sets out the latest draft forecast budget for capital expenditure and funding by programme for up to 2023/24. These figures are indicative at this stage and will be revised further for February 2021, including revised estimates for any borrowing requirements.
- 2.17 As reported in November, much of the current Growth Deal funding which makes up the largest element of the capital funding available concludes in 2021 and the programme is on track to deliver to this timescale. There is an ongoing income stream beyond this date of £30-48 million per annum for the West Yorkshire plus York Transport Fund, to be supplemented by borrowing in accordance with the original City Deal.
- 2.18 Other programmes that have commenced in 2020/21 and continuing into 2021/22 and beyond include Brownfield Housing, Getting Building Fund and Transforming Cities Fund (TCF), the latter having a previously agreed commitment from the Combined Authority to fund the 'high' scenario's subject to being assessed through the Assurance Framework process.
- 2.19 Further work / development of the capital programme relates to the policy work currently underway that is developing the devolution secured Single Investment Fund and selecting the programmes of work for investment. As a reminder, members should note the previous commitment to fund the 'high' scenario for the Transforming Cities Programme, circa £138m estimated in total and the recent indicative approval of £13.5m gainshare for COVID-19 recovery, for the extension of the existing Reboot and the Employment Hub projects. Further use of gainshare in the context of the Single Investment Framework and options to advance recovery work will be brought to the February meeting of the Combined Authority.

Revenue Budget 2020/21 - revision

- 2.20 As mentioned earlier and as part of the devolution deal announced in March 2020, a total revenue allocation of £3.2 million was provided for the development of housing pipeline schemes. A funding profile has been verbally agreed with MHCLG and means that £250k is due to be spent in the current year 2020/21.
- 2.21 It is recommended that the Combined Authority approve additional revenue spend of £250k in 2020/21 based on this verbal funding agreement, and subject to the formal confirmation, which is expected to be received in writing before today's meeting.

Summary

- 2.22 Members are asked to consider the proposed draft budget and provide any input into the final version of both the business plan and budget that will be brought to the February 2021 meeting. The treasury management strategy will accompany the paper, having first been considered by the Governance and Audit Committee in January 2021.

3 Clean Growth Implications

- 3.1 Tackling the climate emergency objectives and priorities are included in the draft business plans, and the budgets seek to include where possible resource to address this work.

4. Inclusive Growth Implications

- 4.1 Inclusive growth objectives and priorities are included in the draft business plans, and the budgets seek to include where possible resource to address this work.

5. Financial Implications

- 5.1 As set out in the report.

6. Legal Implications

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

7 Staffing Implications

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

8. External Consultees

- 8.1 No external consultations have been undertaken. Information on the budget position is being shared with members of the public.

9. Recommendations

- 9.1 That the Combined Authority consider the draft business plan and revenue budget proposals for 2021/22 and draft capital budget and provide any further input to them.
- 9.2 That the Combined Authority approve additional Brownfield Housing revenue spend of £250k in 2020/21, subject to receiving the formal confirmation from MHCLG.

10. Background Documents

- 10.1 None.

11. Appendices

- 11.1 Appendix 1 – Draft business plan for 2021/22
- 11.2 Appendix 2 – Draft revenue budget
- 11.3 Appendix 3 – Draft capital budget