

**Report to:** Finance, Resources and Corporate Committee

**Date:** 8 September 2021

**Subject:** **Budget planning – next steps**

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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 an update on the next steps for budget planning for 2022/23.

## 2. Information

2.1 At the last meeting the Committee recognised the need to engage in depth with key parts of the revenue budget and that this might be best addressed through the establishment of task and finish working groups. Taking into account the feedback from that meeting it is proposed that two groups are established with the following remit:

2.2 **Transport.** This would consider the current transport levy and how it is spent, ensuring it is achieving value for money and identifying any opportunities for improvement in the outcomes it is seeking to deliver. The expenditure on statutory and discretionary concessionary travel and on bus tendered services accounts for the most significant spend from the levy and provides a challenge for future forecasting. Current payments to bus operators are based on pre pandemic levels and are supported by government funding which is in the process of change as the industry moves to recovery from the pandemic. At the same time the Combined Authority has an agreed priority to work on a statutory bus partnership and consider the steps towards bus franchising. These aspects all combine to make the setting of the transport levy and associated transport budget particularly challenging for the coming year.

- 2.3 **Strategy and funding.** Critical to the budget process is the funding available to the Combined Authority and this group would consider the various 'moving parts' and how best to put together the medium term financial strategy with these unknowns. The move to becoming a mayoral combined authority has brought additional funding and functions, including the devolved gainshare, the initial year of which has been allocated. However there are expectations of government, with announcements due between now and the consideration of the final budget, on the Comprehensive Spending Review, levelling up, sustainable transport settlement, shared prosperity fund, community renewal funding, etc. The timing of these announcements is not yet known. The continuation of mayoral capacity funding and LEP core funding, as well as growth hub funding are unclear, and may be included in the CSR.
- 2.4 The Committee is asked to allocate its members between each of these committees and further meetings can then be arranged to take this work forward.
- 2.5 Members were clear at the last meeting that there should be ongoing engagement with the West Yorkshire Directors of Finance. This group meets monthly and has a standing item to consider papers from the Combined Authority Director, Corporate and Commercial Services. This includes budget matters. Budget papers coming to this Committee will be routinely shared with the WYDoFs group as well as specific papers on the budget at the monthly meetings.
- 2.6 The development of the budget will encompass capital and revenue budgets and will consider the level of borrowing required to deliver the aspirations of the Combined Authority. All borrowing must be affordable within the budget, meet the requirements of the Prudential Code and be within the approved Treasury Management Strategy. As a mayoral combined authority we are also required to agree a debt cap with HM Treasury. This is expected to be at a level to provide headroom above what will be put forward in the budget.
- 2.7 At present the Combined Authority only has the power to borrow for transport and policing purposes. One of the elements of the mayoral devolution was to extend this to the power to borrow for economic purposes. This was not included in the Order that created the Combined Authority with MHCLG requiring that this would follow afterwards, and after the agreement of a debt cap with Treasury.
- 2.8 It has taken some time for HM Treasury to engage with us on this but we have now provided an initial proposal for their consideration. The request was to only provide figures for this year and next but once agreed this will enable MHCLG to progress with the statutory order that will widen the borrowing powers.
- 2.9 The proposal is for some £677 million across this year and next which provides for the highest level of potential borrowing across all Combined Authority activities, including policing. At this stage the extent of borrowing required is still to be fully considered as it forms part of the wider budget setting issues.

- 2.10 It is proposed that the next meeting considers the public engagement strategy for the budget and also agrees the approach to be taken for the first report on the budget to the Combined Authority meeting on 21 October.

### **3 Tackling the Climate Emergency Implications**

- 3.1 Tackling the Climate Emergency is a key organisational objective and it is expected that the budget will include some funding towards this.

### **4 Inclusive Growth Implications**

- 4.1 Enabling Inclusive Growth is a key corporate objective and forms part of the business plan, with the budget following the business plan.

### **5 Equality and Diversity Implications**

- 5.1 The Equality and Diversity aims of the organisation are embedded throughout our internal and external corporate objectives, business plan and budget.

### **6 Financial Implications**

- 6.1 There are no immediate financial implications directly arising from this 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 in relation to this report.

### **10 Recommendations**

- 10.1 That the Finance, Resources and Corporate Committee notes the report and provides any further feedback on the budget work.
- 10.2 That the Finance, Resources and Corporate Committee agrees the creation of two task and finish working groups and nominates membership of them.

### **11 Appendices**

None.