

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

**Date:** 3 November 2021

**Subject:** **Budget 2022/23**

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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 consider the outcome of the discussions of the budget working groups.
- 1.2 To consider any information from the Autumn Budget 2021 and the Comprehensive Spending Review.
- 1.3 To consider the next steps in developing the 2022/23 budget.

## 2. Information

### Discussions of the budget working groups

- 2.1 The two budget working groups met in October and considered a range of information to inform the development of the 2022/23 budget and financial strategy. The challenges of doing this at a time when there remain many unknowns is acknowledged but it is important that planning takes place to enable progress to be made towards producing a budget proposal for the next meeting of the Combined Authority.
- 2.2 The feedback from the meetings is set out in the following paragraphs.

- 2.3 The uncertainties of bus funding and the recovery of the bus industry present major challenges. The Combined Authority has worked successfully with bus operators over the last 18 months to ensure a stable network that has met the changing needs of the public over the months of the pandemic. This has been sustained by maintaining existing payments to the bus operators with lost fares income supplemented by government grants. As the funding model from government changes and the bus industry responds to ongoing change there is a high risk that the bus operators will seek to meet increasing costs and reduced income by withdrawing services or increasing tender prices. The transport levy used to support concessionary reimbursement and tendered services will not be able to meet increased demands from bus operators. Members noted their concern that without continuing government support to the industry there are likely to be changes to the local network which will be left to the Combined Authority and partner authorities to manage.
- 2.4 A bid is being put together for the government's Bus Service Improvement Plan (BSIP). The sum available nationally is £3 billion and West Yorkshire's expected share of this is unknown. If successful this will contribute towards maintaining services but will fall short of the Mayor and Combined Authority's ambitious policy to grow public transport in the region. Work continues to establish in effect a baseline offer for bus services, ideally supported from the BSIP bid but noting that any funding from this is short term (up to three years) and would be to pump prime new or improved services which would rapidly need to become commercially viable in order to continue.
- 2.5 The Combined Authority has succeeded in making some small reductions in the concessionary reimbursement during the pandemic and it is recognised that this is likely to be difficult to sustain in the short to medium term. It is expected that concessionary patronage will slowly continue to increase – reimbursement is a combination of costs and volumes and both parts of that calculation are expected to change. Taken with the pressure on the tendered services budget set out above members considered the merits of ringfencing any savings from concessionary reimbursement for this year and next to meet the wider pressures on bus service provision.
- 2.6 Members discussed how keeping the transport levy at its existing level would support the priority of improved bus services, acknowledging in the current financial environment that increasing the levy would be too difficult for local authorities. The commitment to keeping it at the existing level is a strong statement that recognises the importance of improving the public transport provision in West Yorkshire. The transport levy funds both transport services and provides the funding for the borrowing costs to meet the local contribution for the West Yorkshire plus Transport Fund.
- 2.7 In terms of the wider financial strategy members highlighted the importance of seeking ways to raise income to help fund the scale of ambition and work will continue on this, including seeking opportunities to work with partners and the private sector. Members acknowledged the risks of some of the income received from government including LEP core funding, LEP Growth hub

funding, mayoral combined authority capacity funding and unless there is clarity from the Comprehensive Spending Review then assumptions will need to be made on the expected level of income for next year's budget.

- 2.8 Members also considered the potential use of the £38 million per year gainshare secured as part of the devolution deal. The Combined Authority has considered and agreed its investment priorities (attached as **Appendix 1**) and now needs to work with its local authority partners to determine how these are best delivered and how the funding available can assist in developing the pipeline of projects. Decisions on expenditure will be made by the Combined Authority, with assessment undertaken through the Assurance Framework. This will need to be mindful of inequalities across the region and ensure that the importance of place is recognised.
- 2.9 The work on gainshare will continue in parallel with the budget process working towards a plan that decisions on gainshare allocation could be made in the early part of 2022. Members may recall that the Combined Authority's 2021/22 budget includes an element of gainshare to support some of the funding pressures created in becoming a mayoral authority – this covers election costs, the mayoral office and some of the capacity needed across the organisation.
- 2.10 A draft budget for 2022/23 is in preparation for the December meeting of the Combined Authority. At this stage there is a revenue funding gap of £2 million and work is continuing to refine estimates, update assumptions and endeavour to present a balanced position for next year. Further to the earlier considerations of the commitment to improving public transport it is assumed that the transport levy remains unchanged for next year and that the level of gainshare funding already in the budget continues. The three year financial strategy is being updated but at this stage given the unknowns around future funding and settlements the focus is on 2022/23 and the figures for the years beyond that will be refreshed as better information becomes available.
- 2.11 It should also be noted that the Mayor has determined that she will not be proposing a general mayoral precept this year, recognising the cost of living crisis facing the residents of West Yorkshire.

### **Autumn budget and Comprehensive Spending Review (CSR)**

- 2.12 The Combined Authority submission to the budget and CSR set out the case for long term investment in a mass transit system and a programme of energy efficiency improvement works to homes in the region and shorter term funding asks to support a range of activities including projects to deliver climate change, increased productivity and access to culture. At the same time a multi million pound bid was made into the City Region Sustainable Transport Settlement and by the end of October a bid will have been finalised in support of the Bus Service Improvement Plan.

- 2.13 The budget and CSR take place the day after the publication of these papers. An update will be provided at the meeting to advise on any announcements that will impact the budget and financial strategy of the Combined Authority.

### **Public engagement**

- 2.14 In previous years the Combined Authority has undertaken public engagement to assist in increasing awareness of the services it provides and be clear that bus services (concessionary travel and some tendered services) are funded to a large extent by local residents through their council tax. The members of the budget working group were supportive of continuing this approach and a proposal is in development by the communications team. It is expected that this will take the format of providing information online and seek any views, comments and questions from the public.

### **Next steps**

- 2.15 Members' views are sought on the issues set out above. A draft budget is in preparation for the December meeting of the Combined Authority with a full budget report including the reserves policy and the treasury management strategy in preparation for the meeting on 3 February where the budget and transport levy will be considered and approved.

## **3. Tackling the 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 considers the information in this report and provides further feedback to inform the development of the 2022/23 budget.

## **11. Background Documents**

11.1 There are no background documents referenced in this report.

## **12. Appendices**

Appendix 1 – Investment Priorities.