

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

**Date:** 1 December 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 work underway on the budget for 2022/23.
- 1.2 To consider the work underway on the approach to the use of gainshare.

## 2. Information

### Revenue budget 2022/23

- 2.1 Work continues to produce a balanced budget for consideration at the February meeting of the Combined Authority. This is proving to be a particularly challenging year to set a budget with much uncertainty over some key elements. A report is in preparation for the next Combined Authority meeting of 9 December to set out the current position and the assumptions underpinning the draft budget.
- 2.2 Members have considered at a previous meeting the difficulties of future bus funding as government changes the recovery grant model that has been in place during the pandemic. The actions of bus operators to a changing landscape remain unknown and the risk of significant increases in costs to maintain and build on the current network and services. A bid was made at the

end of last month to the government under the Bus Services Improvement Plan and an announcement is expected early next year on its success. Given the scale of the funding available and the expected bids from transport authorities it is highly likely that only a fraction of the West Yorkshire bid is likely to be realised.

- 2.3 The Combined Authority has continued to fund bus operators to operate the concessionary travel scheme throughout the pandemic and making only limited adjustments for the reduction in patronage. This was directed by government and final decisions are yet to be made regarding the transition back to payments under the usual mechanisms. Additional funding to meet increased transitional costs may be forthcoming under BSIP but it is highly unlikely this will be sufficient.
- 2.4 The expected volatility of payments to bus operators for both concessionary reimbursement and tendered services payments has resulted in the Committee confirming its support to maintaining the transport levy at its current level. This position is now assumed as part of the budget proposal to come to the meeting of 9 December.
- 2.5 It is expected that existing funding will not be sufficient to meet the expected increase in costs that the bus operators put forward as they try to adjust to a new business as usual. Additionally the Enhanced Partnership and the aspirations set out in the BSIP show a strong desire to improve and build on current bus services. The extent to which this may be achieved will only be known as the work on the Partnership progresses, as the outcome of BSIP is known and as the operators take action to get back on to a stable funded footing. It is therefore proposed that any temporary savings secured during this period of transition are set aside in a ringfenced reserve to be used for improving public transport. To date some adjustments have been able to be made to the calculations for concessionary travel reimbursement and these should be secured for use next year as the ambition for better bus progresses.
- 2.6 The budget coming forward to the Combined Authority for consideration will include a number of assumptions that need to be considered and agreed. The Comprehensive Spending Review did not provide the expected clarity on a number of funding positions, including mayoral capacity funding, UK Shared Prosperity Fund (UKSPF) and LEP funding from government for both the core services and the growth hub which is delivered in partnership with the West Yorkshire local authorities. At this stage the budget assumes that the LEP funding will not be forthcoming but that the West Yorkshire local authorities will continue to make their contributions of £650k. This will enable work to continue on the economic policy areas. In previous years the Growth Hub funding has been announced late in the financial year – the working budget assumption is that until this is clarified early next year the Combined Authority will carry this risk and staff funded in this way will not be put at risk of redundancy until next year at the earliest. It is hoped that during the first part of 2022 there will be clarity on LEP funding and UKSPF as well as some of the approvals for spending from the gainshare that may mean there is a clear

funding route to continue to deliver on skills and business and the means to resource some or all of the existing team members.

- 2.7 The 2020/21 pay award is still outstanding, as the negotiations via the Passenger Transport Forum rely upon the conclusion of the local government pay award. At the time of writing Unison is balloting its local government members on strike action following the rejection of a 1.75% pay award. An assumption of 2% both this year and next has been built in to the budget position.
- 2.8 With the assumption that LEP funding and capacity funding is not forthcoming a revenue budget gap of almost £2 million remains. This is presented in Appendix 1. Projected debt costs are being reviewed as the capital forecast is finalised and other costs, including maintenance and repairs and utilities are also being reviewed as inflationary expectations increase. An element of general reserves may be required to balance the budget and this will be considered for 2022/23 as other forecasts are refined.

### **Use of gainshare**

- 2.9 The partnership work underway between the Combined Authority and the local authorities is focussing on the approach to using gainshare to deliver the agreed investment priorities. It is expected that this will be prioritised against those priorities where no other funding source has been identified and that initial expenditure will be on revenue activities, either specific projects and interventions or developing capacity and building a project pipeline.
- 2.10 A number of principles applying to all gainshare funded expenditure have been developed to support this work and the Committee is asked to consider these ahead of them being presented to the Combined Authority:
- All funding approvals should use the assurance framework
  - All expenditure is publicly accountable to the Combined Authority
  - Projects and programmes must deliver the agreed measurable and specific outputs and outcomes within the approved funding envelope
  - Sponsors must provide regular monitoring and reporting on progress
  - Projects and programmes must be net additional to core business.
- 2.11 In support of this work a review of how the assurance framework could be applied in different funding scenarios is being undertaken, aimed at simplifying the route through the appraisal process and ensuring a focus on effective and efficient delivery.
- 2.12 An update on progress is planned for the Combined Authority meeting of 9 December and it is anticipated that sufficient progress will be made to enable some indicative approvals for gainshare expenditure to be made at the Combined Authority meeting of 3 February. A further update will be provided to this meeting of the Committee.

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

3.1 The proposed budget will be clear how it supports the climate emergency.

### **4. Inclusive Growth Implications**

4.1 The proposed budget will be clear how it supports inclusive growth.

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

5.1 An equality impact assessment of the budget proposals will be undertaken.

### **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 information on budget and gainshare and provides further input to the process.

### **11. Background Documents**

11.1 There are no background documents referenced in this report.

### **12. Appendices**

Appendix 1 – Draft budget 2022/23.