

**Report to:** West Yorkshire Combined Authority

**Date:** 9 December 2021

**Subject:** **Budget, business plan and gainshare**

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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 budget challenges and assumptions for 2022/23.
- 1.2 To endorse the approach to business planning.
- 1.3 To consider the work underway to progress the use of gainshare.

## 2. Information

- 2.1 The proposed budget for 2022/23 will be brought to the meeting of 3 February 2022 for consideration and approval. This will include the proposed transport levy which legislation requires to be set by mid February. The budget must support the business plan for the year, ensuring clarity on how resources will most effectively be deployed to deliver the agreed objectives and priorities of the Combined Authority.

### Business planning

- 2.2 Each directorate has been tasked with developing their proposed business priorities for the next financial year in parallel to considering their budgets. The headlines are set out in **Appendix 1**.

- 2.3 Currently the Combined Authority has five corporate priorities:
- Boosting productivity
  - Enabling inclusive growth
  - Tackling the climate emergency
  - Delivering 21<sup>st</sup> century transport
  - Securing money and powers
- 2.4 These corporate priorities have been used to promote the work of the Combined Authority and have been used to shape directorate and team priorities as part of the business planning process.
- 2.5 At the last meeting of the Finance, Resources and Corporate Committee these priorities were reviewed in the light of the extent of the changes to the powers, functions and governance of the Combined Authority during 2021. The devolution deal, the pandemic and the police and crime team becoming part of the Combined Authority have led to different areas of focus and new priorities. The Committee considered how alignment could be improved between the outcomes we are trying to achieve, the corporate priorities, the committees, the investment priorities, our business planning, reporting, and performance management and has made a number of suggestions which are being incorporated into a proposal for the next meeting of the Combined Authority.

### **Budget 2022/23**

- 2.6 Work has been underway over the last few months to establish the 2022/23 budget. This work has been overseen by the Finance, Resources and Corporate Committee (FRCC) which has been meeting regularly to consider the challenges and the assumptions on which to base a proposed budget. These are considered further in the following paragraphs.
- 2.7 The latest draft revenue budget is attached in summary form as **Appendix 2** and has 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.
- 2.8 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. There is 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.

- 2.9 As a result the FRCC supports the continuation of the transport levy at the same level as at its existing level. This 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
- 2.10 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 FRCC has considered and agreed the merits of ringfencing any savings from concessionary reimbursement for this year and next to meet the wider pressures on bus service provision, also recognising that the Bus Services Improvement Plan bid to government is unlikely to deliver the scale of funding required to improve the bus offer.
- 2.11 The budget includes 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.
- 2.12 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, in line with the approach being taken by the West Yorkshire local authorities, but it is noted that there is upward pressure on future awards.

- 2.13 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.
- 2.14 The latest draft capital budget for 2022/23 and beyond is attached as **Appendix 3**. This shows the most recent future year forecast on spend and the known funding agreements / profiles. These figures are subject to change once the Combined Authority receives further details of Spending Review announcements, in particular the detail behind the City Region Sustainable Transport Settlement. The headline figure for this is £830 million over five years but there is a further process with Government to agree a business case which will clarify the funding, profiling and timing.

### Gainshare

- 2.15 In parallel with the budget process work is also underway to determine the most effective way to use the £38 million per year gainshare secured as part of the devolution deal. The Combined Authority has considered and agreed six investment priorities and the partnership work underway between the Combined Authority and the local authorities is focussing on the approach to using gainshare to deliver on these. 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.
- 2.16 It is expected that gainshare 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. As part of this opportunities to bring in other external funding to deliver the projects identified for the pipeline will be explored, acknowledging that the aspirations will be greater than the funding available.
- 2.17 The Finance, Resources and Corporate Committee considered the position emerging from the partnership work and discussed some possible programmes for each of the investment priorities and the outcomes that would need to be achieved at a West Yorkshire level for each of them. This latest draft position is attached at **Appendix 4** for comment and endorsement and will then be further developed over the coming weeks.
- 2.18 A number of principles applying to all gainshare funded expenditure have been developed to support this work:
- 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.

- 2.19 These were considered and supported by the Finance, Resources and Corporate Committee at its last meeting.
- 2.20 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.
- 2.21 Work will continue on the use of gainshare with the intention that some indicative approvals could be brought to the next meeting of the Combined Authority.

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

- 3.1 The business plan recognises tackling the climate emergency as one of its priorities and this is reflected as one of the areas of activity that could be supported by the use of gainshare.

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

- 4.1 The business plan recognises inclusive growth as one of its priorities and this is reflected as one of the areas of activity that could be supported by the use of gainshare.

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

- 5.1 An equality impact assessment will be undertaken on any policy changes within the budget. All services provided by the Combined Authority consider how to ensure equality and diversity in their delivery.

### **6. Financial Implications**

- 6.1 The financial implications are set out throughout the report.

### **7. Legal Implications**

- 7.1 None arising directly from this report.

### **8. Staffing Implications**

- 8.1 Draft budgets for 2022/23 include the approved staffing establishment.

### **9. External Consultees**

- 9.1 Public engagement on the budget is due to commence. This will focus on increasing awareness of the services provided by the Combined Authority and be clear that bus services (concessionary travel and some tendered services) are funded to a significant extent by local residents through their council tax. It will also demonstrate how gainshare has already been used to make a difference in the region

## **10. Recommendations**

- 10.1 That the assumptions and proposals in support of the budget are considered and approved for inclusion in the final proposed budget.
- 10.2 That the approach to business planning be supported.
- 10.3 That the work on the approach to and use of gainshare be considered, that the draft investment priorities be endorsed and further feedback provided to enable progress to continue.

## **11. Background Documents**

None

## **12. Appendices**

Appendix 1 – Draft business plan priorities 2022/23

Appendix 2 – Draft revenue budget 2022/23

Appendix 3 – Draft capital budgets from 2021/22

Appendix 4 – Investment Priorities