

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

**Date:** 6 January 2022

**Subject:** **Business planning and budget 2022/23**

**Director:** Angela Taylor, Director, Corporate and Commercial Services

**Author:** Angela Taylor

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 provide an update on the 2022/23 business planning process and budget work for 2022/23.

## 2. Information

- 2.1 The Committee has been receiving regular updates on the progress of business planning and budget work. At its last meeting the Committee considered ways in which the vision and priorities of the organisation could be more simply presented and a further iteration of this will be brought to the next meeting. Feedback was also received on the key points of the business plans on a page and further work continues to finalise these to be brought to the next meeting of this Committee and to accompany the budget on 3 February.
- 2.2 The Combined Authority meeting of 9 December considered a number of aspects of the budget, including recommendations put forward by this Committee and this is enabling work to progress with a number of assumptions now agreed as a starting point. These were focussed largely on transport and the transport levy, recognising the importance of public transport and the challenging current and future funding environment for this. Since April 2020, Government has issued emergency funding to bus operators and

Local Transport Authorities, the COVID Bus Subsidy Grant (CBSSG), and continued to pay Bus Services Operators Grant (BSOG) at pre pandemic rates. It requested that Local Transport Authorities (LTAs) continue to make concessionary fare and tendered service payments to operators at pre pandemic rates.

- 2.3 The Combined Authority has complied with the Government request to make concessionary fare and tendered service payments to operators at pre pandemic rates. Specific conditions were attached to these payments ensuring bus operators work collaboratively with the Combined Authority and financial and patronage data is shared. These conditions have been amended at each stage in the pandemic with this arrangement continuing until March 2022.
- 2.4 The Combined Authority has faced additional costs in the provision of tendered bus services during the pandemic. Initially this arose from lost revenue due to reduced patronage and was offset by the Government CBSSG award. However, in 2021 operating costs have increased and some operators have reduced service levels resulting in the Combined Authority funding the continuation of socially necessary services including service 205 (Dewsbury-Morley- Pudsey).
- 2.5 At the time of writing, bus patronage and revenues were around 75% of what could normally be expected in December. Whilst patronage rose steadily between July to October following the easing of COVID restrictions the growth levelled out in November and it is unlikely to return to 2019 levels during 2022. In addition, a national shortage of drivers has impacted on service delivery locally with a consequential impact on service delivery which has been considered by the Transport Committee.
- 2.6 Bus Recovery Grant is in place until end March 2022. Unless patronage and revenue recover to 2019 levels a potential funding gap will emerge for bus operators and the Combined Authority in April. This is leading to operators considering service reductions to reduce costs to meet the reduced revenue. Government is considering continuation of BRG beyond March but this is unknown at this stage. The Mayor has written to Baroness Vere, Buses Minister, urging her to confirm adequate funding to maintain a stable network.
- 2.7 The Combined Authority meeting in December therefore identified a need to maintain the Transport Levy at the current rate to ensure a level of continuity in the Authority's expenditure on buses in 2022/23 given the ongoing financial uncertainty. 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. A 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.
- 2.8 This is then to be further supported by retaining in an earmarked reserve any short term savings achieved against concessionary reimbursement or bus tendered services. The outcome of the bid for the Bus Services Improvement Plan is expected in the new year. The original 'pot' announced by

Government of £3 billion nationally was reduced to £1.2 billion in the October Comprehensive Spending Review. It is anticipated that the award will fall short of expectations and is unlikely in itself to provide the scale of funding needed to meet the ambition for the region.

- 2.9 Appendix 1 sets out the latest draft of the proposed budget for 2022/23, for any further comments from the Committee.
- 2.10 Work is continuing collaboratively across the West Yorkshire authorities to consider how best to utilise gainshare to deliver the agreed outcomes and benefits identified through the Investment Priorities. A verbal update will be provided to the meeting.
- 2.11 At the last meeting of the Committee members questioned how the reserves strategy would be calculated and how this would take into account any auditor requirements and how it compared to the approaches taken by the other local authorities. Best practice suggests that general reserves of around 5% of expenditure is prudent, although this should be adjusted on a risk based approach. A paper is being prepared for the Governance and Audit Committee to consider, in line with the approach taken in previous years and this will also be shared with this 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; the final budget will include staffing proposals based on existing establishment.

### **9. External Consultees**

- 9.1 No external consultations have been undertaken.

**10. Recommendations**

- 10.1 That the Committee notes the work underway on business planning and budget and provides further input to the work.

**11. Background Documents**

- 11.1 There are no background documents referenced in this report.

**12. Appendices**

Appendix 1 – Draft proposed budget 2022/23 – summary