

**Report to:** West Yorkshire Combined Authority

**Date:** 12 October 2023

**Subject:** **Budget and Funding**

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Is this a key decision?	<input checked="" type="checkbox"/> Yes <input 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 wider funding landscape for local government and the implications for West Yorkshire Combined Authority.
- 1.2 To consider the reserves position.
- 1.3 To propose a refund of transport levy reserves to the constituent local authorities.

## 2. Information

- 2.1 Work is underway to update the in-year financial position and lead into the setting of the 2024/25 budget. Budget updates will be brought to the Combined Authority and the Finance, Resources and Corporate Committee with the final proposed budget, transport levy, reserves strategy and treasury management strategy brought to the meeting of the Combined Authority on 1 February 2024 for consideration and approval.
- 2.2 The backdrop for budget setting in local government has been challenging in recent years and this has intensified this year. Current pressures due to inflation and high demand for council services has seen many local authorities flag significant current and future expected funding deficits. Some authorities are already expected to be in a position where they need to issue formal s114 notices, while others are having to make increasingly difficult decisions to avoid this situation.

- 2.3 This situation compels all local government bodies to review their budget and available funding, ensuring all resources are focussed towards delivering agreed priorities and no stone is left unturned. A key focus of this work is ensuring reserves strategies are reflective of the current situation and that they are being used in the most effective way. Many organisations are relying on use of reserves to keep delivering services in the short term and enable time for them to reshape or cut their provision in the future.
- 2.4 The Combined Authority has, like all local government bodies, a number of unusable statutory reserves which are only available for specific limited use – this includes for example the pension reserve and capital adjustment account. The Combined Authority holds £13 million as its general reserve, with the position regarding other reserves, as approved in February 2023 by the Combined Authority, as follows:

Other Reserves

<b>Usable</b>	<b>£000</b>
Transport Bus Reserve	2,000
West Yorkshire + Transport Fund Reserve	53,102
Capital Grant Unapplied	189,606
Usable Capital Receipt Reserve	27,519
<b>Unusable</b>	
Capital Adjustment Account	32,759
Financial Instrument Adjustment Account	(1,215)
Pension Reserve	71,738
Revaluation Reserve	7,886
Donated Asset Account	1,787

- 2.5 The £2m in the transport reserve was a new reserve, approved last year by the Combined Authority. Following the audit confirmation of the figures for 2022/23 it is intended, in line with the position set out in the February 2023 budget approval, to increase the transport reserve further for use this year and next. A capital grant unapplied reserve holds grants where approvals have been made but the expenditure lags behind the receipt of the funding. The other available reserve is the West Yorkshire plus Transport Fund reserve at £53.1 million.
- 2.6 The West Yorkshire plus Transport Fund (WY+TF) reserve was established to enable effective management of the borrowing costs of the WY+TF and to avoid the need for sudden increases and fluctuations in levy funding. The WY+TF was established as part of the City Deal forerunner to the Mayoral Combined Authority and required a £230 million local contribution to match Government's £770 million. An annual contribution of £5.6 million is being transferred into this reserve each year to create a revenue sum that can meet the borrowing costs that are required to support the capital sum required of £230 million.
- 2.7 The predecessor organisation to the Combined Authority, the Passenger Transport Authority (PTA), agreed that the creation of this reserve would be the means by which the PTA and now the Combined Authority would manage the timing issues of delivery of the WY+TF and the funding available. The

intent was to deliver at pace and potentially ahead of the pace of government funding. In reality competing priorities, and the need to meet other funding deadlines, has meant the expenditure against profile is lower than originally envisaged. The earmarked reserve created has reached a higher level than anticipated, as current programme delivery costs have until now been met by the annual government funding of £30 million per annum, and no drawdown has been required.

- 2.8 The WY+TF includes City of York Council. These arrangements are covered by a separate legal agreement that ensures funding and expenditure for York’s projects are ring-fenced within the programme and there is no cross subsidisation of schemes between West Yorkshire and York. CoYC is making a regular contribution to the reserve.
- 2.9 A reforecast profile of expected capital spend on the WY+TF and the resultant drawdown of the reserve required to support borrowing costs from 2024/25 onwards highlights that the current reserve could be rebased, with the continuing contributions in future years providing sufficient funding to meet expected borrowing costs in the short to medium term.
- 2.10 The balance in the WY+TF at 31 March 2023 is £53.577 million. Of this £2.428 million relates to City of York Council and is held there in line with the legal agreement entered into with it. The balance of £51.148 million represents an agreed topslice of the annual transport levy paid by the five West Yorkshire local authorities to meet the transport costs of the Combined Authority.
- 2.11 Recognising the critical funding pressures facing the five West Yorkshire local authorities this year it is proposed that the £51.148 million is refunded to them as unspent transport levy. This is a one-off opportunity arising from a unique set of circumstances that enables the West Yorkshire Combined Authority to support the local authorities in a timely way as they progress their medium term financial strategies. Provisions within the Transport Act 1968 provide for the refund of transport levy reserves to the constituent authorities.
- 2.12 If Members approve this proposal, then arrangements would be made to refund transport levy as follows:

	<b>Population</b>	<b>Levy refund</b>
<b>Bradford</b>	546,400	11,884,363
<b>Calderdale</b>	206,600	4,493,611
<b>Kirklees</b>	433,300	9,424,404
<b>Leeds</b>	812,000	17,661,242
<b>Wakefield</b>	353,300	7,684,380
	<u>2,351,600</u>	<u>51,148,000</u>

### **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 They are set out in the report. Approval is sought to refunding £51.148 million of unspent transport levy to the constituent local authorities.

#### **7. Legal Implications**

7.1 The Combined Authority has power to refund unspent levy held in the West Yorkshire plus Transport Fund reserve to its constituent councils, pursuant to s.10A(1) of the Transport Act 1968.

7.2 The General Exception provisions contained in Section C of the Combined Authority's Access to Information Rules have been applied to this decision, it being impracticable to publish a Key Decision notice 28 clear days in advance. The required notices have been provided to the Chairs of the Corporate and Transport Infrastructure Scrutiny Committees, published on the website and made available for public inspection allowing 5 clear days' notice of decision.

#### **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 Combined Authority considers the current financial position.

10.2 That the Combined Authority approves the refund of transport levy reserves to the constituent local authorities as set out in paragraph 2.10 of this report.

#### **11. Background Documents**

There are no background documents referenced in this report.

#### **12. Appendices**

None.