



<b>Report to:</b>	West Yorkshire Combined Authority
<b>Date:</b>	7 December 2023
<b>Subject:</b>	<b>Budget and Business Planning</b>
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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 The purpose of this report is to provide an update to the Combined Authority on the current multi-year budget and business planning process and set out the key revenue pressures and strategic choices facing the organisation over the next few years.

## 2. Information

### **Business and Budget Planning**

#### Process Update

- 2.1 An update was given to the Combined Authority in October outlining the new, multi-year approach that would be taken for the 2024-25 planning cycle onwards. At this stage, Directors for the outcome directorates have developed a set of multi-year outcomes which have informed the detailed business plans for 2024-25. The outcomes can be found in **Appendix 2** of this report, however a high-level summary is included in the sections below.
- 2.2 Dedicated sessions have been held following production of the first drafts of the business plans, for Directors to review service-area plans with Finance and Corporate Planning teams. These sessions enabled high-level, strategic conversations between the Chief

Operating Officer and Executive Director for Transport, their direct reports and the Finance team, in order to draw out key budget pressures and big strategic choices. These are explored in the following sections.

- 2.3 These discussions take place against a backdrop of challenging economic times, with high inflation and the cost of living and doing business crisis continuing to bite. Local authorities are facing rising demand, increasing costs and falling income and the West Yorkshire local authorities have all reported significant funding gaps.
- 2.4 The draft revenue budget for 2024/25 is attached as **Appendix 1** and at this stage sets out a funding gap of £5.5 million, with the gap increasing by a further £10 million in the following year. Further review of 2025/26 onwards is required, and work is focussing on balancing 2024/25 with limited call on general reserves, by reviewing the assumptions and updating the figures provided through business planning.
- 2.5 The funding gap is caused by both falling income and increasing costs due to, amongst other factors, inflation, salary increases and increased demand on internal services such as ICT. The funding model for combined authorities sees limited core funding provided – other than the transport levy on the constituent authorities, there are no other guaranteed funding streams. Funding provided by central government for LEP activities has been steadily reduced, so a reduction of £1 million per annum, and mayoral capacity funding of £1m per annum is only awarded on an annual basis so risks being withheld in future years. The Combined Authority receives the business rates income from the LEP-developed Enterprise Zones, which is currently around £4 million per annum, as well as seeking to generate income from its assets, and from cash balances where these arise in year. Accompanying the revenue budget is a significant capital plan, predominantly for transport schemes, but also including the final year of the Brownfield Housing Programme, and Social Housing Decarbonisation Fund and a range of smaller funding programmes.
- 2.6 The sections below consider the specific budget issues for each area of activity alongside the outcomes identified through business planning for those areas.

#### Outcome Directorates

- 2.7 **Appendix 2** lists the outcomes chosen by each outcome Directorate. These are intended as medium-term goals, aligned to the corporate objectives and the five aims of the West Yorkshire Plan, shaping each service area's policy decisions and delivery. The following sections draw out key themes by directorate, and the accompanying budget challenges:
- 2.8 The **Transport Directorates** are focussed on delivering and supporting improved and more sustainable, accessible and inclusive transport options in the region, whilst also preparing to deliver on the Bus Reform decision. Similarly, Mass Transit has a number of outcomes set around the initial stages of delivering a mass transit system that is, again, accessible, sustainable and inclusive.

- 2.9 From a budget perspective the Transport Operations directorate has seen significant volatility in bus tenders since the outbreak of Covid-19 with changing travel patterns and the need for government support. Recognising the challenges facing local authorities the Combined Authority is seeking to manage the costs of delivering the bus network without an increase to the transport levy, despite the scale of inflationary costs. Bus Service Improvement Plan (BSIP) funding has been used to support the successful introduction of Mayor's Fares since September 2022 and further awards of BSIP will be prioritised to enable its continuation.
- 2.10 A transport reserve was created in 2021/2022 utilising savings against concessionary fares reimbursement and will be released in 2022/23 and 2023/24 to seek to ensure current bus services can be maintained. BSIP funding provides an opportunity for some additional services to be supported in the short term and this is being overseen by the Transport Committee.
- 2.11 The transport levy has been maintained cash flat for a number of years, so the Combined Authority has been meeting all transport related expenditure from a funding envelope that has reduced in real terms each year. All other mayoral combined authorities are proposing increases to their transport levies but recognising the difficult economic climate it is assumed for budget purposes that the levy is not increased for 2024/25. It is also assumed that the contribution to the West Yorkshire plus Transport Fund reserve is reinstated, in line with the decision made in October 2023 when the balance on the reserve was repaid to partner authorities.
- 2.12 The current cost of tendered service provision is a net £25.2 million. This is an increase of over £6 million since 2022/23, with costs rising with inflation and income falling as the government funding from Covid falls away. The position agreed at the February budget meeting was that the transport reserve created in 2021/22 would be used to meet this increase in costs. The draft position for 2024/25 to maintain existing services is an additional £3.2 million. These costs can be met in part from the remaining transport reserve but this is clearly not a sustainable position. The opportunity to use BSIP to support continuing services will be explored as well as a review, with partners, of the way in which schools transport is provided and funded. The review of schools transport will be co-designed to drive down costs in 2024/25. The successful Mayors Fares scheme introduced in September 2022 is funded by BSIP, and it is expected that the future awards of BSIP recently announced by government will enable the scheme to continue through to 2025 as intended.
- 2.13 The Transport Delivery and Policy teams are managing a huge increase in the scale of the capital programme which moves from £280 million in 2023/24 to a planned £453 million in 2024/25. While this scale of increase has previously been flagged, and work is underway to ensure resource is in place to deliver at this level, the position will need to be closely monitored. There are inevitably delivery risks in terms of both our and partner resource and supply chain but there are also inflationary risks. The costings for many of the programmes being delivered are based on submissions made prior to the recent increases in inflation. While projects do include an allowance for risk and inflation it is

likely that this will be insufficient in all cases to meet revised project costs. The Combined Authority has already received reports setting out the need to reduce programmes to fit within affordability envelopes, as a result of the high inflation seen since the early part of last year.

- 2.14 Some of this shortfall will be met by the use of investment income earned in the short term but it is still expected that further reviews will need to be undertaken. A contribution towards the capital programme of £25 million has been built into the funding assumptions for 2024/25. Both bus reform and mass transit programmes are highlighted in the business plans as key priorities. Funding is in place for initial elements of these programmes and the February budget proposals will need to be mindful of any commitments required to support the decision on bus reform that will be made in March 2024.
- 2.15 **Inclusive Economy, Skills and Culture** has set outcomes associated with agreeing the Authority's core offer based on the Economic Strategy, supporting a thriving business and innovation ecosystem, and enabling everyone in West Yorkshire (particularly the most disadvantaged) to reach their full potential.
- 2.16 Gainshare funding has been used to support a number of interventions delivered by the Inclusive Economy, Skills and Culture teams, as agreed by the Combined Authority in its initial allocations of gainshare. It is expected that the future use of gainshare will see it being applied to fund these activities as a direct revenue contribution.
- 2.17 **Place, Environment and Policing** have developed a series of outcomes under the following headings: A safe, just and inclusive West Yorkshire; A public-health approach to reducing serious violence; Accelerated regeneration, digital connectivity, new homes and quality places to create great places and healthy communities, and; Creating a sustainable, nature-rich and climate ready region.
- 2.18 There is no direct funding for place and environment activities. At present these activities are largely funded through gainshare funded projects or capacity funding, or through other external funding secured. There is an ambitious programme, in line with Mission 4 of the West Yorkshire Plan, to deliver that includes the Better Homes Hub and the opportunity to use gainshare to support a borrowing programme will be explored alongside new ways of working with the private sector. Delivery of the Brownfield Housing Fund is also scheduled to complete during 2024/25.
- 2.19 Funding for the policing and crime team in the Combined Authority forms part of the overall policing budget which is being progressed with West Yorkshire Police and with oversight of the Police and Crime Panel. A consultation on the proposed policing precept will commence in December and be considered by the Panel in February 2024 ahead of the Mayor setting the police precept and budget.

- 2.20 The role of the Corporate Centre is to support the delivery of the organisation's outcomes, including our major programmes like mass transit and bus reform.
- 2.21 The corporate centre is largely funded through contributions from the programmes it is supporting and a revised mechanism to simplify this process and increase transparency is being developed for consideration in the new year. This may require an uplift in the current recovery rate to recognise the growing pressures and complexities of programmes.
- 2.22 An updated risk based reserves strategy will be considered in January by the Governance and Audit Committee. This will need to take into account the likelihood of any unknown or unplanned costs arising in the year, but be balanced alongside the position where reserves are needing to be utilised by most local government bodies rather than being increased.
- 2.23 Assumptions underpinning the draft budget, transport levy proposals, use of gainshare and the treasury management approach will be shared with the local authority Finance Directors ahead of the budget being finalised. Further briefings with Members will be held in the new year and Corporate Scrutiny will consider draft budget information at its meeting in January.

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

- 3.1 Tackling the Climate Emergency is a cross-cutting theme for the Combined Authority with mission four for of the West Yorkshire Plan, and one of the organisation's corporate objectives, being focussed on sustainability. This theme is continued through the outcomes as set out in **Appendix 2**, which have in turn, informed the business plans for 2024/25. There are positive implications for tackling the climate emergency.

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

- 4.1 Inclusive Growth is a cross-cutting theme which is present throughout the corporate objectives and in the missions of the West Yorkshire Plan (Mission one: to create a prosperous West Yorkshire). This is a theme that continues throughout the multi-year outcomes, particularly evident in those of the Inclusive Economy, Skills and Culture Directorate, which aims to support everyone (in particular those who are the most disadvantaged) into opportunities to positively progress in their careers.

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

- 5.1 Equity, diversity and inclusion is a key focus for the organisation, and a cross-cutting theme that sits across activities and aims. With the publication of the EDI Plan last year, targets from the plan were embedded into business plans and continue to be for the following year. EDI has been embedded into the multi-year outcomes to ensure that the Combined Authority's EDI targets continue to be upheld and prioritised, and that benefits

are achieved for the people of West Yorkshire in an inclusive, accessible and equitable way.

## **6. Financial Implications**

- 6.1 As set out in the paper. The full budget will be brought to the February meeting of the Combined Authority for consideration and approval.

## **7. Legal Implications**

- 7.1 There are no legal implications directly arising from this report. The paper to the February meeting of the Combined Authority will seek approval to the transport levy under the Levying Regulations.

## **8. Staffing Implications**

- 8.1 Staffing costs are included within the draft budget.

## **9. External Consultees**

- 9.1 No external consultations have been undertaken.

## **10. Recommendations**

- 10.1 That the Combined Authority considers the key business planning outcomes proposed.
- 10.2 That the Combined Authority considers the budget pressures and challenges.

## **11. Background Documents**

There are no background documents referenced in this report.

## **12. Appendices**

Appendix 1 – Draft revenue budget 2024/25

Appendix 2 – Multi year outcomes