

Report to: West Yorkshire Combined Authority

Date: 5 October 2017

Subject: Business planning and budget 2018/19

Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12a, Local Government Act 1972, Part 1	

1. Purpose

- 1.1 To advise WYCA of the work underway to progress business and budget planning for 2018/19.
- 1.2 To seek approval to establish a Member Working Group on budgets.

2. Information

- 2.1 The budget for 2017/18 was set at the meeting in February 2017 where a one year position was agreed, recognising that significant organisational change was still underway that would need to be further developed during the year. The transport levy was cut by £1m, with a plan to reduce expenditure across a number of budget heads and utilise reserves to enable a balanced budget. It was recognised that there were considerable financial pressures facing WYCA, in common with the local authorities, in the coming years and that a robust three year medium term strategy would need to be developed.
- 2.2 A corporate plan http://www.westyorks-ca.gov.uk/uploadedFiles/Content/What_We_Do/WYCA%20Corporate%20Plan%20Digital.pdf was developed alongside the budget and progress is being made on achieving the objectives and plans set out in this, including work on devolution, inclusive growth and the implementation of organisational change, as well as improving project governance and increasing the speed of delivery of capital projects. Progress on the Key Performance Indicators identified in the corporate plan is set out in **Appendix 1**.
- 2.3 Work is now underway to identify the key strategic objectives for 2018/19 and successive years and ensure that the available budgets and funding are aligned with

these. It is proposed to bring the outline 2018/19 corporate plan and detailed budget figures to the meeting of 10 December to then enable the full budget for 2018/19 to be approved at the meeting of 1 February, in line with the legislative requirements.

- 2.4 The funding for WYCA's revenue activities is predominantly through the transport levy at £95m, with a further £4-5m from central government, subscriptions from partner authorities, interest and Enterprise Zone receipts. Previous WYCA/LEP agreement was that EZ income was to be prioritised to support inward investment and thereafter economic services whilst there has been some small increase in business rates income from the Leeds Enterprise Zone the income has yet to reach the expected level to fully fund the inward investment team.
- 2.5 The budget for this year also includes funding from government and other agencies to directly support business and skills activities. Much of this money is awarded for limited timespans, making longer term planning difficult and forcing changes of direction of interventions depending on the conditions of funding. The current funding is expected to fall significantly in 2018/19 unless further funds are secured – this will have a significant impact on the outcomes the teams are currently achieving and opportunities to secure further funding or divert funding from elsewhere will need to be explored.
- 2.6 The Delivery directorate is fully funded through the capital awarded to WYCA through the Growth Deal, Integrated Transport block, Leeds Public Transport Investment Programme, etc, with all staffing costs charged to projects and with a recovery against supporting teams' costs also agreed.
- 2.7 As set out in paragraph 2.1 reserves of £3.5m were to be used to balance the budget in expectation of future EZ receipts or devolution funding. The outturn may require a lower use of reserves but is still likely to be in the region of £3m. This will be further refined as the detailed budget is scrutinised but at this stage this reflects the net position taking into account savings achieved so far against the targets set in February, the effects of in-year organisational restructuring, the increase in employer pension contributions notified after the budget was set and movements on a number of other budget heads. Further in-year savings will be sought via a review of current uncommitted budgets.
- 2.8 Looking ahead to 2018/19, and adjusting current budgets for known changes presents a funding gap of £4m. Further use of reserves to close a gap of this scale is not possible as it would utilise the remaining reserves. WYCA is required to maintain a prudent level of reserves, as agreed through a risk based assessment.
- 2.9 In setting the budget for 2017/18 it was recognised that WYCA needed to contribute to the budget savings being sought by the local authorities and £1m was cut from the transport levy. Work is underway with the Transport Committee to explore further saving options. Members will also recall that the scale of any savings required is magnified by the high proportion of non-discretionary spend - £43m of the £95m

transport levy is spent on the statutory English National Concessionary Travel Scheme.

- 2.10 Options to achieve efficiencies or make cuts to services will need to be progressed over the autumn, alongside consideration of opportunities to increase income. It is proposed that a Member Working Group is formed to enable a more detailed scrutiny of the options available to close the funding gap. Work will also continue with the West Yorkshire Directors of Finance to ensure they have visibility and understanding of the detailed budget position.

3. Financial Implications

- 3.1 As set out in the report.

4. Legal Implications

- 4.1 As set out in the report.

5. Staffing Implications

- 5.1 None arising from this report.

6. External Consultees

- 6.1 None.

7. Recommendations

- 7.1 That a Member Working Group be formed to progress detailed budget scrutiny and inform reports back to the meetings of WYCA.

8. Background Documents

- 8.1 None.