

Report to: West Yorkshire Combined Authority

Date: 14 December 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 checked="" type="checkbox"/> Yes <input 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 Members of the work underway on business planning and budgeting for 2018/19.
- 1.2 To consider the key elements of the draft three year financial strategy.

2 Information

- 2.1 Over the past eighteen months WYCA has been progressing its One Organisation programme, establishing new Directorates, structures, ways of working and cultures and behaviours that enable the organisation to deliver on its priorities and objectives for inclusive economic growth in the region. Key successes and achievements in the past year include: framework to effectively progress projects through the various stages from expression of interest through to delivery, ensuring a sufficient consistent level of rigour and challenge.
 - Planned delivery of £100m+ of Growth Deal projects in the current year including four skills capital projects (Leeds Printworks, Wakefield College, Selby College, Bradford College)
 - Provided £4.98m to refurbish and upgrade the Percival Whitley Centre at Calderdale College which enhances the teaching offer in advanced engineering/manufacturing, digital, creative media and health and social care
 - Provided £3.1m investment to complete Kirklees College's National Process Manufacturing Training Centre
 - Development of local inclusive industrial strategy
 - Opening of the Wakefield Eastern Relief Road – the first project constructed as a result of the Transport Fund
 - Continued development of the A629 Phase 1a corridor project in Calderdale

- Continued growth of the Elland Road Bus Park and Ride site and opening of another site at Temple Green in Leeds
 - Opening of Low Moor Rail Station on the Caldervale Line in Bradford between Bradford Interchange and Halifax Rail Station
 - Made improvements to Huddersfield Station Park & Ride and delivered improved facilities at Mirfield Station
 - Over 1,500 businesses supported to offer apprenticeships so far this year
 - Over 1,200 new jobs committed to the region through engagement from the Trade and Investment Team to date this year
 - Provided support to 1190 businesses that want to grow in the region
 - Shaped new values and behaviours for the organisation that will guide how we work with our customers, our partners and each other from now on.
- 2.2 The business plan under development for 2018/19 builds on these successes and reflects the need to respond to the growing agenda in the region. Recent recruitment to the delivery and policy teams will help ensure further improvements to the speed and success of project delivery and ensure the resource is available to seek to secure funding to support the growing policy work required.
- 2.3 **Appendix 1** sets out a summary of the draft business plans for each of the Directorates, Delivery, Policy, Transport Services, Economic Services and Resources. These show the key objectives and resources for each team and it is proposed that these will form the core of the 2018/19 Corporate Plan. Key performance indicators (KPIs) will again be used to assist in monitoring progress on delivering these objectives. At its last meeting the Overview and Scrutiny Committee considered the current year KPIs and suggested that further KPIs for 2018/19 be considered that cover air quality, productivity, social value, jobs created in disadvantaged areas and transport accessibility improvements.
- 2.4 The business plan, budget and transport levy must be approved at the WYCA meeting of 1 February 2018. The budget for 2018/19 is being prepared in the context of a medium term financial strategy for the next three years which will enable effective planning for both WYCA and its funding partners. The difficult funding environment for local government is recognised and WYCA is considering a range of options to reduce expenditure, both to balance the budget in the first instance and also to enable a cut in the transport levy.
- 2.5 The transport levy is the largest source of revenue income for WYCA, provided on a per capita basis by each of the five West Yorkshire local authorities. 45% of the levy is used to fund the statutory English National Concessionary Travel Scheme (ENCTS), providing free bus travel to senior and disabled passengers. This increases the challenge to find significant cost reductions on the other budget heads.
- 2.6 As well as reviewing expenditure WYCA is considering if there are ways to increase its other funding streams. One of its other more significant income streams is the business rates income from the enterprise zones in the region, which comes to WYCA as accountable body for the LEP. Income from the Leeds EZ, earmarked initially to

fund the trade and inward investment team, has been slower to build up than originally forecast, leaving WYCA/LEP with a shortfall over the last three years. This income is now slowly increasing and forecast to build up to £6m pa by 2012. The EZ income is planned to provide core funding for WYCA/LEP or their activities contributing to economic growth. The second EZ covers a number of sites, most of which require investment to remediate or develop the site to enable full occupation. Work is underway to fund some of these works through Growth Deal funding.

- 2.7 Members will be aware of the short term nature of funding streams from Government that support the skills and business agenda, such as the business growth service, skills service and apprenticeship grants. Efforts are being made to seek other funding sources to continue these services. Whilst the Department for Business, Energy and Industrial Strategy (BEIS) announced last week that there would be a commitment to continuing funding for the business growth service the actual amount has yet to be confirmed.
- 2.8 The inherent inflation in both concessionary reimbursement and bus tendered services, along with pay and other contract inflation sees expenditure increasing even at a standstill in service provision. Taking into account the ambition and priorities of WYCA and its partners there is a continuing mismatch of income and expenditure over the next three years.
- 2.9 Whilst all areas of spend are being scrutinised there is a particular focus on how spending reductions can be achieved through the transformation of passenger transport provision. Options of how this could be achieved are being developed and will be further considered in conjunction with local authority officers to understand the specific transport need in each District. Any proposals developed will be subject to consultation and equality impact assessments. The initial thinking around this transformation are set out in paragraphs 2.11 onwards, with the target savings built into the draft three year financial strategy considered later in this item.
- 2.10 The three year proposal is based on an assumption of a levy cut of £1m in each of the next three years (£1m was cut from the levy in 2017/18). Targets to generate further income from WYCA buildings and infrastructure assets are being developed by exploiting the current commercial property market and by implementing invest to save schemes. A commercial asset strategy focussing on bus stations is under development.
- 2.11 At present 50% of the cost of WYCA's activity in providing travel information and supporting the sale of transport tickets and passes is funded by operators and MCard sales revenue. By increasing revenue from lower cost self-service, digital channels it is possible to reduce the net cost to local taxpayers by 2020/21 whilst modernising the service.
- 2.12 In order to make significant reductions in expenditure, and to better respond to the requirements of the travelling public there will be a need to change the way in which WYCA currently spends £19m procuring socially necessary bus services. A value for

money approach has enabled year on year savings in this provision however more fundamental changes are needed to ensure a reduced spend is targeted towards the Authority's and thereby the local authority's priorities. A plan has therefore been developed to reduce this cost to £15m by 2020/21 as follows:

- Currently 45% of this expenditure provides services to communities which would not otherwise have any public transport link, of which 10% is spent on AccessBus. It is proposed to focus this expenditure on supporting inclusive growth - those deprived communities currently isolated from the public transport network, by adopting customer focussed, innovative and lower cost ways of supporting their mobility. The AccessBus service will become more integrated with other forms of accessible transport provided by the social care, health and third sectors. By 2020/21 65% of the reduced budget will be spent on supporting mobility.
- 30% of the expenditure currently provides early morning, evening and weekend journeys on bus services to communities which currently enjoy a commercially funded bus service at peak times and during weekdays. Negotiations will be held with bus operators seeking alternative ways of supporting evening and Sunday services and taxi based solutions will be deployed where appropriate. By 2020/21 25% will be spent on this form of provision.
- Further economies will be made to reduce spend on providing school buses in line with the reduced budget working closely with District Council Children's Services teams.

2.13 **Appendix 2** sets out the draft three year revenue budget. The closing position for 2017/18 is in line with the original budget agreed and will utilise general reserves of £3.5m, leaving opening general reserves at £3.6m at 1 April 2018. This represents a minimum level of general reserves that are required to be retained over the period.

2.14 The savings available from transforming the current service offer to the model described above are reflected in Appendix 2. There is an element of lead time to move to this model with the savings starting slowly and increasing by the end of the period. This leaves a potential funding gap of £0.897m by 2020/21. It is proposed to close this gap by undertaking a number of actions, to include:

- specific savings targets and income targets for each directorate;
- a review of capitalisation policy (including consideration of whether any changes to this could be backdated to apply to previous years);
- a review of Enterprise Zone income and any actions that could accelerate this income;
- a review of treasury management arrangements and any opportunities to address borrowing costs and Minimum Revenue Provision (MRP) as part of debt management.

- 2.15 Work has started on this and the detail will be provided as part of the full budget paper to the 1 February meeting. In order to ease the transition to the reduced spending position it is proposed that a small proportion of the levy set aside to fund the local contribution to the West Yorkshire plus Transport Fund is utilised to close the funding gap in 2018/19 and 2019/20. This is only possible in the short term as expenditure on the Fund has been slower than anticipated to reach the levels that require us to undertake borrowing, although this should change by 2021. Members will recall that the City Deal that secured a £1bn Transport Fund provided government funding of £750m with West Yorkshire and York providing the balance. This was agreed to be through supported borrowing.
- 2.16 A detailed three year capital funding and expenditure programme will be presented alongside the revenue budget in February. At this stage **Appendix 3** sets out the forecast for this and the next two years. Forecast spend levels are being further scrutinised to ensure they reflect the most robust estimates from delivery partners and to ensure that they achieve best use of the funding available. The most significant funding stream is Growth Deal, after which there are a number of transport funding streams including Local Transport Plan Integrated Transport Block, Leeds Public Transport Investment Programme and NPIF. A number of funding streams are passported straight through to the local authorities on a pre-determined basis, such as highways maintenance and pothole action fund.
- 2.17 Capital funding is used to meet the direct delivery costs of projects approved through the assurance framework, which includes WYCA and partner authorities project managers/assistants and other directly attributable costs. It has also been previously agreed that there will be a capital recovery of the costs of the Portfolio Management Office that manage the assurance frameworks and project management and reporting and the feasibility and assurance team. A level of capital recovery has also been built into the revenue budgets to reflect the support given to the Delivery Directorate by the resources, policy, research and communications teams. This has initially been set at £1.5m for 2018/19 and is being reviewed to ensure it is representative and proportionate given the relative size of the capital programme and revenue budgets.

3 Financial Implications

- 3.1 As set out in the report.

4 Legal Implications

- 4.1 None arising directly from the report. Consultation and Equality Impact Assessments will be required as policy change proposals are progressed.

5 Staffing Implications

- 5.1 None arising directly from the report.

6 External Consultees

6.1 None.

7 Recommendations

7.1 That WYCA note the work underway on the medium term financial strategy, and business planning and budget for 2018/19.

8 Background Documents

8.1 None.