
Report to: West Yorkshire Combined Authority

Date: 1 February 2018

Subject: **Business Planning and Budget 2018/2019**

Is this a key decision?	<input checked="" type="checkbox"/> Yes <input 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 consider the outline corporate plan for West Yorkshire Combined Authority (WYCA) for 2018/19 and its strategic aims on behalf of local people.
- 1.2. To approve the proposed revenue budget and transport levy for 2018/19, the indicative capital programme and the treasury management statement.

2 Information

Background

- 2.1 WYCA brought together the organisations and teams responsible for public transport, economic growth, research and intelligence and inward investment for the Leeds City Region and who are united around a shared agreed focus on good economic growth for the region. Following the appointment of the Managing Director in February 2016 the One Organisation programme was established and has made significant progress in delivering a number of workstreams covering new delivery processes, changes to organisational culture and structure, governance, policy, strategy and services. New directorates were created and directors and heads of service appointed to take forward new ways of working and improved processes and systems to ensure that resources are all best aligned towards good inclusive growth.
- 2.2 WYCA has been successful in securing significant external funding to support its delivery of the ambition set out in the Strategic Economic Plan. The region has previously secured the largest Growth Deal in the country and has recently received confirmation of a further £43m to continue some key programmes and to commence

other critical projects. A significant number of projects are underway including skills capital projects at colleges across the region and West Yorkshire plus Transport Fund schemes are progressing in all Districts.

- 2.3 The focus for 2018/19 remains on achieving inclusive economic growth, through improving connectivity and housing stock, increasing the number of good quality jobs, encouraging businesses both to grow and to move to the region and increasing the opportunities for young people to access training and employment. Negotiations continue with government on the size and shape of a devolution deal that could bring significant benefits to the region and build on the successes achieved to date. In the current context of public sector funding cuts and the huge pressures on the District Councils that largely fund WYCA's revenue budget securing the right devolution deal could help to ensure that the improvements in economic growth across the region are delivered.
- 2.4 The work underway through the One Organisation Programme will enable WYCA to respond to any devolution deal and adapt its shape and processes accordingly.

Corporate Plan 2018/19

- 2.5 WYCA's activities are led at an overarching strategic level by the Strategic Economic Plan approved by both the WYCA and the Leeds City Region Enterprise Partnership (LEP). In order to translate this into practical measurable actions an annual corporate plan is produced and approved each year. This plan confirms the vision and mission for the organisation and the practical steps for how these are to be progressed during the year. The plan includes key performance indicators to measure the success of these deliverables and regular reports will be provided to WYCA to provide information on progress against these indicators. The corporate plan will be kept under review throughout the year to ensure it reflects any changes arising, for example, from the work underway to develop the Local Inclusive Industrial Strategy.
- 2.6 **Appendix 1** sets out a high level summary of the draft business plans for each of the organisation's five Directorates. These draft plans will form the basis of the 2018/19 corporate plan which will be brought to the next meeting of WYCA for approval following further work to develop the details of how delivery of the organisational priorities and associated targets will be measured. **Appendix 2** sets out the proposed shape of the corporate plan, which will bring together the detail of the directorate business plans in a thematic way that enables a clearer presentation to stakeholders of what WYCA will deliver in the coming year.

Revenue budget 2018/19

- 2.7 WYCA has considered a number of reports on the medium term financial strategy and the budget strategy for 2018/19. At its meeting on 14 December 2017 it considered a report putting forward a £1m cut in the transport levy for 2018/19 and the subsequent two years. In order to be able to produce a balanced revenue budget for this period a number of actions were required, including identifying budget savings and income targets to be achieved. This work has commenced, with

reductions in expenditure and increases in income for 2018/19 and subsequent years built into the attached budgets. Further work planned includes undertaking a thorough review over the next year of the way in which transport services are provided in order to reduce expenditure over the next three years. The updated forecast figures for 2017/18 are still in line with those provided in the December report and the original budget position of using £3.5m of reserves. The draft budget proposals have been considered by the LEP Board and Overview and Scrutiny Committee, with Governance and Audit Committee considering them at their meeting on 25 January. The challenges as previously reported remain and are set out in the following paragraphs.

- 2.8 **Appendix 3** provides details of the 2018/19 proposed budget and early estimates for the subsequent two years.

Income

- 2.9 **Transport levy:** the largest element of revenue income for WYCA is the transport levy. For 2018/19 this is proposed to be £100m (of which £94.2m is utilised to support revenue expenditure) – this is a £1m reduction compared to 2017/18. The levy is paid by the five West Yorkshire District authorities in proportion to the population of each District. £82m of this directly supports passenger transport activities in accordance with the policies and principles established by WYCA. Of this £46m pays for the statutory element of the concessionary travel scheme for seniors and disabled, £10m supports young people's concessions and almost £20m supports subsidised bus services. There is little further that can be done to reduce the payments to operators for the statutory element of concessionary travel, as this is calculated in accordance with a nationally prescribed mechanism. WYCA has sought to manage increases in costs and expectations for transport services within this available levy funding whilst also maintaining the proportion of the levy set aside to support the West Yorkshire plus Transport Fund.
- 2.10 The proposed levy reduction of £1m is in response to the continuing pressure on local government funding. WYCA has been developing its medium term strategy over a three year horizon and it is proposed that the levy is further reduced by £1m in each of the next two years. The implications of this are set out in this report and will require significant work to transform the way in which transport services are provided.
- 2.11 **LEP subs/government funding:** the Leeds City Region authorities pay subscriptions to support the activities of the Leeds City Region Enterprise Partnership. These continue unchanged at £0.7m and will be supplemented by government funding of £0.5m. This level of government funding has also remained unchanged for a number of years and it should be noted that the same amount is paid to each LEP irrespective of the size and shape of each region.
- 2.12 **Enterprise Zone (EZ) receipts:** WYCA took on the inward investment function of the former Leeds and Partners in April 2015. The costs of this function (circa £1.5m) were to be met through business rates income from the two EZs in our region – Leeds

Aire Valley and the multi-site M62 corridor – as this income accrues to WYCA as the accountable body for the LEP. The timing of new businesses opening on the EZs as well as the formal valuation of them has been slower than anticipated and to date actual income has not met forecast levels. This has resulted in a funding timing difference in previous years, necessitating WYCA funding the costs of the inward investment team through the use of reserves. The latest forecasts are included in the figures at Appendix 3 and demonstrate that the income is now almost on track to meet the in-year costs of the inward investment activity. Work is continuing to fully understand the timing of the payment of EZ business rates to the Local Authorities and the risk of appeals to rateable values and this may result in the actual income in 2018/19 exceeding that assumed in the budget. There is also a need to consider how to encourage further businesses to locate to the two EZs in our region and to recognise that further upfront investment, potentially through capital budgets, may be required to achieve this.

- 2.13 **Business skills and employment:** this income funds the work of the economic services team in providing support to businesses to upskill their employees and expand their activities. These funding streams are awarded to WYCA usually on an annual basis with a requirement to spend in that time period. This gives no certainty to being able to continue with these workstreams in future years – the 2018/19 budget reflects the awards made for that year. Funding streams secured previously include Apprenticeship Grants for Employers, Enterprise in Education funding, the Skills Service and Business Growth Service. WYCA will continue to pursue opportunities to secure further funding streams in these work areas and any further awards will be reported to the authority.

Expenditure

- 2.14 **Concessionary travel:** this is the highest individual budget line and represents reimbursement to bus operators for the statutory element of the concessionary travel budget, totalling £46m. Since 1 April 2017 data collected through smartcard technology has been utilised in the Department for Transport calculator which is used to establish the basis of the ‘no better, no worse’ reimbursement principle. In order to manage this budget as effectively as possible and seek to achieve best value from it agreements have been entered into with the major bus operators. These apply inflation to the ‘cost per passenger’ element of the reimbursement and apply a cap and collar arrangement to limit fluctuations arising from changes in passenger numbers ie adjustments to payments are not made if passenger numbers fluctuate between the pre-agreed limits. The forecast costs based on these arrangements are included in the budget figures and future years’ estimates. An element of risk still remains, as not all operators are included in these agreements, and the cap and collar arrangements may be breached. This risk is addressed through the reserves policy set out in paragraphs 2.26 and 2.27.
- 2.15 **Transport services:** Work is underway with oversight from the Transport Committee to transform, target and prioritise a range of services, including the £19m spend on

socially necessary bus services. A plan has been developed to reduce this cost to £15m by 2020/21 by developing some key initiatives as follows:

- i. Support those deprived communities which would be isolated from the public transport network by adopting customer focussed, innovative and lower cost ways of supporting their mobility spend, in support of inclusive growth;
- ii. Seeking alternative ways of supporting evening and Sunday services, deploying taxi based solutions where appropriate;
- iii. A more focussed approach to spend on providing school buses, working closely with District Council Children's Services teams.

Further efficiencies are being planned including the development of an asset management strategy to exploit the commercial property market and introduce a range of invest to save initiatives, modernising passenger information services by introducing a lower cost, self-service and digital approach and embedding further cost efficiencies in service monitoring and surveys, cleaning, maintenance and service contracts.

2.16 **Growing agenda:** Work was completed during 2017/18 to establish and resource a policy and strategy team that means WYCA/LEP can operate at an influential national level on relevant policy areas including social inclusion, employment, health, housing and fiscal and Brexit policy. It was previously identified as vital that WYCA and the LEP are active on these agendas to achieve their strategic ambitions, influencing national policy and securing the resources to enable the organisation to deliver through devolution and future Government bidding opportunities. Ways of increasing and funding resource in this area will continue to be explored during the coming year.

2.17 Raising the Leeds City Region's national and international profile, so that it competes effectively for its full share of government and commercial investment, has been identified as another key priority by Leaders and Chief Executives. In addition to core "business as usual" communications and marketing activity - including promoting transport and economic services and campaigns, attracting inward investment into the region, and communicating the impact of WYCA's work locally and regionally – a number of further areas of activity have been identified by Leaders and Chief Executives as requiring further investment. These include appropriate engagement on devolution and continuing to raise the City Region's national profile and influencing key stakeholders through more concerted public affairs and media relations activity. Income and expenditure for attendance at the international property conference MIPIM is included in the economic services budget block, with a target for private sector sponsorship. This forms part of our critical work to grow the region's economy faster. The outline programme for the trade and investment team including attendance at MIPIM was agreed by the LEP Board in January 2018 and a more detailed programme is in development.

2.18 **Urban Transport Group (UTG) and Rail North (RN) Subscriptions:** UTG provides a means to focus transport issues by bringing together a number of passenger

transport and combined authorities, providing in effect an officer forum whereby common challenges such as concessionary travel reimbursement can be efficiently and collectively addressed. WYCA's subscriptions for 2018/19 are included in the proposed budget at £82k and continued membership will be reviewed by Transport Committee in the coming year. WYCA, in common with the other members of Rail North, is also required to provide funding to Rail North. This is set through the membership arrangements and is included in the 2018/19 budget at £186k being the 2017/18 sum indexed. These subscriptions will be payable to Transport for North once Rail North's activities transfer to them as expected in April 2018.

- 2.19 **Other inflationary pressures and staffing:** The budget as presented assumes inflation on contracts, including bus tendered services, as well as on salaries and other overheads will have to be managed with these figures. A 1% pay award has been provided for in the salary budgets and a further 1% set aside in a contingency pending the agreement of local government settlements. The increased costs to WYCA of the West Yorkshire Pension Fund triennial revaluation which was effective from April 2017 are factored into the revenue budget. The total staffing budget is £20.9m and for 508 full time equivalents in 2018/19. Opportunities to recover staffing costs through capitalisation and third party grants are maximised as far as possible in order to reduce the pressure on the revenue budget.
- 2.20 **Delivery Directorate:** This is the WYCA team directly responsible for defining, developing and implementing all capital programme and projects for approval including assurance, monitoring and evaluation. The **proposed** policy (effective from 2017/18) is to recover the cost of this Directorate (£3.74m) and capital programme support provided by other WYCA Directorates (£1.5m), against the capital programme / project budgets being mainly Growth Deal, Leeds Public Transport Investment Programme, Local Transport Plan Integrated Transport, National Productivity Investment Fund, Cycle City Ambition Grant and Growing Places Fund. In total this equates to an approximate recovery rate between 2% - 3%. The detailed calculations of recharges against specific projects and programmes will be considered by the Investment Committee at a future meeting.
- 2.21 **Revenue implications of the West Yorkshire plus Transport Fund (WY+TF):** This has received £30m funding through the Local Growth Deal for each of 20 years subject to achieving targets at periodic gateway review points. The ambition is to deliver these schemes over 10-11 years in order to address the backlog of underinvestment and make a step change in the economic growth needed in the region. To achieve this requires a local contribution, and this was recognised at the time of agreeing the City Deal. Small annual increases to the levy have been made to date but the intention was always to borrow against the future income in order to make faster progress, with these costs met by increases in the transport levy. Original projections showed significant borrowing requirements over the coming years to be met by a growing transport levy. A separate transport levy reserve has been created for this purpose by setting aside an amount of the levy each year. It has not yet been necessary to utilise this reserve to support delivery of the WY+TF.

- 2.22 Work is underway through the Investment Committee to confirm a robust programme of project expenditure, accompanied by the necessary financial modelling to identify the extent of further increases that would be required to the levy to support the borrowing required to deliver the programme. Whilst District Councils are aware of the commitment to local contributions to fund the WY+TF it is recognised that increases in expenditure in the current financial climate are especially difficult. At this stage WYCA is undertaking to deliver the WY+TF schemes and other Growth Deal capital projects within the funding it has available (through a combination of grant and cash balances) and not undertake any borrowing in 2018/19 to meet these costs. As the delivery timescales for projects are further developed by the Delivery directorate in conjunction with the Districts' Directors of Delivery the extent to which future years' budgets are forecast to require an element of funding to support borrowing will be confirmed.
- 2.23 **Proposed revenue budget 2018/19:** The outcome of the work undertaken is set out in **Appendix 3** and shows the original budget and revised outturn for 2017/18 and the proposed budget for 2018/19 alongside indicative figures for future years. Reflecting the progress of the One Organisation Programme during 2017/18, it should be noted that the budgets have been realigned during the year to reflect the new directorate structures and to bring together similar areas of spend.
- 2.24 The budget presents a challenging yet robust position for 2018/19 and sets the framework for the following two years, recognising the financial difficulties facing local authorities but seeking to ensure that WYCA can continue to provide services to an acceptable level. Further work will continue during 2018/19 to thoroughly review and test each service area to ensure their actions are fully aligned with the Strategic Economic Plan (SEP) and emerging Local Inclusive Industrial Strategy and can demonstrate value for money in that context. This work will be carried out in partnership with an officer finance working group that includes representatives from across the West Yorkshire District Authorities.
- 2.25 The 2018/19 budget requires a number of savings and income targets to be achieved. The savings targets built in to the 2017/18 budgets were successfully achieved in total although there were some variations between the targeted budget lines (transport services, bus tendered services and financing costs). Reductions in expenditure and increases in income for 2018/19 and subsequent years have been built into the attached budgets to ensure a clear focus on accountability and responsibility for achieving these. The pressures on budgets continue into the coming years and the need for continuing savings, re-consideration of services and focus on income will continue. Reporting against the attached budgets will be made to each meeting of WYCA during the coming year, including variances against budgets, emerging issues and challenges and any additional funding secured. Reporting will also include more general performance and will focus on the indicators to be agreed as part of the corporate plan.

Reserves policy

- 2.26 Any budget proposals should be supported by an appropriate reserves policy. Good practice is that such a policy should be based on a risk assessment of the different

areas of spend and income and as such will vary from year to year and from organisation to organisation. The workings for this year's reserves policy are set out in Table 1 below and are based on the approach taken in previous years with an updated assessment of the relative risks.

Table 1 - Reserves Policy						Budget	Reserves
						2018-19	2018-19
						£m	£m
Risk on Concessions						56.27	
3% contingency for volatility of payments: no agreements in place with operators as paying on SMART data							1.69
Risk on Subsidised Bus services						18.69	
3% contingency due to inflation higher than budget							0.56
Risk of not reducing budget/unintended reactions from operators							0.40
Risk on other areas of spend							
Passenger Services (net)						6.86	
Business and Skills						6.99	
Trade and Inward Investment						1.28	
Policy, Strategy and Communications						5.59	
Financing (net)						5.70	
Resources						6.13	
						32.55	
Risk of inflation increases/capacity demands etc at 3%							0.98
Risk on income							
Risk that income falls short of expectations (eg Enterprise Zone receipts)							0.50
Total reserves required							4.13

- 2.27 The closing general reserves position for 2017/18 is currently forecast to be £3.6m, though we are aiming to increase this level further through in year savings/ efficiencies. For 2018/19 the budgeted assumption is that £1.5m of reserves are required reducing the general reserve to £2.1m – which would be below the level assumed in the reserve policy workings (Table 1). To protect the general reserves at the required level, it is proposed that a transfer is made from the WY+TF reserve in the short term to maintain the general reserves at the minimum level. The general reserves policy will be kept under review to ensure it is kept at an optimum level to best meet the needs of both WYCA and the District Councils.

Transport levy

- 2.28 WYCA is required to set the transport levy annually and in accordance with the regulations meaning that the levy must be set by 15th February in the year preceding that to which the levy applies. Over recent years an element of the transport levy has been allocated to supporting the WY+TF and the rest of the levy applied to

normal transport activities. This element has been either reduced or frozen over the last five years, with the proposed position for 2018/19 (and subsequent two years) being a £1m reduction. Whilst this appears to be only a 1% reduction in reality it is closer to 3% when the non-discretionary nature of expenditure is considered ie statutory concessionary reimbursement. This position is supported by use of an element of the WY+TF reserves that are not required in the next two years to support the borrowing costs that they have been set aside to meet.

2.29 Adjustments have been made to the levy for a number of years to enable an equitable distribution of funding that has been paid to Districts when formerly it was paid directly to WYCA (and the former West Yorkshire Integrated Transport Authority). This includes for example concessionary fares funding that was paid to the Districts on a different formula basis than population. These adjustments were agreed with the Districts and ensure that they each 'passported' through to WYCA any relevant direct funding received. The mechanism involves setting a gross levy and providing a rebate to each District in the year to compensate for any over-recovery. In order to ensure consistency in respective levy payments these agreements have been presumed to continue for 2018/19.

2.30 Table 2 below sets out the net and gross levy by population, in accordance with the regulations, showing the effect of the decrease of £1m and the change in the population base which this year is relatively insignificant.

Table 2 - District Council levies						
	Relevant	Net	Gross	% of levy	Refund	Net
	Population	2017/18	2018/19	By District	2018/19	2018/19
	June'16 for 2018/19	£000	£000	%	£000	£000
Bradford	534,279	23,714,734	24,394,466	23.23%	945,777	23,448,690
Calderdale	209,770	9,080,474	9,577,818	9.12%	597,076	8,980,742
Kirklees	437,047	18,618,826	19,954,983	19.00%	1,547,861	18,407,122
Leeds	781,743	34,045,849	35,693,342	33.99%	1,937,588	33,755,755
Wakefield	336,834	15,440,703	15,379,391	14.65%	71,111	15,308,279
	2,299,673	100,900,586	105,000,000	100.00%	5,099,413	99,900,587

2.31 In accordance with the regulations District Councils will be notified of the transport levy by mid-February and will make payments to the WYCA in ten monthly instalments from 1 April 2018.

Capital programme

2.32 The following paragraphs set out the capital funding available to WYCA for 2018/19 and subsequent years and the indicative capital programme for which this funding will be used. It reflects the impact of the changes to the way in which the Department for Transport (DfT) provides capital funding, most notably the devolution of the major scheme funding and the topslice of Local Transport Plan Integrated Transport (LTP) block funding to the regional Growth Deals. It also sets out information regarding Growth Deal funding for the region awarded to the LEP, for which WYCA is the accountable body. Whilst this provides significant sums for investment in interventions there are also requirements to ensure grant conditions

are met, including an unwritten requirement to spend in year and this necessitates a review of funding and expenditure to ensure the most effective and efficient use of resources to ensure delivery of key priorities alongside maximising the funding available.

2.33 In previous years, following discussions with the Investment Committee, and considering the flexibility granted from Government, WYCA endorsed the approach whereby at the year end the available funding was applied to appropriate capital schemes in a way to maximise the use of time limited funding and reduce the risk of funding being clawed back or reduced in future years. This enabled certain funding streams to be carried forward to this and subsequent years in order to optimise the delivery of the portfolio of approved projects. It is proposed that a similar approach is taken for 2017/18 and that this be kept under review as part of the year end closedown work.

2.34 Table 3 below sets out the capital funding to be paid to WYCA in the period 2018/19 to 2020/21.

		Table 3			
CAPITAL FUNDING	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	TOTAL £000
Local Growth Fund	72,228	74,349	73,510	100,338	320,425
Local Growth Fund C/Fwd	73,160				73,160
Leeds Public Transport Investment Programme	21,000	48,700	49,100	54,700	173,500
Local Transport Plan Integrated Transport	13,104	13,104	13,104	13,104	52,416
Local Transport Plan Integrated Transport C/Fwd	780				780
Highways Maintenance Block	25,971	23,507	23,507	23,507	96,492
Highways Maintenance Incentive Funding	2,432	4,896	4,896	4,896	17,120
Pothole Action Fund	3,857	2,231			6,088
National Productivity Investment fund	6,925				6,925
DfT Cycle City Ambition Grant	14,641				14,641
West Yorkshire Cycling and Walking Fund	2,140				2,140
Ultra Low Emission Vehicles	495	495	990		1,980
European Regional Development Fund	2,968	1,823			4,791
Broadband UK (BDUK)	2,968	1,823			4,791
Growing Places Fund	3,740	4,426	4,929	2,365	15,460
HS2	1,079				1,079
One Public Estate	385	160			545
Capital Receipts	600				600
Carry forward from prior year		73,653	59,469	7,500	
WY+TF Borrowing	0	5,300	13,537	103,369	122,206
TOTAL	248,473	254,467	243,042	309,779	915,139

2.35 The figures included for Growth Deal are the announced allocations to WYCA. WYCA has certain flexibilities with regard to how the funding is applied to specific projects so the actual spend may differ between years. There is also an amount of carry forward to be utilised by 2021.

2.36 The figures included in the table for the Leeds Public Transport Investment Programme, the means by which the money originally allocated to the New Generation Transport (NGT) project will be used for public transport improvements in

the Leeds area, are based on an indicative programme agreed with the DfT. £21m has been received in 2017/18 as an initial payment.

- 2.37 Table 3 also includes further funding from DfT for the Cycle City Ambition Grant, Broadband Delivery UK (BDUK) for the broadband project, as well as European funding for a number of projects.
- 2.38 The most recent LTP settlement letter issued by the DfT confirmed the Integrated Transport block allocations for 2017/18 with indicative allocations provided for subsequent years. WYCA is deemed to be the accountable body in West Yorkshire and funding will be allocated and paid to it.
- 2.39 WYCA therefore has the responsibility for distributing LTP funding to the District Councils to deliver the agreed Implementation Plan. In order to do this a mechanism has been established to make payments to Districts during the year that reflects the planned delivery of the Integrated Transport Block funded programme.
- 2.40 The Highways Maintenance allocations are made in full to District Councils with the funding received by WYCA paid over to the Districts via quarterly payments, as determined by the DfT's formulaic allocation. Similarly the highways maintenance incentive funding and pothole action fund is received from DfT and redistributed to Districts in accordance with their formula for this funding. Given this money is effectively simply passported through to the local authorities it is not required to be progressed through the assurance framework and it is proposed that approval is given via this report for the expenditure to be incurred via the usual quarterly payments. Indicative values are set out in Table 4 below, as reported to the Investment Committee in November 2017. It is proposed that the Director Resources, as s73 Officer, be authorised to approve revised payments should final confirmed sums by DfT differ from those indicative ones set out below.

Table 4

	Pothole Action Fund		Highways Maintenance Needs Based	Highways Maintenance Incentive (Band 3)
	2017/18		2018/19	2018/19
	17/18 confirmed	17/18 Additional element	Expected	Expected
West Yorkshire	£2,231,000	£1,626,171	£2,231,000	£23,506,890
Bradford	£427,808	£311,829	£427,808	4,972,433
Calderdale	£276,876	£201,814	£276,876	3,171,385
Kirklees	£451,797	£329,314	£451,797	4,921,392
Leeds	£710,681	£518,014	710,681	7,000,882
Wakefield	£363,837	£265,200	363,837	3,440,797

2.41 Table 5 below sets out the expected capital expenditure for the next three years.

CAPITAL EXPENDITURE	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	TOTAL £000
Growth Deal	100,150	102,080	105,960	129,350	437,540
Call For Projects	0	14,282	42,847	85,693	142,822
Leeds Public Transport Investment Programme	2,000	15,000	40,000	50,000	107,000
Local Transport Plan Integrated Transport	13,100	13,104	13,104	13,633	52,941
Ultra Low Emissions Vehicles	180	1,027	1,028	0	2,235
Highways Maintenance Block	25,970	23,507	23,507	23,507	96,491
Highways Maintenance Incentive Funding	2,432	4,896	4,896	4,896	17,120
Pothole Action Fund	3,857	2,231	0	0	6,088
National Productivity Incentive Fund	6,925	0	0	0	6,925
DfT Cycle City Ambition Grant	10,547	4,094	0	0	14,641
West Yorkshire Cycling and Walking Fund	1,019	1,121	0	0	2,140
WY Broadband Programme	5,936	3,646	0	0	9,582
Growing Places Fund	800	4,550	2,000	2,000	9,350
HS2	1,079				1,079
One Public Estate	385	160			545
WYCA Corporate Projects	440	5,300	2,200	700	8,640
TOTAL	174,820	194,998	235,542	309,779	915,139

2.42 The **indicative** capital programme for 2018/19 and future years includes both approved and planned projects and actual delivery will be dependent on the progress of schemes through the assurance framework. The programme reflects the priorities as set out in the corporate plan, in turn derived from the SEP, and will see the completion of/progress on a range of key projects such as rail station park and rides, corridor improvement projects, housing regeneration projects, clean energy projects, the continuation of the Business Growth Programme and development work on station gateway masterplans including Bradford Interchange, Castleford Rail Station, the A62 Cooper Bridge scheme, the East Leeds Orbital Road, the Halifax Station Gateway scheme and the York Northern Outer Ring Road.

2.43 The capital programme includes an allocation for the 'Call For Projects' – which is reported in more detail in a separate item on today's agenda. The allocation is based on those schemes initially assessed as deliverable by 2021, though recognising that further work is required through the WYCA assurance and approval process. Delivery in full of these projects would exceed the current funding available and the funding table therefore recognises a borrowing requirement in future years to fund the full programme.

2.44 As set out previously in this report current programmes are under review by the Investment Committee alongside the further work on the call for projects – this work will assist in establishing the deliverability of the programme and confirm robust timings for delivery of these schemes and any potential funding/timing gaps that arise. Ongoing financial monitoring and planning will enable updates to be provided on the affordability of the programme and the appetite to support the required level of borrowing which is envisaged to be required beyond the 2020/21 end date of the

Growth Deal funding. In accordance with the City Deal funding for these schemes is partly through government grant but is also required to be supported through local contributions, which has previously been agreed as a levy supporting borrowing. The mismatch between the funding and expenditure tables will therefore be addressed through borrowing, and indicative figures are set out in Table 5. The release of funding through the Growth Deal to support the WY+TF from 2020/21 onwards is dependent on the outcome of regular independent reviews. These are expected to initially focus on expenditure against forecast with later reviews considering whether the stated aims and objectives have been achieved.

- 2.45 The release of funding to progress projects is subject to the WYCA assurance process. The Investment Committee will continue to be a key part of the process whereby Growth Deal and other projects are considered and recommended for progression from initial idea through to delivery / construction. It is proposed that the arrangement in place for 2017/18 whereby Transport Committee approve Integrated Block funded projects up to a value of £3m is continued for 2018/19, with reporting to WYCA of such decisions, as with the Investment Committee.
- 2.46 Provision has been made in the capital programme for WYCA to fund its internal capital projects, to include a programme of ICT investment in support of the Corporate Technology Strategy and any potential refurbishment of office accommodation. This would be funded by borrowing, or, in the shorter term, through use of cash reserves and balances.
- 2.47 The recognition of a borrowing requirement, either for its own internal programme or to support over programming of funded programmes such as the Growth Deal, highlights a change for WYCA which has historically been able to fully fund its capital programme through capital grants received. The deal for the WY+TF requires borrowing to meet the local contribution element but the scale of the programme is such that this has not yet been required. The capacity for borrowing will also make the Growth Deal programme easier to manage – at present this funding stream concludes in 2020/21 but it is expected that some of the projects may require funding beyond this date. These costs could be met by borrowing subject to provision being made in the revenue budget to meet the related borrowing costs.

Treasury management

- 2.48 The treasury management function is undertaken in conjunction with Leeds City Council. WYCA is required to prepare an annual prudential statement, setting out treasury activity in the year, the arrangements in place and details of the funding position. This is set out in full in **Appendix 4**.

3 Financial Implications

- 3.1 As set out in the report.

4 Legal Implications

- 4.1 WYCA is required by the levying regulations to set the transport levy for 2018/19 by 15 February 2018.

5 Staffing Implications

- 5.1 The budgets include the funding for current approved establishment and the associated employer on-costs.

6 Recommendations

- 6.1 That the approach to the corporate plan for 2018/19 be endorsed.
- 6.2 That approval be given to the WYCA revised budget / forecast for 2017/18 and the proposed budget for 2018/19.
- 6.3 That approval be given to the indicative capital programme for 2018/19 – 2020/21.
- 6.4 That the Transport Committee be delegated to approve individual schemes within the integrated transport block of the 2018/19 capital programme up to a maximum cost of £3m.
- 6.5 That in accordance with the powers contained in the Local Government Finance Act 1988 (as amended) and by virtue of article 9(6) of the West Yorkshire Combined Authority Order and the Transport Levying Bodies Regulations 2015 (as amended) a levy of £105m be determined for the year ended 31 March 2019.
- 6.6 That the Chief Financial Officer be authorised to issue the levy letter in respect of the financial year ending 31 March 2019 to the five District Councils in West Yorkshire.
- 6.7 That a payment of £5.099m be made to the District Councils in accordance with Table 2 of the report.
- 6.8 That authorisation be given to the Chief Financial officer to arrange appropriate funding for all expenditure in 2017/18 and 2018/19 subject to statutory limitation, including the most appropriate application of capital funding as set out in the report.
- 6.9 That approval be made to the expenditure of highways maintenance funding of £28.4m and the pothole action fund of £2.2m, to be paid quarterly to the West Yorkshire local authorities in accordance with the DfT formula, and for Director Resources to vary these amounts should DfT revise the payments from those provisionally indicated.
- 6.10 That approval be given to the policy, effective from 2017/18, for recovering the WYCA costs of managing the capital programme against the capital programme spend being mainly Growth Deal, Leeds Public Transport Investment Programme and

Local Transport Plan Integrated Transport. For 2018/19 the estimated total value is £5.24m (2% - 3%).

- 6.11 That the adoption of the CIPFA Code of Practice for Treasury Management in Public Services be reaffirmed.
- 6.12 That the treasury management policy as set out in Appendix 4 be approved.
- 6.13 That the prudential limits for the next three years as set out in Appendix 4 be adopted.

7 External Consultees

- 7.1 None

8. Appendices

Appendix 1 – Business Plan Summary
Appendix 2 – Corporate Plan Summary
Appendix 3 – Revenue Budget
Appendix 4 – Treasury Management

8 Background Documents

- 8.1 None.