



Report to:	Combined Authority
Date:	1 February 2024
Subject:	Business planning and budget 2024/25
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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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No

1. Purpose of this report

- 1.1 To approve the multi-year outcomes and 2024/25 business plan.
- 1.2 To consider and approve the proposed revenue budget and transport levy for 2024/25, the revised position for 2023/24, the indicative capital budget and programme and treasury management statement.
- 1.3 To consider and approve the capitalisation approach proposed.

2. Information

Introduction

- 2.1 The financial crisis facing local government has never been more acute. In setting the budget for 2023/24 the Combined Authority considered what was felt at the time to be a unique set of challenging circumstances, with high levels of inflation, the war in Ukraine and the aftereffects of Covid-19. During 2023/24 funding pressures have only increased and in bringing forward its business plan and budget proposals the Combined Authority is mindful of the budget pressures being tackled by its local authority partners.

2.2 Delivery of the 2023/24 business plan and budget have been monitored throughout the year by the Finance, Resources and Corporate Committee which has tracked a number of key performance indicators on a regular basis. Despite the difficult environment the Combined Authority and its partners have successfully delivered the following, set out in relation to the seven corporate objectives from our 2023/34 Corporate Plan:

Empowering Our Communities, Towns And Cities To Thrive

- A ground-breaking new partnership with Homes England has been signed to build more affordable and sustainable homes for people across the region
- We have started and completed more affordable homes in the last two years than in any other two-year period since the financial crisis. Over 800 of those homes are being built, made possible by our Brownfield Housing Fund'

Supporting Community Safety And Accountable, Proactive Policing

- The Mayor's Safer Communities Fund is taking cash seized from criminal activities by police and prosecutors and grants it to projects that are making their neighbourhoods safer, amounting to £2.3 million since 2021
- To increase the safety of women and girls, and reassure more vulnerable travel users, we recruited a new team of Police Community Support Officers dedicated to West Yorkshire's bus network aiming to reduce crime and anti-social behaviour
- secured £1 million funding for a new pilot to tackle anti-social behaviour across the region
- Our Just Don't campaign, teaching young men and boys the importance of being allies to women and girls, reached millions

Driving Economic Growth, Innovation, And Good Jobs

- Launched the Fair Work Charter in Bradford, with businesses and organisations signing up committing to action on five categories of "Fair Work", to help build a thriving economy that provides better pay, conditions and opportunities for all
- Announced the West Yorkshire Health, Life Sciences and Digital Investment Zone that will help create over 2,500 high-quality jobs in Kirklees and Leeds
- Announced a £7.5million fund with Innovate UK, part of UK Research and Innovation (UKRI), for businesses to develop life-changing medical innovations for use in the NHS and across the world
- Hosted the West Yorkshire Innovation Festival

Enabling A Diverse, Skilled Workforce And Accessible Learning For All

- Since 2022, we've supported 75,000 people to upskill, re-train, access self-employment or find a job, as making sure everyone in our region has the skills to secure a job is our priority
- We've supported over 80 schools and colleges with quality careers education.

Championing Culture, Sport, And Creativity

- We joined forces with creative businesses to launch a new Skills Bootcamp for young people to create opportunities in live events, delivered in Halifax by a Wakefield-based company
- A £2.3 million 'You can make it here' initiative has been launched to boost West Yorkshire's creative industries
- We worked with our partners on Leeds Year of Culture 2023 and Kirklees Year of Music 2023

Creating An Accessible, Clean And Customer Focussed Transport System

- The £2 Mayor's Fares bus fare cap helped thousands of people make ends meet during the cost-of-living crisis
- Launched a consultation on Bus Reform empowering people from West Yorkshire to have their say on how buses are run
- Supported nearly 1,500 people to take part in our free adult cycle training
- Significant progress made on the £26.5 million investment in White Rose Rail Station, due to open in spring 2024, connecting people to jobs, training, education, and leisure activities on the main trans-Pennine route to Manchester via Huddersfield
- The £20.5 million upgrade of Halifax Bus Station was re-opened to the public. The state-of-the-art facility allows for greater capacity so more journeys can take place and has won a sustainability award.

Building A Sustainable, Nature Rich And Carbon Neutral Region

- Announced over £54 million funding to tackle the climate emergency, by making bus fares affordable, building stronger transport links and supporting training for high-tech green jobs
- Our Emergency Energy Grants supported 145 of businesses to go green and save on bills, cutting 483 tonnes of greenhouse gases.
- 1,000 green skilled jobs have been pledged
- Secured £32 million funding to cut renters' energy bills, to make over 2,400 socially rented homes cheaper to heat and more sustainable, helping to create a greener West Yorkshire

Inclusivity/EDI

- Recruited our Inclusivity Champion, and launched our Women of West Yorkshire network, helping to create a West Yorkshire that works for all.
- Our Cost of Living Emergency Fund was distributed to 6,000 of the hardest hit households, helping to meet basic needs and provide mental health support.

Business Plan 2024/25

- 2.3 The business planning cycle for the 2024/25 period has sat against a backdrop of the continued economic challenges felt in the previous year, with the cost of living and cost of doing business crisis presenting difficulties for business planning and budget setting.
- 2.4 An update to the Combined Authority on 12 October outlined the multi-year approach adopted for the 2024/25 planning cycle onwards, whilst a further update to the 7 December meeting provided members with a draft 2024/25 budget and emerging budget issues for consideration.
- 2.5 The multi-year approach was introduced in order to draw alignment to the West Yorkshire Plan, the Mayoral term cycle and set out the Combined Authority's role in contributing to the Plan and its five missions. This role is twofold, with the organisation - with the role of the Mayor - acting as a convening body to coordinate the work of the five Local Authority partners to deliver against the Plan, and holding a major delivery role through organisational strategies, programmes and projects.
- 2.6 Based on the outcome-led approach introduced in 2023/24, the service-area business plans are led by a series of multi-year outcomes as set by the outcome-Directorates, which sit beneath the Corporate Objectives and ultimately the five aims of the West Yorkshire Plan. The planning process for this cycle has been led from the top, with Directors from the outcome-Directorates setting out the multi-year outcomes that drive their service area's work. These were provided for consideration at the 7 December meeting of the Combined Authority. As with previous years, the outcomes and consequent business plans are underpinned by the organisations cross-cutting aims, listed below;
- Tackling the climate emergency;
 - Growing an inclusive economy;
 - Embedding equality, diversity and inclusion;
 - Offering customer excellence.
- 2.7 Following input from the members of the Finance, Resources and Corporate Committee the proposed business plan for 2024/25 can be found in **Appendix 1**. These are presented as a 'plan on a page' for each of the outcome-Directorates and a page for the Corporate Centre, providing a high-level summary of the more detailed business plans that sit beneath, which will be published ahead of the publication of the 2024/25 Corporate Plan. The draft Corporate Plan will be brought to the March meeting of the Combined Authority for consideration. Following the organisational evolution and the Corporate Core restructure, business plan templates were revised to reflect the roles of both the outcome-Directorates and the Corporate Core Directorates:

- For each of the outcome-Directorates, service-area multi-year outcomes are given alongside the Corporate Objectives they specifically contribute to. Outputs and activities indicate how teams will deliver against the outcomes next year.
- For the Corporate Core services, business plans have been informed by their role in leading, enabling and protecting the organisation as it delivers against its outcomes; activities across the detailed plans have been split into business as usual, activities that enable major programmes (such as Mass Transit and Bus Reform), and corporate improvement activities.

Budget background

- 2.7 The budget is focussed on delivering the business plan for West Yorkshire, with the Combined Authority operating on a principle of maximising on delivering outcomes for the people of West Yorkshire and minimising the costs of corporate overheads.
- 2.8 The approach taken to budget setting has been to link spend to outcomes, matching corporate support to these outcomes. In doing so the Combined Authority has sought to minimise for local authorities the pressure on the revenue budgets, seeking to optimise capitalisation of staffing costs and using available reserves to meet rising cost pressure. A dashboard is in development with the West Yorkshire Directors of Finance that will set out efficiency and productivity measures for the year, and a paper about this is attached as **Appendix 7**.
- 2.9 The December meeting of the Combined Authority considered a number of factors affecting the budget. At that time it was expected that the 2023/24 position would be broadly in line with the original budget set in February and there remained a gap of almost £5 million to close to balance the 24/25 proposals.

Revised revenue outturn for 2023/24

- 2.10 The forecast position for 2023/24 is set out in **Appendix 2** and shows a net deficit position, after reserves adjustments, of £514k (0.19% of income), compared to the budgeted position of a net surplus of £94k (0.04% of income).
- 2.11 There is an increase in both prepaid ticket income and expenditure which reflects the higher take-up of MCard products during the year. There are a number of smaller movements on other income and expenditure lines leading to the net position of £515k deficit. Work is continuing over the final quarter of the year to seek to close this gap by the year end but it should be noted that there are risks in relation to concessionary reimbursement, where patronage appears to be increasing above the forecast and bus tendered services.
- 2.12 Since the budget was set in February 2023 the new integrated finance system has been introduced, as well as a revised organisational structure within the Combined Authority. As a result, and to aid members' understanding of how expenditure is focussed on

delivering the agreed outcomes the budget is presented in line with these outcomes. A full mapping to the new coding structure will take place before 1 April.

2.13 Proposed budget 2024/25

2.14 The budget for 2024/25 is presented for both capital and revenue, showing total planned expenditure for the year of £866m. This is a significant increase on spend in previous years, reflecting the growth in particular of capital funding and the timing of schemes coming into delivery phases. **Appendix 3** sets out the scale of this spend against corporate outcomes, highlighting the relative loading of funding towards transport. It should be noted however that many service areas and projects deliver against more than one corporate outcome but for the purposes of this presentation are shown against the main outcome supported.

2.15 The revenue budget income and expenditure by directorate responsibility is set out in **Appendix 4**, with reserve adjustments set out that take the position to a balanced one for the year. The transfer of bank interest income to support the capital programme is considered further later in the report, as is the use of the remainder of the transport reserve. The allocation of corporate costs to the directorates is calculated taking into account the full spend for which the director is accountable, including capital, which is included here as a total figure. The full detail of the indicative capital programme is set out in Appendix 5 and considered in more detail in later sections of the paper. Appendix 4 also sets out high level indicative figures for the years after 2024/25 and indicate significant funding problems that will be addressed in the coming year.

Transport budget, levy and risks

2.16 The transport revenue budget covers bus tendered services, the reimbursement to operators for the statutory English National Concessionary Travel Scheme (ENCTS), reimbursement for young persons concessions and the operation of the bus stations, provision of bus shelters and stops and passenger information. Responsibility for managing the prepaid ticket pool on behalf of the West Yorkshire Ticketing Company also sits within this budget.

2.17 The largest single element of spend within this budget is the reimbursement of **concessionary travel** costs to bus operators. As the transport authority for West Yorkshire it is a statutory duty to reimburse bus operators such that they are 'no better, no worse off' for carrying senior and disabled passengers for no fare under the English National Concessionary Travel Scheme (ENCTS). The calculations are based on the model mandated by the Department for Transport and are based on a price per passenger for each operator depending on the nature of the services they operate, and patronage, drawn from actual data.

2.18 While costs were held at a stable level during the Covid-19 pandemic, in line with a direction from government to continue to make reimbursements unchanged in order to support the bus industry costs have now started to increase. The reimbursement costs

are driven by salary and fuel inflation, both of which have been increasing since the pandemic. The budget for 2024/25 reflects an expected increase of 5% but with a risk that the actual costs could be higher, depending on patronage and current discussions with operators. Table 1 below sets out the current and next year costs of reimbursement.

Table 1

£000's	Revised Budget 2023/24	Forecast 2024/25
Concessions - ENCTS	35,653	37,679
Concessions - Young People	10,524	10,945
Total Concessions Expenditure	46,176	48,623

- 2.19 The risk of an increased reimbursement cost is covered in the reserves strategy later in the paper. This risk is increased due to a recent announcement by the Department for Transport, setting out an intention to revise the reimbursement model. Initial reviews suggest this could cost an additional £4-7 million in annual reimbursement. A consultation and further engagement with the Department is expected.
- 2.20 The Combined Authority also supports a discretionary concession to provide discounted fares for young people. Reimbursement to operators for this provision has been held flat in recent years but is now facing the same inflationary pressures as the statutory concessions. An allowance has been made in the 2024/25 budget for a small increase, recognising the importance of supporting young people travelling by bus.
- 2.21 At present the Combined Authority provides funding for **bus tendered services**, where a service is deemed to meet the necessary criteria but which is not viewed by bus operators as commercially viable. Spending on this is categorised as schools, non schools, and Access Bus services and table 2 below sets out current and next year costs and income against these headings.

Table 2

£000's	Revised Budget 2023/24	Forecast 2024/25
Non-School	18,293	16,765
School	6,877	8,027
Access	3,579	4,254
Total Tendered Services Net Expenditure	28,749	29,046
Reserves Release	4,177	3,811

- 2.22 Government funding was received by both operators and transport authorities during the pandemic to cover the costs of maintaining services when patronage was low but this has now ceased. The Bus Services Improvement Programme (BSIP) funding has been presented as the successor to this but was awarded by government initially for a fixed term and for specific approved projects. Further payments of BSIP beyond the initial three years have now been indicated by government which will enable the Mayor's Fares, the most significant scheme within BSIP, to continue.
- 2.23 Since the pandemic the bus industry has seen instability and high cost inflation, with tender prices increasing by up to 30% and a high risk of operators withdrawing services. The Combined Authority created a transport reserve in 2022 using some savings on concessionary reimbursement during the pandemic, and this has been used in 2023/24, with the balance to be applied in 2024/25, to offset the costs of inflation on bus services while the transport levy remains unchanged. This creates a pressure in 2025/26 and beyond and work will need to be undertaken during the coming year to determine a sustainable way of supporting the network, possibly through using the BSIP funding to support existing services.
- 2.24 The provision of schools transport has been considered in previous budget discussions and there has been a clear direction that the costs borne by the Combined Authority and local authorities cannot continue to increase. There are a set of complex arrangements in place for children entitled to free school travel and those who wish to travel to a school but are not covered by the statutory entitlement. Work is underway to agree the parameters of a joint review that will consider any changes required. The budgeted spend for schools transport remains unchanged for the 2024/25 budget and the Combined Authority is showing a decrease in income of £1 million due to reduced contributions that have been advised by local authorities.
- 2.25 Access Bus services are shown at a small inflationary increase with a decision to be made next year about the future service provision, linked to a funding allocation with the transport capital programme for the purchase of new buses to keep the revenue costs of the service as low as possible.
- 2.26 Expenditure on bus stations, shelters and passenger information has been reviewed to seek to contain inflation and other pressures, including those of operating facilities safely, within existing budgets. The transport team are also seeking to ensure income opportunities within facilities are maximised to offset the existing costs of operating facilities. The financial impact of the temporary closure of Bradford Interchange is being monitored and will be reported as part of the regular finance updates to the Finance, Resources and Corporate Committee.
- 2.27 No allowance has been made in the budget for the impact of the decision due to be taken by the Mayor in March 2024 regarding bus reform. If appropriate, a budget review will be

undertaken at that point and any changes needed brought to the Combined Authority for approval.

- 2.28 The transport teams are also responsible for overseeing the delivery of a significant portfolio of transport projects including mass transit and those funded by the City Region Sustainable Transport Settlement (CRSTS), Transforming Cities Fund (TCF) and the West Yorkshire plus Transport Fund. These programmes are delivered jointly by the Combined Authority and the West Yorkshire local authorities. Further detail on the scale of these programmes and the forecast delivery timescales are set out in **Appendix 5** and the overall capital position is considered further at paragraph 2.41 onwards.
- 2.29 The **transport levy** is set at a level to meet the costs of providing the transport activities set out above, after allowing for income generated at bus stations. The levying regulations require it to be set by 15 February in the year preceding that to which the levy applies, and it is paid by the five constituent authorities on a population basis.
- 2.30 At its meeting in December the Combined Authority noted that despite the increasing costs of delivering the existing transport infrastructure any rise in the transport levy would be difficult for the constituent local authorities to meet. This means that the levy remains unchanged for over ten years, representing a real terms cut.
- 2.31 While the levy remains cash flat at a total level, the collection mechanism is based on population so any changes in relative population between the local authorities will change the cost to them. This figure has been provided to the local authority Finance Directors for budget purposes, and shows only a small variation for each partner authority compared to last year, due to movements in population since the previous year (please see **Table 3** below).

Table 3

	Relevant Population June '22 for 2024/25	Net 23/24 £000	Gross 24/25 £000	Refund 24/25 £000	Net 24/25 £000
Bradford	552,644	22,985,703	23,703,188	715,294	22,987,893
Calderdale	207,699	8,566,302	8,908,318	377,803	8,530,515
Kirklees	437,593	17,627,506	18,768,591	1,158,455	17,610,135
Leeds	822,483	33,445,754	35,276,722	1,792,783	33,483,939
Wakefield	357,729	15,275,325	15,343,182	55,076	15,288,106
	2,378,148	97,900,590	102,000,000	4,099,410	97,900,590

- 2.32 Adjustments have been made to the levy for a number of years to enable an equitable distribution of funding that has been paid to local authorities when formerly it was paid directly to the Combined Authority (and the former West Yorkshire Integrated Transport Authority). This includes for example concessionary fares funding that was paid to the partner authorities on a different formula basis than population. These adjustments were

agreed with them and ensure that they each 'passported' through to the Combined Authority any relevant direct funding received. The mechanism involves setting a gross levy and providing a rebate to each local authority 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 2024/25.

- 2.33 The agreement previously made for a portion of the annual transport levy to be set aside to fund the West Yorkshire plus Transport Fund reserve was considered at the October meeting of the Combined Authority. At that meeting it was agreed that the profile for using this reserve had shifted over time and the reserve was rebated to the constituent authorities in recognition of the unique circumstances at the time. It was recognised as part of this decision that there would be a continuing need for this reserve to meet the required local contribution to the WY+TF for which £750 million was provided by government. Further information is set out below and the budget assumes the continuing set-aside of £5.2 million to this reserve.
- 2.34 **Inclusive economy, skills and culture** – the main element of this budget is the devolved Adult Education Skills budget which in 2024/25 increases slightly. The team is also delivering a range of skills, business and culture projects funded through the initial years of gainshare funding. As these projects come to a conclusion further opportunities to secure funding for these activities will need to be identified.
- 2.35 The proposed budget enables the delivery of a refreshed economic strategy for the region, supporting of a range of activities on trade and investment, the implementation of the fair work charter and the convening of businesses in support of identifying investment mechanisms and promoting innovation. The team will be progressing the local visitor economy partnership and supporting creative industries and the years of culture at local authorities.
- 2.36 **Policing, Environment and Place** – the team will continue to deliver a number of programmes and projects including the final year of brownfield housing programme, flood management schemes and social housing decarbonisation. A formal decision on investment zones is expected as part of the March budget and if received the team will support the progression of the business cases put forward by partners. Work on the Better Homes Hub will continue, alongside work on carbon pathways and the West Yorkshire Infrastructure strategy.
- 2.37 The proposed budget includes the income and expenditure relating to the policing and crime team and the violence reduction partnership situated within the Combined Authority. The budget provided will enable the development of a new Police and Crime Plan by March 2025, support the Mayor and Deputy Mayor in holding the Chief Constable to account and provide a range of activities in relation to violence reduction.
- 2.38 It should be noted that the setting of the full policing budget is a Mayoral function, alongside setting the police precept and a separate process is drawing to a conclusion for these. All direct costs of policing are managed within the separate Police Fund and

where services and support are provided from within the wider Combined Authority an appropriate level of recharge has been agreed on.

- 2.39 The organisational restructure undertaken last year brought together all the corporate teams into one part of the organisation to enable the most efficient deployment of professional support. Capitalisation of corporate and other staffing costs has previously been achieved through taking a small contribution from each externally funded project as it progresses through the assurance process, with an average 3% figure being deemed acceptable. The scale of growth of capital programmes requires greater input and professional support from the corporate centre and these costs will be drawn from the capital programme.

Mayor's costs

- 2.40 The current budget includes the costs of a small team to directly support the Mayor. This is included largely unchanged in the coming year's budget, seeking to cover the costs of the Mayor and her immediate team.

Capital programme

- 2.41 The sections above have considered the elements of the capital programme as they relate to the outcomes for each area of activity. The indicative four-year programme is set out in **Appendix 5**, bringing this together to enable the appropriate prudential information to inform the treasury management statement. The programme is indicative, setting out the known funded programmes at this stage. It is fully expected to be increased by projects which are being developed as the pipeline for investment priorities, with the borrowing costs to be funded by gainshare, as well as further awards of funding over the coming years.
- 2.42 In previous years, considering the flexibility granted from Government, the Combined Authority 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 2023/24 and that this be kept under review as part of the year end closedown work. This approach has supported by BEIS for the capital funding they provided, with freedoms and flexibilities previously applied for both the Growth Deal and the Getting Building Fund for example.
- 2.43 The capital funding available to the Combined Authority and its partners as set out in the appendix is clearly increasing, particularly on capital and further opportunities to grow the funding in the Single Investment Fund will continue to be pursued. Funding available for non-transport projects however, begins to fall away, with the brownfield housing programme due to conclude in 2025, and by 2027/28 the existing capital funded programmes are expected to be largely concluded. However, there is an expectation of

further funding for mass transit, following the submission of the Strategic Outline Case in March 2024, and an award for a second round of CRSTS is due for 2027/28 onwards.

- 2.44 The scale and complexity of the capital portfolio has brought its challenges. The way in which many bidding processes work means there is often a significant gap between collectively agreeing the projects submitted as part of the bid and the actual delivery of the projects. In that time costs and scope are both highly likely to change, and over recent years inflation generally has been at record levels. This all puts immense pressure on delivering the full programme with the available funding and has led to inflation reviews required to reshape programmes within affordability limits.

Minimum revenue provision (MRP) policy

- 2.45 MRP is the charge to the revenue budget made in respect of paying off the principal sum of the borrowing undertaken to finance the capital programme. MRP, which is largely defined by regulation, is aimed at ensuring that the Combined Authority does not have time expired/fully depreciated assets whilst still holding associated outstanding debt.
- 2.46 A number of local authorities have reconsidered their MRP policies to determine if there is a way to better manage funding difficulties whilst still meeting the regulatory requirements. The Combined Authority has reviewed its position and due to the historic nature of its current borrowing is not able to change the current policy. For borrowing prior to April 2019 annual MRP is calculated using 4% on debt outstanding. For capital expenditure incurred on or after 1 April 2019 and funded through borrowing, MRP is calculated using the asset life annuity method. Using this method MRP is calculated in a similar way as calculating the capital repayment element of a fixed rate repayment mortgage. In accordance with provisions in the guidance, MRP will be first charged in the year following the date that an asset becomes operational.
- 2.47 The asset life annuity method calculation requires estimated useful lives of assets to be input into the calculations. These life periods will be determined under delegated powers to the Chief Finance Officer, regarding the statutory guidance, and are detailed in the Accounting Policies. However, the Combined Authority reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the asset life annuity method would not be appropriate. Any such cases will be referred to the Combined Authority by the Chief Finance Officer.
- 2.48 Where capital expenditure cannot be related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.
- 2.49 Recognising the impact of MRP on the revenue budget is an important element in determining the affordability and sustainability of borrowing to fund an asset. Essentially,

if there is no on-going capacity within the revenue budget to afford the MRP then the borrowing should not be taken out in the first place. Therefore, a robust business case demonstrating a rate of return in excess of costs (including MRP) is important and to be considered as schemes progress through the Assurance Framework.

Treasury management

- 2.50 The treasury management function is undertaken in conjunction with Leeds City Council under the terms of a service level agreement. The Combined Authority 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. The statement has been updated from that approved last year to reflect the changes required as a result of changes to the Prudential Code. This was considered and endorsed by members of the Governance and Audit Committee at its meeting on 11 January 2024 and is set out in full in **Appendix 6**.

Reserves

- 2.51 The Combined Authority, in the same way as other local government organisations, has a number of statutory reserves which arise from accounting requirements relating to capital grants and pensions. In addition the Combined Authority holds a general reserve and a small number of specific earmarked reserves which are considered in the paragraphs below.
- 2.52 Any budget proposal 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 impact of both the after-effects of the pandemic and the current economic crisis is that risks are increased in terms of size and impact. The opening general reserve at 1 April 2023 is £14.152 million and the workings for this year's reserves policy are set out in **Table 4** below. These calculations are based on the approach taken in previous years with an updated assessment of the relative risks currently facing the Combined Authority. In previous years Members have been keen to understand how this compared to any national guidance and accepted that while a strategy of 5% is a prudent starting point, final decisions should reflect the extent of any earmarked reserves and the particular risk around different areas of income and expenditure. The proposal below was considered and supported by members of the Governance and Audit Committee at a meeting on 11 January 2024, recognising the difficult balance between having sufficient reserves to meet unexpected costs but not retaining funds at a level where they could be better deployed elsewhere.

Table 4

Reserves Policy	Budget 2024-25 £m	Reserves 2024-25 £m
Risk on Concessions	48.60	
10% contingency for risks on patronage volumes and changes to the reimbursement model by DfT on ENCTS		3.60
Risk on Subsidised Bus services (gross)	40.70	
10% contingency due to inflationary and market conditions		4.07
Risk (general) on other areas of activity		
Transport operations (excl concessions and tendered services) 10%	12.00	1.20
Payroll inflation (assumed at 3%, risk it could be up to 5%)	38.03	0.76
Other-legal/financial/litigation etc		4.50
Total reserves required		14.13

Other reserves

- 2.53 The Combined Authority also held usable reserves at 1 April 2023 for a transport reserve (£7.788 million) and West Yorkshire plus Transport Fund Reserve (£53.577 million) 2023/24.
- 2.54 The transport reserve was created in March 2022 using savings achieved from the concessionary travel budget which continued into the following year. The reserve was agreed as a mechanism to support the inflationary pressures on bus tendered services in a volatile operating environment and is being released in 2023/24 and 2024/25. Clearly this will create a pressure in 2025/26 when the reserve will be at zero and the bus team will be reviewing the model for supporting bus services and the opportunity to deploy other funding such as BSIP.

- 2.55 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 in levy funding. The WY+TF was established as part of the City Deal forerunner to the Mayoral Combined Authority and required a £250 million local contribution to match Government's £750 million. An annual contribution of £5.2 million is being made into this reserve each year to smooth the expected spike in borrowing costs that will shortly commence - the current estimates on the capital programme forecast that this reserve starts to be utilised from 2025/26. The capital spend and use of this reserve for borrowing will be kept under annual review following the decision last October to reduce the reserve down from £53.2 million to the balance relating to York only and repay the existing balance to the constituent authorities. It is essential that the reserve is replenished annually in order to deliver the remaining projects in the programme and to meet the local contribution commitments.
- 2.56 The Combined Authority also has a number of capital reserves - usable capital reserves can only be used to fund capital expenditure including capital grants unapplied and capital receipt reserve. As set out earlier in the paper it is proposed that the non recurring interest income identified in 2023/24 and 2024/25 is transferred to the usable capital reserve and then contributes towards the inflation gap within the capital programme.
- 2.57 The 'unusable' reserves are required for statutory and technical purposes and are not available for other purposes, including the pension reserve, capital adjustment account and revaluation reserve.

Summary

- 2.58 The proposed budget for 2024/25 is recommended for approval. It is not without its challenges and while robust estimates have been included and prudent assumptions have been made close monitoring of income and expenditure will be needed to ensure the budget is achieved. Regular reporting to Finance, Resources and Corporate Committee will continue throughout the year, as well as updates to the West Yorkshire Directors of Finance.

3. Tackling the Climate Emergency Implications

- 3.1 Tackling the Climate Emergency is a key cross-cutting theme for the organisation and reflected across the business plans. The Transport directorates have set several multi-year outcomes focussed on improving the environmental impact of the transport network, including developing delivery solutions within Mass Transit that consider environmental and carbon impacts. Place, Environment and Policing have a set of outcomes that sit within the aim of 'creating a sustainable, nature-rich and climate ready region', which includes leading on the Net Zero agenda to support achieving the ambition to be a net zero region by 2028. Inclusive Economy, Skills and Culture have also set an outcome

supporting the 2038 Net Zero ambition, which aims to create a regenerative economy that prioritises sustainability and enables investment in green technologies.

4. Inclusive Growth Implications

- 4.1 Enabling Inclusive Growth is a key corporate objective and therefore measures on how the organisation aims to achieve this, are set out in directorate business plans and corporate performance reports. One of the key objectives is to deliver our Inclusive Growth Framework in order to reduce inequalities in our communities. Inclusive growth will remain embedded throughout the corporate priorities on which the development of the Corporate KPI's and resulting business planning is based.

5. Equality and Diversity Implications

- 5.1 The equity, diversity and inclusion (EDI) aims of the organisation are embedded throughout internal and external corporate objectives and hence the business plan. Each directorate has corporate targets to meet as part of the business plans. These have been defined through the EDI Plan through which there are a number of outcomes, including the aim towards achieving excellence against the Equality Framework for Local Government.
- 5.2 A stage 1 EqIA has been produced for the multi-year business planning approach introduced for this planning cycle; this is included in **Appendix 8**. The stage 1 assessment has identified that the impact of the multi-year approach adopted on the protected characteristics is moderate. DMT's are required to produce EqIA's for all projects, programmes, and policies, which provide a greater level of detail on the type of impact that will be had on protected characteristics. There is an action identified for the revision and development of the multi-year business and budget planning approach that will continue this year; engagement with established working groups will occur at an early stage to consider the impact of the outcomes and the business plans and review as appropriate. The stage 2 assessment is a live document and will support the development of an EDI-specific action plan to sit alongside a revised project plan for the next planning cycle.

6. Financial Implications

- 6.1 As this is a budget report all financial implications are set out throughout the main body of the report.

7. Legal Implications

- 7.1 The Combined Authority is required by the levying regulations to set the transport levy for 2024/25 by 15 February 2024.

8. Staffing Implications

8.1 The budget includes the costs and funding for current approved establishment and the associated employer on-costs.

9. External Consultees

9.1 No external consultations have been undertaken.

10. Recommendations

10.1 That, based on the plans on a page, the Combined Authority approves the 2024/25 business plans.

10.2 That the Combined Authority approves the revised outturn revenue budget for 2023/24.

10.3 That the Combined Authority approves the proposed revenue budget for 2024/25.

10.4 That the Combined Authority approves the indicative capital programme and funding for 2023/24 – 2026/27.

10.5 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 £102 million be determined for the year ended 31 March 2025.

10.6 That the Director, Finance and Commercial Services be authorised to issue the levy letter in respect of the financial year ending 31 March 2025 to the five District Councils in West Yorkshire.

10.7 That a payment of £4,099,410 be made to the five District Councils in accordance with Table 3 of the report.

10.8 That authorisation be given to the Director, Finance and Commercial Services to arrange appropriate funding for all expenditure in 2023/24 and 2024/25 subject to statutory limitation, including the most appropriate application of capital funding as set out in the report.

10.9 That the Combined Authority approves the capitalisation approach set out in the paper.

10.10 That the adoption of the CIPFA Code of Practice for Treasury Management in Public Services be reaffirmed.

10.11 That the treasury management policy as set out in **Appendix 6** be approved

10.12 That the prudential limits for the next three years as set out in **Appendix 6** be adopted.

11. Background Documents



There are no background documents referenced in this report.

12. Appendices

Appendix 1 – 2024/25 plans on a page

Appendix 2 – 2023/24 revenue budget forecast outturn

Appendix 3 – 2024/25 total budget

Appendix 4 - 2024/25 proposed revenue budget

Appendix 5 – Indicative capital budget 2023/24– 2026/27

Appendix 6 – Treasury management statement

Appendix 7 – Efficiency and Productivity

Appendix 8 – Multi-year business planning EqIA Stage 1