

Draft Budget 2024/25

Audit, Risk and Assurance Committee

January 2024

Purpose

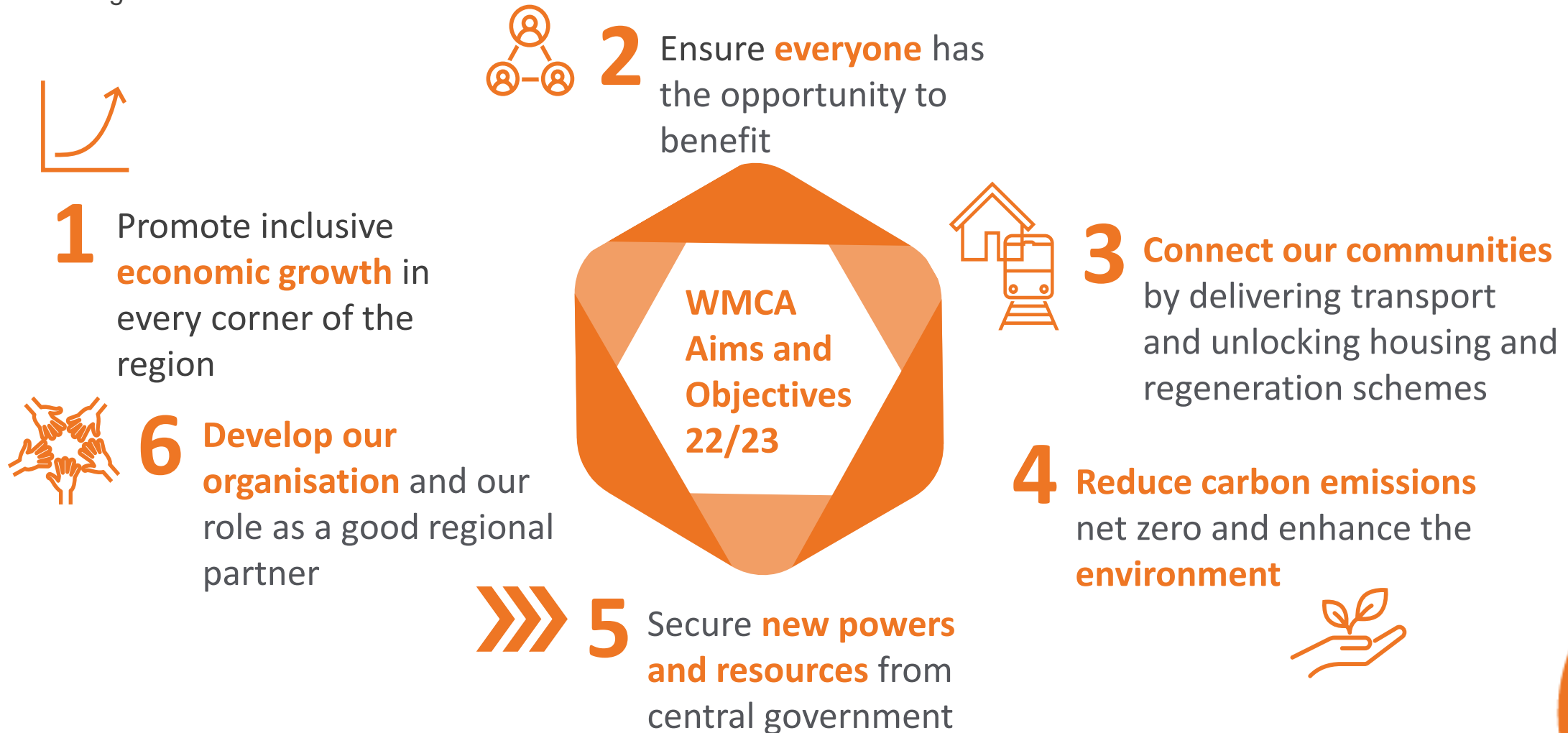
To provide an overview of the draft 2024/25 budget, considered by the WMCA Board on 12 January 2024, and due to be presented for approval on 9 February 2024.

Budget in Summary

- WMCA is legally obliged to set a balanced, sustainable and robust budget for 2024/25, and has put forward a proposal for such, to be taken to the WMCA Board in February 2024.
- Like other public sector bodies, the WMCA has faced challenging economic circumstances in setting its 2024/25 budget, including cost of living pressures, impact of relatively high interest rates, supply chain issues and impact of conflicts worldwide.
- Building on success of last year, the budget was developed using a bottom-up approach, following series of engagement and consultation with the Mayor and Met Leaders and review by the Overview & Scrutiny Committee.
- All Directorates/Portfolios have focused on mitigating pressures where possible and ensuring that they can continue delivering across the breadth of the WMCA's commitments and ambitions.
- The budget is reflective of the financial resources required to deliver the overarching business plan for the organisation to meet the priorities of the 6 Aims and Objectives of the WMCA as outlined on Slide 4.
- The bottom-up draft budgets have been robustly examined as part of sessions with the S151 officer to provide some assurance that budgetary provision is adequate for planned activities in 2024/25
- Total budget due to be taken for approval for 2024/25= **£1.2bn**, consisting of £506.9m for revenue and indicative capital of **£719.8m**. The final 2024/25 Capital Budget will be presented for approval to WMCA Board in June 2024 following confirmation of the 2023/24 outturn position.

Strategic context for Budget Setting

The Strategic context for WMCA was confirmed by WMCA Board, which agreed our Aims and Objectives at November 2021 Board meeting



Revenue Budget

2024/25

Key underlying budget assumptions 2024/25

Transport Levy increase by 3% which generates an additional £3.6m to apply to the transport gap

Use of £24.9m of the Network Stabilisation Grant to balance the 2024/25 position. Network Stabilisation Grant provided to WM region following HS2 northern leg cancellation - £250m across 5 years.

Member and Non-Member contributions to remain at 2023/24 levels

Inflationary uplifts applied to the following areas:

- Pay – 3% uplift
- Non- pay – 3% uplift
- Energy costs – 15% uplift
- Contracts- as specified for contracts

ENCTS budget assumes similar levels of patronage as in 2023/24. Risk of increase in funding for providers from a revised funding calculator has been proposed by Government.

Funding for Energy Capital to continue activity with £0.4m required, as well as £0.7m for the West Midlands Growth Company and £0.4m for WM5G.

Continued subsidy of Midlands Metro operation and the Cycle Hire scheme

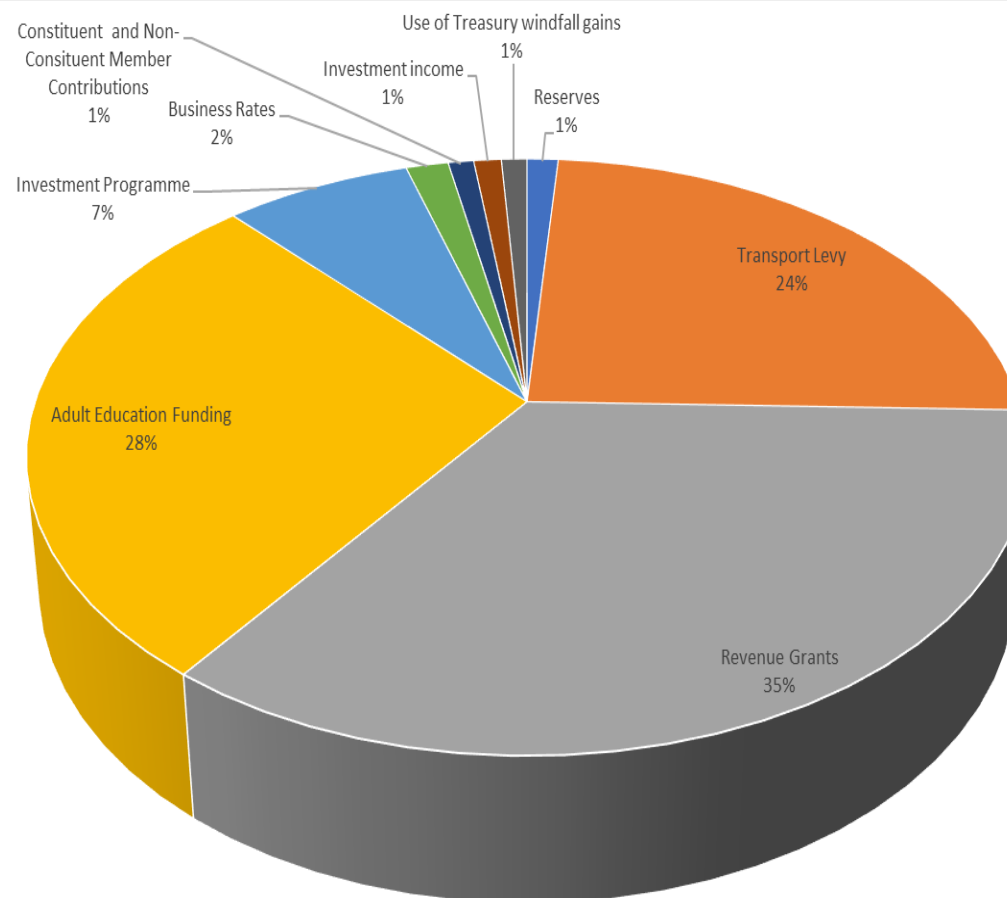
Capital Financing and Investment Income based on latest expert advice, including £6.1m MRP charge for 2024/25. MRP charges represent pressure on the Transport budgets following the end of the MRP holiday.

Provision made for election costs estimated at £6.1m for the May 2024 election. Funding from earmarked reserves.

Business rates growth income of £13.5m has been assumed, the majority of which has been mainly applied to Portfolios to support their budgets.

For prudence, no assumptions have been made around the outcome of Deeper Devolution Deal until some further details are known around quantum.

Where Does Our Income Come From?



Funding of the Draft 2024/25 Budget

Constituent Member Contributions

- The budget proposes a 3% increase in Transport Levy, which will generate an additional £3.6m of income to fund Transport pressures in 2024/25. This is allocated to Constituent Members based on statutory populations (mid- year population estimates June 2022, updated November 2023).
- Constituent Member contributions are proposed to be held at £4.6m.
- Total contributions are therefore £127.6m

Allocations	2023/24 £m	2024/25 £m	Net Change
Birmingham	47.89	49.26	(1.37)
Coventry	14.76	15.44	(0.68)
Dudley	13.83	14.13	(0.30)
Sandwell	14.59	14.94	(0.35)
Solihull	9.38	9.61	(0.22)
Walsall	12.20	12.49	(0.29)
Wolverhampton	11.35	11.71	(0.36)
Total	124.00	127.58	(3.58)

The contributions above equate to a gross levy of **£43.19** per West Midlands resident. The Constituent fees will be accommodated within individual Authorities budgets.

Budget Summary

- The revenue budget is split across 4 main areas:
 - Transport
 - Delivery Portfolios
 - Mayor's Office
 - Investment Programme - remains unchanged compared to 2023/24. Proposed budget of £39.6m funded from the £36.5m annual devolution grant from Government plus £3.1m of investment income.
- Further details on each can be found in Slides 10 – 12.

Transport budget breakdown

TfWM Budget Spending	2024/25 £m	Statutory £m	Local Policy £m	Network Operation £m	Planning for the Future £m	Business Support Costs £m	Funding £m
Concessions for the elderly and disabled	47.7	47.7					
Financing costs	11.3	11.3					
Child Concessions	6.8		6.8				
Rail and Metro Concessions	4.6		4.6				
Accessible Transport	6.7		6.7				
Subsidised Bus Services	24.4		24.4				
Bus Services and Infrastructure	7.1			7.1			
Integration (inc Safety & Security and Passenger Information)	12.2			12.2			
Rail & Metro Services	21.1			21.1			
Network Resilience	3.4			3.4			
Strategic Development & Transport Democratic Services	5.0				5.0		
Business Support costs	4.9					4.9	
Efficiency Target	(2.4)						(2.4)
Total Expenditure	152.8	59.0	42.5	43.8	5.0	4.9	(2.4)
		38.61%	27.82%	28.66%	3.25%	3.24%	-1.57%
Use of Treasury Windfall Income	5.0						5.0
Network Stability Grant	24.9						24.9
Transport Levy	122.9						122.9
Total Income	152.8	0.0	0.0	0.0	0.0	0.0	152.8

Note that specific revenue grants of £45.5m are netted against expenditure lines in the table above.

Statutory expenditure relating to concessions for the elderly and disabled and capital financing costs make up **39%** of the Transport budget. Local Policies related to Child, Rail and Metro concessions, Accessible Transport and Subsidised Bus services make up a further **28%** of expenditure.

Bus, Rail and Metro Services and Infrastructure and Integration, including the provision of Passenger information and safety and security are included within Network Operation which makes up a further **29%** of the budget.

Business support accounts for only 3% of the Transport budget.

The Transport function has committed to delivering £2.4m of efficiency savings, which represents around 5.6% of the controllable budget. This is on top of the £3m delivered in 2023/24.

Delivery Portfolio Budgets

Category	Health & Communities	Inclusive Communities	Housing & Regeneration	Employment & Skills	Economy & Innovation	Environment, Energy & HS2	Levelling Up	Culture & Digital	Funding for Growth	Energy Capital	Central Funding & Recharges	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Grants	4.4	0.4	-	192.0	4.4	1.7	42.6	0.5	-	0.4	0.1	246.5
Investment Income	-	-	-	-	-	-	-	-	-	-	2.3	2.3
Business Rates Growth Income	-	-	-	-	-	-	-	-	-	-	8.3	8.3
Consituent & No-Consituent Member Fees	-	-	-	-	-	-	-	-	-	-	5.0	5.0
Use of Reserves	-	0.0	-	-	-	-	0.1	-	0.7	-	-	0.8
Investment Programme Funding	-	-	-	-	-	0.0	-	-	-	0.1	-	0.1
Other Income	-	-	-	-	-	0.0	-	-	-	-	-	0.0
Total Income	4.4	0.4	0.0	192.0	4.4	1.7	42.7	0.5	0.7	0.5	15.7	263.0
Employees	0.8	0.8	1.0	5.3	1.3	0.7	1.9	0.3	-	0.8	0.2	13.1
Premises Costs	-	-	0.2	-	-	-	-	-	-	-	-	0.2
Supplies & Services	4.2	0.6	0.7	45.0	4.1	2.1	42.0	0.7	1.4	0.2	0.1	101.1
Third Party Payments	-	-	-	143.6	-	-	-	-	-	-	-	143.6
Support Services	0.1	0.0	-	0.6	0.1	0.0	0.7	0.0	-	-	3.5	5.0
Total Expenditure	5.1	1.4	1.9	194.5	5.6	2.9	44.6	1.0	1.4	1.0	3.7	263.0
Net Expenditure	0.7	1.0	1.9	2.6	1.1	1.1	1.9	0.5	0.7	0.5	-12.0	0.0

Note: Third Party Payments includes £142m to be spent on Adult Education

Mayoral Expenditure

Mayoral Office	2023/24 Budget £	2024/25 Budget £	Movement £
Grant Income	945,271	916,458	(28,812)
Other Income	-	75,000	75,000
Total Income	945,271	991,458	46,188

Employees	838,368	859,873	(21,504)
Supplies & Services	97,170	121,854	(24,683)
Support Services	9,732	9,732	0
Total Expenditure	945,271	991,458	(46,187)

Net Expenditure	0	0	0
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Mayoral Election	2023/24 Budget £	2024/25 Budget £	Movement £
Use of reserves	-	6,100,000	6,100,000
Total Income	-	6,100,000	6,100,000

Local Authority Mayoral Election Costs	-	6,100,000	(6,100,000)
Total Expenditure	-	6,100,000	(6,100,000)

Net Expenditure	0	0	0
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The main funding for the Mayor's Office is the Mayoral Capacity Fund . The majority of the budget (87%) is spent on staffing. Additionally, £6.1m provided for election costs to be funded from reserves.

Capital Budgets

2024/25

WMCA Indicative Capital Programme

WMCA CAPITAL PROGRAMME (£M)		2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027	2027 / 2028	TOTAL
Expenditure	TRANSPORT	296.1	357.2	170.8	101.7	0.4	926.2
	HOUSING AND REGENERATION	35.8	94.8	72.1	18.1	18.2	239.1
	STRATEGY, INNOVATION AND NET ZERO	6.8	13.8	0.1	-	-	20.7
	TOTAL WMCA DELIVERED SCHEMES	338.7	465.9	243.0	119.8	18.6	1,185.9
	TRANSPORT (EXTERNAL)	94.9	237.5	314.0	282.2	75.9	1,004.4
	ESC (EXTERNAL)	12.4	16.4	-	-	-	28.8
	TOTAL EXTERNAL SCHEMES	107.2	253.9	314.0	282.2	75.9	1,033.2
TOTAL CAPITAL PROGRAMME EXPENDITURE		445.9	719.8	557.0	402.0	94.4	2,219.1
Funding	INVESTMENT PROGRAMME DEBT	177.0	132.9	31.1	21.1	12.9	375.0
	FAREBOX DEBT	7.0	90.9	9.1	24.1	0.4	131.4
	UK SHARED PROSPERITY FUND	7.9	13.3	-	-	-	21.2
	CRSTS	119.4	259.0	320.0	209.7	2.5	910.5
	TCF	24.1	5.6	-	-	-	29.7
	OTHER DFT GRANTS	62.4	74.5	25.5	-	-	162.4
	OTHER CENTRAL GOVT GRANTS	16.0	114.5	73.3	18.1	18.2	240.2
	THIRD PARTY CONTRIBUTIONS	2.1	0.1	-	-	-	2.2
	LOCAL FUNDING	28.6	9.2	8.5	6.2	-	52.6
	UNFUNDED	0.5	12.1	86.3	122.8	60.5	282.2
	OTHER	0.9	7.7	3.2	-	-	11.8
TOTAL CAPITAL PROGRAMME FUNDING		445.9	719.8	557.0	402.0	94.4	2,219.1

- The latest view of the WMCA Capital Programme is presented above, based on the 2023/24 Quarter 2 forecasts.
- 50% of planned capital investment in 2024/25 consists of expenditure directly incurred by Transport for West Midlands in pursuance of the Investment Programme, CRSTS and Transforming Cities Programme
- Another 33% of the planned programme is for delivery of transport projects/programmes with work undertaken by local authorities.
- 13% will be spent in delivering the Housing and Regeneration objectives using funds secured by WMCA from Central Government
- Around 65% of the capital programme for 2024/25 is grant funded. Approximately 36% of the Combined Authority's total planned capital investment in 2024/25 consists of delivering the City Region Sustainable Transport Settlement.
- The final 2024/25 Capital Budget will not be confirmed until June 2024, following confirmation of the 2023/24 outturn. Therefore, the figures above are indicative only.

Beyond 2024/25

Medium Term Financial Position

- Whilst the budget is balanced for 2024/25, the latest forecast is for financial pressure in the medium term, ranging from **£66.7m** in 2025/26 to **£96.5m** by 2027/28. The gap is solely on the Transport function.
- One of the most significant financial pressures is the continued risk associated with the bus network.
- Additionally, there are pressures arising from the re-introduction of statutory MRP charges after 7 year 'holiday', including MRP charges for Metro programmes currently facing funding deficits. These historic financing decisions were taken by the Passenger Transport Authority, the predecessor to the Combined Authority.
- Government has allocated £250m of revenue funding over a 5 -year period to support network stability, some of which (£24.9m) has been deployed in 2024/25 to fund existing pressures on the transport network. The figures do not make any assumptions around the use of the remaining balance of £225.1m of this grant.
- Ongoing dialogue is required with Mayor and Met Leaders around the medium term financial position, and WMCA is committed to doing this throughout 2024. A sustainable plan for transport is being developed which will balances policy ambitions with forecast level of resources. Work on the future bus delivery options, due to be taken to Board in Summer 2024, will be instrumental in this regard.
- There is a precept income opportunity for the next Mayoral term.
- Ongoing discussions with Government around the Deeper Devolution Deal and Single Settlement may offer some opportunities from 2025/26 onwards, but as details of this are currently being still being negotiated over the early part of 2024 no assumptions have been made around this in the figures shown above.
- West Midlands Combined Authority will continue to lobby government, alongside other Mayoral Combined Authorities, for sustainable funding for Mayoral Combined Authorities.

	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m
Transport Levy	122.936	122.9	122.9	122.9	122.9
Revenue Grants & Other Income (Transport)	70.4	6.5	6.0	6.0	6.0
Revenue Grants & Other Income (Portfolios)	105.4	1.6	1.4	1.4	1.4
Adult Education Funding	142.0	141.4	141.4	141.4	141.4
Share of Business Rates	8.3	14.5	15.3	15.9	16.7
Constituent Membership	4.644	4.6	4.6	4.6	4.6
Non Constituent Members	0.390	0.4	0.4	0.4	0.4
Investment Programme	36.5	36.5	36.5	36.5	36.5
Investment Income	5.4	5.9	5.9	5.9	5.9
Use of Treasury Windfall Income	5.0	0.0	0.0	0.0	0.0
Use of Reserves	6.1	0.0	0.0	0.0	0.0
Total Funding	506.9	334.3	334.4	335.0	335.8
Transport for West Midlands	198.3	196.1	215.2	219.9	225.4
Strategy, Economy and Net Zero	50.6	6.5	6.7	6.9	7.1
Economic Delivery, Skills and Communities	205.9	149.5	149.6	149.9	150.3
Housing and Regeneration	1.9	1.4	1.4	1.4	1.4
Corporate Support Recharges to Portfolios	3.7	4.9	5.3	5.3	5.5
Investment Programme	39.6	41.6	41.6	41.6	41.6
Mayoral Office	0.9	0.0	0.0	0.0	0.0
Mayoral Election	6.1	1.0	1.0	1.0	1.0
Total Expenditure	506.9	401.0	420.8	426.1	432.3
Net Expenditure	0.0	-66.7	-86.3	-91.1	-96.5

Note: 1) Table above assumes that the proposed 3% increase in the Transport Levy will be approved by Board in February 2024.

2) No further assumptions have been made around deployment of the Network Stabilisation grant beyond 2024/25. These will be factored into the next MTFP update.