

8. INVESTMENT PRIORITISATION UPDATE (45 MINS)

3 - 14

To update the Overview and Scrutiny Committee on the strategic work underway on long term investment prioritisation.

9. ENERGY STRATEGY UPDATE (45 MINS)

15 - 26

To update the committee on the draft Energy Strategy for the West of England

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WEST OF ENGLAND

Combined Authority

INVESTMENT PRIORITIES & BUDGET

OVERVIEW & SCRUTINY

23RD JANUARY 2019

KINGSWOOD

West of England

LOCAL ENTERPRISE PARTNERSHIP

WEST OF ENGLAND

Combined Authority

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WHAT WE WILL COVER

- Funding streams available across the region;
- Recommended approach to prioritisation & financial planning;
- Considerations for 2019/20 revenue budget;
- Q&A

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FUNDING SOURCES (4X WOE COUNCILS)



	Local Growth Fund (Growth Deal) via SEP	Economic Development Fund (programme agreed 2014)	Revolving Infrastructure Fund
Amount	£202m	£500m	£57m
Source	Grant	Retained business rate growth in EZ/Eas	Grant (to be repaid)
Period	15/16 - 20/21	25 years from 14/15	Revolving
Type	Capital	Capital infrastructure focused programme	Capital
Schemes in programme	c40 schemes (9 complete)	c30 schemes (3 complete)	13 approved schemes (8 complete)
Current Status	Overprogrammed by c£24m, but c15 schemes yet to be fully approved	Fully subscribed, but c15 schemes still to be fully approved	Some £5m capital headroom, plus new schemes through repayment

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FUNDING SOURCES (WECA)



	Investment Fund	Transforming Cities Fund
Amount:	£900m	£103m
Source:	Grant paid annually	Grant
Period:	16/17 - 40/41	£80m 17/18 - 21/22 Additional £23m 22/23
Type:	50% capital, 50% revenue	Capital Transport funding to support 'improved public transport & active travel infrastructure'
Schemes in programme:	1 approved, plus feasibility & development projects, plus notional allocations	None yet agreed
Current Status:	£19m spent to date. Other allocations and commitments	Programme to be determined

£1.76bn
funding
within the
Region

Staggered
dates and
grant
conditions

Need to
manage risk
of having to
repay grant

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PRIORITISATION OF WECA FUNDING



We need to make best use of investment whilst complying with grant conditions:

- Investment Fund - 5 Year Government gateway review starting **now** - report to be completed late 2020;
- Local Growth Fund - has to be spent by March 2021. Slippage in spend is a national issue;
- Transforming Cities Fund - has to be spent by 2023;

We need to continue to attract further inward investment including:

- Housing Infrastructure Fund (could be circa £200m);
- Local Majors (transport) Fund;
- Successor of Local Growth Fund (UK Shared Prosperity Fund);
- Future Business Rate Retention?...**

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5 YEAR GATEWAY REVIEW



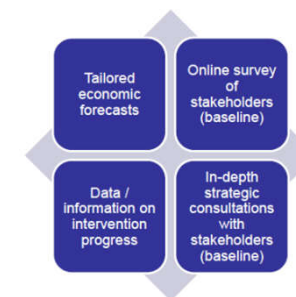
Our Devolution Deal is subject to 5-year Gateway Reviews

SQW to start baseline work in early 2019 - first evaluation report due by December 2020 and the review will take place early 2021

The review will look at the impact of the Investment Fund and will focus on schemes that are underway and/or completed - planning deep dives into specific projects

Need to develop a narrative for:

- What outcomes we are aiming to achieve;
- What schemes we are planning to deliver;
- How funding will be aligned to meet our objectives.



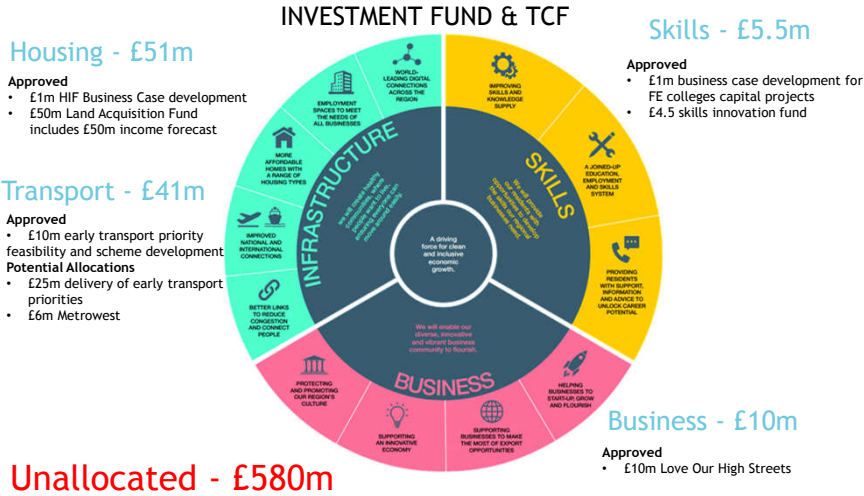
PACE IS IMPORTANT...

Net Present Value (NPV): the value of money, discounted to account for inflation.
An assumed average 3% inflation has been used - based on current CPI and historic trends in the Construction Output Price Index.

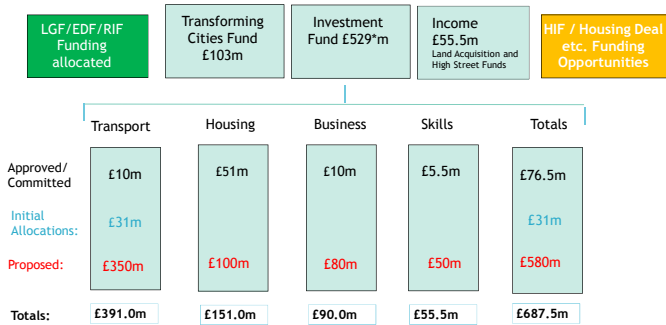
Year	Grant	Equivalent Purchasing Power
0	£30m	£30m
10	£30m	£22.3m
20	£30m	£16.6m
30	£30m	£12.7m

Scenario	1: 'Straight Line'	2: 'Slow start'	3: 'Very slow start'
Net Present Value (how much is £900m worth):	£ 605.654m	£ 585.997m	£ 571.465m
How much the delay costs:	£ 0	£ -19.657m	£ -34.189m
Spend estimated by March 2021:	£150m	£60m	£30m

*Source: ONS



INDICATIVE 20 YEAR FUNDING



* Net of running costs

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WHAT WE HAVE DONE...



- Revised and updated the WECA Business Plan;
- Set an indicative 20 year financial allocation linked to strategic objectives;
- Developed / updated criteria to prioritise projects;
- Pledged to publish an Investment Programme in May 2019...


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WHAT ARE WE LIKELY TO BE INVESTING IN?...

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INFRASTRUCTURE - INVESTMENT

- Rail improvements including *MetroWest* enhancements;
- Bus improvements and *MetroBus* routes linked to the emerging bus strategy;
- Park and ride facilities - alongside targeted investment on reducing congestion;
- Supporting significant schemes that encourage walking & cycling;
- Strategic road network - improvements in resilience and/or enabling future growth;
- Mass transit - exploring new, sustainable public transportation alternatives;
- Infrastructure that will enable the required housing growth and employment space;
- Improving / delivering a high quality digital infrastructure

BUSINESS & SKILLS INVESTMENT



- Targeted action to get people back in to work;
- Provision of strategic employment locations - supporting existing Enterprise Areas and promoting new strategic sites;
- Re-vitalising Industrial Parks - exploring high density start up/growth hubs;
- Targeted support in geographical areas of greatest need;
- Targeted Business Support Programme - including Invest in Bristol & Bath;
- Improving higher and further education facilities which are accessible to all;
- Delivering Innovation - optimising digital investment;
- Improving career support advice and apprenticeship opportunities



2019/20
BUDGET SETTING



OTHER GRANTS / FUNDING ATTRACTED

We will continue to attract funding and seek external investment into the region:

Funding	Amount	Time period
LGF / EDF / RIF / IF / TCF	£1.76bn	various
Adult Education Budget	£17.6m	Per annum
Future Bright	£4.0m	over 2 years
Creative Scale ups	£1.3m	2019/20
Housing Capacity Fund	£3.0m	over 3 years
Growth Hub	£0.3m	2019/20
Energy Hub	£2.8m	over 2 years

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2019/20 BUDGETS



Budget	Coverage
Mayoral Budget:	<ul style="list-style-type: none"> • Mayor running costs (including provision for Elections); • Highways Grants (pass-ported to UAs); • Revenue costs of feasibility studies (from Investment Fund)
WECA Budget:	<ul style="list-style-type: none"> • Staff and running costs; • Transport functions (levy cost to UAs); • Approved Project Spend; • Contribution to Mayoral Fund (inc. revenue feasibilities)
LEP Budget:	<ul style="list-style-type: none"> • Staff cost & management of Local Growth Fund; • Staff costs & management of Economic Development Fund; • Growth Hub / Energy Hub / Creative Scale ups

17				
		2018/19 Budget £'000s	2019/20 Budget £'000s	Increase (+) / Decrease (-) £'000s
	Staff	155	172	17
	Premises Services	20	12	-8
	Support Services	19	12	-7
	Supplies & Services	15	15	0
	Project Spend	0	0	0
		209	211	2
	Mayoral Election - Transfer to Reserve	388	396	8
	Planning, Transport & Housing Strategy	2,775	1,221	-1,554
	<u>Contribution to Highway Grants</u>			
	Integrated Highway	5,183	5,183	0
	Highway Maintenance Grants	10,254	10,254	0
	Highway Incentive Grants	2,135	2,135	0
		17,572	17,572	0
	Total Expenditure	20,944	19,400	-1,544
	Income			
	Business Rates Retention Pilot	17,572	17,572	0
	Government Grant	0	0	0
	Funding Contribution from WECA	3,372	1,828	-1,544
	Total Income	20,944	19,400	-1,544

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**MAYORAL
BUDGET
2019/20**

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		2018/19 Budget £'000s	2019/20 Budget £'000s	Increase(+) / Decrease (-) £'000s
	Core Staff	1,334	1,390	56
	Project Staff	951	1,942	991
	Premises Services	201	215	14
	Support Services	192	215	23
	Supplies & Services	55	55	0
	Project Spend	2,329	24,737	22,408
		5,062	28,554	23,492
	<u>Transport Functions</u>			
	Concessionary Fares	12,378	12,445	67
	Community Transport	1,690	1,690	0
	Bus Real Time Information	602	602	0
		14,670	14,737	67
	Contribution to Mayoral Fund	3,372	1,828	-1,544
	<u>Recommended New Approvals</u>			
	Transport Policy	0	500	500
	Housing Infrastructure Fund	0	500	500
	Mass Transit	0	200	200
	Bypass Feasibility	0	200	200
	Charfield Station	0	300	300
	A420 to Bath Highway	0	100	100
	Pre-feasibility fund	0	200	200
	Transfer to WECA reserves	0	100	100
	Total Expenditure	22,104	47,319	25,215

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**WECA
BUDGET
2019/20**

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	Funding Source	Budget £000
Infrastructure		
a	High Street regeneration fund	Investment Fund 10,000
b	WECA strategic transport capacity	Investment Fund 500
c	Housing Infrastructure Fund development	Investment Fund 500
d	Mass-transit strategic development	Investment Fund 200
e	Bypass Schemes, Charfield Station & A420 to Bath Highway Feasibility	Investment Fund 600
f	Contribution to Mayoral Capacity Fund	Investment Fund (1,554)
g	Housing Capacity Fund	New Grant 1,000
h	Concessionary Fares	Increased levy 67
i	Pre-feasibility fund to attract investment	WECA virement 200
Business and Skills		
j	Adult Education Budget from Government	Govt funding 11,907
k	Skills Innovation Fund	Investment Fund 1,000
l	Skills Project development	Investment Fund 261
m	Future Bright – two year grant	Grant funding (660)
Investment and Corporate		
n	Virement from contracts to staffing	WECA virement 0
o	Treasury surplus – transfer to reserves	WECA virement 100
p	Other Costs	(6)
Total:		24,115

WEST OF ENGLAND
Combined Authority

**WECA
BUDGET
2019/20**


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	2018/19 Budget £'000s	2019/20 Budget £'000s	Increase(+) / Decrease (-) £'000s
Staff	1,197	1,916	719
Premises Services	135	141	6
Support Services	111	142	31
Supplies & Services	62	62	0
Project Spend	0	2,429	2,429
Total Expenditure	1,505	4,690	3,185
Income			
UA Contribution	440	440	0
Other Government Grants	75	3,206	3,131
DCLG Core & Capacity Grant	500	500	0
Interest on Balances	198	400	202
Use of Reserves	292	144	-148
Total Income	1,505	4,690	3,185

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Combined Authority

**LOCAL
ENTERPRISE
PARTNERSHIP
BUDGET
2019/20**


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		2019/20 £000	Total Funding £000
a	Creative Scale ups	1,300	1,300
b	South West Local Energy Hub	1,224	2,800
c	Growth Hub	328	328
d	LEP Capacity Funding	200	200
e	Careers Hub	154	154
Totals:		3,206	4,782

NEW GRANTS
ATTRIBUTABLE
TO THE LEP
2019/20

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KEY MESSAGES...

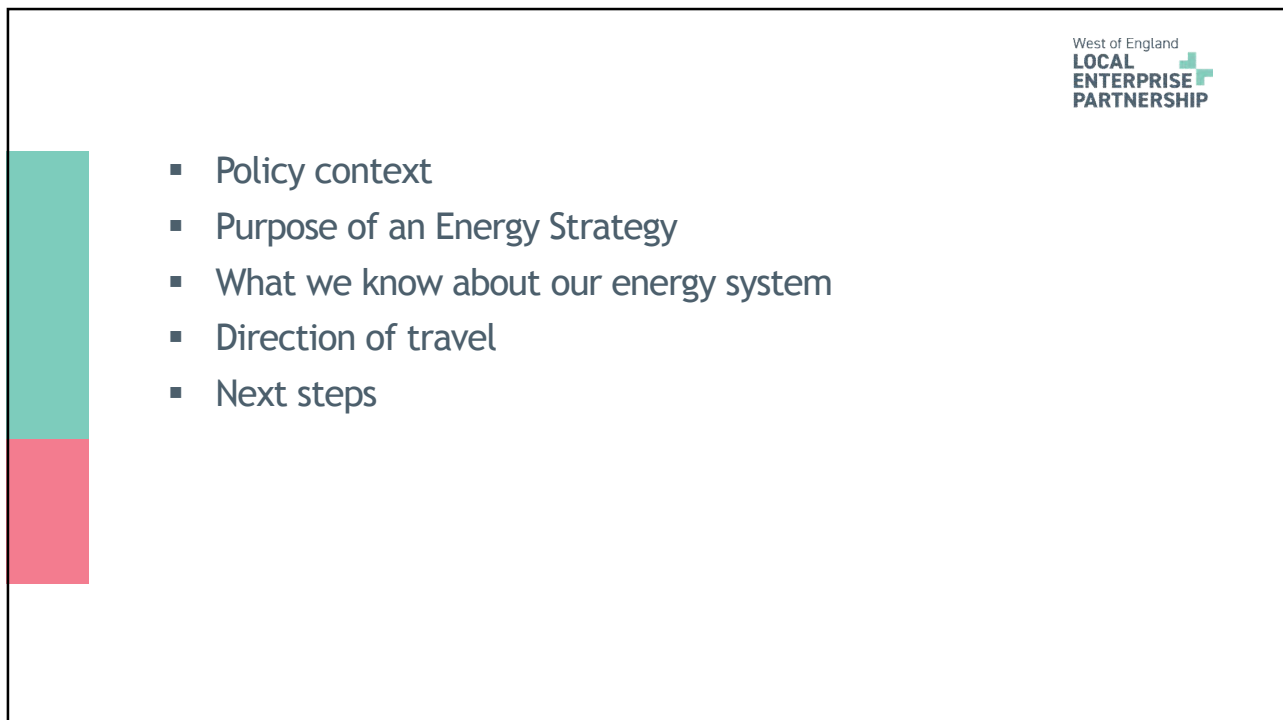
- We continue to attract significant inward investment;
- The budget is a continuation of established practices & approvals;
- Any increased staff costs relate to new functions and new funding;
- No drawdown on Investment Fund for WECA capacity;
- Highways grants - similar treatment as past years;
- Volatility in some medium term income streams - e.g. Mayoral Capacity Fund, Business Rates Retention Pilot...

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ANY QUESTIONS?



POLICY CONTEXT



- The Climate Change Act [2008] commits the UK to reducing greenhouse gas emissions by at least 80% by 2050 [when compared to 1990 levels]
- National Industrial Strategy 2017
- National Clean Growth Strategy 2017
- UN Intergovernmental Panel on Climate Change [IPCC] report to limit the impacts of climate change to 1.5 degrees Celsius

Locally

- Clean growth is at the heart of our operating framework and emerging Local Industrial Strategy

GOVERNMENT REQUIREMENT



- Government requirement that all LEPs develop local Energy Strategies [granted £50k]

Local Energy Strategies should:

- Provide local leadership and influence ...
 - towards an integrated, smart, resilient and secure energy system
 - towards greater affordability (to alleviate fuel poverty and increase business productivity)
 - to reduce greenhouse gas emissions (meeting legally binding national targets)

PURPOSE OF WOE ENERGY STRATEGY

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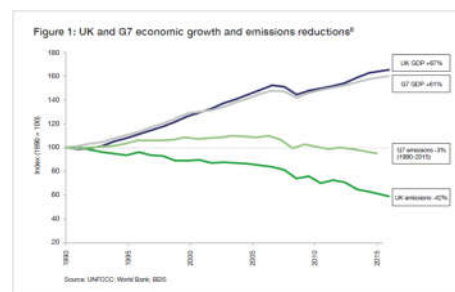
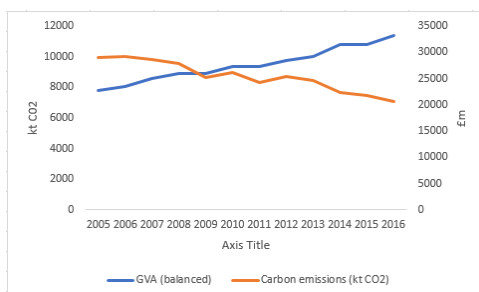
A diverse, resilient, and affordable energy system that enables economic growth whilst reducing greenhouse gas emissions in line with national targets

- Upgrade energy infrastructure to underpin clean and inclusive economic growth as set out in local industrial strategy
- Drive energy efficiency measures to keep costs down for businesses and local people
- Increase the local production of clean energy that is sustainable and resilient
- Invest in science, research and innovation, including energy storage and grid technologies

Success will mean cleaner air, lower energy bills, lower emissions and greater economic security

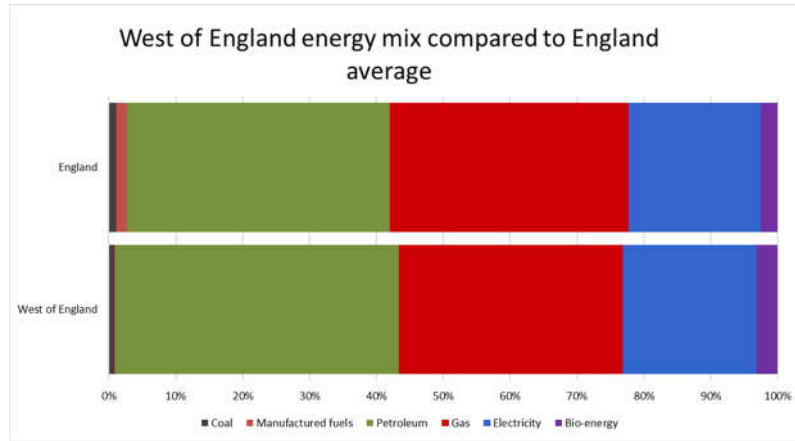
OUR ECONOMY IS GROWING, WHILE OUR EMISSIONS ARE GOING DOWN

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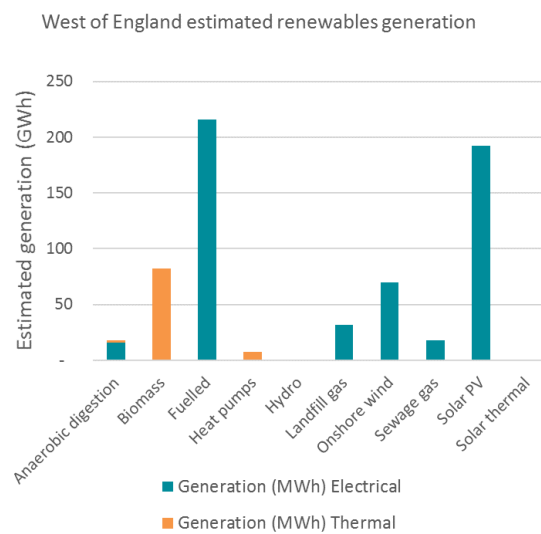
OUR ENERGY MIX

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RENEWABLES IN WEST OF ENGLAND

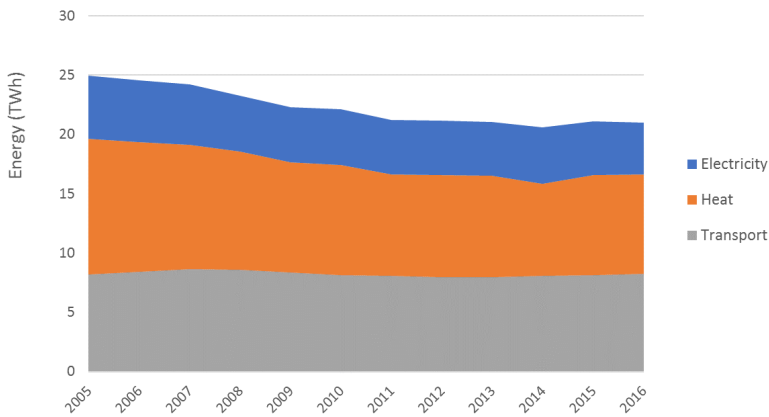
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HOW WE USE OUR ENERGY



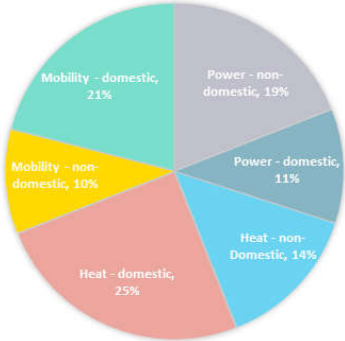
West of England energy consumption over time by use



CARBON EMISSIONS

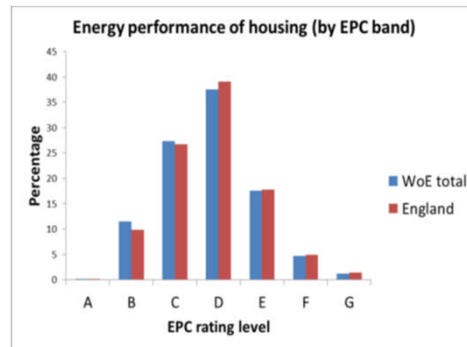
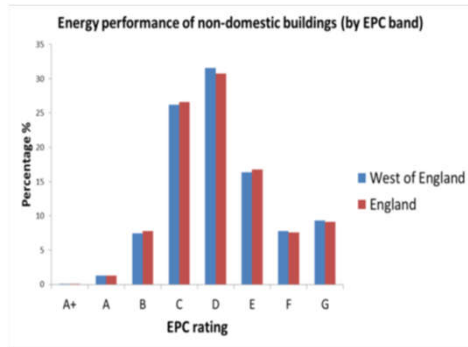


WOE ENERGY RELATED CARBON EMISSIONS BY APPLICATION AND SECTOR



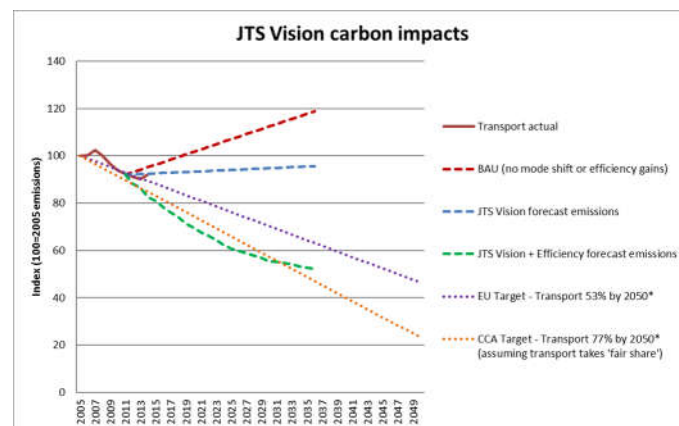
OUR BUILDINGS COULD BE MORE ENERGY EFFICIENT

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CARBON EMISSIONS IMPACT OF THE JOINT LOCAL TRANSPORT PLAN

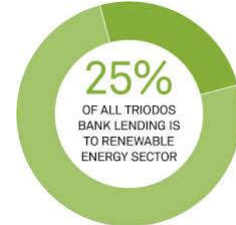
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LEADER IN CLEAN GROWTH INNOVATION

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- Low Carbon sector in WoE employs over 19,000 people, generating £2.4 billion, more than any other English region
- Global leader in green finance - Triodos Bank
- Low Carbon high value design - Leonardo helicopter blades, Airbus wings of the future, NCC light weight materials
- University spin outs - Robial 'pee power'
- R&D - UoB battery storage and nuclear, UoBath smart tech and IAAPS
- High tech cluster - creates the platform for smart energy tech



DIRECTION OF TRAVEL

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CLEAN GROWTH STRATEGY



Improving Business and Industry Efficiency and Supporting Clean Growth



Improving our Homes



Accelerating the Shift to Low Carbon Transport



Delivering Clean, Smart, Flexible Power



Enhancing the Leading in the Public Sector

Theme	National Goal	Evidence base	Objectives
Improving Business and Industry Efficiency	Enable businesses and industry to improve energy efficiency by at least 20 per cent by 2030. Halve the energy usage of new buildings by 2030	Energy use from Industry and Commercial sector has reduced 27% 2005-2016	Reduce energy use in commercial and industrial buildings across the region by at least 20% by 2030 from a 2015 baseline.
		65% of non-domestic buildings perform below Government's 2030 energy efficiency target.	
		40% of regions energy consumption is for heating Parts of the West of England has areas producing significant quantities of waste heat	Recycle waste heat produced in industrial processes to provide benefits to local businesses and populations

Theme	National Goal	Evidence Base	Objectives
Improving Our Homes	As many homes as possible are improved by EPC Band C by 2035 Halve the energy usage of new buildings by 2030	60% of homes in West of England perform below Government's 2035 energy efficiency targets	All homes to meet the governments 2035 energy efficiency target where practical, cost-effective and affordable.
		1 in 9 homes (52,000) in fuel poverty	Improve energy efficiency in all households identified as fuel poor by 2030
		150k homes off gas network	Increase the number of homes and businesses taking up renewable heat opportunities
		105,500 new homes by 2036, will increase energy demand across the region 40k new homes granted planning permission will add 7% to current housing-related carbon emissions in the region	Minimise energy demand and maximise the use of renewable energy, where viable meeting all demands for heat and power without increasing carbon emissions [JSP policy 5, point 6]

Theme	National Goal	Evidence Base	Objectives
Accelerating the Shift to Low Carbon Transport	30% reduction in emissions in transport by 2032	Transport is the largest energy consumer in the West of England, consumption from transport has not reduced since 2005.	Reduce energy consumption in transport
		The delivery of the new homes being planned in the West of England to 2036 could result in a 22% increase from 2014 transport emissions Governments aspiration is that all new vehicles will be EVs by 2040	Create the enabling conditions to increase new ULEV vehicles registrations
		The region occupies a key location on strategic road network and has increasing interactions with major conurbations e.g. Cardiff City region and Greater London.	Enable increased use of Ultra Low Emissions Vehicles (ULEV) for users of strategic road network

Theme	National Goal	Evidence Base	Objectives
Delivering clean, smart and flexible power	85% of electricity supply from clean sources by 2032	12% of electricity in the West of England is generated from 'within-region' renewables.	25% of electricity generated in the region supplied by local renewable generation by 2032
		Smart energy is an emerging opportunity and potential area of strength for the West Of England	The West of England to develop it's position as a leader in smart energy

Theme	National Goal	Evidence Base	Objectives
Leading in the Public Sector	Carbon emissions to be reduced by 80% by 2050	The public sector has demonstrated good progress in reducing energy use.	<p>UA's have different carbon emissions reductions targets measured from different baselines</p> <ul style="list-style-type: none"> BANES reduce carbon emissions 80% by 2050 on a 1990 baseline Bristol reduce carbon emissions by 60% by 2035 on a 2005 baseline North Somerset reduce carbon emissions by 50% by 2035 on a 2014 baseline South Gloucestershire reduce by 50% by 2025 on a 1990 baseline <p>The aggregated carbon emissions of the West of England UA's reduced by 50% by 2035 (on 2014 levels)</p>
		The region boasts continued investment and world leading examples of bringing innovation, research, renewable energy products and processes to the market	Take ambitious action to catalyse low carbon market in the regions
		The region has proactive community and business sectors which have demonstrated leadership in energy efficiency, and renewables	Actively engage stakeholders to deliver actions and sustain a common strategic purpose and mutual benefit from collaborative action.

DIRECTION OF TRAVEL ON ACTIONS



- Detailed action planning against the objectives

Potential actions to be considered:

- Support to encourage SMEs to take up energy efficiency measures [Low Carbon Fund]
- Better use of existing regulation, such as Minimum Energy Efficiency Standards [MEES]
- Heat Networks [recycling waste industrial heat]
- Support for the low carbon retrofit market [skills development]
- JSP commitment reflected in Local Plans [Minimise energy demand and maximise the use of renewable energy, where viable meeting all demands for heat and power without increasing carbon emissions [JSP policy 5, point 6]
- Support communities to include sustainable energy in their Neighbourhood Plans

To deliver this we will need to actively lobby Government for funding

NEXT STEPS



Governance process

- 18th January LEP Board
 - 23rd January WECA Scrutiny
 - 25th January Infrastructure Advisory Board
 - 1st February Joint Committee
- Ongoing governance oversight via existing LEP / WECA structures

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