

A meeting of the  
**West of England Combined Authority Committee**

will be held on

**Date: Friday, 27 January 2023**

**Time: 1.00 pm**

**Place: Avon Hall, Turnberrie's Community Centre, Bath Road,  
Thornbury, Bristol BS35 2BB**

Notice of this meeting is given to members of the West of England Combined Authority Committee as follows

Metro Mayor Dan Norris, West of England Combined Authority  
Cllr Kevin Guy, Bath & North East Somerset Council  
Mayor Marvin Rees, Bristol City Council  
Cllr Toby Savage, South Gloucestershire Council

**Enquiries to:**

Democratic Services  
West of England Combined Authority Office  
70 Redcliff Street  
Bristol, BS1 6AL  
Email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)  
Tel: 0743 660 0459

# The West of England Combined Authority Committee Agenda

## YOU HAVE THE RIGHT TO:-

- Attend all The Combined Authority, Committee and Sub-Committee meetings unless the business to be dealt with would disclose 'confidential' or 'exempt' information.
- Inspect agendas and public reports five days before the date of the meeting
- Inspect agendas, reports and minutes of the Combined Authority and all the Combined Authority Committees and Sub-Committees for up to six years following a meeting.
- Inspect background papers used to prepare public reports for a period public reports for a period of up to four years from the date of the meeting. (A list of background papers to a report is given at the end of each report.) A background paper is a document on which the officer has relied in writing the report.
- Have access to the public register of names, addresses and wards of all Councillors sitting on the Combined Authority, Committees and Sub-Committees with details of the membership of all Committees and Sub-Committees.
- Have a reasonable number of copies of agendas and reports (relating to items to be considered in public) made available to the public attending meetings of the Combined Authority, Committees and Sub-Committees
- Have access to a list setting out the decisions making powers the Combined Authority has delegated to their officers and the title of those officers.
- Copy any of the documents mentioned above to which you have a right of access. There is a charge of 15p for each side of A4, subject to a minimum charge of £4.
- For further information about this agenda or how the Council works please contact Democratic Services, telephone 0117 42 86210 or e-mail: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

## OTHER LANGUAGES AND FORMATS

**This information can be made available in other languages, in large print, braille or on audio tape.  
Please phone 0117 42 86210**

### Guidance for press and public attending this meeting

The Openness of Local Government Bodies Regulations 2014 mean that any member of the public or press attending this meeting may take photographs, film or audio record proceedings and may report on the meeting including by use of social media (oral commentary is not permitted during the meeting as it would be disruptive). This will apply to the whole of the meeting except where there are confidential or exempt items, which may need to be considered in the absence of the press or public.

If you intend to film or audio record this meeting please contact the Democratic Services Officer named on the front of the agenda papers beforehand, so that all necessary arrangements can be made.

Some of our meetings are webcast. By entering the meeting room and using the public seating areas you are consenting to being filmed, photographed or recorded. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators.

An archived recording of the proceedings will also be available for viewing after the meeting. The Combined Authority may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

To comply with the Data Protection Act 2018, we require the consent of parents or guardians before filming children or young people. For more information, please speak to the camera operator.

## 1. EVACUATION PROCEDURE

In the event of a fire, please await direction from venue staff who will help assist with the evacuation. Please do not return to the building until instructed to do so by the fire warden(s).

## 2. APOLOGIES FOR ABSENCE

To receive apologies for absence from Members.

## 3. DECLARATIONS OF INTEREST UNDER THE LOCALISM ACTION 2011

Members who consider that they have an interest to declare are asked to: a) State the item number in which they have an interest, b) The nature of the interest, c) Whether the interest is a disclosable pecuniary interest, non-disclosable pecuniary interest or non-pecuniary interest. Any Member who is unsure about the above should seek advice from the Monitoring Officer prior to the meeting in order to expedite matters at the meeting itself.

## 4. MINUTES

7 - 12

To consider and approve the minutes from the West of England Combined Authority Committee Meeting held on 9 December 2022.

## 5. CHAIR ANNOUNCEMENTS

To receive announcements from the Chair of the West of England Combined Authority.

## 6. ITEMS FROM THE PUBLIC (QUESTIONS, STATEMENTS & PETITIONS)

### WRITTEN PUBLIC QUESTIONS (written procedure)

1. Any member of the public can submit a maximum of two written questions in advance of this meeting.
2. The deadline for the submission of questions is 5.00 pm, at least 3 clear working days ahead of a meeting. For this meeting, the deadline for questions is **5.00 pm on Monday 23 January 2023**.
3. Questions should be addressed to the Chair of the meeting and e-mailed to [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)
4. Under the direction of the Chair, wherever possible, written replies to questions will be sent to questioners by the end of the working day prior to the meeting.
5. Please note - under the Combined Authority's committee procedures, there is no opportunity for oral supplementary questions to be asked at committee meetings.
6. The written questions and replies will be circulated to committee members in advance of the meeting and published on the Combined Authority website.

### PUBLIC STATEMENTS

1. Any member of the public may submit a written statement (or petition) to this meeting.
2. Please note that one statement per individual is permitted.
3. Statements must be submitted in writing and received by the deadline of 12 noon on the working day before the meeting. For this meeting, the deadline for statements is **12 noon on Thursday 26 January 2023**. Statements should be emailed to [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

4. Statements will be listed for the meeting in the order of receipt. All statements will be sent to committee members in advance of the meeting and published on the Combined Authority website.

**5. Please note:**

If any member of the public wishes to attend the meeting to orally present their statement, they are asked please to notify the Combined Authority's Democratic Services team of this at the point when their statement is submitted and by 12 noon on the working day before the meeting at the very latest.

For those presenting their statements at the meeting, up to 3 minutes 'speaking time' is permitted for each statement. The total time available for the public session at this meeting is 30 minutes.

**7. COMMENTS FROM THE CHAIR OF THE LOCAL ENTERPRISE PARTNERSHIP BOARD**

The Chair of the West of England Local Enterprise Partnership to be invited to address the meeting.

**8. COMMENTS FROM THE CHAIR OF THE WEST OF ENGLAND COMBINED AUTHORITY'S OVERVIEW & SCRUTINY COMMITTEE**

The Chair of the Authority's Overview & Scrutiny Committee to present the comments of that Committee.

**9. MAYORAL AND COMBINED AUTHORITY BUDGET 2023/24 AND MEDIUM-TERM FINANCIAL STRATEGY** 13 - 66

To consider and approve the budget and medium-term financial strategy in respect of the Mayoral Functions and the West of England Combined Authority for 2023/24. Inflation kept under review via this report.

**10. INVESTMENT FUND PROGRAMME** 67 - 112

To update on the overall programme and headroom

**11. INVESTMENT FUND DELIVERY ASSURANCE** 113 - 132

To consider changes to schemes within the Investment Fund programme against the agreed delivery assurance principles. All of these changes were considered by the Programme Review Board and this report includes only those that were supported for recommendation to Committee.

**12. TRANSPORT PAPER** 133 - 148

To provide an update to Combined Authority Committee on key Transport projects and to secure approval from Committee on key decisions and associated funding (where applicable) relating to a number of projects.

**13. TRANSFORMING CITIES FUND** 149 - 154

The purpose of this report is to request delegations to the Chief Executives in consultation with the Programme Review Board to utilise the underspend identified on the capital Transforming Cities Fund (TCF) which concludes in March 2023. It is also to propose the implementation of lessons learnt against the remaining Infrastructure Portfolio of works.

**14. CAPITAL STRATEGY INCLUDING TREASURY MANAGEMENT & INVESTMENT STRATEGIES** 155 - 186

This report presents the Capital Strategy for the West of England Combined Authority

including the detailed capital budget for 2023/24, and indicative budget up to 2026/27 and the Treasury Management Strategy for 2023/24.

**Next meeting: Friday, 17 March 2023**

This page is intentionally left blank

**DRAFT**  
**Minutes of the**  
**West of England Combined**  
**Authority Committee Special**  
**Meeting, Friday, 17 November 2022,**  
**and reconvened on Friday 9**  
**December 2022**

Members Present:

Metro Mayor Dan Norris, West of England Combined Authority  
Cllr Toby Savage, South Gloucestershire Council  
Cllr Richard Samuel, Bath & North East Somerset Council (as substitute for Cllr Kevin Guy)  
Cllr Kye Dudd, Bristol City Council (as substitute for Mayor Marvin Rees)

1	<p><b>EVACUATION PROCEDURE</b></p> <p>The evacuation procedure was noted.</p>
2	<p><b>APOLOGIES FOR ABSENCE</b></p> <p>Apologies for absence had been received from Cllr Kevin Guy (Bath &amp; North East Somerset Council). Councillor Richard Samuel attended as substitute.</p>
3	<p><b>DECLARATIONS OF INTEREST UNDER THE LOCALISM ACTION 2011</b></p> <p>There were no declarations of interest declared under the Localism Act 2011.</p>
4	<p><b>CHAIR'S ANNOUNCEMENTS</b></p> <p>There were no announcements from the Chair.</p>
5	<p><b>CONSIDERATION OF THE COMMITTEE'S RESPONSE TO THE AUDIT FINDINGS</b></p> <p>This Special Meeting of the West of England Combined Authority had been called to consider the written recommendations made by the Combined Authority's auditors under the Local Audit and Accountability Act 2014. Those present were Metro Mayor Dan Norris (Chair), Mayor Marvin Rees (Bristol City Council), Councillor Toby Savage (South Gloucestershire Council) and Councillor Richard Samuel (Bath &amp; North East Somerset Council, as substitute for Councillor Kevin Guy).</p> <p>The Committee was requested to consider the written recommendations of the Auditors VfM report on Governance issued by the Combined Authority's External Auditor. There were eight recommendations set out in the report.</p> <p>The Metro Mayor Dan Norris stated that there was currently no seconder for the recommendations and therefore the meeting would be adjourned to a later date.</p> <p>Meeting Closed 1315.</p> <p>[subsequent to this meeting it was arranged that the meeting would reconvene on 9 December 2022]</p> <p>The meeting was reconvened at 1pm on Friday 9 December 2022 at The Orchard Room at Bailey's Court Activity Centre, Baileys Court Rd, Bradley Stoke. Members of the Committee present were:</p> <p>Metro Mayor Dan Norris (Chair, West of England Combined Authority)  Councillor Toby Savage (South Gloucestershire Council)  Councillor Richard Samuel (Bath &amp; North East Somerset Council, as substitute for Cllr Kevin Guy)  Councillor Kye Dudd (Bristol City Council, as substitute for Mayor Marvin Rees)</p> <p>Also Present: Richard Bonner (Chair of the West of England Local Enterprise Partnership), Cllr Winston Duguid (Chair of the West of England Combined Authority Overview and Scrutiny Committee)</p> <p>External Auditors Present: Jon Roberts (Grant Thornton), Barrie Morris (Grant Thornton) and Tom Foster (Grant Thornton).</p>



The Chair opened the meeting and stated that he was pleased that Grant Thornton had been re-appointed by the PSAA as the Authority's External Auditors for the five years from March 2023. The Chair also stated that an enhanced action plan had been circulated which showed the shared ambition to which the Combined Authorities and Unitary Authority could take ownership. The Society of Local Authority Chief Executives (SOLACE) and been approached to act as intermediaries for any remaining points of disagreement.

Comments from the Chair of the Authority's Audit Committee had also been circulated to the Committee. The Chair stated that it was intended that the Audit Committee and Overview & Scrutiny Committee be asked to review the action plan on a regular basis. The Chief Executive of the Combined Authority would be the responsible officer for insuring that the action plan be implemented and updated (it was intended that the Action Plan was a living and dynamic document that could be updated on a regular basis).

Councillor Duguid, Chair of the Overview & Scrutiny Committee, stated that he had seen the revised Action Plan and welcomed the new attitude in collaborative working and said that there may be a new and different chemistry between the leaders following May 2023's local elections. As Mayoral Authorities would be competing for funds from central government it was important that the Combined Authority was as united as possible in this purpose.

Jon Roberts and Tom Foster, Grant Thornton (External Audit) were invited to address the Committee to set out the recommendations from the Auditors.

Jon Roberts explained that the report related to the 2020/21 External Audit of the West of England Combined Authority. During this work the external auditor (Grant Thornton) had determined that some issues had required further consideration. Grant Thornton's work focused on investigating those issues, the results of which were set out in their "VfM Report on Governance" attached to the report.

The report contained 9 recommendations, of which 3 had been identified as statutory recommendations. Statutory recommendations were written recommendations to the Combined Authority made by the Auditor under section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under Schedule 7 required the Combined Authority to discuss and respond publicly to the report. A discussion on this issue had previously taken place at the meeting of the Authority's Audit Committee on 17 November 2022.

These written recommendations were as follows:

*Statutory recommendation 1: The Mayor and members of the Combined Authority represented by the Council Leaders, must commit to improving their working relationship and demonstrate that significant progress has been made within a reasonable timeframe to be determined by the Mayor and Combined Authority. This should include a role for independent mediation and the constructive consideration of advice arising from this process..*

*Statutory recommendation 2: A formal protocol should be agreed between member organisations within the Combined Authority to commit to consultation on key proposals, that they should define, at an earlier stage. Combined Authority members should engage effectively in this process, to help mitigate points of contention before they are published and debated in public. This should include a commitment to deliver proposals on a reasonable timetable.*

*Statutory recommendation 3: In future, in all circumstances, including where there is a*

potential conflict of interest affecting individual statutory officers, adequate steps must be taken to ensure the statutory duties of these officers is effectively discharged.

Key recommendation 1: The future management structure of the Combined Authority should be reviewed in order to ensure it is fit for purpose in the context of new funding awards and strategic priorities and this must include appropriate consultation and agreement by the CA Committee.

Key Recommendation 2: The Constitution of the Combined Authority should be revised to define the conditions under which it is acceptable for other officers and members to seek independent legal advice, without reference to the Monitoring Officer and/or Head of Legal Services.

There were four further 'improvement recommendations' set out in the report.

Richard Bonner, the Chair of the West of England Local Enterprise Partnership was invited to address the Committee and his comments were as follows:

*We are pleased to see that the Audit report has been shared in a public forum. It highlights what has been obvious for some time that there are relationships that are not working, and that this continues to create an environment that has the potential to damage our collective credibility and ability to deliver on our priorities.*

*We understand that leaders and CEO's have been working in the round since the earlier meeting in November, and that a revised and more detailed action plan is to be tabled and debated today.*

*There is a very clear overlap between the LEP and the Combined Authority in terms of management and leadership, and the LEP business board members are keen to ensure that there is appropriate engagement and collaboration in moving forwards. We note that there is an action to come together to work on joint priorities and strategy, and the LEP are keen to offer their support to that process. We have a strong track record on contributing to the evidence base and prioritisation of activities to contribute to a strong functioning economy.*

*We particularly want to impress on members the desire to move to a collaborative and trusting way of working at a critical time of delivery. If we want to reshape our economy to address the inequalities and build for the future, then moving at pace to deliver the infrastructure, skills and enterprise programmes is critical, and we should be collectively focussed on that outcome.*

*We hope that the leaders and the CEO's can accept the proposals of the action plan, and play their part in setting the tone, and leadership to re-energise the relationships and structures that allow us to focus on our work plans and priorities. We are pleased to hear that SOLACE have been approached to provide peer support and are concerned that if we don't do that, we will diminish our credibility with government and key partners putting at risk future funding and support.*

The Interim Director of Investment & Corporate Services stated that the senior officers of the Authority fully accepted the recommendations put forward by Grant Thornton and recognised the importance of the report. He welcomed the formal involvement of the Audit and Scrutiny Committees in reviewing the revised Action Plan and the use of SOLACE to peer review and challenge as the Action Plan was worked through and to ensure the Authority was constructively challenged.

The recommendations were moved by Metro Mayor Dan Norris and seconded by Cllr Toby Savage.

Councillor Savage was invited to address the Committee and questioned why the report had taken 14 months to be published and whether the report could have been shared with Committee members prior to its publication. External Auditors stated that the report did take longer than anticipated and that the rules for sharing the draft were set out in Schedule 11 of the Act. The Auditors also stated that it was difficult to encapsulate any issues around the culture of the organisation.

Jon Roberts also stated that he valued the contributions made by the Audit Committee at its meeting on 17 November 2022 where they had challenged in the right way and come up with a proposal after stating their dissatisfaction,

In terms of the legal advice given and received, the Auditors could give no response on that issue as it was ultimately for a judge to decide whether any action had been unlawful. It was noted that the issue was initially raised by the Auditors on 30 November 2021.

Councillor Savage also stated that he believed that the draft minutes of the Audit Committee meeting held on 17 November 2022 did not adequately reflect the discussion that had taken place. In response the Monitoring Officer stated that the minutes were a record of the decision and not the debate and that the Chair of that Committee had his statement included in full and had shared his views on the draft minutes. Additionally the Monitoring Officer confirmed that he had not considered the circulation of the draft report to Committee members before its publication nor had he advised the CEO that it should have been as he was bound by the confidentiality imposed by the Auditors on its circulation.

Councillor Savage thanked Grant Thornton for their work on this Audit. In summing up his comments he stated that there were elements of the report that rang true and he regretted that these had led to statutory recommendations being made. However, he welcomed the progress that had been made since the adjourned meeting in formulating the action plan and looked forward to more detail on the role SOLACE may play.

In response to a question from the Metro Mayor the Auditors confirmed that the period of time covered by the Audit was from 1 April 2020 to 31 March 2021.

Councillor Dudd confirmed that he welcomed the Action Plan which he saw as an important step in moving forward to ensuring that the culture, behaviour and relationships improved. He also welcomed the plans for a new senior management structure and opportunities for leaders to meeting with the Metro Mayor to raise concerns and discuss opportunities to benefit the region. There may be further devolution powers in the future that would benefit the region depending on future government priorities.

Councillor Samuel stated that he was keen that the Action Plan was not just about strategy and that the issues of detail would be discussed properly. He wanted to ensure everybody was aware of which version of the action plan was being agreed as it had been updated since the report was issued. A short adjournment to the meeting was called to give an opportunity for the External Auditors to view the amended action plan. He was keen that only one version of the document be in existence with decision makers deciding on any changes needed in the future.

Following the convening of the meeting following the short adjournment, Jon Roberts confirmed that he was reassured about the Action Plan being a 'living' document which should help good constructive relationships the progress of which would be measured in due

course by a subsequent review.

*NB the action plan was published subsequent to the meeting here:*

<https://westofengland-ca.moderngov.co.uk/documents/b1784/Action%20Plan%2009th-Dec-2022%2013.00%20West%20of%20England%20Combined%20Authority%20Committee.pdf?T=9>

The Metro Mayor moved to a vote on the recommendations. Councillor Savage moved amendments to recommendations 5 & 6 which were unanimously agreed.

[Voting arrangements: Decision required majority agreement of Committee Members in attendance, or their substitutes (one vote representing each Authority) including the West of England Combined Authority Mayor].

All recommendations (including the amended recommendations 5 & 6 were unanimously agreed:

**Resolved:**

That the Committee:

- (1) Fully accept the findings of the report and the external auditor's recommendations;
- (2) Note that the written recommendations SR1, SR2 and SR3 have been identified by the external auditor as Section 24 Local Audit and Accountability Act 2014 statutory recommendations as detailed in the report.
- (3) Note the progress that has been made and the range of corrective actions that have already been taken to date as detailed in appendix 1.
- (4) Note that the financial issue detailed in the report for the employee exit payment has already been considered and accounted for in the 2021/22 draft published accounts.
- (5) Consider and approve the emerging revised action plan presented to committee, that includes a response to each of the external auditor's recommendations, noting final adoption by Committee will follow actions set out in recommendations 6 and 7.
- (6) Agree that the action plan be presented to both the Audit Committee and the Scrutiny & Overview Committee as a matter of urgency to consider and review from their differing constitutional positions and report any feedback to the Combined Authority Committee.
- (7) Request that Combined Authority Committee receives a report that includes any feedback on the action plan from the Scrutiny & Overview Committee and Audit Committee and provides further detail on the delivery of the Action Plan at a future meeting.
- (8) Note that the West of England Combined Authority will continue to maintain an open dialogue with the external auditor, Chair of the Audit Committee, and Chair of Overview and Scrutiny Committee to keep them apprised of the progress in implementing the Action Plan.

**Signed:**

**Date:**



**REPORT TO:** WEST OF ENGLAND COMBINED AUTHORITY COMMITTEE

**DATE:** 27 JANUARY 2023

**REPORT TITLE:** MAYORAL AND COMBINED AUTHORITY BUDGET 2023/24 AND MEDIUM-TERM FINANCIAL STRATEGY

**DIRECTOR:** RICHARD ENNIS, INTERIM ACTING CHIEF EXECUTIVE & DIRECTOR OF INVESTMENT AND CORPORATE SERVICES (SECTION 73 OFFICER)

**AUTHOR:** SELONGE RUSSELL, HEAD OF FINANCE AND DEPUTY S73 OFFICER

## **1. Purpose of Report and Executive Summary**

- 1 To consider and approve the Budget in respect of the Mayoral Functions and the West of England Combined Authority for 2023/24.
  
- 2 The West of England Combined Authority is still relatively young having only existed since February 2017. It has had a successful year in terms of attracting additional funding to the region. Section 2.3 of the report shows a number of these significant successes and a 256% increase in Grant Funding between 2022/23 and 2023/24 compared to an increase of 36% in staffing posts, with staffing costs reflecting the higher-cost infrastructure posts, in particular, for 2023/24. Figure 8 shows the staffing costs against the total revenue budgets for 2022/23 and 2023/24 which remain consistent at 11% year on year, notwithstanding an increase in cost per post of these additional posts. The infrastructure portfolio alone has witnessed a four-fold increase in value compared to that for 2022/23. In addition, the Skills portfolio has more than tripled from c£20m to c£60m within the last 2 years. Resources are needed to deliver the increased programme noting the much lower increase in staffing resources required compared to programme budget increases. The resources are also essential when considered against potential reductions in funding for some public bodies and may provide employment opportunities in this respect.
  
- 3 It is essential to recognise that the West of England Combined Authority is changing and needs to adapt to ensure that it has the skills and capacity to deliver the significant programme of work ahead for the benefits of the economy, and ultimately the residents and businesses of the region and its constituent parts. The West of England Combined Authority is looking to increase its engagement and 'step change' positively its reputation with government, business, and residents. It will work to bring even more funding into the region and not just through public

sources. It is essential that investors see the region as competent, ambitious, risk aware and effective in delivery. The amount of funding it targets will increase and we need to have a strong pipeline of investments ready for funding opportunities. The members of the Committee have already agreed through the governance report and action plan to undertake a meeting to look at the pipeline and opportunities, given the current economic conditions and the 'cost-of-living' crisis, making this is even more important.

- 4 There are various bodies that make up the public sector and it is important to recognise the differences between the West of England Combined Authority and the Unitary Councils that we are already on the journey to improve and change our working methods and relationships with. The Unitary Councils, like the West of England Combined Authority, are feeling the effects of inflation in a significant way. Whilst this year's Government funding may have been a little better than expected there has been over a decade of overall significant real terms reductions in funding for local government to deal with. Against this backdrop and some very high-profile Council financial failures it is surprising to note that England's 444 Local Authorities hold £33 billion in non-ringfenced reserves having increased by £11.1bn (50%) in the last 2 years.
- 5 Spending money effectively is even more challenging than bidding and getting it in. It is essential to resource the delivery body of the region given the complexity and importance of this delivery. Whilst there are narrow financial treasury benefits from holding cash in investments the key measure will be in effectively deploying resources at a quicker rate. It is also important to recognise that Unitary Authorities in the area will have made difficult services decisions and will be making further tough decisions as part of their budget processes, but this is a different organisation with different needs to deliver its objectives, and it is important to value this.
- 6 The West of England Combined Authority has not asked the Unitary Authorities for any additional contributions to resourcing itself. In effect the West of England Combined Authority is already delivering real cashable savings and significant cost increase avoidance to the Unitary Authorities by coming up with ways to be help with efficient service options in for example the area of supported bus services. This demonstrably underlines the benefits of a regional approach both to inward investment and solution finding. We are in the early stages of the journey to both gear up for delivery and become more efficient and effective, as there are inadequate resources to deliver a programme with such increases without the need for additional staffing resources within this budget. It is for that reason that the West of England Combined Authority will undertake further work to look at the organisational change requirements to become more effective and efficient. This must not hold back the agreement of the budget and in particular the recruitment of essential staffing resources as there is no time to waste given the economic conditions faced and delivery programme timescales ahead of us. We

need to push on with delivery or risk our reputation and returning the monies to funders.

- 7 The West of England Combined Authority is looking to make a step change in delivery. The organisation needs these changes to be fit for purpose and there are examples where there are single points of potential failure and aspects of the business that need to improve and build on improvements. It is essential that there is a robust and collaboratively constructive process to ensure that value for money is achieved in the new organisational structure and we will work robustly, collaboratively and constructively with the Unitary Authority Chief Executives to periodically test the achievement of value for money in the structure providing this improves delivery and increases pace.
- 8 The West of England Combined Authority is shifting its focus to delivery of the programmes as well as gaining additional funding for the region. Delivery of programmes needs resources. It is essential that delivery is efficient and effective. The report sets out how core funding has changed in relative terms to programme funding underlining the efficiencies of the West of England Combined Authority that is a continual focus of management. Further work will be undertaken in respect of benchmarking of the authority that will be reported back to committee in addition to working with the Unitary Authority CEO's.
- 9 Allocating funding to the priorities agreed by the Combined Committee on 1st July 2022 has been a priority with notable examples being Quantum Technology Innovation Centre, the Arena, Cycle paths, Walkways, Bristol Temple Quarter and Hydrogen Sustainable Transport Economy Accelerator. In relation to the Green Recovery Fund of £30m, helping us to tackle the Climate and Ecological Emergencies, notable projects include the Wind and Solar Community Energy projects, creation of the Great Avon Wood, creation of the Frome Valley River Nature Reserve and the creation of the West of England Retrofit Accelerator. The Combined Authority's Investment Plan for the £13.7m UK Shared Prosperity Fund and Multiply programmes has now been agreed and, alongside £9m for Skills Boot Camps delivery, represents a significant package of support to create new jobs and training opportunities. Whilst there is clearly work to do it should be noted that the Committee has made some significant and important decisions. These will help with our reputation as a region and group of authorities. It is essential that we demonstrably show improvement changes so that our reputation with government, business and investors develops and does not fall behind other regions forging ways to bring investment to their areas.
- 10 The national fiscal and economic situation is an important consideration for the Combined Authority in setting and managing its budgets. Inflation and the recession are issues that will require constant changes in working practices and programme / project reviews. The Committee will recall that an initial inflation review was undertaken on our own and Unitary Authority lead projects, but it is

already apparent that there is some over-optimism in the returns estimating an ability to deal with the inflationary impact with no additional ask. Further work will be needed in this area on an ongoing basis for some time. Again, efficiencies are being looked for in projects and identifying these is high on the agenda at the Programme Review Board meetings. These meetings include the Unitary Authority Section 151 Officers and Infrastructure Directors. The Programme Review Board is there to drive forward many complex projects and was set up at the request of the Committee.

- 11 The West of England Combined Authority operates in a competitive market for resources. The Government will need to find a solution to public sector pay policy that helps to resolve the recruitment and retention problems faced today. It is not always the right thing to have permanent staffing levels therefore a mix of flexible tenures is helpful from a skills and financial commitments perspective, given funding ebbs and flows. That said, whilst interim senior staff have been essential, we have too many interim appointments at a senior and middle level in the organisation. We are already in process and have longlisted to appoint a new permanent Director of Infrastructure. The Monitoring Officer and Director of Investment and Corporate Services positions will follow this appointment. It is important to recognise the shortage of skilled resources and make the posts competitively attractive both in terms of the job itself, regional impact, and remuneration. Additionally, whilst there are clear pace of recruitment benefits using interims in some projects there will be a clear plan to replace these with permanent or fixed-term appointments as soon as it makes good business sense. It is a reason for some of the additional recruitment capacity that will more than pay for itself as interim appointments by their very nature can be more expensive in a skills supply shortage environment. There are benefits to bringing in experienced resources quickly and it is also about a clear plan to replace those temporary resources in directorates, with permanent resources, at the right time in a managed way. Public sector pay is growing but in real terms there are cuts to pay and private sector pay is growing much faster whilst unemployment remains low, so it is increasingly difficult to fill roles with permanent resources in some skills areas in particular.
- 12 The report sets out the budget for the West of England Combined Authority and incorporates the provisional Finance Settlement for 2023/24. If applicable a verbal update will be provided at the Committee following any final settlement announcement. Many aspects of the Combined Authority funding such as the Mayoral Capacity Funding have not been inflated again this year requiring the West of England Combined Authority to make more efficiency savings or draw on reserves.



## Recommendations

It is recommended that the committee:

1. Approve the West of England Combined Authority budget for 2023/24 as summarised in figure 6 and relevant related supporting appendices.
2. Review and comment on the West of England Combined Authority projected revenue forecast for 2022/23 as detailed in Appendix 2.
3. Approve the Mayoral Budget for 2023/24 together with the funding contribution from the West of England Combined Authority, (Investment Fund), budget of £675k as set out in Appendix 7.
4. Review and comment on the Mayoral Fund 2022/23 Revenue Forecast as detailed in Appendix 8.

## Reasons for recommendations

Statutory Requirement to set a balanced budget that enables the West of England Combined Authority to delivery its programmes. The reserves are needed to ensure the smooth running of the West of England Combined Authority in the most challenging economic environment for some decades.

## Voting arrangements

A unanimous vote in favour at full meeting of the Combined Authority by all members appointed by the by the constituent Authorities or substitute members acting in place of those members, present and voting.

## 2. Background and Issues for Consideration

### Strategic Objectives:

- 2.1 Several common strategic objectives have been identified and are set out below with indicative priority outcomes. These were endorsed by the Combined Authority Committee in July 2022.

**1. Climate and ecological emergency:** Investing to tackle the climate and ecological emergency.

Priority regional outcomes:

- *Decarbonised transport system, reduced car dependency and increased cycling and walking, and use of public transport.*
- *Increased energy performance of buildings and net zero energy and carbon standards in new developments.*
- *Business and local people benefit from increased resilience to the consequences of a rapidly changing climate.*

- *Wildlife and the natural environment are in recovery with abundance of wildlife increased by 30% by 2030.*
- *Business and local people benefit from growth in the green economy and green jobs.*
- *Decarbonised energy system and increase local renewable energy.*

**2. Sustainable communities and places:** Investment to reduce economic inequalities and create healthy, happy, thriving communities and places that people want to visit, work, and live in.

Priority regional outcomes:

- *Our high streets, towns and city centres are vibrant and offer a range of job opportunities.*
- *All residents and visitors can access cultural and leisure activities.*
- *Enhanced support for existing cultural and heritage institutions that form our distinct cultural offer.*
- *Levels of poverty are reduced in our most deprived areas.*
- *Increased capacity and support for voluntary and community groups.*

**3. Jobs and training:** Investment to create and improve access to secure and fairly paid jobs, with support to help our diverse regional business base grow and thrive.

Priority regional outcomes:

- *More local people can access good jobs with clear routes to progress through core skills, training, and high-quality careers advice and support.*
- *Increased investment and provision of priority skills in growing sectors.*
- *More apprenticeship opportunities available to people in the region.*
- *Increased productivity, particularly among small businesses, through greater rates of start-up and survival, low carbon resource efficiency improvements and technology adoption.*
- *Business support services are well accessed across the entire region (including rural) and economic sectors, including community businesses, cooperatives, and social enterprises.*

**4. Strategic Infrastructure:** Investment to enable development of housing which is affordable and well designed, suitable places for business to operate, a modern sustainable transport system and world class digital infrastructure

Priority regional outcomes:

- *The right types of affordable homes are built in all parts of the region and are as energy efficient as possible.*
- *A fall in levels of homelessness and number of people living on the streets.*
- *People are better connected to our transport network and able to access jobs*

*and training provision, cultural and recreational activities using public transport, walking, and cycling.*

- *More journeys by bus, train, cycling and walking, which are low carbon, affordable, reliable, enjoyable and safe.*
- *Residents and business can fully participate in economic activity, through universal digital connectivity, zero exclusion and digital innovation.*

**5. Putting the region on the map for national and global success:** Investment to build on the region's strengths, its innovation and creativity, to attract and develop world class companies, jobs, and visitors.

Priority regional outcomes:

- *Growing numbers of national and international visitors and business investment to all parts of the region*
- *The region's rich cultural and heritage offer continues to grow and attract people and investment*
- *Our region's unique innovation assets, growth clusters and technologies, are driving increased inward investment*
- *More of our region's businesses are exporting products and services into national and international markets*

2.2 Progress against the regional outcomes will be reported as part of our Annual Business Plan processes.

2.3 Over the last 12 months, the West of England Combined Authority has secured £910m additional funding for the region; supported 13,000 residents with training and careers support, helped 2,864 businesses through the Growth Hub, and secured 50 new inward investments with the potential to create almost 2,200 new jobs.

Specific successes have included:

- a) £540m through the City Region Sustainable Transport Settlement the highest amount of funding per head awarded in England
- b) £95m from Homes England for the Bristol Temple Quarter Regeneration Programme, which will deliver some 2,400 new homes alongside a significant upgrade to Bristol Temple Meads Station.
- c) Passing the Gateway Review for the Investment Fund, unlocking the next tranche of £150m for the 5-year period to 2026.
- d) £105m joint award with North Somerset Council for the Bus Service Improvement Plan, the highest award of its kind in England.

- e) Combined Committee unanimous investment decisions in respect of The North Fringe, Quantum Technology and Hydrogen Sustainable Transport in driving forward matters of regional, local and national importance
  - f) Regional Climate and Ecological Strategy and Action Plan including a Green Recovery Fund of up to £50m to support projects including on green energy and nature recovery / pollinator support.
  - g) Regional Cultural Action Plan and agreement to £1m of investment in the sector which has already levered in an additional £1.5m from the Department for Digital, Culture, Media & Sport (DCMS) through Create Growth Programme – only 1 of 6 in the country.
  - h) Over £9m secured for skills bootcamps to deliver targeted training to meet employer need.
- 2.4 There has been a need to plan for a decisive shift towards delivery, ensuring investment is seen and felt by the people who live in, work in and visit the region. There is more change to come as the delivery of significant transport investment picks up pace and as we expand the skills, training and business support services we deliver to ensure a skilled workforce and businesses are retained and attracted to the West of England. Investment by the Combined Authority needs to be measured through its multiplier effect.
- 2.5 The significant increase in funding coming into the region is a real success – the challenge now is to make sure investment hits the ground as quickly as possible to deliver for our residents and business in these extremely challenging economic times. To speed up delivery, we will increase the frequency of programme reviews, constructively challenge delays, and ensure oversight for delivery is transparent and public. Where delivery can and should move faster, the West of England Combined Authority will focus on helping achieve this working with the Unitary Authorities and our partners across sectors.

**How does the Medium-Term Financial Strategy (MTFS) achieve the Strategic Objectives?**

- 2.6 The Medium-Term Financial Strategy achieves the Strategic Objectives by:
- Identifying the skills and capacity to deliver the priorities in Section 2.1.
  - Ensuring that the budget is robust given the economic downturn and significant inflationary pressures.
  - Increase the speed and quality of delivery such as the newly created Programme Review Boards and the Bristol Temple Quarter Board Focus.
  - Increase our focus on retaining and attracting staff in a challenging market for skills.

## **Combined Authority Revenue Resources and Medium-Term Financial Outlook**

- 2.7 The West of England Combined Authority, revenue budget relates to all functions except for those relating specifically to the Mayor which are set out separately in Section 6 of this report. The West of England Combined Authority budget includes any specifically approved contributions from the West of England Combined Authority to meet Mayoral costs.
- 2.8 The funding for the West of England Combined Authority comes from five main sources:
- Investment funding provided by the Government as part of the Devolution Deal (revenue funding for feasibility and development of approved schemes);
  - A levy on the constituent councils for the costs of operating transport functions that transferred to the West of England Combined Authority in 2020/21;
  - A 5% share of business rates and growth, (above a defined baseline), under the 100% Business Rates Retention Pilot;
  - Government funding for specific functions, capacity and projects as detailed in Figure 2 of the report.
  - Treasury Management - Interest received from invested cash balances held
- 2.9 This budget proposal covers the financial year 2023/24 and provides a medium-term revenue outlook. It builds on the previous years of operation for the West of England Combined Authority and reflects all previous committee decisions and funding allocations made which have ongoing impacts.
- 2.10 The West of England Combined Authority budget has been prepared on the basis that the separate budget proposals put forward in the Mayoral budget are approved as presented. The proposed West of England Combine Authority budget is detailed in Appendix 1 and includes provision for the governance, management and administration of the West of England Combined Authority's functions and responsibilities.
- 2.11 The Combined Authority core staff capacity, since 2017/18, has been funded through Business Rates Retention and short-term government capacity funding such as the Mayoral Capacity Fund. Being cash limited in nature, this funding has not accounted for any uplift in staffing costs through either national pay awards and/or increments with such costs having to be funded through using investment interest earned on cash balances. This means that efficiency savings have been needed given the significant

increase in costs due to inflation.

- 2.12 All staff appointments have been made in compliance with committee approved allocations with an appropriate balance maintained of permanent vs fixed term appointments based on the specific duration of funding streams. Contracted staff are engaged, where relevant, primarily to support specific skill sets required to deliver approved Investment Fund projects.
- 2.13 The Combined Authority revenue funding has increased over time with the approval of various projects, and associated funding, as part of the West of England Combined Authority Investment Programme (£450m up to March 2047). Such approvals are incorporated within the 2023/24 West of England Combined Authority budget and Medium-Term Financial Strategy (MTFS).
- 2.14 Figures in this report do not reflect any forecast slippage of projects and workstreams from 2022/23, with any out-turn variations being added to the 2023/24 budget in the monitoring reports to the West of England Combined Authority Committee in 2023/24.

### Core Revenue

- 2.15 The Medium-Term Financial Strategy, (MTFS), of our **core** revenue streams amounts to £25.6m over the five-year period as shown in *Figure 1*

**Figure 1: MTFS for Core Revenue Streams**

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
<b>Core Revenue Budgets</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Business Rate Retention	600	0	0	0	0	<b>600</b>
Mayoral Capacity Fund	1,000	1,000	1,000	1,000	1,000	<b>5,000</b>
Treasury Management income	1,603	4,000	4,000	3,400	3,400	<b>16,403</b>
Investment Fund for Mayoral Costs (IF)	645	675	685	693	701	<b>3,399</b>
Transfer from reserves	167	59	0	0	0	<b>226</b>
<b>Sub Total:</b>	<b>4,015</b>	<b>5,734</b>	<b>5,685</b>	<b>5,093</b>	<b>5,101</b>	<b>25,628</b>

\* *Business Rates Retention funding is uncertain from 2023/24 with Mayoral Capacity Funding expected to be confirmed for 2023/24 and 2024/25 (next Spending Review is effective for 2025/26).*

2.16 Overall, the ‘core’ element of our revenue resources remains largely unchanged in 2023/24. The West of England 100% Business Rates Retention Pilot is assumed to be rolled forward for a further financial year. The approach to the use of retained business rates growth has become harder in recent years as we have moved to annual extensions which reduces the ability to plan for the longer term. The West of England Combined Authority retains 5% of the total business rates growth retained in the region after accounting for the highways maintenance grant. However, due to the impact of Covid, growth has slowed significantly, and the West of England Combined Authority share in 23/24 is expected to drop to a breakeven position. This shortfall will be covered by the higher interest earnings by our Treasury function in 2023/24.

2.17 The Business Rates deficit has also been reflected in the 2022/23 forecast, where the worst-case scenario, is a breakeven position which is in line with the 2021/22 outturn reported. The Combined Authority is currently holding £0.77m in a Business Rates earmarked reserve which can be utilised to partially, or fully, offset the current year deficit if required. The Baseline funding level set out in the 2023/24 Provisional Local Government Finance Settlement remains unchanged from 2022/23 at £14.063m. The 2023/24 budget assumes a realistic approach to business rate income to reflect the continued uncertainty and economic outlook for businesses and the high street. A Safety net protection scheme guarantees that the Combined Authority receives a minimum of £13.641m (97%) as its share of business rates – any such deficit could in theory apply to both the 2022/23 outturn and the 2023/24 budget. Full detail of the retained business rate position will not be known until the start of February 2023, when the individual unitary councils submit their NNDR1 returns.

2.18 In 2017/18, the Local Government Finance Settlement [LGFS] allocated a Settlement Funding Assessment of £17.572m for the Combined Authority. In 2021/22 that allocation had declined to £14.063m and has remained constant thereafter – a reduction in annual funding of £3.509m. The effect of inflation has in effect further increased that reduction as purchasing power has been eroded – the Consumer Price Index rising by 25% between 2017/18 and current levels.

2.19 The Provisional Local Government Finance Settlement [LGFS] was announced in late December 2022 and showed a Settlement Funding Assessment [SFA] unchanged for the Combined Authority between 2022/23 and 2023/24, excepting that the Tariff has been increased to offset the expected increase in business rate yield as a result of the 2023 Revaluation.

	2022/23 (£,000's)	2023/24 (£,000's)
Expected NNDR Yield *	20,872	22,170
Less Tariff**	(6,809)	(8,107)
	-----	
Baseline Funding Level	14,063	14,063
Revenue Support Grant		
	-----	
Settlement Funding Assessment	14,063	14,063
<i>Safety Net Threshold</i>	<i>(13,641)</i>	<i>(13,641)</i>

\* The expected NNDR Yield is inclusive of Section 31 grants paid by DLUHC as compensation for reliefs given to businesses for Covid or other reductions in business rate charges.

\*\* The tariff is a charge back to central government.

- 2.20 The 2023/24 expected gross business rate yield from the constituent councils is not yet known and will only become available once the NNDR1 returns are completed by those authorities and submitted to the Department of Levelling Up, Housing and Communities [DLUHC] at the end of January 2023.
- 2.21 The latest information for 2022/23 produces a shortfall in net income from business rates of £570k and consisted as follows (further work is being undertaken in respect of this area):

	B&NES (£,000's)	BCC (£,000's)	SGC (£,000's)	Total (£,000's)
NNDR Yield to CA	1,703	7,527	5,081	14,311
S31 Grant Funding				2,587
Less Tariff				(6,809)
				-----
				10,089
Release of NNDR Smoothing Reserve				3,405*
				-----
Total Net NNDR Yield				13,494
Highway Maintenance Grant (CRSTS)				(14,064)
				-----
Variance				(570)

\* This is the variance between 2021-22 NNDR 1 and NNDR 3 forms for the section 31 grant due to authorities to compensate for the reliefs.



- 2.22 The new budget is predicated on the level of appeals and bad debt provisions as well as the overall tax base improving to eradicate the variance outlined above. A further review of the business rate position will be undertaken in February once the detailed projections from the three constituent councils has been determined.
- 2.23 A £1m annual Mayoral Capacity Fund Grant has been made available to fund core staff capacity costs of running the West of England Combined Authority. Despite its relatively low value it has a disproportionate impact on the finances due to the lack of any core funding base. Given the significant inflationary and other pressures faced by the West of England Combined Authority, this funding source is more important than ever. Whilst the funding has only ever been allocated annually it has been provided since 2017 and has become a key part of the limited core funding available. The allocation for 2023/24 has not yet been confirmed. The 2022/23 allocation was not confirmed by the Department for Levelling Up, Housing and Communities until June 2022. Verbal confirmation has been received that the Mayoral Capacity Funding will be maintained but not inflated, so a real terms reduction, for 2023/24 and 2024/25.
- 2.24 Income received from our investments has significantly exceeded budgeted levels in the last two financial years due to an extent by high cash balances held and mainly longer-term higher interest rates attained through investing in approved property and mixed asset funds. Higher returns are again forecasted for 2023/24 although this will reduce as significant capital construction costs are drawn down in relation to the approved West of England Combined Authority Investment Programme. Treasury Management income is being used to fund the increase in core staffing costs. Were this income to fall staffing costs will need to be funded by alternative means or reduced accordingly. Whilst in a narrow financial return investment sense, these returns are helpful, it is essential that resources are utilised efficiently and effectively on projects more quickly.
- 2.25 Revenue funding for running the mayoral function, alongside the annual funding set aside to fund four yearly election costs, is met through an approved drawdown of £675k from the West of England Combined Authority Investment Fund.
- 2.26 The West of England Combined Authority will continue to put forward a case to government to establish sustainable core funding for Combined Authorities beyond the current annual allocations and taking account of the high inflationary environment that builds into base costs without inflated funding. In addition, to mitigate risk, the Combined Authority will continue to review its holding of financial reserves and aim to increase the current level of reserves through transferring any end of financial year surpluses as per the approved Financial Reserves Policy. The existing approved Committee policy is built to have reserves to 5% of net annual revenue spend – this would be c£5.7m against the proposed £115m budget. It currently has £2.4m as at the end of March 2022.

## Specific Revenue Grant Funding

2.27 Figure 2 details the medium-term resource forecast across the various specific grant income streams which amounts to £175m over the five-year period. The growth in funding set out below is a 256% increase from 2022/23 to 2023/24:

**Figure 2: Medium Term Financial Strategy for Specific Revenue Grants**

<b>Specific Grant Funding</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Workforce for the Future (ESF)	0	2,086	0	0	0	<b>2,086</b>
Business Innovation (ERDF)	836	400	0	0	0	<b>1,236</b>
Adult Education Budget (DfE)	16,364	16,594	16,594	16,594	16,594	<b>82,740</b>
Skills Boot Camp (DfE)	0	6,015	0	0	0	<b>6,015</b>
Multiply (DfE)	0	1,551	1,551	0	0	<b>3,102</b>
Woodland Creation Accelerator (DEFRA)	0	300	0	0	0	<b>300</b>
UK Shared Prosperity Fund (DLUHC)	0	2,472	6,478	0	0	<b>8,950</b>
Combined Authority (M10)	160	0	0	0	0	<b>160</b>
OPE Development Pipeline (DLUHC)	0	50	0	0	0	<b>50</b>
Biodiversity Net Gain Grant (DEFRA)	0	23	0	0	0	<b>23</b>
Zero Emission Transport City (DfT)	0	70	0	0	0	<b>70</b>
Bus Service Operator Grant (DfT)	0	1,147	1,147	1,147	1,147	<b>4,588</b>
Bus Service Improvement Plan (DfT)	0	29,408	22,401	0	0	<b>51,809</b>
Western Gateway Sub-National Transport Body (DfT)	180	816	20	20	20	<b>1,056</b>
Emergency Active Travel (DfT)	0	91	0	0	0	<b>91</b>
City Region Sustainable Transport Settlement (CRSTS) (DfT)	1,025	5,000	7,000	0	0	<b>13,025</b>
<b>Sub Total:</b>	<b>18,565</b>	<b>66,023</b>	<b>55,191</b>	<b>17,761</b>	<b>17,761</b>	<b>175,301</b>

- Workforce for the Future is a free support service for businesses and individuals in the West of England. The programme helps businesses develop employees' skills, understand how they can meet their current and future skills needs and attract, develop, and retain talented people.
- The Business Innovation funding (ERDF) is used to provide grants to help progress research and development activity within small businesses. This will stimulate economic development and create jobs.
- Adult Education Budget, (AEB), was formally devolved to the West of England Combined Authority with effect from the 2019/20 academic year. We are responsible for the adult education funding in Bath & North East Somerset, Bristol and South Gloucestershire. That means we fund education providers to deliver tailored courses that meet the needs of the region.
- Skills Boot Camps are developed in partnership with employers and providers to help fill local skills gaps and vacancies. Skills boot camps offer adult 19 plus tailored training designed in partnership with employers and training providers to respond to skills

shortage in high demand sectors in our region.

- Multiply Programme – Multiply is the new national programme focused on improving adult numeracy skills. The three-year programme will be delivered across the West of England through community-based and employer-based learning.
- Woodland Creation Accelerator – This is a fund for providing support for the additional staff / consultants required to accelerate plans for tree and woodland planting.
- UK Shared Prosperity Fund – This is a three-year fund kicking off this year. In the first two years it will focus on communities and place and local business interventions.
- Combined Authority (M10) – this is for the secretarial cost of the M10 Metro Mayors group.
- OPE Development Pipeline is from the Department for Levelling Up, Housing & Communities. The fund aims to help secure capacity to develop a pipeline of public sector property opportunities in their areas and help deliver post pandemic public estate strategies.
- Biodiversity Net Gain Grant is from the Department for Environment Food & Rural Affairs. The purpose of the grant is to provide funding for local planning authorities to expand their ecologist capacity and upskill current ecologist resource with regards planning application assessment and preparation for the introduction of the mandatory biodiversity net gain requirement.
- Zero Emissions Transport City (ZETC) funding has been used to commission a technical feasibility study into how different parts of the transport network could be decarbonised. This work is being carried out by Bristol City Council and their strategic partner Arup.
- Bus Service Operators Grant previously known as the Bus Fuel Grant. This is a grant which comes from the Department for Transport (DfT) for our supported bus services, The amount that we receive was set by the DfT back in 2012 and has not changed since.
- Bus Service Improvement Plan sets out to make the bus network more attractive with simpler, cheaper fares, more turn-up and go services, easier access to those living away from core routes and more reliable by addressing the driver shortage.
- Western Gateway Sub-National Transport is funded by the DfT and an annual contribution of £20K from each of the authorities and the West of England Combined Authority. The West of England Combined Authority is the accountable body but the Western Gateway is guided by a board formed of one councillor from each of the constituent authorities (8 councils plus the West of England Combined Authority). Relevant funding has been allocated for 2023/24 financial year which will be kept under review.
- Emergency Active Travel is from the Department for Transport. Its aim is to help deliver an environment that is safe for both walking and cycling in our area.
- A City Region Sustainable Transport Settlement (CRSTS) of £540m was confirmed for the West of England Combined Authority region in late 2021. This capital funding covers a five-year period commenced in 2022/23. In order to adequately prepare for the delivery of this major transport investment, the government has awarded £14.3m of revenue funding which will also be utilised as part of the five-year settlement.

## Investment Fund Revenue (West of England Combined Authority Managed)

- 2.28 The West of England Combined Authority committee have approved several revenue allocations throughout the last couple of years for progressing strategic business cases and feasibility and development work. These vary from big strategic projects that span over several years, such as research into mass-transit options, to smaller, time limited, work such as developing an action plan to support the region’s emerging Climate Emergency strategy.
- 2.29 In some cases, approvals provided through the West of England Combined Authority Committee have resulted in further budget being allocated, and spend being incurred, within the 2022/23 financial year over and above the original budget which is detailed in **Appendix 3**.
- 2.30 **Appendix 4** details all of the approved Investment Fund revenue allocations that will be managed by the West of England Combined Authority which have been indicatively allocated across the five-year period.
- 2.31 The items in **Appendix 4** represent revenue approval to commit spend, and progress with the respective projects to their next Gateway stage. Full capital allocations are only approved subsequent to a viable, assessed and approved, full business case.
- 2.32 Similar to Investment Fund revenue approvals that will be managed by the West of England Combined Authority, there have been several Committee approvals for feasibility and development funding that will be managed directly by the constituent Unitary Councils and third parties. Where responsibility for development has been delegated for such spend, the West of England Combined Authority will retain overall control in terms of ensuring that spend is delivering the required progress and outcomes.
- 2.33 A summary of all Unitary Authority and Third-Party revenue approvals, which amounts to **£10.6m** as at October 2022, is detailed in **Appendix 5**.

**Figure 3: Summary of Investment Fund**

Investment Fund	22/23 £000s	23/24 £000s	24/25 £000s	25/26 £000s	26/27 £000s	Total £000s
Investment Fund managed by CA	16,234	16,854	7,594	489	0	41,171
Investment Fund to UAs	4,673	5,131	623	189	5	10,621
Investment Fund managed through third parties	784	0	0	0	0	784
Investment Fund for Mayoral Costs	645	675	685	693	701	3,399
<b>Sub Total:</b>	<b>22,336</b>	<b>22,660</b>	<b>8,902</b>	<b>1,371</b>	<b>706</b>	<b>55,975</b>

## **Revenue Transport Levy (Transport Integration)**

- 2.34 From 2020/21 the West of England Combined Authority took on responsibility for managing and delivering the operational transport functions pooling the budget accumulated from the Unitary Authority levies, (and recharge from North Somerset Council). A transport smoothing reserve was created to help manage the peaks and troughs of regional service costs. The balance of the smoothing reserve is £616k.
- 2.35 The 2022/23 principal transport operations budgets funded from the Transport Levy are currently forecasting an overall overspend, largely due to lower expenditure on concessionary travel, but with a forecast overspend on supported bus services. This overspend is covered by the smoothing reserve.
- 2.36 The forecast underspend on concessionary travel reimbursement to operators is due to the pre-Covid decline in concessionary travel. The current Government guidance is to transition back to reimbursement for actual travel over the course of 2022-23. In April 2022, reimbursement was capped at 90% of pre-pandemic patronage and that percentage cap is reduced every two months until it reaches 65% in February 2023. From the point where actual use meets the declining percentage, reimbursement will revert to actual use. The table in appendix 6 compares the percentage cap against actual travel in the year so far.
- 2.37 Overall bus patronage in our region has recovered to approximately 75% of its pre-pandemic level and seems to have stabilised there. However, recovery of bus use by concessionary pass holders is lagging much further behind with current patronage levels of circa 65% against pre Covid levels.
- 2.38 The supported services situation has arisen due largely to the need to maintain service levels on contracted services to meet Government requirements whilst farebox revenue income has remained well below pre-Covid levels. Whilst the Government has provided some support through Covid Bus Service Support Grant (CBSSG) and latterly Bus Recovery Grant (BRG) this has not covered lost revenue or the full costs to the West of England Combined Authority of running contracted services.
- 2.39 The short-term situation is that several commercial bus services across the region require revenue support in order to continue, both within the current financial year and at the start of the 2023/24 financial year. This is in part due to continuing low levels of patronage and the fact that direct Government support to bus operators through BRG for commercial services are expected to end on 31 March 2023. Should this happen and services are withdrawn or reduced, the West of England Combined Authority will need to consider the merits of whether these services should be financially supported if funding is available. Government is holding to its position that the new Bus Transformation Fund - to which we have received revenue funding to

deliver our Bus Service Improvement Plan – may not be used to maintain existing bus services that are at risk.

- 2.40 The medium-term prospects of bus passenger numbers returning to pre-Covid levels are low, with the expectation that even in the spring of 2023 it will still only be around 75-80% of pre-covid levels. This is due to long term structural changes to working patterns reducing commuting, although this may be offset somewhat by increases in leisure trips by public transport. Whilst the picture will become clearer once the Government support funding position is known and tender prices are received for those services needing financial support, the reality may be that in overall terms there is insufficient funding available to maintain all services that currently operate, and some rationalisation will be required. This would form the focus of a report to Committee at the appropriate time.
- 2.41 Given the uncertainty that will continue into the 2023/24 financial year, and the anticipated increases in costs, it is essential to continue to hold and maintain a sufficient transport smoothing reserve. In light of holding this reserve, along with current year underspending in Concessionary Services and the indicated funding positions of the Unitary Authorities, no uplift in the levy is proposed for 2023/24 for the core service requirements. This represents a real terms reduction in funding of 11% when inflationary pressures are taken into account. The 2032/24 levy, (along with the relevant recharge that will be applied to North Somerset Council), for integrated transport services is detailed in Figure 4 below.

**Figure 4 – Adjusted Revenue Transport Levy (including North Somerset) 2023/24**

	2023/24 Levy Charges					NSC £000s	Total £000s
	B&NES £000s	BCC £000s	SGC £000s	First £000s	Total LEVY £000s		
Integrated Transport Team	239	456	161	0	856	0	856
Concessionary Travel	3,639	7,180	2,199	0	13,018	1,852	14,870
Bus Service Information (RTI)	143	269	142	25	579	9	588
Community Transport	367	841	445	0	1,653	0	1,653
Supported Bus Services	773	1,323	963	0	3,059	35	3,094
Metrobus	0	45	28	0	73	14	87
Travelwest	3	7	4	0	14	12	26
Bus Strategy / Integrated Ticketing	30	114	72	0	216	36	252
<b>Sub Total:</b>	<b>5,194</b>	<b>10,235</b>	<b>4,014</b>	<b>25</b>	<b>19,468</b>	<b>1,958</b>	<b>21,426</b>

- 2.42 The Medium Term Financial Strategy figures for the revenue transport levy, assuming direct service costs only, with no further changes in demand, are reflected in *Figure 5*

**Figure 5 – Adjusted Revenue Transport Levy – MTFS**

Transport Levy	22/23 £'000s	23/24 £'000s	24/25 £'000s	25/26 £'000s	26/27 £'000s	Total £'000s
Team and Operational costs	1,308	1,367	1,408	1,436	1,465	6,984
Contribution from the Combined Authority*	-452	-511	-552	-580	-609	-2,704
Community Transport grants	1,653	1,653	1,653	1,653	1,653	8,265
Concessionary Fares	13,018	13,018	13,018	13,018	13,018	65,090
Real Time Information (RTI)	402	402	402	402	402	2,010
Supported Bus Services	3,059	3,059	3,059	3,059	3,059	15,295
Metrobus	73	73	73	73	73	365
Updating Bus Stop Information	177	177	177	177	177	885
Travelwest	14	14	14	14	14	70
Integrated Ticketing	216	216	216	216	216	1,080
<b>Total</b>	<b>19,468</b>	<b>19,468</b>	<b>19,468</b>	<b>19,468</b>	<b>19,468</b>	<b>97,340</b>

2.43 Please note 2024/25 onwards are shown without increases. These will be subject to review when finalising future budgets.

**Total Combined Authority Revenue Funding Forecast**

2.44 Combining all of the approved funding streams, as detailed in this section, the overall proposed West of England Combined Authority revenue budget for the 2023/24 financial year is **£115.2m** with a total resource allocation of **£359.8m** up to March 2027 (including 2022/23) as per Figure 6 below.

**Figure 6: Summary of all approved West of England Combined Authority Revenue (as at January 2023)**

	22/23 £000s	23/24 £000s	24/25 £000s	25/26 £000s	26/27 £000s	Total £000s
Core Revenue Funding	4,015	5,734	5,685	5,093	5,101	25,628
Specific Grant Funding	18,565	66,022	55,190	17,761	17,761	175,299
Investment Fund (managed by the West of England Combined Authority)	16,234	16,854	7,594	489	0	41,171
Transport Levy (and NSC Recharge)	21,426	21,426	21,426	21,426	21,426	107,130
<b>West of England Combined Authority Managed Revenue Budgets</b>	<b>60,240</b>	<b>110,036</b>	<b>89,896</b>	<b>44,769</b>	<b>44,288</b>	<b>349,228</b>
Investment Fund (UA and third parties)	4,673	5,131	623	189	5	10,621
<b>Total West of England Combined Authority Revenue Budget</b>	<b>64,913</b>	<b>115,167</b>	<b>90,519</b>	<b>44,958</b>	<b>44,293</b>	<b>359,849</b>

## Spend Analysis and Overheads

3.1 The West of England Combined Authority's costs in the first few years were mainly targeted on the staffing required to operate the business. However, with a growing momentum on developing long term strategic planning and transport solutions, spend is now spread across a wider range of areas such as payments to third parties, supplies and services and engagement of specialist contractors.

3.2 A subjective analysis of revenue spend for 2023/24 is detailed in **Figure 7**

**Figure 7: West of England Combined Authority Revenue Spend Analysis 2023/24**

	Staffing £000s	Supplies/ Services £000s	3rd Party Payments £000s	Over heads £000s	Recharge Income £000s	Transfer to Reserves £000s	Total £'000s
West of England Combined Authority Managed	17,600	8,965	88,880	-589	-4,820	0	110,036
Unitary Auth and 3rd Party Led	0	0	5,131	0	0	0	5,131
<b>Total 2023/24:</b>	<b>17,600</b>	<b>8,965</b>	<b>94,011</b>	<b>-589</b>	<b>-4,820</b>	<b>0</b>	<b>115,167</b>
<b>Total 2022/23:</b>	<b>9,646</b>	<b>9,127</b>	<b>48,987</b>	<b>-677</b>	<b>-2,382</b>	<b>212</b>	<b>64,913</b>

3.3 In terms of staffing, overall numbers have increased which reflects the increased number of grants and service areas that the West of England Combined Authority is now managing. There will be spending, and corresponding staffing growth in 2023/24. Appendix 9 provides a breakdown of the new additional roles compared to the 2022/23 approved budget. Appendix 10 provides a breakdown of the Fixed Term vs Permanent Staffing Analysis by Function for 2022/23 and 2023/24.

3.4 The primary reasons for the increase in staffing budgets are as follows:

- The Combined Authority has been successful in bringing significant funding to the region for a range of programmes – including the City Region Sustainable Transport Settlement (CRSTS), Bus Services Improvement Plan (BSIP), Temple Quarter redevelopment, and the Shared Prosperity Fund. These successes are of unprecedented significance, and the Combined Authority, working with regional partners, will be expected to deliver real change. This requires a step change in our staffing – particularly (though not exclusively) in the Infrastructure directorate, where the majority of delivery will happen and in the newly created Environment Service Area.



- There has been a significant increase in staff numbers for the Environment Directorate, which was formed in June 2022. This was in direct response to the priority given to this area following the Joint Climate and Ecological Emergency declarations from the Combined Authority Committee and the formation of the Green Recovery Fund in December 2021. The Directorate drew together teams working on Net Zero (supporting business and residents across the West of England and the SW) and has recruited a similar additional number to enable the Combined Authority to have the capacity to respond to the challenge set.
- The West of England Combined Authority's People and Skills within the Business and Skills service area has grown at a very fast rate: in 2020 the service comprised 3 projects/services (worth c.£20m); by 2022 it comprised of 12 projects/services and stood at c.£60m in value. The demands of planning and delivering this service have become increasingly complex: integrating and managing the growing numbers and levels of delivery across every sector and at all qualification levels, coupled with the increasingly complex need for forward planning based on strong economic and skills forecasting. It should be noted that as well as directly funding staff within the Business and Skills Directorate, project funding has also been used to fund staff and capacity in the UAs. For example, the Future Bright programme includes circa £1m for UA staffing and the Skills Connect project, £1.4m. The Adult Education Budget (AEB) and Multiply programmes also include allocations for UA staff.
- As with any growing organisation, the additional staffing places a further demand on corporate services, and it is therefore necessary to plan for a smaller, but proportionate, increase in corporate staffing support, to ensure that delivery is not compromised by bottlenecks elsewhere in the organisation.

3.5 Staff costs in 2022/23 accounted for around 11% of the total revenue budget. This has remained in line for 2023/24 where income and spend has increased to £115m – see Figure 8 – Analysis Staffing by Directorate.

3.6 The significant increase in staffing costs reflects the significant increase in funding and delivery of projects the Combined Authority is now delivering – requiring additional procurement, legal and contractual arrangements, and management / governance of the projects. Grant funded projects have increased by 256% and the Infrastructure portfolio alone has seen a four-fold increase in size. Failure to adequately resource such projects would put at risk the successful delivery of such projects and inhibit the organisations' ability to ensure value for money.

**Figure 8: Analysis Staffing by Directorate.**

	2022/23 (£,000's)	2023/24 (£,000's)	Change (£,000's)	Change (%)
Environment*	48	1,282	1,234	2571%
Business & Skills	1,820	2,705	885	49%
Infrastructure	3,471	7,010	3,539	102%
	<b>5,339</b>	<b>10,997</b>	<b>5,658</b>	<b>106%</b>
CEO	2,496	3,457	961	39%
Corporate Services	1,811	3,146	1,335	74%
	<b>4,307</b>	<b>6,603</b>	<b>2,296</b>	<b>53%</b>
Gross Staff Costs	<b>9,646</b>	<b>17,600</b>	<b>7,954</b>	<b>82%</b>
Recharge to Other Budgets**	<b>(2,382)</b>	<b>(4,820)</b>	<b>(2,438)</b>	<b>102%</b>
<b>Net Staff Costs</b>	<b>7,264</b>	<b>12,780</b>	<b>5,516</b>	<b>76%</b>
<b>Revenue Budget</b>	<b>64,913</b>	<b>115,167</b>	<b>50,254</b>	<b>77%</b>
Net Staff / Budget %age	11.2%	11.1%		

Note: \*Environment is a new directorate and some of the staff costs for 22/23 were within other directorates and have now been moved to be included in the 23/24 total.

\*\*For explanation of the recharge see 3.10

- 3.7 Salary budgets continue to be funded at 96% of the full cost of the staff salaries and related on-costs. This reflects the anticipated turnover rate throughout the year with inevitable time lags between individuals leaving and new starters commencing.
- 3.8 The main elements of the £94m third party payments are detailed in Figure 9:

**Figure 9: Third Party Payments 2023/24**

<b>Figure - Third Payments</b>	<b>£000's</b>
Bus Service Improvement Plan	26,807
Transport Levy Services	21,717
Adult Education Budget	15,859
Skills Boot Camps	5,805
UA Managed projects	5,131
UK Shared Prosperity Fund	2,472
Workforce for the Future	2,481
Other Projects	13,739
	<b>94,011</b>

3.9 Other projects include:

- City Region Sustainable Transport Settlement
- Multiply
- Future Bright Plus
- Low Carbon Projects

3.10 Recharge income reflects the proportion of time spent by West of England Combined Authority funded staff on Local Enterprise Partnership, (LEP), Capital and Mayoral activities. Prior to 2020/21, each individual staff member had their salary coded to various cost centres to reflect the time that they spend on West of England Combined Authority, LEP and Mayoral functions. From 2020/21 onwards, to improve transparency of reporting, all costs have been collated against West of England Combined Authority cost centres and recharged out on an annual basis.

3.11 In terms of overheads, the West of England Combined Authority has split its core costs between those that are required to govern and operate the business, ‘corporate and democratic core’, and those support costs that flex with the actual demands and services delivered by the organisation (overheads). There are a proportion of this that is applicable to supporting LEP activities, the charge for which being reported in the Joint Committee budget report. The Corporate and Democratic Core costs are detailed in *Figure 10*

**Figure 10: West of England Combined Authority – Corporate and Democratic Core Costs**

<b>West of England Combined Authority Corporate &amp; Democratic Core Costs</b>	<b>2022/23 £000s</b>	<b>2023/24 £000s</b>	<b>2024/25 £000s</b>
Statutory Officer Costs	330,099	459,255	365,199
Legal and Democratic	235,165	473,482	487,686
Policy and Strategy	278,542	727,840	884,177
Planning, Performance and Projects	94,202	137,302	141,421
Marketing and Communication	126,737	148,855	153,320
Central Overheads	107,500	281,692	297,062
	<b>1,172,245</b>	<b>2,228,426</b>	<b>2,328,865</b>

- 3.12 The Statutory Officer Costs reflects the salary and related on-costs for the required Chief Executive Officer, (Head of Paid Service), and Director of Investment and Corporate Services (Statutory Finance Officer). Increased costs include interim staffing for which recruitment of the permanent roles will be taking place this year. In addition, there is a requirement for some additional one-off budget costs in 2023/24 and 2024/25.
- 3.13 Legal and Democratic Services includes the cost of the Statutory Monitoring Officer role alongside the relevant costs for administering and governing the West of England Combined Authority Committee. Increased costs include additional staffing and interim staffing for which recruitment of the permanent roles will be taking place this year. Having a single point of failure and one monitoring officer is extremely high risk and beyond any reasonable risk appetite. There is a clear need for additional solicitor roles from a knowledge of the organisation and efficiency and effectiveness basis.
- 3.14 Policy and Strategy have a 'core' element of costs alongside a variable element with activity linked to the growing number of services directly delivered by the West of England Combined Authority. There has also been a change from funding existing roles from the reducing short term funding pots to a permanent basis.
- 3.15 Planning, Performance and Projects includes a 'core' element of costs linked with business planning and development of our corporate performance framework.
- 3.16 Marketing and Communication – developing and deliver communication and marketing activity and to promote the West of England Combined Authority.
- 3.17 Central Overheads includes the cost of audit, insurance and treasury advice.
- 3.18 As the organisation has continued to grow over the last 12 months, relevant support services have also had to 'flex' to ensure that we maintain professional back-office services and arrangements to support a maturing combined authority. These increased costs, in the main, have been funded through applying a relevant overhead 'charge' on new and additional front-line staff alongside levying appropriate support costs against the growing suite of West of England Combined Authority delivered projects such as the City Region Sustainable Transport Settlement Programme. Accounting arrangements require the full Support Service costs, (as detailed in *Figure 11*), to be spread across the range of West of England Combined Authority services and projects delivered.

**Figure 11: West of England Combined Authority Support Services (Overhead) Costs**

<b>West of England Combined Authority Support Services (Overheads)</b>	<b>22/23 £000s</b>	<b>23/24 £000s</b>	<b>24/25 £000s</b>	<b>25/26 £000s</b>
a - Finance & Procurement	369,789	942,660	970,939	990,358
b - ICT Services	821,463	1,418,239	1,460,786	1,490,002
c - Accommodation and Property	500,579	974,402	1,003,634	1,023,707
d - Human Resources	298,743	699,916	720,913	735,332
e - Business Support	113,919	151,178	155,713	158,827
f - Grant Assurance Function	204,955	382,894	394,380	402,268
g - Policy and Strategy	248,900	846,153	871,537	888,968
h - Planning, Performance and Projects	73,389	137,300	141,419	144,248
i - Marketing & Communication	178,187	318,314	327,864	334,421
j - Central Overheads	107,500	163,379	168,280	171,645
	<b>2,917,424</b>	<b>6,034,435</b>	<b>6,215,465</b>	<b>6,339,776</b>

3.19 The Key Changes in Overheads with effect from 2023/24 are below. It is important to underline that 2023/24 and onwards are shown in a gross format without netting off and in effect charging direct to projects. This is an important transparency shift in the way we show our budgets as an organisation. We will continue this transparency agenda even though it may suggest a larger increase in resources than is the case in the single year from 2022/23. That said the organisation needs to grow given the increase in resources:

- (a) Finance & Procurement - the staffing base has increased significantly as a result of an increase in Income across Government Grants, Transport Levy and Investment Funded projects. At the same time, a Procurement team has been formed to ensure the West of England Combined Authority is achieving value for money.
- (b) ICT Services - the West of England Combined Authority's staffing base has increased significantly during the current financial year because of approved investment fund activity and regional economic recovery. The rate of growth the West of England Combined Authority has experienced is a longer-term trend as the organisation continues to grow, deliver more programmes of work and attract further funding. Investment and development in IT Infrastructure will continue to be required in order to meet the growing demand.

The budget for 2023/24 include costs relating to an essential ICT future programme of work, aiming at equipping the West of England Combined Authority with common digital tools to better meet our stakeholder needs

and work more efficiently.

IT Infrastructure costs tend to be substantial initial outlays however the spend on equipment, such as laptops and mobile phones, have a useful life than span across more than one financial year and are depreciated accordingly.

- (c) Accommodation and Property - Rivergate lease expired in December 2022. A new lease was signed for 70 Redcliff Street in September 2022 with a larger floor space to accommodate the staffing number increases. Agreements with other bodies are near completion to let out some of the space.
- (d) Human Resources – provides support and policy in managing staff and using people effectively, developing competencies and recruiting staff. The increase in cost is due growth in staffing numbers as a result of increased activity from approved investment fund and project activity.
- (e) Business Support – this team supports ICT, the office and Health and safety across the organisation.
- (f) Grant Assurance Function - despite taking on the assurance function for many new funding streams over recent years (such as Skills Boot Camp, Multiply, Future Transport Zones and Business Innovation), the Grant Assurance team has remained static in terms of staffing capacity. The 2023/24 budget introduces four new posts to complement the proportionate increase in the team’s workload.
- (g) Policy and Strategy - this support service has been increased to reflect the requirement for clear agreed strategic framework to enable effective prioritisation of activity to address the challenges faced by the region. Capacity has also been improved to enable monitoring and evaluation of projects and programmes to keep pace with the increase in delivery. In addition, the strategic regional housing and planning function will be undertaken by this service. Innovation and digital functions have been moved into this service and there has also been a change from funding existing roles from the reducing short term funding pots to a permanent basis.
- (h) Planning, Performance and Projects -there is an additional role to lead on the development and implementation of our corporate performance framework.
- (i) Marketing and Communications - the team has continued to grow slowly throughout 2022/23 however, new staff, in the main, have been charged directly to the services areas and projects that they are supporting. There has been growing demand for campaigns for business skills, infrastructure and regional innovation as well as ongoing promotion of key initiatives and website redevelopment.
- (j) Central Overheads - there has been an increase in the Insurance and Audit

costs. The increase is driven by the growth of the West of England Combined Authority together with the complexity of the organisation. This consequently results in an increase in fees.

- 3.20 The increase in support services spend is proportionate with the increase in overall West of England Combined Authority activity over the previous 12 months through applying the standard **36.4%** overhead, (per FTE), rate as approved by the West of England Combined Authority Committee in January 2021. As the organisation expands, (or contracts), this will continue to be the standard overhead percentage that will be applied to all services delivered and capital projects led, and managed, by the West of England Combined Authority. The overhead rate has been reviewed as part of the budget process and remains valid.
- 3.21 £5.9m overheads represents **5%** of the £115m 2023/23 revenue budget for the West of England Combined Authority which is a similar rate compared with other Combined Authorities.

### **Treasury Management**

- 3.22 For the last five years of operation, the West of England Combined Authority has exceeded the set income budget for returns on investments in terms of cash balances held. We have maintained significantly high cash balances over this period which is primarily due to the relatively low cost of feasibility and development funding activities in the early years versus the high construction costs as projects move into capital delivery.
- 3.23 The 2022/23 Treasury Management income budget was set at £1.6m and it is proposed to increase this further to £4m for the 2023/24 financial year. Longer term income targets will need to be kept under review as the West of England Combined Authority Investment Programme, (covering the period up to March 2026), gathers momentum with overall spend increasing and cash balances correspondingly reducing.
- 3.24 A further risk to Treasury management in the medium term is the potential change in accounting treatment for investments in 'pooled funds'. Such funds, which include West of England Combined Authority investments in property and mixed (equity) assets, deliver an annual revenue return through dividends. These investments are made for a long-term duration with the difference between the cost of purchasing the investment, and the notional sale price of that investment, often fluctuating due to specific market conditions. For example, the notional capital value of our pooled asset holdings dropped by circa £2m during the first national lockdown due to the Covid pandemic in March 2020 (they have subsequently recovered in line with market recovery). More recently with the uncertainty in the current economic climate and

inflation – the impact was a drop of c£2.2m albeit that has nearly recovered fully over the last 3 months. As there are no immediate, or medium term, plans to sell our pooled investment assets, any changes in notional sale value are not material in our considerations. However, there was a risk that, upon the expiry of a national ‘override’ arrangement in March 2023, any notional changes in capital value of our holdings would have to be accounted for annually within our revenue budget. It is expected that this override will be extended for a further 2 years and although we need to continue to build our Treasury Management reserve to manage the potential risk of this national accounting change in practice at that time as the override is unlikely to be extended any further, we will review the reserve in light of the extension and reduced risk.

## Reserves

- 4.1 The West of England Combined Authority was established without any general or earmarked reserves or balances transferring from the constituent councils. Over time it is intended to establish an appropriate risk assessed level of reserves based on the specific activity and financial risks to the West of England Combined Authority.
- 4.2 At the close of 2017/18 a general reserve was established of £308k. Over the last few financial years, this reserve has been steadily added to and now stands at circa **£2.4m at the end of March 2022.**
- 4.3 There is no ‘hard and fast’ rule as to the level of reserves that needs to be retained by an operational authority. Industry practice suggests that somewhere in the region of 5% of total turnover would be appropriate which, for the West of England Combined Authority, with a revenue budget of £115.1m in 2023/24, would amount to circa **£5.7m.**
- 4.4 In addition to General Reserves, the Combined Authority holds other specific earmarked reserves – the balance brought forward and expected movements during 2022/23 are set out in Figure 12



**Figure 12:** Forecast as at the end of 31st March 2023 Earmarked Reserve Balance  
£'000s

	Balance at 31 March 2022 £000s	Movement £000s	Forecast Balance at 31 March 2023 £000s
(a) Integrated Transport Authority Reserve General	616	413	1,029
(b) Integrated Transport Authority Reserve Bus	1,347	-1,347	0
(c) Business Rates Retention Reserve	777	0	777
(d) Mayoral Capacity Fund	214	-177	37
(d) Housing Capacity Fund	502	0	502
(e) S31 Excess Tax Income Guarantee	3,405	0	3,405
(f) Programme Delivery Overhead Recovery	822	-655	167
(g) Treasury Management	1,099	750	1,849
Other*	737	-128	609
<b>Total</b>	<b>9,519</b>	<b>-1,144</b>	<b>8,375</b>

\* The £128k is related to smaller earmarked reserves including the Brexit Fund and Rent Rebates.

4.5 The purpose of the individual reserves are as follows:

**a) Integrated Transport Authority Reserves**

The Integrated Transport Authority Reserve exists in order to hold variances between the costs of Concessionary Fares, Bus Information services and Community Transport support, pending the adjustment of Levy calculations in subsequent Financial Years, to maintain a revenue neutral position between the Combined Authority and contributing Authorities.

**b) Integrated Transport Reserve**

The 2021/22 transport underspend of £1,347k was transferred to a specific one-off earmarked bus reserve to invest in further support to regional bus services to protect routes, particularly in rural areas.

**c) Business Rates Retention Reserve**

The Business Rates Reserve exists in order to meet costs arising from the volatility in NNDR income due to changes in the Rateable Value of properties or the granting of new exemptions and reliefs and is utilised to fund deficits impacting in future years.

#### **d) Mayoral and Housing Capacity Funding**

The balance of these two grant funding streams has been transferred into earmarked reserves to facilitate and accelerate delivery of infrastructure and investment projects, and to create a strategic housing delivery unit.

#### **(e) Section 31 Excess Reserve**

The NNDR collection fund closed with a high deficit in 2021/22, majority of which was due to COVID-19. To help funding the Covid related deficits, additional S31 grant was awarded. An earmarked reserve of £3.4m was created to carry this over to 22/23 when the deficit will need to be repaid.

#### **(f) Programme Delivery Overhead Recovery Reserve**

Central overhead savings due to delays in programme delivery.

#### **(g) Treasury Management Reserve**

To cover the risk of capital losses and/or lower financial returns in future years.

- 4.5 IFRS 9 – Financial Instruments, there is currently a statutory override, this will end in March 2023. Government have yet to confirm whether this override will be extended, however our treasury advisors Arlingclose have heard informally that the override will remain in place for the 2023/24 and 2024/25 financial years, and we are now awaiting a formal response from Government. In the event there is no extension, falls in the value of bond and property funds will be charged to revenue rather than being reflected on the balance sheet- this poses a potential risk which would need to be met from reserves.
- 4.6 As the authority continues to grow, and whilst the volatility of revenue funding streams remains a significant issue, a review of the Financial Reserves Policy will take place using a risk-based approach during 2023/24.
- 4.7 Some of the specific risks that would need to be reflected in such a review include: IFRS changes to investment income; potential cost overruns; inflationary pressures; business rate yields and abortive costs that had been intended to be charged to capital.

#### **West of England Combined Authority Revenue Forecast Position 2022/23**

- 5 **Appendix 2** details the West of England Combined Authority's estimated revenue forecast position for the 2022/23 financial year based on actual information to the end of December 2022, which overall, is projecting a balanced budget position.

## Inflation

- 5.1 A report on the Headline Inflationary Impacts and Pressures was presented at the September 2022 West of England Combined Authority Committee, the programmes identified with significant inflationary pressures were as below which now include a position update:

**Figure 13: Programmes with Significant Inflationary Pressures**

<b>Programmes Identified with Significant Inflationary Pressures</b>				
<b>Programme</b>	<b>Programme Budget</b>	<b>Anticipated Cost for Completion</b>	<b>Inflation risk</b>	<b>Mitigations</b>
Supported Bus Services (ITA Levy)	£3m	N/A	£0m	UA's have indicated they have agreed this is a cash limited budget. Real term reductions will be needed to manage Inflation Impact. <b>Update: Subject of 18<sup>th</sup> January Committee report</b>
MetroWest Phase 2 (Construction & Operation)	£54m	£73m	£8m	Outputs to be closely monitored. <b>Update: Value Management, Focus on Scope, Reengineering.</b>
City Region Sustainable Transport Settlement (CRSTS)	£540m	£540m	£85m	Revise programme. Undertake deep dives, market testing, value engineering and minimum value product. Outputs to be closely monitored. <b>Update: Series of acceleration workshops taking place with a focus on scope and requirements.</b>
Bristol Temple Quarter (BTQ)	£95m	£95m	£10m	Value engineering, review the scope of the project as necessary. Outputs to be closely monitored. <b>Update: Use of the Inflation Contingency.</b>

- 5.2 In addition, returns from the Unitary Authorities have been received with many projects indicating no requirement for additional inflationary funding, a further review has commenced, and we continue working with the UAs to establish the inflationary impact on Investment Fund projects managed by the UAs as part of the ongoing work in this area.

## Mayoral Budget

- 6.1 The Mayoral Budget relates to those functions that fall under the specific responsibility of the Mayor in accordance with the West of England Combined Authority (CA) Order 2017.
- 6.2 As required by the Combined Authorities (Finance) Order 2017, the Mayor must keep a fund, (to be known as the Mayor’s General Fund), in relation to receipts arising, and liabilities incurred, in the exercise of the Mayor’s general functions.
- 6.3 The proposed budget includes the costs of the Mayor, related office expenses and support costs. There is also an annual allocation in respect of the four-yearly West of England Combined Authority election costs.
- 6.4 The proposed 2023/24 Mayoral running costs are detailed in *Figure 14*, along with future year forecasts which reflect inflationary and anticipated pay increases.

**Figure 14 – Mayoral Running Costs (Medium Term Forecast)**

<u>Budget Heading</u>	<u>2022/23</u> <u>£'000s</u>	<u>2023/24</u> <u>£'000s</u>	<u>2024/25</u> <u>£'000s</u>	<u>2025/26</u> <u>£'000s</u>	<u>2026/27</u> <u>£'000s</u>
Staffing*	213	243	253	261	269
Premises	13	13	13	13	13
Support Service	11	11	11	11	11
Supplies and Services	62	62	62	62	62
	<b>299</b>	<b>329</b>	<b>339</b>	<b>347</b>	<b>355</b>
Mayoral Election Costs	346	346	346	346	346
<b>Investment Fund Contribution</b>	<b>645</b>	<b>675</b>	<b>685</b>	<b>693</b>	<b>701</b>

*\* 4.5% pay award assumed for 2023/24, 3% for 2024/25 and 2% thereafter.*

- 6.5 The funding for the Mayoral budget comes from a contribution from the West of England Combined Authority (Investment Fund) as approved by the West of England Combine Authority Committee. The proposed Mayoral budget for 2023/24 is set out at **Appendix 7**.
- 6.6 Monitoring against the Mayoral budget is reported to each meeting of the CA committee. The current forecasted revenue position for the 2022/23 financial year is to deliver a balanced budget as detailed in **Appendix 8**.

## Consultation

- 7 The contents of this report have been shared, and discussed with, the Chief Executive Officers, finance leads and Section 151 Officers of BANES, South Gloucestershire and Bristol City Councils.

## Accountable Body Functions

- 8.1 The West of England Combined Authority acts as the Accountable Body for the West of England Local Enterprise Partnership (LEP) and Invest in Bristol & Bath (IBB). The LEP and associated accountable body functions are funded from existing grants and contributions with no costs falling on the West of England Combined Authority. The LEP and IBB Budgets are approved and monitored by the West of England Joint Committee.
- 8.2 Invest in Bristol & Bath was, up to 2019/20, funded through the Economic Development Fund (EDF) at £1m per annum with the funding source transferring to the Revolving Infrastructure Fund (RIF) from 2020/21 onwards as part of an approved five-year deal. The final year for Invest in Bristol & Bath is 2024/25.
- 8.3 The staffing structures of the LEP and the West of England Combined Authority teams have been organised to provide the most efficient and effective delivery and support structure to meet the respective functions and responsibilities.

## Risk Management/Assessment

- 9.1 Ultimately, the risk and governance arrangements for the West of England Combined Authority are assessed and reported by our appointed external auditors. Grant Thornton were appointed again as our External Auditors for the West of England Combined Authority under the Public Sector Audit Appointments, (PSAA), process for the Statements of Accounts audit period from 2023/24 to 2027/28.
- 9.2 The West of England Combined Authority has been building a General Fund Reserve, in line with recommended best practice, to manage / mitigate any future financial risks. However, the Reserve remains at a relatively low level being circa **2.1%** of the 2023/24 revenue budget. Most of the Combined Authority core capacity and operating costs have been funded on a year-by-year basis through short-term funding streams equating to circa £5.7m per annum. Over recent months, the certainty of such funding for 2023/24 and beyond has become more volatile with government yet to disclose the full future of West of England Combined Authority revenue resources. The specific financial risks that we currently face include:
  - The Russian invasion of Ukraine and continuing international supply chain challenges have caused a sharp increase in inflation.

- Direct service delivery risk regarding transport services – particularly with regard to the financial pressures faced by bus operators due to falling patronage, and income, as a continuing result of the Covid pandemic.
- Unemployment has fallen, notwithstanding the end of the furlough scheme, and recruitment has risen, resulting in a very tight labour market and rising wage rates that still represent real terms cuts to public sector pay that increase recruitment and retention issues.
- Business Rate Retention funding – although the assumption is that the current 100% Business Rates Retention pilot will roll forward, we will not be able to accumulate a contribution to the Core Funding from budgeted revenue business rate growth.
- Potential for abortive capital costs to become chargeable to revenue.
- Non agreement to the necessary and lower than proportionate increase in resources needed by the Combined Authority to deliver its programmes which will stall investment in the region and have significant economic and reputational risks.
- Ensuring that we have the appropriate level of internal audit support by increasing the audit days required to make certain that we have appropriate controls in place as the organisation continues to grow.
  - 9.3 Should any of these financial risks materialise in 2023/24, we would need to develop an action plan looking for efficiencies and savings to accompany the structured use of financial reserves.

### **Public Sector Equality Duties**

10.1 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

10.2 The Act explains that having due regard for advancing equality involves:

- Removing or minimising disadvantages suffered by people due to their protected characteristics.
- Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
- Encouraging people from protected groups to participate in public life or in other

activities where their participation is disproportionately low.

- 10.3 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.
- 10.4 The Public Sector Equality duties will be considered within each individual project or area of work.

#### **Finance Implications:**

- 11.1 The financial implications are contained in the specific Budget proposals as set out throughout this report.

The Local Government Act 2003 requires the Chief Finance Officer (Section 73 Officer) to report to the Metro Mayor and committee members on the robustness of the estimates made for the purposes of calculations and the adequacy of the proposed financial reserves. The Metro Mayor and committee members have a statutory duty to have regard to the CFO's report when making decisions about the calculations.

- 11.2 Section 28 of the Local; Government Act Finance Act 1988, where it appears to the Chief Finance Officer that the expenditure of the Mayoral general budget incurred in a financial year is likely to exceed the resources available to meet the expenditure, the CFO has a duty to make a report to the Metro Mayor and committee members.
- 11.3 The Section 73 Officer considers the budget to be robust as presented, given the need for delivery of programmes, from the significant increases in funding. To not increase and approve the budgets for 2023/24 and enable the Combined Authority to continue, commence and complete its recruitment exercises, would put the West of England Combined Authority at significant risk of non-delivery.
- 11.4 In terms of reserves the committee set a 5 % target on general reserves and the forecast is these will total approximately £2.4m against a target of £5.7m. Reserves are building but should not be reduced as they are not yet adequate. In addition, this is the most volatile economic situation for some time and adequate reserves are even more essential in such circumstances given they are less than half the Committees agreed target.
- 11.5 It is essential the West of England Combined Authority is appropriately resourced and that value for money for the taxpayer pound is continually tested and reported to committee on an ongoing basis.
- 11.6 Report and advice reviewed and signed off by: Richard Ennis, Interim Acting Chief Executive & Director of Investment and Corporate Services (Section 73 Officer)

### **Legal Implications:**

- 12 The Budget proposals have been developed in accordance with appropriate Local Government Regulations, including the specific funding and related governance requirements set out in the West of England Combined Authority Order 2017 and The Combined Authorities (Finance) Order 2017. Expenditure on the establishment of a staffing structure requires the approval of the Combined Authority.

Report and advice reviewed and signed off by: Stephen Gerrard, Interim Director of Legal

### **Climate Change Implications**

- 13 Much of the West of England Combine Authority's approved investment on building the infrastructure within the region will have a positive impact on climate change. Specifically, stepped change and improvements to rail and bus services along with an investment in cycling and walking facilities will help to reduce our carbon footprint.

- 13.1 Consideration of climate issues are incorporated within the assessed criteria that is used by the West of England Combined Authority to determine priority financial allocations from investment funding.

Report and advice reviewed and signed off by: Roger Hoare, Head of Environment

### **Land/property Implications**

- 14.1 The West of England Combined Authority do not currently own any land or material assets. The West of England Combined Authority office lease at 70 Redcliff Street is accounted for within this budget.

- 14.2 Where West of England Combined Authority investment allocations concern any acquisition or disposal of land and/or property, full consideration is given to relevant state issues, market valuation and the requirement to deliver best value.

Report and advice reviewed and signed off by: Richard Ennis, Interim Director of Investment & Corporate Services

### **Human Resources Implications**

- 15.1 The funding for the staff establishment for the West of England Combined Authority functions is provided for within the proposed budget in line with the resourcing requirements.

- 15.2 The report identifies a significant increase in staffing levels. This is on account of the significant additional funding that the Combined Authority has brought into the region, including (but not limited to) the City Regional Sustainable Transport Settlement (CTRSTS), Bus Service Improvement Plan (BSIP), Temple Quarter Redevelopment, and the Shared Prosperity Fund.



- 15.3 This additional funding comes with an expectation of significant delivery, at pace – and as a result, it is essential that the Combined Authority is resourced effectively to enable success.
- 15.4 As can be seen from the report, the most significant increases are within the Directorate of Infrastructure – which is reflective of the fact that this is the area where most of the funding has been received, and therefore is the area with the largest programme of delivery.
- 15.5 In terms of benchmarks, we can draw some parallels with other transportation-based organisations. From confidential assessments, this indicates client costs on average lay at 15% of the value of the overall portfolio but costs vary in respect to the overall role of the organisation, its delivery model and the complexity of work under its control. By comparison, these costs for the Authority lay at **4.6%**. A breakdown is contained in Figure 15 below.

**Figure 15: Staff as a % of 2023/24 Profiled Project Spend**

<b>Infrastructure Portfolio</b>	<b>£000's</b>
Infrastructure Projects	151,488
Staff Costs	7,010
<b>Staff Costs as % of Portfolio</b>	<b>4.63%</b>

- 15.6 An additional increase of note is within the Environment directorate – and this is reflective of the fact that this area is being built up from scratch, and resource is essential to ensure the Combined Authority can lead on the region’s ambition to achieve net zero by 2030.
- 15.7 As noted in the main body of the report, additional staffing places a further demand on corporate services, and it is therefore necessary to plan for a smaller, but proportionate, increase in corporate staffing support, to ensure that delivery is not compromised by bottlenecks elsewhere in the organisation.
- 15.8 It is recognised that in-year forecast staffing costs are proportionately higher than the FTE increases. This is due to key roles currently being covered by interims. We are planning a schedule of substantive recruitment to these key roles throughout the 2023/24 financial year (starting with the Director of Infrastructure which is currently in the final stages of the recruitment process), and we therefore anticipate these costs to be one-off rather than recurring beyond the 2023/24 financial year. Following this the West of England Combined Authority will then start the permanent recruitment processes for the monitoring officer and Director of Investment and Corporate Services.
- 15.9 As further noted in the report, benchmarking has taken place across all areas to ensure that increases are justifiable and in line with best practice. It is essential to agree the staffing budget in order to ensure delivery of budgeted programme.
- 15.10 All recruitment to additional roles will be conducted in an open and transparent way

in line with the Authority's policies and procedures.

- 15.11 It is also understood that our Local Authority partners are making staffing reductions in the 2023/24 financial year. As a result, the Combined Authority is happy to work closely with the Local Authorities to match any displaced staff with opportunities to apply for roles where appropriate.

Report and advice reviewed and signed off by Alex Holly, Head of People and Assets

**Appendices:**

- Appendix 1: West of England Combined Authority Revenue Budget 2023/24**
- Appendix 2: West of England Combined Authority Revenue Forecast 2022/23**
- Appendix 3: West of England Combined Authority Revenue Budget 2022/23 – Revised Schemes**
- Appendix 4: Investment Fund Revenue allocations managed by the West of England Combined Authority**
- Appendix 5: Investment Fund Revenue Approvals delegated to UAs and Third Parties**
- Appendix 6: Concessionary Fares Minimum Rate of Payment**
- Appendix 7: Mayoral Revenue Budget 2023/24**
- Appendix 8: Mayoral Fund Revenue Forecast 2022/23**
- Appendix 9: Change in FTE between 2022/23 Budget and 2023/24 Budget**
- Appendix 10: Fixed Term vs Permanent Staffing Analysis by Function 2022/23 and 2023/24**

**Background papers:**

Combined Authority (Revenue) and Mayoral Budget 2022/23 – CA Committee 28 January 2022;

Capital Strategy (including Treasury Management and Investment Strategies) – CA Committee 28 January 2022;

Investment Fund update reports to CA Committee throughout 2022;

Mayoral and CA Budget monitoring reports as presented to each meeting of the CA Committee.

**West of England Combined Authority Contact:**

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 70 Redcliff Street, Redcliffe, Bristol BS1 6AL; email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

## West of England Combined Authority Revenue Budget 2023/24

	Budget 2022/23 £'000s	Budget 2023/24 £'000s	Variance £'000s
<b><u>Expenditure</u></b>			
Staff (a)	9,646	17,600	7,954
Supplies and Services	9,127	8,965	-162
Third Party Payments (b)	48,987	94,011	45,024
Overhead	-677	-589	88
Staff Recharge Income (c)	-2,382	-4,820	-2,438
Transfer to Reserves	212	0	-212
<b>Total Expenditure</b>	<b>64,913</b>	<b>115,167</b>	<b>50,254</b>
<b><u>Income</u></b>			
Levy Transport Function (d)	21,426	21,426	0
Business Rate Retention	600	0	-600
Government Grants (e)	19,565	67,022	47,457
Investment Fund (f)	21,552	22,660	1,108
Interest on Balances	1,603	4,000	2,397
Transfer From Reserves	167	59	-108
<b>Total Income</b>	<b>64,913</b>	<b>115,167</b>	<b>50,254</b>
<b>Deficit/Surplus</b>	<b>0</b>	<b>0</b>	<b>0</b>

a - Reference Appendix 9

b - Reference Figure 9

c - Reference Figure 8

d - Reference Figure 4 & 5

e - Reference Figure 2 – Also includes £1m Mayoral Capacity fund.

f - Reference Figure 3

## West of England Combined Authority Revenue Forecast 2022/23

	<b>Budget 2022/23 £000s</b>	<b>Forecast 2022/23 £000s</b>	<b>Variance £000s</b>
<b>Expenditure</b>			
Staff (a)	9,646	11,496	1,850
Supplies & Services (b)	9,127	18,515	9,388
Third Party Payments (b)	48,986	66,173	17,187
Overhead	-677	-688	-11
Recharge Income (c)	-2,382	-162	2,220
Transfer to Reserves (d)	212	1,163	951
<b>Total Expenditure</b>	<b>64,912</b>	<b>96,497</b>	<b>31,585</b>
<b>Income</b>			
Levy Transport Function (e)	21,427	20,909	-518
Business Rate Retention	600	0	-600
Government Grants (f)	19,565	34,912	15,347
Investment Fund (g)	21,553	34,321	12,768
Other Contribution (h)	0	748	748
Interest on balances	1,600	3,300	1,700
Transfer from Reserves (i)	167	2,307	2,140
<b>Total Income</b>	<b>64,912</b>	<b>96,497</b>	<b>31,585</b>
<b>Deficit / Surplus</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Note:

- (a) Increase as a direct result of new Government Grants and Investment Fund Projects.
- (b) Increase as a direct result of new Government Grants and Investment Fund Projects.
- (c) More staff time being recharged to Revenue projects than was originally budgeted. This is in line with increased Government Grants and Investment Fund Projects.
- (d) Full breakdown in Figure 12.
- (e) Reduction in the amount NSC will be contributing to concessionary fares with forecasted passenger numbers being lower than anticipated.
- (f) Increase in Government Grants as detailed in Appendix 3.
- (g) Increase in Investment Funded projects as detailed in Appendix 3.
- (h) Contributions from UAs towards projects as well as some recharges to Bus Operators for not running services.
- (i) Full breakdown in Figure 12.

## West of England Combined Authority Revenue budget 2022/23 – Revised Schemes

	Original 22/23 £000s	Revised 22/23 £000s	Difference 22/23 £000s
<b>Specific Grant Funding</b>			
Workforce for the Future	0	826	826
Business Innovation - ERDF*	836	688	-148
Adult Education Budget*	16,364	15,960	-404
Skills Boot Camp	0	2,840	2,840
Multiply	0	1,344	1,344
UK Shared Prosperity Fund	0	1,236	1,236
5G Logistics	0	419	419
Combined Authority (M10)	160	160	0
Zero Emission Transport City	0	430	430
Bus Service Operator Grant	0	1,147	1,147
Bus Service Improvement Programme	0	5,696	5,696
Western Gateway Sub-National Transport Body	180	180	0
Mini-Holland Feasibility	0	79	79
Active Travel Revenue Fund	0	20	20
Active Travel Social Prescribing	0	70	70
City Region Sustainable Transport Settlement	1,025	2,816	1,791
<b>Sub Total:</b>	<b>18,565</b>	<b>33,911</b>	<b>15,346</b>
<b>Investment Fund managed by CA</b>	<b>£000s</b>	<b>£000s</b>	
Low Carbon Challenge Fund Extension	0	422	422
Economy, Data and Culture	0	329	329
Business Innovation Fund (Research and Innovation Challenge Fund)		63	63
LIS Productivity Challenge	1,089	1,435	346
Innovation for Renewal and Opportunity*	3,411	2,063	-1,348
Culture and Creative Economic Fund CR	0	283	283
Cultural Compact Start-Up Investment	0	100	100
Workforce for the Future*	1,485	826	-659
Future Bright Plus	1,200	1,411	211
Digital Skills Investment Programme CQ	721	851	130
Community Support Fund	660	1,138	478
Post-16 Education and Skills Delivery Infrastructure Analysis	0	14	14
All Age Advice Centre Pilot	0	94	94
5G Logistics	0	41	41
WoE Visitor Economy Recovery	73	91	18
West of England HGV Driver Training Project	0	160	160
West of England Talent Retention Platform	0	37	37
Business Growth and Adaptations Fund	0	465	465
Bristol Temple Quarter Joint Delivery Team	0	94	94
Community Pollinator Fund	0	135	135
Local Energy Advice Support Pilot	0	150	150
Skills Connect and Priority Skills Fund	0	256	256
Retrofit Accelerator	0	521	521
Bristol to Bath Strategic Corridor	0	1,737	1,737
Regional Cycle Hangar	0	100	100
Strategic Master Planning CA business case	0	75	75
Strategic Green Infrastructure*	171	129	-42

Strategic Master Planning - North Fringe Bristol	112	227	115
Strategic Master Planning - South West Bristol Infrastructure Investment	196	307	111
SDS/LTP Shared Evidence Base*	1,180	1,040	-140
SDS/LTP Shared Evidence Base	279	347	68
MMC / Housing Innovation / Housing Delivery Strategy	0	125	125
ITA Functions*	273	123	-150
Strategic Rail Investment	118	130	12
Bus Strategy Infrastructure Programme	600	1,966	1,366
Mass Transit Ph 2 (Including Bath Transport Study)	186	498	312
Local Walking and Cycling Infrastructure	0	57	57
Future Transport Zone	2,138	2,138	0
10 Year Rail Delivery Plan	130	340	210
EV Charging Infrastructure	0	100	100
Integrated Smart Ticketing	0	129	129
Bus Service Improvement Plan	537	437	-100
Step Free Stations Phase 2**(a)	50	0	-50
WFTF European Match funding**(b)	1,485	0	-1,485
Research & Innovation Challenge Fund**(c)	69	0	-69
Small Business Resilience Grant Programme**(d)	15	0	-15
West of England Talent Retention Platform**(e)	56	0	-56
<b>Sub Total:</b>	<b>16,234</b>	<b>20,984</b>	<b>4,750</b>
<b>Investment Fund to UAs</b>	<b>£000s</b>	<b>£000s</b>	
Realising Talent (NEET)	118	118	0
Manvers Street Regeneration		250	250
Milsom Quarter Masterplan		221	221
Bath City Centre High Streets Renewal Project		48	48
Bath River Line-Bristol Bath Railway Path Extension		70	70
B&NES Masterplanning		1,345	1,345
Chew Valley Lake Recreational Trail (Southern Section)		150	150
LOHS Bath Local Centres		89	89
Midsomer Norton High Street Market Square Project		0	0
We Work for Everyone	381	381	0
South Bristol Enterprise Support		195	195
Reboot West	330	330	0
Frome Gateway & City Centre		565	565
Bristol City Centre & High Streets	1,837	1,880	43
Bottle Yard Studios - Hawkfield Business Park	25	25	0
Temple Quarter Regeneration Programme		1,662	1,662
Bristol Avon Flood Strategy – Active Travel & Green Infrastructure Greenway		313	313
East Bristol Mini-Holland		79	79
Western Harbour Feasibility		279	279
Bristol Harbour Place Shaping Strategy		220	220
Love our High Streets - Kingswood		27	27
Charfield Station		1,000	1,000
Coalpit Heath/Westerleigh Bypass and Frampton Cotterell/ Winterbourne Bypass		73	73
East Fringe Master Plan	50	210	160
Sevenside Master Plan	100	120	20
Parkway Station Master Plan		190	190
North Fringe Public Infrastructure Package		497	497
Common Connections		120	120

Evidence to support Transition from Spatial Development Strategy to Local Plan Making		570	570
Yate Spur Phases 5 & 6		453	453
High Street Catalyst	120	290	170
B&NES High Streets - Pilot*(f)	85		-85
South Bristol Enterprise Support **(g)	194		-194
WE Work for Everyone European Match**(h)	381		-381
Bath City Centre High Streets Renewal Project**(i)	268		-268
<b>Investment Fund managed through third parties</b>			
The Coach House BAME Enterprise and Social Enterprise Hub	57	57	0
Centre for Digital Eng, Tech and Inn (DETI)	727	856	129
<b>Sub Total:</b>	<b>4,673</b>	<b>12,683</b>	<b>8,010</b>
<b>Mayoral funding</b>			
Mayoral Capacity Fund	1,000	1,000	0
Investment Fund for Mayoral Costs (IF)	645	655	10
<b>Sub Total:</b>	<b>1,645</b>	<b>1,655</b>	<b>10</b>
<b>Total</b>	<b>41,117</b>	<b>69,233</b>	<b>28,116</b>

\*Change requests submitted since original budget

\*\*

(a) Spend reclassified as Capital

(b) Match funding incorrectly classified as Investment Fund

(c-e) Money all spent in previous period

(f) Funding moved to - Love our High Streets –Midsomer Norton High Street Market Square Project

(g) Money all spent in previous period

(h) Match funding incorrectly classified as Investment Fund

(i) Spend reclassified as Capital



## Investment Fund Revenue allocations managed by the West of England Combined Authority

	22/23	23/24	24/25	25/26	26/27	Total
Investment Fund managed by West of England Combined Authority	£000s	£000s	£000s	£000s	£000s	£000s
Business Innovation Fund (Research and Innovation Challenge Fund)	0	45	0	0	0	45
LIS Productivity Challenge	1,089	823	195	0	0	2,107
Innovation for Renewal and Opportunity	3,411	3,578	730	0	0	7,719
Culture and Creative Economic Fund CR	0	290	60	0	0	350
Cultural Compact Start-Up Investment	0	170	0	0	0	170
Workforce for the Future	1,485	894	0	0	0	2,379
Future Bright Plus	1,200	1,100	0	0	0	2,300
Digital Skills Investment Programme CQ	721	573	0	0	0	1,294
Community Support Fund	660	220	0	0	0	880
All Age Advice Centre Pilot	0	161	81	0	0	242
WoE Visitor Economy Recovery	73	0	0	0	0	73
West of England HGV Driver Training Project	0	60	0	0	0	60
West of England Talent Retention Platform	0	70	0	0	0	70
Business Growth and Adaptations Fund	0	16	6	0	0	22
Community Pollinator Fund	0	676	647	0	0	1,323
GI Projects	0	725	725	0	0	1,450
Round 1 Recovery Nature	0	1,621	1,621	0	0	3,242
Local Nature Recovery Strategy	0	330	0	0	0	330
Low Carbon Challenge Fund	0	444	718	0	0	1,162
Skills Connect and Priority Skills Fund	0	1,294	1,450	0	0	2,744
Retrofit Accelerator	0	1,002	988	489	0	2,479
Strategic Green Infrastructure	171	0	0	0	0	171
Strategic Master Planning - North Fringe Bristol	112	0	0	0	0	112
Strategic Master Planning - South West Bristol Infrastructure Investment	196	0	0	0	0	196
SDS/LTP Shared Evidence Base	1,180	602	250	0	0	2,032
SDS/LTP Shared Evidence Base	279	201	83	0	0	563
MMC / Housing Innovation / Housing Delivery Strategy	0	125	0	0	0	125
ITA Functions	273	150	0	0	0	423
Strategic Rail Investment	118	50	0	0	0	168
Bus Strategy Infrastructure Programme	600	0	0	0	0	600
Mass Transit Ph 2 (Including Bath Transport Study)	186	0	0	0	0	186
Future Transport Zone	2,138	1,454	0	0	0	3,592
10 Year Rail Delivery Plan	130	80	40	0	0	250
EV Charging Infrastructure	0	100	0	0	0	100
Step Free Stations Phase 2	50	0	0	0	0	50
WFTF European Match funding	1,485	0	0	0	0	1,485
Research & Innovation Challenge Fund	69	0	0	0	0	69
Small Business Resilience Grant Programme	15	0	0	0	0	15
West of England Talent Retention Platform	56	0	0	0	0	56
Bus Service Improvement Plan	537	0	0	0	0	537

<b>Total:</b>	<b>16,234</b>	<b>16,854</b>	<b>7,594</b>	<b>489</b>	<b>0</b>	<b>41,171</b>
---------------	---------------	---------------	--------------	------------	----------	---------------

## Investment Fund Revenue Approvals delegated to UAs and Third Parties

	22/23	23/24	24/25	25/26	26/27	Total
Investment Fund to UAs	£000s	£000s	£000s	£000s	£000s	£000s
Realising Talent (NEET)	118	0	0	0	0	118
Manvers Street Regeneration	0	0	0	0	0	0
Milsom Quarter Masterplan	0	1,044	402	0	0	1,446
Bath City Centre High Streets Renewal Project	0	48	48	48	0	144
Bath River Line-Bristol Bath Railway Path Extension	0	0	0	0	0	0
B&NES Master planning	0	0	0	0	0	0
Chew Valley Lake Recreational Trail (Southern Section)	0	0	0	0	0	0
LOHS Bath Local Centres	0	129	18	10	5	162
Midsomer Norton High Street Market Square Project	0	40	10	0	0	50
We Work for Everyone	381	17	0	0	0	398
South Bristol Enterprise Support	0	0	0	0	0	0
Reboot West	330	233	36	0	0	599
Frome Gateway & City Centre	0	0	0	0	0	0
Bristol City Centre & High Streets	1,837	917	0	0	0	2,754
Bottle Yard Studios - Hawkfield Business Park	25	25	0	0	0	50
Temple Quarter Regeneration Programme	0	0	0	0	0	0
Bristol Avon Flood Strategy – Active Travel & Green Infrastructure Greenway	0	169	0	0	0	169
East Bristol Mini-Holland	0	0	0	0	0	0
Western Harbour Feasibility	0	0	0	0	0	0
Bristol Harbour Place Shaping Strategy	0	63	0	0	0	63
Love our High Streets - Kingswood	0	0	0	0	0	0
Charfield Station	0	2,013	0	0	0	2,013
Coalpit Heath/Westerleigh Bypass and Frampton Cotterell/ Winterbourne Bypass	0	0	0	0	0	0
East Fringe Master Plan	50	0	0	0	0	50
Sevenside Master Plan	100	0	0	0	0	100
Parkway Station Master Plan	0	0	0	0	0	0
North Fringe Public Infrastructure Package	0	0	0	0	0	0
Common Connections	0	103	109	131	0	343
Evidence to support Transition from Spatial Development Strategy to Local Plan Making	0	330	0	0	0	330
Yate Spur Phases 5 & 6	0	0	0	0	0	0
B&NES High Streets - Pilot	85	0	0	0	0	85
South Bristol Enterprise Support	194	0	0	0	0	194
WE Work for Everyone European Match	381	0	0	0	0	381
High Street Catalyst	120	0	0	0	0	120
Bath City Centre High Streets Renewal Project	268	0	0	0	0	268
<b>Subtotal</b>	<b>3,889</b>	<b>5,131</b>	<b>623</b>	<b>189</b>	<b>5</b>	<b>9,837</b>

**Investment Fund managed through third parties**

The Coach House BAME Enterprise and Social Enterprise Hub

57 0 0 0 0 57

Centre for Digital Eng, Tech and Inn (DETI)

727 0 0 0 0 727

**Subtotal**

**784 0 0 0 0 784**

**Sub Total:**

**4,673 5,131 623 189 5 10,621**

<b>Month</b>	<b>Maximum amount of pre-pandemic patronage in equivalent month to be reimbursed unless actual travel is higher</b>	<b>Actual concessionary travel in West of England Combined Authority Area compared to equivalent quarter* prior to pandemic</b>
April 2022	90%	<b>65%</b>
May 2022	90%	
June 2022	85%	
July 2022	85%	<b>63%</b>
August 2022	80%	
September 2022	80%	
October 2022	75%	-
November 2022	75%	
December 2022	70%	
January 2023	70%	-
February 2023	65%	
March 2023	65%	

## West of England Combined Authority Mayoral Budget 2023/2024

	2022/23 Budget £'000s	2023/24 Budget £'000s	Increase (+)/ Decrease £'000s
Staff (a)	213	243	30
Premises	13	13	0
Support Services	11	11	0
Supplies and Services	62	62	0
	<b>299</b>	<b>329</b>	<b>30</b>
<b>Mayoral Election</b>	346	346	0
<b>Mayoral Revenue Expenditure</b>	<b>645</b>	<b>675</b>	<b>30</b>
<b><u>Income</u></b>			
Contribution from West of England Combined Authority Investment Fund	645	675	30
<b>Total Income</b>	<b>645</b>	<b>675</b>	<b>30</b>

**Note:** (a) Increases reflects anticipated inflationary pay increases.

## Mayoral Fund 2022/23 Revenue Forecast as @ December 2022

	Budget 2022/23 £000s	Forecast 2022/23 £000s	Variance £000s
<b><u>Expenditure</u></b>			
Staff (a)	213	223	10
Supplies & Services	62	62	0
Premises	13	13	0
Support Services	11	11	0
	<b>299</b>	<b>309</b>	<b>10</b>
Mayoral Election -transfer to reserve	346	346	0
<b>Mayoral Revenue Expenditure</b>	<b>645</b>	<b>655</b>	<b>10</b>
<b><u>Income</u></b>			
Contribution from West of England Combined Authority Investment Fund	645	655	10
<b>Total Income</b>	<b>645</b>	<b>655</b>	<b>10</b>
<b>Surplus/Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Note:**

(a) Increases reflect inflationary pay increases.

## Change in FTE between 2022/23 Budget and 2023/24 Budget

	2022	2023	Change	Service Area	2022	2023	Change	Reason	
								Increase in Funding	Fitness for Purpose
<b>Business and Skills</b>	64	69	5	Business and Skills Management	3	4	1 (a)	1	0
				Enterprise and Inward Investment	29	21	-8 (b)	2	0
				Integrated Delivery	7	17	10 (b)		
				People and Skills	25	25	0	0	0
				Programme & Performance Management	0	2	2 (c)	2	0
<b>Corporate Services</b>	35	46	11	Corporate Services Management	1	1	0	0	0
				Finance	13	16	3 (d)	3	0
				Grant Management & Assurance	7	11	4 (e)	4	0
				People & Assets	14	18	4 (f)	2	2
<b>CEO</b>	53	58	5	CEO Office including PA	7	6	-1	0	-1
				Communications & Marketing	13	13	0	0	0
				Legal & Democratic Services	4	8	4 (g)	0	4
				Mayor	3	3	0	0	0
				Innovation	10	7	-3 (h)	0	-3
				Project and Planning	3	3	0	0	0
				Strategy & Policy	13	18	5 (h)	0	5
<b>Environment</b>	19	39	20	Data Hub	0	2	2 (i)	2	0
				Environment Management	0	1	1 (j)	0	1
				Environmental Planning	0	9	9 (k)	9	0
				Low Carbon Challenge	5	10	5 (l)	5	0
				Net Zero Hub	14	17	3 (m)	3	0
<b>Infrastructure</b>	64	108	44	Capital Delivery	14	36	22 (n)	22	0
				Housing & Planning	12	0	-12	-12	0
				Future Transport Zone	7	17	10 (o)	10	0
				Integrated Transport Authority	22	34	12 (p)	12	0
				Management	1	1	0	0	0
				Transport Strategy	8	15	7 (q)	7	0
				Commercial	0	5	5 (r)	5	0
<b>TOTAL</b>	<b>235</b>	<b>320</b>	<b>85</b>	<b>Total</b>	<b>235</b>	<b>320</b>	<b>85</b>	<b>77</b>	<b>8</b>

Note: Reference Figure 8 for Summary of Staffing Analysis.



- a) New role is fully funded by projects.
- b) Net movement between the two service areas is 2 roles. There has been a reorganisation of the teams – The increase of 2 roles is funded by new project funding.
- c) New roles are fully funded by new projects.
- d) 1 role fully funded by CRSTS. 2 additional roles are also funded by increased project funding.
- e) 1 role fully funded by CRSTS, 1 fully funded by Multiply. 2 additional roles are included to align with the additional funding across the organisation.
- f) 2 roles are fully funded by CRSTS. 2 roles are included to cover Learning & Development and Health and Safety functions where there are currently no headcount within the organisation.
- g) There is currently only 1 Solicitor in the Legal Service Area therefore the increase includes 3 solicitors. 4th Role is a Data Protection Officer.
- h) There is some movement between these two teams, the net increase is 2 new roles.
- i) 2 additional roles - both fully funded.
- j) Head of Service role - to provide leadership and direction.
- k) All 9 roles are fully funded by projects, 3 by the Pollinator Programme, the other 6 roles by various environmental projects in the Investment Fund.
- l) All 5 roles are fully funded.
- m) All 3 roles are fully funded.
- n) 22 additional roles - all funded by increase in capital projects, primarily CRSTS.
- o) All roles are fully funded, there are a number of key projects commencing over the next 12 months which require the additional headcount – these include Transport Data Hubs, Mobility as a Service, Mobility Hubs, Dynamic Demand Responsive Transport, Micro mobility and Urban Freight.
- p) All roles funded by a mix of the Transport Levy and Bus Service Improvement Plan funding.
- q) These additional roles are being funded by the CRSTS Capacity Fund, preliminary work to secure future infrastructure project funding.
- r) Additional 5 roles to support the commercial delivery of new infrastructure, primarily funded by CRSTS but also other infrastructure funding streams.

## Fixed Term vs Permanent Staffing Analysis by Function 2022/23 and 2023/24

	2022/23			2023/24		
	Total FTE	Permanent	Fixed Term / Seconded	Total FTE	Permanent	Fixed Term / Seconded
Business and Skills	64	40	24	69	49	20
CEO	53	34	19	58	41	17
Corporate Services	35	30	5	46	38	8
Environment	19	7	12	39	32	7
Infrastructure	64	51	13	108	105	3
<b>TOTAL</b>	<b>235</b>	<b>162</b>	<b>73</b>	<b>320</b>	<b>265</b>	<b>55</b>



## ITEM 10

**REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY**

**DATE: 27 January 2023**

**REPORT TITLE: INVESTMENT FUND PROGRAMME**

**DIRECTOR: RICHARD ENNIS, INTERIM ACTING CHIEF EXECUTIVE AND DIRECTOR OF INVESTMENT AND CORPORATE SERVICES**

**AUTHOR: PETE DAVIS, HEAD OF GRANT MANAGEMENT AND ASSURANCE**

### **Purpose of Report**

1. To update on the overall programme and headroom.

### **Recommendations:**

#### **The Committee is asked to:**

1. **Approve the revised Local Growth Assurance Framework as set out in paragraph 7.**
2. **Approve the Waterspace Connected Phase 1 Outline Business Case and the award of £296k to develop the Full Business Case by November 2024, as set out on paragraph 11.**
3. **To approve the Scholars Way Outline Business Case and the award of £580k (£72k TCF and £508k CRSTS) to develop the Full Business Case by July 2023, as set out in paragraph 11.**
4. **To allocate £4.8m to the West of England Business Support Programme as set out in paragraph 12 and delegate the approval of the Full Business Case to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils, as set out in paragraph 12.**

5. Delegate the approval of the Full Business Case for the Arena Infrastructure Package and the award of up to £10.081m to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils following a report to the Programme Review Board (PRB) and subject to the PRB's unanimous recommendation to CEO's.

### Voting arrangements

Decision requires majority agreement of Committee Members in attendance, or their substitutes (one vote representing each Authority) and including the West of England Combined Authority Mayor.

### Background

2. As reported to the Committee in January, in order to re-establish a five-year programme, the time horizon for the Investment Fund programme has been extended by a further three years to March 2026. The total funding over the period to March 2026 amounts to £450m including overprogramming of some £40m (10% of funds unspent). The £450m of Combined Authority funding available up to March 2026 is made up of:

- £30m of Investment Fund per annum x 10 years (16/17 to 25/26) £300m
- Transforming Cities Funding (to be spent by March 2023) £103m
- One year succession to Local Growth Funding for 21/22 £7.4m
- Structured over-programming of delivery against spend £39.6m

### Investment Fund Headroom

3. With the approvals made at the Combined Authority Committee meetings in September and October the headroom within the £450m Investment Fund programme to 25/26 stands at **£15.9m**. A summary of all the approved and allocated funding across the Investment Fund and Transforming Cities Fund (TCF) is shown in Appendix 1 and is summarised in Figure 1, which includes the approvals proposed to this Committee. The changes through the approvals included in this report, or elsewhere on the agenda, are summarised in Figure 2. It should be noted that funding of £16.2m for schemes in the current programme (£9.96m MetroWest Phase 1 and £6.245m MetroWest Phase 2, subject to approval) extends beyond the current investment period into 26/27 and beyond and would need to be accommodated when the programme is extended into future years.

### Transforming Cities Fund

4. The £80m Transforming Cities Fund element of the Investment Fund programme has a hard end date for spend of March 2023. The balance of the £103m TCF award has now been rolled into the £540m City Region Sustainable Transport programme (CRSTS) and is bound by this deadline. As reported in the Transforming Cities Fund report in December, in order to achieve full £80m

spend it is recommended that a number of new projects be included in the TCF programme. Given the approved £450m programme includes £80m of TCF these would need to be accommodated within this total, potentially drawing on the headroom. It should be noted that given £23m of the £103m of TCF funding now forms part of the CRSTS programme, the Investment Fund/TCF programme needs to be reduced by this amount. That would in effect reduce the funds available within the headroom by this sum unless schemes within the current programme are added to the CRSTS programme.

5. After allowing for previous reallocations, a balance of £12.8m remains in the programme for the delivery of the Temple Meads Eastern Entrance. Given this scheme now falls within the Bristol Quarter Regeneration Programme, funded by Homes England, these funds have been added back to the headroom. This will help accommodate the addition of new schemes to ensure full TCF spend, expected to be up to £10m, as reported in the TCF report on this agenda.

**Figure 1: Summary of Investment Programme to 2026 by Priority Theme**

Funding Awards and Allocations £000s	Oct 2022	Jan 23
<b><i>Transport Infrastructure</i></b>		
Approved Awards and Allocations	151,073	132,940
Associated unallocated funds	17,611	17,611
<b>Total Investment in Transport Infrastructure</b>	<b>168,684</b>	<b>150,551</b>
<b><i>Housing, High Streets and Green Infrastructure</i></b>		
Approved Awards and Allocations	86,881	87,601
Associated unallocated funds	719	423
<b>Total Investment in Housing Infrastructure</b>	<b>87,599</b>	<b>88,024</b>
<b><i>Business and Skills</i></b>		
Approved Awards and Allocations	129,320	134,193
Associated unallocated funds	18,029	17,718
<b>Total Investment in Business and Skills Infrastructure</b>	<b>147,349</b>	<b>151,911</b>
<b><i>Leverage Match Fund / Other</i></b>		
Funding put aside to respond to external funding opportunities	<b>9,061</b>	<b>9,061</b>
Approved CA set up, operating costs and elections up to 2026	<b>9,768</b>	<b>9,768</b>
Provision for Inflation	<b>11,600</b>	<b>8,252</b>
Provision for CRSTS (see paragraph 4)	-	<b>23,000</b>
Headroom	<b>15,939</b>	<b>9,432</b>
<b>Total Investment Programme up to March 2026</b>	<b>450,000</b>	<b>450,000</b>

Total Awards and Allocations post March 2026 (see paragraph 3)	-	16,203
--	---	--------

### Provision for Inflationary Impact

6. At the Committee meeting in September it was agreed to include £11.6m within the programme to reflect the expected impact of the current high levels of inflation on the Investment Fund schemes. As set out in paragraph 11 and 15, a number of schemes report cost increases owing to inflation totalling £3.35m which will need to be deducted from this sum leaving a balance of £8.25m. This excludes any reduction for the Arena Infrastructure Package (see paragraph 13). As reported to the Committee in September as part of the Headline Assessment on Inflationary Pressures and Mitigations report, this provision is being kept under review across all programmes in consultation with the Unitary Authorities, and regular reports will be provided to the Committee, along with recommendations to make additional provision as required.

**Figure 2: Summary of Funding Approvals at this Committee**

Para	Project/Programme	Amount (£000's)	Change to Headroom (£000's)	Headroom Balance (m)
Position including decisions at the October Committee				15.9
-	Bristol Bridge and VMS (TCF award lower than allocation at September Committee)	135	+135	16.1
3	MetroWest Phase 1 post 25/26	9,958	+9,958	26.0
4	Funding now in the CRSTS programme*	23,000	-23,000	3.0
5	Bristol Temple Meads Eastern Entrance	12,785	+12,785	15.8
11	Waterspace Connected Phase 1	296	-	15.8
11	MetroWest Phase 2	8,845	-	15.8
11	Scholars Way Walking and Cycling Route	72	-72	15.8
11	Cycle Hangers	72	-72	15.7
12	West of England Business Support Programme	4,800	-4,800	10.9
15	A432 Multi Modal Corridor	225	-225	10.7
15	East Bristol Liveable Neighbourhood Pilot	284	-284	10.4
15	Old Market Gap	283	-283	10.1
15	A4018 Corridor Improvements	700	-700	9.4

15	Skills Connect Pilot	51	+51	9.4
----	----------------------	----	-----	-----

\*This assumes that no schemes from the current Investment Fund programme are added to the CRSTS programme which would reduce this figure.

## Local Growth Assurance Framework

- The Investment Fund, TCF and CRSTS fall within the scope of the [National Local Growth Assurance Framework](#) guidance. The way that these requirements are met in the West of England is set out in our Local Growth Assurance Framework. There is a requirement for the Combined Authority S73 officer to confirm annually by end of February that arrangements are compliant with the national guidance. The [West of England Local Growth Assurance Framework](#) has been updated to ensure it reflects changes to arrangements over the last year, including the granting of delegations and the streamlining of the business case process.

*Recommendation to approve the updated Local Growth Assurance Framework*

## Sub-Funds

- At the Committee meeting in July 2022 it was agreed to create a window until the end of the financial year to enable any proposals to come forward seeking to access the balance of the Love Our High Streets programme, Land Acquisition Fund and Development Infrastructure Fund
- A Full Business Case for the Hanham High Street project has been submitted to draw on £394k of the £396k balance of the Love Our High Streets funding. This project will comprise public realm improvements on Hanham High Street including improved paving, cycle infrastructure, and trees, shrubbery, and planters with integrated seating. This will be alongside areas of refurbishment and enhanced signage and wayfinding. In line with the previously granted delegation, this project will be considered by the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils.
- No further proposals have been received seeking to access the balance of the Land Acquisition Fund (£219k) and Development Infrastructure Funds (£3.018m).

## Business Cases

- A number of business cases have been submitted seeking approval at this Committee.
  - Waterspace Connected Phase 1** – following the award of funding to support the development of a number of Green Infrastructure proposals

in 2020, an Outline Business Case has been submitted by Bath & North East Somerset Council for the Waterspace Connected Phase 1 project. WaterSpace Connected is large-scale green and blue infrastructure project which follows the River Avon corridor and aims to revitalise the river and riverside, to create a vibrant and resilient Nature Recovery Network and connected movement corridor between Bristol and Bath. Phase 1 focuses on a 3.4km stretch of the river between Keynsham Lock and Hanham Lock and will involve a number of interventions including a new footbridge across the river connected to walking and cycling routes, the creation of the 'Somerdale River Park' a 38-hectare open access wetland and pollinator friendly nature park, and a suite of ecological enhancements along the river corridor. The funding required to develop the scheme to Full Business Case by November 2024 is £457k of which £296k is sought from the Investment Fund which can be accommodated from the remaining balance of £719k earmarked for Green Infrastructure. No provision for the funding for delivery is proposed to be made at this time. The Assessment Summary Table is shown in Appendix 2 and the Full Business Case is published on the Combined Authority [website](#).

*Recommendation to approve the Waterspace Connected Phase 1 Outline Business Case and the award of £296k to develop the Full Business Case by November 2024.*

- **Scholars Way Walking and Cycling Route** – an Outline Business Case has been produced by Bath & North East Somerset Council for the Scholars Way scheme utilising development funding awarded in April 2021. The scheme forms the first phase of a walking and cycling route between Bath city centre, Bath University, Combe Down and St Martins Hospital and Odd Down via Mulberry Park. The interventions include new and improved on and off-road routes and crossing facilities. Funding of £580k is sought to develop the Full Business Case (being £72k TCF from the headroom and £508k CRSTS), with the delivery cost of the scheme being £2.742m which includes match funding of £107k from S106. The Assessment Summary Table is shown in Appendix 4 and the Full Business Case is published on the Combined Authority [website](#).

*Recommendation to approve the Scholars Way Outline Business Case and the award of £580k (£72k TCF and £508k CRSTS) to develop the Full Business Case by July 2023.*

- **MetroWest Phase 2** - as set out elsewhere on this agenda a Full Business Case has been produced seeking the award of £13.663 of funding (£2.6m beyond that previously awarded) for phase 1 of the project which will include the construction and opening of Ashley Down Station, secure planning approval for North Filton and Henbury stations and tender detailed design and construction works. The £2.6m is to be met from the inflationary provision allowed for in the programme. A further allocation of £6.245m from the Investment Fund is proposed for the delivery of the remaining elements of the scheme. The Assessment Summary Table is



shown in Appendix 3 and the Full Business Case is published on the Combined Authority [website](#).

- **Cycle Hangers** - as set out in the Transport report on this agenda, a Full Business Case has been submitted for the Bristol Cycle Hangers project which will deliver 28 secure cycle hangars across 16 sites, each with a capacity to store at least six standard pedal cycles. The value of the scheme is £220k which would utilise £148k underspend from the £289k of preciously awarded development funding, and £72k of additional TCF funding. The project will see the introduction of cycle hangars on City Council owned land by March 2023. The Assessment Summary Table is shown in Appendix 9 and the Full Business Case is published on the Combined Authority [website](#).

### **West of England Business Support Programme**

12. A Full Business Case for a West of England Business Support Programme is in development, co-designed between the Combined Authority and Unitary Authorities. The Business Case sets out a range of new measures to support our businesses through extremely challenging economic times and to address long standing issues of plateauing productivity. The total costs for the project over three years of delivery are £8.5m with £3.7m match funding coming from existing allocations (UKSPF and Regional Recovery) with an additional £4.8m sought from the Investment Fund headroom. The project will deliver some 370 new jobs (FTEs), 260 business start-ups, and a net GVA uplift of £18m.

*To allocate £4.8m to the West of England Business Support Programme and delegate the approval of the Full Business Case to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils.*

### **Arena Infrastructure Package (AIP)**

13. Following the approval of the Outline Business Case in July 2022, at the October Committee an allocation of £6.637m was made for the delivery of the AIP scheme (beyond the £750k development funding previously awarded). The project includes walking and cycling improvements on four routes including segregated cycle provision, widened footways and signage and wayfinding, together with a package of traffic management improvements involving new and upgraded signals, relocating bus stops and traffic management systems. Since the approval of the Outline Business Case the costs of the scheme have increased owing to inflation levels above those previously allowed for, a significant increase in the cost for utilities and other increases in construction and project management costs. The current forecast is £10.081m (beyond the £750k award) an increase of £3.444m above the allocation agreed at the Committee meeting in October 2022. After further review of the Full Business Case and consideration of the increased cost though the Programme Review Board, it is proposed the Full Business Case is considered through a delegation to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent

Councils after a review by the Programme Review Board given the significant proportional increase in costs since the October 2022 Committee decision.

*Recommendation to delegate the approval of the Full Business Case for the Arena Infrastructure Package and the award of up to £10.081m to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils following a report to the Programme Review Board (PRB) and subject to the PRB's unanimous recommendation to CEO's.*

#### **future4WEST**

14. Work on the Strategic Outline Case for future4WEST progresses and an update will be provided to the Committee in March.

#### **Change Requests**

15. The following projects within the Investment Fund programme seek changes to their funding as set out in the Delivery Assurance report on this agenda:
  - **A432 Multi Modal Corridor** – increase of £225k swapped from CRSTS to be met from the headroom.
  - **Midsomer Norton High Street Market Square Project** – increase of £200k to be met from the provision for inflation.
  - **Somer Valley EZ Highways & Development** – increase of £311k from the funds earmarked for this project.
  - **East Bristol Liveable Neighbourhood Pilot** – increase of £284k to be met from the headroom.
  - **Old Market Gap** – award of £283k to be met from the headroom.
  - **A4018 Corridor Improvements** – increase of £700k provided from the headroom.
  - **South Gloucestershire Sustainable Transport Package** – additional £510k to be met through the provision for inflation in the programme.
  - **Careers Hub** – increase in cost of £38k as a result of increased staff costs to be met from provision for inflationary pressures.
  - **Skills Connect Pilot** - reduction in total funding of £51k as the business case has been produced earlier than anticipated.

Together these projects would reduce the headroom by £1.44m bringing the total available to **£9.4**.

## Delegated Decisions

16. The following decisions related to funding through previously agreed Investment Fund allocations have been taken since the last report.

- **Regional Recovery and Adaptions Fund**

At the Committee meeting in April 2022, a further £5m was added to the Regional Recovery and Adaptions Fund and the approval of applications or business cases was delegated to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils.

**Skills Connect and Priority Skills Fund** – this programme contains two inter-related elements which will strengthen the employment and skills system raise its visibility and simplify access to it. The [Full Business Case](#) and funding of £3m was approved through the granted delegation in November.

**South Gloucestershire High Street Catalyst** – a Feasibility and Development Funding [Application](#) has been produced by South Gloucestershire Council for £225k of funding from the High Street Renewal Catalyst programme for their Phase 2 activities which was approved in September 2022. The proposal builds on Phase 1 activities delivered by the Council, including the 'Welcome Back Fund' and 'Help Us Thrive' grant funding; creation of a business network on every high street with a new e-commerce facility for all traders; and an online trading community for promotions and events. Phase 2 will build on this work to ensure high streets remain vital and viable attractive destinations.

The Regional Recovery and Adaptions Fund agreed at the Committee in January 2022 included a High Streets Recovery and Adaptions Package to allocate additional investment to help high-streets adapt over the medium-to-longer term. To set an appropriate context for this package and establish strategic parameters to help the region effectively maximise the benefits of existing funded delivery, whilst positioning for new investment opportunities, funding of £25k was agreed to undertake a High Streets Strategic Review, which has been completed.

- **Bath Quays Walking and Cycling Links** – this project involves a package of measures on the A367 Green Park Road, A36 Lower Bristol Road, Claverton Street and Churchill Bridge Gyratory and Churchill Bridge in Bath. The interventions include new and improved crossings, the redesign of bus stops to accommodate cycle infrastructure, footpath widening and segregated bidirectional cycle lanes. In line with the delegation to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils, the Outline Business Case for this scheme was approved in September 2022, with the award of £286k to develop the Full Business Case with the allocation of £1.824m (£309k TCF,

£1.1m Investment Fund and £415k CRSTS) for the delivery of the scheme. The Assessment Summary Table is shown in Appendix 5.

- **Yate Spur Phases 5 and 6** – this project will form the final section of the route to complete a continuous walking and cycling route between Yate and the east fringe of Bristol. Phase 5 (Westerleigh Road to Nibley Lane) will see the provision of a new off-road shared use path, running parallel and immediately adjacent to the railway line, and phase 6 (Rail bridge to Rodford Way Roundabout) will provide a shared use path under the railway bridge. In line with the delegation to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils, the Outline Business Case for this scheme was approved in September 2022, with the award of £521k to develop the Full Business Case, and the allocation of £5.244m for the delivery of the scheme (£1.422m TCF and £4.343m Investment Fund). The Assessment Summary Table is shown in Appendix 6.
- **Advanced Bus Stop Programme** – this project will see the delivery of 10 bus stops (three on the A38 in South Gloucestershire and seven on the A4 in Bath) to provide an improved customer experience, include passenger information systems, to encourage bus travel. A delegation to approve the Full Business Case was granted to the Combined Authority Director of Infrastructure in consultation with the Directors of the constituent authorities. The Full Business Case was approved through the delegation in October 2022 with the award of £576k. The Assessment Summary Table is shown in Appendix 7. Subsequently a change request was approved through delegation for an additional £480k of funding to undertake further bus stop upgrades in South Gloucestershire bringing the total to £1.056m.
- **Bristol Bridge and City Centre Variable Message Sign (VMS) Improvements** - this project includes two components - cycle infrastructure improvements and traffic signal replacements at Bristol Bridge in central Bristol and the replacement of four VMS to bring forward elements of the A37/A4018 corridor for early delivery. A delegation to approve the Full Business Case was granted to the Combined Authority Director of Infrastructure in consultation with the Directors of the constituent authorities. The Full Business Case was approved through the delegation in October 2022 with the award of £1.616m being £510k from the Transforming Cities Fund and £1.106m from CRSTS. The Assessment Summary Table is shown in Appendix 8.
- **Local Energy Advice Pilot** – at the Committee meeting in September the approval of funding applications or business cases for the remaining balance of the Green Recovery Fund was delegated to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Council. A [Feasibility and Development Funding Application](#) has been produced by the Combined Authority for £150k funding for a Local Energy Advice Pilot. The pilot aims to raise awareness and bolster the capacity of local energy advice organisations over the period to March 2023, with a report on a sustainable solution for local energy advice in the area informed

by the pilot to be produced in April 2023. The application was approved through the granted delegation in October 2022.

- **Tree Canopy Green Recovery Fund Round 1** - South Gloucestershire Council submitted a funding application for the first round of the Green Recovery Fund (GRF) in September. The Tree Canopy project will fund over 2,000 trees on council land including open spaces, verges and streets. A total of £1.131m was requested from the GRF nature recovery stream, with £696k provided as match funding. Following a process of clarification, the project was approved by the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils in November 2022. The total funding through the Green Recovery Fund Round 1 Nature Recovery and Renewable Energy programmes are set out below.

*Nature Recovery:*

Capricorn Quay	£480,000
Frome Valley	£1,106,377
Forest of Avon	£732,429
Somer Valley Rediscovered	£922,246
Tree Canopy	£1,131,046
<b>Total</b>	<b>£4,373,098</b>

*Renewable Energy*

Regional Low Carbon Delivery – Community Energy Scheme	£2,000,000
Solar Roof Installation	£569,312
Sustainable Innovative Finance Foundations For Wind Turbines (SIFFT) *	£1,551,400
Hydrogen Sustainable Transport Economy Accelerator (HSTEA)	£900,000.00
<b>Total</b>	<b>£ 5,020,712</b>

\* Note the original approval referenced two amounts, but the correct award value is included here.

## **Consultation**

17. Engagement has taken place with officers in the West of England Combined Authority Constituent Unitary Authorities. Section 151 Officers across the region have been fully engaged as have the Chief Executive Officers in helping to inform the prioritised projects for investment.

## **Other Options Considered**

18. All Business Case are required to set out in detail the full range of options considered and the reason the preferred option has been identified.

## **Risk Management/Assessment**

19. Specific risk assessments will be carried out as part of any feasibility studies for projects in development and business cases are required to set out the way that risks will be managed and provide a risk register. All projects underway will maintain a specific risk register as part of the project management and monitoring arrangements.
20. Financial risks are managed through the process for considering cost increases as set out in the Combined Authority Investment Strategy. The overall Investment Fund and Transforming Cities Fund programme are regularly reviewed.

## **Public Sector Equality Duties**

21. For projects seeking funding through the Investment Fund, scheme promoters are required to include as part of their Full Business Case, an equality and diversity assessment and plan. These assessments are published as part of the Business Case on the Combined Authority website.

## **Climate Change Implications**

22. The Combined Authority's Climate Emergency Action Plan has been considered in the production of this report. Points of particular relevance have been added to this report and reviewed by the Head of Environment.

Report and advice reviewed and signed off by: Roger Hoare, Head of Environment

## **Finance Implications, including economic impact assessment where appropriate**

23. The financial implications for each proposal are set out in the body of the report. The Investment Fund allocations and awards are accommodated within the overall spending limit of £450m available up to March 2026.
24. The Combined Authority statutory chief finance officer will determine the appropriate use and apportionment of funding between the Transforming Cities Fund and Investment Fund within the overall funding available.

25. Supporting economic growth is central to this funding stream, and promoters are required to include an economic case within the FBC for each scheme which sets out how the project will deliver benefits including creating jobs and GVA growth as well as delivering wider impacts. In line with agreed processes these FBCs are published on the Combined Authority website at the point of decision making.

Advice given by: Richard Ennis, Interim Acting Chief Executive & Director of Investment and Corporate Services (Section 73 Officer)

### **Legal Implications**

26. There are no additional legal implications arising from this report. Legality will be verified for individual projects through relevant due diligence prior to approving formal allocations.

Advice given by: Stephen Gerrard, Interim Monitoring Officer, West of England Combined Authority

### **Land /Property Implications**

27. All land and property implications are set out within the specific business cases and dealt with by scheme promoters.

Advice given by: Richard Ennis, Interim Acting Chief Executive & Director of Investment and Corporate Services (Section 73 Officer)

### **Human Resources Implications**

28. There are no direct human resource implications arising from this report.

### **Appendices:**

Appendix 1 Investment Fund Programme

Appendix 2 Waterspace Connected Phase 1 Assessment Summary Table

Appendix 3 MetroWest Phase 2 Assessment Summary Table

Appendix 4 Scholars Way Walking and Cycling Route Assessment Summary Table

Appendix 5 Bath Quays Walking and Cycling Links Assessment Summary Table

Appendix 6 Yate Spur Phases 5 and 6 Assessment Summary Table

Appendix 7 Advanced Bus Stop Programme Assessment Summary Table

Appendix 8 Bristol Bridge and City Centre VMS Improvements Assessment Summary Table

Appendix 9 Cycle Hangers Assessment Summary Table

**West of England Combined Authority Contact:**

Report Author	Contact Details
Pete Davis	<a href="mailto:Pete.davis@westofengland-ca.gov.uk">Pete.davis@westofengland-ca.gov.uk</a>



## Appendix 1

### Transport Infrastructure Projects – Awards and Allocations to 25/26 (£000s)

	Oct 2022	Jan 2023
<b>Feasibility Studies</b>		
A420 to Bath Highway Improvements	200	200
Bristol Temple Meads Masterplan	2,000	2,000
Winterbourne/Frampton Cotterell Bypass and Coalpit Heath/Westerleigh Bypass Study	413	413
Regional Operations Capability – Phase 1	75	75
Strategic Rail Investment	250	250
Improving Access to Bath from the East	200	200
10 Year Rail Delivery Plan Scheme Development	470	470
Bus Service Improvement Plan and Enhanced Partnership	537	537
East Bristol Mini-Holland	79	79
<b>Business Case Development</b>		
MetroWest Phase 2	11,203	13,943 <sup>#</sup>
Charfield Station	4,123	4,123
MetroWest Phase 1	15,860	5,902 <sup>##</sup>
Future 4 West	3,361	3,361
Integrated Smart Ticketing	300	300
Local Cycling & Walking Infrastructure	100	100
Manvers Street Regeneration	250	250
Bus Infrastructure Programme and Park & Ride	4,150	4,150
Bristol to Bath A4 Strategic Corridor	2,372	2,434
Bath Quays Bridge Cycle/Pedestrian links	170	1,865
Scholars Way Walking and Cycling Route	80	152
Old City and King Street	516	2,172
East Bristol Liveable Neighbourhood	428	712
Strategic Cycle Route - Thornbury to A38 via Alveston	125	125
Yate Spur Phases 5 and 6	125	5,891
Fieldings Bridge	50	50
Bath Road – Keynsham	62	-
Silver Street/Fosseway walking route	62	62
City Centre to Weston Cycle route	62	62
Concorde Way / Dovercourt Depot	400	400
Thornbury – Grovesend / Gillingstool (Phase 2)	100	100
Ring Road – Filton to MOD	145	145
Keynsham Road to Bitton	145	145

Electric Vehicles Charging Strategy	200	200
A37/A367 Sustainable Transport Corridor	500	500
Access for All Step Free Station Proposals Phases 1 and 2	500	500
Hengrove Metrobus Extension Corridor	60	60
Regional Cycle Hangers	100	100
Alveston Hill Cycleway	393	393
A432 Multi Modal Corridor	-	225

<b><i>Schemes in Delivery</i></b>		
Real Time Information System Upgrade	559	559
Lockleaze Sustainable Transport Improvements	3,915	3,915
Cribbs Patchway Cycle Links	2,856	2,856
Cribbs Patchway MetroBus Extension	26,151	26,151
Integrated Transport Authority Functions	1,000	1,000
On-Bus Contactless Bank Card Payment	416	416
Wraxall Road Roundabout Improvements	6,887	6,887
Future Transport Zone*	3,655	3,655
Bristol Temple Meads Eastern Entrance	12,785	-
Yate A432 Park and Ride	4,651	4,651
On Bus Tap On, Tap Off	1,200	1,200
Metrobus Consolidation	1,828	1,828
A4 Portway Park & Ride Expansion	942	942
Access for All Mid-Tier	468	468
Bristol Bridge Signals Junction and Car Park VMS Project	645	510
Bedminster Green Highway Improvements Project	4,130	4,130
Advanced Bus Stop Upgrade Programme	-	1,056
Arena Infrastructure Package	7,387	7,387
A4018 Corridor Improvements	-	700
Old Market Gap	-	283
Cycle Hangers	289	361
SGC Sustainable Transport Package	-	510

<b><i>Allocations</i></b>		
King Street/Old City, Bath Quays Bridge Cycle/Pedestrian Links and Yate Spur Phases 5 and 6	9,114	-
Bus Stop Upgrades	5,000	3,944

<b><i>Completed Projects</i></b>	<b>7,169</b>	<b>7,169</b>
----------------------------------	--------------	--------------

<b>Total of all Awards and Allocations:</b>	<b>151,213</b>	<b>132,940</b>
---	----------------	----------------

<b>Associated Unallocated Funds</b>	<b>17,611</b>	<b>17,611</b>
future4WEST	13,639	13,639
Regional Operations Centre	175	175
Bristol to Bath Strategic Corridor	457	457
CRSTS Pipeline	3,340	3,340
<b>Total</b>	<b>168,824</b>	<b>150,551</b>

Note: \* Excludes DfT funding of £24.366m.

# Excludes £6.245m for MetroWest Phase 2 in period from 26/27

## Excludes £9.958m for MetroWest Phase 1 in period from 26/27

**Housing, High Streets and Green Infrastructure Projects – Awards and Allocations to 25/26 (£000s)**

	Oct 22	Jan 23
<b>Feasibility Studies</b>		
B&NES Pilot High Streets Programme	250	Complete
Bedminster High Street Improvement	275	275
Kingswood High Street Improvements	322	Complete
Strategic Planning Shared Evidence Base	5,750	5,750
OPE8 Housing Enabling Fund	500	500
South Gloucestershire High Streets Catalyst Phase 2	-	225
<b>Business Case Development</b>		
Masterplanning: business case development	275	275
Masterplanning: North Fringe of Bristol	500	500
Masterplanning: South West Bristol	500	500
Masterplanning: Brislington and North Keynsham	250	250
Green Infrastructure	300	300
Milsom Quarter Masterplan	434	Completed
East Fringe Masterplan (including Junction 18a)	310	310
Sevenside Masterplan	270	270
Parkway Station Masterplan	320	320
Frome Gateway and Bristol City Centre Delivery Plans	800	800
HREF – South Gloucestershire Council Capacity	750	750
Temple Quarter Infrastructure Programme	2,226	2,226
B&NES Housing and Regeneration Enabling Fund	750	750
B&NES Strategic Masterplanning	1,345	1,345
Development of the strategic evidence base to inform Spatial Plan Making	900	900
Bristol Avon Flood Strategy	482	482
Chew Valley Lake Recreational Trail (Northern Section)	150	150
Bath Creative Quarter	145	145
Milsom Quarter	2,475	2,475
Western Harbour Feasibility	279	279
Bristol Harbour Place Shaping Strategy	283	283
Bristol Temple Quarter Joint Delivery Team	6,863	6,863
Waterspace Connected Phase 1	-	296
<b>Schemes in Delivery</b>		
Whitfield Tabernacle Stabilisation Works	682	682

North Keynsham Land Acquisition Fund	5,975	5,975
Bath City Centre High Streets Renewal Project	1,235	1,235
Bristol City Centre & High Streets Recovery & Renewal	2,920	2,920
Bottle Yard Studios - Hawkfield Business Park	11,953	11,953
Kingswood Regeneration Project	3,560	3,560
Thornbury Hospital (Land Acquisition Fund)	3,806	3,806
Common Connections	999	999
Midsomer Norton High Street Market Square	895	1,095
Bath Local Centres High Street Improvement Scheme	295	295
Hengrove Park Enabling Works	19,831	19,831
<b>Allocations</b>		
Love Our High Streets	396	396
Land Acquisition Fund	219	219
Development Infrastructure Fund	3,018	3,018
LAF and DIF Repayments*	-8,297	-8,297
<b>Completed Projects</b>	<b>11,690</b>	<b>12,696</b>
<b>Total of all Awards and Allocations:</b>	<b>86,881</b>	<b>87,601</b>
<b>Associated Unallocated Funds</b>	<b>719</b>	<b>423</b>
Green Infrastructure	719	423
<b>Total</b>	<b>87,599</b>	<b>88,024</b>

Note: Includes Bath Riverside repayment. Repayment element for Bottle Yard Studios - Hawkfield Business Park, and repayment for Thornbury Hospital site to be included.

## Business and Skills Projects – Awards and Allocations to 25/26 (£000s)

	Oct 22	Jan 23
<b>Feasibility Studies</b>		
Visitor Economy/Regional Tourism	100	-
Cultural Strategy	60	60
CEIAG Research and Improvement Project	50	50
Building Employment and Enterprise Skills	20	20
Local CEIAG Action Research Activities	20	20
5G Logistics	179	179
Jobs Connect	200	200
West of England Post-16 Education and Skills Estate Analysis	50	50
SEND Careers Information and Guidance Collaboration Pilot	20	20
Skills Connect Pilot	336	285
HGV Driver Training Project	220	220
Cultural Compact Start-Up Investment	270	370
High Streets Strategic Review	25	25
Climate Emergency and Capacity	536	536
Local Nature Recovery Strategy	330	330
Local Energy Scheme Pilot	-	150
<b>Business Case Development</b>		
Somer Valley Enterprise Zone and Infrastructure	1,510	1,820
Quantum Technologies Innovation Centre+	34,974	34,974
Energy Strategy Action Planning / Climate Change Planning	250	250
I-START	850	850
The Coach House BAME Enterprise Hub	97	97
West of England Visitor Economy Recovery Project	254	254
Bath River Line - Bristol Bath Railway Path Extension	75	75
High Street Renewal Catalyst Fund	660	435
<b>Schemes in Delivery</b>		
Realising Talent	499	499
South West Institute of Future Technology	500	500
Business Innovation Fund	242	242
Workforce for the Future	4,171	4,171
WE Work for Everyone	1,300	1,300
Future Bright Plus	3,600	3,600

South Bristol Enterprise Support	483	483
Centre for Digital Engineering Technology & Innovation	5,000	5,000
LIS Productivity Challenge Delivery Programme	3,557	3,557
South Bristol Workspace	5,172	5,172
Reboot West	720	720
Low Carbon Challenge Fund Extension	2,243	2,243
Innovation for Renewal and Opportunity	6,317	6,317
Small Business Resilience Grant Programme	837	837
Culture and Creative Economy Recovery Fund	2,000	2,000
Digital Skills Investment Programme	2,000	2,000
Community Support Fund	1,500	1,500
Bath River Line Phase 1	1,198	1,198
Community Pollinator Fund	1,458	1,458
Careers Hub 21/22 and 22/23-24/25	1,027	1,065
Business Growth and Adaptions Fund	1,500	1,500
Business Start Up School	500	500
Retrofit Accelerator	3,000	3,000
Regional Low Carbon Delivery Programme	4,995	4,995
Hydrogen Sustainable Transport Economy Accelerator	1,300	1,300
GRF Nature Recovery Bidding Round	3,242	4,373
GRF Renewable Energy Bidding Round	2,069	2,121
Skills Connect and Priority Skills Fund	-	3,000

<b>Allocations</b>		
Green Recovery Fund	11,781	10,448
Retrofit Set Up Programme	200	200
Economic Recovery Measures	8,099	5,099
I-START	1,491	1,491
Albion Dock	5,000	5,000
West of England Business Support Programme	-	4,800

<b>Completed Projects</b>	<b>1,234</b>	<b>1,234</b>
---------------------------	--------------	--------------

<b>Total of all Awards and Allocations:</b>	<b>129,320</b>	<b>134,193</b>
---	----------------	----------------

<b>Associated Unallocated Funds</b>	<b>18,029</b>	<b>17,718</b>
-------------------------------------	---------------	---------------

Somer Valley Enterprise Zone	15,203	14,893
Bath River Line	2,377	2,377
I-START	449	449

<b>Total</b>	<b>147,349</b>	<b>151,911</b>
--------------	----------------	----------------



## Appendix 2 - Business Case Assessment Summary Table

Scheme Details		Appraisal Summary		Recommendation/ Conditions	
<b>Project Name</b>	<b>Waterspace Connected Phase 1</b>	<b>Strategic Case</b>	<p>WaterSpace Connected is a large-scale green and blue infrastructure project. Following the River Avon corridor, the project aims to revitalise the river and riverside to create a vibrant and resilient Nature Recovery Network and connected movement corridor between Bristol and Bath.</p> <p>Phase 1 of the project is a 3.4km stretch of river between Keynsham Lock and Hanham Lock and the new development at Somerdale. The north side of the river is within South Gloucestershire, whilst the south is within Bath and North East Somerset.</p> <p>The project objectives are to encourage healthy and active lifestyles; to provide an opportunity for people to appreciate and connect with nature; to provide inclusive access to green and blue spaces; and to enhance biodiversity along the river corridor.</p> <p>The project has good fit with national, regional and local plans and strategies.</p>	<b>Funding Source(s)</b>	Investment Fund
<b>Scheme Promoter</b>	Bath & North East Somerset Council	<b>Subsidy Control</b>	Whilst the scheme is generally non-economic in nature, further advice may need to be taken in terms of biodiversity net gain credits at Full Business Case. Funding would be provided on a clear 'no subsidy' basis.	<b>Approval Requested</b>	Outline Business Case

<b>Date of Submission</b>	8/12/22	<b>Economic Case and Value for Money</b>	The economic case is well presented and focuses on welfare benefits through increased physical activity and reduced treatment costs, with more modest biodiversity benefits. This approach presents a Benefit to Cost Ratio of 3.8:1. A number of sensitivity tests have been undertaken which support the value for money case for the scheme.	<b>Grant Award</b>	£295,771 to develop the Full Business Case
<b>Funding Requested</b>	£295,771 profiled £195k 23/24 and £101k 24/25		Further detail on the scale and type of biodiversity/nature gains should be included in the Full Business Case, even if only qualitative  A letter has been provided by the B&NES S151 officer confirming approval of the business case and the value for money statement.		
<b>Total Scheme Cost</b>	The forecast scheme delivery cost is £4.829m beyond the development phase	<b>Risk</b>	A risk register has been provided which identifies nine key risks for the project. This should be further developed for the Full Business Case.  10% contingency is allowed for in the development costs.	<b>Grant Recipient</b>	B&NES
<b>Match Funding %</b>	35% for development phase	<b>Delivery</b>	The new bridge will require planning consent and some land acquisition is also required to enable the scheme to be delivered.  The completion of the Full Business Case is expected in November 2024 with construction start expected in May 2025 and completion of all elements in May 2027.	<b>Payment Basis</b>	Quarterly in arrears on expenditure incurred

<b><i>Scheme Description</i></b>	<b><i>Recommendation to the CA Committee</i></b>	Approval of the Outline Business Case
Planned measures include: <ul style="list-style-type: none"> <li>• A new footbridge over the river connecting Keynsham to Hanham, and linking into Bristol, designed for pedestrians, cyclists, and horse-riders.</li> <li>• A new 38-hectare river park comprising inland floodplain grazing marsh adjacent to the Somerdale development.</li> <li>• Upgrading a path and connections to the site.</li> <li>• Ecological enhancements along the river working with local landowners.</li> </ul>	<b><i>Conditions of Approval</i></b>	None

**Record of Approval**

<b><i>Combined Authority S73 Officer</i></b>		<b><i>West of England Combined Authority Committee</i></b>	
<b><i>Name</i></b>	Richard Ennis	<b><i>Date of Meeting</i></b>	27 January 2023
<b><i>Date</i></b>		<b><i>Decision</i></b>	
<b><i>Signature</i></b>			

### Appendix 3 - Business Case Assessment Summary Table

Scheme Details		Appraisal Summary		Recommendation/ Conditions	
<b>Project Name</b>	<b>MetroWest Phase 2</b>	<b>Strategic Case</b>	<p>MetroWest Phase 2 will add three stations north of Bristol Temple Meads and increase frequency on the line from Bristol to Gloucester. Two of the stations are on existing freight track along the side of the Filton Airfield.</p> <p>It is reported that the new stations included in Phase 2 will support over 8,500 new homes planned in the area, of which more than 6,000 are part of the redevelopment of the Filton Airfield</p> <p>This is the first version of the Full Business Case and seeks funding approval for Stage 1 covering Ashley Down station and new Bristol - Gloucester services.</p>	<b>Funding Source(s)</b>	Transforming Cities Fund/Investment Fund/Economic Development Fund
<b>Scheme Promoter</b>	West of England Combined Authority	<b>Subsidy Control</b>	The scheme is not economic in nature.	<b>Approval Requested</b>	Full Business Case

<b>Date of Submission</b>	12/12/22	<b>Economic Case and Value for Money</b>	<p>The central case economic appraisal of the full MetroWest Phase 2 scheme forecasts an Initial BCR of 1.6 and an Adjusted BCR of 2.3</p> <p>The conclusion stated in the FBC that with the inclusion of wider economic impacts the scheme is most likely to represent High Value for Money appears reasonable. It is noted that demand associated with the Arena has not been included in the appraisal and that increased rates of housing growth in the Filton area (and other stations such as Yate) could result in higher Value for Money. In addition, the services to be provided at Stage 1 are a critical enabler for the proposed re-opening of Charfield Station.</p> <p>However, there are some limitations of the appraisal plus uncertainties in the appraisal set out in the sensitivity tests which could result in the scheme providing less than High Value for Money.</p> <p>The business case and value for money has been signed off by the CA Director of Infrastructure.</p>	<b>Funding Award</b>	<p>Stage 1 beyond existing awards - £13.811m EDF and £2.6m IF/TCF, total £16.411m</p> <p>Full scheme additional allocation - £31.855 EDF and £6.245m IF, total £38.1m</p>
<b>Funding Requested</b>	<p>Stage 1 award £3.2m LGF, £13.811m EDF, £13.663m IF/TCF, total £30.674</p> <p>Full scheme allocation beyond the above £31.855 EDF and £6.245m IF, total £38.1m</p>		<p>The total contingency provision across the project is £11.6m. The Network Rail and CA contingency provisions, which in total represent £11m, have been derived from a Quantified Risk Assessment.</p> <p>The Combined Authority funding required to support the additional Bristol-Gloucester services has been fixed as part of the Bristol Area Service Improvements agreement, with Great Western Railway (GWR) taking on the commercial risk for these services.</p>		<b>Grant Recipient</b>
<b>Total Scheme Cost</b>	<p>Stage 1 (including costs to date) £31.913m and funding for the full scheme including Stage 1 and 2 £72.613m</p>	<b>Risk</b>			

<b>Match Funding %</b>	5%	<b>Delivery</b>	<p>Ashley Down station is to be constructed on the site of the previous station and as such Network Rail has permitted development rights.</p> <p>North Filton and Henbury stations are both new stations and will require full planning applications to be submitted by Network Rail to South Gloucestershire Council. For Henbury station a site-specific Flood Risk Assessment will be required to support the planning application given the Flood Zone location of the site.</p> <p>It is planned that the Full Business Case is resubmitted in January 2024 to seek funding approval for Henbury and North Filton stations.</p> <p>The Monitoring and Evaluation Plan needs to be further developed prior to scheme implementation.</p>	<b>Payment Basis</b>	N/A
<b>Scheme Description</b>			<b>Recommendation to the CA Committee</b>	Approval of the Full Business Case	
MetroWest Phase 2 is a programme of investment with the staged opening of three new stations at Henbury, North Filton, and Ashley Down and associated timetable changes. Stage 1 of the project includes Ashley Down station and new Bristol - Gloucester services.			<b>Conditions of Approval</b>	None	

### Record of Approval

<b>Combined Authority S73 Officer</b>		<b>West of England Combined Authority Committee</b>	
<b>Name</b>	Richard Ennis	<b>Date of Meeting</b>	27 January 2023
<b>Date</b>		<b>Decision</b>	
<b>Signature</b>			

## Appendix 4 - Business Case Assessment Summary Table

Scheme Details		Appraisal Summary		Recommendation/ Conditions	
<b>Project Name</b>	<b>Scholars Way Walking and Cycling Route</b>	<b>Strategic Case</b>	<p>This project forms the first phase of the development of the walking and cycling route from Bath Spa University to the city centre via the University of Bath and the suburbs of Combe Down and Odd Down.</p> <p>These sections will improve active travel provisions in the vicinity of Sydney Road and connect the University of Bath with St Martins Hospital/Odd Down via the Mulberry Park development</p> <p>The project aims to provide attractive, safe and usable active travel routes, clear wayfinding and signage and improved public realm. It also seeks to improve actual and perceived personal security whilst considering the needs of vulnerable road users.</p>	<b>Funding Source(s)</b>	Transforming Cities Fund/CRSTS
<b>Scheme Promoter</b>	Bath & North East Somerset Council	<b>Subsidy Control</b>	The scheme is not economic in nature.	<b>Approval Requested</b>	Outline Business Case

<b>Date of Submission</b>	25/11/22	<b>Economic Case and Value for Money</b>	<p>A monetised economic appraisal has been undertaken using the Active Mode Appraisal Toolkit (AMAT) which presents a Present Value of Benefits of £4.2m against a Present Value of Costs of £2.1m over a 20-year appraisal period. This achieves a Benefit Cost Ratio of 2.0 which corresponds to a value for money category of High.</p> <p>The central / core scenario is based on fairly conservative assumptions regarding demand response compared to other business cases that have been approved, so it appears reasonable that High Value for Money is likely to be achieved.</p> <p>A letter has been provided by the B&amp;NES S151 officer confirming approval of the business case and the value for money statement.</p>	<b>Grant Award</b>	£580,300 to develop the Full Business Case including £71,700 TCF and £508,600 CRSTS
<b>Funding Requested</b>	£580,300 capital being £71,700 22/23 and £508,600 23/24				
<b>Total Scheme Cost</b>	Delivery cost estimate £2.742m beyond development stage	<b>Risk</b>	<p>A sum of £85k has been allowed for as contingency in the development costs.</p> <p>A Quantitative Risk Assessment (QRA) has been completed for the wider scheme. It is considered a P80 value for risk may have been more prudent (which would add some £180k to the scheme cost) given the current stage of design and costing.</p> <p>One section of the scheme will require either planning permission or a legal order via the Highways Act 1980. It is planned to secure the necessary approvals prior to the submission of the Full Business Case which presents a risk to achieving the target date of July 2023.</p>	<b>Grant Recipient</b>	B&NES
<b>Match Funding %</b>	0% for development phase	<b>Delivery</b>	<p>Following Full Business Case approval, it is planned to commence construction in October 2023 and complete construction in February 2024. This programme may be challenging to deliver with current unknowns such as the scale of utilities diversions.</p>	<b>Payment Basis</b>	Quarterly in arrears on expenditure incurred



<b><i>Scheme Description</i></b>	<b><i>Recommendation to the Chief Executives</i></b>	Approval of the Outline Business Case
Planned measures include: <ul style="list-style-type: none"> <li>• Toucan crossing on Beckford Road and upgrade of Puffin crossing to a Toucan on A36 Sydney Place/Darlington St.</li> <li>• Toucan crossing at junction of Bathwick Hill/Copseland and improved pedestrian crossing facility on Widcombe Hill.</li> <li>• Upgrade of an existing off-road route through Claverton Down.</li> <li>• Upgrade of a zebra to parallel crossing on Claverton Down Road.</li> <li>• Improvements to pedestrian and cycle facilities outside Ralph Allen school and links towards Combe Down.</li> <li>• Segregated route through Monkton Combe School grounds avoiding North Road.</li> <li>• On street quiet road route through Church Road and Combe Road.</li> <li>• Cycle and pedestrian crossing of North Road to link into Mulberry Park.</li> <li>• Quiet road links with pedestrian and cycle crossings on main roads through Mulberry Park to St Martins Garden Primary School.</li> </ul>	<b><i>Conditions of Approval</i></b>	None

**Record of Approval**

<b><i>Combined Authority S73 Officer</i></b>		<b><i>West of England Combined Authority Committee</i></b>	
<b><i>Name</i></b>	Richard Ennis	<b><i>Date of Meeting</i></b>	27 January 2023
<b><i>Date</i></b>		<b><i>Decision</i></b>	

## Appendix 5 - Business Case Assessment Summary Table

Scheme Details		Appraisal Summary		Recommendation/ Conditions	
<b>Project Name</b>	Bath Quays Walking and Cycling Routes	<b>Strategic Case</b>	<p>Bath Quays is a flagship regeneration project in the heart of the Bath City Centre Enterprise Zone which is currently being constructed and when complete will provide space for new businesses and includes a waterside park, cafes and restaurants.</p> <p>As part of the development a new pedestrian and cycle bridge has been provided connecting development sites north and south of the river. This project seeks to maximise the potential of this new river crossing by providing new and improved walking and cycling provisions connecting to it on either side of the river.</p> <p>The project shows good alignment with national, regional and local policy.</p>	<b>Funding Source(s)</b>	Transforming Cities Fund/Investment Fund/CRSTS
<b>Scheme Promoter</b>	Bath & North East Somerset Council	<b>Subsidy Control</b>	The scheme is not economic in nature.	<b>Approval Requested</b>	Outline Business Case

<b>Date of Submission</b>	9/8/22	<b>Economic Case and Value for Money</b>	Based upon the monetised economic appraisal undertaken using the Active Model Appraisal Toolkit (AMAT) the scheme achieves a Present Value of Benefits (PVB) of £6.3m against a Present Value of Costs of £1.26m over a 20-year appraisal period. This achieves a Benefit Cost Ratio of 5.00 which corresponds to a value for money category of Very High.	<b>Grant Award</b>	£246k to develop the Full Business Case
<b>Funding Requested</b>	£246,000 profiled in 22/23		This is based upon an ambitious 72% increase in cycling, but the sensitivity tests indicate that 29% uplift in cycling activity due to the scheme would be needed to generate High Value for Money (BCR of 2.0).  A letter has been provided by the B&NES S151 officer confirming approval of the business case and the value for money statement.		
<b>Total Scheme Cost</b>	£5.756m (£551k preparation; £1.347m construction and £517k other costs)	<b>Risk</b>	A Quantified Risk Assessment has been undertaken and an allowance of £213k has been allowed for risk (11% of base cost) and £149k for inflation.  A key dependency for the project is the Bath Quays development and ongoing engagement is taking place with the developers of this scheme to ensure the seamless tie in between the bridge and developer delivered scheme section and this project.	<b>Grant Recipient</b>	B&NES
<b>Match Funding %</b>	0%	<b>Delivery</b>	Full Business Case approval is expected in January with construction commencement in May 2023 and completion in August 2023.	<b>Payment Basis</b>	Quarterly in arrears on expenditure incurred

<b><i>Scheme Description</i></b>	<b><i>Recommendation to the Chief Executives</i></b>	Approval of the Outline Business Case
Planned measures include: <ul style="list-style-type: none"> <li>• <b>A367 Green Park Road</b> - Segregated cycle lane in both directions; redesign of bus stops to accommodate cycle infrastructure; two new parallel crossings; and relocation of an existing crossing.</li> <li>• <b>A36 Lower Bristol Road</b> - Segregated cycle lanes in both directions; redesign of bus stops to accommodate cycle infrastructure; footpath widening for pedestrians; two new signalised toucan crossing; and widening of an existing toucan crossing.</li> <li>• <b>Claverton Street</b> - Bidirectional segregated cycle lane delivered through removal of one traffic lane between Churchill Bridge and Rossiter Road; and replacement of existing subway with an at grade toucan crossing.</li> <li>• <b>Churchill Bridge Gyratory and Churchill Bridge</b> - segregated bidirectional cycle lane removing one lane of traffic from Churchill bridge; and parallel zebra crossings are proposed across Churchill bridge.</li> </ul>	<b><i>Conditions of Approval</i></b>	None

**Record of Approval**

<b><i>Combined Authority S73 Officer</i></b>		<b><i>West of England Combined Authority Chief Executives</i></b>	
<b><i>Name</i></b>	Richard Ennis	<b><i>Date of Meeting</i></b>	14 September 2022
<b><i>Date</i></b>		<b><i>Decision</i></b>	Approval of the Outline Business Case
<b><i>Signature</i></b>			

## Appendix 6 - Business Case Assessment Summary Table

Scheme Details		Appraisal Summary		Recommendation/ Conditions	
<b>Project Name</b>	<b>Yate Spur Phases 5 and 6</b>	<b>Strategic Case</b>	<p>It has been a longstanding aspiration of the Council to create linkages to Yate from the north and east fringes of Bristol. Phase 5 and 6 elements of the Yate Spur will form the final section of the route to complete a continuous walking, cycling and wheeling route between Yate and the east fringe of Bristol as well as introducing a Bridleway connecting from the existing restricted Byway in Westerleigh to the shared use path at Nibley Lane.</p> <p>The scheme objectives are to improve the experience for walking, cycling and wheeling journeys; to improve safety and accessibility along the length of the route for active mode users; and to improve local and strategic connectivity for active mode users.</p> <p>The project shows good alignment with national, regional and local policy.</p>	<b>Funding Source(s)</b>	Transforming Cities Fund/Investment Fund
<b>Scheme Promoter</b>	South Gloucestershire Council	<b>Subsidy Control</b>	The scheme is not economic in nature.	<b>Approval Requested</b>	Outline Business Case
<b>Date of Submission</b>	22/6/22	<b>Economic Case and</b>	When Level 1 impacts are considered, the scheme is predicted to achieve a BCR of 2.2, categorised as High Value for Money.	<b>Grant Award</b>	£520,550 to develop the Full Business Case

<b>Funding Requested</b>	£520,550	<b>Value for Money</b>	<p>Sensitivity tests identify that there is potential for the scheme to achieve a substantially higher Value for Money if the predicted uplift in cycle demand is higher than assumed in the core scenario, which could potentially be achieved with the implementation of wider policy measures, including achieving net-zero carbon emissions and other demand management measures.</p> <p>A letter has been provided by the SGC S151 officer confirming approval of the business case and the value for money statement.</p>		
<b>Total Scheme Cost</b>	£5.765m (£521k preparation; £3.71m construction and £1.53m other costs)	<b>Risk</b>	<p>A Quantified Risk Assessment has been undertaken and an allowance of £735k has been allowed for risk and £426k for inflation.</p>	<b>Grant Recipient</b>	SGC
<b>Match Funding %</b>	0% for development phase	<b>Delivery</b>	<p>As the Yate Spur Phase 5 and 6 segment will require land that is not part of the existing public highway, it will be necessary to use the access rights granted under the Highways Act 1980, and then subsequently for the construction stage the acquisition of the land by negotiation and agreement.</p> <p>Planning permission will also be required for the section of the scheme which diverges from the existing highway boundary</p> <p>Full Business Case approval is expected in spring 2023, with construction commencement in summer 2023 and completion in early 2024.</p>	<b>Payment Basis</b>	Quarterly in arrears on expenditure incurred

<b><i>Scheme Description</i></b>	<b><i>Recommendation to the Chief Executives</i></b>	Approval of the Outline Business Case
<p>The scheme will involve:</p> <ul style="list-style-type: none"> <li>• Upgrading the existing path running between Rodford Way Roundabout and the rail bridge to a full width Shared Use Path (SUP).</li> <li>• New SUPs to complete the connection between Nibley Lane and Shire Way and up to Brockworth and Rodford Way Roundabout on Shire Way.</li> <li>• New one-way cycle track opposite the Brockworth junction with Shire Way to enable safe right turns into Brockworth from Shire Way.</li> <li>• New continuous SUP with separate grass equestrian track running adjacent to the rail line from Nibley Lane to the existing restricted byway at Westerleigh.</li> <li>• Upgrading the surface of the existing restricted byway at Westerleigh.</li> <li>• A number of new crossings.</li> <li>• Options for crossing a small watercourse including a footbridge or a culvert</li> </ul> <p>The total length of the scheme will be approximately 2km.</p>	<b><i>Conditions of Approval</i></b>	None

**Record of Approval**

<b><i>Combined Authority S73 Officer</i></b>		<b><i>West of England Combined Authority Chief Executives</i></b>	
<b><i>Name</i></b>	Richard Ennis	<b><i>Date of Meeting</i></b>	14 September 2022
<b><i>Date</i></b>		<b><i>Decision</i></b>	Approval of the Outline Business Case
<b><i>Signature</i></b>			

## Appendix 7 - Business Case Assessment Summary Table

Scheme Details		Appraisal Summary		Recommendation/ Conditions	
<b>Project Name</b>	<b>Bus Stop Upgrades</b>	<b>Strategic Case</b>	<p>It is planned to upgrade bus stop facilities to a consistent high-quality standard developed in line with metrobus branding principles, creating an improved journey experience for public transport users and incentivising use of public transport. A total of 10 bus stops will be upgraded, three in Thornbury and seven in Bath.</p> <p>The project objectives are to achieve improved customer experience and to increase modal shift towards sustainable modes along the Thornbury and Bath corridors as a result of this improved customer experience.</p> <p>The project has good fit with a number of local, regional and national policies.</p>	<b>Funding Source(s)</b>	Transforming Cities Fund
<b>Scheme Promoter</b>	West of England Combined Authority	<b>Subsidy Control</b>	The scheme is not economic in nature.	<b>Approval Requested</b>	Full Business Case
<b>Date of Submission</b>	2/9/22	<b>Economic Case and</b>	The scheme is predicted to achieve a Benefit to Cost Ratio (BCR) of 1:98. Therefore, according to the DfT Value for Money categorisation, this	<b>Funding Award</b>	£576,448 TCF



<b>Funding Requested</b>	£576,448 profiled in 22/23	<b>Value for Money</b>	<p>represents Medium Value for Money, however it should be noted that the BCR is close to the value categorisation of High (a BCR of 2).</p> <p>A non-monetarised qualitative assessment has been undertaken which demonstrates the project will have a positive impact on physical activity, security, and accessibility by providing attractive alternatives to private vehicle. This gives confidence the scheme could represent High value for money.</p> <p>The business case and value for money has been signed off by the CA Director of Infrastructure</p>		
<b>Total Scheme Cost</b>	£576,443	<b>Risk</b>	<p>Allowance of £75k for contingency is made within the costings.</p> <p>The improvements are generally within the highway boundary although modest land acquisition (some 24m<sup>2</sup>), will be required outside of Thornbury Health Centre Bus Stop. Whilst liaison with the NHS to reach an agreement is ongoing, if this is not possible minor changes to the bus stop design and bus shelter product selection can be implemented.</p> <p>Planning consent will be required for the two bus stops at Bath Spa University (BSU) which it is expected can be secured by the end of October. Funding drawdown for these stops will follow the consents being in place.</p>	<b>Grant Recipient</b>	N/A
<b>Match Funding %</b>	0%	<b>Delivery</b>	<p>The construction of the B&amp;NES stops is expected to commence in November, with the SGC and BSU works starting in January 2023. Completion is expected by the end of March 2023</p>	<b>Payment Basis</b>	N/A

<b><i>Scheme Description</i></b>	<b><i>Recommendation to the Directors of Infrastructure</i></b>	Approval of the Full Business Case
<p>The exact interventions will vary depending on the standard/condition of the current bus stop facilities, but will include the following:</p> <ul style="list-style-type: none"> <li>• Providing an upgraded shelter</li> <li>• Providing improved seating</li> <li>• Installing real time passenger information</li> <li>• Installing new paving</li> <li>• Addition of a 'green roof'</li> <li>• Providing cycle parking facilities</li> </ul>	<b><i>Conditions of Approval</i></b>	None

**Record of Approval**

<b><i>Combined Authority S73 Officer</i></b>		<b><i>West of England Infrastructure Directors</i></b>	
<b><i>Name</i></b>	Richard Ennis	<b><i>Date of Meeting</i></b>	27 October 2022
<b><i>Date</i></b>		<b><i>Decision</i></b>	Approval of the Full Business Case
<b><i>Signature</i></b>			

## Appendix 8 - Business Case Assessment Summary Table

Scheme Details		Appraisal Summary		Recommendation/ Conditions	
<b>Project Name</b>	Bristol Bridge and City Centre VMS Improvements	<b>Strategic Case</b>	<p>The Council is currently working on proposals to improve public transport, walking, cycling and public realm along the A37/A4018 corridor in north Bristol to the city centre. This project seeks to bring forward part of this corridor for early delivery at Bristol Bridge to draw, in part, on the time limited Transforming Cities Fund.</p> <p>The scheme will support a number of the aims of the wider A37/A4018 project, which focuses on reducing car use by offering residents alternative modes of transport which are more sustainable. The wider scheme will incorporate bus priority measures, as well as cycling and walking infrastructure</p> <p>The project has good fit with local, regional and national policies.</p>	<b>Funding Source(s)</b>	Transforming Cities Fund/City Region Sustainable Transport Settlement
<b>Scheme Promoter</b>	Bristol City Council	<b>Subsidy Control</b>	The scheme is not economic in nature.	<b>Approval Requested</b>	Full Business Case
<b>Date of Submission</b>	3/10/22	<b>Economic Case and</b>	The scheme is predicted to achieve a Benefit to Cost Ratio (BCR) of 4.8. Therefore, according to the DfT Value for Money categorisation, this represents Very High Value for Money.	<b>Funding Award</b>	£1,615,826 being £509,755 TCF and

<b>Funding Requested</b>	£1,615,826 profiled £510k 22/23 and £1.106m 23/24	<b>Value for Money</b>	<p>This is based on an increase in cycling activity of 28% forecast for the Core Scenario. A sensitivity test has been provided which indicates that an uplift in cycling activity of 11% would result in BCR of 2.0.</p> <p>The scheme can therefore be expected to provide either High or Very High VfM.</p> <p>The business case and value for money has been signed off by the CA Director of Infrastructure</p>		£1,106,071 CRSTS
<b>Total Scheme Cost</b>	£1,615,826 (Preparation and Project Management £181k; Construction £888k; Other £547k)	<b>Risk</b>	<p>Allowance of £412k for contingency is made within the costings in addition to provision for inflation.</p> <p>All the proposed interventions are contained within the highway boundary. Therefore, neither land acquisition nor planning permission are required.</p>	<b>Grant Recipient</b>	BCC
<b>Match Funding %</b>	0%	<b>Delivery</b>	It is planned to complete the VMS element of the scheme in May 2023 and the cycling scheme in September 2023.	<b>Payment Basis</b>	Quarterly in arrears on expenditure incurred

<b><i>Scheme Description</i></b>	<b><i>Recommendation to the Directors of Infrastructure</i></b>	Approval of the Full Business Case
<p>The project includes two components:</p> <ul style="list-style-type: none"> <li>• Cycle infrastructure improvements and traffic signal replacements at Bristol Bridge.</li> <li>• Replacement of four Variable Message Signs (VMS) in the city centre</li> </ul>	<b><i>Conditions of Approval</i></b>	None

**Record of Approval**

<b><i>Combined Authority S73 Officer</i></b>		<b><i>West of England Infrastructure Directors</i></b>	
<b><i>Name</i></b>	Richard Ennis	<b><i>Date of Meeting</i></b>	27 October 2022
<b><i>Date</i></b>		<b><i>Decision</i></b>	Approval of the Full Business Case
<b><i>Signature</i></b>			

## Appendix 9 - Business Case Assessment Summary Table

Scheme Details		Appraisal Summary		Recommendation/ Conditions	
<b>Project Name</b>	Cycle Hangers	<b>Strategic Case</b>	<p>People with insufficient space to safely store a cycle are faced with an immediate barrier preventing them from starting to cycle, or from accessing more regular cycling for transport.</p> <p>A cycle hangar is a covered, lockable and secure cycle storage unit. They aim to provide a safe and affordable alternative for people who lack space in their homes to store their cycles, sheltering them from the weather and protecting them from vandalism and potential theft.</p> <p>A site selection process has been undertaken working with the City Council Housing team and a prioritised list of locations, all on Council owned land, on existing hard-standing, outside the highway boundary, has been produced.</p> <p>The project has alignment with CA and Council policies including those related to transport, tackling climate change and health. The project also helps address health inequality by prioritising people who live in some of the most deprived Super Output Areas.</p>	<b>Funding Source(s)</b>	Transforming Cities Fund
<b>Scheme Promoter</b>	West of England Combined Authority	<b>Subsidy Control</b>	The scheme is not economic in nature.	<b>Approval Requested</b>	Full Business Case

<b>Date of Submission</b>	18/11/22	<b>Economic Case and Value for Money</b>	<p>The analysis has considered several usage scenarios and sensitivity tested the impact of installing different numbers of cycle hangars, as well as the impact of reduced spaces.</p> <p>The 'conservative scenario' assumes that 50% of users are new users and cycle at average levels. This scenario returns BCRs that range from 1.99 ('medium' value for money) to 3.31 ('high' value for money).</p> <p>It is accepted that Value for Money is likely to be at least 'high' based on the range of scenarios assessed for delivery at the planned scale.</p> <p>The business case and value for money has been signed off by the CA Director of Infrastructure</p>	<b>Funding Award</b>	£219,730
<b>Funding Requested</b>	£219,730 profiled in 22/23				
<b>Total Scheme Cost</b>	£219,730 (£51k CA/BCC Project Management; £130k Cycle Hangers and Installation; £39k other costs)	<b>Risk</b>	<p>A Quantified Risk Assessment has been undertaken based on the identified risks for the project. £34k (18% of the base cost) has been allowed for as contingency in the costings.</p> <p>Given this project seeks to utilise the time limited TCF, a key risk is the delivery of the project and full spend by the March 2023 deadline.</p>	<b>Grant Recipient</b>	N/A

<b>Match Funding %</b>	0%	<b>Delivery</b>	<p>As all sites are on Council housing grounds and off-highway there are no land acquisition, planning or other consents required</p> <p>It is planned to order the cycle hangers in February and these to be supplied and installed by the end of March.</p> <p>The City Council Housing team will fully manage the cycle hangars once installed.</p>	<b>Payment Basis</b>	N/A
------------------------	----	-----------------	--	----------------------	-----

<b>Scheme Description</b>	<b>Recommendation to the CA Committee</b>	Approval of the Full Business Case
This project will see 28 cycle hangars installed across 16 sites.	<b>Conditions of Approval</b>	None

#### Record of Approval

<b>Combined Authority S73 Officer</b>		<b>West of England Combined Authority Committee</b>	
<b>Name</b>	Richard Ennis	<b>Date of Meeting</b>	27 January 2023
<b>Date</b>		<b>Decision</b>	
<b>Signature</b>			





## ITEM 11

**REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY**

**DATE: 27 January 2023**

**REPORT TITLE: INVESTMENT FUND DELIVERY ASSURANCE**

**DIRECTOR: RICHARD ENNIS, INTERIM ACTING CHIEF EXECUTIVE AND DIRECTOR OF INVESTMENT AND CORPORATE SERVICES**

**AUTHOR: PETE DAVIS, HEAD OF GRANT MANAGEMENT AND ASSURANCE**

### **Purpose of Report**

1. To consider changes to schemes within the Investment Fund programme against the agreed delivery assurance principles. All of these changes were considered by the Programme Review Board and this report includes only those that were supported for recommendation to Committee.

### **Recommendations:**

**The Committee is asked to approve the change requests for schemes within the current programme as set out in Appendix 1.**

### **Voting arrangements**

Decision requires majority agreement of Committee Members in attendance, or their substitutes (one vote representing each Authority) and including the West of England Combined Authority Mayor.

### **Delivery Assurance and Budgetary Principles**

2. The Combined Authority Committee agreed to delegate approval of changes within stated tolerances for schemes within the approved Investment Fund programme to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils. To support delivery of the City Region Sustainable Transport Settlement, a set of delegations are also in place to the Combined Authority Director of Infrastructure in consultation with the

Directors of Infrastructure of the constituent Councils for schemes within the infrastructure portfolio.

3. At the Combined Authority Committee meeting in July, a set of delivery assurance and budgetary principles were agreed to drive the delivery of projects and good practice. Key to the application of these principles is the establishment of a Programme Review Board (PRB) comprising the Combined and Unitary Authority S73/S151 officers and Directors. This Board will oversee overall programme management and identify and agree which projects require review and support to improve delivery, provide overall strategic direction for the recovery of the project, help to resolve conflicts and manage risks, and promote learning and the sharing of practice.
4. The PRB met in December and recommended the approval of a number of change requests, whilst seeking revision or further information on a number of other proposals. These change requests were considered against the agreed budgetary principles, and in particular those below:
  - *Where there is delay, it should not be assumed that funding can automatically be moved between years, or that if significant change occurs that funding automatically continues. A full impact assessment would need to be undertaken to ensure the financial and contractual impacts are clearly understood prior to final decision by the Committee.*
  - *Where projects are stalled or significantly delayed, redeploying those resources to projects that will provide more certain or immediate benefits should be considered.*
  - *For projects over a certain threshold with significant delays or cost increase, where there is no consensus amongst the Programme Review Board on whether to agree to the change or delay, then a separate report to the Combined Authority Committee will be prepared setting out the pros and cons.*
  - *All material changes to budget or profile should be challenged by the Programme Review Board. Formal submission of change requests should be preceded by updates and early warning, in order that the change and options can be understood and agreed.*
  - *Where programme delays are reported, change requests should set out the full extent of delays since that at original approval, and not just the latest change, together with the mitigation that has been, or will be, undertaken to avoid any further delays in future.*
5. In addition, in order to maintain progress with two key CRSTS projects, change requests for the M32 Sustainable Transport Corridor and the Bristol to Bath Strategic Corridor are proposed. These additional funds are included within the overall allocations for these projects. The change requests recommended for Committee approval are set out in Appendix 1.

6. The following projects propose changes to their overall funding:
- **Midsomer Norton High Street Market Square Project** – additional £200k Investment Fund sought to address inflation and supply chain issues to be met from inflationary provision within the programme.
  - **Somer Valley Enterprise Zone Highways and Development** – additional £311k Investment Fund sought as a result of changes to scope and extension of the programme to be met from the funds earmarked for the project within the programme.
  - **A4108 Corridor Improvements** – additional £700k Transforming Cities Fund (TCF) and £4.38m City Region Sustainable Transport Settlement (CRSTS) to fully fund the scheme.
  - **East Bristol Liveable Neighbourhood Pilot** – additional £284k TCF as a result of extended consultation and delay.
  - **Old Market Gap** – inclusion of this Active Travel Fund scheme in the programme with TCF funding of £283k to address inflationary cost pressures.
  - **South Gloucestershire Sustainable Transport Package** – additional £510k TCF to address inflationary cost pressures to be met through the provision for inflation in the programme.
  - **Somer Valley to Bristol and Bath** – additional £128k CRSTS requested to reflect additional activities required to develop the scheme.
  - **M32 Sustainable Transport Corridor** - additional £1.5m of funding from CRSTS to progress design and costing to Outline Business Case stage.
  - **Bristol to Bath Strategic Corridor** – additional £2.464m of funding from CRSTS to progress the work needed to develop preferred options for the two Outline Business Cases for the corridor.
  - **Careers Hub** – increase in funding of £38k as a result of increased staff costs.
  - **Skills Connect Pilot** - reduction in total funding of £51k as the business case has been produced earlier than anticipated.
7. In addition, to support TCF spend by March 2023, a number of funding swops are proposed which do not change the overall level of funding, namely:

- **Emersons Green Local Transport Enhancements, Cribbs Patchway Metrobus Extension and Thornbury High Street** – TCF for Economic Development Fund (EDF)
- **Kingswood Regeneration Programme** – Investment Fund for EDF
- **A432 Multi Modal Corridor** – TCF for CRSTS

### **Consultation**

8. Engagement has taken place with officers in the West of England Combined Authority and constituent Unitary Authorities including consideration at the Programme Review Board.

### **Other Options Considered**

9. All Change Requests are required to set out in detail the full range of options considered and the reason the preferred option has been identified.

### **Risk Management/Assessment**

10. All projects underway maintain a specific risk register as part of the project management and monitoring arrangements. Key risks are included in regular Highlight Reports.

### **Public Sector Equality Duties**

11. For projects seeking funding through the Investment Fund scheme promoters are required to include as part of their Full Business Case, an equality and diversity assessment and plan. These assessments are published as part of the Business Case on the Combined Authority website.

### **Climate Change Implications**

12. The Combined Authority's Climate Emergency Action Plan has been considered in the production of this report. Points of particular relevance have been added to this report and reviewed by the Head of Environment.

Report and advice reviewed and signed off by: Roger Hoare, Head of Environment

### **Finance Implications**

13. The financial implications of the change requests detailed within this report are affordable within the overall funding as previously approved by the CA Committee.

Advice given by: Richard Ennis, Interim Acting Chief Executive & Director of Investment and Corporate Services (Section 73 Officer)

### **Legal Implications**

14. There are no additional legal implications arising from this report.

Advice given by: Stephen Gerrard, Interim Monitoring Officer, West of England Combined Authority

### **Land /Property Implications**

15. All land and property implications are set out within the specific business cases and dealt with by scheme promoters.

Advice given by: Richard Ennis, Interim Acting Chief Executive & Director of Investment and Corporate Services (Section 73 Officer)

### **Human Resources Implications**

16. There are no direct human resource implications arising from this report.

### **Appendices:**

Appendix 1: Change Requests for Schemes within the Current Programme Recommended for Committee Approval

## Appendix 1

### Change Requests for Schemes within the Current Programme Recommended for Approval

#### B&NES Council

<b>Project</b>	<b>North Keynsham Strategic Masterplan</b>
<b>Funding awarded</b>	£250,000
<b>Source:</b>	Investment Fund (IF)
<b>Cost/ Spend:</b>	No change to overall funding. Reprofiling £142k from 22/23 to 23/24 Revised profile £108k 21/22 and £142k 23/24
<b>Milestones:</b>	Procure consultants to produce the masterplan through the Professional Services Framework delayed by 6 months from Mar 23 to Sep 23
<b>Stated reason for change:</b> Progress on the project had been paused due to the critical dependency on the multi-modal corridor that was intended to run through the site.	

<b>Project</b>	<b>Midsomer Norton High Street Market Square Project</b>
<b>Funding awarded</b>	£895,000
<b>Source:</b>	IF
<b>Cost/ Spend:</b>	Request for an additional £200k of IF capital funding. It has been confirmed that project contingency has been utilised and other match funding opportunities have been fully explored. Revised profile £45k 22/23, £775k 23/24 & £275k 24/25
<b>Stated reason for change:</b> Cost increases attributed to the levels of inflation currently being experienced and global supply chain issues which exceed the allowances and contingencies originally included. These increases are also in part exacerbated by protracted negotiations and unanticipated issues with statutory consultation processes and the need for follow-up ecological bat surveys following expert advice.	

<b>Project</b>	<b>B&amp;NES Strategic Masterplanning</b>
<b>Funding awarded</b>	£1.345m
<b>Source:</b>	IF
<b>Cost/ Spend:</b>	No change to overall funding Reprofiling £620k from 22/23 to 23/24. Revised profile £725k 22/23 and £620k 23/24.
<b>Milestones:</b>	Delay of 3-4 months across a number of milestones, including 4 months for completion (to Jul 2023).
<b>Stated reason for change:</b> Delay owing to the halting of the Spatial Development Strategy and the need to better align with the B&NES Local Plan programme.	

<b>Project</b>	<b>Somer Valley Enterprise Zone Highways &amp; Development</b>	
<b>Funding awarded</b>	£1,509,594	
<b>Source:</b>	IF	
<b>Cost/ Spend:</b>	Request for an additional £310,873 of funding which could be contained within funds earmarked for the scheme (total £15.2m) Revised profile £693k to 21/22, £861k 22/23 and £266k 23/24. £39k increase in match funding (to £641k).	
<b>Milestones:</b>	Delay of 12 months to business case approval (to Oct 23) and onwards delivery milestones including practical completion (Jul 26).	
<b>Stated reason for change:</b> Programme extended by 12 months as a result of delays relating to the Local Development Order submission. As a result of the additional scope and this prolongation of the programme there have been impacts on the project costs.		

<b>Project</b>	<b>Bath River Line Phase 1</b>	
<b>Funding awarded</b>	£1,048,490	
<b>Source:</b>	IF	
<b>Milestones:</b>	Delays of 5-8 months across several milestones including survey works and planning consents to Oct 22 as well as project completion to Aug 24.	
<b>Stated reason for change:</b> The council is requesting to delay the implementation due to the delay in securing planning consent and meeting approval conditions. The council has been unable to release the funding and commence with procurement of the Phase 1 construction packages.		

<b>Project</b>	<b>Bath River Line Bristol Bath Railway Path Extension</b>	
<b>Funding awarded</b>	£75,000	
<b>Source:</b>	IF	
<b>Milestones:</b>	Scope change from the production of an Outline Business Case to the development of an Options Assessment Report. New milestones included.	
<b>Stated reason for change:</b> Scheme to be embraced within Bristol to Bath Strategic Corridor		

## Bristol City Council

<b>Project</b>	<b>Western Harbour Feasibility</b>
<b>Funding awarded</b>	£279,000
<b>Source:</b>	IF
<b>Cost/ Spend:</b>	No change to overall funding Reprofiling £139k from 22/23 to 23/24. Revised profile £140k 22/23 and £139k 23/24
<b>Milestones:</b>	Delays of 2-3 months across a number of milestones including 2 months to CA Strategic Outline Case decision (Mar 23).
<b>Stated reason for change:</b> Delay in entering into the funding agreement in turn led to a delay in appointing the professional team. In addition to this, the complexities of the project have resulted in a delay to the submission of the Strategic Outline Case.	

<b>Project</b>	<b>Frome Gateway Framework &amp; Infrastructure Delivery Plan /City Centre Development &amp; Delivery Plan</b>
<b>Funding awarded</b>	£800,000
<b>Source:</b>	IF
<b>Cost/ Spend:</b>	No change to overall funding Reprofiling £71k from 22/23 to 23/24. Revised profile £235k 21/22, £494k 22/23 and £71k 23/24
<b>Milestones:</b>	Nine months delay to completion of the City Centre Development and Delivery Plan and six months for the Frome Gateway Framework & Infrastructure Delivery Plan (both to summer 23).
<b>Stated reason for change:</b> Complexity of the issues which need to be worked through in order develop frameworks, including employment land, flooding and economic analysis.	

<b>Project</b>	<b>Harbour Place Shaping Strategy</b>
<b>Funding awarded</b>	£283,000
<b>Source:</b>	IF
<b>Cost/ Spend:</b>	No change to overall funding Reprofiling £220k from 22/23 to 23/24. Revised profile £283k 23/24
<b>Milestones:</b>	Delays across all milestones including 6 months delay to completion of Strategy (to Dec 23)
<b>Stated reason for change:</b> Change to procurement approach for design team. Whilst this is a longer procurement process it is envisaged that this will deliver value for money and a better, more bespoke output.	



<b>Project</b>	<b>A4018 Corridor Improvements</b>
<b>Funding awarded</b>	Local Growth Fund (LGF)/Getting Building Fund (GBF) & City Region Sustainable Transport Settlement (CRSTS)
<b>Source:</b>	£4.567m (£187k LGF/GBF and £4.38m CRSTS)
<b>Cost/ Spend:</b>	Additional funding of £700k TCF. Revised TCF profile £700k in 22/23. CRSTS profile 23/24 £2.80m 24/25 £1.58m, total £4.38m
<b>Milestones:</b>	Delays of up to 17 months to Traffic Regulation Orders, procurement construction start and finish and operational start.
<b>Stated reason for change:</b> Delays as a result of coronavirus pandemic, resource pressures throughout 2022 and unconfirmed funding source.	

<b>Project</b>	<b>East Bristol (St George) Liveable Neighbourhood Pilot</b>
<b>Funding awarded</b>	£428,000
<b>Source:</b>	Transforming Cities Fund (TCF)
<b>Cost/ Spend:</b>	Request for an additional £284,074 of TCF Revised profile £150k 21/22 and £558k 22/23, total £708k Additional £280k match funding.
<b>Milestones:</b>	Six months delay to completion of OBC (to Mar 23)
<b>Stated reason for change:</b> Mayoral referendum and higher than expected first phase engagement caused delays. This, together with the delay in securing the European Commission's Horizon Europe match funding has increased costs.	

<b>Project</b>	<b>Old Market Gap</b>
<b>Funding awarded</b>	-
<b>Source:</b>	Currently funded through Department for Transport (DfT) Active Travel Fund (ATF)
<b>Cost/ Spend:</b>	Request for £283k TCF profiled in 22/23 Total funding £1.225m being £639k ATF, £283k TCF and £303k developer match funding
<b>Stated reason for change:</b> Rise in materials and labour prices due to inflation since the scheme was first costed in summer 2021. Scheme has previously been accepted for ATF funding by DfT and given the TCF is less than half the funding, no separate business case is required. It is reported that with the cost increase the BCR remains 'high'.	

## South Gloucestershire Council

<b>Project</b>	<b>East Fringe Masterplan</b>	
<b>Funding awarded</b>	£310,000	
<b>Source:</b>	Investment Fund	
<b>Cost/ Spend:</b>	No change to overall funding Reprofiling £39k from 22/23 to 23/24. Revised profile £116k 21/22, £155k 22/23 and £39k 23/24	
<b>Milestones:</b>	Delay of four months to remaining interim milestones and five months for final masterplan (to Apr 23).	
<b>Stated reason for change:</b> During August and September further iterations of options were considered. These needed to be worked through before preparation of the draft masterplan and preparation for public engagement could begin.		

<b>Project</b>	<b>Kingswood Regeneration Project</b>	
<b>Funding awarded</b>	£8,680,000	
<b>Source:</b>	IF/Economic Development Fund (EDF)	
<b>Cost/ Spend:</b>	No change to overall funding envelope. Reprofiling £611k funding from 22/23 and 23//24 to 24/25 Revised profile £819k 22/23, £3.701m 23/24 and £3.04m 24/25. Swop of EDF for Investment Fund to support TCF spend.	
<b>Milestones:</b>	Delay of five months for start of construction (to Nov 23) and to completion (Jan 25).	
<b>Stated reason for change:</b> Need to understand the complexity of forecast traffic movement when the Regent Street closure is implemented, and the impact this will have on air quality in residential roads and the risk of triggering a requirement for a new air quality management area.		

<b>Project</b>	<b>A432 Multi Modal Corridor</b>	
<b>Funding awarded</b>	£1.887m	

<b>Source:</b>	CRSTS/TCF
<b>Cost/ Spend:</b>	No change to overall funding Reprofile of £225k CRSTS from 23/24 and 24/25 into TCF 22/23. Revised profile TCF £225k in 22/23 Revised profile CRSTS £1.662m 23/24, total £1.662m
<b>Milestones:</b>	Delay of 6 months to approval and submission of Full Business Case.
<b>Stated reason for change:</b> The delivery milestones as set out in the Outline Business Case have been revised to account for delays in approval and therefore mobilisation and assignment of resources.	

<b>Project</b>	<b>South Gloucestershire Sustainable Transport Package 2018-21</b>
<b>Funding awarded</b>	£2.795m
<b>Source:</b>	LGF/EDF
<b>Cost/ Spend:</b>	Funding increase of £510k via TCF increasing funding awarded to £3.305m and overall scheme total with match funding to £3.616m. Revised TCF profile £510k in 22/23
<b>Milestones:</b>	Delay of 3 months to scheme completion
<b>Stated reason for change:</b> Inflationary pressures have increased the cost of the A432 Badminton Road element. In addition full carriageway surfacing works are required.	

<b>Project</b>	<b>Emersons Green Local Transport Enhancements</b>
<b>Funding awarded</b>	£5.05m
<b>Source:</b>	LGF/GBF & EDF
<b>Cost/ Spend:</b>	No change to overall funding envelope. Swop of £856k EDF in 21/22 and 22/23 for TCF Revised profile EDF 21/22 £0, 22/23 £0, 23/24 £1.408m, total £1.408m Revised profile TCF £856k in 22/23
<b>Milestones:</b>	Delay of 8 months to Complete Newlands Bridge refurbishment and approaches
<b>Stated reason for change:</b> Delay to the completion of the bridge works and Newlands approaches due to the section 106 agreement still not being signed with the developer, leading to a reduction in spending in 2022/23 and forecast spend increase into 2023/24.	

<b>Project</b>	<b>Cribbs Patchway Metrobus Extension</b>
<b>Funding awarded</b>	£54.351m
<b>Source:</b>	LGF, EDF & IF/TCF
<b>Cost/ Spend:</b>	Reduction of £7.151m, decreasing overall project cost to £47.2m Swap of up to £1.01m of EDF spend in 21/22 for TCF with Kingswood Town Centre Regeneration receiving the EDF for Investment Fund. Revised EDF profile pre 22/23 £2.878m, 22/23 £0, 23/24, £1.150m, 24/25 £5.201m, total £7.209m Revised IF/TCF 18/19 £791k, 19/20 £11.918m, 20/21 £2.126m, 21/22 £6.307m, 22/23 £4.760m, total £26.912m
<b>Stated reason for change:</b> Reduction due to Network Rail possession cost savings on the Gipsy Patch Lane bridge and sharing costs with other Network Rail projects.	

<b>Project</b>	<b>Thornbury High Street</b>
<b>Funding awarded</b>	£4.577m
<b>Source:</b>	EDF
<b>Cost/ Spend:</b>	No change to overall funding envelope Swap of up to £400k EDF spend in 22/23 for TCF with Kingswood High Street Regeneration Programme receiving the EDF for Investment Fund Revised profile Total EDF £4.177m with profile £2.175m 22/23, £2.002m 23/24, Total TCF £400k in 22/23
<b>Stated reason for change:</b> To manage full TCF spend by 22/23	

## West of England Combined Authority

<b>Project</b>	<b>Low Carbon Challenge Fund (LCCF) Extension</b>
<b>Funding awarded</b>	£2,243,111
<b>Source:</b>	IF
<b>Cost/ Spend:</b>	No change to overall funding. Reprofiling £1.361m from 2022/23 to 2023/24 with £275k moved from capital to revenue Revised profile £150k 20/21, £333k 21/22, £399k 22/23 and £1.361m 23/24 Reduction of £130k in match funding.
<b>Milestones:</b>	Delays of 9-24 months across 4 milestones including completion of the Local Energy scheme from Mar 23 to Mar 25.

**Stated reason for change:** Difficulties recruiting a permanent Project Support Officer. New application windows open in 2023 to utilise underspends for project delivery in 23/24 and 24/25 and delays to existing funded projects. Innovative Housing Retrofit Scheme scaled back as European Regional Development Fund (ERDF) timeframes and expenditure are unachievable by June 23 resulting in £130k reduction.

<b>Project</b>	<b>Community Pollinator Fund</b>
<b>Funding awarded</b>	£1,458,075
<b>Source:</b>	Investment Fund
<b>Cost/ Spend:</b>	No change to overall funding. Reprofiling £96k from 23/24 to 22/23 and 24/25 Revised profile £229k 22/23, £580k 23/24 and £649k 24/25
<b>Milestones:</b>	Delays of 4-8 months across 3 milestones relating to the recruitment and starts of the project staff and appointing Monitoring Evaluators delayed from May 22 to Jan 23.
<b>Stated reason for change:</b> Delay in getting the business case approved which caused the recruitment process to be pushed back.	

<b>Project</b>	<b>Careers Hub 20/21, 21/22 &amp; 22/23-24/25</b>
<b>Funding awarded</b>	£1,162,733
<b>Source:</b>	Investment Fund
<b>Cost/ Spend:</b>	Additional £37,674 funding, being a reduction of £37,753 for Careers Hub 21/22 and an increase of £74,863 for Careers Hub 22/23-24/25.  Careers Hub 20/21 IF £135,661, 21/22 IF £179,319. 22/23-24/25 IF £885,427, total £1,200,407.  Reduction in CEC match funding from £1.526m to £1.489m  Revised profile including reprofiling £135,661 20/21, £179,319 21/22, £128,651 22/23, £311,716 23/24, £313,248 24/25 and £131,812 25/26 total £1,200,407
<b>Stated reason for change:</b> The underspends from 21/22 were caused by savings due to staff changes and less than anticipated salary costs. Cost increase caused by staff costs beyond those budgeted for. Reprofiling of the £93k due to delays in delivery awaiting UAs to submit plans.	

<b>Project</b>	<b>West of England HGV Driving Training</b>
<b>Funding awarded</b>	£220k

<b>Source:</b>	IF
<b>Cost/ Spend:</b>	No change to overall funding Reprofiling £19k from 22/23 to 23/24 and 24/25 Revised profile £141,182 22/23, £71,773 23/24 and £7,045 24/25
<b>Stated reason for change:</b> An extension to the consultation period due to an increase in the number of stakeholders needing to input and the subsequent expansion of the brief. This has led to considerable ground being made in the development of an effective marketing campaign and community engagement strategy, working closely with the Local Authorities.	

<b>Project</b>	<b>Access for All (AFA) Mid-Tier</b>
<b>Funding awarded</b>	£467,850
<b>Source:</b>	IF/TCF
<b>Cost/ Spend:</b>	No change to overall funding. Reprofiling £245,851 TCF funding from 22/23 to IF Funding in 23/24. Revised profile £16k 20/21, £6k 21/22, £200k 22/23 and £246k 23/24.
<b>Milestones:</b>	Delays of 3-8 months across 12 milestones including 6-month delay to work starting on site from Feb 23 to Aug 23 and 8-month delay to project hand back from Jun 23 to Feb 24.
<b>Stated reason for change:</b> Delays to the overall project start due to prolonged negotiations between respective parties (including legal input) about clauses in the Grant Funding Agreements. Further extensions were needed to GWRs design programme resulting in much more robust designs, reflective of stakeholder requirements.	

<b>Project</b>	<b>All Age Access Hub Pilot (Skills Connect Pilot)</b>
<b>Funding awarded</b>	£336,000
<b>Source:</b>	IF
<b>Cost/ Spend:</b>	Reduction in total funding of £51k to progress the FBC earlier than anticipated. Revised profile £147,982 22/23 and £137,018 23/24, total profile £285k
<b>Milestones:</b>	Delays of 1-4 months across 4 milestones including the start of the pilot phase from Feb 22 to June 22 and submission of FBC from Oct 22 to Nov 22. Conclusion of pilot brought forward 3 months from Feb 24 to Nov 23 with final evaluation and continuation activity (based on FBC) now proposed for Dec 23
<b>Stated reason for change:</b> Delayed recruitment for the Project Manager impacted on the project start primarily driven by external factors outside the project scope. The need to progress the FBC for continuation of activity is based on responding to funding challenges within the UAs, presenting risk to delivery of local support services.	

<b>Project</b>	<b>Future Bright</b>	
<b>Funding awarded</b>	£3.6m	
<b>Source:</b>	IF	
<b>Cost/ Spend:</b>	No change to overall funding Reprofiling £5k from 21/22 to 22/23 New Reprofile: £80k 20/21, £1,004m 21/22, £1.416m 22/23 and £1.100m 23/24	
<b>Stated reason for change:</b> The £5k reflects the actual year end position		

<b>Project</b>	<b>Business Start Up School</b>	
<b>Funding awarded</b>	£500k	
<b>Source:</b>	IF	
<b>Cost/ Spend:</b>	No change to overall funding. Reprofiling £182,850 from 22/23 and 23/24 into 24/25 Changes to cost categories Revised profile £46,260 22/23, £244,390 23/24 and £209,350 24/25	
<b>Milestones:</b>	Delays of 1-8 months across milestones including 4-6 month delays in completion of Start School Bursaries with Start School 6 delayed from Jan 25 to Jun 25 and Final project review from Jan 25 to Jun 25. All milestones have been amended and simplified to identify the key project deliverables.	
<b>Stated reason for change:</b> Delays to final funding award from June 22 to Aug 22. This combined with a range of resourcing issues delayed the project start with direct delivery of Start School now in Jan 23. This has the effect of extending the project closure to June 25 and spend profile to reflect the delays. The eligible cost headings have been simplified to reflect the distinct costs of the project which will make monitoring simpler to manage.		

<b>Project</b>	<b>future4WEST Strategic Outline Business Case (SOC) Development</b>	
<b>Funding awarded</b>	£3.361m	
<b>Source:</b>	IF	
<b>Cost/ Spend:</b>	No change to overall funding Reprofiling £533k from 20/21 and 21/22 into 22/23 to match actual spend in these years. Revised profile £1.093m 20/21, £1.237m 21/22 and £1.031m 22/23	
<b>Milestones:</b>	Delay of 3 months for SOBC completion from Oct 22 to Jan 23.	
<b>Stated reason for change:</b> Engagement delays have led to slippage in the submission of the SOC to Jan 23, for Committee in Mar 2023. This has resulted in an increase in costs, which will be covered by previous project underspend.		

<b>Project</b>	<b>Somer Valley to Bristol to Bath</b>
<b>Funding awarded</b>	£562k
<b>Source:</b>	IF/CRSTS
<b>Cost/ Spend:</b>	Additional £128k CRSTS funding requested taking the overall funding to £690k Revised profile £562k TCF in 22/23 and £128k CRSTS in 23/24, total £690k.
<b>Milestones:</b>	2-6 months delay across 5 milestones including OBC submission from Jan 23 to Jul 23, FBC submission from Nov 23 to Apr 24 and construction start from Jun 24 to Nov 24.
<b>Stated reason for change:</b> Delays receiving the preliminary design drawings and to the consultation start. As the project has progressed it has become clear that additional activities and technical support have been, and will be, required to provide a realistic and complete proposal.	

<b>Project</b>	<b>Metrobus Consolidation Package</b>
<b>Funding awarded</b>	£1,827,973
<b>Source:</b>	IF/TCF
<b>Cost/ Spend:</b>	No change to overall funding Reprofile £10k TCF from 22/23 into Investment Fund funding in 24/25 and 28/29 Revised profile £1,817,973 in 22/23, £5k in 24/25 and £5k 28/29.
<b>Stated reason for change:</b> At the time of writing the FBC, it was not recognised that Monitoring & Evaluation (M&E) will take place after the end of the current financial year, although M&E activities covers a baseline report due in 2022, a "one year after" report due in 2024 and a final report due in 2028	

<b>Project</b>	<b>Cultural Compact Start-Up Investment</b>
<b>Funding awarded</b>	£270k
<b>Source:</b>	Investment Fund
<b>Cost/ Spend:</b>	No change to overall funding Reprofiling £20k from 22/23 into 23/24 Movement of funds between 2 expenditure headings - programme lead costs increasing by £20k and specialist tech support costs reducing by £20k. Revised profile £80k in 22/23 and £190k in 23/24



<b>Milestones:</b>	Delays of 1-5 months across 10 milestones including 5-month delays to the completion of the delivery plan and submission of the Full Business Case from Sep 22 to Mar 23.
<b>Stated reason for change:</b> Delays in recruitment and notice period for the new lead following the previous secondment leaving CA resulting in delays to delivery. Cashflow reprofiled to reflect Key Performance Indicators in terms of when money will be committed tied into match contributions to external bids, with fixed deadlines and timescales for delivery.	

<b>Project</b>	<b>Visitor Economy and Regional Tourism</b>
<b>Funding awarded</b>	Visitor Economy £20k and Regional Tourism Pilot £80k
<b>Source:</b>	IF
<b>Cost/ Spend:</b>	No change to overall funding envelope Scope - Merger of both the Visitor Economy and Regional Tourism Pilot into the Cultural Compact Start up resulting in the overall Cultural Compact Start up budget increasing from £270k to £362,681. <b>Visitor Economy</b> Reprofiling £4,681 from 18/19 to 22/23 Revised profile £7,319 18/19 and £12,681 22/23 <b>Regional Tourism Pilot:</b> Reprofiling £80k from 20/21 to 22/23 <b>Overall:</b> Revised profile £172,681 22/23 and £190k 23/24
<b>Milestones:</b>	Delays of 4 to 6 years across 10 milestones including a 5-year delay in Visitor Economy commencement from Oct 18 to Jan 23 and 5-year delay in Regional Tourism commencement from Dec 18 to Jan 24.
<b>Stated reason for change:</b> Both projects were delayed due to the pandemic and gradual phased return by the regional tourism partners with Councils now able to refocus capacity. CA are on track with increased staff capacity to make effective interventions in visitor economy to help deliver priorities in the Cultural Plan. By bringing the projects together with Cultural start up deliverables can be combined and resources maximised.	

<b>Project</b>	<b>MetroWest Phase 1</b>
<b>Funding awarded</b>	£74,259
<b>Source:</b>	LGF, EDF & IF

<b>Cost/ Spend:</b>	Spend reprofiled across years Revised Investment Fund profile (including TCF) £5.245m 21/22, £657k 22/23, £9.958m 25/26, total: £15.86m Revised EDF profile: £19.154m 25/26, £26.173m 26/27, £4.203m, total: £49.531m
<b>Scope:</b>	Addition of 7 new milestones including enhancement of Severn Beach and Westbury services.
<b>Milestones:</b>	Delays to most existing milestones of between 5 and 25 months, including start of main construction works Sept 24 and scheme opening and start of train service Nov 26.
<b>Stated reason for change:</b> Cost changes due to collaborative resolution of funding gap and milestone changes as a result of funding challenges, revised costs and programme	

<b>Project</b>	<b>M32 Sustainable Transport Corridor</b>	
<b>Funding awarded</b>	£300k (as part of the Bus Programme)	
<b>Source:</b>	IF/TCF	
<b>Cost/ Spend:</b>	Request for an additional £1.5m of CRSTS	
<b>Stated reason for change:</b> Requirement to undertake detailed analysis of ownership options including detrunking/reclassification. In parallel with this analysis, more time is required to ensure that the project is constructable, affordable and deliverable in terms of its design and the proposed operational solution.		

<b>Project</b>	<b>Bristol to Bath Strategic Corridor</b>	
<b>Funding awarded</b>	£2.434m	
<b>Source:</b>	IF/TCF	
<b>Cost/ Spend:</b>	Request for an additional £2.464m of CRSTS	
<b>Stated reason for change:</b> to progress the work needed to develop preferred options for the two Outline Business Cases for Bath & North East Somerset and Bristol sections of the corridor.		

## Other Promoters

<b>Project</b>	<b>Digital Engineering Technology and Innovation (DETI)</b>
<b>Funding awarded</b>	£5,000,000
<b>Source:</b>	IF
<b>Cost/ Spend:</b>	No change to overall funding Reprofiling £155k form 21/22 to 22/23 Revised profile £1.355m to 20/21, £2.634m 21/22 and £1.011m 22/23 Reduction of £30k capital for revenue costs.
<b>Stated reason for change:</b> Cost heading changes to accommodate a misinterpretation of capital costs and spend profile change to accommodate underspend due to resource issues.	

This page is intentionally left blank



## ITEM 12

**REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY COMMITTEE**

**DATE: 27<sup>th</sup> January 2023**

**REPORT TITLE: TRANSPORT PAPER**

**DIRECTOR: ALISTAIR KIRK**

**AUTHOR: DAVID JARMAN**

### **Purpose of Report**

To provide an update to Combined Authority Committee on key Transport projects and to secure approval from Committee on key decisions and associated funding (where applicable) related to the following projects within the Combined Authority's Transport Infrastructure programme.

1. MetroWest 2 [Recommendation 1]
2. Cycle Hangars [Recommendation 2]
3. Integrated Micromobility Service Contract [Recommendation 3]

### **Recommendations**

**MetroWest Phase 2** – Recommendation to approve funding to cover stage 1 and remaining elements of the scheme. As set out elsewhere on this agenda a Full Business Case (FBC) has been produced seeking the award of £13.663m of funding (£2.6m beyond that previously awarded) for stage 1 of the project which will include the construction and opening of Ashley Down Station, secure planning approval for North Filton and Henbury stations and tender detailed design and construction works. An allocation of £6.245m from the Investment Fund (IF) is proposed for the delivery of the remaining elements of the scheme.

**Cycle Hangars** - Recommendation to approve the FBC and funding from the Transforming Cities Fund of a total of £360,661 (£289k already awarded for development) to enable the installation of at least 28 cycle hangars on Bristol City Council social housing sites.

**Integrated Micromobility Service Contract** - Recommendation that a new Integrated Micromobility Service contract be tendered and awarded to cover on-street Micromobility rental services. Recommendation that the authority to issue the tender and award the contract is delegated to the Interim Director of Infrastructure in consultation with Unitary Authority Directors. Recommendation that the authority to sign/seal the contract be delegated to the Monitoring Officer.

**Note** - There are key decisions associated with implementing and progressing the above recommendations. These are highlighted in the relevant sections below and summarised in the schedule at Appendix 1 to this paper.

### **Voting arrangements**

- Decision requires majority agreement of Committee Members in attendance, or their substitutes (one vote representing each Authority) and including the West of England Combined Authority Mayor

### **Background / Issues for Consideration**

Building momentum and maintaining pace is one of the critical success factors in delivering our Transport portfolio. Below is a summary of the opportunities in front of us, some of the challenges we face and our approach to delivery to help achieve this.

#### **1 The Unprecedented Opportunity**

The CA are embarking on an unprecedented programme of infrastructure investment and project delivery, with over £1b of funding secured to be spent over the next seven years. Including local contributions, £620m of this is through CRSTS, £106m is for the Bus Service Improvement Programme (BSIP), £266m is planned to be invested in rail and £96m on the Bristol Temple Quarter (BTQ) programme, the latter being one of the largest regeneration schemes in Europe.

##### **1.1 Strategic Benefits**

This investment programme will support growth and productivity across the region and are critical to enabling our net zero transition. The sustainable transport corridors and walking and cycling routes create a network that will reach far across the region. This scale means we will bring more frequent and reliable bus and rail services, and better cycling and walking infrastructure, within close reach of over 440,000 people across the region – 47% of all residents.

Improving our transport network is a critical step in achieving climate transition. Transport represents 46% of the region's carbon emissions, and the level of emissions has not declined in recent decades. The region cannot achieve a sustainable pathway to net zero without significant improvements to public and low-carbon transport options, to reduce reliance on private cars

Improved links between the region's cities, towns and villages will help provide residents with faster and more sustainable travel options to key employment and education centres. Residents along these corridors will be better able to access appropriate jobs and training, raising productivity and wages. The corridors improve links for residents across the region, including Thornbury, Yate, Charfield, Avonmouth and Shirehampton, south Bristol, and the Somer Valley.

By creating better connectivity between the region's major employment centres, the programme will expand markets for businesses. Faster and more reliable connections between Bristol and Bath city centres, Severnside, and the North Fringe, will enable firms to innovate and compete more effectively. The Metrobus extension in Hengrove also provides the opportunity to link to future mass transit plans and improve connectivity to Bristol Airport and foreign markets.

Improved bus services across the region will support the growth of much-needed new housing in areas such as Hengrove Park where almost 2000 new homes are planned (30% of which will be affordable homes), as well as supporting possible future opportunities in neighbouring authorities.

## 1.2 **Portfolio Approach**

The levels of investment represent a four-fold increase in annual CA spending on project development and delivery from that in 2021/22. This dramatic increase necessitates a step change in approach to how we execute our capital works. Supply chain partners are being procured to ensure that the required resources and capability are available now, and that our projects benefit from early contractor involvement and have access to reliable and consistent delivery skills. A portfolio – rather than a project-level approach is being applied to ensure that regional capability and capacity is increased in a controlled manner and that projects are sequenced to minimise disruption and competing requirements.

## 1.3 **Timely Decisions**

The time constraints associated with the funding that the Combined Authority has received, particularly the March 2027 deadline on CRSTS, presents an equivalent challenge. Most of the larger, more complex projects in the portfolio are in early development phase and are subject to statutory or local authority processes, such as business case and planning consent approvals. Other constraints, such as access for building works, must also be factored into project development and construction timelines.

Whilst it is imperative that we explore all avenues to accelerate our schemes to mitigate unprecedented inflationary pressures, these activities impact our ability to bring projects forward and completion of some of the larger projects are likely to extend beyond current funding windows. We need to be confident we can deliver within given timescales and/or have a line of sight to funding beyond these dates at critical go/no go points. Prompt decisions and clear decision making will be critical to successful delivery, particularly in early development phases in terms of design optioneering, business case approvals and funding.

## 1.4 **Balancing Risk**

A significant proportion of the committed funding is allocated to a small number of high value/high risk projects, such as the M32 and Bristol to Bath Strategic Corridor. To ensure we do not lose the opportunity to reallocate funding, options on these projects are being worked up to ensure they are cost efficient, exploring the trade-offs between affordability, deliverability, and scope, so that optimum decisions can be evidenced and made as soon as possible. Ensuring we have cost efficient and implementable designs is critical to our success in delivery and these will inform the key decisions needed at relevant approval points.

Other projects in the Combined Authority's portfolio, such as Cycle Hangars and Walking & Cycle Paths are less complex, and their timelines are shorter and less constrained. These lower value/lower risk projects offer an opportunity to balance the portfolio and smooth Combined Authority and supply chain resource levels. They also provide a higher confidence of delivery, offer the opportunity to achieve 'quick wins', and to develop internal and external capability.

## 1.5 **Affordability Challenges**

Unprecedented inflationary pressures exacerbate the cost challenges already inherent in our ambitious scopes of work. Affordability is one of the region's major headwinds and mitigating this will be a key focus going forwards. The Department for Transport appreciate this but one of their measures of success, and a key factor in securing lines of sight to future funding, remains for us to provide confidence that we can deliver. The more we deliver, the more we will attract further funding into the region. Having a balanced portfolio of projects will help enable this alongside a relentless drive to reduce project cost at every turn.

## 1.6 **Confidence in Delivery**

Our commercial strategy will play a critical role in injecting more pace into delivery and certainty in our cost outturns. Our procurement approaches will leverage early contractor involvement and Tier 1 scale-up. This will enable us to go to market and get projects in flight sooner than previously considered. It will also enable us to achieve more cost-efficient designs, gain greater confidence in our construction costs before we commit to contracts and leverage greater economies of scale. We will test our proposed approaches with the market early in 2023 and start to build regional capability and capacity through several strategic partnerships, starting with the appointment of our Programme Delivery Partner in December 2022; and then commercial, legal, land & property and technical partners during the first half of 2023. Achieving this will provide the necessary platform for delivery and put the region on the front foot for securing further funding in the future.



**MetroWest Phase 2** – Recommendation to approve funding to cover stage 1 and remaining elements of the scheme. As set out elsewhere on this agenda a Full Business Case has been produced seeking the award of £13.663 of funding (£2.6m beyond that previously awarded) for phase 1 of the project which will include the construction and opening of Ashley Down Station, secure planning approval for North Filton and Henbury stations and tender detailed design and construction works. An allocation of £6.245m from the Investment Fund is proposed for the delivery of the remaining elements of the scheme. The Assessment Summary Table is shown in Appendix 6 and the Full Business Case is published on the Combined Authority website [link].

### **Background / Issues for Consideration**

- 2 The MetroWest 2 scheme, which includes opening of 3 new stations at Ashley Down, North Filton and Henbury, is promoted by the Combined Authority with an additional £1.995m funding contribution from North Somerset Council.
- 2.1 The key outputs MetroWest 2 will deliver are as follows:
  - Three new railway stations – Ashley Down, North Filton and Henbury.
  - Extension of existing hourly Bristol Temple Meads to Filton Abbey Wood services to Henbury Station (Calling at Ashley Down and North Filton Stations)
  - Half-hourly (increased from hourly) service from Bristol Temple Meads to Gloucester.
- 2.2 The following are the primary benefits of the scheme:
  - Metro West Phase 2 is expected to return £2 to the economy for every £1 spent.
  - 1.3 million people are expected to use the Phase 2 services each year, this will increase if MetroWest expansion continues and the connectivity of the new Phase 2 stations is further expanded.
  - Phase 2 is expected to save people 7 million minutes in travel time each year.
  - By 2030 Phase 2 is expected to be removing 3 million kilometres from the road network, based on the average petrol car today this is equivalent to over 500 tons of CO<sub>2</sub> each year.
  - The new stations will support over 8,500 thousand new homes.
- 2.3 The anticipated final cost of the project was estimated at Outline Business Case (OBC) stage in June 2019 at £54.163m. The current project anticipated final cost (AFC), including the current approved development budget, stage 1 and stage 2, is £72.613m. This represents an overall AFC increase of £18.45m.
- 2.4 The main reasons for the AFC increase are associated with, but not limited to, the following factors:
  - Market prices are greater than those previously estimated, which have been caused by, but not limited to, the following:
    - Increasing underlying inflation and material costs increases.
    - Re-design of Ashley Down Station to widen the station platforms by c. 0.5m, after adjacent landowner Sustrans agreed to transfer the land that was necessary to ensure the platforms would be fully accessible.
    - Re-design of Henbury Station car park and access to reflect emerging flood risk information shared by Environmental Agency (EA).
- 2.5 The approval of the Full Business Case (FBC) is planned to be split into two stages because an opportunity has been identified to accelerate the construction of Ashley

Down Station, which is further progressed in terms of design, compared to North Filton and Henbury and has planning approval. Accelerating the scheme allows the project to utilise a unique 16-day track blockade in June 2023 which will save the project £2m+ compared to a using typical closures of the railway to complete construction works. The proposed project staging, and associated cost forecasts, are summarised in the table below.

<b>Staging of funding</b>	<b>High-level scope</b>	<b>£M's</b>
Current development stage budget	Feasibility, optioneering, design development. Detailed design and planning approval for Ashley Down Station. SOC OBC and FBC development.	10.408
Stage 1 forecast spend	Construction and opening of Ashley Down Station, secure planning approval for North Filton and Henbury stations and tender detailed design and construction works.	£21.506
Stage 2 forecast spend	Detailed design, construction and opening of North Filton and Henbury stations	£40.7
<b>Total</b>		<b>£72.613</b>

- 2.6 It is expected that the Ashley Down Station will open for passenger use in summer 2024 and North Filton and Henbury Stations will open simultaneously in spring 2025/26.
- 2.7 **Key decisions** required over the coming months to support successful implementation of the project outputs/outcomes are as follows:
- Approval of the second stage FBC submission and award of full project funding (Programmed to be requested in January 2024).

### **Consultation**

- 3 This paper has been developed by the West of England Combined Authority in conjunction with South Gloucestershire Council, Bristol City Council and Network Rail. Other key stakeholders have been engaged through the West of England Strategic Rail Steering Board, West of England Combined Authority Directors and CEO's meetings and the regions Planning, Housing and Transport Board.

### **Other Options Considered**

- 4 Several options have been considered to resolve the current funding gap and discounted at this stage. These include securing government funding, delaying the project, significantly de-scoping the project or cancelling the project entirely.
- 4.1 The option of delaying the project has been discounted because postponing a funding decision beyond January 2023 would stop mobilisation of Ashley Down Station construction works, which would mean missing the planned 16-day track blockade in June 2023. This would mean delivering the main platform and track works in shorter, much less efficient closures of the railway, or delaying the project until an equivalent blockade could be secured. The estimate cost impact of this is £2m+.

- 5 The option to cancel the project has been discounted because by Jan 2023 the CA will have invested £8.43m of costs without delivering any of the anticipated project benefits. Also, of a total of £7.33m of revenue reversion would apply. The enhanced Bristol Temple Meads – Gloucester half-hourly service being funded under this project would also need to be funded by Charfield or another project if the proposed station is to be served by at least 1 train per hour.

### Risk Management/Assessment

- 6 If the project is cancelled, approximately £300,000 of further spend would be required to bring the project to a controlled stop. The Combined Authority are contractually committed to spending a further £3.887m of revenue subsidies agreed with GWR to support enhanced services being delivered under MetroWest 2 between Bristol Temple Meads and Gloucester.
- 6.1 A full risk register is in place for this project. The top 3 risks on Ashley Down Station project are material availability, potential delays to land transfer agreements between Network Rail, Bristol City Council and Sustrans and the potential for delays in the implementation of the required diversionary route of Concorde Way. All three risk items have the potential to delay site mobilisation and could impact the works completed in the blockade. The material availability risk will be significantly reduced if funding for Ashley Down Station is awarded in January 2023. Lead times on critical materials have been advised by suppliers. Heads of Terms for the respective land transfer agreements have been agreed by Sustrans before Christmas 2022. Diversionary route implementation works are currently under design and the suppliers responsible for the associated works have been instructed by Bristol City Council.

### Climate Change Implications

- 7 The project is a vital intervention which directly supports the move towards a decarbonised transport system and providing a viable alternative to the private car.

### Finance Implications, including economic impact assessment where appropriate:

- 8 The existing total project funding allocation approved in 2017 (At Outline Business Case stage) is £54.163m. The funding was to be provided through the following funding sources:

<b>Funding Sources:</b>	<b>£M's</b>
Local Growth Fund (LGF)	£3.2
Economic Development Fund (EDF)	£36.5
Local authority public match revenue	£1.1
Investment Fund (IF) / Transforming Cities Fund (TCF)	£11.063
Section 106 (Public Match Capital)	£2.3
<b>Total</b>	<b>£54.163</b>

- 8.1 Funding to support the estimated cost of stage 1 of the project (including project spend to date) is to be drawn from the following funding sources.

<b>Funding Sources:</b>	<b>£M's</b>
Local Growth Fund (LGF) – FULLY SPENT	£3.2
Economic Development Fund (EDF)	£13.811
Local authority public match revenue – FULLY SPENT	£1.1
Investment Fund (IF) / Transforming Cities Fund (TCF)	£13.663
<b>Total</b>	<b>£31.913</b>

- 8.2 The following increases to funding allocations are to be realised to support stage 1 of the project.

<b>Funding Sources:</b>	<b>Current approved funding (£M's)</b>	<b>Required funding for stage 1 (£M's)</b>	<b>Additional funding required (£M's)</b>
Local Growth Fund (LGF)	£3.2	3.2	£0
Economic Development Fund (EDF)	£36.5	£13.811	£0
Local authority public match revenue	£1.1	£1.1	£0
Investment Fund (IF) / Transforming Cities Fund (TCF)	£11.063	£13.663	£2.6
Section 106 (Public Match Capital)	£2.3	£2.3	£0
Great Western Railways	£0	£0.139	£0.139
<b>Total</b>	<b>£54.163</b>	<b>£31.913</b>	<b>£2.739</b>

- 8.3 The following funding allocations are required to support the current total project anticipated final cost of £72.613m.

<b>Funding Sources:</b>	<b>£M's</b>
Local Growth Fund (LGF)	£3.2
Local contribution – North Somerset Council	£0.3
Economic Development Fund (EDF)	£45.666
Local authority public match revenue	£1.1
Investment Fund (IF) / Transforming Cities Fund (TCF)	£19.908
Section 106 (Public Match Capital)	£2.3
Great Western Railways	£0.139
<b>Total</b>	<b>£72.613</b>

- 8.4 The following increases to funding allocations are proposed to be realised to support the anticipated final cost of £72.613m.

<b>Funding Sources:</b>	<b>Current approved funding (£M's)</b>	<b>Proposed new funding allocation (£M's)</b>	<b>Additional funding required (£M's)</b>
Local Growth Fund (LGF)	£3.2	£3.2	£0
Economic Development Fund (EDF)	£36.5	£45.666	£9.166
Local authority public match revenue	£1.1	£1.1	£0
North Somerset Council – local authority contribution	£0.0	£0.3	£0.3m
Investment Fund (IF) / Transforming Cities Fund (TCF)	£11.063	£19.908	£8.845
Section 106 (Public Match Capital)	£2.3	£2.3	£0
Great Western Railways	£0	£0.139	£0.139
<b>Total</b>	<b>£54.163</b>	<b>£72.613</b>	<b>£18.45</b>

- 8.5 The Combined Authority will seek to replenish the additional local authority EDF funding commitments should alternative funding sources be identified.
- 8.6 North Somerset Council have committed to identifying a funding source for their additional £0.3m local authority funding contribution detailed in section 6.3. This is in addition to their £2m funding contribution which forms part of the total project EDF funding commitment.

- 8.7 A review, and implementation, of enhanced governance for this project will be implemented to ensure oversight of project delivery and budgets going forward on the basis of the additional funding allocations.
- 8.8 The first phase funding requests includes forecast operational costs associated with the project, which are estimated to be £3.887m. The operational costs include a revenue subsidy to be paid to Great Western Railways (GWR) covering the assumed difference between the increased revenue and costs of operating the Henbury line and Gloucester line services Henbury and introducing the half-hourly Bristol Temple Meads to Gloucester services.
- 8.9 The economic appraisal of the scheme forecasts a Benefit-Cost Ratio (BCR) of 2.0:1. A BCR of greater than 2.0 represents 'High' value for money. The BCR for phase 1 standalone is 1.7:1 (with wider benefits). This includes the introduction of the enhanced Bristol Temple Meads to Gloucester services.

### **Land/property Implications**

- 9 Section 106 agreements are in place with Persimmon (Henbury Station) and YTL (North Filton). Under these agreements, the developers are obligated to provide temporary access for the railway construction works. These Section 106 agreements need to be updated in early 2023 to reflect changes to the station designs, including the layout change at Henbury, and construction methodologies/access requirements. Both developers have confirmed their agreement to the principle of the proposed changes.

**Cycle Hangars** - Recommendation to approve the FBC and funding from the TCF of a total of £360,661 (£289k already awarded for development) to enable the installation of at least 28 cycle hangars on Bristol City Council social housing sites.

### Background / Issues for Consideration

10 Encouraging cycling in Bristol is key to increasing levels of modal shift to walking and cycling. It will aid in reducing traffic congestion, improve air quality and will help encourage healthy lifestyles. This project aims to achieve this by providing 168 secure cycle spaces within 28 secure cycle hangar storage units at 16 housing sites in Bristol.

This project will mark the first cycle hangar rollout in Bristol since 2018. The project has been fast tracked due to utilise Transforming Cities Fund (TCF) funding which closes in March 2023. The project has therefore progressed straight to FBC stage. Design and procurement have taken place in parallel, with a contractor procurement framework developed by BCC which goes live in January 2023 to enable delivery of the hangars.

10.1 An agreed maximum eight-week lead time (including delivery and installation) for the new cycle hangars has been agreed with the contractor as part of the procurement framework. This will support execution of the works by the end of March 2023.

10.2 As part of the FBC development process sites were short-listed based on key weighted criteria:

- Residential sites owned by BCC – sites with more than 50 dwellings and five-storeys
- Social equity – areas in the top 10% of the indices of deprivation
- Distance from public transport routes - sites further away
- Distance to the cycle network – cycle paths close by
- Areas with low levels of car-ownership

10.3 Full site surveys were then undertaken. Based on the site surveys, the following list of shortlisted sites has been established:

Name	Location	Postcode	Hangars
Barton House	Barton Hill, Lawrence Hill	BS5 9SL	2
Phoenix House	Barton Hill, Lawrence Hill	BS5 9UH	1
Rawnsley House	Lawrence Hill	BS5 0UG	3
Beaufort House	Barton Hill, Lawrence Hill	BS5 9XG	1
Harwood House	Barton Hill, Lawrence Hill	BS5 9XD	1
Longlands House	Barton Hill, Lawrence Hill	BS5 9PS	1
Ropewalk House	St Judes, Lawrence Hill	BS2 9EG	2
Twinnell House	Easton	BS5 0QA	2
Lansdowne Court	Easton	BS5 0RY	3
Broughton House	Redcliffe, Central	BS1 6RY	1
Redwood House	Hartcliffe & Withywood	BS13 0RN	1
Francombe House	Redcliffe, Central	BS1 6TG	2
Chestnut House	Hartcliffe & Withywood	BS13 0RR	2
Oak House	Hartcliffe & Withywood	BS13 0RY	2
Willow House	Hartcliffe & Withywood	BS13 0RX	2
Rowan House	Hartcliffe & Withywood	BS13 0RS	2

## **Consultation**

- 10.4 This paper has been developed by the CA in conjunction with BCC and Sustrans. Other key stakeholders have been engaged through the West of England Regeneration, Development and Transport Board, held on Wednesday 9<sup>th</sup> November 2022.

## **Other Options Considered**

- 11 Due to mandates from BCC's Highways team for on-highways installation, such as concrete bases and bollards around the hangars, social housing sites which are off-highway and owned and operated by BCC Housing were chosen as the only viable option for delivery within the TCF funding constraints.
- 11.1 Lessons Learned from this project will be applied to a separate feasibility study which is being developed looking at the potential to design and install cycle hangars within SGC and B&NES, as well as a potential wider rollout in the BCC area.

## **Risk Management/Assessment**

- 12 A full risk register is in place for this project. The top three risks on the project include:
- Delay to delivery of the hangars beyond the funding deadline due to supply and/or construction delays. This risk has been reduced by BCC including delivery lead times in their contractor procurement framework.
  - FBC not approved at committee. TCF funding will be unspent and new funding will have to be sought.

## **Public Sector Equality Duties**

- 13 A full Equality Impact Assessment has been carried out by BCC for the scheme and is both summarised and included in the FBC submission. As a brief summary:
- 15 of the 16 sites are in the top 10% most deprived neighbourhoods in England.
  - Sites have been prioritised based on their lack of access to other public transport services.

## **Climate Change Implications**

- 14 The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision-making process. The BCC cycle hangars scheme is an important intervention as we move towards a decarbonised transport system and providing a viable alternative to the private car, and specifically maximising a shift to more sustainable forms of transport.

## **Finance Implications, including economic impact assessment where appropriate:**

- 15 Currently £289k has been awarded to cover project development costs, however only £141k is forecast to be spent. To deliver the hangars a budget of £220k is required, therefore a further award of £72k is needed (for a total award of £361k) and authorisation required to transfer £148k of development funding to the delivery fund.
- 15.1 It is requested that future funding is ringfenced to allow for Monitoring & Evaluation to be carried out on the delivered Cycle Hangar project to help inform future projects in the West of England. We propose that £5k is allocated from 23/24 Investment Fund budget, and £5k from the 24/25 Investment Fund budget to allow for Sustrans to undertake this work and compile a report to be delivered in Summer 2024.

15.2 Estimated cost summary table:

Fund Category	TCF 2022-23		IF 2023-24	IF 2024-25
	Development	Delivery	M&E	
Sustrans FBC	£48,109			
Sustrans Monitoring & Evaluation (M&E)			£5,000	£5,000
CA resource	£23,956	£8,800		
BCC resource (inc. Procurement, Engineering, Housing)	£68,867	£41,830		
ETM enablement works		£4,600		
Cycle Hangars, delivery, installation		£130,200		
Contingency		£34,200		
<b>Sub-total</b>	<b>£140,931</b>	<b>£219,730</b>	<b>£5,000</b>	<b>£5,000</b>
<b>Total</b>		<b>£360,661</b>		<b>£10,000</b>

15.3 The present value of the economic benefits of installing 28 cycle hangars, with conservative usage levels, is £875,928.62, yielding a Benefit Cost Ratio of 3.22 to 1.

**Land/property Implications**

16 As all of the sites are on BCC Housing grounds and off-highway there are no land acquisition, planning or other statutory consents required. Temporary parking bay suspensions will be used.



**Integrated Micromobility Service** - Recommendation that a new Integrated Micromobility Service contract be tendered and awarded to cover on-street Micromobility rental services. Recommendation that the authority to issue the tender and award the contract is delegated to the Interim Director of Infrastructure in consultation with UA Directors. Recommendation that the authority to sign/seal the contract be delegated to the Monitoring Officer.

### **Background / Issues for Consideration**

- 17 The CA is intending to procure an e-bike, e-cargo bike and e-scooter rental service. This will be known as the Integrated Micromobility Service (IMS) and will replace the current contract for the e-scooter trial in Summer 2023. The CA intends to issue the tender documentation in early 2023. A single operator, or joint venture, will be appointed in Spring 2023 and following mobilisation the new contract will start in Summer 2023 for a maximum period of 4 years.
- 18 The IMS scope is defined in two parts: (1) Core Service and (2) Potential Expanded Service.
  - 18.1 Core Service (1)
    - E-scooter coverage: similar geographical and fleet coverage to the existing e-scooter operation. The fleet size will be about 4,000 e-scooters.
    - E-bike coverage: slightly wider geographical area than the e-scooter coverage linking Bristol and Bath and including some peri-urban areas. The fleet size will be about 1,000 e-bikes.
    - E-cargo bike coverage: Parking hubs will be located within the core e-bike trial area. The fleet size will be trialled at about 20 e-cargo bikes.
  - 18.2 Potential Expanded Service (2)
    - The IMS can expand to wider parts of the region, following demonstrable successful delivery of the Core Service.
    - The expanded coverage and operation will be defined by mutual agreement during the contract and could include areas such as Yate, Thornbury, Midsomer Norton and parts of North Somerset.
- 19 All vehicles will need to be parked in, and rented from, prescribed parking areas. This will maintain vehicles in appropriate locations and keep the fleet tidy. Over the period of the contract some parking spaces will become more visible and formalised. A range of parking types will be used including painted bays to facilitate tidy parking and public awareness, parking racks to maintain upright vehicles, and roadside parking spaces to keep footways clear for pedestrians.
- 20 **Key decisions** required over the coming months to support successful implementation of the project outputs/outcomes are as follows:
  - Identifying the preferred bidder and award of the contract. This decision will be made by the Interim Director of Infrastructure in consultation with Unitary Authority Directors.
  - Decision on whether the service should be expanded to other areas of the region, including areas such as Yate, Thornbury, Midsomer Norton and parts of North Somerset.

## **Consultation**

- 21 The IMS scope has been developed in close consultation between the CA and UAs. We have received regular feedback from Avon & Somerset Police, Avon Fire & Rescue Service, and a formal stakeholder consultation group representing issues and requirements of other transport users.

## **Other Options Considered**

- 22 Stop or continue the e-scooter service - The current e-scooter service is reducing carbon and improving accessibility. It is supporting delivery of regional policy and therefore the service should continue.
- 22.1 Continue the current contract or tender a new service - Tendering a new contract will allow formal integration of rental e-bikes, baseline service level agreements, and secure new revenue streams.
- 22.2 Multiple operating permits - Appointing a single permit (e.g. to a single operator or a joint venture) will allow efficient and effective management of parking and operations across the fleet. A single provider will facilitate a seamless customer experience across e-bikes and e-scooters.

## **Risk Management/Assessment**

- 23 The main risk is the possibility of limited market interest leading to an uncompetitive tender process.
- 23.1 The CA has undertaken pre-market engagement with potential suppliers. A Prior Information Notice (PIN) was released on 1st November 2022 which included a supplier questionnaire. Eleven different suppliers responded with detailed feedback. This was followed up with one-to-one discussions with suppliers in November 2022 to test their level of interest. Strong market engagement has been evident and as a result we anticipate a competitive tender process.

## **Climate Change Implications**

- 24 The carbon saving from users switching from car/taxi/bus trips to e-scooter outweighs the carbon increase from those switching from walking/cycling trips to e-scooter. The trial to date has reduced carbon emissions across the region.

## **Finance Implications, including economic impact assessment where appropriate:**

- 25 The CA will raise a levy from the operator to cover the costs of managing the contract. The CA will raise this on behalf of the UAs and distribute according to the Inter Authority Agreement.
- 25.1 Additional income may be levied by the CA from the operator either through a revenue or profit share formula.
- 25.2 Should the CA / UAs wish to expand the scope of the IMS beyond the Core Service, a subsidy may be required to be paid to the operator. This is most likely to occur in locations that are not profitable but have a policy benefit.
- 25.3 As physical parking infrastructure is rolled out, the UA's may charge the operator for access to their parking infrastructure. The UAs (i.e. not the CA) will raise any parking levy directly with the operator.

**Appendices:**

Appendix 1 – Project/Programme key decision points lookahead

**Background papers:**

None.

**West of England Combined Authority Contact:**

<b>Report Author</b>	<b>Contact Details</b>
David Jarman	david.jarman@westofengland-ca.gov.uk

## Appendix 1 – Project/Programme key decision points lookahead

<b>Project</b>	<b>Decision point</b>	<b>Current programme date</b>
MetroWest 2	Approval of the second stage FBC submission and award of full project funding.	January 2024
Integrated Micromobility Service	Identifying the preferred bidder and award of the contract. This decision will be made by the Interim Director of Infrastructure in consultation with Unitary Authority Directors.	1 <sup>st</sup> Quarter FY '23/24
Integrated Micromobility Service	Decision on whether the service should be expanded to other areas of the region, including areas such as Yate, Thornbury, Midsomer Norton and parts of North Somerset.	2024 onwards



## ITEM 13

**REPORT TO:** WEST OF ENGLAND COMBINED AUTHORITY COMMITTEE

**DATE:** 27<sup>th</sup> January 2023

**REPORT TITLE:** TRANSFORMING CITIES FUND

**DIRECTOR:** ALISTAIR KIRK

**AUTHOR:** NUALA WATERS

### **Purpose of Report**

- 1 The purpose of this report is to request delegations to the Chief Executives in consultation with the Programme Review Board to utilise the underspend identified on the capital Transforming Cities Fund (TCF) which concludes in March 2023. It is also to propose the implementation of lessons learnt against the remaining Infrastructure Portfolio of works.

### **Recommendation**

- Approve the recommended use of TCF as set out in paragraph 7.
- Approve the delegation of urgent change requests relating to the fund to the Infrastructure Directors meeting in consultation with the Programme Review Board, to ensure that the fund is fully utilised by March 2023. Where agreement is not reached decisions will be escalated to the CEO's meeting.
- Subject to decision by the CA Section 73 Officer regarding eligible capital spend, to delegate to the Combined Authority Director of Infrastructure in consultation with the Unitary Authority Directors the approval of change requests within overall funding envelopes for schemes in the City Regions Sustainable Transport Settlement programme to utilise any potential underspend in the TCF.

### **Background / Issues for Consideration**

- 2 A review of the Transforming Cities Fund (TCF) programme was initiated to assess risks to delivery and agree mitigation for potential underspend. The original award was based on a formulaic allocation from the Department for Transport and not a pre-identified list of schemes. The Fund was treated as being integrated with the Investment Fund, and clear segmentation of what projects were attributed to the Fund was not determined until September 2020. The original Fund award was £103m, however, the Cities Region Sustainable Travel Settlement (CRSTS) award in April 2022 subsumed £23m of this, thereby resulting in a

residual Transforming Cities Fund budget of £80m up to March 2023. In addition, the Eastern Entrance Project received £24m of funding from the Bristol Temple Quarter Bid in April 2022. This was originally part of the Transforming Cities Fund. It is acknowledged that the underspend is reflective of issues with speed of delivery. The lessons learnt are captured later in this report. It is intended that the Programme Review Board will oversee more detailed lessons learnt and the delivery of consequent actions.

- 3 Following a review with officers from the Combined Authority, Bath & North-East Somerset, Bristol and South Gloucestershire, a forecasted underspend was identified of approximately £9.854m against a total budget of £80m. This has subsequently moved to approximately £11m underspend as at December
- 4 We have identified that the opportunities are broadly evenly split out between the Unitary Authorities and the City Regions Programme.

### **Reasons for recommendation**

- 5 A potential underspend was identified on the Transforming Cities Fund of approximately £11m, against an £80m budget. As stated in the background section, the original budget was £103m.
- 6 Options to use potential underspend are outlined below. These options are not exclusive to each other:
  - a. Take a largely risk-based approach, by refinancing projects and designating these as part of Transforming Cities Fund scope while ensuring these do not generate calls on further funding.
  - b. Identify 'quick wins' and transferring in committed spend on existing projects.
  - c. Accelerate CRSTS over planning work, particularly bus stops, and transferring in to TCF scope to contribute to the £5m target for bus stops.
- 7 It is proposed that the Infrastructure Directors in consultation with the Programme Review Board is delegated authority to enact the below decisions to realise the opportunities necessary to utilise remaining TCF underspend by end of March 2023. Where agreement is not reached decisions will be escalated to the CEO's meeting. These opportunities are in total £14.056m:
  - a. Direct funding swaps between the Investment Fund (IF) and TCF funds - £1.006m for the Chew Valley Lake North Project
  - b. Reallocation of CRSTS spend into the TCF budget - £5.5m (up to £11m available if needed)
  - c. Should the options above be exhausted and a shortfall remain, change requests into the TCF from other Unitary Authority funding sources - £2.05m (including - for Bus Shelter Bristol project (£0.2m), EV Charging points in South Gloucestershire (£0.4m), Bath & North East Somerset Liveable Neighbourhood (£0.75m), Kingswood Pedestrianisation (£0.3m), Northern Fringe Infrastructure Programme (£0.4m).
- 8 In addition to the above, the following changes are included in the Delivery Assurance report on this Committees agenda and in the LEP Budget report on the agenda of the Joint Committee. These are noted in this paper for reference as they impact the Transforming Cities Fund:

- a. Direct funding swaps between the Economic Development Fund (EDF) and TCF funds - £2.266m subject to approval at the Joint Committee for Cribbs Patchway Metrobus Consolidation (£1.01m), Thornbury High Street (£0.4m) and Emerson's Green (£0.856m) projects in South Gloucestershire.
- 9 There are also a number of decisions sought via the Delivery Assurance Paper and Infrastructure Transport Committee papers which will also utilise Transforming Cities Fund. These are noted in this paper for reference as they impact the Transforming Cities Fund and total £1.2967m.
- a. Change request to draw down £510k of additional spend to complete works on the South Gloucestershire STP 2018-2021 A432 Badminton Road Cycle Improvement project.
  - b. Change request to draw down £283k of spend to support the delivery of the Old Market Gap walking and cycling project.
  - c. Change request to draw down an additional £284k to support the delivery of the East Bristol Liveable Neighbourhood (St. George) in the City Regions Programme
  - d. The approval of the Cycle Hangars Full Business Case and award of £219.7k from TCF for delivery of the project. This also includes the reprofiling of £9k of awarded funds from the development stage to the delivery stage of this project.
- 10 The Programme Review Board is tasked with assuring the financial health of the investment portfolio of works. The Board meets on a monthly basis and is comprised of the Section 151 Officers and Directors of Infrastructure from Bristol City Council, Bath and North-East Somerset Council, South Gloucestershire Council, North Somerset Council and the Combined Authority. Therefore, it was deemed appropriate that this Board, continues to provide oversight on a monthly basis on the performance of the Transforming Cities Fund to ensure that the forecasted spend is met.

### **Recommendations arising from the lessons learned review**

Lessons learned sessions have been held with Directors and the following identified:

- 10 **Resource and organisational capacity to deliver projects** needs to be secured, ring fenced from the onset of all works. Provision of a clear resource profile is required before any funding is awarded. A change to funding applications and change submissions is required to ensure detailed information is provided to support applications and or changes. These will be set out in consultation with the Section 151s and Head of Grant Assurance. It is noted that ensuring projects have sufficient funding for mobilisation of project is also needed to support ensuring that this is in place.
- 11 **Ensuring a clear and unambiguous political mandate, alignment to strategy, affordability and deliverability** is continuously present. A review of the infrastructure portfolio against these criteria is required. Political support for this exercise will be sought as this may result in re-prioritisation of funds to deliver a balanced portfolio of works.
- 12 **A clear pipeline of works, that is scoped and bid ready** is required to ensure that when funding opportunities arise, any bids are backed up by robust plans. Ring fencing of a seed fund to develop pipeline works is required. The conditions and funding necessary will be requested at a subsequent Committee, following further consultation with Section 151's and Grant Assurance.

- 13 **Improvements to quality and frequency of reporting** has supported the identification and review of the Fund underspend. Monthly reporting on spend and forecasts against plan must be mandated across the portfolio to ensure the most up to date information is provided to decision makers. Monthly reporting process is proposed to be rolled out across the Portfolio between Q4 2022/23 and Q1 2023/24.
- 14 **A review of project control and delivery procedures** is required to ensure lean and appropriate methods are used across the Combined and Unitary Authorities. It is proposed to review these processes and propose amendments to all four organisations' processes and Assurance Framework. Once completed, proposals will be raised with the Department of Transport for agreement. It is requested that approvals for any further amendments to the Assurance Framework or Unitary Authority standards is delegated to the Audit Committee.

#### **Voting arrangements**

- Decision requires majority agreement of Committee Members in attendance, or their substitutes (one vote representing each Authority) and including the West of England Combined Authority Mayor

#### **Consultation**

- 15 This paper has been produced in consultation with the Infrastructure Directors, project delivery teams, Chief Executives, Section 151, Finance and Grant Assurance teams.

#### **Other Options Considered**

- 16 Other funding opportunities have been considered; however, these have been discounted as the funds need to be spent and delivered by March 2023.
- 17 The fund is ring fenced for transport projects and therefore cannot be spent on other types of projects. Ensuring that there is no further draw on the Investment or City Regions funds means that any project which will not deliver within March 2023 was also discounted.

#### **Risk Management/Assessment**

- 18 There is a risk that if lessons are not implemented future spend and delivery programmes will not be met.

#### **Public Sector Equality Duties**

- 18 *Not applicable*

#### **Climate Change Implications**

- 19 The Combined Authority's Climate Emergency Action Plan has been considered in the production of this report. Points of relevance have been added to this report and reviewed by the Head of Environment.  
Report and advice reviewed and signed off by not applicable



**Finance Implications, including economic impact assessment where appropriate:**

20.

Opening Balance	103
Government transfer to CRSTS	23
<b>Total Budget</b>	<b>80</b>
Current Forecast spend	69
CRSTS maintenance (50% of the underspend)	5.5
EDF transfer (para 8)	2.27
Delivery Assurance Commitments (para 9)	1.30
<b>Sub Total</b>	<b>78.07</b>
Remaining balance	1.93
<b>Total</b>	<b>80</b>

The table above demonstrates that there is a remaining balance of £1.93m to be spent as listed in Paragraph 7.

Infrastructure Directors have identified a long list of further opportunities to the value of £8.855m that they will prioritise against this remaining balance. Should there be any underspend against the £80m budget at year end, a further transfer will be made to the City Regions Programme up to a further £5.5m.

Report and advice reviewed and signed off by: Selonge Russell, Head of Finance.

**Legal Implications:**

21 Please state any exceptional legal implications arising from this report.

Report and advice reviewed and signed off by: not applicable

**Human Resources Implications:**

22 Please state any HR implications arising from this report.

Report and advice reviewed and signed off by: not applicable

**Land/property Implications**

23 Please state any land/property implications arising because of this report.

Report and advice reviewed and signed off by: not applicable

**West of England Combined Authority Contact:**

Report Author	Contact Details
Nuala Waters	nuala.waters@westofengland-ca.gov.uk

NB: This paper was republished following the initial publication of the papers to correct some minor clerical errors in the original report.

This page is intentionally left blank

**ITEM 14**

**REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY COMMITTEE**

**DATE: 27 JANUARY 2023**

**REPORT TITLE: CAPITAL STRATEGY INCLUDING TREASURY  
MANAGEMENT & INVESTMENT STRATEGIES**

**DIRECTOR: RICHARD ENNIS, INTERIM ACTING CHIEF EXECUTIVE &  
DIRECTOR OF INVESTMENT AND CORPORATE SERVICES  
(SECTION 73 OFFICER)**

**AUTHORS: SELONGE RUSSELL, HEAD OF FINANCE  
PETE DAVIS, HEAD OF GRANT MANAGEMENT &  
ASSURANCE  
STEVE FINNEGAN, FINANCIAL ACCOUNTANT**

**Purpose of Report**

1. This report presents the Capital Strategy for the West of England Combined Authority including;
  - The detailed capital budget for 2023/24, and indicative budget up to 2026/27
  - The Treasury Management Strategy for 2023/24

**Recommendations:**

**The West of England Combined Authority Committee is requested to:**

- a) Approve the Capital Budget as detailed in Appendix 1;
- b) Approve the Treasury Management Strategy for 2023/24 detailed in Appendix 2.
- c) Agree the specific Highways and Transport Capital Grant allocations totalling £25M to the constituent councils for 2023/24 as set out in Figure 3.

### Reasons for Recommendations:

- Statutory requirements and recommended best practice.

### Voting Arrangements:

Items A & B Requires unanimous vote in favour at full meeting of the Combined Authority by all members appointed by the by the constituent Authorities or substitute members acting in place of those members, present and voting

Items C: Decision requires majority agreement of Committee Members in attendance, or their substitutes (one vote representing each Authority) and including the West of England Combined Authority Mayor

### Background / Issues for Consideration

2. The capital strategy is a report which is instigated through the 2021 edition of the Prudential Code. The Code states that: *“the capital strategy is intended to give a high-level overview of how capital expenditure; capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.”*
3. The areas covered by the capital strategy are as follows;
  - Medium term capital expenditure and financing (Appendix 1);
  - Treasury management including prudential indicators (Appendix 2);
  - Liabilities, revenue implications of the capital programme, and knowledge and skills employed in delivering the strategy.
4. There is a clear link between this strategy and the financial impact upon various elements of the Authority’s revenue budget, for example, the investment and treasury strategies are key components upon how much interest the Authority could achieve on its investments compared to budgeted levels.
5. MHCLG published updated *Guidance on Local Government Investments* in February 2018. The previous edition covered treasury investments only, but the current edition focuses on non-treasury investments including:
  - loans made for service purposes
  - shares in companies bought for service purposes
  - loans to and shares in subsidiaries, irrespective of the purpose of the company
  - non-financial assets, (e.g. property), held primarily or partially to generate a profit
6. The Code recommends that these components are included under an overarching capital strategy covering all interlinked capital programme, financing, treasury and investment policies and decisions, both in the short and medium term;

## Capital Expenditure and Financing

7. Capital expenditure is where the Combined Authority spends money on assets, such as property, infrastructure or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Combined Authority has some limited discretion on what counts as capital expenditure, for example assets costing below £5,000 are not capitalised and are charged to revenue in year.
8. Costs incurred on developing feasibility work, as a rule, are not able to be capitalised. However, costs incurred on generating outline and full business cases are assumed to be capitalised as per DfT advice, including specific staff costs, such as project managers or engineers, who are engaged in the development.
9. The funding for the Combined Authority Capital Programme comes from main sources below:
  - Investment funding provided by Government as part of the Devolution Deal (£15m revenue and £15m capital funding per year for 30 years, totalling £900m);
  - The City Region Sustainable Transport Settlements (£540m Capital Funding)
  - Homes England – Bristol Temple Quarter Rejuvenation (£94.7m Capital Funding)
  - Transforming Cities Fund (£80m Capital Funding)
  - Future Transport Zones (£23.9M Capital Funding)

### Combined Authority Capital Investment Programme 2023/24 to 2026/27

10. The proposed Combined Authority Capital programme as in **Appendix 1** shows both approved and indicative schemes:
  - **Approved** – fully approved schemes will be progressed and taken forward in line with Financial Regulations, Standing Orders and the Local Growth Assurance Framework.
  - **Indicative** – which are projects and schemes working towards Full Business Case, (FBC). Initial allocations are approved on indicative schemes to enable feasibility and development work to progress in forming FBCs. However, these projects will need to be brought back to the Combined Authority Committee for further approval at a later stage.
11. The capital programme, as detailed in *Figure 1*, as approved at the September and October 2022 Committees. In 2023/24, the Combined Authority is planning capital expenditure of **£108m** as summarised below:

**Figure 1: Medium Term Estimates of Capital Expenditure (£'000s):**

	2022/23 Original Budget £000	2023/24 Budget £000	2024/25 Indicative £000	2025/26 Indicative £000	2026/27+ Indicative £000	Total
Combined Authority Capital	142,230	107,873	134,781	243,653	183,428	811,965
<b>TOTAL</b>	<b>142,230</b>	<b>107,873</b>	134,781	243,653	183,428	<b>811,965</b>

\* Assuming Highways Capital funding is maintained by government beyond the current West of England 100% Business Rates Retention pilot.

## Transport and Highways Capital Grants

12. The Combined Authority is responsible for the payment of annual transport related capital grant funding that was previously distributed by the Department for Transport incorporating highways maintenance grants, highways incentive grants, integrated transport grants and pothole fund. This funding will continue to be passported to the three West of England councils, in line with the 2017 Department for Transport indicative allocations, as per the previous financial years.
13. From 2017/18 to 2021/22, the Highways and Transport capital grants were funded through the West of England 100% Business Rate Retention pilot scheme. However, in late 2021, a 5-year City Region Sustainable Transport Settlement, (CRSTS), confirmed by the Department for Transport from 2022/23 where Highway Maintenance, as well as Pothole Funding, has been wrapped up within the overall £540m settlement.
14. The specific grant distribution to the constituent councils is detailed in *Figure 2*. DfT have not been prescriptive in splitting the funds into individual elements, but advised that it is down to us, regionally, to allocate. The £25m has been split per Unitary Authority using last year's allocation, (based on a historic DfT formula), as follows:

**Figure 2 – Highways and Transport Capital Grant allocation for 2023/24 (£'000s)**

	POTHOLE & HIGHWAY 2021/22	POTHOLE & HIGHWAY 2022/23	POTHOLE & HIGHWAY 2023/24	%
BCC	7,416	8,772	8,772	35%
SGC	7,803	9,231	9,231	37%
BANES	5,915	6,997	6,997	28%
<b>TOTAL</b>	<b>21,134</b>	<b>25,000</b>	<b>25,000</b>	<b>100%</b>

## All Other Capital Funding

15. All new projects requiring approval, (whether delivered externally via grant or delivered internally by West of England Combined Authority), will go through an integrated approach as per the approved West of England (Local Growth) Assurance Framework.
16. **Capital Funding** – All capital costs will be met from Government grants, devolution investment funding or revenue contributions to capital outlay (RCCO). The requirements of the first 5-year Government Gateway review have been met successfully and the next 5-year tranche was confirmed from April 2021.
17. **Investment Fund Revenue** – This report includes capital projects only. Revenue running costs and one-off projects which are revenue in nature, will be funded from the revenue element of the Investment Fund, which are detailed in the Combined Authority Revenue Budget report as detailed on this agenda.
18. There is no intention at this stage for Combined Authority to finance any of its capital spend from long term borrowing. The only borrowing currently being considered is short-term borrowing to cover cash flow issues, as detailed within the Treasury Management Strategy (Appendix 3 of this report).

## Combined Authority Investment Strategy

19. The Combined Authority has an approved Investment Strategy which details the prioritisation, governance and allocation, of Investment Funding. The current CA investment programme, up to March 2026, has an overall funding allocation of £450m which is primarily grant focused.

Discussions are currently taking place with the West of England UAs on a Revised Investment Strategy with a focus on linking the work to our regional priorities.

### **Treasury Management**

20. Treasury management is concerned with keeping sufficient, but not excessive, cash available to meet the Authority's spending needs, whilst managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as grant income is often received before it is spent, but these cash surpluses reduce as capital expenditure is incurred.
21. The Authority's Treasury Management Strategy, as detailed in **Appendix 3**, sets out the proposals and guidance that the Authority will use to manage its daily cash-flow activities during the 2023/24 financial year. The Authority must give due regard to the management of these sums, to ensure that it is sufficiently able to balance the daily cash requirements for all operational services whilst still achieving the strategic outcomes required within the medium-term financial plan.
22. The Authority's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss.
23. Money that will be held for longer terms can be invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy. With the current historically low interest rates, the Combined Authority will continue to explore more diversity within its overall investment portfolio to ensure that budgeted financial returns are achieved.
24. In the early years of the Combined Authority's operations, holding high cash balances are common practice as early spend on feasibility studies and development work is relatively low compared to the annual allocation of Investment Funding. However, balances will diminish over time as significant construction costs are incurred.
25. Decisions on treasury management investment and borrowing are made daily and are delegated to the Director of Investment and Corporate Services and designated staff, who must act in line with the Treasury Management Strategy. Reports on treasury management activity are presented to the Combined Authority committee on a regular basis with the Audit Committee being responsible for scrutinising treasury management decisions. The 2023/24 West of England Combined Authority Treasury Management Strategy was presented to, and consideration by, the Audit Committee in December 2022.

### **Knowledge and skills employed in delivering the strategy**

26. The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.
27. Use is made of external advisers and consultants, that are specialists in their field, only to plug the identified gaps that can't be covered through in-house capacity. The main examples are the engagement of ArlingClose as Treasury Management advisers and PSTax as VAT advisors. This approach is more cost effective than employing such staff directly, and also ensures that the Combined Authority has access to knowledge and skills commensurate with identified risks.

## **Consultation**

28. Consultation has been carried out with Chief Executives, Section 151 Officers and the Combined Authority's Monitoring Officer.
29. The audit committee has been fully engaged, and consulted, with regard to informing the 2023/24 Combined Authority Treasury Management Strategy.

## **Other Options Considered**

30. Options for, and prioritisation of, capital investment are regularly considered through the Combined Authority and Joint Committees.

## **Risk Management/Assessment**

31. This report forms a core part of the Combined Authority's governance and risk management process. Members will be aware that there is a direct link between the levels of risk and the levels of return achieved on investment, although there are many other factors which also affect the capital financing budgets. The priority of the Treasury Management Strategy will be the minimisation of risk to safeguard public resources.

## **Public Sector Equality Duties**

32. The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
  - Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
  - Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - Foster good relations between people who share a protected characteristic and those who do not.
33. The Act explains that having due regard for advancing equality involves:
  - Removing or minimising disadvantages suffered by people due to their protected characteristics.
  - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
  - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
34. The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.

## **Finance Implications, including economic impact assessment where appropriate:**

35. Financial implications are contained throughout the report and impact on both the capital programme, annual revenue budget, as well as the balance sheet.

*Advice given by: Richard Ennis, Interim Acting Chief Executive & Director of Investment and Corporate Services (Section 73 Officer)*



### **Legal Implications:**

36. The Budget proposals have been developed in accordance with appropriate Local Government Regulations, including the specific funding and related governance requirements set out in the The West of England Combined Authority Order 2017 and The Combined Authorities (Finance) Order 2017.

Report and advice reviewed and signed off by: *Stephen Gerrard, Interim Director of Legal Services*

### **Climate Change Implications**

37. The Combined Authority's Climate Emergency Action Plan has been considered in the production of this report. Any points of relevance have been added to this report when considered appropriate.

Report and advice reviewed and signed off by: *Roger Hoare, Head of Environment*

### **Land/property Implications**

38. Where Combined Authority investment allocations concern any acquisition or disposal of land and/or property, full consideration is given to relevant state aid issues, market valuation and the requirement to deliver best value.

Report and advice reviewed and signed off by: *Richard Ennis, Interim Director of Investment & Corporate Services*

### **Human Resources Implications:**

39. The funding for the staff establishment for Combined Authority functions is provided within the proposed budget in line with the resourcing requirements. There are no direct human resource implications arising from the report itself.

Report and advice reviewed and signed off by: *Alex Holly, Head of Human Resources*

### **Appendices:**

**Appendix 1:** Capital Budget 2023/24

**Appendix 2:** Treasury Management Strategy 2023/24

### **Background papers:**

West of England Combined Authority Committees – Investment Fund Update Reports to Committee throughout 2022

West of England Combined Authority Committee January 2022 - Capital Strategy including Treasury Management and Investment Strategies

### **West of England Combined Authority Contact:**

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 70 Redcliff Street, Redcliffe, Bristol BS1 6AL; email:

[democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

<b>April - October 2022 Report: WECA and Mayoral Capital Programme 2023/24</b>	<b>22/23</b>	<b>22/23</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>TOTAL</b>
	<b>Original budget £'000</b>	<b>Current budget £'000</b>	<b>YTD spend £'000</b>	<b>Profile £'000</b>	<b>Profile £'000</b>	<b>Profile £'000</b>	<b>Profile £'000</b>	<b>Profile £'000</b>
<b>WECA Capital - IF</b>								
Somer Valley Enterprise Zone (inc. A37 to A362 Improvements)		816						816
Cribbs Patchway New Neighbourhood Cycle Links (CPNN)		28	21					28
Wraxall Road Roundabout Improvements and Signalisation	30	145	22					145
MetroWest (Subject to position on Phase 1(b))			13					
MetroWest Ph 2	843	2,883	874	5,932				8,815
Cribbs Patchway Metrobus Extension		4,000	2,320					4,000
Contactless Card Payment - On Bus		62	1					62
Yate A432 Park & Ride		206	225					206
Bath Quays Walking and Cycling Routes		286						286
Old City and King Street	20	204						204
St George Liveable Neighbourhood	50	272						272
Strategic Cycle Route Connecting Thornbury with the A38 via Alveston		63	34					63
Strategic Cycle Route Connecting Yate with the East Fringe (Yate Spur)		57	21					57
MetroBus Consolidation Package (Bus Strategy)		1,828	150					1,828
Bristol Temple Meads Eastern Entrance	5,750	4,590	624	9,556				14,146
Whitfield Tabernacle Stabilisation (Love our High Streets)		14						14
Thornbury Hospital Site		169						169
Quantum Technologies Innovation Centre (QTIC+)	8,501	8,501		16,487	7,986	1,937		34,911
South Bristol Industrial Light Workspace	2,228	4,434	4	492				4,926
Low Carbon Challenge Fund Extension	900	1,338	8					1,338
Bottle Yard Studios - Hawkfield Business Park	2,003	4,185	126					4,185
North Keynsham Land Acquisition Fund		448						448
Bath Riverline Phase 1		1,048						1,048
Bath City Centre High Streets Renewal Project	232	667		296	255	184		1,402
Fielding's Bridge		50						50
Silver Street/ Fosseway Walking Route		62						62
City Centre to Weston Cycle route, Bath		62						62
Concorde Way / Dovercourt Depot		350						350
Grovesend Road - Gillingstool		80						80
Filton to MoD		125						125
Keynsham Road		130						130
Common Connections		66		182	238	50		536
Portway Park and Ride		942						942
Somer Valley to Bristol and Bath		500						500
LOHS Bath Local Centres		25		17	2			44
Business Growth and Adaptations Fund		967		33	13			1,013
Midsomer Norton High Street Market Square Project		45		735	65			845

Bristol to Hengrove Metrobus extension corridor – Bedminster works at A38 and Whitehouse Lane		60						60
Step Free Stations		250		211				461
Bristol Cycle Hangars		289	12					289
Bristol to Hengrove Metrobus Extension – Outline Business Case		60						60
Milsom Quarter		50		586	173			809
EV Tap On Tap Off		956	239	5				961
Hengrove Park Enabling Infrastructure		1,958		7,592	10,280			19,830
Kingswood High Street		1,430	385	2,130				3,560
Bus Stop Upgrades		84						84
Bus Stop Upgrades		230						230
Bus Stop Upgrades		743						743
Bath Road, Keynsham								
Thornbury Hospital	35							
Business Case Development	186							
	<b>20,778</b>	<b>45,757</b>	<b>5,079</b>	<b>44,254</b>	<b>19,012</b>	<b>2,171</b>	<b>0</b>	<b>111,194</b>
<b>WECA Capital – other</b>								
Future Transport Zones (FTZ)	12,468	7,962	1,332	13,075				21,037
Active Travel Fund		5,789						5,789
City Region Sustainable Transport Settlement (CRSTS)	83,000	4,150		16,600	78,850	170,150	145,250	415,000
Highways and Transport Grants	25,000	25,000	18,750	25,000	25,000	25,000	25,000	125,000
European Regional Development Fund	984	900		586				1,486
Bristol Temple Quarter		7,181	616	8,358	11,919	46,332	13,178	86,968
	121,452	50,982	20,698	63,619	115,769	241,482	183,428	655,280
<b>Grand Total</b>	142,230	96,739	25,777	107,873	134,781	243,653	183,428	766,474

\*Investment Fund Capital Profiles - As per the September & October 2022 West of England CA Committee Meetings

Spend - Awaiting claims for Q1 and Q2.

This page is intentionally left blank

**West of England Combined Authority**

**Treasury Management Strategy Statement 2023/24**

**1. Introduction**

- 1.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has substantial sums of money invested and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.
- 1.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a Treasury Management Strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

**2. External Context**

- 2.1 **Economic background:** The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, recent changing government policy responses, and a deteriorating economic outlook, will be major influences on the Authority's treasury management strategy for 2023/24.
- 2.2 The Bank of England (BoE) increased Bank Rate by 0.75% to 3.0% in November 2022, the largest single rate hike since 1989 and the eighth successive rise since December 2021. The decision was voted for by a 7 v 2 majority of the Monetary Policy Committee (MPC), with one of the two dissenters voting for a 0.50% rise and the other for just a 0.25% rise.

- 2.3 The November quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with Consumer Price Index (CPI) inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected to remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising in spite of a labour shortage in the markets as a whole.
- 2.4 The UK economy grew by 0.2% between April and June 2022, but the BoE forecasts Gross Domestic Product (GDP) will decline 0.75% in the second half of the calendar year due to the squeeze on household income from higher energy costs and goods prices. Growth is then expected to continue to fall throughout 2023 and the first half of 2024.
- 2.5 CPI inflation is expected to peak at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2% target, in two years' time and to 0% in three years' time if Bank Rate follows the path implied by financial markets with a peak of 5.25%. However, the Bank of England has stated it considers this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target.
- 2.6 The labour market remains tight for now, with the most recent statistics showing the unemployment rate fell to 3.5%, driven mostly by a shrinking labour force. Earnings were up strongly in nominal terms by 6% for total pay and 5.4% for regular pay but factoring in inflation means real total pay was -2.4% and regular pay -2.9%. Looking forward, the Monetary Policy Report shows the labour market weakening in response to the deteriorating outlook for growth, leading to the unemployment rate rising to around 6.5% in 2025
- 2.7 Interest rates have also been rising sharply in the US, with the Federal Reserve increasing the range on its key interest rate by 0.75% in November 2022 to 3.75%-4.0%. This was the fourth successive 0.75% rise in a pace of tightening that has seen rates increase from 0.25%-0.50% in March 2022. Annual inflation has been slowing in the US but remains above 8%. GDP grew at an annualised rate of 2.6% between July and September 2022, a better-than-expected rise, but with official interest rates expected to rise even further in the coming months, a recession in the region is widely expected at some point during 2023
- 2.8 Inflation has been rising consistently in the Euro Zone since the start of the year, hitting an annual rate of 10.7% in October 2022. Economic growth has been weakening with an expansion of just 0.2% in the three months to September 2022. As with the UK and US, the European Central Bank has been on an interest rate tightening cycle, pushing up its three key interest rates

by 0.75% in October, the third major increase in a row, taking its main refinancing rate to 2% and deposit facility rate to 1.5%.

- 2.9 **Credit outlook:** Credit default swap (CDS) prices have followed an upward trend throughout the year, indicating higher credit risk. They have been increased by the war in Ukraine, increasing economic and political uncertainty and a weaker global and UK outlook, but remain well below the levels seen at the beginning of the Covid-19 pandemic. CDS price volatility has been higher in 2022 compared to 2021 and this year has seen a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.
- 2.10 The weakening economic picture during 2022 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several local authorities and financial institutions, revising them to negative from stable. There are competing tensions in the banking sector which could impact bank balance sheet strength going forward. The weakening economic outlook and likely recessions in many regions increase the possibility of a deterioration in the quality of banks' assets, while higher interest rates provide a boost to net income and profitability. However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.
- 2.11 **Interest rate forecast:** The Authority's treasury management adviser Arlingclose forecasts that Bank Rate will continue to rise in 2022 and 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target. While interest rate growth expectations reduced during October and November 2022, multiple interest rate rises are still expected over the horizon despite looming recession. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 under its central case, with the risks in the near- and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher. A more detailed economic and interest rate forecast provided by Arlingclose is in **Appendix A**
- 2.12 Yields are expected to remain broadly at current levels over the medium-term, with 5-, 10- and 20-year gilt yields expected to average around 3.6%, 3.7%, and 3.9% respectively over the 3-year period to September 2025. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.
- 2.13 For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 2% for the West of England

Combined Authority balances, and 1.8% for Revolving Infrastructure Fund (RIF) balances. Lower levels of interest received on RIF balances due to longer term investments of funds being limited. Higher rates can only be achieved through retaining a proportion of our portfolio as long terms investments such as property, equities and mixed asset funds.

### **3. Local Context**

- 3.1 On 31<sup>st</sup> October 2022, the Authority held £401m of investments, and £40m in short term borrowing. This is set out in further detail at **Appendix B**.
- 3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment.
- 3.3 The Authority's capital expenditure plans do not currently imply any need to borrow over the forecast period. Investments are forecast to fall to £230m by the end of 2023/24 as capital grants are used to finance capital expenditure and earmarked reserves are spent on their intended purpose.

### **4. Investment Strategy**

- 4.1 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Since 1 April 2022, the Authority's investment balance has ranged between £280m and £401m, and similar levels are expected to be maintained in the forthcoming year.
- 4.2 As well as holding investments in its own right, the Authority also acts as Accountable Body for the West of England Revolving Investment Fund (RIF) holding Government Grants until they are ready to be distributed to Local Authorities and other organisations for approved project spend over the coming years.
- 4.3 The funds are invested primarily to protect the capital and, to achieve a high level of capital security, investments are made predominantly with Central Government, Local Authorities and Banks with high credit ratings. See **Appendix C** for Treasury Monitoring.
- 4.4 Interest earned on Revolving Infrastructure Fund investments is re-invested into the Fund.
- 4.5 **Objectives:** The Chartered Institute of Public Finance and Accountancy Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring



losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. Given the current level of CPI at 11% this will be impossible to achieve with fixed term deposits alone. However, we will continue to consider further longer-term investments within our overall investment portfolio, such as pooled funds, which will achieve a higher rate of return. Any temporary liquidity issues that may arise throughout the year will be dealt with by short term borrowing.

- 4.6 **Strategy:** The Authority expects to be a long-term investor and treasury investments will therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income. The Authority aims to further diversify into more secure and/or higher yielding asset classes during 2023/24. A reduced proportion of the Authority’s surplus cash remains invested in short-term unsecured bank deposits and money market funds. This diversification will represent a continuation of the strategy adopted in 2022/23 with outer limits set for treasury management operations.
- 4.7 **Business models:** Under the International Financial Reporting Standard 9, the accounting for certain investments depends on the Authority’s “business model” for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 4.8 **Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types as detailed in *Figure 1*, subject to the cash limits (per counterparty), and the time limits shown.

**Figure 1: Approved investment counterparties and limits**

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£10m	Unlimited
Secured investments *	25 years	£15m	Unlimited
Banks (unsecured) *	13 months	£10m	Unlimited
Building societies (unsecured) *	13 months	£10m	£20m

Registered providers (unsecured) *	5 years	£10m	£50m
Money market funds *	n/a	£10m	Unlimited
Strategic pooled funds	n/a	£10m	£60m
Real estate investment trusts	n/a	£10m	£50m
Other investments *	5 years	£10m	£20m

This table must be read in conjunction with the following notes

- a) **Minimum Credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is **no lower than A-**. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered.

For entities without published credit ratings, investments may be made either:

- (i) where external advice indicates the entity to be of similar credit quality; or
- (ii) to a maximum of £10m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

- b) **Banks and building societies unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- c) **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured

and unsecured investments in any one bank will not exceed the cash limit for secured investments.

- d) **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
- e) **Registered providers (unsecured):** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.
- f) **Money Market Funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- g) **Strategic Pooled funds:** Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

The Authority may consider further investment in Pooled Funds during 2023/24 with a view to providing further diversification and the potential for earning a higher investment yield on long-term investment balances. Cash that is not required to meet any short or medium-term liquidity can be invested for the longer term with a greater emphasis on achieving returns that will support spending on local West of England CA services.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and

continued suitability in meeting the Authority's investment objectives will be monitored regularly.

- h) **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.
- i) **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.
- j) **Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £500,000 per bank. This is a relatively low risk as deposits tend to be only held overnight and can be moved without notice. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.
- k) **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, ArlingClose, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
  - any existing investments that can be recalled or sold at no cost will be, and
  - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

- l) **Other information on the security of investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will either be deposited with the UK Government, (via the Debt Management Office), invested in government treasury bills or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

- m) **Environmental, Social & Governance (ESG) Investments:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code. The Authority recognises it can further enhance its efforts through its investment decisions and activity. The Authority will consider options for investments of short-term funds with institutions who ring fence the use of such funds for ESG related matters. The Authority will continue to use the Arlingclose ESG and Responsible Investment Service, designed to guide and advise authorities on incorporating and monitoring ESG in its treasury investment decisions.
- n) **UA Short Term Loan Facility:** In order to assist the West of England Unitary Authorities who may continue to face cashflow challenges following Covid-19, the Authority has implemented a short-term loan facility and this will be

operated within the parameters of the approved Treasury Management Strategy.

- o) **Investment limits:** The maximum that will be lent to any one organisation, (other than the UK Government), will be £10 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries. The Authority's revenue reserves, which could be made available to cover any investment losses, are forecast to be £2.5 million on 31<sup>st</sup> March 2023. There is also a £1.1m Treasury Management Earmarked Reserve available.

**Figure 2: Investment Limits**

	Cash limit
Any single organisation, except the UK Central Government	£10m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£10m per group
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£15m per country (AAA sovereign rating)
	£10m per country (AA+ sovereign rating)
Registered providers and registered social landlords	£50m in total
Unsecured investments with building societies	£20m in total
Loans to unrated corporates	£20m in total
Money market funds	unlimited
Real estate investment trusts	£50m in total

**Liquidity management:** The Authority uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast. The Authority will spread its liquid cash over at least five providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

## **5. Borrowing Strategy**

5.1 The Authority currently holds £40m of short-term loans for cash flow purposes. The balance sheet forecast shows that the Authority does not expect the need to borrow in 2023/24.

5.2 **Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

5.3 **Strategy:** The Authority does not currently have any underlying need to borrow long-term to fund capital expenditure. The Combined Authority holds no long-term loans and no long-term borrowing is anticipated during 2023/24. Therefore, a debt-free strategy will be maintained until such time as the Authority determines that its capital strategy and prioritised programme of investment requires consideration of any borrowing decision.

5.4 As part of its approach to liquidity management, the Authority may borrow short-term loans to cover any unplanned cash flow shortages as they arise. Rather than always keeping cash on instant access for unplanned cash flows, (where security and liquidity will mean yields will be low), the Authority will retain the option of short-term borrowing at low rates to enable it to explore increasing investments in longer-term and more diversified assets. The Authority will test access to borrowing occasionally even where this is not required to ensure liquidity is available.

5.5 **Sources of borrowing:** The approved sources of short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Avon Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

5.6 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

5.7 **Short-term and variable rate loans:** These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits as detailed in the treasury management indicators.

## 6. Treasury Management Indicators

6.1 The Authority measures and manages its exposures to treasury management risks using the following indicators.

6.2 **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

Credit risk indicator	Target
Minimum portfolio average credit rating	A-

6.3 **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount it can borrow each quarter without giving prior notice.

Liquidity risk indicator	Target
Total sum borrowed in past 3 months without prior notice	£40m

6.4 **Interest rate exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£1m



The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

- 6.5 **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2022/23	2023/24	2024/25	+3 years
Limit on principal invested beyond 364 days as % of total cash balance	50%	30%	20%	20%

## 7. Related Matters

The Chartered Institute of Public Finance and Accountancy Code requires the Authority to include the following in its treasury management strategy.

- 7.1 **Financial Derivatives:** Authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. Lender Option Borrower Option loans and callable deposits). The general power of competence in section 113A of the Local Democracy, Economic Development and Construction Act 2009 removes much of the uncertainty over authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

- 7.2 **Markets in Financial Instruments Directive (MiFID II):** As a result of the directive, Local Authorities will be treated as retail clients, but can opt up to professional client status, providing that they meet certain criteria which includes having an investment balance of at least £10m and the persons authorised to make investment decisions on behalf of the Combined Authority having at least a year’s relevant professional experience. In addition, the regulated financial services firms to whom this directive applies must assess that these persons have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority’s treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

## 8. Financial Implications

The budget for the West of England CA investment income in 2023/24 is £4 million, based on an average investment portfolio of £200 million at an average interest rate of 2.00% and making an allowance for impairment as required.

Where investment income exceeds budget, e.g. from higher risk investments including pooled funds, then 50% of the revenue savings will be transferred to a treasury management reserve to cover the risk of capital losses or lower interest rates payable in future years.

## 9. Other Options Considered

- 9.1 The Chartered Institute of Public Finance and Accountancy Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted the West of England Mayor and Chief Executive, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
-------------	----------------------------------	---------------------------

Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller

## **Appendix A – Arlingclose Economic & Interest Rate Forecast – November 2022**

### **Underlying assumptions:**

- UK interest rate expectations have eased following the mini-budget, with a growing expectation that UK fiscal policy will now be tightened to restore investor confidence, adding to the pressure on household finances. The peak for UK interest rates will therefore be lower, although the path for interest rates and gilt yields remain highly uncertain.
- Globally, economic growth is slowing as inflation and tighter monetary policy depress activity. Inflation, however, continues to run hot, raising expectations that policymakers, particularly in the US, will err on the side of caution, continue to increase rates and tighten economies into recession.
- The new Chancellor dismantled the mini-budget, calming bond markets and broadly removing the premium evident since the first Tory leadership election. Support for retail energy bills will be less generous, causing a lower but more prolonged peak in inflation. This will have ramifications for both growth and inflation expectations.
- The UK economy is already experiencing recessionary conditions, with business activity and household spending falling. Tighter monetary and fiscal policy, alongside high inflation will bear down on household disposable income. The short-to medium-term outlook for the UK economy is bleak, with the Bank of England projecting a protracted recession.
- Demand for labour remains strong, although there are some signs of easing. The decline in the active workforce has fed through into higher wage growth, which could prolong higher inflation. The development of the UK labour market will be a key influence on Monetary Policy Committee decisions. It is difficult to see labour market strength remaining given the current economic outlook.
- Global bond yields have steadied somewhat as attention turns towards a possible turning point in US monetary policy. Stubborn US inflation and strong labour markets mean that the Federal Reserve remains hawkish, creating inflationary risks for other central banks breaking ranks.
- However, in a departure from Fed and European Central Bank policy, in November the Bank of England attempted to explicitly talk down interest rate expectations, underlining the damage current market expectations will do to the UK economy, and the probable resulting inflation undershoot in the medium term. This did not stop the Governor affirming that there will be further rises in Bank Rate.

### **Forecast:**

- The Monetary Policy Committee remains concerned about inflation but sees the path for Bank Rate to be below that priced into markets.
- Following the exceptional 75bp rise in November, Arlingclose believes the MPC will slow the rate of increase at the next few meetings. Arlingclose now expects Bank Rate to peak at 4.25%, with a further 50bp rise in December and smaller rises in 2023.

- The UK economy likely entered into recession in Q3, which will continue for some time. Once inflation has fallen from the peak, the Monetary Policy Committee will cut Bank Rate.
- Arlingclose expects gilt yields to remain broadly steady despite the Monetary Policy Committee's attempt to push down on interest rate expectations. Without a weakening in the inflation outlook, investors will price in higher inflation expectations given signs of a softer monetary policy stance.
- Gilt yields face pressures to both sides from hawkish US/Euro Zone central bank policy on one hand to the weak global economic outlook on the other. Bank of England bond sales will maintain yields at a higher level than would otherwise be the case.

## Appendix B – Investment & Debt Portfolio Position

	31-Oct-22 Actual Portfolio £m	31-Oct-22 Average Rate %
<b>Short-Term External borrowing:</b>	40.0	1.50
<b>Other long-term liabilities:</b>	0	0
<b>Total gross external debt</b>	40.0	1.50
<b>Treasury investments:</b>		
Banks & building societies (unsecured)	19.7	1.94
Covered bonds & repo (secured)	0	0
Government (incl. local authorities)	297.0	0.85
Registered Providers	10.0	1.25
Money Market Funds	22.5	1.45
Social Housing Real Estate Investment Trust	5.00	2.85
Other pooled funds:		
CCLA Property Fund	10.0	3.70
Investec	10.0	3.48
Kames	10.0	4.62
Threadneedle	3.5	1.90
M & G	3.5	4.84
Royal London Enhanced Cash Plus Fund	10.0	1.08
<b>Total treasury investments</b>	401.2	1.21
<b>Net debt</b>	361.2	-

## Appendix C – Treasury Management Monitoring

The Authority's investment position as at 31st October 2022 is detailed below in Table 1. This shows a balance held of £401m which is an increase from £281m at 31st March 2022.

As shown in the charts, the investment portfolio has been diversified across UK banks, Building Societies and Local Authorities. The Authority also uses AA rated Money Market Funds to maintain short term liquidity with £19.7m invested as at 31st October 2022. The Authority also retains units in pooled funds with £10m invested with the CCLA Property Fund, £10m with Investec, £10m with Kames, £10m with Royal London, £3.5m with Threadneedle and £3.5m with M&G as shown below in Table 2.

The forecast investment income to 31st March 2023 is £3.2m with an average rate of interest earned of circa 1%.

Investments are forecast to fall to £300m by the end of the 2022/23 financial year as capital grants are used to finance capital expenditure and project spend. Investments have been staggered, in terms of maturity dates, to ensure that there is a reasonable balance of available liquidity to finance required spend.

Table 1

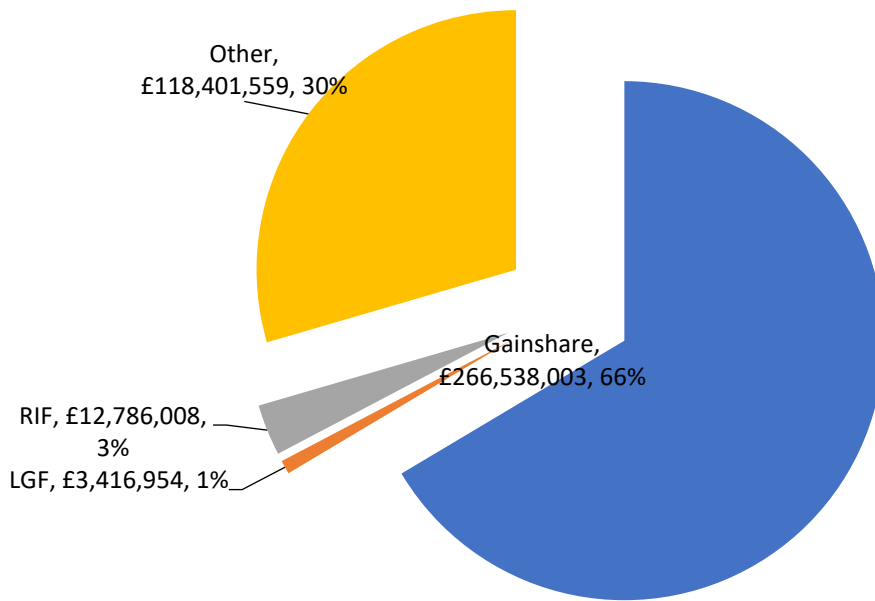
The Authority's term of investments are as follows:	Balance as at 31st Oct 2022 £000s
Instant Access Funds	32,000
Pooled Including REIT	51,957
Up to 1 month	10,000
1 month to 3 months	35,185
4 months to 6 months	70,000
6 months to 12 months	182,000
More than 12 months	20,000
	<b>401,142</b>

Table 2: Pooled Funds

Fund Name	Asset Class	Purchase Value £000s	Fair Value as at Oct £000s	Capital Growth/(Loss) £000s	Total Investment Income Earned £000's
CCLA Property Fund	Property	9,956	10,910	954	859
Ninety One Diversified Income Fund (Investec)	Multi Asset	10,000	8,819	-1,181	914
Aegon Diversified Monthly Income Fund (Kames)	Multi Asset	10,000	8,605	-1,395	1,090
Threadneedle Strategic Bond Fund	Bond	3,500	2,891	-609	139
M&G UK Income Distribution Fund	Equity - UK	3,500	3,520	20	299
Royal London Short Term Enhanced Cash Fund	Cash Plus	10,000	9,767	-233	69
Fundamentum Social Housing REIT	Property	5,000	5,200	200	94
		51,956	49,712	-2,244	3,464

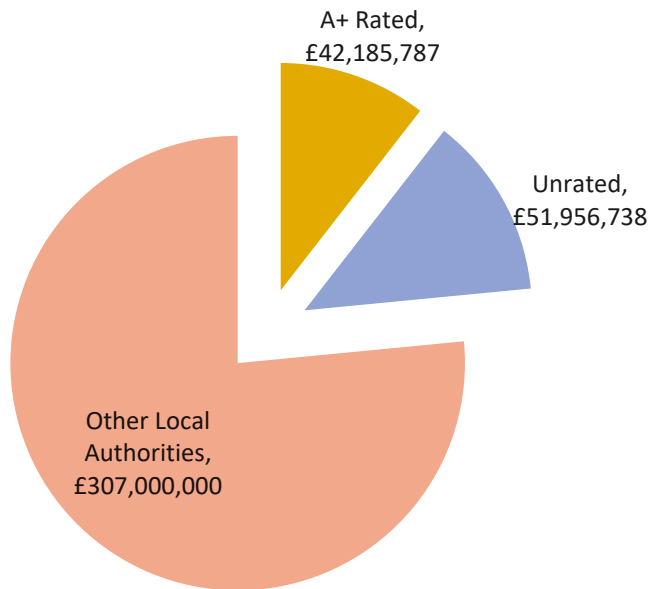
Following the mini-budget in September, the difficult current economic conditions have had a negative impact on our Pooled Funds. These investments are made in the knowledge that capital values will move both up and down on months and quarters, but with the confidence that over a three to five-year period, total returns will exceed interest rates. They provide regular revenue income and in 2022-23 will provide an average total return of 3.7%.

**Chart 1 : CA Investments by Funding Source (£401.14m)  
at 31st October 2022**

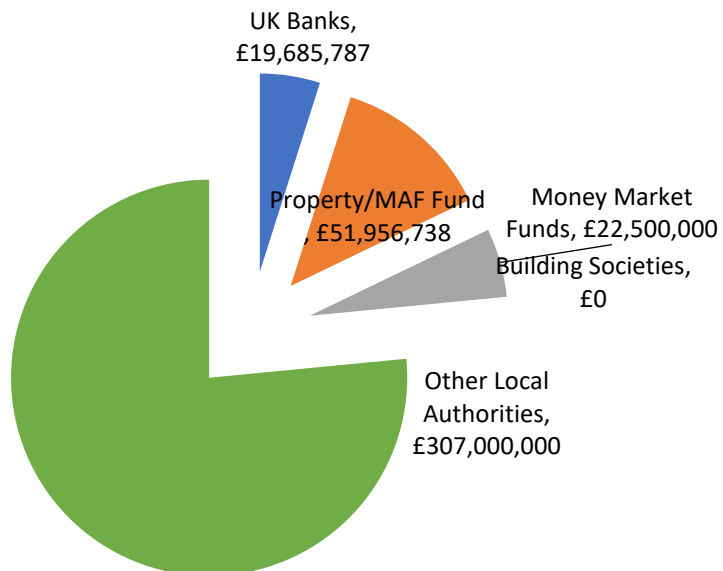




**Chart 2: CA Investments per lowest equivalent Long Term credit rating (£401.14m) at 31st October 2022**



**Chart 3: CA Investments by Type (401.14m) as at 31st October 2022**



This page is intentionally left blank