WEST OF ENGLAND
Combined Authority

ITEM 14

REPORT TO: WECA COMMITTEE

DATE: 20 March 2020

REPORT TITLE: WECA & MAYORAL BUDGET OUTTURN APRIL – JANUARY 2020

DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT AND CORPORATE SERVICES

AUTHOR: MALCOLM COE

Purpose of Report

1 This report presents the forecast revenue budget financial outturn information for WECA and the Mayoral budget for the financial year 2019/20 based on actual data for the period April 2019 to January 2020.

Recommendations

The WECA Committee:

a) Notes the Mayoral Fund and WECA revenue forecasts as set out in Appendices 1 and 2;

b) Delegates the award of grants to Community Transport providers for 2020/21 to the WECA Director of Infrastructure;

c) Approves a drawdown of £57k against the WECA General Reserve to fund the No.17 Bus route between Southmead Hospital and Keynsham from April 2020 to February 2021; the reserve to be replenished upon the receipt of new revenue bus funding from government.

Background / Issues for Consideration

2 The WECA Financial Regulations require that the WECA Committee considers the revenue and capital monitoring position at regular intervals throughout the financial year.

Mayoral Fund Revenue Budgets

2.1 **Appendix 1** details the Mayoral Fund's forecast outturn revenue position for the 2019/20 financial year, which, overall, is **£549k** higher than the original budget. This is due to slippage on previous year grant funded feasibility projects. As these projects are funded by grants which were carried forward, the net position remains balanced.

2.1.1 A contribution of £396k will be made to an earmarked reserve, in line with budget, to meet the estimated costs of the next Mayoral Election in 2021.

2.1.2 The revised forecast for 2019/20 on priority transport infrastructure feasibility studies against the original budget of £2,250m, (as approved through the Investment Fund), is forecast to be spent as follows:

Figure 1: Infrastructure Feasibility Projects – updated spend profile

Priority Infrastructure Feasibility Studies	17/18 £000	18/19 £000	19/20 £000	Total £000
East of Bath Strategic Link	20		230	250
Bristol Temple Meads Masterplan		460	1,540	2,000
Total	**20**	**460**	**1,770**	**2,250**

WECA Revenue Budgets

2.2 **Appendix 2** details WECA's estimated outturn revenue position for the 2019/20 financial year, which, overall, is a net surplus of **£305k**. The main points to note are:

Transport Levy

2.2.1 The forecast spend on Transport functions remains as originally budgeted.

2.2.2 The transport levy is set at the beginning of the financial year based on anticipated demand and spend using the previous year's activity. Adjustments are made at the end of the financial year to reflect the actual out-turn position. For 2018/19, BANES had an underspend of **£155k,** and this is accounted for by a corresponding reduction in their levy for 2019/20.

2.2.3 **Figure 2: Updated Transport Levy for 2019/20**

Authority	Original 2019/20 Levy £000s	Adjustment 2018/19 £000s	Substitute 2019/20 Levy £000s
B&NES	4,259	(155)	4,104
BCC	7,912		7,912
SGC	2,566		2,566
Total	**14,737**	**(155)**	**14,582**

2.2.4 As part of the integration of transport functions from 1st April 2020, WECA takes over the direct delivery of grant funding for Community Transport. It is therefore necessary for WECA to be able to award grants to Community Transport providers for the services they offer. The appropriate budget is included as part of the Transport Levy from the UAs to honour the existing funding arrangements for Community Transport in 2020/21. These grants will cover the period from 1st April 2020 to 31st March 2021.

It is recommended that the award of grants to Community Transport providers for 2020/21 is delegated to the WECA Director of Infrastructure.

2.2.5 The indicative transport levy for 2020/21 was approved by the WECA committee on 31 January 2020. This revenue levy, funded by the Unitary Authorities, reflects a 'like for like' service based on known and estimated demand for the forthcoming financial year. Since setting the indicative levy, First Bus have notified WECA of the proposed withdrawal of the late evening service on the route No 17 between Southmead Hospital and Keynsham via Fishponds and Kingswood from 5 April 2020.

2.2.6 Whereas there has been a recent indication that Government will provide local authorities with further revenue funding for bus services, until this is confirmed, there is no budget available to WECA to cover the cost of the No.17 route withdrawal. The cost is estimated to be circa £57k for the period 5 April 2020 to 28 February 2021 at which point a full competitive tender process will be run for this contract along with other bus contracts that expire on this date.

2.2.7 Service 17 is a key route that travels through all three of WECA's constituent authority areas. Certain sections of the route, and times of day, have been supported financially by developer contributions and direct revenue support, (from South Glos Council), for a number of years. The developer funding has recently ended which has prompted First Bus to withdraw the route.

2.2.8 To maintain consistency of service provision for the immediate future, it is recommended that a drawdown of £57k is made against the WECA General Reserve as a bridging arrangement in advance of receiving the new indicative bus funding from Government. It is anticipated that this new funding will be circa £736k to address three specific objectives of:

- Improving current local bus services – for instance increasing evening or weekend frequencies, or supporting additional seasonal services in tourist areas;
- Restoring lost bus routes where most needed to ensure people have access to public transport services;
- Supporting new bus services, or extensions to current services, to access e.g. new housing, employment opportunities, healthcare facilities etc.

At this point in time, it is unclear as to whether any new bus funding will be one off in nature or on-going within the revenue base.

It is recommended that a drawdown of £57k is made against the WECA General Reserve to fund the No.17 Bus route between Southmead Hospital and Keynsham from April 2020 to February 2021; the reserve to be replenished upon the receipt of new revenue bus funding from government.

Variations on Project Spend

2.2.9 Spend on specific projects is forecast to be **£10.05m** lower than originally budgeted which is due mainly to the timing, and planned used, of grant funding received as detailed in *Figure 3*:

Figure 3: Variations in spend on Specific Projects

Project Spend	£000s
Reduction in Adult Education Budget following the government announcement of the WECA grant allocation.	(2,577)
Re-phasing of the investment funding (£10m) to regenerate High Streets.	(9,377)
HIF – increase in the budget reflecting slippage from 2018/19, the receipt of an additional HIF preparation grant (£141k) and additional investment funding (£1.2m) in October 2019	1,391
Various grants, (including Mayoral Capacity, Housing Capacity, Future Bright, Brexit and Apprenticeship Grant), received in 2018/19 and put into reserves for use in 2019/20 together with incremental grants in the year	614
Use of reserves previously approved	282
Rephasing of previously approved Investment Fund (revenue) as per WECA Committee	(387)
Net Reduction in Project spend budget	**10,054**

Income variations

2.2.10 The confirmation of the Adult Education Budget for WECA was £2.6m less than the indicative allocation that we received when setting the 2019/20 budget. This was primarily due to previous underspending within the provider base prior to the function being devolved from central government. However, there has been an increase in income relating to various other grants previously received and brought forward to fund 2019/20 spend.

2.2.11 The forecast decrease in investment funding is due to rephasing of spend across financial years. This is mainly due to the timing of the High Street regeneration fund where previously the full £10m was represented in the 2019/20 approved revenue budget whereas the majority of spend will be incurred from 2020/21 onwards.

Interest on Balances

2.2.12 An income budget of £820k was set in relation to the interest that WECA earns from investing cash balances held. In recent months we have improved cashflow forecasting having taken the Treasury Management function back ‘in house’ from April 2019. As a result, we have placed an element of the investment portfolio into longer term products which generate higher returns.

2.2.13 As per previous budget monitoring we are reporting surpluses amounting to £530k in excess of the set revenue budget for 2019/20 against which committee have approved spend of £250k. However, it should be noted that investment returns will reduce over time as we begin to incur the capital delivery costs of the approved £350m WECA Investment Programme.

Drawdown from Reserves

2.2.14 Approved drawdowns from earmarked reserves of **£476k** are included in the forecast income for 2019/20 as follows:

Figure 4: Drawdown from Earmarked Reserves

Transfer from Reserves	£000s
Concessionary Fares Levy – reduction in BANES 2019/20 levy to reflect an underspend in 2018/19	155
Future Mobility reserve – to support a multi-million-pound bid for government funding	100
ICT Implementation reserve – to fund the transitional costs of moving from BANES to a new ICT provider	200
Cultural Strategy reserve – approved drawdown of spend to progress strategy work	21
Transfer from Reserves	**476**

Summary Revenue Budget position for WECA

2.2.15 The overall forecast performance of the WECA budget is a **£305k** surplus position, £280k of which is due to higher income received from cash balances.

2.2.16 The budget includes a transfer to general reserves of £100k, as approved in the original budget, with an increase of £250k into a specific reserve to fund Programme Management Office staff as approved in July 2019.

Consultation

3 Consultation has been carried out with the Monitoring Officer, Chief Executives, and S151 Officers across the three constituent authorities.

Other Options Considered

4 Value for Money and appropriate use of resources are constantly considered when monitoring and managing all revenue and capital budgets.

Risk Management/Assessment

5 This report forms a core part of the WECA's governance and risk management process. The forecast budgets presented in this report take account of known financial

risks and their potential impact on the outturn financial position.

Public Sector Equality Duties

6 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.

6.1 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.

6.2 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.

6.3 All key service delivery functions continue to be delivered by the relevant constituent councils and impact assessments for service delivery, particularly highways and transport are included as appropriate within their individual Budget reports.

Climate Change Implications

7 On 19 July 2019, the West of England Combined Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

* The emission of climate changing gases?

* The region's resilience to the effects of climate change?

* Consumption of non-renewable resources?

* Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/ consideration as necessary as part of their detailed project-specific management

arrangements

7.1 The criteria applied for the drawdown of investment funding incorporates the impact that any proposed project will have on climate change. The spend on infrastructure in particular has a strong focus on improving the availability, and coverage, of public transport whilst reducing congestion on the region's roads.

Finance Implications, including economic impact assessment where appropriate:

8 The financial implications are contained within the body of the report. There are no direct economic impacts arising as a result of this report (although capital investment will ultimately deliver significant economic benefit to the region).

Advice given by: Malcolm Coe, Director of Investment & Corporate Services

Legal Implications:

9 This report monitors how WECA and the Mayoral Fund are performing against the financial targets set in February 2019 through the Budget setting process in accordance with the WECA Order 2017 and the Combined Authorities Financial Order 2017.

Advice given by: Shahzia Daya, Director of Legal Services

Human Resources Implications:

10 All spend on staffing is within the budget and resources as approved by the WECA committee. Fixed term contracts are applied for staff who are engaged on projects which have time limited funding, (i.e. specific grants).

Advice given by: Alex Holly, Head of Human Resources

Appendices & Background papers:

Appendix 1: Mayoral Fund Revenue Position
Appendix 2: WECA Revenue Position

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 Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Quay, Bristol BS1 6EW; email: democratic.services@westofengland-ca.gov.uk

APPENDIX 1

Mayoral Fund April to January 2019/20			
	Budget £'000s	Forecast £'000s	Variance £'000s
EXPENDITURE			
Staff	**172**	**172**	**0**
Supplies & Services			
Premises Services	12	12	0
Support Services	12	12	0
Supplies & Services	15	15	0
Mayoral Election - Transfer to Reserve	396	396	0
Feasibility Studies	1,221	1,770	549
Contribution to Highway Grants			
Integrated Highway	5,183	5,183	0
Highway Maintenance Grants	10,254	10,254	0
Highway Incentive Grants	2,135	2,135	0
Total Supplies & Services	**19,228**	**19,777**	**549**
Total Expenditure	**19,400**	**19,949**	**549**
INCOME			
Business Rates Retention Pilot	17,572	17,572	0
Funding Contribution from WECA	1,828	2,377	549
Total Income	**19,400**	**19,949**	**549**
NET TOTAL - Under / (Over) Spent	**0**	**0**	**0**

APPENDIX 2

WECA Fund April to January 2019/20			
	Budget £'000s	**Forecast £'000s**	**Variance £'000s**
EXPENDITURE			
Core Staff	1,390	1,331	(59)
Project Staff	1,942	1,993	51
Staff	3,332	3,324	(8)
Supplies & Services			
Premises Services	215	215	0
Support Services	215	249	34
Supplies & Services	55	55	0
Total Supplies & Services	485	519	34
Project Spend	26,737	16,683	(10,054)
Transport Functions			
Concessionary Fares	12,445	12,465	20
Community Transport	1,690	1,690	0
Bus Real Time Information	602	602	0
Total Transport Functions	14,737	14,757	20
Contribution to Mayoral Fund	1,828	2,377	549
Transfer to Reserves	100	350	250
Total Expenditure	**47,219**	**38,010**	**(9,209)**
INCOME			
Transport Levy	14,737	14,602	(135)
Business Rates Retention Pilot	1,212	1,212	0
Government Grants	15,501	13,348	(2,153)
Investment Fund Grant	14,949	7,327	(7,622)
Interest on Balances	820	1,350	530
Transfer from Reserves	0	476	476
Total Income	**47,219**	**38,315**	**(8,904)**
NET TOTAL - Under / (Over) Spent	**0**	**(305)**	**(305)**