

**WEST OF ENGLAND COMBINED AUTHORITY COMMITTEE &  
WEST OF ENGLAND JOINT COMMITTEE**

**ITEM 11**

**19 JUNE 2020**

**REPORT SUMMARY SHEET**

**UPDATE ON RESPONSE TO COVID-19 PANDEMIC**

**Purpose**

To provide an update on the Combined Authority's response to the Covid-19 pandemic.

**Summary**

1. This report provides an update to the committees on the progress made in responding to the Covid-19 pandemic. It sets out the actions taken by WECA and the West of England Local Enterprise Partnership since the lockdown began. This is in addition to actions taken by the region's Local Authorities within their areas. The report informs the committees of emergency decisions taken by the WECA CEO in consultation with the Mayor of the West of England on AEB provider funding and Bus operator funding. It also sets out the financial impact of Covid-19 on the Combined Authority.
2. The report updates the committees on the work of the Regional Economic Recovery Taskforce, established in response to a request from Government for the Combined Authority to lead the response to the pandemic at a regional level.

**Impact of Covid-19 pandemic**

The Covid-19 pandemic has created an unprecedented challenge for the businesses, residents and public services across the West of England. WECA and the LEP have been working to support businesses and residents through this crisis period and seeking to ensuring the support and infrastructure is in place to prepare for recovery. The stages of the crisis and main focus of activity in each section are summarised in the table below:

Short Term (3-6 months)	Medium Term (1-2 years)	Long Term (2 years plus)
<b>Regional Focus: Crisis management and preparation for staged exit from lockdown</b>	<b>Regional Focus: Adaption and resilience building and preparation for recovery</b>	<b>Regional Focus: Rebuilding and growing thriving places</b>
<p><b>Public transport:</b></p> <ul style="list-style-type: none"> <li>• Ensure essential workers can travel to their place of work.</li> <li>• Maintain support for local bus operators so services can be resumed as soon as possible.</li> </ul> <p><b>Business:</b></p> <ul style="list-style-type: none"> <li>• Help businesses access government support and work with government to ensure that support addresses the particular challenges of our region.</li> </ul> <p><b>Skills:</b></p> <ul style="list-style-type: none"> <li>• Respond to individuals becoming out of work by:</li> <li>• refocusing existing interventions e.g. Future Bright</li> <li>• using intelligence and analysis to identify gaps in support e.g. apprenticeship provision.</li> <li>• Provide financial stability to adult education sector.</li> </ul> <p><b>Other:</b></p> <ul style="list-style-type: none"> <li>• Ensure WECA can operate effectively, with financial and legal, statutory obligations fulfilled and communicate its priorities clearly, while making sure staff have the tools and guidance they need to deal with immediate priorities.</li> <li>• Ensure Government has clear feedback on specific challenges faced by our region and work with other regions to coordinate feedback.</li> </ul>	<p><b>Public transport / infrastructure:</b></p> <ul style="list-style-type: none"> <li>• Maintain momentum on infrastructure priorities that reflect the new world including: projects with swift impact; projects that embed positive behaviour change as a result of pandemic e.g. increased cycling and walking; ensure region is ready to benefit from govt funding opportunities.</li> </ul> <p><b>Business:</b></p> <ul style="list-style-type: none"> <li>• Support businesses to improve their resilience and agility, particularly in most exposed sectors of economy.</li> <li>• Drive recovery through targeted investment e.g. technology, resource efficiency, start-up, supply chain development.</li> <li>• Ensure region's innovative strengths and assets are mobilised in response to challenges e.g. new ways of working.</li> </ul> <p><b>Skills:</b></p> <ul style="list-style-type: none"> <li>• Tackle increased unemployment and ensure individuals can move back into employment (e.g. a regional triage service).</li> <li>• Create pathways into employment, aligning skills development with changing needs.</li> <li>• Support groups most at risk of exclusion to access opportunities.</li> </ul> <p><b>Other:</b></p> <ul style="list-style-type: none"> <li>• Ensure funding is available to support new priorities including:</li> <li>• reprioritising investment, accessing govt funding streams, lobbying for flexibility in existing funding streams.</li> <li>• Ensure that our WECA workforce is adequately equipped with flexible HR policies and effective ICT systems</li> </ul> <p><b>Other:</b></p> <p>Develop a longer-term recovery plan reflecting changes as a result of Covid-19 epidemic, building on strengths of our region, reflecting new opportunities and retaining high level objectives of clean and inclusive growth</p>	<p><b>Infrastructure:</b></p> <p>Ensure infrastructure investment programme reflects evidence on changes to economy / demand / behaviour as a result of crisis.</p> <p><b>Business:</b></p> <p>Develop initiatives to support a revitalised business base in line with our Local Industrial Strategy.</p> <p><b>Skills:</b></p> <ul style="list-style-type: none"> <li>• Ensure businesses can access skills they need to thrive in recovery, and residents have access to pathways to employment.</li> <li>• Implementation of Employment and Skills Plan.</li> <li>• Implications for excluded communities.</li> </ul> <p><b>Other</b></p> <p>Implementation of Longer Term Recovery Plans</p>

The report sets out the specific actions taken in each area to address these priorities.

## Recommendations

The Combined Authority Committee and Joint Committee are asked to note:

1. progress in responding to the Covid-19 pandemic;
2. financial implications of the pandemic on the Combined Authority;
3. the emergency decisions made by the WECA CEO in consultation with the Mayor of the West of England on AEB provider funding and Bus operator funding; and
4. the next steps for the Regional Economic Recovery Taskforce and discussions with Government.

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

**DATE: 19 June 2020**

**REPORT TITLE: UPDATE ON RESPONSE TO COVID-19 PANDEMIC**

**AUTHOR: JESSICA LEE, HEAD OF STRATEGY AND POLICY**

### **Purpose of Report**

- 1 This report provides an update to the committees on the progress made in responding to the Covid-19 pandemic. It sets out the actions taken by WECA and the West of England Local Enterprise Partnership since the lockdown began. This is in addition to actions taken by the region's Local Authorities within their areas. The report informs the committees of emergency decisions taken by the WECA CEO in consultation with the Mayor of the West of England on AEB provider funding and Bus operator funding. It also sets out the financial impact of Covid-19 on the Combined Authority.
- 1.2 The report updates the committees on the work of the Regional Economic Recovery Taskforce, established in response to a request from Government for the Combined Authority to lead the response to the pandemic at a regional level.

### **Recommendation**

- **That the WECA Committee and the Joint Committee note:**
  - progress in responding to the Covid-19 pandemic;
  - financial implications of the pandemic on the Combined Authority;
  - the emergency decisions made by the WECA CEO in consultation with the Mayor of the West of England on AEB provider funding and Bus operator funding; and
  - the next steps for the Regional Economic Recovery Taskforce and discussions with Government.

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

- 2 The Covid-19 pandemic has created an unprecedented challenge for the businesses, residents and public services across the West of England. WECA and the LEP have been working to support businesses and residents through this crisis period and seeking to ensuring the support and infrastructure is in place to prepare for recovery. The stages of the crisis and main focus of activity in each section are summarised in the table below:

Short Term (3-6 months)	Medium Term (1-2 years)	Long Term (2 years plus)
<p><b>Regional Focus: Crisis management and preparation for staged exit from lockdown</b></p>	<p><b>Regional Focus: Adaption and resilience building and preparation for recovery</b></p>	<p><b>Regional Focus: Rebuilding and growing thriving places</b></p>
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2.1 The following section of this paper sets out the specific actions taken in each area to address these priorities.

## Business Support

3 The West of England Combined Authority, working with partners, has been working to address the urgent issues for business caused by coronavirus. In the early stages of lockdown this support focused on enquiry management, targeted communication, intelligence gathering and feedback to Government on gaps in provision of support. In particular:

- Capacity has been built within the Business and Skills Directorate to deal with the significant increase in business enquiries. Since the middle of March, there has been over 14,000 hits to the Growth Hub website and the team has supported over 540 business interactions.
- Government has confirmed a doubling of core funding for Growth Hub activity – this will build specialist capacity including financial resilience and tech/digital adoption, to help businesses adapt to the new landscape.
- Weekly Growth Hub newsletters are issued to 1000 plus SMEs, highlighting support available and seeking feedback. The Growth Hub website has been reconfigured to focus on coronavirus support, updated daily.
- Media activity across social and traditional channels, sharing government and council messaging as necessary. WECA website updated regularly and issuing fortnightly newsletters setting out clearly what we are doing for business and residents.
- Established a major employers engagement programme led by Mayor Tim Bowles, to understand specific challenges and opportunities across a range of sectors – this has initially targeted 50 businesses across the region with a next phase planned.
- Regular liaison with Unitary Authority Economic Development Managers and Business and Skills Directors, to ensure a joined-up approach to business support and to help maximise the uptake of financial measures like the Small Business Grant.

- 3.1 In addition to the support for business, WECA has been working with council and NHS colleagues to co-ordinate and issue a joint call from the region's leaders, as well as issuing PPE calls that have resulted in thousands of pieces of material being supplied into the system.
- 3.2 Through discussions with business of all sizes both informally, in regular informal LEP Board discussions and through the Covid-19 Business Response Panel<sup>1</sup>, chaired by the Mayor, a picture of the specific challenges being faced by the region's businesses and gaps in the Government's provision of support has been built up. This has been supplemented with economic analysis of the emerging trends in the region which is published weekly as an economic bulletin at <https://www.westofengland-ca.gov.uk/regional-insights/>
- 3.3 WECA has also made changes to existing funded programmes to support the response to Covid-19. For example, the Creative scale-up programme has switched support from 'scaling' to 'surviving and supporting' with expertise and experience being shared across the programme cohort. The training and coaching is being delivered on-line. A £3.2m Research and Innovation Challenge Fund to support SMEs with research and innovation activity is being expanded in response to Covid-19 and will award grants to SMEs developing digital, engineering or epidemiology products and services, and building business resilience. The project launch is scheduled for July 2020. Support for SMEs through the Low Carbon Challenge Fund continues with another funded round planned for a few months' time.
- 3.4 In addition to the work of the Combined Authority, Local Authorities have been leading work to support businesses in their own areas including distributing business support grants and establishing local recovery work. Officers from across the West of England region have been working closely together to fully understand the impact of Covid-19 on businesses of all shapes and sizes, and to make sure that access to support is maximised and that funding allocated to WECA/UAs is reaching those most in need. A new 'hub and spoke' Universal Business Support service, aligned to the Growth Hub, is being developed to enable local providers to more effectively respond to individual UA priorities.

## Infrastructure

- 4 In the short term following the lockdown, WECA has worked to ensure that public transport is in place to support essential workers travelling to their place of work. This has included maintaining regular contact with bus companies to ensure services are provided and providing travel updates on both the WECA and Travelwest websites to assist people who still need to travel: a main Coronavirus Travel Advice page – highlighting safety advice and changes to bus services/ community transport; a Key Workers Travel Advice page – highlighting bus services to main hospitals, free car parking and cycling offers for key workers.
- 4.1 In order to ensure that public transport is able to resume as soon as possible and that transport providers do not go out of business before normality is resumed as a result of reduced revenue, an emergency decision was taken by the WECA CEO in consultation with the Mayor of the West of England on 20th March 2020. This decision was to continue to pay operators from the 2020/21 concessionary travel budget the same as they would have expected to receive for Q1 April – June, irrespective of whether journeys are taken, to pay Community Transport providers their expected grants for Q1 April – June and to pay

<sup>1</sup> including Business West, Federation of Small Businesses, Destination Bristol & Visit Bath, British Business Bank, Confederation of British Industry, Institute of Directors, Lloyds, Barclays, NatWest, and HSBC

operators for the service contracts in place, irrespective of whether these are operated, again for a limited period to end of June. The record of this decision is set out at annex 1. Consideration as to whether this arrangement should continue is covered in the report on Bus Network Recovery elsewhere on this agenda.

- 4.2 WECA has also worked as part of the wider consortium of Combined Authorities in the Urban Transport Group to successfully lobby Government to cover the losses of bus companies over the next three months while demand is significantly reduced and continues to press Government to secure ongoing funding for transport services. Additionally, WECA is working closely with bus operators in the region to agree how and when service frequencies should increase to provide for the growth in demand as lockdown is relaxed by the Government. Initially this has seen an increase to around 80% of network coverage from 1<sup>st</sup> June, however it should be noted that buses remain operating at around 25% capacity due to social distancing requirements
- 4.3 WECA has been allocated £741k funding from the Government's Emergency Active Travel Fund which is being applied to a programme of measures across the region to promote walking and cycling and to enable passengers to access and egress bus and rail services as safely as possible within social distancing guidelines. Funding is expected to be received from DfT by the end of June 2020, and it is likely that later in the summer further funding will be made available, potentially up to £3.7m. However, immediately after the Government's announcements over the weekend of 9th & 10th May, Transport Officers from WECA and our Constituent Authorities started working on proposals to consider what measures could be taken under the three broad headings, with the emphasis being on short-term delivery:

1. Emergency Active Travel Measures to harness current behaviours and provide for social distancing on busy active travel routes.
2. Social Distancing Measures for Public Transport.
3. Communications Engagement to support Emergency Measures.

These headings have formed the basis of the current programme of work.

- 4.4 Many of the temporary measures being developed have the potential to become permanent, and be extended, to become rational integrated parts of the public realm that could significantly increase Active Travel within the region and capture some of the behaviour engendered by the Covid-19 Emergency. The Investment Fund report included on this agenda proposes the creation of a £10m capital funding pot to invest in walking and cycling infrastructure building on the Emergency Measures as well as delivering additional high value active travel measures in the region (see recommendation 5, agenda item 15).
- 4.5 In addition, over the next few months it is anticipated that DfT would announce potential funding and associated guidelines for / access to the previously announced £1.75bn national funding for cycling and walking measures.
- 4.6 WECA has worked with the region's councils and registered housing providers to address the critical need for emergency accommodation for homeless and vulnerable people by co-ordinating additional support across the West of England. WECA was asked to pull together a tracker of the additional funding made available by RPs to support their residents and local communities during the pandemic, to act as a central record, and has coordinated a digest of the employment and support services available. The UAs and RPs are working together to address an unprecedented need to provide emergency housing for rough sleepers and other vulnerable people at the same time as practical social-distancing considerations have made lettings of both new and existing stock extremely challenging.

## Skills

- 5 In order to provide reassurance to the region's colleges and training organisations that they will continue to receive payment despite the impact of Covid-19 on their delivery, an emergency decision was taken by the WECA CEO in consultation with the Mayor of the West of England on 27<sup>th</sup> March 2020 to continue to pay providers for the remainder of the academic year unless the provider requests otherwise. These payments are in exchange for a commitment from the providers that they will make best efforts to support and protect learners, staff and sub-contractors. The record of this decision is set out at **annex 2**. This will help minimise disruption to learners, ensure that staff can continue to be paid and support the overall financial stability of the providers in the longer term.
- 5.1 In addition, WECA has worked to refocus and adapt existing skills programmes to reflect the changes needs of businesses and residents, including the Workforce for the Future programme where a call for Expressions of Interest recently closed. The programme will play a fundamental role supporting SMEs respond to the current crisis, whilst also helping connect individuals with new training and employment opportunities.
- 5.2 WECA has also expanded the career coaching and support service, Future Bright, to help those residents whose jobs and income have been affected by coronavirus. This includes those who are eligible for Universal Credit due to redundancy, reduced hours / income, furloughed employees and self-employed workers. Future Bright is a partnership between WECA and its constituent authorities with delivery teams and coaches dispersed across the region to reach out to local communities and residents.
- 5.3 The West of England Careers Hub is continuing to support careers leaders in schools through virtual/digital channels. A key part of this work will be getting appropriate Labour Market Intelligence to schools on the emerging employment picture in the region so that advice is based on up to date information. The sector groups being set up to support the Regional Taskforce will be very helpful in this respect. The Careers Hub acts as an 'umbrella' for careers support across the region, aligned with and adding value to more locally based interventions.
- 5.4 Skills leads from WECA and the four West of England authorities meet regularly to help join up local and regional skills activity under the auspices of the Employment and Skills Plan. Officers also work together to support the West of England Skills Advisory Panel, a multi-provider, government and business group, set up to create an evidence-led approach to delivery of employment and skill interventions. The Panel will formally report into the Regional Economic Recovery Taskforce.

## Collaboration

- 6 Through its role as the secretariat for the M9 group of Metro Mayors, WECA has successfully lobbied Government to ensure people and businesses across regions they represent are getting the support they need. The Government's request for Combined Authorities to feed in to Government's recovery planning work recognises the importance of building in the regional perspective on the needs and challenges for specific areas into national planning. Discussions are beginning on how the Devolution White Paper, expected in the autumn, can be used to ensure regions are equipped with the tools to be able to drive recovery.
- 6.1 At regional level, each of the Local Authorities have established their own recovery planning arrangements within their areas and where relevant the feedback, proposals and intelligence has been reflected in the regional recovery work.

## Regional Economic Recovery Taskforce

7 Following a discussion with the Prime Minister, the Mayor of the West of England, along with the other regional mayors, has been asked to establish a Regional Economic Recovery Taskforce. This is a partnership between the West of England Combined Authority, the Local Enterprise Partnership, business, universities and the region's councils. The purpose of the Taskforce is to drive the region's economic recovery and to feed in to the Government's national recovery planning. The Taskforce will initially:

- Feed into the region's recover plan, including proposing measures to help businesses adapt to the new economic landscape and improve resilience, as well as support for residents to develop new skills, training and employment opportunities.
- Look at the impact of the government's economic measures on businesses and communities, identifying where additional support is needed.
- Feedback to government, lobbying to ensure the West of England has what it needs for economic recovery; advising and supporting a managed exit from lockdown arrangements, identifying the next stages of financial support needed.
- Make sure the West of England has the right public transport, physical and digital infrastructure. WECA is already working with bus and rail companies to ensure key workers can get to work. This work with public transport partners will continue, to ensure they continue to operate as we move into recovery.

7.1 The Taskforce first met on 15<sup>th</sup> May with excellent engagement and input from members. Since then a forward plan of Taskforce and Sector Group meetings has been developed and those meetings have begun to take place. The forward plan is framed around three stages:

- Short term: crisis response & exit from lockdown
- Medium term: adaptation & resilience
- Long term: renewing & growing

7.2 Sector Leads and Taskforce members are supported by nominated WECA officers and have a toolkit of resources to support their work. Engagement with a wider group of stakeholders is also underway and will feed in to the work of the Taskforce.

7.3 The Taskforce will next meet on 16<sup>th</sup> June.

## Financial Implications

8 The financial implications of Covid-19 on public sector finances is potentially crippling. All are suffering from significant losses in Council Tax, Business Rates, Commercial, Tourism and Leisure income, alongside rapidly escalating costs on front line services such as social care.

8.1 Despite receiving initial government emergency funding of circa £70m to date, the West of England region is still facing a financial shortfall of up to £280m for the 2020/21 financial year which will have a major knock on impact on budgeting in subsequent years.

8.2 Annex 3 provides further details on the financial challenges that the region faces and makes various requests to government for action which will help mitigate the unprecedented financial shortfalls that all authorities are facing. This paper has been submitted to

Government jointly by the jointly by the WECA Chief Executive and the Chief Executives of the 4 Local Authorities in the West of England.

**Next steps**

- 9 With the guidance of the Recovery Taskforce, WECA is developing a plan for the recovery of the region, this includes reviewing the Local Industrial Strategy to reflect the changes in the region’s economy as a result of the Covid-19 pandemic. This work will continue to inform discussions with Government about the support that is necessary for the businesses and residents of the region as well as the opportunities offered by the forthcoming Devolution White Paper to ensure the region has the tools it need to be able to drive the recovery.
- 9.1 Progress on recovery planning will be reported to future Committee meetings.

**Public Sector Equality Duties**

- 10 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.
- 10.1 The Act explains that having due regard for advancing equality involves:
  - Removing or minimizing 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.
- 10.2 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.

**Climate Change Implications**

- 11 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

- 11.1 Many of the temporary cycling and walking measures being developed have the potential to become permanent, and be extended, to become rational integrated parts of the public realm and transport network that could significantly increase Active Travel within the region and capture some of the behaviour engendered by the Covid-19 Emergency.
- 11.2 Such measures which encourage cycling and walking support longer-term modal shift away from the car, to these forms of sustainable transport, which have air quality, decarbonization and health benefits. This approach is in line with the objectives of the West of England Joint Local Transport Plan.

### Appendices:

Annex 1 – Officer decision record - Transport Operations – continuation of payments for concessionary fare reimbursement, supported bus service contracts and Community Transport grants

Annex 2 – Officer decision record - Adult education – protecting learner continuity and provider stability

Annex 3 – West of England financial pressures - submitted to Government jointly by the WECA Chief Executive and the Chief Executives of the 4 Local Authorities in the West of England.

### Background papers:

None

### 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 07436 600313; or by writing to West of England Combined Authority, 3 Rivergate, Temple Quay, Bristol BS1 6EW; email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

**OFFICER DECISION RECORD**

**Decision Title: Transport Operations – continuation of payments for concessionary fare reimbursement, supported bus service contracts and Community Transport grants**

**Decision reference number: 02.03.20**

**Decision date:** 20 March 2020

**Background / reason for decision:**

- Bus operators and transport providers are at real risk of going out of business before normality is resumed due to significantly reduced revenue income from fare box, grant awards, payments for contracted services and/or concessionary fare reimbursement for an extended period.
- Services may be reduced below an acceptable minimum level for the duration of the crisis potentially leaving some key workers unable to access work.
- Permanent loss of operators/providers would mean it would be virtually impossible to reinstate the full network coverage of bus operations and transport services after the Covid-19 crisis.
- Continuation of concessionary fare reimbursement and contracted service payments would cost no more than is currently budgeted within the Transport Levy (approx. £5m for these three elements for the Q1 period) but would provide immediate certainty of cash flow to all operators on a business as usual basis.
- In order to ensure the continued funding delivers appropriate services and support, a number of conditions have been devised which operators will be required to accept before the funding is released – see background document. These conditions align well with other Combined Authorities across the country.
- In parallel, WECA is offering all bus operators business advice to access to Government emergency loans and grant payments would assist in supporting businesses at a vulnerable time.
- These actions would provide reassurance that operators have the support from the Transport Authority for their long-term survival and future role in the region.
- The Department for Transport has been actively encouraging Local Transport Authorities to take this step and subsequently wrote to local authorities on 25 March 2020 urging them to continue to pay operators in this way – see background document.
- This is an emergency decision taken in light of the COVID-19 pandemic. The West of England Combined Authority constitution allows the Chief Executive of the Combined Authority, in cases of urgency or emergency, to take any decision on behalf of the Combined Authority (after consultation with the Mayor). This decision has been taken under this provision.

**Options considered:**

Option 1 – This is the option delivered through the decision set out in this decision record.

Option 2 - Only make payments for claims against actual travel – this is considered likely to leave operators/providers vulnerable to business failure.

Option 3 – Make targeted payments based on a judgement of vulnerability to failure – this is considered to risk challenge as financial information necessary to make such a decision is likely to be commercially sensitive and difficult to access in the time needed to ensure the decision has the desired effect.

**Decision:**

- Pay operators from the 2020/21 **concessionary travel** budget the same as they would have expected to receive for Q1 April – June, irrespective of whether journeys are taken.
- Pay **Community Transport** providers their expected grants for Q1 April - June.
- Pay operators for the **service contracts** in place, irrespective of whether these are operated, again for a limited period to end of June.
- Payments to be offered immediately to provide certainty of cash flow, subject to the acceptance of conditions set out in background document.
- Review further payment position ahead of Q2 2020/21.

**Consultation:** The option/decision set out was recommended by Peter Mann, Head of Strategic Transport Integration. The Combined Authority Mayor was consulted on 19 March 2020 and consulted Mayors, Leaders and unitary authority Chief Executive Officers on 20 March 2020 who were fully supportive of the decision.

**Officer making decision:** Patricia Greer

**Position:** Chief Executive

**Report / appendices / background documents:**

- a. Background document - Subsequent to the decision being made, the Department for Transport wrote to Local Authority Transport Officers on 25 March 2020 urging them to continue these payments. The letter is enclosed.
- b. Background document – Letter sent to operators.

**OFFICER DECISION RECORD**

<b>Decision title: Adult education – protecting learner continuity and provider stability</b>
<b>Decision reference number:</b> 01.03.20
<b>Decision date:</b> 27 March 2020
<p><b>Background / reason for decision:</b></p> <p>This decision was taken in light of the COVID-19 pandemic and the very difficult challenges this presents to the delivery of adult education across the West of England. During this difficult time, the Combined Authority considers it is critical to maintain as much ‘normality’ and continuity of provision wherever this is possible. The Combined Authority wishes to reassure adult education providers that it will take all reasonable steps to ensure continuity of learning where this is possible, and to protect the stability of the provider base.</p> <p>This is an emergency decision taken in light of the COVID-19 pandemic. The West of England Combined Authority constitution allows the Chief Executive of the Combined Authority in cases of urgency or emergency, to take any decision on behalf of the Combined Authority (after consultation with the Mayor). This decision has been taken under this provision.</p>
<p><b>Options considered:</b></p> <p>Option 1 – This is the option delivered through the decision set out in this decision record.</p> <p>Option 2 – Not to take action – this was considered inappropriate and inadequate as a response in light of the COVID-19 situation. It is considered that not taking action at this point would seriously threaten the stability of the region’s adult education provider base.</p>
<p><b>Decision:</b></p> <p>In response to the current challenges, the Combined Authority (WECA) confirms the following:</p> <ol style="list-style-type: none"> <li><b>1. Payments:</b> WECA will continue to pay providers in line with their current payment profile (as set out in the Grant Funding Agreements) for the remainder of the academic year unless the provider asks WECA, in writing, to do otherwise. Some providers have already verbally indicated that they would like payments to be frozen. If this remains the case, providers are asked to confirm this in writing as soon as possible.</li> <li><b>2. In-year reconciliation:</b> WECA will not seek to recover any funding as a result of the mid-year review process that was completed in February 2020 and the further review process scheduled to take place in April / May will not proceed.</li> <li><b>3. End-of-year reconciliation:</b> WECA is not yet in a position to fully confirm the authority’s intentions regarding any potential end-of-year reconciliation of funding as this will depend on</li> </ol>

a number of different factors. However, WECA is able to confirm that the authority does not wish any provider to be financially penalised or destabilised as a result of COVID-19 and therefore has no plans to recover funds due to under-performance that may occur as a result of the pandemic, on the condition that providers comply with the **Expectations of Providers** set out below:

WECA's position regarding end-of-year reconciliation may however be shaped by wider government interventions and support that may be accessed by providers in response to the pandemic. Whilst wishing to protect the stability of providers, the authority remains obliged to protect the public purse and therefore must avoid the risk of double-funding arising from decisions concerning end-of-year reconciliation.

WECA will continue to monitor the situation and will confirm the precise approach to end-of-year reconciliation later in the year once the actual impact on delivery and the wider context is clearer. In the meantime, providers are asked to notify the authority if they either apply for, or secure, other forms of government support that relate to COVID-19.

**Expectations of providers:**

The measures set out above are intended to protect the stability of providers during the current crisis and ensure that they are in a position to recommence normal delivery as soon as it is reasonable to do so. In exchange for these measures, providers are expected to commit to the following:

**a. Protect learners:** Although the authority is confident that this will be the case, providers are asked to make best efforts to ensure that learners are supported to continue their learning during the current disruption. This includes both supporting the retention and completion of existing learners and the recruitment of new learners where it is possible to do so (not least as this may be a highly effective means through which to support vulnerable and disadvantaged residents during the necessary isolation brought about by the COVID-19 situation).

**b. Protect staff:** The authority intends to protect the income of all providers irrespective of the current situation in order to ensure that a stable and secure network of providers is intact and able to continue delivery once normality resumes. Given this, providers are expected to take all reasonable steps to ensure that their staff (including agency staff) continue to be paid throughout the crisis and avoid lay-offs. For a provider who is exclusively funded by WECA, this should normally be entirely possible given the protections that are outlined though it is appreciated that providers funded from a number of sources may face different challenges. However, if a provider is considering any staffing changes that are likely to impact on current or future WECA delivery, this should be discussed with the authority in advance.

**c. Protect sub-contractors:** Sub-contractors are a vital component of the West of England Adult Education system and therefore the measures set out above are intended to support both directly funded providers and their sub-contractors equally. As WECA is committing to continue to pay our providers in line with their agreed profile, the authority's clear expectation is that WECA funded providers ensure that their subcontractors continue to be paid as normal.

**d. Keep WECA informed:** As the situation appears to be changing rapidly, it is important that effective communication is maintained to ensure that the authority fully understands what is happening and is therefore in a position to respond effectively. All providers should already have performance monitoring meetings scheduled. It is proposed to proceed with these meetings (via

TEAMs virtual meeting arrangements) but to predominantly focus on how providers are responding to COVID-19. Providers are also asked to complete and submit the new Monthly Claim Report and associated risk-register. This may prove to be particularly important if current challenges make it more difficult to rely on the Individualised Learner Record. To avoid the risk of double-funding it is particularly important that providers inform WECA of any applications or grants of funding from central government or other relevant organisations that may impact on their WECA adult education delivery.

**4. Allocations for 2020:** WECA remains confident that the authority will be in a position to confirm indicative allocations for 2020 on 10<sup>th</sup> April 2020 as was originally planned. The authority also expects to be in a position to continue the implementation of the 2020/21 Planning and Allocations process broadly as planned (though the authority will continue to monitor the situation and is willing to consider any reasonable adjustment that providers may request).

**Consultation:** The option/decision set out was recommended by Stephen Bashford, WECA Director of Business & Skills. The Combined Authority Mayor was consulted on 27 March 2020 and is fully supportive of the decision.

**Officer making decision:** Patricia Greer

**Position:** Chief Executive

**Report / appendices / background documents:** Guidance note sent to Adult Education providers explaining the decision taken.



**REPORT TO: MHCLG AND LGA**

**DATE: 28 April 2020**

**REPORT TITLE: WEST OF ENGLAND FINANCIAL PRESSURES**

**REPORT OF THE 5 WOE CHIEF EXECUTIVES**

### **Purpose of Report**

- 1 The West of England has been very proactive in responding to the current emergency Covid arrangements, retaining critical front-line services, supporting vulnerable people within our communities and facilitating emergency support for local businesses.
- 2 Financial support provided by government to date has been on an emergency, reactive basis to sustain continuity, wherever possible, over the early weeks of lockdown. However, the wider, and longer term, financial impact for the region will be hugely significant.
- 3 This report focuses on the estimated financial impact on the regional economy, alongside the predicted loss of income and increase in spend for local authorities across the West of England. Figures are based on 2020/21 estimates however, in reality, the financial impact will spread over several years to come. Case studies are provided to evidence the sort of issues that the region is facing and recommendations have been made as to the type of support that the region will require from government moving forward.

### **Background and issues**

4. Restrictions were introduced by government throughout the country, as part of the lock down arrangements, from 20 March 2020. Clearly the financial impact of these restrictions on the public sector are hugely significant.
5. £1.6bn has been distributed to Local Authorities to date, mainly to fund additional burdens on social care. In addition, funding has been provided for emergency grants to businesses and hardship funding for vulnerable people. A second allocation of £1.6bn was announced on 18 April 2020 although details of the distribution have yet to be clarified.
6. High level indications are that the additional funding that government has provided or accelerated will only sustain operations for a short-term period of time, at best, up to June 2020. In addition, there are huge pressures on local

authorities cashflow due to the immediate impact of direct falls in income and increases in costs.

### Impact on the West of England Economy

7. The short, medium and long term impact of Covid on the West of England economy is difficult to quantify at this stage. A recent survey of Bristol businesses indicated that circa 70% have had to temporarily close their premises, whilst 57% can evidence a drop in revenues of more than 80%.
8. Effects in the labour market are visible with 124 West of England businesses appointing liquidators since the end of February 2020. The estimated unemployment within the region, post Covid, will be at its highest level in decades.
9. The Office for Budget Responsibility, (OBR), analysis indicates that regional Gross Value Added, (GVA), will be down by 36% in the second quarter of 2020, with future recovery uncertain. For a region with a successful track record of delivering sustainable economic growth and pioneering innovation, we are now facing unprecedented challenges in terms of stabilising and reinvigorating the local economy.
10. Certain sectors are particularly impacted as can be demonstrated in *Figure 1*

**Figure 1: Visits and lengths of stay data:**



11. The manufacturing and construction industry - which includes the region's aerospace and advanced engineering sector - has seen some activity halted due to social distancing measures; less demand for orders; and supply chain issues.
12. Early findings from the manufacturing barometer survey, organised by the South West Manufacturing Advisory Service, reveal that 80% of South West manufacturers are struggling to source materials or suffering from a fall in orders. As a result, 87% expect a significant decrease in production volumes. This in turn is likely to have a knock-on effect on employment in the sector, with more than half of manufacturers taking part in the survey saying jobs are at risk.

Around half of businesses reported restrictions on exporting and importing were affecting their operations with 86% of respondents saying that they would need financial assistance.

13. There are certain sectors in the region that are in particular need of support having not benefited from the government emergency funding that has been announced to date. These include:
- Micro and small businesses: these are without separate business rates liabilities and unable to access grants;
  - Businesses exceeding thresholds under Small Business Rate Relief or Expanded Retail, Leisure & Hospitality Relief: arbitrary thresholds are seeing businesses lose out on support grants despite meeting most of the criteria for the scheme;
  - Co-working providers and incubators: concerns for survival of flexible office space providers if tenants do not get sufficient business support;
  - Start-Up Businesses: often without a proven track record or initial debt preventing them from accessing business interruption loans;
  - Leisure & Cultural Facilities: heavy fixed costs and no access to business support grants;
  - Charities: gap in support for non-frontline facing charities.

*The government should consider creating a hardship loan fund (to be 100% underwritten) to support businesses falling through the gap or that cannot be sustained in line with the HMRC delivery timescale.*

*In addition, local authorities should be able to retain any surpluses against Business Support Grants to be reinvested in targeted local short-term intervention.*

14. The region will require significant, sustainable long-term additional finance in order to recover the existing downward trend in the economy. The Combined Authority will work with neighbouring Unitary Councils to support local organisations in areas such as diversification of business operations and helping to improve resilience through innovation and digitalisation.

***Significant revenue funding will be required by the region to support local businesses through recovery post Covid.***

15. In addition to direct support for businesses, there is a significant financial risk in terms of the predicted delivery of business growth within the region. Being part of a CityDeal arrangement with government since 2014, the West of England had been forecasting significant growth which, in turn, would generate

additional retained business rates supporting a £500m Economic Development Fund programme up to 2039. Details of how the current arrangements operate, and the risks that are now being faced are shown in **Appendix A**.

*Government to underwrite the City Region Deal, in full, and remove the financial risk of the economic downturn from the Unitary Authorities.*

### **Impact on Local Authorities**

16. All local authorities are under enormous pressure in managing the public services that people are increasingly reliant on, support the most vulnerable people in our communities and hold information that keeps local people safe and informed.
17. The existing emergency allocation of £1.6bn to local authorities has majored strongly on supporting additional social care costs. £30.1m of this funding has been allocated to the four Unitary Councils in the West of England. The government announced a further £1.6bn allocation on 18 April 2020 but, as yet, it is unclear as to how this will be distributed.
18. The Covid-19 national emergency is having a significant impact on adult social care providers at a time when their services are most needed by the most vulnerable. Not only do they face operational issues in relation to staffing absences, controlling the spread of infection, PPE, testing and additional responsibilities, these factors are also causing pressing concerns about increasing costs and financial viability.
19. In accordance with guidance issued by the LGA, councils across the WoE have all recently agreed to a temporary uplift in care fees which is likely to have long term financial impacts beyond the immediate emergency period. The financial pressure in the South West is further heightened by the sheer volume of people within the care system and whereas the South West currently has the lowest regional Covid death rate, the peak, whilst lower, is likely to last longer and therefore have a longer lasting impact on our community settings. Further detail, along with estimated financial impacts, are shown in **Appendix B**.

*Government will need to ensure that long term, sustainable funding solutions for social care are enacted in the forthcoming Spending Review.*

20. Government funding to date has focused on the immediate and critical areas requiring support. The West of England region has undertaken detailed scenario testing on a range of income and expenditure headings forecasted throughout the 2020/21 financial year with the impacts as summarised in *Figure 2*.

**Figure 2: 2020/21 Estimated Financial losses by WoE Unitary Councils**

	Low Case £000	Medium Case £000	High Case £000
Council Tax losses	(48,932)	(57,095)	(67,174)
Business Rates losses	(16,413)	(21,148)	(50,914)
Commercial income	(20,315)	(23,409)	(39,794)
Car Park Income	(14,210)	(20,200)	(31,181)
Museums (e.g. Roman Baths)	(11,793)	(20,021)	(24,164)
Other income	(27,541)	(47,478)	(63,507)
Undeliverable budget savings	(7,401)	(14,608)	(20,889)
Emergency Response spend	(50,269)	(67,162)	(70,392)
<b>Lost income / extra costs:</b>	<b>(196,874)</b>	<b>(271,121)</b>	<b>(368,015)</b>
Offset by:			
Hardship funds received	8,901	8,901	8,901
Covid Emergency Funding	30,176	30,176	30,176
Emergency Funds 2 <sup>nd</sup> tranche	tbc	tbc	tbc
Local mitigation enacted	21,253	34,914	48,596
<b>Total mitigation:</b>	<b>60,330</b>	<b>73,991</b>	<b>87,673</b>
<b>Net Loss to the WoE Region:</b>	<b>(136,544)</b>	<b>(197,130)</b>	<b>(280,342)</b>

21. It remains very difficult to predict how COVID-19 will develop and specifically impact on the public sector. There is a wide range of plausible financial scenarios which are dependent on how the virus evolves. We have modelled three scenarios based on varying assumptions of **longevity** and **severity** as follows:

**Low / Optimistic case** - this outlook / forecast assumes a negative shock in the first quarter, with normalisation graduated in the second / third quarter. This could be followed by a strong rebound in the fourth quarter; however the rebound in the fourth quarter will not be enough to offset the first, second and third quarter losses.

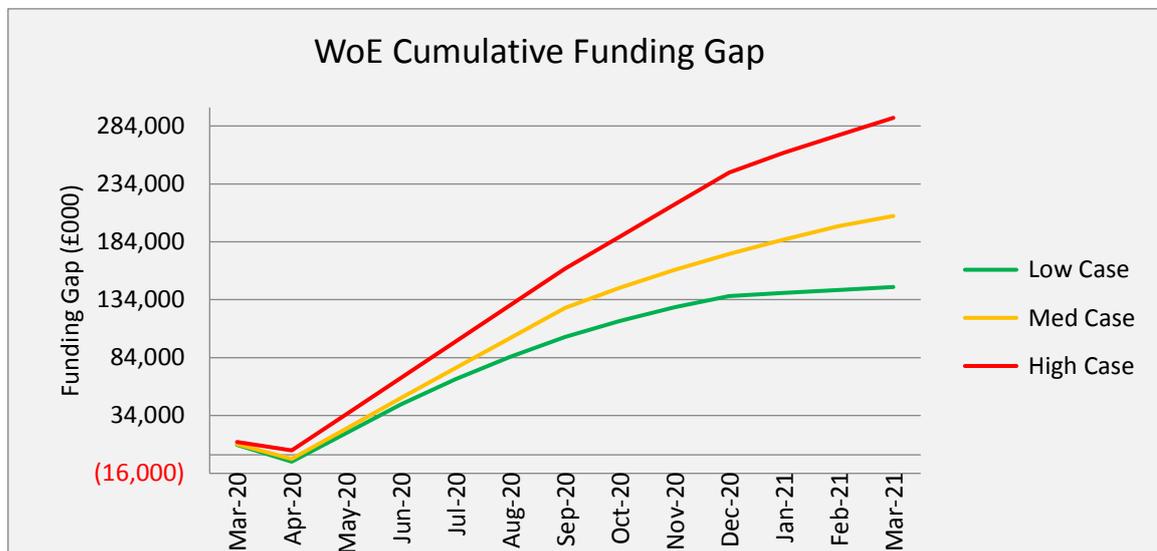
**Medium / Realistic case** - this outlook / forecast assume economic activity and direct impact on public services have not recovered as quickly as forecasted in the low case. The negative shock is experienced over two-quarters and the

downturn becomes a more traditional and longer-lasting downturn with a slower recovery over third and fourth quarter.

**High / Pessimistic case** - this outlook / forecast assumes a dramatic negative shock and low economic activity prolonged for 3 quarters due to concerns about a second wave of contagion and following a 6 month graduated recover, rebound is not anticipated until quarter two 2021.

22. The loss of local authority income due to the government directed restriction is no different in cause than those effecting private businesses, which are receiving financial support to mitigate the impact via a range of measures.
23. *Figure 2* demonstrates that having received circa £39m of emergency funding, financial losses across the West of England will range between £136.5m and £280.3m without further government support as detailed in *Figure 3*. These estimated losses are net, having accounted for proactive local mitigation through measures such as:
  - Targeted reduction in service spend;
  - Stopping and/or delaying the delivery of capital projects;
  - Use of financial reserves;
  - Increases in temporary borrowing to support cashflow.

**Figure 3: Estimated Financial Losses across the West of England 2020/21**



24. The data applied in this analysis is a realistic assessment based on current factors and is reasonable in terms of forecast. For example, Council Tax collection rates forecasted to drop to 90%, (high case scenario), for the remainder of the 2020 calendar year with a slow upturn from 2021 compared to budgeted levels of 95% throughout the year. Falls in Council Tax is the biggest single pressure to the region's Unitary Authority income streams. **Appendix C**

provides further insight as to why, and how, this pressure will materialise over the coming months.

*Government to consider a Council Tax Support Grant which could be calculated on similar principles to the historic Council Tax freeze grants and mitigate COVID related adverse variations in the Council Tax base and collection rates.*

25. Each West of England Council has disproportionate pressures in different areas. For example, Bristol are particularly exposed to Council Tax losses and hardship claims whereas Bath and North East Somerset, (BaNES), face huge financial losses on their commercial estate and tourism attractions such as Bath's Roman Spa. **Appendix D** details how commercial income losses are impacting the region which, for BaNES alone will amount to circa £30.5m in 2020/21.
26. Analysis of income compared to budget size from Council Government returns evidence that both Bristol and B&NES are in the top five income generating Unitary Authorities in the UK, with B&NES the highest in the Country which exacerbates the challenges that the region faces.

*Government to consider an income equalisation grant which offsets the net reduction in commercial income during the recovery period.*

27. The region has a detailed analysis which underpins all of the amounts as detailed in *Figure 2* which will be updated on a monthly basis as more information is gleaned from regular monitoring and actual spend and income received.
28. Other than direct losses in income and enforced increases in spend, the West of England also faces pressure in terms the timing of income received vs emergency requirement to spend. Authorities in the 100% business rate retention pilots do not pay a central share and, as such, the three-month deferral of central share payments announced by the government to ease cash-flow burden will provide no cash flow relief.

*Government should consider deferrals of tariff payments for those 2020/21 100% business rate retention pilots making contributions back to MHCLG and/or*

*Introduce a short-term interest free loan, with payment holiday to ease cash flow challenges.*

### **Impact on Combined Authority operations**

29. The West of England Combined Authority, (WECA), will play a vital role in supporting the local economy and businesses through recovery in response to the current downturn and known, and developing, challenges faced. As detailed, significant funding will be required to re-skill and re-equip individuals, businesses and specific sectors into new markets, supply chains and ways of working

30. In addition to business, WECA took on responsibility for a range of new transport functions from April 2020. The key financial pressure that the Combined Authority faces in this area is the sustainability of key bus operators. Whereas emergency funding from the Department of Transport has recently been announced to maintain essential bus services up to June 2020, with current patronage in the region currently running at 8%, (and falling), of budgeted levels, the recovery to expected usage levels, (with associated income), will take many months if not years.
31. Bus operators are faced with several on-going fixed costs such as the maintenance, insurance and fuelling of vehicles, salaries of drivers etc with only minimal income being received. As bus routes are transitioned into being re-opened after lockdown, the requirement to maintain social distancing alongside the public's anticipated fall in confidence in public transport over the medium term will cause major financial shortfalls.

*Significant additional revenue funding will be required in the region to support the medium to long term sustainability of bus operators post Covid.*

### **The need for greater flexibility to respond to local need**

32. Enforced delays to the delivery of capital projects, short term cashflow issues through immediate drops in income and requirements for emergency spend and added pressures on essential front line services such as social care will require a more flexible approach to public sector funding. The West of England suggests that government considers the following additional measures to ensure that authorities can remain responsive and pragmatic in delivering priority local services whilst continuing to support, and grow, a healthy local economy:
  - A 12 month extension to the hard deadline, of 31 March 2021, for the spend of Local Growth Fund;
  - A 12 month extension to the hard deadline, of 31 March 2023, for the spend of Transforming Cities Fund;
  - A 12 month extension to all Housing Infrastructure Fund projects;
  - Relaxation of the current constraints, and interest rates, of Public Works Loans Board (PWLB) borrowing – particularly borrowing required to support essential revenue activities;
  - Provide greater flexibility in the use of capital receipts – i.e. enable capital receipts to be used for essential revenue spend in response to the pandemic;
  - Provide early assurances on the Spending Review 2020 including whether changes to the Local Government Finance System will be able to proceed from 1<sup>st</sup> April 2021 as originally anticipated.

## **Summary of the West of England recommendations / 'asks' from government:**

- (a) To consider creating a hardship loan fund, (to be 100% underwritten), to support businesses falling through the gap or that cannot be sustained in line with the HMRC delivery timescale,*
- (b) Local authorities should be able to retain any surpluses against Business Support Grants to be reinvested in targeted local short-term intervention.*
- (c) Significant additional revenue funding for the region is required to support local businesses through recovery post Covid;*
- (d) Government to underwrite the City Region Deal, in full, and remove the financial risk of the economic downturn from the Unitary Authorities;*
- (e) Ensure that long term, sustainable funding solutions for social care are enacted in the forthcoming Spending Review;*
- (f) To consider a Council Tax Support Grant which could be calculated on similar principles to the historic Council Tax freeze and mitigate COVID related adverse variations in the Council Tax base and collection rates;*
- (g) To consider an income equalisation grant which offsets the net reduction in commercial income during the recovery period.*
- (h) Consider deferrals of tariff payments for those 2020/21 100% business rate retention pilots making contributions back to MHCLG and/or  
Introduce a short-term interest free loan, with payment holiday, to ease cash flow challenges;*
- (i) Significant additional revenue funding will be required in the region to support the medium to long term sustainability of bus operators post Covid;*
- (j) To extend the deadline for when spend needs to be incurred on Housing Infrastructure Fund, Local Growth Fund and Transforming Cities Fund projects by 12 months;*
- (k) To relax the constraints and interest rates for PWLB borrowing – particularly when needing to borrow to fund essential revenue activities;*
- (l) Provide greater flexibility in the use of capital receipts for essential revenue spend in response to the pandemic.*
- (m) Provide early assurances on the Spending Review 2020 including whether changes to the Local Government Finance System will be able to proceed from 1<sup>st</sup> April 2021 as originally anticipated.*

**Appendices:**

Appendix A: City Region Deal and Economic Development Fund;

Appendix B: Adult Social Care Financial Pressures

Appendix C: Covid Impact on Council Tax;

Appendix D: Visitor Economy and income generation

**AUTHOR: MALCOLM COE (DIRECTOR OF INVESTMENT &  
CORPORATE SERVICES (WECA))**

**S151 OFFICERS – WOE COUNCILS**

Bath & North East Council



Will Godfrey CEO Bath & North East Somerset

27 April 2020

Bristol City Council



Mike Jackson CEO Bristol City Council

27 April 2020

North Somerset Council



Jo Walker North Somerset Council

27 April 2020

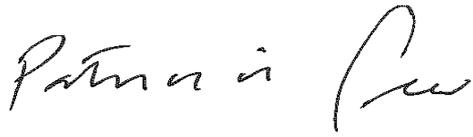
South Gloucestershire Council



Dave Perry CEO South Gloucestershire Council

27 April 2020

West of England Combined Authority

A handwritten signature in black ink, appearing to read 'Patricia Greer'. The signature is fluid and cursive, with the first name 'Patricia' and the last name 'Greer' clearly distinguishable.

Dr Patricia Greer CEO West of England Combined Authority

27 April 2020

### **COVID – West of England Financial Impact: City Region Deal and Economic Development Fund (South Glos)**

#### **Background**

The City Region Deal between the four West of England Unitary Councils and the Government was set up in April 2014. It allowed the four authorities to keep all of the income generated from business rates growth across five Enterprise Areas and an Enterprise Zone over a 25 year period. Three of the Enterprise Areas are located in South Gloucestershire at Filton, Emersons Green and Severnside, making up approximately 50% of the Deal.

The Deal was intended to unlock millions in extra income to be reinvested in economic growth and jobs in South Gloucestershire, Bath, Bristol and North Somerset. The forecast business rates growth over the 25 years was intended to support a £500m investment programme which in turn should generate additional economic growth and jobs for the region and Treasury.

The City Region Deal (CRD) Pool collects business rate income from the various areas and distributes it back to the authorities to fund the borrowing and interest costs of capital schemes. These schemes are approved through the Economic Development Fund (EDF) administered by the LEP. Should the CRD fail to collect sufficient business rates in terms of quantum and / or timing, planned schemes will need to be cancelled and / or the councils will have to fund any shortfall.

As well as funding the Economic Development Fund, the Deal makes payments back to each local authority to ensure they are no worse off than they would have been in the national scheme if there was no pooling arrangement. Outside of this 5/6<sup>th</sup>s of the growth funds EDF up to £500m and 1/6<sup>th</sup> comes back to the authorities to provide support for the demographic pressures arising from the investments. These amounts are included in each councils' MTFPs to fund expected demographic pressures factored into financial plans. For South Gloucestershire, these amounts are several million per annum.

Schemes such as flood mitigation works at Avonmouth & Severnside are funded from EDF and are enablers to much of the anticipated business rates growth to create jobs and economic uplift.

#### **Impact of COVID**

COVID is having a huge impact on the national economy and within the West of England initial projections indicate a 40% decline in South Gloucestershire's GVA being the highest decline of the 4 WoE UAs (North Somerset – 37%, BANES – 35%, Bristol – 33%).

Given that South Gloucestershire makes up c. 50% of the forecast business rates growth, and is experiencing the highest drop in GVA across the WoE, this would indicate that there is a significant risk to the sustainability of the City Region Deal.

The loss of business rates across the whole of local government is a huge concern as businesses struggle to survive in a contracted economy. SGC on its own makes a tariff payment each year of circa £80m and has seen its Net Rates Payable of £135m for 20/21 reduced by £81m from the expanded retail and new nursery discounts. In South Gloucestershire, the rates within the CRD amounted to nearly £19m forecast in 20/21 and now reduced by c. £9m for the new reliefs. Should these businesses and others fail to survive COVID the impact on the West of England will be catastrophic. It is likely that the growth anticipated in the CRD will fail to materialise following COVID given the contraction in the economy and forthcoming recession.

### **Assessment**

This will mean that the EDF will need to be fully reviewed and the spending plans of approved capital schemes re-considered given the UAs will not be in a position to financially underwrite schemes should the business rates fail to materialise in time. The schemes are all designed to increase economic growth as well as stimulating significant investment in local and national supply chains which in turn provides net contribution to the Treasury. This will be crucial for the country's long-term recovery and at this point appears extremely tenuous.

### **Government Ask**

That Government underwrite the City Region Deal in full and remove the financial risk of the economic downturn from the UAs protecting both the "no worse off" position in the original agreement, the demographic growth already built into financial plans and the £500m investment programme.

## North Somerset Council – Financial Pressures on Adult Social Care

The Covid-19 national emergency is having a significant impact on adult social care providers at a time when their services are most needed by the most vulnerable. Not only do they face operational issues in relation to staffing absences, controlling the spread of infection, PPE, testing and additional responsibilities, these factors are also causing pressing concerns about increasing costs and financial viability.

Councils across the West of England recognise these pressures and are committed to stabilising the market and supporting providers in many ways, but, in particular through a temporary uplift in fees, which are in addition to the inflationary uplifts that have already been agreed.

In accordance with guidance issued by the LGA, councils across the WoE have all recently agreed to a temporary uplift in fees, which are illustrated below; some involve a flat rate increase which is differentiated on the basis of care type and some have chosen a % increase.

This, however, represents a significant cost to councils, which is illustrated below and, over time, along with the ongoing costs of securing PPE, will use up a significant proportion of the Councils' allocation of the £1.6bn, with no room to address other substantial costs pressures and loss of income.

In addition, whilst we will be clear with providers that this is a temporary uplift, it is inevitable that this will create an expectation amongst the market that this increase will be permanent and will be the first step towards more sustainable funding for the sector. Illustrations of the impact of more permanent increases in fees is also shown below.

Authority	Approach to temporary uplift	Estimated Cost per Month	Estimated Gross Cost per Annum of a blanket (and permanent) increase in fees of:			
			2%	3%	5%	10%
		£000s	£000s	£000s	£000s	£000s
Bath & North East Somerset	10% advance payment of normal monthly payment to provider (cashflow only). DPs on a case by case, Day Services to apply for supplier relief, any amount agreed will be based on circumstances and case by case.	369	1,155	1,732	2,887	5,773
Bristol	£100 / week addition to care homes fees; £1 / hour addition to domiciliary care fees; 5% increase in DPs	1,120	3,073	4,609	7,682	15,363
North Somerset	£100 / week addition to care homes fees; £1 / hour addition to domiciliary care fees; 5% increase in DPs	624	1,666	2,499	4,165	8,329
South Gloucestershire	10% increase to care homes and domiciliary care fees: DP currently being dealt with on a cases by case basis but estimated to be additional 5%	727	1,745	2,618	4,363	8,735

## Bristol City Council – Council Tax COVID Impact

### 1. Background

- 1.1. Bristol City Council like many councils set its budget and Council Tax for 2020/21 with a 3.99% increase (1.99% for general requirements plus 2% specifically for adult social care). Having to increase Council Tax in order to achieve a balanced budget was very much a last resort after income generation and asset utilisation had been optimised. The Council's budgeted income from **Council Tax is £226 million and represents 57% of the net budget requirement (£395m)**. The income is critical in providing the platform for the Council to deliver essential services to residents, with an emphasis on protecting the young, the elderly and the most vulnerable.
- 1.2. We now face fresh financial challenges as a result of coronavirus pandemic that could not have been predicted when we set budgets in February 2020. The loss of local authority income due to government restriction is no different in cause than those effecting private businesses. This point is captured in more depth in the main body of the report and Appendix B and this case study seeks to only outline the severity of income reductions and cash flow challenges associated to reductions in Council Tax income.

### 2. COVID Impact & Assessment

- 2.1. Local authorities are not immune to the rapidly intensifying economic effects of COVID-19 and are experiencing extraordinary losses because of the response to the pandemic and the effects of the measures taken to deal with it. For Bristol, reductions in Council Tax income is the largest single income loss and forecasted to be circa. £18.3 million (and £47.4m for the West of England (WOE) (Bristol, Bath and North East Somerset Council (B&NES), South Gloucestershire and North Somerset); as a whole).
- 2.2. There are statutory calculations in respect of Council Tax and it is not the intent to repeat those here but to focus on the following 3 material elements and model the impact of those changes on the original forecast:
- Changes in housing growth numbers
  - Council Tax reduction scheme for working age adults
  - Collection rate changes
- 2.3. **Residential Housing Growth** - A pause in construction activity is being experienced as housebuilders down tools due to the Covid-19 restrictions. This will undoubtedly lead to a drop in new home completions in 2020/21. The full impact of the hiatus depends on the duration of current movement restrictions and on economic conditions once these are lifted. The consensus among economic forecasters is that the housing disruption will be relatively short-lived and indeed, developers are still pursuing planning opportunities. On that basis, we anticipate

**a timing delay on the completion of 429 units (decrease of 25%)** in original budget forecast of completion of new homes to reflect restrictions during Q1 2020. This will result in a **Band D equivalent variation of £0.753m.**

2.4. **Council Tax Reduction (CTR) Scheme** - As businesses close to help prevent transmission of COVID-19, financial concerns and job losses are one of the early impacts of the virus. This in turn, affects many people, typically the least well-paid and those self-employed or working in informal environments in the gig economy or in part-time work with zero-hours contracts. Government measures announced intended to safeguard jobs, guarantee wages and support the self-employed have reduced but not fully mitigated the impact.

2.5. The recent figures released from the Department for Work and Pensions, showed that an additional 1.2 million people registered for Universal Credit from when the lockdown was first signaled to April 7 (43% on 2.8 million in January 2020). In the first seven weeks of response the Council has processed 3,700 changes to circumstances request, applicable to the CTR scheme **and received 2,420 (17%) new claims for CTR from working age adults and are forecasting that this increase will reach 30%** for the financial year. Bristol is one of a small number of authorities with a fully funded CTR scheme and as such this increase would result in a **Band D equivalent variation of £12.2m.**

2.6. **Collection Rates** - In times of uncertainty we are guided by our corporate values. We know that the situation among many of our residents has changed. The arrears are still there and new debt will accrue, but payment propensity may have gone. Council Tax comprises a large proportion of overall household bills and we have introduced the following temporary guidelines to help customers in difficult financial situations.

We will:

- Provide assistance to anyone experiencing difficulty in making payments and subject to individual negotiations, make alternative arrangements that may include rescheduling or deferral of payment.
- Not take any new recovery action if residents are temporarily unable to pay Council Tax.
- Postpone new debt recovery action for anyone falling into Council Tax arrears.

2.7. It is estimated that the downturn and measures above will see annual collection rates in Bristol fall from 98.5% to 95.9% (2.6 % decrease) with a further financial reduction of £5.5 million. This is modelled in table 1 below based on actual activity in the first 3 weeks of 2020/21 on all non automated / direct payment methods.

**Table 1 – Council Tax Collection Rates**

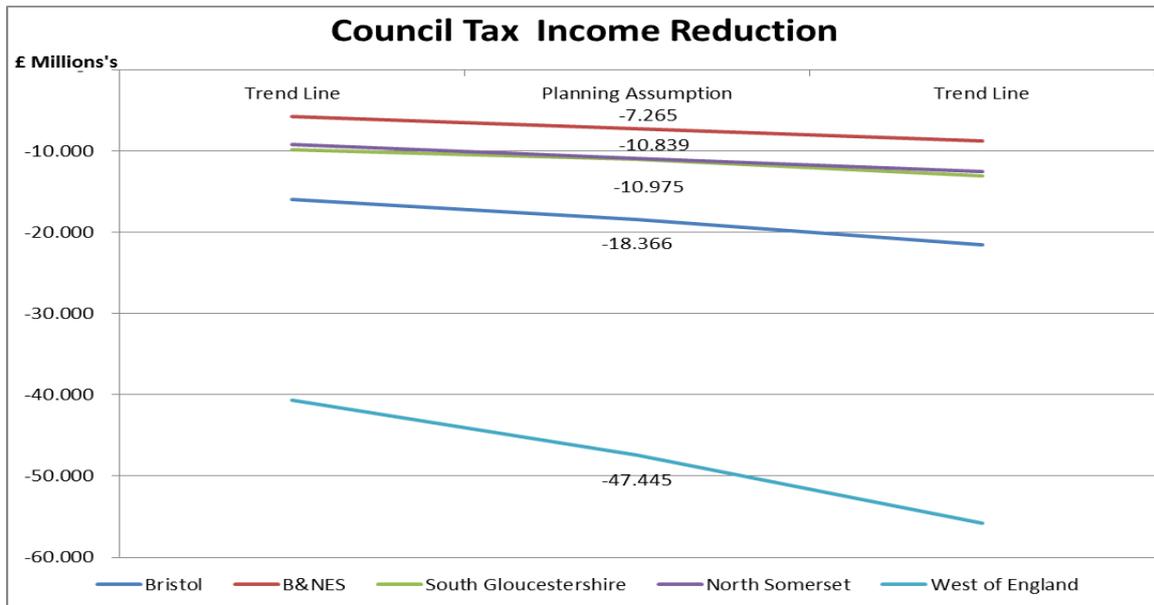
Ref	Receipt Type	1st Apr to 21st 2019	1st Apr to 21st 2020	Variation
		Adj. Rates 3.99%		
		£	£	£
99	Receipt	1,029,921	787,986	(241,935)
AOE	Receipt AOE payments	1,074	304	(770)
AL	Allpay Post office	2,513,056	1,715,151	(797,905)
BL	Receipt - Enforcement Agent Payment	152,301	53,110	(99,191)
DD	Direct Debit	17,880,621	17,996,757	116,135
DL	Dss payments	13,199	15,999	2,800
IC	Receipt - Internet credit card payment	342,664	338,066	(4,598)
ID	Receipt - internet debit card payment	2,314,704	2,235,875	(78,829)
KC	Scancoin Kiosk Card Payment	53,305	8,823	(44,482)
KG	Scancoin Kiosk Cash Payment	26,005	8,624	(17,381)
KQ	Scancoin kiosk cheque payment	11,326	4,150	(7,176)
MD	Receipt- Manual DataLoad - Paye.Net	179,686	143,971	(35,715)
NL	Bank Payment	115	34	(81)
NN	Bank Payment	209,561	171,033	(38,528)
PO	Receipt - Post Office Payment	83	0	(83)
TC	Receipt - Telephone credit card payment	79,858	80,637	780
TD	Receipt - Telephone debit card payment	683,938	605,760	(78,179)
		2019 adj. Rates	1st Apr to 21st 2020	Variation
	<b>Total Payment</b>	<b>25,491,417</b>	<b>24,166,279</b>	<b>(1,325,137)</b>
	Payment at Risk (excl.DD&DSS)	7,597,596	6,153,524	(1,444,073)
	% payment at Risk	29.80%		
	Rate of Payment at Risk	-19.01%		
	Multiplied Risk	-5.66%		
	<b>Apply Part year effect</b>	<b>-2.57%</b>		

2.8. The collation of the movements in the three areas outlined above are summarised in table 2 at a loss in income of £18.3 million. The scale of this reduction equates to average £142.85p per household (2020/21 baseline) in Bristol and if all other areas of the budget remained unchanged, for context would have meant a further Council Tax increase of some 8.48% (in addition to 3.99% already applied) to enable a balanced budget to be achieved without impacting on service delivery.

**Table 2: Bristol City Council - Council Tax Impact - Summary**

Bristol Council Tax - Impact Assessment - Summary	Original Dwellings	Forecast Dwellings	Dwelling Variations	Change in assumptions	Band D Annual CT £
	Number of	Number of	Number of		1,758
Total Dwellings (starting Oct 12 CTB1)	202,682	202,682	0		
Exempt Dwellings and Single person other similar discount incl. Empty homes	(23,982)	(23,982)	0		
Local Council Tax Support	(26,904)	(34,976)	(8,071)	30% increase assumed based on 17% actual increase over the past 7 weeks	
Adjusted Base Dwellings	151,796	143,724	(8,071)		
Band D Eqvl Dwellings	130,981	124,017	(6,965)	Band D Eqvl Ratio 86.29%	
Adjustment per CBT 1 (contributions in lieu)	18	18	0		
<b>Total Band D Eqvl Dwellings</b>	<b>130,999</b>	<b>124,034</b>	<b>(6,965)</b>	This change is solely due to Local Council tax support change	<b>(12,245,667)</b>
Adjustment due to Student properties not recorded in CTB1 and long term Empty property	(2,190)	(2,190)	0		
Adjustment for anticipated growth	1,715	1,286	(429)	Assume 75% Growth will be achieved against originally planned	(753,863)
<b>Revised Tax Base Dwellings</b>	<b>130,524</b>	<b>123,131</b>	<b>(7,393)</b>		<b>(12,999,529)</b>
Collection Rate change	98.50%	95.93%	-2.57%	See Debt Collection Assumptions for Detail	(5,561,530)
Collectable Tax Base	128,566	118,121	(10,445)		<b>(18,366,066)</b>
CT Income	226,055,099	207,689,033	(18,366,066)		
Budget Requirement Change in CT Band D Eqvl Rate (in addition to approved increase of 3.99%)				8.48%	

2.9. The scale of this income loss when extrapolated across the WOE region is £47.4 million and is broken down by authority area in table 3 below.



Council Tax Income Reduction	Trend Line	Planning Assumption	Trend Line
	£m	£m	£m
Bristol	- 15.974	- 18.366	- 21.515
B&NES	- 5.744	- 7.265	- 8.778
South Gloucestershire	- 9.773	- 10.975	- 13.065
North Somerset	- 9.185	- 10.839	- 12.475
<b>West of England</b>	<b>- 40.675</b>	<b>- 47.445</b>	<b>- 55.833</b>

2.10. It should be noted that the Council Tax analysis does not take into account timing and we have focussed on analysing the income collected in-year. Clearly, for local taxation streams, the deficits created in 2020/21 will significantly impact cash flows in 2020/21 and be recognised in 2021/22 budgets. This would result in some truly unpalatable decisions in budget setting in relation to critical services that are still likely to be transitioning to recovery and extra government financial assistance will be needed to avoid this.

### 3. Conclusion

3.1. We will continue to pass full payment to preceptors – Police / Avon Fire & Rescue to minimise wider cash flow impact, however urgently need government support to be able to continue to protect frontline services, deliver more cost-effectively, take a prominent role in supporting economic growth in the region and push forward with our ambitious regeneration plans that will help to bring forward high-quality development and create jobs and lead the way to a sound economy.

### 4. Government Asks

4.1. Recognise the severity of the overall financial and cash flow impact on local authorities.

4.2. **Cash flow** - Authorities in the 100% business rate retention pilots do not pay a central share and as such the 3-month deferral of central share payments announced by the government to ease cash-flow burden will provide no cash flow relief. An alternative short term loan with payment holiday and no interest could be considered to ease cash flow challenges for authorities in 100% business rate retention pilots.

4.3. **Income loss** - A commitment from government that it will compensate local authorities for income losses.

4.4. **Income loss** - Consider a Council Tax Support Grant which could be calculated on similar principles to the historic Council Tax freeze grants which would mitigate COVID related adverse variations in the Council Tax base and collection rates.

## Bath and North East Somerset Council (B&NES), Visitor Economy and Income generation

### Background

Alongside its neighbours, the Council has developed its financial strategy to promote the region and develop its Visitor Economy. This attracts people to visit, live and work and spend money in B&NES and, through the Council's income generation, helps fund critical Council services such as Childrens and Adults Social Care.

Both B&NES and Bristol are in the top five of income generating Councils when comparing commercial income generated to budget size. The Council's 2020/21 net budget is £118m, however this is reliant on net income of £32.6m from three areas, Commercial Estate (£15.2m), Parking (£7.7m) and the Roman Baths Museum (£9.7m).

In simple terms at least 22% of the Council's budget is funded from income generated through the Visitor Economy.

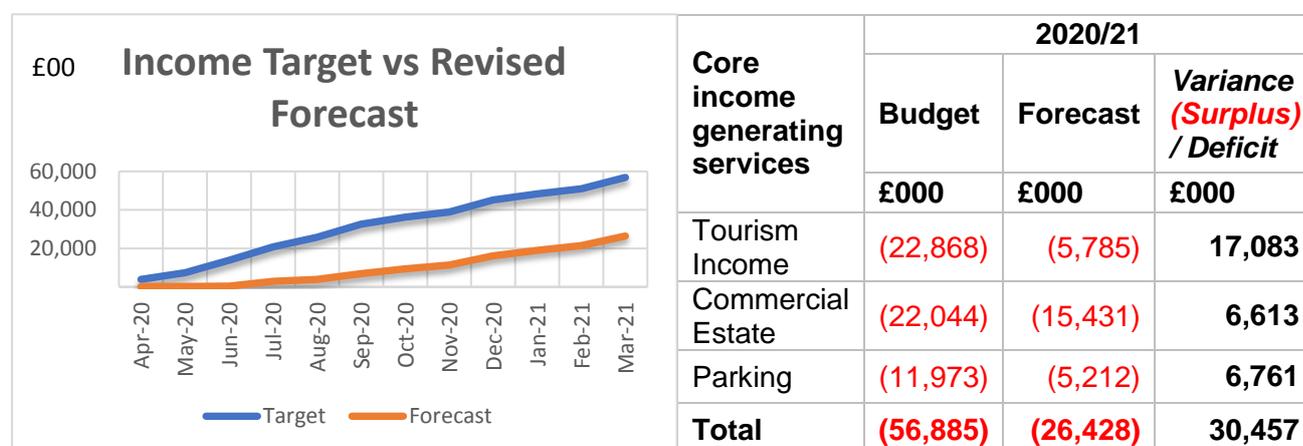
### The issue

As a result of Covid-19, the national lockdown and social distancing measures the Council made the decision to close the Roman Baths and it's Heritage Services on the 18<sup>th</sup> March, and shortly after the lockdown we stopped parking charges and enforcement to enable key workers to safely travel and park.

### The Impact

The financial impact on our revenue budget is illustrated below from a six-month period of little income generation and a gradual recovery, it is assumed commercial rent income will continue be paid, however we are anticipating a 30% fall in gross rental income. This does not include the additional impact of a reduced business rates base that will come from business closures.

Headline: We are projecting a year end **£30.5m** shortfall against our income budget.



Without in year mitigation this will have a significant year end impact requiring all the Council's £13.5m unearmarked reserves and depletion of future years financial planning and other reserves. It should also be noted that the council is experiencing pressures across social care services, council tax and business rates income as well as general spend on services etc. which are included within the main body of this report for wider context.

## **Financial Management Options**

*It is assumed that the current government offer of the Covid-19 grants will be fully committed on new Covid-19 expenditure pressures and supporting the Social Care provider market.*

### **Option 1. Downsize Services**

Without government support the Council will have to contract its services to recover from the in-year deficit and risk on future years base budget, to manage this would require significant service reductions with the Council providing essential statutory services and cutting most non-priority discretionary services. This approach will not aid economic recovery in the region and will result in the loss of revenue income generating assets as disposals will be required to fund up front costs to deliver savings through the flexible use of capital receipts.

### **Option 2. Sustain & lead the recovery – Government Ask**

To enable a longer-term economic recovery, it is critical for B&NES and the South West to become open for business which will require putting in measures to sustain its services and support businesses to continue trading alongside promotion and investment in the region to attract local and international visitors. This will require a Council recovery plan to manage costs and prioritise the recovery of key services. However, this is not financially manageable without further government support in the form of an income equalisation grant i.e. a grant which offsets the net reduction in commercial income to the Council after mitigation measures during the recovery period.

### **Option 3. Do nothing**

This will result in a S114 notice as the Council will deplete reserves and not be able deliver a balanced budget.

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The West of England Combined Authority (WECA) covers Bath & North East Somerset, Bristol and South Gloucestershire. WECA also supports the Local Enterprise Partnership and the Joint Committee, which includes North Somerset.