

19 JUNE 2020

REPORT SUMMARY SHEET

WECA & MAYORAL BUDGET OUTTURN: APRIL 2019 – MARCH 2020

Purpose

To present the revenue budget financial outturn information for WECA and the Mayoral budget for the financial year 2019/20 based on data for the period April 2019 to March 2020.

Summary

This report includes the following key information:

Mayoral budget:

- **Appendix 1** details the Mayoral Fund's forecast outturn revenue position for the 2019/20 financial year, which, overall, is **£762k** lower than the original budget. This is due to rephasing of spend on the Bristol Temple Meads Masterplan project during the year. As this project is funded by grants which are carried forward, the net position remains balanced;
- 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.

WECA revenue budget:

- **Appendix 2** details WECA's estimated outturn revenue position for the 2019/20 financial year, which, overall, is a net surplus of **£551k** due to higher than budgeted returns on investments;
- There was an overspend of £175k on revenue transport activities in year which has been reduced through allocating a specific transport reserve of £98k. WECA will carry forward the net overspend of £77k and offset against the previously approved £200k transport smoothing reserve in 2020/21;
- Spend on specific projects is forecast to be £13.7m lower than originally budgeted which is due mainly to the timing, and planned use, of grant funding received. £9.8m relates to high streets funding which will be carried forward to 2020/21;
- The WECA General Reserve, as at 31 March 2019, was £989k, rising to £1.089m through a budgeted contribution in 2020/21. The revenue position for WECA remains volatile whilst core operating costs are funded through temporary sources such as Mayoral Capacity Fund and Business Rates Retention pilot share;
- Early indications are that income generated through the Business Rates Retention pilot in 2020/21 will be significantly short.

Impact of Covid-19 pandemic

The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic. Specific issues relating to the Covid-19 situation that impact on, or are addressed through, this report are as follows:

- a. In terms of budget monitoring information, there is very little impact from the Covid 19 pandemic on the authority's management accounts for 2019/20;
- b. However, there will be impact on 2020/21 revenue budgets as activity is re-prioritised and re-focused on supporting economic recovery. There is particular concern regarding the achievability of business rates growth targets which will directly impact on a significant proportion of WECA's core operating revenue. Activity, and corresponding budgets, will be kept under regular review over the coming months.

Recommendations

Members of the Combined Authority Committee are asked to:

- a) Note the Mayoral Fund revenue outturn as detailed in Appendix 1;
- b) Note the WECA revenue outturn as detailed in Appendix 2;
- c) Approve the carry forward of £77k net overspend against the 2019/20 revenue transport levy in to 2020/21 to be set against the Transport smoothing reserve;
- d) Approves the transfer of £500k from the 2019/20 revenue surplus to a specific reserve to address the estimated shortfall of business rates retention in 2020/21;
- e) Approves the transfer of £51k from the 2019/20 revenue surplus into the WECA General Reserve.

Contact officer: Malcolm Coe

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REPORT TO: WECA COMMITTEE

DATE: 19 JUNE 2020

**REPORT TITLE: WECA & MAYORAL BUDGET OUTTURN APRIL 2019
– MARCH 2020**

**DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT AND
CORPORATE SERVICES**

AUTHOR: MALCOLM COE

Purpose of Report

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

Impact of Covid-19 pandemic

- 2 The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic. Specific issues relating to the Covid-19 situation that impact on, or are addressed through, this report are as follows:
 - (a) In terms of budget monitoring information, there is very little impact from the Covid 19 pandemic on the authority's management accounts for 2019/20;
 - (b) However, there will be impact on 2020/21 revenue budgets as activity is re-prioritised and re-focused on supporting economic recovery. There is particular concern regarding the achievability of business rates growth targets which will directly impact on a significant proportion of WECA's core operating revenue. Activity, and corresponding budgets, will be kept under regular review over the coming months.

Recommendations

The WECA Committee:

- a) Notes the Mayoral Fund revenue outturn as detailed in Appendix 1;
- b) Notes the WECA revenue outturn as detailed in Appendix 2;

- c) Approves the carry forward of £77k net overspend against the 2019/20 revenue transport levy in to 2020/21 to be set against the Transport smoothing reserve;
- d) Approves the transfer of £500k from the 2019/20 revenue surplus to a specific reserve to address the estimated shortfall of business rates retention in 2020/21;
- e) Approves the transfer of £51k from the 2019/20 revenue surplus into the WECA General Reserve.

3. Background / Issues for Consideration

- 3 The WECA Financial Regulations require that the WECA Committee considers the revenue monitoring position at regular intervals throughout the financial year.

4. Mayoral Fund Revenue Budgets

- 4.1 **Appendix 1** details the Mayoral Fund's forecast outturn revenue position for the 2019/20 financial year, which, overall, is **£762k** lower than the original budget. This is due to rephasing of spend on the Bristol Temple Meads Masterplan project during the year. As this project is funded by grants which are carried forward, the net position remains balanced.
- 4.2 The re-profiled spend of £2.1m on priority transport infrastructure feasibility studies, across all financial years, is detailed in *Figure 1*.

Figure 1: Infrastructure Feasibility Projects

Priority Infrastructure Feasibility Studies	17/18 £000	18/19 £000	19/20 £000	20/21 £000	Total £000
East of Bath Strategic Link	20				20
Bristol Temple Meads Masterplan		460	355	1,185	2,000
Wraxall Roundabout			97		97
Other			12		12
Total	20	460	464	1,185	2,129

- 4.3 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.

5. WECA Revenue Budgets

- 5.1 **Appendix 2** details WECA's estimated outturn revenue position for the 2019/20 financial year, which, overall, is a net surplus of **£551k**. The main points to note are:

Transport Levy

- 5.2 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.

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

- 5.3 **Appendix 3** details the Surplus / Deficit on the Integrated Transport spend for 2019/20 by Unitary Authority. The combined deficit for the region is £175k with summary variances detailed in *Figure 3* below:

Figure 3: Transport Levy 2019/20 out-turn position

Authority	2019/20 Levy £000s	2019/20 out-turn £000s	(Surplus) / Deficit £000s
B&NES	4,104	3,877	(227)
BCC	7,912	8,199	287
SGC	2,566	2,681	115
Total	14,582	14,757	175

- 5.4 Accounting for a specific transport reserve of £98k, which was created through end of year adjustments, there is a residue net regional overspend of **£77k** which WECA will carry forward and offset against the previously approved £200k transport smoothing reserve (created from Treasury Management surpluses).
- 5.5 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 new financial year.
- 5.6 In the event of any underspending, against the transport levy, in 2020/21, B&NES will be refunded up to 100% of the surplus of £227k that they returned in 2019/20. Any residue surplus beyond this amount would be paid back into the WECA transport smoothing reserve to address future variations in demand and/or costs.

Variations on Project Spend

- 5.7 Spend on specific projects is forecast to be **£13.7m** lower than originally budgeted which is due mainly to the timing, and planned use, of grant funding received as detailed in *Figure 4*:

Figure 4: Variations in spend on Specific Projects

Project Spend	£000s
Reduction in Adult Education Budget following the government announcement of the WECA grant allocation.	(2,546)
Re-phasing of the investment funding (£10m) to regenerate High Streets.	(9,820)
Various grants, (including Mayoral Capacity, Housing Capacity and Future Bright.	(497)
Use of reserves previously approved for Homelessness, Apprenticeship Grants for Employers and Future Mobility	274
Rephasing of previously approved Investment Fund (revenue) as per WECA Committee	(1,140)
Net Reduction in Project spend budget	(13,729)

Income variations

- 5.8 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.
- 5.9 The outturn 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

- 5.10 An income budget of £820k was set in relation to the interest that WECA earns from investing cash balances held. As previously reported, 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.
- 5.11 The out-turn position is a treasury surplus of **£1.221m** in excess of the set revenue budget for 2019/20 which is consistent with the figure as reported in March 2020. Committee have approved spend of £250k against this surplus to date. 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

- 5.12 There have been £640k of approved drawdowns against reserves in 2019/20 as detailed in *Figure 5*.

Figure 5: Drawdown from Earmarked Reserves

Transfer from Reserves	£000s
Re-imburement to BANES for 2018/19 transport levy surplus	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
Homelessness	91
Apprenticeship grants	94
Transfer from Reserves	640

- 5.13 The WECA General Reserve, as at 31 March 2019, was £989k, rising to £1.089m through a budgeted contribution of £100k in 2020/21. The revenue position for WECA remains volatile whilst core operating costs are funded through temporary sources such as Mayoral Capacity Fund and Business Rates Retention pilot share.
- 5.14 In addition to the temporary nature of the income stream, the level of Business Rate Growth has slowed down in the region, even prior to the Covid situation, which is bound to have a devastating impact on future growth projections. Early indications are that WECA's 5% share of the business rates retention pilot, budgeted at £1.2m per annum, might be as much as £500k short in 2020/21 with larger shortfalls in subsequent years.
- 5.15 Although there is no explicit guidance on the appropriate level of unearmarked financial reserves that an authority should retain, general practice suggests that these should be in the region of 5% of annual net revenue budget. WECA's revenue budget for 2020/21, as approved by Committee on 31 January 2020, is £53.0m against which 5% would represent **£2.65m**. As such, WECA's current reserve holding is proportionately low.

It is recommended that the 2019/20 end of year surplus of **£551k** is allocated to:

- (a) £500k to create a specific reserve for business rates retention shortfalls in 2020/21 and
 (b) £51k added to the General Reserve as detailed in *Figure 6*

Figure 6: WECA General Reserve	£000
WECA unearmarked Reserve balance as @ 31 March 2019	-989
Transfer to General Reserve as approved in 19/20	-100
2019/20 surplus to be transferred to reserves	-51
WECA General Reserve as @ 1 April 2020	-1,140

Specific Grants

- 5.16 WECA continues to attract a variety of specific grants and funding through several different sources. The revenue budget for 2020/21 and Medium-Term Financial Forecast, as approved in January 2020, set out all revenue budgets and anticipated spend up to the period March 2023.
- 5.17 There are a number of unspent grant balances, and spending approvals against reserves, as at 31 March 2020, that will be carried forward into earmarked reserves, and fully utilised, in 2020/21 as detailed in *Figure 7*

Figure 7: Grant and spending approval balances to be c/f to 2020/21

Transfer to 2020/21 Earmarked Reserves	£000s
Brexit Grant	182
Housing Capacity Fund	457
M9 – Combined Authority grant income	137
Mayoral Capacity Fund	152
Programme Management Office	250
No. 17 bus route – Southmead Hospital to Keynsham	57
Transport Levy Smoothing Reserve *	123
Levy shortfall	20
Transfer to Reserves	1,378

* *The transport smoothing reserve reduced from £200k by the residue £77k regional overspend on transport operations for 2019/20*

Summary Revenue Budget position for WECA

- 5.18 The overall outturn performance of the WECA budget is a **£551k** surplus position which is due to higher income received from cash balances.
- 5.19 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

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

Other Options Considered

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

Risk Management/Assessment

- 8 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

- 9 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.

- 9.1 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.

- 9.2 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.

- 9.3 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

- 10 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

- 10.1 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:

- 11 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:

- 12 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:

- 13 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 Outturn

Appendix 2: WECA Revenue Outturn

Appendix 3: Revenue Transport Levy out-turn

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

APPENDIX 1

Mayoral Fund April to March 2019/20			
	Budget £'000s	Outturn £'000s	Variance £'000s
EXPENDITURE			
Staff	172	169	(3)
Supplies & Services			
Premises Services	12	11	(1)
Support Services	12	16	4
Supplies & Services	15	10	(5)
Mayoral Election - Transfer to Reserve	396	396	0
Feasibility Studies	1,221	464	(757)
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	18,469	(759)
Total Expenditure	19,400	18,638	(762)
INCOME			
Business Rates Retention Pilot	17,572	17,572	0
Funding Contribution from WECA	1,828	1,066	(762)
Total Income	19,400	18,638	(762)
NET TOTAL - Under / (Over) Spent	0	0	0

APPENDIX 2

WECA Fund April to March 2019/20			
	Budget £'000s	Outturn £'000s	Variance £'000s
EXPENDITURE			
Core Staff	1,390	1,388	(2)
Project Staff	1,942	1,940	(2)
Staff	3,332	3,328	(4)
Supplies & Services			
Premises Services	215	185	(30)
Support Services	215	265	50
Supplies & Services	55	116	61
Total Supplies & Services	485	566	81
Project Spend	26,737	13,008	(13,729)
ICT Implementation	0	208	208
Transport Functions			
Concessionary Fares	12,445	12,622	177
Community Transport	1,690	1,690	0
Bus Real Time Information	602	502	(100)
Total Transport Functions	14,737	14,814	77
Contribution to Mayoral Fund	1,828	1,066	(762)
Transfer to Reserves	100	1,478	1,378
Total Expenditure	47,219	34,468	(12,751)
INCOME			
Transport Levy	14,737	14,582	(155)
Business Rates Retention Pilot	1,212	1,204	(8)
Government Grants	15,501	13,083	(2,418)
Investment Fund Grant	14,949	3,368	(11,581)
Interest on Balances	820	2,041	1,221
Other Income	0	101	101
Transfer from Reserves	0	640	640
Total Income	47,219	35,019	(12,200)
NET TOTAL - Under / (Over) Spent	0	551	551

APPENDIX 3

Analysis of Levy and Transport Commission to Constituent Councils

	Budget 2019/20				2019/20 Outturn			
	Concessionary Fares Levy	Bus RTI Levy	Community Transport Levy	Total	Concessionary Fares	Bus RTI	Community Transport	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
B&NES	3,532			3,532	3,350			3,350
BCC	6,763			6,763	7,093			7,093
SGC	1,995			1,995	2,122			2,122
B&NES		193		193		148		148
BCC		275		275		232		232
SGC		134		134		122		122
B&NES			379	379			379	379
BCC			874	874			874	874
SGC			437	437			437	437
Total	12,290	602	1,690	14,582	12,565	502	1,690	14,757

