

29 January 2021

REPORT SUMMARY SHEET

COMBINED AUTHORITY BUDGET 2021/22 AND MEDIUM TERM FINANCIAL FORECAST

Purpose

To consider and approve a revenue budget for the West of England Combined Authority for 2021/22.

Summary

This report includes the following key information:

- The proposed WECA budget for 2021/22 is set out at **Appendix 1**.
- Monitoring against the WECA budget is reported to each meeting of the WECA committee. The current forecasted outturn position for the 2020/21 financial year is detailed in **Appendix 2**.
- Treasury management returns continue to perform well with a projected surplus of £800k in 2020/21 but future returns will be challenging due to the historically low interest rates.
- WECA's revenue budget is made up of four main components, core revenue funding, specific grants, a transport levy for defined services and approved investment fund schemes. This report provides an updated Medium-Term profile, and financial outlook, across all of these areas.
- Certain element of WECA funding such as Mayoral Capacity fund, Housing Capacity Fund and 100% Business Rates retention (pilot) remain volatile and are only secure for 2021/22;
- A 2% uplift on the transport levy is recommended for 2021/22 bringing the total levy to £19.5m and a £2m recharge from North Somerset Council;
- A standard overhead rate of 36.4% per FTE will be applied in 2021/22 consistent with the rate approved by committee in January 2020;
- The WECA General Reserve is currently £1.2m which is 2.1% of the proposed WECA revenue budget of £56.7m for 2021/22

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 relevant to this report are

- (a) There will be an impact on 2021/22 revenue budgets as core activity, and investment funding, is re-prioritised and re-focused on supporting ongoing economic recovery;

- (b) There is particular concern regarding the achievability of business rates growth targets which will directly impact on a proportion of WECA's core operating revenue through the 100% business rates retention pilot;
- (c) Concessionary fare payments to bus operators have been made in line with budgeted profile throughout 2020/21 to maintain continuity of service, along with contract payments for supported bus services and payments to community transport providers.
- (d) Payments to Adult Education providers have also been made in line with budgeted profile to maintain stability of the provider base.

Recommendations

The Combined Authority Committee is asked to:

1. Approve a Transport Levy to the constituent councils of **£19.5m** for 2021/22, with a recharge of £2m applied to North Somerset Council, as detailed in Figure 6.
2. Approve the allocation of £200k from the 2020/21 surplus Treasury Management income to the delivery of the ICT Programme of works.
3. Approve the surplus above 2021/22 base budget on Treasury Management income to be transferred to a treasury management reserve to cover the risk of capital losses, volatility of future income returns and lower interest rates payable in future years.
4. Approve the detailed WECA budget for 2021/22 as detailed in Appendix 1.
5. Note the WECA revenue outturn Position for 2020/21 as detailed in Appendix 2.

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