

28 January 2022

REPORT SUMMARY SHEET

MAYORAL AND COMBINED AUTHORITY BUDGET 2022/23 AND MEDIUM-TERM FINANCIAL FORECAST

Purpose

To consider and approve a revenue budget for the Mayoral functions and the West of England Combined Authority for 2022/23.

Summary

This report includes the following key information:

- The proposed CA budget for 2022/23 is set out at **Appendix 1**.
- Monitoring against the CA budget is reported to each meeting of the CA committee. The current forecasted outturn position for the 2021/22 financial year is detailed in **Appendix 2** showing an estimated surplus of £507k at year end.
- Treasury management returns continue to perform well in 2021/22 but future returns will be challenging due to the historically low interest rates.
- There is a projected underspend on transport operations in 2021/22 with a recommendation to move this surplus into a specific earmarked reserve to meet with the anticipated increase in costs for the first half of the 2022/23 financial year.
- The CA'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 elements of the CA's funding such as Mayoral Capacity fund and 100% Business Rates retention (pilot) remain volatile and are only secure for 2022/23.
- It is recommended that the transport levy 2022/23 remains at the same level as that applied in 2021/22 being a 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 2022/23 consistent with the rate applied for the last two years as approved by committee in January 2020.
- The CA General Reserve is currently £1.9m which is 2.9% of the proposed CA revenue budget of £64.9m for 2022/23. A 'Reserves Policy' which details the approach for managing both CA and LEP financial reserves is detailed as Appendix 6.
- The 2022/23 Mayoral budget is detailed as Appendix 4. Overall drawdown from the CA Investment Fund to deliver the Mayoral functions remains at £645k which is the same as applied in 2021/22.
- The estimated 2021/22 out-turn for the Mayoral budget is detailed in Appendix 5 which indicates a balanced budget at year end.

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 2022/23 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 the Combined Authority's core operating revenue through the 100% business rates retention pilot;
- (c) The sustainability, and cost, of commercial bus routes will be kept under regular review as patronage numbers remain lower than anticipated as a result of the pandemic. Although an underspend, (against transport levy), is forecast within the 2021/22 financial year this is mainly attributable to the government's Bus Services Operator Grant, (BSOG), which will not be available for 2022/23

Recommendations

The Combined Authority Committee is asked to:

1. Approve a Transport Levy to the constituent councils of **£19.5m** for 2022/23, with a recharge of £2m applied to North Somerset Council, as detailed in Figure 6.
2. Approve 50% of surplus investment income achieved in 2021/22 to be transferred to the Treasury Management Reserve to cover the risk of capital losses and/or lower financial returns in future years.
3. Approve the Combined Authority budget for 2022/23 as detailed in Appendix 1.
4. Notes the Combined Authority forecasted revenue outturn for 2021/22 as detailed in Appendix 2.
5. Approve the Mayoral Budget for 2022/23 together with the funding contribution from the Combined Authority, (Investment Fund), budget of £645k as set out in Appendix 4.
6. Notes the Mayoral Fund 2021/22 forecasted revenue outturn as detailed in Appendix 5.
7. Notes the Financial Reserves Policy as set out in Appendix 6.
8. Approve 'opting in' to the Public Sector Audit Appointment Framework for the commissioning of external audit services for the period 2023/24 to 2027/28.
9. Approve a transfer of £384k from the 2021/22 Transport Levy to the Transport Smoothing Reserve.
10. Approve the creation, and transfer, of £950k from the 2021/22 Transport Levy to a specific earmarked reserve to fund anticipated additional costs of maintaining continuity of bus services prior to the re-tender of major bus routes in August 2022.

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