

**ITEM XX**

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

**DATE: 08 APRIL 2022**

**REPORT TITLE: WEST OF ENGLAND COMBINED AUTHORITY &  
MAYORAL BUDGET OUTTURN APRIL – FEB 2022**

**DIRECTOR: RICHARD ENNIS, INTERIM DIRECTOR OF  
INVESTMENT AND CORPORATE SERVICES**

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**Purpose of Report**

- 1 This report presents the revenue budget financial outturn information for the West of England Combined Authority and the Mayoral budget for the financial year 2021/22 based on data for the period April to February 2022.

**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) The achievability of business rates growth targets will be kept under regular review as we move out of the pandemic. This has a direct impact on a proportion of the Combined Authority's core operating revenue budget;
  - (b) Concessionary fare payments to bus operators have been made in line with budgeted profile to maintain continuity of service, along with contract payments for supported bus services and payments to community transport providers.
  - (c) Payments to Adult Education providers have also been made in line with budgeted profile to maintain stability of the provider base.

Activity, and corresponding budgets, will be kept under regular review over the coming months with government advice and guidance taken into consideration.

## Recommendations

The West of England Combined Authority Committee:

- (a) Notes the Mayoral Fund forecasted revenue outturn as detailed in Appendix 1;
- (b) Notes the Combined Authority forecasted revenue outturn as detailed in Appendix 2;
- (c) Requests officers to undertake a risk-based assessment of reserves requirements as part of closing down the accounts for 2021/22;
- (d) Produce a paper for the next committee that reviews and forecasts the business rates position for 2022/23.

### 3. Mayoral Fund Revenue Budgets

- 3.1 **Appendix 1** details the Mayoral Fund's forecast outturn revenue position for the 2021/22 financial year based on actual information to the end of February 2022, which, overall, is £2.6m lower than the original budget due to reduced DfT Highways Capital Maintenance funding (which is passported to the constituent authorities) and election costs.
- 3.2 Since 2017/18 the funding source for Highways Capital Maintenance Grants has been the West of England Combined Authority's 100% Business Rates Retention pilot. This amount has been consistent at £17.5m for the last four financial years. The Combined Authority approved its 2021/22 budget on 29<sup>th</sup> January 2021 having received confirmation that the region's Business Rates Retention pilot would roll forward, (on a like for like basis), for one final year.
- 3.3 However, in early March 2021 the Department of Transport, (DfT), notified the Combined Authority that the region's Capital Highways maintenance funding would be reduced by 20% to £14.06m which was enacted through a negative adjustment of £3.5m to our Business Rates tariff charge for 2021/22. This reduction is in line with similar allocations across the country. The Mayoral budget for 2021/22 has therefore been amended to reflect this reduction in funding.
- 3.4 £7m in relation to Pothole Funding was received from DfT in the first quarter of 2021/22 and passported directly to the West of England (WoE) UAs on receipt.

### 4. West of England Combined Authority Revenue Budgets

- 4.1 **Appendix 2** details the Combined Authority's estimated revenue outturn position for the 2021/22 financial year based on actual information to the end of February 2022, which, overall, is projecting an end of year surplus of **£268k**. The main points to note are:

#### Transport Levy and Operations

- 4.2 The Transport Levy for 2021/22 was approved by the West of England Combined Authority Committee on 29 January 2021 at £21.455m. This revenue levy, funded by

the Unitary Authorities, reflects a 'like for like' service based on known and estimated demand for the financial year. An uplift of 2% was added to the budget to reflect projected increases in service costs and demand.

- 4.3 Since the January committee, the total levy has reduced slightly by £280k to £21.175m which reflects £252k reduced concessionary fares and £28k reduced supported bus services capacity in relation to North Somerset Council's contribution to the regional operational transport budget (accounted for through an annual recharge).

**Figure 1: Transport Levy for 2021/22**

Authority	Original 2021/22 Levy £000s	Post Jan21 committee adj. £000s	Revised 2021/22 Levy £000s
B&NES	5,194	0	5,194
BCC	10,261	0	10,261
SGC	4,014	0	4,014
<b>Total Levy</b>	<b>19,469</b>	<b>0</b>	<b>19,469</b>
NSC	1,986	-280	1,706
<b>Total</b>	<b>21,455</b>	<b>-64</b>	<b>21,175</b>

Transport operations continue to be significantly impacted through reduced patronage and amended provider routes as a result of the Covid pandemic. Government grants for supporting bus operations have been received within year although such grants are uncertain in terms of their future value and duration. At this point in time, a net £1.4m underspend, (difference between Levy income, grants received and spend), is expected in 21/22 in the areas of Concessionary Fares and Community Transport.

- 4.5 The Committee in January 2022 approved transferring the underspend in 21/22 to earmarked reserves to invest in further support to regional bus services to protect routes, particularly in rural areas and other communities not well served by public transport, during 2022/23.
- 4.6 With continued uncertainty surrounding future bus patronage and costs associated with re-tendering existing bus routes unknown, it is important that a reasonable reserve is maintained to manage any peaks and troughs throughout 2021/22. The contracts end in May 2022. The tender specification will reflect forecast future demand. Forecasted underspending and potential demands against the transport reserve will be regularly reviewed throughout the year with the Constituent Authority Section 151 Officers kept fully appraised.

#### **Variations on Project Spend**

- 4.7 Since the budget was set, various Investment Fund revenue schemes have been reviewed and rephased over financial years with a revised three-year revenue forecast for all investment fund projects detailed in **Appendix 3**.
- 4.8 In year spend on Government funded projects is forecasted to be **£2.7m** higher than originally budgeted with the main variations being various new approved projects which have been added since the budget was approved in January 2021 and increase in AEB as detailed in **Appendix 4**.

- 4.9 £4.1m revenue has been awarded to the Combined Authority by DfT to prepare for the significant five-year City Region Sustainable Transport Settlement. The profile of spend for this funding is still being worked through and will be added to the revenue budget once concluded.

### Adult Education Budget

- 4.10 Final figures for the Adult Education Budget for the West of England Combined Authority were announced subsequent to setting the 2021/22 revenue budget with an extra £1.4m for the financial year which has been targeted, and fully deployed, against priority areas of adult education provision. This will fund 15,000 to 25,000 learners to address gaps in education and training to provide skills in order to progress into employment and positive progression.

### Interest on Balances

- 4.11 An income budget of £1.03m was set in relation to the interest that the Combined Authority earns from investing cash balances held. Whereas interest rates have dropped to record low levels over recent months, through a number of 'forward deal' investments and longer-term placements in property and equity funds, we continue to significantly out-perform this income target. The forecast position for 2021/22 is a treasury surplus of **£0.5m**.
- 4.12 At the January 2022 West of England Combined Authority Committee, approval was obtained that 50% of surplus investment income achieved in 2021/22 be transferred to the Treasury Management Reserve to cover the risk of capital losses and/or lower financial returns in future years.

### Drawdown from Reserves

- 4.13 Drawdowns from earmarked reserves of **£1,567k** are included in the forecast income for 2021/22 as detailed in *Figure 2*.

**Figure 2: Drawdown from Earmarked Reserves**

<b>Transfer from Reserves</b>	<b>£000s</b>
Earmarked Reserves as at - 1 April 2021	15,641
Central overhead apportionment 20/21	80
Accommodation Project	35
ICT	200
Website Design and Delivery	98
Mayoral Capacity Funding 18/19 & 19/20	305
Brexit Funding	94
M(Mayoral)10 contributions	108

Housing Capacity Funding	647
Forecast Earmarked Reserves as at - 31 March 2022	14,074

- 4.14 The Combined Authority General Reserve, as at 31 March 2022, is expected to be £2.363m which is 4.2% of the 2021/22 revenue budget. The future revenue position remains volatile whilst core operating costs are funded through temporary sources such as Mayoral Capacity Fund and Business Rates Retention pilot share.
- 4.15 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 the annual net revenue budget. The Combined Authority's revenue budget for 2021/22, as approved by Committee on 29 January 2021, is £56.7m against which 5% would represent **£2.8m**. As such, our current reserve holding is respectively low and we will continue to review opportunities for further contributions in line with the Reserves Policy which was approved by Committee on 28 January 2022.
- 4.16 Business Rate Growth has slowed down in the region, even prior to the Covid situation, which will have a negative impact on future income projections. The Combined Authority's share of the business rates retention pilot is 5%, budgeted at £1.2m for 2021/22 which is unlikely to be achieved. Although the committee approved a drawdown of £400k against the Business Rates Retention Reserve in January 2021, the cumulative impact of actual rates received in the region along with government tariffs indicate that we could incur a shortfall of circa £686k by the end of the current financial year. The Combined Authority's business rates retention share is dependent on the actual returns of the individual constituent authorities which have been further complicated over the last 18 months due to various Covid related government grants received as compensation for business rate income losses.

### Specific Grants and Reserves

- 4.17 The West of England Combined Authority continues to attract a variety of specific grants and funding through several different sources. The revenue budget for 2021/22 and Medium-Term Financial Forecast, as approved in January 2021, set out all revenue budgets and anticipated spend up to the period to March 2023.

### Summary Revenue Budget position for West of England CA

- 4.18 The overall forecast position for the Combined Authority revenue budget for 2021/22 is a **£268k** surplus at year end which is mainly due to higher income received from investing cash balances. However, this forecast does rely on a drawdown of £400k against the business rates reserve to partially address specific income shortfalls in this area.

### Consultation

- 5 Consultation has been carried out with the Monitoring Officer, Chief Executives, and S151 Officers across the three constituent authorities. Regular meetings are held with the Finance Directors across the region in terms of material financial matters.

## **Other Options Considered**

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

## **Risk Management/Assessment**

- 7 This report forms a core part of the West of England Combined Authority'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**

- 8 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.

- 8.1 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.

- 8.2 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.

- 8.3 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**

- 9 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

- 9.1 The criteria applied for the drawdown of investment funding incorporates the impact that any proposed project will have on climate change. Spend on infrastructure projects 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:**

- 10 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: Richard Ennis, Interim Director of Investment & Corporate Services

**Legal Implications:**

- 11 This report monitors how the Combined Authority and the Mayoral Fund are performing against the financial targets set in January 2021 through the Budget setting process in accordance with the West of England Combined Authority Order 2017 and the Combined Authorities Financial Order 2017.

Advice given by: Stephen Gerrard, Interim Strategic Director - Legal Services

**Human Resources Implications:**

- 12 All spend on staffing is within the budget and resources as approved by the West of England Combined Authority 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:** West of England Combined Authority Revenue Outturn

**Appendix 3:** Revised 3-year forecasted revenue spend on Investment Fund projects

**Appendix 4:** Variations in spend on Government Funded Projects.

**West of England Combined Authority Contact:**

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## APPENDIX 1

### (West of England) Combined Authority Mayoral Outturn 2021/22

	Budget 2021/22 £'000s	Outturn 2021/22 £'000s	Variance £'000s
Staff	211	155	(56)
Premises	13	12	(1)
Support Services	10	10	0
Supplies & Services	15	15	0
	<b>249</b>	<b>192</b>	<b>(57)</b>
Election Costs including contribution to election reserve	396	1,089	693
Drawdown from Election Reserve	0	252	252
<b>Mayoral Revenue Expenditure</b>	<b>645</b>	<b>1,533</b>	<b>888</b>
<b><u>Contribution to Highway Grants</u></b>			
Integrated Highway	5,183	5,224	41
Highway Maintenance Grants	10,254	7,071	(3,183)
Highway Incentive Grants	2,135	1,768	(367)
	<b>17,572</b>	<b>14,063</b>	<b>(3,509)</b>
<b>Total Expenditure</b>	<b>18,217</b>	<b>15,596</b>	<b>(2,621)</b>
<b><u>Income</u></b>			
Business Rates Retention Pilot	17,572	14,063	(3,509)
Funding Contribution from CA	645	645	0
Reserves	0	888	888
<b>Total Income</b>	<b>18,217</b>	<b>15,596</b>	<b>(2,621)</b>

## APPENDIX 2

### (West of England) Combined Authority Revenue Outturn 2021/22

	Budget 21/22 £000s	Outturn 21/22 £000s	Variance £000s
<b><u>Expenditure</u></b>			
Staff	8,098	8,346	248
Supplies and Services	6,830	10,676	3,846
Third Party Payments	43,824	55,022	11,198
Overhead	-464	-692	-228
Recharge Income	-1,727	-1,074	653
Reserve	151	646	495
<b>Total Expenditure</b>	<b>56,712</b>	<b>72,924</b>	<b>16,212</b>
<b><u>Income</u></b>			
Levy Transport Function	21,455	21,176	-279
Business Rate Retention	1,200	514	-686
Government Grants	18,720	21,389	2,669
Investment Fund	14,307	28,583	14,276
Interest on Balances	1,030	1,530	500
	<b>56,712</b>	<b>73,192</b>	<b>16,480</b>
Surplus	<b>0</b>	<b>268</b>	<b>268</b>

## APPENDIX 3

### 3-year Revenue Forecast for Investment Funded Projects

	2021/22	2022/23	2023/24	Total
	£000s	£000s	£000s	£000s
<b>Investment Fund managed by WECA</b>				
BTQ JDT	168	0	0	168
Transport Integration – strategic capacity	273	273	0	546
Mass Transit	1186	409	0	1595
Integrated Smart Ticketing	94	129	0	223
Strategic Park & Ride Outline Business Case	150	0	0	150
Bus Strategy	1026	1966	0	2992
Future Transport Zone	63	2138	1454	3655
Strategic Rail Investment	63	117	0	180
Local Walking and Cycling	36	42	0	78
Step Free Stations	197	50	0	247
10 Year Rail Delivery Plan	10	340	80	430
Bus Service Improvement Plan	537	0	0	537
Bristol to Bath Strategic Corridor	320	0	0	320
SDS/LTP Shared Evidence Base	1796	1387	803	3987
Strategic Master-Planning development	75	75	0	150
Strategic Master-planning North Fringe	90	0	0	90
Strategic Master-planning South West Fringe	219	196	0	415
Strategic Green Infrastructure	171	129	0	300
High Street Catalyst	524	278	0	802
Future Bright extension of project	1220	1200	1100	3520
Workforce for the Future (WFTF)	1102	1546	955	3603
<b>WFTF European Match funding</b>	1102	1546	955	3603
LIS Productivity Challenge	1297	1280	282	2859
Cultural Strategy	21	0	0	21
Research & Innovation Challenge Fund	92	69	23	184
Small Business Resilience Grant Programme	16	0	0	16
West of England Talent Retention Platform	95	100	5	200
Post-16 Education & Skills Delivery Inf. Analysis	50	0	0	50
Innovation for Renewal and Opportunity	612	2903	2576	6091
Digital Skills Investment Programme CQ	773	1227	0	2000
Culture and Creative Economic Fund CR	1367	633	0	2000
Community Recovery Fund	297	1203	0	1500
Energy Strategy & Climate Change	201	0	0	201
5G Logistics	137	21	0	158
WoE Visitor Economy Recovery	181	73	0	254

All Age Advice Centre Pilot	44	185	107	336
Financing	644	644	644	1932

<b>Sub Total:</b>	<b>16,249</b>	<b>20,159</b>	<b>8,984</b>	<b>45,393</b>
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	2021/22	2022/23	2023/24	Total
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
<b>Investment Fund managed through UAs</b>				
South Glos by-pass feasibility	73	0	0	73
Yate Urban Living Master-Planning	225	0	0	225
B&NES High Streets - Pilot	30	0	0	30
SGC High Streets - Kingswood	64	0	0	64
BCC High Streets - Bedminster	179	0	0	179
Freezing Hill Lane: A420 to Bath	25	0	0	25
Temple Meads Masterplan	1193	0	0	1193
Realising Talent [NEET]	197	118	0	315
South Bristol Enterprise Support and Workspace	154	195	0	349
Working Well Institute	500	0	0	500
Manvers Street Regeneration	250	0	0	250
North Keynsham Master-planning	123	0	0	123
East Fringe Master Plan	300	50	0	350
Sevenside Master Plan	200	100	0	300
Parkway Station Master Plan	250	0	0	250
Frome Gateway & City Centre	235	565	0	800
Western Harbour	155	0	0	155
Charfield Station	1658	1599	0	3257
WE Work for Everyone	491	381	17	888
WE Work for Everyone European Match	491	381	17	888
Reboot West	121	330	233	684
North Fringe Public Infrastructure Package	300	0	0	300
Milsom Quarter Masterplan	434	0	0	434
The Coach House BAME Enterprise & Social Enterprise Hub	40	57	0	97
SEND Careers Info. and Guidance Collaboration Pilot	20	0	0	20
Bristol City Centre & High Streets	865	1837	23	2725
Thornbury High Street Public Realm	200	0	0	200
Bath City Centre High Streets Renewal Project	83	48	48	179
Bottle Yard Studios - Hawkfield Business Park	75	25	25	125
Temple Quarter Regeneration Programme	470	1756	0	2226
Common Connections	0	120	103	223
<b>Investment Fund managed through third parties</b>				
South West Institute of Future Technologies	162	0	0	162
Centre for Digital Engineering Tech & Innovation	2771	856	0	3627
<b>Sub Total:</b>	<b>12,334</b>	<b>8,418</b>	<b>466</b>	<b>21,217</b>

<b>TOTAL</b>	<b>28,583</b>	<b>28,577</b>	<b>9,450</b>	<b>66,610</b>
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IF	26,990	26,650	8,478	62,118
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Match Funding	1,593	1,927	972	4,491
	28,583	28,577	9,450	66,610

## APPENDIX 4

### Government Grants

Project	Original budget	Forecast	Variation
Accommodation Project	0	23	23
Active Travel Revenue Fund	0	660	660
Adult Education Budget	15,215	17,242	2,027
Brexit Funding	49	39	-10
Bus Services Improvements	0	100	100
Business Innovation Challenge Fund - ERDF	375	150	-225
Cultural Strategy	0	47	47
E-Cycle Extension	0	248	248
Emergency Active Travel	368	368	0
Housing Capacity Fund	1,043	647	-396
M9	142	52	-90
Manifesto Implementation	0	47	47
Mayoral Capacity Fund 2018/19 Balance	349	0	-349
Mayoral Capacity Funding	1,000	1,000	0
SME Grant and Talent Retention	0	150	150
WECA Grant Management & Assurance Team	0	11	11
Western Gateway Sub-National Transport Body	180	605	425
	18,720	21,389	2,669