

**ITEM 15**

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

**DATE: 23 SEPTEMBER 2022**

**REPORT TITLE: WEST OF ENGLAND COMBINED AUTHORITY &  
MAYORAL FORECAST 2022/23**

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

**AUTHOR: SELONGE RUSSELL, HEAD OF FINANCE**

**Purpose of Report**

- 1 This report presents the revenue budget financial forecast information for the West of England Combined Authority and the Mayoral budget for the financial year 2022/23 based on data from the period April to July 2022.

**2. Recommendations**

The West of England Combined Authority Committee:

1. Review and comment on the Mayoral Fund forecasted revenue as detailed in Appendix 1;
2. Review and comment on the Combined Authority forecasted revenue as detailed in Appendix 2;

**Voting Arrangements:**

- Items 1 - 2: Decision requires majority agreement of Committee Members in attendance, or their substitutes (one vote representing each Authority) and including the West of England Combined Authority Mayor

### 3. Mayoral Fund Revenue Budgets

- 3.1 **Appendix 1** details the Mayoral Fund's forecast revenue position for the 2022/23 financial year based on actual information to the end of July 2022, which is forecasted to deliver a balanced position at year end.
- 3.2 A contribution of £346k will be made to an earmarked reserve, in line with budget, to meet the estimated costs of the next scheduled Mayoral Election in 2025, in line with common best practice by local authorities.

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

- 4.1 **Appendix 2** details the Combined Authority's revenue forecast position for the 2022/23 financial year based on actual information to the end of July 2022. The overall net revenue budget is forecasted to deliver a balanced position at year end. The main points to note are:

#### Transport Levy and Operations

- 4.2 The Transport Levy for 2022/23 was approved by the West of England Combined Authority Committee on 28 January 2022 at £19.5m, with a recharge of circa £2m applied to North Somerset Council. This revenue levy, funded by the Unitary Authorities, reflects a 'like for like' service based on known and estimated demand for the financial year.
- 4.3 A breakdown of the Transport Levy by Local Authority is indicated in Figure 1.

**Figure 1: Transport Levy for 2022/23**

<b>Authority</b>	<b>Original 2022/23 Levy £000s</b>
B&NES	5,194
BCC	10,261
SGC	4,014
<b>Total Levy</b>	<b>19,469</b>
NSC	1,958
<b>Total</b>	<b>21,427</b>

- 4.4 Prior to the pandemic, reimbursement to bus operators for accepting concessionary travel passes was based on the number of journeys made by pass-holders. With the onset of coronavirus in March 2020 and the imposition of lockdown, bus patronage fell sharply and, as part of its package of emergency support to bus operators, Government directed local authorities to continue to pay bus operators for concessionary travel based on pre-pandemic patronage levels rather than actual use.

The Government support package was modified during 2020 such that bus operators were required to operate at least 90% of their pre-pandemic mileage to qualify for full reimbursement. In respect of those who were unable to meet that threshold, local authorities were allowed to reduce reimbursement payments to reflect the actual

percentage of pre-pandemic mileage operated. These arrangements continued until March 2022.

The most recent Government guidance is to transition back to reimbursement for actual travel over the course of 2022-23. In April 2022, reimbursement was capped on 90% of pre-pandemic patronage and that percentage cap is reduced every two months until it reaches 65% in February 2023, as detailed in *Figure 3*. From the point where actual use meets the declining percentage, reimbursement will revert to actual use.

**Figure 2: Table showing the scale down of LTA pre-Covid concessionary reimbursement payments**

Month	% scale down of LTA pre-Covid concessionary payment
<b>06 April 2022</b>	<b>90%</b>
01 May 2022	90%
<b>01 June 2022</b>	<b>85%</b>
01 July 2022	85%
<b>01 August 2022</b>	<b>80%</b>
01 September 2022	80%
<b>01 October 2022</b>	<b>75%</b>
01 November 2022	75%
<b>01 December 2022</b>	<b>70%</b>
01 January 2023	70%
<b>01 February 2023</b>	<b>65%</b>
01 March 2023	65%

Whilst overall bus patronage in our region has recovered to roughly 75% of its pre-pandemic level and seems to have stabilised, bus use by concessionary pass holders has recovered to only 60% and shows little sign of further improvement at this stage.

- 4.5 The Committee in January 2022 approved transferring the underspend in 21/22 to a specific one-off 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 A forecast position of the Transport Levy is detailed in Figure 3.

**Figure 3: Transport Levy Forecast vs Budget for 2022/23**

Function	Budget 22/23 £'000s	Forecast 22/23 £'000s	Variance £'000s
Team and Operational costs	856	1,308	452
Contribution from the Authority*	0	-452	-452
Community Transport grants	1,653	1,693	40
Concessionary Fares	14,871	11,831	-3,040
Real Time Information (RTI)	412	411	-1
Supported Bus Services	3,094	8,697	5,602
Metrobus	87	87	0
Bus Information	177	175	-2
Travelwest	26	26	0

Integrated Ticketing	252	252	0
	<b>21,427</b>	<b>24,027</b>	<b>2,600</b>
<b>Additional Funding</b>			
<i>Drawdown from earmarked reserves</i>		-1,140	
<i>S106 funding**</i>		-463	
<i>BSOG Grant**</i>		-1,148	
<b>Totals</b>	<b>21,427</b>	<b>21,277</b>	
<b>Surplus</b>		<b>-150</b>	
*Overheads and Recharges			
**BSOG Grant & S106 funding are not levy related			

- 4.7 The increase in the Supported Bus Services primarily relates to price variances. 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 2022/23 and in the medium term. 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 apprised. This sits alongside the significant work on the opportunities that the Bus Services Improvement Programme and the connected City Regional Sustainable Transport Settlement will provide the region in the future.

#### Variations on Project Spend

- 4.8 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**.
- 4.9 In year spend on Government funded projects is forecasted to be **£7.5m** higher than originally budgeted with the main variations being various new approved projects which have been added since the budget was approved in January 2022 as detailed in **Appendix 4**.
- 4.10 £5.1m revenue has been awarded by DFT for 2022/23 (there is an expectation of award of £2.5m for 23/24 and 24/25. Beyond 24/25 will be subject to future spending reviews) to the Combined Authority 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.

#### Interest on Balances

- 4.11 An income budget of £1.6m 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 2022/23 is a treasury surplus of **£0.6m**.
- 4.12 A risk to Treasury management in the medium term is the potential change in accounting treatment for investments in 'pooled funds' under IFRS9. Such funds, which

include CA investments in property and mixed (equity) assets, deliver an annual revenue return through dividends. These investments are made for a long-term duration with the difference between the cost of purchasing the investment, and the notional sale price of that investment, often fluctuating due to specific market conditions. There are no immediate, or medium term, plans to sell our pooled investment assets, any changes in notional sale value are not material in our considerations. However, there is a risk that, upon the expiry of a national ‘over-ride’ arrangement in March 2023, any notional changes in capital value of our holdings would have to be accounted for annually within our revenue budget, rather than transferred to unusable reserves. As at August 2022 there has been a £1.1m fall in the total value of pooled fund assets. We would therefore need to use the Treasury Management reserve to manage the potential risk of this national accounting change in practice.

### Drawdown from Reserves

- 4.13 Drawdowns from earmarked reserves of **£1,399k** are included in the forecast income for 2022/23 as detailed in *Figure 4*.

**Figure 4: Drawdown from Earmarked Reserves**

Transfer from Reserves	£'000s
Mayoral Capacity Fund	177
Brexit Funding	82
Supported Bus Services	1140
<b>Total Reserves Forecast Drawdown</b>	<b>1,399</b>

- 4.13 The Combined Authority General Reserve, as at 31 March 2023, is expected to be c£2.4m which is 3.7% of the 2022/23 revenue budget. The future revenue position remains uncertain whilst core operating costs are funded through temporary sources such as Mayoral Capacity Fund and Business Rates Retention pilot share.
- 4.14 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. Accordingly, as per the Reserves Policy that was approved by the West of England Combined Authority Committee in January 2022 *we will continue to strive to achieve, and maintain, a Combined Authority, unearmarked, General Fund Reserve of at least 5% of net annual revenue spend*. The Combined Authority’s revenue budget for 2022/23, as approved by Committee on 28 January 2022, was £64.9m against which 5% would represent **£3.2m**. As such, our current reserve holding is respectively low, and we will continue to review opportunities for further contributions.
- 4.15 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 £0.6m for 2022/23 which is predicted not to be achieved. 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 24 months due to various Covid related government grants received as compensation for business rate income losses.

### **Specific Grants and Reserves**

- 4.16 The West of England Combined Authority continues to attract a variety of specific grants and funding through several different sources. The revenue budget for 2022/23 and Medium-Term Financial Forecast, as approved in January 2022, set out all revenue budgets and anticipated spend up to the period to March 2024.

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

- 4.17 The overall forecast position for the Combined Authority revenue budget for 2022/23 is a balanced budget forecast position as at the end of the financial year.

### **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 presented in this report takes account of known financial risks and their potential impact on the 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.

The impact of Covid has had a significant impact on the region and resulted in changes to the way CA funds have been utilised. The UK and global economy are continuing to feel the effects of Covid and broader pressures, with significantly increasing inflation rates impacting families, communities, employers and businesses and the probability of economic decline through negative growth over the next 5 quarters. A recession is defined as negative growth over 2 consecutive quarters which underlines the serious situation ahead.

In recent months the economic outlook has, as previously reported, become less positive. The Russian invasion of Ukraine and continuing international supply chain

challenges have caused a sharp increase in inflation. Residents and businesses across the region are facing significantly higher prices – inflation was 9% in the year to April 2022. The latest UK consumer price inflation figures released for August 2022 was 9.9%. Observers including the Bank of England and Office for Budget Responsibility have revised downwards their forecasts for economic growth over the next two to three years. For the Combined Authority, this both increases the costs of delivery, and shapes future priorities as the region’s challenges shift. The Bank of England has indicated their expectation that inflation will be at 13% at the end of this calendar year.

With continuing uncertainty around the national economic outlook, a review of CA funding allocations has been taking place to consider where additional budget pressures might be felt, particularly due to inflation, and to identify action that can be taken to minimise any impact of the current economic climate. This is contained as part of a separate report to the committee and will form a significant part of all committee reports for the immediate future.

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 2022 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 Forecast

**Appendix 2:** West of England Combined Authority Revenue Forecast

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

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

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**(West of England) Combined Authority Mayoral Forecast 2022/23 for the period April 2022 to July 2022:**

	<b>Budget 2022/23 £000s</b>	<b>Forecast 2022/23 £000s</b>	<b>Variance £000s</b>
<b><u>Expenditure</u></b>			
Staff	213	213	0
Supplies & Services	62	62	0
Premises	13	13	0
Support Services	11	11	0
	<b>299</b>	<b>299</b>	<b>0</b>
Mayoral Election -transfer to reserve	346	346	
<b>Mayoral Revenue Expenditure</b>	<b>645</b>	<b>645</b>	<b>0</b>
<b><u>Income</u></b>			
Contribution from WECA Investment Fund	645	645	0
<b>Total Income</b>	<b>645</b>	<b>645</b>	<b>0</b>
<b>Surplus</b>	<b>0</b>	<b>0</b>	<b>0</b>

**(West of England) Combined Authority Revenue Forecast 2022/23 for the period April 2022 to March 2023:**

	<b>Budget 2022/23 £000s</b>	<b>Forecast 2022/23 £000s</b>	<b>Variance £000s</b>
<b><u>Expenditure</u></b>			
Staff	9,646	10,104	-458
Supplies & Services (a)	9,127	12,520	-3,393
Third Party Payments (a)	48,986	63,578	-14,592
Overhead	-677	-677	-0
Recharge Income	-2,382	-1,046	-1,336
Reserves to	212	0	212
<b>Total Expenditure</b>	<b>64,912</b>	<b>84,479</b>	<b>-19,567</b>
<b><u>Income</u></b>			
Levy Transport Function	21,427	21,427	0
Business Rate Retention	600	0	600
Government Grants (b)	19,565	27,166	-7,601
Investment Fund (c)	21,553	32,289	-10,736
Interest on balances	1,600	2,198	-598
Reserve	167	1,399	-1,232
<b>Total Income</b>	<b>64,912</b>	<b>84,478</b>	<b>-19,567</b>
<b>Surplus</b>	<b>0</b>	<b>0</b>	<b>0</b>

Note:

(a) Increases are a direct result of new Government Grants and Investment Fund payments.

(b) New Approved Government Grants detailed in Appendix 4.

(c) Reprofiling and phasing of Investment Fund detailed in Appendix 3.

	2022/23	2023/24	2024/25	Total
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
<b>Investment Fund managed by West of England CA</b>				
BTQ JDT	94	0	0	<b>94</b>
Transport Integration – strategic capacity	273	0	0	<b>273</b>
Mass Transit	498	0	0	<b>498</b>
Integrated Smart Ticketing	129	0	0	<b>129</b>
Bus Strategy	1,967	0	0	<b>1,966</b>
Future Transport Zone	2,139	1,454	0	<b>3,592</b>
Strategic Rail Investment	130	50	0	<b>180</b>
Local Walking and Cycling	57	0	0	<b>57</b>
10 Year Rail Delivery Plan	340	80	40	<b>460</b>
Bus Service Improvement Plan	169	0	0	<b>169</b>
Regional Cycle Hangar	100	0	0	<b>100</b>
Bristol to Bath Strategic Corridor	1,675	0	0	<b>1,675</b>
SDS/LTP Shared Evidence Base	1,387	803	333	<b>2,524</b>
Strategic Master-Planning development	75	0	0	<b>75</b>
Strategic Master-planning North Fringe	219	0	0	<b>219</b>
Strategic Master-planning South West Fringe	329	0	0	<b>329</b>
Strategic Green Infrastructure	129	0	0	<b>129</b>
MMC / Housing Innovation / Housing Delivery Strategy	125	125	0	<b>250</b>
High Street Catalyst	290	0	0	<b>290</b>
EV Charging Infrastructure	100	0	0	<b>100</b>
Future Bright extension of project	1,411	1,100	0	<b>2,511</b>
Workforce for the Future (WFTF)	1,547	955	0	<b>2,501</b>
LIS Productivity Challenge	1,296	1023	195	<b>2,453</b>
Research & Innovation Challenge Fund	67	41	0	<b>108</b>
Innovation for Renewal and Opportunity	2,065	3,730	625	<b>6,418</b>
West of England Talent Retention Platform	100	5	0	<b>105</b>
West of England HGV Driver Training Project	160	60	0	<b>220</b>
Business Growth and Adaptations Fund	465	16	6	<b>488</b>
Digital Skills Investment Programme CQ	851	573	0	<b>1,424</b>
Culture and Creative Economic Fund CR	633	0	0	<b>633</b>
Community Support Fund	1,238	122	0	<b>1,358</b>
5G Logistics	21	0	0	<b>21</b>
WoE Visitor Economy Recovery	102	0	0	<b>102</b>
All Age Advice Centre Pilot	94	161	81	<b>336</b>
Community Pollinator Fund	135	676	647	<b>1,458</b>

Cultural Compact Start-Up Investment	220	50	0	<b>270</b>
High Streets – Strategic Review	25	0	0	<b>25</b>
Mayor’s office running costs	644	644	0	<b>1,288</b>
Climate Emergency and Capacity	39	0	0	<b>39</b>

<b>Sub Total:</b>	<b>21,338</b>	<b>11,668</b>	<b>1,927</b>	<b>34,867</b>
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	2022/23	2023/24	2024/25	Total
	£000s	£000s	£000s	£000s
<b>Investment Fund managed through UAs</b>				
South Glos by-pass feasibility	73	0	0	<b>73</b>
SGC High Streets - Kingswood	27	0	0	<b>27</b>
Realising Talent [NEET]	118	0	0	<b>118</b>
South Bristol Enterprise Support and Workspace	195	0	0	<b>195</b>
Manvers Street Regeneration	250	0	0	<b>250</b>
East Fringe Master Plan	50	0	0	<b>50</b>
Sevenside Master Plan	100	0	0	<b>100</b>
Frome Gateway & City Centre	565	0	0	<b>565</b>
Charfield Station	1,000	2,014	0	<b>3,014</b>
WE Work for Everyone	381	17	0	<b>397</b>
WE Work for Everyone European Match	381	17	0	<b>397</b>
Reboot West	330	233	36	<b>598</b>
Milsom Quarter Masterplan	91	0	0	<b>91</b>
The Coach House BAME Enterprise & Social Enterprise Hub	57	0	0	<b>57</b>
Bristol City Centre & High Streets	1,882	917	0	<b>2,797</b>
Bath City Centre High Streets Renewal Project	48	48	48	<b>144</b>
Bottle Yard Studios - Hawkfield Business Park	25	25	0	<b>50</b>
Temple Quarter Regeneration Programme	1,757	0	0	<b>1,756</b>
Common Connections	120	103	109	<b>332</b>
Bath River Line-Bristol Bath Railway Path Extension	70	0	0	<b>70</b>
B&NES Masterplanning	1,346	0	0	<b>1,345</b>
Bristol Avon Flood Strategy – Active Travel & Green Infrastructure Greenway	313	169	0	<b>482</b>
Evidence to support Transition from Spatial Development Strategy to Local Plan Making	570	330	0	<b>900</b>
LOHS Bath Local Centres	89	129	18	<b>236</b>
East Bristol Mini-Holland	79	0	0	<b>79</b>
LOHS Bath Local Centres	89	129	18	<b>236</b>
LOHS Bath Local Centres	89	129	18	<b>236</b>

Centre for Digital Engineering Tech & Innovation	856	0	0	856
<b>Sub Total:</b>	<b>10,951</b>	<b>4,260</b>	<b>247</b>	<b>15,451</b>
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<b>TOTAL</b>	<b>32,289</b>	<b>15,928</b>	<b>2,174</b>	<b>50,318</b>
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IF	32,289	15,928	2,174	50,318
Match Funding	1,927	972	0	2,898
	34,419	16,112	2,139	52,669
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## APPENDIX 4

### Government Grants

Project	Budgeted	Forecast	Variance
Business Innovation - ERDF	836	742	94
Adult Education Budget	16,364	16,692	-328
Workforce for the Future	0	1,546	-1,546
Skills Bootcamps Wave 3	0	3,300	-3,300
Multiply	0	1,344	-1,344
CRSTS	1,025	1,025	0
Supported Bus Services	0	1,147	-1,147
Western Gateway Sub-National Transport Body	180	180	0
Local Cycling & Walking	0	30	-30
Mayoral Capacity Funding	1,000	1,000	0
Combined Authority (M10)	160	160	0
	19,565	27,166	-7,601