

REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY COMMITTEE

DATE: 27 JANUARY 2023

REPORT TITLE: MAYORAL AND COMBINED AUTHORITY BUDGET 2023/24 AND
MEDIUM-TERM FINANCIAL STRATEGY

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1. Purpose of Report and Executive Summary

- 1 To consider and approve the Budget in respect of the Mayoral Functions and the West of England Combined Authority for 2023/24.
- 2 The West of England Combined Authority is still relatively young having only existed since February 2017. It has had a successful year in terms of attracting additional funding to the region. Section 2.3 of the report shows a number of these significant successes and a 256% increase in Grant Funding between 2022/23 and 2023/24 compared to an increase of 36% in staffing posts, with staffing costs reflecting the higher-cost infrastructure posts, in particular, for 2023/24. Figure 8 shows the staffing costs against the total revenue budgets for 2022/23 and 2023/24 which remain consistent at 11% year on year, notwithstanding an increase in cost per post of these additional posts. The infrastructure portfolio alone has witnessed a four-fold increase in value compared to that for 2022/23. In addition, the Skills portfolio has more than tripled from c£20m to c£60m within the last 2 years. Resources are needed to deliver the increased programme noting the much lower increase in staffing resources required compared to programme budget increases. The resources are also essential when considered against potential reductions in funding for some public bodies and may provide employment opportunities in this respect.
- 3 It is essential to recognise that the West of England Combined Authority is changing and needs to adapt to ensure that it has the skills and capacity to deliver the significant programme of work ahead for the benefits of the economy, and ultimately the residents and businesses of the region and its constituent parts. The West of England Combined Authority is looking to increase its engagement and 'step change' positively its reputation with government, business, and residents. It will work to bring even more funding into the region and not just through public

sources. It is essential that investors see the region as competent, ambitious, risk aware and effective in delivery. The amount of funding it targets will increase and we need to have a strong pipeline of investments ready for funding opportunities. The members of the Committee have already agreed through the governance report and action plan to undertake a meeting to look at the pipeline and opportunities, given the current economic conditions and the 'cost-of-living' crisis, making this is even more important.

- 4 There are various bodies that make up the public sector and it is important to recognise the differences between the West of England Combined Authority and the Unitary Councils that we are already on the journey to improve and change our working methods and relationships with. The Unitary Councils, like the West of England Combined Authority, are feeling the effects of inflation in a significant way. Whilst this year's Government funding may have been a little better than expected there has been over a decade of overall significant real terms reductions in funding for local government to deal with. Against this backdrop and some very high-profile Council financial failures it is surprising to note that England's 444 Local Authorities hold £33 billion in non-ringfenced reserves having increased by £11.1bn (50%) in the last 2 years.
- 5 Spending money effectively is even more challenging than bidding and getting it in. It is essential to resource the delivery body of the region given the complexity and importance of this delivery. Whilst there are narrow financial treasury benefits from holding cash in investments the key measure will be in effectively deploying resources at a quicker rate. It is also important to recognise that Unitary Authorities in the area will have made difficult services decisions and will be making further tough decisions as part of their budget processes, but this is a different organisation with different needs to deliver its objectives, and it is important to value this.
- 6 The West of England Combined Authority has not asked the Unitary Authorities for any additional contributions to resourcing itself. In effect the West of England Combined Authority is already delivering real cashable savings and significant cost increase avoidance to the Unitary Authorities by coming up with ways to be help with efficient service options in for example the area of supported bus services. This demonstrably underlines the benefits of a regional approach both to inward investment and solution finding. We are in the early stages of the journey to both gear up for delivery and become more efficient and effective, as there are inadequate resources to deliver a programme with such increases without the need for additional staffing resources within this budget. It is for that reason that the West of England Combined Authority will undertake further work to look at the organisational change requirements to become more effective and efficient. This must not hold back the agreement of the budget and in particular the recruitment of essential staffing resources as there is no time to waste given the economic conditions faced and delivery programme timescales ahead of us. We

need to push on with delivery or risk our reputation and returning the monies to funders.

- 7 The West of England Combined Authority is looking to make a step change in delivery. The organisation needs these changes to be fit for purpose and there are examples where there are single points of potential failure and aspects of the business that need to improve and build on improvements. It is essential that there is a robust and collaboratively constructive process to ensure that value for money is achieved in the new organisational structure and we will work robustly, collaboratively and constructively with the Unitary Authority Chief Executives to periodically test the achievement of value for money in the structure providing this improves delivery and increases pace.
- 8 The West of England Combined Authority is shifting its focus to delivery of the programmes as well as gaining additional funding for the region. Delivery of programmes needs resources. It is essential that delivery is efficient and effective. The report sets out how core funding has changed in relative terms to programme funding underlining the efficiencies of the West of England Combined Authority that is a continual focus of management. Further work will be undertaken in respect of benchmarking of the authority that will be reported back to committee in addition to working with the Unitary Authority CEO's.
- 9 Allocating funding to the priorities agreed by the Combined Committee on 1st July 2022 has been a priority with notable examples being Quantum Technology Innovation Centre, the Arena, Cycle paths, Walkways, Bristol Temple Quarter and Hydrogen Sustainable Transport Economy Accelerator. In relation to the Green Recovery Fund of £30m, helping us to tackle the Climate and Ecological Emergencies, notable projects include the Wind and Solar Community Energy projects, creation of the Great Avon Wood, creation of the Frome Valley River Nature Reserve and the creation of the West of England Retrofit Accelerator. The Combined Authority's Investment Plan for the £13.7m UK Shared Prosperity Fund and Multiply programmes has now been agreed and, alongside £9m for Skills Boot Camps delivery, represents a significant package of support to create new jobs and training opportunities. Whilst there is clearly work to do it should be noted that the Committee has made some significant and important decisions. These will help with our reputation as a region and group of authorities. It is essential that we demonstrably show improvement changes so that our reputation with government, business and investors develops and does not fall behind other regions forging ways to bring investment to their areas.
- 10 The national fiscal and economic situation is an important consideration for the Combined Authority in setting and managing its budgets. Inflation and the recession are issues that will require constant changes in working practices and programme / project reviews. The Committee will recall that an initial inflation review was undertaken on our own and Unitary Authority lead projects, but it is

already apparent that there is some over-optimism in the returns estimating an ability to deal with the inflationary impact with no additional ask. Further work will be needed in this area on an ongoing basis for some time. Again, efficiencies are being looked for in projects and identifying these is high on the agenda at the Programme Review Board meetings. These meetings include the Unitary Authority Section 151 Officers and Infrastructure Directors. The Programme Review Board is there to drive forward many complex projects and was set up at the request of the Committee.

- 11 The West of England Combined Authority operates in a competitive market for resources. The Government will need to find a solution to public sector pay policy that helps to resolve the recruitment and retention problems faced today. It is not always the right thing to have permanent staffing levels therefore a mix of flexible tenures is helpful from a skills and financial commitments perspective, given funding ebbs and flows. That said, whilst interim senior staff have been essential, we have too many interim appointments at a senior and middle level in the organisation. We are already in process and have longlisted to appoint a new permanent Director of Infrastructure. The Monitoring Officer and Director of Investment and Corporate Services positions will follow this appointment. It is important to recognise the shortage of skilled resources and make the posts competitively attractive both in terms of the job itself, regional impact, and remuneration. Additionally, whilst there are clear pace of recruitment benefits using interims in some projects there will be a clear plan to replace these with permanent or fixed-term appointments as soon as it makes good business sense. It is a reason for some of the additional recruitment capacity that will more than pay for itself as interim appointments by their very nature can be more expensive in a skills supply shortage environment. There are benefits to bringing in experienced resources quickly and it is also about a clear plan to replace those temporary resources in directorates, with permanent resources, at the right time in a managed way. Public sector pay is growing but in real terms there are cuts to pay and private sector pay is growing much faster whilst unemployment remains low, so it is increasingly difficult to fill roles with permanent resources in some skills areas in particular.
- 12 The report sets out the budget for the West of England Combined Authority and incorporates the provisional Finance Settlement for 2023/24. If applicable a verbal update will be provided at the Committee following any final settlement announcement. Many aspects of the Combined Authority funding such as the Mayoral Capacity Funding have not been inflated again this year requiring the West of England Combined Authority to make more efficiency savings or draw on reserves.

Recommendations

It is recommended that the committee:

1. Approve the West of England Combined Authority budget for 2023/24 as summarised in figure 6 and relevant related supporting appendices.
2. Review and comment on the West of England Combined Authority projected revenue forecast for 2022/23 as detailed in Appendix 2.
3. Approve the Mayoral Budget for 2023/24 together with the funding contribution from the West of England Combined Authority, (Investment Fund), budget of £675k as set out in Appendix 7.
4. Review and comment on the Mayoral Fund 2022/23 Revenue Forecast as detailed in Appendix 8.

Reasons for recommendations

Statutory Requirement to set a balanced budget that enables the West of England Combined Authority to delivery its programmes. The reserves are needed to ensure the smooth running of the West of England Combined Authority in the most challenging economic environment for some decades.

Voting arrangements

A unanimous vote in favour at full meeting of the Combined Authority by all members appointed by the by the constituent Authorities or substitute members acting in place of those members, present and voting.

2. Background and Issues for Consideration

Strategic Objectives:

- 2.1 Several common strategic objectives have been identified and are set out below with indicative priority outcomes. These were endorsed by the Combined Authority Committee in July 2022.

1. Climate and ecological emergency: Investing to tackle the climate and ecological emergency.

Priority regional outcomes:

- *Decarbonised transport system, reduced car dependency and increased cycling and walking, and use of public transport.*
- *Increased energy performance of buildings and net zero energy and carbon standards in new developments.*
- *Business and local people benefit from increased resilience to the consequences of a rapidly changing climate.*

- *Wildlife and the natural environment are in recovery with abundance of wildlife increased by 30% by 2030.*
- *Business and local people benefit from growth in the green economy and green jobs.*
- *Decarbonised energy system and increase local renewable energy.*

2. Sustainable communities and places: Investment to reduce economic inequalities and create healthy, happy, thriving communities and places that people want to visit, work, and live in.

Priority regional outcomes:

- *Our high streets, towns and city centres are vibrant and offer a range of job opportunities.*
- *All residents and visitors can access cultural and leisure activities.*
- *Enhanced support for existing cultural and heritage institutions that form our distinct cultural offer.*
- *Levels of poverty are reduced in our most deprived areas.*
- *Increased capacity and support for voluntary and community groups.*

3. Jobs and training: Investment to create and improve access to secure and fairly paid jobs, with support to help our diverse regional business base grow and thrive.

Priority regional outcomes:

- *More local people can access good jobs with clear routes to progress through core skills, training, and high-quality careers advice and support.*
- *Increased investment and provision of priority skills in growing sectors.*
- *More apprenticeship opportunities available to people in the region.*
- *Increased productivity, particularly among small businesses, through greater rates of start-up and survival, low carbon resource efficiency improvements and technology adoption.*
- *Business support services are well accessed across the entire region (including rural) and economic sectors, including community businesses, cooperatives, and social enterprises.*

4. Strategic Infrastructure: Investment to enable development of housing which is affordable and well designed, suitable places for business to operate, a modern sustainable transport system and world class digital infrastructure

Priority regional outcomes:

- *The right types of affordable homes are built in all parts of the region and are as energy efficient as possible.*
- *A fall in levels of homelessness and number of people living on the streets.*
- *People are better connected to our transport network and able to access jobs*

and training provision, cultural and recreational activities using public transport, walking, and cycling.

- *More journeys by bus, train, cycling and walking, which are low carbon, affordable, reliable, enjoyable and safe.*
- *Residents and business can fully participate in economic activity, through universal digital connectivity, zero exclusion and digital innovation.*

5. Putting the region on the map for national and global success: Investment to build on the region's strengths, its innovation and creativity, to attract and develop world class companies, jobs, and visitors.

Priority regional outcomes:

- *Growing numbers of national and international visitors and business investment to all parts of the region*
- *The region's rich cultural and heritage offer continues to grow and attract people and investment*
- *Our region's unique innovation assets, growth clusters and technologies, are driving increased inward investment*
- *More of our region's businesses are exporting products and services into national and international markets*

2.2 Progress against the regional outcomes will be reported as part of our Annual Business Plan processes.

2.3 Over the last 12 months, the West of England Combined Authority has secured £910m additional funding for the region; supported 13,000 residents with training and careers support, helped 2,864 businesses through the Growth Hub, and secured 50 new inward investments with the potential to create almost 2,200 new jobs.

Specific successes have included:

- a) £540m through the City Region Sustainable Transport Settlement the highest amount of funding per head awarded in England
- b) £95m from Homes England for the Bristol Temple Quarter Regeneration Programme, which will deliver some 2,400 new homes alongside a significant upgrade to Bristol Temple Meads Station.
- c) Passing the Gateway Review for the Investment Fund, unlocking the next tranche of £150m for the 5-year period to 2026.
- d) £105m joint award with North Somerset Council for the Bus Service Improvement Plan, the highest award of its kind in England.

- e) Combined Committee unanimous investment decisions in respect of The North Fringe, Quantum Technology and Hydrogen Sustainable Transport in driving forward matters of regional, local and national importance
 - f) Regional Climate and Ecological Strategy and Action Plan including a Green Recovery Fund of up to £50m to support projects including on green energy and nature recovery / pollinator support.
 - g) Regional Cultural Action Plan and agreement to £1m of investment in the sector which has already levered in an additional £1.5m from the Department for Digital, Culture, Media & Sport (DCMS) through Create Growth Programme – only 1 of 6 in the country.
 - h) Over £9m secured for skills bootcamps to deliver targeted training to meet employer need.
- 2.4 There has been a need to plan for a decisive shift towards delivery, ensuring investment is seen and felt by the people who live in, work in and visit the region. There is more change to come as the delivery of significant transport investment picks up pace and as we expand the skills, training and business support services we deliver to ensure a skilled workforce and businesses are retained and attracted to the West of England. Investment by the Combined Authority needs to be measured through its multiplier effect.
- 2.5 The significant increase in funding coming into the region is a real success – the challenge now is to make sure investment hits the ground as quickly as possible to deliver for our residents and business in these extremely challenging economic times. To speed up delivery, we will increase the frequency of programme reviews, constructively challenge delays, and ensure oversight for delivery is transparent and public. Where delivery can and should move faster, the West of England Combined Authority will focus on helping achieve this working with the Unitary Authorities and our partners across sectors.

How does the Medium-Term Financial Strategy (MTFS) achieve the Strategic Objectives?

- 2.6 The Medium-Term Financial Strategy achieves the Strategic Objectives by:
- Identifying the skills and capacity to deliver the priorities in Section 2.1.
 - Ensuring that the budget is robust given the economic downturn and significant inflationary pressures.
 - Increase the speed and quality of delivery such as the newly created Programme Review Boards and the Bristol Temple Quarter Board Focus.
 - Increase our focus on retaining and attracting staff in a challenging market for skills.

Combined Authority Revenue Resources and Medium-Term Financial Outlook

- 2.7 The West of England Combined Authority, revenue budget relates to all functions except for those relating specifically to the Mayor which are set out separately in Section 6 of this report. The West of England Combined Authority budget includes any specifically approved contributions from the West of England Combined Authority to meet Mayoral costs.
- 2.8 The funding for the West of England Combined Authority comes from five main sources:
- Investment funding provided by the Government as part of the Devolution Deal (revenue funding for feasibility and development of approved schemes);
 - A levy on the constituent councils for the costs of operating transport functions that transferred to the West of England Combined Authority in 2020/21;
 - A 5% share of business rates and growth, (above a defined baseline), under the 100% Business Rates Retention Pilot;
 - Government funding for specific functions, capacity and projects as detailed in Figure 2 of the report.
 - Treasury Management - Interest received from invested cash balances held
- 2.9 This budget proposal covers the financial year 2023/24 and provides a medium-term revenue outlook. It builds on the previous years of operation for the West of England Combined Authority and reflects all previous committee decisions and funding allocations made which have ongoing impacts.
- 2.10 The West of England Combined Authority budget has been prepared on the basis that the separate budget proposals put forward in the Mayoral budget are approved as presented. The proposed West of England Combine Authority budget is detailed in Appendix 1 and includes provision for the governance, management and administration of the West of England Combined Authority's functions and responsibilities.
- 2.11 The Combined Authority core staff capacity, since 2017/18, has been funded through Business Rates Retention and short-term government capacity funding such as the Mayoral Capacity Fund. Being cash limited in nature, this funding has not accounted for any uplift in staffing costs through either national pay awards and/or increments with such costs having to be funded through using investment interest earned on cash balances. This means that efficiency savings have been needed given the significant

increase in costs due to inflation.

- 2.12 All staff appointments have been made in compliance with committee approved allocations with an appropriate balance maintained of permanent vs fixed term appointments based on the specific duration of funding streams. Contracted staff are engaged, where relevant, primarily to support specific skill sets required to deliver approved Investment Fund projects.
- 2.13 The Combined Authority revenue funding has increased over time with the approval of various projects, and associated funding, as part of the West of England Combined Authority Investment Programme (£450m up to March 2047). Such approvals are incorporated within the 2023/24 West of England Combined Authority budget and Medium-Term Financial Strategy (MTFS).
- 2.14 Figures in this report do not reflect any forecast slippage of projects and workstreams from 2022/23, with any out-turn variations being added to the 2023/24 budget in the monitoring reports to the West of England Combined Authority Committee in 2023/24.

Core Revenue

- 2.15 The Medium-Term Financial Strategy, (MTFS), of our **core** revenue streams amounts to £25.6m over the five-year period as shown in *Figure 1*

Figure 1: MTFS for Core Revenue Streams

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Core Revenue Budgets	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Business Rate Retention	600	0	0	0	0	600
Mayoral Capacity Fund	1,000	1,000	1,000	1,000	1,000	5,000
Treasury Management income	1,603	4,000	4,000	3,400	3,400	16,403
Investment Fund for Mayoral Costs (IF)	645	675	685	693	701	3,399
Transfer from reserves	167	59	0	0	0	226
Sub Total:	4,015	5,734	5,685	5,093	5,101	25,628

* *Business Rates Retention funding is uncertain from 2023/24 with Mayoral Capacity Funding expected to be confirmed for 2023/24 and 2024/25 (next Spending Review is effective for 2025/26).*

2.16 Overall, the 'core' element of our revenue resources remains largely unchanged in 2023/24. The West of England 100% Business Rates Retention Pilot is assumed to be rolled forward for a further financial year. The approach to the use of retained business rates growth has become harder in recent years as we have moved to annual extensions which reduces the ability to plan for the longer term. The West of England Combined Authority retains 5% of the total business rates growth retained in the region after accounting for the highways maintenance grant. However, due to the impact of Covid, growth has slowed significantly, and the West of England Combined Authority share in 23/24 is expected to drop to a breakeven position. This shortfall will be covered by the higher interest earnings by our Treasury function in 2023/24.

2.17 The Business Rates deficit has also been reflected in the 2022/23 forecast, where the worst-case scenario, is a breakeven position which is in line with the 2021/22 outturn reported. The Combined Authority is currently holding £0.77m in a Business Rates earmarked reserve which can be utilised to partially, or fully, offset the current year deficit if required. The Baseline funding level set out in the 2023/24 Provisional Local Government Finance Settlement remains unchanged from 2022/23 at £14.063m. The 2023/24 budget assumes a realistic approach to business rate income to reflect the continued uncertainty and economic outlook for businesses and the high street. A Safety net protection scheme guarantees that the Combined Authority receives a minimum of £13.641m (97%) as its share of business rates – any such deficit could in theory apply to both the 2022/23 outturn and the 2023/24 budget. Full detail of the retained business rate position will not be known until the start of February 2023, when the individual unitary councils submit their NNDR1 returns.

2.18 In 2017/18, the Local Government Finance Settlement [LGFS] allocated a Settlement Funding Assessment of £17.572m for the Combined Authority. In 2021/22 that allocation had declined to £14.063m and has remained constant thereafter – a reduction in annual funding of £3.509m. The effect of inflation has in effect further increased that reduction as purchasing power has been eroded – the Consumer Price Index rising by 25% between 2017/18 and current levels.

2.19 The Provisional Local Government Finance Settlement [LGFS] was announced in late December 2022 and showed a Settlement Funding Assessment [SFA] unchanged for the Combined Authority between 2022/23 and 2023/24, excepting that the Tariff has been increased to offset the expected increase in business rate yield as a result of the 2023 Revaluation.

	2022/23 (£,000's)	2023/24 (£,000's)
Expected NNDR Yield *	20,872	22,170
Less Tariff**	(6,809)	(8,107)

Baseline Funding Level Revenue Support Grant	14,063	14,063

Settlement Funding Assessment	14,063	14,063
<i>Safety Net Threshold</i>	<i>(13,641)</i>	<i>(13,641)</i>

* The expected NNDR Yield is inclusive of Section 31 grants paid by DLUHC as compensation for reliefs given to businesses for Covid or other reductions in business rate charges.

** The tariff is a charge back to central government.

- 2.20 The 2023/24 expected gross business rate yield from the constituent councils is not yet known and will only become available once the NNDR1 returns are completed by those authorities and submitted to the Department of Levelling Up, Housing and Communities [DLUHC] at the end of January 2023.
- 2.21 The latest information for 2022/23 produces a shortfall in net income from business rates of £570k and consisted as follows (further work is being undertaken in respect of this area):

	B&NES (£,000's)	BCC (£,000's)	SGC (£,000's)	Total (£,000's)
NNDR Yield to CA	1,703	7,527	5,081	14,311
S31 Grant Funding				2,587
Less Tariff				(6,809)

				10,089
Release of NNDR Smoothing Reserve				3,405*

Total Net NNDR Yield				13,494
Highway Maintenance Grant (CRSTS)				(14,064)

Variance				(570)

* This is the variance between 2021-22 NNDR 1 and NNDR 3 forms for the section 31 grant due to authorities to compensate for the reliefs.

- 2.22 The new budget is predicated on the level of appeals and bad debt provisions as well as the overall tax base improving to eradicate the variance outlined above. A further review of the business rate position will be undertaken in February once the detailed projections from the three constituent councils has been determined.
- 2.23 A £1m annual Mayoral Capacity Fund Grant has been made available to fund core staff capacity costs of running the West of England Combined Authority. Despite its relatively low value it has a disproportionate impact on the finances due to the lack of any core funding base. Given the significant inflationary and other pressures faced by the West of England Combined Authority, this funding source is more important than ever. Whilst the funding has only ever been allocated annually it has been provided since 2017 and has become a key part of the limited core funding available. The allocation for 2023/24 has not yet been confirmed. The 2022/23 allocation was not confirmed by the Department for Levelling Up, Housing and Communities until June 2022. Verbal confirmation has been received that the Mayoral Capacity Funding will be maintained but not inflated, so a real terms reduction, for 2023/24 and 2024/25.
- 2.24 Income received from our investments has significantly exceeded budgeted levels in the last two financial years due to an extent by high cash balances held and mainly longer-term higher interest rates attained through investing in approved property and mixed asset funds. Higher returns are again forecasted for 2023/24 although this will reduce as significant capital construction costs are drawn down in relation to the approved West of England Combined Authority Investment Programme. Treasury Management income is being used to fund the increase in core staffing costs. Were this income to fall staffing costs will need to be funded by alternative means or reduced accordingly. Whilst in a narrow financial return investment sense, these returns are helpful, it is essential that resources are utilised efficiently and effectively on projects more quickly.
- 2.25 Revenue funding for running the mayoral function, alongside the annual funding set aside to fund four yearly election costs, is met through an approved drawdown of £675k from the West of England Combined Authority Investment Fund.
- 2.26 The West of England Combined Authority will continue to put forward a case to government to establish sustainable core funding for Combined Authorities beyond the current annual allocations and taking account of the high inflationary environment that builds into base costs without inflated funding. In addition, to mitigate risk, the Combined Authority will continue to review its holding of financial reserves and aim to increase the current level of reserves through transferring any end of financial year surpluses as per the approved Financial Reserves Policy. The existing approved Committee policy is built to have reserves to 5% of net annual revenue spend – this would be c£5.7m against the proposed £115m budget. It currently has £2.4m as at the end of March 2022.

Specific Revenue Grant Funding

2.27 Figure 2 details the medium-term resource forecast across the various specific grant income streams which amounts to £175m over the five-year period. The growth in funding set out below is a 256% increase from 2022/23 to 2023/24:

Figure 2: Medium Term Financial Strategy for Specific Revenue Grants

Specific Grant Funding	22/23	23/24	24/25	25/26	26/27	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Workforce for the Future (ESF)	0	2,086	0	0	0	2,086
Business Innovation (ERDF)	836	400	0	0	0	1,236
Adult Education Budget (DfE)	16,364	16,594	16,594	16,594	16,594	82,740
Skills Boot Camp (DfE)	0	6,015	0	0	0	6,015
Multiply (DfE)	0	1,551	1,551	0	0	3,102
Woodland Creation Accelerator (DEFRA)	0	300	0	0	0	300
UK Shared Prosperity Fund (DLUHC)	0	2,472	6,478	0	0	8,950
Combined Authority (M10)	160	0	0	0	0	160
OPE Development Pipeline (DLUHC)	0	50	0	0	0	50
Biodiversity Net Gain Grant (DEFRA)	0	23	0	0	0	23
Zero Emission Transport City (DfT)	0	70	0	0	0	70
Bus Service Operator Grant (DfT)	0	1,147	1,147	1,147	1,147	4,588
Bus Service Improvement Plan (DfT)	0	29,408	22,401	0	0	51,809
Western Gateway Sub-National Transport Body (DfT)	180	816	20	20	20	1,056
Emergency Active Travel (DfT)	0	91	0	0	0	91
City Region Sustainable Transport Settlement (CRSTS) (DfT)	1,025	5,000	7,000	0	0	13,025
Sub Total:	18,565	66,023	55,191	17,761	17,761	175,301

- Workforce for the Future is a free support service for businesses and individuals in the West of England. The programme helps businesses develop employees' skills, understand how they can meet their current and future skills needs and attract, develop, and retain talented people.
- The Business Innovation funding (ERDF) is used to provide grants to help progress research and development activity within small businesses. This will stimulate economic development and create jobs.
- Adult Education Budget, (AEB), was formally devolved to the West of England Combined Authority with effect from the 2019/20 academic year. We are responsible for the adult education funding in Bath & North East Somerset, Bristol and South Gloucestershire. That means we fund education providers to deliver tailored courses that meet the needs of the region.
- Skills Boot Camps are developed in partnership with employers and providers to help fill local skills gaps and vacancies. Skills boot camps offer adult 19 plus tailored training designed in partnership with employers and training providers to respond to skills

shortage in high demand sectors in our region.

- Multiply Programme – Multiply is the new national programme focused on improving adult numeracy skills. The three-year programme will be delivered across the West of England through community-based and employer-based learning.
- Woodland Creation Accelerator – This is a fund for providing support for the additional staff / consultants required to accelerate plans for tree and woodland planting.
- UK Shared Prosperity Fund – This is a three-year fund kicking off this year. In the first two years it will focus on communities and place and local business interventions.
- Combined Authority (M10) – this is for the secretarial cost of the M10 Metro Mayors group.
- OPE Development Pipeline is from the Department for Levelling Up, Housing & Communities. The fund aims to help secure capacity to develop a pipeline of public sector property opportunities in their areas and help deliver post pandemic public estate strategies.
- Biodiversity Net Gain Grant is from the Department for Environment Food & Rural Affairs. The purpose of the grant is to provide funding for local planning authorities to expand their ecologist capacity and upskill current ecologist resource with regards planning application assessment and preparation for the introduction of the mandatory biodiversity net gain requirement.
- Zero Emissions Transport City (ZETC) funding has been used to commission a technical feasibility study into how different parts of the transport network could be decarbonised. This work is being carried out by Bristol City Council and their strategic partner Arup.
- Bus Service Operators Grant previously known as the Bus Fuel Grant. This is a grant which comes from the Department for Transport (DfT) for our supported bus services, The amount that we receive was set by the DfT back in 2012 and has not changed since.
- Bus Service Improvement Plan sets out to make the bus network more attractive with simpler, cheaper fares, more turn-up and go services, easier access to those living away from core routes and more reliable by addressing the driver shortage.
- Western Gateway Sub-National Transport is funded by the DfT and an annual contribution of £20K from each of the authorities and the West of England Combined Authority. The West of England Combined Authority is the accountable body but the Western Gateway is guided by a board formed of one councillor from each of the constituent authorities (8 councils plus the West of England Combined Authority). Relevant funding has been allocated for 2023/24 financial year which will be kept under review.
- Emergency Active Travel is from the Department for Transport. Its aim is to help deliver an environment that is safe for both walking and cycling in our area.
- A City Region Sustainable Transport Settlement (CRSTS) of £540m was confirmed for the West of England Combined Authority region in late 2021. This capital funding covers a five-year period commenced in 2022/23. In order to adequately prepare for the delivery of this major transport investment, the government has awarded £14.3m of revenue funding which will also be utilised as part of the five-year settlement.

Investment Fund Revenue (West of England Combined Authority Managed)

- 2.28 The West of England Combined Authority committee have approved several revenue allocations throughout the last couple of years for progressing strategic business cases and feasibility and development work. These vary from big strategic projects that span over several years, such as research into mass-transit options, to smaller, time limited, work such as developing an action plan to support the region’s emerging Climate Emergency strategy.
- 2.29 In some cases, approvals provided through the West of England Combined Authority Committee have resulted in further budget being allocated, and spend being incurred, within the 2022/23 financial year over and above the original budget which is detailed in **Appendix 3**.
- 2.30 **Appendix 4** details all of the approved Investment Fund revenue allocations that will be managed by the West of England Combined Authority which have been indicatively allocated across the five-year period.
- 2.31 The items in **Appendix 4** represent revenue approval to commit spend, and progress with the respective projects to their next Gateway stage. Full capital allocations are only approved subsequent to a viable, assessed and approved, full business case.
- 2.32 Similar to Investment Fund revenue approvals that will be managed by the West of England Combined Authority, there have been several Committee approvals for feasibility and development funding that will be managed directly by the constituent Unitary Councils and third parties. Where responsibility for development has been delegated for such spend, the West of England Combined Authority will retain overall control in terms of ensuring that spend is delivering the required progress and outcomes.
- 2.33 A summary of all Unitary Authority and Third-Party revenue approvals, which amounts to **£10.6m** as at October 2022, is detailed in **Appendix 5**.

Figure 3: Summary of Investment Fund

Investment Fund	22/23 £000s	23/24 £000s	24/25 £000s	25/26 £000s	26/27 £000s	Total £000s
Investment Fund managed by CA	16,234	16,854	7,594	489	0	41,171
Investment Fund to UAs	4,673	5,131	623	189	5	10,621
Investment Fund managed through third parties	784	0	0	0	0	784
Investment Fund for Mayoral Costs	645	675	685	693	701	3,399
Sub Total:	22,336	22,660	8,902	1,371	706	55,975

Revenue Transport Levy (Transport Integration)

- 2.34 From 2020/21 the West of England Combined Authority took on responsibility for managing and delivering the operational transport functions pooling the budget accumulated from the Unitary Authority levies, (and recharge from North Somerset Council). A transport smoothing reserve was created to help manage the peaks and troughs of regional service costs. The balance of the smoothing reserve is £616k.
- 2.35 The 2022/23 principal transport operations budgets funded from the Transport Levy are currently forecasting an overall overspend, largely due to lower expenditure on concessionary travel, but with a forecast overspend on supported bus services. This overspend is covered by the smoothing reserve.
- 2.36 The forecast underspend on concessionary travel reimbursement to operators is due to the pre-Covid decline in concessionary travel. The current Government guidance is to transition back to reimbursement for actual travel over the course of 2022-23. In April 2022, reimbursement was capped at 90% of pre-pandemic patronage and that percentage cap is reduced every two months until it reaches 65% in February 2023. From the point where actual use meets the declining percentage, reimbursement will revert to actual use. The table in appendix 6 compares the percentage cap against actual travel in the year so far.
- 2.37 Overall bus patronage in our region has recovered to approximately 75% of its pre-pandemic level and seems to have stabilised there. However, recovery of bus use by concessionary pass holders is lagging much further behind with current patronage levels of circa 65% against pre Covid levels.
- 2.38 The supported services situation has arisen due largely to the need to maintain service levels on contracted services to meet Government requirements whilst farebox revenue income has remained well below pre-Covid levels. Whilst the Government has provided some support through Covid Bus Service Support Grant (CBSSG) and latterly Bus Recovery Grant (BRG) this has not covered lost revenue or the full costs to the West of England Combined Authority of running contracted services.
- 2.39 The short-term situation is that several commercial bus services across the region require revenue support in order to continue, both within the current financial year and at the start of the 2023/24 financial year. This is in part due to continuing low levels of patronage and the fact that direct Government support to bus operators through BRG for commercial services are expected to end on 31 March 2023. Should this happen and services are withdrawn or reduced, the West of England Combined Authority will need to consider the merits of whether these services should be financially supported if funding is available. Government is holding to its position that the new Bus Transformation Fund - to which we have received revenue funding to

deliver our Bus Service Improvement Plan – may not be used to maintain existing bus services that are at risk.

- 2.40 The medium-term prospects of bus passenger numbers returning to pre-Covid levels are low, with the expectation that even in the spring of 2023 it will still only be around 75-80% of pre-covid levels. This is due to long term structural changes to working patterns reducing commuting, although this may be offset somewhat by increases in leisure trips by public transport. Whilst the picture will become clearer once the Government support funding position is known and tender prices are received for those services needing financial support, the reality may be that in overall terms there is insufficient funding available to maintain all services that currently operate, and some rationalisation will be required. This would form the focus of a report to Committee at the appropriate time.
- 2.41 Given the uncertainty that will continue into the 2023/24 financial year, and the anticipated increases in costs, it is essential to continue to hold and maintain a sufficient transport smoothing reserve. In light of holding this reserve, along with current year underspending in Concessionary Services and the indicated funding positions of the Unitary Authorities, no uplift in the levy is proposed for 2023/24 for the core service requirements. This represents a real terms reduction in funding of 11% when inflationary pressures are taken into account. The 2032/24 levy, (along with the relevant recharge that will be applied to North Somerset Council), for integrated transport services is detailed in Figure 4 below.

Figure 4 – Adjusted Revenue Transport Levy (including North Somerset) 2023/24

	2023/24 Levy Charges					NSC £000s	Total £000s
	B&NES £000s	BCC £000s	SGC £000s	First £000s	Total LEVY £000s		
Integrated Transport Team	239	456	161	0	856	0	856
Concessionary Travel	3,639	7,180	2,199	0	13,018	1,852	14,870
Bus Service Information (RTI)	143	269	142	25	579	9	588
Community Transport	367	841	445	0	1,653	0	1,653
Supported Bus Services	773	1,323	963	0	3,059	35	3,094
Metrobus	0	45	28	0	73	14	87
Travelwest	3	7	4	0	14	12	26
Bus Strategy / Integrated Ticketing	30	114	72	0	216	36	252
Sub Total:	5,194	10,235	4,014	25	19,468	1,958	21,426

- 2.42 The Medium Term Financial Strategy figures for the revenue transport levy, assuming direct service costs only, with no further changes in demand, are reflected in *Figure 5*

Figure 5 – Adjusted Revenue Transport Levy – MTFS

Transport Levy	22/23 £'000s	23/24 £'000s	24/25 £'000s	25/26 £'000s	26/27 £'000s	Total £'000s
Team and Operational costs	1,308	1,367	1,408	1,436	1,465	6,984
Contribution from the Combined Authority*	-452	-511	-552	-580	-609	-2,704
Community Transport grants	1,653	1,653	1,653	1,653	1,653	8,265
Concessionary Fares	13,018	13,018	13,018	13,018	13,018	65,090
Real Time Information (RTI)	402	402	402	402	402	2,010
Supported Bus Services	3,059	3,059	3,059	3,059	3,059	15,295
Metrobus	73	73	73	73	73	365
Updating Bus Stop Information	177	177	177	177	177	885
Travelwest	14	14	14	14	14	70
Integrated Ticketing	216	216	216	216	216	1,080
Total	19,468	19,468	19,468	19,468	19,468	97,340

2.43 Please note 2024/25 onwards are shown without increases. These will be subject to review when finalising future budgets.

Total Combined Authority Revenue Funding Forecast

2.44 Combining all of the approved funding streams, as detailed in this section, the overall proposed West of England Combined Authority revenue budget for the 2023/24 financial year is **£115.2m** with a total resource allocation of **£359.8m** up to March 2027 (including 2022/23) as per Figure 6 below.

Figure 6: Summary of all approved West of England Combined Authority Revenue (as at January 2023)

	22/23 £000s	23/24 £000s	24/25 £000s	25/26 £000s	26/27 £000s	Total £000s
Core Revenue Funding	4,015	5,734	5,685	5,093	5,101	25,628
Specific Grant Funding	18,565	66,022	55,190	17,761	17,761	175,299
Investment Fund (managed by the West of England Combined Authority)	16,234	16,854	7,594	489	0	41,171
Transport Levy (and NSC Recharge)	21,426	21,426	21,426	21,426	21,426	107,130
West of England Combined Authority Managed Revenue Budgets	60,240	110,036	89,896	44,769	44,288	349,228
Investment Fund (UA and third parties)	4,673	5,131	623	189	5	10,621
Total West of England Combined Authority Revenue Budget	64,913	115,167	90,519	44,958	44,293	359,849

Spend Analysis and Overheads

3.1 The West of England Combined Authority's costs in the first few years were mainly targeted on the staffing required to operate the business. However, with a growing momentum on developing long term strategic planning and transport solutions, spend is now spread across a wider range of areas such as payments to third parties, supplies and services and engagement of specialist contractors.

3.2 A subjective analysis of revenue spend for 2023/24 is detailed in **Figure 7**

Figure 7: West of England Combined Authority Revenue Spend Analysis 2023/24

	Staffing £000s	Supplies/ Services £000s	3rd Party Payments £000s	Over heads £000s	Recharge Income £000s	Transfer to Reserves £000s	Total £'000s
West of England Combined Authority Managed	17,600	8,965	88,880	-589	-4,820	0	110,036
Unitary Auth and 3rd Party Led	0	0	5,131	0	0	0	5,131
Total 2023/24:	17,600	8,965	94,011	-589	-4,820	0	115,167
Total 2022/23:	9,646	9,127	48,987	-677	-2,382	212	64,913

3.3 In terms of staffing, overall numbers have increased which reflects the increased number of grants and service areas that the West of England Combined Authority is now managing. There will be spending, and corresponding staffing growth in 2023/24. Appendix 9 provides a breakdown of the new additional roles compared to the 2022/23 approved budget. Appendix 10 provides a breakdown of the Fixed Term vs Permanent Staffing Analysis by Function for 2022/23 and 2023/24.

3.4 The primary reasons for the increase in staffing budgets are as follows:

- The Combined Authority has been successful in bringing significant funding to the region for a range of programmes – including the City Region Sustainable Transport Settlement (CRSTS), Bus Services Improvement Plan (BSIP), Temple Quarter redevelopment, and the Shared Prosperity Fund. These successes are of unprecedented significance, and the Combined Authority, working with regional partners, will be expected to deliver real change. This requires a step change in our staffing – particularly (though not exclusively) in the Infrastructure directorate, where the majority of delivery will happen and in the newly created Environment Service Area.

- There has been a significant increase in staff numbers for the Environment Directorate, which was formed in June 2022. This was in direct response to the priority given to this area following the Joint Climate and Ecological Emergency declarations from the Combined Authority Committee and the formation of the Green Recovery Fund in December 2021. The Directorate drew together teams working on Net Zero (supporting business and residents across the West of England and the SW) and has recruited a similar additional number to enable the Combined Authority to have the capacity to respond to the challenge set.
- The West of England Combined Authority's People and Skills within the Business and Skills service area has grown at a very fast rate: in 2020 the service comprised 3 projects/services (worth c.£20m); by 2022 it comprised of 12 projects/services and stood at c.£60m in value. The demands of planning and delivering this service have become increasingly complex: integrating and managing the growing numbers and levels of delivery across every sector and at all qualification levels, coupled with the increasingly complex need for forward planning based on strong economic and skills forecasting. It should be noted that as well as directly funding staff within the Business and Skills Directorate, project funding has also been used to fund staff and capacity in the UAs. For example, the Future Bright programme includes circa £1m for UA staffing and the Skills Connect project, £1.4m. The Adult Education Budget (AEB) and Multiply programmes also include allocations for UA staff.
- As with any growing organisation, the additional staffing places a further demand on corporate services, and it is therefore necessary to plan for a smaller, but proportionate, increase in corporate staffing support, to ensure that delivery is not compromised by bottlenecks elsewhere in the organisation.

3.5 Staff costs in 2022/23 accounted for around 11% of the total revenue budget. This has remained in line for 2023/24 where income and spend has increased to £115m – see Figure 8 – Analysis Staffing by Directorate.

3.6 The significant increase in staffing costs reflects the significant increase in funding and delivery of projects the Combined Authority is now delivering – requiring additional procurement, legal and contractual arrangements, and management / governance of the projects. Grant funded projects have increased by 256% and the Infrastructure portfolio alone has seen a four-fold increase in size. Failure to adequately resource such projects would put at risk the successful delivery of such projects and inhibit the organisations' ability to ensure value for money.

Figure 8: Analysis Staffing by Directorate.

	2022/23 (£,000's)	2023/24 (£,000's)	Change (£,000's) (%)	
Environment*	48	1,282	1,234	2571%
Business & Skills	1,820	2,705	885	49%
Infrastructure	3,471	7,010	3,539	102%
	5,339	10,997	5,658	106%
CEO	2,496	3,457	961	39%
Corporate Services	1,811	3,146	1,335	74%
	4,307	6,603	2,926	53%
Gross Staff Costs	9,646	17,600	7,954	82%
Recharge to Other Budgets**	(2,382)	(4,820)	(2,438)	102%
Net Staff Costs	7,264	12,780	5,516	76%
Revenue Budget	64,913	115,167	50,254	77%
Net Staff / Budget %age	11.2%	11.1%		

Note: *Environment is a new directorate and some of the staff costs for 22/23 were within other directorates and have now been moved to be included in the 23/24 total.

**For explanation of the recharge see 3.10

- 3.7 Salary budgets continue to be funded at 96% of the full cost of the staff salaries and related on-costs. This reflects the anticipated turnover rate throughout the year with inevitable time lags between individuals leaving and new starters commencing.
- 3.8 The main elements of the £94m third party payments are detailed in Figure 9:

Figure 9: Third Party Payments 2023/24

Figure - Third Payments	£000's
Bus Service Improvement Plan	26,807
Transport Levy Services	21,717
Adult Education Budget	15,859
Skills Boot Camps	5,805
UA Managed projects	5,131
UK Shared Prosperity Fund	2,472
Workforce for the Future	2,481
Other Projects	13,739
	94,011

3.9 Other projects include:

- City Region Sustainable Transport Settlement
- Multiply
- Future Bright Plus
- Low Carbon Projects

3.10 Recharge income reflects the proportion of time spent by West of England Combined Authority funded staff on Local Enterprise Partnership, (LEP), Capital and Mayoral activities. Prior to 2020/21, each individual staff member had their salary coded to various cost centres to reflect the time that they spend on West of England Combined Authority, LEP and Mayoral functions. From 2020/21 onwards, to improve transparency of reporting, all costs have been collated against West of England Combined Authority cost centres and recharged out on an annual basis.

3.11 In terms of overheads, the West of England Combined Authority has split its core costs between those that are required to govern and operate the business, 'corporate and democratic core', and those support costs that flex with the actual demands and services delivered by the organisation (overheads). There are a proportion of this that is applicable to supporting LEP activities, the charge for which being reported in the Joint Committee budget report. The Corporate and Democratic Core costs are detailed in *Figure 10*

Figure 10: West of England Combined Authority – Corporate and Democratic Core Costs

West of England Combined Authority Corporate & Democratic Core Costs	2022/23 £000s	2023/24 £000s	2024/25 £000s
Statutory Officer Costs	330,099	459,255	365,199
Legal and Democratic	235,165	473,482	487,686
Policy and Strategy	278,542	727,840	884,177
Planning, Performance and Projects	94,202	137,302	141,421
Marketing and Communication	126,737	148,855	153,320
Central Overheads	107,500	281,692	297,062
	1,172,245	2,228,426	2,328,865

- 3.12 The Statutory Officer Costs reflects the salary and related on-costs for the required Chief Executive Officer, (Head of Paid Service), and Director of Investment and Corporate Services (Statutory Finance Officer). Increased costs include interim staffing for which recruitment of the permanent roles will be taking place this year. In addition, there is a requirement for some additional one-off budget costs in 2023/24 and 2024/25.
- 3.13 Legal and Democratic Services includes the cost of the Statutory Monitoring Officer role alongside the relevant costs for administering and governing the West of England Combined Authority Committee. Increased costs include additional staffing and interim staffing for which recruitment of the permanent roles will be taking place this year. Having a single point of failure and one monitoring officer is extremely high risk and beyond any reasonable risk appetite. There is a clear need for additional solicitor roles from a knowledge of the organisation and efficiency and effectiveness basis.
- 3.14 Policy and Strategy have a 'core' element of costs alongside a variable element with activity linked to the growing number of services directly delivered by the West of England Combined Authority. There has also been a change from funding existing roles from the reducing short term funding pots to a permanent basis.
- 3.15 Planning, Performance and Projects includes a 'core' element of costs linked with business planning and development of our corporate performance framework.
- 3.16 Marketing and Communication – developing and deliver communication and marketing activity and to promote the West of England Combined Authority.
- 3.17 Central Overheads includes the cost of audit, insurance and treasury advice.
- 3.18 As the organisation has continued to grow over the last 12 months, relevant support services have also had to 'flex' to ensure that we maintain professional back-office services and arrangements to support a maturing combined authority. These increased costs, in the main, have been funded through applying a relevant overhead 'charge' on new and additional front-line staff alongside levying appropriate support costs against the growing suite of West of England Combined Authority delivered projects such as the City Region Sustainable Transport Settlement Programme. Accounting arrangements require the full Support Service costs, (as detailed in *Figure 11*), to be spread across the range of West of England Combined Authority services and projects delivered.

Figure 11: West of England Combined Authority Support Services (Overhead) Costs

West of England Combined Authority Support Services (Overheads)	22/23 £000s	23/24 £000s	24/25 £000s	25/26 £000s
a - Finance & Procurement	369,789	942,660	970,939	990,358
b - ICT Services	821,463	1,418,239	1,460,786	1,490,002
c - Accommodation and Property	500,579	974,402	1,003,634	1,023,707
d - Human Resources	298,743	699,916	720,913	735,332
e - Business Support	113,919	151,178	155,713	158,827
f - Grant Assurance Function	204,955	382,894	394,380	402,268
g - Policy and Strategy	248,900	846,153	871,537	888,968
h - Planning, Performance and Projects	73,389	137,300	141,419	144,248
i - Marketing & Communication	178,187	318,314	327,864	334,421
j - Central Overheads	107,500	163,379	168,280	171,645
	2,917,424	6,034,435	6,215,465	6,339,776

3.19 The Key Changes in Overheads with effect from 2023/24 are below. It is important to underline that 2023/24 and onwards are shown in a gross format without netting off and in effect charging direct to projects. This is an important transparency shift in the way we show our budgets as an organisation. We will continue this transparency agenda even though it may suggest a larger increase in resources than is the case in the single year from 2022/23. That said the organisation needs to grow given the increase in resources:

- (a) Finance & Procurement - the staffing base has increased significantly as a result of an increase in Income across Government Grants, Transport Levy and Investment Funded projects. At the same time, a Procurement team has been formed to ensure the West of England Combined Authority is achieving value for money.
- (b) ICT Services - the West of England Combined Authority's staffing base has increased significantly during the current financial year because of approved investment fund activity and regional economic recovery. The rate of growth the West of England Combined Authority has experienced is a longer-term trend as the organisation continues to grow, deliver more programmes of work and attract further funding. Investment and development in IT Infrastructure will continue to be required in order to meet the growing demand.

The budget for 2023/24 include costs relating to an essential ICT future programme of work, aiming at equipping the West of England Combined Authority with common digital tools to better meet our stakeholder needs

and work more efficiently.

IT Infrastructure costs tend to be substantial initial outlays however the spend on equipment, such as laptops and mobile phones, have a useful life than span across more than one financial year and are depreciated accordingly.

- (c) Accommodation and Property - Rivergate lease expired in December 2022. A new lease was signed for 70 Redcliff Street in September 2022 with a larger floor space to accommodate the staffing number increases. Agreements with other bodies are near completion to let out some of the space.
- (d) Human Resources – provides support and policy in managing staff and using people effectively, developing competencies and recruiting staff. The increase in cost is due growth in staffing numbers as a result of increased activity from approved investment fund and project activity.
- (e) Business Support – this team supports ICT, the office and Health and safety across the organisation.
- (f) Grant Assurance Function - despite taking on the assurance function for many new funding streams over recent years (such as Skills Boot Camp, Multiply, Future Transport Zones and Business Innovation), the Grant Assurance team has remained static in terms of staffing capacity. The 2023/24 budget introduces four new posts to complement the proportionate increase in the team's workload.
- (g) Policy and Strategy - this support service has been increased to reflect the requirement for clear agreed strategic framework to enable effective prioritisation of activity to address the challenges faced by the region. Capacity has also been improved to enable monitoring and evaluation of projects and programmes to keep pace with the increase in delivery. In addition, the strategic regional housing and planning function will be undertaken by this service. Innovation and digital functions have been moved into this service and there has also been a change from funding existing roles from the reducing short term funding pots to a permanent basis.
- (h) Planning, Performance and Projects -there is an additional role to lead on the development and implementation of our corporate performance framework.
- (i) Marketing and Communications - the team has continued to grow slowly throughout 2022/23 however, new staff, in the main, have been charged directly to the services areas and projects that they are supporting. There has been growing demand for campaigns for business skills, infrastructure and regional innovation as well as ongoing promotion of key initiatives and website redevelopment.
- (j) Central Overheads - there has been an increase in the Insurance and Audit

costs. The increase is driven by the growth of the West of England Combined Authority together with the complexity of the organisation. This consequently results in an increase in fees.

- 3.20 The increase in support services spend is proportionate with the increase in overall West of England Combined Authority activity over the previous 12 months through applying the standard **36.4%** overhead, (per FTE), rate as approved by the West of England Combined Authority Committee in January 2021. As the organisation expands, (or contracts), this will continue to be the standard overhead percentage that will be applied to all services delivered and capital projects led, and managed, by the West of England Combined Authority. The overhead rate has been reviewed as part of the budget process and remains valid.
- 3.21 £5.9m overheads represents **5%** of the £115m 2023/23 revenue budget for the West of England Combined Authority which is a similar rate compared with other Combined Authorities.

Treasury Management

- 3.22 For the last five years of operation, the West of England Combined Authority has exceeded the set income budget for returns on investments in terms of cash balances held. We have maintained significantly high cash balances over this period which is primarily due to the relatively low cost of feasibility and development funding activities in the early years versus the high construction costs as projects move into capital delivery.
- 3.23 The 2022/23 Treasury Management income budget was set at £1.6m and it is proposed to increase this further to £4m for the 2023/24 financial year. Longer term income targets will need to be kept under review as the West of England Combined Authority Investment Programme, (covering the period up to March 2026), gathers momentum with overall spend increasing and cash balances correspondingly reducing.
- 3.24 A further risk to Treasury management in the medium term is the potential change in accounting treatment for investments in 'pooled funds'. Such funds, which include West of England Combined Authority 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. For example, the notional capital value of our pooled asset holdings dropped by circa £2m during the first national lockdown due to the Covid pandemic in March 2020 (they have subsequently recovered in line with market recovery). More recently with the uncertainty in the current economic climate and

inflation – the impact was a drop of c£2.2m albeit that has nearly recovered fully over the last 3 months. As 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 was a risk that, upon the expiry of a national ‘override’ arrangement in March 2023, any notional changes in capital value of our holdings would have to be accounted for annually within our revenue budget. It is expected that this override will be extended for a further 2 years and although we need to continue to build our Treasury Management reserve to manage the potential risk of this national accounting change in practice at that time as the override is unlikely to be extended any further, we will review the reserve in light of the extension and reduced risk.

Reserves

- 4.1 The West of England Combined Authority was established without any general or earmarked reserves or balances transferring from the constituent councils. Over time it is intended to establish an appropriate risk assessed level of reserves based on the specific activity and financial risks to the West of England Combined Authority.
- 4.2 At the close of 2017/18 a general reserve was established of £308k. Over the last few financial years, this reserve has been steadily added to and now stands at circa **£2.4m at the end of March 2022.**
- 4.3 There is no ‘hard and fast’ rule as to the level of reserves that needs to be retained by an operational authority. Industry practice suggests that somewhere in the region of 5% of total turnover would be appropriate which, for the West of England Combined Authority, with a revenue budget of £115.1m in 2023/24, would amount to circa **£5.7m.**
- 4.4 In addition to General Reserves, the Combined Authority holds other specific earmarked reserves – the balance brought forward and expected movements during 2022/23 are set out in Figure 12

Figure 12: Forecast as at the end of 31st March 2023 Earmarked Reserve Balance
£'000s

	Balance at 31 March 2022 £000s	Movement £000s	Forecast Balance at 31 March 2023 £000s
(a) Integrated Transport Authority Reserve General	616	413	1,029
(b) Integrated Transport Authority Reserve Bus	1,347	-1,347	0
(c) Business Rates Retention Reserve	777	0	777
(d) Mayoral Capacity Fund	214	-177	37
(d) Housing Capacity Fund	502	0	502
(e) S31 Excess Tax Income Guarantee	3,405	0	3,405
(f) Programme Delivery Overhead Recovery	822	-655	167
(g) Treasury Management	1,099	750	1,849
Other*	737	-128	609
Total	9,519	-1,144	8,375

* The £128k is related to smaller earmarked reserves including the Brexit Fund and Rent Rebates.

4.5 The purpose of the individual reserves are as follows:

a) Integrated Transport Authority Reserves

The Integrated Transport Authority Reserve exists in order to hold variances between the costs of Concessionary Fares, Bus Information services and Community Transport support, pending the adjustment of Levy calculations in subsequent Financial Years, to maintain a revenue neutral position between the Combined Authority and contributing Authorities.

b) Integrated Transport Reserve

The 2021/22 transport underspend of £1,347k was transferred to a specific one-off earmarked bus reserve to invest in further support to regional bus services to protect routes, particularly in rural areas.

c) Business Rates Retention Reserve

The Business Rates Reserve exists in order to meet costs arising from the volatility in NNDR income due to changes in the Rateable Value of properties or the granting of new exemptions and reliefs and is utilised to fund deficits impacting in future years.

d) Mayoral and Housing Capacity Funding

The balance of these two grant funding streams has been transferred into earmarked reserves to facilitate and accelerate delivery of infrastructure and investment projects, and to create a strategic housing delivery unit.

(e) Section 31 Excess Reserve

The NNDR collection fund closed with a high deficit in 2021/22, majority of which was due to COVID-19. To help funding the Covid related deficits, additional S31 grant was awarded. An earmarked reserve of £3.4m was created to carry this over to 22/23 when the deficit will need to be repaid.

(f) Programme Delivery Overhead Recovery Reserve

Central overhead savings due to delays in programme delivery.

(g) Treasury Management Reserve

To cover the risk of capital losses and/or lower financial returns in future years.

- 4.5 IFRS 9 – Financial Instruments, there is currently a statutory override, this will end in March 2023. Government have yet to confirm whether this override will be extended, however our treasury advisors Arlingclose have heard informally that the override will remain in place for the 2023/24 and 2024/25 financial years, and we are now awaiting a formal response from Government. In the event there is no extension, falls in the value of bond and property funds will be charged to revenue rather than being reflected on the balance sheet- this poses a potential risk which would need to be met from reserves.
- 4.6 As the authority continues to grow, and whilst the volatility of revenue funding streams remains a significant issue, a review of the Financial Reserves Policy will take place using a risk-based approach during 2023/24.
- 4.7 Some of the specific risks that would need to be reflected in such a review include: IFRS changes to investment income; potential cost overruns; inflationary pressures; business rate yields and abortive costs that had been intended to be charged to capital.

West of England Combined Authority Revenue Forecast Position 2022/23

- 5 **Appendix 2** details the West of England Combined Authority's estimated revenue forecast position for the 2022/23 financial year based on actual information to the end of December 2022, which overall, is projecting a balanced budget position.

Inflation

- 5.1 A report on the Headline Inflationary Impacts and Pressures was presented at the September 2022 West of England Combined Authority Committee, the programmes identified with significant inflationary pressures were as below which now include a position update:

Figure 13: Programmes with Significant Inflationary Pressures

Programmes Identified with Significant Inflationary Pressures				
Programme	Programme Budget	Anticipated Cost for Completion	Inflation risk	Mitigations
Supported Bus Services (ITA Levy)	£3m	N/A	£0m	UA's have indicated they have agreed this is a cash limited budget. Real term reductions will be needed to manage Inflation Impact. Update: Subject of 18th January Committee report
MetroWest Phase 2 (Construction & Operation)	£54m	£73m	£8m	Outputs to be closely monitored. Update: Value Management, Focus on Scope, Reengineering.
City Region Sustainable Transport Settlement (CRSTS)	£540m	£540m	£85m	Revise programme. Undertake deep dives, market testing, value engineering and minimum value product. Outputs to be closely monitored. Update: Series of acceleration workshops taking place with a focus on scope and requirements.
Bristol Temple Quarter (BTQ)	£95m	£95m	£10m	Value engineering, review the scope of the project as necessary. Outputs to be closely monitored. Update: Use of the Inflation Contingency.

- 5.2 In addition, returns from the Unitary Authorities have been received with many projects indicating no requirement for additional inflationary funding, a further review has commenced, and we continue working with the UAs to establish the inflationary impact on Investment Fund projects managed by the UAs as part of the ongoing work in this area.

Mayoral Budget

- 6.1 The Mayoral Budget relates to those functions that fall under the specific responsibility of the Mayor in accordance with the West of England Combined Authority (CA) Order 2017.
- 6.2 As required by the Combined Authorities (Finance) Order 2017, the Mayor must keep a fund, (to be known as the Mayor’s General Fund), in relation to receipts arising, and liabilities incurred, in the exercise of the Mayor’s general functions.
- 6.3 The proposed budget includes the costs of the Mayor, related office expenses and support costs. There is also an annual allocation in respect of the four-yearly West of England Combined Authority election costs.
- 6.4 The proposed 2023/24 Mayoral running costs are detailed in *Figure 14*, along with future year forecasts which reflect inflationary and anticipated pay increases.

Figure 14 – Mayoral Running Costs (Medium Term Forecast)

<u>Budget Heading</u>	<u>2022/23</u> <u>£'000s</u>	<u>2023/24</u> <u>£'000s</u>	<u>2024/25</u> <u>£'000s</u>	<u>2025/26</u> <u>£'000s</u>	<u>2026/27</u> <u>£'000s</u>
Staffing*	213	243	253	261	269
Premises	13	13	13	13	13
Support Service	11	11	11	11	11
Supplies and Services	62	62	62	62	62
	299	329	339	347	355
Mayoral Election Costs	346	346	346	346	346
Investment Fund Contribution	645	675	685	693	701

** 4.5% pay award assumed for 2023/24, 3% for 2024/25 and 2% thereafter.*

- 6.5 The funding for the Mayoral budget comes from a contribution from the West of England Combined Authority (Investment Fund) as approved by the West of England Combine Authority Committee. The proposed Mayoral budget for 2023/24 is set out at **Appendix 7**.
- 6.6 Monitoring against the Mayoral budget is reported to each meeting of the CA committee. The current forecasted revenue position for the 2022/23 financial year is to deliver a balanced budget as detailed in **Appendix 8**.

Consultation

- 7 The contents of this report have been shared, and discussed with, the Chief Executive Officers, finance leads and Section 151 Officers of BANES, South Gloucestershire and Bristol City Councils.

Accountable Body Functions

- 8.1 The West of England Combined Authority acts as the Accountable Body for the West of England Local Enterprise Partnership (LEP) and Invest in Bristol & Bath (IBB). The LEP and associated accountable body functions are funded from existing grants and contributions with no costs falling on the West of England Combined Authority. The LEP and IBB Budgets are approved and monitored by the West of England Joint Committee.
- 8.2 Invest in Bristol & Bath was, up to 2019/20, funded through the Economic Development Fund (EDF) at £1m per annum with the funding source transferring to the Revolving Infrastructure Fund (RIF) from 2020/21 onwards as part of an approved five-year deal. The final year for Invest in Bristol & Bath is 2024/25.
- 8.3 The staffing structures of the LEP and the West of England Combined Authority teams have been organised to provide the most efficient and effective delivery and support structure to meet the respective functions and responsibilities.

Risk Management/Assessment

- 9.1 Ultimately, the risk and governance arrangements for the West of England Combined Authority are assessed and reported by our appointed external auditors. Grant Thornton were appointed again as our External Auditors for the West of England Combined Authority under the Public Sector Audit Appointments, (PSAA), process for the Statements of Accounts audit period from 2023/24 to 2027/28.
- 9.2 The West of England Combined Authority has been building a General Fund Reserve, in line with recommended best practice, to manage / mitigate any future financial risks. However, the Reserve remains at a relatively low level being circa **2.1%** of the 2023/24 revenue budget. Most of the Combined Authority core capacity and operating costs have been funded on a year-by-year basis through short-term funding streams equating to circa £5.7m per annum. Over recent months, the certainty of such funding for 2023/24 and beyond has become more volatile with government yet to disclose the full future of West of England Combined Authority revenue resources. The specific financial risks that we currently face include:
 - The Russian invasion of Ukraine and continuing international supply chain challenges have caused a sharp increase in inflation.

- Direct service delivery risk regarding transport services – particularly with regard to the financial pressures faced by bus operators due to falling patronage, and income, as a continuing result of the Covid pandemic.
- Unemployment has fallen, notwithstanding the end of the furlough scheme, and recruitment has risen, resulting in a very tight labour market and rising wage rates that still represent real terms cuts to public sector pay that increase recruitment and retention issues.
- Business Rate Retention funding – although the assumption is that the current 100% Business Rates Retention pilot will roll forward, we will not be able to accumulate a contribution to the Core Funding from budgeted revenue business rate growth.
- Potential for abortive capital costs to become chargeable to revenue.
- Non agreement to the necessary and lower than proportionate increase in resources needed by the Combined Authority to deliver its programmes which will stall investment in the region and have significant economic and reputational risks.
- Ensuring that we have the appropriate level of internal audit support by increasing the audit days required to make certain that we have appropriate controls in place as the organisation continues to grow.
 - 9.3 Should any of these financial risks materialise in 2023/24, we would need to develop an action plan looking for efficiencies and savings to accompany the structured use of financial reserves.

Public Sector Equality Duties

10.1 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.

10.2 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.

- 10.3 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.
- 10.4 The Public Sector Equality duties will be considered within each individual project or area of work.

Finance Implications:

- 11.1 The financial implications are contained in the specific Budget proposals as set out throughout this report.

The Local Government Act 2003 requires the Chief Finance Officer (Section 73 Officer) to report to the Metro Mayor and committee members on the robustness of the estimates made for the purposes of calculations and the adequacy of the proposed financial reserves. The Metro Mayor and committee members have a statutory duty to have regard to the CFO's report when making decisions about the calculations.

- 11.2 Section 28 of the Local; Government Act Finance Act 1988, where it appears to the Chief Finance Officer that the expenditure of the Mayoral general budget incurred in a financial year is likely to exceed the resources available to meet the expenditure, the CFO has a duty to make a report to the Metro Mayor and committee members.
- 11.3 The Section 73 Officer considers the budget to be robust as presented, given the need for delivery of programmes, from the significant increases in funding. To not increase and approve the budgets for 2023/24 and enable the Combined Authority to continue, commence and complete its recruitment exercises, would put the West of England Combined Authority at significant risk of non-delivery.
- 11.4 In terms of reserves the committee set a 5 % target on general reserves and the forecast is these will total approximately £2.4m against a target of £5.7m. Reserves are building but should not be reduced as they are not yet adequate. In addition, this is the most volatile economic situation for some time and adequate reserves are even more essential in such circumstances given they are less than half the Committees agreed target.
- 11.5 It is essential the West of England Combined Authority is appropriately resourced and that value for money for the taxpayer pound is continually tested and reported to committee on an ongoing basis.
- 11.6 Report and advice reviewed and signed off by: Richard Ennis, Interim Acting Chief Executive & Director of Investment and Corporate Services (Section 73 Officer)

Legal Implications:

- 12 The Budget proposals have been developed in accordance with appropriate Local Government Regulations, including the specific funding and related governance requirements set out in the West of England Combined Authority Order 2017 and The Combined Authorities (Finance) Order 2017. Expenditure on the establishment of a staffing structure requires the approval of the Combined Authority.

Report and advice reviewed and signed off by: Stephen Gerrard, Interim Director of Legal

Climate Change Implications

- 13 Much of the West of England Combine Authority's approved investment on building the infrastructure within the region will have a positive impact on climate change. Specifically, stepped change and improvements to rail and bus services along with an investment in cycling and walking facilities will help to reduce our carbon footprint.

- 13.1 Consideration of climate issues are incorporated within the assessed criteria that is used by the West of England Combined Authority to determine priority financial allocations from investment funding.

Report and advice reviewed and signed off by: Roger Hoare, Head of Environment

Land/property Implications

- 14.1 The West of England Combined Authority do not currently own any land or material assets. The West of England Combined Authority office lease at 70 Redcliff Street is accounted for within this budget.

- 14.2 Where West of England Combined Authority investment allocations concern any acquisition or disposal of land and/or property, full consideration is given to relevant state issues, market valuation and the requirement to deliver best value.

Report and advice reviewed and signed off by: Richard Ennis, Interim Director of Investment & Corporate Services

Human Resources Implications

- 15.1 The funding for the staff establishment for the West of England Combined Authority functions is provided for within the proposed budget in line with the resourcing requirements.

- 15.2 The report identifies a significant increase in staffing levels. This is on account of the significant additional funding that the Combined Authority has brought into the region, including (but not limited to) the City Regional Sustainable Transport Settlement (CTRSTS), Bus Service Improvement Plan (BSIP), Temple Quarter Redevelopment, and the Shared Prosperity Fund.

- 15.3 This additional funding comes with an expectation of significant delivery, at pace – and as a result, it is essential that the Combined Authority is resourced effectively to enable success.
- 15.4 As can be seen from the report, the most significant increases are within the Directorate of Infrastructure – which is reflective of the fact that this is the area where most of the funding has been received, and therefore is the area with the largest programme of delivery.
- 15.5 In terms of benchmarks, we can draw some parallels with other transportation-based organisations. From confidential assessments, this indicates client costs on average lay at 15% of the value of the overall portfolio but costs vary in respect to the overall role of the organisation, its delivery model and the complexity of work under its control. By comparison, these costs for the Authority lay at **4.6%**. A breakdown is contained in Figure 15 below.

Figure 15: Staff as a % of 2023/24 Profiled Project Spend

Infrastructure Portfolio	£000's
Infrastructure Projects	151,488
Staff Costs	7,010
Staff Costs as % of Portfolio	4.63%

- 15.6 An additional increase of note is within the Environment directorate – and this is reflective of the fact that this area is being built up from scratch, and resource is essential to ensure the Combined Authority can lead on the region’s ambition to achieve net zero by 2030.
- 15.7 As noted in the main body of the report, additional staffing places a further demand on corporate services, and it is therefore necessary to plan for a smaller, but proportionate, increase in corporate staffing support, to ensure that delivery is not compromised by bottlenecks elsewhere in the organisation.
- 15.8 It is recognised that in-year forecast staffing costs are proportionately higher than the FTE increases. This is due to key roles currently being covered by interims. We are planning a schedule of substantive recruitment to these key roles throughout the 2023/24 financial year (starting with the Director of Infrastructure which is currently in the final stages of the recruitment process), and we therefore anticipate these costs to be one-off rather than recurring beyond the 2023/24 financial year. Following this the West of England Combined Authority will then start the permanent recruitment processes for the monitoring officer and Director of Investment and Corporate Services.
- 15.9 As further noted in the report, benchmarking has taken place across all areas to ensure that increases are justifiable and in line with best practice. It is essential to agree the staffing budget in order to ensure delivery of budgeted programme.
- 15.10 All recruitment to additional roles will be conducted in an open and transparent way

in line with the Authority's policies and procedures.

- 15.11 It is also understood that our Local Authority partners are making staffing reductions in the 2023/24 financial year. As a result, the Combined Authority is happy to work closely with the Local Authorities to match any displaced staff with opportunities to apply for roles where appropriate.

Report and advice reviewed and signed off by Alex Holly, Head of People and Assets

Appendices:

- Appendix 1: West of England Combined Authority Revenue Budget 2023/24**
- Appendix 2: West of England Combined Authority Revenue Forecast 2022/23**
- Appendix 3: West of England Combined Authority Revenue Budget 2022/23 – Revised Schemes**
- Appendix 4: Investment Fund Revenue allocations managed by the West of England Combined Authority**
- Appendix 5: Investment Fund Revenue Approvals delegated to UAs and Third Parties**
- Appendix 6: Concessionary Fares Minimum Rate of Payment**
- Appendix 7: Mayoral Revenue Budget 2023/24**
- Appendix 8: Mayoral Fund Revenue Forecast 2022/23**
- Appendix 9: Change in FTE between 2022/23 Budget and 2023/24 Budget**
- Appendix 10: Fixed Term vs Permanent Staffing Analysis by Function 2022/23 and 2023/24**

Background papers:

Combined Authority (Revenue) and Mayoral Budget 2022/23 – CA Committee 28 January 2022;

Capital Strategy (including Treasury Management and Investment Strategies) – CA Committee 28 January 2022;

Investment Fund update reports to CA Committee throughout 2022;

Mayoral and CA Budget monitoring reports as presented to each meeting of the CA Committee.

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 Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 70 Redcliff Street, Redcliffe, Bristol BS1 6AL; email: democratic.services@westofengland-ca.gov.uk

West of England Combined Authority Revenue Budget 2023/24

	Budget 2022/23 £'000s	Budget 2023/24 £'000s	Variance £'000s
<u>Expenditure</u>			
Staff (a)	9,646	17,600	7,954
Supplies and Services	9,127	8,965	-162
Third Party Payments (b)	48,987	94,011	45,024
Overhead	-677	-589	88
Staff Recharge Income (c)	-2,382	-4,820	-2,438
Transfer to Reserves	212	0	-212
Total Expenditure	64,913	115,167	50,254
<u>Income</u>			
Levy Transport Function (d)	21,426	21,426	0
Business Rate Retention	600	0	-600
Government Grants (e)	19,565	67,022	47,457
Investment Fund (f)	21,552	22,660	1,108
Interest on Balances	1,603	4,000	2,397
Transfer From Reserves	167	59	-108
Total Income	64,913	115,167	50,254
Deficit/Surplus	0	0	0

a - Reference Appendix 9

b - Reference Figure 9

c - Reference Figure 8

d - Reference Figure 4 & 5

e - Reference Figure 2 – Also includes £1m Mayoral Capacity fund.

f - Reference Figure 3

West of England Combined Authority Revenue Forecast 2022/23

	Budget 2022/23 £000s	Forecast 2022/23 £000s	Variance £000s
Expenditure			
Staff (a)	9,646	11,496	1,850
Supplies & Services (b)	9,127	18,515	9,388
Third Party Payments (b)	48,986	66,173	17,187
Overhead	-677	-688	-11
Recharge Income (c)	-2,382	-162	2,220
Transfer to Reserves (d)	212	1,163	951
Total Expenditure	64,912	96,497	31,585
Income			
Levy Transport Function (e)	21,427	20,909	-518
Business Rate Retention	600	0	-600
Government Grants (f)	19,565	34,912	15,347
Investment Fund (g)	21,553	34,321	12,768
Other Contribution (h)	0	748	748
Interest on balances	1,600	3,300	1,700
Transfer from Reserves (i)	167	2,307	2,140
Total Income	64,912	96,497	31,585
Deficit / Surplus	0	0	0

Note:

- (a) Increase as a direct result of new Government Grants and Investment Fund Projects.
- (b) Increase as a direct result of new Government Grants and Investment Fund Projects.
- (c) More staff time being recharged to Revenue projects than was originally budgeted. This is in line with increased Government Grants and Investment Fund Projects.
- (d) Full breakdown in Figure 12.
- (e) Reduction in the amount NSC will be contributing to concessionary fares with forecasted passenger numbers being lower than anticipated.
- (f) Increase in Government Grants as detailed in Appendix 3.
- (g) Increase in Investment Funded projects as detailed in Appendix 3.
- (h) Contributions from UAs towards projects as well as some recharges to Bus Operators for not running services.
- (i) Full breakdown in Figure 12.

West of England Combined Authority Revenue budget 2022/23 – Revised Schemes

	Original 22/23 £000s	Revised 22/23 £000s	Difference 22/23 £000s
Specific Grant Funding			
Workforce for the Future	0	826	826
Business Innovation - ERDF*	836	688	-148
Adult Education Budget*	16,364	15,960	-404
Skills Boot Camp	0	2,840	2,840
Multiply	0	1,344	1,344
UK Shared Prosperity Fund	0	1,236	1,236
5G Logistics	0	419	419
Combined Authority (M10)	160	160	0
Zero Emission Transport City	0	430	430
Bus Service Operator Grant	0	1,147	1,147
Bus Service Improvement Programme	0	5,696	5,696
Western Gateway Sub-National Transport Body	180	180	0
Mini-Holland Feasibility	0	79	79
Active Travel Revenue Fund	0	20	20
Active Travel Social Prescribing	0	70	70
City Region Sustainable Transport Settlement	1,025	2,816	1,791
Sub Total:	18,565	33,911	15,346
Investment Fund managed by CA	£000s	£000s	
Low Carbon Challenge Fund Extension	0	422	422
Economy, Data and Culture	0	329	329
Business Innovation Fund (Research and Innovation Challenge Fund)		63	63
LIS Productivity Challenge	1,089	1,435	346
Innovation for Renewal and Opportunity*	3,411	2,063	-1,348
Culture and Creative Economic Fund CR	0	283	283
Cultural Compact Start-Up Investment	0	100	100
Workforce for the Future*	1,485	826	-659
Future Bright Plus	1,200	1,411	211
Digital Skills Investment Programme CQ	721	851	130
Community Support Fund	660	1,138	478
Post-16 Education and Skills Delivery Infrastructure Analysis	0	14	14
All Age Advice Centre Pilot	0	94	94
5G Logistics	0	41	41
WoE Visitor Economy Recovery	73	91	18
West of England HGV Driver Training Project	0	160	160
West of England Talent Retention Platform	0	37	37
Business Growth and Adaptations Fund	0	465	465
Bristol Temple Quarter Joint Delivery Team	0	94	94
Community Pollinator Fund	0	135	135
Local Energy Advice Support Pilot	0	150	150
Skills Connect and Priority Skills Fund	0	256	256
Retrofit Accelerator	0	521	521
Bristol to Bath Strategic Corridor	0	1,737	1,737
Regional Cycle Hangar	0	100	100
Strategic Master Planning CA business case	0	75	75
Strategic Green Infrastructure*	171	129	-42

Strategic Master Planning - North Fringe Bristol	112	227	115
Strategic Master Planning - South West Bristol Infrastructure Investment	196	307	111
SDS/LTP Shared Evidence Base*	1,180	1,040	-140
SDS/LTP Shared Evidence Base	279	347	68
MMC / Housing Innovation / Housing Delivery Strategy	0	125	125
ITA Functions*	273	123	-150
Strategic Rail Investment	118	130	12
Bus Strategy Infrastructure Programme	600	1,966	1,366
Mass Transit Ph 2 (Including Bath Transport Study)	186	498	312
Local Walking and Cycling Infrastructure	0	57	57
Future Transport Zone	2,138	2,138	0
10 Year Rail Delivery Plan	130	340	210
EV Charging Infrastructure	0	100	100
Integrated Smart Ticketing	0	129	129
Bus Service Improvement Plan	537	437	-100
Step Free Stations Phase 2**(a)	50	0	-50
WFTF European Match funding**(b)	1,485	0	-1,485
Research & Innovation Challenge Fund**(c)	69	0	-69
Small Business Resilience Grant Programme**(d)	15	0	-15
West of England Talent Retention Platform**(e)	56	0	-56
Sub Total:	16,234	20,984	4,750
Investment Fund to UAs	£000s	£000s	
Realising Talent (NEET)	118	118	0
Manvers Street Regeneration		250	250
Milsom Quarter Masterplan		221	221
Bath City Centre High Streets Renewal Project		48	48
Bath River Line-Bristol Bath Railway Path Extension		70	70
B&NES Masterplanning		1,345	1,345
Chew Valley Lake Recreational Trail (Southern Section)		150	150
LOHS Bath Local Centres		89	89
Midsomer Norton High Street Market Square Project		0	0
We Work for Everyone	381	381	0
South Bristol Enterprise Support		195	195
Reboot West	330	330	0
Frome Gateway & City Centre		565	565
Bristol City Centre & High Streets	1,837	1,880	43
Bottle Yard Studios - Hawkfield Business Park	25	25	0
Temple Quarter Regeneration Programme		1,662	1,662
Bristol Avon Flood Strategy – Active Travel & Green Infrastructure Greenway		313	313
East Bristol Mini-Holland		79	79
Western Harbour Feasibility		279	279
Bristol Harbour Place Shaping Strategy		220	220
Love our High Streets - Kingswood		27	27
Charfield Station		1,000	1,000
Coalpit Heath/Westerleigh Bypass and Frampton Cotterell/Winterbourne Bypass		73	73
East Fringe Master Plan	50	210	160
Sevenside Master Plan	100	120	20
Parkway Station Master Plan		190	190
North Fringe Public Infrastructure Package		497	497
Common Connections		120	120

Evidence to support Transition from Spatial Development Strategy to Local Plan Making		570	570
Yate Spur Phases 5 & 6		453	453
High Street Catalyst	120	290	170
B&NES High Streets - Pilot*(f)	85		-85
South Bristol Enterprise Support **(g)	194		-194
WE Work for Everyone European Match**(h)	381		-381
Bath City Centre High Streets Renewal Project**(i)	268		-268
Investment Fund managed through third parties			
The Coach House BAME Enterprise and Social Enterprise Hub	57	57	0
Centre for Digital Eng, Tech and Inn (DETI)	727	856	129
Sub Total:	4,673	12,683	8,010
Mayoral funding			
Mayoral Capacity Fund	1,000	1,000	0
Investment Fund for Mayoral Costs (IF)	645	655	10
Sub Total:	1,645	1,655	10
Total	41,117	69,233	28,116

*Change requests submitted since original budget

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(a) Spend reclassified as Capital

(b) Match funding incorrectly classified as Investment Fund

(c-e) Money all spent in previous period

(f) Funding moved to - Love our High Streets –Midsomer Norton High Street Market Square Project

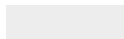
(g) Money all spent in previous period

(h) Match funding incorrectly classified as Investment Fund

(i) Spend reclassified as Capital

Investment Fund Revenue allocations managed by the West of England Combined Authority

	22/23	23/24	24/25	25/26	26/27	Total
Investment Fund managed by West of England Combined Authority	£000s	£000s	£000s	£000s	£000s	£000s
Business Innovation Fund (Research and Innovation Challenge Fund)	0	45	0	0	0	45
LIS Productivity Challenge	1,089	823	195	0	0	2,107
Innovation for Renewal and Opportunity	3,411	3,578	730	0	0	7,719
Culture and Creative Economic Fund CR	0	290	60	0	0	350
Cultural Compact Start-Up Investment	0	170	0	0	0	170
Workforce for the Future	1,485	894	0	0	0	2,379
Future Bright Plus	1,200	1,100	0	0	0	2,300
Digital Skills Investment Programme CQ	721	573	0	0	0	1,294
Community Support Fund	660	220	0	0	0	880
All Age Advice Centre Pilot	0	161	81	0	0	242
WoE Visitor Economy Recovery	73	0	0	0	0	73
West of England HGV Driver Training Project	0	60	0	0	0	60
West of England Talent Retention Platform	0	70	0	0	0	70
Business Growth and Adaptations Fund	0	16	6	0	0	22
Community Pollinator Fund	0	676	647	0	0	1,323
GI Projects	0	725	725	0	0	1,450
Round 1 Recovery Nature	0	1,621	1,621	0	0	3,242
Local Nature Recovery Strategy	0	330	0	0	0	330
Low Carbon Challenge Fund	0	444	718	0	0	1,162
Skills Connect and Priority Skills Fund	0	1,294	1,450	0	0	2,744
Retrofit Accelerator	0	1,002	988	489	0	2,479
Strategic Green Infrastructure	171	0	0	0	0	171
Strategic Master Planning - North Fringe Bristol	112	0	0	0	0	112
Strategic Master Planning - South West Bristol Infrastructure Investment	196	0	0	0	0	196
SDS/LTP Shared Evidence Base	1,180	602	250	0	0	2,032
SDS/LTP Shared Evidence Base	279	201	83	0	0	563
MMC / Housing Innovation / Housing Delivery Strategy	0	125	0	0	0	125
ITA Functions	273	150	0	0	0	423
Strategic Rail Investment	118	50	0	0	0	168
Bus Strategy Infrastructure Programme	600	0	0	0	0	600
Mass Transit Ph 2 (Including Bath Transport Study)	186	0	0	0	0	186
Future Transport Zone	2,138	1,454	0	0	0	3,592
10 Year Rail Delivery Plan	130	80	40	0	0	250
EV Charging Infrastructure	0	100	0	0	0	100
Step Free Stations Phase 2	50	0	0	0	0	50
WFTF European Match funding	1,485	0	0	0	0	1,485
Research & Innovation Challenge Fund	69	0	0	0	0	69
Small Business Resilience Grant Programme	15	0	0	0	0	15
West of England Talent Retention Platform	56	0	0	0	0	56
Bus Service Improvement Plan	537	0	0	0	0	537



Total:	16,234	16,854	7,594	489	0	41,171
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Investment Fund Revenue Approvals delegated to UAs and Third Parties

	22/23	23/24	24/25	25/26	26/27	Total
Investment Fund to UAs	£000s	£000s	£000s	£000s	£000s	£000s
Realising Talent (NEET)	118	0	0	0	0	118
Manvers Street Regeneration	0	0	0	0	0	0
Milsom Quarter Masterplan	0	1,044	402	0	0	1,446
Bath City Centre High Streets Renewal Project	0	48	48	48	0	144
Bath River Line-Bristol Bath Railway Path Extension	0	0	0	0	0	0
B&NES Master planning	0	0	0	0	0	0
Chew Valley Lake Recreational Trail (Southern Section)	0	0	0	0	0	0
LOHS Bath Local Centres	0	129	18	10	5	162
Midsomer Norton High Street Market Square Project	0	40	10	0	0	50
We Work for Everyone	381	17	0	0	0	398
South Bristol Enterprise Support	0	0	0	0	0	0
Reboot West	330	233	36	0	0	599
Frome Gateway & City Centre	0	0	0	0	0	0
Bristol City Centre & High Streets	1,837	917	0	0	0	2,754
Bottle Yard Studios - Hawkfield Business Park	25	25	0	0	0	50
Temple Quarter Regeneration Programme	0	0	0	0	0	0
Bristol Avon Flood Strategy – Active Travel & Green Infrastructure Greenway	0	169	0	0	0	169
East Bristol Mini-Holland	0	0	0	0	0	0
Western Harbour Feasibility	0	0	0	0	0	0
Bristol Harbour Place Shaping Strategy	0	63	0	0	0	63
Love our High Streets - Kingswood	0	0	0	0	0	0
Charfield Station	0	2,013	0	0	0	2,013
Coalpit Heath/Westerleigh Bypass and Frampton Cotterell/ Winterbourne Bypass	0	0	0	0	0	0
East Fringe Master Plan	50	0	0	0	0	50
Sevenside Master Plan	100	0	0	0	0	100
Parkway Station Master Plan	0	0	0	0	0	0
North Fringe Public Infrastructure Package	0	0	0	0	0	0
Common Connections	0	103	109	131	0	343
Evidence to support Transition from Spatial Development Strategy to Local Plan Making	0	330	0	0	0	330
Yate Spur Phases 5 & 6	0	0	0	0	0	0
B&NES High Streets - Pilot	85	0	0	0	0	85
South Bristol Enterprise Support	194	0	0	0	0	194
WE Work for Everyone European Match	381	0	0	0	0	381
High Street Catalyst	120	0	0	0	0	120
Bath City Centre High Streets Renewal Project	268	0	0	0	0	268
Subtotal	3,889	5,131	623	189	5	9,837

Investment Fund managed through third parties

The Coach House BAME Enterprise and Social Enterprise Hub	57	0	0	0	0	57
Centre for Digital Eng, Tech and Inn (DETI)	727	0	0	0	0	727
Subtotal	784	0	0	0	0	784

Sub Total:	4,673	5,131	623	189	5	10,621
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Month	Maximum amount of pre-pandemic patronage in equivalent month to be reimbursed unless actual travel is higher	Actual concessionary travel in West of England Combined Authority Area compared to equivalent quarter* prior to pandemic
April 2022	90%	65%
May 2022	90%	
June 2022	85%	
July 2022	85%	63%
August 2022	80%	
September 2022	80%	
October 2022	75%	-
November 2022	75%	
December 2022	70%	
January 2023	70%	-
February 2023	65%	
March 2023	65%	

West of England Combined Authority Mayoral Budget 2023/2024

	2022/23 Budget £'000s	2023/24 Budget £'000s	Increase (+)/ Decrease £'000s
Staff (a)	213	243	30
Premises	13	13	0
Support Services	11	11	0
Supplies and Services	62	62	0
	299	329	30
Mayoral Election	346	346	0
Mayoral Revenue Expenditure	645	675	30
<u>Income</u>			
Contribution from West of England Combined Authority Investment Fund	645	675	30
Total Income	645	675	30

Note: (a) Increases reflects anticipated inflationary pay increases.

Mayoral Fund 2022/23 Revenue Forecast as @ December 2022

	Budget 2022/23 £000s	Forecast 2022/23 £000s	Variance £000s
<u>Expenditure</u>			
Staff (a)	213	223	10
Supplies & Services	62	62	0
Premises	13	13	0
Support Services	11	11	0
	299	309	10
Mayoral Election -transfer to reserve	346	346	0
Mayoral Revenue Expenditure	645	655	10
<u>Income</u>			
Contribution from West of England Combined Authority Investment Fund	645	655	10
Total Income	645	655	10
Surplus/Deficit	0	0	0

Note:

(a) Increases reflect inflationary pay increases.

Appendix 9

Change in FTE between 2022/23 Budget and 2023/24 Budget

	2022	2023	Change	Service Area	2022	2023	Change	Reason	
								Increase in Funding	Fitness for Purpose
Business and Skills	64	69	5	Business and Skills Management	3	4	1 (a)	1	0
				Enterprise and Inward Investment	29	21	-8 (b)	2	0
				Integrated Delivery	7	17	10 (b)		
				People and Skills	25	25	0	0	0
				Programme & Performance Management	0	2	2 (c)	2	0
Corporate Services	35	46	11	Corporate Services Management	1	1	0	0	0
				Finance	13	16	3 (d)	3	0
				Grant Management & Assurance	7	11	4 (e)	4	0
				People & Assets	14	18	4 (f)	2	2
CEO	53	58	5	CEO Office including PA	7	6	-1	0	-1
				Communications & Marketing	13	13	0	0	0
				Legal & Democratic Services	4	8	4 (g)	0	4
				Mayor	3	3	0	0	0
				Innovation	10	7	-3 (h)	0	-3
				Project and Planning	3	3	0	0	0
				Strategy & Policy	13	18	5 (h)	0	5
Environment	19	39	20	Data Hub	0	2	2 (i)	2	0
				Environment Management	0	1	1 (j)	0	1
				Environmental Planning	0	9	9 (k)	9	0
				Low Carbon Challenge	5	10	5 (l)	5	0
				Net Zero Hub	14	17	3 (m)	3	0
Infrastructure	64	108	44	Capital Delivery	14	36	22 (n)	22	0
				Housing & Planning	12	0	-12	-12	0
				Future Transport Zone	7	17	10 (o)	10	0
				Integrated Transport Authority	22	34	12 (p)	12	0
				Management	1	1	0	0	0
				Transport Strategy	8	15	7 (q)	7	0
				Commercial	0	5	5 (r)	5	0
TOTAL	235	320	85	Total	235	320	85	77	8

Note: Reference Figure 8 for Summary of Staffing Analysis.

- a) New role is fully funded by projects.
- b) Net movement between the two service areas is 2 roles. There has been a reorganisation of the teams – The increase of 2 roles is funded by new project funding.
- c) New roles are fully funded by new projects.
- d) 1 role fully funded by CRSTS. 2 additional roles are also funded by increased project funding.
- e) 1 role fully funded by CRSTS, 1 fully funded by Multiply. 2 additional roles are included to align with the additional funding across the organisation.
- f) 2 roles are fully funded by CRSTS. 2 roles are included to cover Learning & Development and Health and Safety functions where there are currently no headcount within the organisation.
- g) There is currently only 1 Solicitor in the Legal Service Area therefore the increase includes 3 solicitors. 4th Role is a Data Protection Officer.
- h) There is some movement between these two teams, the net increase is 2 new roles.
- i) 2 additional roles - both fully funded.
- j) Head of Service role - to provide leadership and direction.
- k) All 9 roles are fully funded by projects, 3 by the Pollinator Programme, the other 6 roles by various environmental projects in the Investment Fund.
- l) All 5 roles are fully funded.
- m) All 3 roles are fully funded.
- n) 22 additional roles - all funded by increase in capital projects, primarily CRSTS.
- o) All roles are fully funded, there are a number of key projects commencing over the next 12 months which require the additional headcount – these include Transport Data Hubs, Mobility as a Service, Mobility Hubs, Dynamic Demand Responsive Transport, Micro mobility and Urban Freight.
- p) All roles funded by a mix of the Transport Levy and Bus Service Improvement Plan funding.
- q) These additional roles are being funded by the CRSTS Capacity Fund, preliminary work to secure future infrastructure project funding.
- r) Additional 5 roles to support the commercial delivery of new infrastructure, primarily funded by CRSTS but also other infrastructure funding streams.

Appendix 10

Fixed Term vs Permanent Staffing Analysis by Function 2022/23 and 2023/24

	2022/23			2023/24		
	Total FTE	Permanent	Fixed Term / Seconded	Total FTE	Permanent	Fixed Term / Seconded
Business and Skills	64	40	24	69	49	20
CEO	53	34	19	58	41	17
Corporate Services	35	30	5	46	38	8
Environment	19	7	12	39	32	7
Infrastructure	64	51	13	108	105	3
TOTAL	235	162	73	320	265	55