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

DATE: **26 JANUARY 2024**

REPORT TITLE: **MAYORAL AND COMBINED AUTHORITY BUDGET 2024/25 AND MEDIUM-TERM FINANCIAL STRATEGY**

RESPONSIBLE OFFICER: **RACHEL MUSSON, STRATEGIC DIRECTOR OF RESOURCES (S73 OFFICER)**

Purpose of Report

To consider and approve the Budget in respect of the Mayoral Functions and the West of England Mayoral Combined Authority for 2024/25. This report includes the revenue and capital forecasts for the financial year 2023/24 based on data from the period April 2023 to December 2023.

This report also incorporates the Capital Strategy for the West of England Mayoral Combined Authority including - the detailed Capital Budget, and indicative budget up to 2027/28 and the Treasury Management Strategy for 2024/25.

Recommendation

That Committee:

1. Agree to undertake a role and purpose review of the West of England Mayoral Combined Authority, engaging Mayors and Leaders on the future direction of the West of England Mayoral Combined Authority and its strategic investment priorities. This work will report back Autumn 2024.
2. Approve the Interim Chief Executive works with Unitary Authority Chief Executives on a programme of effectiveness and efficiency reviews to be agreed by Summer 2024.
3. Note that the Interim Chief Executive works with Unitary Authority Chief Executives to explore opportunities for sharing resources where appropriate, and report progress to Unitary Authority Chief Executives by Summer 2024.
4. Approve the West of England Mayoral Combined Authority budget for 2024/25 as summarised in Figure 9a and relevant related supporting appendices.
5. Approve the Mayoral Budget for 2024/25 together with the funding contribution from the West of England Mayoral Combined Authority, (Investment Fund), budget of £687k as set out in Figure 18.
6. Approve the Capital Budget as detailed in Appendix 5.
7. Approve the Treasury Management Strategy for 2024/25 detailed in Appendix 6.
8. Agree the specific Highways and Transport Capital Grant allocations totalling £25m and the pothole funding allocation to unitary authorities for 2024/25 as set out in Figure 15.
9. Note the 2023/24 forecast position for the West of England Mayoral Combined

Authority Revenue Budget as set out in Appendix 7, the forecast position for the Mayoral Functions Revenue budget as set out in Figure 18 and the changes to the Capital Forecast as set out in Appendix 5. 10. Agree Unitary Authorities members and officers participate in a working group for the Transport Levy, convened by the West of England Mayoral Combined Authority, and identify and agree the required contributions to resolve the future funding gap.
Reasons for recommendation Statutory requirement to set a balanced budget that enables the West of England Mayoral Combined Authority to delivery its programmes. The reserves are needed to ensure the smooth running of the West of England Mayoral Combined Authority and deliver effective financial management given the scale of risk being managed.
Voting arrangements **Recommendations 1; 2; 3; 8 and 10**: In order to be carried, a decision on this matter requires a majority of the members present and voting, such majority is to include the Metro Mayor. Each member present may cast one vote. If a vote is tied the decision is not carried. There is no casting vote. Co-opted members are not entitled to vote. **Recommendations 4-7**: In order to be carried, a decision on this matter requires the unanimous vote of the members present and voting, but excluding the Metro Mayor who is not entitled to vote. Co-opted members are not entitled to vote. **Recommendation 9:** None required – Recommendations are for noting.

Background

1. The West of England Mayoral Combined Authority (here after referenced as MCA) is now a significant delivery organisation in the region with sizeable budgets that the Metro Mayor, the Committee and residents rightly expect to lead to on the ground action, as swiftly as possible. For delivery to be carried out efficiently and effectively, appropriate resources need to be in place to enable the organisation to meet its obligations and ambitions and provide delivery confidence both within the region and facing into Government. A full funding analysis is detailed in ***Appendix 1.***

2. It is essential to recognise that the MCA continues to change and needs to adapt to ensure it has the appropriate resources, skills and capacity to deliver the significant programme of work ahead and ensure delivery of the full benefits to the economy, and ultimately the residents and businesses of the region.

3. The budget has been formulated, taking into consideration the Strategic Objectives of the MCA (refer to point 4) and the following fundamental principles:

   - Not requesting any additional financial support from the Unitary Authorities (UAs), given the financial challenges UAs are facing.

   - Ensuring the organisation has the necessary resources to effectively deliver the desired outcomes for the region, using the funding already secured by the MCA.

   - Emphasising the continued focus on attracting new funding to the region, and enhancing the organisation's capacity and expertise to do so. The Economy and

Skills Directorate for example is targeting to attract an additional £10m of funding to the region above budget just in 2024/25, through hiring of a few key roles costing £143k. A similar approach last year in Environment brought in £22m of additional combined capital and revenue funding in this financial year.

- Strengthening the corporate core of the MCA as outlined in our Transformation Programme and to properly mitigate the issues raised within the Grant Thornton audit report November 2022 and the Solace peer review February 2023. This is an essential requirement in delivering our improving organisational governance.

Strategic Objectives:

4. To support delivery across the region, a set of strategic objectives to underpin the investments made by the MCA were agreed by Committee in 2022. The areas of focus Committee identified as investment priorities are:

    - **Climate and ecological emergency:** Investing to tackle the climate and ecological emergency.
    - **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.
    - **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.
    - **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.
    - **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.

5. Work is also expected to be undertaken, as per the Recommendation, to review of the role and purpose of the MCA. This work will engage Mayors and Leaders on the future direction of the MCA and its strategic investment priorities. This work will report back Autumn 2024.

6. A refresh of the regional strategy is underway to ensure future plans for the West of England align with the priorities of Committee. The proposals set out in this report will ensure the MCA has the appropriate resources in place to deliver on the ambition this strategy will set.

7. Over the last 12 months, the MCA has delivered across the strategic priorities Committee has set, working together across our partnership. We are taking action to strengthen the West of England's economy and improve services and support for people who live and work here. Specific successes achieved over the course of 2023 are set out below.

    Action to change the way people travel across the region:

    - The launch, in July, of the Birthday Bus scheme offering passengers free travel across the region, with over 25,000 free passes applied for already.

    - The opening of the Portway Park and Ride railway station in August 2023 and work progressing on 6 other new station projects including the circa £200m Portishead to Bristol Temple Quarter line.

- The continuation of the £2 flat fare for bus journeys across the region. In 2023, we have built on our fares packages to also launch a care leaver travel scheme, giving care leavers between the age of 18 and 21 free travel.

- The launch of the *WEST*link service in April, giving passengers a new public transport option across a large part of our region.

Action to create sustainable homes and places:

- The Bristol Temple Quarter regeneration scheme is continuing to progress, with construction starting on both the station's new eastern entrance and the University's main academic building. The project is planned to deliver 10,000 new homes, 22,000 new jobs, and an annual economic boost of £1.6bn to the region. Also to note, for this programme, the MCA agreed the deal with Homes England to secure £95m of grant funding into the region from 2023/24.

- Investment in the regeneration of high streets across the region has continued. The £810k high street catalyst round 1 is funding projects including the funding of Bristol's vacant unit taskforce alongside the new Studio 22 in Bath. We are allocating a further £2.5m through round 2, with projects delivering on the ground by March 2025.

- Progressing key projects funded through the £50m Housing Delivery Strategy. This includes: £8m to acquire land and unlock 280 new homes at Bath Riverside, £4m to bring forward 70 extra care housing units at the former Thornbury Hospital, and £19.8m for enabling infrastructure unlocking over 1,000 homes at Hengrove Park.

- Funding the delivery of masterplans and delivery plans that help set the transformative vision for our region. These include the Milsom Quarter in Bath, Bristol's Western Harbour, Frome Gateway, Parkway station and Yate.

Action to help tackle the climate and ecological emergency – contributing towards our net zero ambitions:

- Retrofit West Advice was launched last year. A £3m investment is supporting a service to provide free, impartial advice to homeowners across the region to help them understand how to make their homes more energy efficient. The service has advised nearly 3,000 households to date. Homeowners can go on to purchase discounted, on-site surveys for more bespoke advice about their house. Over 260 have applied for that offer so far.

- Our Solar Together scheme delivered over 950 solar installations in its first round. A second round is underway with expressions of interest from across the region already exceeding those received for the first round.

- Scaling up support for businesses to help them make the transition to net zero, including Carbon Surveys, Green Business Grants and Rooftop Solar Grants. We have engaged over 200 businesses across the region and paid over £790,000 of grant to help them reduce their energy bills and save over 900 tonnes of carbon pa.

- Taking more action to support nature recovery, with the expansion of the Community Pollinator Fund which funded over 50 new community projects in 2023, continued support for the delivery of nature projects across the region such as the 100 acre Great Avon Wood, and the preparation for new duties such as Biodiversity Net Gain and the delivery of a Local Nature Recovery Strategy

Action to support more people secure decent jobs and training:

- Skills Connect was launched in September, giving residents a simple, integrated platform that brings together information on jobs and training opportunities which they can access to help them progress in work. It will help 3,000 people every year.

- We are continuing to support growth in green skills provision, ensuring we help employers and businesses develop their staff and grow our green economy, for example, through our Skills Bootcamps we have trained 2,000 people in areas including retrofit and sustainable construction.

- Our Adult Education Budget provision is on course to support over 10,000 people this year into good quality training, helping people across the region progress in their careers.

- We have worked with close to 100 schools and colleges through the West of England Careers Hub to strengthen the range of careers advice available to young people – opening up a wide range of job opportunities for them to consider.

- The Future Bright programme has provided career coaching support to over 4,300 people with 1,960 entering training and increased income totalling over £2m.

Action to help put the West of England on the map for global success:

- We have continued to attract new businesses to the region – through the MCA's inward investment service, we have exceeded targets set by Committee with 238 successful investments (207% above target of 115) and new jobs created of 11,406 (326% above target of 3,500) with over three quarters of new jobs being taken up by people in the region.

- Working with our university partners, we have supported work to bring the Isambard-AI supercomputer to the region; and are working towards the establishment of new academic centres that will continue to grow our academic excellence as a region. Delivery of the Quantum Technology Innovation Centre at Temple Quarter is now fully underway and will create 300 new jobs and contribute £122m Gross Value Added to our economy each year.

- Our Growth Hub has supported over 1,000 businesses across the region in the first half of 2023/24, including nearly 200 start-ups, helping to continue growing our regional economy and create new job opportunities for residents. Overall, the Growth Hub has supported over 11,000 businesses to date.

- We are leading delivery of our new regional Digital Plan, ensuring we tackle digital exclusion, transform services and accelerate digital transformation for the benefit of local people. Our immediate priority is to maximise access to superfast connectivity, targeting the 17k plus premises that are currently being left behind.

- We are delivering support to the cultural sector, including through the new £3m Culture West project funded by the Arts Council and the MCA. In addition, through targeted business support, we have helped over 800 freelancers and 265 creative SMEs, unlocking over 300 new jobs.

The Budget proposals set out in this report seek to strike the balance of maintaining a clear focus on delivering effectively and efficiently while also putting the organisation on a secure footing to build on the impact it is having for people and communities across the region.

8. Further details of the delivery to date, can be found at Appendix 10 - Which shows the range of delivery that is underway across the region following investment decisions taken by MCA Committee. As Appendix 10 shows, investment is enabling new transport links, housing, employment sites, business development, R&D facilities, and environmental projects across the region. In addition (and not shown on the map) MCA Committee decisions have enabled a wide range of employment and skills programmes to be delivered, supporting local people to develop the skills they need to access employment opportunities across the region.

Effectiveness and Efficiency

9. The MCA is in the process of conducting a series of service reviews to ensure its operations are delivering effectively and efficiently for the region. This was requested as part of the 2023/24 budget setting process, whilst the specific overall method for demonstrating this was not confirmed with the UAs, the MCA has ensured the initial focus of this work has been across longer-standing delivery focused directorates, ensuring structures and resources are fit for purpose given the expanding budgetary and delivery responsibilities of these areas of the MCA. This work has not progressed as quickly as officers would have wanted given the scale of improvements needed. The commitment to a programme of reviews has been highlighted through the recommendation in this paper.
10. The ongoing transformation work also raised a series of areas where the effectiveness of the MCA could be improved, and so we prioritised progressing those with a view to returning to this formal programme of reviews when that concluded.
11. It should also be noted that we have made notable progress against our reported Value for Money arrangements as reported by Grant Thornton in the 2022/23 Annual Report at December 2023 “Improving Economy, Efficiency and Effectiveness” section, where no significant weaknesses were identified and only one improvement recommendation remains (to review the constitution), of the three recommendations in the prior year.
12. Within the Infrastructure Directorate, which leads major aspects of our delivery, work has taken place to fully review the team structure to ensure it is appropriate. A change programme is now underway within this Directorate to implement a revised target operating model to reflect the expanded delivery responsibilities of the team since it was last reviewed.
13. Across the Economy and Skills Directorate, a change programme is also underway, which again reflects the broadening responsibility of this area of the organisation. The Economy and Skills change programme is anticipated to strengthen focus and resources in line with the significant uplift in skills activity, growth in business engagement, the need to deliver major projects associated with the Plan for Innovation and growing work to deliver on the ambitions of our regional Cultural Plan.
14. The conclusions of both the Infrastructure and Economy and Skills change programmes have informed this Budget paper, identifying the additional resource required to deliver effectively and efficiently.
15. The Environment Directorate was established reasonably recently which explains why the resource requirements for this function sees a necessary growth in this budget. As this is a new team, a service review of this area is not yet required.
16. Further service reviews across the corporate core of the organisation will be carried out once Committee discussions on the role and purpose of the MCA have concluded,

ensuring the core of the organisation is structured and properly resourced to support and respond.

17. More broadly, over the course of 2023/24, the MCA has taken a range of steps to strengthen the effectiveness and efficiency of the organisation. Through the MCA Transformation Programme, we have:

- **Developed more robust arrangements around the MCA Committee process:** Including earlier discussion of agendas amongst MCA partners; earlier discussion of points of contention (and mitigating action taken to seek to address); technical solutions to improve the sharing of papers and method for collating comments (ensuring the views of UA partners are clearly understood); briefing meetings prior to Committee.

- **Taken steps to strengthen arrangements in place for the management and reduction of interims:** The use of interims has reduced since the transformation programme was initiated. Recruitment of permanent members of the corporate leadership team has progressed and the number of interims within the top layer of organisational management has reduced.

- **Strengthened of the corporate core of the MCA:** A range of core roles have been recruited to including Assistant CEO, Head of Performance, Health and Safety Manager and the Infrastructure PMO has also been strengthened. Further action is planned to ensure the corporate centre of the organisation is fit for purpose given the evolving scale and remit of the MCA.

- **Strengthened partnership arrangements are in place:** Building on strong relationships already existed in some areas, a broader range of partner engagement forums have been established to help the MCA and UA partners better understand potential areas to address in delivering effectively and efficiently. S151 Officers and MO officers across the partnership now meet regularly, which builds on existing arrangements for CEOs, Directors of Business and Skills, Directors of Environment, and Directors of Infrastructure. A new Strategy coordination group has been established, with plans to build on this with the establishment of a Directors of Strategy Group. And as noted above, PRB has also been reset to ensure it meets the need of the MCA and UAs.

- **Strengthened the work of the Programme (Portfolio) Review Board (PRB):** The terms of reference for PRB have been revised to ensure they are fit for purpose and contribute to effective and efficient delivery. PRB will provide assurance for delivery of schemes across MCA programmes and will ensure clear information about progress and ensure barriers to delivery are shared and mitigated as appropriate.

- **Established an MCA Governance Board:** An MCA Internal Governance Board has been established to provide improved oversight for internal processes and decision making. Clear terms of reference are in development and a programme of work for this Board is being agreed. One of the core purposes of this Board is to ensure effectiveness and efficiency in all that we do.

- **Established an Infrastructure Change Programme:** A review of the infrastructure directorate has taken place to ensure the directorate is placed on a firm footing to deliver effectively and efficiently. The resources to deliver change process will be realised through the 2024/25 budget setting process.

- **Delivered a Balanced Budget:** We continue to deliver a balanced budget, operating within agreed budget thresholds. We were required to withhold 10% of the staffing budget in 2023/24, which we have done. We have also continued to drive efficiencies within the organisation as detailed in this paper.

18. The focus on effectiveness and efficiencies was also applied to the approach to the budget setting process, which included a series of robust internal challenge sessions of budget proposals to ensure resource requirements were developed in an integrated and coordinated way across teams and directorates. In addition, the Regional CEO group reviews the MCA budget proposals on the journey to Committee cycle.

19. Progress in efficiency and effectiveness is also reflected in initial findings from the Gateway Review of the Investment Fund, which has included stakeholder consultations on the extend of impacts on the region. Key findings of this research include:

   - a sense that stakeholder engagement has increased in recent years, involving regional organisation and groups in the design, and shaping of regional projects and agendas
   - strong partnership working between the MCA and the Unitary Authorities enabling the delivery of many projects within an area of differing political complexions
   - views that the MCA has taken an increasingly strategic approach to the deployment of funding, including to attract additional funding sources
   - economic development capacity has increased within the region, with a maturing organisation gaining increased knowledge and experience and increased capacity at the constituent local authorities, demonstrated through a stronger pipeline of local projects
   - positive views on how processes and governance structures have improved, including the introduction of the PRB, more robust project monitoring and assurance processes, and an increasingly data and evidence-based approach to project development and selection

20. Further work on effectiveness and efficiencies is planned during the 2024/25 financial year, with activity focusing on the following workstreams:

- **Maturing our approach to shared services**: While excellent examples of regional collaboration are well established, including (but not limited to) the transport and skills agendas, the MCA will work with our Unitary Authority partners to scope areas where it may be beneficial to develop or create more robust shared services agreements, to minimise duplication of similar activity across the region. This may include areas such as corporate functions, and delivery of the environment and sustainability agenda. Consideration will be given to formal shared service arrangements, whether hosted by the MCA or one of our constituent councils, and more informal arrangements such as cross-organisational teams and secondment arrangements.
- **Centralisation of functions within the MCA:** While this has been considered as part of the 2024/25 budget setting process, there is more work to be done on ensuring that like functions are grouped in one area, to minimise duplication of work and ensure the most effective use of resources. The areas for primary consideration as part of this work are project and programme management; digital, data and analysis; and administration and business support.
- **Exploring opportunities for maximising efficiency through external contracts:** The MCA has a number of contractual arrangements with external providers for the provision of services (e.g., IT, Buildings maintenance, etc). These will be reviewed alongside our Commercial function to ensure that maximum value is obtained from these arrangements. In addition, the IT contract is coming to an end in October 2025 – while this is within the 2025/26 financial year, planning has already started, and work will intensify throughout the 2024/25 financial year.

MCA Revenue Resources and Medium-Term Financial Outlook

21. The MCA revenue budget relates to all functions except for those relating specifically to the Mayor Functions which are set out separately in Section 86-91 of this report. The MCA budget includes any specifically approved contributions to meet Mayoral costs. The proposed budget includes provision for the governance, management and administration of the MCA functions and responsibilities.

22. The MCA revenue funding has increased over time with the approval of various projects, and associated funding, as part of the West of England MCA Investment Programme (£450m up to March 2047). Such approvals are incorporated within the 2024/25 proposed budgets. The Revenue funding 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 MCA 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.

Core Revenue

23. The Medium-Term Financial Strategy, (MTFS), of our **core** revenue streams amounts to £44.04m over the five-year period as shown in *Figure 1*.

Figure 1: MTFS for Core Revenue Streams

Revenue Type	2023/24 (£,000's)	2024/25 (£,000's)	2025/26 (£,000's)	2026/27 (£,000's)	2027/28 (£,000's)	Total (£,000's)
Net Business Rate Retention	-	(998)	(1,033)	(1,064)	(1,085)	**(4,180)**
Mayoral Capacity Fund	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	**(5,000)**
Treasury Management income	(4,000)	(11,756)	(7,498)	(4,685)	(3,400)	**(31,339)**
Investment Fund for Mayoral Costs (IF)	(675)	(687)	(695)	(700)	(705)	**(3,462)**
Transfer from reserves	(59)	-	-	-	-	**(59)**
	(5,734)	**(14,441)**	**(10,226)**	**(7,449)**	**(6,190)**	**(44,040)**

- **Business Rates Retention:** The West of England 100% Business Rates Retention pilot scheme is confirmed to be rolled forward for a further financial year. During this time the government will continue to review the role of such arrangements as a source of income for areas and its impact on local economic growth, as part of deeper devolution commitments as set out in the Levelling Up White Paper. The MCA retains 5% of the total business rates growth retained in the region after accounting for the highways maintenance grant. The 2024/25 budget assumes a realistic approach to business rate income to reflect the continued uncertainty and economic outlook for businesses and the high street. Full detail of the retained business rate position will not be known until the start of February 2024, when the individual unitary councils submit their NNDR1 returns to the Department of Levelling Up, Housing and Communities [DLUHC].

- **Mayoral Capacity Fund:** A £1m annual Mayoral Capacity Fund Grant has been made available to fund core staff capacity costs of running the MCA. 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 MCA, 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 Department for Levelling Up, Housing and Communities confirmed their commitment to funding for both 2023/24 and 2024/25 in the business planning round during Summer 2023. The £1m will be maintained but not inflated therefore a real terms ongoing reduction for 2024/25.

- **Treasury Management Income:** Income received from our investments has significantly exceeded budgeted levels in the last two financial years due mainly to high cash balances held and longer-term higher interest rates attained through investing in approved property and mixed asset funds. Higher returns are again forecast for 2024/25 although this will reduce as significant capital construction costs are drawn down in relation to the approved Investment Programme. Treasury Management income is being used to fund the necessary increase in core staffing costs. Were this income to fall, costs including 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. Further details are included in the Treasury Management Strategy for 2024/25 in **Appendix 6.**

- **Investment Fund for Mayoral Function Costs:** 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 £687k from the Investment Fund.

24. The MCA 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.

25. We are currently the only Combined Authority that does not draw on the Investment Fund to fund their core staffing. The MCA 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 MCA 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£6.0m against the proposed £119m budget. It currently has £2.5m as at the end of March 2023. The necessity for this, has again been raised as an audit recommendation from our external auditors as part of the VFM audit. This was discussed at Audit Committee in December 2023 when the need for this was made very clear to ensure the required financial prudency and robustness is in place, which is expected of all organisations.

Specific Revenue Grant Funding

26. This section details the Medium-Term revenue forecast across the various specific grant income streams.

Figure 2: Medium Term Financial Strategy for Specific Revenue Grants

Revenue Grant	Source	2023/24 (£,000's)	2024/25 (£,000's)	2025/26 (£,000's)	2026/27 (£,000's)	2027/28 (£,000's)	Total (£,000's)
Woodland Creation Accelerator	DEFRA	(300)	(150)	-	-	-	**(450)**
Biodiversity Net Gain Grant	DEFRA	(23)	(28)	-	-	-	**(51)**
Adult Education Budget	DfE	(16,594)	(16,395)	(16,395)	(16,395)	(16,395)	**(82,174)**
Skills Boot Camp	DfE	(6,015)	(6,919)	(6,919)	(6,919)	(6,919)	**(33,691)**
Multiply	DfE	(1,551)	(1,531)	-	-	-	**(3,082)**
Zero Emission Transport City	DfT	(70)	-	-	-	-	**(70)**
Bus Service Operator Grant	DfT	(1,147)	(1,148)	(1,148)	(1,148)	(1,148)	**(5,739)**
Bus Service Improvement Plan	DfT	(29,408)	(21,941)	-	-	-	**(51,349)**
Western Gateway Sub-National Transport Body	DfT	(816)	(785)	-	-	-	**(1,601)**
Emergency Active Travel	DfT	(91)	-	-	-	-	**(91)**
City Region Sustainable Transport Settlement	DfT	(5,000)	(3,961)	(3,961)	(3,961)	-	**(16,883)**
LEVI Capability Fund	DfT	-	(282)	-	-	-	**(282)**
UK Shared Prosperity Fund	DLUHC	(2,472)	(4,697)	-	-	-	**(7,169)**
OPE Development Pipeline	DLUHC	(50)	-	-	-	-	**(50)**
Local Growth Capacity Support	DLUHC	-	(124)	-	-	-	**(124)**
Business Innovation	ERDF	(400)	-	-	-	-	**(400)**
Workforce for the Future	ESF	(2,086)	-	-	-	-	**(2,086)**
Local Nature Recovery Strategies Preparation	GRF	-	(107)	-	-	-	**(107)**
Local Industrial Decarbonisation Plan	GRF	-	(96)	-	-	-	**(96)**
Combined Authority	M10	-	(160)	-	-	-	**(160)**
One Word Project	DSIT	-	(77)	-	-	-	**(77)**
		(66,023)	**(58,401)**	**(28,423)**	**(28,423)**	**(24,462)**	**(205,732)**

Bus services improvement plan funding is reflecting the latest agreed position with DfT. This is subject to change following revised guidance from the DfT allowing certain services to be extended into 2025/26. We will be seeking approval to change the profiling through a Project Adjustment Form due to be submitted in early 2024. Please see specific note below for details.

- **Woodland Creation Accelerator:** This is a fund for providing additional FTEs to UAs across the region to accelerate plans for tree and woodland planting.
- **Biodiversity Net Gain Grant:** From the Department for Environment Food & Rural Affairs. The purpose of the grant is to provide support to UAs implementing mandatory biodiversity net gain requirements.
- **Adult Education Budget, (AEB):** Formally devolved to the MCA 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:** 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.
- **Zero Emissions Transport City (ZETC):** 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:** 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. The current budget shows the funding ends in 2024/25 however we are currently awaiting

DfT approval to extend certain services into 2025/26.

- **Western Gateway Sub-National Transport:** Funded by the DfT and an annual contribution of £20K from each of the authorities and the West of England MCA. The MCA 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 MCA).
- **Emergency Active Travel:** Its aim is to help deliver an environment that is safe for both walking and cycling in our area.
- **City Region Sustainable Transport Settlement (CRSTS):** £540m was confirmed for the West of England MCA 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. CRSTS spend in the current financial year is forecast to be significantly under the original £5.0m budget.
- **LEVI Capability Fund:** The Fund has been provided to support capacity and capability in local authorities to create local EV infrastructure strategies and for the planning and delivery of local EV infrastructure.
- **UK Shared Prosperity Fund:** This is a three-year fund. In the first two years it will focus on communities and place and local business interventions**.**
- **OPE Development Pipeline:** Funding 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.
- **Local Growth Capacity Support:** Developing longer term capacity and capability in local government and supporting local authorities to help them deliver capital projects
- **The Business Innovation funding (ERDF):** Used to provide grants to help progress research and development activity within small businesses. This will stimulate economic development and create jobs.
- **Workforce for the Future:** 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.
- **Local Nature Recovery Strategy:** A new system of spatial planning for nature that will set out priority areas for nature recovery and will be used to direct investment including biodiversity net gain.
- **Local Industrial Decarbonisation Plan:** The Local Industrial Decarbonisation Plans (LIDP) competition, run by government in partnership with Innovate UK (IUK), offers grant funding to support dispersed industrial manufacturers not located in the UK's existing industrial clusters to decarbonise, reduce their emissions, and avoid carbon leakage.
- **Combined Authority (M10):** This is for the secretarial cost of the M10 Metro Mayors group.
- **One Word Project:** Funding from DSIT (Department for Science, Innovation and Technology) to deploy standalone networks in communities that seek improved mobile coverage.

Investment Fund Revenue (MCA Managed)

27. The West of England MCA 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 large strategic projects that span 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.

28. A summary of the Investment Fund Revenue is detailed in *Figure 3*:

Figure 3: Medium Term Financial Strategy Summary of Investment Fund Revenue

	2023/24 (£,000's)	2024/25 (£,000's)	2025/26 (£,000's)	2026/27 (£,000's)	2027/28 (£,000's)	Total (£,000's)
Investment Fund managed by CA	(16,854)	(16,069)	(6,775)	(489)	(489)	(40,676)
Investment Fund to UAs / 3rd Parties	(5,131)	(5,636)	(582)	(210)	-	(11,559)
Investment Fund for Mayoral Costs	(675)	(687)	(695)	(700)	(705)	(3,462)
	(22,660)	(22,392)	(8,052)	(1,399)	(1,194)	(55,697)

29. ***Appendix* 2** details all of the approved Investment Fund revenue allocations that will be managed by the MCA which have been indicatively allocated across the five-year period. The items in the appendix 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.

30. Similar to Investment Fund revenue approvals that will be managed by the MCA, 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 MCA will retain overall control in terms of ensuring that spend is delivering the required progress and outcomes. Details of all Unitary Authority and Third-Party revenue approvals, which amounts to £5.6m as of October 2023, is detailed in ***Appendix 3.***

Revenue Transport Levy (Transport Integration)

31. From 2020/21 the West of England MCA 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 £1.4m, currently forecast to be £1.7m by the end of the current financial year (See Figure 4).

Figure 4: Transport Levy Reserves 2024/25

Movement	2023/24 Budget (£,000's)	2023/24 Forecast (£,000's)	2024/25 Budget (£,000's)	2025/26 Budget (£,000's)	2026/27 Budget (£,000's)	2027/28 Budget (£,000's)
Net Opening Balance	1,402	1,402	1,677	543	-	-
Transfer in / (Out)	1,147	275	(1,134)	(543)	-	-
Net Closing Balance	2,549	1,677	543	-	-	-

32. Given the uncertainty that will continue into the 2024/25 financial year, it is essential to continue to hold and maintain a sufficient transport smoothing reserve. In light of holding this reserve, along with current year forecasted underspend across the levy and the indicated funding positions of the Unitary Authorities, no uplift in the levy is necessarily required for 2024/25 for the core service requirements but this will lead to an increased requirement in future years.

33. The 2024/25 levy, (along with the relevant recharge that will be applied to North Somerset Council), for integrated transport services is detailed in Figure 5 below.

Figure 5: Medium Term Financial Strategy - Adjusted Revenue Transport Levy

Authority	2023/24 (£,000's)	2024/25 (£,000's)	2025/26 (£,000's)	2026/27 (£,000's)	2027/28 (£,000's)	Total (£,000's)
Bath & North East Somerset	(5,194)	(5,194)	(5,194)	(5,194)	(5,194)	(25,970)
Bristol City Council	(10,235)	(10,235)	(10,235)	(10,235)	(10,235)	(51,175)
South Gloucestershire Council	(4,014)	(4,014)	(4,014)	(4,014)	(4,014)	(20,070)
First Group	(25)	(25)	(25)	(25)	(25)	(125)
Total Levy	(19,468)	(19,468)	(19,468)	(19,468)	(19,468)	(97,340)
North Somerset Council	(1,958)	(1,923)	(1,923)	(1,923)	(1,923)	(9,650)
Total	(21,426)	(21,391)	(21,391)	(21,391)	(21,391)	(106,990)

34. Please note 2025/26 onwards are shown without increases. These will be subject to review when finalising future budgets. This is not a sustainable position without affecting service provision as demonstrated on Figure 6, refer to section 36-38 for further context.

35. 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 6.

Figure 6: Integrated Transport Levy Current Forecast Position

Function	2023/24 Budget (£,000's)	2023/24 Forecast (£,000's)	2024/25 Budget (£,000's)	2025/26 Budget (£,000's)	2026/27 Budget (£,000's)	2027/28 Budget (£,000's)	Total Budget (£,000's)
Team and Operational costs	1,367	1,491	1,625	1,707	1,776	1,848	8,323
Contribution from the Combined Authority*	(511)	(389)	(511)	(511)	(511)	(511)	(2,555)
BSIP Contribtution		(240)	(247)	-	-	-	(247)
Community Transport grants	1,653	1,556	1,653	1,653	1,653	1,653	8,265
Concessionary Fares	13,018	11,442	12,183	13,641	14,323	15,039	68,204
Real Time Information (RTI)	402	403	403	423	444	467	2,139
Supported Bus Services	3,059	6,327	6,458	6,593	6,730	6,871	29,711
Metrobus	73	114	107	112	118	124	534
Updating Bus Stop Information	177	178	182	191	200	211	961
Travelwest	14	13	14	14	15	16	73
Integrated Ticketing	216	205	215	226	237	249	1,143
Total Levy Expenditure	19,468	21,100	22,082	24,049	24,985	25,967	116,551
Total Levy Income	(19,468)	(19,468)	(19,468)	(19,468)	(19,468)	(19,468)	(97,340)
Additional Income							
S106 Funding		(370)	(331)	(331)	(331)	(331)	(1,324)
BSOG	-	(1,148)	(1,148)	(1,148)	(1,148)	(1,148)	(4,592)
Recharge moving operators net to gross cost		(389)					-
Transfer to / (from reserves)	1,147	275	(1,134)	(543)	-	-	(530)
Total Additional Income	1,147	(1,632)	(2,613)	(2,022)	(1,479)	(1,479)	(6,446)
Net Position	-	-	0	2,559	4,038	5,020	11,617

36. Current forecast for 2024/25 suggests the Levy will be over budget by £1.1m which will be managed by the reserves in place. Underspends and overspends across functions have been managed across the overall programme. An additional £1.5m of funding from S106 and Bus Service Operator Grant have helped us manage the growing costs for supported services which have a 2% yearly inflationary increase included in the contract price. Previously we have utilised underspends in Concessionary fares to help manage other functions that have seen rising costs since the Levy was last increased in 2019/20 but as we enter 2025/26, we expect this function to begin to exceed the budget and remove that flexibility.

37. As per Figure 6, we expect there to be a £2.6m deficit during the year 2025/26 after use of reserves, growing in each of the following years.

38. To meet the current shortfall there would need to be 13% rise on the levy for 2025/26 with a further 7 % rise in 2026/27 and 4 % in 2027/28.

Figure 7: Required levy funding to maintain service levels

	2023/24 Forecast £000's	2024/25 Budget £000's	2025/26 Budget £000's	2026/27 Budget £000's	2027/28 Budget £000's
Forecasted spend	19,193	20,602	22,570	23,506	24,487
Transfer to / (from) reserves	275	(1,134)	(543)	-	-
Net Spend	19,468	19,468	22,027	23,506	24,487
Required Levy	**19,468**	**19,468**	**22,027**	**23,506**	**24,487**
Increase from prior year	-	-	2,559	1,479	982
% increase in Levy	0%	0%	13%	7%	4%

Table shows the forecasted increase in funding required to sustain the Levy. For information purposes only.

39. To address the funding gap a working group needs to be set up in February 2024 to agree the solution and value of future years levy funding levels for the UAs. This working group should also consider the basis of apportionment, as this has not recently been reviewed. This will be co-ordinated by the MCA S73 Officer and the Head of Integrated Transport to work with the corresponding UA S151s and relevant transport officers and members.

Total MCA Revenue Funding Forecast

40. Combining all of the approved funding streams, as detailed in sections 23-39, the overall proposed MCA revenue funding budget for the 2024/25 financial year is £119m with a total resource allocation of £423m up to March 2028 (including 2023/24) as per Figure 8 below.

Figure 8: Summary of all approved West of England MCA Revenue (as at January 2024)

Funding Type	2023/24 (£,000's)	2024/25 (£,000's)	2025/26 (£,000's)	2026/27 (£,000's)	2027/28 (£,000's)	Total (£,000's)
Core Revenue Funding	(5,734)	(14,441)	(10,226)	(7,449)	(6,190)	(44,040)
Specific Grant Funding	(66,022)	(58,401)	(28,423)	(28,423)	(24,462)	(205,731)
Investment Fund (managed by the MCA)	(16,854)	(16,069)	(6,775)	(489)	(489)	(40,676)
Transport Levy (and NSC Recharge)	(21,426)	(21,391)	(21,391)	(21,391)	(21,391)	(106,990)
Sales & Commissions	-	(3,095)	(3,097)	(3,098)	(3,099)	(12,389)
S106 Funding	-	(331)	(331)	(331)	(331)	(1,324)
Investment Fund (UA's and Third Parties)	(5,131)	(5,636)	(582)	(210)	-	(11,559)
Total	**(115,167)**	**(119,364)**	**(70,825)**	**(61,391)**	**(55,962)**	**(422,709)**

Spend Analysis and Overheads

41. The MCA'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. A subjective analysis of medium-term financial revenue spend is detailed in Figure 9a with further details provided on each category in the subsequent sections that follow:

Figure 9a: Medium Term Financial Strategy for Spend and Overheads

Expenditure Category	2023/24 (£,000's)	2024/25 (£,000's)	2025/26 (£,000's)	2026/27 (£,000's)	2027/28 (£,000's)	Total (£,000's)
Employee Costs	17,600	22,249	19,007	18,956	15,694	93,506
Withheld Employee Costs	(800)	-	-	-	-	(800)
Premises Costs	916	1,199	1,220	1,243	1,258	5,836
Supplies and Services	8,049	14,122	7,190	5,018	3,351	37,730
Third-Party Payments	94,011	83,472	51,091	48,254	48,739	325,567
Minimum Revenue Provision		211	216	112	115	654
Net Transfers to General Reserves		1,154				
Net Transfers to Earmarked Reserves		2,093	2,172	2,715	2,715	9,695
Total Expenditure	**119,776**	**124,500**	**80,896**	**76,298**	**71,872**	**473,342**
Recharge Income	(4,820)	(4,210)	(5,369)	(5,349)	(3,065)	(22,813)
Employee Costs Recharge Income	(589)	(926)	(288)	(299)	(311)	(2,413)
Net Expenditure	**114,367**	**119,364**	**75,239**	**70,650**	**68,496**	**448,116**
MCA Revenue Funding (Figure 8)	**(115,167)**	**(119,364)**	**(70,825)**	**(61,391)**	**(55,962)**	**(422,709)**
Levy deficit to be offset	-	-	**(2,559)**	**(4,038)**	**(5,020)**	**(11,617)**
Surplus / (Deficit)	**800**	-	**(1,855)**	**(5,221)**	**(7,514)**	**(13,790)**

Figure 9b: Sensitivity of the Medium-Term Financial Strategy

	2024/25 (£,000's)	2025/26 (£,000's)	2026/27 (£,000's)	2027/28 (£,000's)	Total (£,000's)
Worst Case: Surplus / (Deficit)	-	(1,855)	(5,221)	(7,515)	(14,591)
Base Case: Surplus / (Deficit)	-	(2,172)	(4,949)	(6,208)	(13,329)
Best Case: Surplus / (Deficit)	-	(2,100)	(4,801)	(5,981)	(12,882)
Best Case: Efficiencies	-	2,225	2,002	1,802	6,029
Best Case: Surplus / (Deficit)	-	125	(2,799)	(4,179)	(6,853)

42. Figure 9b shows a sensitivity analysis of the Medium-Term Financial Strategy. The Worst Case is as displayed in Figure 9a and represents only future funding that is currently guaranteed and assumes that any expiring funds will not be replaced, this is due to the unpredictable nature of any future funding within the MCA. The Worst Case assumes that there are some reductions in staffing and third party spend where those are directly tied to specific grants. There is no reduction in the Corporate Core to reflect the drop in the organisation's levels of activity in future years.

43. The Base Case assumes that funding continues at the same level going forwards, no inflation has been applied to income but has been applied to expenditure. There is no reduction in staffing to reflect funds ending and appropriate salary increases are applied.

44. The Best Case assumes that funding continues going forwards but with a 5% increase in future years. Expenditure is the same as in the Base Case. There is a corresponding increase in expenditure in line with the increased income.

45. The efficiencies expected to be generated are in staffing. The reductions reflect the natural turnover of staff in the organisation and are reflective of the improvements in process and technology that the MCA will see as it matures.

46. There is still a deficit over the Medium-Term Financial Strategy over the forecast period, however there are a number of options that will be looked at over the next financial year in order to mitigate this. Options include use of the Investment Fund for some of the Corporate Core and a review of the overheads recharge model and allocation of staff to projects. It is also acknowledged that as the MTFS covers a period which may be subject to political change, and which may therefore impact on elements of the MTFS.

Employee Costs

47. Staff costs in 2023/24 accounted for around 11% of the total revenue budget. This has increased in 2024/25 to 19% – see Figure 10 – Analysis Staffing by Directorate. ***Appendix 4*** provides a breakdown of the new additional roles compared to the 2023/24 budget.

Figure 10: Analysis of Staffing by Directorate 2023/24 vs 2024/25

Directorate	2023/24 (£,000's)	2024/25 (£,000's)	Variance (£,000's)	Variance %
Environment	1,164	1,898	734	63%
Economy & Skills	2,399	2,899	500	21%
Infrastructure	6,233	6,942	709	11%
Sub-Total	*9,796*	*11,739*	*1,943*	*20%*
Strategy & Innovation	2,819	3,520	701	25%
Chief Executive, Legal Services & PAs	1,141	2,045	904	79%
Resources	3,845	4,945	1,100	29%
Sub-Total	*7,805*	*10,510*	*2,705*	*35%*
Total Before Withheld Employee Costs	**17,601**	**22,249**	**4,648**	**26%**
Withheld Employee Costs	(800)	-	800	-100%
Total After Withheld Employee Costs	**16,801**	**22,249**	**5,448**	**32%**

*3.5% pay award assumed for 2024/25, 3% for 2025/26 and 2% thereafter.

It should be noted that as the table above shows the staffing costs, it does not compare the total directorate costs that were incurred including supplies and services for 2023/24. By employing staff, we minimise the requirement for additional supplies and services in 2024/25 and beyond, which would otherwise be necessary and incur higher expenditure overall. Therefore, this represents the best value for money option.

Figure 11: Staffing Increase Analysis

Staffing Increase Analysis	
Gross staff costs variance	4,648
Withheld staffing	800
Total Increase	**5,448**
Additional staffing approved by committee in year	(779)
Increase due to pay award & grade increments	(1,010)
Corporate core increase	(2,632)
Additional ask to attract new funding and aid delivery	**1,027**

Corporate Core Increase Breakdown	
Commercial	751
ICT	322
Legal	343
Monitoring & Evaluation	252
Corporate Performance	198
Information & Governance	135
Equality, Diversity & Inclusion	100
Health & Safety	78
Learning & Development	60
Internal Communications	48
Democratic Services	48
Total	**2,335**
Other increase to the Corporate Core	297
Grand Total	**2,632**

The above breaks down the increase in staffing budgets between the years and is both capital and revenue. Additional staffing approved by committee shows project delivery roles that were agreed during the year at Committee as a result of new funding obtained within the MCA.

The primary reasons for the increase in staffing budgets by directorate are set out below. However, there is a common theme across the key areas of growth that are all necessary due the significant increase level of activities of the organisation.

There is a strong commitment, as demonstrated through the recommendation, to explore opportunities for sharing resources to fulfil the staffing needs of the MCA through existing available resources with UAs. Any such arrangements will naturally require the appropriate funding, so it is essential this is made available through this budget. This work will be undertaken as part of the Shared Services workstream which is being developed, and progress reported back to UA Chief Executives by Summer 2024.

It is further acknowledged that the ‘Role and Purpose’ work that was agreed as part of the MCA’s Transformation Programme has yet to be concluded, and this work will further inform the budget setting process and associated considerations in the 2025/26 financial year and beyond. However, irrespective of the outcome of this work, as set out in the narrative below, the staffing increases for the 2024/25 are required to (1) ensure the Authority has the necessary resources to deliver the regional work programme that Committee has agreed, and (2) to put sufficient corporate and governance provisions in place to ensure organisational fitness for purpose, as identified through the

Transformation Programme in response to the Grant Thornton and Solace reviews. Further details are below:

Environment: Across both capital and revenue, the grant income budgeted for 2024/25 is set to increase substantially by £22m, to a total of £27m (up from £5m in 2023/24 budget). To deliver this substantial increase, only an additional £734k in staffing resources is required. This demonstrates a proportionate and highly efficient approach to meeting the growing funding the directorate has attracted.

- In 2023/24 the staffing cost per pound of funding was £0.23 based on budget figures.
- In 2024/25 this cost has significantly reduced to just £0.07; 30% of last years cost per pound of funding.

The Environment Directorate is leading one of the organisation's most significant agendas impacting on both the organisation and the region, extending throughout the South-West via the hub. Its rapid expansion is a direct response to the pressing demand for its services, fuelled by regional commitments, which include a significant £36m contribution from the Investment Fund Green Recovery Fund, CESAP pledges, and mounting demands from various committees, including Audit and Scrutiny. Furthermore, national government initiatives and the high expectations set by the Department for Energy Security and Net Zero for the SW Net Zero hub.

The Environment portfolio's broad range of responsibilities encompasses every aspect of our organisation's operations. Its swift expansion, coupled with a well-balanced allocation of resources, positions the Environment Directorate to excel in delivering its critical agenda.

A detailed breakdown of the additional staffing cost and corresponding funding is included in **Appendix 9**.

- **Economy and Skills:** The rationale behind this is to:
  - **Maximise funding to the region**: hiring of key new roles will allow the directorate to pro-actively pursue opportunities worth up to £50m for the region over the next few years.
  - **£10m** of that would be additional funding in 2024/25 over what is currently in budget (subject to further testing). This would be over 21% increase in funding for that financial year. To successfully acquire that additional funding only requires a 21% increase in staffing costs year on year (£500k as set out in Figure 10).
  - **Ensure efficiency within the team**: increasing the core capacity of the team will fortify the senior structure, allowing capacity to be built in key strategic opportunity areas and allow for improvements in performance management of existing funding sources.

  Key hires for the directorate include:

  - Innovation Manager, in the Enterprise, Inward Investment & Trade Service
    - The role focuses on leading the implementation of the Plan for Innovation, targeting new funding opportunities, including from Innovate UK.
    - Supports the development of innovation clusters to attract public and private investment.
    - Oversees significant projects like QTIC+ which will create 300 new jobs and generate £122m million GVA per annum.
  - Head of Cultural and Creative Economy Role:

    - The role's primary responsibility is to lead the implementation of the Cultural Plan. Focuses on delivering Culture West, a new £3.1m million investment. This investment is aimed at supporting the region's cultural and creative sector.
  - Increased Officer Capacity in Integrated Delivery Service:
    - This expansion aims to significantly improve the performance management of the Directorate's diverse portfolio.
    - Ensures full commitment of funding and outputs.
    - Helps in creating a proactive pipeline and funding strategy to target new opportunities and generate income.

- **Infrastructure:** The increase in staffing is vital and based on detailed Target Operating Model work completed this financial year which ensures:
  - **Enhanced Governance & Delivery:** to ensure efficient delivery of nearly £1bn worth of Transport Infrastructure projects.
  - **Securing Future Funding**: for the region and develop a robust pipeline of future projects.
  - **Operational Efficiency:** to effectively manage transport operations and foster a high-performance culture.

  Without implementing this new structure, we risk:

  - **Lost Investment:** Millions in potential investments could be forfeited, impacting economic growth and quality of life.
  - **Potential Reputation Damage**: Insufficient capacity may inhibit delivery and harm our reputation with partners, stakeholders, and central government, risking future funding
  - **Financial Oversight Challenges:** A lack of management control may lead to project overspending, creating financial gaps due to mismanagement and inflation.
  - **Staff Well-being Concerns**: Insufficient capacity could harm staff well-being and exacerbate recruitment and retention challenges.

  All roles in the new structure support the new Target Operating Model, further details of which are included in **Appendix 8**.

- **Strategy:** This Directorate is budgeting a 25% increase in staffing costs, in line with the requirement to strengthen the corporate core as defined in the live Transformation Programme, capacity is required in the Strategy function to ensure the challenges and opportunities facing the region are well understood, programmes are designed effectively, and impact is understood and built upon. The key growth areas in the Strategy Directorate are as follows:
  - The establishment of a corporate performance function to develop and drive an organisation wide approach to performance reporting and management. This is in line with the recommendation within the Grant Thornton Value for Money (VFM) report.
  - Increased capacity in the Analysis function, this is largely to support monitoring and evaluation of programmes, the success of the MCA in attracting funding has resulted in an increase in the requirement for consistent evaluation to provide assurance on effectiveness of spending. Access to future funding streams for the region, including future tranches of the Investment Fund, will depend on our ability to demonstrate the impact of our activity.
  - In addition, there is a modest ask for increased economic analysis capacity to ensure stakeholders across the region have a clear and consistent understanding of the challenges and opportunities facing the economy of the West of England and our residents.

- **CEO, Legal Services & PAs:** The main increase within this area is for Legal and Governance. There is a need to increase the internal resources of legal, democratic services and information governance functions, to ensure effective governance as the organisation continues to grow.

  The organisational information governance and information request compliance workstreams require dedicated resource to properly discharge the role of Data Protection Officer, implement the outcomes of a recent Information Governance compliance review and to ensure compliant processing of information requests. Additional resource in this area will also deal with corporate complaints for which there is currently no identified resource. This change will also enable the current legal and democratic services support to Information Governance functions to be better utilised supporting the organisation's legal and democratic services need.

  An increase in resource in Democratic Services is required to properly resource the increased commitment to the Scrutiny function (part of the transformation programme) given the increased number of scrutiny meetings and Task and Finish groups now being accommodated. This also provides resilience for other additional committee meetings, and to better resource the organisation's obligations in respect of forward plans of Key Decisions and other information publication requirements and aspirations.

  With a circa £700k spend on external legal in 2022/23, a figure likely to increase in line with delivery, there has been a renewed emphasis on increasing internal legal capacity. The current provision has led to significant internal governance improvements in the forward planning, report writing and decision-making processes, however a further increase (largely charged to project funding) is needed moving into 2024/25 to ensure these improvements can be sustained, and to ensure the Monitoring Officer has sufficient capacity to concentrate on strategic planning and continued governance improvements. The additional capacity in the team should allow a significant reduction in spend on external legal advice with a target of £300k of cost for lawyers being spent on legal work for projects that would otherwise have been completed externally. This will enable us to spend more on project delivery.

- **Resources:** As outlined in the budget setting process for the 2023/24 financial year and articulated in our Transformation Programme in response to the Grant Thornton audit report and Solace peer review, work is well underway on strengthening our corporate core. This work aims to ensure our core functions remains fit for purpose as we continue to mature and move further into delivery on a number of key projects and programmes. In order to support this growth and delivery focus, it is essential that the corporate enabling functions develop at a commensurate and proportionate pace to enable the organisation to successfully achieve its ambitious agenda. The key growth areas within the Resources Directorate are set out below:
  - Within the People and Assets area, there is a clear focus on resourcing the IT and Digital function. The current scarcity of resource in this area has been highlighted through recent internal audit reports, and through the Audit Committee, where our exposure to cyber security risks has been highlighted as an area for improvement that needs addressing. As the organisation continues to grow, having an effective and properly resourced digital and technology function is crucial.
  - There is also growth in the Learning and Organisational Development and Internal Communication areas, to support delivery of our cultural transformation programme and to equip our workforce and leaders with the skills they need to deliver.

- Finally, there is growth in the Health and Safety space. This was highlighted previously, and forms part of strengthening our corporate core to minimise risk, especially as our Health and Safety landscape has shifted considerably as work has commenced on significant capital delivery projects. Benchmarks ratios for Health and Safety staff range from 1 to 200 staff to 1 to 15 staff, depending on the safety culture of an organisation. We are only allowing for 2 FTE total corporate resource, coupled with 2 FTE within the Infrastructure directorate, which still puts us at the bottom end of this benchmarking range.
- Within the Finance and Grant Management Assurance areas – which has remained static in terms of staffing capacity to date – a modest increase is requested to ensure proportionate resourcing alongside the growth of the wider organisation.
- Within the new Commercial function, which has recently moved under the Resources Directorate, the key focus is on recruiting permanent staff to replace interims. Implementing a Commercial team will deliver real value outcomes, cost savings, risk mitigation, and improved operational efficiency. It will enable the MCA to make informed purchasing decisions, strengthen supplier relationships, and ultimately drive successful outcomes. The Commercial team will be responsible for managing all aspects of procurement, from identifying suppliers to negotiating contracts and ensuring compliance, standardising procurement processes, leading to increased efficiency and productivity. Robust Governance and Assurance processes will be implemented, eliminating any confusion or duplication of efforts.
    - A key focus on contract management will help mitigate risks associated with contract non-compliance and disputes. They will ensure that all contracts are properly reviewed, executed, and monitored, reducing the chances of any legal or financial penalties.
    - The core team will provide expert advice and support across the MCA on Commercial Strategy, Procurement, Contract and Performance Management, Sustainability and Social Value.
    - The team are currently supporting 32 live procurement projects worth £260.68m, with an additional 39 projects in the pipeline £89.95m. This does not take account of new projects identified as part of the 2024/25 business planning cycle, which will inevitably add a significant number of projects to procure.
    - Managing contracts is a strong focus of the team with 77 live contracts - £118m and significant number of new contracts to go live in 2024.

48. 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.

Premises Costs

49. The increase in premises costs shown in the 2024/25 budget, reflects inflationary increases, rent indexation and additional costs associated with the facilities management and security arrangements for the office building. This includes increases in the real living wage for security and cleaning contractors. It should also be noted energy costs have risen nationally, as well as business rates for the area, which is having a modest but tangible impact on overall premises costs.

Supplies and Services

50. Supplies and Services includes a range of external costs, including Insurance, Consultants, IT costs and Training – consisting of a mixture of both project funded and non-project funded costs.

Third Party Payments

51. This category includes payments and grants made to external parties including bus operators and is fully project funded. The main elements of the £83.5m Third Party Payments are detailed in Figure 12:

Figure 12: Third Party Payments 2024/25

	2023/24 (£,000's)	2024/25 (£,000's)	2025/26 (£,000's)	2026/27 (£,000's)	2027/28 (£,000's)	Total (£,000's)
Bus Service Improvement Plan	26,807	17,822	-	-	-	44,629
Transport Levy Services	21,717	23,138	24,776	25,643	26,553	121,827
CRSTS		-	-	-	-	-
Adult Education Budget	15,859	15,552	15,552	15,520	15,486	77,969
Skills Boot Camps	5,805	6,364	6,364	6,364	6,342	31,239
UA Managed projects	5,131	5,636	582	210	-	11,559
UK Shared Prosperity Fund	2,472	1,206	-	-	-	3,678
Workforce for the Future	2,472	-	-	-	-	2,472
Other Projects	13,748	13,754	3,817	517	358	32,194
Total	**94,011**	**83,472**	**51,091**	**48,254**	**48,739**	**325,567**

Minimum Revenue Position (MRP)

52. This represents the minimum revenue position (MRP) required as a result of the capital assets acquired in line with the office premises.

Transfer to Reserves

53. The table below provides a summary of the Transfer to Reserves details as per the medium-term financial period:

Figure 13: Net Transfers to Reserves

Reserve	2023/24 (£,000's)	2024/25 (£,000's)	2025/26 (£,000's)	2026/27 (£,000's)	2027/28 (£,000's)	Total (£,000's)
Transport Levy	-	(1,134)	(543)	-	-	(1,677)
Climate Emergency Capacity	-	(19)	-	-	-	(19)
Housing Capacity	-	(357)	-	-	-	(357)
IT Project Reserve	-	-	-	-	-	-
Redundancy Reserve	-	-	-	-	-	-
General Reserves	-	2,043	-	-	-	2,043
Integrated Mobility Fund	-	2,715	2,715	2,715	2,715	10,860
Net Transfers to Reserves	-	**3,247**	**2,172**	**2,715**	**2,715**	**10,850**

Recharge Income

54. This reflects the proportion of time spent by MCA funded staff on the Local Enterprise Partnership, (LEP), Capital Programmes and Mayoral activities. To improve transparency of reporting, all costs have been collated against MCA cost centres and recharged out on an annual basis.

Employee Costs Recharge Income

55. 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 MCA. 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 MCA delivered projects such as the City Region Sustainable Transport Settlement Programme. Accounting arrangements require the full Support Service costs, to be spread across the range of MCA services and projects delivered.

Capital Strategy

56. This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

57. Decisions made this year on capital and treasury management will have financial consequences for the MCA for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework.

58. The 2021 edition of the Prudential Code states that: “the capital strategy is intended to give a high-level overview of how capital expenditure; capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.”

    The areas covered by the capital strategy are as follows:

- Medium term capital expenditure and financing (**Appendix 5);**
- Treasury management including prudential indicators (**Appendix 6);**
- Liabilities, revenue implications of the capital programme, and knowledge and skills employed in delivering the strategy.

59. There is a clear link between this strategy and the financial impact upon various elements of the MCA revenue budget, for example, the investment and treasury strategies are key components upon how much interest the MCA could achieve on its investments compared to budgeted levels.

Capital Expenditure and Financing

60. Capital expenditure is where the MCA spends money on assets, such as property, infrastructure, or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The MCA has some limited discretion on what counts as capital expenditure, for example assets costing below £5,000 are not capitalised and are charged to revenue in year.

61. Costs incurred on developing feasibility work, as a rule, are not able to be capitalised. However, costs incurred on generating outline and full business cases are assumed to be capitalised as per DfT advice, including specific staff costs, such as project managers or engineers, who are engaged in the development.

62. The funding for the MCA Capital Programme comes from main sources below:

- Investment funding provided by Government as part of the Devolution Deal (£15m revenue and £15m capital funding per year for 30 years, totalling £900m);
- The City Region Sustainable Transport Settlements (£540m Capital Funding)
- Future Transport Zones (£23.9m Capital Funding).

MCA Capital Investment Programme 2024/25 to 2027/28

63. The proposed Capital Programme is detailed in **Appendix 5** and shows both approved and indicative schemes:

• **Approved** – fully approved schemes will be progressed and taken forward in line with Financial Regulations, Standing Orders and the Local Growth Assurance Framework.

• **Indicative** – which are projects and schemes working towards Full Business Case, (FBC). Initial allocations are approved on indicative schemes to enable feasibility and development work to progress in forming FBCs. However, these projects will need to be brought back to Committee for further approval at a later stage.

64. The Capital Programme, summarised in Figure 14, as approved at the October 2023 Committees is detailed below:

Figure 14: Summary of Medium-Term Estimates of Capital Expenditure (£'000s)

Spend by Funding Source	2023/24 (£,000's)	2024/25 (£,000's)	2025/26 (£,000's)	2026/27 (£,000's)	2027/28 (£,000's)	Total (£,000's)
CRSTS Capital	16,600	33,235	24,772	23,046	-	**97,653**
Investment Fund Capital	44,254	39,362	23,864	5,835	662	**113,977**
Active Travel Fund 3	5,789	1,737	-	-	-	**7,526**
Future Transport Zones (Capital)	13,075	7,711	677	-	-	**21,463**
European Regional Development Fund	438	-	-	-	-	**438**
UK Shared Prosperity Fund (UKSPF) Capital	-	1,050	-	-	-	**1,050**
Total	**80,156**	**83,095**	**49,313**	**28,881**	**662**	**242,107**

65. The above only reflects approved capital spend. Appendix 5 shows the latest forecast of capital spend.

Transport and Highways Capital Grants

66. The MCA is responsible for the payment of annual transport related capital grant funding that was previously distributed by the Department for Transport incorporating highways maintenance grants, highways incentive grants, integrated transport grants and pothole funds. This funding will continue to be passported to the three West of England councils, in line with the 2017 Department for Transport indicative allocations, as per the previous financial years.

67. From 2017/18 to 2021/22, the Highways and Transport capital grants were funded through the West of England 100% Business Rate Retention pilot scheme. However, in late 2021, a 5-year City Region Sustainable Transport Settlement, (CRSTS), confirmed by the Department for Transport from 2022/23 where Highway Maintenance, as well as Pothole Funding, has been wrapped up within the overall £540m settlement.

68. The specific grant distribution to the constituent councils is detailed below. An additional new pothole funding award was announced in November 2023 and has been incorporated accordingly. DfT have not been prescriptive in splitting the funds into individual elements, but advised that it is down to us, regionally, to allocate. The £25m has been split per Unitary Authority using last year's allocation, (based on a historic DfT formula), as follows:

Figure 15: Highways and Transport Capital Grant allocation for 2024/25 (£'000s)

	Pothole & Highway 2023/24	Pothole & Highway 2024/25	Pothole & Highway 2025/26	% Split
	£000's	£000's	£000's	
BCC	8,772	8,772	8,772	35%
SGC	9,231	9,231	9,231	37%
BANES	6,997	6,997	6,997	28%
Sub Total	**25,000**	**25,000**	**25,000**	**100%**
Additional funding				
BCC	1,692	702		35%
SGC	1,789	743		37%
BANES	1,354	562		28%
Sub Total	**4,835**	**2,007**	**-**	**100%**
Total	**29,835**	**27,007**	**25,000**	

All Other Capital Funding

69. All new projects requiring approval, (whether delivered externally via grant or delivered internally by the MCA), will go through an integrated approach as per the approved West of England (Local Growth) Assurance Framework.

70. Capital Funding – All capital costs will be met from Government grants, devolution investment funding or revenue contributions to capital outlay (RCCO). The requirements of the first 5-year Government Gateway review have been met successfully and the next 5-year tranche was confirmed from April 2021.

71. There is no intention at this stage for the MCA to finance any of its capital spend from long term borrowing. The only borrowing currently being considered is short-term borrowing to cover cash flow issues, as detailed within the Treasury Management Strategy (**Appendix 6** of this report).

MCA Investment Strategy

72. The MCA has an approved Investment Strategy which details the prioritisation, governance, and allocation, of Investment Funding. The current MCA Investment Programme, up to March 2026, has an overall funding allocation of £450m which is primarily grant focused. Work is underway to refresh the regional strategy, which will serve as a basis for the development of a revised investment strategy for the region. The revised regional strategy (and revised investment strategy) will ensure we have a clear set of investment priorities in place for the future and will consider how we might mature our approach to investment to ensure that funds are being worked as hard as possible to deliver for the region. Discussions are currently taking place with the West of England UAs on a Revised Investment Strategy with a focus on linking the work to our regional priorities.

Treasury Management

73. Treasury management ensures we keep sufficient, but not excessive, cash available to meet the MCAs spending needs, whilst managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The MCA is typically cash rich in the short-term as grant income is often received before it is spent, but these cash surpluses reduce as capital expenditure is incurred.

74. The MCA Treasury Management Strategy, as detailed in ***Appendix 6***, sets out the proposals and guidance that the MCA will use to manage its daily cash-flow activities during the 2024/25 financial year. The MCA must give due regard to the management of these sums, to ensure that it is sufficiently able to balance the daily cash requirements for all operational services whilst still achieving the strategic outcomes required within the medium-term financial plan.

75. The MCA's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss.

76. Money that will be held for longer terms can be invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy. With interest rates expected to begin to fall in the mid-term, the MCA will continue to explore more diversity within its overall investment portfolio to ensure that budgeted financial returns are achieved.

77. In the early years of the MCA's operations, holding high cash balances are common practice as early spend on feasibility studies and development work is relatively low compared to the annual allocation of Investment Funding. However, balances will diminish over time as significant construction costs are incurred.

78. Decisions on treasury management investment and borrowing are made daily and are delegated to the Strategic Director of Resources and designated staff, who must act in line with the Treasury Management Strategy. Reports on treasury management activity are presented to the MCA committee on a regular basis with the Audit Committee being responsible for scrutinising treasury management decisions. The 2024/25 MCA Treasury Management Strategy was presented to, and considered by, the Audit Committee in December 2023.

Knowledge and skills employed in delivering the Capital Strategy

79. The MCA employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.

80. Use is made of external advisers and consultants, who are specialists in their field, only to plug the identified gaps that cannot be covered through in-house capacity. The main examples are the engagement of ArlingClose as Treasury Management advisers and PSTax as VAT advisors. This approach is more cost effective than employing such staff directly, and also ensures that the MCA has access to knowledge and skills commensurate with identified risks.

Reserves

81. The 2023/24 Budget Setting Report (Section 4) noted the level of general reserves brought forward as £2.4m and that this was comparatively low compared to other combined authorities (when adjusted for relative size and activity) as well as against a general rule-of-thumb £6.0m target being 5% of turnover. This was also referenced in the Grant Thornton Value for Money Audit reports for both 2021/22 and 2022/23, where it has been recommended that the MCA should focus on building its general reserves balance to its target in a reasonable timeframe. The current proposed movements to reserve would get us to c£6.0m of general reserves by the end of the 2024/25 financial year.

82. An analysis of published Combined Authorities draft accounts to the end of March 2023, showed that in absolute terms, the West of England MCA has, and remains to have, the lowest level of Usable Reserves across all ten Combined Authorities. A summary of that analysis is shown in the table below:

Figure 16: Comparison of Reserves Levels at end of March 2023

	General Reserves		General & Earmarked	
	Other CA's	West of England MCA	Other CA's	West of England MCA
Share of Gross spend	2%	1%	36%	6%
Share of Taxation & Non-Specific Grant	7%	2%	16%	9%
Share of Gross Transactional Value	1%	1%	17%	3%

83. As the MCA continues to grow, and whilst the volatility of revenue funding streams remains a significant issue, the West of England MCA will continue to monitor its risks and balance the need to hold reserves, and this will be reported throughout the financial year.

84. In addition to General Reserves, the MCA holds other specific earmarked reserves – The following table sets out the forecast movement in general and usable earmarked reserves:

Figure 17: Movement in the West of England MCA Usable Reserves

	Balance Mar-21 £'000s	Balance Mar-22 £'000s	Balance Mar-23 £'000s	Transfer 23/24 Forecast £'000s	Transfer 24/25 Budget £'000s	Transfer 25/26 Budget £'000s	Transfer 26/27 Budget £'000s	Transfer 27/28 Budget £'000s	Closing Balance £'000s
Total Usable General Reserves	**1,963**	**2,370**	**2,474**	**2,505**	**1,008**	**-**	**-**	**-**	**5,987**
Business Rate Reserve	777	777	777	-		-	-	-	**777**
Integrated Transport Authority Reserve	843	616	616	275	(348)	(543)	-	-	**-**
Integrated Transport Bus Reserve	-	1,347	786	-	(786)	-	-	-	**-**
Mayoral Capacity Funding Reserve	507	214	42	-	-	-	-	-	**42**
Housing Capacity Funding Reserve	1,096	502	502	(145)	(357)	-	-	-	**-**
Programme Delivery Overhead Reserve	391	822	822	-	-	-	-	-	**822**
Treasury Management Reserve	400	1,099	1,574	-	646	-	-	-	**2,220**
M10 Reserve	166	71	105	-	-	-	-	-	**105**
Mayoral Elections Reserve	888	120	466	346	346	346	346	346	**2,196**
Adult Education Reserve	238	312	1,468	-	-	-	-	-	**1,468**
Business Rates s31 Grant Reserve	9,561	3,406		-	-	-	-	-	**-**
Other Reserves	774	355	275	19	(19)	-	-	-	**275**
Integrated Mobility Fund	-	-	-	-	2,715	2,715	2,715	2,715	**10,860**
Redundancy Reserve	-	-	-	-	389	-	-	-	**389**
Total Usable Earmarked Reserves	**15,641**	**9,641**	**7,433**	**495**	**2,586**	**2,518**	**3,061**	**3,061**	**19,154**
TOTAL USABLE RESERVES	**17,604**	**12,011**	**9,907**	**3,000**	**3,594**	**2,518**	**3,061**	**3,061**	**25,141**

* Total Usable General Reserves - Consideration will be taken at the final outturn position on transfers to general reserves and earmarked reserves as per the Grant Thornton Recommendation in the Value for Money 2022-23 Interim Audit Report.

The purpose of the current and larger individual reserves are as follows:

- **The Business Rates Reserve:** Held to meet potential risk in NNDR income due to changes in rateable value of properties (appeals), exemptions and collection rates (bad debt provisions).

- **The Integrated Transport Authority Reserve:** Exists 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 MCA and contributing Unitary Authorities.

- **Integrated Transport Reserve:** The 2021/22 transport underspend of £1.3m 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.

- **Mayoral and Housing Capacity:** 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.

- **Programme Delivery Overhead Recovery Reserve:** Central overhead savings due to delays in programme delivery.

- **Treasury Management Reserve:** Held to manage the financial impact of movements in cash balances and/or interest rates and to mitigate against the risk of pooled investment losses being subject to change in future accounting regulations. IFRS 9 – Financial Instruments, there is currently a statutory override, this will end in March 2025. 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.

- **M10:** Ring-fenced funding held for the provision of a secretariat function for the M10 network of Mayoral Combined Authorities.

- **Adult Education Reserve:** Ring-fenced grant funding held for future spend on adult education services.

- **Other Reserves:** The £275k is related to smaller earmarked reserves including the Brexit Fund and Rent Rebates.

- **Integrated Mobility Fund:** This fund is being newly created from the Revenue Share income from the new contract with Tier. The use of this fund is covered in the Transport paper also at committee, until the exact use for the money has been determined it is being assumed that the money is going into a reserve to be drawn down as and when decisions are made.

- **Redundancy Reserve:** Ring-fenced funding to mitigate against the risk posed by the irregular nature of future funding.

MCA Revenue Forecast Position 2023/24

85. **Appendix 7** details the MCA estimated revenue forecast position for the 2023/24 financial year based on actual information to the end of December 2023, which overall, is projecting a surplus budget position. With the forecasted surplus a future recommendation would be put forward to increase the level of reserves to bring these up to the required level.

Mayoral Budget and Forecast

86. The Mayoral Budget relates to those functions that fall under the specific responsibility of the Mayor in accordance with the West of England MCA Order 2017.

87. 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.

88. 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.

89. The proposed 2024/25 Mayoral running costs are detailed below, along with future year forecasts which reflect inflationary and anticipated pay increases.

Figure 18: Medium Term Financial Forecast - Mayoral Running Costs

Budget Heading	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s	2026/27 £'000s	2026/27 £'000s
Staffing	243	255	263	268	273
Premises	13	13	13	13	13
Support Service	11	11	11	11	11
Supplies and Services	62	62	62	62	62
Total Costs	329	341	349	354	359
Mayoral Election Costs	346	346		346	346
All Mayoral Costs	**675**	**687**	**695**	**700**	**705**
Investment Fund Contribution	**675**	**687**	**695**	**700**	**705**

*3.5% pay award assumed for 2024/25, 3% for 2025/26 and 2% thereafter.

90. The funding for the Mayoral budget comes from a contribution from the West of England MCA (Investment Fund) as approved by the West of England MCA Committee.

91. Monitoring against the Mayoral budget is reported to each meeting of the committee cycle. The current forecasted revenue position for the 2023/24 financial year is to deliver a balanced budget.

Alternative Options Considered

92. Options for, and prioritisation of, capital investment are regularly considered through the MCA and Joint Committees.

Consultation and Engagement

93. Consultation has been carried out with the Chief Executives and Section 151 Officers of West of England.

94. The Audit Committee has been fully engaged, and consulted, with regard to informing the 2024/25 MCA Treasury Management Strategy.

Key Risks

95. Ultimately, the risk and governance arrangements for the MCA are assessed and reported by our appointed external auditors. Grant Thornton were appointed as our External Auditors for the MCA under the Public Sector Audit Appointments, (PSAA), process for the Statements of Accounts audit period from 2023/24 to 2027/28.

96. This Capital Strategy report forms a core part of the MCA governance and risk management process. Members will be aware that there is a direct link between the levels of risk and the levels of return achieved on investment, although there are many other factors which also affect the capital financing budgets. The priority of the Treasury Management Strategy will be the minimisation of risk to safeguard public resources.

97. The Medium-Term Financial strategy indicates a deficit position from 2025/26 of £26.2m across the period, of which £11.6m specifically relates to the Transport Levy. For budget purposes, the Levy has been flat cashed over the future years, however the intention is to form a working group to review the longer-term Levy that is necessary. We have seen significant core funding upsides in 2023/24 and 2024/25 as cash balances were high pending delivery phases of major project schemes, and also, we had higher interest rates, however both factors decline by 2025/26. It should also be noted that inflationary pay award pressures year-on-year do not correspond to the year-by-year short-term flat cashed government funding streams as per Figure 1, which fund the MCA core capacity and operating costs. Furthermore, most specific project funding as per Figure 2 are short term in nature. Therefore, continued lobbying with Government for increased, inflated and definitive core funding is required.

98. The MCA 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 2024/25 revenue budget.

99. The specific financial risks that we currently face include:

- Inflationary impacts as a result of the ongoing economic environment. Although inflation has declined following sharp increases in the Bank of England interest rate, this decline has been slower than expected to date. Inflation is likely to continue to decline only slowly in 2024/25. The Bank of England November Monetary Policy report projected inflation of 3.6% in April – June 2024, declining gradually to 2.5% in the first three months of 2025[1]. The Office for Budget Responsibility is forecasting a similar path, with inflation averaging 3.6% over 2024[2].

- This presents a risk that the MCA will face continued cost pressures on delivery. For example, the construction prices index increased by 3.9% in the year to September 2023, building on a 9.4% increase in previous year[3]. Similarly, business services prices increased by 3.4% in the year to September 2023; within this, prices for architectural and engineering services and technical testing increased by 4.5%[4].

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[1] The quarterly modal projection for four-quarter CPI inflation, based on market rate expectations. *Bank of England Monetary Policy Report, November 2023*.
[2] Forecast for CPI inflation. *Office for Budget Responsibility Economic and fiscal outlook, November 2023.*
[3] Construction Output Price Indices, *Office for National Statistics, Construction Output in Great Britain, November 2023*
[4] Services Producer Price Indices, *Office for National Statistics, October 2023*

- Direct service delivery risk regarding transport services – particularly with regard to the financial pressures faced by bus operators due to patronage, and income, as a continuing result of the Covid pandemic recovery.

- Unemployment and recruitment, resulting in a very tight labour market and rising wage rates that still represent real terms cuts to public sector pay which increases recruitment and retention issues.

- Business Rate Retention funding – although the assumption is that the current 100% Business Rates Retention pilot will roll forward, there remains an ongoing uncertainty regarding accumulating a contribution to the Core Funding from budgeted revenue business rate growth in the Medium-Term Financial Strategy.

- 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 MCA to deliver its programmes which will stall investment in the region and have significant economic and reputational risks.

- Ensuring that we continue to have the appropriate level of internal audit support by increasing the audit days required to make certain that we have appropriative controls in place as the organisation continues to grow.

- Failure to deliver Local Enterprise Partnerships (LEP) integration – more details are provided in the LEP 2024/25 Budget Report Key Risks Section 41.

100. Should any of these financial risks materialise in 2024/25, we would need to develop an action plan looking for efficiencies and savings to accompany the structured use of financial reserves.

Equality, Diversity and Inclusion Implications

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

Climate Change Implications

102. Much of the MCA approved investment on 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.

103. A critical piece of work on the MCA's Carbon Management Plan is underway to ensure that we can quantify the scale of impact that our projects have towards tackling the causes of climate change, as well as their role in minimising the impacts that climate change will bring. The intention is that this approach will be applied to all new projects from April 2024.

104. The MCA Climate and Ecological Strategy and Action Plan has been considered in the production of this report. Any points of relevance have been added to this report when considered appropriate.

Finance Implications

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

106. Figures in this report do not reflect any forecast slippage of projects and workstreams from 2023/24, with any out-turn variations being added to the 2024/25 budget in the monitoring reports to the MCA Committee in 2024/25.

107. 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.

108. The Section 73 Officer considers the budget to be robust as presented, given the need for delivery of programmes. To ensure full delivery of the MCA remit, it is necessary to approve the budgets for 2024/25 including enabling the MCA to continue, commence and complete its recruitment exercises.

109. In terms of reserves the committee set a 5% target on general reserves. We are committed to increasing our reserves across the MTFS period, to ensure we provide both adequate financial security for the MCA and meet the recommendations set out by Grant Thornton in the Value for Money Interim Report for 2022-23 as presented to the Audit Committee in December 2023.

110. It is essential the MCA is appropriately resourced and that value for money for the taxpayer pound is continually tested and reported to committee on an ongoing basis.

Legal Implications

111. Section 4(1)(b) of the Local Government Act 1989 requires relevant authorities provide their Heads of Paid Service with such staff, accommodation and other resources which are, in the opinion of the Head of Paid Service, sufficient to allow the duties of that role to be performed. Section 5(1)(b) makes identical provision in respect of the duties of the Monitoring Officer and Section 114(7) of the Local Government Finance Act 1988 does the same in respect of the obligations of the Section 73 Officer. The budget proposed makes the necessary provision to meet these duties for the 2024/25 financial year without which the authority is at risk of breaching the statutory duties in the relevant sections of the aforementioned acts.

112. As a levying body for transport functions, Regulation 5(1) of the Transport Levying Bodies Regulations 1992 require levies to be issued, for the 2024/25 financial year before 15 February 2024. It follows that approval of the budget agreeing the level of any levy in good time prior to 15 February 2024 is required in order to comply with that statutory obligation. A 26 January 2024 decision of the MCA committee ensures compliance with that requirement.

113. Similarly, Section 30(6) of the Local Government Finance Act 1992 requires “billing authorities” (for the purpose of council tax collection) to have settled, for the 24/25 financial year, certain budgetary matters before 11 March 2024. In order to comply with these obligations, the constituent unitary authorities will need certainty in respect of the MCA’s approved budget in good time before 11 March 2024. A 26 January 2024 decision of the MCA Committee ensures compliance with that requirement.

114. Failing to set a balanced budget in good time to meet these obligations may provide a basis for judicial review and/or intervention by the Secretary of State utilising Best Value powers under the Local Government Act 1999 on the basis set out in *R v Hackney LBC v Fleming [1986] RVR 182*.

115. The Budget proposals set out in this Report have been developed in accordance with appropriate Local Government legislation and regulations, including the specific funding and related governance requirements set out in:

a) Part 2 of the Local Government Act 2003 (Financial Administration);

b) The West of England Combined Authority Order 2017; and

c) The Combined Authorities (Finance) Order 2017.

Human Resources Implications

116. The funding for the staff establishment for the MCA functions is provided for within the proposed budget in line with the resourcing requirements.

117. The report highlights an increase in staffing levels. This is on account of the significant delivery agenda of the MCA, having been successful in bringing considerable additional funding into the region.

118. This additional funding comes with an expectation of delivery of a range of programmes and improvements for the region, at pace – and as a result, it is essential that the MCA is resourced effectively to enable success.

119. An additional increase of note is within the Environment directorate – and this is reflective of the fact that this area has been built up from scratch, and resource is essential to ensure the MCA can lead on the region’s ambition to achieve net zero by 2030.

120. 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.

121. As noted in the report, significant strides have been made on the MCA effectiveness and efficiency programme as part of its wider transformation work, and more is planned for the coming financial year – including working with our Unitary Authority partners on shared services and maximising the value of external contracts.

122. While considerable reductions have been made in the MCA interim staff usage, this trend is expected to continue during the 2024/25 financial year, as we move further towards a stable, permanent structure.

123. All recruitment to additional roles will be conducted in an open and transparent way in line with the MCA policies and procedures.

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

Land/property Implications

125. The MCA does not currently own any land or material assets. The MCA office lease at 70 Redcliff Street is accounted for within this budget.

126. Where MCA investment allocations concern any acquisition or disposal of land and/or property, full consideration is given to relevant state aid issues, market valuation and the requirement to deliver best value.

Commercial Implications

127. There are no specific Commercial requirements or concerns to comment on for this report. Any subsequent commercial activity as a result of this paper will be approved through the newly formed Commercial Board.

128. The paper sets out the need for increased resources within the Commercial function to ensure it has the right structure, capability, and capacity to support the delivery of all MCA projects and programmes. Failure to support this will impact on the delivery of some projects and programmes and will result in reduced value for money outcomes being delivered.

Appendices

Appendix 1: Funding Analysis
Appendix 2: Investment Fund Revenue allocations managed by the MCA
Appendix 3: Investment Fund Revenue Approvals delegated to UAs and Third Parties
Appendix 4: Change in FTE between 2023/24 Budget and 2024/25 Budget
Appendix 5: MCA Capital Investment Programme 2024/25 to 2027/28
Appendix 6: Treasury Management Strategy 2024/25
Appendix 7: MCA Revenue Forecast 2023/24
Appendix 8: Case for Change - Infrastructure Target Operating Model
Appendix 9: New Posts within Environment Directorate
Appendix 10: Map of Investments

Background papers:

MCA (Revenue) and Mayoral Budget 2023/24 – CA Committee 27 January 2023.

MCA Budget monitoring reports as presented to each meeting of the MCA Committee.

West of England MCA Committees – Investment Fund Update Reports to Committee throughout 2023

West of England MCA Committee 27 January 2023 - Capital Strategy including Treasury Management and Investment Strategies

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Appendix 1: Funding Analysis

Combined Authority Funding Source (Revenue)	Start Date	Opening Balance £'000s	Fund End Date
City Region Sustainable Transport Settlement (CRSTS)	Apr-22	14,291	Mar-25
Transport Levy	Apr-23	19,468	Mar-24
Bus Service Operator Grant (BSOG) / Local Transport Fund (LTF)	Apr-23	2,952	Mar-24
Bus Service Improvement Programme (BSIP)	Nov-22	57,500	Mar-25
Investment Fund	Apr-17	120,000	Mar-24
Investment Fund - Future	Apr-23	330,000	Mar-47
Zero Emission Transport City (ZETC) development funding	Apr-22	500	Mar-24
Active Travel Revenue Fund (Capability fund) T4	Feb-23	686	Mar-24
Active Travel Social Prescribing Grant	Feb-22	70	Mar-23
Emergency Active Travel Grant	Apr-21	959	Mar-24
UK Community Renewal Fund	Nov-21	2,466	Mar-23
LEVI Capability Fund	Apr-23	688	Mar-25
Western Gateway	Apr-23	785	Mar-24
Mini-Holland Feasibility	Apr-22	79	Mar-23
Biodiversity Net Gain Grant	Apr-22	26	Mar-24
Local Growth Capacity	Apr-23	625	Mar-25
Adult Education	Aug-23	16,146	Jul-24
Bootcamp	Apr-22	8,648	Mar-24
Mayoral Capacity Fund	Apr-23	1,000	Mar-24
Multiply	Sep-22	4,446	Jun-25
Workforce for the Future	Feb-20	8,289	Dec-23
Business Innovation Fund	Nov-20	1,452	Jun-23
UK Shared Prosperity Fund	Dec-22	10,227	Mar-25
Local Nature Recovery Strategies Preparation	Jul-23	292	Mar-25
Woodland Creation Accelerator Fund	Oct-22	300	Mar-24
M10	Apr-23	160	Mar-24
Total Revenue for Combined Authority		**602,055**	

Combined Authority Funding Source (Capital)	Start Date	Opening Balance	Fund End Date
City Region Sustainable Transport Settlement (CRSTS)	Apr-22	616,400	Mar-27
Highways Grant	Apr-23	25,000	Mar-24
Pothole Action Fund	Apr-23	2,828	Mar-24
Network North	Apr-23	4,014	Mar-25
Investment Fund	Apr-17	120,000	Mar-24
Investment Fund - Future	Apr-23	330,000	Mar-47
Future Transport Zone	Mar-20	23,989	Mar-25
Rural England Prosperity Fund	Mar-23	828	Mar-25
Active Travel Fund T3	Mar-22	5,789	Mar-25
Active Travel Fund T4	Mar-23	3,810	Mar-25
Total Capital for Combined Authority		**1,132,658**	

TOTAL FOR COMBINED AUTHORITY (Revenue & Capital)		**1,734,713**	

Appendix 2: Investment Fund Revenue allocations managed by the MCA

Project Name	2023/24 Original budget (£,000's)	2023/24 Current budget (£,000's)	2024/25 Profile (£,000's)	2025/26 Profile (£,000's)	2026/27 Profile (£,000's)	2027/28 Profile (£,000's)	Total Profile (£,000's)
Walking & Cycling Scheme Development	-	100	100	-	-	-	**200**
10 Year Rail Delivery Plan	80	325	325	-	-	-	**650**
SDS - Transport Evidence Base	201	470	213	-	-	-	**683**
ITA - Investment Fund	150	150	150	-	-	-	**300**
Future Transport Zones	1,454	-	1,511	2,144	-	-	**3,655**
Productivity Challege	823	714	799	436	-	-	**1,948**
I4R+O BIF (non-ERDF)	-	-	160	-	-	-	**160**
Cultural Compact Start-Up Investment	170	210	55	-	-	-	**265**
All Age Advice Centre Pilot	161	171	-	-	-	-	**171**
Skills Connect	863	1,060	1,111	-	-	-	**2,171**
Priority Skills Fund	431	325	1,732	518	-	-	**2,575**
Retrofit Skills and Green Skills	-	100	100	-	-	-	**200**
Recovery Fund	86	70	35	-	-	-	**105**
HGV Driver Training	60	67	2	-	-	-	**69**
Business Start Up	-	245	244	-	-	-	**489**
West of England Business Support Programme	-	1,390	1,375	2,950	-	-	**5,715**
Regional Low Carbon Delivery	444	1,010	894	-	-	-	**1,904**
Retrofit Accelerator	1,002	2,156	2,287	489	489	489	**5,910**
Green Recovery Fund - Energy Projects	-	63	599	-	-	-	**662**
Green Recovery Fund – Somer Valley Rediscovered	1,621	-	381	-	-	-	**381**
Green Recovery Fund - Frome Valley	-	67	439	-	-	-	**506**
Green Recovery Fund - Forest of Avon	-	244	244	-	-	-	**488**
Green Recovery Fund - Tree Canopy	-	-	565	-	-	-	**565**
Green Recovery Fund - Capricorn Quay	-	11	5	-	-	-	**16**
GI Projects and Common Connections	-	-	423	-	-	-	**423**
Community Pollinator Fund	676	1,449	605	109	-	-	**2,163**
I4R+O Influence Fund	-	-	100	-	-	-	**100**
I4R+O Feasibility and Development	-	-	100	-	-	-	**100**
I4R+O Staffing	-	-	263	-	-	-	**263**
Climate Emergency Capacity	-	-	103	-	-	-	**103**
Culture - Creative Recovery Programme	290	129	188	-	-	-	**317**
Green Recovery Fund Resources	-	190	305	-	-	-	**495**
I4R+O Made Smarter/Supply Chain	-	-	15	-	-	-	**15**
Low Carbon Challenge – Recovery Fund Revenue	-	-	99	-	-	-	**99**
Green Futures	-	-	128	130	-	-	**258**
Regional Evidence Portal Pilot	-	-	25	-	-	-	**25**
Workforce for the Future	894	1,058	150	-	-	-	**1,208**
IP for Growth	-	-	100	-	-	-	**100**
Heat and Mines	-	-	141	-	-	-	**141**
Business Innovation Fund (Research and Innovation Challenge Fund	45	39	-	-	-	-	**39**
Innovation for Renewal and Opportunity	3,578	4,384	-	-	-	-	**4,384**
Future Bright Plus	1,100	1,372	-	-	-	-	**1,372**
Digital Skills Investment Programme CQ	573	22	-	-	-	-	**22**
Community Support Fund	220	36	-	-	-	-	**36**
GI Projects	725	-	-	-	-	-	**-**
Local Nature Recovery Strategy	330	-	-	-	-	-	**-**
SDS/LTP Shared Evidence Base	602	-	-	-	-	-	**-**
MMC / Housing Innovation / Housing Delivery Strategy	125	125	-	-	-	-	**125**
Strategic Rail Investment	50	-	-	-	-	-	**-**
EV Charging Infrastructure	100	114	-	-	-	-	**114**
Careers Hub	-	300	-	-	-	-	**300**
Business Growth and Adaptations Fund	-	16	-	-	-	-	**16**
Local Nature Recovery Strategy Development	-	220	-	-	-	-	**220**
Temple Quarter Joint Delivery Team	-	548	-	-	-	-	**548**
Green Infrastructure	-	31	-	-	-	-	**31**
Future4West SOBC Development	-	312	-	-	-	-	**312**
Integrated Smart Ticketing	-	83	-	-	-	-	**83**
Total Projects	**16,854**	**19,376**	**16,070**	**6,775**	**489**	**489**	**43,199**

Appendix 3: Investment Fund Revenue Approvals delegated to UAs and Third Parties

Project Name	2023/24 Original budget (£,000's)	2023/24 Current budget (£,000's)	2024/25 Profile (£,000's)	2025/26 Profile (£,000's)	2026/27 Profile (£,000's)	2027/28 Profile (£,000's)	Total Profile (£,000's)
Working Well Institute	-	1,070	389	-	-	-	1,459
Reboot West	233	275	36	-	-	-	311
Milsom Quarter Masterplan	1,044	795	826	-	-	-	1,621
Bristol City Centre & High Streets	917	1,500	266	-	-	-	1,766
Bath City Centre High Streets Renewal Project	48	48	48	48	-	-	144
Common Connections	103	103	109	131	-	-	343
Housing & Regen Enabling Fund	-	254	347	-	-	-	601
Bath Local Centres	129	129	18	10	5	-	162
Midsomer Northon High Street Market Square	40	40	10	-	-	-	50
Hydrogen Sustainable Transport	-	482	495	194	21	-	1,192
City Centre Economic Development & Markets Development	-	110	36	-	-	-	146
Waterspace Connected Phase 1	-	195	101	-	-	-	296
South Gloucestershire Catalyst High Street Funding	-	56	47	-	-	-	103
ISTART Phase 0	-	1,245	83	-	-	-	1,328
South Gloucestershire Council Capacity Scheme	-	522	83	-	-	-	605
South Gloucestershire Council Specialist Support	-	143	151	174	184	-	652
Bath Central Riverside	-	233	316	-	-	-	548
Keynsham to Willsbridge Path	-	294	161	-	-	-	455
Western Harbour Masterplan and Infrastructure Delivery Plan	-	512	2,048	-	-	-	2,561
Muller Road Eastbound Bus Lane	-	150	66	-	-	-	216
Bottle Yard Studios - Hawkfield Business Park	25	68	-	25	-	-	93
We Work for Everyone	17	374	-	-	-	-	374
Bristol Avon Flood Strategy – Active Travel & Green Infrastructu	169	169	-	-	-	-	169
Bristol Harbour Place Shaping Strategy	63	283	-	-	-	-	283
Charfield Station	2,014	-	-	-	-	-	-
FWD (Formally ISTART) Phase 0	330	703	-	-	-	-	703
Winterbourne, Frampton Catterell Bypass	-	72	-	-	-	-	72
Somer Valley Enterprise Zone	-	521	-	-	-	-	521
North Keynsham Strategic Masterplan	-	142	-	-	-	-	142
High Street Renewal Catalyst Fund	-	75	-	-	-	-	75
East Fringe Masterplan	-	34	-	-	-	-	34
Frome Gateway Framework & Infrastructure Delivery Plan	-	71	-	-	-	-	71
Yate Spur Phases 5 and 6	-	533	-	-	-	-	533
Bath Creative Quarter	-	113	-	-	-	-	113
Tree Canopy Project (GRF Nature Recovery)	-	290	-	-	-	-	290
B&NES Strategic Masterplanning	-	925	-	-	-	-	925
Total	**5,131**	**12,528**	**5,636**	**582**	**210**	**-**	**18,956**

Appendix 4: Change in FTE between 2023/24 Budget and 2024/25 Budget

	23/24 FTE	24/25 FTE	Service Area	23/24 FTE	24/25 FTE	FTE Change	Narrative	Project	Non-Project
Economy & Skills	**70.60**	**75.48**	Business and Skills Management	3.90	7.90	4.00	Allowing capacity to be built in key strategic opportunity areas	-	4.00
			Enterprise and Inward Investment	21.50	22.30	0.80		0.80	-
			Integrated Delivery	16.80	12.50	- 4.30	Reduced project demands	- 4.30	-
			People and Skills	28.40	32.80	4.40	Increase in resources due to continuation for Skills boot camp and Mulitply.	4.40	-
Resources	**44.40**	**71.91**	Corporate Services Management	1.00	2.00	1.00		-	1.00
			Finance	13.90	19.80	5.90	Additional resource driven by the growth of organisation	1.00	4.90
			Grant Management & Assurance	8.80	10.00	1.20	Additional resource driven by the growth of organisation	-	1.20
			Commercial & Procurement	2.00	11.00	9.00	Additonal Procurement roles to support the MCA	2.00	7.00
			People & Assets	18.70	29.10	10.40	Additional resource in IT, HR and Health & Safety	1.00	9.40
Chief Executive	**17.00**	**25.65**	Chief Executive Office	1.00	2.00	1.00	Addition of Assistant Chief Executive	-	1.00
Legal Services			Legal & Governance	8.00	12.60	4.60	Additional lawyers and Information/data officer to ensure effective governance as the organisation grows	4.00	0.60
& PAs			Mayor	3.00	3.00	-	n/a	-	-
			PA & Corporate Admin Team	5.00	8.00	3.00	Increased capactiy to meet the growth in the organisation	-	3.00
Environment	**39.00**	**61.49**	Environmental Management	1.00	3.00	2.00	2 Head of Service roles to manage increased activity and funding- partly funded from Department Energy and Net Zero	0.50	1.50
			Environment Planning	11.00	14.90	3.90	Additional Project office roles to help manage the green recovery projects	3.90	-
			Low Carbon Challenge	10.00	14.60	4.60	To support the delivery of the Low Carbon Challenge Fund	4.60	-
			Net Zero Hub	17.00	29.00	12.00	Additional roles to deliver specific net zero initiative for the west of england. This is funded from Dept Energy Security and Net Zero	12.00	-
Infrastructure	**104.00**	**106.56**	Capital Delivery	37.40	27.80	- 9.60	Previously included PMO & Health & safety	- 9.60	
			Future Transport Zone	17.00	6.60	- 10.40	The programme is approaching the end; services will be procured through 3rd parties rather than hiring	- 10.40	
			Transport Operations	30.00	27.90	- 2.10	No increase in levy so leavers will not be replace	- 2.10	
			Management	1.00	3.00	2.00	Additional roles to help strategic development of directorate and aid delivery	2.00	
			Bus Service Improvement Plan	4.00	4.00	-	n/a	-	
			Transport Strategy	14.60	22.30	7.70	Roles included to support CRSTS delivery and development of future work pipeline for CRSTS 2 and other future funding	7.70	
			PMO	-	12.00	12.00	Increased staffing to meet demands of MCA (see Appendix 8) - previously in Capital Delivery	12.00	
			Health & Safety	-	3.00	3.00	n/a	3.00	
Strategy	**45.30**	**54.24**	Policy	11.60	12.60	1.00	Additional role to managed the M10 group of metro mayors. This is funded from contribution from other MCA.	-	1.00
&			Communications & Marketing	13.30	15.00	1.70		1.00	0.70
Innovation			Innovation	7.00	6.60	- 0.40		-	- 0.40
			Housing & Planning	1.00	3.00	2.00	Additional housing and planning roles	-	2.00
			Corporate Performance	-	3.00	3.00	Establishment of a new corporate performance function	-	3.00
			Project & Planning	3.00	-	- 3.00		-	- 3.00
			Analysis	9.40	14.00	4.60	Increased capacity in the analysis function to support monitoring and evaluation of programmes together with economic analysis.	3.00	1.60
TOTAL	**320.30**	**395.32**	**Total**	**320.30**	**395.30**	**75.00**		**36.50**	**38.50**

The allocation of the changes in FTE between project and non-project are indicative. The change in FTE is net and there are a number of positions in the previous structure that no longer exist.

Appendix 5: MCA Capital Investment Programme Forecast 2024/25 to 2027/28

WECA Capital – IF	2023/24 Original budget (£,000's)	2023/24 Current budget (£,000's)	2024/25 Profile (£,000's)	2025/26 Profile (£,000's)	2026/27 Profile (£,000's)	2027/28 Profile (£,000's)	TOTAL Profile (£,000's)
Somer Valley Enterprise Zone (inc. A37 to A362 Improvements)		521					521
Wraxall Road Roundabout Improvements and Signalisation		104					104
MetroWest (Subject to position on Phase 1(b))		-		9,958			9,958
MetroWest Ph 2	5,932	5,932	2,188				8,120
Contactless Card Payment - On Bus		42					42
Yate A432 Park & Ride		66					66
Bath Quays Walking and Cycling Routes		204					204
Old City and King Street		93					93
Strategic Cycle Route Connecting Yate with the East Fringe (Yate Spur)		533					533
MetroBus Consolidation Package (Bus Strategy)		38					38
Bristol Temple Meads Eastern Entrance	9,556	-					-
Thornbury Hospital Site		122					122
Quantum Technologies Innovation Centre (QTIC+)	16,487	2,600	15,150	11,511			29,261
South Bristol Industrial Light Workspace	492	1,160					1,160
Low Carbon Challenge Fund Extension		1,010	410				1,420
Bottle Yard Studios - Hawkfield Business Park		115					115
North Keynsham Land Acquisition Fund		448					448
Bath Riverline Phase 1		1,018	128				1,146
Bath City Centre High Streets Renewal Project	296	290	298	250			838
Concorde Way / Dovercourt Depot		161					161
Grovesend Road - Gillingstool		57					57
Filton to MoD		46					46
Keynsham Road		61					61
Common Connections	182	182	238	50			470
LOHS Bath Local Centres	17	17	2				19
Business Growth and Adaptations Fund	33	818					818
Midsomer Norton High Street Market Square Project	735	735	265				1,000
Step Free Stations	211	209					209
Milsom Quarter	586	112	697				809
EV Tap On Tap Off	5	67					67
Hengrove Park Enabling Infrastructure	7,592	7,592	10,280				17,872
Kingswood High Street	2,130	-					-
Hanham High Street Improvements		394					394
Chew Valley Lake Recreational Trail South		150					150
Kingswood Regeneration Project		650	373				1,023
EV Charging Infrastructure		1,562	1,536	1,802			4,900
Access for all Mid-Tier		253					253
Regional Low Carbon Delivery Programme		2,813	1,222	50			4,085
Somer Valley Rediscovered Green Spaces		311					311
Green Recovery Fund Nature Projects - Tree Canopy Project		276					276
Green Recovery Fund Nature Projects - River Frome Reconnected		600					600
Green Recovery Fund Nature Projects - Capricorn Quay		385					385
Green Recovery Fund Energy Projects - Capital		-	480				480
Arena Infrastructure Package		3,880	6,095	15			9,990
Total	*44,254*	*35,626*	*39,362*	*23,636*	*0*	*0*	*98,624*

WECA Capital – Other	2023/24 Original budget (£,000's)	2023/24 Current budget (£,000's)	2024/25 Profile (£,000's)	2025/26 Profile (£,000's)	2026/27 Profile (£,000's)	2027/28 Profile (£,000's)	TOTAL Profile (£,000's)
Future Transport Zones (FTZ)	13,075	10,360	9,031	2,127			21,518
Active Travel Fund	5,789	9,267					9,267
City Region Sustainable Transport Settlement (CRSTS)	16,600	46,456	88,066	176,906	96,259	7,313	415,000
Highways and Transport Grants	25,000	26,620	26,620	26,620	26,620		106,480
European Regional Development Fund	438	438					438
WECA Capital - Other Total	*60,902*	*93,141*	*123,717*	*205,653*	*122,879*	*7,313*	*552,703*
WECA All Capital Total	**105,156**	**138,323**	**163,079**	**229,289**	**122,879**	**7,313**	**660,883**

Appendix 6: Treasury Management Strategy 2024/25

1. Introduction

1.1 Treasury management is the management of the MCA's cash flows, borrowing and investments, and the associated risks. The MCA has substantial sums of money invested and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the MCA's prudent financial management.

1.2 Treasury risk management at the MCA is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the MCA to approve a Treasury Management Strategy before the start of each financial year. This report fulfils the MCA's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

2. External Context

2.1 **Economic background:** The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the MCA's treasury management strategy for 2024/25.

2.2 The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level in September and then again in November. Members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.

2.3 The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with near-term risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

2.4 Office for National Statistics figures showed the UK economy grew by 0.2% between April and June 2022. The BoE forecasts GDP will likely stagnate in Q3 but increase modestly by 0.1% in Q4, a deterioration in the outlook compared to the August MPR. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

2.5 Office for National Statistics (ONS) figures showed CPI inflation was 6.7% in September 2023, unchanged from the previous month but above the 6.6% expected. Core CPI inflation fell to 6.1% from 6.2%, in line with predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling, declining to around 4% by the end of calendar 2023 but taking until early 2025 to reach the 2% target and then falling below target during the second half 2025 and into 2026.

2.6 The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth remained strong, with regular pay (excluding bonuses) up 7.8% over the period and total pay (including bonuses) up 8.1%. Adjusted for inflation, regular pay was 1.1% and total pay 1.3%. Looking forward, the MPR showed the unemployment rate is expected to be around 4.25% in the second half of calendar 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.

2.7 Having increased its key interest rate to a target range of 5.25-5.50% in August 2023, the US Federal Reserve paused in September and November, maintaining the Fed Funds rate target at this level. It is likely this level represents the peak in US rates, but central bank policymakers emphasised that any additional tightening would be dependent on the cumulative impact of rate rises to date, together with inflation and developments in the economy and financial markets.

2.8 US GDP grew at an annualised rate of 4.9% between July and September 2023, ahead of expectations for a 4.3% expansion and the 2.1% reading for Q2. But as the impact from higher rates is felt in the coming months, a weakening of economic activity is likely. Annual CPI inflation remained at 3.7% in September after increasing from 3% and 3.2% consecutively in June and July.

2.9 Eurozone inflation has declined steadily since the start of 2023, falling to an annual rate of 2.9% in October 2023. Economic growth has been weak, and GDP was shown to have contracted by 0.1% in the three months to September 2023. In line with other central banks, the European Central Bank has been increasing rates, taking its deposit facility, fixed rate tender, and marginal lending rates to 3.75%, 4.25% and 4.50% respectively.

2.10 **Credit outlook:** Credit default swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Q2 of calendar 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily.

2.11 On an annual basis, CDS price volatility has so far been lower in 2023 compared to 2022, but this year has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

2.12 Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework. Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

2.13 There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets. However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

2.14 **Interest rate forecast (November 2023):** Although UK inflation and wage growth remain elevated, the MCA's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early-mid 2026. A more detailed economic and interest rate forecast provided by Arlingclose is in **Appendix A.**

2.15 Arlingclose expects long-term gilt yields to eventually fall from current levels (amid continued volatility) reflecting the lower medium-term path for Bank Rate. However, yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

2.16 Like the BoE, the Federal Reserve and other central banks see persistently high policy rates through 2023 and 2024 as key to dampening domestic inflationary pressure. Bond markets will need to absorb significant new supply, particularly from the US government.

2.17 For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 4% for the MCA balances, and 3% for Revolving Infrastructure Fund (RIF) balances. Lower levels of interest received on LEP balances due to longer term investments of funds being limited. Higher rates can only be achieved through retaining a proportion of our portfolio as long terms investments such as property, equities and mixed asset funds.

3. Local Context

3.1 On 31st October 2023, the MCA held £403m of investments, and £5m in short term borrowing. This is set out in further detail at **Appendix B**.

3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment.

3.3 The MCA's capital expenditure plans do not currently imply any need to borrow over the forecast period. Investments are forecast to fall to £300m by the end of 2024/25 as capital grants are used to finance capital expenditure and earmarked reserves are spent on their intended purpose.

4. Investment Strategy

4.1 The MCA holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Since 1st April 2023, the MCA's investment balance has ranged between £335m and £403m, and similar levels are expected to be maintained in the forthcoming year.

4.2 As well as holding investments in its own right, the MCA also acts as Accountable Body for the West of England Revolving Investment Fund (RIF) and Local Enterprise Partnership (LEP) holding Government Grants until they are ready to be distributed to Local Authorities and other organisations for approved project spend over the coming years.

4.3 The funds are invested primarily to protect the capital and, to achieve a high level of capital security, investments are made predominantly with Central Government, Local Authorities and Banks with high credit ratings. See **Appendix C** for Treasury Monitoring.

4.4 Interest earned on Revolving Infrastructure Fund and Local Enterprise Partnership Investments are re-invested into their Funds.

4.5 **Objectives:** The Chartered Institute of Public Finance and Accountancy Code requires the MCA to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The MCA's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the MCA will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. Given the current October level of CPI at 4.7% this will be difficult to achieve with fixed term deposits alone. However, we will continue to consider further longer-term investments within our overall investment portfolio, such as pooled funds, which may achieve a higher rate of return. Any temporary liquidity issues that may arise throughout the year will be dealt with by short term borrowing. The MCA aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

4.6 **Strategy:** The MCA expects to be a long-term investor and treasury investments will therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income. The MCA aims to further diversify into more secure and/or higher yielding asset classes during 2024/25. A reduced proportion of the MCA's surplus cash remains invested in short-term unsecured bank deposits and money market funds. This diversification will represent a continuation of the strategy adopted in 2023/24 with outer limits set for treasury management operations.

4.7 **Business models:** Under the International Financial Reporting Standard 9, the accounting for certain investments depends on the MCA's "business model" for managing them. The MCA aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

4.8 **Approved counterparties:** The MCA may invest its surplus funds with any of the counterparty types as detailed in *Figure 1*, subject to the cash limits (per counterparty), and the time limits shown.

Figure 1: Approved investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£10m	Unlimited
Secured investments *	25 years	£15m	Unlimited
Banks (unsecured) *	13 months	£10m	Unlimited
Building societies (unsecured) *	13 months	£10m	£20m
Registered providers (unsecured) *	5 years	£10m	£50m
Money market funds *	n/a	£10m	Unlimited
Strategic pooled funds	n/a	£10m	£60m
Real estate investment trusts	n/a	£10m	£50m
Other investments *	5 years	£10m	£20m

This table must be read in conjunction with the following notes:

a) **Minimum Credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is **no lower than A-.** Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered.

For entities without published credit ratings, investments may be made either:

(i) where external advice indicates the entity to be of similar credit quality; or

(ii) to a maximum of £10m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

b) **Banks and building societies unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

c) **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

d) **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities, and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

e) **Registered providers (unsecured):** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

f) **Money Market Funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the MCA will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

g) **Strategic Pooled funds:** Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the MCA to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the MCA's investment objectives will be monitored regularly.

h) **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

i) **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the MCA's investment at risk.

j) **Operational bank accounts:** The MCA may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £500,000 per bank. This is a relatively low risk as deposits tend to be only held overnight and can be moved without notice. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the MCA maintaining operational continuity.

k) **Risk assessment and credit ratings**: Credit ratings are obtained and monitored by the MCA's treasury advisers, Arlingclose, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

l) **Other information on the security of investments**: The MCA understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the MCA's treasury management adviser.

No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

The MCA is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the MCA will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the MCA's cash balances, then the surplus will either be deposited with the UK Government, (via the Debt Management Office), invested in government treasury bills or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

m) **Environmental, Social & Governance (ESG) Investments:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the MCA does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the MCA will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code. The MCA recognises it can further enhance its efforts through its investment decisions and activity. The MCA will consider options for investments of short-term funds with institutions who ring fence the use of such funds for ESG related matters. The MCA will continue to use the Arlingclose ESG and Responsible Investment Service, designed to guide and advise authorities on incorporating and monitoring ESG in its treasury investment decisions.

n) **UA Short Term Loan Facility:** In order to assist the West of England Unitary Authorities who may continue to face cashflow challenges, the MCA has implemented a short-term loan facility and this will be operated within the parameters of the approved Treasury Management Strategy.

o) **Investment limits**: The maximum that will be lent to any one organisation, (other than the UK Government), will be £10 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries. The MCA's revenue reserves, which could be made available to cover any investment losses, are forecast to be £4 million on 31st March 2024. There is also a £1.6m Treasury Management Earmarked Reserve available.

Figure 2: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£10m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£10m per group
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£15m per country (AAA sovereign rating)
	£10m per country (AA+ sovereign rating)
Registered providers and registered social landlords	£50m in total
Unsecured investments with building societies	£20m in total
Loans to unrated corporates	£20m in total
Money market funds	unlimited
Real estate investment trusts	£50m in total

Liquidity management: The MCA uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the MCA being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the MCA's medium-term financial plan and cash flow forecast. The MCA will spread its liquid cash over at least five providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

5. Borrowing Strategy

5.1 The MCA currently holds £5m of short-term loans for cash flow purposes. The balance sheet forecast shows that the MCA does not expect the need to borrow in 2024/25.

5.2 **Objectives:** The MCA's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the MCA's long-term plans change is a secondary objective.

5.3 **Strategy:** The MCA does not currently have any underlying need to borrow long-term to fund capital expenditure. The MCA holds no long-term loans and no long-term borrowing is anticipated during 2024/25. Therefore, a debt-free strategy will be maintained until such time as the MCA determines that its capital strategy and prioritised programme of investment requires consideration of any borrowing decision.

5.4 As part of its approach to liquidity management, the MCA may borrow short-term loans to cover any unplanned cash flow shortages as they arise. Rather than always keeping cash on instant access for unplanned cash flows, (where security and liquidity will mean yields will be low), the MCA will retain the option of short term borrowing at low rates to enable it to explore increasing investments in longer term and more diversified assets. The MCA will test access to borrowing occasionally even where this is not required to ensure liquidity is available.

5.5 **Sources of borrowing:** The approved sources of short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- UK Infrastructure Bank
- any institution approved for investments
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Avon Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

5.6 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback
- similar asset based finance

5.7 **Short-term and variable rate loans**: These loans leave the MCA exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits as detailed in the treasury management indicators.

6. Treasury Management Prudential Indicators

6.1 The MCA measures and manages its exposures to treasury management risks using the following indicators.

6.2 **Security:** The MCA has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

Credit risk indicator	Target
Minimum portfolio average credit rating	A-

6.3 **Liquidity:** The MCA has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount it can borrow each quarter without giving prior notice.

Liquidity risk indicator	Target
Total sum borrowed in past 3 months without prior notice	£40m

6.4 **Interest rate exposures**: This indicator is set to control the MCA's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% fall in interest rates	£1.5m

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

6.5 **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the MCA's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2024/25	2025/26	2026/27	+3 years
Limit on principal invested beyond 364 days as % of total cash balance	50%	30%	20%	20%

Long term investments 3 years plus include strategic pooled funds and real estate investment trusts with no fixed maturity.

7. Related Matters

The Chartered Institute of Public Finance and Accountancy Code requires the MCA to include the following in its treasury management strategy.

7.1 **Financial Derivatives:** Authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. Lender Option Borrower Option loans and callable deposits). The general power of competence in section 113A of the Local Democracy, Economic Development and Construction Act 2009 removes much of the uncertainty over authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The MCA will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the MCA is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA code, the MCA will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

7.2 **Markets in Financial Instruments Directive (MiFID II)**: As a result of the directive, Local Authorities will be treated as retail clients, but can opt up to professional client status, providing that they meet certain criteria which includes having an investment balance of at least £10m and the persons authorised to make investment decisions on behalf of the MCA having at least a year's relevant professional experience. In addition, the regulated financial services firms to whom this directive applies must assess that these persons have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The MCA has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the MCA's treasury management activities, the CFO believes this to be the most appropriate status.

8. Other Options Considered

8.1 The Chartered Institute of Public Finance and Accountancy Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted the West of England Mayor and Chief Executive, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller

Appendix A – Arlingclose Economic & Interest Rate Forecast – November 2023

Underlying assumptions:

- UK inflation and wage growth remain elevated but, following a no-change MPC decision in November, Bank Rate appears to have peaked in this rate cycle. Near-term rate cuts are unlikely, although downside risks will increase as the UK economy likely slides into recession and inflation falls more quickly
- The much-repeated message from the MPC is that monetary policy will remain tight as inflation is expected to moderate to target slowly. In the Bank's forecast, wage and services inflation, in particular, will keep CPI above the 2% target until 2026.
- The UK economy has so far been relatively resilient, but recent data indicates a further deceleration in business and household activity growth as higher interest rates start to bite. Global demand will remain soft, offering little assistance in offsetting weakening domestic demand. A recession remains a likely outcome.
- Employment demand is easing, although the tight labour market has resulted in higher nominal wage growth. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household spending will therefore be weak. Higher interest rates will also weigh on business investment and spending.
- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant policy loosening in the future to boost activity.
- Global bond yields will remain volatile, particularly with the focus on US economic data and its monetary and fiscal policy. Like the BoE, the Federal Reserve and other central banks see persistently high policy rates through 2023 and 2024 as key to dampening domestic inflationary pressure. Bond markets will need to absorb significant new supply, particularly from the US government.
- There is a heightened risk of geo-political events causing substantial volatility in yields.

Forecast:

- The MPC held Bank Rate at 5.25% in November. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.
- The immediate risks around Bank Rate remain on the upside, but these diminish over the next few quarters and shift to the downside before balancing out, due to the weakening UK economy and dampening effects on inflation.
- Arlingclose expects gilt yields to eventually fall from current levels (amid continued volatility) reflecting the lower medium-term path for Bank Rate. However, yields will remain relatively higher than in the past, due to quantitative tightening and significant bond.

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	**5.25**	**5.25**	**5.25**	**5.25**	**5.00**	**4.75**	**4.25**	**4.00**	**3.75**	**3.50**	**3.25**	**3.00**	**3.00**
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	**5.40**	**5.40**	**5.40**	**5.30**	**5.15**	**4.80**	**4.30**	**4.10**	**3.80**	**3.50**	**3.25**	**3.05**	**3.05**
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	**4.28**	**4.35**	**4.30**	**4.25**	**4.10**	**4.00**	**3.75**	**3.50**	**3.40**	**3.30**	**3.30**	**3.30**	**3.35**
Downside risk	0.00	-0.55	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	**4.32**	**4.40**	**4.35**	**4.30**	**4.25**	**4.15**	**4.00**	**3.80**	**3.75**	**3.65**	**3.60**	**3.65**	**3.70**
Downside risk	0.00	-0.55	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	**4.78**	**4.70**	**4.65**	**4.55**	**4.45**	**4.35**	**4.25**	**4.25**	**4.25**	**4.25**	**4.25**	**4.25**	**4.25**
Downside risk	0.00	-0.55	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	**4.38**	**4.30**	**4.25**	**4.20**	**4.15**	**4.15**	**4.10**	**4.10**	**4.10**	**4.10**	**4.10**	**4.10**	**4.10**
Downside risk	0.00	-0.55	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate = Gilt yield + 1.00%
PWLB Certainty Rate = Gilt yield + 0.80%
PWLB HRA Rate = Gilt yield + 0.40%
UK Infrastructure Bank Rate = Gilt yield + 0.40%

Appendix B – Investment & Debt Portfolio Position

	31-Oct-23 Actual Portfolio £m	31-Oct-23 Average Rate %
Short-Term External borrowing:	5.0	4.00
Other long-term liabilities:	0	0
Total gross external debt	5.0	4.00
Treasury investments:		
Banks & building societies (unsecured)	10.2	1.49
Covered bonds & repo (secured)	0	0
Government (incl. local authorities)	291.0	4.00
Registered Providers	10.0	2.90
Money Market Funds	40.0	5.28
Social Housing Real Estate Investment Trust	5.00	2.85
Other pooled funds:		
CCLA Property Fund	10.0	3.87
Investec	10.0	4.04
Kames	10.0	6.20
Threadneedle	3.5	4.27
M & G	3.5	6.00
Royal London Enhanced Cash Plus Fund	10.0	5.28
Total treasury investments	403.2	4.16
Net investments	398.2	-

Appendix C – Treasury Management Monitoring

The MCA's investment position as at 31 October 2023 is detailed below in Table 1. This shows a balance held of £403m which is an increase from £355m at 31 March 2023.

As shown in the charts, the investment portfolio has been diversified across UK banks, Building Societies and Local Authorities. The MCA also uses AA rated Money Market Funds to maintain short term liquidity with £40m invested as at 31 October 2023. The MCA also retains units in pooled funds with £10m invested with the CCLA Property Fund, £10m with Investec, £10m with Kames, £10m with Royal London, £3.5m with Threadneedle, £3.5m with M&G, and £5m with Fundamentum as shown below in Table 2.

The forecast investment income to 31 March 2024 is £11m with an average rate of interest earned of circa 4%.

Investments are forecast to fall to £340m by the end of the 2023/24 financial year as capital grants are used to finance capital expenditure and project spend. Investments have been staggered, in terms of maturity dates, to ensure that there is a reasonable balance of available liquidity to finance required spend.

Table 1

The MCAs term of investments are as follows:	**Balance as at 31st Oct 2023 £000s**
Instant Access Funds	50,000
Pooled Including REIT	51,957
Up to 1 month	32,000
1 month to 3 months	36,189
4 months to 6 months	79,000
6 months to 12 months	135,000
More than 12 months	19,000
	403,146

Table 2: Pooled Funds

Fund Name	Asset Class	Purchase Value £000s	Fair Value as at 31/10/23 £000s	Capital Growth/(Loss) £000s	Income Return In Year
CCLA Property Fund	Property	9,956	8,925	-1,031	3.87%
Ninety One Diversified Income Fund (Investec)	Multi Asset	10,000	8,692	-1,308	4.04%
Aegon Diversified Monthly Income Fund (Kames)	Multi Asset	10,000	8,311	-1,689	6.20%
Threadneedle Strategic Bond Fund	Bond	3,500	2,931	-569	4.27%
M&G UK Income Distribution Fund	Equity - UK	3,500	3,371	-129	6.00%
Royal London Short Term Enhanced Cash Fund	Cash Plus	10,000	9,880	-120	3.60%
Fundamentum Social Housing REIT	Property	5,000	4,762	-238	2.74%
		51,956	46,872	-5,084	4.46%

The difficult current economic conditions continue to have a negative impact on our Pooled Funds. These investments are made in the knowledge that capital values will move both up and down on months and quarters, but with the confidence that over a three to five-year period, total returns will exceed interest rates. They provide regular revenue income and in 2023-24 will provide an average total return of 4.16%.

Chart 1 : West of England Mayoral Combined Authority Investments by Funding Source (£403.2m) at 31st October 2023

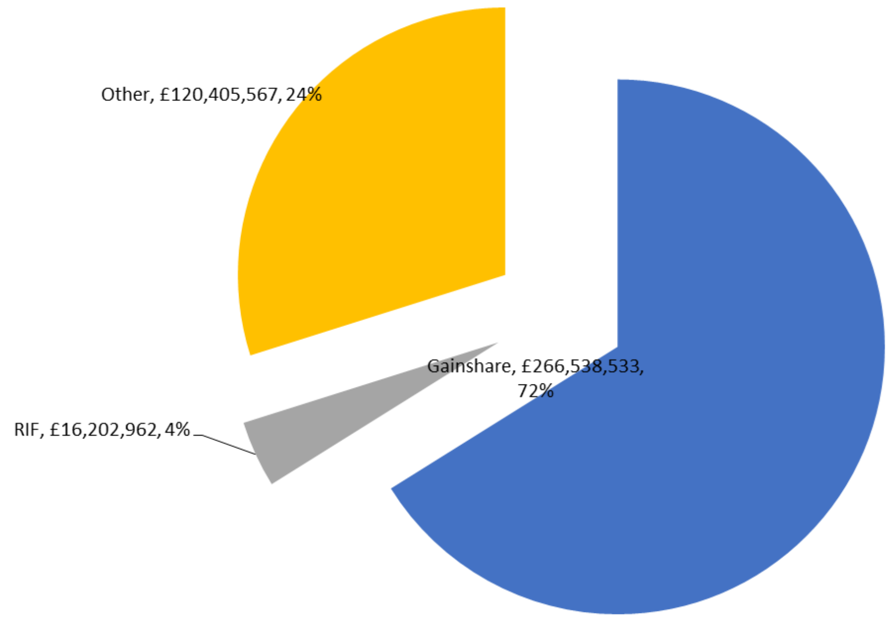
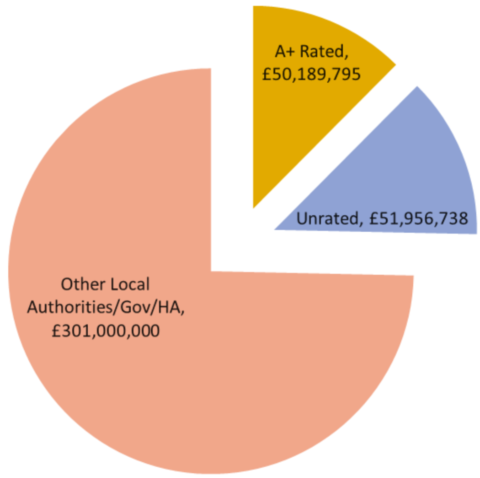
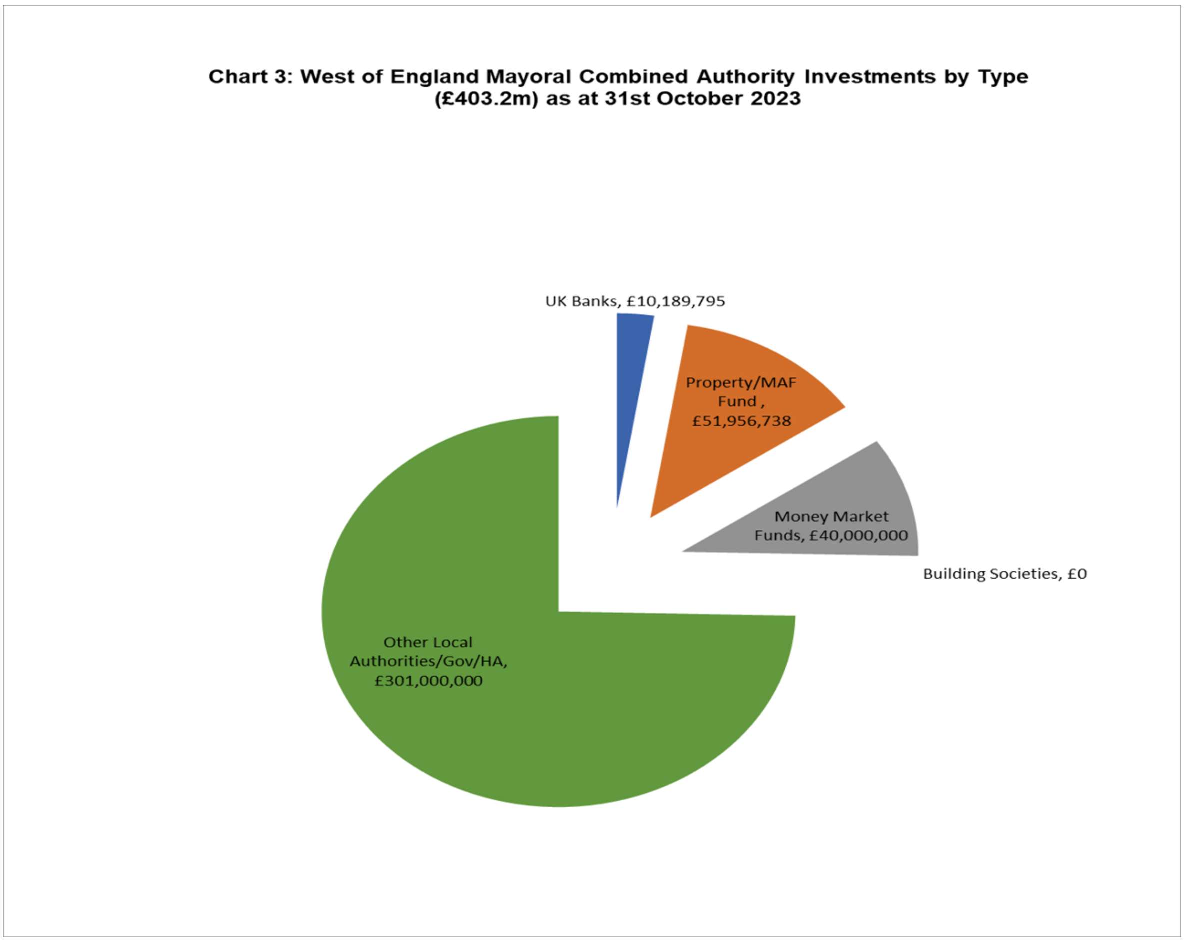


Chart 2: West of England Mayoral Combined Authority Investments per lowest equivalent Long Term credit rating (£403.2m) at 31st October 2023





Appendix D - Treasury Management Prudential Indicators

As required by the 2021 CIPFA Treasury Management Code, the MCA monitors and measures the below treasury management prudential indicators. The MCA's Prudential Indicators for 2023/24 were agreed by the MCA at its meeting on 27 January 2023 and performance against the key indicators is shown below.

Security: The MCA has adopted a voluntary measure of its exposure to credit risk by monitoring the value weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

Credit risk indicator	Target	Actual
Minimum portfolio average credit rating	A-	A+

Liquidity: The MCA has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount it can borrow each quarter without giving prior notice.

Liquidity risk indicator	Target	Actual
Total sum borrowed in past 3 months without prior notice	£40m	£0

Interest rate exposures: This indicator is set to control the MCA's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% fall in interest rates will be:

Interest rate risk indicator	Limit	Actual
Upper limit on one-year revenue impact of a 1% fall in interest rates	£1m	£1.4m

The impact of a change in interest rates is calculated on the assumption that maturing investments will be replaced at new market rates. Due to the current high levels of investment balances, of which £147m matures within the next six months, this has resulted in the actual calculated impact exceeding the target.

Principal sums invested for periods longer than a year: The purpose of this indicator is to control the MCA's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Appendix 7: West of England MCA Revenue Forecast 2023/24

	2023/24 October Forecast £'000s	2023/24 Current Forecast £'000s	Variance £'000s	Variance %
Expenditure				
Employees	17,643	15,976	(1,667)	-9%
Premises	946	1,100	154	16%
Transport-Related Expenditure	40	106	66	165%
Supplies & Services	22,524	15,201	(7,323)	-33%
Third Party Payments	107,725	103,335	(4,390)	-4%
Depreciation and Impairment Losses	255	232	(23)	-9%
Movement to reserves	-	276	276	>100%
Total Expenditure	**149,133**	**136,226**	**(12,907)**	**-9%**
Income				
Support Services	4,369	1,830	(2,539)	-58%
Income	147,266	136,751	(10,515)	-7%
Movement from reserves	-	150	150	>100%
Total Income	**151,635**	**138,731**	**(12,904)**	**-9%**
Surplus	**2,502**	**2,505**	**3**	**0%**

Key variances

Expenditure

- **Employees:** Delayed recruitment ensured we stayed within available budget.
- **Premises:** Additional building repairs and maintenance.
- **Transport-Related Expenditure:** Additional expense for staff to attend events.
- **Supplies & Services:** Reduction in MCA Project costs.
- **Third Party Payments:** Reduction in MCA Project costs.
- **Depreciation and Impairment Losses:** Reduction in MCA debt management expenses.
- **Net movement to reserves:** Transport Levy underspend transferred to Transport Levy Smoothing Reserve.

Income

- **Supported Services:** Less staff time recharged to Capital projects.
- **Income:** Less income drawdown to reflect reduction in expenditure.
- **Net movement from reserves:** £150k from Housing Capacity Fund.

Appendix 8: Case for Change - Infrastructure Target Operating Model

The Case for Change

The MCA's Infrastructure Directorate has designed and received approval to implement a revised Target Operating Model (TOM), to be delivered via a Change Programme. The TOM involves the introduction of the following:

The Asset Lifecycle Organisational Model - Organise the Directorate based on the end-to-end asset lifecycle, whilst acknowledging the need to both uplift existing and develop new capabilities to do so. By introducing the model there is a need to bring existing capabilities up to levels that enhance delivery across the business of the Directorate and the MCA. The advantage of introducing the Asset Lifecycle Model is that each Service within the Directorate will be enabled to focus on its core purpose (Strategy > Delivery > Operations), which will reduce duplication and fragmentation. PMO (Portfolio Management Office) and HSQE (Health, Safety, Quality and Environment) will play critically important enabling roles. This focus on core purpose will, in turn, result in greater efficiency and effectiveness and higher quality infrastructure in the region.

Gated Readiness Process - Implement a simplified and standardised project lifecycle with stage gateway reviews for projects to advance through the lifecycle. This will involve an additional Feasibility & Assessment stage to ensure that new project work is thoroughly evaluated for strategic fit and deliverability, before being accepted into the Directorate. The introduction of this will increase the Directorate's ability to deliver projects on time, within budget and to the requisite level of quality. There will also be a reduction in disruption to business-as-usual activity by exercising greater control over the introduction of new activity.

Flexible Resourcing and Delivery - Introduction of a flexible delivery model to adapt to variable demands of future activity. Staff will be given the opportunity to work across the Directorate as opportunities arise, in accordance with the business need. This will promote staff retention, enabling the development of a core team, less reliant on external resource. More flexible PM (Project Manager) resourcing will be facilitated by a PMO centre of excellence.

Enhanced Relationships with Corporate Functions - The relationship between the Directorate and MCA Corporate functions needs to adapt to the new operating model. This will involve the timelier provision of information and services (such as recruitment support) greater accuracy and less duplication.

Enhanced Unitary Authority Interface and Dialogue

The opportunity exists for engagement with Unitary Authorities to make delivery more effective by creating greater cross-organisational alignment of systems, processes, and reporting. There is also the opportunity to consider the transfer of additional functions to the MCA, where there is a strong and mutually acceptable business case to do so.

Appendix 9: New Posts within Environment Directorate

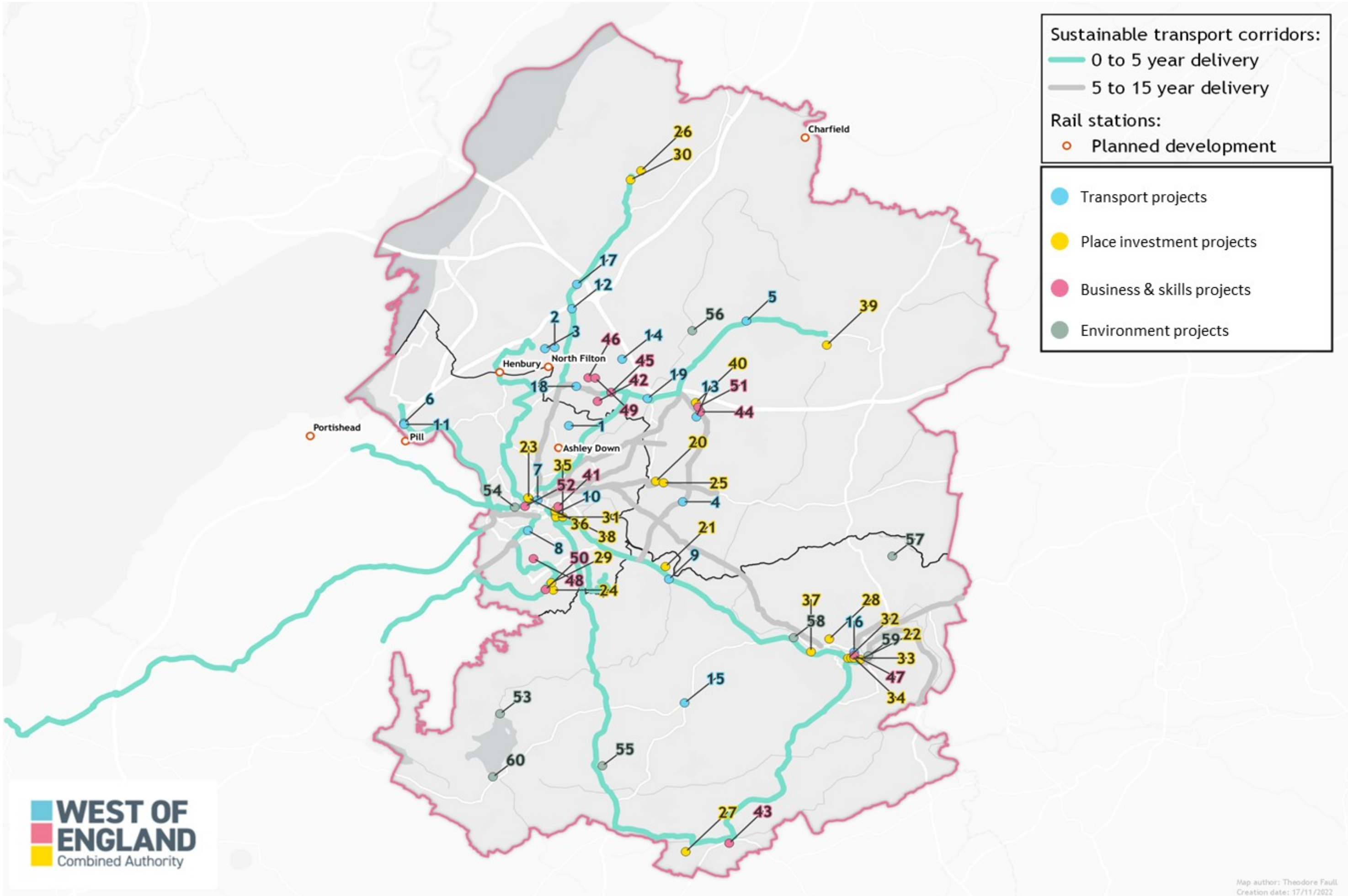
Driver	Post	Income	Linked investment	Narrative
New External funding to delivery government priorities: • Local Industrial Decarbonisation Planning • Expansion of South West Net Zero Hub	 1 12	 £87k (November 2023) £1m (July 2022)	 £124k from Innovate UK - £53m Investment from Department Energy Security and Net Zero	Additional revenue has been provided by government direct to the MCA in year to deliver specific net zero initiatives for the West of England and the wider Southwest. 13 of the 26 posts are accounted for in this way.
Green Recovery Fund allocations in year: • Low Carbon Challenge Fund • Additional capacity (Project Officers) to build business cases for £6m Green Recovery Fund Investment • CRSTS Sustainable Transport Officer • Carbon Assessment	 4 4 1 1	 £700k from Green Recovery Fund (agreed at March 2023 Committee) £190k from GRF (agreed at June 2023 CEO's) £50k £50k	 To support delivery of £3.2m Capital from MHCLG & Recovery Fund £6m of additional projects from the Green Recovery Fund. Support to deliver core sustainability elements of CRSTS. Funded from agreed Regional Low Carbon Delivery Programme.	At the start of the financial year the GRF budget was increased by £6m. Proposals were presented to CEOs in June associated with the planning for this funding and an initial revenue allocation for posts that will enable the wider funding to be unlocked. Those posts have now been recruited and will continue as an overhead in 2024/25. Funding from existing agreed programmes has also been used (as agreed) to recruit specific fixed term posts.
New Intended proposal to March Committee for Green Infrastructure Project Manager	1	£70k from GI allocation within GRF	To enable the delivery of £413k GI investment from GRF.	This post is part of a proposal to allocate the remaining £413k of the initial £1.5m of funding set aside for GI work. It is being codesigned with

				the UAs but will require a PM to lead delivery
Management Resource to oversee delivery	2	75% funded from core funding allocated to Environment Directorate, 25% from DESNZ	Oversight of £92m investment across the Environment Directorate	As the scale of the Environment Directorate has changed it has become increasingly evident that additional management resource is required.

The resources described above are focused on the delivery of the Climate and Ecological Strategy and the actions agreed within that document.

Appendix 10: Map of Investments

As shown in the map below, investment and delivery funded via MCA funding lines is in place right across the West of England Mayoral Combined Authority area. The investment decisions MCA Committee has made are seeing new transport links, housing, employment sites, business development, R&D facilities and environmental projects delivered across the region. In addition (and not shown on the map) MCA Committee decisions have enabled a wide range of employment and skills programmes to be delivered, supporting local people to develop the skills they need to access employment opportunities across the region.



Transport investment and delivery

1 Lockleaze sustainable transport improvements
2 Cribbs Pathway cycle links
3 Cribbs Pathway MetroBus extension
4 Wraxall Rd rounabout improvements
5 Yate A432 Park & Ride
6 A4 Portway Park & Ride expansion
7 Bristol Bridge (signals & car park project)
8 Bedminster Green (highways improvement)
9 Keynsham town centre improvements
10 Temple Quarter enabling work
11 Portway Station
12 South Glos sustainable transport package
13 Emersons Green enhancements
14 Great Stoke roundabout
15 A39 junction improvement
16 Saw Close
17 South Glos sustainable transport package
18 A38/A4174 widening and Gypsy Patch Lane
19 Bromley Heath Viaduct maintenance and improvement

Place investment and delivery

Whitfiled Tabernacle stabilisation works
North Keynsham land acquisition fund
Bath city centre high street renewal
Bristol city centre high street renewal
Bottle Yard Studios
Kingswood regeneration
Thornbury Hospital (land acquisition)
Midsomer Norton High Street Market Square
Bath local centres high street improvements
Hengrove Park enabling works
Thornbury High Street
Temple Quarter regeneration
Bath Quays South
Bath Quays Bridge
Bath Quays North
Temple Quarter Enterprise Zone
Bristol Beacon
Bath Riverside Enterprise Zone
Cattle Market demolitions
Grow-on 2 temp buildings
Bristol & Bath Science Park (land purchase)

Business & skills investment and delivery

41 South West Institute of Future Technology
42 Centre for Digital Engineering Technology & Innovation
43 Bath & NE Somerset Construction Skills Centre
44 Institute for Advanced Automotive Propulsion Systems
45 UMBRELLA
46 Stem Centre SGC
47 Hospitality & Catering Education Centre
48 Open Programmable City Region
49 City of Bristol College Advanced Engineering Centre
50 NTProStruct
51 Bristol VR Lab
52

Environment investment and delivery

53 Chew Valley Lake recreational trail (North)
54 Capricorn Quay
55 From Valley River Reserve
56 Forest of Avon
57 Bath River Line (phase 1)
58 Bath River Line (Bristol Bath railway path extension)
59 Chew Valley Lake recreational trail (South)
60

Note: The list above is not exhaustive. Investment to support the delivery of masterplans, feasibility studies etc that has or will lead to delivery is not shown. Some investments that are region wide (and not mappable) are not shown.