

**REPORT SUMMARY SHEET
COMBINED AUTHORITY BUDGET 2019/20**

Purpose

To consider and approve the 2019/20 Combined Authority budget.

Summary

Key aspects of this report include:

- The WECA budget relates to all the functions of the Combined Authority except those relating specifically to the Mayor which are the subject of a separate report.
- WECA funding comes from 5 main sources:
 - Investment funding from the Government as part of the Devolution Deal.
 - A levy on the constituent councils for the costs of transport functions that transferred to WECA.
 - A 5% share of business rates under the 100% Business Rates Retention Pilot.
 - Government funding for various capacity and projects, including the Adult Education Budget; Housing Capacity Fund; Mayoral Capacity fund; Future Bright
 - Interest on balances.
- The WECA budget has been prepared on the basis that the separate Mayoral budget report is approved at this meeting.
- The full detail of the WECA budget is set out at Appendix 1 and includes provision for the governance, management and administration of the Combined Authority's functions and responsibilities.

Recommendations

To approve:

1. **The following new drawdowns against the WECA Investment Fund:**
 - (a) £500k to develop a co-ordinated Transport Strategy and Policy resource;
 - (b) £500k to continue to develop the Housing Infrastructure Fund bid;
 - (c) £200k to progress mass-transit strategic development;
 - (d) £200k to progress feasibility work for two Bypass Schemes;
 - (e) £300k to progress feasibility work for Charfield Station;
 - (f) £100k to increase the current development funding for the A420 to Bath Highway Improvements Scheme.

The approval of (d) to (f) for inclusion within the budget, is subject to the consideration and approval of the detailed schemes within the Investment Fund report elsewhere on this agenda.
2. **A Transport Levy to the constituent councils of £14.7m as detailed in Appendix 1 – Table 3**

3. **The following virements within the WECA budget:**
 - (a) **£200k, from surplus treasury management income, to fund pre-feasibility work aimed at attracting further inward investment;**
 - (b) **£50k from the Treasury Management contract (with BANES) and £30k from the financial support contract to Corporate Services staffing;**
 - (c) **A transfer of £100k into the WECA General Fund Reserve from surplus treasury management income**

4. **The detailed WECA budget for 2019/20 as per Appendix 1.**

Contact officer: Malcolm Coe

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REPORT TO: WECA COMMITTEE

DATE: 1 February 2019

REPORT TITLE: COMBINED AUTHORITY BUDGET 2019/20

**DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT AND
CORPORATE SERVICES**

AUTHOR: MALCOLM COE

Purpose of Report

1 To consider and approve a Budget in respect of the WECA for 2019/20.

Recommendations

It is recommended that the committee approve:

1. The following new drawdowns against the WECA Investment Fund:
 - (a) £500k to develop a co-ordinated Transport Strategy and Policy resource;
 - (b) £500k to continue to develop the Housing Infrastructure Fund bid;
 - (c) £200k to progress mass-transit strategic development;
 - (d) £200k to progress feasibility work for two Bypass Schemes;
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 - (f) £100k to increase the current development funding for the A420 to Bath Highway Improvements Scheme.

The approval of (d) to (f) for inclusion within the budget, is subject to the consideration and approval of the detailed schemes within the Investment Fund report elsewhere on this agenda.
2. A Transport Levy to the constituent councils of £14.7m as detailed in Appendix 1 – Table 3
3. The following virements within the WECA budget:
 - (a) £200k, from surplus treasury management income, to fund pre-feasibility work aimed at attracting further inward investment;
 - (b) £50k from the Treasury Management contract (with BANES) and £30k from the financial support contract to Corporate Services staffing;
 - (c) A transfer of £100k into the WECA General Fund Reserve from surplus treasury management income

4. The detailed WECA budget for 2019/20 as per Appendix 1.

Background and Issues for Consideration

The Budget Proposal

2 The West of England Combined Authority (WECA) Budget relates to all the functions with the exception of those relating specifically to the Mayor which are set out separately on the Agenda for this meeting. The WECA Budget may include any specifically agreed contributions from the WECA to meet Mayoral costs.

2.1 The funding for the WECA comes from 5 main sources:

- Investment funding provided by the Government as part of the Devolution Deal;
- A levy on the constituent councils for the costs of transport functions that transferred to the WECA;
- A 5% share of business rates under the 100% Business Rates Retention Pilot;
- Government funding for various capacity and projects including:
 - Adult Education Budget;
 - Housing Capacity Fund;
 - Mayoral Capacity Fund
 - Future Bright
- Interest on balances

This budget proposal covers the financial year 2019/20. It builds on the previous year of operation for the WECA and reflects all of the in-year decisions and funding allocations made which have ongoing impacts.

2.2 The WECA Budget has been prepared on the basis that the separate Budget Proposals put forward in the Mayoral Budget (elsewhere on this agenda) are approved as presented.

2.3 The proposed WECA Budget is set out in detail at Appendix 1 and includes provision for the Governance, Management and Administration of the WECA's functions and responsibilities.

2.4 WECA staff capacity for 2019/20 is funded through a combination of Business Rates Retention and short-term government capacity funding with **no requirement for drawdown against the Investment Fund.**

- 2.5 The contractual pay award inflation along with increments where appropriate, have been funded using investment interest earned on balances.

Budget Movements between 2018/19 and 2019/20

- 2.6 The movement in WECA budget from 2018/19 to 2019/20 is £24.115m as detailed in *Figure 1*. This movement is explained in the following paragraphs.

Figure 1: Analysis of Movement in Budget between 2018/19 and 2019/20

		Funding Source	Budget £000
Infrastructure			
a	High Street regeneration fund	Investment Fund	10,000
b	WECA strategic transport capacity	Investment Fund	500
c	Housing Infrastructure Fund development	Investment Fund	500
d	Mass-transit strategic development	Investment Fund	200
e	Bypass Schemes, Charfield Station and A420 to Bath Highway Improvement Feasibility	Investment Fund	600
f	Contribution to Mayoral Capacity Fund	Investment Fund	(1,554)
g	Housing Capacity Fund	New Grant	1,000
h	Concessionary Fares	Increased levy	67
i	Pre-feasibility fund to attract investment	WECA virement	200
Business and Skills			
j	Adult Education Budget from Government	Govt funding	11,907
k	Skills Innovation Fund	Investment Fund	1,000
l	Skills Project development	Investment Fund	261
m	Future Bright – two year grant	Grant funding	(660)
Investment and Corporate			
n	Virement from contracts to staffing	WECA virement	0
o	Treasury surplus – transfer to reserves	WECA virement	100
p	Other Costs		(6)
Total:			24,115

Infrastructure

- (a) A drawdown of £10m against the Investment Fund was approved by the WECA committee in November 2018 to help regenerate the region's High Streets. Government has recently announced criteria, and an outline process, to bid against a national High Streets funding pot of circa £675m

(with the first stage being March 2019). It will be important for WECA approved projects to align to emerging government criteria in order to maximise our opportunity to attract significant match funding.

(b) WECA have been granted additional powers to shape public transport policy and delivery across the region. This will include developing policies for the promotion and encouragement of safe, integrated, efficient and economic transport which will significantly improve outcomes. Benefits of a stronger, co-ordinated approach will include:

- The ability to directly influence both the set up and operation of rail franchising;
- To better influence the performance and operations of local bus operators linked to the emerging bus strategy;
- Opportunity to create an integrated public transport ticketing system to facilitate end to end journey payments regardless of the number of daily trips and/or modal changes passengers make.

It is recommended that £500k is drawdown against the Investment Fund for 2019/20 with a further £500k in 2020/21 in order to create this strategic capacity. It is envisaged that relevant expertise and staff will be seconded from the region's Unitary Authorities to create this strategic 'think tank'

(c) WECA is developing a bid to government's Housing Infrastructure Fund, (HIF), which could amount to further investment into the region of circa £200m to facilitate much needed housing growth. Good progress has been made on this bid with the first stage of application being March 2019.

The outcome from the March 2019 application stage will not be known for several weeks. It is recommended that the committee approve a further £500k drawdown against the Investment Fund to continue momentum on the strategic planning and design in support our HIF bid.

This links closely with the previously approved £50m WECA Land Acquisition Fund which provides a clear signal to government that significant funding is required in the region to accelerate and deliver our ambitious growth targets.

(d) Work is continuing to develop mass transit proposals for the region. To maintain momentum, it is recommended that £200k is drawdown from the investment fund for early business case formation.

Further significant funding will be needed to progress mass transit to the stage of outline business case and this would need to be considered alongside the other priority investment projects within the overall funding available. This is detailed in a separate report elsewhere on this agenda.

- (e) The following are required to progress feasibility work and are detailed within the Investment Fund report elsewhere on the agenda:
- £200k is required to progress feasibility work on the Coalpit Heath/Westerleigh Bypass scheme and the Frampton Cotterell/Winterbourne Bypass Scheme. The schemes have been identified in the Joint Transport Study, the JLTP and the Joint Spatial Plan. Initial work has been undertaken which, having been tested strategically, is showing high BCR levels. Funding is required to continue feasibility work and maximise the opportunity to bid for future capital costs.
 - £300k is required to progress feasibility work to Outline Business Case for Charfield Station – including funding to progress work with Network Rail.
 - An additional £100k is required to refine the transport economic appraisal work for the A420 to Bath Highway Improvements scheme
- (f) A number of revenue feasibility studies have been previously approved by committee to explore the benefit and delivery of significant transport schemes. These studies cover both the 2018/19 and 2019/20 financial years. Costs were mainly front-loaded with £2.775m budgeted in 2018/19 with a smaller spend of £1.221m planned for next financial year (a reduced drawdown of £1.554m between the two years)
- (g) We have been successful in attracting a new, three year, Housing Capacity Fund grant from government amounting to **£1m** per annum commencing from 2019/20. This will assist in supporting our Housing Deal and strategic growth plans for the region. Spend will be a mix of WECA direct staffing, back-fill of staff time incurred within the Unitary Councils and engagement of specific consultancy expertise where needed.
- (h) A key element of the WECA budget is £14.7m for concessionary fares, community travel and bus real time information. Bristol, BANES and South Gloucestershire are levied to reflect the demand against these transport functions.

The levy is set at the beginning of the year to reflect the anticipated demand for the year ahead with adjustments made at year end where actual demand

incurred is different to the levy applied (in 2017/18 repayments were made to councils who underspent against the levy).

Based on the current year monitoring information of concessionary fares, there is a need to increase the 2019/20 levy by **£67k** to reflect an increase in the number of passengers claiming fares in 2018/19. This £67k does not include the expected increase within the Bristol area of some £268k. This will be accounted for by a voluntary payment from Bristol City Council to WECA when 2018/19 out-turn figures are confirmed. Specific details of the levy for each council is detailed in Table 3 of Appendix 1

- (i) Projects and opportunities often arise that require quick pre-feasibility research or development to either accelerate or discount. These projects can emerge from other studies or programmes, are interdependent on pipeline or existing projects, or develop in response to government or regional policy and strategy.

It is important that quick action can be undertaken to support fact-based decision making in relation to these potential projects. It is therefore proposed that a Pre-Feasibility Fund is established covering both Infrastructure and Business & Skills project development. This small fund, included in the 2019/20 budget figures at **£200k**, will be available to support limited consultancy support to deliver research / development activity where required. Chief Executive Officers will be fully engaged regarding any drawdown of this funding with spend incurred being reported back to the next scheduled committee meeting within monitoring reports.

It is recommended that this is funded through a virement from surplus income generation within the WECA Treasury Management budget.

Business & Skills

- (j) The Adult Education budget of **£11.9m** includes £359k for staff costs. From the 2019/20 academic year, WECA will take responsibility for the Adult Education Budget (AEB), (£17.6m in a full year), and how it is delivered in the region. AEB is used to prepare adults over the age of 19 with the skills and qualification needed for life, work, apprenticeships and further learning. The increase in expenditure has all been funded by a government grant.
- (k) A provisional allocation of £4.5m (**£1m** in 2019/20 and £3.5m in 2020/21) was agreed by the WECA committee in September 2018 to support a bid to the European Social Fund (ESF) to establish a Skills innovation Fund. This

fund will support small and medium sized businesses to improve their skills and workforce planning processes, and to enable quality engagement between businesses and skills providers. The funding from the Investment Fund (revenue) is subject to full business case approval should the ESF bid be successful.

- (l) The Skills Project Development budget of **£261k** represents the second year phasing of a previously agreed budget against the Investment Fund for three skills feasibility projects.
- (m) The Future Bright budget is a £4m grant funded scheme to help people already in work who are on in-work benefits into secure, more meaningful and better paid careers. The decrease in budget of **£660k** reflects the spend profile over two years with the majority of spend incurred in 2018/19 with £1.6m remaining in the 2019/20 budget.

Investment & Corporate Services

- (n) The WECA Director of Investment and Corporate Services commenced in post in late October 2018. He has subsequently reviewed the current in-house staffing capacity alongside a number of external contracts that provide support services to the Combined Authority.

There are three specific contracts where WECA will be pursuing alternative methods of delivery being (i) ICT services – BANES have recently served notice on WECA giving intent to withdraw from the provision of ICT from late June 2019. BANES will support WECA in the transitional period of sourcing a new supplier; (ii) Treasury Management – holding significant cash balances, (from grant income), and no current borrowing requirement, WECA's strategic direction for managing investment and cashflow differs from BANES who currently supply this service. WECA have notionally agreed with BANES to take this service back 'in house' and utilise the current £50k spend on developing the required capacity; (iii) WECA currently spend circa £30k per annum with a third party contractor for the provision of financial services. It is intended that, subsequent to the 2018/19 accounts closedown, WECA will relinquish this contract and seek to develop in-house capacity.

The committee is requested to approve the virement of £80k from these two contracts into Corporate Services staffing to create the relevant capacity to operate these services in-house. This will form part of a restructure of Corporate Services, (led by the Director of Investment and Corporate Services), which will be implemented within the existing approved budget.

- (o) The WECA are operating with a relatively low level of reserve balances with significant volatility in core funding streams such as Business Rate Retention and Government Capacity Funding beyond 2019/20. In order to partially mitigate financial risk, and start planning funding needs for the future it is recommended that **£100k** of the additional interest income forecast for 2019/20 is transferred into general reserves.

3 Accountable Body Functions

- 3.1 The WECA acts as the Accountable Body for the West of England Local Enterprise Partnership (LEP) and Invest in Bristol & Bath (IBB). The LEP and associated accountable body functions are funded from existing grants and contributions with no costs falling on the WECA. The LEP and IBB Budgets are approved and monitored by the West of England Joint Committee.
- 3.2 Invest in Bristol & Bath is currently funded via the Economic Development Fund (EDF) at £1m pa, and therefore subject to reporting via the Joint Committee. 2019/20 is the final year of EDF funding, and a recent review of the IBB has concluded with a refocused service at an estimated cost of £1m per year going forward. The future funding of the IBB from 2020/21 onwards will need to be reviewed.
- 3.3 The staffing structures of the LEP and WECA teams have been organised to provide the most efficient and effective delivery and support structure to meet the respective functions and responsibilities.

4 Mayoral Costs

- 4.1 The WECA will make a proposed contribution of £1.828M in 2019/20 to meet Mayoral costs primarily those relating to funding of approved feasibility and business cases, (£1.221m), together with the Mayoral Election provision and Mayoral Office Costs. Further details are set out in the Mayoral Budget separately on the Agenda for this meeting.

5 Funding

- 5.1 The funding to meet the costs of the WECA are received from the following:
- 5.2 **A Levy on the constituent councils** limited to meet the costs associated with transport functions of the WECA. It is proposed that the Levy is set in line with the estimated costs which would have been incurred by the relevant constituent

council (i.e. a revenue neutral basis). The proposed Levy for each council is set out at Appendix 1 (Table 3) and represents an overall increase of £67k due to increased concessionary travel costs.

- 5.3 **The 100% Business Rates Retention Pilot** - agreed by the constituent councils means a small proportion of Business Rates (5%) collected by the constituent councils are allocated to the WECA. The majority of this (£17.572m) is allocated to the Mayoral Budget to replace the specific transport grant funding which would previously have been payable by the Department for Transport.

A relative proportion of business rates growth, (previously paid to central government), is retained by each of the participating West of England councils including the WECA. For 2019/20 this is estimated at £1,212k for the WECA.

The sustainability of this funding will need to be reviewed as the government moves to a national 75% business rates retention system from 2020.

- 5.4 **Investment Fund Revenue Contribution** – as part of the Devolution Deal, the government allocated £30M per year to the WECA for a 30-year period. This will be used primarily for infrastructure investment with an element available to meet ongoing running costs through committee approval.

- 5.5 **Government grant** funding streams are in respect of:

- The Housing Capacity Fund - £1m;
- Mayoral Capacity Fund - £1m;
- The Adult Education Budget - £11.9m;
- Future Bright - £1.6m

- 5.6 **Interest on Balances** reflects investment earnings on the cash flow balances for treasury investments in line with the approved WECA Treasury Strategy. As explained in the Treasury Strategy (elsewhere on this agenda) the forecast interest income for 2019/20 is £300k higher than budgeted in 2018/19. This reflects the revised strategy of placing some investments for longer periods and achieving higher rates of return, reflecting experience in the current year, and predicted cash flows.

- 5.7 This report recommends using £200k of this to fund pre-feasibility work to attract further inward investment and £100k to be transferred to the WECA general reserve to aid future financial planning.

6 Reserves

- 6.1 The WECA was established without any general or earmarked reserves or balances transferring from the constituent councils. Over time it is intended to establish an appropriate risk assessed level of reserves based on the specific activity and financial risks to the WECA.
- 6.2 At the close of 2017/18 a general reserve was established of £308k. During 2018/19, the committee has approved a further increase to this reserve of £160k from increased interest income identified in the current year. The recommendation in this report to increase the general reserve by a further £100k will bring the total reserve balance to £568k

7 Consultation

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

8 Other Options Considered

None

9 Risk Management/Assessment

The WECA has started to build a General Fund reserve to manage future financial risk however, this remains at a relatively low level. The specific financial risks that we currently face include:

- Drop in government funding – the Mayoral and Housing Capacity Funding of £1m each pa will soon come to an end, and funding to replace these grants will need to be found;
- Business Rate Retention funding – The sustainability of this funding will need to be reviewed as the government moves to a national 75% business rates retention system from 2020;
- Transport Costs – Detailed proposals regarding the delivery of these functions will be developed during 2019/20 and presented to a future committee, along with any budget implications for WECA;
- Bath & North East Somerset council has recently informed WECA that they intend to withdraw from the provision of ICT services. WECA are currently exploring options for alternative procurement of the service which may result in cost implications going forward.

10 Public Sector Equality Duties

10.1 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

10.2 The Act explains that having due regard for advancing equality involves:

- Removing or minimising disadvantages suffered by people due to their protected characteristics.
- Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
- Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

10.3 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.

11 Finance Implications:

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

Advice given by: Malcolm Coe, Director of Investment & Corporate Services

12 Legal Implications:

12.1 The Budget proposals have been developed in accordance with appropriate Local Government Regulations, including the specific funding and related governance requirements set out in the West of England Combined Authority Order 2017 and The Combined Authorities (Finance) Order 2017.

Advice given by: Shahzia Daya, Director of Legal

13 Human Resources Implications:

13.1 The funding for the staff establishment for WECA functions is provided for within the proposed Budget in line with the resourcing requirements. There are no direct human resource implications arising from the report itself.

Advice given by: Alex Holly, Head of Human Resources

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.services@westofengland-ca.gov.uk

Appendix 1

Table 1 - WECA Budget 2019/20

	2018/19 Budget £'000s	2019/20 Budget £'000s	Increase(+) / Decrease (-) £'000s
Core Staff	1,334	1,390	56
Project Staff	951	1,942	991
Premises Services	201	215	14
Support Services	192	215	23
Supplies & Services	55	55	0
Project Spend	2,329	24,737	22,408
	5,062	28,554	23,492
<u>Transport Functions</u>			
Concessionary Fares	12,378	12,445	67
Community Transport	1,690	1,690	0
Bus Real Time Information	602	602	0
	14,670	14,737	67
Contribution to Mayoral Fund	3,372	1,828	-1,544
<u>Recommended New Approvals</u>			
Transport Policy	0	500	500
Housing Infrastructure Fund	0	500	500
Mass Transit	0	200	200
2 x Bypass Feasibility	0	200	200
Charfield Station	0	300	300
A420 to Bath Highway Improvements	0	100	100
Pre-feasibility fund	0	200	200
Transfer to WECA reserves	0	100	100
Total Expenditure:	23,104	47,219	24,115
Levy from Transport Function	14,670	14,737	67
Business Rate Retention	1,105	1,212	107
Government Grants	3,333	15,501	12,168
Other Charges	29	0	-29
Investment Fund - Contribution	3,447	14,949	11,502
Interest on Balances	520	820	300
Total Income:	23,104	47,219	24,115

Table 2 – Transport Commissions to Constituent Councils:

	Concessionary Fares £000	Bus Real Time Information £000	Community Transport £000	Total £000
B&NES	50	53	379	482
BCC	98	500	874	1,472
SGC	12,297	49	437	12,783
Total	12,445	602	1,690	14,737

Table 3 – LEVY to the WECA by the Constituent Councils for Transport:

	Concessionary Fares £000	Bus Real Time Information £000	Community Transport £000	Total £000
B&NES	3,687	193	379	4,259
BCC	6,763	275	874	7,912
SGC	1,995	134	437	2,566
Total	12,445	602	1,690	14,737