

ITEM: 10

REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY

DATE: 2 FEBRUARY 2018

REPORT TITLE: WECA BUDGET SETTING REPORT 2018/19

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Purpose of Report

1. To consider and approve a Budget in respect of the WECA for 2018/19.

Issues for Consideration

2. This report deals with the following items:
 - **The proposed WECA Budget for 2018/19 (Appendix 1)**
 - **The Medium Term Financial Plan Narrative 2018/19 to 2020/21 (Appendix 2)**
 - **The WECA Capital Programme 2018/19 to 2020/21 (Appendix 3)**
 - **The 2018/19 Pay Policy Statement (Appendix 4)**

The Budget Proposal

3. This WECA Budget proposal covers the financial year 2018/19 presenting both the Revenue and Capital proposals. It builds on the first full year of operation for the WECA and reflects all of the in-year decisions and funding allocations made which have ongoing impacts.
 - 3.1 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.
 - 3.2 There are still elements of the WECA Budget that retain the historic arrangements in place with the constituent councils, particularly relating to delivery of transport functions. These elements will be reviewed during 2018/19 and any changes proposed then considered as part of the 2019/20 budget.

- 3.3 **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, including the considerable funding streams for Infrastructure, Transport and Skills.
- 3.4 Funding for these costs comes via a Transport Levy of existing costs previously met by the constituent councils for transport delivery functions, retention of business rate growth (previously paid to central government) and a charge against the new grant funding provided by the government (for Mayoral costs and investment funding).
- 3.5 No additional costs will fall on the constituent councils and, where possible efficiencies will continue to be sought through economies of scale, optimising the use of existing resources and delivering value for money.
- 3.6 **The Medium Term Financial Plan Narrative** for the WECA is set out at Appendix 2. This narrative summarises the financial considerations for WECA over the next three years and includes the sustainability of funding, the alignment of investment proposals with the Strategic Plan and the key financial challenges and opportunities.
- 3.7 **The proposed Capital Programme** is set out in Appendix 3 with specific details provided in Appendix 1. The programme focuses on the Highways and Transport Capital Grants, together with preparatory work to develop business cases for the future infrastructure programme.
- 3.8 In addition, the Capital Programme identifies some indicative funding allocations to begin to support development of the priorities outlined in the emerging Strategy.
- 3.9 **The Pay Policy for 2018/19 is set out at Appendix 4** and reflects the policy recently approved by the WECA Committee for 2017/18, with some minor updates to reflect the new Living Wage Foundation Living Wage figures, and our intention to move towards a set of WECA pay scales up to and including Head of Service level during 2018/19

Financial Implications

4. There financial implications are contained in the specific Budget proposals set out in the Appendices to this Report.

Legal Implications

5. 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 The West of England Combined Authority Order 2017 and The Combined Authorities (Finance) Order 2017.

Human Resources Implications

6. The funding for the staffing establishment for WECA functions is provided for within the proposed Budget in line with the resourcing requirements agreed by the WECA Committee in October 2017. There are no direct human resource implications arising from the report itself.
- 6.1 The 2018/19 Pay Policy at Appendix 4 sets out the pay arrangements for staff at WECA. There is no change to the pay arrangements for staff from the 2017/18 policy recently approved at WECA Committee in December 2017.

Environmental Implications

7. None arising directly from this report.

Social Implications

8. None arising directly from this report.

Equality Impact Assessment

9. All key service delivery functions continue to be delivered by the relevant constituent councils and impact assessments for service delivery, particularly highways and transport are included as appropriate within their individual Budget reports. Specific provision has been put into place to ensure that the Concessionary Travel scheme across the WECA area remains consistent.

Risks, Mitigations and Opportunities

10. There is no statutory requirement for the Chief Finance Officer to produce a Section 25 report on the Robustness of the Budget Estimates for the WECA as is the case for most local authorities. This report would provide specific assurances relating to the robustness of the Budget Proposals. However, the key elements have been assessed by the Chief Finance Officer as set out below:
 - The estimates produced for the purposes of the proposed Budget are based on reasonable assumptions and in accordance with standard accounting practice.
 - Robust financial management arrangements and controls are in place including budget monitoring and reporting.
 - WECA operates with limited financial reserves although range of options have been identified and set out within the Budget to manage unforeseen costs.
 - The Medium Term Financial Plan identifies the key financial risks and opportunities which will need to be managed over the period 2018/19 to 2020/21.
 - Further work has been undertaken as part of the budget development for 2018/19 to ensure consistency and appropriateness of constituent council estimates for the cost of transport functions.

RECOMMENDATIONS

The WECA is recommended to:-

1. **Agree the Transport Levy to be issued to the constituent councils totalling £14.670M in respect of Transport functions as set out at Appendix 1.**
2. **Agree that no additional contributions should be requested from the constituent councils to meet the costs of the WECA.**
3. **Agree the commission and grant arrangements for the delivery of concessionary fares, community transport grants and bus information services from the constituent councils for 2018/19 in accordance with the budgetary provisions set out in Appendix 1.**
4. **Agree that the detailed allocation of Mayoral Capacity Funding will be delegated to the WECA Chief Executive in consultation with the WECA Mayor and the WECA S151 Officer, and in accordance with the grant offer conditions**
5. **Agree the WECA capital programme for 2018/19 as set out at Appendix 3 including Approved and Indicative allocations together with the planned sources of funding, and noting that no borrowing is required for 2018/19.**
6. **Notes that the WECA will continue to operate with limited financial reserves for 2018/19 and that any unforeseen costs will be met in accordance with the options set out in Appendix 1 (Para 9.3).**
7. **Approve the WECA Budget for 2017/18 as set out at Appendix 1**
8. **Approve the Pay Policy Statement as set out at Appendix 4**

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APPENDIX 1

WEST OF ENGLAND COMBINED AUTHORITY BUDGET 2018/19

1. Budget Context

- 1.1. 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.
- 1.2. The financial year 2018/19 is based upon a combination of costs derived from each of the constituent councils for any functions transferred under the devolution arrangements, together with an estimate of specific costs associated with the delivery of the WECA's functions and statutory responsibilities.
- 1.3. The funding for the WECA comes from 3 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 small share of business rates under the 100% Business Rates Retention Pilot
- 1.4. There continues to be no additional costs related to the WECA falling on any of the constituent councils.
- 1.5. The proposed WECA Budget for 2018/19 is set out at Annex 1 (Table 1) including details of the current approved Budget for 2017/18.

2. Transport Services

- 2.1. The WECA is the Transport Authority for the West of England and a range of related functions and responsibilities. The principles relating to delivery and funding of these areas into 2018/19 were considered by the WECA at its meeting on 7th December 2017. This included maintaining existing arrangements for the delivery of concessionary fares, community transport and bus related information systems to secure continuity of service. The assumptions set out below have therefore been used as a basis for the Budget in line with proposals for service delivery from lead transport officers.
- 2.2. **Concessionary Fares** – no changes are proposed to the concessionary fares scheme which was previously agreed for 2017/18. The WECA has commissioned the core bus related contracts through South Gloucestershire Council who will continue to provide this service for 2018/19. Smaller commissions are in place for the constituent councils to continue to assess eligibility and issue of related travel passes.
- 2.3. Forecast costs for the concessionary travel scheme are based actual data to September 2017, together with demographic assumption particularly concerning the impact of the equalisation of female and male retirement ages. A reduction in overall costs are anticipated as a result and the benefits will be passed back to the constituent councils through appropriate reductions in the transport levy.
- 2.4. **Community Transport Grants** – grant funding will be made to each of the constituent councils in line with financial allocations for 2017/18. Each council will continue to maintain their existing approach to the support for these services for 2018/19.
- 2.5. **Bus Information Services** – the WECA maintained appropriate bus information services by continuing the existing arrangements within the constituent councils. Bristol City Council continues as lead for real time information services.
- 2.6. As agreed by the WECA committee on 30th October 2017, Bristol City Council have undertaken a new procurement for the delivery of real time information services including the Metrobus extension. The resulting capital costs arising were agreed by the WECA and are reflected within the Capital Programme. Some increases are anticipated in revenue operating costs as a result of the procurement in 2018/19.
- 2.7. There will be a small impact from the real time information systems for the Bath Transport Package now reaching the end of the related maintenance warranty period. This is reflected in the value of the commission and the transport levy to Bath & North East Somerset Council.

- 2.8. **Supported Bus Services** – these services continue to be led and funded by the constituent councils. As these services are now delivered under joint powers, the WECA will be appropriately engaged going forwards.
- 2.9. The proposed value of transport commissions with each of the constituent councils in respect of the functions set out above is set out at Annex 1 (Table 2).
- 2.10. **Future arrangements** – going forwards the WECA will consider opportunities to deliver efficiencies through revised approaches to service delivery and provision. All such proposals will be subject to the approval of the WECA.

3. WECA Delivery and Running Costs

- 3.1. The detailed staffing resource arrangements for the WECA were considered by the WECA Committee on 30th October 2017. A revised budget was agreed and the ongoing cost of these arrangements forms the basis for the 2018/19 including, as appropriate the impact of the nationally agreed 2% pay award from 1 April 2018.
- 3.2. The WECA is responsible for in excess of £500M of agreed funding in it's initial five years and this continues to increase as new and additional funding streams are directed to combined authorities.
- 3.3. None of the delivery and running cost will fall on the constituent councils. Further details are set out below:**

Infrastructure

- 3.4. Provision has been made for resources to manage, develop and commission the range of infrastructure related functions and responsibilities of the WECA including Transport, Highways, Housing and related Investment programmes.
- 3.5. WECA officers work closely with colleagues in the constituent authorities to deliver services and prioritise resources effectively, this includes identifying potential opportunities with the constituent councils to deliver efficiencies around the delivery and governance arrangements.

Business & Skills

- 3.6. It is anticipated that, subject to ongoing discussions with the Skills Funding Agency, the WECA will take on responsibility for the 19+ Adult Education Budget, which will be devolved from academic year 2019/20. As such the WECA will then be responsible for allocations to providers and the outcomes to be achieved, consistent with statutory entitlements.

ITEM 10 – Appendix 1

- 3.7. This is a new area of responsibility and appropriate transitional and preparatory work will be required. The budget already reflects approved management resourcing for this area and further transitional funding may be allocated directly by the Government to support work in this area.
- 3.8. Employment Support Innovation Pilot – the WECA Committee on 30 October 2017 approved the £4M funding offer and associated direct and grant funding budgets for this pilot which runs until 2019. This is at a net nil cost to the WECA acting as Accountable Body and managing agent for ring-fenced grant funding to be distributed to the constituent councils for delivery.
- 3.9. This area also includes up to £50K as a one-off provision for the development of a cultural (including sports) strategy across the West of England.

Resources

- 3.10. Includes costs for Finance, Information Technology, Accommodation, Procurement, Audit and the range of support services and charges necessary to meet statutory and fiduciary responsibilities. A range of support services are commissioned directly from the constituent councils to support value for money and efficiency of delivery.

Corporate and Governance

- 3.11. Provides for the costs related to governance arrangements for the WECA, including democratic support and monitoring officer, together with strategy development, performance management, communications and the Chief Executive office.

4. Mayoral Capacity Funding

- 4.1. The Government has announced the provision of £1M of funding for each Mayoral Combined Authority, to provide further programme management and delivery capacity specifically within the Combined Authority.
- 4.2. The primary purpose of the funding will be to facilitate and accelerate delivery of infrastructure and related investment projects funded from the significant investment resources now being directed toward combined authorities. The funding will be subject to a light touch assurance process from the relevant Government Accountable Officer.
- 4.3. The funding is an annual amount for 2-years to enable the WECA to consider its longer term sustainable delivery options. It is proposed that the detailed allocation of this funding will be made by the Chief Executive in consultation with the WECA Mayor and the WECA S151 Officer, and in accordance with the grant offer conditions.

5. 2017/18 to 2020/21 Capital Investment Programme

- 5.1. The proposed WECA Capital programme is set out at Appendix 4 and differentiates the currently approved and proposed Capital Schemes. All proposed schemes are classified as follows:
- **Approved** – these schemes are fully agreed to be progressed and will be taken forwards in line with financial regulation, standing orders and the relevant assurance framework.
 - **Indicative** – these schemes will need to be brought back to the WECA Committee for further approval before they can be progressed. The indicative approval provides a guide to officers in prioritising resources to work up schemes for further consideration.
- 5.2. The **Approved** capital proposal to be agreed by the WECA is as follows:
- 5.3. **£17.572M for Highways Maintenance and Integrated Transport** – in line with the proposals outlined in the Mayoral Budget for 2018/19 set out separately on this Agenda and allocated as capital grant funding to the constituent councils.
- 5.4. The **Indicative** allocations to be agreed by the WECA are as follows:
- 5.5. **Annual allocations of £17.572M for Highways and Integrated Transport Funding for 2019/20 and 2020/21** – these are the remaining elements of the four-year allocations for transport committed by the DfT as part of the devolution deal. The actual allocation of this funding will be subject to the further work during 2018/19 on the Key Route Network and related delivery arrangements as set out in the Mayoral Budget.
- 5.6. **Up to £34.2M to support the delivery of fully worked up business case scheme** - this funding will be specifically allocated to support the delivery of business cases from the currently prioritised schemes approved for business case development. The actual value required will be determined following approval by the WECA of the business cases to be taken forward for further development.
- 5.7. **Allocations totalling up to £93M to support the emerging Strategic Plan priorities** – this represents the remaining investment funds over the first five-year period to 2020/21 at which point the Government Gateway review will take place.
- 5.8. This indicative allocation will support further development and prioritisation of specific schemes to support the delivery of the Strategy and will include a key focus on public sector match funding and private sector investment to support projects coming forwards for consideration.

- 5.9. **Further funding announcements** – a number of further announcements are expected from government over the coming months including confirmation of £80M from the recently announced Transforming Cities Fund specifically for the WECA to deliver strategic transport investment across the area. Detailed proposals will be brought forward for consideration by the WECA once confirmation of funding and any relevant criteria have been received.
- 5.10. **Capital Funding** – All capital costs will be met from Government grants, devolution investment funding or revenue contributions to capital outlay (RCCO). The capital funding period to 2020/21 covers the first five-year period of the investment funding received and further funding beyond this period will be subject to meeting the Government's 5 yearly gateway review.
- 5.11. **Borrowing** - no borrowing is proposed for the WECA to meet capital commitments for 2018/19 although the regulations to permit such borrowing will be progressed by Government as set out separately on this Agenda.

6. Accountable Body Functions

- 6.1. 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.
- 6.2. The staffing structures of the LEP and WECA teams have been reorganised to provide the most efficient and effective delivery and support structure to meet the respective functions and responsibilities as set out in Para 3.1 of this report.

7. Mayoral Costs

- 7.1. The WECA will make a proposed contribution of £3.372M in 2018/19 to meet Mayoral costs primarily those relating to funding of approved feasibility and business cases 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.

8. Funding

- 8.1. The funding to meet the costs of the WECA are received from the following sources:

- 8.2. **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 Annex 1 (Table 3) and represents a reduction overall of £611k particularly due to reducing concessionary travel costs.
- 8.3. **The 100% Business Rates Retention Pilot** - agreed by the constituent councils means a proportion of Business Rates (5%) collected by the constituent councils are be allocated to the WECA. The majority of this (£17.572M) is allocated to the Mayoral Budget to replace the grant funding which would previously have been payable by the Dept for Transport.
- 8.4. A relative proportion of business rates growth (previously paid to central government) is retained by each of the participating WoE councils including the WECA. For 2018/19 this is estimated at £1.105M for the WECA.
- 8.5. The sustainability of this funding will need to be reviewed as the government moves to a national 75% business rates retention system from 2020.
- 8.6. **Investment Fund Revenue Contribution** – as part of the WoE 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.
- 8.7. For 2018/19 the proposed drawdown of Investment funding to meet revenue costs for feasibility and business case studies, together with Mayoral running costs is £3.447M. This corresponds to funding requested for the Mayoral Budget together with related (one-off) direct costs. All WECA running costs can be met through other income streams.
- 8.8. **Government grant** funding streams are in respect of the Employment Innovation Pilot (Para 3.9) and the Mayoral Capacity Fund (Para 4)
- 8.9. **Interest on Balances** reflects investment earnings on the cash flow balances for treasury investments in line with the approved WECA Treasury Strategy.
- 8.10. **No contributions are required from the constituent councils to meet any WECA running costs.**

9. Reserves

- 9.1. The WECA was not be established with any general or earmarked reserves or balances transferring from the constituent councils. Over time it will be the intention to establish appropriate risk assessed level of reserves based on the specific activity and financial risks to the WECA. The outturn Budget position for 2017/18 to be considered by June 2018 may provide the first opportunity to do so.
- 9.2. A full range of financial controls and budget monitoring is in place to provide early identification of any potential cost variations and manage financial risks as far as practicable within the Approved Budget. This includes regular report to the WECA Committee.
- 9.3. In the event of extraordinary costs arising the WECA will be able to consider a range of options to deal with these:
- Re-prioritisation of financial commitment and commissions.
 - Use of any flexibility available in the applications of funding streams.
 - Use of the Investment funding as appropriate.
 - Request voluntary contributions from the constituent councils (for example if newly introduced policies or discretionary measures in a particular council, affects the aggregate demand across the region resulting in funding pressures).
 - An application to the government emergency Bellwin fund if qualifying criteria are met (only available for significant unforeseen emergency circumstances).
 - Appropriate use of reserves as set out in 10.4 below
- 9.4. An element of the reserve of £278K(estimated) related to LEP functions and potential liabilities will be available to the WECA as Accountable Body to meet financial risks relating to these functions.

ITEM 10 – Appendix 1

ANNEX 1

Table 1 – The WECA Budget 2018/19.

	2017/18 Revised Budget	2018/19 Budget	Total Increase (+) / Decrease (-)
	£000's	£000's	£000's
Revenue Expenditure			
<u>Transport Functions</u>			
Concessionary Fares	13,208	12,378	-830
Community Transport	1,702	1,690	-12
Bus Real Time Information	371	602	231
	15,281	14,670	-611
<u>Delivery & Running Costs</u>			
Infrastructure	360	608	248
Business & Skills	0	187	187
Investment & Corporate Services	581	235	-346
Corporate & Governance	678	699	21
	1,619	1,729	110
Mayoral Capacity Fund	0	1,000	1,000
Employment Support Innovation Pilot	311	2,333	2,022
Set-up & Implementation Costs	1,650	0	-1,650
Contribution to Mayoral Fund	3,285	3,372	87
Capital Financing	0	0	0
Total Expenditure	22,146	23,104	958
Income			
Levy from CA's for Transport Functions	15,281	14,670	-611
Contributions from CA's	0	0	0
Business Rates Retention Pilot	945	1,105	160
Government Grant	311	3,333	3,022
Other Recharges	0	29	29
Investment Fund - Revenue Contribution	5,359	3,447	-1,912
Interest on Balances	250	520	270
Total Income	22,146	23,104	958

Table 2 – Transport Commissions to Constituent Councils

	Concessionary Fares	Bus RTI	Community Transport	Total
	£000's	£000's	£000's	£000's
B&NES	50	53	379	482
BCC	98	500	874	1,472
SGC	12,230	49	437	12,716
Total	12,378	602	1,690	14,670

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

	Concessionary Fares	Bus RTI	Community Transport	Total
	£000's	£000's	£000's	£000's
B&NES	3,701	193	379	4,273
BCC	6,763	275	874	7,912
SGC	1,914	134	437	2,485
Total	12,378	602	1,690	14,670

APPENDIX 2

West of England Combined Authority Medium Term Financial Plan Narrative

1. Emerging Regional Strategy

The West of England is one of the UK's most prosperous regions. The creation of the West of England Combined Authority (WECA) provided the opportunity to build on this and make it even better for everyone.

Working with our constituent councils and partners including the West of England Local Enterprise Partnership, North Somerset Council and other local service providers, our aim is to deliver inclusive economic growth for the region and address some of the challenges we face together.

We are in the process of developing an ambitious Regional Strategy that will give us greater clarity about what we want to achieve together. Whilst still the Regional Strategy is still under development we are expecting it to prioritise three areas:

- Businesses that succeed
- World class skills for employment

Infrastructure fit for the future

WECA, working with our partners, will enable a more ambitious approach to the joint delivery of the strategy and these priorities. We will work collaboratively and to take collective decisions about what is best for the region and prioritising resources to support the delivery of the strategy.

2. Operating Principles

In terms of operation the WECA intends:

1. To be lean and efficient making the most of existing resources (only doing things once – across the WoE)
2. To deliver the vision for inclusive economic growth in the West of England
3. To make the most of existing capabilities building on the strengths and capacity within the constituent councils
4. To provide accountable and transparent governance

The WECA will work in partnership with constituent councils to ensure that there is a clear, transparent process for prioritising investment. Future delivery mechanisms will be designed in the most efficient and effective way taking account of constituent councils existing capabilities and capacities.

3. Expenditure

The WECA (including the Mayoral Budget) currently has three main areas of expenditure which need to be considered for future financial planning:

- (i) **Resourcing and Running Costs** – the WECA approved the revised staffing structure on 30th October 2017. The Budget for 2018/19 includes all anticipated cost including pay award (2% provided) and employer pension costs etc.

Looking beyond 2018/19, core pay costs will increase by around £11k per annum based upon each 1% pay increase. Changes to the establishment will reflect the future delivery arrangements for WECA responsibilities and these will be considered during 2018/19 as any proposals for changes to existing delivery arrangements are brought forwards.

- (ii) **Highways and Transport Grants** – these currently represent the largest area of expenditure currently running at £17.572M per annum. This level is likely to remain fixed based upon DfT allocations through to 2020/21.

Allocated via the Mayoral Budget, this funding is currently directed through to the constituent councils based upon the DfT historic allocation formula. The fixed quantum of funding represents a reduction in real terms over the period to 2020/21 although the highest level of Highways Incentive funding (estimated to be worth around and extra £1M per annum) is automatically received for Combined Authorities.

During 2018/19 further consideration will be given to the agreement of a Key Route Network for the WoE and the allocation of this funding may have regard to this from 2019/20 onwards.

- (iii) **Transport Authority Costs**

The WECA transport authority responsibilities include concessionary fares, community transport and bus information. The most significant element of these is concessionary travel – currently estimated at £12.4M for 2018/19 out of total cost of £14.7M.

Delivery of these functions is currently commissioned directly from the constituent councils based upon historic arrangements. The WECA agreed in December 2017 that this would continue allowing for this to be reviewed during 2018/19. This will include consideration of the future costs and efficiencies that could be delivered over the medium term.

Going forwards it is anticipated that from the start of the 2019 Academic Year, the responsibility for **Adult Education Budgets** and related commissioning may pass to the WECA. Negotiations are currently underway with the Dept for Education to ensure this aligns with the objectives of the WECA and provide assurance that the approx. £20M annual funding will meet anticipated commitments and financial liabilities.

Any future transfer of AEB funding and responsibilities will be subject to appropriate approvals and consents, including a detailed analysis of the financial impacts.

4. Sources of Funding

The Mayoral Budget receives funding from the 100% Business Rates Retention Pilot to meet the costs of the Highways and Transport grants. Under the terms of the pilot, funding equivalent to Dept for Transport grants are allocated to the Mayoral Fund for this purpose – funding at this level is protected under the terms of the pilot and cannot fall below this level (currently £17.272M per annum).

Other Mayoral costs are met through a funding request to the WECA Budget (for costs to be met from the revenue element of Investment Funding).

WECA receives a number of income streams as follows:

- **A Transport Levy**, to meet the costs arising from the WECA transport responsibilities as set out in Section 3 (iii). The levy is a charge on the three constituent councils currently in direct proportion to the relevant share of costs based on historic and forecast spend (proposed at a total of £14.67M for 2018/19). This basis could be reviewed after 2018/19 to reflect alternative arrangements – for example a population based levy.
- **A 5% share of growth from Business Rates**, under the terms of the 100% Business Rates Retention Pilot. This is estimated at £1.1M for 2018/19. Future income will depend the growth in business rates (above a baseline from October 2013) being sustained over this period. This represent a direct payback for the delivery of economic growth across the WECA area. The 100% Pilot is expected to remain in place to 2020/21 (see section 7 below).
- **Government Grants, for specified purposes.** Currently these grants cover capacity fund and the Employment Support Innovation Pilot and are for a fixed period. Only agreed costs can be charged against these funds and all related funding commitments have been matched to the specific grant funding.
- **Investment Funding** – the government has allocated £30M of Investment (gainshare) funding to the WECA for a 30-year period under the terms of the devolution agreement. This funding is comprised 50% revenue and 50% capital resource and will be used to support delivery of the objects set out in the emerging strategy. The funding is reviewed on a 5-yearly basis by a panel appointed by Her Majesty's Treasury to evaluate the success in delivering economic growth for the area. All funding allocations are agreed by the WECA Committee and the Budget for 2018/19 provides commitments against this over the first 5-year period to 2020/21.
- **Investment Earnings** – all cash received by the WECA and which is not immediately required to meet expenditure, is invested in accordance with the WECA Treasury Strategy. This relatively short-term cash holding generates interest earnings available to meet wider WECA costs. Such interest earnings are estimated at approximately £520k for 2018/19 based on actual balances held and average rates around 0.6% per annum. Future earnings will be linked to the speed with which investment funding received annually is actually defrayed and the prevailing interest rates.

5. Capital Investment

The Capital Investment approvals and proposals totalling some £211M are set out in the WECA Capital Programme 2017/18 to 2020/21. This includes funding allocations from the Investment Fund and For Highways and Transport Grants.

It is anticipated that further significant capital grant funding may come forward from Government over the medium-term period and indeed the £80M Transforming Cities Fund is expected to be confirmed in the next few weeks.

The focus of capital investment will be to support the delivery of the strategy objectives set out in Section 1 above. The early focus has been on feasibility and business cases to support the delivery of key priority infrastructure schemes with further funding allocated to support full delivery subject to the outcome of this work.

At this stage, all capital investment is being considered on a “pay as you go” basis with no provision for borrowing to support an accelerated programme of delivery. Regulations will shortly be in place from Government to permit borrowing by Combined Authorities although with no independent

income stream, careful consideration would need to be given to the sustainability of any borrowing by the WECA.

6. Financial Sustainability

The WECA is a new and evolving combined authority, as such there are a number of emerging factors which will impact on the future financial sustainability of the WECA.

Whilst the key expenditure and sources of funding are set out in sections 3 and 4 above, it will be important to ensure new responsibilities are aligned to sustainable funding streams and this should be a key factor as part of the process for consenting to such transfers.

The recent Local Government Financial Settlement in December 2017, confirmed that a new funding system will be introduced for local government from 2020/21 including a revised needs assessment and a new national business rates retention scheme. From a WECA perspective this confirms the ending on the 100% Business Rates Retention Pilot which makes a key contribution to the annual running costs of the WECA – currently £1.1M per annum. It will be important for government to recognise the funding requirements of combined authorities as part of the design process for the new system

The WECA is currently not able to raise a Council Tax precept and as such is the only of the Mayoral Combined Authorities without this power. It will again be important that Government understands this position and the reliance of the WECA on other funding streams to meet its range of running and service delivery costs.

All other costs are linked to direct, fixed term, government grants and whilst it is envisaged that all costs and commitments against this funding will be on a fixed term or marginal basis linked to the grant term, this could give rise to significant changes in the delivery and resourcing arrangements for the WECA as these funding streams mature.

7. Reserves and Financial Risk Management

The WECA was not established with any specific general or earmarked reserves to meet unanticipated costs or liabilities. This forms a key consideration of the annual budget setting process and the specific financial risk management procedures in place as a result are set out in Section 9 of the WECA Budget proposal at Appendix 1.

As part of the Outturn Budget closedown and approval process for 2017/18, it will be necessary to consider where such reserves may be appropriate and these may include the following:

- Business Rates – to deal with any in-year variations including the provisions of the statutory override.
- Election Costs – recognizing the 4-yearly cycle of such costs. The 2018/19 Mayoral Budget makes provision for 25% of the anticipated costs.
- Transport Costs – to earmark provisions to smooth impacts of annual variations in demand.
- Carry Forwards – to meet agreed costs expected to arise in 2017/18 but which have been deferred to 2018/19

Other reserves and balances may also be established to recognize grant funding streams which have yet to be fully allocated or for which costs have not yet been fully defrayed.

Item 10 – Appendix 3

WECA and Mayoral Capital Programme 2017/18 to 20/21												
	Budgeted Spend								Funded by:			
	Approved	Approved	Indicative	Approved	Indicative	Approved	Indicative	TOTAL				Total
	17/18	18/19	18/19	19/20	19/20	20/21	20/21	4yrs	Inv Fund	DfT Grant	RCCO	4yrs
Existing Schemes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Economic Model & Scheme Prioritisation	400							400	400			400
Real Time Information (WECA Oct 2017)	600							600	600			600
WECA IT & Building Alterarions	300							300	300			300
Highway and Transport Grants	20,475							20,475		2,903	17,572	20,475
Pothole Action Grant (WECA Jun 2017)	891							891		891		891
Business Case Development (WECA Oct 2017)	750	1,615		430				2,795	2,795			2,795
MetroWest (WECA Dec 2017)						6,000		6,000	6,000			6,000
	23,416	1,615	-	430	-	6,000	-	31,461	10,095	3,794	17,572	31,461
Proposed Schemes												
Highway and Transport Grants		17,572	-		17,572		17,572	52,716		17,572	35,144	52,716
Business Case Schemes Delivery					14,200		20,000	34,200	34,200			34,200
Allocation to support the Emerging Strategy			8,000		32,000		53,000	93,000	93,000			
	-	17,572	8,000	-	63,772	-	90,572	179,916	127,200	17,572	35,144	179,916
Grand Total	23,416	19,187	8,000	430	63,772	6,000	90,572	211,377	137,295	21,366	52,716	211,377

Note: RCCO indicates a Revenue Contribution to Capital Outlay

Pay Policy Statement 2018 -19

Introduction

The West of England Combined Authority is made up of three of the local authorities in the region – Bath & North East Somerset, Bristol and South Gloucestershire.

Working with our partners including the West of England Local Enterprise Partnership, North Somerset Council and other local service providers, our aim is to deliver economic growth for the region and address challenges including productivity and skills, housing and transport.

1. Purpose and scope

- 1.1 The purpose of the statement is to provide a clear and transparent policy to the public, which demonstrates accountability and value for money.
- 1.2 The policy statement will meet the Authority's obligations under the Localism Act 2011 [Section 38 (1)] and the associated statutory guidance set out in the Openness and Accountability in Local Pay: Guidance and Supplementary Guidance under section 40 of the Localism Act (February 2012 & 2013) together with the Local Government Transparency Code 2015 (February 2015)) from the Department for Communities and Local Government.
- 1.3 It will articulate the Authority's policies towards a range of issues relating to the pay (including severance pay) of its direct workforce its Chief Officers, as defined by the Local Government and Housing Act 1989 and all other employees (in accordance with provisions in the Localism Act). The policy will be reviewed, at least annually. to reflect any statutory changes (particularly in relation to public sector severance payments), anticipated in the coming the year.
- 1.4 The Authority's pay arrangements will reflect the need to recruit, retain and motivate skilled employees to ensure high levels of performance balanced with accountability on the public purse. The policy will be underpinned by principles of fairness and equality and will need to recognise the flexibility which is essential in delivering a range of services.
- 1.5 The statement will be reviewed annually in advance of the financial year to which it relates. It's approval and any subsequent amendments will be considered at a meeting of the Combined Authority. The statement will be published on the Authority's public website

2. Definitions

For the purposes of this Pay Policy Statement the following definitions apply:

- 2.1 **'Pay'** in addition to base salary includes charges, fees, allowances, benefits in kind, increases in/enhancement to pension entitlements and termination payments where applicable.

'Chief Officers' refers to the Chief Executive, as 'Head of Paid Service' and posts reporting to that postholder, excluding administrative support functions

'Lowest paid employee' refers to those employees in substantive full-time employment at the lowest scale point of the Authority's pay scale

3. General principles & practice

- 3.1 The West of England Combined Authority's employment practice will be governed generally by the relevant national and European legislation and, where relevant, specific local government legislation and regulation.
- 3.2 **Principles:** The Authority values all its employees and aims to apply a consistent and fair approach to pay and benefits, in line with the following principles:
- ✓ To work within financial constraints using those limited funds in the most effective way to support the Authority in the provision of quality cost effective services.
 - ✓ To take account of affordability in the introduction and maintenance of any changes to pay structure.
 - ✓ To support a flexible approach to the acceptance of changes to tasks, duties and responsibilities by employees and allow for flexibility between posts.
 - ✓ To be mindful of the market in making decisions about pay and benefits enabling the Authority to attract and retain its employees and to respond to situations where market forces dictate the necessity to apply supplements to established salaries.
 - ✓ To actively work towards reducing any unjustified gender pay gaps and promote an equal pay agenda ensuring that transparent and accessible pay and job evaluation systems, processes and systems meet legislative requirements.
 - ✓ To be clear about the recognition and reward of performance, whether at whole organisation, service, team or individual level.
 - ✓ To manage pay and benefits processes appropriate to service delivery in a fair and consistent way, and in line with a commitment to remaining within the framework of the relevant national pay and conditions agreements.
 - ✓ To aim to retain a core set of benefits for all employees.
- 3.3 **Practice:** Basic pay will be determined through:
- The job role and its accountability in the overall context of the Authority's services and responsibilities using a job evaluation process based on objective criteria and free from discriminatory bias.
 - Ensuring that all employees are dealt with on this basis with no distinction being made for senior management appointments, including Chief Officers, their Deputies and staff generally.
 - The terms of the relevant national agreements on pay and conditions of service.
 - The amount available for the pay review process is also impacted by what the Authorities which are party to the national agreements can collectively afford.
 - A comprehensive pay and grading structure will be adopted that must be affordable and offer recruitment and retention incentive.
 - The outcome of reviews into the local pay and grading structures are determined within the terms of this policy and the Authority's governance arrangements.
- Note: The pay rate for apprentices, interns and trainees, will reflect the degree of training and development required in the roles.*
- 3.4 **Equal pay:** The Authority is committed to the principle of equal pay for all posts of the same size and value. To put its commitment to equal pay into practice, it will:
- Regularly review its pay grade and rates for all current staff and starting pay for new staff in line with Equality and Human Rights Commission guidance to ensure a robust and consistent approach.
 - Inform employees of how these practices work and how their own pay is arrived at.
 - provides training and guidance for managers and supervisory staff involved in decisions about pay and benefits.
 - Regularly monitor pay and grading data and statistics and will publish pay equality data as statutorily required

4. Senior pay

4.1 The remuneration of the Chief Executive and other senior management appointments in the Authority is undertaken by external analysts using the Hay Job Evaluation process. Levels of pay have been market-related by being compared to a national data base maintained by the Hay Group of similar posts in a wide range of public and not for profit sector organisations and recognising regional influences. The pay structure for Chief Officers takes account of clearly defined 'statutory responsibilities'. Four pay bands will be available for the most senior officers, as set out below:

BAND	MIN/MID/MAX POINTS	Composition, Terms & Conditions
CHIEF EXECUTIVE/ HEAD OF PAID SERVICE & other senior management appointments*		
Band 1	Fixed/Spot	<ul style="list-style-type: none"> - A fixed salary within the range £135,000 to £155,000 pa taking account of current public sector market median data provided by the independent analysts with recognition of regional influences and the Authority's general starting salary policy. - No variable element within the remuneration package e.g. bonuses, charges, fees or allowances, benefits in kind - Salary subject to annual review to take account of factors such as performance, capability, JNC national pay settlements. - Other conditions of service are those determined nationally by the JNC specifically for these appointments or, as locally determined for all other staff.
Band 2	Fixed/Spot	<ul style="list-style-type: none"> - A fixed salary within the range £110,000 to £125,000 pa taking account of current public sector market median data provided by the independent analysts with recognition of regional influences and the Authority's general starting salary policy. - No variable element within the remuneration package e.g. bonuses, charges, fees or allowances, benefits in kind - Salary subject to annual review to take account of factors such as performance, capability, JNC national pay settlements. - Other conditions of service are those determined nationally by the JNC specifically for these appointments or, as locally determined for all other staff.
Band 3	Fixed/Spot	<ul style="list-style-type: none"> - A fixed salary within the range £90,000 to £99,000 pa taking account of current public sector market median data provided by the independent analysts with recognition of regional influences and the Authority's general starting salary policy. - No variable element within the remuneration package e.g. bonuses, charges, fees or allowances, benefits in kind - Salary subject to annual review to take account of factors such as performance, capability, JNC national pay settlements. - Other conditions of service are those determined nationally by the JNC specifically for these appointments or, as locally determined for all other staff.
Band 4	Fixed/Spot	<ul style="list-style-type: none"> - A fixed salary within the range £80,000 to £90,000 pa taking account of current public sector market median data provided by the independent analysts with recognition of regional influences and the Authority's general starting salary policy. - No variable element within the remuneration package e.g. bonuses, charges, fees or allowances, benefits in kind - Salary subject to annual review to take account of factors such as performance, capability, JNC national pay settlements. - Other conditions of service are those determined nationally by the JNC specifically for these appointments or, as locally determined for all other staff

**In accordance with decisions of the Employment & Appointments Committee: 24 May 2017*

4.2 The Authority has adopted a pay range to allow flexibility in candidate attraction. Individual appointments will be made on a 'fixed or spot salary'. Pay increments with time served progression are not appropriate. Placement within the range will reflect factors such as capability, experience, previous salary history, and marketability.

4.3 Senior staff will not be differentiated from other members of staff in terms of remuneration on resignation or termination. The Authority's general arrangements for severance and scheme for discretionary payments will be developed and adopted prior to publication of the next annual statement.

- 4.4 If proposed severance packages are likely to in exceed £99,999 (this threshold includes [but is not limited to] any proposals in respect of salary to be paid in lieu, redundancy compensation, pension entitlements and holiday pay as appropriate) will be considered in accordance with agreed Authority governance arrangements. This provision will be reviewed to comply with any legislative changes made during the year.
- 4.5 The Authority's threshold level for disclosure of senior staff salaries will be at the minimum point of the senior civil service pay scale and above as at 31 March of any given year to which this policy applies.

5. Pay of the lowest-paid employees

- 5.1 The Authority has resolved that no employee will be paid less than the UK Living Wage, which is set by the Living Wage Foundation. The Authority has adopted this definition because it has decided that none of its employees should be paid less than the UK Living Wage.
- 5.2 For 2018/19, the UK Living Wage is £8.75 per hour, which equates to a minimum salary of £16,882 (based on a full-time week of 37 hours).
- 5.3 Apprentices and interns are normally exempt from the provisions of the Living Wage.

6. Relationship between senior pay and the 'lowest paid Authority employee'

- 6.1 As a newly established employer, the Combined Authority is developing the organisational and pay structures to best meet its service delivery needs.
- 6.2 Given the maximum salary for the Chief Executive Officer is £155,000 and the lowest paid member of staff will never receive less than the Living Wage as defined by the Living Wage Foundation (£16882 per annum pro rata), the maximum possible pay ratio from the highest to the lowest-paid employee would be 9.2 to 1 based on a 37 hour working week.
- 6.3 The lowest-paid current employee at the Authority receives a salary of greater than the Living Wage, such that the actual ratio of highest to lowest-paid employee is in fact less than the theoretical maximum stated in 6.2 above.

7. Pay Bands

- 7.1 The Authority will adopt the job-evaluated pay structure used by Bath and North East Somerset Council for all staff below Chief Officer and Head of Service level. While it may be necessary in the future for the Authority to develop its own pay and grading scheme, this position takes account of the fact that the majority of current Authority staff are on Bath and North East Somerset Council terms and conditions, as well as the fact that there is a clear job evaluation scheme in place which has been fully approved by the Unions and is in line with Joint National Council (JNC) provisions.
- 7.2 For staff at Head of Service level, whose salary range sits above the Bath and North East Somerset Council pay scale maximum but below Chief Officer, a spot salary will be paid which will be commensurate with benchmarked market rates for the role. This will be broadly based on Bristol City Council's revised pay scales for Heads of Service.

8. Pensions

- 8.1 Subject to the provisions of the relevant scheme, all directly employed staff will be enrolled into the Local Government Pension Scheme, a statutory contributory scheme. They may choose to opt out of membership. In accordance with the statutory requirement, the Authority will determine its policy in respect of discretionary provisions available within the scheme prior to publication of its next annual statement.
- 8.2 The Authority will develop a policy for flexible retirement which is specifically authorised by statute whereby individual staff, with employer approval, may draw their pension and continue in employment at a lower pay grade/ working shorter hours.

9. Use of consultants, contractors and temporary 'agency' staff.

- 9.1 Ordinarily staff will be engaged directly by the Authority as employees but on an exceptional basis, if circumstances deem it necessary, people may be engaged under 'contracts for services' as consultants or contractors or on an 'agency basis'. When this situation arises, the Authority will give detailed prior consideration to the benefit of doing so and that the overriding need to ensure value for money is achieved. Such arrangements must be in accordance with the Authority's Codes of Practice and Financial Regulations.

10. Publication

- 10.1 The Authority's approach to the publication of and access to information on the remuneration of Chief Officers is to include it on its public website as part of its requirements within the Accounts and Audit (England) Regulations 2011 and in accordance with the Code of Recommended Practice for Local Authorities on Data Transparency. A copy of the Pay Policy Statement will be published on the Authority's website.

Further information

For further information on the pay policy please contact the Authority as follows:

Email: info@westofengland-ca.gov.uk

Telephone: 0117 428 6210