

# LIVERPOOL CITY REGION COMBINED AUTHORITY

To: The Chair and Members of the Combined Authority

Meeting: 2 February 2018

Authorities Affected: All

EXEMPT/CONFIDENTIAL ITEM: No

Key Decision

## REPORT OF THE DIRECTOR OF CORPORATE SERVICES

### MAYORAL COMBINED AUTHORITY BUDGET SETTING REPORT 2018/19

#### 1. PURPOSE OF THE REPORT

- 1.1 This report seeks approval for the Liverpool City Region Mayoral Combined Authority budget for 2018/19. In establishing its budget, the LCRCA needs to make a series of key decisions regarding its income and how it uses this income.
- 1.2 The Combined Authorities (Finance) Order 2017 established new financial arrangements in respect of Mayoral Combined Authorities that need to be reflected in the 2018/19 budget. These include the requirement to specifically determine the costs of the Combined Authority Mayor.
- 1.3 The Order also requires the Combined Authority Mayor to notify the Combined Authority of the Mayor's draft budget before 1<sup>st</sup> February 2018, which was complied with in the issuing of this report and provides a statutory timescale for the Combined Authority to consider and, where appropriate, to recommend amendments to the Mayor before 8<sup>th</sup> February 2018.
- 1.4 This provision only applies to the Mayoral Cost element of the Combined Authority's budget for 2018/19, and specifically those areas where the Mayoral Combined Authority has the power to provide funding through the establishment of a Mayoral precept.
- 1.5 The Combined Authority must also set a budget for its other costs in 2018/19. This includes transport activity funded through the Transport Levy mechanism and the operation and maintenance of the Mersey Tunnels estate.
- 1.6 Members will be aware that the LCRCA has a statutory duty to agree a levy for 2018/19 before 14th February 2018.
- 1.7 The LCRCA must also set the schedule of tolls applicable to the Mersey Tunnel for 2018/19. This decision is subject to a separate report that was considered by the Transport Committee at its meeting of the 1<sup>st</sup> February, and the revenue associated with their recommendation is incorporated into the LCRCA budget for 2018/19.

- 1.8 In funding its transport activities, the Combined Authority also needs to establish a differential levy in respect of the LCRCA's transport powers in Halton. It is important to note, however that there are no changes to the delivery of transport services in Halton implied within this report.
- 1.9 The purpose of this report is to bring together these key decisions and present detail of the budget requirement for the Authority for 2018/19, together with the operational grants that will be payable to Merseytravel and Halton for the delivery of the LCRCA's transport activities throughout the City Region.
- 1.10 This report reflects the transitional nature of the financial year 2018/19. As the Mayoral Combined Authority evolves it will require a robust, sustainable funding model. This budget is part of an underlying financial strategy that seeks to maximise the benefits of devolution for the City Region as a whole, while recognising the burden that any additional local taxation places on households in financial need.
- 1.11 The Metro Mayor. Leaders of the LCR LAs and Mayor of Liverpool recognise the high level of Council Tax currently being met by the residents of the LCR already suffering high levels of poverty as a result of Central Government shifting the burden of costs from central to local taxation and the ongoing cuts imposed on the LCR by central government.
- 1.12 As such, the Mayor is not intending to use the power to set a precept for running costs in 2018/19. The Mayor recognises that to set a precept in 2018/19 would add to pressures on Council Tax bills, including the Social Care precept and rising costs of policing. As such, any decision on a precept is deferred while a robust and sustainable funding model is undertaken to prepare the Mayoral Combined Authority for the future.
- 1.13 In recognition of the transitional nature of the 2018/19 financial year, and in order to support the 2018/19 LCRCA budget and to free up revenue to meet the 2018/19 Mayoral CA capacity requirements, the Single Investment Fund will be supported by contributions of £6.2m provided by the 6 Constituent Councils, to be determined by the relative population of each district.
- 1.14 Investing in the Combined Authority in this way demonstrates the commitment of the constituent districts of the Combined Authority to the devolution deal and to the wider objectives of the new Mayoral Combined Authority.

## **2. RECOMMENDATIONS**

2.1 The Liverpool City Region Combined Authority is recommended to:-

- (a) note this report;
- (b) agree the Mayoral Budget as presented at Table 1 of this report;
- (c) agree to funding costs associated with the exercise of Mayoral responsibilities as defined by the Combined Authorities (Finance) Order 2017 through the use of transitional funding arrangements for 2018/19;

- (d) approve the non-Mayoral elements of the Combined Authority budget for 2018/19;
- (e) approve a funding package of £6.2m from the constituent authorities of the Liverpool City Region Mayoral Combined Authority to support the Single Investment Fund in 2018/19 as identified at Table 5;
- (f) approve a transport levy of £95.4m for 2018/19;
- (g) approve the payment of an operational grant of £92m to Merseytravel;
- (h) accept the recommendation of the Liverpool City Region Combined Authority's Transport Committee in respect of Tunnel Tolls at Table 7 of this report;
- (i) approve the request for an operational grant of £28.47m in respect of the operation of Mersey Tunnels for 2018/19;
- (j) approve a grant of £2.7m to Merseytravel to support the delivery of strategic capital investment;
- (k) approve the establishment of a differential transport levy for Halton in 2016/17;
- (l) recognise the differential levy payable by Halton as £3.1m
- (m) agree a corresponding grant from the LCRCA to Halton £3.1m in order that Halton can continue to provide transport services in Halton on behalf of the LCRCA in 2018/19; and
- (n) Approve the Treasury Management Strategy 2018/19 incorporating the Minimum Revenue Provision and associated Treasury Limits and Prudential Indicators as detailed at Appendix 1.

### **3. BACKGROUND**

- 3.1 The budget for 2018-19 is the first budget established under the Combined Authorities (Finance) Order 2017 and therefore differs in a number of key areas from previous Combined Authority budgets.
- 3.2 On 5 May 2017, six mayors were elected for the first time to lead combined authorities in Cambridgeshire and Peterborough, Greater Manchester, the Liverpool City Region, the Tees Valley, the West of England and the West Midlands. The six combined authority areas account for a total population of 9.5 million people, almost 20% of the population in England.
- 3.3 From 2018/19 elected Combined Authority mayors can provide for the costs of their offices and activities through a precept on local council tax bills. 2018/19 will be the first financial year for which mayoral combined authorities have been required to consider issuing a precept to fund the associated costs.
- 3.4 Changes to the budget process reflect the establishment of the Elected Mayor and the new powers associated with this office. The budget also needs to reflect the new funding arrangements established by government in respect of Combined Authority Elected Mayors and the requirement to establish a precept for Mayoral costs under the Combined Authorities (Finance) Order 2017.
- 3.5 The Mayoral budget reflects the priorities of the new City Region Metro Mayor and is focussed on investment in economic growth in the City Region including in our infrastructure, our skills and our environment.

- 3.6 These priorities include building upon commitments made in our devolution agreement with government and ensuring that the City Region gets maximum benefit from those resources and powers that have been devolved to it.
- 3.7 The budget will make special provision for beginning to harness the energy potential of the River Mersey; for exploiting opportunities provided by digital connectivity; for making best use of new powers in respect of bus services in the City Region and for key strategic investments across all of the City Region.
- 3.8 In addition to the Mayoral budget, the Combined Authority's budget also reflects those powers and responsibilities already held by the Combined Authority prior to the establishment of the City Region Mayoral powers. These principally relate to transport powers.
- 3.9 In respect of transport powers, this budget considers the transport levy payable by each of the district councils within the city region and the schedule of tolls in respect of the Mersey Tunnels for 2018/19.

#### **4. MAYORAL COSTS AND BUDGET 2018/19**

- 4.1 The Combined Authorities (Finance) Order 2017 Part 2 states that:

“The costs of a mayor for the area of a combined authority that are incurred in, or in connection with, the exercise of mayoral functions are to be met by precepts issued by the authority under section 40 of the 1992 [Local Government Finance] Act (issuing of precepts by major precepting authorities)”

- 4.2 As such, the Liverpool City Region Mayoral Combined Authority has been established in law as a major precepting authority in order that the costs associated with exercising its functions can be funded in an appropriate manner.
- 4.3 Having due regard to the principles of value for money the Mayor has sought to minimise the costs associated with these functions and has established a structure that includes only those functions directly associated with delivering the maximum benefit for the City Region.
- 4.4 Since the election of the first City Region Mayor, the Mayor has challenged officers to reduce costs across a number of areas and in doing so, has delivered a budget that has significantly reduced from levels previously anticipated and is a direct reduction from the level anticipated in the report agreed by the Combined Authority in June 2016.
- 4.5 In addition to running costs, the Mayor has also sought to provide resources to further priorities in digital connectivity, tidal energy and other areas associated with the devolution agreement which will be of significant and long-term benefit to the City Region.
- 4.6 The Mayor recognises the financial challenges facing households across the City Region and does not want to add to this burden unnecessarily. The legislation that established the Office of the City Region Mayor established the precept as the

means of funding this office, with central government providing very little by way of revenue support.

- 4.7 The City Region, in common with other city regions, has long argued with government that the scale of local government cuts and the absence of revenue funding associated with devolution significantly jeopardises our ambitious programme of investment.
- 4.8 Government's response has been to establish Mayoral Combined Authorities as major precepting authorities, thus placing responsibility for funding at a local rather than national level.
- 4.9 The Mayor – along with all the members of the Combined Authority – recognised the financial impact of government policy on households in the City Region. As a result, the Mayor will not exercise the power to establish a precept for 2018/19 and instead use other resources to fund Mayoral costs.
- 4.10 Despite the precept not applying in 2018/19, the Combined Authority (Finance) Order 2017 nonetheless requires the Mayor to specifically identify the budget for costs directly related to the exercise of Mayoral function in 2018/19. These are presented in Table 1 below.

**Table 1: Liverpool City Region Mayoral Combined Authority Costs 2018/19**

<b>Mayoral Expenditure</b>	<b>2018/19 £000</b>
<b>Mayor's Office Direct Costs</b>	<b>274</b>
<b>Corporate Management Costs</b>	
<b>Total Corporate Management</b>	<b>4,323</b>
<b>Funding for Mayoral Priorities</b>	<b>1,600</b>
<b>Total eligible to be funded by Precept</b>	<b>6,197</b>

- 4.11 The budget for direct running costs represents a significant saving on previous budget assumptions. Reducing the cost of the staffing structure of the Mayoral CA has enabled more resources to be used for investment in the key Mayoral priority areas identified above.
- 4.12 This budget will also allow the City Region to access the technical expertise needed to develop projects to harness the power of the River Mersey and improve the City Region's Digital connectivity.
- 4.13 Through his manifesto, the Mayor has put forward an ambitious programme of activities and initiatives to ensure that:
- every part of the City Region benefits from the £900m Single Investment Fund secured in the Devolution agreement and that no borough is left behind;

- the City Region develops the digital and low carbon infrastructure to capitalise on its natural assets – including harnessing the power of the river Mersey to generate;
- the City Region’s skills strategy delivers a step-change in provision including the roll-out of degree-level apprenticeships and creating a single UCAS-style portal for apprentices;
- everyone in the City Region has access to has a modern and affordable transport system; and
- that the LCRCA secures a second devolution deal with Government which means more funding and powers are taken from Whitehall and given to the City Region.

4.14 The Mayor is committed to delivering these pledges and the Mayor’s Office exists to support the Mayor in this. Specifically, the Mayor’s office will:

- ensure the Mayor can listen to and communicate with citizens in the Liverpool City Region effectively;
- oversee the delivery of the Mayor’s policy priorities;
- support with briefings and policy review; and
- support the Mayor’s schedule of public events and meetings.

4.15 The Metro Mayor, Leaders of the Liverpool City Region and Mayor of Liverpool as the members of the Combined Authority recognise the need to deliver this agenda and have identified resources to provide the Mayor with the necessary capacity as defined by the budget in Table 1 above.

4.16 Transitional funding of £6.197m has been made available to the Combined Authority for 2018/19. This has been made possible through a separate investment package negotiated between the Combined Authority and its constituent districts which allows this transitional funding to be put in place at no detriment to the Single Investment Fund and specifically, the City Region’s Gainshare funding package agreed with government.

4.17 It is recognised, however that this is not a sustainable financial model for future years. Unless government policy shifts significantly, the burden of funding the Mayoral CA will continue to be felt locally. As a result, the Combined Authority commits to securing a sustainable funding model for Mayoral costs from 2019/20 onwards.

4.18 A strategic financial analysis will be undertaken using appropriate expertise both within the Combined Authority and, where appropriate learning from other organisations. This will consider the application of the Mayor’s powers to precept and the feasibility of a subscription model, as well as other options. This significant piece of work will report its findings back to the Combined Authority before September 30<sup>th</sup> 2018 as part of the 2019/20 budget cycle.

## 5. LIVERPOOL CITY REGION COMBINED AUTHORITY REVENUE BUDGET 2018-19

### 5.1 Overview

5.1.1 The Combined Authority's general budget for 2018-19 includes those costs that are identified in the Mayoral budget, is shown in Table 1 below. The Combined Authority's general budget includes all the functions of the Combined Authority and not just those associated with the exercise of Mayoral powers. In particular, this budget includes the costs associated with the Combined Authority's substantial responsibilities for transport. A detailed budget showing the split of Mayoral and CA running costs is included in Appendix 3.

**Table 1 LCRCA Revenue Budget 2018/19**

	<b>2018/19 £'000</b>
<b>Expenditure</b>	
Mayoral Office Direct Costs	274
Communications & Stakeholder Engagement	575
Funding for Mayoral Priorities	1,600
Chief Executive's Office	402
Policy and Commissioning (including Employment & Skills)	1,529
Commercial Development & Investment	1,639
Corporate Services	1,699
Economic Development: Strategic Management	178
Transport: Strategic Management & Commissioning	747
Merseytravel Operating Grant for Transport Delivery	92,020
Mersey Tunnels Operating Grant	28,467
Halton Transport Grant for Transport Delivery (Halton only)	3,123
Capital Financing and Treasury Management Costs	14,312
Special Rail Grant	86,957
Capital Grant to Merseytravel	2,720
<b>Total Revenue Costs</b>	<b>236,242</b>
<b>Funded by:</b>	
Transport Levy	-95,400
Halton Differential Transport Levy	-3,123
Tunnel Tolls Income	-40,700
Transitional Funding	-6,197
Application of Reserve	-3,415
Special Rail Grant	-86,957
<b>Total Funding</b>	<b>-236,242</b>

## 5.2 SINGLE INVESTMENT FUND REVENUE PROGRAMME 2018/19

5.2.1 In addition to the main revenue budget, LCRCA is supporting an extensive programme of investment across the City Region through its Single Investment Fund. Whilst a significant proportion of this investment is capital in nature, as part of its devolution deal, LCRCA receives £30m per year for 30 years, based on a 25:75 revenue capital split. This award, however, does not represent a continual income stream to LCRCA as it is subject to a five yearly gateway review.

5.2.2 As part of the open call for projects which closed in December 2016, bids totalling £21.23m were received for schemes seeking revenue support. The table below details the funding commitment that has been made to date to those schemes that have had their business cases approved by the CA and, in most cases, for which a signed Grant Funding Agreement (GFA) is in existence.

**Table 2 SIF Revenue Schemes (Committed)**

	2018/19	2019/20	2020/21
	£'000	£'000	£'000
Alstom Technology Training Centre	400	400	300
Film & Content Fund	100	50	0
Internation Business Festival 2018	2,759	0	0
Cultural Events Programme	3,400	0	0
Futureproofing M6	124	0	0
<b>Total Committed</b>	<b>6,783</b>	<b>450</b>	<b>300</b>

5.2.3 There are still a significant number of schemes that are in the appraisal and approval process. Dependent on the outcome of this process, there could be a further call of up to £9.190m on the total SIF revenue allocation over the period to 2020/21. The table below provides further detail on these schemes.

**Table 3 SIF Revenue Schemes (Uncommitted)**

	2018/19	2019/20	2020/21
	£'000	£'000	£'000
Port Sunlight R&D ( linked with LGF 3)	2,680	1,140	0
Flexible Business Growth Fund ( Linked to LGF 2)	400	250	100
Scale Up Liverpool	2,050	1,100	600
Growing Business Visits & Events	350	220	0
Maritime Knowledge Hub (Linked to LGF2))	270	30	0
<b>Total Possible Commitment</b>	<b>5,750</b>	<b>2,740</b>	<b>700</b>

5.2.4 In addition to these applications, Gainshare revenue grant is also available to support further LCRCA Priorities and to support further devolution. Any application

of Gainshare Revenue will be subject to the LCRCA's normal decision making and its comprehensive assurance framework.

- 5.2.5 In addition to the applications identified in Table 5 above, there is already a significant pipeline of schemes at various stages of development and a commitment made to government to deliver a further International Business Festival in 2020 (IBF2020).
- 5.2.6 To allow the application of Gain Share revenue to support the revenue budget for 2018/19, the Single Investment Fund will be supplemented by an investment package composed of revenue contributions from each of the Liverpool City Region districts to a total value of £6.2m. This arrangement will support transitional Mayoral funding arrangements (see Section 3).
- 5.2.7 This is an investment in the future of the City Region and a demonstration of commitment to the Single Investment Fund. Through this model, each of the constituent districts of the City Region will benefit from the anticipated future economic returns arising directly and indirectly from the application of our Single Investment Fund.
- 5.2.8 Table 6 shows the composition of this investment package by district. In line with the apportionment methodology used for the Transport Levy, the investment will be allocated pro rata to each districts population.

**Table 4 Local Investment Package in Single Investment Fund**

<b>Local Authority</b>	<b>Population</b>	<b>%</b>	<b>Investment</b>
Halton	126,900	8.28%	£ 513,095
Knowsley	147,900	9.65%	£ 598,004
Liverpool	484,600	31.60%	£ 1,959,384
Sefton	274,300	17.89%	£ 1,109,078
St Helens	178,500	11.64%	£ 721,729
Wirral	321,200	20.95%	£ 1,298,709
<b>Total</b>	<b>1,533,400</b>		<b>£ 6,200,000</b>

### 5.3 TRANSPORT

- 5.3.1 The Combined Authority is the transport authority for the Liverpool City Region. Its transport responsibilities are discharged by Merseytravel and by Halton Council within the boundaries of Halton.
- 5.3.2 Transport responsibilities are funded through the transport levy. The transport levy has reduced significantly in recent years and this has benefited those districts that fund the levy through Council Tax.
- 5.3.3 Higher inflation and demographic pressures mean that further levy reductions are not possible for 2018/19 however the CA can commit to a levy freeze at the level of £95m for 2018/19. Should this levy be agreed, the distribution of the Levy will be as detailed in the table below.

**Table 5 Transport Levy by Authority**

	<b>Transport Levy 2017/18 £'000</b>	<b>Transport Levy 2018/19 £'000</b>
Knowsley	10,045	10,032
Liverpool	32,660	32,869
Sefton	18,677	18,605
St Helens	12,120	12,107
Wirral	21,898	21,786
<b>Total</b>	<b>95,400</b>	<b>95,400</b>

5.3.4 In order to operate within these cash limits, Merseytravel will be required to continue to make certain adjustments to its cost base over this period. In particular, the current cost of the concessionary travel scheme – which is funded through the levy – is unsustainable and will need to be reviewed over this period.

5.3.5 Other transport priorities will include:

- i. continue to extend commercialisation of the supported bus network;
- ii. review how we operate the Mersey Ferries as we prepare the business case for investment in potential new vessels;
- iii. work with the Bus Alliance to increase patronage across the network by the promotion of affordable, sustainable and reliable bus services, backed by a modern, integrated ticketing scheme;
- iv. examine the potential benefits and risks associated with the Mayor's powers in respect of bus services; and
- v. continue to deliver the Long Term Rail Strategy including the completion of works at Newton le-Willows, Maghull and Halton Curve and the delivery of the new fleet of rolling stock for the Merseyrail network.

5.3.6 In order to deliver on these priorities, Merseytravel will receive a grant from the Combined Authority of £92m in 2018/19.

5.3.7 Arrangements for Halton will continue to recognise the historical differences in transport funding and delivery, with Halton subject to a differential transport levy of £3,122,646 m which will be paid back to Halton for transport delivery within its boundaries on behalf of the LCRCA.

## 5.4 TUNNEL TOLLS

5.4.1 Setting the tunnels tolls is a key requirement of the LCRCA's budget. The Transport Committee considered a detailed report on the proposed schedule of tolls at its meeting of the 1<sup>st</sup> February and is considering a schedule of tolls for 2018/19 that is:-

**Table 6 Agreed Tunnel Tolls 2018/19**

<b>Vehicle Class</b>	<b>Authorised Toll (November RPI)</b>	<b>2018/19 Cash Toll</b>	<b>2018/19 Fast Tag Toll - Peak</b>	<b>2018/19 Fast Tag Toll – Off Peak*</b>
1	£2.00	£1.80	£1.20	£1.00
2	£4.00	£3.60	£2.60	£2.60
3	£6.00	£5.40	£3.90	£3.90
4	£7.90	£7.20	£5.20	£5.20

\*off peak defined as 19:00 hours to 07:00 hours each day, and 24 hours on a Sunday

- 5.4.2 For the first time in 2018-19 the LCRCA is to introduce a Peak and Off Peak model. This will benefit regular users who commute outside office hours where there are fewer available public transport alternatives. It will also enable the LCRCA to fulfil its responsibilities regarding traffic management and air quality by managing the peak flow of traffic.
- 5.4.3 Fast Tag car users travelling outside of the peak will be charged £1 per journey, which is a very significant discount on the cash toll.
- 5.4.4 Cash tolls (which account for less than 50% of all journeys) will increase by 10p in 2018/19. This is the first increase in any toll applicable to the tunnels since 2014/15 and recognises the actual and forecast increase in the retail price index over this year and next.
- 5.4.5 The cash toll will therefore be £1.80 next year, which is still 20p per journey less than the maximum £2.00 toll that the LCRCA is permitted to charge under the Mersey Tunnels Act.
- 5.4.6 As part of a three year strategy, the LCRCA is seeking to increase overall revenues from the Tunnels while continuing to provide regular users will attractive discounts. As part of this strategy, the LCRCA has asked Merseytravel to examine the potential for a new Fast Tag scheme that benefits those users residing within the Liverpool City Region.

## **6. CAPITAL PROGRAMME**

- 6.1 Within its capacity as the Accountable Body, the Combined Authority receives capital grant in respect of the Local Growth Fund (LGF) programme, devolution monies received from central government (Gain Share funding) and direct transport related grants. The LCRCA's operates a Single Pot for the capital funds for which it is a recipient. For 2018/19 the annual allocations into the single pot are as follows:

**Table 7: Sources of Capital Funding**

	<b>2018/19</b>
	<b>£'000</b>
LGF 1	27,329
LGF 2	0
LGF 3	13,580
Gain Share Capital	22,500
Transport Funding	26,500
<b>Total Annual Allocation</b>	<b>89,909</b>

- 6.2 LGF funds have been received by the Local Enterprise Partnership (LEP) on the back of successful bids for these funds with the Combined Authority fulfilling the Accountable Body role for these funds. To date bids have been made and received against three rounds of Local Growth Fund allocations with funding provided for specific thematic areas. Whilst a significant proportion of the LGF 1 funds have been committed, with the agreement of the LEP, uncommitted LGF funds are being administered as part of the single capital pot.
- 6.3 The table below summarises projections for the period 2018/19 to 2020/21. A more detailed scheme based analysis is attached to this report at Appendix 2.

**Table 8 Projected LGF and SIF Spend 2018/19 to 2020/21**

	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Total</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
LGF 1 GFA Signed	25.63	8.63	6.90	41.16
CA Approved	11.31	0.34	0.00	11.65
Not Yet Approved	0.00	0.00	0.00	0.00
<b>Total LGF 1</b>	<b>36.94</b>	<b>8.97</b>	<b>6.90</b>	<b>52.81</b>
LGF 2 GFA Signed	0.14	0.99	0.00	1.13
CA Approved	1.57	0.60	0.00	2.17
Not Yet Approved	0.00	0.00	0.00	0.00
<b>Total LGF 2</b>	<b>1.71</b>	<b>1.59</b>	<b>0.00</b>	<b>3.30</b>
LGF 3 GFA Signed	0.00	0.00	0.00	0.00
CA Approved	0.50	0.00	0.00	0.50
Not Yet Approved	19.01	8.25	0.00	27.26
<b>Total LGF 3</b>	<b>19.51</b>	<b>8.25</b>	<b>0.00</b>	<b>27.76</b>
Gain Share GFA Signed	3.32	0.40	0.30	4.02
CA Approved	22.69	5.24	0.00	27.93
Not Yet Approved	0.00	0.00	0.00	0.00
<b>Total Gain Share</b>	<b>26.01</b>	<b>5.64</b>	<b>0.30</b>	<b>31.95</b>
<b>Grand Total</b>	<b>84.17</b>	<b>24.45</b>	<b>7.20</b>	<b>115.82</b>

6.4 Table 9 demonstrates the financial implications of the delivery of LGF schemes over the period. It should be noted, however that as these schemes drop off, the delivery of new capital programmes will pick up. Of particular significance over the period will be:

- Transforming Cities Fund                   £134m (award)
- Housing Infrastructure Fund               £204m (application)
- Housing First fund                         £28m (For three areas of England, including the Liverpool City Region)

6.5 LCRCA has approved the commissioning of a business case to support the Key Route Network (KRN). A £25m package of investments has been commissioned as first steps and it is envisaged that there will be further commissions in transport, skills and business growth in 2018/19 which will be informed by the investment strategy.

6.6 As part of the Single Pot, it has been agreed that the £26.5m allocation for transport will be allocated separately from the Single Investment Framework (SIF) which is applied to all other funding streams within the pot. A report was put to the Combined Authority on 17 November 2017 at which approval was granted to a methodology and an allocation of funds for transport activities utilising the full £26.5m.

6.7 For completeness details of the proposed allocations are detailed below.

**Table 9 Allocations to Districts**

	<b>Capital Maintenance</b>	<b>Integrated Transport Block</b>	<b>Total</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
Knowsley	1.47	0.53	2.00
Liverpool	3.35	1.74	5.09
Sefton	2.30	0.99	3.29
St Helens	1.92	0.64	2.56
Wirral	2.63	1.15	3.78
Halton	1.77	0.46	2.23
<b>Total</b>	<b>13.43</b>	<b>5.51</b>	<b>18.94</b>

**Table 10 Distribution of Remaining Transport Block Funding**

	<b>Total £'m</b>
Funding to support LCR Evidence Base	1.00
Bus Alliance Support	0.50
Rail Enhancements	0.50
CA Strategic Priorities	2.50
KRN	3.00
<b>Total</b>	<b>7.50</b>

- 6.8 In addition to the above, Merseytravel delivers a programme of capital investment both in support of certain defined LCRCA priorities, including Liverpool Central, Bus Alliance work and smart ticketing and investment in its own assets. The table below details the programmed capital investment for 2018/19 together with the proposed funding.

**Table 11 Merseytravel Capital Programme 2018/19**

	<b>Total £'000</b>
Bus	2,630
Rail	15,565
Rolling Stock	167,000
Mersey Ferries	640
Mersey Tunnels	10,200
Smart Ticketing	170
IT	480
Corporate Services	7,195
<b>Total Expenditure</b>	<b>203,880</b>
<b>Funded by:</b>	
Borrowing	-167,000
Revenue Contribution to Capital	-7,200
Merseytravel Reserves	-7,160
Capital Grant from LCRCA	-2,720
Capital Grants	-19,800
<b>Total Funding</b>	<b>-203,880</b>
<b>Net Requirement</b>	<b>0</b>

## **8. RESOURCE IMPLICATIONS**

### **8.1 Human Resources**

None as a direct result of this report.

### **8.2 Physical Assets**

This report will provide resources to Merseytravel to undertake its asset management function in respect of the Mersey Tunnels and other LCRCA assets.

The Single Transport / Highways allocation will enable highways authorities to provide necessary maintenance and management of the City Region's highways infrastructure and in particular, the Key Route Network.

### **8.3 Information Technology**

None as a direct result of this report.

## **9. RISKS AND MITIGATION**

None as a direct result of this report.

## **10. EQUALITY AND DIVERSITY IMPLICATIONS**

Members are reminded that under Public Sector Equality Duty, the Combined Authority has a duty to eliminate discrimination, advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. Whilst the level of detail contained within this budget does not lend itself to a full appraisal of the operational implications with respect to equality and diversity, it is possible that there could be resultant implications for people who share a protected characteristic, for example older disabled people. Therefore whilst there are no issues with the budget itself, any actions undertaken as part of the management of any savings, the equalities consequences will be fully appraised and considered as part of the process, and any negative implications for any of the protected characteristics will be mitigated, where possible, subject to available resources.

## **11. COMMUNICATION ISSUES**

None as a direct result of this report.

## **12. CONCLUSION**

- 12.1 The Liverpool City Region Mayoral Combined Authority is recommending a series of measures within its overall budget for 2018/19. These measures each recognise the need to deliver the functions of the Mayoral Combined Authority while seeking to protect households in the City Region from additional financial burdens wherever possible.
- 12.2 The 2018/19 financial year is the first full year of the Mayoral Combined Authority and the first year in which the Elected Mayor has been responsible for determining the budget for Mayoral costs. The Mayor has demonstrated his commitment to households in the City Region by not exercising the power to issue a precept in 2018/19.
- 12.3 In turn, the Leaders of the constituent authorities of the City Region, alongside the Mayor of Liverpool have also demonstrated their commitment to making the Combined Authority a success by identifying a financial package that supports the Mayoral Combined Authority through this transitional year while a longer-term funding model is secured.

JOHN FOGARTY  
Director of Corporate Services

### Contact Officers:-

Sarah Johnston, Head of Finance Merseytravel (0151 330 1015)

Liz Storey, Corporate Communications Manager, Merseytravel (0151 330 1151)

### Appendix

Appendix 1 LCRCA Treasury Management Strategy

Appendix 2 LGF and SIF Spend 2018/19 to 2020/21

Appendix 3 LCRCA Detailed Revenue Budget