

WEST OF ENGLAND COMBINED AUTHORITY COMMITTEE

14 JUNE 2019

REPORT SUMMARY SHEET

COMBINED AUTHORITY & MAYORAL BUDGET OUTTURN 2018/19

Purpose

The report presents the draft revenue and capital financial outturn position for the Combined Authority and the Mayoral budget for the financial year 2018/19.

Summary

This report includes the following key information:

- Financial Regulations require that the WECA Committee considers the revenue and capital monitoring position at regular intervals throughout the financial year. The final outturn position will be reflected in the authority's formal Statement of Accounts which has to be legally published by 31 July 2019.
- Appendix 1 sets out the Mayoral Fund's draft revenue outturn position for the 2018/19 financial year, which is £1,555k lower than the revised budget, largely due to slippage on grant funded feasibility projects.
- Appendix 2 sets out WECA's draft revenue outturn position for the 2018/19 financial year, which shows a net surplus in the year of £976k. The report recommends the transfer of the surplus to various reserves.
- Appendix 3 outlines the draft capital outturn position for the 2018/19 financial year. The report explains the reason for the slippage, which will be carried forward into 2019/20.
- The report explains the current procurement exercise for the provision of future ICT services and recommends delegation of the final contract award.

Recommendations

Members of the Combined Authority Committee are asked to:

1. Note the Mayoral Fund and WECA revenue and capital budget draft outturn positions as set out in Appendices 1,2 and 3.
2. Approve the transfers to reserves as detailed in paragraphs 2.2.7 and 2.2.11
3. Delegate responsibility for entering into a new ICT service provision contract for WECA, subject to identification of the required budget, to the WECA Chief Executive in consultation with the WECA Section 151 Officer

Contact officer: Malcolm Coe

Position: Director of Investment & Corporate Services

Email: Malcolm.Coe@westofengland-ca.gov.uk

REPORT TO: WECA COMMITTEE

DATE: 14 JUNE 2019

**REPORT TITLE: WECA & MAYORAL BUDGET OUTTURN APRIL 2018
– MARCH 2019**

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

AUTHOR: MALCOLM COE

Purpose of Report

- 1 This report presents the draft revenue and capital financial outturn position for WECA and the Mayoral budget for the financial year 2018/19 based on actual data for the period April 2018 to March 2019.

Recommendations

The WECA Committee:

- a) Notes the Mayoral Fund and WECA revenue and capital budget draft outturn positions as set out in Appendices 1,2 and 3.
- b) Approves the transfers to reserves as detailed in paragraphs 2.2.7 and 2.2.11
- c) Delegates responsibility for entering into a new ICT service provision contract for WECA, subject to identification of the required budget, to the WECA Chief Executive in consultation with the WECA Section 151 Officer

Background / Issues for Consideration

- 2 Financial Regulations require that the WECA Committee considers the revenue and capital monitoring position at regular intervals throughout the financial year. The final out-turn position will be reflected in the authority's formal Statement of Accounts which has to be legally published by 31 July 2019.

Mayoral Fund

2.1 **Appendix 1** details the Mayoral Fund's draft outturn revenue position for the 2018/19 financial year, which, overall, is £1,555k lower than the revised budget, largely due to slippage on grant funded feasibility projects. Variations and items of note within individual budget lines are:

2.1.1 A contribution of £388k has been made to an earmarked reserve in line with budget to meet the estimated costs of the next Mayoral Election in 2021.

2.1.2 Priority feasibility studies have drawn down funding in 2018/19 as follows:

Priority Feasibility Studies	Revised Budget £000	Actual Spend £000	Variance £000
Southern Orbital	250	155	95
Mass Transit Options	350	350	0
East of Bath Strategic Link	120	30	90
Freezing Hill/A420 Junction	78	65	13
Bristol Temple Meads Masterplan	889	160	729
Wraxall Road Roundabout	175	64	111
Suburban Rail Feasibility	100	0	100
Skills – Hosp & Catering	195	170	25
Skills – Digital & Creative	140	140	0
Skills – Steam Centre	590	415	175
Love Our High Streets Pilot	0	14	(14)
Feasibility Charfield Station	20	0	20
Feasibility Coalpit Heath/Frampton Cott	20	1	19
Total	2,927	1,564	1,363

It is requested that the underspend of £1,363k be carried forward into 2019/20 to allow completion of the feasibility studies within the approved budget allocations. Similarly, the underspend of £193k on the Joint Spatial Plan budget is also required in 2019/20 to allow completion.

2.1.3 The overall contribution required from the WECA Budget is £2,861k in 2018/19, which is £1,555k lower than the revised budget. As this relates to slippage on grant funded feasibility projects, this contribution will be required in 2019/20 when the spend is now forecast to be incurred.

WECA

2.2 **Appendix 2** details WECA's draft outturn revenue position for the 2018/19 financial year. This shows the draft outturn position is a net surplus in the year of £976k. The main points to note are:

Transport Levy

2.2.1 The transport levy is set at the beginning of the financial year based on anticipated demand and spend based on the previous year's activity. Adjustments are made at the end of the financial year to reflect the actual outturn position with any underspending being returned to the constituent authorities – with overspends being reimbursed by the councils through a levy adjustment for the following year. The previous monitoring report included a forecast overspend of £417k.

2.2.2 Bristol City Council and South Gloucestershire Council have subsequently agreed that they will reimburse the overspend to WECA via a 2018/19 payment. The balance relating to BANES will be adjusted through the 2019/20 levy.

Treasury Management

2.2.3 WECA achieved £1,130k interest on investment balances for 2018/19, which is £610k higher than budgeted, and £100k higher than the quarter 3 forecast. This reflects an average higher rate of return due to

- 1) an increase in interest rates following the rise in the Bank of England Base Rate earlier in the year and
- 2) a second long-term strategic investment in the CCLA Property Fund, taking the holding in this diversified fund to £10m, which is currently generating a net return of circa 4%.

Other variations

2.2.4 The first £1m allocation of the £2m Mayoral Capacity Funding was received at the end of May 2018 with £449k being spent in 2018/19. As the funding runs for two years, commitments will cover this full period and the unspent funds in 2018/19 will be carried forward into 2019/20.

2.2.5 The £3m Housing Capacity Fund forms part of the interim housing package for the West of England. The first two instalments, totalling £1,950k, were received in 2018/19 against which £226k has been spent in year. The balance of £1,724k needs to be carried forward to 2019/20.

This funding is supporting the creation of the West of England Strategic Housing Delivery Unit which includes direct WECA staff costs, staff secondments from the constituent councils, and the engagement of professional consultancy where appropriate.

2.2.6 There is a £2,861k contribution to the Mayoral Fund. This mainly funds Feasibility Studies (£1,564k), Joint Spatial Plan scheme development (£699k) and the future costs of Mayoral Elections (£388k).

2.2.7 The revenue outturn surplus of £976k is after the following transfers to earmarked reserves in 2018/19:

	£000
Housing Capacity Funding	1,724
Mayoral Capacity Funding	551
Other transfers to earmarked reserves	316
Total Transfer to Earmarked Reserves in 2018/19	2,591

2.2.8 Income - drawdowns from earmarked reserves approved in April 2018 have been actioned in 2018/19 including;

	£000
Transport work packages	160
ICT and accommodation set up costs	90
HR advisor support	60
End of year reserve for Concessionary Fares	400
Total Reserves used in 2018/19	710

Summary budget position for WECA

2.2.9 The overall forecast of the WECA budget is an underspend of £976k when compared with the revised budget. From this total, the committee has already approved an allocation of £460k of the current year underspend to:

- ICT development including a new website and intranet £200k
- Transforming Cities Fund: Future Mobility Zones £100k
- Transfer to General Reserves £160k

2.2.10 The increase in the underspend of £516k from the last published monitoring report is due to the following:

- We have continued to be proactive in terms of the treatment of our cash balances. As previously reported, income in relation to our core grant funding is often received in advance of the need to spend. Taking a more realistic view of cashflow forecasting has enabled us to achieve better investment returns in year with a further surplus of £100k achieved within this reporting period;
- The authority has been challenging the treatment of VAT within the 2017/18 financial accounts. We have now received confirmation from HMRC and MHCLG that we have been successful in our challenge which has resulted in a one-off reimbursement with a net benefit of £226k to the 2018/19 accounts;
- Final Business Rates growth figures, as submitted by the three Unitary Councils, were higher than those detailed within the original estimates, mainly due to higher S31 grant compensation than predicted. This has resulted in WECA's 5% retention share having a higher value of £190k. Following this end of year performance, we have reviewed the holding of the earmarked Business Rates Retention Reserve, subsequently recommending that this is reduced from its current level of £715k to £500k for 2019/20.

2.2.11 It is recommended that the increased end of year surplus of £516k is transferred to reserves as follows:

	£000
Earmarked - Integrated Transport Authority Reserve	135
Earmarked – AEB Implementation Reserve	80
General Fund Reserve	301
Reduce Business Rates Retention Earmarked reserve	(215)
General Fund Reserve	215
Surplus - Transfer to Reserves in 2018/19	516

- The Integrated Transport Authority earmarked reserve is required to reimburse Bath and North East Somerset Council for the underspend on concessionary fares against their transport levy set for 2018/19;
- The Adult Education Budget Implementation reserve relates to a specific transitional grant for setting up the required governance and processes to manage this new responsibility transferring from government. The money was received in 2018/19 with some spend commitments running over into 2019/20;
- The remaining transfer into the WECA General Reserve will bring this reserve level up to £987k at year end. As previously reported, there is volatility in WECA's core funding beyond 2019/20 – specifically the Mayoral Capacity Fund, (£1m per annum), and the WECA 5% Business Rates Retention (£1.3m per annum). Whilst this uncertainty remains, it is prudent to maintain an appropriate level of reserves in order to manage any transitional funding arrangements.

2.2.12 WECA is currently going through a 'preferred bidder' procurement route for the provision of future ICT services subsequent to the notice served by Bath and North East Somerset Council in 2018/19. Whereas funding has been set aside in an earmarked reserve for the transitional, one-off, cost of this switch, it is highly likely that the annual cost of the new service will exceed that currently paid to BANES.

WECA is still in commercial dialogue with North Somerset Council and Agilisys, with the intention to award a contract for provision which will commence late in the 2019 calendar year. Value for Money from the emerging new contract is being tested through several sources including a critical friend challenge from the Bristol City Council Head of ICT.

The current ICT budget for the service as commissioned through BANES is £150k per annum. Due to the anticipated annual cost of the new contract, coupled with the need to secure the contract over a three to six year period, (subject to negotiation), committee approval is required for this spend.

It is recommended that the committee delegates responsibility for entering into a new ICT contract for WECA, subject to the identification of appropriate funding, to the WECA Chief Executive in consultation with the WECA Section 151 Officer.

Capital

- 2.3 **Appendix 3** outlines the draft capital outturn position for the 2018/19 financial year. The main points to note are:
- 2.3.1 2018/19 underspends on Scheme Prioritisation / Monitoring & Evaluation (£285k), Transport Schemes Business Case Development (£506k) and RTI (£39k) are carried forward into the 2019/20 capital budget, funded by Investment Fund drawdown.
 - 2.3.2 The Highways and Transport grant payments are in line with budget and the additional Pothole Action Fund allocation of £1,241k is included in the capital budget. This grant has been paid to Constituent Authorities.
 - 2.3.3 The IT and Building Alterations budget is overspent by £56k but is fully funded by a revenue contribution to capital (RCCO). This merely reflects the accounting treatment of some of the 2018/19 spend previously categorised as revenue, but moved into capital as a technical adjustment.
 - 2.3.4 5G Smart Tourism Project – WECA successfully secured £5m in grant funding from the Department for Digital, Culture, Media and Sport (DCMS) to deliver the 5G Smart Tourism project. To utilise this funding, project eligible spend was required to be incurred in 2018/19, and claimed in arrears in quarterly instalments. Subsequently, WECA has agreed a continuation of the 5G Smart Tourism project, allowing the balance of £876k to be utilised between 1st April 2019 and 30th September 2019.

Consultation

- 3 The contents and recommendations within this report have been shared and discussed with the Chief Executives and S151 Officers of Bath and North East Somerset, Bristol City and South Gloucestershire Councils.

Other Options Considered

- 4 None.

Risk Management/Assessment

- 5 This report forms a core part of the WECA's governance and risk management process. The forecast budgets presented in this report take account of known financial risks and their potential impact on the outturn financial position.

An appropriate level of financial reserves are being maintained in order to partially mitigate the future risk of volatility to WECA core income streams.

Public Sector Equality Duties

- 6 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.

6.1 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.

6.2 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.

6.3 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.

Finance Implications, including economic impact assessment where appropriate:

7 The financial implications are contained within the body of the report. There are no Economic Impacts arising as a result of this report.

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

Legal Implications:

8 This report monitors how WECA and the Mayoral Fund are performing against the financial targets set in February 2018 through the Budget setting process in accordance with the WECA Order 2017 and the Combined Authorities Financial Order 2017.

Advice given by: Shahzia Daya, Director of Legal Services

Human Resources Implications:

9 These are set out in the body of the report, including the use of interim staffing resources and the proposals for the on-going WECA staffing resources.

Advice given by: Alex Holly, Head of Human Resources

Appendices & Background papers:

Appendix 1: Mayoral Fund Revenue Draft Outturn

Appendix 2: WECA Revenue Draft Outturn

Appendix 3: Mayoral Fund and WECA Capital Draft Outturn

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

Mayoral Fund April to March 2018/19				
	£000s			
	Original Budget	Revised Budget	Outturn	Variance
EXPENDITURE				
Staff	155	155	159	-4
Supplies & Services				
Expenses	15	15	17	-2
Election costs	388	388	388	0
Support Services	19	19	17	2
Property costs	20	20	17	3
Joint Spatial Plan Scheme Development	400	892	699	193
Feasibility Studies	2,375	2,927	1,564	1,363
Capital RCCOs				
Transport Grants	5,183	5,183	5,183	0
Highways Maintenance Grants	10,254	10,254	10,254	0
Highways Incentive Grants	2,135	2,135	2,135	0
Total Supplies & Services	20,789	21,833	20,274	1,559
Total Expenditure	20,944	21,988	20,433	1,555
INCOME				
Business Rates Retention Income	17,572	17,572	17,572	0
Funding from WECA	3,372	4,416	2,861	-1,555
Total Income	20,944	21,988	20,433	-1,555
NET TOTAL - Under /(Over) Spent	0	0	0	0

APPENDIX 2

WECA Fund April to March 2018/19				
	£000s			
	Original Budget	Revised Budget	Outturn	Variance
EXPENDITURE				
Staff	1,395	1,395	1,455	-60
Supplies & Services				
Expenses	55	55	454	-399
Support Services	128	128	98	30
Property costs	136	136	95	41
Project spend	235	1,664	991	673
Implementation & set up costs	90	90	149	-59
Concessionary fares	12,378	12,378	12,795	-417
Community transport	1,690	1,690	1,691	-1
RTI costs	602	602	376	226
Mayoral Capacity Fund	1,000	1,000	449	551
Housing Delivery Capacity Fund	900	900	226	674
Futurebright	2,333	2,333	1,105	1,228
WECA contribution to Mayoral Fund	3,372	3,372	2,861	511
Transfers to Reserves	0	0	2,591	-2,591
Total Supplies & Services	22,919	24,348	23,881	467
Total Expenditure	24,314	25,743	25,336	407
INCOME				
Levy from CA's for WECA Transport functions	14,670	14,670	13,006	-1,664
Net Business Rates Retention Income	1,105	1,105	1,050	-55
Investment Fund - Revenue Contribution	3,447	3,447	2,861	-586
Interest on Balances	520	520	1,130	610
Grant Income	4,233	4,233	7,038	2,805
WECA Reserves	310	310	710	400
Other Income	29	29	517	488
Total Income	24,314	24,314	26,312	1,998
NET TOTAL - Under /(Over) Spent	0	-1,429	976	2,405

APPENDIX 3

WECA & Mayoral Capital Programme Draft Outturn 2018/19				Actual Funding			
	2018/19 Budget £000	2018/19 Outturn £000	2018/19 Variance £000	Investment Fund £000	Grant £000	RCCO £000	Total £000
WECA Capital							
Infrastructure							
Scheme Prioritisation/Monitoring & Evaluation	285	0	285				0
Business Case Development	2,280	1,774	506	1,774			1,774
Real Time Information	504	465	39	465			465
	3,069	2,239	830	2,239	0	0	2,239
WECA Capital - Other							
5G Smart Tourism	5,000	4,124	876		4,124		4,124
IT & Building Alterations	50	106	(56)			106	106
	5,050	4,230	820	0	4,124	106	4,230
Mayoral Capital							
Highways & Transport Grants	17,572	17,572	0			17,572	17,572
Pothole Action Grant	1,241	1,241	0		1,241		1,241
	18,813	18,813	0	0	1,241	17,572	18,813
Grand Total	26,932	25,282	1,650	2,239	5,365	17,678	25,282

Note : RCCO indicates a Revenue Contribution to Capital Outlay