

REPORT TO: WEST OF ENGLAND JOINT COMMITTEE

DATE: 27 July 2018

**REPORT TITLE: REVENUE 2018/19 – OUTTURN MONITORING
APRIL 2018 TO JUNE 2018**

**AUTHOR: TIM RICHENS, INTERIM DIRECTOR OF
INVESTMENTS & CORPORATE SERVICES**

Purpose of Report

1. This report presents the forecast revenue outturn budget monitoring information for the West of England Joint Committee for the financial year 2018/19 based on actual data for the period April 2018 to June 2018. This report covers the Local Enterprise Partnership (LEP) and Invest in Bristol and Bath (IBB) revenue budgets.
2. The report also requests the allocation of LEP funding balances to provide resources to support the Local Industrial Strategy project.

Issues for Consideration

3. The West of England Combined Authority acts as the Accountable Body for a range of funding streams on behalf of the West of England Councils and LEP. The WECA financial regulations require that it regularly reports on the financial monitoring position of these funds.
 - 3.1 **Appendix 1** outlines the LEP Budget current forecast revenue position for the 2018/19 financial year based on actual information to the end of June 2018. This shows the current projection is an underspend of £97k. The main points to note are:
 - 3.1.1 Salary costs are estimated to be £31k below budget. This is due to a post vacancy (Economic Development Officer) as well as a reduction in apportioned senior officer secondment costs. In addition, the £66k provision included within the 2018/19 budget as a contribution to meeting any historic pensions deficit costs is no longer required as the actuarial assessment completed in March 2018 revealed there to be no longer any liability.
 - 3.1.2. The initial budget of £62k set aside for Project expenditure has been increased to reflect the drawdown of the earmarked reserves approved by the Joint Committee in April 2018 for the following uses;

Table B – Drawdown of Earmarked Reserves 2018/19

Stepping Up			50
5G Bid			150
Digital Strategy c/fwd			18
			<u>218</u>

- 3.1.3 In addition, expenditure of £18k is included within the forecast for completion of the work on the Energy Strategy, funded by the carry forward of the remainder of the unspent BEIS Grant from 2017/18.
- 3.1.4 At this stage, interest returns are forecast in line with the budgeted income of £198k. However, the forecast will be revisited and updated to take account of Local Growth Fund grant expenditure profiles which may result in an increased level of investment returns for the 2018/19 Financial Year.
- 3.1.5 The LEP Reserve has been updated to reflect the final reconciliation of historic balances held by Bath & NE Somerset under the previous Accountable Body arrangements. As shown in Table A below, current balances after allowing for agreed commitments are £591k.

Table A – LEP Surplus Balances held on behalf of the Unitary Authorities

Transferred from B&NES to WECA	
LGF Interest (for 2016/17 FY)	-191
4UA contributions in previous years (surpluses to 31/3/17)	-360
	-551
Transferred to LEP Reserve (2017/18 surplus)	-40
Total LEP surplus balances	-591

- 3.1.6 It is proposed to allocate up to a total of £364k from these balances to support the Local Industrial Strategy project. This funding (up to £91k per Unitary Authority) will allow for the costs of staff members being seconded from the UAs to provide capacity to undertake the evidence gathering and policy development work to support the strategy and ensure that the it has broad support across the region.
- 3.2 **Appendix 2** outlines IBB's current forecast revenue position for the 2018/19 financial year based on actual information to the end of June 2018. This shows the current forecast position is a breakeven position. The main points to note are:
- 3.2.1 The WECA has been operating as the Accountable Body for the IBB inward investment team since staff transferred from Bristol City Council in May 2017. BCC remains named within the Grant Offer Letter and Memorandum of Understanding for the five-year funding term as the lead body. A 'side letter' agreement will be put in place to regularise the position of WECA acting as lead and accessing EDF on behalf of the partners.
- 3.2.2 Staff Costs are forecast to be £39k less than budgeted. This is due to a post vacancy before recruitment of an Inward Investment Officer as well as for a Marketing Officer position, where it is intended to provide cover via consultancy as required. In addition, a £20k provision which

was built into the 2018/19 budget to meet any historic pensions deficit is no longer required.

- 3.2.3 Sector Specialist costs have been incurred via external consultancy, rather than direct employment, and are expected to be £18k underspent due to the recent re-appointment of the Hi-Tech specialist.
- 3.2.4 Funding for this activity is secured by way of an annual grant (for five years from 2015/16 to 2019/20) from the Economic Development Fund and underwritten by the four West of England Councils. Sponsorship income is also received, for example, for representation at trade conferences. Management will continue to operate activity to balance the budget within available grant resources over the current five-year term of funding and subject to appropriate Budget approvals.
- 3.2.5 Marketing expenses are forecast at £439k for the Financial Year. This includes £145k on attendance at trade conferences. The budget also now reflects the Farnborough and South West Aerospace activities, which weren't included in the 2018/19 budget, but are fully covered by sponsorship income and contributions. The remaining variance reflects the consultancy cover for the marketing post (£30k) and maintenance of historic levels of marketing activity through application of underspends on staffing and sector specialists while drawing down half (£105k) of the cumulative EDF underspend available (leaving up to £105k for 2019/20).

Consultation:

- 4. Consultation has been carried out with the Chief Executives, S151 Officer and Monitoring Officer.

Other Options Considered:

- 5. None.

Risk Management/Assessment:

- 6. The West of England Office agreement underpins the LEP; a Memorandum of Understanding between the four West of England UAs underpins the IBB service. These agreements deal with the risk sharing mechanisms between the four West of England councils. For all other WoE budgets administered by the WECA, it acts as "agent" with a straight pass through of funding and related costs.

Public Sector Equality Duties:

- 7. There are no specific public sector equalities issues arising from this report although budget managers are reminded to consider how they could positively contribute to the advancement of equality and good relations. This 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.

Economic Impact Assessment:

- 8. There are no Economic Impacts arising as a result of this report.

Finance Implications:

9. The financial implications are contained within the body of the report.

Legal Implications:

10. This report monitors how the Local Enterprise Partnership (LEP), and Invest in Bristol and Bath (IBB) revenue budgets are performing against the financial targets set in Feb 2018 through the Budget setting process.

Environmental Implications:

11. There are no environmental implications arising as a result of this report.

Land/Property Implications;

12. There are no land/property implications arising as a result of this report.

Human Resources Implications:

13. There are no human resources implications arising as a result of this report.

Recommendation:

14. The Joint Committee agrees:

- 14.1. **The LEP Budget Outturn forecast as set out in Appendix 1 is noted.**
- 14.2 **A one-off allocation of up to £364k from accumulated LEP surpluses for the costs of UA staff being seconded to provide capacity to support the development of the Local Industrial Strategy.**
- 14.3 **The IBB Budget Outturn as set out in Appendix 2 is noted recognising the use of prior year underspends in EDF Grant drawdown to balance the outturn position.**

Appendices & Background Papers:

Appendix 1: Revenue position LEP

Appendix 2: Revenue position IBB

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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 **Tim Richens** and who is available by telephoning Joanna Greenwood on 0117 426210; writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.services@westofengland-ca.gov.uk

APPENDIX 1

LEP April to June 2018/19			
	£000s		
	Budget	Forecast	Variance
EXPENDITURE			
Staff	871	840	31
Additional Pensions costs	66	0	66
Supplies & Services			
Support Services	95	95	0
Property costs	102	102	0
Project spend	279	297	-18
Total Supplies & Services	476	494	-18
Total Expenditure	1,413	1,334	79
INCOME			
UA Grants	440	440	0
DCLG Core Grant	250	250	0
Capacity Grant Funding	250	250	0
Skills Grants	75	75	0
Energy Grant	0	18	18
Interest received	198	198	0
LEP Reserve	200	200	0
Total Income	1,413	1,431	18
NET TOTAL - Under /(Over) Spent	0	97	97

APPENDIX 2

IBB April to June 2018/19			
	£000s		
	Budget	Forecast	Variance
EXPENDITURE			
Staff	516	477	39
Additional Pensions costs	20	0	20
Supplies & Services			
Support Services	67	67	0
Property costs	85	85	0
Sector Specialists	200	182	18
Marketing Expenses	112	439	-327
Total Supplies & Services	464	773	-309
Total Expenditure	1,000	1,250	-250
INCOME			
Economic Development Fund Grant	1,000	1,105	105
Grant Income	0	0	0
Sponsorship Income	0	117	117
Contributions	0	20	20
Internal Recharges	0	8	8
Total Income	1,000	1,250	250
NET TOTAL - Under /(Over) Spent	0	0	0