

REPORT TO: WECA COMMITTEE

DATE: 30 NOVEMBER 2018

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

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CORPORATE SERVICES**

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Purpose of Report

- 1 This report presents the forecast revenue and capital financial outturn budget monitoring information for WECA and the Mayoral budget for the financial year 2018/19 based on actual data for the period April 2018 to September 2018.

Background / Issues for Consideration

- 2 The WECA Financial Regulations require that the WECA Committee considers the revenue and capital monitoring position at regular intervals throughout the financial year.

Mayoral Fund

- 2.1 **Appendix 1** details the Mayoral Fund's forecasted outturn revenue position for the 2018/19 financial year, which, overall, is in line with the set budget. Variations to note within individual budget lines are:
 - 2.1.1 A contribution of £388k will be made to an earmarked reserve, in line with budget, to meet the estimated costs of the next Mayoral Election in 2021.
 - 2.1.2 A further £400k, (in addition to the original £1.2m allocation), has been approved by the Committee towards Joint Spatial Plan Scheme Development. This is within the forecast outturn of £892k. The remainder of the variance of £92k relates to re-phasing of expenditure from last Financial Year. In total, the programme is forecast to drawdown within the maximum £1.6m revised allocation.
 - 2.1.3 Priority transport infrastructure feasibility studies are forecast to drawdown on the following phasing against the original £3.150m approval;

	17/18	18/19	19/20	Total
	£000	£000	£000	£000
Southern Orbital		250		250
Mass Transit Options		350		350
East of Bath Strategic Link	20	120	110	250
Freezing Hill/A420 Junction	22	78		100
Bristol Temple Meads Masterplan		889	1,111	2,000
Wraxall Road Roundabout	25	175		200
Priority Infrastructure Feasibility Studies	67	1,862	1,221	3,150

2.1.4 The consequent contribution required from the WECA Budget is forecast to be £3.351m in 2018/19.

WECA

2.2 **Appendix 2** outlines WECA's current outturn revenue position for the 2018/19 financial year. This shows the current forecast position is £460k underspent against the budget. The main points to note are:

2.2.1 Staff costs are currently forecast to be £14k lower than budgeted due to an overall vacancy factor of 1% and a reduction in apportioned senior officer secondment costs.

2.2.2 Transport – a revised 'substitute' Transport Levy was set for 2018/19 as set out in Table A below;

Table A – Substitute Transport Levy 2018/19

Authority	Current 2018/19 Levy	Proposed adj 17/18 variances	Proposed adj - Investment Fund contribution	Proposed Substitute 2018/19 Levy
	£000's	£000's	£000's	£000's
B&NES	4,273	138	-400	4,011
BCC	7,912	-619	-400	6,893
SGC	2,485	17	-400	2,102
TOTAL	14,670	-464	-1,200	13,006

2.2.3 The substitute Levy for 2018/19 incorporates adjustments based on the 2017/18 outturn, to maintain the current revenue neutral position for constituent councils and was also further adjusted to provide for a £400k one-off contribution to each of the constituent councils (total £1.2m) from the revenue element of the Investment Fund. This one-off contribution will provide further flexibility to the constituent councils in meeting these revenue costs.

- 2.2.4 The first £1m allocation of the £2m Mayoral Capacity Funding was received at the end of May 2018 and £575k is projected as allocated in 2017/18. Progress is being made to recruit the additional resources covered from this funding. As the funding runs for two years, the commitments will cover this full period and any unspent funds in the current financial year will be carried forward to meet these costs.
- 2.2.5 The £3m Housing Capacity Fund forms part of the interim housing package for the West of England. The first instalment of £900k has been received for 2018/19 and £661k is projected as allocated. This is supporting the creation of the West of England Strategic Housing Delivery Unit and the allocation of this funding includes direct WECA staff costs, specific resources to support related staff secondments from the constituent councils to the WECA, and the engagement of professional consultancy where appropriate. As the funding runs for three years, the commitments will cover this full period and any unspent funds in the current financial year will be carried forward to meet these costs.
- 2.2.6 As set out in para 2.1.4 above, there is a £3.351m forecast contribution to the Mayoral Fund. This mainly funds JSP scheme development and Transport Feasibility studies (£2.754m) and the future costs of Mayoral Elections (£0.388m).
- 2.2.7 Income – the WECA 5% share of Business Rates under the 100% Business Rates Retention (BRR) Pilot is currently estimated to be £400k lower than budgeted. As previously reported to this Committee in April 2018, the MHCLG wrote to all 100% Pilot authorities on Wednesday 21st March setting out an overpayment error affecting the s31 Business Rate grants paid to pilot authorities. Government have subsequently confirmed this error will be corrected from 2018/19 onwards. The impact is estimated at £400k per annum and provision was included for this as part of the final accounts process for 2017/18 within the Business Rates Reserve. The ongoing implications will need to be considered as part of the 2019/20 Budget and Medium Term Financial Plan.
- 2.2.8 Further drawdowns from earmarked reserves approved in April 2018 are forecast to take place in 2018/19 including;
- £160k Transport Work Packages
 - £90k ICT and accommodation set-up costs
 - £60k HR advisor support
- 2.2.9 Project spend consists of the following expenditure, funded by grants, reserves or approved drawdowns from the Investment Fund;

Project Spend	
Transport Work Packages	160
National Evaluation Framework	25
Cultural Strategy	100
Greater Bristol Suburban Rail Feasibility Study	100
Talent Institutes Feasibility Study	40
Visitor Economy	100
HIF Bid	1,000
Skills Capital Projects Development	1,190
Apprenticeship Grant for Employers	239
	2,954

- 2.2.10 Futurebright – forecast expenditure of £1.661m is currently projected. Recruitment to the project is somewhat behind the profile initially set, though the recent widening of eligibility criteria negotiated with DWP, so that all candidates in work and in receipt of means tested benefits will widen the recruitment pool. The forecast will be monitored closely as marketing activity takes place. The programme runs to July 2020.
- 2.2.11 Interest on investment balances is forecast at £1.004m for 2018/19, which is £484k higher than budgeted, reflecting 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%.
- 2.2.12 The overall forecast performance of the WECA budget is therefore an underspend of £460k.
- 2.2.13 It is proposed that the additional resources are allocated to the following;

ICT and office development (including website and intranet)

The Authority will need to plan and set aside funding for migration to Windows 10 over the next 18 months. Further development of the Authority's website and intranet are also required as further functions are devolved by Central Government; £200k.

Transforming Cities Fund: Future Mobility Zones

Development work to support a bid to Government for funding for Smart Travel – to support the Industrial Strategy Future of Mobility Grand Challenge, £90 million will be available to create Future Mobility Zones. This will trial new transport modes, services, and digital payments and ticketing; £100k.

Revenue Reserve

With volatility around the future funding streams available to meet the staff and operational costs of WECA, it is proposed that £160k is

moved into a general fund reserve which will be kept under review through regular budget monitoring.

Capital

- 2.3.1 **Appendix 3** outlines the current capital budget forecast for the 2018/19 financial year. The main points to note are:
- 2.3.2 The majority of Real-Time Information capital expenditure is programmed to be spent in 2018/19 (£504k). Migration is planned to be fully completed early in 2019/20.
- 2.3.3 2017/18 underspends on Economic Model development (£285k) and Transport Schemes Business Case Development (£2.280m) are carried forward into the 2018/19 capital budget, funded by Investment Fund drawdown.
- 2.3.4 The Highways and Transport grant payments are in line with Budget and the additional Pothole Action Fund allocation of £1.241m is included in the capital budget. This grant has been paid to Constituent Authorities.
- 2.3.5 5G Smart Tourism Project – following the successful bid to the test-bed and trials programme, a capital budget of £5.000m is included in the capital plan, fully funded by DCMS capital grant. All expenditure must be incurred in the 2018/19 Financial Year.

Consultation

- 3 Consultation has been carried out with the West of England and WECA Chief Executives, S151 Officers and Monitoring Officer.

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.

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 2017 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

Land/property implications

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

Human Resources Implications:

- 10 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

Recommendations:

The WECA Committee agrees:

- 11.1. The Mayoral Fund and WECA revenue and capital budget outturn forecasts as set out in Appendices 1,2 and 3 are noted.**
- 11.2 The allocation of up to £200k for ICT and office development, up to £100k for development work on smart travel and £160k into a general fund revenue reserve subject to the final outturn position.**
- 11.3 Delegation to the S151 Officer in order to make all necessary adjustments to Mayoral and WECA Budgets in compliance with the detail within this report.**

Appendices & Background papers:

Appendix 1: Mayoral Fund Revenue Position

Appendix 2: WECA Revenue Position

Appendix 3: Mayoral Fund and WECA Capital Position

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 September 2018/19			
	£000s		
	Budget	Forecast	Variance
EXPENDITURE			
Staff	155	158	-3
Supplies & Services			
Expenses	15	15	0
Election costs	388	388	0
Support Services	19	19	0
Property costs	20	20	
Joint Spatial Plan Scheme Development	400	892	-492
Transport Feasibility Studies	2,375	1,862	513
Capital RCCOs			
Transport Grants	5,183	5,183	0
Highways Maintenance Grants	10,254	10,254	0
Highways Incentive Grants	2,135	2,135	0
Total Supplies & Services	20,789	20,768	21
Total Expenditure	20,944	20,926	18
INCOME			
Business Rates Retention Income	17,572	17,572	0
Funding from WECA	3,372	3,351	-21
Total Income	20,944	20,923	-21
NET TOTAL - Under /(Over) Spent	0	-3	-3

APPENDIX 2

WECA Fund April to September 2018/19			
	£000s		
	Budget	Forecast	Variance
EXPENDITURE			
Staff	1,395	1,381	14
Supplies & Services			
Expenses	55	74	-19
Support Services	128	128	0
Property costs	136	136	0
Project spend	235	2,954	-2,719
Implementation & set up costs	90	90	0
Concessionary fares	12,378	12,316	62
Community transport	1,690	1,690	0
RTI costs	602	602	0
Mayoral Capacity Fund	1,000	575	425
Housing Delivery Capacity Fund	900	661	239
Futurebright	2,333	1,661	672
WECA contribution to Mayoral Fund	3,372	3,351	21
Total Supplies & Services	22,919	24,238	-1,319
Total Expenditure	24,314	25,619	-1,305
INCOME			
Levy from CA's for WECA Transport functions	14,670	13,006	-1,664
Net Business Rates Retention Income	1,105	705	-400
Investment Fund - Revenue Contribution	3,447	7,056	3,609
Interest on Balances	520	1,004	484
Grant Income - Mayoral & Housing Cap/Futurebright	4,233	3,186	-1,047
WECA Reserves	310	1,110	800
Other Income	29	12	-17
Total Income	24,314	26,079	1,765
NET TOTAL - Under /(Over) Spent	0	460	460

