

**ITEM: 9**

**REPORT TO: WECA Committee**

**DATE: 30 October 2017**

**REPORT TITLE: WECA AND MAYORAL BUDGET OUTTURN 2017/18:  
REVENUE AND CAPITAL MONITORING APRIL 2017 TO  
SEPTEMBER 2017**

**AUTHOR: TIM RICHENS, DIRECTOR OF INVESTMENT &  
CORPORATE SERVICES**

**Purpose of Report**

1. This report presents the revenue and capital financial outturn budget monitoring information for WECA and the Mayoral budget for the financial year 2017/18 based on actual data for the period April to September 2017/18.
2. The report also seeks approval of one-off budget virements to meet anticipated transition costs costs and interim resources for Housing and Transport delivery, together with an ongoing budget variation to meet the costs of the proposed WECA staffing resources. All such costs are within the existing available funding.

**Issues for Consideration**

3. The WECA Financial Regulations requires that the WECA Committee considers the revenue and capital monitoring position at regular intervals throughout the financial year.
  - 3.1. Separately on the agenda for this meeting are various proposals for further allocations of funding and these are not reflected in this report. The specific financial implications are clearly set out in those reports.
  - 3.2. **Appendix 1 outlines the Mayoral Fund's current outturn revenue position** for the 2017/18 financial year. This shows the current forecast position is £195K underspent. The main points to note are:
    - 3.2.1. Salary costs are £28k lower than budgeted due to the timing of appointment to the mayoral support role.
    - 3.2.2. The costs of the Mayoral Election, overseen by Bristol City Council, are currently forecast to be approximately £200k lower than budgeted, pending final payment of all associated liabilities.

- 3.2.3. The consequent contribution required from WECA Budget is forecast to be £195k lower than originally estimated.
- 3.2.4. The Mayoral Budget now includes £1.2m to provide grant funding in respect of Joint Spatial Plan Scheme Development as agreed by WECA on 15 September 2017.
- 3.3. **Appendix 2 outlines WECA's current outturn revenue position** for the 2017/18 financial year. This shows the current forecast position is £1.318M underspent comprising a £733k underspend on expenditure and a £585k surplus on income. The main points to note are:
- 3.3.1. Staff costs are forecast to exceed the current budget allocation by £176k due to the need to engage short term interim resources to support delivery of Housing and Transport priorities, including housing investment bids and transport services. Additionally, further one-off transitional costs relating to recruitment and part-year salaries of up to £130k (**as set out at Appendix 4**) will be required. A total one-off virement of up to £306K is requested from underspending budget heads to cover this one-off cost.
- 3.3.2. The Staff Budget for WECA was originally agreed in March 2017 to facilitate the initial set-up and establishment of the WECA and ensure initial delivery of key statutory functions. Following the election of the Mayor and the clarification of ongoing delivery and resourcing requirements, the CEO has identified a proposed sustainable staffing structure as set out in more detail at **Appendix 4**. The cost of this structure is within the overall resources available to the WECA and will not require any funding from the constituent councils indeed, it is anticipated that savings will be generated for the councils from the LEP staffing budget as the balance of roles becomes clearer going forwards (this will be reported separately to the Joint Committee). A recurring budget adjustment is sought to enable the implementation of the proposed structure to commence – the full year recurring impact of which is estimated at £353K. This adjustment will also be reflected in the Budget proposal for 2018/19.
- 3.3.3. Transport - concessionary fares costs are currently projected to underspend by an estimated £522k due to lower than anticipated demand (reduced patronage) for this service. Further work will be necessary to establish if this is due to one-off factors or if this indicates a longer-term trend. Other transport functions (community transport and bus information services) are currently projected to be in-line with budget although Real Time Information is covered as part of a separate Report on this agenda.
- 3.3.4. A one-off financial provision was made within the budget to recognise the likely initial set-up costs of the WECA. A £101k underspend is currently projected, largely related to lower anticipated furniture and equipment costs arising from the new office set up.
- 3.3.5. As set out in para 2.1.3 above, there is a reduced forecast contribution to the Mayoral Fund of £195k.
- 3.3.6. Income – interest earnings on the WECA cash holdings are £210k higher than anticipated. All investments are in-line with the approved WECA Treasury Strategy and further details are set out in the Treasury Outturn Report also on the agenda for this meeting. In addition, the estimated WECA 5% share of business rates under the 100% Business Rates Retention Pilot are currently estimated to be £325k in excess of budget based on the rates business rate growth forecasts provided by the constituent councils – the majority of growth (94%) is now retained by the constituent councils under the pilot arrangements. The 100% pilot itself is currently agreed to

continue until 2019/20 – beyond this is subject to ongoing discussions with government and the implementation of the national 100% rates retention system from 2020/21.

3.3.7. Subject to the approval of the one-off virement, the WECA revenue budget is estimated at £1.3M underspent. This position will continue to be monitored and reviewed including consideration as part of the 2018/19 budget process to identify the recurring elements and the potential to pass funding through to the constituent councils, noting that the WECA was not established with any financial reserves.

**3.4. Appendix 3 outlines the current capital budget forecast for the 2017/18 financial year.**

This shows the current forecast position is a small overspend of £43k which is fully offset by associated revenue underspending. The main points to note are:

3.4.1. Infrastructure (Economic Model and Project Development) costs are forecast to budget at this point.

3.4.2. The WECA Office and IT costs shows a small £43k overspend on capital costs which has been fully offset by reductions in revenue set up costs as set out in Para 3.3.4.

3.4.3. The Highways and Transport grant payments are in line with Budget and have been updated to reflect the additional Pothole Funding grant approved by WECA Committee in June 2017.

3.5. The WECA also acts as the Accountable Body for a range of Government Grant Funding Streams including Local Growth Fund, Revolving Infrastructure Fund, WoE Growth Fund, Economic Development Fund etc. These funds are administered by WECA on an “agency – zero cost basis” with all related costs met directly from approved allocations within the funding streams. Further details are set out in the Budget Outturn reports to the West of England Joint Committee.

**Consultation:**

4. Consultation has been carried out with the Chief Executive, WECA Interim Directors and the Monitoring Officer in arriving at the Budget Forecasts.

**Other Options Considered:**

5. None.

**Risk Management/Assessment:**

6. 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:**

7. 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 was put into place to ensure that the Concessionary Travel scheme across the WECA area is consistent in line with the highest common denominator

**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 WECA and the Mayoral Fund are performing against the financial targets set in March 2017 through the Budget setting process in accordance with the WECA Order 2017 and the Combined Authorities Financial Order 2017.

**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. 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.

**Recommendations:**

**14. The WECA Committee agrees that:**

- 14.1. The Mayoral Fund and WECA revenue and capital budget outturn budget forecasts as set out in Appendices 1,2 and 3 are noted.**
- 14.2. That a one-off virement of up to £306k from the WECA Supplies and Services Budget to the WECA Staffing Budget be approved to cover short term interim resources as set out in para 3.3.1.**
- 14.3. That an on-going Budget variation of £353K (full year effect) from the WECA Income Budget to the WECA Staffing Budget be approved to meet the costs of the proposed WECA Staffing Structure as set out in Appendix 4.**

**Report Author: Tim Richens, Director of Corporate Services**

**Appendices & Background Papers:**

- Appendix 1: Mayoral Fund Revenue Position
- Appendix 2: WECA Revenue Position
- Appendix 3: Mayoral Fund and WECA Capital Position
- Appendix 4: Proposed Staffing Resources

**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: [Joanna.greenwood@westofengland-ca.gov.uk](mailto:Joanna.greenwood@westofengland-ca.gov.uk)

## APPENDIX 1

<b>Mayoral Fund April to September 2017/18</b>			
	<b>£000's</b>		
	Budget	Forecast	Variance
<b><u>EXPENDITURE</u></b>			
<b>Staff</b>	135	107	28
<b>Supplies &amp; Services</b>			
Expenses	15	15	0
Election costs	1,645	1,445	200
Support Services costs	15	49	(34)
Joint Spatial Plan Scheme Development	1,200	1,200	0
Capital RCCOs:			
Transport grants	5,183	5,183	0
Highways Maintenance grants	11,328	11,328	0
Highway Incentive grants	1,061	1,061	0
<b>Total supplies and services</b>	20,447	20,281	166
<b>Total Expenditure</b>	<b>20,582</b>	<b>20,387</b>	<b>195</b>
<b><u>INCOME</u></b>			
Business Rates Retention income	17,572	17,572	0
Funding from WECA	3,010	2,815	(195)
<b>Total Income</b>	<b>20,582</b>	<b>20,387</b>	<b>(195)</b>
<b>NET TOTAL - Under / (Over) Spent</b>	<b>0</b>	<b>0</b>	<b>0</b>

## APPENDIX 2

<b>WECA Fund April to September 2017/18</b>			
	<b>£000's</b>		
	<b>Budget</b>	<b>Forecast</b>	<b>Variance</b>
<b><u>EXPENDITURE</u></b>			
<b>Staff</b>	973	1,149	(176)
<b>Supplies &amp; Services</b>			
Expenses	50	50	0
Support Services	246	167	79
Property costs	190	177	13
Implementation and set up costs	1,650	1,549	101
Concessionary fares	13,209	12,687	522
Community transport	1,702	1,702	0
RTI costs	371	371	0
WECA contribution to Mayoral fund	3,010	2,815	195
<b>Total supplies and services</b>	<b>20,427</b>	<b>19,518</b>	<b>910</b>
<b>Total Expenditure</b>	<b>21,400</b>	<b>20,667</b>	<b>733</b>
<b><u>INCOME</u></b>			
Levy from CAs for WECA Transport functions	15,281	15,281	0
Net Business Rates Retention - income	945	1,270	325
Gainshare - revenue contribution	5,084	5,084	0
Interest on balances	90	300	210
Other income	0	50	50
<b>Total Income</b>	<b>21,400</b>	<b>21,985</b>	<b>585</b>
<b>NET TOTAL - Under / (Over) Spent</b>	<b>0</b>	<b>1,318</b>	<b>1,318</b>

## APPENDIX 3

WECA and Mayoral Capital Programme Monitor 2017/18 to 20/21													
	Forecast Spend						Funded by:						
	Budget	Forecast	Variance	Indicative	Indicative	Indicative	17/18				18/19	19/20	20/21
	17/18	17/18	17/18	18/19	19/20	20/21	Gainshare	DfT Grant	RCCO	Total	RCCO	RCCO	RCCO
	£'000			£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
<b>WECA Capital</b>													
Infrastructure													
Economic Model & Scheme Prioritisation	400	400	-				400		400				
	400	400	-				400		400				
WECA Capital - other													
IT & Building Alterarions	300	343	(43)				343		343				
	300	343	(43)				343		343				
<b>Mayoral Capital</b>									-				
Highway and Transport Grants	20,475	20,475	0	17,572	17,572	17,572	-	2,903	17,572	20,475	17,572	17,572	17,572
Pothole Action Grant (WECA Cttee June 2017)	891	891	0					891	891				
	21,366	21,366	-	17,572	17,572	17,572	-	3,794	17,572	21,366	17,572	17,572	17,572
<b>Grand Total</b>	<b>22,066</b>	<b>22,109</b>	<b>(43)</b>	<b>17,572</b>	<b>17,572</b>	<b>17,572</b>	<b>743</b>	<b>3,794</b>	<b>17,572</b>	<b>22,109</b>	<b>17,572</b>	<b>17,572</b>	<b>17,572</b>
Note: RCCO indicates a Revenue Contribution to Capital Outlay													

**WEST OF ENGLAND COMBINED AUTHORITY****Proposed Staffing Resources****Purpose of Paper**

The purpose of this paper is to inform the decision making on the requests for:

- A one-off budget virement for 2017/18 of £306K to the staffing resourcing budget to provide interim capacity and support recruitment of permanent staff resources.
- To increase the annual staffing resource budget from £903K to £1.256m (+£353K) from 2018/19.

**Introduction**

The West of England Devolution deal includes money, powers and responsibilities to deliver economic growth for the region through investments and interventions to:

- Support business and innovation
- Develop the skills it needs, and,
- Develop the infrastructure to support success.

The deal comprises our commitments to government to deliver against an agreed implementation plan and to meet with the requirements of the 5 and 10 year gateway reviews in return for money and powers to enable us to deliver against these requirements. In addition to the overriding objective of delivering economic growth, our region also agreed secondary objectives of delivering growth from which everybody in the region can benefit and protecting the environment.

The new money coming to the region as a part of the devolution deal includes the devolution grant of £30m per annum (£15m revenue and £15m capital), the £18m+ per annum coming from the business rates retention pilot (the majority of this money goes directly to the constituent authorities) and the money paid through the combined authority for the higher rate of highways maintenance.

In addition to the initial devolution deal, there is now the opportunity for the region to make the case for further money and powers to invest in the future of the region. We are currently in negotiations with central government for a Housing Investment Fund and for a Housing deal to help us to deliver the homes our region needs.

The staff in the LEP office were transferred across to the Combined Authority at the beginning of May 2018 and an interim budget was set for the additional WECA responsibilities at the WECA Budget meeting in March 2017. This budget provided for the Statutory Officer posts, delivery of statutory functions and a minimal provision for new responsibilities.

Now the Mayor has been elected and the work has commenced, there is a need to review that initial budget to enable WECA to fulfil its obligations and capture the new opportunities offered for additional funding and powers for the region. Whilst there is a commitment in the region to keeping the Combined Authority staffing lean and focused and to use resource available in authorities where there is the capacity and skills available, WECA needs

sufficient resources to work effectively with its constituent authorities in fulfilling its requirement (including being able to fund any authority staff seconded to work on WECA functions) and capturing new opportunities and money for the region.

WECA's staffing and running costs are funded from the new money secured as a part of the deal through the business rates retention pilot. (WECA's costs are not paid by its constituent authorities). 5% of the business rate retention pilot money goes directly from government to WECA. Overall WECA is currently underspending on its running costs and generating additional income and is therefore projected to be some £1.3m underspent overall. There are some pressures on its staffing costs which have resulted due to the need for WECA to meet with its commitments and secure further money and powers for the area.

### **Virement request for 2017/18**

The resources paper is proposing a virement for 2017/18 to move some of the money from its underspending budget heads (which are currently £1.3m underspent) into its staffing budget.

The virement required comprises:

- £176K to address existing pressures created by the commissioning of additional interim resources for the region to support the work to secure a HIF and Housing Deal for the region
- Up to £130K to support the recruitment to essential posts, transitional costs and meet the related increased salary costs for remaining part of the financial year

There is the need to progress the organisation change required to ensure that WECA's resources are in the right place and that staff have the right skills to fulfil the functions to deliver both the devolution deal and the existing LEP functions. There are savings to be achieved from the baseline LEP budget through this change which will include measures to centralise functions currently distributed across teams, such as administrative support and marketing, to secure economies of scale. However, to progress the change the priority is to recruit to key areas of the organisation where there are gaps including:

- Administrative and governance support including supporting the Committees, advisory boards, the LEP Board and Scrutiny has been running almost entirely on temporary staff and there is a need to urgently build an adequate, stable and permanent structure to support these boards and committees
- The staffing resource in housing and planning is insufficient to support the additional work and opportunities created by the Housing Investment Fund and the Housing Deal
- The communications resource needs increasing and a permanent team needs to be put in place
- Additional support will be required for the remainder of the year to ensure that we can meet the transport requirements set out in our devolution deal.

The transition from the existing structure to the new structure will ensure that resources are focused on priorities and that staff have the necessary skills. There will be one-off transitional costs incurred in this financial year, estimated up to £130K.

## Reason for the additional base budget

Following the election of the Regional Mayor, the work with WECA and its constituent authorities to take on the additional powers and functions as set out in the devolution deal and to capture new money and powers has progressed and, it is apparent that:

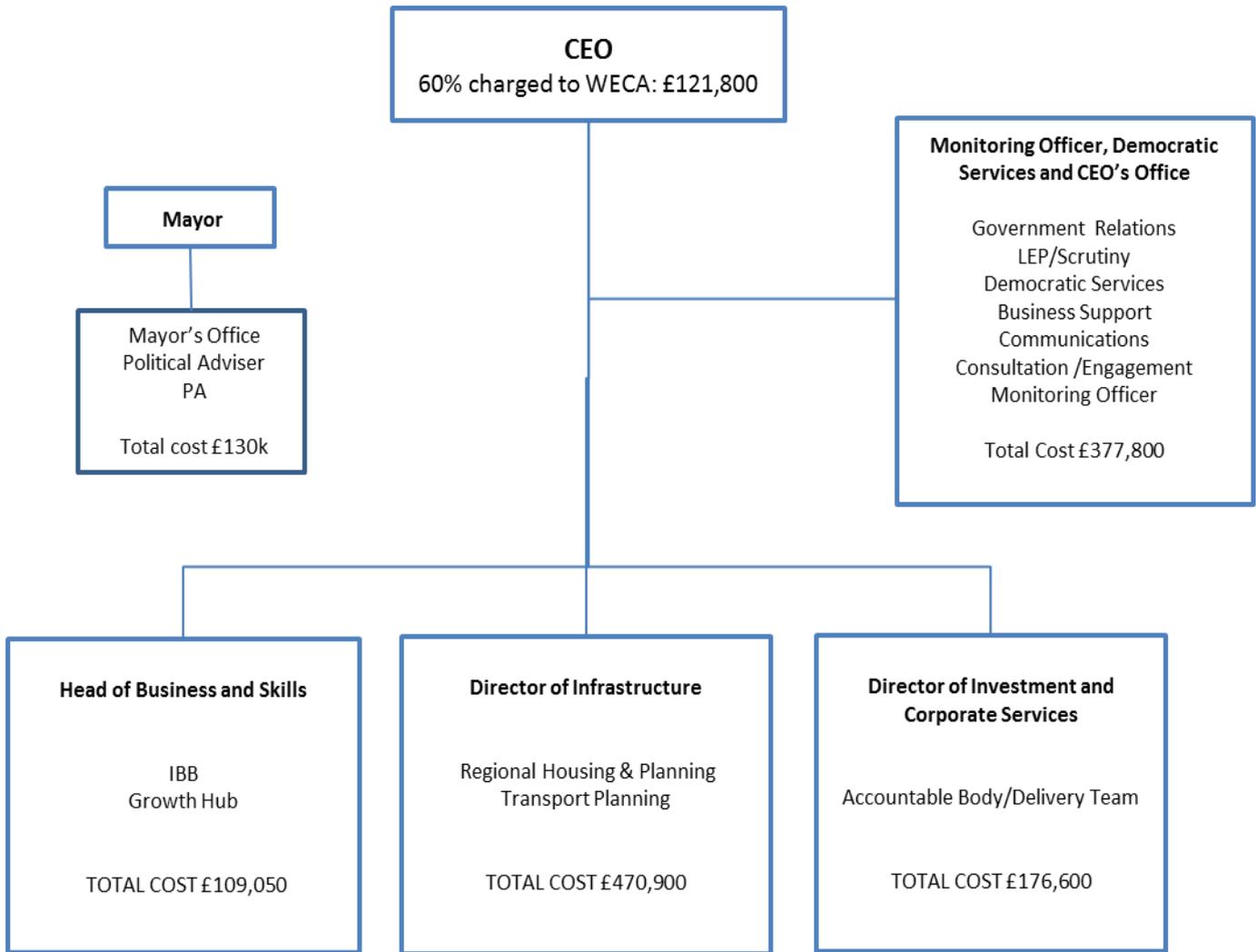
- There are significant additional funds now managed by WECA including the new £900M investment fund, highways and transport grants £18M per annum, transport functions £16M per annum and the Innovation Pilot £4M, Further additional funding streams are subject of ongoing discussions with government including a housing investment fund, housing deal and adult education budgets.
- There are significant opportunities to attract additional powers and funding to the region and these will require additional support to develop bids and business cases, working with colleagues in the local authorities.
- There is a need to enhance the democratic functions required to manage the new committees, advisory boards and scrutiny functions associated with running a publicly accountable authority.
- There is a need to develop the WECA communications function including the digital channels, to ensure transparency and support engagement and consultation activities. In addition, support is required to prepare briefings and presentations to support bids for funding and investment.
- Housing and planning resource is required to support ongoing work on the Housing Investment Fund, Housing Deal and JSP. In addition, WECA has been given new responsibilities including development of a Mayoral Spatial Plan and delivery of new planning powers and resource is required to support these.
- WECA needs to ensure adequate transport resource is available to meet its transport authority responsibilities including delivery of a local transport plan and the ongoing management of the of the integrated transport authority functions.

The following additional funding for staff posts (not included in the base budget set at the March 2018 WECA meeting – details are attached in annex 1) is required (all costs include employer pensions and national insurance costs:

- Director of Infrastructure = £115K
- Housing and Planning = £92K
- Adult Education = £52K
- Business and Skills = £36K
- Transport £26K
- Marketing and communications support = £32K
- **Total additional staffing budget = £353K**

Where possible, use will be made of resources available in constituent authorities where the people with the right skills can be released to support these activities, but the budgets will still be needed for WECA to pay the authorities for these staff.

## WECA Staffing Structure and costs to WECA



Total Structure Cost £1,256,150