

REPORT TO: WEST OF ENGLAND JOINT COMMITTEE

DATE: 18 April 2018

**REPORT TITLE: REVENUE 2017/18 – OUTTURN MONITORING
APRIL 2017 TO JANUARY 2018**

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

Purpose of Report

1. This report presents the revenue outturn budget monitoring information for the West of England Joint Committee for the financial year 2017/18 based on actual data for the period April 2017 to January 2018. This report covers the Local Enterprise Partnership (LEP) and Invest in Bristol and Bath (IBB) revenue budgets.
2. The report also requests that any specific underspends occurring within the Energy and Digital strategy work-streams are carried forward as one-off sums to fund any committed expenditure occurring in 2018/19, as well as making a recommendation for an element of general underspends to be utilised to fund the proposed Stepping-Up project in the next financial year.

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 2017/18 financial year based on actual information to the end of January 2018. This shows the current projection as £190k underspent. The main points to note are:
 - 3.1.1 Salary costs are estimated to be approximately £116k lower than budgeted reflecting an element of staff turnover and the emerging balance of resourcing between the WoE LEP Office and WECA.
 - 3.1.2. Following the transfer of the Accountable Body function from B&NES to the WECA, provision was made for historic pension deficit costs (estimated at £59k per annum), whilst the responsibility for liabilities were clarified. The commissioning of a detailed actuarial calculation using individual employee level data, as well as the improved funding level of the Pension Fund, has revealed that there is no deficit accruing for the period between 2010 and 2017 and therefore no current or future year provisions are required.
 - 3.1.3. Supplies and Services expenditure is forecast to overspend by £153k, due to the identification of Support Services costs and Supplier payments that have been transferred from the period that B&NES remained Accountable Body. This is offset by the salary underspends

as well as an increase in income (see below). The approved one-off virement for the Digital Strategy (£50k) has taken place.

- 3.1.4 A contribution of £26k from the EDF Management Charge, reflecting staffing and consultancy costs for appraisal of Business Cases, has been agreed by the Business Rates Pooling Board. Interest returns of £175k are forecast on the investment balances relating to 2017/18 LGF grant that is received up-front each April. In common with the previous treatment at B&NES, and that agreed in the 2018/19 LEP budget, this income has been included within the financial performance of the LEP. The £50k grant funding from BEIS for the Energy strategy has been allocated within the budget.
 - 3.1.5 The forecast at Appendix 1 assumes that the Digital and Energy strategy work-streams will fully spend and the forecast £190k underspend is therefore available to transfer to the LEP reserve.
 - 3.1.6 Against this funding transferred to the LEP Reserve, it is proposed that £50k be earmarked to support the Bristol City Council led Stepping-Up Programme from 2018/19. Supported by over 50 organisations the programme seeks to expand the pipeline of talent, drawing on diversity in its widest sense so that by 2020 we have a more representative and diverse population of leaders and an integrated leadership framework.
 - 3.1.7 The LEP Reserve opening balance for 2017/18 was £360k and at this stage the net underspend forecast of £140k will increase this to £500k. In addition, a final reconciliation of LEP balances held by the previous Accountable Body (B&NES) is being completed and will be added to this figure. The first Outturn Report for 2018/19 in July 2018 will provide an updated opening Balance for 2018/19 which can then be considered against future costs and liabilities.
- 3.2 **Appendix 2** outlines IBB's current forecast revenue position for the 2017/18 financial year based on actual information to the end of January 2018. This shows the current forecast position is £136k underspent. The main points to note are:
- 3.2.1 Following the transfer of the Accountable Body function from Bristol City Council to the WECA, a review of all budgets has been undertaken and budget estimates updated. This has identified a number of areas where budgets are now out of alignment with costs.

In order to manage the overall IBB budget position previously reported, a review of staff roles within the team was undertaken. This included holding vacant posts with a resulting salaries underspend of £57k. A further budgeted £204k of Sector Specialist costs have been incurred via external consultancy, rather than direct employment, which is reflected in the overall staffing variance and the level of Supplies & Services expenditure reported.

In common with the position for LEP staff described at para 3.1.2 above, further investigation and improved performance has revealed no historic pension deficit costs, freeing up the provision of £17k in the current and future Financial Years.

Several activities initially planned to take place in 2017/18 have been postponed and are now due to occur in the following Financial Year. The reduced drawdown of funding this Financial Year may therefore be required in 2018/19 to meet these costs.

- 3.2.2 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 such as the recent MIPIM event. Management will continue to manage activity to balance the budget within available grant resources over the current five-year term of funding and subject to appropriate Budget approvals.

Consultation:

4. Consultation has been carried out with the Chief Executives, S151 Officers 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 IBB. 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 March 2017 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 voting on the following recommendations will be as follows:

15. The Joint Committee agrees that:

- 15.1. **The LEP Budget as set out in Appendix 1, is noted.**
- 15.2 **A one-off virement of up to £150k be approved from underspending LEP Budget heads and increased income performance to meet the costs of increased Supplies & Services expenditure as set out in Para 3.1.3.**
- 15.3 **Any underspends on Digital and Energy strategy work-streams are carried forward to meet costs arising in 2018/19.**
- 15.4 **Up to £50k of the remaining forecast underspend is earmarked to provide a LEP contribution the Stepping Up programme in 2018/19 onwards with detailed allocation delegated to the LEP Chief Executive.**
- 15.5 **The remaining balance of underspend is allocated to the LEP reserve.**
- 15.6 **The IBB Budget as set out in Appendix 2 is noted and management be requested to seek to manage within existing allocated funding over the five-year funding term. Any EDF grant not drawn down in-year is ring-fenced to IBB activities and can be utilised in subsequent Financial Years subject to future Budget Approvals.**

Report Author: Tim Richens, Director of Investment and Corporate Services

Appendices & Background Papers:

Appendix 1: Revenue position LEP

Appendix 2: Revenue position IBB

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 January 2017/18			
	£000s		
	Budget	Forecast	Variance
EXPENDITURE			
Staff	926	810	116
Supplies & Services			
Support Services	0	92	-92
Property costs	73	82	-9
Project spend	179	231	-52
Total Supplies & Services	252	405	-153
Total Expenditure	1,178	1,215	-37
INCOME			
UA Grants	600	600	0
DCLG Core Grant	250	250	0
Capacity Grant Funding	250	250	0
Skills Grants	38	64	26
Transport Grant	25	25	0
Energy Grant	50	50	0
EDF Management Charge	0	26	26
Interest received	0	175	175
LEP Reserve	-35	-35	0
Total Income	1,178	1,405	227
NET TOTAL - Under /(Over) Spent	0	190	190

APPENDIX 2

IBB April to January 2017/18			
	£000s		
	Budget	Forecast	Variance
EXPENDITURE			
Staff	705	444	261
Supplies & Services			
Support Services	0	64	-64
Property costs	45	68	-23
Marketing Expenses	250	461	-211
Total Supplies & Services	295	593	-298
Total Expenditure	1,000	1,037	-37
INCOME			
Economic Development Fund Grant	1,000	1,000	0
Sponsorship Income	0	103	103
Contributions	0	70	70
Total Income	1,000	1,173	173
NET TOTAL - Under /(Over) Spent	0	136	136