

AGENDA ITEM 7

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

23 NOVEMBER 2017

REPORT OF THE FINANCE DIRECTOR

BUDGET 2017/18 – QUARTER 2

SUMMARY

The purpose of this report is to update members on the financial position of the Combined Authority for the period ending 30 June 2017. The report also briefly sets out the current position in relation to the appointment of external auditors for the Combined Authority.

RECOMMENDATIONS

It is recommended that the Tees Valley Combined Authority:

- i. Note the position on the Core Budget and General Reserve balance.
- ii. Note the changes and updated Resource position at Appendix A.
- iii. Note the allocations from the Development Fund and remaining balance identified in Appendix B.
- iv. Note the position on SSI Task Force funding.
- v. Note the position on the appointment of external auditors from 2018/19.

DETAIL

Core Budget

1. The following table details the budget and projected outturn for the core budget for the quarter ending 30 June 2017. The position will continue to be monitored and reviewed during the course of the year.

	Budget	Projected Outturn	Variance
	£000	£000	£000
Salaries Costs	2,691	2,651	(40)
Other Non Staffing Expenditure	959	965	6
TOTAL EXPENDITURE	3,650	3,616	(34)
LA Contributions	(250)	(250)	0
Local Enterprise Partnership Grant	(610)	(610)	0
Local Growth Fund	(266)	(266)	0
Contribution from Single Revenue Pot	(2,394)	(2,320)	74
Other Income	(130)	(170)	(40)
TOTAL FUNDING	(3,650)	(3,616)	34
NET EXPENDITURE	0	0	0

2. The overall underspend of £34k is mainly due staff vacancies and reduced support service charges offset by increased cost from new posts. Some of the new posts reflect financial and legal services being undertaken in-house and thus are directly associated with support service cost reductions.
3. Taking account of £40k of anticipated additional income for financial and communications services to the South Tees Development Corporation, the contribution needed from the single revenue pot will be reduced by £74k.

Mayoral Election

4. The costs for the Mayoral election are still to be finalised as three authorities are still to submit their claims to the returning officer. Based on those received to date and the efficiency measures taken it is likely that there will be an underspend in this area. An updated position will be provided as part of the next quarterly budget update report to Cabinet.

Combined Authority Investment Plan

5. Since the budget report in March to Cabinet there have been a number of new / additional funding and scheme approvals which are outlined below.
6. The Combined Authority has received an additional £22k of Local transport Plan funding above that previously expected from the Department of Transport.
7. At the Cabinet meeting in January it was agreed to continue the support of the Apprentice Grant for Employers scheme until 31st July 2017 to ensure that all businesses applying to the scheme would have access to the funding. Based on

applications received this is estimated to require an additional £712k from the investment plan. At the July Cabinet Meeting members approved £1.3 million for continued support for Apprenticeships under a revised delivery model, with the scheme commencing on 1st August 2017.

8. The Careers & Enterprise Company grant offer of £260k including match funding of £110k has been secured to enable the programme to continue for the next three academic years, until the end of the academic year 2019/20.
9. The Combined Authority secured an allocation of £246k for the continued Business Growth Hub programme, this is to be utilised as match funding towards the larger ERDF business compass scheme.
10. The Combined Authority has secured £1.567 million as part of the Heritage Lottery Fund and Arts Council England Great Place scheme. This includes £0.224 million match funding from the Tees Valley Combined Authority and other partners.
11. In March, the Combined Authority also approved £1.8m for Culture and Tourism from that set aside in the Investment Plan to be spent as follows:-
 - a. Events and Festivals £400k
 - b. Heritage and Attractions Capital Development £250k
 - c. Cultural Capacity Building £100k
 - d. Destination Marketing £1.05 million
12. The Government has awarded the Combined Authority an additional £6m in devolved funding for a pilot "Routes to Work" initiative that will support people aged 30 and over facing the greatest difficulties in accessing jobs. This includes people who have been out of work for a long period, those who face physical and mental health challenges, and those who have had a claim for Employment Support Allowance rejected. In addition to the Government funding the Authority is contributing £1.5m in match funding as approved in the Investment Plan over the three years of the programme.
13. Tees Valley Combined Authority has been allocated £13 million of finance for business as a return from investment by previous North East regional funds, proposals for which will be included in the Investment Plan refresh.
14. Although the Enterprise Zones have continued to grow there has been a reduction in estimated income from retained business rates of £4 million (2017-21). This is due to reductions in the rateable value of business properties compared to initial estimates.
15. The revised resource position incorporating approved schemes and funding, together with the first two quarters spend is shown in Appendix A. The position will be further considered as part of the Investment Plan Review due to be considered by Cabinet.

Development Fund

16. The Development Fund was created to provide upfront investment in feasibility work to ensure that when proposals come forward under the Strategic Economic Plan priorities they are sufficiently developed for decision making and to allocate funding. Additional funding was allocated to the existing Development Fund as part of the Investment Plan approved by the Combined Authority Board in March. Allocations have been approved under agreed delegation arrangements. The position on funding and approved allocations is shown in Appendix B. Due to the success of the Development Fund the available resources are now fully committed, a proposal has been developed and is included in the Investment Plan and 18/19 Budget Report.
17. When schemes are developed and progress through due diligence the intention is that the Development Fund will be replenished from the funds allocated following the full scheme approval. An update will be provided as part of future reports.

Task Force Funding

18. As reported to Cabinet in July as part of the Budget Outturn Report for last financial year the balance on Task Force Funding was £29.204 million at 31st March 2017. During the first two quarters of £4.092 million has been spent to support both businesses and individuals affected by the closure of SSI as well as provide wider economic benefits for the area. The following table shows the available funds and actual spend to date in 17/18.

	Opening balance 1.4.17 £0	Qtr 1 & 2 Spend 17/18 £0	Balance at 30.9.17 £0
Flexible Fund	4,562	1,165	3,397
Apprentices Support	873	208	665
Jobs and Skills Investment Scheme	3,060	1,017	2,043
Start-up advice and start-up grants	800	200	600
Supply Chain	8,418	1,502	6,916
Wider Economic Impact - Redcar Growth Zone	5,000	0	5,000
Devolved Funding Pot	6,491	0	6,491
TOTAL	29,204	4,092	25,112

19. We are currently in discussions with BEIS around the extension of the programmes into 18/19 and an update will be provided to Cabinet once these discussions are concluded.

External Audit Appointment Arrangements

20. In January 2017 the Combined Authority Board agreed that Public Sector Audit Appointments Ltd be appointed to make the external audit appointment for the Combined Authority.

21. The PSAA have completed a national procurement to let audit contracts for five years commencing from 2018/19. The Combined Authority's current auditors, Mazars LLP have been successful and will be reappointed.

FINANCIAL IMPLICATIONS

22. This report gives an update on performance against the budget for the Combined Authority.

LEGAL IMPLICATIONS

23. None

RISK ASSESSMENT

24. This Budget Report is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION

25. Not Applicable.

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Appendix A

	INVESTMENT PLAN PERIOD					TOTAL
	2016/17	2017/18	2018/19	2019/20	2020/21	
	£'000	£'000	£'000	£'000	£'000	
Income						
Local Growth Fund	37,799	27,989	13,708	9,416	14,207	103,119
Devolution	15,000	15,000	15,000	15,000	15,000	75,000
Enterprise Zones	533	1,091	1,517	1,678	3,152	7,971
Local Transport Plan	13,935	13,952	13,952	13,952	13,952	69,743
Loan Repayments & Investment Income	1,020	2,501	1,025	1,668	568	6,782
Local Enterprise Partnership Grant	500	610	500	500	500	2,610
Growing Places Fund	4,364	0	0	0	0	4,364
Education, Employment & Skills Specific Grant Schemes	1,258	1,488	2,050	2,050	1,021	7,867
Transport Specific Grant Schemes	2,067	4,268	1,109	1,051	0	8,495
Other Specific Grant Schemes	1,365	1,071	1,067	0	0	3,503
European Structural Investment Fund	339	1,836	7,921	2,874	0	12,970
ERDF Legacy	0	0	3,667	3,667	3,666	11,000
SSI Task Force	42,509	0	0	0	0	42,509
Concessionary Fares Income	16,505	16,599	16,599	16,599	16,599	82,901
Local Authority Contributions	2,472	250	250	250	250	3,472
Other Income	0	130	617	579	570	1,896
TOTAL INCOME	139,666	86,785	78,982	69,284	69,485	444,202
Approved Commitments						
Business Growth	4,734	15,600	9,421	4,624	1,750	36,129
Research, Development, Innovation & Energy	699	7,367	13,578	9,000	0	30,644
Education, Employment & Skills	4,554	8,310	8,932	2,600	1,281	25,677
Culture	0	1,400	1,617	350	0	3,367
Transport	21,237	21,727	19,986	17,403	13,952	94,305
Infrastructure	58	10,269	0	0	0	10,327
Development & Evaluation	0	6,883	0	0	0	6,883
SSI Related Schemes (not allocated to investment plan themes)	10,306	10,840	0	0	0	21,146
Core Running Costs	2,972	3,650	4,654	4,695	4,746	20,717
Mayoral Election	0	1,156	0	0	600	1,756
Concessionary fares	16,505	16,599	16,599	16,599	16,599	82,901
TOTAL EXPENDITURE	61,065	103,801	74,787	55,271	38,928	333,852
AVAILABLE FOR NEW INVESTMENTS	78,601	(17,016)	4,195	14,013	30,557	110,350

Appendix B

DEVELOPMENT FUNDED PROJECT	AMOUNT
CPI LGF	250,000
South Bank Wharf LGF	75,000
HBC ISQ LGF	233,000
South Tees Development Corp Loan	400,000
Highways Challenge Fund	200,000
Buses Act	80,000
Waste Strategy	400,000
Government Relocation Study	19,000
Ministry of Building Innovation	350,000
Development of Light Industrial Units at Kirkleatham Business Park EZ	30,000
Redcar Railway Station Business Quarter	50,000
Skippers Lane Industrial Estate Expansion	100,000
Feethams Grade A Office Development	100,000
Energy Life-Cycle Centre Potential Institute of Technology	300,000
Hartlepool Innovation & Skills Quarter Phase 2	505,000
Hartlepool Waterfront	680,000
Kirkleatham Estate Investment Project	415,000
River Tees Development Plan	130,000
Faverdale (Phase 1)	220,000
Darlington Station	300,000
South Tees Development Corporation Site Investigations	750,000
Durham Tees Valley Airport	500,000
Tesside Advanced Manufacturing Park	120,000
Eaglescliffe Station Western Access	576,000
Boho Next Generation	100,000
COMMITTED FUNDS	6,883,000