

AGENDA ITEM 8

**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET**

13 JUNE 2017

**REPORT OF THE
MANAGING DIRECTOR
AND CHIEF FINANCIAL OFFICER**

COMBINED AUTHORITY BUDGET OUTTURN REPORT FOR 2016/17

SUMMARY

The Tees Valley Combined Authority was established in April 2016 as a new legal body. This report focuses on the first financial year's financial performance.

Balances were transferred from Stockton-on-Tees Borough Council to the Combined Authority relating to Tees Valley Unlimited. 2016/17 was a transition year, preparing the organisation to undertake new responsibilities. A new Managing Director was appointed in July 2016 and a capacity review undertaken to reflect the increasing levels of responsibilities and funding including the transition to mayoral governance arrangements.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:-

- i. Note the outturn position and current level of General Balance reserve.
- ii. Agree that the approval of the Authority's Statement of Accounts be delegated to the Audit and Governance Committee.

DETAIL

FINANCIAL POSITION AS AT 31 MARCH 2017

Core Budget

1. The following table details the budget and outturn position for the core budget. Officers have been mindful of carefully managing spend during the transition phase and have been continuing to monitor expenditure closely.

| Core Running Costs | Budget | Actual | Variance |
|--|-----------------|-----------------|-----------------|
| | £000s | £000s | £000s |
| Salary Costs | 1,685 | 1,728 | 43 |
| Other Non Staffing Expenditure | 787 | 822 | 35 |
| Total Expenditure | 2,472 | 2,550 | 78 |
| Opening Balances Transferred to TVCA | (1,055) | (1,055) | - |
| LA Contributions | (2,067) | (2,067) | - |
| Bank Interest | - | (96) | (96) |
| Total Income | (3,122) | (3,218) | (96) |
| General Fund Balance @ 31/03/17 | (650) | (668) | (18) |

2. The variance relates to external audit fees and transitional arrangements which have been funded from the generation of investment interest.
3. The General Fund balance at year end was £0.668m. This includes £18k which was agreed to fund outstanding Due Diligence costs leaving an uncommitted balance of £0.650m, in line with that planned. It is recommended that General Balance Reserve is maintained at this level in line with best practice and Audit guidelines in order to manage any unforeseen events.

Combined Authority Resource Position

4. The resource position for 2016/17 is summarised in the table below.

| | Budget | Actual | Variance |
|--------------------------|-----------------|-----------------|-----------------|
| | £000 | £000 | £000 |
| Total Devolved Spend | 24,437 | 23,399 | (1,038) |
| Other Spend | 20,945 | 20,827 | (118) |
| TOTAL EXPENDITURE | 45,382 | 44,226 | (1,156) |
| Funded by:- | | | |
| Devolved Funding | (24,437) | (23,399) | 1,038 |
| Specific Grants | (20,945) | (20,827) | 118 |
| TOTAL FUNDING | (45,382) | (44,226) | 1,156 |

5. There is £1.1m of net slippage compared to the expected position in 2016/17 which is as a result of spending being reprofiled into future years. In particular match funding for the ESF Youth Employment Initiatives, Apprenticeship Grant for Employers and expanding superfast broadband programmes of £3.5m has been offset by accelerated spending on the Local Growth Fund of £2.5m.
6. Overall, spending is on track as part of the multi-year programme. The position will be further considered as part of the Investment Plan Review due to be considered by Cabinet at its September meeting.

Development Fund

7. 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. In last financial year £1.499m was utilised for the development of proposals leaving a balance of £3.315m on the Development Fund at 31 March 2017, of which £1.496m is uncommitted.

Task Force Funding

8. The SSI Task Force was established to offer help and support to those affected by the SSI Redcar Steelworks closure. The Task Force worked with government to put in place local packages of investment of which £13.305m was expended in 2016/17 to support both individuals and business affected by the closure and also to provide longer term wider economic benefits to the area.
9. Of the Task Force funding received to date there remains a balance of £29.204m at 31 March 2017 to provide continued economic support for those impacted by the closure.

STATEMENT OF ACCOUNTS

10. At the end of the financial year the Authority is required to produce an Annual Statement of Accounts that sets out the financial position for that period. The accounts are prepared in accordance with all relevant prescribed guidance, Codes of Practice and Reporting Standards.
11. The draft Statement of Accounts for 2016/17 must be approved by the end of June with the final version to be agreed, after external audit review, by the end of September. To enable these timescales to be achieved it is recommended that approval of the Authority's Statement of Accounts be delegated to the Audit and Governance Committee.

FINANCIAL IMPLICATIONS

12. To summarise the financial outturn position for 2016/17 and to update the medium term resource position accordingly.

LEGAL IMPLICATIONS

13. None

RISK ASSESSMENT

14. 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

15. Not Applicable.

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