

AGENDA ITEM 7

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

15 MARCH 2019

REPORT OF HEAD OF FINANCE AND RESOURCES

BUDGET REPORT – QUARTER 3 (2018/19)

SUMMARY

The purpose of this report is to provide an update on the financial position of the Combined Authority for the period ending 31 December 2018 and present a revised Medium Term Financial Plan (MTFP).

RECOMMENDATIONS

It is recommended that the Tees Valley Combined Authority:

- i. Note the quarter 3 financial position as at 31 December 2018; and
- ii. Note the revised Medium Term Financial Plan as at 31 December 2018.

DETAIL

Core Budget

1. The table below details the quarter 3 budget and actual spend for the core budget as at 31st December 2018.

	Qtr3 Budget	Actual @	Variance To
	£'000	Dec	Date
		£'000	£'000
Staffing Costs	2,961	2,714	(247)
Other Non Staffing Costs	775	861	86
TOTAL EXPENDITURE	3,736	3,615	(161)
Single Revenue Pot Contribution	0	(1,000)	(1,000)
Grants & Contributions	(519)	(500)	19
TOTAL FUNDING	(519)	(1,500)	(981)
NET EXPENDITURE	3,217	2,075	(1,142)

2. As at the end of December 2018 there is an underspend of £121k against budgeted expenditure. There has been an underspend against salaries of £247k as a result of posts being vacant during the period whilst recruitment processes have been ongoing towards to the approved staffing levels. Non staffing expenditure is currently overspent by £86k which includes a one-off backdated premises service charge, additional expenditure for the purchase of a secure file sharing facility and recruitment costs associated with the chief executive appointment.

3. The table below details the budget and projected outturn for the core budget as at the end of quarter 3. The position will continue to be monitored and reviewed during the remainder of the financial year.

	Budget	Projected Outturn	Variance
	£'000	£'000	£'000
Staffing Costs	3,948	3,653	(295)
Other Non Staffing Costs	865	945	80
TOTAL EXPENDITURE	4,813	4,598	(215)
Single Revenue Pot Contribution	(3,180)	(2,965)	215
Grants & Contributions	(1,633)	(1,633)	0
TOTAL FUNDING	(4,813)	(4,598)	215
NET EXPENDITURE	(0)	0	0

4. The total projected underspend for 2018/19 is £215k. Salaries are projected to underspend by £215k during the year due to the phased implementation of recruitment towards the agreed staffing levels. This underspend is partly offset by additional non staffing costs of £80k for a one-off backdated premises service charge, additional expenditure for the purchase of a secure file sharing facility and recruitment costs associated with chief executive post.

Progress Against Medium Term Financial Plan 2018-2022 (MTFP)

5. Cabinet approved the MTFP at its meeting on 5 February 2018. As part of the agreed budget process it is required to report progress against the MTFP to Cabinet on a quarterly basis. Since the MTFP was set there have been a number of changes as a result of subsequent investment decisions and additional funding being secured.
6. In addition to the changes mentioned above there are also annual amendments relating to movement between years for previously approved expenditure and income to give the revised projected levels for each year.
7. The following sections outline amendments to the MTFP since the quarter 2 budget report and the revised plan is presented at Appendix A.

MTFP Income

8. The table below sets out the revised income position for the MTFP.

	2018/19	2019/20	2020/21	2021/22	TOTAL
	£'000	£'000	£'000	£'000	£'000
Quarter 2 Report	82,835	117,801	120,252	111,164	432,052
Additional Income	0	0	0	0	0
Movement In Years	0	0	0	0	0
Revised	82,835	117,801	120,252	111,164	432,052

9. Since the quarter 2 report there have been no changes to projected income across the medium term.

MTFP Expenditure

10. The table below sets out the revised total approved expenditure for the MTFP.

	2018/19	2019/20	2020/21	2021/22	TOTAL
	£'000	£'000	£'000	£'000	£'000
Quarter 1	105,089	118,648	92,441	98,387	414,564
Additional Commitments	6,901	49	49	49	7,048
Movement In Years	-9,890	9,890	0	0	0
Revised	102,100	128,587	92,490	98,436	421,613

11. The revised projection for expenditure in 2018/19 is £102m and at the end of quarter 3 the spend against this forecast is £71.9m.
12. The following sections outline these MTFP changes by each of the SEP themes.

Business Growth

13. The table below sets out the revised expenditure position for Business Growth.

	2018/19	2019/20	2020/21	2021/22	TOTAL
	£'000	£'000	£'000	£'000	£'000
Quarter 2	8,643	23,800	6,884	5,417	44,744
Additional Commitments	1,625	0	0	0	1,625
Movement In Years	-2,333	2,333	0	0	0
Revised	7,935	26,133	6,884	5,417	46,369

14. At Cabinet in November a £1.625m grant was awarded to Fujifilm for the first phase of the biocampus that would see the construction of 4,000 square metres of high specification office space.
15. The revised projection for expenditure in 2018/19 is £7.9m and at the end of quarter 3 the reported spend against this forecast is £3.7m. It is expected that expenditure will accelerate during the remaining months as delivery on the Business Compass grant scheme increases and the construction of business accommodation at TAMP and Feethams progresses.
- 16.

Research, Development, Innovation & Energy

17. The table below sets out the revised expenditure position for Research, Development, Innovation & Energy.

	2018/19	2019/20	2020/21	2021/22	TOTAL
	£'000	£'000	£'000	£'000	£'000
Quarter 2	16,320	3,750	6,250	0	26,320
Additional Commitments	4,600	0	0	0	4,600
Movement In Years	0	0	0	0	0
Revised	20,920	3,750	6,250	0	30,920

18. Cabinet approved investment of £4.6m for Liberty Powder Metals Ltd to support a project focused on developing and manufacturing new speciality alloy metal powders for end users to use in net shape and additive manufacturing applications like 3D printing engine parts.
19. The revised projection for expenditure in 2018/19 is £20.9m and at the end of quarter 3 the reported spend against this forecast is £13.8m. Overall, expenditure projections are on track with the majority of expenditure related to the Teesside University National Horizons project which is progressing to plan.

Education, Employment & Skills

20. The table below sets out the revised expenditure position for Education, Employment & Skills.

	2018/19	2019/20	2020/21	2021/22	TOTAL
	£'000	£'000	£'000	£'000	£'000
Quarter 2	10,039	33,117	37,731	30,000	110,887
Additional Commitments	0	0	0	0	0
Movement In Years	0	0	0	0	0
Revised	10,039	33,117	37,731	30,000	110,887

21. The revised projection for spend in 2018/19 is £10m and at the end of quarter 3 the reported spend against this forecast is £6m. Spend in this theme has increased significantly in the last quarter and the accelerated delivery of the Routes to Work programme and commencement of delivery of the Skills strategy will see spend increase during the final quarter.

Culture and Tourism

22. The table below sets out the revised expenditure position for Culture & Tourism.

	2018/19	2019/20	2020/21	2021/22	TOTAL
	£'000	£'000	£'000	£'000	£'000
Quarter 2	2,900	1,272	340	245	4,757
Additional Commitments	0	0	0	0	0
Movement In Years	-797	797	0	0	0
Revised	2,103	2,069	340	245	4,757

23. The revised projection for expenditure in 2018/19 is £2.1m and at the end of quarter 3 the reported spend against this forecast is £1.1m. Overall, expenditure is on track with expected increases through the delivery of the Great Places programme, destination marketing and Museum of the Royal Navy Project

Transport

24. The table below sets out the revised expenditure position for Transport.

	2018/19	2019/20	2020/21	2021/22	TOTAL
	£'000	£'000	£'000	£'000	£'000
Quarter 2	29,565	26,450	18,943	40,943	115,901
Additional Commitments	0	0	0	0	0
Movement In Years	-5,000	5,000	0	0	0
Revised	24,565	31,450	18,943	40,943	115,901

25. The revised projection for expenditure in 2018/19 is £24.6m and at the end of quarter 3 the reported spend against this forecast is £19m which is in line with projections.

Infrastructure

24. The table below sets out the revised expenditure position for Infrastructure.

	2018/19	2019/20	2020/21	2021/22	TOTAL
	£'000	£'000	£'000	£'000	£'000
Quarter 2	5,923	6,600	0	0	12,523
Additional Commitments	0	0	0	0	0
Movement In Years	-1,760	1,760	0	0	0
Revised	4,163	8,360	0	0	12,523

26. The revised projection for spend in 2018/19 is £4.2m and at the end of quarter 3 the reported spend against this forecast is £2.9m. This is largely on track with anticipated spend and the final quarter will see retention payments released on a couple of projects.

Development Fund

27. The table below sets out the revised expenditure position for the Development Fund.

	2018/19	2019/20	2020/21	2021/22	TOTAL
	£'000	£'000	£'000	£'000	£'000
Quarter 2	6,000	832	0	0	6,832
Additional Commitments	550	0	0	0	550
Movement In Years	0	0	0	0	0
Revised	6,550	832	0	0	7,382

28. Since the quarter 2 report £550k has been committed to continuing the development of the business cases for Tees Crossing and the Darlington Link Road for submission to DfT.

SSI Task Force Funds

29. Under the SSI task force projects there was £1.6m slippage from 2017/18 into 2018/19. This is as a result of agreement with BEIS to extend the projects and gives a revised spend of £5.7m over the MTFP.

Concessionary Fares

30. There has been an additional £196k built into the Concessionary Fares expenditure across the medium term as a result of revised agreement with the bus operators which is fully funded from additional income. This has resulted in revised expenditure of £67m over the period.

FINANCIAL IMPLICATIONS

31. This report gives an update on performance against the budget for the Combined Authority and presents an updated Medium Term Financial Plan.

LEGAL IMPLICATIONS

32. None

RISK ASSESSMENT

33. 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

34. None

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APPENDIX A

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	TOTAL £'000
Income					
Local Growth Fund	13,708	9,416	14,217	0	37,341
Devolution	15,000	15,000	15,000	15,000	60,000
Enterprise Zones	2,475	4,120	5,379	5,557	17,531
Local Transport Plan	13,943	13,943	13,943	13,943	55,772
Transforming Cities Fund	4,000	13,000	18,000	24,000	59,000
Loan Repayments & Investment Income	1,105	3,634	1,178	1,361	7,278
Local Enterprise Partnership Grant	500	500	500	500	2,000
Adult Education Budget	392	20,179	30,000	30,000	80,571
Education, Employment & Skills Specific Grant Schemes	2,282	2,489	1,232	0	6,003
Transport Specific Grant Schemes	4,636	6,101	0	0	10,737
Other Specific Grant Schemes	2,116	774	0	0	2,890
European Structural Investment Fund	4,542	6,843	0	0	11,385
ERDF Legacy	0	3,666	3,667	3,667	11,000
Concessionary Fares Income	16,706	16,706	16,706	16,706	66,824
Local Authority Contributions	250	250	250	250	1,000
Mayoral Capacity Funding	1,000	1,000	0	0	2,000
Other Income	180	180	180	180	720
TOTAL INCOME	82,835	117,801	120,252	111,164	432,052
Approved Commitments					
Business Growth	7,935	26,133	6,884	5,417	46,369
Research, Development, Innovation & Energy	20,920	3,750	6,250	0	30,920
Education, Employment & Skills	10,039	33,117	37,731	30,000	110,887
Culture	2,103	2,069	340	245	4,757
Transport	24,565	31,450	18,943	40,943	115,901
Infrastructure	4,163	8,360	0	0	12,523
Development & Evaluation	6,550	832	0	0	7,382
SSI Related Schemes (not allocated to investment plan themes)	4,472	1,227	0	0	5,699
Core Running Costs	4,598	4,894	4,987	5,076	19,555
Mayoral Election	0	0	600	0	600
Concessionary fares	16,755	16,755	16,755	16,755	67,020
TOTAL EXPENDITURE	102,100	128,587	92,490	98,436	421,613