

LIVERPOOL CITY REGION COMBINED AUTHORITY

To: The Metro Mayor and Members of the Combined Authority

Meeting: 9 March 2018

Authorities Affected: All

EXEMPT/CONFIDENTIAL ITEM: No

REPORT OF THE PORTFOLIO HOLDER: POLICY, FINANCE AND RESOURCES, DIGITAL AND INNOVATION AND THE TREASURER

COMBINED AUTHORITY BUDGET MONITORING STATEMENT **October 1st 2017 to December 31st 2017 (Quarter 3)**

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to provide members of the Liverpool City Region Combined Authority with a budget update for the third quarter of 2017/18.

2. RECOMMENDATIONS

- 2.1 Liverpool City Region Combined Authority is recommended to note the contents of the Combined Authority Budget Monitoring Statement.

3. BACKGROUND

- 3.1 The Combined Authority established its budget for 2017-18 at its meeting of 3 February 2017. This budget provided for the first year of the Mayoral Combined Authority and as such, was very much a transitional budget. The budget provided for a range of transport functions associated with Merseytravel but as a result of the creation of the Mayoral Combined Authority includes more significant non-transport activities than were the case in 2016-17, including the costs associated with the election.
- 3.2 The Combined Authority has delegated detailed financial and performance monitoring with respect to transport activities to the Transport Committee, however all strategic financial decisions remain with the Combined Authority. The financial performance of the Combined Authority is shown in Section 4 of this report.

4. FINANCIAL REPERFORMANCE

4.1 Revenue Performance

4.1.1 Combined Authority revenue expenditure in 2017/18 remains largely in the form of pre-determined grants to Merseytravel and capital charges inherited from the Integrated Transport Authority: however with effect from 1 April 2017, the revenue budget for the Combined Authority includes significant non transport costs. These arise as a consequence of the transition to a Mayoral Combined Authority and the operation of the Single Investment Fund. Table 1 below provides an overview of the Combined Authority's financial performance for the period to 31 December 2017.

Table 1 – Liverpool City Region Combined Authority Budget Monitoring Statement
Quarter 3 2017-18

	Allowed Budget £'000	Revised Budget £'000	Projected Outturn £'000	Variance £'000
Combined Authority running costs (Table 2)	6,218	6,000	5,905	(95)
Single Investment Fund revenue schemes	0	4,474	3,524	(950)
Merseytravel grant	92,020	92,020	92,020	-
Tunnels operating grant	27,740	27,740	27,740	-
Highways funding allocation	26,500	26,500	26,500	-
Pothole action fund	1,346	2,267	2,267	-
Treasury management	16,614	15,323	15,323	-
Special rail grant	82,130	82,130	82,130	-
Transport grant to Halton	3,000	3,000	3,000	-
	255,568	259,454	258,409	(1,045)
Funded by:				
Transport levy	(95,400)	(95,400)	(95,400)	-
Halton differential levy	(3,000)	(3,000)	(3,000)	-
Mersey tunnels income	(41,000)	(41,000)	(41,000)	-
Gain share income	(4,392)	(7,657)	(6,612)	1,045
Highways funding	(26,500)	(26,500)	(26,500)	-
Pothole action fund	(1,346)	(2,267)	(2,267)	-
Charges for services	(300)	0	0	-
Contributions from reserves	(1,500)	(1,500)	(1,500)	
Special rail grant	(82,130)	(82,130)	(82,130)	-
	(255,568)	(259,454)	(258,409)	1,045
Net Budget Requirement	-	-	-	-

4.1.2 The table below provides a more detailed breakdown of the revised budget and projected outturn for Combined Authority running costs broken down by the thematic areas of spend. As previously reported the level of detail and analysis provided with regards to the Combined Authority's budget will increase over time as the emergent structure develops and Mayoral priorities gain momentum. The table excludes the income and expenditure lines that are in effect pass through costs to the constituent local authorities.

Table 2 - Liverpool City Region Combined Authority Projected Revenue Outturn
Quarter 3 2017-18 Direct Combined Authority Running Costs

	Revised Budget £'000	Projected Outturn £'000
Single Investment Fund Running Costs	894	936
Election Costs	1,000	630
Employment and Skills	700	639
General Running Costs	3,406	3,700
Total Expenditure	6,000	5,905

4.1.3 The revenue costs shown in the table above relate to the costs directly attributable to the running of the Combined Authority; and those schemes that have been submitted through the first Single Investment Fund call that require revenue funding. The Single Investment Fund revenue schemes included above are those that have been approved by the Combined Authority and are subject to Grant Funding Agreements. Projected outturn is based on the recipient's forecast spend profiles at this time. These will be subject to regular scrutiny and any changes from the agreed profile reported back to the Combined Authority as appropriate.

4.1.4 Whilst the allowed budget for the Combined Authority was set at a strategic level, certain assumptions were made regarding high level costs that would be incurred. The table below details the significant variances between projected outturn and allowed budget together with the reasons for these. The revised budget has been amended to take account of the issues highlighted below.

Table 3 - Revenue Budget Variations against Revised Budget

Area	(Favourable)/ Unfavourable Variance (£'000)	Explanation
Mayoral Office	127	Additional consultancy costs incurred in providing support to the Mayoral office.
Mayoral Elections	(370)	Outturn claims for costs recovery below budget set
Single Investment Fund	42	Additional consultancy costs incurred to provide support with managing the SIF process

4.2 Capital Spend

4.2.1 Within its capacity as the Accountable Body, the Combined Authority receives capital grant in respect of the Local Growth Fund programme, devolution monies received from central government (Gain Share funding) and direct transport related grants. Whilst funding is treated as a single pot, currently the transport elements of the funding are hypothecated to the extent that these are allocated to partners either through allocation or bid to be spend on transport related schemes. The apportionment of this funding was detailed in the February 2017 budget setting report. Gain Share funding has been provided to the Combined Authority to support its devolution agenda.

4.2.2 Local Growth funds have been received by the Local Enterprise Partnership (LEP) on the back of successful bids for these funds with the Combined Authority fulfilling the Accountable Body role for these funds. To date bids have been made and received against three rounds of Local Growth Fund allocations with funding provided for specific thematic areas. Whilst a significant proportion of the Local Growth Fund 1 funds have been committed, with the agreement of the LEP, uncommitted Local Growth Fund funds are being administered as part of the single capital pot. The table below summarises the capital funding streams allocated to the Combined Authority for the current financial year, together with the approved budget for each funding stream taking account of previous year slippage.

Table 3 Liverpool City Region Combined Authority Single Pot Funding Streams
Projected Outturn Quarter 3 2017-18

	Funding Allocation £'000	Revised Budget £'000
Local Growth Fund 1	25,602	75,600
Local Growth Fund 2	11,200	30,300
Local Growth Fund 3	16,761	16,761
Gain Share Capital Funding	22,500	45,000
Gain Share Revenue Funding	0	3,265

4.2.3 The table overleaf provides a more detailed analysis of performance to 31 December 2017 in respect of the Local Growth Fund 1 and 2 schemes that have been approved by the Combined Authority. Included within this table are scheme received through the SIF open call.

Table 4 - Local Growth Fund 1 and 2 Monitoring Update Quarter 3 2017-18

Scheme	Approved Budget 2017/18 £'m	Revised Budget 2017/18 £'m	Projected Outturn 2017/18 £'m	Projected Slippage/ Underspend 2017/18 £'m
Approved and Grant Funding Agreement Signed				
Access & Connectivity Improvements to Knowsley Industrial Park	1.55	0.27	0.28	0.01
Newton le Willows Interchange	8.45	8.45	8.44	- 0.01
Halton Curve	12.95	12.95	12.95	-
Maghull North	10.18	10.18	9.09	- 1.09
A565 North Liverpool Key Corridors	8.93	8.93	8.93	-
M58 Junction Improvements	0.74	0.74	0.88	0.14
STEP	8.12	8.12	7.40	- 0.72
Silver Jubilee Bridge	1.53	1.37	1.28	- 0.09
Silver Jubilee Bridge (Variation)	-	1.28	0.21	- 1.07
Windle Island	3.63	3.63	3.64	0.01
City of Liverpool College	2.07	2.07	2.08	0.01
Myerscough	2.00	2.00	2.01	0.01
Alstom	0.87	0.87	1.21	0.34
CEDIR	1.78	1.78	1.78	-
Approved but no Grant Funding Agreement Signed				
City Centre Connectivity	-	-	-	-
Digital Starting Point	0.22	0.22	0.22	-
Extreme Low Energy	0.44	0.44	0.44	-
Enterprising Futures	1.35	1.35	1.35	-
Greenbank Skills for Growth	0.32	0.32	0.32	-
Liverpool South Work & Wellbeing	0.75	0.75	0.75	-
Everton Learning & Skills	0.29	0.29	0.29	-
WELD Tech Futures	0.33	0.33	0.33	-
Health Engagement Hub	2.00	2.00	2.00	-
Littlewoods Studio	4.95	4.95	-	- 4.95
Liverpool Film and Content Fund	0.40	0.40	0.40	-
Sequiris Fill Finish Project	1.00	1.00	1.00	-
Chancerygate	0.57	0.57	0.57	-
Mere Grange	1.52	1.52	1.52	-
Alchemy Phase 2	1.84	1.84	1.84	-
Venus 210 Knowsley	0.25	0.25	0.25	-
Pall Mall	2.50	2.50	2.50	-
City Centre Connectivity (P2)	4.23	4.23	4.23	-
Paddington Village Phase 1 Central	3.00	3.00	-	- 3.00
Total Capital	88.76	88.60	78.19	- 10.41

4.2.4 The figures above are based on the figures reported as part of the Quarter 3 grant monitoring and reporting claims. Based on these figures there is a net projected underspend of £10.41m against the revised budgeted allocations for Local Growth Fund 1 and 2. Subject to the necessary change control procedures being applied, it is currently anticipated that all this will be spent in 2018/19 as this is slippage on schemes as opposed to true underspends.

- 4.2.5 The estimated outturn spend for those schemes in receipt of Combined Authority approval but yet to sign a Grant Funding Agreement has been assumed to be the amount sought for the year. Clearly the actual amount claimed will be impacted by the timing of the signed Grant Funding Agreement and progress against these schemes will be reported back to the Combined Authority as part of the reporting cycle.
- 4.2.6 A report was considered by the Combined Authority on 20 October 2017 at which a report was tabled which proposed the allocation of £25m of Local Growth Fund 3 funding to commission Key Route Network related projects. The report proposes that the full year's allocation of Local Growth Fund 3 monies will be committed but not spent. The approval of the KRN business case is featured as a separate paper on this agenda.
- 4.2.7 The table below details performance to 31 December 2017 on the Single Investment Fund Schemes approved by the Combined Authority (both revenue and capital).

Table 5 - Single Investment Fund Position Statement as at Quarter 3 2017-18

Scheme	Approved Budget 2017/18 £'m	Revised Budget 2017/18 £'m	Projected Outturn 2017/18 £'m	Projected Slippage/ Underspend 2017/18 £'m
IFB 2018	2.20	2.20	2.20	-
Alstom Training Academy	0.40	0.40	0.40	-
Approved but no Grant Funding Agreement Signed (Revenue)				-
Liverpool Film and Content Fund	0.05	0.05	0.05	-
Internationalization	0.10	0.10	0.10	-
Cultural Events	1.60	1.60	0.65	- 0.95
Future Proof M6 J23	0.12	0.12	0.12	-
Total Revenue	4.47	4.47	3.52	- 0.95

- 4.2.8 Against a total Gain Share allocation of £48.3m, £43.7m of the funding has yet to be committed through the approval process. The underspend on the Cultural Events programme represents a re-phasing of spend from 2017/18 into 2018/19. It is anticipated that further spend will commence as further schemes are approved and the position will be reported back to Combined Authority in due course. Due to the annual allocation process, the Authority repeatedly faces a challenge of matching expenditure on projects with the allocations received from central government, however as in previous years the Combined Authority will look to maximise grant application as part of its wider capital funding strategy.

5. RESOURCE IMPLICATIONS

5.1 Financial

The financial implications of the report are detailed above.

5.2 Human Resources

None as a direct result of this report.

5.3 Physical Assets

None as a direct result of this report.

5.4 Information Technology

None as a direct result of this report.

6. RISKS AND MITIGATION

None as a direct result of this report.

7. EQUALITY AND DIVERSITY IMPLICATIONS

None as a direct result of this report.

8. COMMUNICATION ISSUES

None as a direct result of this report.

9. CONCLUSION

- 9.1 The Liverpool City Region Combined Authority is performing within its original budget allocation for 2017/18 and the risk of a material overspend remains low.

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Appendices:-

None