

<b>Report Title</b>	Financial Performance Report – Quarter 3, 2023/24
<b>Portfolio Holder</b>	Portfolio Holder for Policy, Reform and Resources
<b>Summary of report</b>	This report presents the Combined Authority's Financial Performance Report for Quarter 3 – 2023/2024
<b>Is this report exempt?</b>	No
<b>Is this a Key Decision</b>	No
<b>Is the report urgent</b>	No
<b>Is this decision to be exempt from call in</b>	No
<b>Local Authorities affected</b>	(All Local Authorities);
<b>Impact and implications of this report</b>	
<b>Financial impact</b>	Detailed throughout the report
<b>Delegation (s) sought</b>	None
<b>Supporting the Corporate Plan</b>	A Fairer City Region ✓ A Stronger City Region ✓ A Cleaner City Region ✓ A Connected City Region ✓ A Vibrant City Region ✓
<b>Climate Change Implications</b>	No
<b>Equality and Diversity implications</b>	No
<b>Social Value implications</b>	No
<b>Human Resources implications</b>	No
<b>Physical Assets implications</b>	No
<b>Information Technology implications</b>	No
<b>Legal implications</b>	No
<b>Risk and Mitigation</b>	Yes, see paragraph 4.3
<b>Privacy implications</b>	No

<b>Communication and consultation implications</b>	No
<b>Contact Officer(s)</b>	Claire Hall, Interim Assistant Director of Finance, <a href="mailto:Claire.hall@liverpoolcityregion-ca.gov.uk">Claire.hall@liverpoolcityregion-ca.gov.uk</a>
<b>Appendices</b>	Yes
<b>Background Documents</b>	No

# **Liverpool City Region Combined Authority**

**Friday, 15 March 2024**

## **Report of the Executive Director of Corporate Services and the Portfolio Holder for Policy, Reform and Resources**

### **FINANCIAL PERFORMANCE REPORT – QUARTER 3, 2023/24**

#### **1. PURPOSE OF REPORT**

- 1.1. This report presents the Combined Authority's group financial position for the period April – December 2023, together with projected outturn.

#### **2. RECOMMENDATIONS**

- 2.1. It is recommended that the Liverpool City Region Combined Authority note the content of the report and the financial position of the Combined Authority as at 31<sup>st</sup> December 2023.

#### **3. BACKGROUND**

- 3.1. At its annual budget setting meeting on 20 January 2023, the Combined Authority approved a group revenue budget of £231m and a capital programme of £298m. The revenue and capital budgets were subsequently revised as a result of the 2022/23 outturn at the 14 July 2023 meeting to £281m and £418m respectively, following which adjustments were also made as agreed in December 2023 to £286m and £422m respectively. Further adjustments have been made in relation to additional grant funding received since December 2023. The revenue budget is now £296m, with a revised capital budget of £424m.

A number of revisions were made to the approved revenue budget at the Combined Authority Meeting on 15<sup>th</sup> December 2023, which addressed areas of pressure and emerging in year opportunities, and this eradicated many of the individual variances. As such current forecast variances have not differed significantly, at a Directorate level, from that reported at the December Meeting.

However, forecast expenditure relating to the Capital Programme to be incurred within the financial year has reduced and as such there is a significant underspend forecast for year-end as at 31<sup>st</sup> December 2023, with some concern that this may slip further in the final quarter of the current financial year.

#### **Revenue Expenditure**

- 3.2 The table below summarises the group revenue position against the revised budget for the period April through to December 2023 together with projected outturn. A more detailed analysis of directorate spend is included at Appendix 1.

**Table One Revenue Expenditure against Budget and Projected Outturn**

	YEAR TO DATE 2023/24 (£'000)			FULL YEAR 2023/24 (£'000)		
	Budget	Actual	Variance Fav/(Unfav)	Full Year Budget	Forecast Outturn	Variance Fav/(Unfav)
Corporate Development & Delivery	9,340	8,206	1,134	12,010	10,942	1,068
Central Provisions	1,655	1,370	285	1,451	1,451	(0)
Concessionary Travel	34,065	31,227	2,838	42,293	42,088	205
Corporate Costs	(116)	(539)	423	736	756	(20)
Corporate Management	287	280	7	384	376	8
Corporate Services	4,622	3,996	626	6,171	5,690	482
Halton Differential Levy	0	0	0	3,300	3,300	0
Investment & Delivery	69,521	64,288	5,233	95,911	85,614	10,297
Mayoral Priorities	413	5	407	600	220	380
Place	53,423	56,435	(3,012)	73,728	75,597	(1,869)
Policy, Strategy & Government Relations	5,340	3,941	1,398	7,045	5,967	1,078
Revenue Grants	26,038	17,289	8,749	43,395	41,579	1,815
Treasury Management	3,219	(785)	4,004	9,270	9,017	253
<b>TOTAL NET COST OF SERVICES</b>	<b>207,807</b>	<b>185,715</b>	<b>22,093</b>	<b>296,293</b>	<b>282,596</b>	<b>13,697</b>
<b>FUNDED BY:</b>						
Gainshare Revenue Capacity Funding	(3,015)	0	(3,015)	(4,020)	(4,020)	0
Halton Differential Levy	0	0	0	(3,300)	(3,300)	0
Specific Grants	(67,122)	(61,848)	(5,274)	(91,430)	(81,798)	(9,632)
Transport Levy	(76,712)	(76,713)	0	(102,283)	(102,283)	(0)
Mayoral Precept	(6,062)	(5,658)	(404)	(8,091)	(8,091)	(0)
Mayoral Capacity Grant	(1,000)	(1,000)	0	(1,000)	(1,000)	0
Revenue Grants	(26,038)	(17,289)	(8,749)	(43,395)	(41,579)	(1,815)
Use of Reserves - LCRCA	5,107	5,107	0	696	696	0
Mersey Tunnels Income	(32,603)	(35,036)	2,433	(43,471)	(46,154)	2,683
<b>TOTAL FUNDING</b>	<b>(207,446)</b>	<b>(192,437)</b>	<b>(15,008)</b>	<b>(296,294)</b>	<b>(287,530)</b>	<b>(8,764)</b>
<b>TOTAL NET (INCOME)/EXPENDITURE</b>	<b>362</b>	<b>(6,723)</b>	<b>7,084</b>	<b>(0)</b>	<b>(4,934)</b>	<b>4,934</b>

3.3 At the end of period nine, there is a projected underspend against budget of £4.9m.

The key variances against budget are detailed below:

- The overspend within the Place Directorate of £1.9m has significantly reduced from last reported primarily due to the increase in budgets approved. These were to address several overspends in respect of utilities and marine oil costs along with bus contracts due to increased prices of tenders being returned and increased costs associated with maintaining the network. Whilst these overspends have been addressed, through budget virements there does remain an overspend within the Bus budget due to the increased level of expenditure in both the Adult Single Fare Cap, and the My Ticket Schemes which are £3.2m and £1.3m respectively.

The initial budgets in these areas were based on estimates provided by the bus contractors based on historic data which resulted in being

insufficient for the actual level of take up. As we have now moved from a local to a national scheme for the Adult Single Fare Care Scheme, this will no longer continue to be a financial pressure. The requirement for the My Ticket Scheme which does continue, has been adequately resourced in future budgets.

The overspends are partially offset within the Place Directorate by underspends within Customer Delivery for the receipt of unplanned income and the Tunnels Service with regards to underspend on revenue contribution to capital, which are expected to be deferred to 2024/25.

- The underspend in Investment and Delivery Directorate of circa £10.3m predominantly relates to Payments to Providers for Adult Education at circa £6.9m however as this is grant funded this underspend is being offset by a contra under recovery in grant income, and as such any remaining funding will be carried forward into 2024/25. In addition, there are also underspends in the Skills & Apprenticeship Hub, Homelessness, Low Energy Budget, Liverpool Music Fund and the Digital Programme the majority of these variances again are offset by a contra balance in income.
- The underspend of circa £1.1m in Corporate Development and Delivery Directorate primarily relates to the level of vacant posts which have been experienced across the directorate during the year. Progress is being made in recruitment to these posts and as such it is not anticipated that this level of underspend will continue into 2024/25.
- The underspend in Policy Strategy and Government Relations Directorate of circa £1.1m relates to an underspend associated with the Spatial Development Budget of circa £0.5m as the presentation to government of the findings and strategy is not likely to happen in the current year, in addition to underspends arising from the level of vacant posts experienced throughout the year at circa £0.3m.
- Income received with regards to Tunnels is currently in excess of budget by circa £2.4m and this trend is expected to continue and as such is reflected in the year end forecast variance of circa £2.7m.

- 3.4 In accordance with the Combined Authorities (Finance) Order 2017, the Authority is required to maintain a separate General Fund in respect of the Mayoral Precept. Table two details the projected outturn against the Mayoral Budget.

*Table Two Revenue Expenditure against Mayoral General Fund Budget*

	<b>Full Year Budget £'000</b>	<b>Projected Outturn £'000</b>	<b>Variance £'000</b>
Bus Reform	1,800	1,800	0
Tidal Power	3,135	3,080	55
Other Mayoral Priorities	600	378	222
Digital	868	270	598
Mayoral Programme Delivery	750	703	47

Mayoral and Corporate Management Costs	629	604	25
Investment and Delivery	413	369	44
Policy Strategy and Government Relations	907	818	89
Corporate Services	502	463	39
Corporate Development and Delivery	200	182	18
<b>Total Expenditure</b>	<b>9,804</b>	<b>8,667</b>	<b>1,137</b>
<b>Funded by:</b>			
Mayoral Precept	(8,091)	(8,091)	(0)
Application of Reserves	(1,713)	(576)	(1,137)
<b>Total Funding</b>	<b>9,804</b>	<b>8,667</b>	<b>(1,137)</b>
<b>Net Budget Requirement</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 3.5 In addition to the direct Combined Authority running costs incurred, the Combined Authority supports a number of different revenue grant streams, including European Grants, UK Shared Prosperity and the Strategic Investment Fund (SIF). As at the end of September, projected outturn spend against these schemes was £41.579m. A high level breakdown of spend at a scheme level is included in the table below and a more detailed analysis at Appendix 2.

*Table Three Grant Expenditure Against Budget*

	Annual Budget 2023/24	Total Net Expenditure	Full Year Forecast	Variance Fav/(Unfav)
	£000	£000	£000	£000
<b>Externally Delivered Projects</b>				
Business Ecosystem Delivery Board	7,615	5,268	6,682	933
Housing Delivery Board	4,870	2,733	4,813	57
Low Carbon Delivery Board	3,790	873	3,751	39
People Delivery Board	9,618	4,195	9,579	39
Place and Infrastructure Delivery Board	4,543	1,407	3,801	742
Transport Delivery Board	1,575	1,443	1,570	5
UKSPF Delivery Board	11,384	1,371	11,384	(0)
<b>TOTAL NET EXPENDITURE</b>	<b>43,395</b>	<b>17,289</b>	<b>41,579</b>	<b>1,816</b>

- 3.6 It is currently forecast that there will be a £1.8m underspend against budget, driven primarily by the position on Business Ecosystem and Place and Infrastructure areas.

The forecast underspend in the Business Ecosystem relates to the ERDF High Growth Budget where there is a £0.6m underspend due to the programme not being able to leverage additional matched funding this year to enable the full grant to be utilised.

The forecast underspend in Place & Infrastructure predominantly relates to a forecast underspend in the Music Fund of £0.6m relating to delays in some phase 2 areas where activity could only begin after phase 2 funding was concerned, particularly around business support outputs. A draft change request has been submitted for consideration requesting an extension of the end date of the project and slippage into 2024/25.

### Capital Expenditure

- 3.7 The table below details projected outturn capital expenditure against budget. The programme approved for the year incorporated all planned expenditure on schemes funded through the Strategic Investment Fund and comprises schemes delivered by constituent local authorities, Merseytravel and third parties. A more detailed breakdown of spend by scheme is included at Appendix Three (Internally Delivered Schemes) and Appendix Four (Externally Delivered Schemes).

*Table Four Capital Spend against Budget*

	Full Year Budget	Actual Spend as at Qtr 3	Projected Outturn	Variance
	£'000	£'000	£'000	£'000
<b>Internally Delivered Schemes</b>				
Bus	25,979	11,912	16,999	8,980
Smart Ticketing	2,835	537	1,486	1,349
Ferries	21,435	5,267	10,221	11,214
Hubs	477	39	347	130
Policy	279	100	100	179
IT	725	215	584	141
Rail	39,115	21,470	31,386	7,729
Tunnels	26,228	10,319	15,996	10,232
Rolling Stock	37,733	13,248	24,209	13,524
Policy	811	334	682	129
Digital Connect	3,896	2,823	2,918	979
Corporate Landlord	320	0	0	320
Rough Sleepers	633	0	0	633
<b>Total Internally Delivered Schemes</b>	<b>160,467</b>	<b>66,264</b>	<b>104,929</b>	<b>55,539</b>
<b>Externally Delivered Schemes</b>				
Business Ecosystems	17,650	2,903	4,773	12,877
Housing Delivery Board	53,442	8,406	26,402	27,040
Low Carbon Delivery Board	14,862	12,781	14,941	(79)
People Delivery Board	448	100	428	20
Place and Infrastructure Board	41,822	10,513	28,074	13,748
Transport Delivery Board	134,351	48,409	114,495	19,856
UKSPF delivery Board	1,212	153	1,258	(46)
<b>Total Externally Delivered Schemes</b>	<b>263,787</b>	<b>83,266</b>	<b>190,372</b>	<b>73,415</b>
<b>Total Capital Spend</b>	<b>424,254</b>	<b>149,530</b>	<b>295,301</b>	<b>128,954</b>

- 3.8 Capital spend to the end of December represents 35% spend against full year

budget however forecast outturn suggests that there will be a 70% spend against budget, with a significant rise in spend forecast for the final quarter of the financial year, with some concern that this may slip further in the final quarter of the current financial year.

*Internally funded schemes* - a number of schemes, including Kingsway Build & Redesign in Tunnels, Green Bus Routes and the procurement of a new ferry are now projecting significant spend into subsequent financial years.

With regards to the Green Bus Routes there has been close working with the authorities in agreeing a way forward on how to approach the project with a view to mitigating disruption to the traffic flow with the routes planned for revamping, whilst this activity was expected it has impacted on the speed of progress in this area.

Delays have also been experienced with Kingsway Plaza Build with regards to procuring the land and assessing the various different approaches on which to proceed. Negotiations with the key contractor in respect of the new vessel build took longer than anticipated with the delay having an impact on the program spend and resulting in the expenditure profile now slipping into 2024/25 financial year.

*Externally funded schemes* - it is currently anticipated that circa £27m of Housing pipeline, £14m of Place pipeline and £13m of Business Ecosystem pipeline spend will be carried forward into 2024/25 for completion of project delivery, in addition there are projected underspends forecast in Transport of £7m on Highways Maintenance, £6m Key Route Network Strategic Maintenance, £3m Halsnead Garden Village and £3m LCWIP Phase 2, again which will all require funding to be carry forward.

## Reserves and Financial Risks

- 3.9 Taking account of the approved budget for revenue and capital for 2023/24, the projected group reserves position for the Combined Authority as at 31 March 2024 is detailed below.

*Table Five Projected Group Reserves as at 31 March 2024*

	Balance as at 1/04/23 £'000	Movement £'000	Balance as at 31/03/24 £'000
Capital Reserves	13,800	(0)	13,800
Earmarked Reserves	224,069	(2,722)	221,347
General Fund Balances	22,717	(3,724)	18,993
<b>Total</b>	<b>260,586</b>	<b>(6,446)</b>	<b>254,140</b>

- 3.10 The movement in reserves predominantly relates to the budget adjustments agreed by the Board in December 2023 relating to the Bus contract pressures, along with previously agreed transfers for Eurovision, IT and Totem Poles.



- 3.11 The Combined Authority maintains a number of specific earmarked reserves for which planned utilisation spans a number of years and it is envisaged that over the life of the current medium term financial plan these balances will be drawn down and the level of reserves reduced substantially.
- 3.12 The Authority's group General Fund balances equate to 7% of net revenue spend which is felt to be at a level which is adequate to protect the Authority in the event of any unplanned financial risks.
- 3.13 Non achievement of savings – the budget for 2023/24 was predicated on achieving £5.6m savings. Current indications are that potentially £1.3m of these savings are at risk of not being realised in full. The non-achievement of these savings has been factored into the full year's outturn.

## **4. IMPACT AND IMPLICATIONS**

### **4.1. Financial**

As detailed in section 3.

### **4.2 Supporting the Corporate Plan**

The budget has been set to ensure that resources are directed toward the achievement of key priorities detailed in the Corporate Plan. Strong financial management underpins the delivery of the Corporate Plan.

### **4.3 Risks and Mitigation**

Financial risks and the associated mitigations are included at section 3.10-3.12 of this report.

## **5. CONCLUSION**

- 5.1. As at the end of period nine, and taking account of the outturn projections, the Combined Authority continues to operate both its revenue and capital operations within the budgets set.

JOHN FOGARTY  
Executive Director - Corporate  
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MAYOR STEVE ROTHERAM  
Portfolio Holder for Policy, Reform and  
Resources

## **Appendices:**

- 1 Revenue Spend by Directorate and Service Area
- 2 Revenue Grant Expenditure by Delivery Board and Project
- 3 Internally Delivered Capital Schemes by Service and Project
- 4 Externally Delivered Capital Schemes by Delivery Board and Project

## **Background Documents:**

None