

## **CARDIFF CAPITAL REGION JOINT CABINET**

REGIONAL CABINET MEETING 18<sup>th</sup> JUNE 2018

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### **2017/18 FINAL OUT-TURN REPORT**

#### **JOINT REPORT OF CARDIFF CAPITAL REGION CITY DEAL PROGRAMME DIRECTOR AND SECTION 151 OFFICER**

#### **AGENDA ITEM: 7**

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##### **Reason for this Report**

1. To provide Cardiff Capital Region Joint Cabinet (Regional Cabinet) with details of the final out-turn position against the Joint Committee Revenue Budget and Wider Investment Fund budgets for the year ending 31<sup>st</sup> March 2018.

##### **Background**

2. The financial year 2017/18 represents Regional Cabinet's first full year of operation, having been formally constituted on the 1<sup>st</sup> March 2017.
3. At its meeting of the 17<sup>th</sup> March 2017, Regional Cabinet approved its 2017/18 Joint Committee revenue budget totalling £1,000,000, consisting of £755,000 in respect of the Programme Management Office and £245,000 in relation to the Accountable Body.
4. The 17<sup>th</sup> March report also approved a range of budgets in respect of the Wider Investment Fund (WIF) i.e. £742,500 was approved in respect of the WIF Top-Slice, with the balance of the fund being available to support the 2017/18 Annual Business Plan.
5. On the 2<sup>nd</sup> May 2017, Regional Cabinet approved its inaugural Annual Business Plan, which set-out details of the uncommitted sum available as part of the Wider Investment Fund. The Annual Business Plan also provided further clarity around how funding may be utilised, along with details of any constraints and dependencies.
6. Regional Cabinet have been provided with budget monitoring updates throughout the year in respect of approved budgets. Updates were formally

reported at Months 05, 08 and 09, as well as all decision reports during the year, clearly capturing and articulating the budgetary implications.

## Issues

7. As outlined above, the 2017/18 Joint Committee revenue budget provided the resources needed to establish the Programme Management Office (PMO) and the Accountable Body arrangements to support the work of the Regional Cabinet.
8. The final out-turn position is detailed in Table 1 below, which confirms an underspend of -£41,846 in 2017/18.

**Table 1. 2017/18 Out-turn Position – Joint Committee Revenue Budget**

Expenditure Head	2017/18 Budget £s	2017/18 Out-turn £s	2017/18 Variance £s
<b><u>Programme Management Office</u></b>			
Employee Related Expenditure	405,500	373,484	(32,016)
Premises Related Expenditure	37,500	19,044	(18,456)
Transport Related Expenditure	5,000	2,614	(2,386)
Supplies, Services (incl. External Support)	137,000	133,017	(3,983)
Early Project Development & Support	100,500	127,075	26,575
Contingency	69,500	46,631	(22,869)
Joint Scrutiny	0	0	0
<b>Sub-total</b>	<b>755,000</b>	<b>701,865</b>	<b>(53,135)</b>
<b><u>Accountable Body</u></b>			
Human Resources	29,500	28,524	(976)
Finance Support	108,000	120,736	12,736
Exchequer, Internal Audit & Insurance	8,000	2,050	(5,950)
Legal & Governance Support	55,000	75,038	20,038
ICT, Information Governance & Comms	12,000	7,073	(4,928)
External Audit Fee	10,000	10,469	469
Contingency	22,500	12,400	(10,100)
<b>Sub-total</b>	<b>245,000</b>	<b>256,289</b>	<b>11,289</b>
<b>Total</b>	<b>1,000,000</b>	<b>958,154</b>	<b>(41,846)</b>
<b>Funded by:</b>			
Underspend brought forward	(227,750)	(227,750)	0
<b><u>Partner Contributions</u></b>			
Blaenau Gwent (4.6%)	(35,524)	(33,743)	1,781
Bridgend (9.5%)	(73,364)	(68,943)	4,421
Caerphilly (12.0%)	(92,670)	(87,416)	5,254
Cardiff (23.7%)	(183,022)	(173,294)	9,728
Merthyr Tydfil (3.9%)	(30,118)	(28,784)	1,334
Monmouthshire (6.1%)	(47,107)	(44,869)	2,238
Newport (9.8%)	(75,681)	(71,697)	3,984
Rhondda Cynon Taf (15.8%)	(122,016)	(115,192)	6,824
Torfaen (6.1%)	(47,107)	(44,559)	2,548
Vale of Glamorgan (8.5%)	(65,641)	(61,908)	3,733
<b>Total</b>	<b>(1,000,000)</b>	<b>(958,154)</b>	<b>41,846</b>
<b>Net Position</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Programme Management Office: (-£53,135)

9. The 2017/18 budget represents Regional Cabinet's first full-year budget and had been costed on the basis that expenditure would be primarily incurred towards the latter part of the year as the activities and staffing of the PMO ramped up over the course of its first year of operation. The 2017/18 budget also included an element of 'one-off' start-up costs, including an Early Project Development & Support budget in respect of Initial Project Investments.
10. In summary, there was an underspend of -£53,135 against the PMO element of the approved budget. A summary of the variances against the key budget heads is set-out below.

#### Employee Related Budgets (-£32,016)

11. The Employee budget of £405,500 is based on a requirement for 9 FTEs with varying start dates throughout the year. The final full year cost was £373,484 and is based on 3 FTEs who have been in place since April (Programme Director, Project Manager and Committee Clerk), two further posts (Delivery Leads for People and Place), a temporary part time business support/administrative officer and a temporary Graduate Development Officer who is assisting the Delivery Lead for People.

#### Premises and Transport Related Budgets (-£20,842)

12. Premise costs largely reflect the lease payments associated with the offices occupied during the year at the Ty Dysgu building. As reported during the year, actual costs have been lower than the approved budget, resulting in an underspend of -£18,456. The budget head also includes expenditure in respect of service charges and the full year NNDR charge.
13. The balance of the underspend (-£2,386), relates to the Transport budget, e.g. car mileage claims, etc.

#### Supplies, Services & External Support Budgets (-£3,983)

14. While a number of Supplies & Services budgets were underspent at year end, overspends have been reported during the year against ICT Equipment, Meeting Room Hire and Refreshments. The net effect of these budget heads is an overall underspend of -£25,639 against the approved budget of £137,000.
15. However, budgets relating public relations and communication activities, including website design and management, corporate branding etc. were overspent by +£21,656 during the year. The costs include amounts in respect of translating documentation which are required by the regulations.

#### Early Project Development & Support (+£26,575)

16. A one-off sum of £100,500 was specifically included within the 2017/18 budget to meet the costs of developing the proposals and the associated due diligence requirements in respect of the Compound Semi-Conductor

project. The actual costs incurred during this phase of the project totalled £127,075, resulting in an overspend of +£26,575.

#### Contingency Budget (-£22,869)

17. The PMO budget includes a contingency sum of £69,500 to meet costs associated with activities that will be developed during the year, e.g. joint scrutiny arrangements and to meet any unforeseen costs which may also materialise.
18. The final out-turn position amounted to expenditure of £46,631, resulting in an underspend of -£22,869. Costs were incurred in respect of the work undertaken by the Local Government Data Unit to support the CCRC towns pilot proposal, with further costs incurred to support the In-Principle approval of the Digital project and development of the business case for the Skills for the Future project.

#### Accountable Body Support & Related Services (+£11,289)

19. As outlined during the year, the Accountable Body is the legal entity through which Regional Cabinet discharges its statutory requirements in respect of Cardiff Capital Region City Deal activities.
20. To assist with the above, the Accountable Body has commissioned a range of support services from the City of Cardiff Council, for and on-behalf of Regional Cabinet. The scope of services, charging mechanisms and estimated costs are fully documented within the Service Level Agreement (SLAs) agreed with each service provider.
21. In addition to the internal SLAs, the Accountable Body is also responsible for ensuring that the Joint Committee arrangements comply with all legislative requirements e.g. registration of VAT with HMRC etc. and the discharge of all statutory duties e.g. preparation of the annual accounts and their subsequent external review and audit etc.
22. The final out-turn position against the approved Accountable Body budget was a net overspend of +£11,289. Further details of the favourable and adverse variances are summarised below:

#### Human Resources (-£976)

23. A substantial element of the Human Resources (HR) budget (£19,452) related to costs associated with the recruitment of the Programme Director post during the year. The budget included costs in respect of externally evaluating the role, advertisement, assessment centre costs and senior HR support to oversee the process.
24. The remaining element of the budget relates to cost incurred for HR support in respect of PMO and Accountable Body staffing structures and includes employment services, advisory services, advice on training, as well as a number hours in respect of a senior HR manager. The final out-turn position was largely in-line with the approved budget of £29,500.

#### Finance Support (+£12,736)

25. The Finance support budget amounted to £108,000 in 2017/18 and reflects a blended cost based on 50% of a senior accountancy manager, a full-time dedicated accountant (from April 2017) and a group accountant commencing part-way through the year. In addition, the budget allows for a fixed sum to cover in-house technical advice and support. The latter specifically relates to the setting-up of the accounting and treasury management arrangements in respect of the Wider Investment Fund.
26. The total cost in 2017/18 amounted to £120,736 and reflects the substantial senior manager resource provided during the year in supporting a number of officer groups (including chairing the Technical Sub-group to resolve a range of technical accounting and auditing matters), assessing both approved (Compound Semi-Conductor project) and In-Principle projects. In addition, detailed financial advice and guidance was provided to support the work of Regional Cabinet and the PMO throughout the year e.g. HMT Grant resource switching options, approval of the 5 year Joint Working Agreement and the 2018/19 Annual Business Plans etc.

#### Exchequer Services, Internal Audit and Insurances (-£5,950)

27. The £8,000 budget for the three services can be broken down as Exchequer Services (£1,000), Internal Audit (£2,000) and Insurances (£5,000). The combined end of year position for these services was an underspend of (£5,950) and generally reflects costs being lower than anticipated when the budgets were prepared.

#### Legal & Governance Support (+£20,038)

28. The approved budget for Legal & Governance support amounted to £55,000 and was estimated using a range of assumptions in relation to staff grades, their respective roles and input to support the work of Regional Cabinet and the PMO. In summary, the budget included an allowance for Monitoring Officer advice and support, a senior solicitor and an allocation for legal clerical level support.
29. The actual costs amounted to £75,038, resulting in an overspend of +£20,038 and reflects the substantial amount of time spent by the senior solicitor during the year. Legal and governance support was provided to a number of officer groups, including the assessment of both approved (Compound Semi-Conductor project) and In-Principle projects, as well as supporting the work of Regional Cabinet and the PMO more generally. The final out-turn position also includes amounts in respect of the Monitoring Officer attendance at Regional Cabinet meetings and a nominal sum in respect of clerical support costs.

#### ICT, Information & Governance and Communications (-£4,928)

30. There is a year-end underspend of (-£4,928) against the annual budget of £7,000 approved for ICT services. The Information & Governance budget of £5,000 was fully spent at year end and therefore on target.

#### External Audit (+£469)

31. The final out-turn position in respect of External Audit arrangements was £10,469 and includes sums in respect of the 2016/17 audit of the Smaller Bodies Return and a further cost of £9,569 in respect of the 2017/18 financial audit, as set-out in the draft Audit Plan. This position was in-line with the approved budget of £10,000.

#### Contingency Budget (-£10,100)

32. In 2017/18, costs of £12,400 have been incurred against the Contingency budget (£22,500) in respect of a range of external advice support the work of Regional Cabinet during the year. In particular, this advice was necessary to support a range of governance and accounting matters, the latter arose directly as a result of Cardiff Capital Region City Deal being the first City Deal being delivered in Wales.

#### **2017/18 Out-turn Summary - Joint Committee Revenue Budget (-£41,846)**

33. As set-out Table 1, the final out-turn position was a spend of £958,154 against an approved budget of £1,000,000, resulting in an underspend of -£41,846 for the year ending 31<sup>st</sup> March 2018. Regional Cabinet has already resolved that any underspend in 2017/18 will be carried forward and used to fund the Joint Committee revenue budget in 2018/19.
34. The report outlines above that 2017/18 budgets were the first full year budgets prepared to support the Joint Committee and were based on a range of assumptions including an assessment of roles, responsibilities and activities identified at that time. Furthermore, there was a clear expectation that the level of resources allocated would need to be continually reviewed and refined as the activities and functions of Regional Cabinet are developed and 'bed down' over time.

#### **2017-18 Out-turn Position – Wider Investment Fund 'Top Slice'**

35. The 'Update on Accountable Body Arrangements' report approved by Regional Cabinet on 17<sup>th</sup> March 2017, set aside 3% of the total investment fund (£495 million) to be used to fund the activities of a number of Regional Bodies and for Programme Development and Support.
36. This decision equated to setting aside £742,500 of resources annually and is referred to as the Wider Investment Fund 'Top Slice'. £331,297 of the annual Top Slice has been allocated to progress the work of the Regional Bodies. In part, this sum was based on discussions with key stakeholders earlier in the year, regarding their proposals for taking forward the work of the Regional Bodies during 2017/18.
37. The balance (£411,203) has been approved to meet the costs of Programme Development and Support i.e. professional advice and support to ensure that all projects taken forward are robust and have undergone the

necessary level of challenge and independent verification to comply with requirements of the Assurance Framework.

38. The 2017/18 final out-turn in respect of the WIF Top-Slice budget is set-out in Table 2 below.

**Table 2. 2017/18 Out-turn Position – WIF Top-Slice**

	<b>2017/18 Budget £s</b>	<b>2017/18 Out-turn £s</b>	<b>2017/18 Variance £s</b>
<b><u>Regional Bodies</u></b>			
Regional Transport Authority	99,066	83,578	(15,488)
Regional Skills Board	67,231	0	(67,231)
Economic Growth Partnership	75,000	17,110	(57,890)
Regional Business Council	90,000	2,560	(87,440)
<b>Sub-total</b>	<b>331,297</b>	<b>103,248</b>	<b>(228,049)</b>
Programme Dev' & Support	411,203	69,966	(341,237)
Investment Income	0	(16,864)	(16,864)
<b>Total</b>	<b>742,500</b>	<b>156,350</b>	<b>(586,150)</b>

Regional Bodies: (-£228,049)

39. Council approval received from the ten partnering local authorities included the need to progress the set-up of a number of regional bodies in 2017/18 to support the work of Regional Cabinet. The approved budgets assumed that Regional Bodies would be formally set-up during the first half of the year and would commence their programme of work during the second half of the year.
40. In summary, the final out-turn position was a spend of £103,248 against the approved budget, resulting in an underspend of (-£228,049). The position reflects the actual time taken for these bodies to formally establish themselves during the year, which resulted in a delay to their 2017/18 work programmes.

Regional Transport Authority Budget: (-£15,488)

41. The City Deal Heads of Terms committed to establishing a new non-statutory Regional Transport Authority (RTA) to co-ordinate transport planning and investment, in partnership with the Welsh Government. Whilst the RTA met several times during 2017/18 in shadow form, their first formal meeting took place on the 25<sup>th</sup> January 2018. The RTA has a key issue to resolve regarding the extent of its delegated authority and work is continuing to resolve this issue as a matter of urgency.

42. A budget of £99,066 was allocated to meet the cost of two posts that have taken forward the work of the Regional Transport Authority during 2017/18. The final out-turn position shows that cost of £83,578 were incurred during the year, resulting in an underspend of -£15,488. The underspend reflects the net position of the costs associated with the Technical Engineer and the Strategy Development posts.

Regional Skills Board: (-£67,231)

43. The Cardiff Capital Region is committed to strengthening the existing Learning, Skills and Innovation Partnership (LSKIP), which is to be re-launched as the Cardiff Capital Region Employment and Skills Board. The Board represents a wide range of stakeholders, including: business organisations; higher and further education; local authorities and the Welsh Government.
44. A budget of £67,231 was allocated in 2017/18 to commence the aims of developing a skilled workforce and reducing unemployment. However, during the year meetings have continued under the existing LSKIP arrangements and discussions taken place around the most effective way to take forward the work of the new Cardiff Capital Region Employment and Skills Board. For these reasons, there were no actual costs incurred during 2017/18.

Economic Growth Partnership: (-£57,890)

45. A Cardiff Capital Regional Economic Growth Partnership has been established, as a multi-agency advisory board to help shape the development of the wider city-region economic development agenda. The board held its inaugural meeting on the 23<sup>rd</sup> January 2018, where it discussed its Terms of Reference, the Economic Growth Strategy, and the Metro Central Investment Proposal.
46. Actual costs in 2017/18 amounted £17,110, resulting in an underspend of -£57,890 against the approved budget of £75,000. Almost all of the costs related to the preparatory works undertaken by Centre for Cities to assess the most effective structure and composition of the proposed Economic Growth Partnership Board. In addition, a nominal sum was incurred in respect of the chairperson support and expenses.

Regional Business Council: (-£87,440)

47. The final regional body that will support the work of the Regional Cabinet is the Regional Business Council. This consists of key business stakeholder representatives from across the capital region, creating a single voice for business to influence the implementation of City Deal projects and initiatives.
48. An informal meeting of key stakeholders took place on the 25<sup>th</sup> January 2018, where discussions around the strategic objectives of the Business Council were considered. In addition, the group discussed matters such as the prioritisation of its proposed functions and the development of its

Business Plan. For these reasons the actual spend in 2017/18 only amounted to £2,560 and related to work undertaken in respect of website design. This has resulted in an underspend of -£87,440 against the approved budget of £90,000.

#### Programme Development & Support Budget: (-£341,237)

49. As outlined earlier, a budget of £411,203 was approved in respect of Programme Development & Support. The actual spend in 2017/18 amounted £69,966 and relates to Performance Audit work identified by the Wales Audit Office (the Joint Committee's external auditor). A sum of £55,000 has estimated in respect of projects approved by Regional Cabinet during the year. In addition, a further £14,966 has been included within the audit plan for the "ongoing monitoring of the evolving value for money and governance arrangements".
50. No other cost were incurred during 2017/18, largely due to the requirement for Regional Cabinet to prepare and approve its Joint Working Agreement Business Plan (and seek approval from partnering Councils), before incurring significant costs on progressing individual projects. Therefore, the final out-turn position was an underspent of -£341,237.
51. The Accountable Body has an approved Treasury Management Strategy in place for managing the Joint Committee's cash balances. In 2017/18 investment income of £16,864 was earned on the committee's balances.

#### 2017/18 Out-turn Summary – WIF Top-Slice (-£586,150)

52. The report outlines that Regional Cabinet has resolved to set aside up to 3% of the Wider Investment Fund to meet the cost of Regional Bodies and Programme Development and Support. Therefore, the 2017/18 underspend (-£586,150) against the WIF Top-Slice budget will be available to drawdown in future years, to supplement the in-year annual budget, providing always that the cumulative expenditure to-date, does not exceed the 3% cap agreed.
53. Where a requirement for additional, in-year resources is identified, a report will be brought forward for Regional Cabinet's consideration and approval.

#### 2017-18 Out-turn Position – Wider Investment Fund Balance

54. The 2017/18 Annual Business Plan identified resources of £19,257,500 being available from Wider Investment Fund to support projects as these brought forward for consideration and approval.
55. At its meeting of 14<sup>th</sup> July 2017, Regional Cabinet received and approved proposals in respect of the Compound Semi-Conductor (CSC) Project. The total budget approved amounted to £38.5 million over a 2 year period and would be funded through the use of HM Treasury grant monies until such time as the Joint Working Agreement (JWA) Business Plan was approved.

For this reason a temporary bridging loan was agreed to address cashflow issues.

56. Table 3 details 2017/18 final out-turn position in respect of the Wider Investment Fund balance of resources.

**Table 3. 2017/18 Out-turn Position – Wider Investment Fund Balance**

	<b>2017/18 Budget £</b>	<b>2017/18 Out-turn £</b>	<b>2017/18 Variance £</b>
<b>CSC Project</b>			
Project Delivery & Implementation	450,000	562,165	112,165
CSC Foundry Investment	24,210,000	24,097,835	-112,165
<b>Total</b>	<b>24,660,000</b>	<b>24,660,000</b>	<b>0</b>
<b>Funded by:</b>			
HMT Revenue Grant	-19,257,500	-562,165	18,695,335
RCT Council Bridge Loan	-5,402,500	0	5,402,500
Council Contributions (Capital)	0	-24,097,835	-24,097,835
<b>Total</b>	<b>-24,660,000</b>	<b>-24,660,000</b>	<b>0</b>

57. The JWA Business Plan was approved by Regional Cabinet on the 23<sup>rd</sup> February 2018 and subsequently by all ten partnering Councils ahead of the financial year end on the 31<sup>st</sup> March. This removed the constraints placed on the use of Council Contributions and allowed Regional Cabinet's decision to 'switch' revenue and capital resources to be implemented in 2017/18, which seeks to optimise the use of revenue grant funding in future years. The duration over which the bridging loan was needed was also significantly reduced.

### **Reasons for Recommendations**

58. To inform Regional Cabinet of the final out-turn position against its Joint Committee Revenue Budget and Wider Investment Fund budgets for the year ending 31<sup>st</sup> March 2018.

### **Financial Implications**

59. The financial implications are set-out within the main body of this report.

## **Legal Implications**

60. The Joint Working Agreement in relation to the delivery of the Cardiff Capital Region City Deal ('the JWA') provides that the Regional Cabinet's terms of reference include monitoring performance. The purpose of the report is to inform Regional Cabinet of the final out-turn position against the Committee's revenue budget and Wider Investment Fund budgets for the year ending 31<sup>st</sup> March 2018. Based on the information set out, the report does not raise any direct legal implications.

## **RECOMMENDATIONS**

It is recommended that the Cardiff Capital Region Regional Cabinet:

- a) Note the final out-turn position against the Joint Committee Revenue Budget for the financial year ended 31<sup>st</sup> March 2018, with the underspend of -£41,846 being available to support the 2018/19 budget;
- b) Note the final out-turn position against the Wider Investment Fund budgets for the year ended 31<sup>st</sup> March 2018, with the underspend of -£586,150 against the Top-Slice budget being available to drawdown in future years to supplement the in-year budget, subject to the necessary approvals being put in place.

**Sheila Davies - CCRC D Programme Director**  
**Christine Salter - CCRC D s151 Officer**

**12<sup>th</sup> June 2018**