

17 DECEMBER 2018 MEETING

2018/19 MONTH 07 JOINT COMMITTEE REVENUE BUDGET MONITORING POSITION

REPORT OF ACCOUNTABLE BODY – SECTION 151 OFFICER, CARDIFF CAPITAL REGION CITY DEAL

AGENDA ITEM: 6

Reason for this Report

1. To provide the Cardiff Capital Region Joint Committee (Regional Cabinet) with details of actual expenditure, income and the projected full year out-turn position as at the 31st October 2018 (Month 07), against its approved 2018/19 Joint Committee Revenue Budget.

Background

2. At its meeting of the 15th January 2018, Regional Cabinet approved its 2018/19 Joint Committee Revenue Budget. The budget provides the necessary resources in respect of the Programme Management Office (PMO) and the Accountable Body support arrangements, which support the work of the Regional Cabinet.
3. The budget is funded from a combination of the underspend brought forward from 2017/18, with the balance being met from local authority '2018/19 Partner Revenue Contributions'.
4. At its meeting of the 24th September 2018, Regional Cabinet noted the Month 04 Monitoring Position which outlined that overall, expenditure was projected to be on target with the approved 2018/19 budget.

Issues

5. Regional Cabinet was formally established on March 1st 2017 and therefore, 2018/19 represents its second full year of operation. The inaugural year was primarily spent on ensuring that all governance, accountability and project

arrangements were set-up and executed in line with the Joint Working Agreement. In addition to this, Regional Cabinet also approved its first project investment (the Compound Semi-Conductor Foundry project) and gave in-principle approval to a further four projects, namely Skills for the Future, Regional Housing Investment Fund, Digital Strategy and Metro Central Project. Updates relating to these projects can be found in the Programme Director's Quarterly Performance Reports.

6. 2018/19 has seen the appointment of a new Programme Director to support the work of Regional Cabinet, through the development of the next stage of the City Deal. A key aspect of this development is the need to focus on the requirements of the 5 year Gateway Review process thus ensuring that Cardiff Capital Region is well placed to demonstrate both the 'Progress' and the 'Impact' that the City Deal has had on the region, over the evaluation period to-date. In addition to this, significant work is being progressed on the 'Delivery Pipeline' of projects and how these will be evaluated as part of the Investment and Intervention Framework.
7. At Month 07 the actual expenditure incurred amounts to £358,841 which represents just over 34% of the annual budget, with the projected out-turn position indicating that the budget will be fully spent at year end. Table 1 summarises the position at Month 07 and a narrative summary is outlined below.

Table 1: Month 07 Joint Committee Revenue Budget Monitoring Position

	Budget	Mth 07 Actual	Projected Year End	Variance
	£	£	£	£
<u>Programme Management Office (PMO)</u>				
Employee Related	475,976	158,010	457,906	-18,070
Premises Related	20,564	7,916	18,673	-1,891
Transport Related	7,500	3,827	7,500	0
Supplies & Services	87,390	17,479	70,871	-16,519
Joint Scrutiny	20,000	0	25,000	5,000
External Support - Communications & Media	25,000	39,634	61,480	36,480
5 Year Gateway Review Support	50,000	0	50,000	0
Contingency	62,585	0	57,585	-5,000
Sub Total	749,015	226,866	749,015	0
<u>Accountable Body Support Services</u>				
HR People Services	11,250	10,011	14,025	2,775
Finance & Accountancy Support	135,640	74,486	135,640	0
Exchequer, Internal Audit & Insurance	3,535	1,754	3,070	-465
Legal & Governance Support	108,815	41,287	108,815	0
ICT, Information & Governance	14,830	4,437	14,830	0
External Audit Fee	5,000	0	9,569	4,569
Contingency	21,915	0	15,036	-6,879
Sub Total	300,985	131,975	300,985	0
Gross Expenditure*	1,050,000	358,841	1,050,000	0

Funded by:-				
2017/18 Underspend B/Fwd	0	-41,846	-41,846	-41,846
Partner Contribution – Blaenau Gwent (4.6%)	-48,507	-46,132	-46,574	1,933
Partner Contribution – Bridgend (9.5%)	-99,110	-94,257	-95,160	3,950
Partner Contribution – Caerphilly (12.0%)	-125,665	-119,512	-120,657	5,008
Partner Contribution – Cardiff (23.7%)	-249,121	-236,922	-239,194	9,927
Partner Contribution – Merthyr Tydfil (3.9%)	-41,379	-39,353	-39,730	1,649
Partner Contribution – Monmouthshire (6.1%)	-64,502	-61,344	-61,931	2,571
Partner Contribution – Newport (9.8%)	-103,069	-98,022	-98,961	4,108
Partner Contribution – RCT (15.8%)	-165,595	-157,486	-158,995	6,600
Partner Contribution – Torfaen (6.1%)	-64,056	-60,919	-61,503	2,553
Partner Contribution – Vale of Glam (8.5%)	-88,996	-84,638	-85,449	3,547
Gross Income*	-1,050,000	-1,040,431	-1,050,000	0
Net Position	0	-681,590	0	0

*** Note: the approved budget for 2018/19 amounts to £1,159,940 and included funding of £109,940 in respect of two FTEs from the Wider Investment Fund (WIF). Actual costs against this element of the budget will be reported against the WIF budget via the Quarterly Performance Reports.**

Programme Management Office: On Target

8. At Month 07 the actual expenditure incurred amounts to £226,866 and represents just over 30% of the Programme Management Office (PMO) element of the approved budget. However, the projected out-turn position assumes that the budget will be fully spent over the course of the financial year. The reasons for this and the position against the key PMO budget heads is summarised below.

Employee Related Budgets: (-£18,070)

9. The Employee Related budget approved in respect of the PMO totals £475,976 and is based on 7 FTEs, which includes two senior posts to support the work of the Programme Director. The budget report advised Regional Cabinet that the specific team structure was being developed in consultation with Chief Executives and the Accountable Body. A key principle agreed at that time was that recruitment to the two senior posts would not be progressed until the new Programme Director was in post.
10. At Month 07, the actual costs amount to £158,010 and relate to the Programme Director, two Project Support posts, part year cost for the now vacant Delivery Lead post and the costs of the Development Officer (Digital) post which commenced in October. Based on this cost profile, the Programme Director has resources amounting to £164,666 at her disposal for the remaining part of the year.
11. As outlined at Month 04, the Programme Director wishes to retain as much flexibility as possible to allow her to build an extended and agile team, which has the breadth, skills, networks and capabilities to evolve the City Deal into the next phase of its growth. For this reason, the Month 07 projection assumes that the remaining level resources (referred to above) will be fully spent by 31st March 2019.

12. Work is underway to guide the 'way forward' for the next phase of evolution of the City Deal, a structural re-alignment including proposals for staffing the PMO and building an extended virtual team. A fully costed proposal, including details of any funding implications will be brought forward as part of a future report to Regional Cabinet. In addition to any budget implications (both in year and future years), the report will need to consider and set-out the position in relation to employment contracts, VAT and insurance matters.
13. Noting the above key assumptions, an underspend of -£18,070 is being reported against the Employee Related budgets in Month 07. These budgets will be closely monitored over the course of the year and projections updated accordingly. In particular, to reflect the implementation (and related timetable) of proposals brought forward in respect of an agile resourcing structure as referred to above.

Premises Related Budgets: (-£1,891)

14. These budgets relate to the Office Lease and NNDR costs for the PMO office at Valleys Innovation Centre which are currently projected to be underspent by £1,891 at year end. Arrangements are in place to relocate the office from Valleys Innovation Centre in Abercynon to new premises in Caerphilly. Early discussions suggest that there will be a small increase in the leasing costs for the new office but that this will be more than offset by savings in meeting room costs which are shown under Supplies and Services below. An update on this will be provided in a future report as confirmation of these costs crystallise.

Supplies & Services: (-£16,519)

15. There are a range of Supplies & Services budgets totalling £87,390 and at Month 07 these are largely anticipated to be fully spent at year end, despite the fact that expenditure has been slower to materialise than expected. There is currently a projected overspend in respect of Office Equipment & Furniture amounting to £3,000. This overspend is off-set by an underspend of £20,000 against the Web Design and Social Media Management budget which is used to fund the overspend on Communications & Media set-out below, resulting in a net underspend of -£16,519.

Joint Scrutiny (+£5,000)

16. Governance arrangements for a Cardiff Capital Region Joint Scrutiny Committee were approved by Regional Cabinet at its meeting of 15th January 2018, where a budget of £20,000 was earmarked against PMO resources. Further information received from the lead authority taking forward joint scrutiny arrangements indicated that costs are likely to be in the region of £25,000. The inaugural meeting of the Joint Scrutiny Committee took place on 15th October 2018 and actual costs for 2018/19 will be updated as the Committee's work is taken forward. Consideration will need to be given to this budget head as part of the 2019/20 budget process.

External Support – Communications & Media: (+£36,480)

17. Communications & Media has an approved budget of £25,000 in respect of the 'base contract', which covers a range of services such as Public Relations, Social Media, Digital Marketing etc. which are delivered via an external partner.
18. At Month 07, actual spend totalled £39,634 against a profiled budget of £14,583 and as a result of this, along with ongoing commitments for these services, the budget is projected to be overspent by +£36,480 at the year end. A large part of the projected overspend relates to services provided in respect of the £20,000 Web Design and Social Media Management budget (referred to above), which are now being delivered through these external arrangements. The balance relates to the base contract which was budgeted at £25,000 for the full year. A new contract has been let which covers a suite of services (base contract along with website & social media management and supporting stakeholder engagement) and is estimated to cost an additional £27,000 for the six month period from September 2018 to February 2019.
19. The Programme Director has committed to reviewing the arrangements for Communications & Media throughout the rest of financial year in order to manage the extent of the overspend as much as possible. Any action taken as part of this review will need factored into the 2019/20 budget setting process.

5 Year Gateway Review Support: (On Target)

20. A budget of £50,000 has been approved in 2018/19 to fund work associated with the Gateway Review process. It is understood that discussions are taking place between the PMO and SQW (HM Treasury's appointed advisors) regarding the potential cost to the Cardiff Capital Region to develop and assess Locality Frameworks and Locality Evaluation Plans. These will build on the work of the National Evaluation Framework which was largely completed in 2017/18.
21. At Month 07 the budget is projected to be fully spent, but dialogue is ongoing to understand the total quantum and profile of costs involved to undertake and complete this work in the current, and future, financial years.

Contingency: (-£5,000)

22. The Contingency budget amounts to £62,585. At Month 07, known commitments amount to £7,500 and relate to the joint scrutiny arrangements outlined above and a small cost agreed with the Vale of Glamorgan to support the development of a City Deal Strategic Risk Register. However, in order to retain flexibility to be able to react to opportunities and generate accelerated results, the remaining budget of £55,085 is projected to be fully spent. This position will be reviewed and updated as we progress through the financial year.

Accountable Body Support & Related Services: On Target

23. At Month 07, actual costs amounting to £131,975 were incurred in relation to the Accountable Body Support and Related Services budget and equate to just under 44% of the full year budget. The position Month 07 assumes that the full year projection will be on target with the £300,985 approved budget. However, the position in respect of the Contingency Budget and Legal Services charge outlined below, should be noted.
24. The position against the key service heads is summarised below:

HR People Services: (+£2,775)

25. There is a small overspend projected against the HR People Services budget which totals £11,250. The overspend is as a result of £1,155 of costs for the Programme Director recruitment process flowing into 2018/19, along with £1,620 additional HR costs in supporting the PMO recruitment process.

Finance & Accountancy Support: On Target

26. The total budget for the provision of these services is £135,640 and is projected to be on target at Month 07. The budget covers a range services including advice, support and attendance at meetings of a senior accountancy manager, a full-time accountant as well as cash and treasury management services.
27. The Budget assumed 50% of the full time cost of the senior accountancy manager and 75% of a group accountant. However, the service is being delivered via 95% of the senior accountancy manager only, with additional support also being provided by other Cardiff Council Officers at a projected cost of £9,500. These changes allow the overall budget to be met whilst also providing the level of support required by the Programme Director and the Joint Committee Section 151 Officer.

Exchequer Services, Internal Audit and Insurances: (-£465)

28. The £3,535 budget for the three services can be broken down as Exchequer Services (£350), Internal Audit (£2,000) and Insurances (£1,185). Currently these are expected to be on target with budget, with a small underspend projected against Insurance costs.

Legal & Governance Support: On Target

29. The approved budget for the provision of Legal and Governance support is £108,815 and was based on the assumption that additional resources would be needed to support the then Programme Director at meetings during 2018/19. However, based on the actual demand for legal advice for the first half of the year, in particular the reduced number of meetings, the legal costs incurred are less than that assumed in the budget. On this basis, it is projected that the number of hours that may be recharged in 2018/19 are likely to be in-line with the £74,935 cost charged in 2017/18.

30. However, as the work of the new Programme Director's beds in and takes effect during the second half of the year, the level of activity may change. For this reason, the Month 07 projection remains on target with budget, but noting that, depending on the actual business need over the remainder of the financial year, an underspend of up to £33,880 may crystallise. The position will be closely monitored throughout the financial year and updated accordingly.

ICT and Information & Governance: On Target

31. ICT services are projected to be on target based on 11 ICT User Accounts and devices being supported throughout the year. The Information & Governance budget of £5,000 is a fixed fee.

External Audit: (+£4,569)

32. At the time of setting the 2018/19 budget, the external audit fee was estimated to be £5,000. Subsequently, the 2017/18 fee was charged at £9,569 and the assumption is that the 2018/19 fee will be at a similar level and on this basis, an overspend of +£4,569 is projected.

Contingency Budget: (-£6,879)

33. The Accountable Body element of the budget includes a contingency of £21,915. At Month 07, no actual costs have been incurred. It is therefore assumed that part of this budget can be used to cover the projected overspend detailed above and deliver an overall balanced budget position for 2018/19. However for prudence, the remaining balance of £15,036 has been committed in order to provide for unforeseen costs, should they arise.

Month 07 Summary

34. This report summarises the monitoring position against the Joint Committee's Revenue Budget at Month 07 and outlines that overall the projections are in line with the approved budget for 2018/19.
35. It should be noted that a significant level of resources are projected to be spent during the remainder of the year, which aims to reflect the anticipated acceleration of activity, to move the City Deal forward. A report containing fully costed proposals will be brought forward for Regional Cabinet's consideration and approval. This will need to set-out the budgetary impact on the current year's budget as well implications for future years.
36. The budget will continue to be monitored and reviewed through the rest of the financial year and updates reported back to Regional Cabinet at appropriate intervals. The impact of any changes in future years will need to be considered as part of the 2019/20 budget setting process.

Reasons for Recommendations

37. To provide Regional Cabinet with an update of the monitoring position against its approved 2018/19 Joint Committee Revenue Budget, as at 31st October 2018 (Month 07).

Financial Implications

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

Legal Implications

39. This is a revenue budget monitoring report for noting and based on the information contained in this report, does not raise any direct legal issues.

RECOMMENDATION

It is recommended that Cardiff Capital Region Joint Cabinet:

- a) Notes the actual expenditure, income and projected full year out-turn position as at the 31st October 2018 (Month 07), against its approved 2018/19 Revenue Budget.

Christine Salter
Corporate Director Resources
17 December 2018

The following Appendix is attached:

Appendix 1: Future Generations Evaluation

Future Generations Assessment Evaluation

Name of the Officer completing the evaluation: Kellie Beirne Phone no: 07826 9219286 E-mail: kellie.beirne@cardiff.gov.uk	Please give a brief description of the aims of the proposal To provide details of expenditure, income and projected full year outturn position against the approved 2018/19 Joint Committee revenue budget.
Proposal: 2018/19 Month 07 Joint Committee Revenue Budget Monitoring Position	Date Future Generations Evaluation form completed: 11 Dec 2018

- 1. Does your proposal deliver any of the well-being goals below?** Please explain the impact (positive and negative) you expect, together with suggestions of how to mitigate negative impacts or better contribute to the goal.

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
A prosperous Wales Efficient use of resources, skilled, educated people, generates wealth, provides jobs	The report sets out progress against agreed revenue budgets and the way in which resources are being used to deliver outcomes and targets.	Set out in report
A resilient Wales Maintain and enhance biodiversity and ecosystems that support resilience and can adapt to change (e.g. climate change)	Not directly relevant however financial support and investments will have regard to these principles and will be set out on a business-case by business-case basis.	
A healthier Wales	Not direct applicable	

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
People's physical and mental wellbeing is maximized and health impacts are understood		
A Wales of cohesive communities Communities are attractive, viable, safe and well connected	Not directly applicable	A greater contribution will be made to this by the data capability, sectoral analysis and place assessments.
A globally responsible Wales Taking account of impact on global well-being when considering local social, economic and environmental wellbeing	Not directly applicable	
A Wales of vibrant culture and thriving Welsh language Culture, heritage and Welsh language are promoted and protected. People are encouraged to do sport, art and recreation	Not directly applicable	
A more equal Wales People can fulfil their potential no matter what their background or circumstances	City Deal is about delivering as far as possible across 10 LAs and a population of £1.5m people. It is about economic gains – but importantly how this will convert as tools for improving people's lives. Some of the specific interventions around skills and housing – will seek to make a more direct contribution to equity of access and equal opportunity for all.	

2. How has your proposal embedded and prioritized the sustainable governance principles in its development?

Sustainable Development Principle	Does your proposal demonstrate you have met this principle? If yes, describe how. If not explain why.	Are there any additional actions to be taken to mitigate any negative impacts or better contribute to positive impacts?
 <p>Long Term</p> <p>Balancing short term need with long term and planning for the future</p>	<p>The report sets out short-term interventions and balances these against the long-term delivery of major programmes.</p>	
 <p>Collaboration</p> <p>Working together with other partners to deliver objectives</p>	<p>A cornerstone of our process is the strength of partnership working.</p>	
 <p>Involvement</p> <p>Involving those with an interest and seeking their views</p>	<p>Communications and engagement remain a feature of our work.</p>	
 <p>Prevention</p> <p>Putting resources into preventing problems occurring or getting worse</p>	<p>Demonstrated in the report through detailed funding allocations and investment cases</p>	
 <p>Integration</p> <p>Considering impact on all wellbeing goals together and on other bodies</p>	<p>City Deal seeks to make a contribution on place and to improving the life chances of people in the region.</p>	

3. **Are your proposals going to affect any people or groups of people with protected characteristics?** Please explain the impact, the evidence you have used and any action you are taking below.

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Age	The report is an overview of financial performance. The protected characteristic assessments related to specific proposals will need to be drawn out in the relevant business cases and proposal documents.	None arising at this time.	
Disability	As above	As above	
Gender reassignment	As above	As above	
Marriage or civil partnership	As above	As above	
Pregnancy or maternity	As above		
Race	As above		
Religion or Belief	As above		
Sex	As above		
Sexual Orientation	As above		
Welsh Language	As above	Not at this time but the situation will be kept under review.	

4. Safeguarding & Corporate Parenting. Are your proposals going to affect either of these responsibilities?

	Describe any positive impacts your proposal has on safeguarding and corporate parenting	Describe any negative impacts your proposal has on safeguarding and corporate parenting	What will you do/ have you done to mitigate any negative impacts or better contribute to positive impacts?
Safeguarding	Not directly relevant –however, building the future economy should have a profoundly positive impact on ability to safeguard the future of our residents		
Corporate Parenting	Not directly relevant – however building strength in the economy should create opportunities for all of the young people entrusted in our care		

5. What evidence and data has informed the development of your proposal?

- Evidence and input contributed by theme leads
- Outcomes of assessments such as audit reports
- The Draft Annual Governance Statement
- Delivery against targets set out in individual business cases/ approved project documentation
- Financial data and recording

6. SUMMARY: As a result of completing this form, what are the main positive and negative impacts of your proposal, how have they informed/changed the development of the proposal so far and what will you be doing in future?

The areas requiring attention and focus are set out and follow-up actions will be assessed and monitored ongoing through the quarterly reporting mechanism. .

7. MONITORING: The impacts of this proposal will need to be monitored and reviewed. Please specify the date at which you will evaluate the impact, and where you will report the results of the review.

The impacts of this proposal will be evaluated on:	Quarter 3
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