

18 FEBRUARY 2019 MEETING

2018/19 MONTH 09 JOINT COMMITTEE REVENUE BUDGET MONITORING POSITION AND STATEMENT OF ACCOUNTS UPDATE

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

AGENDA ITEM: 4

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 December 2018 (Month 09), against its approved 2018/19 Joint Committee Revenue Budget.
2. To provide an update to Regional Cabinet on the Accounts and Audit (Wales) (Amendments) Regulations 2018, which set earlier statutory deadlines for the production and approval of the Statement of Accounts and to address the specific recommendation made by the Wales Audit Office in relation to matter as part of the 2017/18 audit process.

Background

3. 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 (AB) support arrangements, which support the work of the Regional Cabinet.
4. 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'.
5. This is the third budget monitoring report of the current financial year, which follows on from reports presented at Month 04 and Month 07. The latter reported that overall, expenditure was projected to be on target with the approved 2018/19 budget at that time.

Issues

6. Regional Cabinet was formally established on 1st March 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 City Deal Director's Quarterly Performance Reports.
7. The second half of 2018/19 has seen the appointment of a new City Deal Director to support the work of Regional Cabinet, through the development of the next stage of the City Deal. With this in mind, the Director has completed an assessment of 'existing structures'. Structures reviewed include both the PMO and the 'Theme Lead Officer' roles designed to lead on Programme Development and stimulate the 'Project Delivery Pipeline'.
8. The assessment has concluded that there is a need to build extended virtual and agile teams, which have the breadth, skills, networks and capabilities to evolve the City Deal into the next phase of its growth. In addition, changes are suggested to the 'Theme Lead Model', resulting in the establishment of the City Deal Office (CDO). Details of the proposals are fully set-out in a separate report, which Regional Cabinet will also be considering at its meeting of the 18th February.
9. This monitoring report provides an update in terms of the cost implications arising from the establishment of the CDO and how these impact on the resources that were being held back, earlier in the year. In summary, due to the lead times associated with implementing the proposed structure, much of the resources earmarked for this purpose, can now be released.
10. However, circa £50,000 of the resources referred to above, will be needed to cover one-off recruitment costs which are projected to be incurred in the current financial year. These costs relate to 3 new Chief Officer posts within the City Deal Office. In order to manage these costs a one-off, in-year budget virement has been actioned between the PMO employee budget and the Accountable Body's HR People Services budget. The budget changes resulting from this virement are reflected within Table 1 below.
11. At Month 09 the actual expenditure incurred amounts to £472,474 which represents 45% of the annual budget. The out-turn is estimated as being £972,693, resulting a projected underspend of -£77,307 at Month 09. Table 1 summarises the position at Month 09 and a narrative summary is outlined below.

Table 1: Month 09 Joint Committee Revenue Budget Monitoring Position

	Revised Budget £	Mth 09 Actual £	Projected Year End £	Variance £
Expenditure				
Programme Management Office (PMO)	699,015	295,410	633,789	-65,226
Accountable Body Support Services	350,985	177,064	338,904	-12,081
Gross Expenditure*	1,050,000	472,474	972,693	-77,307
Funded by				
Local Authority Partner Contributions	-1,050,000	-1,040,431	-1,050,000	0
Net Position	0	-567,957	-77,307	-77,307

* *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: Underspend (-£65,126)

12. At Month 09 the actual expenditure incurred amounts to £295,410 and represents just over 42% of the approved Programme Management Office (PMO) budget, reduced accordingly for the virement outlined above in paragraph 10.
13. As a result of the CDO proposals set out above, the anticipated increase in staffing costs previously reported is now not expected to impact 2018/19. The projections and variances have been updated accordingly to reflect the revised out-turn position. A summary of the PMO budget positions are shown in Table 2 below, along with narrative summary of the major variances:

Table 2: Programme Management Office – Month 09 Budget Summary

	Revised Budget £	Mth 09 Actual £	Projected Year End £	Variance £
<u>Programme Management Office (PMO)</u>				
Employee Related	425,976	204,152	308,055	-117,921
Premises Related	20,564	16,309	20,606	42
Transport Related	7,500	4,836	7,500	0
Supplies & Services	87,390	19,453	74,500	-12,890
Joint Scrutiny	20,000	0	25,000	5,000
External Support - Communications & Media	25,000	50,660	65,228	40,228
5 Year Gateway Review Support	50,000	0	69,500	19,500
Contingency	62,585	0	63,400	815
Sub Total	699,015	295,410	633,789	-65,226

Employee Related Budgets: (-£117,921)

14. At Month 09, the actual costs amount to £204,152 and relate to the Programme Director, two Project Support posts and a part year cost for the vacant Delivery Lead post. In addition, the projection captures the costs of the Development Officer (Digital) post which commenced in October 2018 and the Operational Manager – Strategic Lead post which commenced in December 2018.
15. As a result of the proposals outlined above in respect of the City Deal Office and allowing for the impact of the budget virement (£50,000) to the HR People Services budget, an underspend of -£117,921 is now being projected against the Employee Related budgets at Month 09.

External Support – Communications & Media: (+£40,228)

16. Communications & Media costs continue to be overspent, although this is mitigated by an underspend of £20,000 contained within the overall Supplies & Services position. These costs will continue to be closely monitored for the remainder of the year, whilst alternative in-house arrangements are being proposed in respect of the 2019/20 budget.

5 Year Gateway Review Support: (+19,500)

17. A budget of £50,000 has been approved in 2018/19 to fund work associated with the Gateway Review process. Discussions have taken place between the PMO and SQW (HM Treasury's appointed advisors) regarding the costs to the Cardiff Capital Region for the development and assessment of Locality Frameworks and Locality Evaluation Plans. These will build on the work of the National Evaluation Framework which was largely completed in 2017/18.
18. At Month 09, information has been received from SQW regarding their costs for the current year, which are estimated to be £69,500. As a result an overspend of +£19,500 is now projected against this budget. Details of activity levels and costs relating to futures have also been made available and these have been built into future year budgets accordingly.

Accountable Body Support & Related Services: Underspend (-£12,081)

19. At Month 09, actual costs amounting to £177,064 were incurred in relation to the Accountable Body Support Services budget and equate to just over 50% of the full year budget. The position at Month 09 assumes that the full year projection will result in an underspend of -£12,081 against the revised budget of £350,985, which has increased as a result of the virement outlined above.
20. A summary of the Accountable Body Support Services budgets are shown in Table 3 below, along with narrative summary of the major variances:

Table 3: Accountable Body Support Services – Month 09 Budget Summary

	Revised Budget £	Mth 09 Actual £	Projected Year End £	Variance £
<u>Accountable Body Support Services</u>				
HR People Services	61,250	10,387	57,550	-3,700
Finance & Accountancy Support	135,640	98,529	136,796	1,156
Exchequer, Internal Audit & Insurance	3,535	2,303	3,070	-465
Legal & Governance Support	108,815	54,189	108,815	0
ICT, Information & Governance	14,830	5,923	14,830	0
External Audit Fee	5,000	5,733	17,843	12,843
Contingency	21,915	0	0	-21,915
Sub Total	350,985	177,064	338,904	-12,081

HR People Services: (-£3,700)

21. Following the virement from the Programme Management Office, the HR People Services budget now totals £61,250 and includes the HR costs associated with supporting the proposed CDO senior officer recruitment process. It is anticipated that costs in the region of £43,525 will be incurred in 2018/19 to cover the advertising, assessment centres, the evaluation process and interviews.

External Audit: (+£12,843)

22. At the time of setting the 2018/19 budget, the external audit fee was estimated to be £5,000. Wales Audit Office (WAO) have now confirmed the charge will be around £12,110, an increase of +£7,110 against the approved budget.
23. Separately, an adjustment is required against the 2017/18 fee, which has now been charged at £15,302, an increase of £5,733 against the provisions made for that year. These two factors have resulted in an overspend of +£12,843 against the approved resources set aside in the current year.

Contingency Budget: (-£21,915)

24. The Accountable Body element of the budget includes a contingency of £21,915. At Month 09, no actual costs have been incurred and currently there are no indications that a draw down against this budget will be required in 2018/19 and therefore the budget is projected not to be spent at the time of reporting.

Month 09 Summary

25. This report summarises the monitoring position against the Joint Committee's Revenue Budget at Month 09 and outlines that the overall position is a projected underspend of -£77,307 against the approved budget for 2018/19.
26. It should be noted that at Month 07 a significant level of resources were projected to be spent during the remainder of the year, aiming to reflect the

anticipated acceleration of activity, to move the City Deal forward. In-light of the City Deal Office proposal that has come forward, it is now clear that the resources set aside will not be required in full. For this reason an underspend position is being reported at Month 09.

27. The budget will continue to be monitored and reviewed through the rest of the year until the final out-turn is established. Variances highlighted as part of the monitoring process have been considered as part of the 2019/20 budget preparation process.

Accounts and Audit (Wales) (Amendments) Regulations 2018

28. Under the Accounts and Audit (Wales) (Amendments) Regulations 2018, in future the Joint Committee and the Auditor General are required to meet earlier statutory deadlines. Under the amended regulations the new deadlines are due to change in stages, with the final change taking effect from 2020/21, at which point the unaudited Statement of Accounts will need to be approved by the 31st May and audited Statements published no later than 31st July each year.
29. In-line with the above, and as part of the first stage of changes, the Joint Committee's Statement of Accounts for 2018/19 will need to meet the revised deadlines of the **15th June 2019** and the **15th September 2019**, respectively. This results in statutory dates that are 2 weeks earlier than in previous years.
30. In addition, the Wales Audit Office's Audit of Financial Statements Report – Cardiff Capital Region City Deal Joint Committee issued on the 27th November 2018 and presented to Regional Cabinet on 17th December 2018 contained the following recommendation:

“Joint Committee reviews and agrees a revised timetable with Monmouthshire County Council for the completion and audit of CSC Foundry Ltd's 2018-19 financial statements. The revised timetable should ensure that it provides sufficient time to allow staff working for the accountable body within Cardiff Council to make the necessary consolidation adjustments within the Joint Committee's draft financial statements.”
31. Following discussions between the Accountable Body, Monmouthshire County Council (MCC) and the Wales Audit Office, MCC have committed to providing:
 - draft accounts in respect of CSC Foundry Ltd by the **23rd April 2019**; and
 - audited accounts no later than the **29th July 2019**.
32. The agreed dates are significantly earlier than those which transpired last year. On this basis it is anticipated that adherence with the agreed dates should provide the Accountable Body adequate time to carry the necessary consolidation exercises in-line with the revised deadlines outlined above.

Reasons for Recommendations

33. To provide Regional Cabinet with an update of the monitoring position against its approved 2018/19 Joint Committee Revenue Budget, as at 31st December 2018 (Month 09).
34. To advise Regional Cabinet of the earlier statutory deadlines for the approval of both the unaudited and audited Statement of Accounts for the financial year 2018/19, together with details of the proposed timetable that has been agreed by relevant parties to achieve these dates.

Financial Implications

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

Legal Implications

36. 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.

Recommendations

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 December 2018 (Month 09), against its approved 2018/19 Revenue Budget.
- b) Notes the proposed timetable for the production of both unaudited and audited Statement of Accounts for 2018/19 as outlined in this report.

Christine Salter
Corporate Director Resources
18 February 2019

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 09 Position and Update on Statement of Accounts	Date Future Generations Evaluation form completed: 08 Feb 2019

- 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 4
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