



10 June 2019

2018/19 JOINT COMMITTEE REVENUE BUDGET FINAL OUT-TURN AND PROPOSAL TO CREATE EARMARKED 'RESERVES'

REPORT OF CARDIFF CAPITAL REGION CITY DEAL SECTION 151 OFFICER

AGENDA ITEM: 7

Reason for this Report

1. To provide the Cardiff Capital Region Joint Cabinet (Regional Cabinet) with details of the final out-turn position against the Joint Committee Revenue Budget for the year ending 31st March 2019.
2. To seek Regional Cabinet's approval to create two specific Earmarked Reserves and to hold the 2018/19 Revenue Budget underspend as a Joint Committee General Reserve, to assist with budget management in future years.

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 City Deal Office (CDO) 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. Regional Cabinet have been provided with regular budget monitoring updates throughout the year, in respect of the 2018/19 approved budget. Formal updates were provided at Months 4, 7 and 9. In addition, all cabinet decision reports clearly capture and advise members of the budgetary implications arising from the report's recommendations.
6. At Month 09 Regional Cabinet were advised of a projected underspend of -£77,307, based on the various issues and assumptions known at that time.

Issues

7. The 2018/19 out-turn position is detailed in Table 1 below and details a final underspend of £123,498, after allowing for the proposed level of specific Earmarked Reserves set-out in this report.

Table 1: Joint Committee Revenue Draft Out-turn Position

	2018/19 Budget £	2018/19 Outturn £	2018/19 Variance £
Expenditure			
City Deal Office (CDO)	699,015	588,240	-110,775
Accountable Body Support Services	350,985	252,767	-98,218
Proposed Specific Earmarked Reserves	0	85,495	85,495
Gross Expenditure*	1,050,000	926,502	-123,498
Funded by			
Local Authority Partner Contributions	-1,050,000	-1,050,000	-0
Net Position	0	-123,498	-123,498

* 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.

City Deal Office: -£110,775 Underspend

8. City Deal Office expenditure for the year ending 31st March 2019 amounted to £588,240 and represented just over 84% of the budget, as reduced by the budget virement approved by Regional Cabinet at their February 2019 meeting.
9. A summary of the final City Deal Office (CDO) budget positions are shown in Table 2 below, along with a narrative summary of the major variances:

Table 2: City Deal Office – Draft Out-turn Summary

	2018/19 Budget £	2018/19 Outturn £	2018/19 Variance £
<u>City Deal Office (CDO)</u>			
Employee Related	425,976	307,196	-118,780
Premises Related	20,564	15,858	-4,706
Transport Related	7,500	18,919	11,419
Supplies & Services	87,390	54,055	-33,335
Joint Scrutiny	20,000	20,064	64
External Support - Communications & Media	25,000	74,675	49,675
5 Year Gateway Review Support	50,000	41,755	-8,245
Contingency	62,585	55,718	-6,867

	2018/19 Budget £	2018/19 Outturn £	2018/19 Variance £
Sub Total	699,015	588,240	-110,775

Employee Related Budgets: (-£118,780)

10. Actual costs amount to £307,196 and relate to the City Deal Director, two Project Support posts and a part year cost for the now vacant Delivery Lead post. In addition, the out-turn captures the costs of the Development Officer (Digital) post which commenced in October 2018, the Operational Manager – Strategic Lead post which commenced in December 2018 and other costs related to short term staffing support.
11. The level of underspend is in-line with the projection reported at Month 09 and has resulted from the decision to implement a new City Deal Office structure. This has resulted in a number of posts being held vacant for much of the financial year, whilst details were worked up, costed and brought forward for approval at the February meeting.
12. As a result of holding these vacant posts and after allowing for the impact of the budget virement (£50,000) to the Accountable Body HR People Services budget, an underspend of -£118,780 has been incurred against the Employee Related budgets.

Transport Related Budgets: (+£11,419)

13. There is an overspend of +£11,419 against these budgets largely as a result of the travel and accommodation costs associated with the City Deal's presence at the MIPIM event in March 2019.

Supplies & Services Budgets: (-£33,335)

14. A number of favourable and adverse variances have led to these budgets being underspent by £33,335. Contained within this out-turn is an underspend of £20,000 which contributes to the Communications & Media costs outlined below.

External Support – Communications & Media: (+£49,675)

15. As outlined in previous reports, Communications & Media costs for 2018/19 are significantly over budget, although this is mitigated by an underspend of £20,000 contained within the overall Supplies & Services position. Costs for these services will continue to be closely monitored in the future, whilst alternative in-house arrangements have been proposed in respect of the 2019/20 budget.

5 Year Gateway Review Support: (-£8,245)

16. A budget of £50,000 was approved in 2018/19 to fund work associated with the Gateway Review process. Discussions have taken place during the year between the officers 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 build on the work of the National Evaluation Framework which was largely completed in 2017/18.

17. At Month 09, costs of £69,500 were projected based on information and the proposed work programme provided by SQW at that time. However, information received in March 2019 indicated that some of the proposed work (£27,745) had slipped and would now be incurred in 2019/20. For this reason, it is proposed that a Specific Earmarked Reserve should be created to assist with budget management in future years.

Contingency Budget: (-£6,867)

18. The contingency budget amounted to £62,585 has been largely used to fund work on a number of governance related matters such as the development of the Investment & Intervention Framework, work on developing proportionate approaches to business cases and work on creating the City Deal Risk Register.

Accountable Body Support & Related Services: -£98,218 Underspend

19. The final out-turn position against the approved Accountable Body budget, as adjusted by the virement approved in February 2019, is that costs of £252,767 have been incurred, equating to just over 72% of the full year budget, resulting in an underspend of -£98,218.
20. A summary of the Accountable Body Support Services budgets are shown in Table 3 below, along with a narrative summary of the major variances:

Table 3: Accountable Body Support Services – Draft Out-turn Summary

	2018/19 Budget £	2018/19 Outturn £	2018/19 Variance £
<u>Accountable Body Support Services</u>			
HR People Services	61,250	14,540	-46,710
Finance & Accountancy Support	135,640	134,138	-1,502
Exchequer, Internal Audit & Insurance	3,535	3,070	-465
Legal & Governance Support	108,815	75,213	-33,602
ICT, Information & Governance	14,830	7,963	-6,867
External Audit Fee	5,000	17,843	12,843
Contingency	21,915	0	-21,915
Sub Total	350,985	252,767	-98,218

HR People Services: (-£46,710)

21. The effect of the CDO virement increased the HR People Services budget to £61,250. These additional resources were identified as being necessary to meet the costs associated with supporting the CDO senior officer restructure and recruitment process outlined. These costs were anticipated to be incurred during the latter part of 2018/19, however, these will now be incurred during the first quarter of 2019/20.

22. Given the value of costs involved with the CDO restructuring exercise, it is proposed that a second Specific Earmarked Reserve is created to assist with budget management in 2019/20.

Legal & Governance Support: (-£33,602)

23. The Legal & Governance Support budget was increased for 2018/19 in anticipation of increased resources expected to be required to meet the acceleration of the project pipeline during the year. For prudence this amount has been fully committed during the year in order to be available should such costs arise. The final spend in relation to this area amounted to £75,213, resulting in an underspend of -£33,602 against the increased budget.

External Audit: (+£12,843)

24. 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.
25. 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 provision made for that year. These two factors have resulted in an overspend of +£12,843 against the approved resources set aside.

Contingency Budget: (-£21,915)

26. The Accountable Body element of the budget includes a contingency of £21,915. No costs have been incurred against this budget in 2018/19.

2018/19 Out-turn Summary, including proposals for specific Earmarked and General Reserves

27. As outlined in this report, it is recommended that Regional Cabinet approve the creation of two specific Earmarked Reserves to meet costs that were anticipated to be incurred in the current year, but will now be incurred in 2019/20. These reserves total £85,495 and will assist Regional Cabinet in meeting these costs in future years. The reserves have a specific purpose/activity identified and will only be available for drawdown for that purpose and in-line with the Accountable Body's processes and procedures.
28. Regional Cabinet have previously resolved that any 'bottom-line' underspends against the Joint Committee Revenue Budget will be carried forward and used to reduce the Partner Authority contributions required to fund the following year's budget. Subject to the specific Earmarked Reserves being approved, an underspend of -£123,498 will be available.
29. At its meeting of 3rd May 2019, the Finance Group (Section 151 Officers) recommended that Regional Cabinet consider retaining the 2018/19 underspend as a Joint Committee General Reserve, as matter of prudence

and to assist with budget management matters in future years, should these arise. The balance of any reserve not used in full, will become available for redistribution back to partner authorities in future years.

Reasons for Recommendations

30. To inform Regional Cabinet of the final out-turn position against its Joint Committee Revenue Budget for the year ending 31st March 2019.
31. To recommend that specific Earmarked Reserves are created to meet costs which will now be incurred in 2019/20 and that the balance of the 2018/19 underspend is retained as a General Reserve for prudence and to assist Regional Cabinet with budget management in future years.

Financial Implications

32. The financial implications are set out within the main body of this report. The report recommends the creation of two specific Earmarked Reserves to assist with budget management in respect of the 'Gateway Review' process and to support the 'CDO Senior Officer Restructure and Recruitment' process.
33. Reserves can be provided as a working balance, a contingency for unexpected events or emergencies or to meet known or predicted liabilities. Where reserves are created these must be maintained in accordance with the relevant codes of practice on local authority accounting in the United Kingdom and agreed accounting policies. For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
34. As reserves need to be maintained in accordance with relevant codes of practice, it is recommended that the approval of any expenditure that is to be met from specific Earmarked Reserves is delegated to the Joint Committee s151 Officer. If approved, this delegation will be in-line the policies and procedures of the Accountable Body.
35. Separately, the report recommends that the balance of the 2018/19 underspend is retained by the Joint Committee as a General Reserve for prudence and to assist Regional Cabinet with budget management in future year. If approved, it is recommended that the approval of any expenditure that is to be met from the General Reserve is delegated to the Joint Committee s151 Officer in consultation with the Joint Committee Chair.
36. If the report's recommendations are approved, then each Partnering Authority will be required to pay the full value of their respective 2019/20 Revenue Budget contribution, as approved by Regional Cabinet at its meeting of the 18th February 2019.
37. Regular updates should be provided to Regional Cabinet on the status (and balance) of any Specific and General Reserves that are being held on behalf of the Joint Committee.

Legal Implications

38. The Joint Working Agreement in relation to the delivery of the Cardiff Capital Region City Deal (JWA) provides that the Regional Cabinet's terms of reference include monitoring performance. One of the purposes of this report is to facilitate such monitoring by providing details of the final out-turn position against the Joint Committee Revenue Budget for the year ending 31st March 2019.
39. The JWA is silent on the question of creating reserves. The JWA Scheme of delegations providing that any matters not covered in the Schedule of delegations shall be a matter for the Joint Committee ('Regional Cabinet') to determine. Accordingly the Joint committee is requested to make decisions as regards the creation of and subsequent operation of the reserves, pursuant to this power. The body of the report sets out the rationale for creating the reserves proposed and the financial implications notes the factors to which regard must be had in terms of managing such reserves accounts and drawing down against the same. Reference is made to the same
40. Legal Services are instructed that the effect of creating the Reserves is, put simply, to make more monies available to the Joint Committee, than currently provided in the Approved Annual Budget, though the creation of the reserves will not serve to increase the Annual Budget figure from that set. The reasons this point is raised are because (i) if the creation of the Reserves had served to increase the Annual Budget by more than 5 %, then the decision would go beyond the powers delegated to the Joint committee. Clause 12.4 of the JWA providing approval of the Annual budget is a matter for the Joint committee, provided that the Annual Budget shall not exceed the previous Annual budget by more than 5 % and (ii) again with clause 12.4 in mind, for the purposes of setting next year's Annual Budget (2020/21) the figure that will be used will be the Annual Budget as set by Regional Cabinet for 2019/21.
41. In exercising any delegated powers as to expenditure then regard will need to be had to the provisions of the JWA and limitations placed on the exercise of such delegation.

Well Being of Future Generations (Wales) Act 2015

42. The Well-Being of Future Generations (Wales) Act 2015 ('the Act') is about improving the social, economic, environmental and cultural well-being of Wales. The Act places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales - a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible. In discharging their respective duties under the Act, each public body listed in the Act (which includes the Councils comprising the CCRCD) must set and published well-being objectives. These objectives will show how each public body will work to achieve the vision for Wales set out in the national well-being goals. When exercising its functions, the Regional Cabinet should consider how the proposed decision will contribute towards

meeting the 'well-being duty' and in so doing assist to achieve the national well-being goals.

43. The well-being duty also requires Councils to act in accordance with a 'sustainable development principle'. This principle requires Councils to act in a way which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. Put simply, this means that Regional Cabinet must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, Regional Cabinet must:
 - Look to the long term
 - Focus on prevention by understanding the root causes of problems
 - Deliver an integrated approach to achieving the 7 national well-being goals
 - Work in collaboration with others to find shared sustainable solutions
 - Involve people from all sections of the community in the decisions which affect them.
44. Regional Cabinet must be satisfied that the proposed decision accords with the principles above
45. To assist Regional Cabinet to consider the duties under the Act in respect of the decision sought an assessment has been undertaken, which is attached as an appendix to this report (Well –being of future generations assessment) for member's consideration
46. *In preparing reports due regard must be given to the Statutory Guidance on the Act issued by the Welsh Ministers, which is accessible using the link below: <http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>*

Equality Act 2010

47. In considering this matter regard should be had, amongst other matters, to the Councils' duties under
 - a) the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards,
 - b) the Equality Act 2010. Pursuant to these legal duties the Regional Cabinet must in making decisions have due regard to the need to (1) eliminate unlawful discrimination (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. Protected characteristics are:
 - Age
 - Gender reassignment
 - Sex
 - Race – including ethnic or national origin, colour or nationality
 - Disability
 - Pregnancy and maternity
 - Marriage and civil partnership
 - Sexual orientation

- Religion or belief – including lack of belief

Recommendations

It is recommended that Cardiff Capital Region Joint Cabinet:

- a) Note the final out-turn position against the Joint Committee Revenue Budget for the year ending 31st March 2019
- b) Approves the creation of two specific Earmarked Reserves amounting to £85,495 to meet specific costs identified in this report in future years in respect of the 'Gateway Review' process and to support the 'CDO Senior Officer Restructure and Recruitment' process ;
- c) Subject to the approval of recommendation (b) delegates authority to the Joint Committee s151 Officer to manage the two specific Earmarked Reserves and to approve any expenditure that is to be met from specific Earmarked Reserves , subject to following the policies and procedures of the Accountable Body in respect of reserves and provisions of the Joint Working Agreement in relation to the delivery of the Cardiff Capital Region City Deal ('JWA') ;
- d) Subject to the approval of recommendation (b), approves that the underspend of -£123,498 in respect of the 2018/19 Joint Committee Revenue Budget is retained as a Joint Committee General Reserve to assist with general budget management in future years;
- e) Subject to the approval of recommendation (d), delegates authority to the Joint Committee s151 Officer in consultation with the Joint Committee Chair, to manage the Joint Committee General Reserve and to approve any expenditure that is to be met from the General Reserve subject to following the policies and procedures of the Accountable Body in respect of reserves and provisions, relating to expenditure, of the JWA

Chris Lee

Section 151 Officer, Cardiff Capital Region City Deal

10 June 2019

Appendix 1 Wellbeing of Future Generations Assessment

Future Generations Assessment Evaluation

Name of the Officer completing the evaluation: Gareth Gates Phone no: 02920 872275 E-mail: Gareth.gates@cardiff.gov.uk	Please give a brief description of the aims of the proposal To provide details of the full year out-turn position against the approved 2018/19 Joint Committee Revenue Budget.
Proposal: 2018/19 Joint Committee Revenue Budget Final Out-turn	Date Future Generations Evaluation form completed: 10 June 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 the final out-turn position against agreed revenue budgets and the way in which resources have been 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.	As above.	
Race	As above.	As above.	
Religion or Belief	As above.	As above.	
Sex	As above.	As above.	
Sexual Orientation	As above.	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?

- 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 reporting mechanism in the following Financial Year.

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 1 2019/20
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