South East Wales Corporate Joint Committee

Cyd-bwyllgor corfforaethol De-Dwyrain Cymru

Report for:	NOTE
Contains Confidential or Exempt Information	NO

For Consideration By	South-East Wales Corporate Joint Committee
Report Title	2024/25 Month 06 Revenue Budget Monitoring Update
Report of	Strategic Director of Resources
Contact Details	Liam.Hull@cardiffcapitalregion.gov.uk
Date to be Considered	18 November 2024
Implementation Date	18 November 2024
Affected Council Areas	All
Keywords / Index	Finance; Budget Monitoring

Report Summary

1. The report below sets out the South-East Wales Corporate Joint Committee Revenue Budget position and the projected Outturn as at the 30 September 2024 (Month 06).

Recommendations

2. The South-East Wales Corporate Joint Committee is asked to:

(1) Note the Revenue Budget position and the projected Outturn as at the 30 September 2024 (Month 06) as set out in the report;

(2) Note that regular budget updates will be provided to the Committee throughout the year.

Reasons for Recommendations and Options Considered

3. To provide the South-East Wales Corporate Joint Committee (CJC) with details of the 2024/25 Month 06 Revenue Budget Monitoring position.

Background

4. At its meeting of the 29 January 2024, the CJC approved its revenue and capital budgets for financial year 2024/25, which represented the first year where the budgets for CJC Statutory Duties and the CCR City Deal (CCRCD) were brought together as part of the same budget report. The budget set out the relevant regulatory frameworks that were applicable to the budget setting process and the need to ensure that budgets are presented in a way that allowed the necessary accounting and reporting arrangements to be met. For this reason, the budget report was set out in three key tables:

- Table 1 set out the 2024/25 CJC Statutory Duties Budget (revenue);
- Table 2 set out the 2024/25 CCRCD Budget, which has been updated to include budgets in respect of the MIPIM Event and Valleys Regional Park (revenue);
- Table 6 set out the 2024/25 CCRCD Wider Investment Fund Budget (revenue & capital).

5. At its meeting of the 27 September 2024, the Governance & Audit Sub-Committee considered and noted the Month 04 Position, in line with its responsibility to:

- review and scrutinise the CJC's financial affairs;
- review any financial statement prepared by the CJC.

6. This report provides an update on the budget monitoring position and projected outturn as at the 30 September 2024 (Month 06) in respect of the approved 2024/25 CJC Statutory Duties Budget and the approved 2024/25 CCRCD Budget. The budget monitoring position in respect of the Wider Investment Fund budgets are set out in the Quarterly Performance Reports. The CJC considered the Quarter 1 position at its meeting of the 21 October 2024 (Item 05), with the Quarter 2 position, scheduled to be considered at its December 2024 meeting.

Key Considerations

7. Table 1 sets out the Month 06 position in respect of the CJC Statutory Duties budget, which combines the budget position for both the 'General' and the 'Strategic Development Planning' budgets. This shows that actual expenditure incurred to the 30 September July 2024 amounted to £247k and represents 36.1% of the approved budget. At Month 06 there is a full year projected underspend of £35k based on the information and assumptions known at this time. Further details of the material variances to the budget are set out in paragraphs 8 to 11.

Table 1: CJC Statutory Duties – Month 06

Description	2024/25 Budget £	Month 6 Actual YTD £	Month 6 Commit' £	Month 6 Revised £	24/25 Projection £	24/25 Variance £
Direct Costs						
Regional Transport Plan (Employees)	41,000	53,088	0	53,088	100,000	59,000
Regional Transport Plan (Non-Employees)	200,500	-	-	-	62,000	(138,500)
Regional Transport Plan Sub-Committee	3,600	-	-	-	3,600	-
Strategic Development Plan	25,000	-	12,500	12,500	25,000	-
Strategic Development Plan Sub-Committee	3,600	-	-	-	3,600	-
Contingency	30,000	-	-	-	30,000	-
Direct Costs Sub-Total	**303,700**	**53,088**	**12,500**	**65,588**	**224,200**	**(79,500)**
Corporate Support & Overheads						
Corporate Duties	3,000	-	1,625	1,625	3,250	250
Governance Support (Incl. Sub-Committees)	7,050	-	3,025	3,025	10,159	3,109
Management, Support & Overheads	371,675	690	176,294	176,984	349,620	(22,055)
Corporate Support & Overheads Sub-total	**381,725**	**690**	**180,944**	**181,634**	**363,029**	**(18,696)**
Total Expenditure	**685,425**	**53,778**	**193,444**	**247,222**	**587,229**	**(98,196)**
Funding & Contributions						
Welsh Government Grant Funding (RTP)	(100,000)	-	(53,088)	(53,088)	(100,000)	-
SEW CJC Constituent LAs	(459,470)	(229,735)	-	(229,735)	(459,470)	-
Bannau Brycheiniog NPA	(955)	(398)	(80)	(478)	(955)	-
Specific Earmarked Reserves (RTP)	(125,000)	-	-	-	(62,000)	63,000
Total Funding & Contributions	**(685,425)**	**(230,133)**	**(53,168)**	**(283,301)**	**(622,425)**	**63,000**
Net Position	**-**	**(176,355)**	**140,276**	**(36,079)**	**(35,196)**	**(35,196)**

Direct Costs (RTP and SDP): £80k underspend

8. At Month 06, actual costs in respect of RTP activities amounted to £53k and full year costs are projected to be £100k in respect of the Employee related budget. The Non-Employee costs are projected to be £62k in 2024/25. This results in an overspend of £59k against the RTP Employee budget, and an underspend of £139k against the Non-Employee budget. These variances have arisen as a result of a reprofiling exercise between the two budget heads. All costs will be met from the approved Welsh Government RTP grant.

Funding and Contributions: £63k overspend

9. Welsh Government has approved grant funding of £100k to support eligible Regional Transport Plan costs incurred during 2024/25. The projection reflects the grant's terms and conditions; that is, the need for the grant to be fully drawn down and spent by the 31 March 2025.

10. A specific Earmarked Reserve of £125k has been set aside to meet the balance of the RTP costs in 2024/25. Based on the projected costs at Month 06, £62k of this reserve will be utilised to meet RTP costs. Any balance remaining on this reserve will be available to meet future RTP costs.

Cardiff Capital Region City Deal (CCRCD) updated to include MIPIM Event and Valleys Regional Park budget)

11. Table 2 below sets out the Month 06 position in respect of the 2024/25 CCRCD revenue budget. This shows that actual expenditure incurred to the 30 September 2024 amounted to £1,743k and represents 41.6% of the approved budget. At Month 06 there is projected overspend of £185k

12. Further details of the material variances are set out in paragraphs 14 to 25.

Table 2: Cardiff Capital Region City Deal – Month 06

Description	2024/25 Budget £	Month 6 Actual YTD £	Month 6 Commit' £	Month 6 Revised £	24/25 Projection £	24/25 Variance £
Employees (Gross)	3,006,564	1,262,029	-	1,262,029	3,085,309	78,745
Premises	65,000	33,752	11,657	45,409	58,638	(6,362)
Transport	61,755	1,918	690	2,608	49,255	(12,500)
Supplies & Services	704,502	210,112	34,510	244,622	760,808	56,306
Support Services (SLAs)	235,898	-	140,498	140,498	280,995	45,097
External Audit Fee	69,223	-	48,227	48,227	96,454	27,231
CJC Transition Costs	-	-	-	-	-	-
Contingency	47,499	-	-	-	50,000	2,501
Total Expenditure	**4,190,441**	**1,507,811**	**235,581**	**1,743,392**	**4,381,459**	**191,018**
Funding & Contributions						
LA Partner Contributions	(1,363,488)	(667,657)	-	(667,657)	(1,363,488)	-
WIF Top-Slice Contribution	(1,644,202)	(822,101)	-	(822,101)	(1,644,202)	-
Welsh Government Funding	(134,527)	-	(28,176)	(28,176)	(134,527)	-
CCR Reserves	-	-	-	-	(41,829)	(41,829)
Sponsorship	(200,000)	-	-	-	(203,500)	(3,500)
Internal Recharges	(848,224)	(379,787)	-	(379,787)	(809,304)	38,920
Total Funding & Contributions	**(4,190,441)**	**(1,869,544)**	**(28,176)**	**(1,897,720)**	**(4,196,850)**	**(6,409)**
Net Position	**-**	**(361,733)**	**207,406**	**(154,327)**	**184,608**	**184,608**

Employee Related Costs: £79k overspend

13. At Month 06 there is a projected overspend of £79k against the approved Employees budget of £3,007k. This net position reflects a number of factors which are summarised below:

- Following transition to CJC, it has become apparent that additional staffing resources are required to ensure that the CJC can meet all of the duties that come with being a public body;

- Whilst longer-term requirements are being considered, this has resulted in the need to recruit to a number of additional short-term roles, which has added pressure to the staffing budget. Furthermore, a number of these roles have been filled using contractor / agency staff, which has resulted in higher costs;

- A 10% vacancy factor amounting to £329,900 has been introduced as part of the 2024/25 budget. Given the resource pressures above, it has not been possible to manage vacancies in the way that was envisaged when the budget was set.

14. The increased resource, particularly in finance and legal services, presents the CJC with an opportunity to support capital projects through utilising internal resource. This will reduce the reliance on external advisor support, which can be costly and should result in organisational savings that will positively impact the costs outlined above.

15. An initial assessment of capitalising support costs has been undertaken at Month 06, and on this basis £78,500 of revenue costs have been identified as being appropriate to recharge to Wider Investment Fund Capital Budgets. Further work will be carried over the coming months to test the robustness of this assessment and to refine the value of costs that may be capitalised for the full year. This will potentially reduce the value of the projected overspend against the Employee budget reported at Month 06.

Transport Related Costs: £13k underspend

16. The total budget for Transport related costs amounts to £61,755 and is made up of £41,755 in relation to events and £20,000 in relation to staff travelling and subsistence. At Month 06, the events budget is projected to be on target, whilst staff travelling and subsistence is projecting an underspend of £12,500, based on the level of claims submitted and reimbursed to date.

Supplies & Services: £57k overspend

17. The Supplies & Services budget totals £705k and covers a range of expenditure heads in relation to CCR, MIPIM Event and Valleys Regional Park. In summary, the material variances projected at Month 06 all relate to CCR budgets and consist of:

- an overspend on Consultants' Fees of £80k (£38k financial consultancy support, which was not included in the 2024/25 budget and £42k relating to Gateway Review costs being reprofiled from 2025/26);

- an overspend of £11k relating to a number of Subscriptions now required in the name of the CJC, which includes legal services case management, making tax digital and the real living wage;

- an overspend of £3k on the CCRCD's 50% share of Governance & Audit Sub-Committee costs;

- an underspend of £34k on the CCRCD share of the insurance premium and a net underspend of £4k on other Supplies & Services budget heads.

Support Services: £45k overspend

18. The CJC has agreed Service Level Agreements with Rhondda Cynon Taf County Borough Council (RCT) for the provision of transactional support across a range of support services. 2024/25 represents the first year of these arrangements and budget values were based on the assumptions and information known at the time when the budget was prepared.

19. As the CJC's operations are bedding down, additional support requirements have been identified, which at Month 06 indicates a potential overspend of £45k for the year. In summary, the increases relate to additional Internal Audit days (£25k), ICT support increase in demand (£8k), Accounts Payable (£10k), netted-off by a (£2k) reduction to the Procurement SLA. These increases are being discussed with RCT officers with a view to assessing options for potentially reducing the overall level of the overspend.

20. The projection also includes SLA costs with Cardiff Council of £4k for licences and ICT support to enable the CJC to access its legacy accounting systems. This is necessary to enable the CJC to prepare its 2023/24 Statement of Accounts and complete the audit.

External Audit Fee: £27k overspend

21. CCRCD's accounts are increasing in complexity, which was reflected in the 2024/25 budget being increased to £69,223. Audit Wales' fee proposals received in respect of the Financial Audit and the Performance Audit indicate that the actual costs for the year will amount to £96,454, resulting in an overspend of £27,231 against the approved budget.

Funding and Contributions: £6k underspend

22. The increase (£41,829) in Gateway Review costs referred to earlier in this report will be met from a Specific Earmarked Reserve held for this purpose. The adequacy of the balance remaining in the reserve at the year-end will be assessed as part of the annual closure of accounts process.

23. In 2024/25 the budget for internal staff recharges was increased significantly from £274,791 to £848,224 to reflect the increased level of core staff time being spent on projects and externally funded (grant) initiatives, such as the Shared Prosperity Fund (SPF) etc.

24. Staff time analysis carried out at Month 06 indicates that the projected level of recharges for the year will amount to £809,304, resulting in a shortfall of £38,920 against the budgeted level of income. The actual level of time spent

by staff on projects and externally funded initiatives will continue to be monitored on a monthly basis and the full projection updated accordingly.

Comments of the s.151 Officer

25. The detailed financial implications are set out in the body of this report. In summary, Table 1 sets out the CJC Statutory Duties budget is projected to be underspent by £35k in 2024/25. The position will be updated as part of future reports to the CJC during the year to ensure that accurate and up to date financial information is provided to the CJC to aid its decision making.

26. In the event the CJC Statutory Duties budget is underspent at the year end, then options will be provided to the CJC for managing such an underspend. However, it should be noted that, in-line with the CJC regulations, funding contributions raised to meet the cost of CJC Statutory Duties must be ringfenced and applied to expenditure incurred for those purposes.

27. Conversely, Table 2 is projecting an overspend of £185k at Month 06. The report provides details of the areas where overspends are being projected and actions being taken to reduce or eliminate these overspends. An update on progress being made in this regard will be reported as part of future reports along with the options available to the CJC to fund any residual overspend, should this crystallise at the year end.

Comments of the Monitoring Officer

28. 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.

Staffing Implications

29. There are no direct staffing implications arising from this report.

Equality, Human Rights and Community Cohesion

30. No adverse equalities implications have been identified.

Well-being of Future Generations

31. Regard has been had to the well-being duty arising under the Well-Being of Future Generations (Wales) Act 2015.

Welsh Language Implications

32. None.

Background Papers

- SEW CJC Meeting 29 January 2024 – Item 05: 2024/25 Annual Budget
- Governance and Audit Sub-Committee Meeting 27 September 2024 – Item 11: 2024/25 Month 4 Revenue Budget Monitoring Update

Appendices: None

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