South East Wales Corporate Joint Committee

Cyd-bwyllgor corfforaethol De-Dwyrain Cymru

Report for:	NOTING
Contains Confidential or Exempt Information	NO

For Consideration By	South-East Wales Corporate Joint Committee
Report Title	2024/25 Month 09 Revenue Budget Monitoring Update
Report of	Strategic Director of Resources
Contact Details	Liam.Hull@cardiffcapitalregion.gov.uk
Date to be Considered	31 March 2025
Implementation Date	31 March 2025
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 Out-turn as at the 31 December 2024 (Month 09).

Recommendations

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

(1) Note the Revenue Budget position and the projected Out-turn as at the 31 December 2024 (Month 09) as set out in the report;

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

Reasons for Recommendations and Options Considered

3. To provide South-East Wales Corporate Joint Committee (CJC) with details of the 2024/25 Month 09 Revenue Budget Monitoring Update Report 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 the CJC's meeting of the 18 November 2024, received and noted the budget position at Month 06.

6. This report provides an update on the budget monitoring position and projected out-turn as at the 31 December 2024 (Month 09) 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.

Key Considerations

7. Table 1 sets out the Month 09 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 31 December 2024 amounted to £383k and represents 56.0% of the approved budget. At Month 09 there is a full year projected underspend of £27k 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 12.

Table 1: CJC Statutory Duties – Month 09

Description	2024/25 Budget £	Month 9 Actual YTD £	Month 9 Commit' £	Month 9 Revised £	24/25 Projection £	24/25 Variance £
Direct Costs						
Regional Transport Plan (Employees)	41,000	66,811	-	66,811	100,000	59,000
Regional Transport Plan (Non-Employees)	200,500	14,066	-	14,066	74,000	(126,500)
Regional Transport Plan Sub-Committee	3,600	-	-	-	-	(3,600)
Strategic Development Plan	25,000	12,000	6,000	18,000	25,000	-
Strategic Development Plan Sub-Committee	3,600	-	-	-	-	(3,600)
Contingency	30,000	-	-	-	30,000	-
Direct Costs Sub-Total	**303,700**	**92,876**	**6,000**	**98,876**	**229,000**	**(74,700)**
Corporate Support & Overheads						
Corporate Duties	3,000	-	2,438	2,438	3,250	250
Governance Support (Incl. Sub-Committees)	7,050	-	8,053	8,053	10,737	3,687
Management, Support & Overheads	371,675	690	273,574	274,264	363,969	(7,706)
Corporate Support & Overheads Sub-total	**381,725**	**690**	**284,064**	**284,754**	**377,956**	**(3,769)**
Total Expenditure	**685,425**	**93,566**	**290,064**	**383,630**	**606,956**	**(78,469)**
Funding & Contributions						
Welsh Government Grant Funding (RTP)	(100,000)	(50,108)	(41,757)	(91,865)	(100,000)	-
SEW CJC Constituent LAs	(459,470)	(344,603)	-	(344,603)	(459,470)	-
Bannau Brycheiniog NPA	(955)	(637)	-	(637)	(955)	-
Specific Earmarked Reserves (RTP)	(125,000)	-	-	-	(74,000)	51,000
Total Funding & Contributions	**(685,425)**	**(395,347)**	**(41,757)**	**(437,104)**	**(634,425)**	**51,000**
Net Position	-	**(301,781)**	**248,307**	**(53,474)**	**(27,469)**	**(27,469)**

Direct Costs (RTP and SDP): £68k underspend

8. At Month 09, actual costs in respect of RTP activities amounted to £81k and full year costs are projected to be £100k in respect of the Employee related budget. The Non-Employee costs are projected to be £74k in 2024/25. This results in an overspend of £59k against the RTP Employee budget, and an underspend of £127k against the Non-Employee budget. These variances have arisen as a result of a reprofiling exercise between the two budget heads.

9. At Month 09, actual costs in respect of SDP activities amounted to £18k and full year costs are projected to be £25k in respect of the SDP budget.

10. At Month 09, it is anticipated the budgets set aside for both the RTP and SDP Sub-committees is unlikely to be utilised, resulting in a projected underspend of £7k.

Funding and Contributions: £51k adverse variance

11. 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.

12. 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 09, only £74k 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)

13. Table 2 below sets out the Month 09 position in respect of the 2024/25 CCRCD revenue budget. This shows that actual expenditure incurred to the 31 December 2024 amounted to £3,061k and represents 73.0% of the approved budget. At Month 09 there is projected overspend of £143k

14. Further details of the material variances are set out in paragraphs 16 to 27.

Table 2: Cardiff Capital Region City Deal – Month 09

Description	2024/25 Budget £	Month 9 Actual YTD £	Month 9 Commit' £	Month 9 Revised £	24/25 Projection £	24/25 Variance £
Employees (Gross)	3,006,564	2,147,624	-	2,147,624	2,958,205	(48,359)
Premises	65,000	44,000	3,781	47,781	60,268	(4,732)
Transport	61,755	37,793	1,693	39,486	51,846	(9,909)
Supplies & Services	704,502	501,760	36,315	538,075	854,782	150,280
Support Services (SLAs)	235,898	1,560	213,746	215,306	284,995	49,097
External Audit Fee	69,223	-	72,341	72,341	96,454	27,231
CJC Transition Costs	-	-	-	-	-	-
Contingency	47,499	-	-	-	50,000	2,501
Total Expenditure	**4,190,441**	**2,732,737**	**327,876**	**3,060,612**	**4,356,550**	**166,109**
Funding & Contributions						
LA Partner Contributions	(1,363,488)	(890,209)	-	(890,209)	(1,363,488)	-
WIF Top-Slice Contribution	(1,644,202)	(1,116,215)	-	(1,116,215)	(1,644,202)	-
Welsh Government Funding	(134,527)	-			(130,322)	4,205
CCR Reserves	-	-	(57,422)	(57,422)	(57,422)	(57,422)
Sponsorship	(200,000)	(54,016)	-	(54,016)	(195,886)	4,114
Internal Recharges	(848,224)	(585,614)	-	(585,614)	(822,712)	25,512
Total Funding & Contributions	**(4,190,441)**	**(2,646,053)**	**(57,422)**	**(2,703,475)**	**(4,214,032)**	**(23,591)**
Net Position	-	**86,684**	**270,454**	**357,137**	**142,518**	**142,518**

Employee Related Costs: £48k underspend

15. At Month 09 there is a projected underspend of £48k against the approved Employees budget of £3,007k. This net position reflects a number of factors which are summarised below:

- Overspends in areas such as Legal & Governance due to the additional resource requirements needed to ensure the CJC can meet all of the duties that come with being a public body have also increased internal capability to support capital projects resulting in less reliance on external support;

- An assessment of capitalising support costs has been undertaken during the year and at Month 09, it has been calculated that £79k of revenue costs can be recharged to Wider Investment Fund Capital Budgets. Further work will be carried over the remaining months to test the robustness of this assessment and to see whether or not the value of capitalised costs in 2024/25 can be increased further;

- A 10% vacancy factor amounting to £330k has been introduced as part of the 2024/25 budget. During the year, a number of assumptions have been built-in to the Employee projection around the timing and cost implications of vacant posts being filled. At Month 09 these assumptions have been revisited and updated accordingly, resulting in the projected spend against vacant posts being reduced;

Transport Related Costs: £10k underspend

16. The total budget for Transport related costs amounts to £62k and is made up of £42k in relation to events and £20k in relation to staff travelling and subsistence. At Month 09, the events budget is projected to be on target, whilst staff travelling and subsistence is projecting an underspend of £10k, based on the level of claims submitted and reimbursed to date.

Supplies & Services: £150k overspend

17. The Supplies & Services budget totals £705k and covers a range of expenditure heads. The material variances projected at Month 09 all relate consist of:

- an overspend on Consultants' Fees of £150k (£39k financial consultancy support, which was not included in the 2024/25 budget and £85k relating to Policy work to continue the CJC's transition during 2024/25. The balance (£26k) relates to other expenditure;

- an overspend of £6k relating to a number of Subscriptions which the CJC entity is now required hold in its own e.g. making tax digital, the real living wage and access to legal resources;

- an overspend of £28k relating to CCRCD's 50% share of Governance & Audit Sub-Committee costs (£3k) and £25k on other headings within the supplies & services

- an underspend of £34k on the CCRCD share of the insurance premium.

Support Services: £49k 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 09 indicates a potential overspend of £49k for the year. In summary, the increases relate to additional Internal Audit days (£25k), ICT support increase in demand (£8k), Accounts Payable (£10k), Scrutiny Services (£4k) 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 £69k. 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 £96k resulting in an overspend of £27k against the approved budget.

Funding and Contributions: £24k positive variance

22. The cost of additional CJC Transition costs £57k 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 £275k to £848k 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 09 indicates that the projected level of recharges for the year will amount to £823k resulting in a shortfall of £26k 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 £27k in 2024/25, which is largely in-line with the position reported at Month 06 (projected underspend of £35k).

26. The position will continue to be monitored as part of future reports to the Governance & Audit Sub-Committee to ensure that accurate and up to date financial information is available to aid decision making.

27. In the event the CJC Statutory Duties budget is underspent at the year end, then options will be presented 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.

28. Conversely, Table 2 is projecting an overspend of £143k at Month 09, which is an improvement against the projected overspend of £185k reported at Month 06.

29. 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 fund any residual overspend, should this crystallise at the year end.

Comments of the Monitoring Officer

30. This revenue budget monitoring report suggests that, whilst there is projected to be a modest overall full year underspend, certain assumptions relating to the cost of operationalising a new public body have been underestimated. The impact of those underestimations, coupled with the freeze on permanent recruitment to certain core posts during 2024/25, should be closely monitored.

Staffing Implications

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

Equality, Human Rights and Community Cohesion

32. No adverse equalities implications have been identified.

Well-being of Future Generations

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

Welsh Language Implications

34. None.

Background Papers

- SEW CJC Meeting 29 January 2024 – Item 05: 2024/25 Annual Budget
- SEW CJC Meeting 18 November 2024 – Item 04: 2024/25 Month 06 Revenue Budget Monitoring Update

Appendices: None

Report Author: **Liam Hull – Strategic Director of Resources**
(Liam.Hull@cardiffcapitalregion.gov.uk)

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