

CARDIFF CAPITAL REGION JOINT CABINET

JOINT CABINET MEETING 15 JANUARY 2018

CCRCD 2017/18 BUDGET MONITORING POSITION STATEMENT – MONTH 08 AND PROPOSED 2018/19 BUDGET

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 Cabinet (Regional Cabinet) with an update of the Actual Spend, Commitments and Projected Out-turn against the 2017/18 Revenue Budget as at 30th November 2017 (Month 08).
2. To provide Regional Cabinet with the proposed 2018/19 Revenue Budget and indicative budgets to 2022/23, to assist with Medium Term Financial Planning.

Background

3. Between 25th January and 9th February 2017 Council approval was received from the ten partnering local authorities within the Cardiff Capital Region for the establishment of the Regional Cabinet in relation to the delivery of the Cardiff Capital Region City Deal.
4. At its meeting of the 17th March 2017, Regional Cabinet approved its 2017/18 Revenue Budget totalling £1,000,000, consisting of £755,000 in respect of the Programme Management Office and £245,000 in relation to Accountable Body support and related activities. The 2017/18 budget is to be funded from any underspends brought forward from 2016/17, with the balance being met from local authority 'partner contributions'.
5. The 2016/17 out-turn confirmed a final underspend of £227,750 for that year.
6. The Month 05 Monitoring report was reported to Regional Cabinet at its meeting of 20th November 2017, which detailed a projected underspend of (-£8,440) at that time.
7. It is necessary for Regional Cabinet to approve its 2018/19 budget in sufficient time to allow partnering authorities to include their respective contributions within their own budget setting processes and timescales.

Issues

8. In order to establish the Programme Management Office (PMO) and associated Accountable Body (AB) arrangements, budgets were approved to put in place the resources required to support the work of the Regional Cabinet. The budgets were prepared based on the roles, activities and responsibilities identified at that time, with the expectation that the level of resources allocated is continually reviewed and refined as the activities and functions of Regional Cabinet are developed and 'bed down' over time.
9. At Month 08 the actual expenditure incurred amounts to £628,848, which represents 62.8% of the annual budget. The out-turn position is projected as being £990,301, resulting in an underspend of (-£9,699) against the full year budget and is largely in-line with the position reported at Month 05 (-£8,440). Table 1. details the position at Month 08 and a narrative summary is outlined below.

Table 1: Month 08 Budget Monitoring Position & Projected Out-turn

	Budget £s	Mth 08 Actual £	Projected Year End £	Variance £
Programme Management Office				
Employee Related	405,500	220,140	377,664	-27,836
Premises Related	37,500	16,497	20,000	-17,500
Transport Related	5,000	1,073	3,000	-2,000
Supplies, Services & External Support	137,000	101,105	175,046	38,046
Early Project Development & Support	100,500	123,658	123,658	23,158
Contingency (including Joint Scrutiny)	69,500	0	45,933	-23,567
Sub Total	755,000	462,473	745,301	-9,699
Accountable Body Support Services				
HR People Services	29,500	6,589	41,800	12,300
Accountancy Support	108,000	87,927	111,115	3,115
Exchequer, Internal Audit & Insurance	8,000	752	3,525	-4,475
Legal & Governance Support	55,000	52,823	64,416	9,416
ICT, Information & Governance	12,000	2,507	6,975	-5,025
External Audit (Inc. Technical Advice)	10,000	2,100	2,100	-7,900
Contingency	22,500	13,677	15,069	-7,431
Sub Total	245,000	166,375	245,000	0
Gross Expenditure	1,000,000	628,848	990,301	-9,699
Funded by:-				
2016/17 Underspend B/Fwd	-227,750	-227,750	-227,750	0
Partner Contribution – Blaenau Gwent (4.6%)	-35,524	-35,524	-35,077	447
Partner Contribution – Bridgend (9.5%)	-73,364	-73,364	-72,442	922
Partner Contribution – Caerphilly (12.0%)	-92,670	-92,670	-91,506	1,164
Partner Contribution – Cardiff (23.7%)	-183,022	-183,022	-180,726	2,296
Partner Contribution – Merthyr Tydfil (3.9%)	-30,118	-30,118	-29,740	378
Partner Contribution – Monmouthshire (6.1%)	-47,107	-47,107	-46,515	592
Partner Contribution – Newport (9.8%)	-75,681	-75,681	-74,730	951
Partner Contribution – RCT (15.8%)	-122,016	-122,016	-120,483	1,533
Partner Contribution – Torfaen (6.1%)	-47,107	-47,107	-46,515	592

Partner Contribution – Vale of Glam (8.5%)	-65,641	-65,641	-64,817	824
Gross Income	-1,000,000	-1,000,000	990,301	9,699
Net Position	0	-371,152	0	0

Programme Management Office: (-£9,699)

10. The 2017/18 budget represents Regional Cabinet’s first full-year budget and has been costed on the basis that expenditure will be primarily incurred towards the latter part of the year as the activities and staffing of the PMO ramps up over the course of its first year of operation. The 2017/18 budget also includes an element of ‘one-off’ start-up costs, including an Early Project Development & Support budget in respect of Initial Project Investments.
11. In summary, there is a projected underspend of (-£9,699) against the approved PMO budget at Month 08. The position against the key budget heads are summarised below.

Employee Related Budgets: (-£27,836)

12. The Employee budget of £405,500 is based on a requirement for 9 FTEs with varying start dates throughout the year. At Month 08, the full year projected cost is £377,664, based on 3 FTEs who have been in place since April (Programme Director, Project Manager and Office Manager), two further posts (Delivery Leads for People and Place), a temporary part time business support/administrative officer and a temporary Graduate Development Officer who is assisting the Delivery Lead for People
13. It is anticipated that whilst work on the Joint Working Agreement (JWA) Business Plan continues, this level of resource will largely continue for the remainder of the year. However, this key assumption will be continually reviewed in-line with the overall Transitional Plan and if appropriate, updated accordingly.

Premises Related Budgets: (-£17,500)

14. The projected costs reflect the lease payments associated with the offices occupied by the PMO at the Ty Dysgu building and are anticipated to be considerably less than the budget approved for 2017/18. The costs also include service charges and the full year NNDR charge.

Supplies, Services & External Support Budgets: +£38,046

15. While a number of budgets are projected to be underspent based on current information, it is anticipated that there will be overspends on ICT Equipment, Meeting Room Hire & Refreshments and Welsh Translation costs. At Month 08 the net effect of these budget heads is a projected overspend of +£4,249.
16. In addition, external advisor support is projected to be overspent by +£33,797 and primarily relates to additional support procured in respect of communications, website management and corporate branding. This position remains unchanged from that reported at Month 05.

Early Project Development & Support: +£23,158

17. As reported at Month 05, one-off sum of £100,500 was specifically included within the 2017/18 budget to meet the costs of developing the proposals and associated due diligence requirements in respect of the Compound Semi-Conductor project. The actual costs incurred during this phase of the project totalled £123,658.

Contingency Budget: (-£23,567)

18. The PMO element of the budget includes a contingency of £69,500 to meet costs associated with activities that will be developed during the year, e.g. joint scrutiny arrangements and to meet any unforeseen costs which may also materialise.
19. At Month 08 the projection of £45,933 is made up of £12,000 in respect of an exercise commissioned from the Local Government Data Unit to support the CCRC towns pilot proposal and £5,000 as an allowance towards the initial set up of Joint Scrutiny. The balance assumes a prudent position for unknown items which may crystallise in the final part of the year.

Accountable Body Support & Related Services: (on target)

20. The Accountable Body is the legal entity that has responsibility for discharging all the statutory requirements in respect of the Cardiff Capital Region City Deal i.e. it is responsible for ensuring that all decisions and activities of the Regional Cabinet (including the PMO) are lawful and appropriate.
21. To assist with the above, the Accountable Body has commissioned a range of support services from the City of Cardiff Council, for and on-behalf of Regional Cabinet. The scope of services, charging mechanisms and estimated costs are fully documented within the Service Level Agreement (SLAs) agreed with each service provider. In addition to the internal SLAs, the Accountable Body is also responsible for ensuring that Regional Cabinet complies with all legislative requirements e.g. registration of VAT with HMRC etc. and the discharge of all statutory duties e.g. preparation and audit of its annual accounts etc.
22. At Month 08 it is projected that the approved budget for Accountable Body will be fully spent (Month 05 position projected an underspend of (£7,892). The position against the key budget heads are summarised below:

HR People Services: +£12,300

23. A substantial element of the budget relates to the recruitment costs associated with the Programme Director post which was approved by Regional Cabinet on 20th November 2017. A further specific commitment of £13,000 has also been included for the advertising costs associated with the recruitment of the Programme Director post.
24. The remaining element of the budget relates to HR People Services support in respect of PMO and AB staffing structures and includes employment services, advisory services, advice on training, as well as an estimated number hours in respect of a senior HR manager.

Accountancy Support: +£3,115

25. The Accountancy support budget amounts to £108,000 in 2017/18 and reflects a blended cost based on 50% of a senior accountant, a full-time dedicated accountant (from April 2017) and a group accountant commencing part-way through the year. In addition, the budget allows for a fixed sum to cover in-house technical advice and support. The latter specifically relates to the setting-up of the accounting and treasury management arrangements in respect of the Wider Investment Fund.
26. At Month 08 the actual cost amounts to £87,927 and reflects the substantial amount of time spent supporting a number of officer groups in assessing the Compound Semi-Conductor project, as well as supporting the work of Regional Cabinet and the PMO more generally.
27. The full year projection is largely in line with the position reported at Month 05. It assumes that the group accountant will not be appointed in 2017/18 and the input of the senior accountancy support will also reduce and be largely in-line with budgeted levels during the final quarter of the year.

Exchequer Services, Internal Audit and Insurances: (-£4,475)

28. The £8,000 budget for the three services can be broken down as Exchequer Services (£1,000), Internal Audit (£2,000) and Insurances (£5,000). The projection for these services remains largely in line with that reported at Month 05 (£5,660).

Legal & Governance Support: +£9,416

29. The approved budget for Legal & Governance support is £55,000 and has been estimated using a range of assumptions in relation to staff grades, their respective roles and input to support the work of Regional Cabinet and the PMO. In summary, the budget includes an allowance for the Monitoring Officer, a senior solicitor and an allocation for clerical support.
30. At Month 08 the actual cost amounts to £52,823 and reflects the substantial amount of time spent by the senior solicitor in supporting a number of officer groups in assessing the Compound Semi-Conductor project, as well as supporting the work of Regional Cabinet and the PMO more generally. The sum also includes amounts in respect of the Monitoring Officer and a nominal sum in respect of clerical support.
31. The full year projection assumes that input of the senior solicitor in the last quarter of the year will reduce and be largely in-line with budgeted levels. This will need to be monitored closely and the projection updated accordingly through the remainder of the year.

ICT and Information & Governance: (-£5,025)

32. There is projected underspend of (-£5,025) against the annual budget of £7,000 approved for ICT services. The Information & Governance budget of £5,000 is projected to be fully spent at Month 08.

External Audit: (-£7,900)

33. At Month 08 the actual costs amounted to £2,100 which reflects the costs relating to a Smaller Bodies Return which was completed for the financial year 2016/17. The underspend of -£7,900 relates to the budget for technical external audit advice, which it is understood will not be charged in 2017/18.

Contingency Budget: (-£7,431)

34. At Month 08 actual costs of £13,677 have been incurred in respect of external advice.

Month 08 Summary

35. This report summarises the monitoring position at Month 08. Whilst there are a number of favourable and adverse variances against individual budget heads, it is anticipated that expenditure can be met from within the overall budget approved by Regional Cabinet.
36. In the event that an underspend crystallises at the year end, then Regional Cabinet has resolved that it will be used to reduce local authority partner contributions in 2018/19.

Proposed 2018/19 Regional Cabinet Budget

37. The 2017/18 budget represented the Joint Cabinet's first full-year in operation, and was based on the Transitional Plan set out for that year, in particular, the need to prepare and approve the JWA Business Plan, until which time there will be an element of uncertainty around the number of projects to be taken forward, their complexity and the direct staffing and support arrangements necessary to deliver them.
38. The proposed 2018/19 budget is largely based upon the indicative budget reported to Regional Cabinet on 17th March 2017 with some adjustments made, to reflect the experience gained through delivering the Transitional Plan during its first year of operation.
39. A proposed 2018/19 budget for Regional Cabinet is presented in Table 2 below.

Table 2: Proposed 2018/19 Regional Cabinet Budget

Expenditure Head	2017/18 Part Year Budget	2017/18 Projected Out-turn (Mth 08)	2018/19 Proposed Budget
	£s	£s	£s
Programme Management Office			
Employee Related Expenditure	405,500	377,664	585,915
Premises Related Expenditure	37,500	20,000	20,565
Transport Related Expenditure	5,000	3,000	7,500
Supplies, Services & External Support	137,000	175,046	162,390
Early Project Development & Support	100,500	135,658	0
Subtotal	685,500	711,368	776,370
Contingency Budget			
Contingency	69,500	28,933	62,585
Joint Scrutiny	0	5,000	20,000
Subtotal	69,500	33,933	82,585

Total	755,000	745,301	858,955
Accountable Body Support Services			
Human Resources	29,500	28,800	11,250
Finance Support	108,000	111,115	135,640
Exchequer, Internal Audit & Insurance	8,000	3,525	3,535
Legal and Governance Support	55,000	64,416	108,815
ICT, Information Management & Comms	12,000	6,975	14,830
External Audit Fee	10,000	2,100	5,000
Contingency	22,500	28,069	21,915
Subtotal	245,000	245,000	300,985
GRAND TOTAL	1,000,000	990,301	1,159,940
Funded by:-			
Underspend brought forward	-227,750	-227,750	0
Partner Contributions			
Blaenau Gwent (4.60%)	-35,524	-35,077	-48,507
Bridgend (9.40%)	-73,364	-72,442	-99,110
Caerphilly (12.00%)	-92,670	-91,506	-125,665
Cardiff (23.70%)	-183,022	-180,726	-249,120
Merthyr Tydfil (3.90%)	-30,118	-29,740	-41,379
Monmouthshire (6.10%)	-47,107	-46,515	-64,502
Newport (9.80%)	-75,681	-74,730	-103,069
Rhondda Cynon Taf (15.80%)	-122,016	-120,483	-165,595
Torfaen (6.10%)	-47,107	-46,515	-64,056
Vale of Glamorgan (8.50%)	-65,641	-64,817	-88,996
Subtotal	-1,000,000	-990,301	-1,050,000
Wider Investment Fund	0	0	-109,940
Subtotal	0	0	-109,940
GRAND TOTAL	-1,000,000	-990,301	-1,159,940

40. A pay award assumption from 1st April 2018 of between 2.00% and 2.21% has been built in, dependent upon grade and based upon the most current but unconfirmed information available. Other indexation assumptions have been applied to relevant non-employee budget headings.
41. The Programme Management Office and Accountable Body budgets for staffing in 2018/19 account for the full year staffing requirements, which follow the part-year requirements included in the budget for 2017/18.
42. An analysis of the proposed changes to the indicative 2018/19 budget for the Programme Management Office is shown below in Table 3.

Table 3: Proposed Programme Management Office Budget

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2017/18 Budget £	Area of Expenditure	2018/19 Indicative Year 2 Budget £	Growth / Reduction (+/-) £	Proposed 2018/19 Budget £
405,500	Employees	564,800	21,115	585,915
37,500	Premises	37,500	-16,935	20,565
5,000	Transport	5,000	2,500	7,500
82,000	Supplies & Services	70,000	17,390	87,390
55,000	External Advisors Support	55,000	20,000	75,000
100,500	Programme Development & Support	0	0	0
69,500	Contingency (including Joint Scrutiny)	60,450	32,135	82,585
755,000	Total	792,750	76,205	858,955

Employee and Related Budgets

43. The Programme Management Office budget for 2018/19 includes an amended structure which has been developed in order to ease the delivery of the aims of the Regional Cabinet and reflects the need to continually review and react to the City Deal as it grows.
44. The proposed changes to the structure are being developed in consultation with the Chief Executives and the Accountable Body. Note that for budgeting purposes is it assumed that all posts will be filled at 01 April 2018.
45. The proposed, developing staff structure, including the already agreed revised salary for the Programme Director will still need to be contained within currently approved budget restraints, including the following:
- 2 posts are proposed to be funded from the Wider Investment Fund Regional Bodies Budgets
 - The net effect of the increase in cost of the new structure and the adjustments stated above and below is that £44k has been made available from the PMO budget to increase the budget for Legal Support contained within the Accountable Body budget

Non-Staff Budgets

46. The Programme Management non-staff budgets have been developed based on the experience gained through monitoring the delivery of the 2017/18 budget, at the Month 08 position. The premises budget has been reduced to align with the actual lease and related premises costs at the Ty Dysgu building, whilst the budget for supplies, services and external support has increased to align with the increased expenditure on ICT, meeting room hire and Welsh translation costs which is forecast to continue.
47. An analysis of the proposed changes to the indicative 2018/19 budget for the Accountable Body is shown below in Table 4.

Table 4: Proposed Accountable Body Budget

2017/18 Budget £	Area of Expenditure	2018/19 Indicative Year 2 Budget £	Growth / Reduction (+/-) £	Proposed 2018/19 Budget £
29,500	Human Resources	7,669	3,581	11,250
108,000	Finance Support	136,635	-995	135,640
8,000	Exchequer, Internal Audit & Insurance	8,232	-4,697	3,535
55,000	Legal and Governance Support	56,613	42,202	108,815
12,000	ICT, Information Management & Comms	12,539	2,291	14,830
10,000	External Audit Fee	5,000	0	5,000
22,500	Contingency	30,562	-8,647	21,915
245,000	Total	257,250	33,735	300,985

48. The Accountable Body's proposed budget for 2018/19 has also been adjusted to allow for the full year requirements, with the most notable proposed increases required to deliver the Financial, Legal and Governance support requirements of the Joint Working Agreement and the Assurance Framework.
49. Additional budget has been allocated to Legal and Governance Support to reflect the ongoing requirement for additional officer time being spent in providing this support.
50. The other Accountable Body budgets have also been developed and refined for 2018/19 based on the information available at the 2017/18 Month 08 position. The proposed HR budget has reduced in 2018/19 as the costs associated with the recruitment of the Programme Director will not be required beyond the 2017/18 financial year.
51. The external audit budget has two components and the 2018/19 budget reflects a review of costs and activities required against these budget lines. The budget for technical advice from the Wales Audit Office has been removed. The external audit fee budget line is increased to reflect the requirement to produce a full set of financial statements for the financial year 2017/18 for external audit, rather than the Annual Smaller Bodies Return, which was completed for the financial year 2016/17.

Medium Term Financial Planning Indications

52. The CCRCD Joint Working Agreement states that the 2017/18 budget for the Joint Cabinet would be £1,000,000 and that subsequent budgets should not exceed the previous annual budget by more than 5%. Assuming that the 5% increase is required annually, indicative partner contributions from 2018/19 to 2022/23 are shown in table 5 below.

Table 5: City Deal Medium Term Financial Plan - Indicative Partner Contributions

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	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Indicative Budget	1,000,000	1,050,000	1,102,500	1,157,625	1,215,506	1,276,282
% increase	-	5.0%	5.0%	5.0%	5.0%	5.0%
Indicative Partner Contributions:						
Blaenau Gwent (4.60%)	-35,524	-48,507	-50,933	-53,479	-56,153	-58,961
Bridgend (9.40%)	-73,364	-99,110	-104,065	-109,268	-114,732	-120,468
Caerphilly (12.00%)	-92,670	-125,665	-131,948	-138,546	-145,473	-152,747
Cardiff (23.70%)	-183,022	-249,120	-261,577	-274,655	-288,388	-302,808
Merthyr Tydfil (3.90%)	-30,118	-41,379	-43,448	-45,620	-47,901	-50,296
Monmouthshire (6.10%)	-47,107	-64,502	-67,727	-71,114	-74,670	-78,403
Newport (9.80%)	-75,681	-103,069	-108,223	-113,634	-119,316	-125,282
Rhondda Cynon Taf (15.80%)	-122,016	-165,595	-173,875	-182,569	-191,697	-201,282
Torfaen (6.10%)	-47,107	-64,056	-67,259	-70,622	-74,153	-77,860
Vale of Glamorgan (8.50%)	-65,641	-88,996	-93,446	-98,118	-103,024	-108,175
Total	- 772,250	-1,050,000	-1,102,500	-1,157,625	-1,215,506	-1,276,282

Reasons for Recommendations

53. To inform Regional Cabinet of the projected budget monitoring position against its approved 2017/18 Revenue Budget, based on 30th November 2017 (Month 08).
54. To inform Regional Cabinet of the Proposed 2018/19 Budget and Indicative Partner Contributions to the period 2022/23.

Financial Implications

55. This report shows that there is a projected underspend to the Regional Cabinet's budget for 2017/18. Any realised underspend at the financial year end will be used to reduce Local Authority Partner Contributions for 2018/19.
56. The 2018/19 budget is affordable and can be managed within the currently approved budget restraints which include a 5% annual increase as agreed in the CCRC Joint Working Agreement.

Legal Implications

57. The Joint working agreement in relation to the delivery of the Cardiff Capital Region City Deal ('the JWA') provides that the approval of the Annual Budget is a matter for the joint committee (the Regional Cabinet) to determine provided that the Annual Budget shall not exceed the previous Annual Budget by more than 5%. The Annual Budget for the 2017/18 being one million pounds. The Annual Budget is designed to provide a budget to cover the 'Joint Committee Costs'. The Joint Committee Costs means the operational and management costs of the joint committee, its sub committees and groups created, including, by way of example; staffing costs, communications and the costs of the Accountable Body in carrying out the duties of the Accountable Body. The Joint Committee Costs do not include any revenue costs or capital investment relating to the implementation of any project. The ten Councils comprising the Cardiff

Capital Region City deal are required to contribute towards the Annual Budget on a proportionate basis, as set out in the JWA.

58. General advice:

In considering this matter regard should be had, amongst other matters, to:

- (i) The Councils' duties under the Well –being of Future Generations (Wales) Act 2015 and;
- (ii) Public sector duties under the Equalities Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties Councils 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: a. Age; b. Gender reassignment; c. Sex; d. Race – including ethnic or national origin, colour or nationality; e. Disability; f. Pregnancy and maternity; g. Marriage and civil partnership; h. Sexual orientation; i. Religion or belief – including lack of belief.

Recommendations

It is recommended that Cardiff Capital Region Regional Cabinet:

- a. Notes the actual expenditure, income and projected full year out-turn position based on the 30th November 2017 (Month 08), against its approved 2017/18 Revenue Budget.
- b. Approves the proposed 2018/19 Regional Cabinet Annual Budget as outlined in this report to cover the Joint Committee Costs (which costs include, the costs of the Programme Management Office and the Accountable Body in carrying out its roles and duties).

Christine Salter

**Accountable Body- Section 151 Officer, Cardiff Capital Region City Deal
09th January 2018**