

CARDIFF CAPITAL REGION JOINT CABINET

JOINT CABINET MEETING 20 NOVEMBER 2017

CCRCD 2017/18 BUDGET MONITORING POSITION STATEMENT – MONTH 05

REPORT OF ACCOUNTABLE BODY – CORPORATE DIRECTOR RESOURCES, CITY OF CARDIFF COUNCIL

AGENDA ITEM: 6

Reason for this Report

1. To provide Cardiff Capital Region Joint Cabinet (Joint Cabinet) with details of actual expenditure, income and the projected full year out-turn as at the 31st August 2017 (Month 05), against its approved 2017/18 Revenue Budget.

Background

2. 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 Joint Cabinet to deliver the commitments set-out in the City Deal Heads of Terms document.
3. At its meeting of the 17th March 2017, Joint 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'.
4. The 2016/17 Out-turn position approved by Joint Cabinet at its meeting of the 30th June 2017, confirmed a final underspend of £227,750 for that year.

Issues

5. 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 Joint 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 Joint Cabinet are developed and 'bed down' over time.

6. At Month 05 the actual expenditure incurred amounts to £411,564, which represents 41.1% of the annual budget. The out-turn position is projected as being £991,560, resulting in an underspend of (-£8,440) against the full year budget. Table 1 details the position at Month 05 and a narrative summary is outlined below.

Table 1: Month 05 Budget Monitoring Position & Projected Out-turn

	Budget £s	Mth 05 Actual £	Projected Year End £	Variance £
Programme Management Office				
Employee Related	405,500	129,661	352,047	-53,453
Premises Related	37,500	6,411	20,000	-17,500
Transport Related	5,000	1,021	5,000	0
Supplies, Services & External Support	137,000	37,269	185,406	48,406
Early Project Development & Support	100,500	123,634	123,634	23,134
Contingency (including Joint Scrutiny)	69,500	0	68,366	-1,134
Sub Total	755,000	297,996	754,453	-547
Accountable Body Support Services				
HR People Services	29,500	6,196	28,800	-700
Accountancy Support	108,000	65,928	113,335	5,335
Exchequer, Internal Audit & Insurance	8,000	609	2,340	-5,660
Legal & Governance Support	55,000	33,078	63,591	8,591
ICT, Information & Governance	12,000	2,744	8,129	-3,871
External Audit (incl. External Technical Advice)	10,000	2,100	10,000	0
Contingency	22,500	2,913	10,913	-11,587
Sub Total	245,000	113,568	237,108	-7,892
Gross Expenditure	1,000,000	411,564	991,560	-8,440
Funded by:-				
2016/17 Underspend B/Fwd	-227,749	-227,749	-227,749	0
Partner Contribution – Blaenau Gwent (4.6%)	-35,524	-35,524	-35,135	389
Partner Contribution – Bridgend (9.5%)	-73,364	-73,364	-72,562	802
Partner Contribution – Caerphilly (12.0%)	-92,670	-92,670	-91,657	1,013
Partner Contribution – Cardiff (23.7%)	-183,023	-183,023	-181,022	2,000
Partner Contribution – Merthyr Tydfil (3.9%)	-30,118	-30,118	-29,789	329
Partner Contribution – Monmouthshire (6.1%)	-47,107	-47,107	-46,593	515
Partner Contribution – Newport (9.8%)	-75,681	-75,681	-74,854	827
Partner Contribution – RCT (15.8%)	-122,016	-122,016	-120,682	1,333
Partner Contribution – Torfaen (6.1%)	-47,107	-47,107	-46,593	515
Partner Contribution – Vale of Glam (8.5%)	-65,641	-65,641	-64,924	717
Gross Income	-1,000,000	-1,000,000	-991,560	8,440
Net Position	0	-588,436	0	0

Programme Management Office: (-£547)

7. 2017/18 budget represents Joint 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.
8. In summary, there is a projected underspend of (-£547) against the approved PMO budget at Month 05. The position against the key budget heads are summarised below.

Employee Related Budgets: (-£53,453)

9. The Employee budget totals £405,500 and is based on 9 FTEs with varying start dates throughout the year. At Month 05, the full year projected cost is £352,047 and is based on 3 FTEs which have been in place since April (Programme Director, Project Manager and Office Manager). In addition, two further posts (Delivery Leads for People and Place) are being covered through an arrangement with the Welsh Local Government Association (WLGA). The projection also allows for the temporary recruitment of a business support / administrative post from the 1st November.
10. 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)

11. Actual 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 estimates included within the budget. The projection allows for an element of contingency, in the event that any unforeseen costs arise in the second half of the year.

Supplies, Services & External Support Budgets: (+£48,406)

12. While a number of budgets are projected to be fully spent 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 05 these overspends are projected to total +£14,609.
13. 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.

Early Project Development & Support: (+£23,134)

14. A 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 £123,634 and were incurred during the early part of the financial year, prior to Regional Cabinet approving the proposal in principle and identifying a dedicated budget of its own, for the project.

Contingency Budget: (-£1,134)

15. 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.
16. Whilst there were no actual costs incurred at Month 05, a prudent position has been adopted, which assumes that the budget will be fully spent at the year end. To-date commitments have been identified in respect of an exercise commissioned from the Local Government Data Unit to support the 'CCRCD towns pilot proposal'. In addition, any costs arising from developing joint scrutiny arrangements will also be met from the contingency budget.

Accountable Body Support & Related Services: (-£7,892)

17. 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.
18. 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.
19. At Month 05, there is a net projected underspend of (-£7,892) against the approved budget for Accountable Body. The position against the key budget heads are summarised below:

HR People Services: (-£700)

20. A substantial element of the budget relates to the recruitment costs associated with a senior director post. The budget includes the need for the role to be appropriately evaluated, advertised externally, applicants assessed via an external assessment centre as well as the process being overseen by the Accountable Body. The projection assumes that the recruitment to this post will be completed within 2017/18.

21. 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: (+£5,335)

22. 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.
23. At Month 05 the actual cost amounted to £65,928 and reflects the substantial amount of time spent by the senior accountant supporting the work of Regional Cabinet and 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 the actual costs of a full-time accountant and the technical support outlined above.
24. The full year projection 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 second half of the year. This will need to be monitored closely and the projection updated accordingly as part of future monitoring reports.

Exchequer Services, Internal Audit and Insurances: (-£5,660)

25. 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).
26. Internal Audit is projected to be on target, with costs relating to the audit of the 2016/17 Smaller Bodies Return incurred at Month 05. The remaining budget is projected to be spent in the second half of the year. The projected cost in respect of Exchequer Services is minimal at £340 and is based on the projected levels of activity at Month 05. Costs in relation to Insurances are also expected to be minimal as the scope excludes insurances for approved projects. Costs which fall below the agreed de-minimus level will not be charged.

Legal & Governance Support: (+£8,591)

27. 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.

28. At Month 05 the actual cost amounted to £33,078 and reflects the substantial amount of time spent by the senior solicitor in supporting the work of Regional Cabinet and 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.

29. The full year projection assumes that input of the senior solicitor in the second half 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 second half of the year.

ICT and Information & Governance: (-£3,871)

30. There is projected underspend of (-£3,871) 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 05.

Contingency Budget: (-£11,587)

31. The Accountable Body element of the budget includes a contingency of £22,500. At Month 05 actual costs of £2,913 have been incurred in respect of external advice received and further commitments have been identified in relation to support and advice required to determine the financing options available in respect of the Wider Investment Fund. Based on the information known at Month 05, a cost of £10,913 is projected for the year.

Month 05 Summary

32. This report summarises the monitoring position at Month 05. 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.

33. The budget will continue to be monitored and reviewed through the rest of the financial year and reported back to Regional Cabinet at appropriate intervals. In the event that an underspend does crystallise at the year end, then Regional Cabinet has resolved that it will be used to reduce local authority partner contributions in 2018/19.

Reasons for Recommendations

34. To inform Regional Cabinet of its budget monitoring position against its approved 2017/18 Revenue Budget, as at the 31st August 2017 (Month 05).

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 does not raise any direct legal issues.

Recommendation

It is recommended that Cardiff Capital region Regional Cabinet notes the actual expenditure, income and projected full year out-turn position as at the 31st August 2017 (Month 05), against its approved 2017/18 Revenue Budget.

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14th November 2017