Cabinet Prifddinas Ranbarth Caerdydd | Cardiff Capital Region Cabinet

19 DECEMBER 2019

PROPOSED 2020/21 JOINT COMMITTEE REVENUE BUDGET

REPORT OF ACCOUNTABLE BODY SECTION 151 OFFICER, CARDIFF CAPITAL REGION CITY DEAL

AGENDA ITEM 7

Reason for this Report

1. To provide Regional Cabinet with details of the proposed 2020/21 Joint Committee Revenue Budget and indicative budgets to 2024/25, to assist with Medium Term Financial Planning.

Background

2. Regional Cabinet was formally established on March 1st 2017 and budgets are required to operate the City Deal Office (CDO) and Accountable Body (AB) arrangements, in order to discharge and support the work of the Regional Cabinet. Budgets have been prepared based on the roles, activities and responsibilities identified to-date, with the expectation that the level of resources allocated is continually reviewed and refined as the activities and functions of Regional Cabinet are developed over time in accordance with its approved Business Plan.

3. At its meeting of the 18th February 2019, Regional Cabinet approved a 2019/20 Joint Committee Revenue Budget totalling £1,687,182 to meet the operational and management costs of the Joint Committee, as set out in the Joint Working Agreement (JWA).

4. This report set out that Joint Committee costs were to be funded from two sources:

   - The 'core' element, in line with the original budget allocation made in the Joint Working Agreement (12.4.1 (a)) amounted to £1,089,317, to be funded from local authority 'partner contributions'

   - The remaining £597,865, which represented the 'growth' required to set up the new, extended CDO structure, to be met from the Wider Investment Fund.

5. Below is an extract from Accountable Body Budget Report (17th March 2017), where Regional Cabinet agreed the following in respect of its Wider Investment Fund (WIF):

Wider Investment Fund

56. The Cardiff Capital Region Joint Cabinet will be responsible for preparing a JWA Business Plan in respect of the Wider Investment Fund totalling £495m. In order to provide financial support to a range of Regional Bodies and to progress the detailed work on individual projects (Programme Development and Support), additional budgets will need to be identified from within the fund itself, once Welsh Government funding terms and conditions are approved.

57. Discussions with UK Government suggest that setting aside around 3% of the total investment fund to carry out these activities would be deemed a reasonable sum. This equates to £742,500 annually and could be required each year, over the first five years of the fund's life. The following budget headings in respect of the 2017/18 allocation are proposed:"

Furthermore, Recommendation (d) of that report, requested that Regional Cabinet:

d) Approves that up to 3% of the Wider Investment Fund (over a 20 year period) is set-aside to fund the costs and contributions associated with a range of Regional Bodies and to meet the costs of Programme Development and Support, subject to Welsh Government funding terms and conditions.

6. The JWA places a 5% cap on the maximum annual increase which Regional Cabinet can approve in respect of its Annual Budget, from one year to the next.

Issues

7. Table 1 below sets out the proposed Joint Committee budget for 2020/21, including changes from the prior year.

Table 1: 2020/21 Proposed Joint Committee Budget - Analysis of changes

	2019/20 Budget £	Growth / Reduction (+/-) £	2020/21 Budget £	Change %
Annual Budget – Core				
City Deal Office	**795,353**	15,500	810,853	1.95%
Accountable Body	293,964	0	293,964	0.00%

	2019/20 Budget £	Growth / Reduction (+/-) £	2020/21 Budget £	Change %
Sub Total	**1,089,317**	**15,500**	**1,104,817**	**1.42%**
WIF Top-Slice Funded Element				
City Deal Office	583,063	(5,567)	577,496	(0.95%)
Accountable Body	14,802	(6,684)	8,118	(45.16%)
Sub Total	**597,865**	**(12,251)**	**585,614**	**(2.05%)**
Joint Committee Costs	**1,687,182**	**3,249**	**1,690,431**	**0.19%**
Funded by:-				
Partner Contributions	(1,089,317)	(15,500)	(1,104,817)	1.42%
WIF Top-Slice Contribution – 3% Flat Profile	(597,865)	12,251	(585,614)	(2.05%)
Total Funding	**(1,687,182)**	**(3,249)**	**(1,690,431)**	**0.19%**
Net Position	**0**	**0**	**0**	

8. The proposed 2020/21 budget continues to be split between activities being used to deliver the 'core' functions and those to deliver the amended structure and its aims. A further breakdown of the budgets is shown at Appendix 1.

9. The 2020/21 Annual Budget (core element only, as funded by the Partner Authorities) represents an increase of 1.42% when compared to the equivalent 'core budget' in the current year.

10. The risks of any of the approved budgets not being sufficient due to either changes in prices or the levels of activity will be brought to the attention of Regional Cabinet via the Accountable Body Section 151's regular Budget Monitoring Reports and will need to managed within budgets and reserves approved for use. As approved at its meeting of 10th June 2019, a General Reserve is in place of £123,498 as at 1st April 2019. This acts as a contingency and supports the management of costs across financial years.

11. The Month 08 Joint Committee Revenue Budget Monitoring Position Report also being considered by Regional Cabinet at its meeting of 19th December 2019 projects an increase to this reserve of £60,179 at year end.

City Deal Office Budgets

Employee Related Budgets

12. Regional Cabinet approved the proposed staffing structure of the City Deal Office at its meeting of 18th February 2019. This structure, with some changes in roles has been carried forward into the proposed 2020/21 budget. Key assumptions include that staffing costs will be subject to a 2% increase for 2020/21, however this is subject to ongoing negotiations between the Trade Unions and Central Government. A similar increase is assumed for future years.

Non-Employee Budgets

13. Budgets have been refined to reflect known changes to operational costs, assumptions for price increases, growth and reductions to align with activities consistent with the Annual Business Plan. An increase of 2% is also assumed for future years. Details of these budgets are set out in Appendix 1i.

Accountable Body Support Services

14. 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.

15. Cardiff Council as the Accountable Body provides a range of support services for and on-behalf of Regional Cabinet. The scope of services, charging mechanisms and estimated costs are fully documented within Service Level Agreements (SLAs) and cover areas such Human Resources, Finance, ICT and Legal Support.

16. The proposed Accountable Body budget for 2020/21 has been adjusted according to the annual review of these SLAs, with details set out in Appendix 1ii.

Proposed 2020/21 Joint Committee Costs and Indicative Costs to 2024/25

17. The proposed Joint Committee costs for 2020/21, indicative budgets over the medium term and the mechanisms for funding expenditure proposed are presented in Table 2.

Table 2: Proposed Joint Committee Costs 2020/21 and Indicatively to 2024/25

	2019-20 £	2020-21 £	2021-22 £	2022-23 £	2023-24 £	2024-25 £
City Deal Office (CDO)	1,378,416	1,388,349	1,416,116	1,444,438	1,473,327	1,502,794
Accountable Body Support Services (AB)	308,766	302,082	308,124	314,286	320,572	326,983
Joint Committee Costs	**1,687,182**	**1,690,431**	**1,724,240**	**1,758,724**	**1,793,899**	**1,829,777**
Funded by:-						
Annual Budget (core element)	(1,089,317)	(1,104,817)	(1,126,913)	(1,149,452)	(1,172,441)	(1,195,889)
Increase to Annual Budget		**1.42%**	**2.00%**	**2.00%**	**2.00%**	**2.00%**
WIF Top-Slice Contribution – CDO	(148,615)	(143,048)	(145,909)	(148,827)	(151,804)	(154,840)

	2019-20 £	2020-21 £	2021-22 £	2022-23 £	2023-24 £	2024-25 £
WIF Top-Slice Contribution – AB	(14,802)	(8,118)	(8,280)	(8,446)	(8,615)	(8,787)
WIF Reserve Contribution	(434,448)	(434,448)	(443,138)	(451,999)	(461,039)	(470,261)
Total Funding	**(1,687,182)**	**(1,690,431)**	**(1,724,240)**	**(1,758,724)**	**(1,793,899)**	**(1,829,777)**
Net Position	**0**	**0**	**0**	**0**	**0**	**0**

City Deal Office – Proposed Funding Mechanism

18. The proposed 2020/21 budget aims to ensure the appropriate support (capacity and capability) is in place to deliver the Work Programme as set out in the business plan. In order to do so, costs in excess of proposed Local Authority Partner contributions for 2020/21 and indicatively for future years will continue to be funded from the Wider Investment Fund (WIF) as stated in the JWA, paragraph 12.4.2:

    "Where the actual aggregate Joint Committee Costs are likely to exceed the Annual Budget by more than 5% (five per cent) such additional costs shall be met through the wider investment fund (comprising of the HMT Contribution and the Councils Contribution)."

19. The WIF 'Top-Slice' budget of £742,500 per annum as described above is required to:
    - support the extended City Deal Office Structure
    - fund the work of the Regional Bodies and meet
    - Project Development and Support costs in relation to the Pipeline of Projects being taken through the Investment and Intervention Framework.

20. Details of the actual costs to-date and assumptions of expenditure in current and future years against the WIF Top-Slice budget are shown in Table 3 below.

Table 3: Indicative WIF Top-Slice Resources (3% Flat Profile)

	2016/17 to 2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £
Opening Balance	**0**	**(1,893,108)**	**(1,521,562)**	**(1,087,114)**	**(643,977)**	**-191,977**
Annual WIF Top-Slice Resources	(2,227,500)	(742,500)	(742,500)	(742,500)	(742,500)	(742,500)

	2016/17 to 2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £
Cont. to JC Rev. Budget - Core	0	163,417	151,166	154,189	157,273	160,419
Cont. to JC Rev. Budget - C/fwd	0	371,546	434,448	443,137	452,000	461,040
Prog. Dev. & Supp - ACTUAL / PROJ	334,392	579,083	0	0	0	0
Prog. Dev. & Supp - Available	0	0	591,334	588,311	585,227	582,081
WIF Top-Slice Expenditure	**334,392**	**1,114,046**	**1,176,948**	**1,185,637**	**1,194,500**	**1,203,540**
Balance C/fwd	**(1,893,108)**	**(1,521,562)**	**(1,087,114)**	**(643,977)**	**(191,977)**	**269,063**

21. Table 3 indicates that there are sufficient resources available within the existing envelope approved by Regional Cabinet to meet expenditure assumptions over the next four years.

22. However, Regional Cabinet should note that this funding model will not be able to sustain itself over the longer-term. Consideration will need to be given to the funding mechanism beyond 2023/24. With this in mind discussions will continue with UK Government around the ability to bring forward an element of the Top-Slice resources, which are currently profiled for the last five years of the fund life i.e. Years 15-20. This proposal is based on the assumption that most (if not all) of projects approved as part of the WIF will have been approved and implemented by Year 15 and therefore the call on Project Development and Support resources will be significantly reduced. In any event, regular update reports will be provided to Regional Cabinet to keep them fully informed of matters relating to the Annual Budget.

Reason for Recommendations

23. To set out the proposed funding mechanisms used to support Annual Budgets.

24. To inform Regional Cabinet of the proposed 2020/21 budget, an indicative medium term financial plan and resulting Local Authority partner contributions.

Financial Implications

25. The proposed 2020/21 Annual Budget represents an increase of 1.42% and can be accommodated within the parameters (maximum of up to 5% increase in Partner Contributions) of the Joint Working Agreement.

26. The ring-fenced 3% Top-Slice budget has sufficient resources to meet the cost of the City Deal Office over the next four financial years, based on the level of known and estimated commitments at this time. However, it must be noted that the

proposed funding mechanism is unable to support the increased cost over the longer term. The report indicates that discussions will continue with UK Government to bring forward resources from latter years of the fund's life as a possible option. If this option cannot be supported then alternatives will need to be explored as part of the budget setting process in future years.

27. The City Deal Office and the Accountable Body will need to review and monitor budgets closely to inform periodic budget monitoring reports to regional Cabinet. These reports will also need to highlight any issues or risks in respect of City Deal funding terms and conditions.

Legal Implications

28. In this case Regional Cabinet is being asked to approve three matters, the amount of the Joint Committee costs, the Annual Budget and use of part of the HMT contribution to meet the balance of the Joint Committee costs, to the extent that the same exceed the Annual Budget. This is achievable within the parameters set by the Joint Working Agreement in relation to the delivery of the Cardiff Capital Region City Deal ('the JWA'). The JWA provides that:

    (i) the Joint Committee Costs means the operational and management costs of the joint committee, its sub committees and groups created, including, and by way of example only; staffing costs of the City Deal Office, 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.

    (ii) 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%.

    It should be noted that the JWA provides that each Council comprising the CCRCD shall each contribute towards the Annual Budget on a proportionate basis.

    (iii) "Where the actual aggregate Joint Committee Costs are likely to exceed the Annual Budget by more than 5% (five per cent) such additional costs shall be met through the wider investment fund (comprising of the HMT Contribution and the Councils Contribution)". In this case the proposed joint committee costs exceed the proposed annual budget. It is therefore proposed that the excess costs be met through the wider investment fund (namely that part of the HMT contributions referred to in this report as the 'WIF Top-Slice').

29. It is understood that this proposal accords with the funding conditions attaching to the HMT Contributions, in that the additional funding is required out of the WIF top slice for additional City Deal Office staff to support the objectives of the CCRCD

through the implementation of projects, schemes and interventions agreed by Regional Cabinet.

Well-Being of Future Generations (Wales) Act 2015

30. 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.

31. 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 the Regional Cabinet must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the 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 seven 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.

32. The Regional Cabinet must be satisfied that the proposed decision accords with the principles above.

33. To assist the 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.

34. 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

35. In considering this matter, regard should be had, amongst other matters, to the Councils' duties under 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

36. It is recommended that Cardiff Capital Region Regional Cabinet approves:

(1) the Joint Committee costs set out in Table 1 of this report and amounting to £1,690,431;

(2) the proposed 2020/21 Annual Budget of £1,104,817, funded by partner contributions as outlined in this report, to meet part of the Joint Committee costs and which represent an increase of 1.42% against the previous year's budget; and

(3) that the balance (£585,614) of the Joint Committee costs be met from the Cardiff Capital Region Wider Investment Fund (namely that part of the HMT contributions referred to in this report as the 'WIF Top-Slice').

Christopher Lee
Accountable Body Section 151 Officer, Cardiff Capital Region City Deal
19 December 2019

Appendices
Appendix 1i 2020/21 City Deal Office budget changes
Appendix 1ii 2020/21 Accountable Body budget changes
Appendix 2 Future Generations Assessment Evaluation

Background Papers
- Joint Working Agreement
- HM Treasury Funding Terms & Conditions

Appendix 1i

2020-21 Proposed Annual Budget – Analysis of Changes (City Deal Office)

	2019-20 Budget	Growth / Reduction + / (-)	2020-21 Budget
City Deal Office (CDO)	**£**	**£**	**£**
Employee Related	1,063,585	6,237	1,069,822
Premises Related	21,000	0	21,000
Transport Related	18,750	(3,750)	15,000
Supplies & Services	68,695	0	68,695
Joint Scrutiny	25,000	0	25,000
5 Year Gateway Review Support	72,810	20,404	93,214
Assurance Framework Support	25,000	(25,000)	0
WAO Performance Audit Fee	15,000	0	15,000
Contingency	68,576	12,042	80,618
Total Expenditure	**1,378,416**	**9,933**	**1,388,349**
Funded by			
Partner Contributions	(795,353)	(15,500)	(810,853)
WIF Top-Slice Contribution	(583,063)	5,567	(577,496)
Total Funding	**(1,378,416)**	**(9,933)**	**(1,388,349)**

Appendix 1ii

2020-21 Proposed Annual Budget – Analysis of Changes (Accountable Body Support Services)

	2019-20 Budget	Growth / Reduction + / (-)	2020-21 Budget
Accountable Body Support Services	**£**	**£**	**£**
HR People Services	20,685	(8,218)	12,467
Finance & Accountancy Support	138,293	0	138,293
Exchequer, Internal Audit & Insurance	3,566	(709)	2,857
Legal & Governance Support	80,000	0	80,000
ICT, Information & Governance	13,722	3,904	17,626
External Audit Fee	12,500	0	12,500
Procurement	15,000	(10,000)	5,000
Contingency	25,000	8,339	33,339
Total Expenditure	**308,766**	**(6,684)**	**302,082**
Funded by			
Partner Contributions	(293,964)	0	(293,964)
WIF Top-Slice Contribution	(14,802)	6,684	(8,118)
Total Funding	**(308,766)**	**6,684**	**(302,082)**

Future Generations Assessment Evaluation

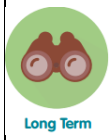
Name of the Officer completing the evaluation: **Kellie Beirne** **Phone no: 07826 919286** **E-mail: kellie.beirne@cardiff.gov.uk**	**Please give a brief description of the aims of the proposal** To propose the annual revenue budget for the Joint Committee for the financial year 2020/21.
Proposal: 2020/21 Joint Committee Revenue Budget	**Date Future Generations Evaluation form completed: 06 Dec 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 proposed revenue budget for the Joint Committee for 2020/21, demonstrating the way in which available resources will be 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 directly 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?
 Balancing short term need with long term and planning for the future	The report sets out short-term interventions and balances these against the long-term delivery of major programmes.	
Working together with other partners to deliver objectives	A cornerstone of our process is the strength of partnership working.	
Involving those with an interest and seeking their views	Communications and engagement remain a feature of our work.	
Putting resources into preventing problems occurring or getting worse	Demonstrated in the report through detailed funding allocations and investment cases	
Considering impact on all wellbeing goals together and on other bodies	City Deal seeks to make a contribution on place and to improving the life chances of people in the region.	

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?

- Evidence and input contributed by theme leads
- Outcomes of assessments such as audit reports
- The 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 quarterly reporting mechanism. .

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:	**On a quarterly basis starting Quarter 1 2020/21**