



Overview and Scrutiny Committee

07 November 2024

Title:	Budget Scrutiny Working Group Feedback
Report of:	Budget Scrutiny Working Group

Overview and Scrutiny Committee Key Principle:

To examine all decision-making through the lens of integrated decision-making, to drive out silo approaches and ensure CPCA strategy is not operating in isolation, considers wider impact across corporate plan priority areas, and considers future devolution opportunities and benefits.

Strategic Objective(s):

The topics within this report fit under the following strategic objective(s):

<input checked="" type="checkbox"/>	Achieving ambitious skills and employment opportunities
<input checked="" type="checkbox"/>	Achieving good growth
<input checked="" type="checkbox"/>	Increased connectivity
<input checked="" type="checkbox"/>	Enabling resilient communities
<input checked="" type="checkbox"/>	Achieving Best Value and High Performance

The Combined Authority’s budget is an important factor in meeting its Corporate Strategy and priorities. A robust budget setting process linked to the Corporate Strategy enables the Combined Authority Board to consider the financial proposals for the coming financial year and the forecast for the medium term, taking into account assumptions on funding streams and spending commitments.

Topic Scoring

	Numerical Score
Public Interest	3
Strategic Value	3
Risk to Combined Authority	3
Alignment to Corporate Priorities	3
Financial Value	3
Issue of concern for partners?	3
Will the CA be able to achieve an effective outcome?	3
Will there be potential benefits for a significant part of the Combined Authority area/partners/stakeholders?	3
Scrutiny Value Score [right click on the value and “update field” to total the score]	24

Rating Scores

1 = Low
2 = Medium
3 = High

1. Background

1.1.	In July the Overview and Scrutiny (O&S) Committee agreed to a new budget scrutiny process across two phases covering the in-year position for 2024/25 (phase 1) and the draft budget proposals for 2025/26 (phase 2) and which included the creation of a dedicated “Budget Scrutiny Working Group”. The terms of reference for the group were also agreed at the meeting and it is suggested will be regularly reviewed with the Chair and all to ensure they are robust and relevant.
1.2.	Cllr Antunes and Cllr Shepherd were appointed by the Committee to sit on the budget working group.
1.3.	The budget working group met three times in September and received presentations from the Place and Connectivity Directorate, Corporate Core (consisting of Resources, Legal and Governance and Policy and Performance) and the Economy and Growth Directorate. These sessions focussed on the activities of each Directorate and the current in-year position for spend and performance and provided an opportunity for the councillors to question the current position and the implications for the future.
1.4.	Following the Combined Authority’s decision to consult on the draft budget on the 13 th November the Working Group will have three further sessions with senior officers to scrutinise the proposed draft budget. The feedback from these sessions will inform the Committee’s response to the draft budget consultation as a statutory consultee.

2. Proposal

2.1.	The report sets out the key areas discussed at the working group meetings and the views of the members as feedback for the Committee to consider and whether they wish to make any recommendations/comments for CA Board to take into account when setting the budget.
2.2.	The working group’s draft recommendations, as set out below, have been fed back to officers and considered in development of the draft budget proposals. Any formal questions or recommendations agreed by the Committee will be put to the CA Board alongside the draft budget at its meeting on the 14 th November.

3. Key Points Discussed by the Budget Working Group

3.1.	<p><u>Session 1 – Place and Connectivity</u></p> <ul style="list-style-type: none">• Outcome Net Zero: In response to a question about the attainment of Net Zero and the relation to the current consultation on Local Growth Plans officers advised that the CPCA was providing a co-ordinating and strategic response aligned to that of the constituent councils.?• Tiger Passes Effectiveness: In response to a question to their effectiveness and methods to scrutinise this, officers advised each operator provided data for the first three months however, this may be an unreliable indicator hence in the new year a qualitative and quantitative data review would provide a fuller impact. Anecdotal evidence indicates there had been an impact on the numbers of youth travelling.
3.2.	<p><u>Session 2 – Corporate Core (Resources, Legal and Governance, CEX Office [including Policy and Insight and Communications])</u></p> <ul style="list-style-type: none">• Staff Recruitment and Retention: In response to a question about staff recruitment in an environment where historic staff satisfaction was relatively low and there was a know shortage of skill sets officers advised that they received a high number of applications but still struggled to get the right skills needed for roles within the organisation. A regular KPI report was sought to identify the key risks and opportunities and how these were being actively managed in real time.• Non-Renewal of the Best Value Notice Following the decision by MHCLG to not renew the Best Value Notice, it was noted that there would continue to be involvement with MHCLG and the Independent Improvement Board for at least a further six months. The removal of the Best Value Notice was based on evidence supplied over the period of the improvement plan and included an internal audit which provided substantial assurance that the improvement work had

been embedded within the Combined Authority. The closure of the final formal phase (phase 3) is being undertaken to ensure they are integrated into the operations of the Combined Authority.

- **The performance dashboard** was discussed and all agreed it was a significant improvement on historic mechanisms and offered a valuable tool for performance management. It was noted, however, that it currently focussed on only a comparatively small number of major projects in respect of the risk rating and there are nearly 200 projects of varying size overall. It was requested that a fuller register be made available to Members. Members agreed to meet with the Programme Management Office to better understand the strengths, scope and maturity of the process used in delivering capital and revenue projects.
- **Reported Project Underspend:** Members were concerned about the underspend reported against projects and commented that only 50% were achieving their targets. Officers advised this could be due to a number of factors e.g. timing of procurement, legal issues, capacity of delivery partners and capacity of suppliers. The forecast outturn currently assumed that project spend would increase towards the year end, however, Members suggested that we were already in September and significant improvement / acceleration was likely to be required.
- Members queried how the delivery against target could be improved. CPCA officers advised that the Authority through the main service areas would be working with colleagues within councils as the main delivery partners to ensure forecasts are realistic going forward and project issues are identified early and appropriate action taken.
- Members queried what the processes were for measuring and ensuring projects were delivered as planned and whether the ownership of projects with actions assigned to specific people. Officers advised that named programme managers which would sit within the service directorates and be responsible for working with project managers for the delivery of schemes.
- In response to a question about staff morale given the speed of change at the CPCA – officers recognised that this had been a difficult journey but had taken the teams along each step of way and staff views had been fed into the process.
- Members highlighted that it would be useful to know where members could add value to the process. Officers advised that they could spotlight the exceptions and what would be wanted from members to eventually get to a point with the quarterly performance reports taken to O&S could be used for members to identify areas where they would want to undertake deep dives.

3.3. **Session 3 – Economy and Growth**

- In response to a question about what it meant to “work closely with sectors, how is it measured, reported and managed” officers advised that particular targets that will be driven by the newly recruited Sector Champions were being developed; as a ‘New Economy team’ officers will own those targets. The current CPCA Priority Sector strategies are now around three years old. Refreshing and redeveloping those strategies will be a key part of developing targets.
- In response to a question about whether there was anything in place managing work with businesses right now officers advised that the CPCA Growth Hub business support provision is a key activity and is a national Department for Business and Trade (DBT) grant funded operation of which CPCA receives annual grant funding to deliver the Growth Hub service. As part of regular reporting the support activities both to those internally in CPCA, including Business Board and externally to DBT the report covers the number of businesses reached and supported, both light touch referrals/advice and more intensive advisory/mentoring support provided. Annual targets are agreed with DBT and performance has to be reported quarterly to DBT.
- In response to a query about the underspending against target officers advised that on revenue perspective there was not significant slippage to forecast. For the capital programme it was about the delivery of the key projects and programmes. Some of them were now moving through with delivery arrangements in place. It was also noted that spend to date against profile may look low but for some areas spend will go out this financial year
- Members were advised some of the funds in the list are time bound contracted funds. For example UK Shared Prosperity Fund (UKSPF) is a three-year programme which comes to an end 31st March 2025 and the CPCA, as the Accountable Body for the funds, must evidence spend against the grant. The UKSPF is a portfolio of 38 projects, most primarily led by Local Authority partners via the CPCA as the Lead Authority. Officers are working to drive delivery of activity in the portfolio of projects/programmes and get funding claims back in from their respective S151 Officers so that the final programme profile will show spend by end of March

and no funding is lost to the area. It was confirmed that the early part of the UKSPF programme timeline was taken up with necessary governance processes such as local authority procurement, development and signing of funding agreements, subsidy control assessments and then funding approvals at CPCA Board and committees. Actual delivery of projects could then commence from which claims then follow for payment. Officers confirmed that they are in constant dialogue with colleagues in the Local Authorities and project owners to look to move some of the funding from underperforming projects into overperforming ones via change requests so that the use of the grant is optimised.

- The new Business and Social Investment Fund was launched the previous week (to the scrutiny session) and although behind forecast this year the officers anticipate seeing movement and increased spend on the programme in the second half of this year as investments, grants and loans get underway.
- In response to a question about dynamics between the CPCA and the local authorities with regard to responsibilities, the officers advised that there were monthly programme/project performance meetings with the delivery officers at the Councils. There was also quarterly reporting to Business Board, and lead members.
- Members raised the point about potential underspending and underdelivering and managing public perception. Adjusting KPIs might be necessary. Officers advised that we produce financial reports monthly for CA and address budgets on risk-based process. High value and/or strategically important projects were reviewed more regularly. Report to members on quarterly cycle. In terms of current spent versus predicted spend there was work being done on the MTFP and this had challenged directors to look at in year and future year forecasts to ensure that the planned spending programme was more reflective of likely delivery. Early indication is that will be reducing in-year at November Board cycle.
- In response to a question about a change management processes the officers advised that there was a governance process in place through the Single Assurance Framework where the service responsible submit a change request which is first considered by the Investment Panel and then, depending on value, can be decided by the Chief Executive, Investment Committee or the Board.
- Members commented that there was a need for contingency projects to be lined up ready to go. The level of slippage against existing expectations was worrying and could result in significant underspend. Officers advised that as this was likely a timing issue, and new projects could only be put forward if there was capacity in the budget and that other projects would no longer be needed, otherwise ultimately it risks overspending. The capital programme is currently overcommitted which makes an assumption that there will potentially be slippage in year. O&S would wish to see that the Board has taken this into account within the draft budget proposals.
- The officers advised that the new Government's priority for Local Growth Plans would need to be considered within a future MTFP. However, these had not yet been agreed.
- Members commented that it would be good to hone in on what the organisation needs to change in order for it to adapt and move quickly in response to any new funding that might come through from government.
- Given the level of uncertainty that come with the above what can be done to mitigate this, officers advised that they are monitoring "in flight" projects. Then look at outcomes they are delivering and that monitoring arrangements are in place. Officers advised that they are currently reviewing the monitoring and evaluation framework to identify how it could operate more effectively in the future. It was noted that constituent councils will likely all monitor the delivery of projects slightly differently and that trying to ensure consistency from a CA perspective could be a challenge.
- In response to a query about how officers could report slippage of a project, officers advised that early communications was key and it was key to ensure there was active project management rather than passive.

4. Feedback and Draft Recommendations from the Budget Working Group

4.1.	<p>Generally: <i>It was clear to Members that a colossal undertaking had been affected by the Officers and partners of the CPCA to reorganise, deliver, and report on the vast scope of the CPCA initiatives. All should feel proud of the improvements made and it was clear many more were in the making; recognised by the lifting of the Best Value Notice. Well done!</i></p> <p>Members feel confident and pleased in the direction of travel, integrity, quality, professionalism, and sheer effort invested by all and from a personal perspective the engagement and support afforded by all to new members on a new committee was much appreciated and highly regarded.</p>
4.2.	<p>Members ‘Key’ observations and recommendations:</p> <p>Clarification and mitigation of reported underspend against project targets at a point 50% through the financial year. This is particularly important as some grant funding was time sensitive. While actions were in place, Members did require comfort via a fuller understanding how all risks and opportunities are fully identified to ensure the ‘probability’ of meeting forecast spend and outcomes would be managed and reported. If necessary how the Business Case could be reviewed and realigned.</p> <p>Timely contingency planning should be robust to ensure the CPCA had viable standby projects to utilise any forecast underspend. These needed to be scoped and presented ASAP.</p> <p>Exceptional reporting was requested to ensure Members, the O&S Committee and all stakeholders could focus their valuable time and efforts on ‘key decisions’ and ‘change management’ instructions in a proactive timely manner. This was deemed essential as the sheer volume and scope of the programme and initiatives.</p> <p>Performance management was seen as the single most important aspect upon which members and the O&S Committee required comfort. It was identified the CPCA had responsibility for the budgets and outcomes of all projects but, often the authority and resources for delivery were with stakeholders and partners. It was considered imperative that while a collaborative approach was always the intent, the budget working group and O&S Committee should seek clarity on the reliability of reporting, remedies, support, or intervention necessary to ensure outcomes were met or adjusted by agreement.</p> <p><u>In relation to the improvement plan programme:</u></p> <p>Continuous improvement and knowledge management was seen as important developmental aspect of this programme, and it was felt we should visibly capture what we did well and what we improved, together with its measurable impact. Most importantly ensuring that the knowledge and expertise gained during this process was retained in the organisation and not lost if individuals left.</p> <p>Resources and Staff Moral: Were seen as key to the successful delivery of this project, especially given the acceptance of significant change management, recruitment, and organisational improvement. These will have a significant impact on management resources and onboarding. Members would like clarity on how this impact, management, and benefits will be measured and reported.</p>

5. Background Documents

5.1.	To provide the working group with the background information required to carry out informed scrutiny, the working group were sent a document pack ahead of the meeting including both in-year monitoring data and strategic objectives. The links to these background papers are provided below for reference.
5.2.	<p>Combined Authority Corporate Plan</p> <p>Q4 24/25 Performance report</p> <p>Combined Authority Q1 24/25 budget monitoring report (item 12)</p> <p>Most Complex Programmes and Projects Dashboard</p>

6. Implications

Have the following been taken into account?

Financial Implications

Yes No

The Combined Authority is required to set a balanced budget each year.

Legal Implications

Yes No

There are no direct legal implications arising from the proposal of this report.

Public Health Implications

Yes No

No specific implications

Environmental & Climate Change Implications

Yes No

No specific implications

Other Significant Implications

Yes No

Not applicable