

## SWANSEA BAY CITY REGION JOINT SCRUTINY COMMITTEE

DATE 8<sup>th</sup> October 2024

### **Financial Monitoring Report 2023/24 - Provisional Outturn Position Quarter 4**

#### **RECOMMENDATIONS/KEY DECISIONS**

To provide Joint Scrutiny Committee with an update on the latest financial position of the Swansea Bay City Region.

##### **1. Introduction**

This report details the forecasted year end outturn position of the Joint Committee and the Portfolio Investment Fund. The Financial Monitoring Report presents the City Deal Accounts in a detailed format, in line with Carmarthenshire County Council's financial management system.

##### **2. JOINT COMMITTEE - Estimated Forecast Outturn Position**

###### **2.1. Supplementary Information**

The outturn position includes 'Top Slice' of Government Grants in terms of income. On drawdown of government grants, 1.5% of this will be utilised to support the PoMO and the direct administration functions of the Portfolio. Any contribution from Government grants utilised within the financial year will be transferred to a ring-fenced reserve at year end, for utilisation in future years.

In June 2022 Joint Committee has previously agreed and set a five-year operational budget which has been revised on a continual basis. Since this period the operational budget has been reviewed and a detailed breakdown of the Joint Committee - Provisional Quarter 4 Outturn Position Financial Year 2023/24 is included in Appendix A.

###### **2.2. Joint Committee and Accountable Body**

The Joint Committee and Accountable Body expenditure forecast is estimated at £2,958k. This is in respect of democratic support, support of the portfolio monitoring officer and legal fees in respect of the funding agreements. Internal audit has been forecasted and has recently been undertaken. The Accountable Body expenditure is attributable to service provision by the Portfolio Section 151 Officer to the Swansea Bay City Deal and the annual external audit review by Audit Wales.

The accrued interest in residual cash balances is invested in line with Carmarthenshire County Council's approved Treasury Management Strategy. Any interest accrued on such cash balances is dispersed back to projects on an appropriate apportionment methodology (JC - 11 June 2020). The accounting management of this has been amended to clearly demonstrate the interest accrued and paid out. The accrued interest for 2023-24 was £2,770k.

### **2.3. Joint Scrutiny Committee**

The Joint Scrutiny Committee expenditure consists of democratic services and related costs, provided by Neath Port Talbot County Borough Council was £21k.

### **2.4. Portfolio Management Office (PoMO)**

For the period ended 31<sup>st</sup> March 2024 the expenditure was £533k. The PoMO staffing cost £472k which includes the 2023-24 pay adjustment. There is an underspend of £109k against the revised budget, this is due to all posts being budgeted at the top of grade, savings due to in year temporary staffing vacancies and a small recharge in respect of the Finance Manager for work outside the SBCD.

Rents and service charges in respect of office space total £23k, fees including consultancy and gateway reviews underspent by £12k and conferences, marketing and advertising underspent by £78k including the annual event. ICT costs were on budget which includes project management software purchased and associated training.

### **2.5. Income**

Total income for the year demonstrates £3,555k. This consists of drawdown of 'Top Slice' of £785k from the dispersed grant awards and interest derived from cash balances of £2,770k.

### **2.6. Financial Monitoring - Statement of Balances**

The prior year (2022/23) balance carried forward in reserve demonstrates £140.8k. The net cost of the City Deal accounts demonstrates a surplus of £42.1k, this is due to a timing effect attached to the grant dispersed to projects/programmes within the year. This has resulted in a reserve of £182.9k being carried forward at the end.

## **3. PORTFOLIO INVESTMENT FUND - Forecast Outturn Position**

### **3.1. Provisional Portfolio Investment Outturn Position**

The overall estimated investment position is demonstrated at £1.278bn (Quarter 3 2023/24 - £1.277bn) over the fifteen-year life of the portfolio. The revised budget (Quarter 2 2023/24) comprised of a total investment of £1.283bn, currently the City Deal is presenting a small under investment against the revised budget of £4.9m.

Details of significant variances are outlined below:

PDM is demonstrating an overall over investment of £1.7m against budget, £1m of which relates to private sector contributions for the MEECE project.

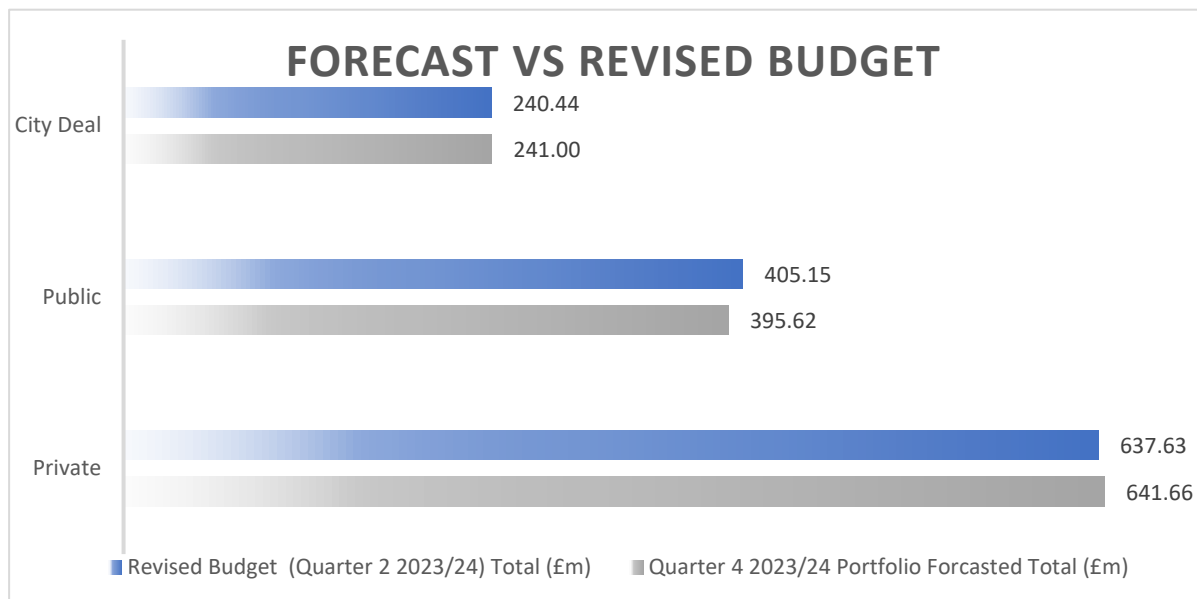
Swansea Waterfront Digital Village is currently demonstrating an underinvestment of £4.4m against budget, however this is expected to be reprofiled in quarter 1 2024-25 to

match the existing budget. The Innovation Precinct is currently demonstrating an under investment of £2.4m which will be reviewed during quarter 1 2024-25.

Prior Quarter (Quarter 3 2023/24) Portfolio Forecasted Total (£m)	Investment Component	Revised Budget (Quarter 2 2023/24) Total (£m)	Quarter 4 2023/24 Portfolio Forecasted Total (£m)	Variance (£m)	Variance
235.61	City Deal	240.44	241.00	0.56	0.23%
400.27	Public	405.15	395.62	- 9.53	-2.35%
641.00	Private	637.63	641.66	4.02	0.63%
<b>1,276.88</b>	<b>Grand Total</b>	<b>1,283.21</b>	<b>1,278.27</b>	<b>- 4.94</b>	<b>-0.39%</b>

**Programme Breakdown (Estimated)**

Programme	City Deal Investment (£m)	Public Sector Investment (£m)	Private Sector Investment (£m)	Programme Total (£m)	Revised Budget (Q2 23-24) Total (£m)	Sum of Variance (£m)	Sum of Variance (%)
Digital Infrastructure	25.00	18.25	26.06	69.31	69.79	0.48	-0.69%
Homes as Power Stations	15.00	114.60	375.90	505.50	505.50	0.00	0.00%
LS&WB Campuses	15.00	58.58	62.21	135.79	135.06	0.73	0.54%
Pembroke Dock Marine	28.00	19.26	18.65	65.92	64.24	1.68	2.61%
Pentre Awel	40.00	58.30	108.19	206.48	206.48	-	0.00%
Skills & Talent	10.00	16.00	4.00	30.00	30.00	-	0.00%
Supporting Innovation and Low Carbon Growth	53.00	5.50	5.50	64.00	64.00	-	0.00%
Swansea Waterfront	50.00	86.45	39.66	176.10	182.98	- 6.87	-3.76%
Yr Egin	5.00	18.67	1.50	25.17	25.17	0.00	0.00%
<b>Grand Total</b>	<b>241.00</b>	<b>395.62</b>	<b>641.66</b>	<b>1,278.27</b>	<b>1,283.21</b>	<b>- 4.94</b>	<b>-0.39%</b>



### 3.2. Provisional Annual Investment Forecast 2023/24

The forecast estimated investment for the financial year ended 31<sup>st</sup> March 2024 is demonstrated at £125.3m. The annual investment forecast is currently demonstrating an annual under-investment of £32.9m. The significant variances are detailed below.

Digital Infrastructure's public and private sector spends are behind profile due to funding agreements being signed mid-year. Accurate public and private sector investment figures for 2022/23 have not been established before the end of the 2023/24 financial year following completion of an externally commissioned benefits realisation exercise which was conducted by Farrpoint. These reports create a 12-18-month lag for reporting the private and public sector investment. This exercise is undertaken on an annual basis to accurately determine levels of public and private inward investment however, this

assessment requires information and data that is not released until the Autumn of the year following which it is reported. This will therefore continue to require retrospective updated investment reporting to reflect the actual and accurate public and private investment.

The HAPS project public sector expenditure has exceeded its reprofiled budget due to successful applications for grants awarded:

- Supported the application of an UKRI application, securing £5m for a Place Based Impact Accelerator Account 'Switch to Net Zero buildings' led by Swansea University.
- Supported the application of an Innovate UK application, securing £7.5m. The Launchpad is a partnership between NPTCBC, Pembrokeshire County Council and Net Zero Industry Wales for business-led innovation projects and wrap around support.
- Supported the application to the AHRC (Arts & Humanities Council) securing £4.6m - Transforming Housing and Homes for Future Generations.

Campuses: Project delivery has been delayed due to delays in finalising funding agreements between Lead and delivery partners. Funding agreements have now been completed and the project is proceeding at pace with Design and Build tender returns currently being evaluated for Singleton phase 1 project.

Pentre Awel: The construction phase commenced later than anticipated in February 2023. The planned end date of construction is early 2025/26. Therefore, a significant proportion of originally projected 2023/24 expenditure has moved into 2024/25 and a smaller amount into 2025/26. The Pentre Awel team are working on the FBC refresh and will submit a change notification which sets out the revised spend profile. Pentre Awel private sector contributions are linked to Zones 2, 3 and 4. It was envisaged that these would move forward more quickly, however, delays to Zone 1 due to the Pandemic and Contractual arrangements has meant delays to progressing Zones 2, 3 and 4 and consequently securing the private sector investment. Zone 4 is progressing well, and a competitive dialogue process is due to commence with shortlisted interested parties to take forward the hotel development. This development will be key in drawing down a proportion of the private sector investment.

Skills & Talent: Slippage relates to project claims being submitted later than expected. This slippage will be rectified early in 2024/25.

SILCG: Slippage is in relation to several factors including grant agreements, procurement delays and capital programme slippage. Progress will be made to catch up with profile in the 2024/25 financial year.

Swansea Waterfront: Slippage relates mainly due to contract delays for Digital Village (£3.8m) and Innovation Matrix (£1.4m). These projects will both be completed in financial year 2024/25. Underspend on the Innovation Precinct (£1.2m) due to the project delivery solution currently being reviewed by UWTSD.

Yr Egin Phase 2 (the active component of the wider Egin project) is currently going through a change notification process to significantly change the delivery methodology. This will have a significant impact on the project investment once more up to date costings are identified via expert consultants.

**Portfolio Summary 2023/24**

Prior Quarter Forecast Total (£)	Description	Revised Budget (£)	Quarter 4 2023/24 Provisional Outturn Position				Variance (£)
			Actuals (to Date) (£)	Commitments (£)	Forecast Commitments (£)	Total Annual Forecast (£)	
	<b>City Deal Investment</b>						
59,585,031	Capital	60,065,827	51,707,071	484,819	2,087,465	54,279,356	- 5,786,4
2,089,304	Revenue Expenditure (where capital receipts directive applied)	2,975,935	1,911,117	-	-	1,911,117	- 1,064,8
61,674,336	<b>City Deal Total</b>	63,041,762	53,618,189	484,819	2,087,465	56,190,473	- 6,851,2
	<b>Public Sector Investment</b>						
60,068,434	Capital	66,967,745	52,916,383	-	7,370,547	60,286,930	- 6,680,8
3,948,415	Revenue	5,448,414	2,371,984	39,500	782,000	3,193,484	- 2,254,9
64,016,849	<b>Public Sector Total</b>	72,416,159	55,288,366	39,500	8,152,547	63,480,413	- 8,935,7
	<b>Private Sector Investment</b>						
16,388,666	Capital	21,058,179	1,671,000	-	1,310,212	2,981,212	- 18,076,9
1,673,779	Revenue	1,658,959	1,661,152	836,765	164,236	2,662,153	- 1,003,1
18,062,445	<b>Private Sector Total</b>	22,717,139	3,332,152	836,765	1,474,448	5,643,365	- 17,073,7
	<b>Project Total</b>						
136,042,131	Capital	148,091,752	106,294,454	484,819	10,768,224	117,547,498	- 30,544,2
7,711,499	Revenue	10,083,308	5,944,253	876,265	946,236	7,766,754	- 2,316,5
143,753,630	<b>Project Total</b>	158,175,060	112,238,707	1,361,084	11,714,460	125,314,252	- 32,860,8

**Annual Programme Investment Breakdown 2023/24 (Estimated)**

Prior Quarter Forecast Total (£)	Description	Revised Budget (£)	Quarter 4 2023/24 Provisional Outturn Position				Variance (£)
			Actuals (to Date) (£)	Commitments (£)	Forecast Commitments (£)	Total Annual Forecast (£)	
10,355,976	Digital Infrastructure	10,602,392	778,422	-	-	778,422	- 9,823,9
6,487,438	Homes as Power Stations	7,104,990	23,560,624	-	-	23,560,624	- 16,455,6
8,929,313	LS&WB Campuses	8,866,505	877,764	484,385	-	1,362,148	- 7,504,3
20,646,463	Pembroke Dock Marine	20,407,799	12,215,499	1,436	9,250,079	21,467,014	- 1,059,2
47,117,000	Pentre Awel	47,117,000	29,152,093	-	-	29,152,093	- 17,964,9
2,180,576	Skills & Talent	3,277,040	567,723	875,264	946,236	2,389,223	- 887,8
1,763,907	Supporting Innovation and Low Carbon Growth	2,615,907	245,762	-	1,518,145	1,763,907	- 852,0
46,272,958	Swansea Waterfront	52,463,427	44,840,820	-	-	44,840,820	- 7,622,6
-	Yr Egin	5,720,000	-	-	-	-	- 5,720,0
143,753,630	<b>Total</b>	158,175,060	112,238,707	1,361,084	11,714,460	125,314,252	- 32,860,8

### 3.3. Capital and Revenue Apportionment

There is currently an estimated revenue requirement of £59.7m (4.67%) to deliver the city deal projects. This will be supported through the use of the Local Authorities flexible capital receipts directive, and alternative public and private sector commitment. The revenue requirement demonstrates a small change compared with the prior period (Quarter 3 2023/24 - £58.07m), this is as a result of some small fluctuation across several projects.

**Capital/Revenue Summary (Estimated)**

Prior Quarter (Quarter 3 2023/24) Portfolio Forecasted Total (£m)	Investment Component	Capital Forecast (£m)	Revenue Forecast (£m)	Total Forecast (£m)	Revenue Proportion
235.61	City Deal	223.52	17.48	241.00	7.25%
400.27	Public	367.06	28.56	395.62	7.22%
641.00	Private	627.99	13.67	641.66	2.13%
<b>1,276.88</b>	<b>Grand Total</b>	<b>1,218.57</b>	<b>59.70</b>	<b>1,278.27</b>	<b>4.67%</b>

### 4. Financial Implications

The forecasted Joint Committee year end out-turn position (as at 31<sup>st</sup> March 2024) indicates a surplus of £42.1k, which will be transferred to the Swansea Bay City Deal ring-fenced reserve at the year end. Expenditure is forecasted at £3,512.8k, which is offset by the 'Top Slice' of dispersed Government grants of £785.2k and interest income of £2,769.7k.


The business cases of all nine SBCD Portfolio programmes and projects have now been formally approved and a revised budget was compiled in Quarter 2 2023/24 for the portfolio demonstrating £1.283billion. The estimated portfolio forecasted investment position (as at 31<sup>st</sup> March 2024) demonstrates small under investment against the revised budget of less than £5m. Currently the portfolio is presenting a total investment over the fifteen-year life span of the Swansea Bay City Region Deal of £1.278billion. This is subject to fluctuation

over the life span of the project and will continue to be monitored quarterly through financial templates and through the Portfolio risk register.

**Appendices:**

**Appendix A - Provisional Outturn Position 2023/24.**

Appendix A

 <b>Joint Committee - Provisional Outturn Position</b> <b>Financial Year 2023/24</b>			
Description	Budget 2023/24 (£)	Actuals 2023/24 (£)	Variance (£)
<b>Joint Committee and Accountable Body</b>			
Room Hire	1,986	-	1,986
Subsistence & Meeting Expenses	3,671	-	3,671
Travel	-	-	-
Democratic Services - CCS	27,737	27,935	(198)
Monitoring Officer & Legal Services	38,198	38,472	(274)
External Legal Advisory Fees	26,780	-	26,780
Internal Audit Support	22,013	22,064	(51)
Staff Recruitment Expenses	-	-	-
External Audit Fees	26,780	40,758	(13,978)
Section 151 Officer	59,268	59,268	-
Interest paid out to projects	-	2,769,692	(2,769,692)
<b>Joint Committee and Accountable Body Total</b>	<b>206,433</b>	<b>2,958,189</b>	<b>(2,751,756)</b>
<b>Joint Scrutiny Committee</b>			
Subsistence & Meeting Expenses	7,364	-	7,364
Travel	1,311	-	1,311
Democratic Services - NPT	22,129	21,115	1,014
<b>Joint Scrutiny Committee Total</b>	<b>30,804</b>	<b>21,115</b>	<b>9,689</b>
<b>Portfolio Management Office</b>			
Recharges - Employee Costs (direct)	580,576	471,718	108,858
Staff Recruitment Expenses	-	-	-
Training of Staff	27,862	-	27,862
Response Maintenance	-	-	-
Rents (The Beacon)	16,921	14,889	2,032
Rates (The Beacon)	7,472	7,624	(152)
Public Transport - Staff	2,185	-	2,185
Staff Travelling Expenses	17,482	1,802	15,680
Admin, Office & Operational Consumables	2,732	174	2,558
Furniture	1,071	-	1,071
Fees (including Gateway Reviews)	27,316	15,130	12,186
ICT Computer Hardware & Software	2,678	1,084	1,594
Subsistence & Meetings Expenses	8,741	445	8,296
Conferences, Marketing & Advertising	81,947	19,614	62,333
Projects & Activities Expenditure	15,297	-	15,297
Translation/Interpret Services	10,296	995	9,301
Printing & Copying	4,917	17	4,899
Photocopying Recharge	-	-	-
Central Recharge	-	-	-
<b>Portfolio Management Office Total</b>	<b>807,493</b>	<b>533,492</b>	<b>274,001</b>
<b>Provision for Unwinding of PMO</b>			
Redundancies	37,674	-	37,674
<b>Provision for Unwinding Total</b>	<b>37,674</b>	<b>-</b>	<b>37,674</b>
<b>Total Expenditure</b>	<b>1,082,404</b>	<b>3,512,796</b>	<b>(2,430,392)</b>
<b>Funding Contributions</b>			
Welsh Government - Revenue Grant	-	-	-
SBGD Grant Revenue Contribution	(723,000)	(785,198)	62,198
Partner Contributions	0	0	-
Interest Income	0	(2,769,692)	2,769,692
<b>Total Income</b>	<b>(723,000)</b>	<b>(3,554,890)</b>	<b>2,831,890</b>
<b>Provision of Service - (Surplus) / Deficit</b>	<b>359,404</b>	<b>(42,095)</b>	<b>401,499</b>

**Movement to Reserves**

Description	2022/23 (£)	2023/24 (£)	
Balance Brought Forward from previous year - (Surplus) / Deficit	(220,361)	(140,802)	
Net Provision of Service - (Surplus) / Deficit	79,559	(42,095)	
<b>Balance Carry Forward - (Surplus) / Deficit</b>	<b>(140,802)</b>	<b>(182,897)</b>	

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