

## SWANSEA BAY CITY REGION JOINT SCRUTINY COMMITTEE

20<sup>th</sup> July 2021

### Financial Monitoring Report

#### RECOMMENDATIONS/KEY DECISIONS

It is recommended that the Joint Scrutiny Committee review the financial monitoring update report.

#### REASONS

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

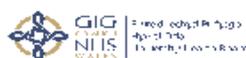
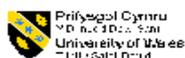
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## Introduction

This report provides a financial update in respect of the Joint Committee operational budget and 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. A year end forecast outturn position is currently in draft. This forecast position is currently demonstrating minimal movement compared to the presented quarter 3 report submitted to Joint Committee on 11<sup>th</sup> March 2021, which is attached within appendix A.

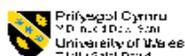
## Portfolio Investment Fund

Within the financial year 2020/21 two payments totalling £36 million were received by the City Deal with a total of £54 million received by the City Deal. This is now aligned to the profile of the city deal equalling three payments of £18m to three operational years to the end of March 2021.

The portfolio business case was updated and submitted to both Governments in March 2021. On successful review this will support the release of a fourth tranche of funding later within the year.

On 2<sup>nd</sup> March 2021 the UK Government announced a change to the funding profile reducing their funding duration to ten years from fifteen. No further funds have been made available, it is their intent to award the balance of their allocation of grant over the next seven years. At present this is awaiting formal confirmation and there is ongoing dialogue with Welsh Government to match the amended reduction in profile duration. The total city deal investment package totals £1.3 billion, with grant totalling £241m relating to the Portfolio Investment Fund (UK Government £115.6m and Welsh Government £125.4m).

The Accountable Body distributes Government grants on a programme/project basis to Project Lead Authorities. An annual grant award is received from Welsh Government on behalf of both Governments and then distributed on actual expenditure in arrears ensuring clear financial governance is pursued. Any portfolio cash balances are invested in line with Carmarthenshire County Councils Treasury Management Strategy to ensure effective optimisation of resources until approval is confirmed to initiate the release of funds from the Portfolio. The Joint Committee have formally agreed it will afford Lead Authorities to borrow from any such balances that reside in the portfolio, this is done at a set rate on 12-month term, as cashflow determines.



To date one grant payment of £11.2m has been disseminated from the Accountable body, which was paid in full to the City and County of Swansea Council in respect of the Swansea Waterfront Project. Payments in respect of Yr Egin and Pentre Awel are due to be disbursed imminently.

The overall estimated investment position is demonstrated at £1,147.42m over the fifteen year life of the portfolio. The original heads of terms that the region signed up too comprised of an investment of £1.274m, and as such currently the City Deal is presenting an underinvestment in the region of £127m (10%). A detailed breakdown of investment is outlined in Appendix A.

The current portfolio investment breakdown presented in Table 4.1. below is based on forecasted investment as of 31st December 2020:

Theme	City Deal (£m)	Public (£m)	Private (£m)	Total (£m)	Original HoT Budget (£m)	Variance (£m)
<b>Internet of Economic Acceleration</b>						
Swansea Waterfront	50.00	85.38	39.90	175.28	168.20	7.08
Yr Egin	5.00	18.67	1.50	25.17	24.29	0.88
Skills & Talent	10.00	16.00	4.00	30.00	30.00	0.00
Digital Infrastructure	25.00	13.80	16.50	55.30	55.00	0.30
<b>Total</b>	<b>90.00</b>	<b>133.85</b>	<b>61.90</b>	<b>285.75</b>	<b>277.49</b>	<b>8.26</b>
<b>Internet of Life Science &amp; Well-being</b>						
Pentre Awel	40.00	51.00	108.19	199.19	199.50	-0.31
LS&WB Campuses	15.00	9.03	13.78	37.81	45.00	-7.19
<b>Total</b>	<b>55.00</b>	<b>60.03</b>	<b>121.96</b>	<b>237.00</b>	<b>244.50</b>	<b>-7.50</b>
<b>Internet of Energy</b>						
Homes as Power Stations	15.00	114.60	375.90	505.50	517.05	-11.55
Pembroke Dock Marine	28.00	16.35	16.12	60.47	76.32	-15.85
<b>Total</b>	<b>43.00</b>	<b>130.95</b>	<b>392.02</b>	<b>565.97</b>	<b>593.37</b>	<b>-27.40</b>
<b>Smart Manufacturing</b>						
Supporting Innovation and Low Carbon	47.70	5.50	5.50	58.70	159.02	-100.32
<b>Total</b>	<b>47.70</b>	<b>5.50</b>	<b>5.50</b>	<b>58.70</b>	<b>159.02</b>	<b>-100.32</b>
<b>Portfolio Total</b>	<b>235.70</b>	<b>330.34</b>	<b>581.38</b>	<b>1,147.42</b>	<b>1,274.39</b>	<b>-126.96</b>

Table 4.1. Portfolio Investment Breakdown

These figures are the current financial investment forecast which the SBCD is currently projecting over its 15-year term and are within a 9.96% tolerance of the original SBCD Heads of Terms. Funding elements are subject to change as the portfolio evolves.

It is the aim of the SBCD that all projects/programmes will be delivered in a seven-year period in order to maximise the full benefits realisation of the operational schemes during the lifetime of SBCD funding, which is to be released to the SBCR from both the UK and Welsh Governments over a 15-year period.

## Funding Agreements

Funding agreements with three projects have now been signed (Yr Egin, Pentre Awel and Swansea Waterfront). The funding agreement in respect of Digital Infrastructure is currently within the Joint Committee governance process and is expected to be agreed in quarter 2.

## Joint Committee

The Joint Committee, Accountable Body, Joint Scrutiny Committee and Portfolio Management Office expenditure forecast is estimated at £665k. Within the submission of the annual budget (JC – 9th July 2020), estimated indirect costs in respect for the administration functions employed by the City Deal were re-included under the agreement by the four Local Authority partners. Within the previous financial year (2019/20) it was accepted that these estimated costs would be absorbed by authorities on the basis of the function in which they are responsible for providing. A detailed breakdown of expenditure is outlined in Appendix A.

 <b>Joint Committee - Financial Monitoring Report</b> <b>Financial Year 2020/21</b> <i>as at December 2020</i>				
Description	Actuals 2019/20 (£)	Revised Budget 2020/21 (£)	Forecast Outturn 2020/21 (£)	Variance (£)
Joint Committee and Accountable Body	12,278	189,309	153,170	36,139
Joint Scrutiny Committee	-	28,045	21,332	6,713
Portfolio Management Office	257,789	600,888	490,315	110,572
<b>Total Expenditure</b>	<b>270,067</b>	<b>818,242</b>	<b>664,817</b>	<b>153,425</b>
Funding Contributions	(410,400)	(1,123,000)	(1,137,850)	14,850
<b>Provision of Service - (Surplus) / Deficit</b>	<b>(140,333)</b>	<b>(304,758)</b>	<b>(473,033)</b>	<b>168,275</b>

The prior year (2018/19) balance carried forward in reserve demonstrates £240k. Currently the estimated year end position of the City Deal accounts resides at a surplus of £473k. This results in an anticipated reserve of £713k at year end. All City Deal reserves are ring-fenced and carried forward for utilisation in future years.

