

SWANSEA BAY CITY REGION JOINT SCRUTINY COMMITTEE

DATE 6th September 2022

Financial Monitoring Report Provisional outturn position Q1

RECOMMENDATIONS/KEY DECISIONS

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

REASONS

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.

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.

A detailed breakdown of the Joint Committee financial outturn position is included in Appendix A.

2.2. Joint Committee and Accountable Body

The Joint Committee and Accountable Body expenditure forecast is estimated at £195k. 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 but is scheduled to be undertaken later within the financial year. 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 inline 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.

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. This has been forecasted at £21k.

2.4. Portfolio Management Office (PoMO)

To the period ended 31st March 2023 the expenditure is estimated at £668k. The PoMO staffing cost is estimated at £515k, which includes an applied estimated inflationary adjustment. There is a small positive variance against budget, this is due to all posts being budgeted at the top of grade, savings due to an in year temporary staffing vacancy 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 have been forecast at £26k and conferences, marketing and advertising estimated at £39k including an SBCD annual event. ICT costs has been forecasted at £11k which includes project management software and associated training. Central Recharges of £26k has been included to contribute to Carmarthenshire County Council as the host Authority's costs for supporting the PoMO. These include payroll, Pensions, Creditors, Debtors, Human Resources support, Information Technology Support, financial systems support, Chief executive administration support, employee support and all necessary insurances.

2.5. Provision for Unwinding

This is an annual provision for the unwinding of the PMO at the end of its five-year operational requirement. Currently the total estimate is £152k, however it is demonstrated as 3/5th of an adjusted appointment (£99k) within the financial monitoring due to an accounting policy treatment.

2.6. Income

Total income for the year demonstrates £1.152m. This consists of partner contributions (£50k per partner) £400k, anticipated drawdown of 'Top Slice' of £722k from the dispersed grant awards and estimated interest derived from cash balances £30k.

2.7. Financial Monitoring - Statement of Balances

The prior year (2020/21) balance carried forward in reserve demonstrates £220k. Currently the estimated year end position of the City Deal accounts demonstrates a surplus of £166k, this is due to a timing effect attached to the grant dispersed to projects/programmes within the year. This concludes in an anticipated reserve of £390k at year end.

3. PORTFOLIO INVESTMENT FUND – Forecast Outturn Position

Budget Revision

The Swansea Bay City deal was incorporated on 20th March 2017 by the then Prime Minister Theresa May demonstrating an anticipated investment of £1.274 billion. The business cases of all nine SBCD Portfolio programmes and projects have now been formally approved by both UK and Welsh Government.

The City Deal revised budget as quarter three 2021/22 demonstrated £1.241 billion, however within the reporting period (quarter one 2022/23) the budget was amended in respect of the below:

Digital Infrastructure submitted a change management notification to address an inconsistency identified within their original business case.

Campuses confirmed that the project management costs and interest should be included within the investment profile and was included within the financial appendix of their original business case.

Programme	Budget Revision Total (Q1 - 2022/23) (£m)	Revised Budget (Q3 - 2021/22) Total (£m)	Variance (£m)
Digital Infrastructure	55.00	55.30	- 0.30
Homes as Power Stations	505.50	505.50	-
LS&WB Campuses	134.95	130.44	4.51
Pembroke Dock Marine	60.53	60.53	-
Pentre Awel	200.48	200.48	-
Skills & Talent	30.00	30.00	-
Supporting Innovation and Low Carbon Growth	58.70	58.70	-
Swansea Waterfront	175.28	175.28	-
Yr Egin	25.17	25.17	-
Grand Total	1,245.61	1,241.40	4.21

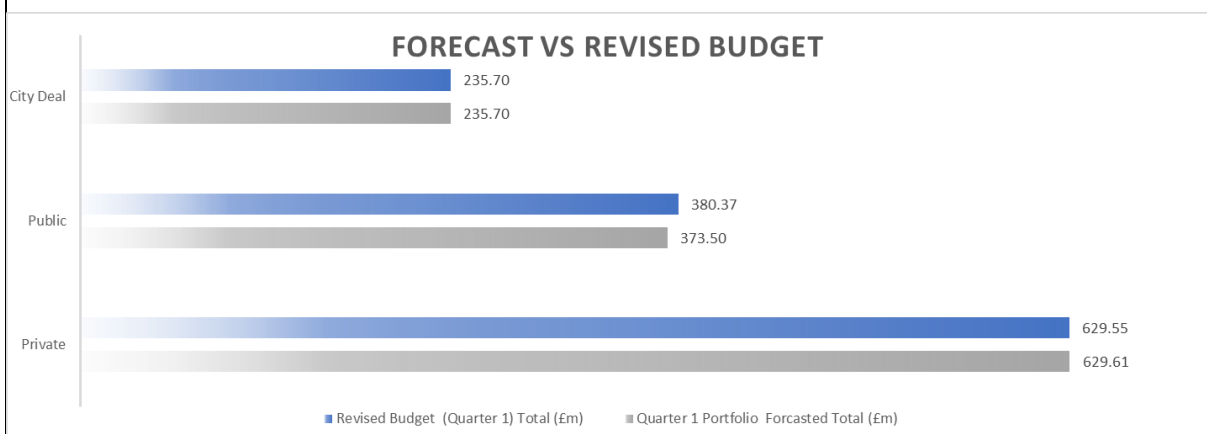
Provisional Portfolio Investment Outturn Position

The overall estimated investment position is demonstrated at £1.239bn (Quarter 4 2021/22 - £1.239bn) over the fifteen-year life of the portfolio. The revised budget (Quarter 1 2022/23) comprised of a total investment of £1.246b, currently the City Deal is presenting underinvestment against the revised budget of £7m. Details of significant variances are outlined below:

Swansea Arena is currently demonstrating an underinvestment of £6m against budget due to the reappropriation of costs across the whole Copr Bay site. Work on final costs is still being undertaken and will be reported on in Quarter 2 in line with the amended programme being agreed with the contractor.

Prior Quarter Portfolio Forecasted Total (£m)	Investment Component	Revised Budget (Quarter 1) Total (£m)	Quarter 1 Portfolio Forecasted Total (£m)	Variance (£m)	Variance
235.70	City Deal	235.70	235.70	-	0.00%
373.73	Public	380.37	373.50	-	-1.80%
629.61	Private	629.55	629.61	-	0.01%
1,239.04	Grand Total	1,245.61	1,238.81	-	-0.55%

Prior Quarter Programme/Project Forecast Total (£m)	Programme/Projects	Quarter 1 Forecast				Revised Budget Total (£m)	Variance (£m)	Variance (%)
		City Deal Investment (£m)	Public Sector Investment (£m)	Private Sector Investment (£m)	Programme/Project Total (£m)			
55.30	Digital Infrastructure	25.00	13.50	16.50	55.00	55.00	-	0.00%
505.50	Homes as Power Stations	15.00	114.60	375.90	505.50	505.50	-	0.00%
135.01	LS&WB Campuses	15.00	58.01	62.01	135.01	134.95	0.06	0.05%
60.47	Pembroke Dock Marine	28.00	16.35	16.12	60.47	60.53	-	-0.10%
200.48	Pentre Awel	40.00	51.99	108.19	200.18	200.48	-	-0.15%
30.00	Skills & Talent	10.00	16.00	4.00	30.00	30.00	-	0.00%
58.70	Supporting Innovation and Low Carbon Growth	47.70	5.88	5.50	59.08	58.70	0.38	0.65%
168.40	Swansea Waterfront	50.00	78.50	39.90	168.40	175.28	-	-3.93%
25.17	Yr Egin	5.00	18.67	1.50	25.17	25.17	-	0.00%
1,239.04	Grand Total	235.70	373.50	629.61	1,238.81	1,245.61	-	-0.55%



Provisional Annual Investment Forecast 2022/23

The forecast estimated investment for the financial year ended 31st March 2023 is demonstrated at £139m. The annual investment forecast is currently demonstrating an annual under-investment of £29m, in respect of the following:

The PDM project is continuing to review spend profiles on their public and private sector investment which could potentially affect the current year estimates. Currently the forecast was based on quarter four estimates, with a small slippage into the current financial year causing a slight over-investment. This is not expected to have an impact on the total investment.

Swansea Waterfront is demonstrating an in-year underinvestment due to accelerated City Deal spend in the previous year in respect of the arena, slippage in respect of private sector investment (including the hotel development) and slippage in project delivery in respect of the Innovation Matrix. This is not expected to have an impact on the total investment for the programme.

The Skills and Talent project is demonstrating slippage in delivery within the year. The project has currently awarded funding to one successful school and further education partnership and will review the funding mechanism during the autumn, with a view of increasing the value of match funding to further attract educational

and delivery partners. This is not expected to have an impact on the total investment for the project.

The SWITCH project is currently demonstrating slippage due to the delay of construction procurement and tendering, caused particularly by the COVID-19 pandemic but also as this project involves a close working relationship and agreement with the delivery partner namely Swansea University. Unfortunately, the Swansea University Project Manager recently left their post and we had to almost start again with a new interim PM to agree on building requirements and specifications which caused the process to be drawn out over an extended period of 18 months. This is not expected to have an impact on the total investment for the proje Digital infrastructure is currently demonstrating slippage within its rural project due to a “pause and review” which has been instigated for up to 3 months on the rural in-fill procurement, which has a planned spend of £6 million on Superfast broadband. This is due to an ongoing Open Market Review (OMR) being conducted by the Welsh Government and UK Government. The time will be spent liaising with Welsh and UK Governments on the outcome of the OMR, assessing the data and trying to better understand how far known private and public sector interventions are likely to go. This will allow us to make an informed decision regarding whether we still need to invest, if so exactly where we should invest and exactly how we should invest from a commercial perspective. This will help to mitigate the risk of premises receiving double subsidy. It will also help to ensure we spend our funding in the most cost-effective way with maximum impact. We will continue to update the regions Digital Infrastructure board on the evolving situation with future decisions brought back for discussion and authorisation. This is not expected to have an impact on the total investment for the project.

Portfolio Summary

Prior Quarter Forecast Total (£)	Description	Revised Budget (£)	Quarter 1 Provisional Outturn Position				Variance (£)
			Actuals (to Date) (£)	Commitments (£)	Forecast Commitments (£)	Total Annual Forecast (£)	
	City Deal Investment						
18,480,866	Capital	77,556,688	-	-	60,111,136	60,111,136	- 17,445,5
585,616	Revenue Expenditure (where capital receipts directive applied)	3,389,281	119,248	45,706	2,596,629	2,761,583	- 627,6
19,066,482	City Deal Total	80,945,969	119,248	45,706	62,707,765	62,872,719	- 18,073,2
	Public Sector Investment						
10,514,256	Capital	32,206,441	1,401,423	383,000	37,446,822	39,231,245	7,024,8
194,045	Revenue	5,840,485	-	-	2,761,798	2,761,798	- 3,078,6
10,708,301	Public Sector Total	38,046,926	1,401,423	383,000	40,208,620	41,993,043	3,946,1
	Private Sector Investment						
550,000	Capital	46,920,379	-	-	32,450,157	32,450,157	- 14,470,2
5,036	Revenue	1,306,650	30,305	-	1,276,345	1,306,650	-
555,036	Private Sector Total	48,227,029	30,305	-	33,726,502	33,756,807	- 14,470,2
	Project Total						
29,545,123	Capital	156,683,508	1,401,423	383,000	130,008,115	131,792,538	- 24,890,9
784,697	Revenue	10,536,415	149,553	45,706	6,634,772	6,830,031	- 3,706,3
30,329,820	Project Total	167,219,924	1,550,976	428,706	136,642,887	138,622,569	- 28,597,3

Annual Programme Investment Breakdown 2021/22 (Estimated)

Prior Quarter Forecast Total (£)	Description	Revised Budget (£)	Quarter 1 Provisional Outturn Position				Variance (£)
			Actuals (to Date) (£)	Commitments (£)	Forecast Commitments (£)	Total Annual Forecast (£)	
196,791	Digital Infrastructure	17,602,392	58,426	45,399	15,498,567	15,602,392	- 2,000,0
1,947	Homes as Power Stations	7,465,000	-	-	7,465,000	7,465,000	-
212,748	LS&WB Campuses	5,377,312	30,305	-	5,547,007	5,577,312	200,0
1,275,049	Pembroke Dock Marine	28,525,579	-	-	30,659,565	30,659,565	2,133,9
1,550,817	Pentre Awel	58,067,866	50,041	307	58,017,518	58,067,866	-
176,411	Skills & Talent	5,366,667	10,781	-	784,815	795,596	- 4,571,0
7,651,000	Supporting Innovation and Low Carbon Growth	11,769,275	-	383,000	4,162,702	4,545,702	- 7,223,5
19,265,056	Swansea Waterfront*	33,045,833	1,401,423	-	14,507,714	15,909,137	- 17,136,6
-	Yr Egin	-	-	-	-	-	-
30,329,820	Total	167,219,924	1,550,976	428,706	136,642,887	138,622,569	- 28,597,3

Capital and Revenue Apportionment

There is currently an estimated revenue requirement of £63m (5%) 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 4 2021/22 - £60m), this is as a result of some small fluctuation across several projects.

Investment Component	Capital Forecast (£m)	Revenue Forecast (£m)	Total Forecast (£m)	Revenue Proportion
City Deal	214.85	20.85	235.70	8.84%
Public	344.43	29.07	373.50	7.78%
Private	616.74	12.88	629.61	2.05%
Grand Total	1,176.01	62.80	1,238.81	5.07%

Private and Public sector Commitment


Over the life span of the portfolio the private sector engagement is expected to increase and develop as projects establish themselves and move into completion. A timeline of the revised budget is demonstrated within the Finance Case of the Portfolio Business Case.

The current estimated public sector commitment is demonstrated at £374m with stakeholders and partners still in early engagement continued to be supportive of projects.

Private sector investment formally committed is small at present demonstrating £19m, this represents 3% of total private sector investment. Current financial reprofile forecasts the SBCD are on track with accelerated private sector funding between years seven (2024/25) and ten (2027/28).

The estimated funding commitment currently confirmed for the portfolio is demonstrated below:

Description	Public	Private
Formally Committed	£ 299.56	£ 18.62
Engaged	£ 16.50	£ 141.76
Initial Discussions	£ 57.43	£ 469.23
Total	£ 373.50	£ 629.61

 Joint Committee - Provisional Outturn Position Financial Year 2022/23 <i>as at 31st June 2022</i>				
Description	Actuals 2021/22 (£)	Agreed Budget 2022/23 (£)	Forecast Outturn 2022/23 (£)	Variance (£)
Joint Committee and Accountable Body				
Room Hire	-	1,910	1,910	0
Subsistence & Meeting Expenses	-	3,496	-	3,496
Travel	-	-	-	0
Democratic Services - CCS	27,483	26,605	26,605	0
Monitoring Officer & Legal Services	35,659	36,640	36,640	0
External Legal Advisory Fees	-	25,000	-	25,000
Internal Audit Support	18,924	21,115	21,115	0
Staff Recruitment Expenses	-	-	-	0
External Audit Fees	14,971	25,000	21,830	3,170
Section 151 Officer	55,329	56,435	56,435	0
Interest paid over	39,575	-	30,000	(30,000)
Joint Committee and Accountable Body Total	191,942	196,201	194,535	1,666
Joint Scrutiny Committee				
Subsistence & Meeting Expenses	-	7,012	-	7,012
Travel	-	1,248	-	1,248
Democratic Services - NPT	21,332	21,226	21,226	0
Joint Scrutiny Committee Total	21,332	29,487	21,226	8,261
Portfolio Management Office				
Recharges - Employee Costs (direct)	461,842	552,056	512,874	39,182
Staff Recruitment Expenses	-	-	-	0
Training of Staff	1,220	26,530	5,000	21,530
Response Maintenance	-	-	-	0
Rents (The Beacon)	14,889	16,270	16,270	0
Rates (The Beacon)	6,688	7,184	7,184	0
Public Transport - Staff	-	2,081	2,081	0
Staff Travelling Expenses	76	16,646	5,493	11,153
Admin, Office & Operational Consumables	-	2,601	2,601	0
Furniture	-	1,000	1,000	0
Fees (including Gateway Reviews)	29,557	26,010	26,010	0
ICT Computer Hardware & Software	43	2,500	10,500	(8,000)
Subsistence & Meetings Expenses	10	8,323	3,000	5,323
Conferences, Marketing & Advertising	17,151	78,030	39,015	39,015
Projects & Activities Expenditure	-	14,566	-	14,566
Translation/Interpret Services	3,317	10,404	6,500	3,904
Printing & Copying	84	4,682	4,682	0
Photocopying Recharge	-	-	-	0
Central Recharge	-	-	25,512	(25,512)
Portfolio Management Office Total	534,876	768,883	667,722	101,161
Provision for Unwinding of PMO				
Redundancies	-	37,674	98,631	(60,957)
Provision for Unwinding Total	-	37,674	98,631	(60,957)
Total Expenditure	748,149	1,032,245	982,114	50,131
Funding Contributions				
Welsh Government - Revenue Grant	-	0	0	0
SBCD Grant Revenue Contribution	(314,119)	(723,000)	(721,722)	(1,278)
Partner Contributions	(400,000)	(400,000)	(400,000)	0
Interest Income	(39,575)	-	(30,000)	30,000
Total Income	(753,694)	(1,123,000)	(1,151,722)	28,722
Provision of Service - (Surplus) / Deficit	(5,545)	(90,755)	(169,608)	78,853

Movement to Reserves		
Description	2020/21 (£)	2021/22 (£)
Balance Brought Forward from previous year - (Surplus) / Deficit	(214,816)	(220,361)
Net Provision of Service - (Surplus) / Deficit	(5,545)	(169,608)
Balance Carry Forward - (Surplus) / Deficit	(220,361)	(389,970)

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