

## **SWANSEA BAY CITY REGION JOINT SCRUTINY COMMITTEE**

**DATE 24<sup>th</sup> October 2023**

### **Q1 2023/24 Financial Monitoring Report - Provisional Outturn Position**

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

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

#### **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 1 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 £2,275k. 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. 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 is estimated at £1,535k.

### **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 £22k.

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

For the period ending 31<sup>st</sup> March 2024 the expenditure is estimated at £668k. The PoMO staffing cost is estimated at £535k which includes the expected 2023-24 pay adjustment of 5%. There is an underspend of £46k against budget, this is due to all posts being budgeted at the top of grade and savings due to in year temporary staffing vacancies.

Rents and service charges in respect of office space total £23k, fees including consultancy and gateway reviews have been forecast at £27k which includes project management software purchased, and conferences, marketing and advertising estimated at £54k including the annual event. Central Recharges of £28k has been included being the contribution 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. Income**

Total income for the year demonstrates £2,295k. This consists of anticipated drawdown of 'Top Slice' of £761k from the dispersed grant awards and estimated interest derived from cash balances £1,535k.

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

The prior year (2022/23) balance carried forward in reserve demonstrates £153.5k. Currently the estimated year end position of the City Deal accounts demonstrates a deficit of £100.2k, this is due to a timing effect attached to the grant dispersed to projects/programmes within the year. This results in an anticipated reserve of £53.3k at year end.

### 3. PORTFOLIO INVESTMENT FUND – Forecast Outturn Position

#### 3.1. Provisional Portfolio Investment Outturn Position

The overall estimated investment position is demonstrated at £1.255bn (Quarter 4 2022/23 - £1.256bn) over the fifteen-year life of the portfolio. The revised budget (Quarter 1 2022/23) comprised of a total investment of £1.246bn, currently the City Deal is presenting a small over investment against the revised budget of £9m. At the time of reporting, up to date figures for future years were not available for the Yr Egin and the Innovation Precinct.

Details of significant variances are outlined below:

Digital Infrastructure is demonstrating £15.8m over investment against budget mainly due to additional private sector funding.

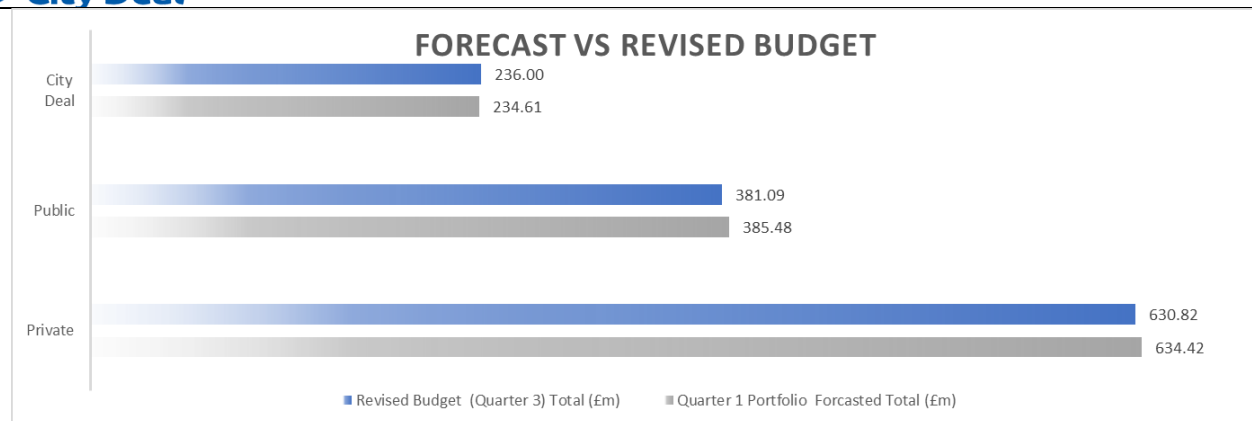
Swansea Arena is currently demonstrating an underinvestment of £6m against budget due to the reappropriation of costs across the whole Copr Bay site. Work on final costs is still being undertaken and will be reported on in Quarter 2 in line with the amended programme being agreed with the contractor. The Innovation Matrix is currently demonstrating an over investment of £2m, which is being reviewed during quarter 3. A business case revision is currently being undertaken with a review of financials included.

Pentre Awel has commenced construction and is demonstrating £6m over investment against budget. Work is estimated to be completed during Autumn 2024.

The PDI element of the PDM project is now demonstrating a total investment of £48m project (increased from £41.5m at Approval), the majority of which has come from WEFO (increase from circa £7m to £12m) and the balance from private (port) sources.

Prior Quarter Portfolio Forecasted Total (£m)	Investment Component	Revised Budget (Quarter 3) Total (£m)	Quarter 1 Portfolio Forecasted Total (£m)	Variance (£m)	Variance
235.70	City Deal	236.00	234.61	1.39	-0.59%
382.00	Public	381.09	385.48	4.39	1.15%
638.66	Private	630.82	634.42	3.61	0.57%
<b>1,256.36</b>	<b>Grand Total</b>	<b>1,247.91</b>	<b>1,254.52</b>	<b>6.61</b>	<b>0.53%</b>

Prior Quarter Programme/Project Forecast Total (£m)	Programme/Projects	Quarter 1 Forecast				Revised Budget (Quarter 1) Total (£m)	Variance (£m)	Variance (%)
		City Deal Investment (£m)	Public Sector Investment (£m)	Private Sector Investment (£m)	Programme/Project Total (£m)			
69	Digital Infrastructure	25	18	28	71	55	16	29%
506	Homes as Power Stations	15	115	376	506	506	-	0%
131	LS&WB Campuses	15	59	62	136	135	1	1%
64	Pembroke Dock Marine	27	19	17	63	60	3	4%
200	Pentre Awel	40	58	108	206	200	6	3%
30	Skills & Talent	10	16	4	30	30	-	0%
60	Supporting Innovation and Low Carbon Growth	48	6	6	59	59	0	0%
171	Swansea Waterfront	50	77	33	159	178	-18	-10%
25	Yr Egin	5	19	2	25	25	0	0%
<b>1,256</b>	<b>Grand Total</b>	<b>235</b>	<b>385</b>	<b>634</b>	<b>1,255</b>	<b>1,248</b>	<b>7</b>	<b>1%</b>



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

The forecast estimated investment for the financial year ending 31<sup>st</sup> March 2024 is demonstrated at £133.1m. The annual investment forecast is currently demonstrating an annual under-investment of £54.2m, in respect of the following:

The PDI element of the PDM project is now demonstrating a total investment of £48m project (increased from £41.5m at Approval), the majority of which has come from WEFO (increase from circa £7m to £12m) and the balance from private (port) sources.

Digital Infrastructure's public and private sector spends are behind profile due to funding agreements not yet being signed. Accurate public and private sector investment figures have been established for 2021/22 which have now been included following completion of an externally commissioned benefits realisation exercise which was conducted by Farrpoint and completed in January 2022. This exercise will be 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.

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. This should be in place by September 2023.

The HAPS project will soon launch the Financial Incentives Fund (FIF) with payment to successful schemes being made following installation of the HAPS technologies. In some cases, monitoring will take place for up to 12 months prior to technology being installed. This has resulted in moving the profile of defrayed spend for the £5.75m FIF into latter years than originally profiled.

The HAPS project has now recruited and successfully filled the post of HAPS Supply Chain Lead and will be launching the Supply Chain Fund this year, however it is unlikely there will be spend of over £500k during 2023/24 and therefore the majority of the spend has been reprofiled into next year.

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. The Innovation Matrix is currently demonstrating an over investment of £2m, which will be being reviewed during quarter 3. A business case revision is currently being undertaken with a review of financials included.

The Skills and Talent project is demonstrating slippage in delivery within the year. The project has currently awarded funding to six successful school, further and higher education pilot projects and will review the funding mechanism in the new year. This this is not expected to have an impact on the total investment for the project.

Pentre Awel's annual investment profile was estimated as at quarter 3, currently construction enabling works have commenced and will be completed as at Autumn 2024. Whilst slippage has occurred this financial year due to small spend in the preliminary stages, this will accelerate over the remaining 17-month period of construction. This is not expected to have an impact on the total investment for the project.

The SWITCH project has announced Morgan Sindall as the successful contractor on the 2nd May with a kick off meeting held mid-May with all parties involved. The first design meeting took place on 8th June with subsequent monthly meetings scheduled. The project also met with Swansea University to progress Heads of Terms document.

**Portfolio Summary 2023/24**

Description	Revised Budget	Quarter 1 Provisional Outturn Position				Variance
		Actuals (to Date)	Commitments	Forecast Commitments	Total Annual Forecast	
		(£)	(£)	(£)	(£)	
<b>City Deal Investment</b>						
Capital	76,959,257	11,877,797	4,692,170	40,932,578	57,502,546	- 19,456,711
Revenue Expenditure (where capital receipts directive applied)	5,037,776	-	-	2,575,935	2,575,935	- 2,461,841
<b>City Deal Total</b>	<b>81,997,033</b>	<b>11,877,797</b>	<b>4,692,170</b>	<b>43,508,513</b>	<b>60,078,480</b>	<b>- 21,918,552</b>
<b>Public Sector Investment</b>						
Capital	49,736,343	3,550,143	5,005,129	40,333,361	48,888,632	- 847,711
Revenue	6,845,658	2,402,465	546,425	1,522,414	4,471,304	- 2,374,354
<b>Public Sector Total</b>	<b>56,582,001</b>	<b>5,952,607</b>	<b>5,551,554</b>	<b>41,855,775</b>	<b>53,359,936</b>	<b>- 3,222,065</b>
<b>Private Sector Investment</b>						
Capital	47,007,411	1,596,000	-	16,734,117	18,330,117	- 28,677,294
Revenue	1,721,273	163,313	1,016	1,142,348	1,306,677	- 414,596
<b>Private Sector Total</b>	<b>48,728,684</b>	<b>1,759,313</b>	<b>1,016</b>	<b>17,876,465</b>	<b>19,636,794</b>	<b>- 29,091,890</b>
<b>Project Total</b>						
Capital	173,703,011	17,023,940	9,697,299	98,000,056	124,721,295	- 48,981,716
Revenue	13,604,707	2,565,778	547,441	5,240,697	8,353,916	- 5,250,791
<b>Project Total</b>	<b>187,307,718</b>	<b>19,589,718</b>	<b>10,244,740</b>	<b>103,240,752</b>	<b>133,075,211</b>	<b>- 54,232,507</b>

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

Description	Revised Budget	Quarter 1 Provisional Outturn Position				Variance
		Actuals (to Date)	Commitments	Forecast Commitments	Total Annual Forecast	
		(£)	(£)	(£)	(£)	
Digital Infrastructure	15,602,392	-	-	10,102,392	10,102,392	- 5,500,000
Homes as Power Stations	17,466,503	-	-	5,705,503	5,705,503	- 11,761,000
LS&WB Campuses	8,866,505	196,510	709,310	7,960,685	8,866,505	- 0
Pembroke Dock Marine	8,120,992	10,181,591	650,487	10,079,503	20,911,581	12,790,589
Pentre Awel	59,122,658	3,808,913	-	43,308,087	47,117,000	- 12,005,658
Skills & Talent	6,700,000	-	-	2,762,550	2,762,550	- 3,937,450
Supporting Innovation and Low Carbon Growth	28,749,240	-	-	2,615,907	2,615,907	- 26,133,333
Swansea Waterfront*	36,959,428	5,402,705	8,884,943	20,706,125	34,993,773	- 1,965,656
Yr Egin	5,720,000	-	-	-	-	- 5,720,000
<b>Total</b>	<b>187,307,718</b>	<b>19,589,718</b>	<b>10,244,740</b>	<b>103,240,752</b>	<b>133,075,211</b>	<b>- 54,232,507</b>


### 3.3. Capital and Revenue Apportionment

There is currently an estimated revenue requirement of £56.42m (4.5%) 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 2022/23 - £61m), this is as a result of some small fluctuation across several projects.

**Capital/Revenue Summary (Estimated)**

Investment Component	Capital Forecast (£m)	Revenue Forecast (£m)	Total Forecast (£m)	Revenue Proportion
City Deal	217.18	17.43	234.61	7.43%
Public	357.27	28.03	385.30	7.27%
Private	623.46	10.96	634.42	1.73%
<b>Grand Total</b>	<b>1,197.92</b>	<b>56.42</b>	<b>1,254.33</b>	<b>4.50%</b>

Appendix A

 <b>Joint Committee - Provisional Quarter 1 Outturn</b> <b>Position Financial Year 2023/24</b> <i>as at 30th June 2023</i>				
Description	Actuals 2022/23	Budget 2023/24	Forecast Outturn 2023/24	Variance
	£	£	£	£
<b>Expenditure</b>				
<b><u>Programme Management Office</u></b>				
Salary (Inc. On-costs)	486,398	580,576	534,994	- 45,582
Training of Staff	-	27,862	6,000	- 21,862
Rents (The Beacon)	14,889	16,921	15,633	- 1,288
Rates (The Beacon)	6,688	7,472	7,022	- 450
Public Transport - Staff	-	2,185	-	- 2,185
Staff Travelling Expenses	769	17,482	5,500	- 11,982
Admin, Office & Operational Consumables	-	2,732	1,500	- 1,232
Furniture	-	1,071	1,000	- 71
Fees	7,946	27,316	27,000	- 316
ICTs & Computer Hardware	10,927	2,678	-	- 2,678
Subsistence & Meetings Expenses	68	8,741	2,500	- 6,241
Conferences, Marketing & Advertising	11,713	81,947	54,170	- 27,777
Projects & Activities Expenditure	-	15,297	-	- 15,297
Translation/Interpret Services	7,048	10,296	10,700	404
Printing & Copying	105	4,917	2,000	- 2,917
<b>Programme Management Office Total</b>	<b>546,551</b>	<b>807,493</b>	<b>668,019</b>	<b>- 139,474</b>
<b><u>Accountable Body</u></b>				
Audit Wales- Financial Audit	11,330	26,780	13,030	- 13,751
Section 151 Officer	56,436	59,268	59,258	- 10
Interest paid Out to Projects	870,633	-	1,534,610	1,534,610
<b>Accountable Body Total</b>	<b>938,399</b>	<b>86,048</b>	<b>1,606,897</b>	<b>1,520,849</b>
<b><u>Legal and Governance</u></b>				
Monitoring Officer	36,640	38,198	38,472	274
Legal Advisory Fees	-	26,780	10,000	- 16,780
<b>Legal and Governance Total</b>	<b>36,640</b>	<b>64,978</b>	<b>48,472</b>	<b>- 16,506</b>
<b><u>Joint Committee</u></b>				
Room Hire	-	1,986	-	- 1,986
Subsistence & Meeting Expenses	-	3,671	-	- 3,671
Travel	-	-	-	-
Democratic, Scrutiny and Legal Support Costs	26,605	27,737	27,935	198
<b>Joint Committee Total</b>	<b>26,605</b>	<b>33,394</b>	<b>27,935</b>	<b>- 5,459</b>
<b><u>Joint Scrutiny Committee</u></b>				
Room Hire	-	-	-	-
Subsistence & Meeting Expenses	-	7,364	-	- 7,364
Travel	-	1,311	-	- 1,311
Democratic, Scrutiny and Legal Support Costs	21,115	22,129	22,171	42
<b>Joint Scrutiny Committee Total</b>	<b>21,115</b>	<b>30,804</b>	<b>22,171</b>	<b>- 8,633</b>
<b><u>Internal Audit</u></b>				
Audit Support	21,115	22,013	22,171	158
<b>Internal Audit Total</b>	<b>21,115</b>	<b>22,013</b>	<b>22,171</b>	<b>158</b>
<b><u>Provision for Unwinding of PoMO</u></b>				
Redundancies	-	37,674	-	- 37,674
<b>Provision for Unwinding Total</b>	<b>-</b>	<b>37,674</b>	<b>-</b>	<b>37,674</b>
<b>Total Expenditure</b>	<b>1,590,425</b>	<b>1,082,404</b>	<b>2,395,665</b>	<b>1,313,261</b>
<b><u>Funding Contributions</u></b>				
Balance C/F from previous year	-	-	-	-
SBCD Grant Revenue Contribution	252,978	723,000	760,858	37,858
Partner Contributions	400,000	-	-	-
Interest Income /- contribution from LA'S	870,633	-	1,534,610	1,534,610
<b>Total Income</b>	<b>1,523,611</b>	<b>723,000</b>	<b>2,295,468</b>	<b>1,572,468</b>
<b>Provision of Service - Surplus / (Deficit)</b>	<b>(66,814)</b>	<b>(359,404)</b>	<b>(100,197)</b>	<b>259,207</b>
<b>Movement to Reserves</b>				
<b>Description</b>			<b>2022/23 £</b>	<b>2023/24 £</b>
Balance Brought Forward from previous year			220,361	153,547
Net Provision of Service - Surplus / (Deficit)			(66,814)	(100,197)
<b>Balance Carry Forward</b>			<b>153,547</b>	<b>53,350</b>

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