



Swansea Bay City Region Joint Committee – 16 November 2023

Financial Monitoring Report 2023/24 - Provisional Outturn Position Quarter 2 (July - Sept 2023)

Purpose:	To provide Joint Committee an update on the latest financial position of the Swansea Bay City Region.
Policy Framework:	Swansea Bay City Deal
Consultation:	Accountable Body
Recommendation(s):	It is recommended that the Joint Committee:
1)	Review and approve the financial monitoring update report for submission to Joint Committee.
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Finance Officer:	Chris Moore, Section 151 Officer, SBCD
Legal Officer:	Debbie Smith, Monitoring Officer, SBCD

1. Introduction

1.1 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 2 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 £1,635k. 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 31st March 2024 the expenditure is estimated at £642k. The PoMO staffing cost is estimated at £509k which includes the expected 2023-24 pay adjustment of 5%. There is an underspend of £72k 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 £140.8k. Currently the estimated year end position of the City Deal accounts demonstrates a deficit of £73.6k, 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 £67.2k 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 £1.279bn (Quarter 1 2023/24 - £1.255bn) over the fifteen-year life of the portfolio. The revised budget (Quarter 3 2022/23) comprised of a total investment of £1.248bn, currently the City Deal is presenting an over investment against the revised budget of £31m.

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 Waterfront is demonstrating an overinvestment of £5m. Swansea Council have completed a reconciliation of costs relating to the Arena and Public Realm and an additional payment of £14.4m is to be allocated between each asset. This brings the total public sector spend to £73.4m against the original business case total of £69m, this £4.4m overspend will be absorbed into the wider Copr Bay project spend and will be covered by the Local Authority.

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

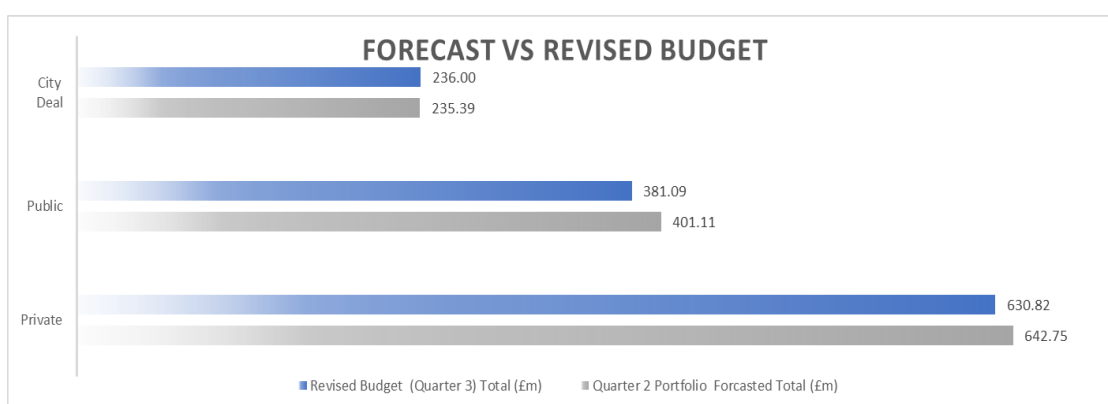
PDM is demonstrating an over investment of £4m. The PDI project is now demonstrating a total investment of £48m project (increased from £41.5m at Approval), the majority of which has come from WEFO (increase from circa £7m to £12m) and the balance from private (port) sources.

Portfolio Forecast (Estimated)

Prior Quarter Portfolio Forecasted Total (£m)	Investment Component	Revised Budget (Quarter 3) Total (£m)	Quarter 2 Portfolio Forecasted Total (£m)	Variance (£m)	Variance
234.61	City Deal	236.00	235.39	-0.61	-0.26%
385.48	Public	381.09	401.11	20.02	5.25%
634.42	Private	630.82	642.75	11.94	1.89%
1,254.51	Grand Total	1,247.91	1,279.25	31.34	2.51%

Programme Breakdown (Estimated)

Prior Quarter Programme/Project Forecast Total (£m)	Programme/Projects	Quarter 2 Forecast				Revised Budget (Quarter 3) Total (£m)	Variance (£m)	Variance (%)
		City Deal Investment (£m)	Public Sector Investment (£m)	Private Sector Investment (£m)	Programme/Project Total (£m)			
71	Digital Infrastructure	25	18	28	71	55	16	29%
506	Homes as Power Stations	15	115	376	506	506	-	0%
136	LS&WB Campuses	15	59	62	136	135	1	1%
63	Pembroke Dock Marine	28	19	17	64	60	4	6%
206	Pentre Awel	40	58	108	206	200	6	3%
30	Skills & Talent	10	16	4	30	30	-	0%
59	Supporting Innovation and Low Carbon Growth	48	6	6	59	59	0	0%
159	Swansea Waterfront	50	92	41	183	178	5	3%
25	Yr Egin	5	19	2	25	25	0	0%
1,255	Grand Total	235	401	643	1,279	1,248	31	3%



3.2. Provisional Annual Investment Forecast 2023/24

The forecast estimated investment for the financial year ending 31st March 2024 is demonstrated at £148.1m. The annual investment forecast is currently demonstrating an annual under-investment of £39.2m, in respect of the following:

PDM is demonstrating an over investment of £4m. The PDI 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.

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.

Swansea Waterfront is demonstrating an overinvestment of £5m. Swansea Council have completed a reconciliation of costs relating to the Arena and Public Realm and an additional payment of £14.4m is to be allocated between each asset. This brings the total public sector spend to £73.4m against the original business case total of £69m, this £4.4m overspend will be absorbed into the wider Copr Bay project spend and will be covered by the Local Authority.

Portfolio Summary 2023/24

Description	Revised Budget	Quarter 2 Provisional Outturn Position				Variance
		Actuals (to Date)	Commitments	Forecast Commitments	Total Annual Forecast	
		(£)	(£)	(£)	(£)	
City Deal Investment						
Capital	76,959,257	15,154,598	3,156,806	39,754,424	58,065,827	- 18,893,430
Revenue Expenditure (where capital receipts directive applied)	5,037,776	79,073	400,000	2,496,862	2,975,935	- 2,061,841
City Deal Total	81,997,033	15,233,670	3,556,806	42,251,286	61,041,762	- 20,955,271
Public Sector Investment						
Capital	49,736,343	22,795,601	5,005,129	35,781,015	63,581,745	13,845,402
Revenue	6,845,658	2,426,914	39,500	1,482,000	3,948,414	- 2,897,243
Public Sector Total	56,582,001	25,222,515	5,044,629	37,263,015	67,530,159	10,948,158
Private Sector Investment						
Capital	47,007,411	1,596,000	-	16,294,692	17,890,692	- 29,116,719
Revenue	1,721,273	271,470	925,796	461,693	1,658,959	- 62,314
Private Sector Total	48,728,684	1,867,470	925,796	16,756,386	19,549,652	- 29,179,033
Project Total						
Capital	173,703,011	39,546,199	8,161,935	91,830,131	139,538,265	- 34,164,747
Revenue	13,604,707	2,777,457	1,365,296	4,440,555	8,583,308	- 5,021,398
Project Total	187,307,718	42,323,656	9,527,231	96,270,687	148,121,573	- 39,186,145

Annual Programme Investment Breakdown 2023/24 (Estimated)

Description	Revised Budget	Quarter 2 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	79,073	-	5,626,430	5,705,503	- 11,761,000
LS&WB Campuses	8,866,505	366,625	681,283	7,818,598	8,866,505	-
Pembroke Dock Marine	8,120,992	10,485,971	129,152	9,792,676	20,407,799	12,286,807
Pentre Awel	59,122,658	5,179,079	-	41,937,921	47,117,000	- 12,005,658
Skills & Talent	6,700,000	-	1,275,264	2,001,776	3,277,040	- 3,422,960
Supporting Innovation and Low Carbon Growth	28,749,240	121,334	-	2,494,573	2,615,907	- 26,133,333
Swansea Waterfront*	36,959,428	26,091,574	7,441,532	16,496,321	50,029,427	13,069,999
Yr Egin	5,720,000	-	-	-	-	- 5,720,000
Total	187,307,718	42,323,656	9,527,231	96,270,687	148,121,573	- 39,186,145

3.3. Capital and Revenue Apportionment

There is currently an estimated revenue requirement of £58.04m (4.54%) 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 1 2023/24 - £56.42m), 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	217.96	17.43	235.39	7.41%
Public	372.42	28.61	401.03	7.14%
Private	630.76	11.99	642.75	1.87%
Grand Total	1,221.14	58.04	1,279.17	4.54%

4. Financial Implications

4.1 The forecasted Joint Committee Quarter One out-turn position (as at 30th September 2023) indicates a deficit of £73.6k, which will be supported by the Swansea Bay City Deal ring-fenced reserve at the year end. Expenditure is forecasted at £2,369k, which is offset by the 'Top Slice' of dispersed Government grants of £761k and estimated interest derived from cash balances £1,535k.

4.2 The business cases of all nine SBCD Portfolio programmes and projects have now been formally approved and a revised budget was compiled in Quarter Three 2022/23 for the portfolio demonstrating £1.248billion. The estimated portfolio forecasted investment position (as at 30th September 2023) demonstrates over investment against the revised budget of £31m. Currently the portfolio is presenting a total investment over the fifteen-year life span of the Swansea Bay City Region Deal of £1.279billion. 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.

5. Legal Implications

5.1 There are no legal implications associated with this report.

Background papers: None

Appendices:

Appendix A – Provisional Quarter 2 Outturn Position Financial Year 2023/24

**Joint Committee - Provisional
 Quarter 2 Outturn Position Financial
 Year 2023/24
 as at 30th September 2023**

Description	Budget 2023/24	Forecast Outturn 2023/24	Variance
	£	£	£
Expenditure			
<u>Programme Management Office</u>			
Salary (Inc. On-costs)	580,576	508,518	- 72,058
Training of Staff	27,862	6,000	- 21,862
Rents (The Beacon)	16,921	15,633	- 1,288
Rates (The Beacon)	7,472	7,022	- 450
Public Transport - Staff	2,185	-	- 2,185
Staff Travelling Expenses	17,482	5,500	- 11,982
Admin, Office & Operational Consumables	2,732	1,500	- 1,232
Furniture	1,071	1,000	- 71
Fees	27,316	27,000	- 316
ICTs & Computer Hardware	2,678	-	- 2,678
Subsistence & Meetings Expenses	8,741	2,500	- 6,241
Conferences, Marketing & Advertising	81,947	54,170	- 27,777
Projects & Activities Expenditure	15,297	-	- 15,297
Translation/Interpret Services	10,296	10,700	404
Printing & Copying	4,917	2,000	- 2,917
Programme Management Office Total	807,493	641,544	- 165,949
<u>Accountable Body</u>			
Audit Wales- Financial Audit	26,780	13,030	- 13,751
Section 151 Officer	59,268	59,258	- 10
Interest paid Out to Projects	-	1,534,610	1,534,610
Accountable Body Total	86,048	1,606,897	1,520,849
<u>Legal and Governance</u>			
Monitoring Officer	38,198	38,472	274
Legal Advisory Fees	26,780	10,000	- 16,780
Legal and Governance Total	64,978	48,472	- 16,506
<u>Joint Committee</u>			
Room Hire	1,986	-	- 1,986
Subsistence & Meeting Expenses	3,671	-	- 3,671
Travel	-	-	-
Democratic, Scrutiny and Legal Support Costs	27,737	27,935	198
Joint Committee Total	33,394	27,935	- 5,459
<u>Joint Scrutiny Committee</u>			
Room Hire	-	-	-
Subsistence & Meeting Expenses	7,364	-	- 7,364
Travel	1,311	-	- 1,311
Democratic, Scrutiny and Legal Support Costs	22,129	22,171	42
Joint Scrutiny Committee Total	30,804	22,171	- 8,633
<u>Internal Audit</u>			
Audit Support	22,013	22,064	51
Internal Audit Total	22,013	22,064	51
<u>Provision for Unwinding of PoMO</u>			
Redundancies	37,674	-	- 37,674
Provision for Unwinding Total	37,674	-	- 37,674
Total Expenditure	1,082,404	2,369,083	1,286,679
<u>Funding Contributions</u>			
Balance C/F from previous year	-	-	-
SBCD Grant Revenue Contribution	723,000	760,858	37,858
Partner Contributions	-	-	-
Interest Income /- contribution from LA'S	-	1,534,610	1,534,610
Total Income	723,000	2,295,468	1,572,468
Provision of Service - Surplus / (Deficit)	(359,404)	(73,615)	285,789
<u>Movement to Reserves</u>			
Description		2022/23 £	2023/24 £
Balance Brought Forward from previous year		220,361	140,801
Net Provision of Service - Surplus / (Deficit)		(79,560)	(73,615)
Balance Carry Forward		140,801	67,186