



Swansea Bay City Region Joint Committee 2<sup>nd</sup> February 2023

## Financial Monitoring Report 2022/23 - Provisional Outturn Position Quarter 3

|                           |  |
|---------------------------|--|
| <b>Purpose:</b>           | To provide Joint Committee with an update on the latest financial position of the Swansea Bay City Region. |
| <b>Policy Framework:</b>  | Swansea Bay City Deal  |
| <b>Consultation:</b>      | Accountable Body   |
| <b>Recommendation(s):</b> | It is recommended that Joint Committee:  |
| 1)                        | Review and approve the financial monitoring update report.   |
| <b>Report Author:</b>     | Chris Moore  |
| <b>Finance Officer:</b>   | Chris Moore, Section 151 Officer, SBCD   |
| <b>Legal Officer:</b>     | Tracey Meredith, Monitoring Officer, SBCD  |

### 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.

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 £1,065k. 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 2022-23 is estimated at £900k.

## **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)**

For the period ended 31<sup>st</sup> March 2023 the expenditure is estimated at £649k. The PoMO staffing cost is estimated at £501k which includes the 2022-23 pay adjustment. There is an underspend of £50k against 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 have been forecast at £26k and conferences, marketing and advertising estimated at £39k including the annual event. ICT costs has been forecasted at £11k which includes project management software purchased and associated training. Central Recharges of £26k 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. 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 3/5<sup>th</sup> of an adjusted appointment (£99k) within the financial monitoring due to an accounting policy treatment.

## **2.6. Income**

Total income for the year demonstrates £1,749k. This consists of partner contributions (£50k per partner) £400k, anticipated drawdown of 'Top Slice' of £449k from the dispersed grant awards and estimated interest derived from cash balances £900k.

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

The prior year (2021/2) balance carried forward in reserve demonstrates £220k. Currently the estimated year end position of the City Deal accounts demonstrates a deficit of £84k, 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 £137k at year end.

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

### **Provisional Portfolio Investment Outturn Position**

The overall estimated investment position is demonstrated at £1.248bn (Quarter 2 2022/23 - £1.248bn) 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 £2m. At the time of reporting, up to date figures were not available for Pembroke Dock Marine, Pentre Awel and Supporting Innovation and Low Carbon Growth.

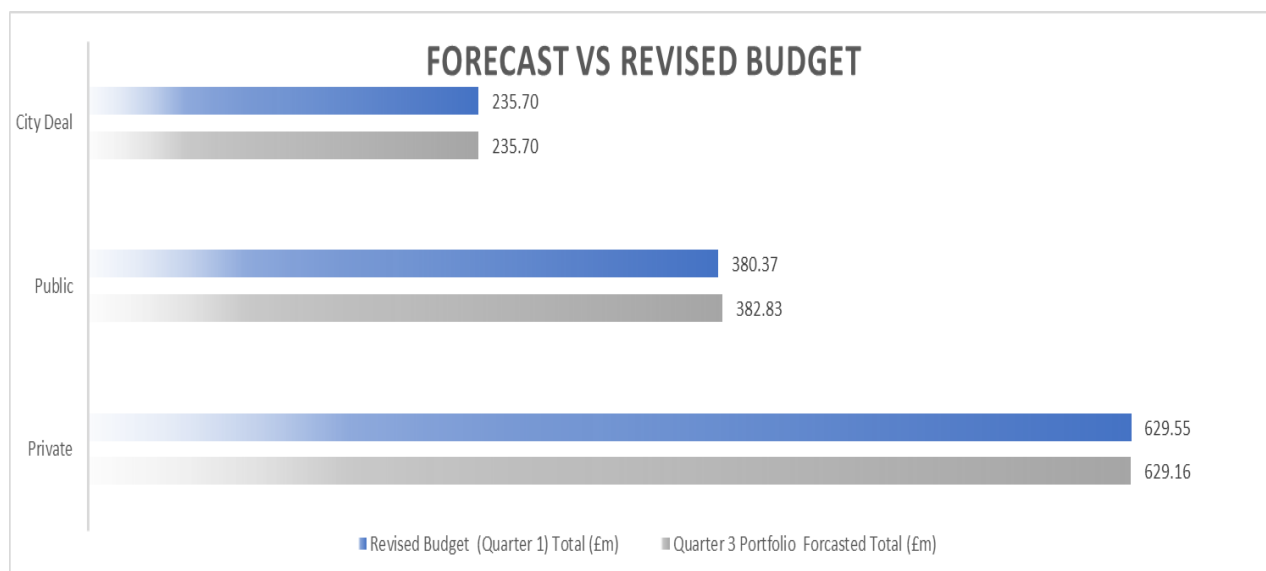
Details of significant variances are outlined below:

Swansea Arena is currently demonstrating an underinvestment of £4m 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 4 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 reviewed during quarter 4. 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.

| Prior Quarter Portfolio Forecasted Total (£m) | Investment Component | Revised Budget (Quarter 1) Total (£m) | Quarter 3 Portfolio Forecasted Total (£m) | Variance (£m) | Variance     |
|---|----------------------|---------------------------------------|---|---------------|--------------|
| 235.70  | City Deal            | 235.70                                | 235.70                                    | 0.00          | 0.00%        |
| 382.83  | Public               | 380.37                                | 382.83                                    | 2.46          | 0.65%        |
| 629.61  | Private              | 629.55                                | 629.16                                    | 0.39          | -0.06%       |
| <b>1,248.14</b>                               | <b>Grand Total</b>   | <b>1,245.61</b>                       | <b>1,247.69</b>                           | <b>2.08</b>   | <b>0.17%</b> |

| Prior Quarter Programme/Project Forecast Total (£m) | Programme/Projects                          | Quarter 3 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) |                                       |               |              |
| 55.00   | Digital Infrastructure                      | 25.00                     | 13.50                         | 16.50                          | 55.00                        | 55.00                                 | 0.00          | 0.00%        |
| 505.50  | Homes as Power Stations                     | 15.00                     | 114.60                        | 375.90                         | 505.50                       | 505.50                                | -             | 0.00%        |
| 135.59  | LS&WB Campuses                              | 15.00                     | 58.58                         | 62.01                          | 135.59                       | 134.95                                | 0.64          | 0.47%        |
| 60.47   | Pembroke Dock Marine                        | 28.00                     | 16.35                         | 16.12                          | 60.47                        | 60.53                                 | -0.06         | -0.10%       |
| 206.18  | Pentre Awel                                 | 40.00                     | 57.99                         | 108.19                         | 206.18                       | 200.48                                | 5.69          | 2.84%        |
| 30.00   | Skills & Talent                             | 10.00                     | 16.00                         | 3.55                           | 29.55                        | 30.00                                 | -0.45         | -1.50%       |
| 59.08   | Supporting Innovation and Low Carbon Growth | 47.70                     | 5.88                          | 5.50                           | 59.08                        | 58.70                                 | 0.38          | 0.65%        |
| 171.15  | Swansea Waterfront                          | 50.00                     | 81.25                         | 39.90                          | 171.15                       | 175.28                                | -4.13         | -2.36%       |
| 25.17   | Yr Egin                                     | 5.00                      | 18.67                         | 1.50                           | 25.17                        | 25.17                                 | -             | 0.00%        |
| <b>1,248.14</b>                                     | <b>Grand Total</b>                          | <b>235.70</b>             | <b>382.83</b>                 | <b>629.16</b>                  | <b>1,247.69</b>              | <b>1,245.61</b>                       | <b>2.08</b>   | <b>0.17%</b> |



## Provisional Annual Investment Forecast 2022/23

The forecast estimated investment for the financial year ended 31<sup>st</sup> March 2023 is demonstrated at £82m. The annual investment forecast is currently demonstrating an annual under-investment of £85m, 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.

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 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 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 left recently and there is ongoing dialogue with the 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 project.

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 support decision making with regards to whether investment is required and if so where investment should be directed 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. There is anticipated capital slippage on connected places due to complications and delays associated to our regional collaborative procurement and slippage on Next Generation Wireless due to the capacity of the programme and its partners to deliver within this financial year. 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 3 Provisional Outturn Position |                |                      |                       | Variance          |
|                              |  |                    | Actuals (to Date)                      | Commitments    | Forecast Commitments | Total Annual Forecast |                   |
| (£)                          |  | (£)                | (£)                                    | (£)            | (£)                  | (£)                   | (£)               |
|                              | <b>City Deal Investment</b>                                    |                    |  |                |                      |                       |                   |
| 33,387,394                   | Capital  | 77,556,688         | 5,924,032                              | -              | 30,653,362           | 36,577,394            | 40,979,294        |
| 2,124,427                    | Revenue Expenditure (where capital receipts directive applied) | 3,389,281          | 407,676                                | 102,088        | 1,439,632            | 1,949,396             | 1,439,885         |
| <b>35,511,821</b>            | <b>City Deal Total</b>   | <b>80,945,969</b>  | <b>6,331,708</b>                       | <b>102,088</b> | <b>32,092,993</b>    | <b>38,526,789</b>     | <b>42,419,179</b> |
|                              | <b>Public Sector Investment</b>                                |                    |  |                |                      |                       |                   |
| 27,421,104                   | Capital  | 32,206,441         | 7,264,224                              | 383,000        | 19,773,880           | 27,421,104            | 4,785,337         |
| 2,761,798                    | Revenue  | 5,840,485          | -                                      | -              | 2,751,798            | 2,751,798             | 3,088,687         |
| <b>30,182,902</b>            | <b>Public Sector Total</b>                                     | <b>38,046,926</b>  | <b>7,264,224</b>                       | <b>383,000</b> | <b>22,525,678</b>    | <b>30,172,902</b>     | <b>7,874,024</b>  |
|                              | <b>Private Sector Investment</b>                               |                    |  |                |                      |                       |                   |
| 12,660,110                   | Capital  | 46,920,379         | -                                      | -              | 12,660,110           | 12,660,110            | 34,260,269        |
| 1,306,650                    | Revenue  | 1,306,650          | 187,312                                | 25,000         | 644,338              | 856,650               | 450,000           |
| <b>13,966,760</b>            | <b>Private Sector Total</b>                                    | <b>48,227,029</b>  | <b>187,312</b>                         | <b>25,000</b>  | <b>13,304,448</b>    | <b>13,516,760</b>     | <b>34,710,269</b> |
|                              | <b>Project Total</b>   |                    |  |                |                      |                       |                   |
| 73,468,608                   | Capital  | 156,683,508        | 13,188,256                             | 383,000        | 63,087,352           | 76,658,608            | 80,024,900        |
| 6,192,875                    | Revenue  | 10,536,415         | 594,988                                | 127,088        | 4,835,768            | 5,557,844             | 4,978,572         |
| <b>79,661,483</b>            | <b>Project Total</b>   | <b>167,219,924</b> | <b>13,783,244</b>                      | <b>510,088</b> | <b>67,923,120</b>    | <b>82,216,452</b>     | <b>85,003,472</b> |

| Annual Programme Investment Breakdown 2022/23 (Estimated) |   |                    |  |                |                      |                       |                   |
|---|---|--------------------|--|----------------|----------------------|-----------------------|-------------------|
| Prior Quarter Forecast Total                              | Description                                 | Revised Budget     | Quarter 3 Provisional Outturn Position |                |                      |                       | Variance          |
|   |   |                    | Actuals (to Date)                      | Commitments    | Forecast Commitments | Total Annual Forecast |                   |
| (£)   |   | (£)                | (£)                                    | (£)            | (£)                  | (£)                   | (£)               |
| 9,506,208   | Digital Infrastructure                      | 17,602,392         | 229,312                                | 102,088        | 9,335,584            | 9,666,984             | 7,935,408         |
| 7,465,000   | Homes as Power Stations                     | 7,465,000          | -                                      | -              | 5,162,000            | 5,162,000             | 2,303,000         |
| 187,312   | LS&WB Campuses                              | 5,377,312          | 187,312                                | -              | 5,190,000            | 5,377,312             | -                 |
| 30,659,565  | Pembroke Dock Marine                        | 28,525,579         | -                                      | -              | 30,659,565           | 30,659,565            | 2,133,986         |
| 10,546,738  | Pentre Awel                                 | 58,067,866         | 1,860,368                              | -              | 8,659,739            | 10,520,107            | 47,547,759        |
| 841,821   | Skills & Talent                             | 5,366,667          | 42,028                                 | 25,000         | 308,617              | 375,645               | 4,991,022         |
| 4,545,702   | Supporting Innovation and Low Carbon Growth | 11,769,275         | -                                      | 383,000        | 4,162,702            | 4,545,702             | 7,223,573         |
| 15,909,137  | Swansea Waterfront*                         | 33,045,833         | 11,464,224                             | -              | 4,444,913            | 15,909,137            | 17,136,696        |
| -   | Yr Egin                                     | -                  | -                                      | -              | -                    | -                     | -                 |
| <b>79,661,483</b>   | <b>Total</b>                                | <b>167,219,924</b> | <b>13,783,244</b>                      | <b>510,088</b> | <b>67,923,120</b>    | <b>82,216,452</b>     | <b>85,003,472</b> |

\*budget as per business case

## Capital and Revenue Apportionment

There is currently an estimated revenue requirement of £62m (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 2 2022/23 - £63m), 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            | 214.97                | 20.73                 | 235.70              | 8.80%              |
| Public               | 353.75                | 29.07                 | 382.83              | 7.59%              |
| Private              | 616.74                | 12.43                 | 629.16              | 1.98%              |
| <b>Grand Total</b>   | <b>1,185.46</b>       | <b>62.23</b>          | <b>1,247.69</b>     | <b>4.99%</b>       |

## 4. Financial Implications

The forecasted Joint Committee year end out-turn position (as at 31<sup>st</sup> March 2023) indicates a deficit of £84k, which will be supported by the Swansea Bay City Deal ring-fenced reserve at the year end. Expenditure is forecasted at £1,833k, which is offset by income through partner contributions of £400k and the 'Top Slice' of dispersed Government grants of £449k and interest income of £900k.

The business cases of all nine SBCD Portfolio programmes and projects have now been formally approved, a revised budget was compiled in quarter one for the


portfolio demonstrating £1.246billion. The estimated portfolio forecasted investment position (as at 31<sup>st</sup> March 2023) demonstrates over investment against the revised budget of £2m. Currently the portfolio is presenting a total investment over the fifteen-year life span of the Swansea Bay City Region Deal of £1.248billion. This is subject to fluctuation over the life span of the project and will be monitored quarterly through financial templates and through the Portfolio risk register.

## **5. Legal Implications**

There are no legal implications associated with this report.

### **Appendices:**

**Appendix A – Provisional Outturn Position.**

|  |                        | <b>Joint Committee - Provisional Outturn Position</b><br><b>Financial Year 2022/23</b><br><i>as at 30th November 2022</i> |                                 |                  |
|---|------------------------|---|---------------------------------|------------------|
| Description   | Actuals<br>2021/22 (£) | Agreed Budget<br>2022/23 (£)  | Forecast Outturn<br>2022/23 (£) | Variance (£)     |
| <b>Joint Committee and Accountable Body</b>                                       |                        |   |                                 |                  |
| Room Hire   | -                      | 1,910   | 1,910                           | -                |
| Subsistence & Meeting Expenses  | -                      | 3,496   | -                               | 3,496            |
| Travel  | -                      | -   | -                               | -                |
| Democratic Services - CCS   | 27,483                 | 26,605  | 26,605                          | -                |
| Monitoring Officer & Legal Services   | 35,659                 | 36,640  | 36,640                          | -                |
| External Legal Advisory Fees  | -                      | 25,000  | -                               | 25,000           |
| Internal Audit Support  | 18,924                 | 21,115  | 21,115                          | -                |
| Staff Recruitment Expenses  | -                      | -   | -                               | -                |
| External Audit Fees   | 14,971                 | 25,000  | 21,830                          | 3,170            |
| Section 151 Officer   | 55,329                 | 56,435  | 56,435                          | -                |
| Interest paid out to projects   | 39,575                 | -   | 900,000                         | (900,000)        |
| <b>Joint Committee and Accountable Body Total</b>                                 | <b>191,942</b>         | <b>196,201</b>  | <b>1,064,535</b>                | <b>(868,334)</b> |
| <b>Joint Scrutiny Committee</b>   |                        |   |                                 |                  |
| Subsistence & Meeting Expenses  | -                      | 7,012   | -                               | 7,012            |
| Travel  | -                      | 1,248   | -                               | 1,248            |
| Democratic Services - NPT   | 21,332                 | 21,226  | 21,226                          | -                |
| <b>Joint Scrutiny Committee Total</b>   | <b>21,332</b>          | <b>29,487</b>   | <b>21,226</b>                   | <b>8,261</b>     |
| <b>Portfolio Management Office</b>  |                        |   |                                 |                  |
| Recharges - Employee Costs (direct)   | 461,842                | 552,056   | 501,401                         | 50,654           |
| 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   | 520                             | 1,561            |
| Staff Travelling Expenses   | 76                     | 16,646  | 4,162                           | 12,485           |
| Admin, Office & Operational Consumables   | -                      | 2,601   | 2,000                           | 601              |
| Furniture   | -                      | 1,000   | 500                             | 500              |
| 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  | 5,202                           | 5,202            |
| Printing & Copying  | 84                     | 4,682   | 2,341                           | 2,341            |
| Photocopying Recharge   | -                      | -   | -                               | 0                |
| Central Recharge  | -                      | -   | 25,512                          | (25,512)         |
| <b>Portfolio Management Office Total</b>  | <b>534,876</b>         | <b>768,883</b>  | <b>648,617</b>                  | <b>120,266</b>   |
| <b>Provision for Unwinding of PMO</b>   |                        |   |                                 |                  |
| Redundancies  | -                      | 37,674  | 98,631                          | (60,957)         |
| <b>Provision for Unwinding Total</b>  | <b>-</b>               | <b>37,674</b>   | <b>98,631</b>                   | <b>(60,957)</b>  |
| <b>Total Expenditure</b>  | <b>748,149</b>         | <b>1,032,245</b>  | <b>1,833,009</b>                | <b>(800,764)</b> |
| <b>Funding Contributions</b>  |                        |   |                                 |                  |
| Welsh Government - Revenue Grant  | -                      | -   | -                               | -                |
| SBCD Grant Revenue Contribution   | (314,119)              | (723,000)   | (449,196)                       | (273,804)        |
| Partner Contributions   | (400,000)              | (400,000)   | 400,000                         | -                |
| Interest Income   | (39,575)               | -   | (900,000)                       | 900,000          |
| <b>Total Income</b>   | <b>(753,694)</b>       | <b>(1,123,000)</b>  | <b>(1,749,196)</b>              | <b>626,196</b>   |
| <b>Provision of Service - (Surplus) / Deficit</b>                                 | <b>(5,545)</b>         | <b>(90,755)</b>   | <b>83,813</b>                   | <b>(174,568)</b> |
| <b>Movement to Reserves</b>   |                        |   |                                 |                  |
| <b>Description</b>  |                        | <b>2021/22 (£)</b>  | <b>2022/23</b>                  |                  |
| Balance Brought Forward from previous year - (Surplus) / Deficit                  |                        | (214,816)   | (220,361)                       |                  |
| Net Provision of Service - (Surplus) / Deficit                                    |                        | (5,545)   | 83,813                          |                  |
| <b>Balance Carry Forward - (Surplus) / Deficit</b>                                |                        | <b>(220,361)</b>  | <b>(136,548)</b>                |                  |