



north wales economic ambition board
bwrdd uchelgais economaidd gogledd cymru

REPORT TO THE NORTH WALES ECONOMIC AMBITION BOARD

26/03/2021

Title: 2021/22 Revenue and Capital Budget

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1. Purpose of the Report

1.1 The purpose of this report is to propose the North Wales Economic Ambition Board's (NWEAB) Revenue and Capital Budget for 2021/22.

2. Decision Sought

The Board is asked to:-

2.1 Approve the 2021/22 Revenue Budget as presented in Appendix 1. This includes the one-off virements of £415,000 in the revenue budget to be funded from the earmarked reserve.

2.2 Approve the Capital Budget for 2021/22 to 2025/26 as presented in Appendix 2.

2.3 Fund the Gateway Reviews (Assurance) for the NWEAB and Project Sponsor led projects.

2.4 Formally request all six local authorities to cooperate in using their funding flexibility to release revenue funding for the NWEAB. This will mean exchanging the funding designated to the Growth Deal against other capital projects within their capital programmes and ensuring the equivalent value revenue funding is available for the Growth Deal to fund their revenue-type items.

2.5 Request the Portfolio Management Office to review the project costs during the year as more information becomes available, further to unforeseen costs now identified in the revenue budget. This review to consider the option of funding part of this expenditure from the individual project's capital budget.

3. Reasons for the Decision

- 3.1 To set out the proposed revenue budget per expenditure heading and the corresponding funding streams for the year.
- 3.2 To set out the proposed capital budget per project and the corresponding capital funding for 2021/22 to 2025/26.
- 3.3 In order to operate effectively within the funding available, the NWEAB requires an annual budget to be approved.
- 3.4 To authorise the Portfolio Director to incur expenditure in accordance with the approved budget.

4. Background and Relevant Considerations

- 4.1 The revenue budget is in a similar format to previous years, with "Projects" included as an additional heading this year.
- 4.2 The Award of Funding Letter for the North Wales Growth Deal grant was received from Welsh Government in February 2021, and the first instalment of £16m was received on 12 March 2021. As a result, a capital budget has been included to provide the expenditure profile for the project expenditure over the next five years.

Revenue Budget

Portfolio Management Office - £1,612,840

- 4.3 The budget for the Portfolio Management Office is based on 21 full time posts, and in addition to the standard budgets such as training, travel and meetings, budgets have been included for Communications and Public Relations, Portfolio and Programme Development and Procurement and Transport external support.

Accountable Body Support Services - £175,710

- 4.4 The Accountable Body provides the support services required to facilitate the work of the Joint Committee, and the budget for 2021/22 includes Finance Services Support, Legal, Corporate Support and Information Technology.
- 4.5 The scope of the services offered, charging mechanisms and estimated costs will be agreed with each department.

Joint Committee

4.6 External Legal Support - £18,000

This includes a budget for external legal support required for specialised work in relation to governance and policy issues.

4.7 External Financial Fees - £10,000

This budget will mainly cover the input from the external Treasury Advisory on the capital funding of the projects.

4.8 External Audit Fee – £11,000

From 2021/22, the Joint Committee will be classed as a “larger relevant body” and the Accounts and Audit Wales (Amendment) Regulations 2018 require a full statement of accounts to be produced. These accounts will be subject to an annual audit by Gwynedd Council’s External Auditors, and an estimated budget based on similar larger Joint Committee has been used.

4.9 Business Delivery Board - £20,000

The NWEAB on 5 February 2021 approved that the reformed Business Delivery Board operated in a voluntary capacity with the £20,000 budget historically allocated for Chair remuneration, would be allocated to the work of the reformed Board in 2021/22.

Projects

4.10 The budget figures are estimated figures based on the most current information available, and include costs which had not been previously foreseen to be part of the revenue budget. They will need to be reviewed during the year as more information becomes available, with the option of funding part of this expenditure from the individual project's capital budget considered.

4.11 Project Business Case Development - £250,000

All of the individual 21 projects will require a Business Case that is approved by the NWEAB. The NWEAB will be responsible for funding the business cases for the NWEAB led projects, and this will involve extensive specialised work from external companies. In addition to the £250,000 that is budgeted for 2021/22, a further £250,000 is likely to be needed in the following years in order to complete this work.

4.12 External Legal Support - £100,000

This includes a budget for external legal support required for specialised work involving the project business cases.

4.13 Assurance - £100,000

This includes a budget for the Government Gateway Reviews for the NWEAB and Project Sponsor led projects.

4.14 Interest - £678,020

The interest contributions received from partners will be set aside to fund the average cost of borrowing associated with funding the capital budget over the deal's lifespan.

Funding Contributions

4.15 Partner Contributions – (£400,000)

In accordance with Governance Agreement 2 (GA2), the 2021/22 Budget includes a contribution of £50,000 from the six local authorities and £25,000 from the four advisors, to give a total contribution of £400,000. The partner contributions have remained the same from 2020/21, with no inflationary increases applied reflecting what has been previously agreed as basis for the individual partners to set their budgets for 2021/22. However, the partner contributions might need to increase in

future budgets to reflect the salary, national insurance and pension inflation in line with clause 15.4.3 of the GA2.

4.16 Local Authorities' Supplementary Contributions – (£240,000)

Again, in accordance with GA2, the budget includes £40,000 from the six local authorities to give a total contribution of £240,000. The Regional Engagement Team budget of £42,290 is funded from these contributions.

4.17 Partner Interest Contributions – (£678,020)

The partner interest contributions of £678,020 reflect the figures presented to the Board in October 2020. Following the UK Government's announcement in the Chancellor's budget on 3 March 2021 with regard to bringing forward the funding from 15 to 10 years, the interest calculations will be re-calculated once further information is available from Welsh Government. For future years, contributions will be reviewed to reflect cost of borrowing, revised capital programme profile and business rates yield lifespan.

4.18 European Social Fund (ESF) Priority 5 funding – (£858,120)

The ESF funding contributes towards the employee expenditure, and the estimated funding for 2021/22 is £858,120.

4.19 North Wales Growth Deal grant – (£384,430)

Although the North Wales Growth Deal grant is a capital grant, 1.5%, which equates to £3.6m of the North Wales Growth Deal grant has been allocated to fund the revenue expenditure of the Portfolio Management Office. This flexibility can be achieved in the same way that local authorities have flexibility to manage the funding of their own capital programmes. A draft copy of the Growth Deal's Financial Arrangements letter has been received from Welsh Government, and when formalised, this will provide the NWEAB with the necessary assurance in terms of the funding flexibility. This may involve all six individual local authorities, allocating the funding designated to the Growth Deal against other capital projects within their capital programmes to ensure that the equivalent value revenue funding is available for the Growth Deal to fund their revenue-type items.

4.20 Earmarked Reserve – (£415,000)

In addition to the Base Budget, one-off virements to be funded from the earmarked reserve are required in the year. This will mainly fund the website, branding and communications strategy; portfolio and programme development; procurement and transport external support; project business case development for the NWEAB led projects and the Government Gateway Reviews for all the projects.

4.21 The third quarter review estimated a balance of £654,000 in the earmarked reserve at 31 March 2021. After using £415,000 of this balance to fund the one-off virements in 2021/22, £239,000 will be available to fund one-off costs in future years.

Capital Budget

4.22 The capital budget shows the expenditure profile for the 21 projects over the period 2021/22 to 2025/26. It's based on the latest projects' timescale, and will be reviewed during the year as the business cases are approved. It shows as a total of £236.4m as 1.5% has been top-sliced to fund the revenue budget.

4.23 At the time of writing it is assumed that the funding will be received over 10 years and matched by Welsh Government. £135m of the grant funding will be available to fund the expenditure as it occurs. The remaining £101m will be funded through borrowing in the first instance, then repaid with the grant received in 2025/26 to 2029/30.

4.24 With capital projects, there is always a risk of overspending, and controls will be put in place to limit overspending costs on specific projects. For regional projects, the Portfolio Management Office would be responsible for controlling expenditure and ensuring sufficient contingency budgets are included in the project business cases. Overspend would be a matter for the project sponsor to deal with in relation to their own projects.

5. Governance Context

- 5.1 The Annual Budget is required to be prepared by the accountable body and agreed by the NWEAB Joint Committee.
- 5.2 The proposed budget for 2021/22 has been prepared based on the roles, activities and responsibilities identified to date, with the expectation that the level of resources allocated is continually reviewed and updated as the projects move forward and more information is available.
- 5.3 Regular budget monitoring reports will be presented to the Portfolio Management Office staff and the Executive Group. A further detailed review will also be undertaken at the end of September 2021 and December 2021 and presented to the Economic Ambition Board, with any issues highlighted and appropriate action taken.

6. Consultations Undertaken

- 6.1 Appendices 1 and 2, and the information within this report was presented to the Executive Group on 12 March 2021.
- 6.2 A draft version of this report was shared with the six local authorities statutory finance officers with the view to seeking agreement on exchange of the capital/revenue financing.

7. Appendices

- Appendix 1 – 2021/22 Economic Ambition Board Revenue Budget.
- Appendix 2 – 2021/22 Economic Ambition Board Capital Budget.

STATUTORY OFFICERS' RESPONSE:

- i. **Monitoring Officer – Accountable Body:**
No observations to act in relation to propriety.
- ii. **Statutory Finance Officer – Accountable Body:**
Author of this report.