



north wales economic ambition board
bwrdd uchelgais economaidd gogledd cymru

REPORT TO THE NORTH WALES ECONOMIC AMBITION BOARD

22/10/2021

Title: 2021/22 Revenue and Capital Budget – Second Quarter Review (September 2021)

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1. Purpose of the Report

- 1.1 This report intends to provide the North Wales Economic Ambition Board (NWEAB) with details of the actual revenue expenditure and income for the second quarter of the 2021/22 financial year as well as projected full year out-turn against its annual budget. It also shows the revised proposed capital programme as at the end of September 2021.
- 1.2 In order to operate effectively, the Joint Committee needs to be aware of its projected expenditure position against its approved annual budget.

2. Decision Sought

- 2.1 **To receive and note the NWEAB joint committee’s revenue and capital second quarter review for 2021/22.**
 - 2.2 **To acknowledge the receipt and proposed use of the £500,000 for the Whole System Business Research Innovation for Decarbonisation (WBRID) grant, in line with the award of funding letter that was received by Welsh Government in June 2021.**
 - 2.3 **To approve the use of a specific earmarked reserve to hold the partner interest contributions received, to set against the cost of borrowing required to fund the negative cash flow in future years.**
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3. Reasons for the Decision

- 3.1 To note a forecast underspend of £183,178 against the revenue budget in 2021/22. Any underspend at the end of the financial year may be transferred to the earmarked reserve.
- 3.2 To note a slippage on the capital programme which means that it will now be running for an extra three years to 2028/29.

4. Background

- 4.1 The NWEAB in its meeting on 26 March 2021 approved its 2021/22 revenue and capital budget.
- 4.2 The budget will continue to be monitored and reviewed throughout the 2021/22 financial year, and regular reports will be presented to the Executive Group and the NWEAB joint committee.

Revenue Budget

5. Expenditure and income in 2021/22

- 5.1 Appendix 1 provides a detailed analysis of the actual expenditure and income for the second quarter of the 2021/22 financial year, together with projected full year out-turn against its annual budget.
- 5.2 The net out-turn position at the end of the 2021/22 financial year is forecasted to be an underspend of £183,178.

Portfolio Management Office

- 5.3 An underspend of £128,330 is forecasted for the Programme Management Office in 2021/22. This is mainly due to the delay in recruitment to posts with an underspend of £72,005 on the Employee Expenditure heading; an underspend of £27,006 on the Regional Engagement Team (RET) contribution (again due to delayed recruitment to posts) and £15,000 underspend on the Portfolio and Programme Development heading.

Accountable Body Support Services

5.4 The Accountable Body Support Services heading shows an underspend of £7,251, and this is due to an underspend on the Insurance budget. When the budget was approved in March, the £10,000 Insurance budget was shown under the Portfolio Management heading, but is now shown under the Accountable Body Support Services heading as the Economic Ambition Board's insurance cover has now been incorporated into Gwynedd Council's insurance policies.

Joint Committee

5.5 There's an underspend of £18,000 on the Joint Committee heading, and this is due to the receipt of a specific grant from Welsh Government to fund some aspects of the work done by legal consultants.

Projects

5.6 The expenditure under the Project heading must be considered in the context of the £500,000 decarbonisation grant shown under the corresponding income budget. Without considering the grant, the project was heading to an overspend of £420,000. The award of funding letter for this grant was not received until June 2021, therefore it was not included in the budget.

5.7 There's a £40,000 underspend on both the external legal support and the assurance headings and this is due to the slippage on the capital programme.

5.8 The partner interest contributions of £678,020 reflect the figures presented to the Board in October 2020 and March 2021, and the Board is asked to approve the use of a specific reserve to set aside this money to fund the average cost of borrowing over the deal's lifespan. Confirmation has not yet been received from Welsh Government on whether they will be following the UK Government's announcement and bringing forward the grant funding from 15 to 10 years. Once this confirmation is received from Welsh Government, the partner interest contributions will be re-calculated to reflect the revised cost of borrowing after taking the revised grant income profile, capital programme profile and business rates yield lifespan into consideration.

Funding Contributions

- 5.9 The Income streams for 2021/22 include partner contributions, ESF Grant, North Wales Growth Deal Grant, Decarbonisation Grant and the earmarked reserve.
- 5.10 Based on the forecasted employee expenditure, £807,717 of ESF grant funding will be received for 2021/22.
- 5.11 The £384,430 of the North Wales Growth Deal grant that had been allocated to fund the revenue expenditure of the Portfolio Management Office during 2021/22 will be claimed in full.
- 5.12 The £500,000 Decarbonisation grant income from Welsh Government will be used to fund the Decarbonisation grant expenditure (distribution to third parties) shown under the Projects heading.
- 5.13 In addition to the base budget for 2021/22, £415,000 of the earmarked reserve was allocated to fund one-off expenditure during the year. After taking this and the forecasted underspend of £183,178 for 2021/22 into consideration, the total estimated earmarked reserve balance at 31 March 2022 will be £506,730.

Capital Budget

- 5.14 Appendix 2 shows the revised proposed capital programme as at the end of September 2021. It was originally anticipated that the capital programme would be running from 2021/22 to 2025/26, but the likely slippage on some of the projects means that the capital programme will now be running for an extra 3 years to 2028/29. There's a slippage of £13.21m in 2021/22, £42.49m in 2022/23 and £21.43m in 2023/24. The North Wales Growth Deal grant will be used to finance the Capital Programme in 2021/22 and 2022/23 with no external borrowing needed until 2023/24.
- 5.15 The slippage in the capital programme is mainly caused by delays in the business case development process. The Portfolio Management Office will report on the position of the individual projects.

6. Staffing Implications

- 6.1 The estimated out-turn position for 2021/22 reflects the recruitments that have taken place over recent months, as well as recruitments that are likely to be made before the end of this financial year.

7. Consultations Undertaken

- 7.1 Appendix 1 and Appendix 2, as well as a summary of the contents of this report, was presented to the Executive Group on 8 October 2021.

8. Appendix

Appendix 1 – 2021/22 Economic Ambition Board Revenue Budget – Second Quarter Review (September 2021).

Appendix 2 – 2021/22 Economic Ambition Board Capital Budget – Second Quarter Review (September 2021).

STATUTORY OFFICERS' OPINIONS:

i. Monitoring Officer – Accountable Body:

No observations to add in relation to propriety.

ii. Statutory Finance Officer – Accountable Body:

Author of this report.