



REPORT TO THE NORTH WALES ECONOMIC AMBITION BOARD

30/09/2022

Title: 2022/23 Revenue and Capital Budget – End of August 2022 Review.

Author: Dewi A Morgan, Host Authority Statutory Finance Officer

Sian Pugh, Host Authority Group Accountant

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 up to the end of August 2022, 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 August 2022.
- 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

The Board is asked to:-

- 2.1 **Note and accept the NWEAB's revenue end of August 2022 review (Appendix 1), which includes claiming a reduced amount from the North Wales Growth Deal grant in order to leave a neutral position for the year.**
 - 2.2 **Note and accept the NWEAB's reserves update (Appendix 2).**
 - 2.3 **Agree the NWEAB's revised capital expenditure profile and project delivery plan (Appendix 3 and 4).**
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3. Reasons for the Decision

- 3.1 To note a forecast underspend of £189,048 against the revenue budget in 2022/23. Any underspend at the end of the financial year will be used to reduce the amount claimed from the North Wales Growth Deal Grant.
- 3.2 To note a slippage on the capital programme across the whole portfolio, with a lower number of business cases approved than was originally anticipated at this point.

4. Background and Relevant Considerations

- 4.1 The NWEAB in its meeting on 25 March 2022 approved its 2022/23 revenue and capital budget.
- 4.2 The budget will continue to be monitored and reviewed throughout the 2022/23 financial year, and the third quarter review will be presented to the Portfolio Board and the NWEAB in January 2023.

Revenue

5. Expenditure and income in 2022/23

- 5.1 Appendix 1 provides a detailed analysis of the actual expenditure and income up to the end of August 2022, together with projected full year out-turn against its annual budget.
- 5.2 The net out-turn position at the end of the 2022/23 financial year is forecasted to be an underspend of £189,048.

Portfolio Management Office

- 5.3 An underspend of £37,944 is forecasted for the Programme Management Office in 2022/23. This is mainly due to an underspend of £11,026 on Employee expenditure; an underspend of £18,480 on the Regional Engagement Team (RET) contribution and £10,000 underspend on the ESF Evaluation report heading.

Accountable Body Support Services

- 5.4 The Accountable Body Support Services heading shows an overspend of £5,000, and this is due to an overspend on the Legal budget.

Joint Committee

- 5.5 There's a net underspend of £9,750 on the Joint Committee heading, which includes an underspend of £18,000 on External Legal Support, £5,000 underspend on External Financial Fees and an overspend of £13,250 on the External Audit Fees. The audit fees have been estimated based on the Audit Wales' Audit plan for 2022 that was presented to the Board in July, which included in addition a fee for the performance audit work which had not been included in the budget.
- 5.6 In the 2022/23 Budget report, the NWEAB approved for the Business Delivery Board's request for the £20,000 underspend from 2021/22 to be carried forward to 2022/23 to give them a total budget of £40,000, but it is now unlikely that this additional sum will be required this year.

Projects

- 5.7 The Projects heading shows an underspend of £160,500, and this is due to slippage on the capital programme.

Grant schemes

- 5.8 The 100% funded grant schemes for this year, are the Community Renewal Funding projects which is received from four local authorities (Denbighshire, Gwynedd, Isle of Anglesey and Wrexham) and the Mobile phone coverage survey grant, received from Welsh Government.

Funding Contributions

- 5.9 The main income streams for 2022/23 include partner contributions, ESF Grant, the revenue allocation of the North Wales Growth Deal (NWGD) grant, earmarked reserve and other specific grants received during the year.

5.10 Since drawing down the £750,000 budgeted amount for the North Wales Growth Deal is expected to give the NWEAB an underspend of £189,048 for this financial year, it is suggested that a reduced amount of £560,952 is claimed (with the exact figure to be finalised at year end) which would then leave a neutral position for the Board for this year.

NWEAB Reserves

5.11 Appendix 2 shows the opening reserve balances for the year, and the estimated balances at 31 March 2023.

5.12 The total general earmarked reserve balance at 31 March 2022 was £637,027, and £85,000 of this reserve is used in 2022/23 to give an estimated balance of £552,027 at 31 March 2023. The Board has already approved for this reserve to be used to fund the Portfolio Management Office staff until March 2024.

5.13 The projects reserve balance at 31 March 2022 was £195,000, and this has been ringfenced to support the delivery of the Regional Economic Framework priorities. A total of £100,000 expenditure is expected during 2022/23 to give an estimated end of year balance of £95,000.

5.14 The interest reserve is ringfenced to fund the cost of borrowing in future years. It's balance at 31 March 2022 was £699,145, and the partner interest contributions of £264,600 for 2022/23 will be added to the reserve to give an estimated balance of £963,745 at 31 March 2023. The interest on this reserve balance as well as interest on the capital grant will be added at the end of the financial year. Due to the capital grant balance of around £34m as well as the increase in interest rates over recent months, this is likely to be in the region of £500k to £600k for this year.

Capital

5.15 Appendix 3 shows the revised proposed capital programme as at the end of August 2022 and this corresponds to the Project Delivery Plan in Appendix 4. Although the Digital Signal Processing (DSP) centre project is continuing and further expenditure predicted in 2022/23, there has been a slippage on the capital programme across the whole portfolio, with a lower number of business cases approved than was originally anticipated at this point. In the Capital budget approved in March 2022, it was anticipated that the capital programme would be running until 2028/29, but the revised profile now shows that one of the projects will be running until 2032/33. This then gives revised slippage figures against the original budget that was approved in March 2022 of £1.86m in 2021/22, anticipated slippage of £26.55m in 2022/23 and £32.46m in 2023/24. Based on this revised profile, the North Wales Growth Deal grant will be sufficient to finance the Capital Programme for the first three years, with no external borrowing needed until 2024/25.

6. Staffing Implications

6.1 All vacant posts at the Portfolio Management Office have been filled, and the estimated out-turn position for 2022/23 reflects these recruitments that have taken place over recent months.

7. Consultations Undertaken

7.1 The appendices as well as a summary of the contents of this report, was presented to the Portfolio Board on 16 September 2022.

8. Appendices

Appendix 1 – 2022/23 Economic Ambition Board Revenue Budget – End of August 2022 Review

Appendix 2 – NWEAB's Reserves

Appendix 3 – 2022/23 Economic Ambition Board Capital Budget – End of August 2022 Review

Appendix 4 – Project Delivery Plan September 2022

STATUTORY OFFICERS' RESPONSE:

i. Monitoring Officer – Accountable Body:

No observations to add in relation to propriety

ii. Statutory Finance Officer – Accountable Body:

Author of this report.