



REPORT TO GROWING MID WALES BOARD

16th October 2023

TITLE:	Report of the Section 151 Officer regarding a financial update including the Outturn position for 2022/23.
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PURPOSE:	To provide an update on financial matters relating to Growing Mid Wales (GMW) including the Outturn position for 2022/23.

1. 2022/23 Outturn:

- 1.1 The GMW Budget for 2022/23 was approved on 21st June 2022. The Budget totalled £200k and was agreed to be funded equally between Ceredigion and Powys County Councils at £100,000 each.
- 1.2 The expenditure for 2022/23 is detailed on Appendix 1. The expenditure against the Budget was £61,179 which resulted in an underspend of £138,821. This was largely due to the continuing availability of WEFO funding, which was maximised as far as possible. Therefore the final contributions required from Ceredigion and Powys County Councils was far lower than budgeted at £30,590 each.
- 1.3 The Annual Return has been completed and sent to Audit Wales for them to audit. When the audit is complete the GMW Board will be asked to approve the return.

2. 2023/24 Budget and award of Year 1 funding

- 2.1 The GMW Budget for 2023/24 was approved on 17th February 2023, with the Budget totalling £592k and a contribution of £100k from each of both Powys and Ceredigion County Councils.

- 2.2 The 23/24 Budget was predicated on WEFO grant funding ceasing at the end of July 2023, followed then by assumed revenue funding of £367k being topsliced from the anticipated Year 1 Growth Deal Funding. Core expenditure beyond the first £200k could only be incurred once the Year 1 Growth deal funding had been formally confirmed.
- 2.3 Following various meetings with WG, a letter was received on 01/08/23 confirming the Year 1 funding of £4,000,000. The grant payment was subsequently received by Ceredigion County Council in late September 2023, noting that the grant award is in the name of Ceredigion County Council as the lead accountable body for the Mid Wales Growth Deal. The investment interest earned relating to this and subsequent grant payments will, on a net basis (e.g. after allowing for topslice costs during 23/24), be set aside and allocated to the Growing Mid Wales accounts.
- 2.4 The £4.0m payment only represents the WG part of the Growth Deal funding, as the first year of UK Government profile is only scheduled to start in 2024/25. The latest assumed Growth Deal profile (noting this is not set in stone) is:

Financial Year		UK Govt £'000	Welsh Govt £'000	Total £'000
1	23/24	-	4,000	4,000
2	24/25	7,857	4,000	11,857
3	25/26	7,857	4,000	11,857
4	26/27	7,857	4,000	11,857
5	27/28	7,857	4,000	11,857
6	28/29	7,857	4,000	11,857
7	29/30	7,857	4,000	11,857
8	30/31	7,858	4,000	11,858
9	31/32	-	4,000	4,000
10	32/33	-	4,000	4,000
11	33/34	-	3,000	3,000
12	34/35	-	3,000	3,000
13	35/36	-	3,000	3,000
14	36/37	-	3,000	3,000
15	37/38	-	3,000	3,000
TOTAL		55,000	55,000	110,000

- 2.5 The detailed mechanism to deal with the 4% topslice arrangements is still being developed. The topslice does not have to be a fixed %age each year

and can vary from one year to the next - subject to it not exceeding 4% in totality over the life of the Growth Deal.

3. Funding of Project Development Costs

3.1 Following various discussions between Projects and Officers, there is a need to clarify what, if any, Project Development costs would be deemed eligible for the use of Growth Deal funding.

3.2 The following approach is therefore proposed:

3.2.1 The Growth Deal funding available for Projects is only Capital funding, therefore all eligible costs must meet standard accounting definitions of capital expenditure in accordance with IAS16. For example:

- Feasibility study costs would not be eligible.
- Costs relating to continuing to explore a range of potential options or solutions would not be eligible.
- Speculative and/or abortive costs relating to an option or a solution no longer being pursued would not be eligible.
- Costs that can be directly attributed to either bringing a capital asset into being or enhancing an existing capital asset would be eligible, provided that there is a clear and definitive objective underpinning this. This could include Architects fees, Engineering fees, Other Professional fees including direct Project Management costs.
- Costs should be the incremental costs to the entity that would have been avoided had the capital asset not been constructed, enhanced or purchased.
- VAT relating to eligible costs would not normally be an eligible cost in itself, unless it can be evidenced and certified by a qualified accountant that the VAT is irrecoverable from HMRC.

3.2.2 No Project shall be formally awarded Growth Deal funding until it has successfully reached the Full Business Case (FBC) stage and has subsequently received approval from the Growing Mid Wales Board. The award of Growth Deal funding to each Project will also be

formalised through appropriate documentation e.g. Grant Funding Award letter, Delivery Agreement etc..

- 3.2.3 Project Development Costs incurred during the OBC and FBC period may be retrospectively claimed towards overall project costs once an award of Growth Deal funding is formally made, provided they meet standard accounting definitions of capital expenditure. However no additional funding is available and the overall funding envelope remains the same. No Project shall be able to claim Project Development Costs of any sort for any period prior to the Outline Business Case (OBC) stage.

4. Recommendations

- 4.1 To note the 2022/23 Outturn position for the GMW Budget, as outlined in section 1 of the report.
- 4.2 To note the update regarding the Year 1 Mid Wales Growth Deal Funding and the current 15 year funding profile, as outlined in section 2 of the report.
- 4.3 To agree the principles for allowing Growth Deal funding to be used for Project Development costs, as outlined in section 3 of the report.