



Complete Agenda

**Bwrdd Uchelgais Economaidd
Gogledd Cymru**

**North Wales
Economic Ambition Board**

Meeting

NORTH WALES ECONOMIC AMBITION BOARD

Date and Time

1.30 pm, FRIDAY, 25TH MARCH, 2022

Location

Virtual Meeting - Zoom

For public access to the meeting, please contact us

Contact Point

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(DISTRIBUTED 17/03/22)

NORTH WALES ECONOMIC AMBITION BOARD

MEMBERSHIP OF THE JOINT COMMITTEE

Voting Members

Councillors

Hugh Evans	Denbighshire County Council
Llinos Medi Huws	Isle of Anglesey County Council
Mark Pritchard	Wrexham County Borough Council
Ian B. Roberts	Flintshire County Council
Dyfrig L. Siencyn	Gwynedd Council
Charlie McCoubrey	Conwy County Borough Council

Advisers - Non-voting

Dafydd Evans	Grwp Llandrillo Menai
Maria Hinfelaar	Glyndwr University
Yana Williams	Coleg Cambria
Askar Sheibani	Business Delivery Board
Professor Iwan Davies	Bangor University

Chief Officers - Non-voting

Dylan Williams	Isle of Anglesey County Council
Iwan Davies	Conwy County Borough Council
Neal Cockerton	Flintshire County Council
Dafydd Gibbard	Gwynedd Council
Ian Bancroft	Wrexham County Borough Council
Graham Boase	Denbighshire County Council

Officers in Attendance

Dewi Morgan	Section 151 Officer
Iwan G. Evans	Monitoring Officer
Alwen Williams	Portfolio Director
Hedd Vaughan Evans	Operations Manager
Sheryl Le Bon Jones	Temporary Senior Executive Officer

A G E N D A

1. APOLOGIES

To receive any apologies for absence.

2. DECLARATION OF PERSONAL INTEREST

To receive any declarations of Personal Interest

3. URGENT BUSINESS

To note any items that are a matter of urgency in the view of the Chair for consideration.

4. MINUTES OF THE PREVIOUS MEETING 4 - 6

The Chair shall propose that the minutes of the meeting held on 28 January 2022 be signed as a true record.

5. CHANGE CONTROL - DIGITAL PROGRAMME STRUCTURE 7 - 15

Stuart Whitfield to submit a change request relating to the structure of the Digital Programme and to propose a change to the delivery structure of the Digital Programme.

6. PROPOSAL FOR DELIVERING LOCAL AREA ENERGY PLANS IN NORTH WALES 16 - 20

Henry Aron to seek agreement for Ambition North Wales to deliver Local Area Energy Plans (LAEPs) in North Wales.

7. 2022-23 REVENUE AND CAPITAL BUDGET 21 - 33

Dewi A Morgan, Host Authority Statutory Finance Officer and Sian Pugh, Host Authority Group Accountant to propose the North Wales Economic Ambition Board's (NWEAB) Revenue and Capital Budget for 2022/23.

8. PORTFOLIO MANAGEMENT OFFICE – STRUCTURE AND CONTRACTS 34 - 36

Alwen Williams, Portfolio Director and Hedd Vaughan-Evans, Operations Manager to present a proposal and rationale to the Board for the extension of fixed term contracts within the Portfolio Management Office

**NORTH WALES ECONOMIC AMBITION BOARD
28/01/2022**

Present:

Voting Members - Councillors:- Llinos Medi Huws (Isle of Anglesey County Council), Mark Pritchard (Wrexham County Borough Council), Charlie McCoubrey (Conwy County Borough Council), Ian Roberts (Flintshire Council), Hugh Evans (Denbighshire Council) and Dyfrig Siencyn (Gwynedd Council).

Advisors – Prof. Iwan Davies (Bangor University), Dr Maria Hinfelaar (Glyndŵr University), Dafydd Evans (Grŵp Llandrillo Menai) and Askar Sheibani (Business Delivery Board).

Chief Officers - Graham Boase (Denbighshire Council), Neal Cockerton (Flintshire Council), Richard Weigh (Wrexham County Borough Council), Sioned Williams (Gwynedd Council) and Dylan Williams (Isle of Anglesey County Council).

Officers in attendance - Dewi Morgan (Statutory Finance Officer - Host Authority), Iwan Evans (Monitoring Officer - Host Authority), Alwen Williams (Portfolio Director), Hedd Vaughan-Evans (Operations Manager), Sheryl Le Bon Jones (Senior Operational Officer), Jane Richardson (Chair of the Executive Group), Stuart Whitfield (Digital Programme Manager), Sian Pugh (Group Accountant - Corporate and Projects) and Annes Sion (Democracy Team Leader).

1. APOLOGIES

Apologies were received from Ian Bancroft (Wrexham County Borough Council), Annwen Morgan (Isle of Anglesey County Council) and Dafydd Gibbard (Gwynedd Council).

2. DECLARATION OF PERSONAL INTEREST

No declarations of personal interest were received.

3. URGENT ITEMS

None to note.

4. MINUTES OF PREVIOUS MEETINGS

The Chair signed the Minutes of the meeting held on 10 December 2021, as a true record.

5. QUARTER 3 FINANCIAL REVIEW

The report was submitted by Dewi Morgan (Statutory Finance Officer) and Sian Pugh (Group Accountant - Corporate and Projects).

RESOLVED

To receive and note the NWEAB Joint-Committee's third quarter revenue and capital review for 2021/22. To receive the Joint-Committee's approval to transfer

any underspend in 2021/22 to the earmarked reserve that will be available for future years.

REASONS FOR THE DECISION

A forecast underspend of £297,140 against the revenue budget in 2021/22 was noted. It was noted that any underspend at the end of the financial year may be transferred to the earmarked reserve. It was noted that there was a further slight slippage on the capital programme as a result of a delay with the final business case on one of the projects

DISCUSSION

The report was submitted, and the Joint-Committee was thanked for their welcome to the new Head of Finance at Gwynedd Council. It was noted that the purpose of the report was to report on the budget for quarter 3 noting the actual expenditure against the budget.

It was noted that the Finance Department estimated an underspend of £197k on the Portfolio Management Office. It was noted that this had increased by £69k since the last quarter, mainly because the expenditure on the Employee Expenditure heading and the Transport Procurement and External Support heading was estimated to be lower. It was noted that an underspend of £18k remained under the Joint-Committee heading.

In terms of projects, it was noted that this expenditure must be considered in the context of the decarbonisation grant of £500k and the community renewal fund of £80k shown under the equivalent income budget and approved during the year. It was highlighted that the underspend on the business case development, external legal support and assurance headings was also increasing as a result of slippage on the capital programme. It was explained that the Finance Department was revisiting the borrowing costs calculated back in October 2020 and would report back on this at the next meeting.

It was explained that income sources for 2021/22 included partner contributions, ESF Grant, North Wales Growth Deal Grant, Decarbonisation Grant, Community Renewal Fund and the reserve fund. It was noted that the department estimated an underspend of £297k for 2021/22 and that there would be £620k in the reserve fund by the end of the financial year.

In terms of the capital review, it was noted that there had been two changes since the last review, namely minor amendments in the Digital Signal Processing Centre project to agree the Final Business Case approved in December as well as a slippage anticipated on the Morlais project. It was noted that there was a slippage of £16.81 million in 2021/22, £41.39 million in 2022/23 and £18.93 million in 2023/24. It was explained that the North Wales Growth Deal grant would be used to fund the Capital Programme for the first two years and that no external borrowing would be needed until 2023/24.

During the discussion, the following matters were raised:-

- In response to a question regarding project interest costs, it was noted that the Finance Department had prepared a forecast in 2020 for grant income and capital expenditure in order to identify the borrowing costs. By now, the situation had changed and the expenditure profile had been changed in addition to the capital income profile. It was noted that a further report would be presented in March.

6. NORTH WALES GROWTH DEAL - QUARTER 3 PERFORMANCE REPORT

The report was submitted by Hedd Vaughan-Evans

DECISION

To note the Quarter 3 Performance Report and updated Portfolio Risk Register. To approve the submission of the Quarter 3 Performance Report to Welsh Government and UK Government as well as the local authority scrutiny committees.

REASONS FOR THE DECISION

In December 2020, the NWEAB and the Welsh and UK Governments agreed the Final Deal Agreement for the North Wales Growth Deal. Regular reporting on progress against the North Wales Growth Deal is one of the requirements of the Final Deal Agreement.

DISCUSSION

The report was submitted, noting that reporting on progress over the last quarter against the Growth Deal was one of the requirements of the Final Deal Agreement. It was explained that, following the Board's consideration, the reports would be shared with Welsh Government, UK Government as well as the local authority scrutiny committees.

The quarter highlights were explained, noting that the Growth Deal's first Full Business Case had been approved back in December, namely the Digital Signal Processing Centre with Bangor University. It was noted that two other projects had completed their Gateway 2 assurance reviews successfully, namely the Former North Wales Hospital, Denbigh project and the Llysfasi Net Zero Farm.

It was noted that an update on the 2021 Portfolio Business Case had been submitted to both Governments as part of the annual award of funding process. It was outlined that the new 'Ambition North Wales' brand had been launched together with the new website. It was noted that recruitment activities had been completed also, with the last three posts in the team filled from January 2022.

Members were guided through the projects, giving an update on the work that had been carried out over the last quarter. It was noted that the risk register had been updated in full with a number of adaptations recorded in the document which included amended risk descriptions, scoring and amended mitigation measures. Attention was drawn to three residual risks which had changed, the first - capacity risk, had reduced now that the PMO's recruitment activities had been completed, the second - public sector investment, and third - expenditure objectives. It was explained that the second and third had increased as a result of a number of project change requests being considered.

Observations arising from the discussion

- It was noted that phosphate was having an impact on a number of specific projects in Flint and Wrexham and it was asked what impact this would have on other projects. It was emphasised that a number of projects were under threat, and it was noted that it needed to be identified as a risk for the portfolio and a further discussion would be needed at the next meeting.
- It was also noted that there was a need to look at flood risks, as there were implications for all projects, and as a result there was a need to map out all the projects.
- Thanks were given for the good work undertaken by Bangor University pushing the Digital Signal Processing Centre forward.

REPORT TO THE NORTH WALES ECONOMIC AMBITION BOARD
25 March 2022

TITLE: Change Control – Digital Programme Structure

AUTHORS: Stuart Whitfield, Digital Programme Manager

1. PURPOSE OF THE REPORT


- 1.1. The purpose of the report is to submit a change request relating to the structure of the Digital Programme and to propose a change to the delivery structure of the Digital Programme, following the outcome of recent business case workshops, and consultation with the Digital Programme Board and the Portfolio Board.
- 1.2. The North Wales Growth Deal has a change management process in place to ensure potential changes to the scope of the Growth Deal and the projects are captured, assessed and where relevant considered by the Board.

2. DECISION SOUGHT

- 2.1. That the Board approve the change request to restructure three of the Digital Programme's digital infrastructure projects to create two projects.
- 2.2. That the Board note that the Connected Corridors and Full Fibre at Key Sites projects are proposed to be combined into one project to focus on delivery of new fibreoptic network capacity to meet the spending objectives of the two projects. Subject to further assessment of requirements (where a requirement for new fibreoptic networks is identified) an element of the Connected Campus project may be included in this new project. No change is recommended to the Last Few % infrastructure project or DSP research and development project.
- 2.3. That the Board note revised programme delivery structure and timetable as set out in Appendix 2.
- 2.4. That the Board note that subject to approval for 2.1, there is a requirement to notify Welsh and UK Government of the change agreed.

3. REASONS FOR THE DECISION

- 3.1. The outcome of the Economic Case workshops for the Connected Corridors project has been the identification of a preferred option which consists of investment in new fibreoptic network coverage in the region. The Digital Programme's Full Fibre at Key Sites project currently at SOC stage is also targeting fibreoptic network coverage, with the current 'key sites' typically close to the transport 'corridors' sites in scope for the Connected Corridors project. This alignment of both locations and now service delivery presents an opportunity to bring the two projects together to deliver spending objectives under a single project. This principle is supported by



HM Treasury best practice in its Guide to Developing the Programme Business Case ('Better Business Cases for better outcomes').

- 3.2. Changes to projects within the Growth Deal is a matter for the Economic Ambition Board where those changes are within the agreed budget envelope and there is no material impact on the benefits to be delivered. No impact is expected to the capital funding requirement from the Growth Deal and no net increase in revenue requirements is expected. Benefits and Spending Objectives are also not expected to be impacted negatively from the change.
- 3.3. To reduce impact to the schedules for project business case development approved by the NWEAB, changes to the programme structure will need to be implemented at the earliest opportunity. Changes to scope of the next strategic outline cases will need to be made before further consultancy support is commissioned.
- 3.4. Procurement of consultancy support to complete Outline Business Cases for the Connected Corridors, Full Fibre at Key Sites and Connected Campus projects will need to start next quarter and the scope of this work cannot be confirmed until a decision has been made on the programme structure. Regular reviews of the Programme Business Case are recommended by HM Treasury to account for changes in the strategic case and the recent outcomes of project workshops, and both market and Government activity suggest that sufficient changes have happened to require a review.

4. BACKGROUND

- 4.1. The Digital Programme consists of four infrastructure projects and the DSP research and development project. The DSP project is now entering delivery following approval of the Full Business Case in December 2021, with two subsequent 'light touch' Business Justification Cases to follow in 2022 and 2023.
- 4.2. The four infrastructure projects were prioritised for business case development by the Programme Board in 2021 with Last Few % and Connected Corridors being the first OBCs due to be submitted to the NWEAB for approval followed by the higher value Connected Campus and Full Fibre at Key Sites OBCs.
- 4.3. Economic Case workshops have concluded in February for the Connected Corridors and Last Few % projects and preferred options have been identified. Both options feature investment in new fibreoptic network capacity to deliver spending objectives. Procurement options for the Last Few % project are limited to proven mechanisms developed and used extensively across the UK in various UK Government funded 'Superfast' projects. These include the use of the DCMS Crown Commercial service 'Dynamic Purchasing System'¹. **With the widely dispersed nature of the target premises for the Last Few % project and the established procurement options available it is recommended that this remains as a distinct project to take through to Full Business Case.**
- 4.4. The preferred option for the Connected Corridors project involves delivering new 'backhaul' capacity (the larger capacity supply networks with serve local mast sites, for example) in areas underserved with mobile coverage, possibly with or without direct investment in new tower and mast infrastructure. At this stage no decision has been made on whether this will be 100% fibreoptic (high capacity, more resilient, more expensive) or include microwave backhaul (less

¹ [Gigabit Capable Connectivity DPS - CCS \(crowncommercial.gov.uk\)](https://www.crowncommercial.gov.uk/gigabit-capable-connectivity-dps-ccs)

capacity, less resilient, less expensive). The PMO’s consultant, Farrpoint, has recommended further engagement with the Mobile Network Operators (MNOs) to determine the regional barriers to better coverage but backhaul availability is considered to be key. **Completion of the OBC cannot follow until that engagement has concluded. Similarly, a recommendation has been made to work with the market to design an appropriate procurement exercise to address these barriers.**

- 4.5. The expectation is that once backhaul (and potentially power) is available, Mobile Network Operators would deploy masts through commercial investment, contributing to the Programme’s spending objective of securing private sector investment.
- 4.6. The Full fibre at key sites project is expected to involve Growth Deal investment in new fibreoptic networks and these sites are typically located in the vicinity of the main transport routes in scope for the Connected Corridors project (Figure 1). Backhaul at these sites may already be in place but extensive ‘contended’ (shared by multiple customers, more affordable than exclusive ‘leased lines’) ‘full fibre’ (or FTTP) local access networks (the cables connecting premises to the main backhaul networks) may not be, i.e. affordable FTTP may not be available to the local SMEs. The project concept involves developing wholesale competition in FTTP to provide greater retail choice and better value.

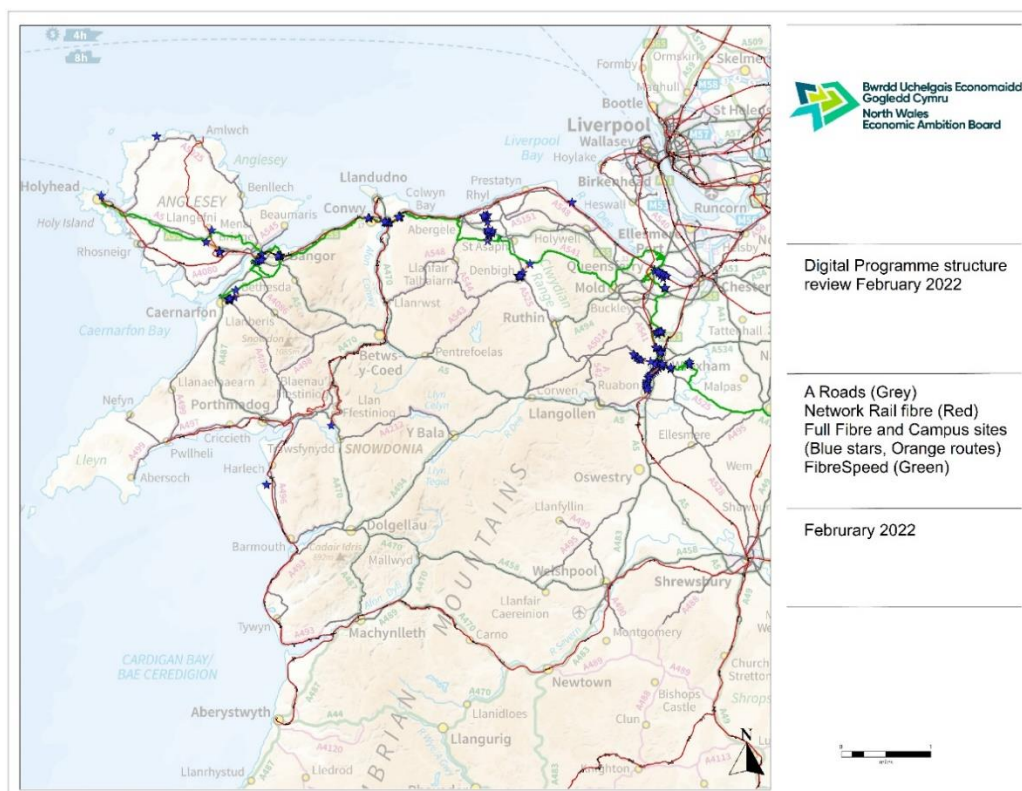



Figure 1- Full fibre sites, Campus sites, Network Rail telecom, FibreSpeed routes.

- 4.7. **A review of coverage is needed as part of the Strategic Outline Case. Relatively recent growth in the availability of more affordable FTTP services through Openreach infrastructure in some parts of the region may also have an impact on the Digital Programme’s 2019 assessment of the value of investing in wholesale competition.**
- 4.8. Although not the target infrastructure, the Connected Campus project will also depend on sufficient fibreoptic backhaul at the sites currently in scope, to support the deployment of the



mobile and fixed wireless networks expected to be the key outputs of the project. An assessment of backhaul at the Campus sites has not been undertaken however it is expected that for most of these backhaul will be relatively strong though either Openreach, FibreSpeed, Virgin Media or Zayo. **A review of backhaul coverage will be needed as part of the Strategic Outline Case.**

- 4.9. Recent engagement with the NWEAB Business Delivery Board and informal consultation with telecoms operators suggests that the market will have more interest in a single, larger fibre build procurement than individual, smaller contracts. There is potentially greater commercial benefit from having a wider continuous coverage than having isolated sections of network. An example of this is the Liverpool City Region Combined Authority's LCR Connect network which is set to deliver 212km of new network as part of a £30m joint venture.
- 4.10. A single procurement across two or more projects may therefore be more cost effective to deliver and manage than multiple similar contracts. This may also reduce management costs and potentially result in delivery starting earlier.
- 4.11. The wider context to the Growth Deal's investment in digital has also changed since the Final Agreement with UK and Welsh Government was reached in 2020. UK Government's [Project Gigabit](#) is underway and investment is expected to be made in North Wales to improve full fibre coverage in the hardest to reach areas. However, investment is not guaranteed at scale in the region, with only a target of 85% UK premises coverage currently being planned for. **Without early strategic investment it is possible, if not likely, that currently unserved premises in North Wales will largely remain in the 15% not addressed by the UK Government's target of the end of 2025.**
- 4.12. A lack of extensive fibreoptic backhaul beyond the coastal region and larger towns is considered to be a barrier to attracting further investment from network operators. **Delivery of more fibreoptic 'spine' networks may improve the commercial conditions for operators to deploy further when the additional UK Government investment is made available.**
- 4.13. Since the first iteration of the Digital Programme Business Case in 2020, and as a consequence of Ofcom intervention, other network operators have extensively adopted the use of Openreach's 'Passive Infrastructure Access' (PIA) to extend their own networks. PIA is a means of operators taking advantage of existing Openreach infrastructure through which they can deploy their own networks. **This suggests that entirely new fibreoptic networks may not be required in some parts of North Wales, with Growth Deal investment required only to address 'gaps' in existing coverage to achieve greater wholesale provision.**
- 4.14. The UK Government's [Shared Rural Network](#) (developed by the UK's four mobile network operators and Government, to deliver 4G coverage to 95% of the UK), is also currently underway and the rate and extent of Mobile Network Operator delivery is in part constrained by provision of cost effective power and fibreoptic backhaul availability. Supplementing this may improve coverage outcomes for the region sooner than may otherwise be achieved.

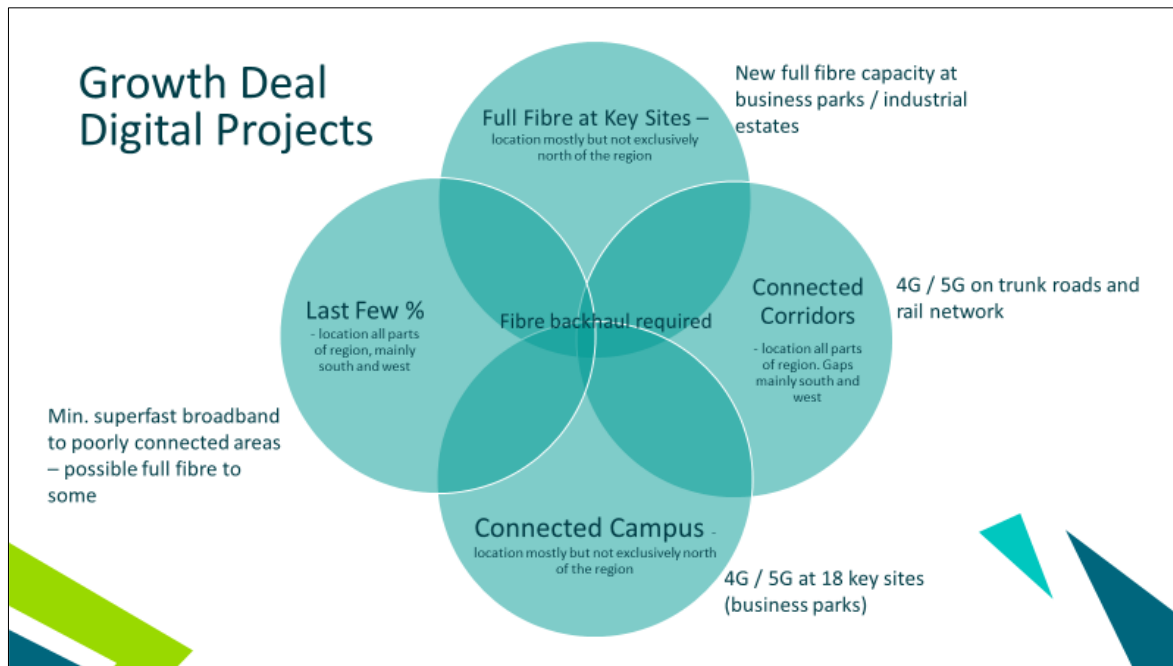


Figure 2 - Relationship between digital infrastructure projects

Options Analysis

- 4.15. On the basis that fibreoptic backhaul capacity has emerged as a common requirement for all projects, the following options are considered:
1. **Combine procurement of fibreoptic infrastructure** across a combination of Connected Corridors, Full Fibre at Key Sites and Connected Campus
 2. **Combine projects**
 - 2a. Connected Corridors and Full Fibre at key Sites
 - 2b. Connected Corridors, Full Fibre at key Sites and Connected Campus
- 4.16. **Option 2a** is recommended with potential to include an element of the Connected Campus project where new fibreoptic network capacity is identified as a requirement.
- 4.17. **Option 1** would require the three projects to complete SOC and OBC stages before a common fibre build procurement could be identified as the preferred option. Three projects would be delivered with separate project management and governance and at least two procurements. Option 1 is not recommended as it not the most efficient delivery model.
- 4.18. **Option 2** could be delivered by combining SOC and OBC stages for two or three of the projects.
- 4.19. **Option 2a** would result in a single, large 'fibre project' with a further 'radio only' (e.g. mobile towers) Connected Campus project supported with backhaul where necessary through the 'fibre project'. The Campus project could be delivered in tandem with the 'fibre project' where fibre is already available or as it is deployed through Growth Deal investment. Subject to the outcome of further industry consultation, mast/tower build elements of the Corridors project could be delivered through the Campus project.

4.20. **Option 2b** would cover all spending objectives from the three projects but would be more complex and possibly involve multiple procurements to deliver both fibre and radio infrastructure. For this reason, Option 2b is not recommended.

4.21. Current and potential Programme structures are illustrated below for comparison.

Risks and Benefits

4.22. The risks associated with a change to the current plan for the programme structure include:

- Delay to OBC (and FBC and 'start on site') for Connected Corridors project and the Full Fibre and Connected Campus projects.

Mitigation – prioritise preparation of strategic assessment for remaining projects and develop commercial case for combined projects.

- Prioritising fibre networks in procurement risks losing control on targeted outcomes, such as addressing the need for mobile coverage requiring mast infrastructure.

Mitigation – Phased delivery subject to milestones being met. Include clauses and requirements in contract to secure commercialisation or recover costs or terminate contract. Work with market to prepare appropriate contract terms in advance of procurement.

- Depending on the commercial model, the procurement phase may be more extensive, requiring additional legal input (e.g. if a joint venture or concession approach taken). This may risk delaying delivery.

Mitigation – Prioritise review of commercial options. Consult other similar projects (e.g. LCR) to understand most expedient and compliant routes for delivery.

- Delivering a single, large procurement may prevent the impacts of local delivery issues from being isolated and controlled.

Mitigation – Phased delivery to control performance and minimise systemic issues.

4.23. The benefits associated with a change to the current plan for the programme structure include:

- Simpler procurement and contract management arrangements, potentially allowing for earlier delivery of some spending objectives and reduced management costs.
- Potentially reduced initial costs to NWEAB in delivering multiple business cases (est. £100k each for Connected Campus and Full Fibre at Key Sites).
- Spending objectives associated with Connected Corridors may only be achieved if budget from other projects supports investment, i.e. combining funding may be the option to address a potential affordability gap for the project.
- The larger commercial opportunity is likely to attract stronger interest from suppliers than multiple, smaller contracts

- Potentially improved prospects of private sector co-investment and option for long term NWEAB return, if an appropriate commercial arrangement is pursued.
- A larger single wholesale network may be more appealing to communications providers which wish to access a wider, contiguous customer base (reported as important by several network operators).
- Potential better outcome for North Wales from UK Government’s Project Gigabit by the end of 2025.
- Alongside Project Gigabit, strategic, aggregated deployment in new fibre routes may also increase coverage from the Shared Rural Network programme.

5. CONSULTATION UNDERTAKEN

- 15 February 2022 – Digital Programme Board endorse proposal
- 4 March 2022 – Portfolio Board endorse proposal

6. FINANCIAL IMPLICATIONS

6.1 There are no additional financial implications arising directly from approving the decision sought in this report. There is already budget provision for project development within the Portfolio Management Office. Approving the decision and reducing the number of business cases to deliver the programme will have a positive financial and resource implication.

7. LEGAL IMPLICATIONS

7.1. Changes to projects within the Growth Deal is a matter for the Economic Ambition Board to determine, however there is a requirement to notify Welsh Government and UK Government of any changes made. This change does not impact on the outputs and benefits to be delivered through the programme, only the mechanism (number of projects) for delivery.

7.2 Approving the decision and reducing the number of business cases to deliver the programme will have a positive impact in reducing the external legal resources required.

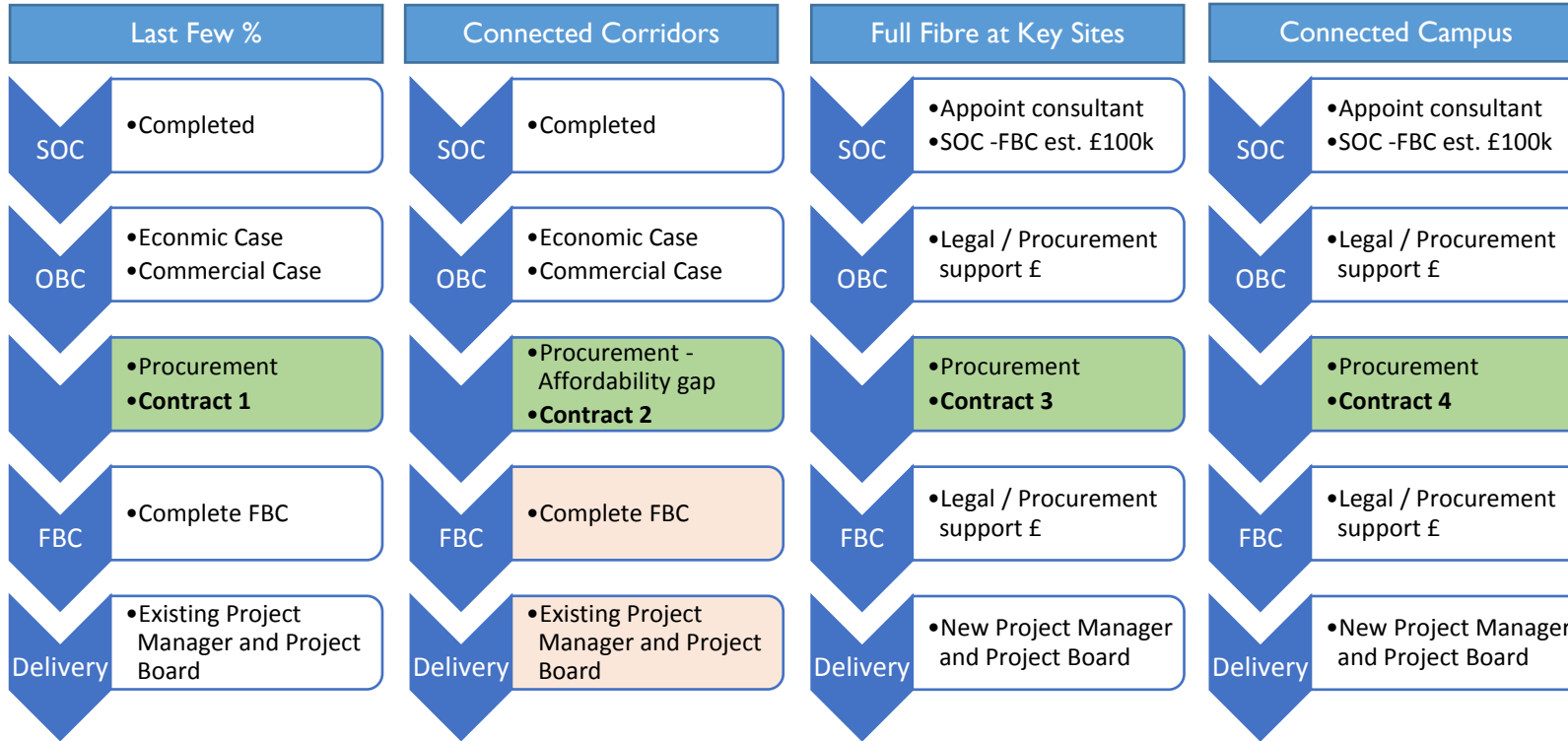
APPENDICES:

Appendix 1	Current Digital Programme Structure and Timetable
Appendix 2	Proposed Digital Programme Structure and Timetable

STATUTORY OFFICERS RESPONSE:

- i. **Monitoring Officer – Host Authority:**
No observations in relation to propriety.
- ii. **Statutory Finance Officer (the Host Authority’s Section 151 Officer):**
I have no objection to the decision sought from the perspective of financial propriety.

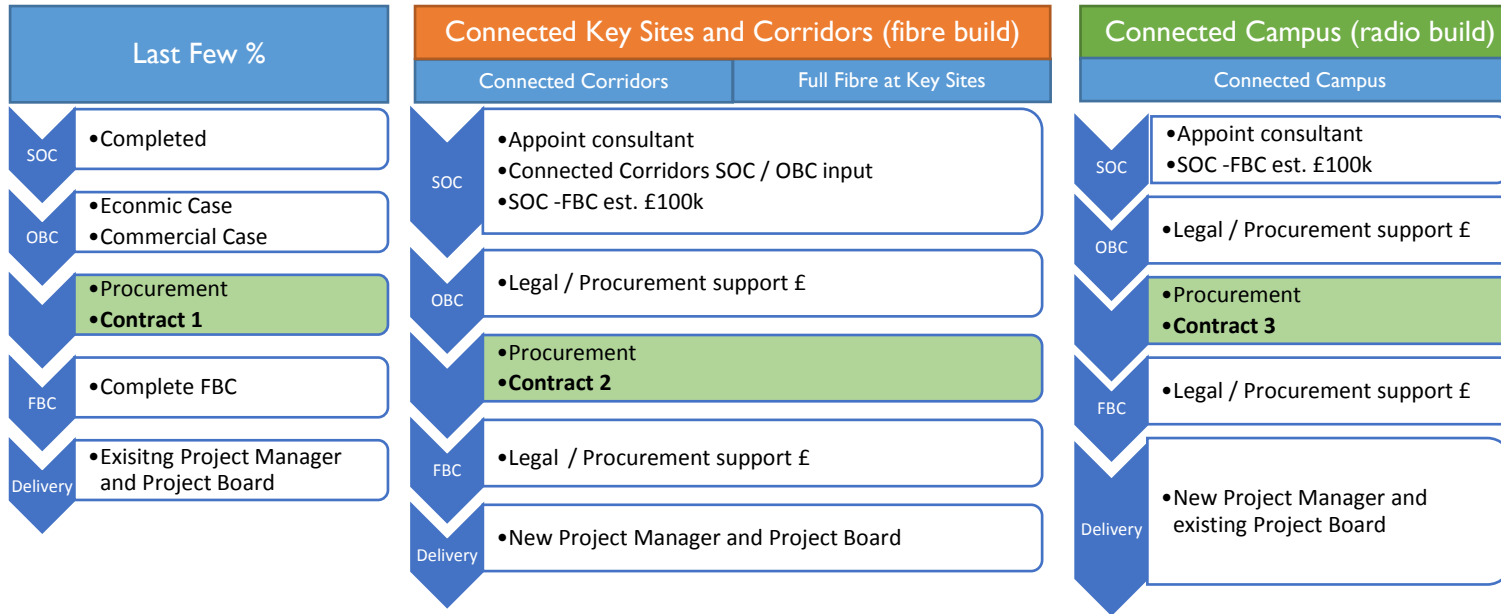
Appendix 1 – Current Digital Programme Board Structure



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	OBC	FBC
Connected Corridors	June 2022	November 2022
Full Fibre at Key Sites	September 2022	December 2022
Connected Campus	September 2022	January 2023

Appendix 2 – Proposed Digital Programme Board Structure



	SOC	OBC	Procurement	FBC
Connected Key sites and Corridors	August 2022	December 2022	January - March 2023	June 2023
Connected Campus	August 2022	December 2022	January - March 2023	June 2023



REPORT TO THE NORTH WALES ECONOMIC AMBITION BOARD
25 March 2022

TITLE: Proposal for delivering Local Area Energy Plans in North Wales
AUTHOR: Henry Aron, Energy Programme Manager

1. PURPOSE OF THE REPORT

- 1.1. To seek agreement for Ambition North Wales to deliver Local Area Energy Plans (LAEPs) in North Wales.

2. DECISION SOUGHT

- 2.1. That the Board agree to adopting a coordinated, regional approach to delivering the LAEPs across north Wales local authorities led by the Portfolio Management Office (via Gwynedd Council as Accountable Body).
- 2.2. That the Board agree to the recruitment of a project manager and two project officers to deliver the LAEPs to be funded by Welsh Government and delegate authority to the Portfolio Director in consultation with the s151 Officer to agree the grant funding agreement with Welsh Government and implement the proposal.
- 2.3. That the Board note that, subject to a grant funding agreement, Welsh Government will provide grant funding to cover the costs of delivering the plans and for the project management resource.

3. REASONS FOR THE DECISION

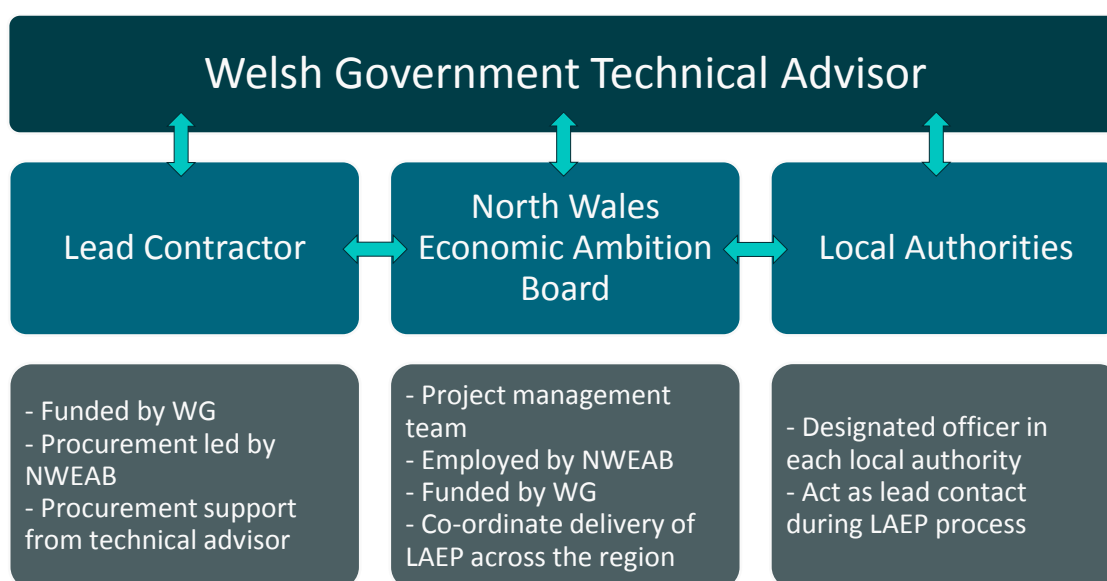
- 3.1. Welsh Government has made a commitment to support Local Area Energy Planning (LAEP) across Wales and proposed a coordinated regional approach to delivery. North Wales' local authority Chief Executives have confirmed their support for this approach and for delivery to be coordinated by Ambition North Wales' Portfolio Management Office.
- 3.2. Subject to the North Wales Economic Ambition Board approval, a project manager and two project officers will be recruited to the Portfolio Management Office to procure and coordinate delivery of the LAEPs.

4. BACKGROUND AND RELEVANT CONSIDERATIONS

- 4.1. Local Area Energy Plans (LAEPs) involve a process which has the potential to inform, shape and enable key aspects of the transition to a net zero carbon energy system at local authority

area level. This can be achieved by a combination of emission reduction and emission removal. They are a critical enabler of decarbonisation, but ultimately their main purpose is to understand what is required for local authority areas to reach net zero and how to plans for it. Importantly, they also outline what is required from other key stakeholders such as the energy sector, the government, and the local community, but also what finance, governance and policies are required to ensure success.

- 4.2. LAEPs use the Office of Gas and Electric Markets (Ofgem) 8 stage methodology approach supported by an assessment of various future energy system and demand models prior to putting in place a plan for the first 5 years of the LAEP and route-map to achieve net zero by 2050. LAEPs set out an ambitious vision supported by actions that need to be taken to reach the wider and longer term 2050 net zero target. They outline how the whole energy system will change, what councils will do, and what is required from the energy sector, the government, regulators, developers and the local community to achieve this.
- 4.3. LAEPs build on the work of the regional energy strategies, taking a more detailed approach to identify the actions to decarbonise a local energy system.
- 4.4. Welsh Government has made a commitment to support Local Area Energy Planning (LAEP) across Wales. It aims to have plans in place for each local authority area by the end of the 2023-24 financial year.
- 4.5. A LAEP will be produced for each local authority area in North Wales (Anglesey, Gwynedd, Denbighshire, Flintshire & Wrexham). Conwy has already developed its plan as a result of being one of two pilot areas in 2021-22.
- 4.6. Following a proposal from Welsh Government, in February 2022, North Wales local authority Chief Executives confirmed their support for adopting a coordinated, regional approach to delivering the LAEPs. It was agreed that delivery of LAEPs would be coordinated by Ambition North Wales’ Portfolio Management Office.
- 4.7. The diagram below illustrates the proposed delivery model:



5. PROPOSED WAY FORWARD

- 5.1. Under the proposed model Welsh Government provides grant funding to Ambition North Wales for
- a) the delivery of five LAEPs by a supplier (to be procured by Ambition North Wales) and
 - b) a project manager and two project officers within Ambition North Wales' Portfolio Management Office.

Delivery of five Local Area Energy Plans by a supplier

- 5.2 The Ambition North Wales Project Management Team will procure a single supplier to deliver the five LAEPs with support from the Welsh Government-appointed Technical Advisor. Each LAEP is expected to cost £100k-110k and will be funded by the Welsh Government grant.
- 5.3 The main stage of the procurement process will commence once the Project Management Team is in place.

Project Resources

- 5.4 The purpose of the new posts will be to:
- Project-manage the delivery of the five LAEPs
 - Lead the procurement of a supplier to deliver the five LAEPs
 - Coordinate and support input from the five local authorities
 - Manage the governance arrangements put in place to oversee the LAEPs
 - Provide additional capacity to support delivery of the North Wales Regional Energy Strategy, its Action Plan and other strategic energy-related work areas.
- 5.5 The project manager and two project officers will sit within Ambition North Wales' existing PMO structure, reporting to the Energy Programme Manager as part of the Energy Team. This will allow the project management team to utilise the existing Energy Team's knowledge and networks and enable a joined-up approach to Ambition North Wales' energy related work, including the Growth Deal Energy Programme and the Regional Energy Strategy.
- 5.6 The project management team size and structure will provide the capacity to deliver LAEPs whilst minimising the impact upon the Portfolio Management Office's ability to deliver the Growth Deal projects.
- 5.7 The three FTEs will be employed on fixed term contracts for 24 months. A term of 24 months is considered necessary to support the procurement, delivery and adoption of the LAEPs. The project resource will consist of:
- 1 x Project Manager: This post will project-manage delivery of the LAEPs and support delivery of the Regional Energy Strategy & Action Plan. The Project Manager will matrix-manage the two project officers.
 - 2 x Project Officers: The project officers will support the project manager in delivering the LAEPs and other regional energy related work (e.g. the Regional Energy Strategy & Action Plan).
- 5.8 The estimated costs of the project resources for 24 months are set out below. They include 10% of the Programme Manager's time, factoring-in the line management and oversight responsibilities.

Project Manager (Salary, N.I. and Pension)	PS4	£115,903
Project Officer #1 (Salary, N.I. and Pension)	S3	£83,109
Project Officer #2 (Salary, N.I. and Pension)	S3	£83,109
Energy Programme Manager (10%)	UR2	£15,602
Office equipment (desk, laptop etc)		£4,500
Office space		£3,000
TOTAL		£305,223

Next Steps

- 5.9 If supported by the Board, the next step will be to agree the grant funding offers with Welsh Government. Once the funding is secured, the Portfolio Management Office will progress the recruitment of the project management team.
- 5.10 Once the project resources are in place, the procurement and delivery of the LAEPs will commence.

Main Benefits

- 5.11 The main benefits of the proposed approach include:
- Supported and recommended as an approach by Welsh Government
 - Involves the procurement of one supplier via the Portfolio Management Office
 - Allows for a consistent, joined-up approach to delivering the plans
 - Leverages economies of scale and better value for money
 - Allows for efficiency of delivery in terms of data collection and stakeholder engagement.
 - Supports strategic alignment with Regional Energy Strategy for North Wales

Main Risks

- 5.12 The main risks associated with the proposed approach include:

Risk	Mitigation
Failure to recruit a project management team	Posts to be graded at the appropriate level to attract applicants
Impact upon delivery of the Growth Deal	Project management team will provide the necessary capacity to deliver LAEPs and other regional workstreams currently being supported by the PMO

6. CONSULTATION UNDERTAKEN

- Portfolio Board endorsed proposals in January 2022.
- Portfolio Director received endorsement from local authority chief executives in February 2022.

7. FINANCIAL IMPLICATIONS

- 7.1 The costs of delivering the LAEPs and the costs of the project management team will be met by Welsh Government, subject to a grant funding agreement. The Board should note that any redundancy costs associated with the new posts will not be covered by the Welsh Government grant. These costs will need to be funded by the NWEAB.

8. LEGAL IMPLICATIONS

- 8.1. There are no direct legal implications arising from the report.

APPENDICES:

None

STATUTORY OFFICERS RESPONSE:

- i. **Monitoring Officer – Host Authority:**
The report sets out the proposed project and the employment context appropriately.
- ii. **Statutory Finance Officer (the Host Authority’s Section 151 Officer):**
I am satisfied that the financial information contained in the report is correct. As the report notes, there would be a financial obligation on the Board if there were the need to pay redundancy costs at the end of the project, but I am confident that this can be dealt with should the situation arise.



REPORT TO THE NORTH WALES ECONOMIC AMBITION BOARD

25/03/2022

Title: 2022/23 Revenue and Capital Budget

Author: Dewi A Morgan, Host Authority Statutory Finance Officer

Sian Pugh, Host Authority Group Accountant

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 2022/23.

2. Decision Sought

The Board is asked to approve the:-

2.1 **2022/23 Revenue Budget as presented in Appendix 1. This includes the one-off virements of £85,000 in the revenue budget to be funded from the earmarked reserve.**

2.2 **Funding contributions to include the partner contributions, local authorities' supplementary contributions and partner interest contributions.**

2.3 **Business Delivery Board's request, that the £20,000 underspend against their 2021/22 budget is carried forward to 2022/23 to give them a total budget of £40,000.**

2.4 **Capital Budget for the Growth Deal as presented in Appendix 2.**

3. Reasons for the Decision

- 3.1 In order to operate effectively within the funding available, the NWEAB requires an annual budget to be approved.
- 3.2 Appendix 1 sets out the proposed revenue budget per expenditure heading and the corresponding funding streams for the year.
- 3.3 The revenue budget includes the reduced partner interest contributions required to fund the cost of borrowing.
- 3.4 Appendix 2 sets out the proposed capital budget per project and the corresponding capital funding for the £240m growth deal.
- 3.5 To authorise the Portfolio Director to incur expenditure in accordance with the approved budget.

4. Background and Relevant Considerations

- 4.1 Although the NWEAB could be within the economic well-being power of the North Wales Corporate Joint Committee (CJC), a separate budget is established for it at present as several regulatory matters are yet to be resolved and further clarification needed regarding the CJC's rights to borrow, invest and operate commercially, tax and VAT status.
- 4.2 The proposed detailed revenue budget for 2022/23 is shown in Appendix 1 and the proposed capital budget is shown in Appendix 2.

Revenue Budget

4.3 Portfolio Management Office - £1,595,920

The budget for the Portfolio Management Office is based on 22 full time posts, and includes budgets for travel and subsistence; training; engagement and meetings; communications and public relations; supplies and services; Regional Engagement Team (RET); premises; portfolio and programme development. In addition this year, there's a budget for an ESF project evaluation which is required as part of the ESF grant conditions.

4.4 Accountable Body Support Services - £197,360

The Accountable Body provides the support services required to facilitate the work of the Joint Committee, and the budget for 2022/23 includes Finance Services Support, Legal, Corporate Support, Information Technology (IT) and Insurance. In addition this year, the IT budget includes an allocation for IT development work.

- 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 – £11,400

This fee will cover the annual audit of the NWEAB's full statement of accounts by Wales Audit Office, as Gwynedd Council's External Auditors.

4.9 Business Delivery Board - £20,000

The £20,000 budget allocated by the NWEAB on 5 February 2021 will remain in 2022/23, and will be used to support the work of the Business Delivery Board. In addition, we were informed on the 8 March 2022 that the £20,000 allocated budget for 2021/22 will not be spent, and the Business Delivery Board have requested for this to be carried forward to 2022/23 to give them a total budget of £40,000.

Projects

- 4.10 The budget figures are estimated figures based on the most current information available, and they will need to be reviewed during the year as more information becomes available.

4.11 Project Business Case Development - £350,000

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.

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 External Financial Support - £18,000

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

4.14 External Procurement Support - £50,000

This includes a budget for external procurement support required for the projects.

4.15 Assurance - £80,000

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

4.16 Community Renewal Fund projects - £241,270

The work includes feasibility studies in relation to potential Smart Local Energy Systems across north Wales.

4.17 Interest - £264,600

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

4.18 Partner Contributions – (£416,000)

In accordance with Governance Agreement 2 (GA2), the 2022/23 Budget includes a contribution of £52,000 from the six local authorities and £26,000 from the four advisors, to give a total contribution of £416,000. The partner contributions have increased by 4% since 2021/22 to reflect the proposed salary inflation, in line with clause 15.4.3 of the GA2.

4.19 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.

4.20 Partner Interest Contributions – (£264,600)

There has been a significant reduction in the anticipated total cost of borrowing, from the £12.46m in the original cost of borrowing exercise that was conducted in October 2020 ([2020-10-23 Final Deal Report v2.pdf \(llyw.cymru\)](#)) to £5.47m in the exercise that was conducted in February 2022 (Appendix 3). The recalculation has been done using the original principles and method, but has taken into account changes that have taken place, to include the:-

- UK Government's announcement to bring forward the funding from 15 to 10 years. The Welsh Government grant profile has remained at 15 years.
- Slippage in the capital programme, and now reflects the revised profile in the 2022/23 capital budget (Appendix 2).
- Reduction in Non-domestic rates (NDR) grant mainly due to a reduction in anticipated floor area, slippage in the capital programme and change to project funding.

4.21 As in 2020, the borrowing requirement has been calculated by pooling all the capital expenditure and the North Wales Growth Deal (NWGD) grant. The NDR grant from Welsh Government is then utilised to fund the borrowing costs with the net costs allocated to project lead sponsors and the NWEAB based on the project value. The borrowing costs for the regional NWEAB projects will be met by the local authorities (proportional to population).

4.22 The interest rate of 2.2% remains unchanged and is based on the advice received by Arlingclose (independent treasury advisory company).

4.23 The true borrowing costs will fluctuate from one year to the next, but in order to ease the budget setting process in the partner organisations, fixed annual contributions have been calculated. Since the partner interest contributions that were invoiced for 2021/22 were based on the original exercise, the surplus contributions received in 2021/22 have been used to reduce the contributions required over the next 14 years.

The annual partner contributions for the local authorities, higher education and further education establishments have reduced from £678,020 to £264,600. (Appendix 1 and Appendix 3).

4.24 A number of factors could alter the borrowing costs in the future, such as, change in the capital expenditure profile; the move from project lead sponsor to NWEAB, lower NDR grant etc., and we would therefore recalculate the cost of borrowing to incorporate these changes, but, we believe that the assumptions used are prudent as things currently stand.

4.25 European Social Fund (ESF) Priority 5 funding – (£959,680)

The ESF funding contributes towards the employee expenditure, and the estimated funding for 2022/23 is £959,680.

4.26 North Wales Growth Deal grant – (£750,000)

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 NWEAB'S revenue expenditure. In 2022/23, £750,000 of this grant has been allocated, and this would then leave £2.5m for future years. 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. The CJC would also need this flexibility.

4.27 Community Renewal Funding (£241,270)

The Community Renewal Funding will be received from four local authorities (Denbighshire, Gwynedd, Isle of Anglesey and Wrexham).

4.28 Earmarked Reserve – (£85,000)

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 staff training, communications and public relations, ESF project evaluation and portfolio and programme development.

- 4.29 The third quarter review estimated a balance of £621,000 in the earmarked reserve at 31 March 2022. After using £85,000 of this balance to fund the one-off virements in 2022/23, £536,000 will be available to fund one-off costs in future years. The Portfolio Management Office, in a separate item on the agenda, will propose how this earmarked reserve will be used in 2023/24.

Capital Budget

- 4.30 The capital budget shows the expenditure profile over the period 2021/22 to 2028/29 for the 21 projects, as well as the 1.5% top-slice to fund the revenue budget over the same period. It's based on the latest projects' timescale, and will be reviewed during the year as the business cases are approved.
- 4.31 Following the UK Government's announcement in the Chancellor's budget on 3 March 2021, the budget in 2021/22 was set on the basis that Welsh Government would match the UK Government's announcement with regard to bringing forward the funding from 15 to 10 years, but Welsh Government have now confirmed that their contributions to the growth deal will remain on the original profile of 15 years. The 2022/23 budget has therefore been set to include the remaining £112m of grant funding from UK Government to be received over 9 years, while the £112m remaining grant from Welsh Government to be received over 14 years.
- 4.32 The £134.03m of the grant funding will be available to fund the expenditure as it occurs. The remaining £105.97m will be funded through borrowing in the first instance, then repaid with the surplus grant received in 2026/27 to 2034/35.
- 4.33 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 2022/23 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 August 2022 and December 2022 and presented to the Economic Ambition Board, with any issues highlighted and appropriate action taken.

6. Consultations Undertaken

- 6.1 Appendices 1,2 and 3, and the information within this report was presented to the Executive Group on 4 March 2022.

7. IMPACT ASSESSMENT

- 7.1 The NWEAB is subject to duties under the Equality Act 2010 and the Well-being of Future Generations (Wales) Act (2015).
- 7.2 In accordance with the legal duties under the Equality Act 2010, when making decision, the NWEAB must give due attention to the need (1) to eliminate unlawful discrimination (2) advance equality of opportunity and (3) encourage good relations based on the protected characteristics. As setting a budget falls within the decisions which can be considered strategically, there is a duty to give due attention to operating in a way which is designed to minimise inequalities which stem from socio-economic disadvantage. As each project is subject to a very detailed business case in

line with the 'Better Business Case' guidance developed by HM Treasury and Welsh Government, it is not considered that any specific impacts stem from the decisions submitted.

- 7.3 The Well-being of Future Generations (Wales) Act 2015 involves improving the social, economic, environmental and cultural well-being of Wales. The act places a well-being duty on public bodies which is aimed at delivering the seven well-being goals, namely a prosperous, resilient, healthier, more equal Wales with cohesive communities and a vibrant culture and thriving Welsh language which is globally responsible. Given the context, the recommendations are in accordance with these duties.

8. Appendices

Appendix 1 – 2022/23 Economic Ambition Board Revenue Budget.

Appendix 2 – Economic Ambition Board's Capital Budget.

Appendix 3 – Cost of Borrowing.

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.

Expenditure	Base Budget (£)	One-off virements (£)	Total Budget (£)
Portfolio Management Office			
Employee Expenditure (Pay, N.I. & Superannuation)	1,318,060		1,318,060
Advertising and Assessment of Candidates	570		570
Travel and Subsistence	10,000		10,000
Training	12,500	12,500	25,000
Engagement and Meetings	12,500		12,500
Communications and Public Relations	35,000	22,500	57,500
Supplies and Services	10,000		10,000
Regional Engagement Team (RET)	42,290		42,290
Premises	30,000		30,000
ESF Evaluation		40,000	40,000
Portfolio and Programme Development	40,000	10,000	50,000
Programme Management Office Total	1,510,920	85,000	1,595,920
Accountable Body Support Services			
Finance Services Support	104,840		104,840
Legal (includes Monitoring Officer)	26,530		26,530
Corporate Support	38,160		38,160
Information Technology	24,850		24,850
Insurance	2,980		2,980
Accountable Body Support Services Total	197,360		197,360
Joint Committee			
External Legal Support	18,000		18,000
External Financial Fees	10,000		10,000
External Audit Fee	11,400		11,400
Business Delivery Board	20,000		20,000 *
Joint Committee Total	59,400		59,400
Projects			
Project Business Case Development	350,000		350,000
External Legal Support	100,000		100,000
External Financial Support	18,000		18,000
External Procurement Support	50,000		50,000
Assurance	80,000		80,000
Community Renewal Fund projects	241,270		241,270
Interest	264,600		264,600
Projects Total	1,103,870		1,103,870
Total Expenditure	2,871,550	85,000	2,956,550

* This will increase to £40,000 if the NWEAB approves the Business Delivery Board's request for their underspend in 2021/22 to be carried forward to 2022/23.

Income	Base Budget (£)	One-off virements (£)	Total Budget (£)
Funding Contributions			
Partner Contributions			
Conwy County Borough Council	(52,000)		(52,000)
Denbighshire County Council	(52,000)		(52,000)
Flintshire County Council	(52,000)		(52,000)
Gwynedd Council	(52,000)		(52,000)
Isle of Anglesey County Council	(52,000)		(52,000)
Wrexham County Borough Council	(52,000)		(52,000)
Bangor University	(26,000)		(26,000)
Wrexham Glyndwr University	(26,000)		(26,000)
Coleg Cambria	(26,000)		(26,000)
Grŵp Llandrillo Menai	(26,000)		(26,000)
Local Authorities' Supplementary Contributions			
Conwy County Borough Council	(40,000)		(40,000)
Denbighshire County Council	(40,000)		(40,000)
Flintshire County Council	(40,000)		(40,000)
Gwynedd Council	(40,000)		(40,000)
Isle of Anglesey County Council	(40,000)		(40,000)
Wrexham County Borough Council	(40,000)		(40,000)
Partner Interest Contributions			
Conwy County Borough Council	(31,770)		(31,770)
Denbighshire County Council	(25,730)		(25,730)
Flintshire County Council	(42,200)		(42,200)
Gwynedd Council	(33,610)		(33,610)
Isle of Anglesey County Council	(18,720)		(18,720)
Wrexham County Borough Council	(36,280)		(36,280)
Bangor University	(36,650)		(36,650)
Wrexham Glyndwr University	(13,610)		(13,610)
Coleg Cambria	(13,560)		(13,560)
Grŵp Llandrillo Menai	(12,470)		(12,470)
Other			
European Social Fund (ESF) Priority 5 funding	(959,680)		(959,680)
North Wales Growth Deal grant	(750,000)		(750,000)
Community Renewal Funding (Denbighshire, Gwynedd, Isle of Anglesey and Wrexham)	(241,270)		(241,270)
Earmarked Reserve		(85,000)	(85,000) *
Total Income	(2,871,550)	(85,000)	(2,956,550)
Net Budget	0	0	0

* This would leave an estimated balance of £536,000 in the earmarked reserve (based on the underspend reported in the 2021-22 Third Quarter Review).

Economic Ambition Board's Capital Budget.

Appendix 2

Programme	Project	Project Sponsor	2021/22 (£m)	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)	2028/29 (£m)	Total (£m)
Digital	Digital Signal Processing Centre (DSP)	Bangor University	1.82	0.70	0.44	0.00	0.00	0.00	0.00	0.00	2.96
Digital	Competitive Connectivity - full fibre at key sites	NWEAB	0.00	0.49	3.05	3.16	0.00	0.00	0.00	0.00	6.70
Digital	Connected Corridor	NWEAB	0.00	0.49	1.18	0.50	0.00	0.00	0.00	0.00	2.17
Digital	Connected Campus	NWEAB	0.00	0.00	0.30	3.84	5.81	5.81	4.92	0.00	20.68
Digital	Connecting the last few percentage	NWEAB	0.00	0.69	1.97	1.28	0.00	0.00	0.00	0.00	3.94
Low carbon energy	Morlais	Menter Môn	0.00	4.93	3.94	0.00	0.00	0.00	0.00	0.00	8.87
Low carbon energy	Low Carbon Energy Centre of Excellence	Bangor University	0.00	1.18	8.47	9.36	1.67	0.00	0.00	0.00	20.68
Low carbon energy	Traswfyndd Power Station	Cwmni Eginio	0.00	0.00	4.93	9.85	4.92	0.00	0.00	0.00	19.70
Low carbon energy	Transport Decarbonisation	NWEAB	0.00	0.00	3.94	3.94	3.35	0.00	0.00	0.00	11.23
Low carbon energy	Smart Local Energy	NWEAB	0.00	0.00	1.23	1.97	6.16	6.16	6.16	2.95	24.63
Land and property	Holyhead Gateway	Stena Line	0.00	0.00	11.33	13.79	9.35	0.00	0.00	0.00	34.47
Land and property	Warren Hall Strategic Site	NWEAB	0.00	0.30	1.18	5.91	7.38	0.00	0.00	0.00	14.77
Land and property	Former North Wales Hospital, Denbigh	NWEAB	0.00	0.99	0.99	0.98	0.98	0.00	0.00	0.00	3.94
Land and property	Bodelwyddan Strategic Site	NWEAB	0.00	0.00	0.00	0.49	0.99	5.42	2.95	0.00	9.85
Land and property	Parc Bryn Cegin Strategic Site	NWEAB	0.00	0.25	2.71	2.95	0.00	0.00	0.00	0.00	5.91
Land and property	Wrexham Gateway	NWEAB	0.00	0.00	4.04	4.92	0.00	0.00	0.00	0.00	8.96
Innovation in High Value Manufacturing	Centre of Environmental Biotechnology (CEB)	Bangor University	0.00	0.00	1.23	1.73	0.00	0.00	0.00	0.00	2.96
Innovation in High Value Manufacturing	Enterprise Engineering & Optics Centre	Glyndŵr University	0.00	6.40	3.15	0.30	0.00	0.00	0.00	0.00	9.85
Agri-food and tourism	Glynlifon Rural Economy Hub	Grŵp Llandrillo Menai	0.00	6.90	2.95	0.00	0.00	0.00	0.00	0.00	9.85
Agri-food and tourism	The Llysfasi Net Zero Farm	Coleg Cambira	0.00	4.93	4.92	0.00	0.00	0.00	0.00	0.00	9.85
Agri-food and tourism	Tourism Academy	Grŵp Llandrillo Menai	0.00	0.00	0.00	1.48	1.48	1.47	0.00	0.00	4.43
	1.5% to fund the NWEAB's revenue budget		0.38	0.75	0.75	0.79	0.50	0.22	0.17	0.04	3.60
Programme Total			2.20	29.00	62.70	67.24	42.59	19.08	14.20	2.99	240.00
Capital Funding											
	North Wales Growth Deal Grant		2.20	29.00	25.68	20.44	20.44	19.08	14.20	2.99	134.03
	Borrowing*				37.02	46.80	22.15				105.97
Total Capital Funding			2.20	29.00	62.70	67.24	42.59	19.08	14.20	2.99	240.00

* The surplus grant will be used to repay the loan from 2026/27 onwards.

Cost of borrowing.

The table below shows the total (15 years) partner contributions to cover the cost of 'borrowing' and compares the contributions from the original calculation that was conducted in October 2020 with the revised calculation conducted in February 2022.

Version	Bangor University	Glyndwr University	Grŵp Llandrillo Menai	Tourism Academy project	Coleg Cambria	Other Commercial Partners*	Conwy	Denbighshire	Flintshire	Gwynedd	Isle of Anglesey	Wrexham	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Original (Oct 2020)	1.40	0.51	0.75		0.52	2.29	1.17	0.96	1.56	1.24	0.70	1.36	12.46
Revised (Feb 2022)	0.62	0.22	0.22	0.10	0.22	0.99	0.52	0.42	0.70	0.55	0.31	0.60	5.47

* The figures quoted for the other commercial partners are the minimum contributions and a range of factors will need to be considered before these can be agreed upon.

The table below shows the annual partner contributions to cover the cost of 'borrowing' and compares the contributions from the original calculation that was conducted in October 2020 with the revised calculation conducted in February 2022.

	Original (October 2020)	Revised (February 2022)*
Partner Interest Contributions	£	£
Conwy County Borough Council	78,010	31,770
Denbighshire County Council	64,000	25,730
Flintshire County Council	104,000	42,200
Gwynedd Council	82,670	33,610
Isle of Anglesey County Council	46,670	18,720
Wrexham County Borough Council	90,670	36,280
Bangor University	93,330	36,650
Wrexham Glyndwr University	34,000	13,610
Coleg Cambria	34,670	13,560
Grŵp Llandrillo Menai	50,000	12,470
	678,020	264,600

* Included in Appendix 1 as part of the 2022/23 budget.



REPORT TO THE NORTH WALES ECONOMIC AMBITION BOARD
25 March 2022

TITLE: PORTFOLIO MANAGEMENT OFFICE – STRUCTURE AND CONTRACTS
AUTHORS: Alwen Williams, Portfolio Director
Hedd Vaughan-Evans, Operations Manager

1. PURPOSE OF THE REPORT

- 1.1. The purpose of the report is to present a proposal and rationale to the Board for the extension of fixed term contracts within the Portfolio Management Office.
- 1.2. The Board has a responsibility for ensuring adequate resources are in place for the delivery of the North Wales Growth Deal.

2. DECISION SOUGHT


- 2.1. That the Board approve the principle of extending the fixed term contracts within the Portfolio Management Office until 31 March 2024 and request that the Portfolio Director action this with immediate effect.
- 2.2. That the Board note that costs for this extension will be met from existing funding sources (including reserves) and will result in no additional financial ask on partners.
- 2.3. That the Board note that delegated authority has previously been provided [January 2020] to the Portfolio Director to make changes to the Portfolio Management Office structure in consultation with the Chief Executive of the Host Authority and the Statutory Finance Officer to amend the structure as required within the funding envelope.
- 2.4. That the Board note that the resource requirements of the Portfolio Management Office for the delivery of the Growth Deal post March 2024 will be part of a review of regional resources to be carried out by the Executive Officers Group which will also take into consideration the wider implications of the Regional Economic Framework, Shared Prosperity and other funding sources and the Corporate Joint Committee.

3. REASONS FOR THE DECISION

- 3.1. As stated in the report.

4. BACKGROUND AND RELEVANT CONSIDERATIONS

- 4.1. The Portfolio Management Office was initially established in January 2020 with a small compliment of staff. Following a successful bid for a European Structural Funds (ESF) grant, the team was expanded and the current structure recruited to over the past 18 months.

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- 4.2. The ESF grant secured is until the end of June 2023 and the majority of staff within the Portfolio Management Office are on fixed term contracts until 30 June 2023.
 - 4.3. This represents a significant risk for the Portfolio Management Office as staff who are key to delivering the North Wales Growth Deal are approaching the final 12 months of their contracts and could seek other opportunities with a greater degree of contractual certainty.
 - 4.4. The Growth Deal is at a key stage as we start to move project development to delivery. It was always envisaged that the ESF funding would enable the Growth Deal to reach the delivery phase. As a result of a number of factors including the pandemic, project development delays and recruitment challenges the Growth Deal is approximately 12 months behind the original delivery timetable. With one project already in delivery, the next 24 months are crucial in terms of moving the remaining projects forward to the delivery phase where we begin to realise the benefits for North Wales.
 - 4.5. The Portfolio Management Office has managed to recruit high calibre staff over the past 18 months despite the recruitment challenges facing all sectors. While staff turnover is a normal challenge for any organisation, the significant proportion of staff on fixed term contracts in the Portfolio Management Office does increase the potential impact caused by staff departures. It should also be noted that recruiting any replacement staff would be increasingly difficult due to the shorter length of the fixed term contracts and there would likely be a delay to project delivery as a result of the need to recruit and train new staff.
 - 4.6. The risk of losing staff and/or delivering with a reduced capacity at this point in time is significant. The proposal for a 9-month extension to these contracts is a short-term risk mitigation action, that would reduce the risk of staff leaving while the region considers the longer-term resource requirements of regional work. The proposed extension would provide the capacity within the Portfolio Management Office to enable the majority of projects to commence delivery as per the original timetable.

5. FINANCIAL IMPLICATIONS

- 5.1. The cost of the 9-month extension has been estimated at £602k and would be funded from existing resources including using existing reserves, the capitalisation of some project manager salaries for projects in delivery, use of the Growth Deal grant and through budget reductions in other operational areas (e.g. communications and marketing).
- 5.2. Extending the fixed terms contracts would increase the exposure of the Board to potential redundancy costs in the future. At present a proportion of redundancy costs could be claimed from the ESF grant for staff being made redundant at June 2023. This is estimated at £26k. This would be an additional cost for the Board. Should the Board agree the extension, redundancy costs for those on fixed term contracts in March 2024 have been estimated at £153k with sufficient reserves remaining to cover this cost.

6. LEGAL IMPLICATIONS

- 6.1. There are no direct legal implications arising from the report.

APPENDICES:

None

STATUTORY OFFICERS RESPONSE:

- i. Monitoring Officer – Host Authority:**
No observations in relation to propriety

- ii. Statutory Finance Officer (the Host Authority’s Section 151 Officer):**
Part 5 of the report explains the source of the additional funding required to fund this change, and I can confirm the accuracy of what is reported. I am satisfied that the combination of funding methods described is sufficient to fund the proposed changes. The report also sets out the main risks in place should the Board decide, or not, to implement the decision sought, and I am satisfied that this is a fair reflection of the situation.