
NORTH WALES ECONOMIC AMBITION BOARD 24/03/23

Present:

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

Advisors – Dafydd Evans (Grŵp Llandrillo-Menai), Dr Maria Hinfelaar (Glyndŵr University) and Chris Drew (Bangor University).

Chief Officers - Dylan Williams (Isle of Anglesey County Council), Rhun ap Gareth (Conwy County Borough Council), Neal Cockerton (Flintshire Council), Dafydd Gibbard (Cyngor Gwynedd), Ian Bancroft (Wrexham County Borough Council) and Graham Boase (Denbighshire 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), Nia Medi Williams (Senior Operational Officer), Sian Pugh (Assistant Head of Finance - Host Authority), Graham Williams (Energy and De-carbonisation Project Manager), Henry Aron (Energy Programme Manager), Elgan Roberts (Energy Project Manager), Robyn Lovelock (Growth Deal Programme Manager) and Eirian Roberts (Democracy Services Officer - Host Authority).

Observers - Wendy Boddington (Welsh Government) and Gareth Ashman (UK Government)

1. APOLOGIES

Apologies were received from Councillor Jason McLellan (Denbighshire Council), Yana Williams (Coleg Cambria), Askar Sheibani (Business Delivery Board) and Professor Edmund Burke (Bangor University).

2. DECLARATION OF PERSONAL INTEREST

Alwen Williams (Portfolio Director) declared a personal interest in item 6 as the report involved her secondment as Interim Corporate Joint-Committee Chief Executive. She was of the opinion that it was a prejudicial interest, and withdrew from the discussion on the item.

3. URGENT ITEMS

None to note.

4. MINUTES OF THE PREVIOUS MEETING

The Chair signed the minutes of the previous meeting, held on 3 February 2023, as a true record.

5. 2023/24 REVENUE AND CAPITAL BUDGETS

The report was presented by Sian Pugh (Assistant Head of Finance, Host Authority).

RESOLVED

To approve:-

- 1. The 2023/24 Revenue Budget as presented in Appendix 1 to the report.**
- 2. Funding contributions to include the partner contributions, local authorities' supplementary contributions and partner interest contributions.**
- 3. The Capital Budget for the Growth Deal as presented in Appendix 2.**

REASONS FOR THE DECISION

1. In order to operate effectively within the funding available, the NWEAB requires an annual budget to be approved.
 2. Appendix 1 to the report sets out the proposed budget per expenditure heading and the corresponding funding streams for the year.
 3. Appendix 2 sets out the proposed capital budget per project and the corresponding capital funding for the Growth Deal of £240m.
 4. To authorise the Portfolio Director to incur expenditure in accordance with the approved budget.
- 6. NORTH WALES CORPORATE JOINT COMMITTEE (CJC) - EXTENDING THE PART-TIME SECONDMENT OF THE PORTFOLIO DIRECTOR OF AMBITION NORTH WALES AS INTERIM CJC CHIEF EXECUTIVE**

The report was submitted by Dylan Williams (North Wales Councils' Lead Chief Executive for the NWEAB).

RESOLVED

- 1. That the Board supports the extension of the arrangement to release the Portfolio Director's time for two days per week until 30 September, 2023 on a part time secondment basis to undertake the Interim Chief Executive role.**
- 2. That all employment and associated costs are covered by the North Wales CJC.**

REASONS FOR THE DECISION

1. The arrangements recommended are consistent with the 6 Councils' decisions, in principle, to the transfer of Ambition North Wales' functions to the Corporate Joint Committee.
2. By fulfilling the CJC Chief Executive's role, the Portfolio Director will assist the region to develop an effective CJC, while being uniquely positioned to ensure that Ambition North Wales' interests are safeguarded in this year of transition.

DISCUSSION

It was suggested that it would be beneficial for those members of the Board who were not a part of local government to be briefed on what was happening in terms of the Corporate Joint Committee, and the implications for the Board. In response, the Chair noted that it was important for everyone to have an understanding of what was going on, and that it could be arranged for information to be shared with everyone in the most effective way. The Monitoring Officer noted that the work of creating a plan for the process was starting now, and that there would be communication with the colleges, etc., along the way.

It was noted that extending the secondments of the Portfolio Director as Interim CJC Chief Executive was a sensible and pragmatic step in the circumstances, but that a more permanent arrangement was needed as soon as practicably possible.

7. SMART LOCAL ENERGY - OUTLINE BUSINESS CASE

Councillor Llinos Medi Huws (Anglesey County Council) said a few words at the beginning. She noted:-

- That this exciting project was a part of an original application by the Board, and that it was good to report that the plan had matured significantly over the past year, and that we had brought many of our stakeholders with us on the journey.
- That this was a project to support the full region, where there were gaps in funding, supporting smart energy in the community and possibly more ambitious schemes as well.
- That it was hoped that those members who were not on the Energy Programme Board could see that there was a vision here, that there was buy-in from many partners, and also that there was an opportunity here to make a difference on the community level and on the regional level.
- That it was accepted that there were some risks involved with the project, but in order to set an ambition, there must also be some risk.

Henry Aron (Energy Programme Manager) then provided details on the context and history of the project, providing an outline of the assurance process, and Elgan Roberts (Energy Project Manager) presented further details about the project.

RESOLVED

1. **That the Board approve the Outline Business Case for the Smart Local Energy project subject to Welsh and UK Governments' approval of the assurance process undertaken, and the Portfolio Management Office addressing the matters set out in the report, as set out in Section 7 request that a Full Business Case is prepared for the Board to consider following the completion of the procurement process and the consenting process.**
2. **That the Board delegate to the Portfolio Director, in consultation with the Chair and Vice Chair, final approval of the procurement specification and social value criteria prior to commencing procurement.**
3. **That the Board note that the final funding arrangements for the project will be agreed at the Full Business Case stage and authorise the Portfolio Director in consultation with the Host Authority Section 151 Officer and Monitoring Officer to agree draft terms for approval by the Board.**

REASONS FOR THE DECISION

To seek the Board's approval of the Outline Business Case (OBC) for the Smart Local Energy project.

DISCUSSION

The Chair thanked the Team for the incredibly detailed background work, and noted that this was a very exciting project that would directly touch our communities across north Wales as well as be visible to our residents.

It was asked why the report referred to the creation of 156-193 new jobs in north Wales linked to the delivery and implementation of clean energy solutions, as we had previously stated our desire to create 2,400 new jobs through this process. In response, it was explained:-

- That the jobs in the Outline Business Case were based on what had been modelled in the Programme business case, so those targets had been carried forward and included direct and indirect jobs in the supply chain.
- That the economic modelling for the Outline Business Case was based on similar projects in other parts of the UK. There was a higher range of job numbers, and some of the numbers from other projects exceeded the range given in the paper, but a cross-section of similar projects had been considered, some large energy projects and some smaller projects, e.g. installing solar panels and heat pumps.
- That one of the key points in estimating the number of jobs involved in this project, as we were setting up a fund, was that we could only model and guess as best we can based on the best available evidence as to how many jobs we think we can supply.
- When the fund had been launched, there would be an application process that will assess applications against criteria, and one of the key criteria that we would use was the ability to create impact in the form of jobs, as well as delivering against the other spending objectives of investment and carbon savings as well.

It was asked whether the Business Delivery Board had been involved in shaping the proposal. The need to engage with the universities and further education colleges in the next phase was also stressed, as some of this related to supporting businesses in terms of skills development, re-training etc. In response, it was explained:-

- That the project had been before the Business Delivery Board, and that many of the bodies who represent the private sector had attended workshops organised by, e.g. the North Wales Mersey Dee Business Council. We also spoke to many of the business support groups within local authorities, and distributed questionnaires to businesses through these.
- That the private sector had contributed to shaping our strategy, and further engagement with the sector had been planned going forward. Also, in terms of the engagement with the educational institutions, the representatives on our Board had been invited to the workshops, which helped shape the work.
- As we would not be managing many of the direct jobs, it would be desired to build a skills plan linked to our Stakeholder Engagement Plan during the next phase of the project, to consider how we could encourage as many of those indirect jobs to be secured locally, and how we could support the supply chain and make information about opportunities available locally.

In terms of the supply chain, it was asked how it could be ensured that it was companies from north Wales doing the work. In response, it was explained:-

- That we want to work closely with our fund advisor on this, as well as in terms of how we build that into the application process, assess incoming applications, and where they source materials and source expertise to assist them with their projects.
- That considerable work had been undertaken with Adra and Grŵp Llandrillo Menai in terms of engagement and understanding what was happening with their Penygroes hub, and that there was confidence that more similar projects could be supported, which would help strengthen the supply chain locally.
- From a support perspective, we promoted flexibility with our fund as well. Rather than just supporting companies to install decarbonisation solutions only, we also looked at ways to support supply chain companies that offer those solutions.

- Discussions had been held with the Development Bank of Wales as their funding supports the type of businesses we might be targeting, such as to provide supply chain support to complement what they do.

It was asked why the match funding target on average across the fund was only 75%. In response, it was explained:-

- That this figure is derived from the original target from the programme business case. As such, we would invest the £25m, and would like to see a total investment of just over £100m.
- That our research into different types of projects suggested that around 50% of match funding could be expected for third sector projects, 60%-70%, or possibly a little more than that, for private sector projects, and it was likely that quite a bit more than that could be leveraged for the Major Projects Sub-fund.
- The uncertainty at this time was related to what the demand would be for the various sub-funds and where we have certain allocations for those sub-funds, and at this point, that met neatly with the 75%. However, if it was found that there was more demand on one sub-fund than another as time moved on, the situation would have to be reviewed.
- We would continually look for alternative funding sources for applicants and consider whether it was possible to partner with, e.g. the Development Bank of Wales, along with any other funding opportunities to leverage as much as possible.
- That there were different ways to secure match funding within this project, and the umbrella fund structure was being proposed because of the potential of bringing in investments at the fund level, as well as at the project level, which was why the officials were talking to other investors.
- There were discussions with some local government pension funds as well to see if they would be interested in investing at fund or sub-fund level, and there was the potential of developing match funding at project level as well.

It was asked why private developers had not been included on the stakeholder list which was a part of the impact assessment and consultation process. In response, it was explained that including 'Social housing associations' on the stakeholder list did not mean that private developers had been excluded, and that they had been included in the 'businesses' group.

It was asked for an explanation as to why the £25m Umbrella Fund was split into 3 sub-funds of £5m, £8m and £12m, and it was suggested that it would be better to take more flexibility and get the message out that there was a total of £25m available for applications. In response, it was explained:-

- The allocations are indicative at this stage and will be reviewed once the fund advisor is in place. The allocations are based on modelling work where we assessed different allocations relative to delivering impact.
- That the various sub-funds were created because we were keen to earmark an indicative, provisional amount for each sub-fund. It also allowed us to have a different investment strategy for each sub-fund in terms of the match funding sought and perhaps the expected outcomes from various projects.
- We looked at a few different allocation scenarios for each sub-fund, and this was the allocation that gave the best outcome against the spending objectives, particularly in terms of jobs and investment leverage.
- If we changed this allocation after some point, some of those targets might have to be reviewed, but this was how it was currently set, and some of it was based on the feedback from the questionnaires that were distributed.

- About a third of the responses came from the energy community and the third sector and about two thirds from the private sector, so it was clear that there was a bit more demand from the private sector, which was to be expected.
- It was desired to be flexible with the loan design and changes could be made not only to the investment, but the investment strategy as well, if we do not use the funds as quickly as we would hope and some changes need to be made to ensure that the funds were distributed.

Councillor Llinos Medi Huws noted:-

- That it was important to note that the Energy Programme Board had discussed this issue in great detail and had tried to find out where there were gaps, where there was a need to strengthen and also where we had flexibility.
- That the Programme Board had discussed the division of the fund into 3 sub-funds, and remained of the view that some sort of boundary needed to be set initially lest we do not achieve the goal, but has also indicated that the flexibility was there should it be necessary.

It was further explained:-

- That the current intention was to emphasise the need for flexibility, and that this needed to be built into the way the fund was managed.
- Once the fund had been launched, we will monitor performance and make changes if necessary.
- That existing funds and evidence suggested that this analysis would have the greatest impact, but we had to remain flexible.
- The next step would be to acquire a specialist fund adviser to assist us in developing the investment strategy, which would come back to the Board as part of the Full Business Case. Also, as part of that process, it was planned to re-visit the allocation to ensure it was accurate before the initial launch.

The Chair noted that the recommendation was currently based on evidence of all the research that had taken place in the background, and consultation, but that the adoption of the Outline Business Case was only a step on the journey. As part of the Full Business Case, there would be much more detailed additional work coming back to the Board, and taking into account the points raised at this meeting, together with the advice of the specialist consultant.

Councillor Llinos Medi Huws noted that this was a very different and challenging project, and wished to thank Henry Aron (Energy Programme Manager) and Elgan Roberts (Energy Project Manager) for all their work, and also all the partners who had been involved.

The Chair noted that it was clear that there had been very significant background work, and he echoed the thanks to the officers.

The meeting commenced at 10.00 am and concluded at 11.00 am

CHAIR