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## REPORT TO THE NORTH WALES ECONOMIC AMBITION BOARD

12 June, 2020

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**TITLE:** *Funding and Commercial Models*

**AUTHOR:** *Hedd Vaughan-Evans, Operations Manager*

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### 1. PURPOSE OF THE REPORT

- 1.1. The purpose of the report is to advise the North Wales Economic Ambition Board on the funding and commercial models available through the North Wales Growth Deal and the issues which will need to be considered.

### 2. DECISION SOUGHT

- 2.1. Comment on paper and note that further work on how commercial and funding models could be applied to programmes and projects will be carried out by the Programme Office, the Executive Support Group and partners' Finance Officer and that a further report on this matter will be presented to the North Wales Economic Ambition Board in due course.

### 3. REASONS FOR THE DECISION

- 3.1. To progress work on commercial and funding models as part of the package of work required to secure a 'Final Deal' with UK and Welsh Government on the North Wales Growth Deal.

### 4. BACKGROUND AND RELEVANT CONSIDERATIONS

- 4.1. As part of the development of the programme business cases there is a need to confirm what commercial and funding models the North Wales Economic Ambition Board wish to apply through the Growth Deal. This will inform both the Commercial and Financial cases of each programme business case and will shape project business cases to follow.

- 4.2. While commercial and funding models have been explored previously no decisions have been taken and there is a need to establish how any models would be applied to projects.

- 4.3. At present there is a £40million gap in the funding requested from UK and Welsh Government through the growth deal. Commercial and funding models present an opportunity to address the gap through recycling funds back into the Growth Deal for future investment.

- 4.4. In simplest terms there are three potential commercial/funding models available for the Growth Deal funding – grant, loan or investment or a combination:

- **Grant** – Providing growth deal funding as a grant which sees no financial return on investment.
- **Loan** – Growth Deal funding could be providing in the form of a loan or part loan. For example, Cardiff City Region recently announced plans to develop a Strategic Premises Fund up to potentially £50million. This would be an evergreen fund, with pay-outs in the

form of fully repayable loans, so that it can continue to plough back returned investments into new schemes in the future.

- **Investment** – Growth Deal funding could be provided as an investment either in assets, equity, IP or potentially through a contractual profit share arrangement. The return on investment period will differ significantly across projects. For example, ROI from a housing development may be achieved within a 5 year period but an investment in IP may take much longer to deliver a return.

4.5. The exploration of commercial and funding models will also need to take into account of the apportionment of the borrowing costs across the partnership as previously discussed at the Governance Workshop on the 14th February 2020.

## **5. FINANCIAL IMPLICATIONS**

5.1. None at this stage.

## **6. LEGAL IMPLICATIONS**

6.1. None at this stage.

## **7. STAFFING IMPLICATIONS**

7.1. None at this stage.

## **8. IMPACT ON EQUALITIES**

8.1. None at this stage.

## **9. CONSULTATIONS UNDERTAKEN**

9.1. The contents of this report was discussed by the Executive Support Group on the 3 June 2020.

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### **APPENDICES:**

**Appendix 1** Commercial and Funding Models

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### **STATUTORY OFFICERS RESPONSE:**

**i. Monitoring Officer – Host Authority:**

“The report provides an over view in relation to a key element of developing the Programmes and Projects within the Growth Deal. As noted the work stream requires detailed and specialist consideration in order to establish options on the way forward.”

**ii. Statutory Finance Officer (the Host Authority's Section 151 Officer):**

“As noted in part 4.5 of the report, the Governance Workshop on the 14th February explored the apportionment of the borrowing costs across the partnership, while consideration of commercial and funding models will now also consider potential for providing growth deal funding in the form of a loan, or part loan, as well as the grant and investment options previously envisaged.

As suggested in part 4.2 of the report, various commercial and funding models may be applied to different projects. Clearly, exploration of solutions for individual projects will need to be sensitive to fulfil partners' expectations, and must be clarified in the Business Cases.

However, I welcome the unprejudiced willingness to consider new ideas such as loans, or part loans, which could assist the NWEAB to conscientiously address the £40million funding gap mentioned in part 4.4 of the report.”

**Appendix 1 – Commercial and Funding Models**

