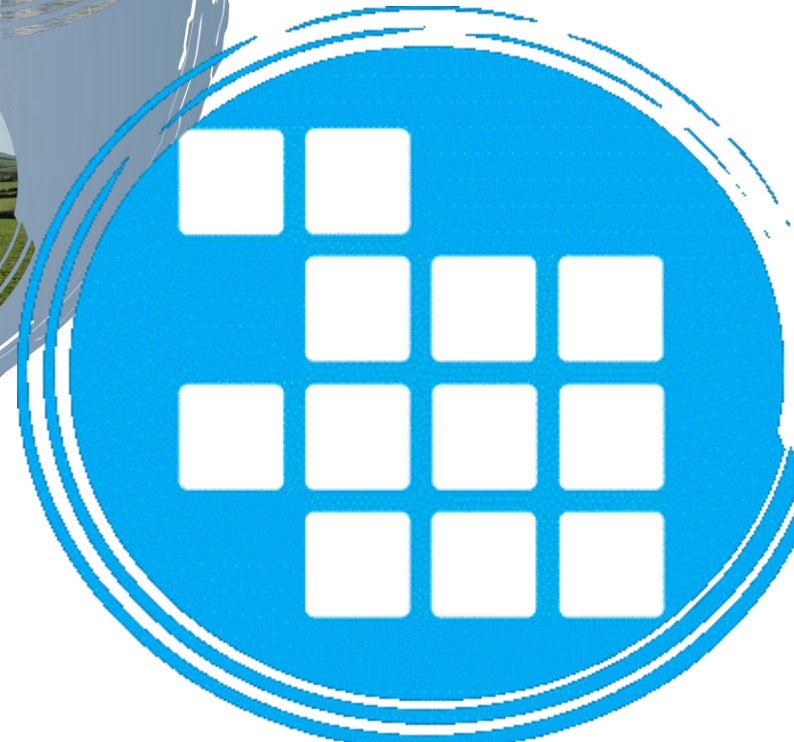


Executive Overview Agrifood and Tourism Programme



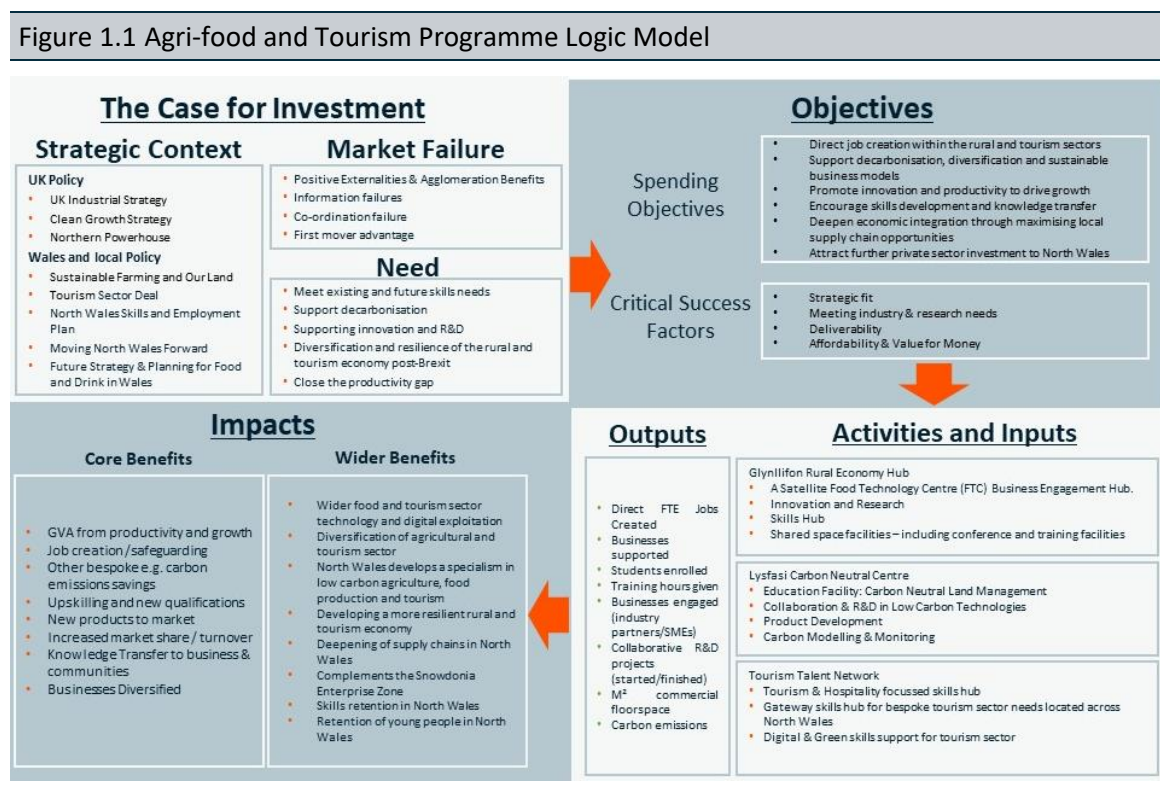
HATCH

Executive Overview

- i. The purpose of the business case is to demonstrate the optimal choice of projects for the delivery of the Agri-food and Tourism Programme, one of five programmes underpinning the North Wales Growth Deal. The business case follows the structure of the Five Case Model and HM Treasury Green Book principles. It is structured into five cases – strategic, economic, commercial, financial and management.
- ii. The North Wales Growth Deal is seeking to deliver a total investment of up to £1.1 billion in the North Wales economy (£240 million from the Growth Deal), to create 3,400 – 4,200 net additional jobs and generate £2.0- £2.4 billion in net additional GVA.
- iii. This programme will build on the well-established agricultural, food and drink sector in North Wales, as well as supporting further investment in high quality tourism to extend the tourism season. The aim – through the Growth Deal - is to build a more sustainable, vibrant and resilient foundation economy within the region, optimising opportunities for employment and prosperity through our environment and landscape.
- iv. The business case is intended to inform the Final Deal Agreement, which follows the Heads of Terms agreement with the Welsh and UK Governments in 2019.

The Strategic Case

A summary of the logic model for the Agri-food and Tourism Programme is set out below.



Source: Hatch

Strategic Context

- v. The North Wales Economic Ambition Board was established in 2012 and covers the six Local Authority administrative areas of the region of North Wales and University of Bangor, Glyndwr University, Coleg Cambria and Grwp Llandrillo Menai. The private sector has also shaped the deal through the North Wales Mersey Dee Business Council and the Business Delivery Group.
- vi. The aim of the Growth Deal is to build a more vibrant, sustainable and resilient economy in North Wales. Building on our strengths to boost productivity and tackling long term challenges and economic barriers to deliver inclusive growth. Our approach is to promote growth in a scalable, inclusive and sustainable way in line with the Future Generations Act.
- vii. The Growth Deal builds on the Growth Vision for North Wales, adopted in 2016:

“a confident, cohesive region with sustainable economic growth, capitalising on the success of high value economic sectors and our connection to the economies of the Northern Powerhouse & Ireland.”

- viii. The Growth Deal also aligns closely with the priorities of the UK and Welsh Governments in relation to economic development. There is particularly strong alignment with the UK Government’s **Industrial Strategy**, the Welsh Government’s **Economic Action Plan, the Well-being of Future Generations Act, and its cross-cutting themes**. Sustainability is at the core of the Growth Deal, and the investments will contribute towards Wales’ carbon emissions reduction targets.

The Case for Change

Spending Objectives

- ix. The Agri-Food and Tourism Programme Spending Objectives are focussed on both supporting economic growth and building sector resilience:

Spending Objective 1 - Jobs	To create between 310 - 380 new jobs in North Wales through the programme by 2036
Spending Objective 2 - GVA	To create net additional GVA of £230million - £281million through the programme by 2036
Spending Objective 3 Investment	To deliver a total investment of between £37million and £45million through the programme by 2036
Spending Objective 4 - Decarbonisation and sustainable business models	Educate businesses on the benefits of decarbonisation, diversification and sustainable business models. Create the conditions to enable business to reduce their carbon footprint and respond to emerging opportunities from the low carbon economy. 300-400 businesses diversifying from traditional core operation or adopting new technology/practices within the first five years of the programme.
Spending Objective 5 - innovation and productivity	To provide up to 4,000 – 6,000m ² of incubator, R&D and training floorspace to help encourage innovation, promote upskilling and support business growth within the agri-food and tourism sector.



Spending Objective 6 – Skills and knowledge transfer	Provide specialist skills and training provision, alongside collaboration opportunities for businesses, education providers and research institutions. Provide additional training to 2,500 people/businesses operating in the agri-food and tourism sectors over 5 years.
Spending Objective 7 - Local supply chain opportunities	Increase the % of supply contracts delivered through the programme with businesses located in North Wales – baseline to be agreed.

Existing Arrangements

- x. The Agri-food sector is a pillar of the North Wales economy, with estimates stating the food and farming industry employing around 20,900 people in North Wales in 2019, representing 6.6% of the regional workforce. In 2016, the sector contributed £371.5m to the Wales and UK economy, representing 3.4% of regional GVA¹. The land-based resource of the six counties of North Wales, are substantial and diverse and the land management is subsequently diverse with 355,000 ha of new and permanent pasture, 116,000 ha of rough grazing, 20,000 ha woodland and 24,000 ha crops spread across almost 6,900 farm holdings throughout the region, all of these of which have a key role to play in the balance of carbon capture and use.
- xi. Tourism is another well established and vital sector for the North Wales economy. There were approximately 37,200 people working in the tourism and hospitality industry in North Wales in 2019, representing 12% of the regional workforce. In 2016, the sector contributed £742million to the Wales and UK economy, representing 7% of regional GVA.

Business Needs

- xii. **Underinvestment in R&D and Innovation:** Spend across agri-food and tourism sectors equated to 1.3% of all R&D spend across all sectors in the UK in 2018, despite the sectors making up 10% of total employment². The sector has suffered from underinvestment in research and innovation with individual businesses unable to capture the positive externalities associated with R&D investment, not reflected in market prices.
- xiii. **Meeting existing and future skills needs:** The Employer Skills Survey indicated that 25% of restaurants and hotels reported skills shortages and 45% of businesses within primary industry (which includes agriculture).
- xiv. **Supporting decarbonisation across Wales and the UK:** Reducing carbon emissions and supporting decarbonisation is crucial to the future sustainability of Wales as recognised in the Well-being of Future Generations Act, which sets a target to reduce emissions by at least 80% against the 1990 baseline.
- xv. **Improving productivity in North Wales:** In 2017, gross output per hectare of agricultural land was £858 in Wales significantly lower than UK's most productive, which was the South East of England (£3,190 per ha). The tourism sector also suffers from lower productivity levels than

¹ North Wales Regional Skills Partnership; Labour Market Insights, June 2020

² ONS Business Register and Employment Survey, 2018; Employment by Sector

those seen in England, with GVA per employee in the tourism sector equating to £19,600, 14% lower than the equivalent metric in England (£22,700 per employee).

- xvi. **Diversification and resiliency of the economy:** agriculture, food and tourism sectors form the backbone of many local economies in North Wales. Therefore, there is an ambition to support businesses within these sectors who are embedded in their local communities, to increase their productivity, encourage skills progression, and develop more sustainable business models through improving their access to innovation hubs and new technology.
- xvii. **Lack of appropriate premises to support skills, innovation and growth:** Research carried out by Arad for the Glynllifon Rural Economy Hub indicates that the lack of food-grade premises, local product development facilities and technical support is holding back the potential of the sector, with individual businesses unable to access the skills and expertise to innovate and improve productivity via efficiency savings.

Potential Scope

- xviii. This programme will build on the well-established agricultural, food and drink sector in North Wales, as well as supporting further investment in high quality tourism to extend the tourism season. The aim is to build a more sustainable, vibrant and resilient foundation economy within the region, optimising opportunities for employment and prosperity through our environment and landscape.
- xix. The programme consists of three projects: Glynllifon Rural Economy Hub; Llysfasi Carbon Neutral Centre and the North Wales Tourism Talent Network.

Main Benefits

- xx. The programme will lead to a number of direct and indirect benefits for the North Wales economy. Some of the main benefits associated with meeting the programme's Spending Objectives are set out below:
 - **Direct and indirect job creation** - Helping to support higher value employment in rural areas, contributing to increased productivity levels locally;
 - **Skills and Knowledge Transfer** - Providing a sector specific training and support offer, delivered in partnership with local and regional providers, leading to improved competitiveness and resilience within the sector;
 - **Collaboration** - Fostering collaboration and interaction between academics, businesses, training providers and students and facilitating inter-disciplinary approaches to innovation in the rural economy and the food and drink sector in particular;
 - **Diversification and Resilience** - Developing more resilient businesses throughout North Wales in the future, via low carbon land management practices, diversification, upskilling and new technologies;

Main Risks

- xxi. There are a number of key risks to the successful delivery of the Growth Deal portfolio including resources; delivery; cost COVID-19; Brexit; climate-related risk; private and public sector investment; end user company involvement and political change. However, there are

specific risks such as lack or breakdown of collaboration, failure to recruit skills, loss of research leadership, that are applicable to the programme. The approach to managing these risks is considered in the Management Case.

Constraints and Dependencies

- xxii. Notable constraints on the delivery of the Growth Deal include the total funding package of £240m, the 15-year term of the Growth Deal, the requirement for solely capital funding and State Aid considerations. The Growth Deal is dependent on securing the final deal, and on the engagement and collaboration with the private and public sectors. Projects within the Programme may also be dependent upon supportive government policy that establishes support mechanisms and routes to market for emerging energy technologies.

The Economic Case

Critical Success Factors and Options Assessment

The three projects that comprise the Preferred Option are summarised below.

Project	Summary Description	Outputs	Cost/Ask
Project 1: Glynllifon Rural	The vision is to create a distinctive, world-class Rural Economy Hub at Glynllifon, offering a range of facilities and services to strengthen and enhance the regional economy, specifically through growing the food and drink sector. The Rural Economy Hub will deliver the following two facilities: <ul style="list-style-type: none"> • Knowledge Centre – which is centred on creating a pool of “know-how” and practical experience to support innovation and enterprise growth in the region. • Food Enterprise Park - which will include flexible food grade units designed to attract start-ups and growth SMEs. 	<ul style="list-style-type: none"> • Direct jobs • GVA (£) • Food grade accommodation floorspace developed (m2) • New businesses locating to Rural Economy Hub • Businesses supported by Rural Hub (services and facilities) 	<ul style="list-style-type: none"> • £10m Growth Deal • Total Cost - £13m
Project 2: Llysfasi Carbon Neutral Centre	Llysfasi Carbon Neutral Centre aims to lead North Wales to a resilient future where carbon neutral land management is at the centre of a developing renewable energy sector supporting a sustainable, thriving and healthy community covering the rural/urban mix of the region. The project will develop: <ul style="list-style-type: none"> • Educational facilities to enhance skills in Carbon Neutral land management among young people and existing SMES, to help develop carbon neutral business growth in North Wales. • Renewable energy technologies and their practical application in both rural and urban enterprises and community living. The centre will have a ‘science into 	<ul style="list-style-type: none"> • Direct jobs • GVA (£) • Knowledge transfer business communities supported through • Commercial innovation projects supported • Businesses diversified through support 	<ul style="list-style-type: none"> • £10m Growth Deal • Total Cost - £15.4m

practice' ethos and attract businesses with technologies that require testing and adaptive development for operation in rural and urban environments.

- Technologies that use precision management, supported by digitisation of management control data, to reduce carbon use.
- The use of carbon modelling to measure the impacts of renewable energy technologies, precision and digital techniques, and sequestration carbon offsetting on the goal of carbon neutrality.

Project Tourism Talent Network	<p>3: The Tourism Talent Network sets out ambitious plans to future-proof skills provision and increase commercial benefits from one of the most well established and fastest growing sectors in the region. The North Wales Tourism TALENT Network aims to stimulate public-private collaboration to coordinate action on skills and product development to transform and accelerate the growth of the tourism and hospitality sector in the region. The project will deliver the following benefits:</p>	<ul style="list-style-type: none"> • Jobs supported • No. of placements per year 	<ul style="list-style-type: none"> • £4.5m Growth Deal • Total Cost - £12.9m
	<ul style="list-style-type: none"> • Increased private sector investment in skills and work force development • Skills provision better aligned with employer needs • Tourism and hospitality recognised as an aspirational career of choice • Increase in student numbers with higher qualifications (NQF4) in tourism and hospitality sectors • Retention of graduates and young people in North Wales to work in the sector • More productive and competitive tourism and hospitality sector • Improved customer satisfaction • Improvement in standards of living across the region 		

xxiii. To demonstrate the strategic rationale for the Preferred Option, it was assessed against three alternative options: do nothing, a scaled down programme and a scaled up programme. Each option was scored based on how well it delivered against the programme spending objectives and five 'Critical Success Factors' (Strategic Fit, Value for Money, Commercial Sustainability, Deliverability and Partnership Support and Commitment). The Preferred Option is the only option which is effective across all Objectives and Critical Success Factors.

- xxiv. Each of the constituent projects within the Agri-Food and Tourism programme will develop a project-level options assessment within the project business case.

Economic Appraisal

- xxv. The Agri-food and Tourism Programme is expected to deliver between 310 – 380 net additional FTE jobs for North Wales, with a NPSV of £127million - £155million. Based on all public sector funding for the Growth Deal, it will deliver a benefit-cost ratio (BCR) of 3.8 – 4.7 (or 5.7 – 7.0 based on Growth Deal investment only).
- xxvi. In interpreting these figures it is important to note that there are a range of benefits that cannot be quantified or monetised in a robust fashion, but are still a significant consideration in the value for money case for the programmes. These include:
- Knowledge transfer
 - Agriculture/tourism diversification
 - Low carbon cluster development in agriculture, tourism & food
 - Retaining young people
- xxvii. There are a number of risks to generating the scale of economic benefits estimated, and the value for money assessment has been subjected to sensitivity testing at the programme level. The BCRs remain robust in the face of these tests.
- xxviii. A summary of the key findings from the economic appraisal of the Agri-Food and Tourism Programme is provided below.

Table 1.1 Appraisal Summary Table	
Net Present Social Value (£m) (including Optimism Bias)	£127 – £155 (£140 – £171 based on GD costs)
Public sector cost (£m, (undiscounted, excluding optimism bias)	£37 (£25 from Growth Deal)
Appropriate Benefits Cost Ratio	3.8 – 4.7 (5.7 – 7.0 Growth Deal investment)
Significant unmonetizable costs/benefits and unquantifiable factors	<ul style="list-style-type: none"> • Knowledge transfer • Agriculture/tourism diversification • Low carbon cluster development in agriculture, tourism & food • Retaining young people
Risk costs by type and residual optimism bias	24% optimism bias applied
Switching values (for the preferred option only)	A 84% reduction in job creation and economic value associated with tourism skills
Time horizon and reason	15 year appraisal period used All infrastructure assets will have a residual value at this point

The Commercial Case

Commercial Strategy

- xxix. The Economic Ambition Board is committed to maximising the economic impact and value for money of the North Wales Growth Deal. The Board also recognises the potential to generate a commercial return on investment that could be reinvested in the region. Each project business case will be expected to explore commercial investment opportunities.

Procurement Strategy

- xxx. Our procurement strategy responds to Welsh policy and procedures. All Growth Deal procurement activity will be underpinned by a guiding set of principles, which are summarised below.

Procurement policy and principles	
Policy drivers	<ul style="list-style-type: none">• North Wales Growth Vision• Wellbeing of Future Generations Act• Public Contract Regulations 2015• Welsh Public Procurement Policy Statement• Welsh Government Code of Practice Ethical Employment in supply chains• Government Commercial Operating Standards
Procurement Principles	<ul style="list-style-type: none">• Regional leadership• Developing the regional economy by including local and regional economic considerations in contract opportunities, and improving access to SMEs• Promoting the use of local suppliers and local supply chains where possible• Maximising skills and employability opportunities through contract opportunities• Supporting community development through community wealth building and inclusion of cultural and Welsh language considerations in contracts• Supporting environmental sustainability by including environmental considerations in contract opportunities and minimising carbon footprint of projects where possible• Ensuring effective spending and value for money via regional collaboration; effective performance, risk, contract and fraud management arrangements

- xxxi. Procurement activity will be the responsibility of the Lead Partner for each project. For regional projects, this responsibility will sit with the Portfolio Management Office (PMO).

The Financial Case

Capital and Revenue Requirements

- xxxii. The Agri-food and Tourism Programme is based on the delivery of three projects with a total capital expenditure of £41.3million, of which £24.5million is derived from the Growth Deal with the remainder provided by public and private sector partners.

- xxxiii. The capital expenditure requirements are based on the latest available project business cases and aggregated up to provide the programme estimates.

Project	Lead Partner	Growth Deal (£m)	Other Public (£m)	Private (£m)	Total (£m)
Glynllifon Rural Economy Hub Project	Grŵp Llandrillo Menai	10.0	3.0	-	13.0
The Llysfasi Carbon Neutral Centre	Coleg Cambria	10.0	2.7	2.7	15.4
Tourism TALENT Network	Grŵp Llandrillo Menai	4.5	6.7	1.7	12.9
Programme Total		24.5	12.4	3.7	41.3

Project Maturity

- xxxiv. The three projects within the programme are currently at different levels of maturity as shown by the table below:

Project	Business Case Stage*	Summary
Glynllifon Rural Economy Hub	OBC	Project has a well-developed OBC in place with minor revisions required before presentation to NWEAB for approval.
Llysfasi Carbon Neutral Centre	SOC	Project is ready to progress to the development of an OBC.
Tourism Talent Network	Project Review	An OBC was in place for the project pre-covid, however the project scope is to be reviewed to assess the impact of Covid-19.

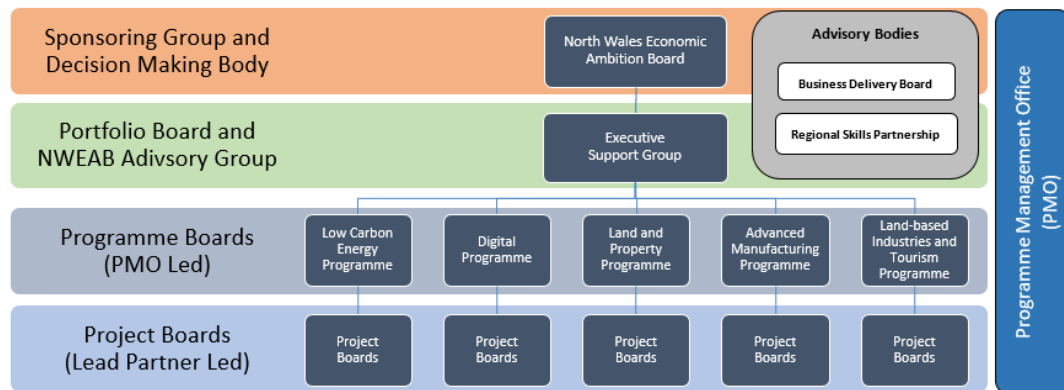
* Project business cases are developed in three stages – Strategic Outline Case (SOC), Outline Business Case (OBC), Full Business Case (FBC).

The Management Case

North Wales Growth Deal Delivery Structure

- xxxv. The diagram below sets the delivery structure for the Growth Deal building on the existing structures put in place by the EAB's Governance Agreement. Details on these roles are set out in the management case:

Figure 1.2 Growth Deal Delivery Structure



Source: NWEAB

- xxxvi. **Programme Boards** - Each programme will have a formal Programme Board and an appointed Senior Responsible Owner (SRO). These boards will be focused on the development (initially) and delivery of the agreed Programme Business Case, with a specific focus on the benefits and outcomes to be achieved. Programme Boards escalate to the Portfolio Board via the Programme Director. The Agri-Food & Tourism Programme SRO is Jane Richardson, Strategic Director of Economy & Place at Conwy County Borough Council and Chair of CADW.
- xxxvii. **Portfolio Management Office (PMO)** – The PMO supports and co-ordinates activity across the programmes acting as an information hub and ensuring a consistent approach to reporting, control of risk/issues and programme assurance. Each programme is assigned a Programme Manager from within the PMO. The Programme Manager for the Agri-Food & Tourism Programme is Robyn Lovelock.

Project Business Cases

- xxxviii. The North Wales Growth Deal is to be signed on the basis of a portfolio business case and five programme business cases. Once the final deal has been agreed, full 5 Case Model project business cases can be brought forward for the Economic Ambition Board to consider.

Risk Management

- xxxix. The Economic Ambition Board has an adopted Risk Framework for the delivery of the North Wales Growth Deal. The approach to risk management is outlined in the Growth Deal Risk and Issues Management Strategy and User Guide. The key principles and concepts outlined in this strategy are drawn from OGC Management of Risk literature.

Timeline and Milestones

- xl. The Economic Ambition Board is seeking approval of the North Wales Growth Deal in December 2020 with the signing of the Final Deal. Following Final Deal, project business cases will be brought forward for the Economic Ambition Board to consider from January 2021 onwards.

Monitoring, Evaluation and Feedback

- xli. Programme and project performance will be monitored on a monthly basis through the relevant programme and project boards with formal quarterly reports submitted to the Portfolio Board and the North Wales Economic Ambition Board. A Monitoring and Evaluation Plan has been developed for the North Wales Growth Deal and will be agreed with UK and Welsh Government as part of the Final Deal.

Assurance

- xlii. The PMO worked with the Welsh Government Assurance Hub to develop an Integrated Assurance and Approval Plan (IAAP) that sets out the assurance activities that will be undertaken at portfolio, programme and project level for the North Wales Growth Deal.
- xliii. As part of the IAAP, assurance activities will take place across all levels of the Growth Deal – portfolio, programme and project. The North Wales Growth Deal will utilise the pre-defined Gateway 0-5 and flexible Project Assessment Reviews (PAR) as appropriate and proportionate. The IAAP will be agreed with UK and Welsh Government as part of the Final Deal.

