



REPORT TO THE NORTH WALES ECONOMIC AMBITION BOARD
23 OCTOBER, 2020

TITLE: *Final Growth Deal*
AUTHOR: *Alwen Williams, Programme Director*

1. PURPOSE OF THE REPORT

- 1.1. The purpose of this report is to present the key documents required to reach Final Deal Agreement for the North Wales Growth Deal with the UK Government and Welsh Government.
- 1.2. These key documents include the following:
- Portfolio Business Case
 - Overarching Business Plan
 - Draft Final Deal Agreement
 - Governance Agreement 2

2. DECISION SOUGHT

- 2.1. To approve the submission of the Portfolio Business Case and the 5 Programme Business Cases to UK and Welsh Governments for Final Deal Agreement on the North Wales Growth Deal.
- 2.2. To recommend that each of the Partners individually approve the Overarching Business Plan that sets out the arrangements for delivering the North Wales Growth Deal as the basis for completing the Final Deal Agreement and acceptance of the Grant Funding Letter with the UK and Welsh Governments.
- 2.3. To recommend that each of the Partners individually approve and enter into Governance Agreement 2 and specifically adopt the delegations and Terms of Reference in "*Governance Agreement 2: Appendix 1*" thereof as the basis for entering into the Final Deal Agreement and acceptance of the Grant Funding letter with the UK and Welsh Governments.
- 2.4. To recommend approval of the method used to calculate the cost of borrowing notionally required to facilitate the negative cash flow for the Growth Deal, and the corresponding annual partner contributions required to meet this cost and the established core and supplementary contributions as set out in GA2 (and in paragraphs 5.5 - 5.7 below).
- 2.5. That the Programme Director in consultation with the Chair and Vice Chair of the NWEAB, the Accountable Body Monitoring Officer and the Accountable Body Section 151 Officer be granted delegated authority to agree minor changes to the documents as necessary to complete the agreement.

- 2.6. To approve the renaming of the of Programme Office to the Portfolio Management Office in line with best practice and as a consequence, and change the job title of the Programme Director to Portfolio Director.

3. REASONS FOR THE DECISION

- 3.1. In 2016 the North Wales Economic Ambition Board adopted A Growth Vision for the Economy of North Wales. Based on the Growth Vision Strategy, a Growth Deal was prepared and agreed by all the partners working with both the UK and Welsh Government and the private sector in October 2018. In November 2019 the NWEAB and the Welsh and UK Governments agreed the Heads of Terms, for Final Deal Agreement to be completed in 2020.
- 3.2. The NWEAB are committed to achieving the Final Deal Agreement with both Governments before the end of December 2020.
- 3.3. The Portfolio Management Office have developed the documentation required to submit to both Governments to reach Final Deal Agreement. The contents of these documents are outlined within this report, and copies of the documents attached as appendices.
- 3.4. This report recommends that the Programme Office is renamed as the Portfolio Management Office. This proposed change responds to questions raised during the recent gateway review with Welsh Government where the review team questioned the name of the Programme Office given the Growth Deal is a portfolio of programmes and projects. The proposed name 'Portfolio Management Office' aligns with recognised best practice and creates a clear differential between the role of the Director who has responsibility for the whole Growth Deal and the Programme Managers responsible for the delivery of individual programmes.

4. BACKGROUND AND RELEVANT CONSIDERATIONS

- 4.1. The North Wales Growth Deal is a portfolio consisting of 5 programmes to be delivered over the next 15 years. It is to be delivered by the Portfolio Management Office on behalf of the North Wales Economic Ambition Board.
- 4.2. The Growth Deal is seeking to deliver a total investment of up to £1.1bn in the North Wales economy (£240m from the Growth Deal), to create 3,400 – 4,200 net additional jobs and generate £2.0- £2.4 billion in net additional GVA.
- 4.3. The five programmes include 14 projects, which have been carefully designed and developed with stakeholders to address specific market failures and barriers to economic growth.
- 4.4. To agree the Final Deal with both Governments, the NWEAB have prepared a suite of documents, namely the Overarching Business Plan, Portfolio Business Case, Draft Final Deal Agreement and Governance Agreement 2.

4.5. Overarching Business Plan

- 4.5.1. The Overarching Business Plan developed by the Portfolio Management Office sets out the arrangements for delivering the North Wales Growth Deal, including an overview of the programmes and projects and to seek approval from each partner for the financial implications of delivering the deal.
- 4.5.2. A copy of the Overarching Business Plan is available in **Appendix 1**.

4.6. Portfolio Business Case

4.6.1. The Portfolio Business Case has been developed by the Portfolio Management Office with support from Hatch Regeneris.

4.6.2. The purpose of the portfolio business case is to provide an overview of the North Wales Growth Deal and its programmes.

4.6.3. The portfolio and programme business cases once approved as part of the Final Deal will be live documents used to manage the delivery of the Growth Deal on an ongoing basis and updated regularly as the programmes and projects develop.

4.6.4. The Portfolio Business Case follows the structure of the Five Case Model and HM Treasury Green Book principles. The Portfolio Management Office have consulted with UK and Welsh Government throughout the development of the business case.

4.6.5. The Portfolio Business Case consists of the five cases:

- **The Strategic Case:** the rationale for the Growth Deal investments, their objectives and fit with wider policy
- **The Economic Case:** the value for money provided by the Growth Deal
- **The Commercial Case:** the contractual and procurement approach to be taken
- **The Financial Case:** the costs and funding profile for the Growth Deal
- **The Management Case:** the approach to managing the Growth Deal

4.6.6. The portfolio business case document provides a summary investment proposal for the North Wales Growth Deal, to inform the agreement of a Final Deal in 2020. It accompanies the Programme level business cases, which set out the detail for the five constituent programmes using the Five Case Model framework.

4.6.7. The Portfolio Business Case is available in **Appendix 2**.

4.6.8. The Portfolio Business Case is supported by a set of programme level business cases, which provide details on the five individual programmes. The programme business cases are summarised below, and the executive Summaries are available in **Appendix 3** (full copies of the programme business cases are available on request).

4.6.9. Low carbon energy

Strategic aims: To unlock the economic benefits of transformational low carbon energy projects and position North Wales as a leading UK location for low carbon energy generation, innovation and supply chain investment.

Types of intervention: Enabling works for new low carbon energy generation, enhancing research and innovation facilities for low carbon energy sectors, transport decarbonisation and support for local energy projects.

4.6.10. Innovation in high value manufacturing

Strategic aims: To consolidate North Wales' position as a powerful and innovative high value manufacturing cluster, building on existing specialisms and leading expertise to create a higher value, more diverse economic base that supports the transition to a low carbon economy.

Types of intervention: Industry and research collaborations along with the establishment of centres of excellence to help overcome barriers and market failures in the research commercialisation process.

4.6.11. Agri-food and tourism

Strategic aims: To build a more sustainable, vibrant and resilient foundation economy within the region, optimising opportunities for employment and prosperity through our environment and landscape.

Types of intervention: Introducing new technologies & innovation, skills and practices to these sectors, via business support and upskilling.

4.6.12. Land and property

Strategic aims: To address the shortage of suitable land and properties for business growth and to bring forward sites for housing development and to deliver improvements that stimulate investment in the Port of Holyhead and the wider region. These projects will play an enabling role for the other programmes by ensuring that serviced sites are available for investors and developers.

Types of intervention: The provision of primary services and enabling works to bring forward commercial and housing development sites, delivery of employment floor space and future proofing and capacity enhancement works to the port of Holyhead.

4.6.13. Digital

Strategic aims: To deliver the step change in digital connectivity needed to ensure North Wales is able to satisfy user demand, maintain pace with the rest of UK, unlock the growth potential of priority sectors and sites and underpin a flourishing innovation ecosystem. Plays an enabling role for other programmes to deliver maximum benefit.

Types of intervention: The programme has identified a need to which balance investment in infrastructure and technology, through enhanced fixed broadband footprint at key sites in rural areas, unlocking applications through 5G access, and furthering digital innovation.

4.6.14. The Growth Deal is based on 14 transformational projects to be delivered across the 5 programmes named above. Individual project business cases will be developed and will be presented to the NWEAB for approval from January 2021 onwards.

4.7. Final Deal Agreement

4.7.1. The Heads of Terms Agreement was agreed by the NWEAB, Welsh Government and UK Government in November 2019, with the aim for Final Deal Agreement to be completed in 2020.

4.7.2. The Draft Final Deal Agreement was developed collaboratively between the NWEAB and both Governments.

4.7.3. The Final Deal Agreement is the contract between the NWEAB, UK Government and Welsh Government for the delivery of the North Wales Growth Deal.

4.7.4. The Final Deal will be signed on the basis of the portfolio business case and five programme business cases.

4.7.5. The Draft Final Deal Agreement is included in **Appendix 4**.

4.8. Governance Agreement 2

4.8.1. Governance Agreement 2 has been developed by the regional Heads of Legal with expert and independent advice by legal advisers Pinsent Masons.

4.8.2. Governance Agreement 1 was adopted into in order to take forward the formal offer of funding to both Governments. Government Agreement 2 will take the partnership into the implementation stage of the Growth Deal. The agreement is a partnership agreement between the 6 Local Authorities and the Partner University and College bodies. It continues the governance model adopted in GA1 namely a Joint Committee supported by a host authority and provides for the commitments and responsibilities of the Partners to the partnership. It also defines the relationship between the Board and its constituent Partner organisations, the limits of delegation and accountability.

4.8.3. Governance Agreement 2 is a necessary element for implementing the Growth Deal. It provides assurance to the Governments as to the governance of the partnership. It establishes a legally binding commitment by and to the Partners and Accountable Body which is necessary to enable the Growth Deal Final Agreement and Grant Letter to be agreed. Without that assurance the Final Deal Agreement and the Grant Offer Letter could not be entered into on behalf of the Partners.

4.8.4. A more detailed explanatory summary of Governance Agreement 2 is provided in **Appendix 5** and a copy of Governance Agreement 2 is included in **Appendix 6**.

5. FINANCIAL IMPLICATIONS

5.1. There is a medium-term temporary funding gap between the expected expenditure profile of the Growth Deal and the expected profile of government funding received over 15 years. The NWEAB, through the host authority, will be responsible for managing this negative cash flow, and have worked with Arlingclose to model the cost of borrowing notionally required to facilitate the negative cash flow for the Growth Deal, and the corresponding annual partner contributions required to meet this cost.

5.2. With a range of assumptions to consider, the NWEAB have forecasted a range of figures, modelled as the best case scenario (Version 1) and the worst case scenario (Version 2), to reflect the timing of finalising the Growth Deal and consequent timing of government grant funding. The difference between the best and worst case scenarios highlights the importance of finalising the Growth Deal by the end of the calendar year. In both versions the other variables, i.e. interest rate and NNDR income have remained the same. The interest rate used was 2.2% and is considered to be a prudent assumption. The NWEAB will utilise its “retained” NNDR grant from Welsh Government to offset against the negative cash flow, with the net total cost (£12.46m - £17.73m) met by the local authorities (proportional to population) for regional NWEAB projects, and with project lead sponsors responsible for the cost in relation to their projects.

5.3. Any changes to the projects, will result in a reserved matter if it means increasing partner contributions (e.g. change from project lead sponsor to NWEAB, lower NNDR yield, higher cost, earlier spend profile).

5.4. 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 Lead Sponsor to deal with in relation to their projects.

5.5. The table below shows the **total (15 years) partner contributions** to cover the cost of ‘borrowing’ notionally required to facilitate the negative cash flow.

| Version | Bangor University | Glyndwr University | Grŵp Llandrillo Menai | Coleg Cambria | Other Commerical Partners | Conwy | Denbighshire | Flintshire | Gwynedd | Isle of Anglesey | Wrexham | Total |
|---------|-------------------|--------------------|-----------------------|---------------|---------------------------|-------|--------------|------------|---------|------------------|---------|-------|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| 1 | 1.40 | 0.51 | 0.75 | 0.52 | 2.29 | 1.17 | 0.96 | 1.56 | 1.24 | 0.70 | 1.36 | 12.46 |
| 2 | 1.99 | 0.73 | 1.07 | 0.74 | 3.24 | 1.67 | 1.36 | 2.22 | 1.77 | 1.00 | 1.94 | 17.73 |

5.6. The table below shows the **annual partner contributions** to cover the cost of ‘borrowing’ notionally required to facilitate the negative cash flow.

| Version | Bangor University | Glyndwr University | Grŵp Llandrillo Menai | Coleg Cambria | Other Commerical Partners | Conwy | Denbighshire | Flintshire | Gwynedd | Isle of Anglesey | Wrexham | Total |
|---------|-------------------|--------------------|-----------------------|---------------|---------------------------|---------|--------------|------------|---------|------------------|---------|-----------|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| 1 | 93,330 | 34,000 | 50,000 | 34,670 | 152,660 | 78,010 | 64,000 | 104,000 | 82,670 | 46,670 | 90,670 | 830,680 |
| 2 | 132,670 | 48,670 | 71,330 | 49,330 | 216,000 | 111,340 | 90,670 | 148,000 | 118,000 | 66,670 | 129,340 | 1,182,020 |

5.7. These annual partner contributions above are in addition to the established ‘core’ and ‘supplementary’ annual contributions below.

| Contributions | Bangor University | Glyndwr University | Grŵp Llandrillo Menai | Coleg Cambria | Conwy | Denbighshire | Flintshire | Gwynedd | Isle of Anglesey | Wrexham | Total |
|---------------|-------------------|--------------------|-----------------------|---------------|--------|--------------|------------|---------|------------------|---------|---------|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Core | 25,000 | 25,000 | 25,000 | 25,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 400,000 |
| Supplementary | 0 | 0 | 0 | 0 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 240,000 |

6. LEGAL IMPLICATIONS

6.1. The report explains relevant provisions of Governance Agreement 2 (GA2), The Overarching Business Plan (“OBP”) and the Final Deal Agreement. They form part of the legal implications, but in order to avoid duplication are not repeated in this section.

6.2. The recommendations in the report are made pursuant to the powers conferred on the Councils under sections 101, 102, 111 and 113 of the Local Government Act 1972, section 1 of the Local Authority (Goods & Services) Act 1970, section 25 of the Local Government (Wales) Act 1994, section 2, 19 and 20 of the Local Government Act 2000, section 9 of the Local Government Wales Measure 2009 and all other enabling powers now vested in the Councils.

6.3. The provisions of the Local Government and Elections Bill (Wales) 2019 in relation to proposed Corporate Joint Committees (CJC’s) and the recent publication of a consultation document on the proposed regulations are clearly of relevance to the matters addressed in this report. However, the North Wales Economic Ambition Board has been in operation as a formal Joint Committee since January 2019. GA2 does not change this basic governance model but is a necessary component to enable the Partners to commit to the Growth Deal within the given time frame. As a result there is no proposal to make any changes to the recommendations pending the advent of CJC’s although GA2 does acknowledge the provisions of the Bill and the possibility of future review.

- 6.4. The OBP is a key document in relation to the delivery of the Growth Deal. The content of the Plan serves to create a legitimate expectation that the Programmes will be progressed as set out in the Plan. Accordingly, it is important that each Partner is content with the content of the OBP. Decisions relating to the delivery of the programmes and projects will need to be considered in accordance with the provision set out in GA2 at which stage any legal issues raised in relation to a specific project can be considered and detailed legal advice provided.
- 6.5. In considering this matter regard should be had, amongst other matters, to the Councils duties under the Wellbeing of Future Generations (Wales) Act 2015. In summary the Act places a duty on public bodies in to act in accordance with the principle of sustainable development so as to ensure that the needs of the present can be met without undermining the ability of future generations to meet their needs. This is in order to improve the economic, social, environmental and cultural well-being of Wales. The OBP explains that the Wellbeing of Future Generations (Wales) Act 2015 will be intrinsic to the development and implementation of the Growth Vision and Growth deal.
- 6.6. A Well-being and Equality Assessment has been undertaken and is included in **Appendix 7**. Regard should be had to the same in reaching a decision on this matter.
- 6.7. Regard has been given to public sector duties under the Equalities Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties Councils must in making decisions have due regard to the need to:
- a. eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by that Act;
 - b. advance equality of opportunity between people who share a relevant protected characteristic and those who do not;
 - c. foster good relations between people who and share a protected characteristic and those who do not.
- 6.8. In Wales, public sector bodies listed are required to take certain steps in order to demonstrate that they have due regard to the public sector equality duty. These Welsh specific equality duties include assessing the impact of policies and procedures on equality (often called Equality Impact-Assessment).
- 6.9. The Well-being and Equalities Assessment demonstrates that the detail contained in the preparation of and in the draft OBP demonstrates compliance with the well-being 5 ways of working, supports the well-being goals and identifies that the Growth Vision and Growth Deal will a positive impact on all groups and people with protected characteristics.

7. STAFFING IMPLICATIONS

- 7.1. None.

8. IMPACT ON EQUALITIES

- 8.1. Copies of the impact assessments are included in **Appendix 7-8**.

9. CONSULTATIONS UNDERTAKEN

- 9.1. On 7th of October, 2020 the contents of this report and the documentation was supported by the Executive Officers Group.

- 9.2. A report and the relevant documents have been circulated to all partner organisations. The covering report and appendices will be presented to all six local authority Scrutiny, Cabinet and Council Meetings – copy of the draft report can be found in **Appendix 9**.
-

APPENDICES:

| | |
|-------------------|--|
| Appendix 1 | Overarching Business Plan* |
| Appendix 2 | Portfolio Business Case* |
| Appendix 3 | Programme Business Cases: Executive Summaries* (full copies of the programme business cases are available on request) |
| Appendix 4 | Draft Final Deal Agreement* |
| Appendix 5 | Summary of Governance Agreement 2* |
| Appendix 6 | Governance Agreement 2* |
| Appendix 7 | Equality Impact Assessment |
| Appendix 8 | Welsh Language Impact Assessment |
| Appendix 9 | Draft Report to Scrutiny, Cabinet and Council Meetings |

**subject to final edit and proof read*

STATUTORY OFFICERS RESPONSE:

i. Monitoring Officer – Host Authority:

“I have contributed to the preparation of this report and I have no specific observations to add in relation to propriety but I will be in a position to give further guidance at the meeting.”

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

“I have contributed to the financial aspects of the report and support the recommendations.”