



REPORT TO THE NORTH WALES ECONOMIC AMBITION BOARD
5th May 2023

TITLE: Portfolio Management Office Resourcing

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1. PURPOSE OF THE REPORT

- 1.1. The purpose of the report is to set out options for resourcing the Portfolio Management Office over the next four years to oversee the key delivery period of the North Wales Growth Deal.

2. DECISION SOUGHT


- 2.1. That the Board approve the increase in the amount of Growth Deal grant available to support the Portfolio Management Office from 1.5% to 2% reducing the overall amount of funding to support new projects through the project replacement process by £1.2million and to consider a further increase should there be any unallocated funding at the end of the process to select replacement projects for the Growth Deal.

3. REASONS FOR THE DECISION

- 3.1. The ESF funding for the Portfolio Office will be concluded in June 2023. A decision is needed as to the future funding arrangements of the Portfolio Office.

4. BACKGROUND AND RELEVANT CONSIDERATIONS

- 4.1. The Portfolio Management Office was initially established in January 2020 with a small complement of staff. Following a successful bid for a European Structural Funds (ESF) grant, the team was expanded and there are currently 19.4 FTE in the core Portfolio Management Office. This does not include 2 members of staff within the Regional Skills Partnership and 3 members of staff within the Strategic Energy Team to support development of Local Area Energy Action Plans which are funded by specific Welsh Government grants.
- 4.2. The ESF grant secured is until the end of June 2023 with the majority of staff within the Portfolio Management Office (excluding 7 permanent posts) initially employed on fixed term contracts until 30 June 2023. The Board took the decision in March 2022 to extend these fixed term contracts until March 2024 to be funded from existing resources including the use of reserves, capitalisation of salaries and the Growth Deal grant.

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- 4.3. This decision mitigated the risk of staff leaving in the short term over the past year, however the risk remains significant given the majority of the team are now within the last 12 months of their contracts. This now represents a significant risk to Growth Deal delivery as contracts cannot be extended further without additional funding being identified and secured.
- 4.4. Resources within the core Portfolio Management Office have reduced to 19.4 FTE recently with three members of the team leaving to take on new roles with increased job security. This highlights the risk presented by the current contractual position.

Guiding principles for resourcing

- 4.5. Since the start of the year, the Portfolio Director and Head of Operations have engaged extensively with senior officers across the partnership to discuss the challenges and options to enable the resources required to deliver the Growth Deal to be secured. Through these discussions a series of guiding principles were developed which have informed this paper:

Strategic Principles


- The partnership (Councils and Advisors) has signed up to the Growth Vision for North Wales
- The partnership (Councils and Advisors) has committed to the delivery of the Growth Deal (4,200 jobs and £1bn investment) and need to find a solution to enable the delivery of the Deal
- The financial situation of local authorities and HE/FE partners is extremely challenging and must be taken into consideration

Resourcing Principles

- The Growth Deal is entering a critical period of delivery of the next 3-4 years which will be the most resource intensive period
- There is a need to provide resource certainly to provide confidence to government and to enable staff retention
- The Portfolio Management Office resources to deliver the Growth Deal should be efficient and effective and reduce over time
- The Portfolio Management Office should continue to explore avenues to secure additional funding and deliver income from Growth Deal projects

Alternative sources of funding

- 4.6. Following the discussions two primary sources of potential funding for the Portfolio Management Office were identified and pursued.
- 4.7. The Portfolio Management Office developed and submitted a regional Shared Prosperity Fund application. The outcome of the application is not yet known.
- 4.8. The Portfolio Management Office has written to both governments requesting flexibility to increase the amount of Growth Deal capital funding utilised to support the PMO from 1.5% to 2%. This increase would make an additional £1.2m available to support Growth Deal delivery.
- 4.9. Welsh Government and UK Government officials have confirmed in writing that this is a decision for the Economic Ambition Board to determine but that in making a decision to



increase the percentage the Board should give consideration to the need to deliver the agreed outcomes and benefits of the Growth Deal which have been agreed. Both governments have also indicated they will want assurances that in allocating resources in this way, it will support an improvement in delivery, as well as a structure which is efficient and sustainable, delivering for the whole life of the Growth Deal.

Initial 2 Year Resourcing Recommendation

- 4.10. The recommendation to the Board is to increase the amount of Growth Deal grant available to support the Portfolio Management Office from 1.5% to 2% and to increase this further should there be any unallocated funding at the end of the replacement projects process for the Growth Deal funding.
- 4.11. The funding would be taken from the current unallocated funding, therefore reducing the amount available for new projects. As a result, there would be no financial impact on existing Growth Deal projects from this decision. While this would reduce the amount of funding available for new projects by £1.2m, the impact on the process is considered to be minimal and manageable through the process.
- 4.12. The proposal is to utilise 50% of the additional £1.2m to enable the extension of current fixed term contracts within the team to March 2025, mitigating the risk of staff leaving over the course of the next year. Should the Portfolio Management Office be successful in securing additional revenue funding this exact amount of funding used from this source may reduce and be reallocated across other years.
- 4.13. That the Board note that in approving the increase set out in 2.1 this would enable the Portfolio Director to extend fixed term contracts within the Portfolio Management Office by a further 12 months until end of March 2025, however no further extension could be provided until other alternative funding sources are secured.
- 4.14. Without securing additional revenue funding the resources within the Portfolio Management Office would need to be reduced by approximately a further 11 FTE from 2025-26 onwards. Should the SPF application be unsuccessful, the Board will need to consider the option of requesting additional one-off contributions from the Economic Ambition Board partners to enable the retention of the resources required to deliver the Growth Deal over this crucial four-year period. In this scenario, the Portfolio Director will bring forward an options paper to a future meeting. No decision is sought on any additional partner contributions from the Board at this meeting.

5. FINANCIAL IMPLICATIONS

- 5.1. Increasing the amount of Growth Deal grant available to support the Portfolio Management Office from 1.5% to 2% would reduce the overall amount of funding to support new projects through the project replacement process by £1.2million.
- 5.2. Should the external funding application be unsuccessful there will be a requirement for additional funding to be identified and consideration will need to be given to requesting additional funding from the Economic Ambition Board partners.

6. LEGAL IMPLICATIONS

- 6.1. Provisions in GA2 mean that unless alternative sources of funding are secured by the Board any additional funding required from Partner resources is a matter reserved to the Councils and Advisors.

STATUTORY OFFICERS RESPONSE:

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

“The report appropriately sets out the position with regard to the conclusion of ESF funding and the risk context of the solutions. It also highlights the role of the Partners in finding a resolution to the issue going forward which is reflective of GA2.”

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

“A proportion of the £240million Growth Deal grant can be used to contribute to the running costs of the Portfolio Management Office. We are currently planning on the basis that 1.5% of the grant will be used for this purpose and increasing the rate to 2% would make an additional £1.2million available towards the running costs of the PMO. The result will be a corresponding £1.2million reduction in capital funding available over the life of the Growth Deal. I believe that the report explains the situation clearly, accurately and fairly; the current situation means that Ambition North Wales risks losing key officers at a critical stage, and I therefore support the decision sought.”