



Complete Agenda

**Bwrdd Uchelgais Economaidd
Gogledd Cymru**

**North Wales
Economic Ambition Board**

Meeting

NORTH WALES ECONOMIC AMBITION BOARD

Date and Time

10.00 am, FRIDAY, 24TH MARCH, 2023

Location

Virtual Meeting - Zoom

(For public access to the meeting, please contact us)

Contact Point

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(DISTRIBUTED 17/03/23)

NORTH WALES ECONOMIC AMBITION BOARD

MEMBERSHIP OF THE JOINT COMMITTEE

Voting Members

Councillors

Jason McLellan	Denbighshire County Council
Llinos Medi Huws	Isle of Anglesey County Council
Mark Pritchard	Wrexham County Borough Council
Ian B. Roberts	Flintshire County Council
Charlie McCoubrey	Conwy County Borough Council
Dyfrig Siencyn	Cyngor Gwynedd

Advisers - Non-voting

Dafydd Evans	Grwp Llandrillo Menai
Maria Hinfelaar	Glyndwr University
Yana Williams	Coleg Cambria
Askar Sheibani	Business Delivery Board
Professor Edmund Burke	Bangor University

Chief Officers - Non-voting

Dylan Williams	Isle of Anglesey County Council
Rhun ap Gareth	Conwy County Borough Council
Neal Cockerton	Flintshire County Council
Dafydd Gibbard	Cyngor Gwynedd
Ian Bancroft	Wrexham County Borough Council
Graham Boase	Denbighshire County Council

Officers in Attendance

Dewi Morgan	Section 151 Officer
Iwan G. Evans	Monitoring Officer
Alwen Williams	Portfolio Director
Hedd Vaughan Evans	Operations Manager
Nia Medi Williams	Senior Executive Officer

A G E N D A

1. APOLOGIES

To receive any apologies for absence.

2. DECLARATION OF PERSONAL INTEREST

To receive any declarations of personal interest.

3. URGENT BUSINESS

To note any items that are a matter of urgency in the view of the Chair for consideration.

4. MINUTES OF THE PREVIOUS MEETING

4 - 13

The Chair shall propose that the minutes of the meeting held on 3rd February, 2023 be signed as a true record.

5. 2023-24 REVENUE AND CAPITAL BUDGET

14 - 25

Dewi A Morgan, Host Authority Head of Finance (Statutory Finance Officer) and Sian Pugh, Host Authority Assistant Head of Finance, to present the report.

6. NORTH WALES CORPORATE JOINT COMMITTEE (CJC) - 26 - 28 EXTENDING THE PART-TIME SECONDMENT OF THE AMBITION NORTH WALES' PORTFOLIO DIRECTOR AS INTERIM CJC CHIEF EXECUTIVE

Dylan Williams, North Wales Councils' Lead Chief Executive for the Economic Ambition Board, to present the report.

7. SMART LOCAL ENERGY - OUTLINE BUSINESS CASE

29 - 68

Elgan Roberts, Energy Project Manager, to present the report.

NORTH WALES ECONOMIC AMBITION BOARD 3/02/23

Present:

Voting Members - Councillors:- Jason McLellan (Denbighshire Council), Ieuan Williams (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 – Paul Bevan (Grŵp Llandrillo-Menai), Dr Maria Hinfelaar (Glyndŵr University), Askar Sheibani (Business Delivery Board) 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 (Group Accountant - Corporate and Projects - Host Authority), David Mathews (Land and Property Programme Manager), Stuart Whitfield (Digital Programme Manager), Graham Williams (Energy and De-carbonisation Project Manager), Henry Aron (Energy Programme Manager), David Roberts (Chair of North Wales Regional Skills Partnership), Sian Lloyd Roberts (Regional Skills Manager) and Eirian Roberts (Democracy Services Officer).

Observers - Dewi Williams (Welsh Government), Gareth Ashman and Darnley Reid (UK Government)

The substitutes and representatives of both Governments were welcomed to the meeting.

1. APOLOGIES

Apologies were received from Councillor Llinos Medi Huws (Isle of Anglesey County Council), Dafydd Evans (Grŵp Llandrillo-Menai), Professor Edmund Burke (Bangor University) and Wendy Boddington (Welsh Government).

2. DECLARATION OF PERSONAL INTEREST

Chris Drew (Bangor University) declared a personal interest in item 7 - Egni Change Request and Project Replacement Process Update, due to the fact that the report involved the University's request to change the Egni Project.

Paul Bevan (Grŵp Llandrillo-Menai) and Maria Hinfelaar (Glyndŵr University) declared a personal interest in item 11- Portfolio Delivery Fund 2023-24 - Change Requests, as the report referred to allocating specific resources to Grŵp Llandrillo-Menai and Glyndŵr University projects, and due to the direct funding nature of the item.

The representatives were of the opinion that they were prejudicial interests, and they withdrew from the meeting during the discussion on those items.

3. URGENT ITEMS

None to note.

4. MINUTES OF THE PREVIOUS MEETING

The Chair signed the minutes of the previous meeting, held on 9 December 2022, as a true record.

5. NORTH WALES GROWTH DEAL - QUARTER 3 PERFORMANCE AND RISK REPORT

The report was submitted by Hedd Vaughan-Evans (Head of Operations) and the programme manager elaborated on the highlights of individual programmes.

RESOLVED

- 1. That the Board considers and notes the Quarter 3 Performance Report and updated Portfolio Risk Register.**
- 2. That the Board approves the submission of the Quarter 3 Performance Report to the Welsh Government and UK Government, as well as the local authority scrutiny committees.**

REASONS FOR THE DECISION

Quarterly reporting on progress against the North Wales Growth Deal is one of the requirements of the Final Deal Agreement. Following the NWEAB's consideration, the reports would be shared with Welsh Government, UK Government as well as the local authority scrutiny committees.

DISCUSSION

Details were provided about the background and relevant considerations and the consultations held.

It was enquired whether there was a plan to deal with the substantial risk that staff of the Portfolio Management Office, who were on fixed term contracts, may look for other opportunities. It was noted that there was a shortage of people with skills at present and that major companies were looking for a skilled workforce.

In response, it was noted that this was a high risk. It was explained that an investment had been made in resources within the Portfolio Management Office, and that current staff were very skilled in responding to the requirements of the UK Treasury in terms of business cases, namely the exact skills that many companies were looking for. This was being discussed with all North Wales Ambition funding partners and there was a number of potential options. It was intended to submit a paper to the Board in future offering options in terms of mitigation and responding to the risk.

Attention was drawn to a small error under the Low Carbon Energy Programme, which noted that the RAG status of the Innovative Local Energy project was green, although the logic referred to an amber score.

The officers were thanked for their detailed work in reporting back on performance and risks.

6. 2022/23 REVENUE AND CAPITAL BUDGET - END OF DECEMBER 2022 REVIEW

The report was presented by Sian Pugh (Group Accountant).

RESOLVED

1. To note and accept the NWEAB's revenue end of December 2022 review (Appendix 1 to the report), which includes using a further reduced amount from the North Wales Growth Deal grant to show a neutral position for the year.
2. To note and accept the NWEAB's reserves update (Appendix 2).
3. To agree the NWEAB's revised capital expenditure profile (Appendix 3).

REASONS FOR THE DECISION

It was noted that a further underspend of £127,078 was forecast against the revenue budget in 2022/23. Any underspend at the end of the financial year may be transferred to reduce the amount used from the North Wales Growth Deal Grant.

To note the removal of two projects from the capital programme, which leaves £19.7m of the capital budget now unallocated to projects. The Board approved on 9 December 2022 for £7m of this funding to be allocated to a Portfolio Delivery Fund to support mature projects to move into delivery during 2023/24 and the remainder will be offered to new projects.

DISCUSSION

Details were provided about the background and relevant considerations and the consultations held.

Referring to the table in Appendix 3 of the report, it was noted that there was a presumption that substantial funding would start streaming into projects not allocated during 2024/25 and, therefore, there was a need for the whole proposal submission process for alternative projects to take place much faster than what had been happening so far.

In response, it was noted that one of the main considerations in terms of alternative projects was their ability to deliver. A project could not be conceptual and had to be nearing maturity for investment. The project would also have to indicate that it met the core objectives of creating new jobs within the economy, as well as bring forward private investment. They were seeking investment projects that were able to deliver against the core investment objectives, and it was believed that this had been clearly outlined in the criteria that had previously been agreed upon for new projects.

7. Egni CHANGE REQUEST AND PROJECT REPLACEMENT PROCESS UPDATE

The report was submitted by Hedd Vaughan-Evans (Head of Operations) and Henry Aron (Energy Programme Manager).

RESOLVED

1. To agree to the change request submitted by Bangor University to retain phase 1 of the Egni project within the North Wales Growth Deal and withdraw phase 2 of the project.
2. To allocate the funding released from Egni Phase 2 to the project replacement process and to extend the scope as set out in this report.
3. To agree to the scope and minimum requirements for replacement Low Carbon Energy projects as set out in the report.
4. To agree to the revised timetable set out in this report for the project replacement process including a formal launch in February 2023.

- 5. To delegate authority to the Portfolio Director, in consultation with the Chair and Vice-chair, to implement the Project Replacement Process as set out in this report and to undertake all necessary steps required to finalise the documentation required to commence the process.**

REASONS FOR THE DECISION

The North Wales Growth Deal has a change management process in place to ensure potential changes to the scope of the Growth Deal and the projects are captured, assessed and where relevant considered by the Board.

The Final Deal agreement sets out the board position in relation to potential replacement projects:

"Any new or replacement projects to be brought forward for consideration must demonstrate delivery against the relevant programme business case and the objectives of the portfolio business case. Where those projects are within the existing agreed financial envelope for the partnership, those projects would be a matter for the Economic Ambition Board to decide."

In December 2022, the Board agreed the criteria for the original project replacement process to be launched on the 16th January. The Portfolio Director, in consultation with the Chair of the Economic Ambition Board took the decision to delay the process having been informed of the change request to be submitted by Bangor University regarding the Egni project which would have implications for this process.

The Egni project with Bangor University has been reporting red for over 12 months and has been under review by the Portfolio Management Office. A two-phase approach to the project was being explored with the University to accelerate delivery.

The original scope of the Egni project was to invest in the development of infrastructure at Bangor University and Menai Science Park, enhancing the North Wales and UK capabilities for innovation in low carbon energy and related areas, helping to create the conditions for new inward investment and business growth in the low carbon energy supply chain in North Wales.

As a result of delays to the development of the business case, escalating costs and a lack of certainty regarding the wider Bangor University estates strategy, the Portfolio Management Office have been working with the University to develop a phased approach to the project. Phase 1 would focus on the smaller development at the Menai Science Park, with Phase 2 comprising of the wider Bangor University campus facilities

Bangor University have submitted a change request to the Economic Ambition Board to retain phase 1 (new development at Menai Science Park) within the Growth Deal and to withdraw Phase 2 (wider University campus development).

DISCUSSION

Details were provided about the background and relevant considerations and the consultations held.

Referring to paragraph 4.9 of the report (creating a new building and facilities at the Menai Science Park), it was enquired how the number of net jobs had increased from 20 to 49 when the investment total had reduced.

In response, it was explained that it was likely that the original figures for the project had provided an estimate that was much too low in terms of the number of jobs created by the

project, and had provided an estimate that was too high in terms of the private sector investment that would be attracted by the project. This was a positive development in terms of jobs as the smaller project would provide more jobs, but was negative in terms of private sector investment. It also released the majority of the £21m from Growth Deal funding to seek alternative projects. There was originally no specific requirement in terms of match funding for projects and this varied from one project to the other, depending on their nature. Clearly, there was a general portfolio target that was based on those original figures, so that anything that derived from the Growth Deal would contribute towards those targets that were aimed for by means of any alternative project that would be selected by the Board in due course.

Referring to recommendation 2.5 in the report, which requires the delegation of authority to the Portfolio Director, in consultation with the Chair and Vice-chair, to implement the Project Replacement Process and to undertake all necessary steps required to finalise the documentation required to commence the process. A request was also made for an update to the Board within 12 months on the number of jobs, as there was a need to ascertain when jobs would be created within the project timetable in its entirety. It was also hoped that the University would work closely with industries to increase employment opportunities.

In response to a question regarding the robustness of current employment figures, it was noted that assurance processes established for business cases were much more robust than in the early days, prior to establishing the Portfolio Management Office. By now, the challenge faced by business cases, especially in terms of their wider impact in the economy, as well as the challenge through the Gateway Review Process, provided much more assurance in terms of these figures. It was further explained that the Board had only been requested to approve the request to change at present, and that the full business case for this project would be submitted to the Board meeting in March.

In response to a request for an update on the number of jobs, the intention was noted to report back to the Board on the jobs created, on an annual basis at least.

The suggestion to receive applications from projects from the Digital Connectivity and Innovation in High Value Manufacturing programme as part of the process was welcomed.

8. HYDROGEN HUB AND TRANSPORT DECARBONISATION PROJECT

The report was submitted by Henry Aron (Low Carbon Energy Programme Manager) and Graham Williams (Project Manager).

RESOLVED

- 1. To endorse the proposed process for appointing a project sponsor.**
- 2. To delegate to the Portfolio Director in consultation with the Chair, Vice Chair and Monitoring Officer the authority to finalise the documentation for the selection process for appointing a project sponsor and deliver the process on behalf of the Board.**
- 3. To note that, following the completion of the selection process, a recommendation will be made to the Economic Ambition Board for approval.**

REASONS FOR THE DECISION

The purpose of the report is to seek endorsement for delivering the process of appointing a project sponsor to deliver the project.

The agreed way forward for the project is to appoint a partner (project sponsor) by a competitive selection process to develop a business case and deliver a hydrogen hub

project. This started with a Prior Information Notice (PIN) to assess the market's appetite, capacity and capability to deliver the project in partnership with Ambition North Wales.

On 30th September 2022, the North Wales Economic Ambition Board agreed the following steps:

- To endorse the next steps for the project and the draft procurement principles;
- To delegate to the Portfolio Director, in consultation with the Chair and Vice-Chair, the authority to finalise the procurement specification and then to undertake the procurement activity on behalf of the board.
- To note that following the completion of the procurement process, a recommendation will be made to the Board for approval.

The Portfolio Management Office subsequently worked with a team of specialist procurement advisors from the consultancy Local Partnerships to consider the most appropriate approach for appointing a sponsor.

A number of meetings and workshops were held to discuss the potential procurement routes together with their advantages, disadvantages, and constraints. The process concluded that the use of a competitive public procurement in the context of the Public Procurement Regulations would not be the best approach for appointing a project sponsor.

Consequently, the option of utilising a process similar to the 'Replacement Projects Process' was considered as a more suitable process for appointing a sponsor. It was recommended that the process would provide a suitable alternative to a formal procurement process and would assist accelerate the process, provided that the process was implemented openly and transparently and communicated widely to potentially interested parties.

DISCUSSION

Details were provided about the background and relevant considerations and the consultations held.

In response to an observation, it was agreed that the timescale for completing the process was challenging but it would be sought to accelerate this forward as soon as possible. It was noted that a briefing event had been pencilled in for 18 April, and it would be an opportunity to learn lessons from similar processes, and also to receive questions from the market. These questions would need to be further considered and consulted upon, and our processes and documentation would possibly need to be amended slightly. It was also emphasised that it was important for the Board to understand that some external factors could change by Summer 2023, which would lead to new opportunities for all parties to discuss collaboration with other organisations, and the Clarification and Negotiation step allowed time to resolve the identified possibilities successfully, and also allow every party to address any changes in circumstances. It was currently difficult to project the timetable after appointing the sponsor as this would depend on the successful sponsor and their proposed project, the scope of the project and the timetable for delivery.

In response to a request for more assurance on the legal side, it was noted that a lot of work had gone into this matter, and that it was a very technical and innovative field. There was a desire to commission a specialist company to support the work and provide legal advice. The report identified the move from competitive public procurement to utilising a process similar to the 'Replacement Projects Process', and the main issues were regarding subsidy, and how exactly the plan was structured, so that it did not fall foul of these requirements. This was one of the next steps that would take place in terms of the legal

work with specialist support. It was fully accepted that this type of projects required an expertise in a specific field, and this was the intention.

In response to an enquiry, it was confirmed that there were sufficient resources in the budget of the Portfolio Management Office to meet costs associated with introducing the competitive process to appoint a sponsor, as they would undertake the work, and that the expertise was there. Should there be a need to bring in external expertise, there was reserve funding for this in the budgets to an extent, but clearly that funding would then be unavailable for other purposes. Therefore, it was a matter of monitoring the situation, but it was possible to fund this step, namely changing the procurement system to bring in expertise. It was further noted that it was possible to set a budget for next year, therefore, staff would be retained and work on this within the Portfolio Management Office. Also, a budget would be available in terms of developing a project to commission those experts as required over the next 12 months.

It was noted that these costs would need to be considered when setting next year's budget.

9. NORTH WALES SKILLS AND EMPLOYMENT PLAN 2023-35

The report was submitted by David Roberts (Chair of the North Wales Regional Skills Partnership) and Sian Lloyd Roberts (Regional Skills Manager).

RESOLVED to endorse the regional Skills and Employment Plan and the three priorities as set out in the plan.

REASONS FOR THE DECISION

The North Wales Skills and Employment Plan 2023-2025 has been developed to inform Welsh Government's strategic approach to the delivery of skills and employment provision in the region.

It has been produced by the North Wales Regional Skills Partnership after consultations with regional stakeholders, providers, and industry from April – September 2022.

There is a need to report to the North Wales Economic Ambition Board on the Plan.

DISCUSSION

Details were provided about the background and relevant considerations and the consultations held.

It was noted that the skills field was core to the Board's work and that the Board would be very pleased to support the work of the Skills Partnership.

It was noted that we had a social and moral duty to help over 200,000 disabled people in Wales to get access to employment, and it would be good if the Board and Skills Partnership could act on a joint level in that regard.

In response, it was noted that it was fully agreed with the observation and that the economic element was also important. There was a need to facilitate access to people from all backgrounds to the world of work, and the starting point was raising awareness and understanding of the situation. It was noted that disabled people had an enormous contribution to make, and possibly that Covid had paved the way by forcing everyone to think about employment in a more flexible manner e.g. working virtually etc. It was further noted that the Welsh Government had disability champions and that they were currently pushing this agenda forward. In this regard, the team was eager to collaborate with the

Welsh Government, and to use the programme they had to ensure that businesses and employers worked with us to get more disabled people into the workforce. A desire was also stated to collaborate with the Business Delivery Board in this regard in order to push the agenda forward.

The aspirations and priorities of the report were greatly welcomed and, as a key partner of the Growth Deal, a wish was expressed for all the work, those aspirations and priorities to be an integral part of everything carried out by the Board, and that the Board and the Skills Partnership collaborated to realise the priorities and aspirations through all of the projects.

In response, it was confirmed that the Skills Partnership would be very pleased of the opportunity to interact closer with the Board. It was further noted that the Partnership already collaborated closely with the Portfolio Management Office and contributed towards the delivery of the Growth Deal. Therefore, they wished to report to the Ambition Board quite regularly on the development of the action plan for the skills plan and to provide updates.

The wide range of stakeholders who were part of the plan e.g. from the education field, trade unions, regional bodies etc. were welcomed.

Reference was made to the Welsh Government's intention to establish the Commission for Tertiary Education and Research (CTER), which would replace the Higher Education Funding Council for Wales (HEFCW) and be responsible for strategy, funding and overseeing the sectors of further education, higher education, adult education and adult learning in the community and apprenticeships and training. It was noted that the body would be operational within a year and it would be an important interface for the Regional Skills Partnership. One of the body's first tasks would be to develop their proposed strategy for all of the post-compulsory education and training across Wales, and it was important for this strategy to correspond with what was deriving from the region. On that basis, an early discussion was needed with the body, and Maria Hinfelaar (Glyndŵr University Representative) noted that she would be very happy to contact the Chair of the Commission to make those connections.

In response, it was noted that discussions on an officers' level had already commenced, but it would be very beneficial if contact could be made with the Chair.

It was emphasised that the strategy had been written in partnership with the education sector in the region and it was considered that it was fair to say that this was the most operational partnership between education bodies and the regional skills partnership in the whole of Wales. The importance of the document was emphasised, especially for the further education sector in terms of leading the discussions with the Welsh Government, as this would be essentially important as the funding landscape diversified, and it was noted that this document was a good way of ensuring that there was no duplication across the various plans.

The observation in the document on re-skilling was welcomed and it was noted that this was important and timely, especially in light of recent news that the 2 Sisters factory in Llangefni would close.

David Roberts (Chair of the North Wales Regional Skills Partnership) and Sian Lloyd Roberts (Regional Skills Manager) were thanked for the presentation and for the work in preparing the strategy. It was noted that the Board would continue with the good and close relationship with Partnership, and it looked forward to seeing an action plan deriving from the strategy.

10. EXCLUSION OF PRESS AND PUBLIC

RESOLVED to exclude the press and public from the meeting during the discussion on the following item as information contained in the report is confidential as defined in section 100(A)3 of the Local Government Act 1972 on the basis that it was provided by a Government Department on terms which forbid its public disclosure.

The public must be excluded from meetings whenever it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information will be disclosed.

11. PORTFOLIO DELIVERY FUND 2023-24 - CHANGE REQUESTS

The report was submitted by Hedd Vaughan-Evans (Head of Operations).

RESOLVED

- 1. That the Board agrees to the change request for the Former North Wales Hospital, Denbigh and to allocate a maximum of £3.0m extra temporarily to the project in the event that the Levelling Up bid is unsuccessful and subject to the separate approval of the Outline Business Case and Full Business Case. No further funding for the project will be allocated through the Growth Deal, any additional increase in costs will have to be incurred by the Project Sponsors.**
- 2. That the Board agrees to the change request for the Glynllifon Rural Economy Hub and to allocate a maximum of £1.97m extra temporarily to the project subject to the separate approval of the Full Business Case. No further funding for the project will be allocated through the Growth Deal, any additional increase in costs will have to be incurred by the Project Sponsors.**
- 3. That the Board agrees to the change request for the Enterprise Engineering and Optics Centre and to allocate a maximum of £1.7m extra temporarily to the project subject to the separate approval of the Full Business Case. No further funding for the project will be allocated through the Growth Deal, any additional increase in costs will have to be incurred by the Project Sponsors.**
- 4. That the Board allocates the remaining £225,000 in the Portfolio Delivery Fund to the Last Few % project subject to the separate approval of a future change request and a Full Business Case.**

REASONS FOR THE DECISION

In December 2022, the Board agreed to establish a Portfolio Delivery Fund for 2023-24 and allocated up to £7m of the funding released as a result of the withdrawal of the Bodelwyddan and Llysfasi projects to this fund to support mature projects within the portfolio dealing with cost inflation or viability issues to move into delivery during 2023-24 (subject to separate Board decisions).

The purpose of this report is to set out the change requests for additional funding to be provided through the Portfolio Delivery Fund to support the work of delivering projects during the 2023-24 financial year.

DISCUSSION

Details were provided about the background and relevant considerations and the consultations held.

The report was discussed.

The meeting commenced at 1.30 pm and concluded at 3.00 pm

CHAIR

Agenda Item 5

North Wales Economic Ambition Board: 24/03/2023



REPORT TO THE NORTH WALES ECONOMIC AMBITION BOARD

24/03/2023

Title: 2023/24 Revenue and Capital Budget

Author: Dewi A Morgan, Host Authority Head of Finance (Statutory Finance Officer)

Sian Pugh, Host Authority Assistant Head of Finance

1. Purpose of the Report

1.1 The purpose of this report is to propose the North Wales Economic Ambition Board's (NWEAB) Revenue and Capital Budget for 2023/24.

2. Decision Sought

The Board is asked to approve the:-

2.1 2023/24 Revenue Budget as presented in Appendix 1.

2.2 Funding contributions to include the partner contributions, local authorities' supplementary contributions and partner interest contributions.

2.3 Capital Budget for the Growth Deal as presented in Appendix 2.

3. Reasons for the Decision

3.1 In order to operate effectively within the funding available, the NWEAB requires an annual budget to be approved.

3.2 Appendix 1 sets out the proposed revenue budget per expenditure heading and the corresponding funding streams for the year.

- 3.3 Appendix 2 sets out the proposed capital budget per project and the corresponding capital funding for the £240m growth deal.
- 3.4 To authorise the Portfolio Director to incur expenditure in accordance with the approved budget.

4. Background and Relevant Considerations

- 4.1 Although the NWEAB could be within the economic well-being power of the North Wales Corporate Joint Committee (CJC), a separate budget is established for it at present.
- 4.2 The proposed detailed revenue budget for 2023/24 is shown in Appendix 1 and the proposed capital budget is shown in Appendix 2.

Revenue Budget

4.3 Portfolio Management Office - £1,455,990

The budget for the Portfolio Management Office is based on 20 employee posts (a reduction from 22 posts in 2022/23) and includes advertising and assessment of candidates; travel and subsistence; training; engagement and meetings; communications and public relations; supplies and services; Regional Engagement Team (RET); premises; ESF Evaluation; portfolio and programme development.

4.4 Accountable Body Support Services - £201,170

The Accountable Body provides the support services required to facilitate the work of the Joint Committee, and the budget for 2023/24 includes Finance Services Support, Legal (including Monitoring officer), Corporate Support, Information Technology (IT) and Insurance.

- 4.5 The scope of the services offered, charging mechanisms and estimated costs will be agreed with each department.

Joint Committee

4.6 External Legal Support - £18,000

This includes a budget for external legal support required for specialised work in relation to governance and policy issues.

4.7 External Financial Fees - £10,000

This budget will mainly cover the input from the external Treasury Advisory on the capital funding of the projects.

4.8 External Audit Fee – £25,330

This fee will cover the audit of the annual financial statement of accounts as well as Performance Audit, and these will be conducted by Audit Wales, as Cyngor Gwynedd's External Auditors.

4.9 Business Delivery Board - £15,000

This budget will be used to support the work of the Business Delivery Board.

Projects

4.10 The budget figures are based on the most current information available, and they will be reviewed during the year as the capital programme develops.

4.11 Project Business Case Development - £270,000

All of the individual projects require a Business Case that is approved by the NWEAB. The NWEAB will be responsible for funding the business cases for the NWEAB led projects, and this will involve extensive specialised work from external companies.

4.12 External Legal Support - £85,000

This includes a budget for external legal support required for specialised work involving the project business cases.

4.13 External Procurement Support - £60,000

This includes a budget for external procurement support required for the projects.

4.14 Assurance - £40,000

This includes a budget for the Government Gateway Reviews for the NWEAB and Project Sponsor led projects.

Grant schemes - £788,850

4.15 The expenditure under this heading includes external consultant fees as well as an internal support team to deliver the Local Area Energy Plans, and this expenditure is funded by a specific grant from Welsh Government.

4.16 Interest - £251,040

The interest contributions received from partners will be set aside to fund the average cost of borrowing associated with funding the capital budget over the deal's lifespan.

Funding Contributions

4.17 Partner Contributions – (£442,820)

In accordance with Governance Agreement 2 (GA2), the 2023/24 Budget includes a contribution of £55,350 from the six local authorities and £27,680 from the four advisors, to give a total contribution of £442,820. The partner contributions have increased by 6%, to reflect the out-turn adjustment for 2022/23 and the proposed salary inflation for 2023/24, in line with clause 15.4.3 of the GA2.

4.18 Local Authorities' Supplementary Contributions – (£240,000)

Again, in accordance with GA2, the budget includes £40,000 from the six local authorities to give a total contribution of £240,000.

4.19 Partner Interest Contributions – (£251,040)

In 2020, Arlingclose (independent treasury advisory company) were commissioned to model the cost of borrowing and the corresponding annual partner contributions required to meet this cost, and the first contributions were included in the 2021/22 budget. These contributions were then reduced in the 2022/23 budget, as a result of UK Government's announcement to bring forward the funding from 15 to 10 years and slippage in the capital programme, which both worked in our favour.

4.20 Due to factors outside of our control, higher interest rates (predicted around 4.5% compared to 2.2% in the current calculation), projects removal and higher

construction costs (which in turn affect the amount of Non-domestic Rates (NDR) grant that we will receive) will increase the borrowing costs. However, the higher interest rates have worked in our favour during this current financial year (2022/23), and around £700k in interest will be received on the £34m grant balance, and on this basis we are recommending for the partner interest contributions to remain the same for 2023/24, and for this interest to be used to bridge the increase as a one-off measure until further information is available with regard to the approval of new projects. After receiving this information, we will again be working with Arlingclose and the PMO to recalculate the borrowing costs and these will be reflected in the 2024/25 and future budgets.

- 4.21 The recalculation will be done using the original principles and method, with the borrowing requirement calculated by pooling all the capital expenditure and the North Wales Growth Deal (NWGD) grant. The NDR grant from Welsh Government will then be utilised to fund the borrowing costs with the net costs allocated to project lead sponsors and the NWEAB based on the project value. The borrowing costs for the regional NWEAB projects will be met by the local authorities (proportional to population).
- 4.22 The true borrowing costs will fluctuate from one year to the next, but in order to ease the budget setting process in the partner organisations, fixed annual contributions will be calculated.
- 4.23 European Social Fund (ESF) Priority 5 funding – (£255,930)
- The ESF funding which contributes towards the employee expenditure, reduces significantly in 2023/24, with the funding coming to an end in June 2023. It will result in a significant challenge to the Portfolio Management Office in terms of revenue funding and in the delivery of the North Wales Growth Deal. The Portfolio Management Office will issue a separate report on the proposed way forward and possible alternative funding options, and this will be presented to the Economic Ambition Board in May.

4.24 North Wales Growth Deal grant – (£874,000)

Although the North Wales Growth Deal grant is a capital grant, 1.5%, which equates to £3.6m of the North Wales Growth Deal grant, has been allocated to fund the NWEAB'S revenue expenditure, with £874,000 included in the 2023/24 budget. This flexibility can be achieved in the same way that local authorities have flexibility to manage the funding of their own capital programmes. This may involve all six individual local authorities, allocating the funding designated to the Growth Deal against other capital projects within their capital programmes to ensure that the equivalent value revenue funding is available for the Growth Deal to fund their revenue-type items.

4.25 Welsh Government Energy grant (£799,870)

This funds the expenditure on the Projects heading as well as contributes towards the Energy Programme Manager's post.

4.26 UK Shared Prosperity Fund (£32,620)

This income will be received for one of the PMO staff that has been seconded to the UK Shared Prosperity scheme for three days a week.

4.27 Capitalisation of Salary Costs (£50,000)

This is the estimated capitalisation of staff cost on the Last few percent project.

4.28 Earmarked Reserve – (£274,100)

A balance of £552,027 is estimated in the earmarked reserve at 31 March 2023, and after using £274,100 to fund the 2023/24 budget, £277,927 will be available to fund one-off costs in future years.

Capital Budget

- 4.29 The capital budget shows the expenditure profile over the period 2021/22 to 2034/35 for the projects, as well as the 1.5% top-slice to fund the revenue budget over the same period. It's based on the latest projects' timescale, and will be reviewed during the year as the business cases are approved.
- 4.30 The Bodelwyddan Key Strategic Site, Llysfasi Net Zero Farm and Phase 2 of the Egni project have been removed from the Growth Deal. This funding has been used to create a new Growth Deal Fund for replacement projects of £29.55m, £6.67m has been used to provide additional funding to the most mature projects (Glynllifon Rural Economy Hub, Enterprise Engineering & Optics Centre and the Former North Wales Hospital) and £0.23m allocated to the Connecting the last few percent project.
- 4.31 The £150.91m of the grant funding will be available to fund the expenditure as it occurs. The remaining £89.09m will be funded through borrowing in the first instance, then repaid with the surplus grant received in 2028/29 to 2034/35. This is based on the current grant profile, with both Governments transferring the grant on equal instalments over 10 (UK Government) and 15 (Welsh Government) years.
- 4.32 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 will be responsible for controlling expenditure and ensuring that sufficient contingency budgets are included in the project business cases. Overspend would be a matter for the project sponsor to deal with in relation to their own projects.

5. Governance Context

- 5.1 The Annual Budget is required to be prepared by the accountable body and agreed by the NWEAB Joint Committee.
- 5.2 The proposed budget for 2023/24 has been prepared based on the roles, activities and responsibilities identified to date, with the expectation that the level of resources allocated is continually reviewed and updated as the projects move forward and more information is available.

5.3 Regular budget monitoring reports will be presented to the Portfolio Management Office staff. A further detailed review will also be undertaken at the end of August 2023 and December 2023 and presented to the Portfolio Board and the Economic Ambition Board, with any issues highlighted and appropriate action taken.

6. Consultations Undertaken

6.1 Appendices 1 and 2, and the information within this report was presented to the Portfolio Board on 3 March 2023.

7. IMPACT ASSESSMENT

7.1 The NWEAB is subject to duties under the Equality Act 2010 and the Well-being of Future Generations (Wales) Act (2015).

7.2 In accordance with the legal duties under the Equality Act 2010, when making decision, the NWEAB must give due attention to the need (1) to eliminate unlawful discrimination (2) advance equality of opportunity and (3) encourage good relations based on the protected characteristics. As setting a budget falls within the decisions which can be considered strategically, there is a duty to give due attention to operating in a way which is designed to minimise inequalities which stem from socio-economic disadvantage. As each project is subject to a very detailed business case in line with the 'Better Business Case' guidance developed by HM Treasury and Welsh Government, it is not considered that any specific impacts stem from the decisions submitted.

7.3 The Well-being of Future Generations (Wales) Act 2015 involves improving the social, economic, environmental and cultural well-being of Wales. The act places a well-being duty on public bodies which is aimed at delivering the seven well-being goals, namely a prosperous, resilient, healthier, more equal Wales with cohesive communities and a vibrant culture and thriving Welsh language which is globally responsible. Given the context, the recommendations are in accordance with these duties.

8. Appendices

Appendix 1 – 2023/24 North Wales Economic Ambition Board Revenue Budget.

Appendix 2 – 2023/24 North Wales Economic Ambition Board's Capital Budget.

STATUTORY OFFICERS' RESPONSE:

i. Monitoring Officer – Accountable Body:

No observations to add in relation to propriety.

ii. Statutory Finance Officer – Accountable Body:

Author of this report.

Expenditure	(£)
Portfolio Management Office	
Employee Expenditure (Pay, N.I. & Superannuation)	1,279,890
Advertising and Assessment of Candidates	2,500
Travel and Subsistence	10,000
Training	10,000
Engagement and Meetings	13,000
Communications and Public Relations	30,000
Supplies and Services	10,000
Regional Engagement Team (RET)	10,600
Premises	36,000
ESF Evaluation	24,000
Portfolio and Programme Development	30,000
Total Portfolio Management Office	1,455,990
Accountable Body Support Services	
Finance Services Support	106,360
Legal (includes Monitoring Officer)	28,320
Corporate Support	43,490
Information Technology	18,670
Insurance	4,330
Total Accountable Body Support Services	201,170
Joint Committee	
External Legal Support	18,000
External Financial Fees	10,000
External Audit Fee	25,330
Business Delivery Board	15,000
Total Joint Committee	68,330
Projects	
Project Business Case Development	270,000
External Legal Support	85,000
External Procurement Support	60,000
Assurance	40,000
Total Projects	455,000
Grant schemes	
Employee Expenditure - Local Area Energy Project	140,800
Local Area Energy Plans	648,050
Total Grant schemes	788,850
Transfers to reserves	
Partner interest contributions	251,040
Total Transfers to reserves	251,040
Total Expenditure	3,220,380

2023/24 North Wales Economic Ambition Board Revenue Budget.

Income	(£)
Funding Contributions	
Partner Contributions	
Conwy County Borough Council	(55,350)
Denbighshire County Council	(55,350)
Flintshire County Council	(55,350)
Cyngor Gwynedd	(55,350)
Isle of Anglesey County Council	(55,350)
Wrexham County Borough Council	(55,350)
Bangor University	(27,680)
Wrexham Glyndwr University	(27,680)
Coleg Cambria	(27,680)
Grŵp Llandrillo Menai	(27,680)
Local Authorities' Supplementary Contributions	
Conwy County Borough Council	(40,000)
Denbighshire County Council	(40,000)
Flintshire County Council	(40,000)
Cyngor Gwynedd	(40,000)
Isle of Anglesey County Council	(40,000)
Wrexham County Borough Council	(40,000)
Partner Interest Contributions	
Conwy County Borough Council	(31,770)
Denbighshire County Council	(25,730)
Flintshire County Council	(42,200)
Cyngor Gwynedd	(33,610)
Isle of Anglesey County Council	(18,720)
Wrexham County Borough Council	(36,280)
Bangor University	(36,650)
Wrexham Glyndwr University	(13,610)
Grŵp Llandrillo Menai	(12,470)
Other	
European Social Fund (ESF) Priority 5 funding	(255,930)
North Wales Growth Deal grant	(874,000)
Welsh Government Energy grant	(799,870)
UK Shared Prosperity Fund	(32,620)
Capitalisation of Salary Costs (Growth Deal)	(50,000)
Earmarked Reserve	(274,100) *
Total Income	(3,220,380)
Net Budget	0

* This would leave an estimated balance of £277,927 in the earmarked reserve.

Programme	Project	Project Sponsor	2021/22 (£m)	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)	2028/29 (£m)	2029/30 (£m)	2030/31 (£m)	2031/32 (£m)	2032/33 (£m)	2033/34 (£m)	2034/35 (£m)	Total (£m)
Digital	Digital Signal Processing Centre (DSP)	Bangor University	0.12	1.66	0.39	0.79	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.96
Digital	Connected Key Sites and Corridors	NWEAB	0.00	0.00	0.00	0.50	4.00	2.00	2.37	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.87
Digital	Connected Campus	NWEAB	0.00	0.00	0.00	3.94	10.10	4.93	1.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.68
Digital	Connecting the last few percent	NWEAB	0.00	0.00	1.21	1.72	1.24	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.17
Low carbon energy	Cydnorth (Morlais)	Menter Môn	0.00	0.00	0.00	3.33	4.44	1.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.87
Low carbon energy	Egni (Low Carbon Energy Centre of Excellence)	Bangor University	0.00	0.00	0.00	3.94	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.94
Low carbon energy	Traswfyntedd Power Station	Cwmni Eginio	0.00	0.00	0.00	1.97	2.96	4.92	9.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19.70
Low carbon energy	Hydrogen Hub and Transport Decarbonisation	NWEAB	0.00	0.00	0.00	0.00	5.61	5.62	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.23
Low carbon energy	Smart Local Energy	NWEAB	0.00	0.00	0.00	1.50	3.00	9.25	9.25	1.63	0.00	0.00	0.00	0.00	0.00	0.00	24.63
Land and property	Holyhead Gateway	Stena Line	0.00	0.00	4.17	15.51	14.79	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	34.47
Land and property	Warren Hall Strategic Site	NWEAB	0.00	0.00	0.00	0.00	14.77	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14.77
Land and property	Former North Wales Hospital, Denbigh	NWEAB	0.00	0.00	1.74	5.21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.94
Land and property	Parc Bryn Cegin Strategic Site	NWEAB	0.00	0.00	0.00	5.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.91
Land and property	Wrexham Gateway	NWEAB	0.00	0.00	0.00	0.00	7.19	1.77	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.96
Innovation in High Value Manufacturing	Centre of Environmental Biotechnology (CEB)	Bangor University	0.00	0.00	1.25	1.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.96
Innovation in High Value Manufacturing	Enterprise Engineering & Optics Centre	Glyndŵr University	0.00	0.00	1.62	6.93	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.55
Agri-food and tourism	Glynllifon Rural Economy Hub	Grŵp Llandrillo Menai	0.00	0.00	0.00	7.20	4.62	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.82
Agri-food and tourism	Tourism Talent Network	Grŵp Llandrillo Menai	0.00	0.00	0.00	0.00	4.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.43
To be confirmed	Replacement projects	To be confirmed	0.00	0.00	0.00	4.90	4.90	4.90	4.95	4.95	4.95	0.00	0.00	0.00	0.00	0.00	29.55
1.5% to fund the NWEAB's revenue budget			0.22	0.43	0.87	0.60	0.30	0.25	0.20	0.15	0.15	0.10	0.10	0.10	0.08	0.05	3.60
Programme Total			0.34	2.09	11.25	65.66	85.34	34.74	28.33	6.73	5.10	0.10	0.10	0.10	0.08	0.05	240.00
Capital Funding																	
North Wales Growth Deal Grant			0.34	2.09	11.25	63.64	20.44	20.44	20.45	6.73	5.10	0.10	0.10	0.10	0.08	0.05	150.91
Borrowing						2.02	64.90	14.30	7.88								89.09
Total Capital Funding			0.34	2.09	11.25	65.66	85.34	34.74	28.33	6.73	5.10	0.10	0.10	0.10	0.08	0.05	240.00



REPORT TO THE NORTH WALES ECONOMIC AMBITION BOARD
24th March, 2023

TITLE: North Wales Corporate Joint Committee (CJC)
– extending the part-time secondment of Ambition North Wales’ Portfolio Director as Interim CJC Chief Executive

AUTHOR: Dylan J. Williams, North Wales Councils’ Lead Chief Executive for the Economic Ambition Board

1. PURPOSE OF THE REPORT

- 1.1. You will recall that the Corporate Joint Committee (CJC) submitted a request to the North Wales Economic Ambition Board to release its Portfolio Director on a part-time basis to fulfil the role of the CJC’s Interim Chief Executive until the 31 March, 2023. This request was approved at the Economic Ambition Board’s meeting on the 30 September, 2022 when it was agreed to release part of the Portfolio Director’s time to fulfil the role of the CJC’s Chief Executive on a secondment basis for the requested period.
- 1.2. This report presents a request by the North Wales Corporate Joint Committee (CJC), to the Economic Ambition Board, to agree an extension to that secondment, for two days per week, up until the 30 September, 2023. This request is supported by the 6 North Wales Councils’ Chief Executives.

2. DECISION SOUGHT

- 2.1. That the Board consider the following recommendations and proposed arrangements:
- 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.
 - That all employment and associated costs are covered by the North Wales CJC.

3. REASONS FOR THE DECISION

- 3.1. The arrangements recommended here are consistent with the 6 Councils’ decisions, in principle, to the transfer Ambition North Wales’ functions to the Corporate Joint Committee.
- 3.2. 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.

4. BACKGROUND AND RELEVANT CONSIDERATIONS

- 4.1. At its meeting on 22 July, 2022 the North Wales CJC reviewed the role of their Chief Executive and, after considering the options, resolved to submit a request to the Economic Ambition Board to release part of their Portfolio Director's time (x2 days per week) to fulfil the role of the CJC's Interim Chief Executive at least until 31 March, 2023. As already stated, the Board agreed to this request at its meeting on the 30 September, 2022.
- 4.2. The option to submit this request to the Board was selected as it is likely that Ambition North Wales will be incorporated into the CJC, and that there would be a substantially higher cost if a stand-alone Chief Executive post was created, with insufficient availability of time required for one of the 6 local authority Chief Executives to oversee the CJC's development.
- 4.3. The part-time secondment of the Portfolio Director ensures that the Growth Deal and Growth Vision continue to be delivered during and after that transition, with turbulence minimised.
- 4.4. The Portfolio Director's involvement in establishing the CJC is required with respect to the Economic Wellbeing aspect regardless, and therefore extending this arrangement by means of the part-time secondment allows for that involvement to be focused and for duplication of resources to be avoided.
- 4.5. The decision in principle, to transfer Ambition North Wales to the CJC, has already been taken by the Councils and following the recent legislative changes, it will now be possible to undertake this process over the next few months. As part of any transfer, the status of all PMO staff will be addressed.
- 4.6. Ambition North Wales, via Cyngor Gwynedd as the host Authority, remains as the Portfolio Director's contractual employer whilst the CJC recompenses Ambition North Wales for both direct and indirect costs associated with the secondment.
- 4.7. A number of critical matters require further attention before the CJC is able to appoint a permanent Chief Executive e.g. the likely transfer of staff to the CJC's employment, while the CJC is required to review the current secondment arrangements prior to 31 March, 2023. Hence, this report re-visits the secondment decision.
- 4.8. Under current circumstances, the CJC needs to ensure a Chief Executive on a temporary basis and therefore, with the Board's agreement, it is recommended that the Portfolio Director's secondment to the post is extended until 30 September, 2023 on the current terms.
- 4.9. On receipt of the Board's approval to release its Portfolio Director for a further period on current terms, the CJC will consider the recommendation to extend the appointment at its meeting later in the day on the 24 March, 2023.

5. FINANCIAL IMPLICATIONS

- 5.1. It can be confirmed that the proposed extension to this part-time secondment would be net cost-neutral with the CJC undertaking the relevant cost.

6. LEGAL IMPLICATIONS

- 6.1. The Economic Ambition Board has been established pursuant to Governance Agreement 2 to act as the decision-making body for the partnership of local authorities and the education bodies to deliver the North Wales Growth Deal and the Growth Vision. Its functions and the outcomes it needs to deliver are defined by the agreement and the related Overarching Business Plan which was completed in tandem with the Growth Deal. It is also required to appoint the Portfolio Director to lead the Portfolio Management Office.
- 6.2. Nevertheless, the advent of the Corporate Joint Committees was presaged in GA2 and is specifically referenced as a matter reserved to the Councils. There is a specific provision in the agreement which acknowledges the anticipated creation of CJC's and that a transfer of functions might occur. This is reflected in the "in-principle" decision of the 6 Councils' cabinets (or equivalent executive committees) in December 2021 to transfer the functions of Ambition North Wales to the CJC provided that the model and the statutory framework was in place to achieve this. The CJC's have now been established and the statutory model is practically completed. However, at this point in time the work of creating the CJC as a functioning public body with appropriate governance and management arrangements is being moved forward. This work needs to reflect and prepare for the assumption of the role of Ambition North Wales into the CJC and its governing model.
- 6.3. In terms of GA2 the proposed extension to the secondment does not require Ambition North Wales resources and contributions to support the CJC. There also provision in the interim for maintaining capacity for supporting the work of delivering Ambition North Wales' functions. It is also relevant that the transition of Ambition North Wales' functions to the CJC needs to be properly planned and resourced to ensure that when the functions are transferred this can be achieved effectively and efficiently.

APPENDICES:

None

STATUTORY OFFICERS RESPONSE:

i. Monitoring Officer – Host Authority:

"I have had an input into the report and I am satisfied with the propriety of the recommendations."

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

"I think what is proposed offers a pragmatic solution to deal with the situation. I can confirm that arrangements are in place to reimburse Ambition North Wales for the Portfolio Director's time when they assume the role of Chief Executive of the Corporate Joint Committee. I have no objection to the decision sought from the perspective of financial propriety."

REPORT TO THE NORTH WALES ECONOMIC AMBITION BOARD
24th March 2023

TITLE: Smart Local Energy – Outline Business Case
AUTHOR: Elgan Roberts, Energy Project Manager

1. PURPOSE OF THE REPORT

- 1.1. The purpose of the report is to present the Smart Local Energy Outline Business Case (OBC) for consideration by the Board.

2. DECISION SOUGHT

- 2.1. 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.
- 2.2. 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.
- 2.3. 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.

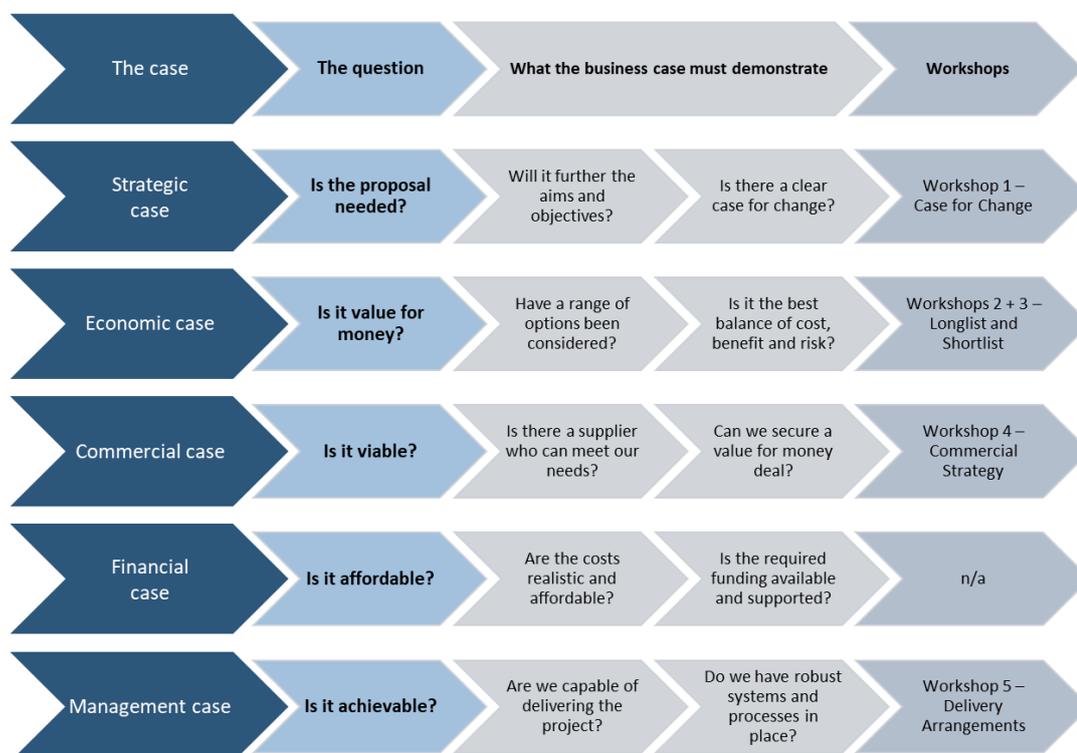
3. REASONS FOR THE DECISION

- 3.1. To seek the Boards approval of the Outline Business Case (OBC) for the Smart Local Energy project.

4. BACKGROUND AND PROCESS

- 4.1. The North Wales Growth Deal is an agreement between the UK Government, Welsh Government and the North Wales Economic Ambition Board to deliver a transformational £1billion investment in the North Wales economy. 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 while tackling long-term challenges and economic barriers to delivering inclusive growth.
- 4.2. As per the Final Deal agreement, business cases are to be developed for each project within the Growth Deal in line with the 'Better Business Case' guidance developed by Welsh

Government and HM Treasury. Each business case includes 5 cases which address key questions and should be supported by workshops. The diagram below provides an overview of the five cases, the key questions and what the business case must demonstrate.



- 4.3. The North Wales Economic Ambition Board acts as the decision-making body for the North Wales Growth Deal with the Welsh Government and UK Government as funders of the Growth Deal, retaining a role in approving the assurance process each project has undertaken. The assurance process undertaken by projects will be included in all reports for consideration.
- 4.4. The Smart Local Energy Outline Business Case was developed by the Portfolio Management Office in line with the 'Better Business Case' guidance. The OBC covers the project planning phase. The purpose of this stage is to identify the option that optimises public value following detailed appraisal; and to set out the possible Deal while confirming affordability and putting in place the management arrangements for the successful delivery of the project.
- 4.5. Approval of the OBC by the Economic Ambition Board would provide the necessary approval for the project to move to the next phase, which, subject to Welsh Government and UK Government approval of the assurance process, would see the procurement process completed following the completion of the Public Review and a Full Business Case (FBC) developed for a final investment decision by the Economic Ambition Board.
- 4.6. Should the Board decide not to approve the OBC, it may reject the business case outright or request further information to be included in a revised version of the business case for consideration.



5. INTRODUCTION TO THE SMART LOCAL ENERGY PROJECT

- 5.1. The Smart Local Energy project forms part of the Low Carbon Energy programme, which 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.
- 5.2. The aim of the Smart Local Energy project is to establish a £25m fund to invest across all areas of intervention aligning with the Regional Energy Strategy. The fund will be administered by Ambition North Wales over a period of up to 10 years. Capital funding will be allocated through grants, loans or other financial instruments, with a target of 75% match as an average across the fund.
- 5.3. The project spending objectives are as follows:

Project Spending Objective 1 Job Creation	Create 156-193 new jobs in North Wales associated with the delivery and operation of clean energy solutions that contribute towards net additional GVA of £110-134M by 2036.
Project Spending Objective 2 Investment	Deliver a total investment of £101-111M in clean energy solutions in North Wales by 2036.
Project Spending Objective 3 Carbon Savings	Generate 130,000-170,000 tonnes of carbon savings from improved efficiencies and decarbonisation of energy systems in North Wales using a diverse range of solutions by 2036.
Project Spending Objective 4 Local Ownership	Establish a strong and sustainable local ownership element to new clean energy assets delivered and supported by ensuring Welsh Government's local & shared ownership policy objective is met or exceeded by all project investments ¹ .

- 5.4. The impact of the project at the Wales level is estimated at **£133m additional GVA (undiscounted), and a discounted NPSV of approximately £100m** and a Benefit Cost Ratio (BCR) of 3.88 (Total public sector funding).

Over the 15-year Growth Deal term, other measurable benefits the project is projected to deliver include:

- Direct & Indirect employment created – Up to 193 jobs
- Increased high value employment, especially for women, young people from North Wales and those from low-income and rural communities
- Income from energy generation
- Reduced energy costs
- Reduction in CO2 emissions

- 5.5. Within the OBC, it explains how the project will deliver on the EAB's Climate and Biodiversity position statement. Stakeholders applying for funding will need to set out the carbon emissions and biodiversity impacts of their proposals and how they aim to align with the

¹ In line with 'Local and shared ownership of energy projects in Wales: Guidance for developers, local communities & decision-makers'

Growth Deal targets. The level of detail and justification required from applicants will be proportional to the amount of funding requested.

- 5.6. Within the OBC, the Portfolio Management Office explain how the project aligns with the Economic Ambition Board’s adopted Procurement Principles. To ensure alignment with the above, the project has undertaken a mapping exercise to show how project procurement will deliver against these principles.

6. ASSURANCE PROCESS AND OUTCOMES

- 6.1. In accordance with the arrangements set out within the Final Deal Agreement, the Outline Business Case has been subject to the following assurance activity:

Assurance Activity	Date	Outcome
Business Case Workshops	Aug-Dec 2022	In accordance with the guidance, workshops were held to support the development of the OBC with input from a wide range of stakeholders.
PMO OBC review	January 2023	With support from external consultants and Welsh Government economist, the PMO’s initial review resulted in a series of recommendations for how the OBC could be strengthened.
Gateway 2 Review	13-15 February 2023	The review team found the OBC to be of high quality and the process for OBC development and the Project governance were also very good. It was widely acknowledged that the nature of the Project means there is inevitable uncertainty over realisation of benefits at this stage. The delivery confidence is assessed against the likelihood of achieving the Project objectives within the 15-year timescale. On that basis the rating is Amber; there are significant issues that have been identified, but there is confidence that these will be resolved.
Project & Programme Board Review	31 Jan 2023 to 17 Feb 2023	Review resulted in a small number of recommendations to strengthen the OBC.
Project Board Endorsement	24 Feb 2023	Endorsed with no conditions
Programme Board Endorsement	1 Mar 2023	Endorsed with no conditions
Portfolio Board Endorsement	3 Mar 2023	Endorsed with no conditions
Business Delivery Board Endorsement	14 Mar 2023	<i>To be confirmed</i>
Economic Ambition Board Approval	24 March	<i>To be confirmed</i>

7. PMO OVERVIEW OF OBC AND KEY RECOMMENDATIONS

7.1. The following table provides a summary of the PMO, Project Board, Programme Board and Gateway Review 2 Assessment of the Outline Business Case (OBC) and the key recommendations that will be addressed by procurement or by Full Business Case (FBC).

OBC Section	Summary of PMO, Project & Programme Board Assessment	Key Recommendations
Strategic Case	<ul style="list-style-type: none"> • Proposal aligns with Growth Deal and Programme objectives • Spending objectives are clear and SMART • There is a clear need and demand for the project • The benefits have been clearly defined • The main risks been identified • Key constraints and dependencies have been identified 	<p>By Procurement:</p> <ul style="list-style-type: none"> • None at this stage <p>By FBC:</p> <ul style="list-style-type: none"> • Continue to update the list of other funding sources available as it changes often in this sector. Consider how any changes may impact the strategic case for this project
Economic Case	<ul style="list-style-type: none"> • Critical success factors been identified and are appropriate • Shortlist of options have been identified and is it clear how this has been arrived at • Shortlist of options have been subjected to robust analysis • There is strong evidence to support the analysis of the preferred option • Economic appraisal indicates that the project will deliver good value for money 	<p>By Procurement:</p> <ul style="list-style-type: none"> • None at this stage <p>By FBC:</p> <ul style="list-style-type: none"> • None at this stage
Commercial Case	<ul style="list-style-type: none"> • The proposed procurement strategy been clearly set out and explained • The strategy delivers against the Economic Ambition Board procurement principles • There is scope for a deal to be achieved which would meet the project objectives and secure value for money • The potential deal been considered in sufficient detail • The potential deal is likely to be acceptable and deliverable by the private sector, soft market testing will add more certainty to the process • The commercial case covers the operational phase of the project outputs 	<p>By Procurement:</p> <ul style="list-style-type: none"> • Confirm the scope of works for Fund Advisor during operational phase <p>By FBC:</p> <ul style="list-style-type: none"> • None at this stage

OBC Section	Summary of PMO, Project & Programme Board Assessment	Key Recommendations
Financial Case	<ul style="list-style-type: none"> • A breakdown of project costs been provided • It is clear where capital funding for the project is coming from • A financial appraisal has been included for the preferred option • A breakdown of operational (revenue) costs and income has been included • It is clear where the proposed operational funding for the project is likely to come, but some uncertainty around source remains 	<p>By Procurement:</p> <ul style="list-style-type: none"> • None at this stage <p>By FBC:</p> <ul style="list-style-type: none"> • Confirmation on source of revenue funding for first 2 years of operational phase
Management Case	<ul style="list-style-type: none"> • There is clear governance (e.g. project management) arrangements in place for the project delivery phase • Appropriate arrangements are in place for risk management and monitoring • External professional advice has been taken to support the project (e.g. feasibility studies, legal advice etc.) • There are change management procedures in place • There are clear resourcing plans (e.g. management, staffing) in place for the operational phase of the project • There are plans in place for benefits realisation, monitoring and evaluation 	<p>By procurement:</p> <ul style="list-style-type: none"> • Consider how partner universities and others can support with technical due diligence and emissions and biodiversity activities <p>By FBC:</p> <ul style="list-style-type: none"> • Stakeholder engagement plan to be further developed with clear ownership to drive it forward • To review risk ownership going forward as most are currently with SRO • Consider how investor readiness support can be given to applicants to help them develop submissions
Climate Change & Biodiversity Methodology	<ul style="list-style-type: none"> • Plan to bring in specialist post OBC to incorporate methodology into fund application process. 	<p>By Procurement:</p> <ul style="list-style-type: none"> • None at this stage <p>By FBC:</p> <ul style="list-style-type: none"> • None at this stage

7.2. Key Risks and Mitigation

7.2.1. Sections 1.9, 2.9 and 4.4 of the OBC describe the main project risks and an outline of the mitigation strategy, with key risks summarised below. These risks are expected to be resolved or reduced before the FBC is submitted.

Risks	Mitigation
If there is a lack of suitable applications for Smart Local Energy funding, there is a risk	<i>-The preferred way forward is based on an open fund rather than a targeted fund to avoid unnecessarily discounting good investment opportunities. Fund will be flexible and have the opportunity to extend duration if needed. [CLOSED]</i>

<p>that Project Spending Objectives (jobs, investment, carbon saving and local ownership) will not be achieved.</p>	<p>-ANW completed SLES feasibility studies and SOCs for 4 LA areas in N Wales with CRF funding - this will help identify potential projects and raise awareness of SLE project. [CLOSED]</p> <p>-Market research questionnaire provided a better understanding of demand for funding and type of funding required. [CLOSED]</p> <p>-Robust project business case developed in line with 5 Case Business Model to fully assess options with input from key stakeholders to ensure all potential options are considered and assessed against the Spending Objectives, and they deliver value for money and are affordable. [ONGOING]</p> <p>-Project will have a robust marketing, stakeholder engagement and communications plan in place to raise awareness of and promote opportunities and benefits. [ONGOING]</p> <p>-SPF bid made for funding to provide investor readiness support to support businesses and community organisations to develop their proposals. [ONGOING]</p>
<p>If private and public investment cannot be leveraged; there is a risk that Project Spending Objectives (jobs, investment, carbon saving and local ownership) will not be achieved.</p>	<p>-Market research questionnaire distributed to stakeholders to gain better understanding of how much funding is required and where other leveraged funding could come from. [CLOSED]</p> <p>-Fund structure designed to allow for maximum co-investment opportunities. [CLOSED]</p> <p>-A robust business case developed for the project in line with the 5 Case Business Model to ensure the outputs deliver value for money and are affordable. [ONGOING]</p> <p>-The business case will also look at other potential funding streams that could be accessed/used by applicants to match Growth Deal funding. Potential applicants will be made aware of opportunities, and potential partnership could be established with other funders to help facilitate leverage. [ONGOING]</p> <p>-Engaging with key deliverers of existing funds and finance products to explore partnership opportunities that could lead to leveraging additional investment or co-funding solutions. [ONGOING]</p>
<p>If there is a lack of resource capacity and skills capability within the project team, region, supply chain and other stakeholders (PMO, Partners, output owners), there is a risk that outputs will not be delivered within Growth Deal timescales.</p>	<p>-Project has a dedicated project manager and good support within the PMO with funding in place for FBC development phase. [CLOSED]</p> <p>-The NWEAB partners are represented on the project board, programme board, portfolio board and the NWEAB and issues relating to capacity and capabilities will be escalated up the boards. [CLOSED]</p> <p>-Sell2wales will be used, and the PMO's increasing database of specialists will be notified of tendering opportunities to provide specialist support to project development and delivery. [ONGOING]</p> <p>-Fund specialist brought on-board to assist with Business Case development and Fund Advisor will be procured after OBC approval. [ONGOING]</p> <p>-SPF bid made for funding to provide investor readiness support. [IN PROGRESS]</p>
<p>If the benefits are not realised locally (local jobs, local supply chain opportunities, local investment), then there is a risk the project does not contribute towards the Growth Deal aims for North Wales.</p>	<p>-The project will engage with the Regional Skills Partnership and NWEAB Education providers to identify the types of skills required and timescales of potential new jobs, so relevant plans and resources can be put in place to offer local opportunities. [ONGOING]</p> <p>-The project will engage with supply chain representatives identified in the stakeholder engagement plan to notify of opportunities. [ONGOING]</p> <p>-The project will develop a benefits realisation plan to manage, track and realise the benefits as set out in the business case. [ONGOING]</p> <p>-The project will develop a procurement plan that includes a social value strategy with the PMO's procurement specialist. [ONGOING]</p>
<p>If the intended intervention of a fund</p>	<p>-Fund structure (umbrella fund) designed to be flexible and adaptable [CLOSED]</p>

<p>duplicates, or overlaps with, other sources of funding available to stakeholders; there is a risk that the Growth Deal funding displaces opportunities of bringing in additional investment into the region.</p>	<p>-Mapping current support schemes and funding sources to be considered during business case development process. [ONGOING] -Engaging with key deliverers of existing funds to ensure the project has sight of funds in development that are likely to become operational in the short term, and take them into consideration during the business case development process. [ONGOING]</p>
<p>If the revenue funding needed to cover the running costs of the fund is not identified and secured, there is a risk that the fund will not be able to launch or remain operating for the lifetime of the fund and deliver against the spending objectives.</p>	<p>-Project will use revenue income from loans to fund operational costs and will cover any reserves or borrowings used to cover the gap in the first year or two of operating. Funding for the first year of operation, prior to revenue returns being generated, has been identified. [CLOSED] -Revenue identified from PMO project reserves to cover the gap in funding for first year of operating. [CLOSED] -The forecasted uptake of funding in year 1 has been reduced in the financial modelling to reflect a gradual up-take of funding in year 1. [CLOSED] -If there is a requirement for revenue funding beyond the first year, the following options will be considered:</p> <ul style="list-style-type: none"> • Use of project capital funding • Use of ANW project development budget • Use of Ambition North Wales Reserves • Use of Growth Deal grant 1.5% PMO top slice • Funding from Ambition North Wales partners • Funding from Welsh Gov/UK Gov <p>or a combination of the above [ONGOING]</p>

8. PROJECT TIMETABLE AND NEXT STEPS

Activity	Target Dates
Economic Ambition Board OBC approval decision	24 March 2023
Soft Market Engagement with fund advisors	Mar – Apr 2023
Procurement of Fund Advisor and FBC Consultant(s)	May – Aug 2023
Issue Draft FBC	Oct / Nov 2023
Gateway 3 Review (TBC)	Nov / Dec 2023
PMO, Project Board and Programme Board review of FBC	Nov / Dec 2023
Portfolio Board consideration of FBC	Dec 2023 / Jan 2024
Economic Ambition Board consideration of FBC (funding decision)	Dec 2023 / Jan 2024
Launch of fund	Jan / Feb 2024
Closure of fund	End of 2028/29
Final evaluation	End of 2033

9. FINANCIAL IMPLICATIONS

- 9.1. The Smart Local Energy project is one of the projects contained within the Portfolio Business Case, with £25m capital funding provisionally allocated to support the project, subject to the final approval of a full business case.
- 9.2. There are no direct financial implications from the approval of the OBC, however this does represent a significant milestone for the project and should the Board approve the business case further work will be required to update the business case post procurement to provide

clarity on the costs, risks and benefits associated with the project before a final investment decision by the Board.

- 9.3. Revenue costs associated with completing the procurement process and developing the FBC are to be funded through the existing Portfolio Management Office budget.
- 9.4. It is proposed that the revenue income generated by the Fund via interest charges will cover all internal costs for resources and external costs for management as well as any transaction fees and charges not charged to applicants. However, there is an initial revenue funding requirement of c£150,000 to meet operational costs during the launch period and the first full operating year of the Fund which will be met from the Portfolio Management Office project reserve. Any surplus revenue generated by the project via interest charges will be retained by the Portfolio Management Office in future years.

10. LEGAL IMPLICATIONS

- 10.1. The business case development and the assurance processes have been undertaken in line with the requirements of the Final Deal agreement.
- 10.2. Initial external legal advice has been sought on the project to confirm the ability of the Board to invest in the project in a subsidy control (state aid) compliant manner. The initial advice is being reviewed and will inform the work leading up to the submission of the FBC. Further legal advice may need to be commissioned following receipt of the FBC before the Board makes a final investment decision.
- 10.3. Should the Board approve the outline business case, the relevant documents will be submitted to Welsh Government and UK Government to approve the assurance process before the project can proceed to the next stage.

11. IMPACT ASSESSMENTS

- 11.1. An integrated impact assessment (Appendix B) has been undertaken to assess the impact of the project on the Welsh Language, equalities and against the Future Generations Act. No negative impacts were identified through the assessment.

APPENDICES:

Appendix A	Outline Business Case - 'Smart Local Energy OBC V1.1'
Appendix B	Integrated Impact Assessment

BACKGROUND DOCUMENTS (some documents contain exempt information):

- Outline Business Case - 'Smart Local Energy OBC V1.1' Appendices
- SLE_OBC_PMO Review Tracker rev1
- NWGD Gate 2 Review AH 22 128 Version 7.0 to SRO

STATUTORY OFFICERS RESPONSE:

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

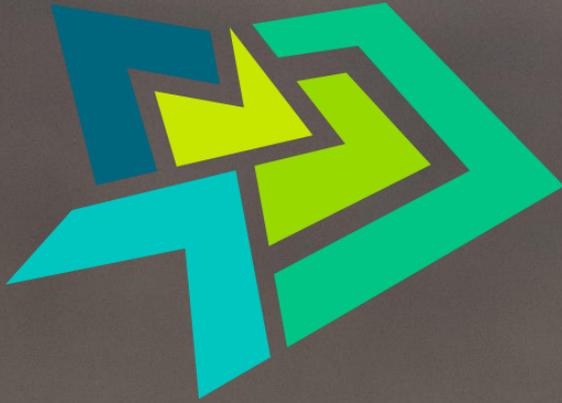
“The submission of the OBC for consideration and approval by the Board is a key step in the implementation of the Growth Deal. This is an interim step towards the preparation of the Final Business Case and approval of funding. The report properly highlights the risks and elements which will need to be addressed or confirmed prior to the submission of a Final Business Case. Finalising the legal position on subsidy control will form part of this work. The funding agreement, which is a key legal document in defining and securing the Boards expectations for delivery and the manner of delivery of the project will need to be prepared as part of this work.”

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

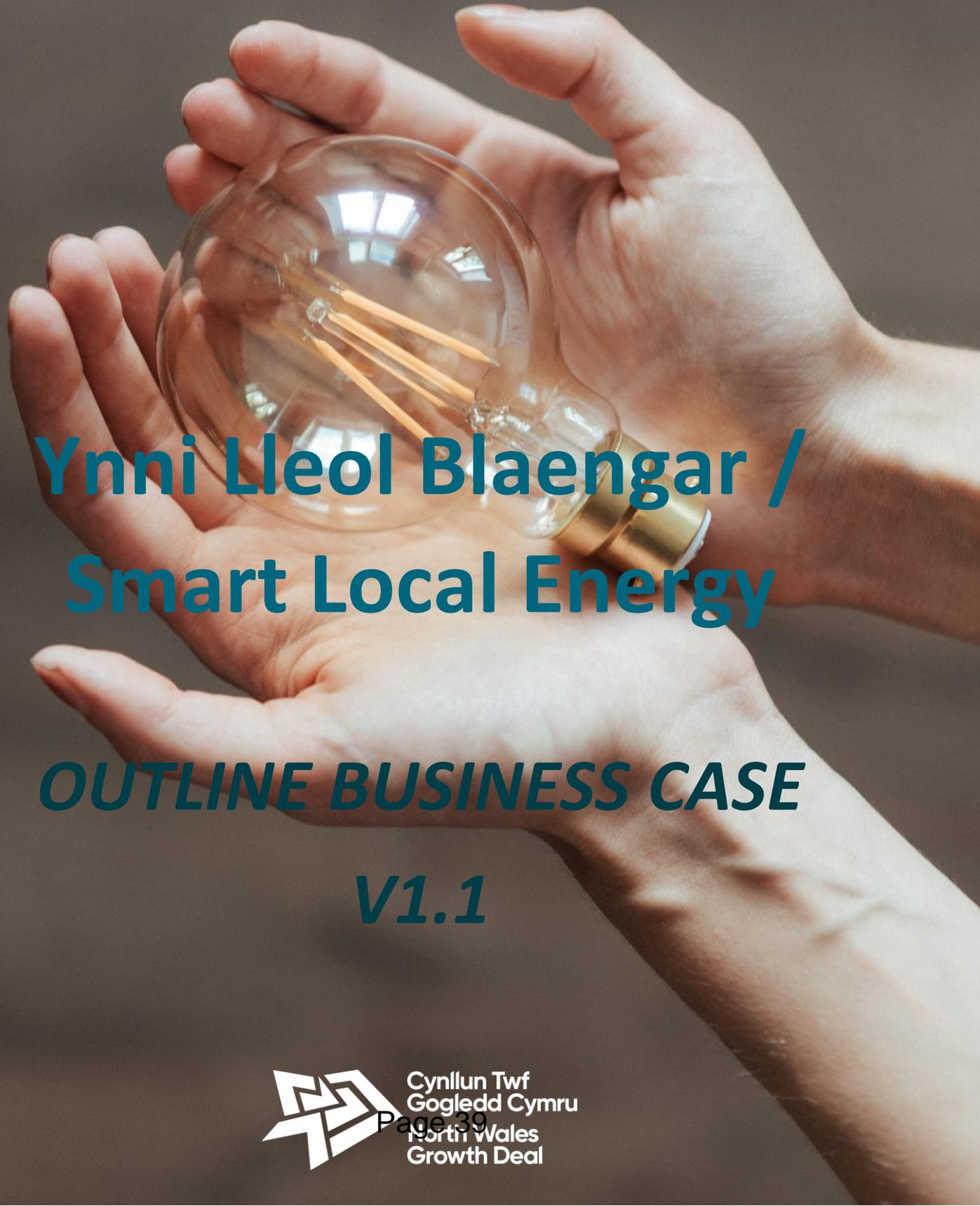
“The documents submitted show that very detailed work has been undertaken in the delivery of this Outline Business Plan. I believe that the relevant financial and non-financial risks have been properly addressed, and appropriate mitigation arrangements are in place, or have been outlined.

I am satisfied with the financial accuracy of the information that has been submitted, in particular Part 4 of the Outline Business Case which is the Financial Case. Work on these aspects will continue during the development of the Final Business Plan. I can confirm that the Growth Deal funding package is capital only.

Therefore, on the basis of the evidence I have seen, I have no objection to the decisions sought.”



**Uchelgais
Gogledd Cymru
Ambition
North Wales**



**Ynni Lleol Blaengar /
Smart Local Energy**

OUTLINE BUSINESS CASE

V1.1



Ynni Lleol Blaengar / Smart Local Energy

OUTLINE BUSINESS CASE (OBC)

SRO:	Geraint Edwards
Project Manager:	Elgan Roberts
Organisation:	Ambition North Wales

Version	Date	Notes
DR1	10/11/2022	First Draft
DR1.1	29/11/2022	Updated draft
DR1.2	22/12/2022	Issued for PMO Review
DR1.3	30/01/2023	Added following sections: <ul style="list-style-type: none"> • 2.8 Developing the Preferred Option • 5.2 Fund Management Updated the following sections: <ul style="list-style-type: none"> • 1.6 Business Needs • 4.3 Revenue Requirements
DR1.3.1	08/02/2023	Added following sections: <ul style="list-style-type: none"> • Exec Summary
DR1.4	24/02/2023	Updated to reflect recommendations following reviews undertaken by the PMO, Project Board, Programme Board and Gateway Review Team
V1.0	24/02/2023	Issued for endorsement by Project, Programme and Portfolio Boards
DR2.0	09/03/2023	Minor updates and corrections following Project, Programme and Portfolio Boards
V1.1	10/03/2023	Issued for approval by Economic Ambition Board

	Name	Date
Prepared by:	Project Manager (Elgan Roberts)	Dec 2022
Reviewed by:	Portfolio Management Office	Jan 2023
Reviewed by:	Project Board	Feb 2023
Reviewed by:	Programme Board	Feb 2023
Reviewed by:	Gateway Review Team	Feb 2023
Endorsed by:	Project Board	24 Feb 2023
Endorsed by:	Programme Board	01 Mar 2023
Endorsed by:	Portfolio Board	03 Mar 2023
Endorsed by:	Business Delivery Board	14 Mar 2023
Approved by:	Economic Ambition Board	

Contents

Executive Summary.....	vi
1. The Strategic Case.....	1
1.1. Organisational Overview.....	2
1.2. Business strategy and aims.....	2
1.3. Other relevant strategies.....	3
1.4. Spending Objectives.....	5
1.5. Existing Arrangements.....	6
1.6. Business Needs.....	9
1.7. Potential scope.....	13
1.8. Main Benefits.....	16
1.9. Main Risks.....	17
1.10. Constraints.....	18
1.11. Dependencies.....	19
1.12. Case for change summary table.....	20
2. The Economic Case.....	22
2.1. Critical Success Factors (CSFs).....	22
2.2. Long listed Options.....	23
2.3. Preferred Way Forward.....	27
2.4. Shortlisted Options.....	28
2.5. Economic Appraisal for the Preferred Way Forward and other Shortlisted Options.....	28
2.6. Non-monetised (Qualitative) Benefits Appraisal.....	33
2.7. Preferred Option.....	34
2.8. Developing the Preferred Option.....	34
2.9. Risk Appraisal of Preferred Option.....	40
2.10. Sensitivity Analysis of Preferred Option.....	41
3. Commercial case.....	43
3.1. Procurement Strategy.....	43
3.2. Procurement Activities.....	43
3.3. Market’s Ability to Deliver.....	46
3.4. Risk Apportionment.....	48
3.5. Payment Mechanisms.....	49
3.6. Contractual & Accountancy Consideration.....	51
3.7. Key Commercial Case considerations for the FBC:.....	52
4. Financial case.....	53
4.1. Financial constraints.....	53

4.2.	Capital Requirements.....	53
4.3.	Revenue Requirements.....	54
4.4.	Financial Appraisal	58
4.5.	Summary of Financial Appraisal.....	62
4.6.	Key Financial Case considerations for FBC:.....	62
5.	Management case.....	63
5.1.	Project Management	63
5.2.	Fund Management.....	66
5.3.	Change Management.....	70
5.4.	Benefits Realisation.....	71
5.5.	Risk Management	72
5.6.	Carbon Emissions & Biodiversity.....	73
5.7.	Project Assurance and Post-Project Evaluation.....	74
5.8.	Key Management Case considerations for FBC:	75
6.	Appendices.....	76
6.1.	Appendix 1 – Policy and Strategy Alignment.....	76
6.2.	Appendix 2 – Summary of Workshops.....	76
6.3.	Appendix 3 – Economic Case Longlist appraisal	76
6.4.	Appendix 4 – Review of existing funds	76
6.5.	Appendix 5 – Market Engagement Survey Results	76
6.6.	Appendix 6 – Stakeholder consultations	76
6.7.	Appendix 7 – Outline Fund Strategy	76
6.8.	Appendix 8 – Peer review of Fund Strategy.....	76
6.9.	Appendix 9 – Final Report from 31ten.....	76
6.10.	Appendix 10 – Fund Management Plan (draft).....	76
6.11.	Appendix 11 – Benefits Realisation Plan (draft)	76
6.12.	Appendix 12 – Project Risk Register.....	76
6.13.	Appendix 13 – Stakeholder Engagement Plan (draft).....	76
6.14.	Appendix 14 – Project Schedule	76
6.15.	Appendix 15 – Emissions and biodiversity OBC Proforma.....	76
6.16.	Appendix 16 – Work and product breakdown structures	76

Figure 1 - Business Case Development Process	vi
Figure 2 - Smart Local Energy project logic model.....	vii
Figure 3 - Key design principles for the Fund.....	xiii
Figure 4 - Options analysis from HM Treasury Green Book.....	25
Figure 5 - Key design principles for the Fund.....	35
Figure 6 - Proposed structure of the Fund.....	37
Figure 7 - Ambition North Wales procurement principles	43
Figure 8 - Project life cycle	63
Figure 9 - Project governance structure	64
Figure 10 - SLE high level project schedule.....	66
Figure 11 - Existing project governance structure	67
Figure 12 - Proposed fund governance structure	67
Figure 13 - proposed investment decision making process.....	69
Figure 14 - Fund management plan content	70

EXECUTIVE SUMMARY

Ynni Lleol Blaengar / Smart Local Energy

Executive Summary

Decision sought

Approval is being sought to progress Smart Local Energy’s preferred option through the procurement phase and prepare the Full Business Case for the following intervention:

Establishing a £25m fund to invest across all areas of intervention aligning with the Regional Energy Strategy. A fund administered by Ambition North Wales over a period of up to 10 years. Capital funding allocated through grants, loans or other financial instruments, with a target of 75% match as an average across the fund.

The Full Business Case will be presented for approval Winter 2023/24.

Overview

The purpose of this Outline Business Case is to identify the preferred option for the Smart Local Energy project that aligns with the project’s aim of creating prosperity in North Wales by supporting and enabling clean energy and decarbonisation solutions.

The Smart Local Energy project is one of five projects within the Low Carbon Energy programme of the North Wales Growth Deal. There is £25 million of Growth Deal Capital Funding allocated to the project with a target of £106.2M total investment.

Business Case Development – Process to Date

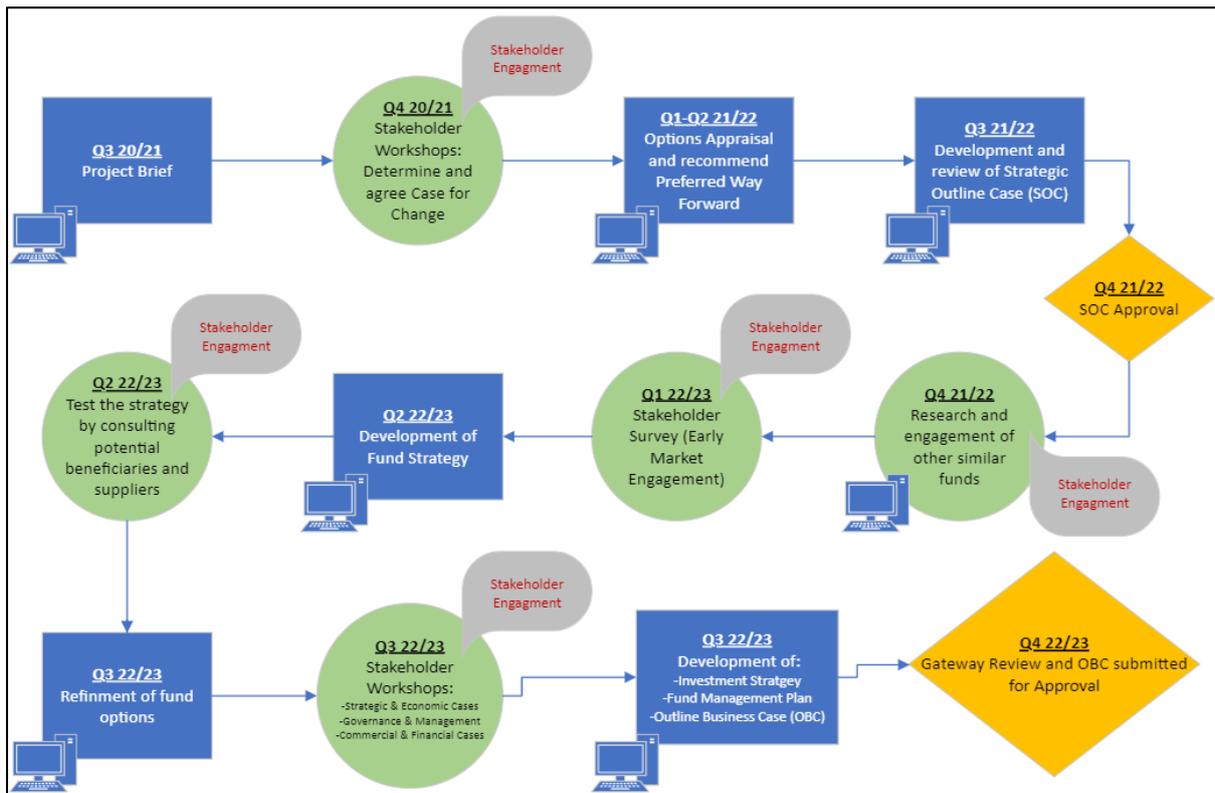


Figure 1 - Business Case Development Process

EXECUTIVE SUMMARY

Ynni Lleol Blaengar / Smart Local Energy

Project Logic Model

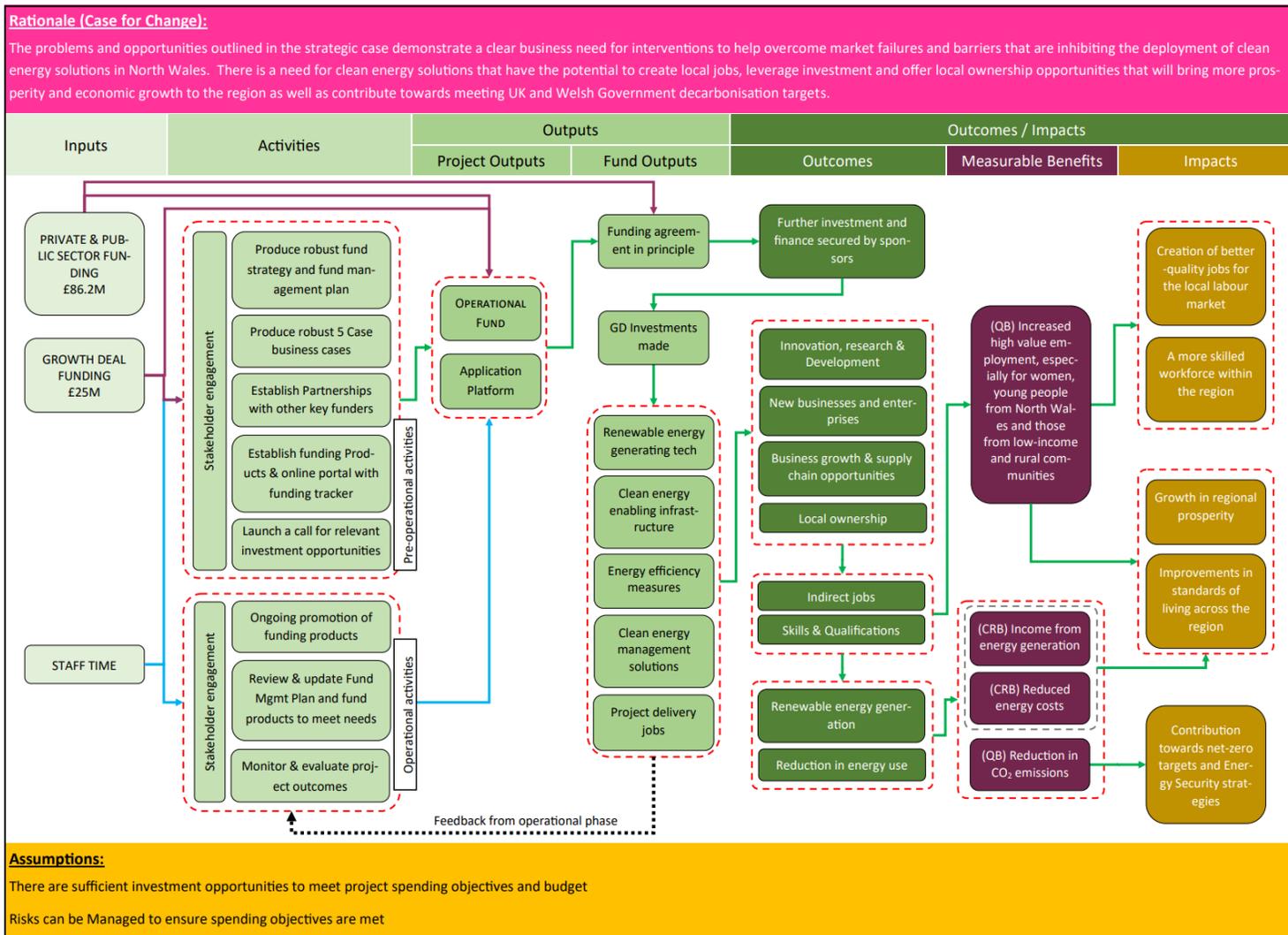


Figure 2 - Smart Local Energy project logic model

EXECUTIVE SUMMARY

Ynni Lleol Blaengar / Smart Local Energy

The Strategic Case

Spending Objectives

The project spending objectives are as follows:

Table 1 - Project spending objectives

Project Spending Objective 1 Job Creation	Create 156-193 new jobs in North Wales associated with the delivery and operation of clean energy solutions that contribute towards net additional GVA of £110-134M by 2036.
Project Spending Objective 2 Investment	Deliver a total investment of £101-111M in clean energy solutions in North Wales by 2036.
Project Spending Objective 3 Carbon Savings	Generate 130,000-170,000 tonnes of carbon savings from improved efficiencies and decarbonisation of energy systems in North Wales using a diverse range of solutions by 2036.
Project Spending Objective 4 Local Ownership	Establish a strong and sustainable local ownership element to new clean energy assets delivered and supported by ensuring Welsh Government's local & shared ownership policy objective is met or exceeded by all project investments ¹ .

The Smart Local Energy (SLE) project spending objectives contribute towards the Low Carbon Energy programme and Strategic Portfolio Spending Objectives of creating Jobs, additional GVA, deliver Investment and reducing Carbon Emissions. Therefore, the Smart Local Energy project supports the strategy of the organisation and aligns with the strategic case identified in the Low Carbon Energy Programme business case.

Business Needs

Job Creation – There is a need to create and safeguard the highest number of high-quality low-carbon jobs in north Wales as we transition towards net zero and secure a fair share of the 25,100 low-carbon jobs expected in Wales by 2050 (National Grid's research²). These could be jobs to implement and manage the solutions or indirect jobs within the local supply chain.

Investment – There is a need for intervention by the Growth Deal to provide cornerstone and enabling investment for clean energy solutions that attracts and unlocks further funding and finance to overcome the current market failures; and to invest in clean energy solutions that have the potential to draw in further investment once operational.

Carbon Savings – There is a need for intervention by Ambition North Wales to contribute towards UK and Welsh Government decarbonisation targets and help reverse the trend of reduced deployment of renewables in Wales since 2015 due to market failures. North Wales can be at the leading edge with expertise in clean energy solutions, strong clean energy supply chain and competitive decarbonised businesses.

¹ In line with 'Local and shared ownership of energy projects in Wales: Guidance for developers, local communities & decision-makers'

² [Building the Net Zero Energy Workforce | National Grid Group](#)

EXECUTIVE SUMMARY

Ynni Lleol Blaengar / Smart Local Energy

Local Ownership – There is an opportunity for intervention by Ambition North Wales to increase local ownership of clean energy assets in North Wales. Locally owned clean energy assets provide a strong opportunity to retain wealth within the local economy in North Wales, contributing to prosperity and provide real benefit to communities

Demand for the Project

A market research survey was conducted by Ambition North Wales in 2022 to gain a better understanding of the type of clean energy projects looking to be developed in north Wales, by who, when and the funding support required. Of the 57 responses received, 92% were looking to make investments into their proposed project over the next 4 years. 70% of the responses were from private sector businesses, 19% from community organisations and 11% were from public sector organisations.

Potential scope

To focus on business needs specific to North Wales, the potential scope of interventions has been aligned with the vision of North Wales' Regional Energy Strategy. The scope covers potential intervention areas currently identified as highest priority actions that can be taken to support efforts for the region to move towards net zero emissions by 2050. The intervention areas fall within the four themes identified by the North Wales Energy Strategy:

1. Domestic Energy
2. Commercial & Industrial Energy
3. Transport
4. Renewable Energy Generation

Main potential benefits

These benefits resulting from key outcomes are core to the project and are directly linked to the spending objectives:

Table 2 - Main project benefits

Benefit	Beneficiary
Increased high value employment, especially for women, young people from North Wales and those from low-income and rural communities (Quantifiable Benefit)	Residents of N Wales
Income from energy generation (Cash Releasing Benefit)	Residents, businesses and organisations in N Wales
Reduced energy costs (Cash Releasing Benefit)	Residents, businesses and organisations in N Wales
Reduction in CO ₂ emissions (Quantifiable Benefit)	UK wide society

Main potential risks

These are the main risks associated with the achievement of the project's outcomes that exist regardless of the options considered in the economic case:

Table 3 - Main project risks

Risks

EXECUTIVE SUMMARY

Ynni Lleol Blaengar / Smart Local Energy

If there is a lack of suitable applications for Smart Local Energy funding, there is a risk that Project Spending Objectives (jobs, investment, carbon saving and local ownership) will not be achieved.

If private and public investment cannot be leveraged; there is a risk that Project Spending Objectives (jobs, investment, carbon saving and local ownership) will not be achieved.

If there is a lack of resource capacity and skills capability within the project team, region, supply chain and other stakeholders (PMO, Partners, output owners), there is a risk that outputs will not be delivered within Growth Deal timescales.

If the benefits are not realised locally (local jobs, local supply chain opportunities, local investment), then there is a risk the project does not contribute towards the Growth Deal aims for North Wales.

If the intended intervention of a fund duplicates, or overlaps with, other sources of funding available to stakeholders; there is a risk that the Growth Deal funding displaces opportunities of bringing in additional investment into the region.

EXECUTIVE SUMMARY

Ynni Lleol Blaengar / Smart Local Energy

The Economic Case

Critical success factors

These are the critical success factors agreed upon for the Smart Local Energy project:

Table 4 - Critical Success Factors

Key Critical Success Factor Topics	Specific Factors
Strategic Fit and Business Needs	<ul style="list-style-type: none"> • Must make a substantive contribution to delivering the objectives of the <u>North Wales Growth Deal</u> and the <u>North Wales Regional Energy Strategy</u> • Must offer potential to leverage investment/co-investment • Must <u>complement existing national and local interventions</u> that are delivering against low carbon energy agendas • Must have clear alignment with market need and demand • Must retain flexibility and be <u>able to adapt</u> the funded interventions as the regional energy strategy and wider set of national and local interventions evolve to meet dynamic market • Must support opportunities for deployment of locally led <u>innovative</u> products and approaches • Must support <u>local ownership</u> of renewable energy and low carbon assets (by North Wales residents, businesses and communities) • Must create opportunities for development of skills and experience of low carbon <u>supply chains</u> in North Wales • Must support the Ambition Board's <u>Climate Change & Biodiversity</u> aims
Potential Value for Money	<ul style="list-style-type: none"> • Must enable achievement of both economic outcomes (jobs and investment) and environmental outcomes (carbon emission savings) • Must be the most cost-effective way to deliver the fund
Supplier Capacity and Capability	<ul style="list-style-type: none"> • Must have <u>delivery partners</u> who would be willing/able to deliver the project • Must be attractive to external fund manager/advisors, or be appropriate for internal management
Potential Affordability	<ul style="list-style-type: none"> • Must be <u>deliverable within £25M</u> of Growth Deal funding
Potential Achievability	<ul style="list-style-type: none"> • Must be fully operational and have invested all Growth Deal funding <u>by 2035</u>

Economic appraisal

An economic appraisal of the following shortlist of options and preferred way forward (presented in the Strategic Outline Case) was undertaken:

Table 5 - Shortlist of options

Shortlist taken forward for economic appraisal					
Business as Usual	Do Minimum – Single £12.5M Defined Project	Preferred Way Forward – Open Low Carbon Investment Fund	Alternative Option – Small number of Defined Projects	Alternative Option – Investment Fund Focused on One	Alternative Option – Funding through Grants and Loans only

EXECUTIVE SUMMARY

Ynni Lleol Blaengar / Smart Local Energy

				Area of Investment	
No additional funded activity through Growth Deal	£12.5M invested in single project; local or national partner commissioned to deliver; grant funded in 3-year tranches; requirement for 50% match funding	£25M fund to be invested across all areas aligning with the RES; administered by a local partner; funding awarded over a period of up to 10 years; funding offered through grants, loans or other financial instruments, with requirement for 75% match as an average across the fund	£25M invested in 1-3 large scale low carbon projects; local or national partner commissioned to deliver; grant funded in 3-year tranches; with requirement for 75% match across the full project	£25M fund to be invested across one targeted area of the RES, administered by a local partner; funding awarded over a period of up to 10 years; funding offered through grants, loans or other financial instruments, with requirement for 75% match as an average across the fund	£25M fund to be invested across all areas aligning with the RES; administered by a local partner; funding awarded over a period of up to 10 years; grant or loan funding offered, with requirement for 75% match as an average across the fund

Table 6 below sets out the results of the appraisal:

Table 6 - Summary of economic appraisal of shortlist of options

Factor	BAU	Do Minimum	Preferred Way Forward	Alternative Option	Alternative Option	Alternative Option
Description of option	Business as Usual	Single £12.5M Defined Project	Open Low Carbon Investment Fund (Scenario A)	Small number of Defined Projects	Investment Fund focused on one area of investment	Funding through grants and loans only
Quantitative analysis						
Total public sector costs (£m NPV)	0	11.5	22.4	21.8	24	22.3
Total monetised societal benefits (£m NPV)	0	22	87.1	43.7	82.9	74.2
Net present social value (£m NPV)	0	10.5	64.7	21.9	58.9	51.9
Benefit cost ratio (BCR) – North Wales and UK	-	1.9	3.88	2.1	3.45	3.33
Significant quantified benefits						
Number of projects supported	0	1	104	3	82	182
Total additional jobs created	0	65	229	131	235	196
Savings from Energy Efficiency Projects (£m NPV)	0	2.8	13.1	4.2	9.6	16.5
Carbon Savings (tCO ₂)	0	30,000	149,300	48,600	132,500	168,500
Carbon Savings (£m NPV)	0	7.1	35.6	11.5	31.6	40

Preferred Option

Based on the appraisal of the shortlist of options, the approach selected to be taken forward as the Preferred Option is confirmed to be the SOC preferred way forward; a £25m Open Low Carbon Investment Fund:

Preferred Option – Open Low Carbon Investment Fund

EXECUTIVE SUMMARY

Ynni Lleol Blaengar / Smart Local Energy

£25m fund to invest across all areas of intervention aligning with the Regional Energy Strategy. A fund administered by Ambition North Wales over a period of up to 10 years. Capital funding allocated through grants, loans or other financial instruments, with a target of 75% match as an average across the fund

Developing the Preferred Option

The following key design principles were used to underpin the development of the preferred option that align with the project spending objectives and critical success factors:

<p> Support the Ambition North Wales strategic objectives, specifically the North Wales Growth Deal</p> <p> Flexible – to allow for flexible finance packages to be offered - different investment types and mechanisms and to future proof to evolve to address emerging priorities</p> <p> Scalable – to allow the fund to deploy at the earliest opportunity and then for the total amount of funding to increase over time</p> <p> Co-investment – capable of attracting and leveraging outside investment</p> <p> Additionality - the fund will offer additionality i.e. the fund will be complementary to other Fund offers</p>	<p> Broad focus to respond to a wide variety and evolving needs</p> <p> Data and evidence driven and live and agile to respond to local need with continuous monitoring and measurement of the funds impact</p> <p> Ethical investing to ensure investments decisions are made responsibly and with integrity</p> <p> Risk managed at portfolio level rather than on an investment by investment basis</p> <p> Self sustaining / evergreen – the fund will ideally be able to secure a return to support future projects and allow the fund to have a long lasting, sustainable impact</p>
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Figure 3 - Key design principles for the Fund

The preferred solution for the Open Low Carbon Investment Fund is set out below. The detailed design of the preferred option was undertaken by building on the fund strategy developed by the project team, and with input from key stakeholder workshops:

Table 7 - Proposed fund solution

Service Solution	£25m Umbrella Fund		
	Third Sector Sub-fund	Business Sub-fund	Large Schemes Sub-fund
Sub-Fund Target	Not-for-profit organisations and community groups seeking investment to: <ul style="list-style-type: none"> Generate renewable energy and/or reduce costs Provide energy to disadvantaged or economically challenged groups 	Provision of debt finance to SMEs based in North Wales that: <ul style="list-style-type: none"> are seeking finance to decarbonise, generate renewable energy or reduce operational costs are local providers of renewable energy/decarbonisation solutions 	Investment into larger energy-related projects based in North Wales to enable local ownership thresholds to be met, to address market failures and which could be appropriate for funding by a range of investors
Individual Investment Range of	£50k-£150k	£50k-£250k	£4m-£6m

EXECUTIVE SUMMARY

Ynni Lleol Blaengar / Smart Local Energy

Growth Deal Funding			
Project Types	<ul style="list-style-type: none"> • Energy Efficiency • Home/Community Retrofit • Small scale renewable energy generation (heat & electrical) • Smart Energy Solutions 	<ul style="list-style-type: none"> • Energy Efficiency • Business operation improvements • Small-medium scale renewable energy generation (heat & electrical) • Smart Energy Solutions 	<ul style="list-style-type: none"> • Large Scale Solar • Onshore Wind • Tidal Energy • Smart Energy Solutions
Duration of fund	5 years (option to extend sub-funds if required)		
Allocated Growth Deal Funding	£5,000,000	£8,000,000	£12,000,000

EXECUTIVE SUMMARY

Ynni Lleol Blaengar / Smart Local Energy

The Commercial Case

This project will follow Ambition North Wales' commercial strategy and public procurement rules as set out in the Portfolio Business Case. Ambition North Wales' procurement principles will underpin the commercial and procurement activity within this project.

Procurement Activities

These are the procurement activities to support production of the Full Business Case:

Table 8 - Procurement activities to support FBC

Outputs	Specialist Needed (Role)	Remit
Finalised Fund Management Plan including the Investment Strategy	Consultant (support for FBC)	Soft Market Testing for potential Fund Advisors and Specialist support to develop the Full Business Case
	Fund Advisor	To provide input into the Fund Management Plan and the Investment Strategy
	Legal Advisor	Advise on commercial considerations, operating model and subsidy control considerations
	Biodiversity & Emissions specialist	Integrate methodology into investment strategy

These are the procurement activities to support the establishment and operation of the fund once FBC approval has been obtained:

Table 9 - Procurement activities to set-up and operate fund

Output/Services	Specialist Needed (Role)	Remit
Application Platform	Web Designer	To develop a suitable online platform to enquire and apply for funding
Operating the Fund	Fund Advisor	Providing the fund advisor role for the fund
	Legal Advisor	Providing legal advice for the fund and preparing standard legal documents

Market's Ability to Deliver

Consultant Support

Support of specialist consultant to help develop the OBC was procured with no issues. The provides confident that similar support to develop the FBC can be procured from the market.

Fund Advisor

Initial exploratory research and engagement with suppliers that could deliver the Fund Advisory requirement was conducted to provide an understanding of the potential supplier base. Potential suppliers have been identified. Initial research and engagement suggest that there is a potential market appetite for Fund Advisory services.

Legal Advisor

Ambition North Wales will utilise an existing contractual arrangement via Gwynedd Council to call off external legal services which would enable a supplier to be secured via use of a brief and scope of services relatively quickly.

Biodiversity & Emissions specialist

EXECUTIVE SUMMARY

Ynni Lleol Blaengar / Smart Local Energy

Specialist technical support will be procured to build on the Biodiversity & Emissions methodology and advise how best to integrate methodology into the Investment Strategy. There are a number of technical/engineering consultancies that Ambition North Wales have engaged with in the past on other projects that have the capabilities to deliver this type of work. Partner Universities will also be engaged to explore whether they can assist with this activity.

Web designer

There is the potential opportunity to use Ambition North Wales' existing website service provider to develop an online platform/gateway to enquire and apply for funding via Ambition North Wales's website. This work will be scoped once a fund advisor is on board.

EXECUTIVE SUMMARY

Ynni Lleol Blaengar / Smart Local Energy

The Financial Case

Funding Available

There is £25M Growth Deal funding available for this project. The Growth Deal funding package is capital only with no revenue for projects.

There is a total investment target of £106.2m for this project. Table 10 sets out the proposed target for match funding for each sub-fund and the possible sources of the match funding and further investment to achieve the total investment target.

Table 10 - Potential sources of match funding

	Initial match funding targets	Sources of initial match (sources may change over time)	Sources of further investment	Actions to drive external investment
Third Sector Fund	50%	<ul style="list-style-type: none"> Public Sector Grants Local Energy Fund (Dev Bank of Wales) Community Shares Robert Owen Community Banking Applicant's match funding 	<ul style="list-style-type: none"> Recycled GD funding via loan repayments and return on equity Income from projects re-invested locally 	<ul style="list-style-type: none"> Sign-posting opportunities to applicants Active stakeholder engagement with other funders Establishing partnerships and/or agreements with other funders and investors where appropriate
Business Fund	65-75%	<ul style="list-style-type: none"> Business' own funds Decarb fund (Dev Bank of Wales) British Business Bank Highstreet Banks Amazon Climate Pledge Fund 		
Large Scheme Fund	65-75%	<ul style="list-style-type: none"> Renewable Energy Developer LA Pension Funds Dev Bank of Wales British Business Bank Renewable Energy Developer for Wales British Infrastructure Bank Clean Growth Fund Bridges Sustainable Growth Funds 		

Financial summary for the project (Year 0 = 2023/24)

Table 11 - Financial summary

Year/£'m	0	1	2	3	4	5	6	7	8	9	10	Total
Set-up Costs	(0.225)	-	-	-	-	-	-	-	-	-	-	(0.225)
Capital Investment	-	(1.5)	(3.0)	(9.25)	(9.25)	(2.0)	-	-	-	-	-	(25.0)
Running Costs	(0.03)	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.04)	(0.02)	(0.02)	(0.02)	(0.02)	(0.75)
Revenue Income	-	-	0.40	0.60	0.56	0.41	0.24	0.12	0.03	0.02	0.01	2.40

Funding Sources

EXECUTIVE SUMMARY

Ynni Lleol Blaengar / Smart Local Energy

Table 12 - Funding sources

Project Costs	Proposed Funding Source
Set-up Costs	PMO project development and staffing budgets
Capital Investment	Growth Deal Funding
Operational Costs	PMO project reserves for yrs 0-1 & Revenue income of fund for yrs 2-10

The Management Case

The Project Team

The Smart Local Energy project will be managed in line with Ambition North Wales' Project Management Framework which sets out how the project is to be directed, managed, defined and communicated.

The Smart Local Energy project has a full-time project manager with the support of the Portfolio Management Office. Support is also available from Project and Programme Board members who will provide direct support and/or access specific support via the organisation or sector they represent.

External support

The project has used specialists with the development of strategies and the business case and will continue to employ specialists during the operational phase to cover the following key areas:

- Economic modelling expertise
- Funding structures and financial modelling expertise
- Legal expertise

Project Milestones

The main project activities and milestones are set out in table 13 and project schedule plan below.

Table 13 - Project milestones

Project Milestone	Date
OBC approval	March 2023
FBC approval	Autumn 2023
Launch of fund	End of 2023/24
Closure of fund*	End of 2028/29
Final evaluation	End of 2033

Key Project Plans

These are key project plans produced specifically for this project:

Table 14 - Project plans

Stakeholder Engagement Plan	Contains a stakeholder register and sets out how the stakeholders are mapped with a detailed plan for engaging with individual or grouped stakeholders.
Fund Management Plan	Sets out the Investment Strategy, Governance & Management arrangements and the operational processes for the Fund.
Benefits Realisation Plan	Sets out the plan to manage and realise the project benefits.
Risk Register	The project RAID log contains the risk register which is reviewed and updated regularly.

EXECUTIVE SUMMARY

Ynni Lleol Blaengar / Smart Local Energy

Post-Project Evaluation Plan	A project specific Monitoring and Evaluation Plan to appraise whether the project has delivered its anticipated outcomes and benefits
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End of Executive Summary

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

1. The Strategic Case

The purpose of this section is to make a robust case for change and to demonstrate how it provides a strategic fit with the programme, portfolio and the organisation's objectives and business strategy.

Two facilitated workshops with key stakeholders were held to determine the case for change and assist in shaping the direction of the project during the development of the Strategic Outline Case.

The case for change was reviewed and updated by Ambition North Wales' Energy Programme Delivery Team for the Outline Business Case.

Summary of the strategic case review for the OBC

The case for change

It is concluded that the case for change remains strong and relevant; furthermore, this has been further reinforced with the recent impacts to stakeholders in North Wales from the global energy crisis and the need to move towards a cleaner, more affordable and more secure energy system.

Changes made to Strategic Case for OBC:

Relevant strategies

This section has been updated to include new policies and strategies relevant to this project which may have superseded ones included in the SOC:

- British Energy Security Strategy
- Levelling Up White paper
- North Wales Energy Strategy – Strategic Action Plan

Spending objectives

SO1, SO3 & SO4 have been updated to become SMART objectives.

Existing arrangements

- Added a table of other funds and initiatives in operation to support clean energy solutions.
- Updated energy generation statistics for Wales where new information is available.
- Included summary of market research undertaken with North Wales stakeholders.
- Included a summary of the findings from the feasibility reports undertaken in relation to 'Smart Local Energy Systems' in the region.

Business needs

Updated this section to reflect the findings of our market engagement and, in particular, highlight the need to help businesses access affordable finance and transition to Net Zero and how that need has now been amplified due to the current energy crisis.

Scope

Re-arrangement of some potential intervention areas within the Domestic Energy and Commercial & Industrial Energy categories to reflect the changes to relevant strategies and support schemes since the approval of the SOC.

Benefits

Benefits have been refined and developed since the approval of the SOC to ensure they can be demonstrated to be measurable benefits resulting from key outcomes of the project.

Risks

Updated to reflect the main risks being managed by the project at this stage.

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

Case for Change

Included case for change summary table.

1.1. Organisational Overview

North Wales Economic Ambition Board was established in 2012 and is now known as Ambition North Wales. Ambition North Wales is a partnership consisting of the six local authorities in the region of North Wales, the two universities; Bangor and Wrexham Glyndwr and two further education institutions; Grŵp Llandrillo Menai and Coleg Cambria. The private sector has also shaped the deal through the North Wales Mersey Dee Business Council and the Business Delivery Board.

Ambition North Wales, working collaboratively with Welsh Government, UK Government and representatives of the private sector developed the North Wales Growth Deal based on a set of transformational projects, securing the final deal in December 2020.

Ambition North Wales, through the Portfolio Management Office (PMO), will manage and deliver the North Wales Growth Deal in line with best practice. The North Wales Growth Deal will be treated as a portfolio of programmes and projects, ensuring alignment between the programmes and projects to enable the delivery of the deal.

1.2. Business strategy and aims

The aim of the Growth Deal is to build a more vibrant, sustainable and resilient economy in North Wales. Building on the region's strengths to boost productivity and tackling long term challenges and economic barriers to deliver inclusive growth. The approach is to promote growth in a scalable, inclusive and sustainable way in line with Wellbeing of Future Generations (Wales) Act 2015.

Ambition North Wales is committed to maximising the economic impact and value for money of the North Wales Growth Deal through its Commercial Strategy. 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.

Table 15 North Wales Growth Deal Strategic Portfolio Spending Objectives

Strategic Portfolio Spending Objective 1 Job Creation	To create between 3,400 and 4,200 net new jobs in North Wales through the Growth Deal by 2036
Strategic Portfolio Spending Objective 2 GVA	To support a net additional GVA uplift of between £2.0 billion and £2.4 billion for the North Wales Economy through the Growth Deal by 2036
Strategic Portfolio Spending Objective 3 Investment	To deliver a total investment of £1.1 billion in the North Wales Economy through the Growth Deal by 2036

Five programmes have been established within the Growth Deal to deliver the business strategy and contribute towards the Strategic Portfolio Spending Objectives in Table 155.

This project sits within the **Low Carbon Energy** programme which 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. The Low

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

Carbon Energy Programme Spending Objectives (Table 1616) are focussed on both supporting economic growth and addressing climate change.

Table 16 Low Carbon Energy Programme Spending Objectives

Programme Spending Objective 1 Job Creation	To create between 800-980 new jobs in North Wales through the programme by 2036
Programme Spending Objective 2 GVA	To create net additional GVA of £433-530M through the programme by 2036
Programme Spending Objective 3 Investment	To deliver a total investment of £602-£735M through the programme by 2036
Programme Spending Objective 4 Low Carbon Energy Generation	To enable the deployment of at least 314MW of new installed low carbon energy generation capacity through the programme by 2036
Programme Spending Objective 5 Carbon Savings	To enable carbon savings of at least 2,723,000 Tonnes CO ₂ e through the programme by 2036

The **Smart Local Energy (SLE)** project is one of the five projects within the Low Carbon Energy programme. All projects aim to contribute towards the Programme Spending Objectives, and all programmes contribute towards the Strategic Portfolio Spending Objectives. This ensures that the Smart Local Energy project, as well as every other project within the portfolio, supports the strategy of the organisation and aligns with the strategic case identified in the Low Carbon Energy Programme business case. The aim of the Smart Local Energy project is to create prosperity in North Wales by supporting and enabling clean energy and decarbonisation solutions. This will be delivered by targeting investments in clean energy solutions that create new local job opportunities, will attract local investment and can be replicated throughout North Wales.

1.3. Other relevant strategies

The Smart Local Energy project's aim of creating prosperity in North Wales by supporting and enabling clean energy and decarbonisation solutions is aligned with the following UK, Welsh and regional policies and strategies. Appendix 1 sets out in more detail how this project aligns with the key policies.

UK

Table 17 UK policies and strategies

The Climate Change Act (2008)	The Act commits the UK to reducing its greenhouse gas emissions to net zero by 2050.
British Energy Security Strategy	This strategy sets out the Government's plan for secure, clean and affordable British energy for the long term.
Net Zero Strategy: Build Back Greener	This strategy sets out this Government's long-term plan to end the UK's contribution to man-made climate change by 2050. This includes fully decarbonising the UK power system by 2035.
Heat and Buildings Strategy	This strategy sets out the vision for a transition to high-efficiency low carbon buildings.

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

The ten point plan for a green industrial revolution	The ten point plan sets out the approach government will take to build back better, support green jobs, and accelerate our path to net zero.
Levelling Up White paper	This plan sets out the Government’s plan to give people the same opportunities in all parts of the UK
National Infrastructure Strategy	The National Infrastructure Strategy sets out plans to transform UK infrastructure in order to level up the country, strengthen the Union and achieve net zero emissions by 2050.

Wales

Table 18 Wales policies and strategies

The Environment (Wales) Act 2016	The Act places a duty on Welsh Ministers to set targets for reducing greenhouse emissions and also to set carbon budgets. The ambition is to meet net zero by 2050.
Net Zero Wales Plan - Carbon Budget 2 (2021-25)	This Plan sets out 123 policies and proposals, alongside commitments and action from every corner of Wales to achieve net zero by 2050.
Future Wales: the national plan 2040	It influences all levels of the planning system in Wales and will help to shape Strategic and Local Development Plans prepared by councils and national park authorities.
Net zero energy company	Welsh Government’s Co-operation agreement to work towards creating Ynni Cymru, a publicly-owned energy company for Wales, to expand community-owned renewable energy generation.
Local ownership of energy generation in Wales: policy statement	Policy on ensuring energy generation projects deliver benefits to the communities which host them.
Prosperity for All: the national strategy	The aim of the Welsh Government’s ‘Prosperity for All’ national strategy is to ‘build a Wales that is prosperous and secure, healthy and active, ambitious and learning, and united and connected’.
Wellbeing of Future Generations (Wales) Act 2015	The Act aims to improve the social, economic, environmental and cultural well-being of Wales.
Net Zero Skills Action Plan	This action plan sets out the current net zero skills position in Wales. It also sets out the changes needed in the skills system and the key actions required to support businesses and learners to achieve a just transition to net zero.

Regional

Table 19 Regional strategies

The Growth Vision for North Wales	For North Wales to be 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.
North Wales Energy Strategy – Strategic Action Plan	This document sets out strategic actions that are required to realise the strategic priorities set out in the North Wales Energy Strategy.

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

North Wales Energy Strategy	A strategic pathway identifying key interventions to deliver on the region's ambitions for decarbonising its energy system and ensure the region benefits from the transition.
Declarations of Climate Emergency and/or commitment to become a net zero carbon local authority by 2030	Conwy County Borough Council / Denbighshire County Council / Flintshire County Council / Gwynedd Council / Isle of Anglesey County Council / Wrexham County Borough Council
Regional Economic Framework	To help promote collaborative regional planning and delivery amongst public, private and third sector partners, working to a shared vision and a set of common economic development objectives across the region.
North Wales RSP: North Wales Skills and Employment Plan 2023-25	The 3 priorities of the plan include: <ul style="list-style-type: none"> • Enabling and empowering employers • Enabling and empowering individuals • How support is provided and making the connections

1.4. Spending Objectives

The agreed spending objectives specified for the Smart Local Energy project (Table 20) are aligned with the aim and objectives of the North Wales Growth Deal's Low Carbon Energy Programme, as well as the underlying policies and strategies of both UK and Welsh Governments. The spending objectives and the subsequent subjects within section 3 (existing arrangements through to dependencies) were identified and agreed with key stakeholders during the Case for Change workshops. A summary of the workshops are included in Appendix 2.

Table 20 Smart Local Energy Project Spending Objectives

Project Spending Objective 1 Job Creation	Create 156-193 ³ new jobs in North Wales associated with the delivery and operation of clean energy solutions that contribute towards net additional GVA of £110-134M by 2036.
Project Spending Objective 2 Investment	Deliver a total investment of £101-111M in clean energy solutions in North Wales by 2036.
Project Spending Objective 3 Carbon Savings	Generate 130,000-170,000 tonnes of carbon savings from improved efficiencies and decarbonisation of energy systems in North Wales using a diverse range of solutions by 2036.
Project Spending Objective 4 Local Ownership ⁴	Establish a strong and sustainable local ownership element to new clean energy assets delivered and supported by ensuring Welsh Government's local & shared ownership policy objective is met or exceeded by all project investments ⁵ .

³ Economic analysis undertaken during the OBC development indicates the potential to create more jobs than currently targeted in the spending objective. The targets will be reviewed regularly as the project develops and adjusted if the evidence for the interventions in North Wales can demonstrate the ability to deliver more jobs.

⁴ Ownership of assets include tangible and intangible assets such as Intellectual Property.

⁵ In line with [Local and shared ownership of energy projects: guidance | GOV.WALES](#)

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

1.5. Existing Arrangements

This sections sets out the existing arrangements in the clean energy sector in North Wales relevant to the themes of the agreed spending objectives. These existing arrangements provide the baseline from which to identify business needs and measure future improvements.

Clean Energy Jobs

Across Wales as a whole, the low-carbon and renewable energy economy is estimated to consist of 6,000 businesses, employing 9,700 people in 2019⁶.

National Grid's research⁷ found that to get the UK to net zero, the energy sector must recruit for 400,000 jobs by 2050. Of these, 260,000 will be new roles, while 140,000 will be replacing those who have left the workforce. 25,100 (6.3%) of the 400,000 jobs will be in Wales.

North Wales has existing clean energy specific training facilities that can provide the local workforce with relevant skills for the net zero transition, here are some prominent examples:

- Centre for Infrastructure, Skills & Technology (CIST), Grŵp Llandrillo Menai, Llangefni
- Wind Turbine Training Centre, Grŵp Llandrillo Menai, Rhos-on-Sea
- Electric and hybrid vehicle training centre, Coleg Cambria, Wrexham
- Tŷ Gwyrddfai, Centre of Excellence in Decarbonisation, Adra, Penygroes

With regards to diversity and inclusion of the workforce in the sector; research co-authored by the Future Generations Commissioner for Wales finds females and people of non-white ethnicity are under-represented in green industries, with traditional green jobs currently held in the majority by white males.⁸

Investing in Clean Energy

Existing support for investing in Clean Energy solutions

There are no support schemes currently operating in North Wales that specifically sets out to deliver jobs and additional GVA for the region through investment in the clean energy sector. However, there are a number of support schemes currently operating relevant to this sector, table 21 lists the main ones:

Table 21 - current support schemes for clean energy project

Eligible Recipients	Name	Description	Source
Low income households	Nyth / Nest	Provides funding for energy efficiency improvements for homes	Welsh Government
All Households	Boiler Upgrade Scheme	£5,000 - £6,000 grants to install low carbon heating systems such as heat pumps	UK Government
Social Enterprises	Development & Resource grants	To help communities in the development phases of a project	Welsh Government Energy Service
	UK Shared Prosperity Fund	UKSPF is a central pillar of the UK government's Levelling Up agenda and a significant component of its support for places across the UK	UK Government

⁶ [The labour market of tomorrow, Data Cymru](#)

⁷ [Building the Net Zero Energy Workforce | National Grid Group](#)

⁸ <https://www.futuregenerations.wales/news/equality-skills-gaps-in-green-jobs-finds-new-analysis-by-future-generations-commissioner-wales-tuc-and-nef/>

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

	Shared ownership grant	To support community energy enterprises and other social enterprises looking to invest in a renewable energy project being developed commercially	Welsh Government Energy Service
	The Climate Action Grant Fund	Aims to help communities across the UK to address climate change	The National Lottery
Private Sector Businesses	Business Support Grants	Various Business Support Grants – mostly low value	Local Authorities
	UK Shared Prosperity Fund	UKSPF is a central pillar of the UK government’s Levelling Up agenda and a significant component of its support for places across the UK	UK Government
	Sustainable Innovation Fund	Grants to back the bright ideas that put biodiversity, the climate, and sustainability first to help make the UK economy clean, green, and resilient	UK Government
Registered Social Landlords	Optimised Retrofit Programme	Grants to install a variety of home decarbonisation measures in existing social housing stock	Welsh Government
	UK Shared Prosperity Fund	UKSPF is a central pillar of the UK government’s Levelling Up agenda and a significant component of its support for places across the UK	UK Government
Public Sector Organisations	Public Sector Decarbonisation Scheme	Grants to fund heat decarbonisation and energy efficiency measures	UK Government
	UK Shared Prosperity Fund	UKSPF is a central pillar of the UK government’s Levelling Up agenda and a significant component of its support for places across the UK	UK Government
	The Wales Funding Programme	Interest free loans for energy efficiency projects	Welsh Government
	Sustainable Innovation Fund	Grants to back the bright ideas that put biodiversity, the climate, and sustainability first to help make the UK economy clean, green, and resilient	UK Government
Large Renewable Generators	Contracts for Difference	mechanism for supporting low-carbon electricity generation by paying developers a flat (indexed) rate for the electricity they produce over a 15-year period	UK Government

In addition to these support schemes offering grants and interest-free loans, there are a number of commercial loans, some with favourable interest rates, available for green energy projects. Here are some of the main sources of those loans:

- Development Bank of Wales – *Local Energy Fund, Net Zero Business Loans (new in 2023); Green Homes Incentive*
- Robert Owen Community Bank – *Community Energy and Business Loans*
- British Business Bank – *£130m fund for Welsh businesses (in development and likely to be launched end of 2023 or early 2024)*
- UK Infrastructure Bank
- Highstreet banks

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

Stakeholder Survey

A market research survey was conducted by Ambition North Wales in 2022 to gain a better understanding of the type of clean energy projects looking to be developed, by who, when and the funding support required. The survey was sent to existing project stakeholders and publicised through Ambition North Wales' social media channels. It was also distributed to organisations via local authority energy teams, local authority business support teams, regional umbrella bodies for the private sector and Community Energy Wales. Here is a summary of the main insights we gathered from the 57 responses we received:

- 70% of the responses were from private sector businesses, 19% from community organisations and 11% were from public sector organisations.
- 79% of respondents were from organisations with less than 250 employees, i.e. SMEs.
- 50% of the potential projects had a total project cost of up to £500,000, with the rest mostly in the £500,000 – £5m bracket.
- Nearly all (97%) of the respondents were interested in accessing grants as a source of funding, but there was a fairly equal response (15-20%) towards having Small Business Loans, Equity Finance, Seed Capital and Private Investment to help finance their projects. However, only 2% were interested in secured debt.
- 92% of the respondents were looking to make investments into their proposed project over the next 4 years.

A report presenting the responses to the entire survey is included as appendix 5.

The potential of 'Smart Local Energy Systems'

Feasibility reports commissioned by Ambition North Wales (funded by UK Government's Community Renewal Fund) looking into the feasibility of 'Smart Local Energy Systems' across the region demonstrated the potential for a number of existing and new project ideas to be feasible 'Smart Local Energy Systems'. It was shown that these potential projects are well placed to deliver local investment in clean energy solutions, create local jobs, reduce carbon emissions and offer local ownership opportunities with a number of project sponsors identifying 'tackling fuel poverty' in their local area as the main objective.

Carbon Savings

Welsh Government have a policy commitment for the public sector to be carbon neutral by 2030, a target to meet the equivalent of 70% of its electricity demand from Welsh renewable electricity sources by 2030, and for Wales to meet net zero by 2050.

Welsh Government published their latest report 'Energy Generation in Wales 2020' in May 2022:

- Against its 70% by 2030 target; in 2020, this figure stands at 56%, up from 51% in 2019. The 2020 change is due to a reduction in electricity demand and a small increase in estimated renewable electricity generation.
- 65 MW of new renewable capacity was commissioned in 2020, this represents the lowest annual deployment rate since 2010, which is 94% lower than the 2015 peak, when 1,019 MW was commissioned.

Welsh Government's Net Zero Strategic Plan published in September 2022 states:

- *"To achieve net zero, in alignment with the Science Based Targets Initiative, we will have to reduce our total emissions in 2030 by at least 90% relative to our baseline year, 2019-20."*
- *"Initial pathway modelling for this Strategic Plan indicates we will achieve a 55-75% reduction by 2030, showing that even our most ambitious pathway at this stage will leave us*

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

with a gap-to-target of 15%. We, therefore, need to accelerate activity, maximise delivery, and go further if we are to meet our goal.”

With regards to the electricity grid infrastructure, Scottish Power Energy Networks (SPEN) have set out their strategy to deliver an electricity network for net zero in their RIIO-ED2 Business Plan. The final Business Plan was submitted to Ofgem in December 2021 and Ofgem were due to deliver their final determination in December 2022 (outcome not yet announced on SPEN’s website).

Local Ownership of Clean Energy Assets

By the end of 2020, Wales was 86% of the way towards the 1 GW target of locally owned renewable electricity and heat capacity by 2030⁹, up from 83% in 2019.

Local ownership of all installed renewables in North Wales up to 2020 stood at 20%¹⁰.

Welsh Government Policy Statement (Local ownership of energy generation in Wales) sets out that all new energy developments are required to have at least an element of local ownership. Furthermore, the Welsh Government has pledged to expand renewable energy generation by public bodies and community groups in Wales by over 100 MW by 2026.

The support mechanisms listed in table 21 will also help local ownerships by providing potential funding opportunities for individuals and organisations located in North Wales to fund their clean energy projects where they are eligible.

1.6. Business Needs

Problems associated with the existing arrangements are detailed below along with opportunities to intervene with improvements and changes that are required for the project to fulfil its spending objectives.

Clean Energy Jobs

Problem

According to the North Wales Energy Strategy, the perceived experience of Wales to date is that many of the long term operational and maintenance jobs associated with clean energy technologies are held by persons outside of the region who travel into Wales to perform their duties¹¹. This is probably more likely to be the case with the larger schemes such as wind and solar farms compared to smaller scale clean energy solutions such as rooftop solar and heat pumps for example. There are no reports providing clear evidence of this in Wales, however a report by Solar Power Europe¹² suggests that small scale renewables are likely to create more local jobs than large scale renewables. It could also be reasonable to assume that if the market was left to its own devices, creating long-term local jobs in North Wales is unlikely to be a priority of clean energy projects and opportunities may be missed to realise local benefits that new jobs create.

Opportunity

- There is an opportunity for the Growth Deal to intervene by prioritising investments in clean energy solutions that have the potential to create and safeguard the highest number of high-

⁹ Energy Generation in Wales 2020, Welsh Gov

¹⁰ Energy Generation in Wales 2020, Welsh Gov

¹¹ North Wales Energy Strategy 2020, Energy Service

¹² [EU Solar Jobs Report 2021 \(solarpowereurope.org\)](https://www.solarpowereurope.org/)

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

quality jobs and ensure north Wales secure a fair share of the expected low-carbon jobs in Wales by 2050 (National Grid's research¹³) and bring economic benefits to the region. These could be jobs to implement and manage the solutions or indirect jobs within the local supply chain.

- By working with key stakeholders such as the Regional Skills Partnership and our Higher/Further Education partners, not only can we target to secure a fair share of the expected low-carbon jobs by 2050, but we can also explore opportunities to help sustain existing employment and create net additional jobs that:
 - promote diversity and inclusion as the region transitions towards net zero.
 - offer high-value employment in parts of the region that are reliant on traditionally low paid sectors/employment.
 - provides the opportunity to transition and upskill the existing local workforce to benefit from these new roles, especially from areas currently linked to the fossil fuel energy sector.

Investing in Clean Energy

Problem

Reduction in feed-in-tariff rates, and then the eventual closure of the scheme in 2019 contributed to a significant reduction of renewables being installed in Wales since 2015. Projects are struggling to develop sustainable, subsidy-free business models to progress into the implementation phase¹⁴. This demonstrates that the market will not currently deliver the level of clean energy investments needed to meet the net zero targets due to the following problems:

- There are some capital funding support options available for public sector decarbonisation projects and some at domestic level (see table 21); however, the capital funding available for projects delivered by social enterprises and private sector businesses is mainly traditional finance¹⁵. Feedback from our market engagement showed that accessing traditional finance is somewhat difficult, or sometimes not an option, for many of these organisations for a couple of reasons; not having the assets on which to secure a loan, or lenders having a risk adverse attitude to new projects leading to high interest rates or refusal to lend.
- Due to the impacts on organisations from current UK economic situation and increasing energy costs; organisations are less able to invest their own resources into clean energy solutions, but require funding solutions for their projects that will enable them deliver clean energy solutions providing them with more affordable, secure and clean energy.

Opportunity

- There is an opportunity for intervention by Ambition North Wales to enable clean energy solutions with growth deal funding which would not otherwise happen without this support, and leveraging additional investments from other sources. The Growth Deal can achieve this by:
 - Establishing funding products that enable private and public sector investments to be unlocked (for example: by reducing the amount of capital required from other sources as a proportion of total project value; by providing initial investment to reduce project risk for other investors/lenders; by enabling projects to progress to a level of maturity required to access other sources of investment/funding).

¹³ [Building the Net Zero Energy Workforce | National Grid Group](#)

¹⁴ Energy Generation in Wales 2020, Welsh Gov

¹⁵ Traditional Finance refers to finance available at market rates from commercial banks and lenders.

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

- Establishing partnerships with other lenders and investors who have shown an interest to co-fund clean energy projects (such as Development Bank of Wales, British Business Bank, North Wales Local Authority Pension Schemes).
- Encourage and help facilitate stakeholder partnerships needed to develop and implement 'Smart Local Energy Systems'.

Carbon Savings

Problem

To meet UK and Welsh Government targets to fully decarbonise the UK power system by 2035 and be net zero by 2050, there are many problems to address to enable reduced energy consumption and to decarbonise heat, power and transport energy systems at domestic, commercial and industrial levels in North Wales.

Such as:

- There has been a significant reduction of renewables being installed in Wales since 2015. However, demand for electricity will continue to grow with the rollout of heat pumps and electric vehicles. Therefore, the trend of reduction in installations needs to change if government targets and electricity demand are to be met.
- There are several market failures¹⁶ associated with the deployment of renewable energy and energy efficiency in the UK which include:
 - High upfront costs: New, low-carbon technology is often more expensive as it has not yet been deployed at scale – whereas markets dominated by fossil fuel dependent technologies are fully developed. As a result, lowcarbon goods and services are often initially not price competitive and demand is lower.
 - Financing constraints: People are willing to make an investment that is cost saving but do not have access to the capital to pay for it. If they could borrow money to fund the investment, they would do so. This may be an issue throughout the transition due to the large amount of new capital investment required, for both households and businesses.
 - Externalities: the lack of a price on emitting greenhouse gases is one of the largest market failures driving climate change and pervasive across all sectors of the economy. Those who emit greenhouse gases generally do not face the full costs of their actions, leading to increasing concentrations of greenhouse gases in the atmosphere.
 - Information failures: A lack of knowledge about the benefits of making energy efficiency improvements to buildings, in production or in personal consumption may also hold back decarbonisation even where there is the will to do so.
 - Uncertainty and risk: Uncertainty about the future increases risk. Combined with risk aversion, this can lead to disproportionate increases in financing costs for investment and sub-optimate levels of investment. This is a particular problem for new and developing technologies which will be crucial for the transition, or in circumstances where future policy is unclear.
- The electricity distribution network system in North Wales is already constrained and at capacity in many areas and network operators are unable to assist with reinforcement unless there is evidence of “shovel ready” projects requiring capacity or connection to the network. However, projects are unlikely to develop towards being “shovel ready” unless it can be demonstrated that the capacity or connection can be affordably secured at the outset to minimise development risk.

¹⁶ [210615 NZR interim report Master v4.pdf \(publishing.service.gov.uk\)](#)

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

- Wales has some of the oldest and least thermally-efficient building stock in Europe and North Wales' local authority areas have an above average portion of homes off the mains gas network (67,000¹⁷ homes or 22%¹⁸ of households. Average for Britain is 16%¹⁹). The prevalence of older buildings in Wales leaves a considerable legacy of non-energy efficient features, with many renewable and decarbonised heating systems requiring thermally efficient buildings to be cost efficient.
- Obtaining planning permission for renewable energy projects can be problematic and the process can be slow.

Opportunity

- There is an opportunity for intervention by Ambition North Wales to contribute towards UK and Welsh Government decarbonisation targets and help reverse the trend of reduced deployment of renewables by:
 - Engaging multiple stakeholders and forming partnerships to invest strategically in clean energy solutions alongside other initiatives to maximise carbon savings from invested capital and overcome current market failures. Examples of other initiatives that could align with this project are: Welsh Government Energy Service grants for community energy projects; Welsh Government Warm Homes 'Nest/Nyth' programme; Scottish Power Energy Networks plans for delivering a network for net zero and a potential Net Zero Fund; UK Gov – Boiler Upgrade Scheme; Energy Company Obligation government energy efficiency scheme.
 - Enabling 'Smart Local Energy Systems' that help overcome, or lessen, grid capacity constraints. Potential 'Smart Local Energy Systems' in North Wales were featured in studies commissioned by Ambition North Wales and funded through UK Governments Community Renewal Fund.
 - Enabling clean energy solutions that can be deployed quickly and achieve carbon savings quickly (i.e. projects that are unlikely to be drawn-out or delayed due to technical /legal issues or uncertainties, such as planning and ownership).
- There is also an opportunity for North Wales to be at the leading edge with expertise in clean energy solutions, strong clean energy supply chain and competitive decarbonised businesses. Innovation and smart solutions are required to assist in reducing consumption, improving efficiency and the decarbonisation of North Wales towards net zero.

Local Ownership of Clean Energy Assets

Problem

Local ownership of all installed renewables in North Wales up to 2020 stood at 20%²⁰. Research undertaken by the Centre for Low Carbon Futures, shows significant export of economic value simply by paying energy bills - it is estimated that Wales could be exporting between 6% and 10% of Gross Value Added²¹. Low levels of local ownership are more likely to result in less retained local benefit and greater risk of economic leakage. For larger clean energy schemes, there is very little incentive for developers (who tend to be located or operate outside of Wales) to collaborate with local stakeholders and share ownership, therefore the market is unlikely to deliver increased local ownership on larger schemes. This is not necessarily a market failure for larger schemes, but rather a lost opportunity to secure more local benefits. Smaller clean energy schemes that traditionally have strong local ownership elements such as community energy schemes, on farm renewables and domestic renewables are often no longer viable due to the market failures listed

¹⁷ North Wales Regional Energy Strategy

¹⁸ <https://statswales.gov.wales/Catalogue/Housing/Households/Estimates/households-by-localauthority-year>

¹⁹ https://www.cas.org.uk/system/files/publications/2018-08-15_off-gas_report_final_0.pdf

²⁰ Energy Generation in Wales 2020, Welsh Gov

²¹ Local ownership of energy generation in Wales 2020, Welsh Gov

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

under 'Carbon Savings' and loss of government incentives such as Feed-in-tariffs. For this reason, the market is not currently delivering many small scale, locally owned schemes.

Opportunity

- There is an opportunity for intervention by Ambition North Wales to increase local ownership of clean energy assets in North Wales. Locally owned clean energy assets²² provide a strong opportunity to retain wealth within the local economy in North Wales, contributing to prosperity and provide real benefit to communities. This can be achieved by:
 - Supporting locally owned energy installations.
 - Supporting investment opportunities for individuals or organisations based in North Wales to invest in large scale projects being delivered in North Wales. This support will help incentivise larger schemes to offer local ownership opportunities.
 - Exploring opportunities for Ambition North Wales to invest in large (utility scale) energy-related projects based in North Wales to generate a commercial return on investment that could be reinvested in the region (aligning to its Commercial Strategy).
- By supporting local ownership, there is also an opportunity for beneficiaries to have improved energy security, i.e. an uninterrupted availability of energy at an affordable price.

We define 'locally owned' installations as energy installations, located in Wales, which are owned by one or more individuals or organisations wholly owned and based in Wales, or organisations whose principal headquarters are located in Wales

Summary of business needs

The problems and opportunities outlined above demonstrate a clear business need for **interventions to help overcome market failures and barriers that are inhibiting the deployment of clean energy solutions in North Wales** and to fulfil the project's agreed spending objectives. There is a need for clean energy solutions, small and large scale, that have the potential to create local jobs, leverage investment and offer local ownership opportunities that will bring more prosperity and economic growth to the region as well as contribute towards a secure, clean and affordable energy system to meet UK and Welsh Government's energy security and decarbonisation targets. This business need is aligned with the Growth Deal's aim of building a more vibrant, sustainable and resilient economy in North Wales.

To focus on business needs specific to North Wales, potential intervention areas (large and small scale) aligning with the vision of North Wales' Regional Energy Strategy have been identified and will be used to establish the potential scope of the project in the next section. The Regional Energy Strategy reflects the current energy landscape in North Wales and the relevant local, regional and national clean energy targets making it the most appropriate strategy to align this project with.

1.7. Potential scope

The potential scope of the project for addressing the business needs has been split into two functions; the 'Potential intervention areas' for investment and the 'Potential end-users' for the interventions.

Important note: Domestic Energy Solutions are considered within scope, however as the Growth Deal is targeting high impact projects – supporting small scale interventions at an individual basis is

²² Ownership of tangible assets and intangible assets such as Intellectual Property.

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

being discounted. Community scale interventions targeting domestic energy solutions that can demonstrate delivery against project spending objectives are considered within scope.

Potential intervention areas

To determine the potential intervention areas of the project, key areas have been identified that align with the vision set out in the North Wales Energy Strategy. They are interventions currently identified as highest priority actions that can be taken to support efforts for the region to move towards net zero emissions by 2050 (although it is recognised that new technology and other developments could see this change). They are summarised in Table 22 under the four themes identified by the North Wales Energy Strategy.

Table 22 - Potential intervention areas of project

<p>1. Domestic Energy</p> <p>1.1. Support for domestic energy efficiency in targeted properties</p> <p>1.2. Support for renewable heat installation in targeted properties</p>	<p>2. Commercial & Industrial Energy</p> <p>2.1. Support for non-domestic energy efficiency</p> <p>2.2. Support for non-domestic renewable heat/cooling installations</p> <p>2.3. Support for non-domestic switch to alternative fuels</p> <p>2.4. Support for non-domestic on-site renewable energy installations</p>
<p>3. Transport</p> <p>3.1. Support for transition to low carbon vehicles/transport</p> <p>3.2. Support for initiatives to encourage modal shift</p>	<p>4. Renewable Energy Generation</p> <p>4.1. Support for commercial offshore wind installation</p> <p>4.2. Support for tidal lagoon installation</p> <p>4.3. Support for small scale modular nuclear reactors</p> <p>4.4. Support for tidal stream installation</p> <p>4.5. Support for commercial scale onshore wind installation</p> <p>4.6. Support for other commercial scale renewables; solar PV, anaerobic digestion, biomass, CHP and hydropower</p> <p>4.7. Support for community renewable schemes</p> <p>4.8. Support for electricity storage and flexibility</p>

A review of existing national and local activity identified those intervention areas where existing policies or programmes are largely addressing the challenge, and areas where further intervention is likely to be needed (and therefore which the Smart Local Energy project might best be able to respond to). The intervention areas were also assessed on how well they might contribute towards the spending objectives of the Smart Local Energy project.

The intervention areas have been arranged as follows:

- **Core** - the intervention areas with limited existing national and local activity/support, but have high potential to deliver against project spending objectives.
- **Desirable** - the ones with partial activity/support but have high potential to deliver against project spending objectives or have limited activity/support but less likely to deliver against all of the spending objectives.
- **Optional** - the ones that are mostly addressed by existing activity/support and less likely to deliver against one or more of the spending objectives.

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

Table 23 - Categorised potential intervention areas

POTENTIAL INTERVENTION AREAS		
Domestic Energy		
Core	Desirable	Optional
Support for: <ul style="list-style-type: none"> Domestic energy efficiency in targeted properties 	Support for: <ul style="list-style-type: none"> Domestic renewable heating installations 	<i>None currently identified</i>
Commercial & Industrial Energy		
Core	Desirable	Optional
Support for: <ul style="list-style-type: none"> Commercial and industrial on-site renewables installations Non-domestic energy efficiency Non-domestic renewable heat/cooling installations Non-domestic switch to alternative fuels 	<i>None currently identified</i>	<i>None currently identified</i>
Transport		
Core	Desirable	Optional
<i>None currently identified</i>	<i>None currently identified</i>	Support for: <ul style="list-style-type: none"> Transition to low carbon vehicles/transport Initiatives to encourage modal shift
Renewable Energy Generation		
Core	Desirable	Optional
Support for: <ul style="list-style-type: none"> Community renewable energy schemes Support for electricity storage and flexibility 	<i>None currently identified</i>	Support for: <ul style="list-style-type: none"> Tidal lagoon installation Tidal stream installation Commercial scale onshore wind installation Support for other commercial scale renewables; solar PV, anaerobic digestion, biomass electricity/CHP and hydropower

Please note; support for offshore wind installations and small scale modular nuclear reactors have been discounted from the list of 15 potential intervention areas at present as they are considered well supported at other National or Regional levels and investments in these areas are less likely to align with the project aim and spending objectives.

Potential end-users

The potential list of end-users has been populated to reflect the aims as set out in the Low Carbon Energy Programme business case to support investments within the private sector, community organisations and investments that increase local ownership and contribute towards decarbonising the regional economy.

Table 24 - Potential project end-users

POTENTIAL END-USERS
<ul style="list-style-type: none"> Homeowners Community social enterprises Businesses

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

- Farms and estates
- Charities
- Social housing providers
- Private landlords
- Local authorities
- Further and Higher Education organisations
- Other public sector organisations
- Renewable energy developers
- Energy suppliers

(it is assumed that end-users located and/or operating in North Wales are more likely to contribute towards the project spending objectives)

Note; the end-user²³ and applicant²⁴ for funding may not necessarily be the same stakeholder.

1.8. Main Benefits

Table 2525 sets out the main benefits to the beneficiaries of the project as a result of the targeted outcomes to meet the project spending objectives.

Potential wider benefits that could be realised by the project have been listed separately.

Main Benefits

These benefits resulting from key outcomes are core to the project and are directly linked to the spending objectives.

Table 25- Project main benefits

Benefit	Description	Beneficiary
Increased high value employment, especially for women, young people from North Wales and those from low-income and rural communities (Quantifiable Benefit)	The residents of North Wales will benefit from access to new high value jobs being created, or being safeguarded as a result of the funded projects. Jobs will be created and safeguarded by prioritising funding of clean energy projects that can demonstrate direct and indirect job creation and job safeguarding to deliver and manage their project outputs and outcomes.	Residents of N Wales
Income from energy generation (Cash Releasing Benefit)	Residents, businesses and other organisations in North Wales will benefit financially from income generated from clean energy solution they have delivered (and own) with the support of SLE funding. Income will be generated from renewable energy solutions exporting power to local consumers or the electricity grid.	Residents, businesses and organisations in N Wales
Reduced energy costs (Cash Releasing Benefit)	Residents, businesses and other organisations in North Wales will benefit financially from savings achieved from clean energy solution they have delivered (and own) with the support of SLE funding. Savings will be achieved by using on-site generated energy or adopting energy efficiency measures to reduce energy consumption.	Residents, businesses and organisations in N Wales
Reduction in CO₂ emissions (Quantifiable Benefit)	Society will benefit from a reduction in CO ₂ emissions and therefore a reduction in the economic cost of mitigating a unit of carbon.	UK wide society

²³ End-user: the user that ends up using the product or service delivered by the funding

²⁴ Applicant: the individual, community or organisation that applies for funding

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

The Smart Local Energy Benefits Realisation Plan sets out a detailed plan how the project will ensure that the benefits are derived from the project outputs and outcomes.

1.9. Main Risks

This section identifies the main risks associated with the achievement of the project's outcomes that exist regardless of the options considered in the economic case. Proposed counter measures for avoiding or reducing the risk where relevant.

Table 26 - Project main risks

Risks	Avoid / Reduce / Accept	Proposed Counter Measure
If there is a lack of suitable applications for Smart Local Energy funding, there is a risk that Project Spending Objectives (jobs, investment, carbon saving and local ownership) will not be achieved.	Reduce	<p><i>-The preferred way forward is based on an open fund rather than a targeted fund to avoid unnecessarily discounting good investment opportunities. Fund will be flexible and have the opportunity to extend duration if needed. [CLOSED]</i></p> <p><i>-ANW completed SLES feasibility studies and SOCs for 4 LA areas in N Wales with CRF funding - this will help identify potential projects and raise awareness of SLE project. [CLOSED]</i></p> <p><i>-Market research questionnaire provided a better understanding of demand for funding and type of funding required. [CLOSED]</i></p> <p><i>-Robust project business case developed in line with 5 Case Business Model to fully assess options with input from key stakeholders to ensure all potential options are considered and assessed against the Spending Objectives, and they deliver value for money and are affordable. [ONGOING]</i></p> <p><i>-Project will have a robust marketing, stakeholder engagement and communications plan in place to raise awareness of and promote opportunities and benefits. [ONGOING]</i></p> <p><i>-SPF bid made for funding to provide investor readiness support to support businesses and community organisations to develop their proposals. [ONGOING]</i></p>
If private and public investment cannot be leveraged; there is a risk that Project Spending Objectives (jobs, investment, carbon saving and local ownership) will not be achieved.	Reduce	<p><i>-Market research questionnaire distributed to stakeholders to gain better understanding of how much funding is required and where other leveraged funding could come from. [CLOSED]</i></p> <p><i>-Fund structure designed to allow for maximum co-investment opportunities. [CLOSED]</i></p> <p><i>-A robust business case developed for the project in line with the 5 Case Business Model to ensure the outputs deliver value for money and are affordable. [ONGOING]</i></p> <p><i>-The business case will also look at other potential funding streams that could be accessed/used by applicants to match Growth Deal funding. Potential applicants will be made aware of opportunities, and potential partnership could be established with other funders to help facilitate leverage. [ONGOING]</i></p> <p><i>-Engaging with key deliverers of existing funds and finance products to explore partnership opportunities that could lead to leveraging additional investment or co-funding solutions. [ONGOING]</i></p>
If there is a lack of resource capacity and skills capability within the project team, region, supply chain and other stakeholders (PMO, Partners, output owners), there is a risk that outputs will not be delivered within Growth Deal timescales.	Reduce	<p><i>-Project has a dedicated project manager and good support within the PMO with funding in place for FBC development phase. [CLOSED]</i></p> <p><i>-The NWEAB partners are represented on the project board, programme board, portfolio board and the NWEAB and issues relating to capacity and capabilities will be escalated up the boards. [CLOSED]</i></p> <p><i>-Sell2wales will be used, and the PMO's increasing database of specialists will be notified of tendering opportunities to provide specialist support to project development and delivery. [ONGOING]</i></p>

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

		<p>-Fund specialist brought on-board to assist with Business Case development and Fund Advisor will be procured after OBC approval. [ONGOING]</p> <p>-SPF bid made for funding to provide investor readiness support. [IN PROGRESS]</p>
<p>If the benefits are not realised locally (local jobs, local supply chain opportunities, local investment), then there is a risk the project does not contribute towards the Growth Deal aims for North Wales.</p>	Reduce	<p>-The project will engage with the Regional Skills Partnership and NWEAB Education providers to identify the types of skills required and timescales of potential new jobs, so relevant plans and resources can be put in place to offer local opportunities. [ONGOING]</p> <p>-The project will engage with supply chain representatives identified in the stakeholder engagement plan to notify of opportunities. [ONGOING]</p> <p>-The project will develop a benefits realisation plan to manage, track and realise the benefits as set out in the business case. [ONGOING]</p> <p>-The project will develop a procurement plan that includes a social value strategy with the PMO's procurement specialist. [ONGOING]</p>
<p>If the intended intervention of a fund duplicates, or overlaps with, other sources of funding available to stakeholders; there is a risk that the Growth Deal funding displaces opportunities of bringing in additional investment into the region.</p>	Reduce	<p><i>-Fund structure (umbrella fund) designed to be flexible and adaptable</i> [CLOSED]</p> <p>-Mapping current support schemes and funding sources to be considered during business case development process. [ONGOING]</p> <p>-Engaging with key deliverers of existing funds to ensure the project has sight of funds in development that are likely to become operational in the short term, and take them into consideration during the business case development process. [ONGOING]</p>

1.10. Constraints

This section lists the constraints that have been placed on the project, grouped by cost/time/scope.

Cost

- There is only £25M Growth Deal funding available.
- The Growth Deal funding package is capital funding with no revenue funding provided for projects.

Time

- The project must be delivered and result in benefits within the 15-year time period of the Growth Deal; 2021-2036.

Scope

- The project scope must comply with the various Energy Acts within the remit of the Gas and Electricity Markets Authority.
- The project scope must comply with subsidy control rules and regulations.
- The project scope must comply with the Wellbeing of Future Generations (Wales) Act 2015.
- The project scope must align its outputs with key UK and Welsh government policies listed in Tables 17 and 18.
- The project scope outputs will be constrained by the limitations of the electrical distribution network in North Wales and the commitments made by Scottish Power Energy Networks in their proposed RII0-ED2 Business Plan that runs from 2023 to 2028.

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

1.11. Dependencies

Listed below are the potential dependencies (to deliver outputs as well as realising benefits) outside the scope of the project upon which the ultimate success of the project could be dependent. These dependencies:

Skills

- That there will be a suitably skilled local workforce available when jobs become available.

Funding / Investment

- Revenue funding can be accessed by applicants from sources other than Ambition North Wales to develop outputs ready for capital funding.
- That funding constraints around subsidy control on private and public investors will not limit their ability to invest in the outputs.
- That individuals, communities and organisations are able and willing to obtain the required capital to match Growth Deal contributions.
- There is continued government support through grants, lending and innovation competitions in the energy sector.

Digital connectivity

- That enabling digital technology such as smart-meters, fast and reliable broadband, 4 and 5G are deployed where needed.

Consenting

- That outputs are able to obtain the necessary regulatory and legal consents.

Resourcing

- That key stakeholders have the capacity to deliver the projects and realise benefits within Growth Deal timescales.

Technical

- That the market has the ability and availability to supply and deliver solutions within the required timescales at a time where demand for net zero enabling solutions will be high.

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

1.12. Case for change summary table

Table 27 - Project case for change summary

Project Spending Objective	Existing Arrangements	Business / Strategic Need	Potential Scope	Outcomes & Benefits
Spending Objective 1 Job Creation	<ul style="list-style-type: none"> 9,700 people currently employed in Wales low-carbon economy Expectation of 25,000 jobs in the sector in Wales by 2050 There are a number of existing low-carbon training facilities already located in the region 	<ul style="list-style-type: none"> There is a need for north Wales to secure a fair share of the expected low-carbon jobs in Wales by 2050 to bring economic benefits to the region There is a need for the jobs to be high-value, promote diversity and inclusion and provide opportunities for the existing workforce to upskill and transition from roles currently linked to the fossil fuel industry 	<ul style="list-style-type: none"> Prioritise clean energy solutions that have the potential to create and safeguard the highest number of high-quality jobs either directly or indirectly by supporting local supply chains 	<p>Outcomes:</p> <ul style="list-style-type: none"> Jobs Skills & qualifications <p>Benefits:</p> <ul style="list-style-type: none"> Increased high value employment, especially for women, young people from North Wales and those from low-income and rural communities
Spending Objective 2 Investment	<ul style="list-style-type: none"> Limited support currently in place to help clean energy projects Majority of projects relying on traditional finance Due to the current UK economic situation and increasing energy costs; organisations are less able to invest their own resources into solutions that will provide them with more affordable, secure and clean energy 	<ul style="list-style-type: none"> There is a need to enable projects access affordable funding and finance. Especially social enterprises and SMEs There is a need to support and de-risk projects to attract/leverage further investment 	<ul style="list-style-type: none"> Provide cornerstone/enabling investment for clean energy solutions that unlocks/attracts further funding and finance Invest in clean energy solutions that have the potential to draw in further investment once operational for future phases/expansion 	<p>Outcomes:</p> <ul style="list-style-type: none"> Investment/Finance Business start-ups Business growth <p>Benefits:</p> <ul style="list-style-type: none"> Increased high value employment, especially for women, young people from North Wales and those from low-income and rural communities

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

<p>Spending Objective 3 Carbon Savings</p>	<ul style="list-style-type: none"> Wales has a target for 70% of its electricity demand to be from renewable sources by 2030, and to be net zero by 2050 65 MW of new renewable capacity was commissioned in 2020, this represents the lowest annual deployment rate since 2010, which is 94% lower than the 2015 peak, when 1,019 MW was commissioned 	<ul style="list-style-type: none"> There is a need for intervention by Ambition North Wales to help reverse the trend of reduced deployment of renewables and contribute towards UK and Welsh Government decarbonisation targets There is an opportunity for North Wales to be at the leading edge with expertise in clean energy solutions, strong clean energy supply chain and competitive decarbonised businesses 	<ul style="list-style-type: none"> Invest in clean energy solutions that align with the North Wales Energy Strategy and Local Area Energy Plans that identify highest priority actions and most suitable pathways towards net zero by 2050 	<p>Outcomes:</p> <ul style="list-style-type: none"> Innovation Renewable energy generation Reduction in energy use <p>Benefits:</p> <ul style="list-style-type: none"> Reduction in CO₂ emissions
<p>Spending Objective 4 Local Ownership</p>	<ul style="list-style-type: none"> Local ownership of all installed renewables in North Wales up to 2020 stood at 20% Welsh Government Policy Statement (Local ownership of energy generation in Wales) sets out that all new energy developments are required to have at least an element of local ownership 	<ul style="list-style-type: none"> There is an opportunity to increase local ownership of clean energy assets in line with WG targets and for north Wales to retain economic benefits associated with clean energy solutions locally 	<ul style="list-style-type: none"> Invest in clean energy solutions that meet or exceed Welsh Government's local & shared ownership policy objective 	<p>Outcomes:</p> <ul style="list-style-type: none"> Local ownership <p>Benefits:</p> <ul style="list-style-type: none"> Income from energy generation Reduced energy costs

OUTLINE BUSINESS CASE

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2. The Economic Case

This section identifies and appraises the options for the delivery of the project and recommends the option that is most likely to offer best Value for Money.

Two facilitated workshops were held with key stakeholders during the development of the Strategic Outline Case to explore and test options considered within the Economic Case.

Two further were held during the development of the Outline Business Case when revisiting and reviewing the short-list in preparation of the economic appraisals for the shortlisted options.

2.1. Critical Success Factors (CSFs)

As part of the 1st facilitated Economic Case workshop for this project, key stakeholders engaged in a discussion around factors that were crucial (not just desirable) for a successful project.

Specific factors were considered under the following headings; strategic fit and business needs; potential value for money; supplier capacity and capability; potential affordability and potential achievability.

On the basis of this workshop discussion, the list of critical success factors (Table 28) were agreed for the Smart Local Energy project:

Table 28 - Critical success factors

Key Critical Success Factor Topics	Specific Factors
Strategic Fit and Business Needs	<ul style="list-style-type: none">• Must make a substantive contribution to delivering the objectives of the <u>North Wales Growth Deal</u> and the <u>North Wales Regional Energy Strategy</u>• Must offer potential to leverage investment/co-investment• Must <u>complement existing national and local interventions</u> that are delivering against low carbon energy agendas• Must have clear alignment with market need and demand• Must retain flexibility and be <u>able to adapt</u> the funded interventions as the regional energy strategy and wider set of national and local interventions evolve to meet dynamic market• Must support opportunities for deployment of locally led <u>innovative</u> products and approaches• Must support <u>local ownership</u> of renewable energy and low carbon assets (by North Wales residents, businesses and communities)• Must create opportunities for development of skills and experience of low carbon <u>supply chains</u> in North Wales• Must support the Ambition Board's <u>Climate Change & Biodiversity</u> aims
Potential Value for Money	<ul style="list-style-type: none">• Must enable achievement of both economic outcomes (jobs and investment) and environmental outcomes (carbon emission savings)• Must be the most cost-effective way to deliver the fund
Supplier Capacity and Capability	<ul style="list-style-type: none">• Must have <u>delivery partners</u> who would be willing/able to deliver the project• Must be attractive to external fund manager/advisors, or be appropriate for internal management
Potential Affordability	<ul style="list-style-type: none">• Must be <u>deliverable within £25M</u> of Growth Deal funding

OUTLINE BUSINESS CASE

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Potential Achievability	<ul style="list-style-type: none"> Must be fully operational and have invested all Growth Deal funding <u>by 2035</u>
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2.2. Long listed Options

Potential Project Delivery Options

The 1st Economic Case workshop also considered and discussed a wide range of possible delivery options. The wide range of options taken forward to the long-list all fall within one of the potential project delivery approaches listed in Table 29. These approaches are considered possible ways of delivering the project’s business needs within the potential scope of intervention areas and end-users set out in the Strategic Case.

Table 29 - Project delivery approaches

Potential Project Delivery Approach	Description
Small Number of Defined Projects	1-3 investments in individual defined projects to contribute towards low carbon goals.
Regional Energy Investment Fund	An investment fund that supports the low carbon energy agenda and able to support interventions aligned with all aspects of the regional energy strategy.
Targeted Investment Fund	A targeted fund that supports the low carbon energy agenda focused on one of the following investment areas within the regional energy strategy: <ol style="list-style-type: none"> 1. Domestic energy 2. Commercial and industrial energy 3. Transport 4. Renewable energy generation
Innovation Investment Fund	A targeted investment fund focusing on innovative technology projects that supports the low carbon energy agenda.

Long-list of options

In order to generate a long-list from the four potential delivery approaches above, the wide range of potential options discussed at the workshop were set out in relation to the following considerations:

1. **Service Scope** - the ‘what’, in terms of the potential coverage of the project. *The options for scope draw on the potential scope options outlined above.*
2. **Service Solution** - the ‘how’ in terms of delivering the ‘preferred’ scope for the project. *The options for solution focus either on a direct commissioning or a competitive fund approach.*
3. **Delivery** - the ‘who’ in terms of delivering the ‘preferred’ scope and service solution for the project. *The options for delivery focus on whether delivery organisations should be locally (North Wales) based only, or also nationally based.*
4. **Implementation** - the ‘when’ in terms of delivering the ‘preferred’ scope, solution and service delivery arrangements for the project. *The implementation options focus on staging of funding allocation (for directly commissioned projects) or lifespan of funding allocations (if a competitive fund.)*
5. **Funding** - the ‘funding’ required for delivering the ‘preferred’ scope, solution, service delivery and implementation path for the project. *The funding options focus on scale of match funding requirement and form of funding i.e. grants, loans or use of other financial instruments.*

The long-list also includes an option that provides the baseline for measuring improvement and Value for Money (Business as Usual) and a realistic ‘Do Minimum’ option. Long-list of options are:

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Table 30 - Service Scope

Business as Usual	Do Minimum	Alternative Options			
Continuation of investment across North Wales (No Growth Deal investment)	Investment in one large scale low carbon project in North Wales	Investment in 1-3 large scale low carbon projects in North Wales	Investment in a suite of low carbon projects in North Wales across all areas of intervention	Investment in a suite of low carbon projects in North Wales focusing on one investment area	Investment in a suite of low carbon projects focused on innovative tech in North Wales

Table 31 - Service Solution

Business as Usual	Do Minimum	Alternative Options		
Continued wider set of national & local low carbon interventions	Commissioning of a single £12.5M low carbon intervention	Commissioning of a single £25M low carbon intervention	Commissioning of 2-3 defined low carbon interventions totalling £25M	£25M allocated through a fund for low carbon projects

Table 32 - Service Delivery

Business as Usual	Do Minimum	Alternative Options			
Current Arrangements	In-house delivery of low carbon projects by Ambition North Wales	Direct commissioning of <u>only local</u> partners to deliver projects	Direct commissioning of <u>local and national</u> partner to deliver projects	Fund administered by <u>local</u> partner ²⁵ , receiving bids for project delivery in North Wales	Fund administered by <u>non-local</u> partner, receiving bids for project delivery in North Wales

Table 33 - Implementation

Business as Usual	Do Minimum	Alternative Options			
n/a	Defined project delivered through single long-term contract	Defined project(s) funded in 3-year tranches	Fund awarding to projects over a period of up to 15-years	Fund awarding to projects over a period of up to 10-years	Fund awarding to projects over a period of up to 5-years

Table 34 - Funding

Business as Usual	Do Minimum	Alternative Options			
n/a	Capital funding allocated through grants only, with no match funding required	Capital funding allocated through grants only, with match funding of at least 50% of total project costs required	Capital funding allocated through grants only with match funding of at least 75% of total project costs required	Capital funding allocated through grants or loans, with match funding of at least 75% of total project costs required	Capital funding allocated through grants, loans or other financial instruments, with match funding of at least 75% of total project costs required

²⁵ Ambition North Wales will be considered as a potential local partner, or a member of a wider partnership, that could administer a fund created by this project.

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

Assessing Options

Figure 4 summarises the HM Treasury Green Book process followed to identify and analyse the options to produce a shortlist.

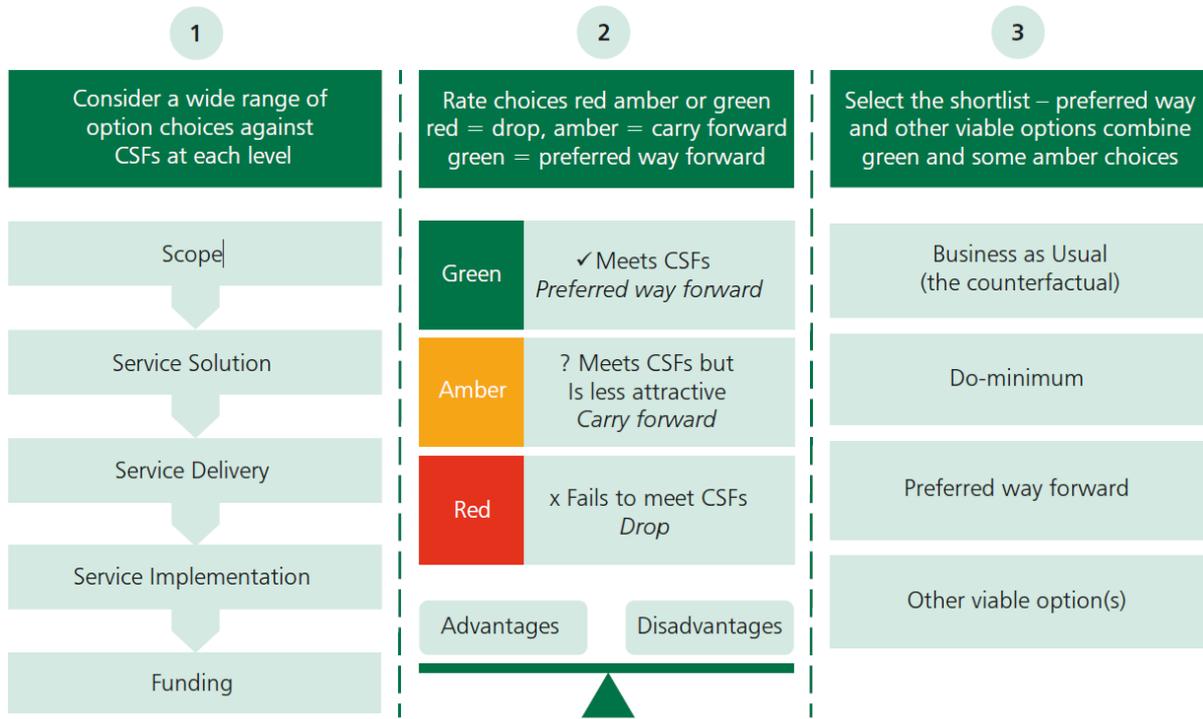


Figure 4 - Options analysis from HM Treasury Green Book

Each of the options in the long list have been subject to a SWOT analysis with advantages and disadvantages considered and noted. Appendix 3 contains the full analysis.

The analysis and conclusions were tested with key stakeholders at the 2nd Economic Case workshop and during individual stakeholder interviews. Changes were made where necessary to reflect stakeholder views.

Conclusions in terms of how well the options meet the agreed project spending objectives and CSF's have been summarised using the Options Framework in the next section. The conclusions show which options need to be considered going forward, which can be discounted at this stage, and which is the preferred option.

For each of the considerations, options have been set out on the basis of 'Business as Usual', 'Do Minimum' and 'Alternative Options' (note: because the project is defined with a £25M budget, the Alternative options do not include a 'Do Maximum' options as such, but rather a series of Alternative options).

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

Summary of the Long-list using the Options Framework

Based on the analysis of long-list options across scope, solution, delivery, implementation and funding, Table 3535 summarises the conclusion for each option:

Table 35 - Summary of long-list analysis

Project	Business as Usual	Do Minimum	Alternative Options			
1. Service Scope	1.0 Continuation of existing investment across North Wales	1.1 Investment in one large scale low carbon project in North Wales	1.2 Investment in 1-3 large scale low carbon projects in North Wales	1.3 Investment in a suite of low carbon projects in North Wales across all areas of intervention	1.4 Investment in a suite of low carbon projects in North Wales focusing on 1 investment area	1.5 Investment in a suite of low carbon projects focused on innovative tech in North Wales
	Carried Forward	Carried Forward	Carried Forward	Preferred Way Forward	Carried Forward	Discounted
2. Service Solution	2.0 Continued wider set of national & local low carbon interventions	2.1 Commissioning of a single £12.5M low carbon intervention	2.2 Commissioning of a single £25M low carbon intervention	2.3 Commissioning of 2-3 defined low carbon interventions totalling £25M	2.4 £25M allocated through a fund for low carbon projects	
	Carried Forward	Carried Forward	Carried Forward – consolidate as a single option		Preferred Way Forward	
3. Service Delivery	3.0 Current Arrangements	3.1 In-house delivery of low carbon projects by Ambition North Wales	3.2 Direct commissioning of only local partners to deliver projects	3.3 Direct commissioning of local and national partner to deliver projects	3.4 Fund administered by local partner, receiving bids for project delivery in North Wales	3.5 Fund administered by non-local partner, receiving bids for project delivery in North Wales
	Carried Forward	Discounted	Discounted	Carried Forward	Preferred Way Forward	Discounted
4. Implementation		4.1 Defined project delivered through single long-term contract	4.2 Defined project(s) funded in 3-year tranches	4.3 Fund awarding to projects over a period of up to 15 years	4.4 Fund awarding to projects over a period of up to 10 years	4.5 Fund awarding to projects over a period of up to 5 years
		Discounted	Carried Forward	Discounted	Preferred Way Forward	Discounted
5. Funding		5.1 Capital funding allocated through grants only, with no match funding required	5.2 Capital funding allocated through grants only, with match funding of at least 50% of total project costs required	5.3 Capital funding allocated through grants only with match funding of at least 75% of total project costs required	5.4 Capital funding allocated through grants or loans, with match funding of at least 75% of total project costs required	5.5 Capital funding allocated through grants, loans or other financial instruments, with match funding of at least 75% of total project costs required
		Discounted	Carried Forward	Carried Forward	Carried Forward	Preferred Way Forward

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

2.3. Preferred Way Forward

By filtering the feasible long-list options, a summary of the realistic options, including a preferred way forward, can be mapped as follows:

Table 36 - Summary of realistic options

Options	Business as Usual – No additional Growth Deal investment	Do Minimum – Single Project £12.5M	Preferred Way Forward – Open Low Carbon Investment Fund	Alternative PWF – Small Number of Defined Projects	Alternative PWF – Investment Fund focused on one area of investment	Alternative PWF – Funding through Grants and Loans only
Service Scope	1.0	1.1	1.3	1.2	1.4	1.3
Service Solution	2.0	2.1	2.4	2.2 / 2.3	2.4	2.4
Service Delivery	3.0	3.3	3.4	3.3	3.4	3.4
Implementation	n/a	4.2	4.4	4.2	4.4	4.4
Funding	n/a	5.2	5.5	5.3	5.5	5.4

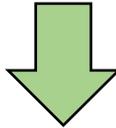


Table 37 - Preferred way forward

Preferred way forward		
Service Scope	1.3	Investment in a suite of low carbon projects in North Wales across all areas of intervention
Service Solution	2.4	£25M allocated through a fund for low carbon projects
Service Delivery	3.4	Fund administered by local partner, receiving bids for project delivery in North Wales
Implementation	4.4	Fund awarding to projects over a period of up to 10-years
Funding	5.5	Capital funding allocated through grants, loans or other financial instruments, with match funding of at least 75% of total project costs required

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

2.4. Shortlisted Options

The analysis in the previous sections concludes with the shortlist in Table 3838.

Table 38 - Shortlisted options

Shortlist taken forward for economic appraisal					
Business as Usual	Do Minimum – Single £12.5M Defined Project	Preferred Way Forward – Open Low Carbon Investment Fund	Alternative Option – Small number of Defined Projects	Alternative Option – Investment Fund Focused on One Area of Investment	Alternative Option – Funding through Grants and Loans only
No additional funded activity through Growth Deal	£12.5M invested in single project; local or national partner commissioned to deliver; grant funded in 3-year tranches; requirement for 50% match funding	£25M fund to be invested across all areas aligning with the RES; administered by a local partner; funding awarded over a period of up to 10 years; funding offered through grants, loans or other financial instruments, with requirement for 75% match as an average across the fund	£25M invested in 1-3 large scale low carbon projects; local or national partner commissioned to deliver; grant funded in 3-year tranches; with requirement for 75% match across the full project	£25M fund to be invested across one targeted area of the RES, administered by a local partner; funding awarded over a period of up to 10 years; funding offered through grants, loans or other financial instruments, with requirement for 75% match as an average across the fund	£25M fund to be invested across all areas aligning with the RES; administered by a local partner; funding awarded over a period of up to 10 years; grant or loan funding offered, with requirement for 75% match as an average across the fund

2.5. Economic Appraisal for the Preferred Way Forward and other Shortlisted Options

Key Assumptions

The methodology and core assumptions are based on the HM Treasury (HMT) Green Book and its supplementary guidance, which sets out recommended methods and approaches to evaluate public policies, projects and programmes. It should be noted that given the nature of the intervention, core assumptions may vary significantly by project. These assumptions are tested with a sensitivity analysis (see section 2.1), and a conservative approach has been taken for the base scenario calculations.

In line with HM Treasury Green Book guidance, all costs and benefits have been estimated in 2023 real prices; the first year of investment. To adjust prices for inflation, the latest Deflator Forecast from the Office for Budget Responsibility have been used. Costs and Benefits are discounted at the Green Book's Social Discount Rate (3.5%).

This section presents an overview of the core assumptions used for the Social Cost Benefit Analysis and to model potential scenarios of the shortlisted options. A detailed description of all assumptions is presented in Appendix 9.

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

Appraisal Period and Investment Profile

Costs and benefits are appraised over a 15-year appraisal period from 2023 to 2038. The model assumes the deployment of funds over a period of 5 years, starting on the first year of the project. As per the shortlist option details, Grant investments are funded in 3-year tranches. SME Loans have 5-year terms and Large Scale (Debt or Equity) 10. It is therefore established that costs and returns for some of the larger projects may run for up to 10 years from the end of the investment period. Options which allow for the recycling of funds are assumed to invest in a slightly higher number of SME debt and Grant projects, based on the scale of debt financing.

Jobs

Based on the project's spending objectives and the initial approach set out in the Programme Outline Business Case, the calculation of additional Gross Value Added (GVA) is performed using a jobs-based approach.

The Northern Powerhouse Investment Fund's (NPIF) most recent evaluation offers significant insight into the economic performance of both debt and equity investments.²⁶ Based on an analysis of gross jobs directly attributed to the funding during the first three years (with similar results from a survey and an econometric analysis), a cost per job of £62,444 per year is used as a benchmark. A literature review from a funding programme evaluation in Wales found a much higher cost per job for grant funding compared to debt and equity (approximately twice).²⁷ Considering that SLE grant funding for smaller projects have no direct job creation objectives, a conservative cost per job (twice the cost of debt/equity) is used for the analysis.

GVA

Following the Programme Business Case approach, the GVA figure of £53,360 for direct and indirect jobs created is used. This is based upon a weighted average of the North Wales regional average GVA per FTE, based on ONS data. A review of sector GVA of the area suggests that the sectors where jobs are most likely to be created (i.e. Manufacturing, Energy, Tech) may yield a slightly higher GVA per FTE created, but a conservative approach is taken with the original value.

Energy Efficiency and Reduction in Emissions

The Green Book recommends that any policy or project that increases or decreases greenhouse gas (GHG) emissions domestically or internationally relative to a "business as usual" scenario should quantify the change in emissions. Changes in emissions are valued using the carbon values provided under BEIS guidance and accompanying data tables.²⁸

For the purpose of this analysis, baseline CO₂ savings from relevant case studies have been assumed for small and medium sized projects or interventions (grant and SME debt financing). The impact in savings from energy efficiency measures and tonnes of CO₂ saved are based on case studies from the Business Energy and Efficiency Programme (BEEP), Midlands Engine Investment Fund (MEIF), and Northern Powerhouse Fund (NPIF) (Case study details are included in the appendix 9). Where the CO₂ savings figures are not available, average values of business consumption of energy by kWh are used. BEIS guidance allows for the calculation of GWh over a specific period using marginal effect factors (due to loss of efficiency over time) and its savings impact on CO₂ emissions.

For scenarios involving large scale debt and equity investments in large scale Generation Projects, baseline costs, generation capacity and carbon savings are based on national and local solar and

²⁶ [Northern Powerhouse Investment Fund Interim Evaluation Report](#)

²⁷ [Regeneris Report \(gov.wales\)](#)

²⁸ [Valuation of energy use and greenhouse gas emissions \(publishing.service.gov.uk\)](#)

OUTLINE BUSINESS CASE

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onshore wind projects. Based on recent publications on the cost of renewable electricity, these two sources have the lowest capital, fixed and variable costs per MWh. Although costs of these sources have fallen significantly in previous years (and are expected to become even more affordable), conservative figures are used. Further details are provided in the Appendix 9.

Additionality and Place Based Effects

The economic appraisal must account for the additional effects of the intervention compared to the Business-as-Usual scenario. To adjust for the outcomes that would have taken place without the intervention under consideration, a measure of deadweight is used. In the case of a grant or loan fund, it refers to the likelihood that beneficiaries would have obtained financing in the absence of the intervention. Given that the SLE funds aim to address market failures, deadweight should be relatively low; therefore, the lower end measure of the business support project type from HCA guidance of 20% is used for the analysis.²⁹

Green Book guidance states that a Place Based analysis should be performed for projects with a specific spatial focus. Since the project has geographically targeted objectives (North Wales), expected impacts must be adjusted for displacement and leakage.

Displacement is the extent to which an increase in economic activity or other desired outcome is offset by reductions in economic activity or other desired outcome in the area under consideration or in areas close by. The value used for the analysis is 21.5%, established in the HCA guidance based on observed average displacement rates at the sub-regional level for “All activities”.

Leakage is the extent to which impacts may fall outside of the area of intervention. In the case of the Smart Local Energy Project, leakage could occur if part of the employment created is taken by individuals residing in neighbouring areas. Given the relatively isolated nature of the North Wales economy, a “low” range leakage from the HCA guidance “business support” scenario is used, 10%. This value is tested as part of the sensitivity analysis.

Multiplier effects refer to the additional economic activity associated to the core intervention. In the case of the core indicator (job creation) this adjustment would consist of the indirect jobs created (for example, as part of the local supply chain for the project). The multiplier used is 1.25, again taking a conservative approach as energy related projects (high tech and high skilled) may have higher multiplier effects.

Leverage and Match Funding

A key objective of the SLE project is to enable further investment in North Wales, especially from the private sector, by gap funding projects as part of a finance package to an investee to de-risk a project and ensure it can be delivered. The SOC suggested that for every £1 Growth Deal investment, the project aims to leverage at least £3 from the private sector, representing a total expected amount of at least £75m.

The SOC also established a measure of match funding required from each option. This will likely vary on a project basis, depending on the recipient’s capacity to raise finance or the scale of the intervention.

An analysis of case studies and evaluations from other funds (detailed in the appendix 9) indicate SME debt financing is highly effective in enabling further investment. Funds supported by the European Regional Development Fund (ERDF) such as NPIF and MEIF establish leverage parameters,

²⁹ [HCA Policy Covers \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

OUTLINE BUSINESS CASE

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with initial targets expecting a similar or slightly higher amount of private financing relative to the fund's allocation. It is worth noting that a significant amount of private sector investment counted by ERDF occurs later as a result of the project funding; this is captured via follow up surveys and tracking recipients.

For the purpose of the Economic Appraisal, it is assumed that projects will be fully funded and/or have secured any initial match funding necessary. Therefore, Value for Money metrics are based on Net Public Sector Costs, scaled to the allocated amounts per project. Private sector leverage is therefore based on the project's objective to unlock investment and is expected to generate additional benefits.

Based on the case study review, the SLE Project could require recipients to cover between 30% and 75% of the project total, based on risk and capacity to raise finance from other sources. Potential sources of additional investment are detailed in the Appendix 9.

The preferred option would consist of three different sub-funds, each one offering different types of finance, with unique objectives and targets. Match funding for each sub-fund could be drawn down in a number of different capacities including:

- To bridge a gap in funding in order to ensure a project's full investment requirements are achieved.
- As part of finance package to an investee to de-risk a project and ensure that it can be delivered.
- As a route to unlocking future investment where a co-investment partner is offering funding at fund/sub-fund level across a range of investment opportunities.

On this basis, leverage options may vary by sub-fund. Based on the review of similar funds and public/private leverage options in North Wales, the following indicative requirements of direct private funding required per average project could be considered for each sub-fund:

Table 39 - Match funding target

Grant	SME Debt	Large Scale Debt
50%	65%-75%	65%-75%

These ranges should allow to leverage approximately between £45 million and £65 million in private investment directly, while unlocking further investments that could amount to or exceed the project target of £75 million in total³⁰. Potential sources to consult could include the Development Bank of Wales, Private Equity Funds and Venture Capital interested in SMEs in North Wales, and private banks. Many business finance options are available in Wales depending on business size, location and activity. Further match funding and leverage opportunities considering these variables could be explored via the online finance locator³¹. The rationale, ranges, conditions, and constraints of these potential sources are explained further in the Appendix 9.

Economic Appraisal

Based on the shortlisted options, a social cost-benefit analysis has been performed to determine the Fund's potential Value for Money (VfM). The analysis considers the different types of funding offered, scale of the fund and sub-funds, and possible projects based on the Fund Strategy. It draws

³⁰ Further investments could be re-investment of recycled Growth Deal capital or further expansion or future phases of project invested in. This would result in indirect leverage.

³¹ businesswales.gov.wales

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

on quantitative and qualitative analysis based on public data, case studies, stakeholder feedback, literature review, and analysis of outcomes from similar funding models. This is done in line with HM Treasury’s Green Book Guidance for Economic Appraisal.

Following official guidance, the analysis presents the Net Present Social Value (NPSV) of each option, as well as the Benefit Cost Ratio (BCR).

- The NPSV is obtained by calculating the Present value of benefits less the Present value of costs.
- The BCR is obtained by calculating the Present Value of Benefits divided by the present value of costs.

Certain monetised benefits are included in the appraisal but are not part of the BCR calculation to avoid double counting, as per Green Book recommendations. Unquantifiable benefits that are relevant to the business case, such as strategic benefits and wider economic effects, are included in the appraisal with a qualitative evaluation.

Key Consideration

Following the SOC considerations for the OBC and feedback from stakeholders, three scenarios of the preferred option have been appraised. The allocation of funding mechanisms (grants, loans and other financial instruments – assumed to be equity) have been evaluated separately based on different allocations for the sub-funds. Scenario 1 follows the initial recommendation of the Fund Strategy, with a £5m predominantly Grant Sub-fund, a £8m SME predominantly Debt Sub-fund, and £12m allocation for large scale debt or equity financing of large energy generation projects. Scenario 2 focuses on a predominantly grant sub-fund of £10m, while reducing SME debt to £5m and large-scale project financing to £10m. Scenario 3 considers a £5m predominantly Grant Sub-fund, a £12m SME Debt Sub-Fund, and £8m large project financing allocation. Results of the scenario testing are presented as part of the Sensitivity Analysis (Switching Values) section. Details of the scenario analysis assumptions are available in the Appendix 9.

Applying Optimism Bias

Optimism bias of 24% has been applied to benefits and to operating costs of the proposed intervention, based on the Green Book supplementary guidance for “Standard Buildings”. This follows the Programme Business Case approach and has been selected as a standard reference measure that is likely to apply to small and medium scale projects and interventions. The upper limit has been selected to maintain a conservative approach.

As part of the sensitivity testing, the central and upper limit for “Non-Standard Buildings” are used (44% and up to 66%) This is applied to large scale investments (assumed to be for large-scale renewable energy generation).

Net Present Social Value and Benefit Cost Ratio Summary

Table 40 shows a summary of the Cost Benefit Analysis results for the shortlisted options. All figures are Net Present Values, appraised over a 15-year period.

Table 40 - Summary of cost benefit analysis

Factor	BAU	Do Minimum	Preferred Option	Alternative Option 2	Alternative Option 3	Alternative Option 4
Description of option	Business as Usual	Single £12.5M Defined Project	Open Low Carbon Investment Fund (Scenario A)	Small number of Defined Projects	Investment Fund focused on one area	Funding through grants and loans only

OUTLINE BUSINESS CASE

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					of investment	
Quantitative analysis						
Total public sector costs (£m NPV)	0	11.5	22.4	21.8	24	22.3
Total monetised societal benefits (£m NPV)	0	22	87.1	43.7	82.9	74.2
Net present social value (£m NPV)	0	10.5	64.7	21.9	58.9	51.9
Benefit cost ratio (BCR) – North Wales and UK	-	1.9	3.88	2.1	3.45	3.33
Significant quantified benefits						
Number of projects supported	0	1	104	3	82	182
Total additional jobs created	0	65	229	131	235	196
Savings from Energy Efficiency Projects (£m NPV)	0	2.8	13.1	4.2	9.6	16.5
Carbon Savings (tCO2)	0	30,000	149,300	48,600	132,500	168,500
Carbon Savings (£m NPV)	0	7.1	35.6	11.5	31.6	40

The Cost Benefit analysis suggests that the preferred option at SOC presents the highest BCR, and therefore the option that represents the best value for money. It should be noted that Alternative options 3 and 4 present high BCRs as well and can also vary in terms of the combinations of type of finance offered and individual project conditions. While the Preferred option is subjected to a sensitivity analysis, caution should be taken when interpreting quantitative comparisons. In this sense, strategic considerations outlined throughout the Business Case take a prominent role in informing the decision to take forward the preferred option.

2.6. Non-monetised (Qualitative) Benefits Appraisal

As all proposed options shortlisted were assessed against the project spending objectives and critical success factors, it is expected that most qualitative benefits would be the same across all interventions. The key difference between options is the scale of the benefit.

The Open Low Carbon Investment Fund presents the highest probability of delivering the following benefits (based on review of available information from other funds) with the greatest magnitude:

Table 41 - Qualitative benefits

Benefit	Description
Agglomeration Effects	<ul style="list-style-type: none"> • Technological and knowledge spill overs • Increased innovation among local firms • Additional Inward investment • Increased competition • Productivity improvements among firms • Growth of Industry Clusters
Skills Development	<ul style="list-style-type: none"> • Potential for improved engagement between employers, HE/FE providers and local authorities to upskill and reskill local workforce. • Improved education on climate change in schools and development of a talent pipeline to meet future demand for green jobs.

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Ynni Lleol Blaengar / Smart Local Energy

Environment and Amenity Effects	<ul style="list-style-type: none"> Improvements to the public realm and air quality may contribute to higher footfall, reduced crime, improved health, and increased revenues for the local authorities
Community Cohesion and Social Well-being	<ul style="list-style-type: none"> Empowering community groups to tackle the climate crisis and address social issues Improved engagement with local government

The alternative options vary in terms of scale, in different degrees:

- Do Minimum Scenario: Would deliver minimal agglomeration benefits, and environment and amenity effects. Skills development and community cohesion would be very limited in comparison to the other options.
- Alternative Option 2: would deliver low agglomeration effects due to the small number of projects supported. Skills development and community cohesion would be somewhat limited in comparison to the other options.
- Alternative Option 3: Like preferred option but would likely deliver fewer spillover impacts due to the focused area of investment.
- Alternative Option 4: Like preferred option; main difference is financial as it is less flexible in terms of types of financing offered.

2.7. Preferred Option

Based on the appraisal of the shortlist of options, the approach selected to be taken forward is confirmed to be the SOC preferred way forward; a £25m Open Low Carbon Investment Fund:

Preferred Option – Open Low Carbon Investment Fund

£25m fund to invest across all areas of intervention aligning with the Regional Energy Strategy. A fund administered by Ambition North Wales over a period of up to 10 years. Capital funding allocated through grants, loans or other financial instruments, with a target of 75% match as an average across the fund

- The appraisal suggests the selected option will create the most jobs up to 2038, with a total of up to 229 net full time equivalent (FTE).
- Additional GVA created for the region is estimated at £133m (undiscounted), and a discounted NPSV of approximately £100m.
- The estimated CO₂ savings as a result of the project would amount to over 149,000 tonnes over 15 years.

2.8. Developing the Preferred Option

Following SOC approval, three workshops were held with key stakeholders within Ambition North Wales to develop the preferred option and select the most appropriate option/s for the various elements of a fund. The workshops were facilitated by external consultants (fund specialists) who presented the potential options along with advantages and disadvantages for consideration and an analysis of how they could potentially deliver against project spending objectives and meet the critical success factors.

The following principles were also established as key design principles that align with the project spending objectives and critical success factors:

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Figure 5 - Key design principles for the Fund

Based on the feedback from key stakeholders and the fund specialist's expertise, the following recommendations were put forward and endorsed by the project team, Smart Local Energy Project Board and Low Carbon Programme Board (detailed options, analysis, rationale and recommendations are set out at the end of appendix 9):

Service Solution - Fund Target & Structure

The recommendation is for the Fund to be structured as a Fund-of-Funds (Umbrella Fund³²). An Umbrella Fund allows for multiple investment strategies which allows a range of investment types (debt, equity, grant etc), aligned with each sub-fund. Co-investment is possible at fund, sub-fund and individual project level. This approach will also allow Ambition North Wales to react flexibly over the life of the Growth Deal to changing circumstances without being locked into too rigid a fund structure. The Umbrella Fund strategy also allows investments to be split across multiple strands to reflect the diversity of projects, both in terms of scale and objectives. This proposal takes account of the early engagement which has shown:

- Community groups indicating an appetite for grant funding and few assets to borrow against.
- Reasonable array of existing debt products available to firms that are sophisticated enough to access and a need to provide additionality.
- Larger potentially regionally important projects that will require complex due diligence and financial expertise to structure but could deliver larger returns against the spending objectives.

In summary, an Umbrella Fund aligns with the design principles by:

- Enabling clearer governance and ability to flex the management arrangements to suit requirements

³² The following funds have been established as an umbrella fund or are designed with this structure:

- Warwickshire Recovery & Investment Fund – launched and up and running
- Cardiff Capital Region – their Wider Investment Fund is set up akin to an umbrella fund structure with a series of other 'priority' funds underneath
- Herefordshire Recovery Fund – designed as an umbrella fund with a focus on green and business growth
- Camden Community Wealth Fund – designed as an umbrella fund with a range of interventions from grant, SME loans and equity
- Surrey Growth Fund – designed as an umbrella fund with a focus on green and business innovation with returns contribution to social value

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

- Enabling cross subsidy to fund the grants sub-fund if returns are achieved or allow grants as part of a wider package of interventions
- Maximising opportunity for co-investment at fund, sub-fund and individual project level
- Building in more flexibility to respond to changing market demand and factors such as the current economic crisis
- Investments can be split across multiple strands to reflect the diversity of projects, both in scale and objectives.
- Giving ability to protect returns and reduces risk via a portfolio approach with a diverse set of investments
- An Umbrella Fund allows for multiple investment strategies which allows a range of investment types (debt, equity, grant etc), aligned with each sub-fund.

Conclusions of stakeholder consultations:

Third Sector Organisations

Based on feedback through the consultations with stakeholders, it was concluded that a grant offering for third sector organisations could be effective between the values of £10k and £150k for projects. This level of funding may generate an administrative burden for Ambition North Wales. The level of matched funding available would likely depend on project specific circumstances and how close to being commercially viable the project might be based on its fundamentals. The consultation with community groups suggested projects were relatively unique and not obviously standardised or otherwise scalable. Given the administrative burden for this element of the fund is likely to fall to Ambition North Wales, it may be preferable to launch this element of the fund early and target fewer, high impact projects.

Small and Medium Enterprises

Based on feedback through the consultations, it is also recommended that a sub-fund be established to provide debt finance to SMEs based in North Wales, or who meet a local ownership threshold³³ and propose new capital investments within North Wales. Ideally these companies will be either active in the renewable energy or decarbonisation sectors or seek finance to decarbonise or generate renewable energy. Initial consultation evidence has indicated that loan amounts between £50k and £250k with a term of no more than five years would be appropriate in terms of meeting the Smart Local Energy project's objectives and local demand for investment.

Investors with an interest in North Wales

Following consultations with other investors and funders, including the local authority pensions scheme and Development Bank of Wales, it is proposed to establish a fund to invest in larger energy-related projects based in North Wales that meet local ownership thresholds³⁴ and which could be appropriate for funding by a range of investors. This fund could generate favourable returns which could be re-invested into the umbrella fund.

From a marketing and engagement point of view, it has been decided to define the sub-funds as a Third Sector Sub-Fund, offering predominantly grant, a Business Sub-Fund offering predominantly

³³ In line with 'Local and shared ownership of energy projects in Wales: Guidance for developers, local communities & decision-makers'

³⁴ In line with 'Local and shared ownership of energy projects in Wales: Guidance for developers, local communities & decision-makers'

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debt to SMEs and a Large Schemes Sub-Fund in order to retain flexibility in the type of investment offered across the sub-funds.

Recommendation:

Table 42 - Service solution recommendation

Factor	Third Sector Sub-fund	Business Sub-fund	Large Schemes Sub-fund
Sub-Fund Target	Not-for-profit organisations and community groups seeking investment to: Generate renewable energy and/or reduce costs Provide energy to disadvantaged or economically challenged groups	Provision of debt finance to SMEs based in North Wales that: are local providers of renewable energy/decarbonisation solutions are seeking finance to decarbonise, generate renewable energy or reduce operational costs	Investment into larger energy-related projects based in North Wales to enable local ownership thresholds to be met, to address market failures and which could be appropriate for funding by a range of investors
Individual Investment Range of Growth Deal Funding	£50k*-£150k	£50-£250k	£4m-£6m

*increased minimum from £10k to £50k given the likely administrative burden of smaller investments that will fall on to Ambition North Wales. A higher minimum is set to target fewer, high impact projects.

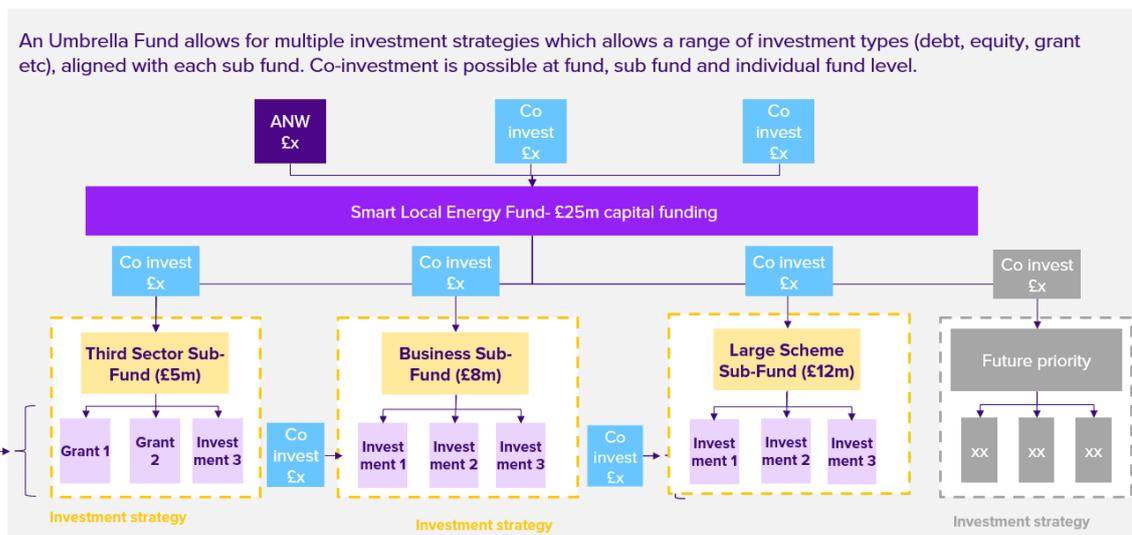


Figure 6 - Proposed structure of the Fund

Service Scope - Project Types

Project types have been defined to represent the nature of projects being considered by stakeholders in North Wales, according to the stakeholder survey we undertook, that align with the sub-fund most relevant to the nature of their organisation. The project types also capture the core, desirable and some of the optional intervention areas set out in the project scope section.

Recommendation:

Table 43 - Service scope recommendation

Factor	Third Sector Sub-fund	Business Sub-fund	Large Schemes Sub-fund
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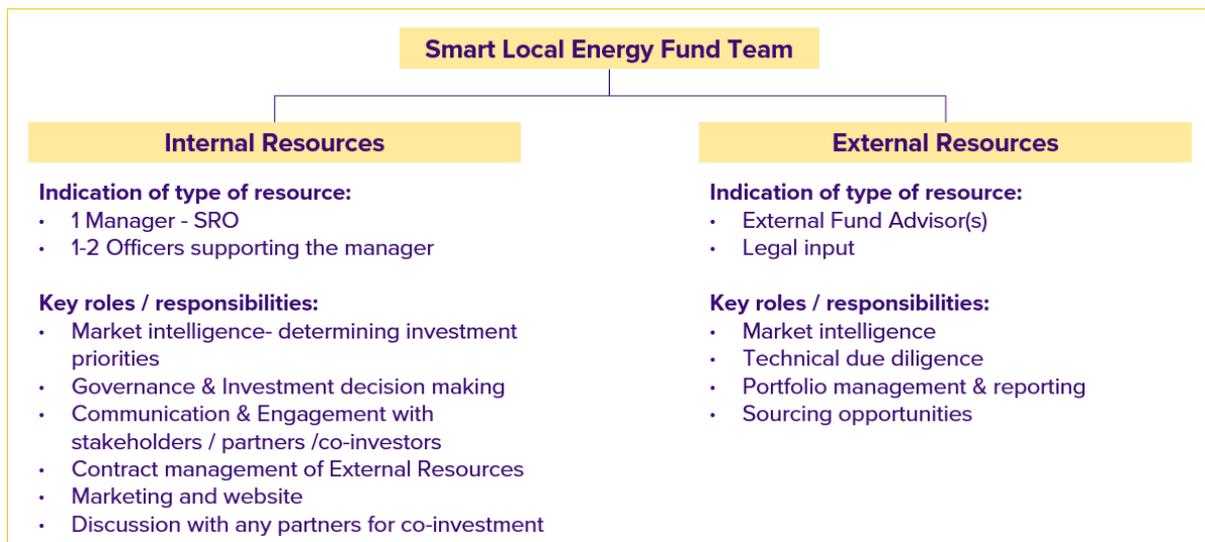
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Project Types	<ul style="list-style-type: none"> • Energy Efficiency • Home/Community Retrofit • Small scale renewable energy generation (heat & electrical) • Smart Energy Solutions 	<ul style="list-style-type: none"> • Energy Efficiency • Business operation improvements • Small-medium scale renewable energy generation (heat & electrical) • Smart Energy Solutions 	<ul style="list-style-type: none"> • Large Scale Solar • Onshore Wind • Tidal Energy • Smart Energy Solutions
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Service Delivery - Fund Management

Consultations with external fund managers indicated there was limited appetite to manage the proposed Smart Local Energy due to the scale of the sub-funds (>£15m) and the likely need to set up a local office to effectively engage with local stakeholders. The variety of Investment types/interventions may also need more than one Fund Manager which would add complexity. With this in mind, the preference for the fund to be administered by a local partner and for Ambition North Wales to retain a suitable level of control over the investments made; the recommendation is for in-house management by Ambition North Wales with an external Fund Advisor³⁵ providing key services such as: input into investment strategy, origination and sourcing of investment opportunities, technical and financial due diligence, investment recommendations and regular reporting to Ambition North Wales.



Recommendation:

Table 44 - Service delivery recommendation

Factor	All Funds
Managed by	In-house management by Ambition North Wales with external Fund Advisor

Implementation - Duration of fund

The preferred way forward was to awarding funding to projects over a period of up to 10-years. However, in response to the recent economic changes with increasing inflation and high energy

³⁵ Examples of funds using a fund advisor rather than fund manager

- Cardiff Capital Region's Site & Premises Fund – using CBRE
- Warwickshire Property & Infrastructure Sub-fund will be using a Fund Advisor

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costs, a shorter duration of 5 years is targeted to realise the benefits as soon as possible and to achieve the best value for money. However, it is acknowledged that awarding the full fund in that duration may be challenging to achieve, an option to extend would be prudent. A closed 5-year period as opposed to an open duration makes it easier to procure and contract with suppliers.

Recommendation:

Table 45 - Implementation recommendation

Factor	All Funds
Duration of fund	5 years (option to extend sub-funds if required)

Funding - Fund Size/Type/Term

Scenario Analysis was undertaken to assess the impact of different sub-fund allocation as set out in table 46, with allocations in the order of Third-Sector/Business/Large-Scheme Sub-funds.

Table 46 - Funding recommendation 1 of 2

Scenario 1 (£5m/£8m/£12m)	Scenario 2 (£10m/£5m/£10m)	Scenario 3 (£5m/£12m/£8m)
<ul style="list-style-type: none"> A higher proportion of Large-Scale Debt financing yields more jobs and higher turnover vs grant and SME debt funding. Benefits may take longer to realize – therefore more sensitive to social discount rate. Improved capacity to recycle funds from loan returns. <p>BCR: 3.94 Net FTE jobs: 229 GVA Gain: £133m Estimated additional CO2 savings: 154,000 tonnes</p>	<ul style="list-style-type: none"> A larger grant sub-fund will lead to improved social outcomes. May reach a broader range of beneficiaries who would otherwise have no access to funds. <p>BCR: 3.52 Net FTE jobs: 209 GVA Gain: £122m Estimated additional CO2 savings: 161,000 tonnes</p>	<ul style="list-style-type: none"> A higher proportion of SME Debt financing yields more jobs vs grant funding but slightly less than large scale projects (particularly in the longer term) Higher capacity to recycle funds from loan returns. Broader coverage for SMEs seeking to decarbonize/enhance productivity (possibly higher CO2 savings) <p>BCR: 3.84 Net FTE jobs: 222 GVA Gain: £129m Estimated additional CO2 savings: 178,000 tonnes</p>

Considering the Growth Deal targets and the Project Spending objectives have a focus on jobs and GVA, selection of the preferred base case scenario was driven by the scenario that delivers the most local jobs – Scenario 1.

This option is also the preferred approach because:

- The Social Cost Benefit Analysis supports the initial appraisal of options, showing the selected intervention has the highest BCR and best alignment with the project's spending objectives.
- Although benefits may take slightly longer to realise for larger schemes, risk may be better distributed in the selected option due to the variety of the investment portfolio. Financial yields and job creation are likely greater than SME Debt in the longer term.
- It offers improved capacity to recycle funds from loan returns.

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

- It provides significant grant funding opportunities to bolster community energy projects, local development objectives, and reach beneficiaries who would otherwise have no access to finance.

Recommendation:

Table 47 - Funding recommendation 2 of 2

Factor	Third Sector Sub-fund	Business Sub-fund	Large Schemes Sub-fund
Fund Size	£5m	£8m	£12m
Investment Types	Predominantly Grant Repayable /convertible grants	Predominantly debt via loans	Predominantly debt via loans
Term of funding	N/A for grant as it is not repayable (Only applicable if grant is converted into loan; 5 years)	5 years	5-10 years

2.9. Risk Appraisal of Preferred Option

This section identifies the main risks associated with the achievement of the project's outcomes that are related to the preferred option. Proposed counter measures for avoiding or reducing the risk where relevant.

Table 48 - Risk appraisal of preferred option

Risks	Avoid / Reduce / Accept	Proposed Counter Measure
There is a risk that if Investment objectives are unclear, not consistently applied or don't adapt to meet changing market conditions or the needs of Ambition North Wales impacting the ability of the fund to deliver against the Spending Objectives within Growth Deal timescales.	Reduce	-Fund investment strategy and management plan drafted for OBC. [CLOSED] -Final investment strategy and fund management plan will be developed with fund advisor and approved with FBC. [ONGOING]
If the level of resources required to submit a funding application, or conforming with the funding agreement, is not proportional to the level of funding applied for; there is a risk that funding is undersubscribed and Project Spending Objectives (jobs, investment, carbon saving and local ownership) will not be achieved.	Reduce	-Stakeholder engagement through surveys, 1to1 consultations and workshops have provided insights into the type and scale of projects looking for support. This enables the project to specify funding products that is appropriate to the demand. [CLOSED] -Robust project business case developed in line with 5 Case Business Model to fully assess options with input from key stakeholders to ensure a fit-for-purpose, accessible and user-friendly fund is established that doesn't deter applicants with robust proposals from applying. [ONGOING] -Project will have a robust stakeholder engagement and communications plan in place to raise awareness of and promote opportunities and benefits. [ONGOING] -Fund specialist brought on-board to assist with business case and fund development. [ONGOING] -The fund management plan will set out the application and monitoring/evaluation plans and processes, and key stakeholders will be consulted to ensure the process is robust, but also proportional and accessible. [ONGOING]
If a fund advisor cannot be procured and subsequently the	Reduce	-Initial exploratory research and engagement with suppliers that could deliver the Fund Advisory requirement was conducted to

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

management structure of the fund has to change significantly to be attractive to the market, there is a risk of delaying the launch of the fund and impacting the ability to deliver against the Spending Objectives within Growth Deal timescales.		<p><i>provide an understanding of the potential supplier base. Potential suppliers were identified. [CLOSED]</i></p> <p>-Prior to a formal procurement exercise being undertaken to secure Fund Advisory services, a soft market testing exercise is to be undertaken to assess the potential supplier base further. [ONGOING]</p> <p>-Tender will be informed by the soft market testing to ensure the deal is attractive to the marker, and the tender will be advertised via sell2wales and suppliers showing interest during soft market testing will be notified of tender. [ONGOING]</p>
If insufficient resource and expertise is committed to the operational phase of the fund, there is a risk of poor investment decisions, fund not adapting to market need and under-performing projects due to lack of monitoring all impacting the ability of the fund to deliver against the Spending Objectives within Growth Deal timescales.	Reduce	<p><i>-The proposed resourcing in the OBC is based on other similar funds and the roles and responsibilities set out in the Fund Management Plan. [CLOSED]</i></p> <p>-For FBC this will be further reviewed with fund advisor and PMO to ensure suitable level of resource is allocated. [ONGOING]</p>

2.10. Sensitivity Analysis of Preferred Option

To test the volatility of the key assumptions built into the Economic Appraisal, a sensitivity analysis is performed for the preferred option. The analysis involves a switching-values and a scenario analysis approach. The details of each assumption tested is provided in the Annex.

Switching values

Switching values presents the magnitude of change required in key variables of the model inputs to make the preferred option no longer viable. As part of the sub-fund allocation scenario analysis, two additional scenarios were appraised (Scenarios 2 and 3, detailed in appendix 9), and a fourth scenario with a higher grant allocation was tested. The allocation for each scenario is as follows:

Table 49 - Sensitivity analysis scenarios

Sub-fund	Scenario 2	Scenario 3	Scenario 4
Grant	£10m	£5m	£12m
SME Debt	£5m	£12m	£5m
Large Scheme	£10m	£8m	£8m

The analysis found that increasing the proportion of debt vs. equity has a small effect. Increasing the grant sub-fund from £5 to £10m has the most significant negative impact in the BCR, but still suggests a slightly higher value for money than the closest option (Alternative option 3).

Increasing the Grant Sub-Fund to £12m renders the option less viable than Alternative Option 3, as high management and administrative costs relative to a lower financial return from loans drives the BCR down.

Table 50 - Sensitivity analysis benefit cost ratios

Preferred Option Scenario	BCR
Base Scenario	3.88
2	3.46
3	3.78
4	3.35

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To lower the Preferred Option BCR to 1:1, making it economically unviable, the core variables (jobs and GVA) would need to change by a significant magnitude. Extreme scenarios of changes in the central BCR component include:

- Generating only 45 Net Jobs (over 80% less than projected)
- Generating 115 Net Jobs (50% less than projected), yielding 58% less GVA than expected.

Scenario Analysis

Based on the risk of assumptions changing due to economic factors a sensitivity analysis on six scenarios is presented below. The rationale behind each test and magnitude of impact is provided in the Appendix 9.

1. Inflation at 10% for first two years, gradually decreasing by 2%: Record inflation recorded in November 2022 will not return to 2% in 2024 as expected by the OBR, and remain over 10% for the next two years, gradually returning to target in 2027.
2. Deadweight is increased to 50%, and leakage to 20%: The risk of a higher degree of leakage (benefits and job opportunities falling outside of North Wales) materialises and anticipated employment leakage doubles to 20%.
3. Net Job creation is 25% less: Businesses and large projects are not able to create enough employment.
4. Potential Loss from loans increases from 10% to 20%: SMEs may not be able to repay loans due to the cost-of-living crisis and high costs of doing business, therefore defaulting at a higher rate.
5. Financial Returns projected from investments decrease 50%: Market conditions may lead to difficulties in securing leverage, or projected income from large scale generation projects is less than expected.
6. Capital costs of large projects increase 44%: Uncertainty around price of materials and supply chain issues will increase costs and disrupt project schedules. Optimism bias is adjusted to 44%.

The impact of each test on the BCR are detailed below:

Table 51 - Sensitivity analysis, test scenario BCRs

Test Scenario	BCR
Inflation at 10% for first two years, gradually decreasing by 2%.	3.76
Deadweight is increased to 50%, and leakage to 20%.	2.53
Net Job creation is 25% less	2.59
Potential Loss from loans increases from 10% to 20%	3.01
Financial Returns projected from investments decrease 50%	2.2
Capital costs of large projects increase 44%	2.77

The BCR variations still suggest good value for money in all scenarios, although job creation is a key variable that does impact at a higher magnitude. Higher than expected inflation during the first years of the appraisal period does not play a major role.

OUTLINE BUSINESS CASE

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3. Commercial case

This section sets out the procurement arrangements for the project’s key outputs and activities in support of the preferred option.

A workshop was held with key stakeholders during the development of the Outline Business Case to develop the commercial strategy for the project.

3.1. Procurement Strategy

This project will follow Ambition North Wales’ commercial strategy and public procurement rules as set out in the Portfolio Business Case. The following principles will underpin the commercial and procurement activity within this project:

Commercial Principles themes:

1. Sustainability and re-investment
2. Subsidy control (state aid)
3. Reinvestment of financial surplus or profit generated by not-for-profit project sponsors
4. Gap funding will be considered where there is a viability or market failure issue
5. Contractual arrangements will protect the North Wales Economic Ambition Board’s long-term interests

Procurement principles:



Figure 7 - Ambition North Wales procurement principles

3.2. Procurement Activities

Services and Outputs to be Procured

Table 52 and 53 lists the procurement activities that have been identified to deliver key project services and outputs.

To support production of the Full Business Case (pre-FBC)

Table 52 - Procurement activities to support FBC

Outputs	Specialist Needed (Role)	Remit
Finalised Fund Management Plan and Investment Strategy	Consultant (support for FBC)	Soft Market Testing exercise to market test role and market for potential Fund Advisors Specialist support to develop the Full Business Case

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

	Fund Advisor	Early stage appointment of Fund Advisor to provide input into Investment Strategy
	Legal Advisor	Advice on commercial considerations, operating model and subsidy control considerations Preparation of standard HoT, loan agreements etc
	Biodiversity & Emissions specialist	To advise on opportunities for delivering outcomes via investment opportunities and how best to integrate methodology into investment strategy

To support the establishment and operation of the fund (post-FBC)

Table 53 - Procurement activities to support set-up and operating fund

Output/Services	Specialist Needed (Role)	Remit
Application Platform	Web Designer	To develop a suitable online platform to enquire and apply for funding via Ambition North Wales' website To include support during operation phase of the fund as and when required
Operating the Fund	Fund Advisor	The broad services expected from the external Fund Advisor are: <ul style="list-style-type: none"> • Promotion and marketing of the fund, including website • Sourcing/ responding to investment opportunities • Support to businesses in developing viable business/investment propositions – investor readiness and Business Case preparation assistance • Evaluating investment applications – sifting process • Due Diligence • Investment appraisal and recommendation • Performance monitoring and reporting
	Legal Advisor	Contract negotiating and drafting for Fund Advisor, preparing standard legal documents such as loan agreements, to review due diligence/contract matters and provide input into commercial considerations of the fund (vires, Subsidy Control)

Procurement Plan

Prior to a formal procurement exercise being undertaken to secure Fund Advisory services, a soft market testing exercise is to be undertaken to assess the potential supplier base further.

Tables 54 and 55 set out the plan for procuring the identified services and outputs to be procured.

To support production of the Full Business Case (pre-FBC)

Table 54 - Procurement plan for supporting FBC

Role	Procurement Route	Procurement Timescale	Output delivered by
Fund Advisor	Soft market testing	Mar-Apr 2023	Apr 2023

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	Single Stage Procurement Exercise	May-Aug 2023	Oct 2023
Consultant (support for FBC)	Procurement exercise – brief and 3 competitive quotes	May-June 2023	Sep 2023
Legal Advisor	Call off from Framework	May 2023	Sep 2023
Biodiversity & Emissions specialist	Procurement exercise – brief and 3 competitive quotes	May-Jun 2023	Sep 2023

To support the establishment and operation of the fund (post-FBC)

Table 55 - Procurement plan to support set-up and operating fund

Role	Procurement Route	Procurement Timescale	Implementation of Output/Service	Duration of Commission
Fund Advisor	Single Stage Procurement Exercise	Part of procurement process undertaken to support FBC	Jan 2024	5 years with option to extend by 2years
Legal Advisor	Call off from Framework	Part of procurement process undertaken to support FBC	Jan 2024	n/a
Web Designer	Scope of works to be set out with appointed Fund Advisor. Most appropriate procurement route will be implemented in line with procurement rules.	Sep-Oct 2023	Jan 2024	Up to 6 months. May need to consider service agreement during operational period.

The procurement exercise will ask for External Fund Advisors proposals in response to procurement documentation that will include a scope of services and invitation to tender. Their proposals will be evaluated on appropriate criteria including but not limited to the following:

- Their ability to start deploying and commence advisory services to organisations and businesses quickly following appointment;
- Management Team and Key personnel, recent and relevant experience and successful track record in fund advisory services including, but not limited to:
 - Culture and Values alignment
 - Experience raising and leveraging private capital and deploying both public and private capital
 - Technical understanding of clean energy solutions
 - Knowledge of local region and economy sectors
 - D&I and ESG factors (alignment to Well-being of Future Generations Act)
- Investment opportunity origination strategies such as:
 - Structure and location of the management, origination and portfolio management team;
 - Track-record of ability to originate and source investments;
 - Expected drawdown profile;
 - Pipeline of near-term lending opportunities; and
 - Approach to portfolio diversification and risk management.

OUTLINE BUSINESS CASE

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- Proposals that evidence robust and tested systems and processes are in place for making and managing loans (e.g. documentation, back-office systems, monitoring and governance arrangements, management information reporting);
 - Information on:
 - Expected gross and net annual return;
 - Details of any expected costs and fees charged;
 - Evidence that any proposed fees or costs are commensurate with market rates;
 - How the fee structures clearly and appropriately align the interests of Ambition North Wales;
 - Protection and recovery of Ambition North Wales' investment in the event of default.
 - Demonstrating the following are in place:
 - Appropriate permission, registrations and authorisations;
 - Capacity to carry out due diligence and anti-money laundering checks to applicable legal and regulatory standards;
 - Systems, controls and procedures for identifying making investments and controlling risks; and
 - Reporting systems and compliance with GDPR.
- Demonstrate a Social Value Offering in line with Ambition North Wales' procurement principles; Maximise Social Value delivered from Growth Deal projects to support regional economic, social, cultural and environmental and wellbeing objectives.

3.3. Market's Ability to Deliver

Fund Advisor

Initial exploratory research and engagement with suppliers that could deliver the Fund Advisory requirement was conducted to provide an understanding of the potential supplier base. Potential suppliers have been identified and can be divided into three categories:

- Technical / Engineering Consultancies
- Key Stakeholders / Funding providers
- Community and Enterprise Assistance and Consulting

Initial research and engagement suggest that there is a potential market appetite for Fund Advisory services. The particular skillset sought overlaps two distinct services, due diligence and expertise on technical aspects of the project e.g. project deliverability and realisation of carbon and energy savings, and financial expertise and due diligence on the financial viability of the project and/or company.

It is expected that the emphasis on technical and financial expertise and due diligence will vary across project size and Sub-Fund. For the Third Sector Sub-Fund where grants are the predominant financial instrument, an emphasis on technical advisory and due diligence to understand the technical outputs is likely to take precedence due to a lesser requirement for the funds deliver any return. For the Business Sub-Fund, financial expertise and due diligence is likely to be a larger requirement and emphasis. Larger Schemes is likely to require similar levels of technical and financial due diligence due to the heightened risk appetite of Ambition North Wales to invest in larger scale transformational projects with higher associated risk as part of this Sub-Fund.

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

In informal discussions with Development Bank of Wales, a potential arrangement was described whereby a partnership agreement could enable Development Bank of Wales to deliver c£2m of grant on behalf of Ambition North Wales in order to supplement and enable their wider SME Decarbonisation Loans fund offer. Further discussions are required to test whether this partnership arrangement would be subject to procurement regulations.

Prior to a formal procurement exercise being undertaken to secure Fund Advisory services, a soft market testing exercise is to be undertaken to assess the potential supplier base further. A combined advisory offering is an option that could also be explored further as part of market testing. This exercise will obtain feedback on the following:

- Draft investment strategy – priorities and areas of demand
- Scope of Services
- Investment decision making & Governance arrangements
- Performance monitoring, management and reporting arrangements

Initial feedback from the market has indicated the following considerations in relation to the role and specification required of the Fund Advisor:

- Appetite from some firms to provide the services required and already operate in a similar capacity
- Larger organisations would likely have a regional office already operating
- Private sector consultancy firms' rates (that normally work on large scale energy projects) may be too high for Ambition North Wales
- Potential requirement to split the financial and technical advisory services element of the scope
- Reconciliation of the approach to split the procurement into two stages:
 - Early-stage procurement appointment to provide technical input into investment strategy technical input and help shape it.
 - The full fund advisory role over 5 years.
- Opportunity for some potential suppliers to support lead generation e.g. via decarbonisation audits and carbon reduction tools.
- Clarity needed on potential supplier market for Fund Advisor vs Fund Manager

Legal Advisor

There are a number of large-scale legal firms who have the expertise and work across both the Energy Sector and providing support to the Public Sector. There are two main areas of support that a potential supplier would be required to provide:

1. Support to the Business Case: Advice regarding the operating model, any requirement for FCA regulation, commercial considerations such as Vires and the Public Subsidy Control Regime.
2. Fund Operation: Contractual arrangements for Fund Advisor, drafting of standard investment documentation e.g. HoT, loan agreements, due diligence and input into commercial considerations of the fund for example Public Subsidy Regime

Gwynedd County Council, the host Authority for Ambition North Wales, has already in place a Business Loan fund which offers loans to businesses in the county. They already have loan guidelines and operating procedures and standard contractual documentation that Ambition North

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

Wales could use as a basis for standard investment documentation to be prepared. This should offer efficiencies and reduce the level of supplier input in this area.

Ambition North Wales intend to access an existing contractual arrangement via Gwynedd Council to call off external legal services with Pinsent Masons which would enable services to be secured via use of a brief and scope of services relatively quickly.

Alternatively, a traditional procurement exercise advertised on sell2wales could be followed or procurement via a framework such as the Crown Commercial Services Legal Services Panel.

Biodiversity & Emissions specialist

Arup have produced a methodology for 'Reducing Carbon Emissions and Improving Biodiversity in Growth Deal Projects'. Some further specialist technical support is required to build on this methodology and advise on opportunities for delivering outcomes linked to improving biodiversity via investment opportunities and how best to integrate methodology into the Investment Strategy.

Potential suppliers could be procured following a traditional tender process advertised on sell2wales or potentially using the Crown Commercial Services: Environmental Sustainability Panel or ESPO Lot 3 Consultancy and Project Management for Renewable Energy Solutions. Each of these frameworks offer a number of potential suitable suppliers.

Partner Universities will also be engaged to explore whether they can assist with this activity.

Web designer

There is the potential opportunity to use Ambition North Wales' existing website service provider (Tinint) to deliver the required portal/gateway to submit applications through the existing website if this involves a simple link to an external application portal used by the fund advisor or to download a form for example. This will depend on the scope of works which will be developed with the fund advisor and any systems the fund advisor already has in place.

Alternatively, a potential supplier will be procured following the most appropriate procurement route for the scope of works and estimated value once known. Procurement will follow standard procurement rules.

In addition to the initial work to deliver the required portal or platform, there will be some ongoing scope to support any technical hosting issues or word press maintenance during the operational phase of the fund.

3.4. Risk Apportionment

The design of the Fund enables risk to be allocated and shared between all the relevant parties involved in the operation of the fund. Risk apportionment has been applied and relates to three particular areas of risk:

- Technical – the Fund Advisor will assess investment opportunities and undertake due diligence to determine whether the business proposition / energy project proposals are technically sound i.e. are robust, deliverable, there is a market opportunity to deliver and will secure the outcomes sought in the timeframe. For more complex or innovative solutions there is potential to use the partner universities to assist in assembling an

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

independent advisory panel to review applications when necessary. This will be further investigated during FBC development;

- Financial – the Fund/Financial Advisor will provide advice on the interest rate to be applied on individual investments to reflect risk of default and the ability for Ambition North Wales to recoup a significant amount, if not all, of the initial investment. The Fund Advisor will also source investment opportunities across the portfolio to achieve a balance of risk and reward;
- Legal – the Legal advisor will provide a legal suite of documents that looks to minimise risk by agreeing a standard set of loan/grant documents that set out:
 - The purpose of the loan;
 - The duration of the loan;
 - The repayment terms;
 - Agrees suitable security for each investment e.g. a charge over applicants assets or a Parent Company Guarantee (where appropriate) Has sufficient reporting criteria; and
 - Any specific terms and conditions regarding taking on additional debt.

Table 56 sets out the risk allocation for this project.

Table 56 - Risk allocation

Risk Category	Ambition North Wales	Fund Recipient	Shared
Governance	X		
Strategic Alignment	X		
Technical			X
Financial			X
Legal			X
Design and development of fund outputs		X	
Success of fund outputs			X

3.5. Payment Mechanisms

The project intends to make payments for its key outputs and services over the lifetime of the contracts as set out in tables 57, 58 and 59.

Pre-delivery Phase

Payments for the activities required to set up the fund.

Table 57 - Payment mechanisms for pre-delivery phase

Role	Payment Mechanism	Payment Schedule
Consultant (support for FBC)	Fixed Price	Monthly payment in arrears
Fund Advisor	Fixed Price – first stage of work to review and develop Investment Strategy	Monthly payment in arrears
Legal Advisor	Day Rate	Monthly payment in arrears
Biodiversity & Emissions specialist	Fixed Price	Monthly payment in arrears

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

Operational Phase

Payments for services required to run the fund.

Table 58 - Payment mechanisms for operational phase

Role	Payment Mechanism	Payment Schedule
Fund Advisor*	Options to consider: <ul style="list-style-type: none"> • A placement management fee – to reward for the successful placement/ deployment of capital from the Fund – can be expressed as a % of capital invested • A payment return fee – where fees are tied into and paid when the returns for investments and made • A ‘profit share’ or success fee – based on the success of the Fund’s investment calculated on a percentage split of the profits of the fund over a hurdle rate that will account for all contributions and disbursements required. • ‘Skin in the game’ whereby the Fund advisor provides a fixed amount of co-investment to ensure the alignment of commercial interests. 	Monthly payment in arrears linked to Payment mechanism performance metrics
Legal Advisor	Day Rate	Monthly payment in arrears
Web Designer	Fixed Price for designing and implementing platform. Day rate for support work during operational phase.	Monthly payment in arrears

*There is a direct correlation between the complexity of the payment mechanisms and the supplier market appetite for providing the services sought from a Fund Advisor. In the case of the SLE fund, consideration may be given to a placement management fee and payment return fee, but this need to be balanced with the risk of encouraging the wrong behaviour in deploying capital and reference to the fact that some returns will be due beyond the contract duration for the Fund Advisor. These aspects would need to be market tested with potential suppliers in order to inform the procurement exercise.

Payment mechanisms can also be supplemented by KPIs as part of a performance management regime to incentivise and monitor performance and ensure performance of the supplier to the required standards. Potential KPI areas could be as follows:

- Pipeline & Deployment
- Customer satisfaction and investee feedback
- Outcomes
- Reporting
- Enquiry Handling and Communication
- Complaints

Extension Phase

Potential payments for services required if the fund were to be extended.

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

Table 59 - Payment mechanism for potential extended phase

Role	Payment Mechanism for extended phase
Fund Advisor	As agreed for 2-year extension
Legal Advisor	Day Rate
Web Designer	Day rate as agreed for 2-year extension

3.6. Contractual & Accountancy Consideration

Contract Type

Table 60 sets out the contract type to be used with the suppliers.

Table 60 - Contract types

Role	Contract Type
Biodiversity & Emissions specialist	Standard Ambition North Wales contract
Legal Advisor	Call off existing contract
Fund Advisor	Ambition North Wales contract with amendments to incorporate key contractual matters
Internal SLE team	Amendments to existing employment contracts; roles and responsibilities and duration of employment

Key Contractual Matters

Contractual arrangements will be put in place to protect Ambition North Wales' long term interests. Existing frameworks will be used wherever possible which offer pre-agreed standard contract terms. This will aid negotiation and the speed of procurement.

Fund Advisor

It is anticipated that contractual arrangements for resources to support the Fund will need to be in place for the duration of the 5-year investment period. There may be consideration whether this contractual arrangement should be 5+2 years to allow for extensions for specific market needs, should they be required. The contractual period will be subject to soft market testing for the Fund Advisor prior to any procurement exercise.

There will need to be a rectification plan procedure in place via the contract where a single incident or KPI target not being met will result in this procedure being triggered. Table 61 lists the key contractual matters in relation to the contract with the Fund Advisor.

Table 61 - Key contractual matters

Key Contractual Matters	Proposal
Duration of Contract	8 years (1+5+2, 1yr to finalise investment strategy pre-FBC, 5yr fund duration, 2yr optional extension to fund duration)
Break Clauses	<ul style="list-style-type: none"> Growth Deal funding is reduced Fund Advisor not meeting targets via Performance related KPIs No market demand – number of applications/deployment of funds Legislative / Regulatory changes restrict investment activity
Commissioner	Gwynedd Council
Contractor	Appointed Fund Advisor
Payment Mechanism	Bespoke arrangement based on market feedback

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

Change Control	Annual review of Investment Strategy - Fund Advisor to implement changes to the fund that have been approved by Ambition North Wales within 1 month of approval date.
Rectification Plan	As per standard Gwynedd Council contract
Treatment of IP Rights	As per standard Gwynedd Council contract
Compliance with Regulations	As per standard Gwynedd Council contract
Contract Administration	Ambition North Wales
Resolution of Disputes	As per standard Gwynedd Council contract
Allocation of Risk	Bespoke arrangement based on market feedback
Options at end of Contract	Termination or 2 year extension with a 6 month notice period

Accountancy Treatment

The accountancy of the deal will follow the Gwynedd Council's relevant accountancy standards.

The balance sheet will feature in the reporting process set out in the Fund Management Plan.

Personnel Implications

If amendments to existing employment contracts are required to fulfil the roles and responsibilities of the SLE fund team within Ambition North Wales, consultation with existing staff likely to be affected by the changes need to be undertaken in-line with Gwynedd's relevant human resources policies and procedures.

3.7. Key Commercial Case considerations for the FBC:

- Identifying the most suitable operating model and the Accountable Body for the fund.
- Soft Market testing of the potential supplier base and scope of services proposed for running a fund; are there suitable and capable providers based in North Wales.
- Exploring potential partnership arrangements with Development Bank of Wales for Ambition North Wales to deliver grant in conjunction with Development Bank of Wales' SME loans offer.
- Finalising the most suitable contractual arrangements for procured resources.
- Securing legal advice on Vires, fiduciary duties and Subsidy control considerations relating to a fund.

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

4. Financial case

This section sets out the affordability and funding requirements of the preferred option.

Preferred Option – Open Low Carbon Investment Fund

£25M fund to be invested across all areas aligning with the RES; administered by a local partner; funding awarded over a period of up to 10 years; funding offered through grants, loans or other financial instruments, with a target of 75% match as an average across the fund

4.1. Financial constraints

Funding Available

There is only £25M Growth Deal funding available.

(£24.63 is exact amount of funding available once 1.5% PMO top slice has been deducted – all modelling for OBC has been based on £25m. Exact amount will be used for FBC)

Capital Funding Only

The Growth Deal funding package is capital funding only with no revenue funding for projects.

The Growth Deal contribution towards the total investment is funded by UK and Welsh Governments. 50% from UK Government and 50% from Welsh Government.

4.2. Capital Requirements

Overall GD funding for Portfolio, programme and project

Table 62 Overall Growth Deal funding

	Growth Deal Investment (£M)	Private/Public Sector Investment (£M)	Total Capital Investment (£M)
Growth Deal Portfolio	240.0	900.1	1,140.1
Low Carbon Energy Programme	86.4	582.1	668.5
Smart Local Energy Project	25.0	81.2	106.2

Allocations and Targets for the Sub-Funds

The £25m allocated to the Smart Local Energy project from the North Wales Growth Deal and investment targets will be allocated across the 3 sub-funds as shown in table 63.

Table 63 - Capital funding allocation for sub-funds

	Growth Deal Investment (£M)	Private/Public Sector Investment (£M)	Total Capital Investment (£M)
Third Sector Fund	5	5	10
Business Fund	8	24	32

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

Large Scheme Fund	12	52.2	64.2
Smart Local Energy Fund	25.0	81.2	106.2

Expected Source of Private/Public Sector Investment

Table 64 sets out the proposed target for match funding for each sub-fund and the possible sources of the match funding, which has been developed from the information gained through stakeholder consultations and the relevant case studies used for the economic case.

Table 64 - Expected sources of match funding

	Initial match funding targets	Sources of initial match (sources may change over time)	Sources of further investment	Actions to drive external investment
Third Sector Fund	50%	<ul style="list-style-type: none"> Public Sector Grants Local Energy Fund (Dev Bank of Wales) Community Shares Robert Owen Community Banking Applicant's match funding 	<ul style="list-style-type: none"> Recycled GD funding via loan repayments and return on equity Income from projects re-invested locally Future expansion or future phases of projects invested in initially 	<ul style="list-style-type: none"> Sign-posting opportunities to applicants Active stakeholder engagement with other funders Establishing partnerships and/or agreements with other funders and investors where appropriate
Business Fund	65-75%	<ul style="list-style-type: none"> Business' own funds Decarb fund (Dev Bank of Wales) British Business Bank Highstreet Banks Amazon Climate Pledge Fund 		
Large Scheme Fund	65-75%	<ul style="list-style-type: none"> Renewable Energy Developer LA Pension Funds Dev Bank of Wales British Business Bank Renewable Energy Developer for Wales (state-owned) British Infrastructure Bank Clean Growth Fund Bridges Sustainable Growth Funds 		

4.3. Revenue Requirements

Set up costs (pre-delivery)

Indicative costs to set up the Fund are set out in table 65 and are based on similar costs reported by other comparable funds:

Table 65 - Revenue costs for pre delivery phase

Cost Item	Category	FY	Period	Estimate	Planned source of funding
Legal/Tax Advice on operating model	Revenue	2023/24	Q1-Q2	£ 25,000.00	PMO project development budget
External support to develop FBC	Revenue	2023/24	Q1-Q2	£ 40,000.00	PMO project development budget

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

Finalise investment strategy and fund management plan	Revenue	2023/24	Q1-Q2	£ 60,000.00	Growth Deal Capital
Biodiversity & Emissions methodology integration	Revenue	2023/24	Q2-Q3	tbc	PMO project development budget
Project Management costs from OBC approval through to the fund becoming operational	Revenue	2023/24	Q1-Q4	£ 60,000.00	Existing PMO Staffing Resource
Producing standard documentation e.g. loan agreements	Capitalised revenue	2023/24	Q3-Q4	£ 25,000.00	Growth Deal Capital
Web Design work to set up application platform	Capitalised revenue	2023/24	Q3-Q4	£ 15,000.00	Growth Deal Capital
Total				£ 225,000.00	

Table 66 - Sources of pre-delivery revenue

Planned source of funding (Grouped)	Estimate
PMO project development budget	£65,000.00
Growth Deal Capital*	£100,000.00
Existing PMO Staffing Resource	£60,000.00
Total	£225,000.00

*to confirm cost can be capitalised by FBC

Running & Operating costs

Running and operating costs of the Fund will need to be accounted for and monitored in relation to the performance of the Fund.

- It is proposed that the revenue income generated by the Fund via interest charges, which will return into the Fund from year 2 onwards, will cover all internal costs for resources and external costs for management as well as any transaction fees and charges not charged to applicants. Any surplus revenue will be retained by the PMO.
- The aim is to make the Fund run as efficiently as possible, seeking to pass costs on to applicants wherever appropriate. This will be generally achieved through a market normal transaction charge for any investment.
- Ambition North Wales has scope to waive these fees where it sees fit. However, it must consider whether this will impact on the total resource available for the Fund or be subsidised from other Ambition North Wales resource.
- The total running/operating costs for a Fund are expected to account for in the region of 3% of the total Capital invested based on market feedback, this being £25m invested over 5 years; this gives a total estimated running cost of the Fund of £0.75m. Although 3% for running costs may seem low, this is partly due to the fact that the applicant is incurring and paying for a lot of the costs.
- The net return on investment (including for all costs, fees and charges in making the investment and its ongoing monitoring) will be clearly set out as part of the investment decision making and monitoring of the investment performance by the Smart Local Energy Fund Team (PMO).
- There may be an increase in costs in the early years of the Fund as Ambition North Wales looks to market its objectives, to attract opportunities and as it prepares standard documentation e.g. Loan Agreements. This increase is to be offset by savings later in the programme and as such the 3% overall cost is deemed appropriate.

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

- For the purposes of modelling running costs it must also be recognised that costs may be incurred after the final investment, with monitoring and reporting requirements until the investments are repaid.
- To ensure all costs are accounted for the financial model allocates 80% of the total running costs to Years 1 -5, with the remaining 20% of costs allocated to Years 5 – 12.

Table 67 - Allocation of running costs

Cost Item	£ Estimate annual cost
Launch Period	
Internal and External Resource (Fund, technical and legal advisors)	£30,000
Year 1 - 5	
Internal and External Resource (Fund, technical and legal advisors)	£120,000
Year 6	
Internal resource	£40,000
Year 7 - 10	
Internal resource	£20,000

Table 68 - Net impact of Costs v Revenue income

£'000	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	Totals
SET-UP COSTS	yr 0	yr 1	yr 2	yr 3	yr 4	yr 5	yr 6	yr 7	yr 8	yr 9	yr 10	
Fund Advisor	60	-	-	-	-	-	-	-	-	-	-	
Legal Advise and Documentation	50	-	-	-	-	-	-	-	-	-	-	
Consultant to support FBC	40	-	-	-	-	-	-	-	-	-	-	
Web developer	15	-	-	-	-	-	-	-	-	-	-	
Project Manager Costs	60	-	-	-	-	-	-	-	-	-	-	
Emmissions & Biodiversity advsior	tbc	-	-	-	-	-	-	-	-	-	-	
Total	225	-	-	-	-	-	-	-	-	-	-	225
	yr 0 (Q4 only)	yr 1	yr 2	yr 3	yr 4	yr 5	yr 6	yr 7	yr 8	yr 9	yr 10	
RUNNING COSTS												
Total	30	120	120	120	120	120	40	20	20	20	20	750
	yr 0	yr 1	yr 2	yr 3	yr 4	yr 5	yr 6	yr 7	yr 8	yr 9	yr 10	
Total Revenue Costs	255	120	120	120	120	120	40	20	20	20	20	975
	yr 0	yr 1	yr 2	yr 3	yr 4	yr 5	yr 6	yr 7	yr 8	yr 9	yr 10	
Revenue Income	-	-	407	604	564	414	237	120	34	19	10	2,409
Surplus Revenue (less costs)	- 255	- 120	287	484	444	294	197	100	14	- 2	- 10	1,689

Source of Revenue Funding

Revenue income from the fund will be used to cover the running and operating costs. However, there is likely to be a period of time following the launch of the fund until there is enough uptake of loans to generate adequate returns to cover the revenue costs. The model shows the revenue income needed to cover these costs will be available from year 2 based on the assumptions set out in appendix 9.

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

Therefore, there is a revenue funding requirement of c£150,000 to meet operational costs during the launch period and the first full operating year of the Fund. PMO project reserves will be used to cover this funding requirement.

Fund Delivery Phase

Table 69 - Running costs for fund delivery phase

Cost Item	Category	FY	Period	Estimate	Planned source of funding
Launch Period - Internal and External Resource (Fund, technical and legal advisors)	Revenue	2023/24	Q4	£ 30,000.00	PMO Project Reserve
Year 1 - Internal and External Resource (Fund, technical and legal advisors)	Revenue	2024/25	Q1-Q4	£ 120,000.00	PMO Project Reserve
Year 2 - Internal and External Resource (Fund, technical and legal advisors)	Revenue	2025/26	Q1-Q4	£ 120,000.00	Project generated revenue
Year 3 - Internal and External Resource (Fund, technical and legal advisors)	Revenue	2026/27	Q1-Q4	£ 120,000.00	Project generated revenue
Year 4 - Internal and External Resource (Fund, technical and legal advisors)	Revenue	2027/28	Q1-Q4	£ 120,000.00	Project generated revenue
Year 5 - Internal and External Resource (Fund, technical and legal advisors)	Revenue	2028/29	Q1-Q4	£ 120,000.00	Project generated revenue
Total				£ 630,000.00	

Post Delivery Phase (Monitoring and Evaluation)

Table 70 - Running costs post fund delivery phase

Cost Item	Category	FY	Period	Estimate	Planned source of funding
Year 6 - Internal and External Resource (Fund, technical and legal advisors)	Revenue	2029/30	Q1-Q4	£ 40,000.00	Project generated revenue
Year 7 - Internal and External Resource (Fund, technical and legal advisors)	Revenue	2030/31	Q1-Q4	£ 20,000.00	Project generated revenue
Year 8 - Internal and External Resource (Fund, technical and legal advisors)	Revenue	2031/32	Q1-Q4	£ 20,000.00	Project generated revenue
Year 9 - Internal and External Resource (Fund, technical and legal advisors)	Revenue	2032/33	Q1-Q4	£ 20,000.00	Project generated revenue
Year 10 - Internal and External Resource (Fund, technical and legal advisors)	Revenue	2033/34	Q1-Q4	£ 20,000.00	Project generated revenue
Total				£ 120,000.00	

Table 71 - Planned sources of funding for running costs

Planned source of funding (Grouped)	Estimate
PMO Project Reserves	£150,000.00

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

Project generated revenue	£600,000.00
Total	£750,000.00

If the take-up of loans in the early years is lower than expected and the revenue funding gap extends beyond year 1, the following options are currently being explored as a potential alternatives:

Table 72 - Alternative sources of revenue funding

Option	Description	Status
Use of project capital funding	Initial running costs could be funded by top slicing a proportion of the project budget. Surplus revenue income of the fund in later years will be used to backfill the funding utilised for the initial running costs.	Option needs to be discussed with Welsh Government and UK Government.
Use of Ambition North Wales Reserves	Existing reserves could be utilised to cover the initial costs.	Options currently being explored – level of reserves unlikely to be sufficient to cover total cost.
Funding from Ambition North Wales partners	Seek additional funding from partners on the basis that a return would be provided.	Option needs to be explored further.
Funding from Welsh Government/UK Government	Seek revenue funding for the project from government to cover initial costs.	Option needs to be discussed with Welsh Government and UK Government.

4.4. Financial Appraisal

Financial modelling and financial scenario testing have been undertaken to understand the financial impact and affordability of the Fund based on average levels of investment across the three sub-funds within the expected ranges. The financial model assumes that an appropriate level of due diligence is undertaken by Ambition North Wales to support any investment decision and that robust monitoring is in place to identify any issues as they occur.

The financial model seeks to provide Ambition North Wales with a view of a typical portfolio of investments, based on the 5-year profile of investment.

The financial model focuses on the affordability of the Fund and then looks at the proposals for the Third Sector [£5m], Business (SME) [£8m] and Large Scheme sub-fund [£12m].

Key Assumptions

The following assumptions have been made across the three Funds:

Table 73 - Key financial assumptions

Key Assumption	Third Sector	Business	Large Scheme
Size/ £M	£5,000,000	£8,000,000	£12,000,000
Average Size of Investment³⁶	£50,000	£100,000	£6,000,000
Type of investment	Grant	Debt	Debt

³⁶ For modelling purposes

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

Average investment Return	0.0%	4.8%	5.8%
Default rate	0.0%	3.0%	1.0%
Recovery on Default	n/a	80%	90%
Total Running Costs	3.0% of capital employed	3.0% of capital employed	3.0% of capital employed
Ambition North Wales cost of Funds	0%	0%	0%

In an attempt to reflect “typical” activity across the funds a number of grants and loans have been modelled with varying repayment periods, reflecting the broad objectives of the sub-funds. The constant is the requirement not to breach the Peak Fund Size allocated to each Fund.

Financial Modelling Results

Table 74 sets out the potential financial implication of the Fund based on the investment assumptions set out:

Table 74 - Financial modelling results

Item	Total £M
Gross Funding	25.00
Peak Funding	15.70
PWLB Interest payable	0
Potential Loss through default	(0.10)
Running Cost	(0.75)
Interest Repayment	2.90
Net Revenue	2.05
Net Revenue (NPV)	1.85

The financial modelling indicates the total financial return from the Fund over its investment cycle lies in the region of £2.05m, (£1.85m NPV). This is a positive return to Ambition North Wales and demonstrates, given the baseline assumptions used that the Fund is viable and affordable.

Further work has been completed to assess the viability of the three sub-funds. Table 75 sets out the performance of each sub-fund given the baseline assumptions.

Performance of the Fund across the three sub-funds

Table 75 - Sub-fund performance

	Total £'000	Third Sector £'000	Business £'000	Large Scale £'000
Gross Funding	25,000	5,000	8,000	12,000
Peak Funding	15,700	2,500	3,400	9,800
PWLB Interest	0	0	0	0
Potential Loss	(100)	0	(50)	(50)
Internal Running Cost	(750)	(150)	(250)	(350)
Interest Repayment	2,900	0	1,000	1,900
Net Revenue	2,050	(150)	700	1,500
Net Revenue (NPV)	1,850	(150)	600	1,400

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

Peak Funding is the maximum exposure of each of the sub-funds and its impact on the Fund as a whole. The net cash requirement peaks at £15.70m and would therefore provide Ambition North Wales with the scope to recycle any additional funds up to the maximum fund size limit.

Affordability Risks

This section identifies the main risks associated with the affordability of the project. Proposed counter measures for avoiding or reducing the risk where relevant.

Table 76 - Affordability risks

Risks	Avoid / Reduce / Accept	Proposed Counter Measure
If the revenue funding needed to cover the running costs of the fund is not identified and secured, there is a risk that the fund will not be able to launch or remain operating for the lifetime of the fund and deliver against the spending objectives.	Avoid	<p>-Project will use revenue income from loans to fund operational costs and will cover any reserves or borrowings used to cover the gap in the first year or two of operating. Funding for the first year of operation, prior to revenue returns being generated, has been identified. [CLOSED]</p> <p>-Revenue identified from PMO project reserves to cover the gap in funding for first year of operating. [CLOSED]</p> <p>-The forecasted uptake of funding in year 1 has been reduced in the financial modelling to reflect a gradual up-take of funding in year 1. [CLOSED]</p> <p>-If there is a requirement for revenue funding beyond the first year, the following options will be considered:</p> <ul style="list-style-type: none"> • Use of project capital funding • Use of ANW project development budget • Use of Ambition North Wales Reserves • Use of Growth Deal grant 1.5% PMO top slice • Funding from Ambition North Wales partners • Funding from Welsh Gov/UK Gov <p>or a combination of the above [ONGOING]</p>
If administration costs associated with managing a fund is higher than expected, there is a risk of the fund does not achieve the value for money required to make a viable Economic Case and is not affordable.	Reduce	<p>-Engaging with other funds to better understand range of administration costs associated with funds. Research shows that funds typically cost between 2 & 5% of total fund to administer. [CLOSED]</p> <p>-Some elements of the fund will be managed in-house which will reduce external administration costs. [CLOSED]</p> <p>-A robust business case developed for the project in line with the 5 Case Business Model to ensure a fund delivers value for money. Factors such as the type of funding, procurement of administration services, collaborating with other funds/partners will be considered to achieve the best value for money. [ONGOING]</p> <p>-Soft market testing and competitive procurement process to be undertaken to appoint fund advisor. [ONGOING]</p>
If project costs escalate, there is a risk that the project will not deliver its intended outcomes and benefits within budget.	Reduce	<p>-The intention is to deploy all the funding in 5 years to get maximum value from funding with an extension to increase the duration of the fund if required. [CLOSED]</p> <p>-A robust financial case within the business case developed for the project in line with the 5 Case Business Model to demonstrate fully costed and affordable outputs with a detailed benefits realisation plan in place. [ONGOING]</p> <p>-There will be robust contract management in place as part of the project's procurement plan and will be clearly set out in the commercial case section of the business case. [ONGOING]</p>

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Sensitivity Analysis

To assess the potential movement in these baseline figures, sensitivity and scenario analysis was conducted by varying the key drivers within defined ranges.

The base case gives the following net return to the SLE Fund:

Table 77 - Best case returns

	Total Fund	Third Sector	Business	Large Scale
Net Revenue	2,050	(150)	700	1,500
Net Revenue (NPV)	1,850	(150)	600	1,400

A Monte Carlo simulation (MCS) was used to model the probability of different outcomes in a process that cannot easily be predicted due to the intervention of random variables. It is a technique used to understand the impact of risk and uncertainty.

A MCS takes the variable that has uncertainty and assigns it a random value. The model is then run and a result is provided. This process is repeated again and again while assigning many different values to the variable in question. Once the simulation is complete, the results are averaged to arrive at an estimate.

Errors in assumption projection, changing market conditions and many other factors could deviate the true values from those used in the model. To account for this uncertainty and inherent risk, the MCS method assumes a weighted range as opposed to an individual figure.

Table 78 sets out how, using the MCS analysis, the predicted range for the SLE Fund returns could vary when the Fund is considered as a whole (less risk) and when it is split across each sub-fund.

Table 78 - Potential variances in returns

	Total Fund	Third Sector	Business	Large Scale
Net Revenue (NPV) Downside Risk	£1.6m	(£0.2)m	£0.4m	£1.4m
Net Revenue (NPV) Upside Potential	£1.9m	(£0.1)m	£0.6m	£1.4m

The downside risk looks at how, if the assumptions tend to a performance below the expected the returns to Ambition North Wales are impacted; the upside risk looks at the reverse. For example, an upside potential may mean that default rates are lower than expected and default recovery rates are higher than expected.

In addition, the MCS was used to assess % chance of a positive return against each sub-fund, this information is set out in table 79.

Table 79 - Likelihood of positive NPV

	Total Fund	Third Sector	Business	Large Scale
% Chance of Positive NPV	99%	100%	99%	99%

Based on the results there is a “near certain” probability that the Fund will produce a net return, subject to adequate due diligence.

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4.5. Summary of Financial Appraisal

Table 80 provides a summary of the phasing for the investments, returns and costs of the Fund.

Table 80 - Summary of financial appraisal

£'000	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	Totals
	yr 0	yr 1	yr 2	yr 3	yr 4	yr 5	yr 6	yr 7	yr 8	yr 9	yr 10	
SET-UP COSTS												
Fund Advisor	60	-	-	-	-	-	-	-	-	-	-	
Legal Advise and Documentation	50	-	-	-	-	-	-	-	-	-	-	
Consultant to support FBC	40	-	-	-	-	-	-	-	-	-	-	
Web developer	15	-	-	-	-	-	-	-	-	-	-	
Project Manager Costs	60	-	-	-	-	-	-	-	-	-	-	
Emmissions & Biodiversity advsior	tbc	-	-	-	-	-	-	-	-	-	-	
Total	225	-	-	-	-	-	-	-	-	-	-	225
RUNNING COSTS	yr 0 (Q4 only)	yr 1	yr 2	yr 3	yr 4	yr 5	yr 6	yr 7	yr 8	yr 9	yr 10	
Total	30	120	120	120	120	120	40	20	20	20	20	750
	yr 0	yr 1	yr 2	yr 3	yr 4	yr 5	yr 6	yr 7	yr 8	yr 9	yr 10	
Total Revenue Costs	255	120	120	120	120	120	40	20	20	20	20	975
SLE FUNDING RELEASED (Capital)	yr 0	yr 1	yr 2	yr 3	yr 4	yr 5	yr 6	yr 7	yr 8	yr 9	yr 10	
Third Sector Sub Fund	-	500	1,000	1,250	1,250	1,000	-	-	-	-	-	
Business Sub Fund	-	1,000	2,000	2,000	2,000	1,000	-	-	-	-	-	
Large Scheme Sub Fund	-	-	-	6,000	6,000	-	-	-	-	-	-	
Total Capital	-	1,500	3,000	9,250	9,250	2,000	-	-	-	-	-	25,000
	yr 0	yr 1	yr 2	yr 3	yr 4	yr 5	yr 6	yr 7	yr 8	yr 9	yr 10	
Revenue Income	-	-	407	604	564	414	237	120	34	19	10	2,409
Surplus Revenue (less costs)	- 255	- 120	287	484	444	294	197	100	14	- 2	- 10	1,689

4.6. Key Financial Case considerations for FBC:

- Confirmation on source of revenue funding for first 2 years of operational phase

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5. Management case

This section sets out the arrangements put in place for the successful delivery of the project.

5.1. Project Management

Project Management Strategy

Ambition North Wales has embraced the principles of Project Delivery as set out in ‘HM Government’s Functional Standard GovS 002: Project delivery’ to ensure value for money and the successful, timely and cost effective delivery of projects in line with government policy and business objectives.

The Smart Local Energy project will be managed in line with Ambition North Wales’ Project Management Framework which sets out how the project is to be directed, managed, defined and communicated. The Framework provides a best-practice approach that will provide consistency and continuity with other Growth Deal projects. The Framework is aligned with HM Government project guidance with methods tailored to meet Ambition North Wales’ requirements.

Ambition North Wales’ Project Management Framework includes a Project Life Cycle relevant to Growth Deal projects and sets out processes, templates and guidance for the list below and compliments the relevant strategies set by the PMO:

- Reporting
- Risk and issue management
- Stakeholder management
- Benefits management
- Document Management

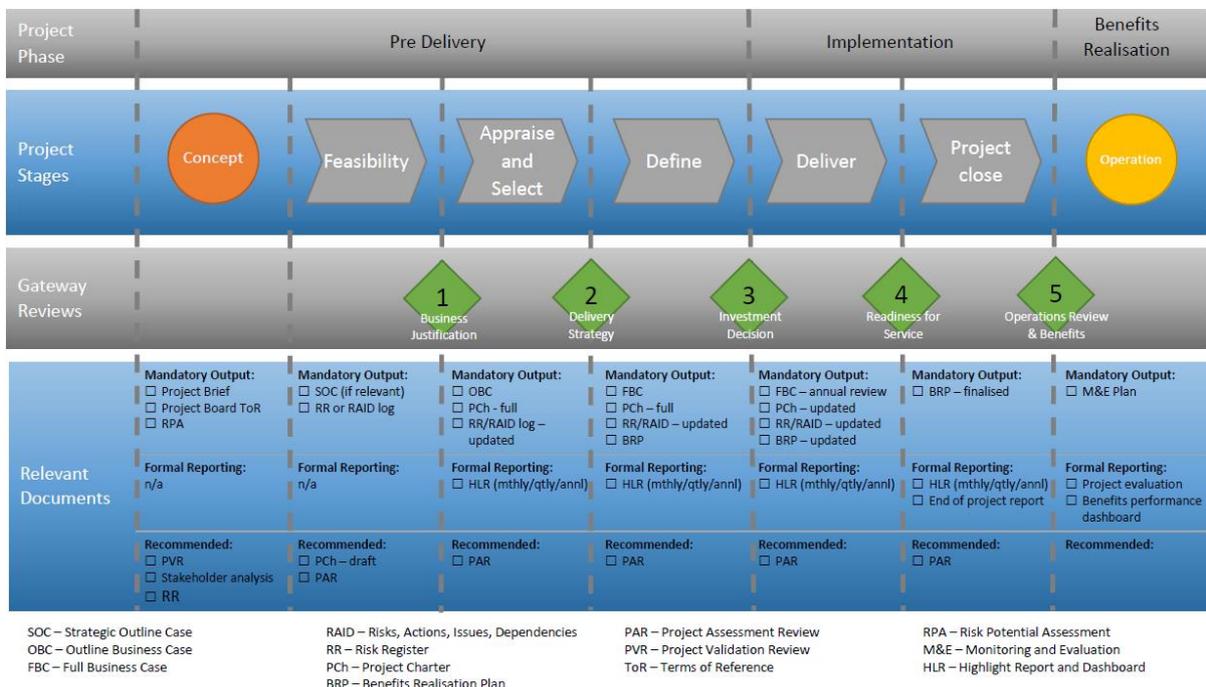


Figure 8 - Project life cycle

Project Framework

Project delivery

The Smart Local Energy project has a full-time project manager with the support of the Portfolio Management Office. Support is also available from Project and Programme Board members who

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will provide direct support and/or access specific support via the organisation or sector they represent. The Project Board will retain ownership of the Business case and responsibility for its development.

Governance arrangements

Figure 9 sets the governance structure for the Growth Deal, with this project sitting within the Low Carbon Energy Programme.

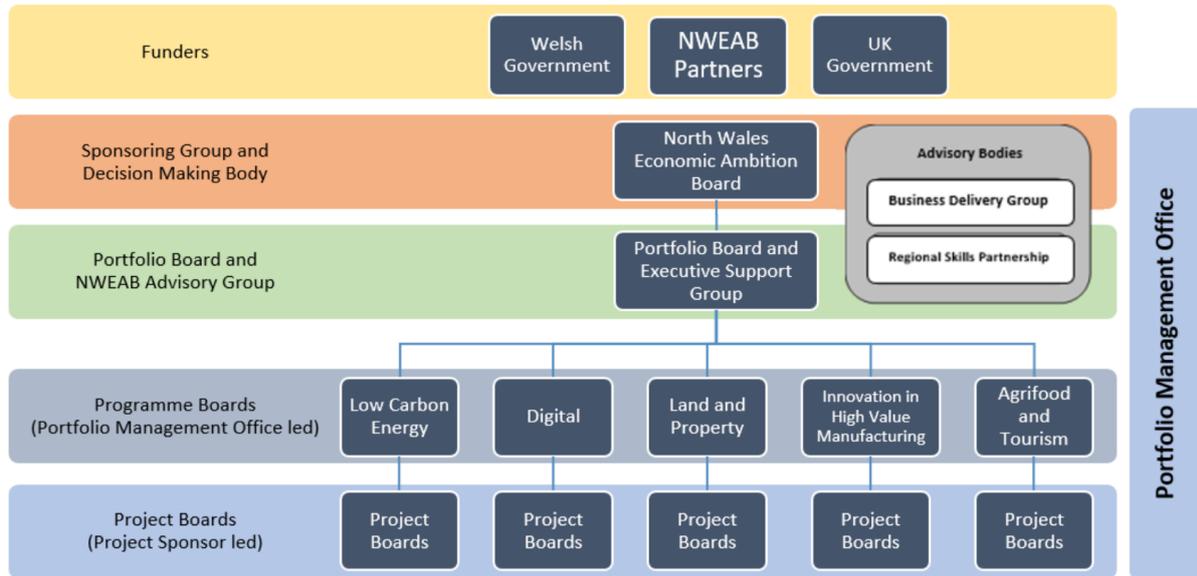


Figure 9 - Project governance structure

Reporting arrangements

The project manager will produce a Highlight Reports every month ahead of each project board meeting. Highlight reports will be reviewed and approved by the project board and shared with the programme manager. Highlight reports include:

- Project details
- Project RAG status
- Risks, opportunities and issues for the project board to be aware of and/or need attention
- Milestone dates
- Financial summary
- Commentary on achievement since last report and actions before next report
- Decisions for the project board / matters to escalate

Project Roles

Table 81 lists the project board members and other contributors that are currently involved in the project, both inside and outside the organisation.

Table 81 - Project roles

PROJECT BOARD (meetings every 6 weeks)	
Core members	
Project SRO	Head of Environment, Roads & Facilities - Conwy
Project Manager	Energy Project Manager – Ambition North Wales
Partner Representatives	<ul style="list-style-type: none"> • Carbon Management Officer – Conwy • Lead Officer Corporate Property and Housing Stock – Denbighshire • Energy Conservation Surveyor – Flint

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	<ul style="list-style-type: none"> • Energy and Commercial Services Manager – Gwynedd • Climate Change and Carbon Reduction Manager – Wrexham • Energy Island Programme Delivery Manager – Anglesey • Senior Research Lecturer – Bangor University • Centre Manager CIST & Innovation – Grwp Llandrillo Menai
WG Representative	<ul style="list-style-type: none"> • Head of Smart Living – Welsh Government • Strategic Lead – Welsh Government Energy Service
Senior User(s)	To be considered as business case and project develops
Senior Supplier(s)	To be considered as business case and project develops
Non-core members	
Programme Manager	Low Carbon Energy Programme Manager
Portfolio Management Office	Representatives of the PMO
Corporate Services	Representatives from Corporate Services as required e.g. Finance, Legal, Procurement.
ENERGY PROGRAMME DELIVERY TEAM	
Programme Manager	Low Carbon Energy Programme Manager
Portfolio Management Office	<ul style="list-style-type: none"> • Low Carbon Energy Programme Manager • Head of Operations • Procurement and Social Value Manager • Communications and Engagement Officer • Energy project Manager • Funding Project Manager
Corporate Services	<ul style="list-style-type: none"> • Group Accountant - Corporate and Projects • Head of Legal Services • Lawyer
EXTERNAL ADVISORS	
Consultants	<ul style="list-style-type: none"> • 31ten Consulting (Specialist advice on establishing funds) • Hatch (Business Case Support and Fund Strategy support) • Pinsent Masons (Specialist Legal Advice)

Project Plans

Product Breakdown Structure

A detailed Product Breakdown Structure has been produced for the project (appendix 16). Here are the main project products/deliverables set out in the plan:

- Fund Management Plan
- Operational fund of funds
- On-line fund portal

Work Breakdown Structure

A project Work Breakdown Structure sets out the main work packages and activities to be undertaken to deliver the project products and deliverables, as well as project handover and closure (appendix 16).

Outline Project Schedule

The project activities with duration, dependencies assigned resources and milestones are set out in the Project Schedule in the form of a Gantt chart (appendix 14). The main activities and milestones are set out in figure 10.

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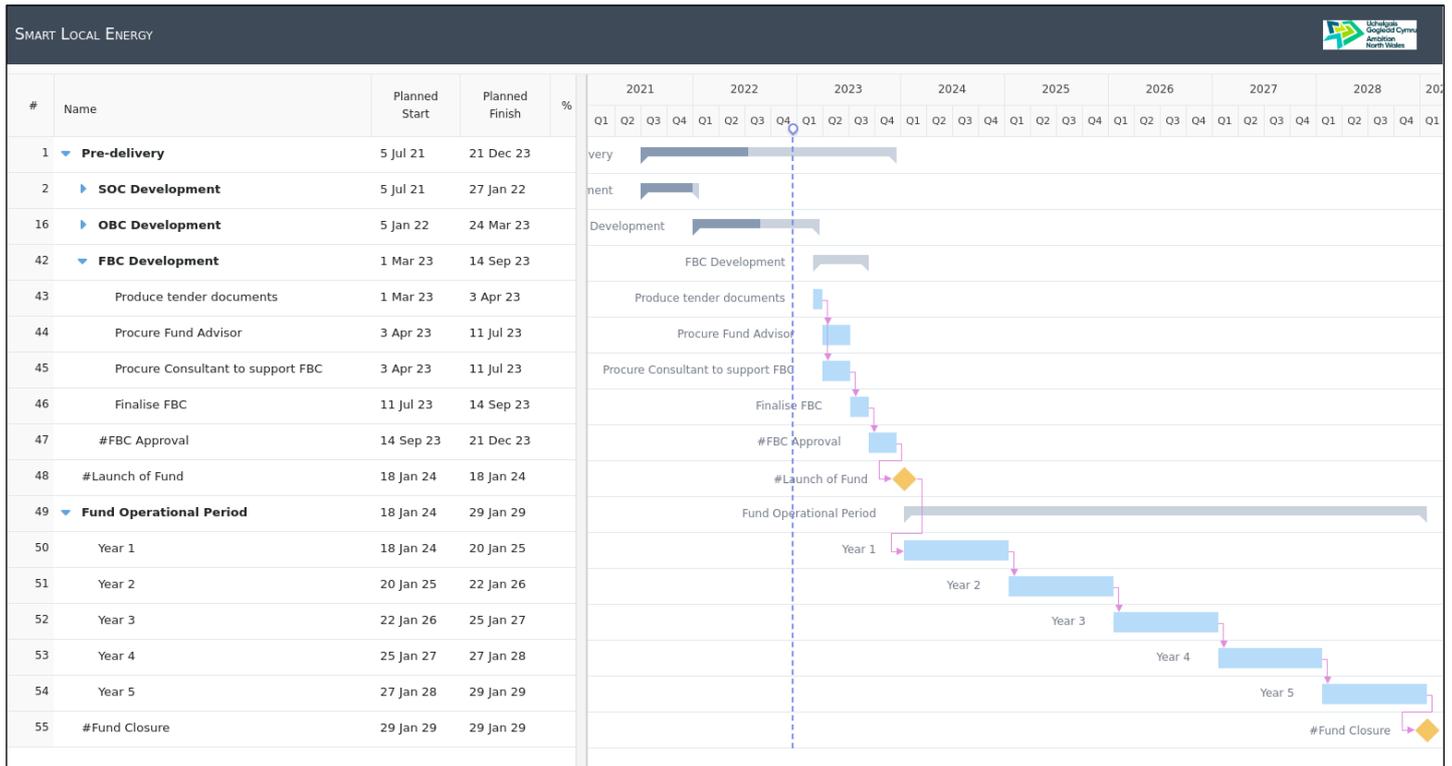


Figure 10 - SLE high level project schedule

Table 82 - Project milestones

Project Milestone	Date
OBC approval	March 2023
FBC approval	Autumn 2023
Launch of fund	End of 2023/24
Closure of fund*	End of 2028/29
Final evaluation	End of 2033

*unless fund is extended beyond initial investment period

Stakeholder Engagement Plan

A Stakeholder Engagement Plan for the project contains a stakeholder register and sets out how the stakeholders are mapped with a detailed plan for engaging with individual or grouped stakeholders. This plan will evolve as the project progresses to account for changes to stakeholders, changes to their interest and influence and changes to how we undertake our engagement (appendix 13).

5.2. Fund Management

The proposal for managing the fund is set out in detail in the Fund Management Plan (appendix 10). Key elements are summarised below.

Proposed Fund Governance Arrangements

A robust governance and accountability process, through use of existing ANW governance structures, is proposed for adoption whereby all investment opportunities will be assessed via a consistent investment decision-making process. This governance process will monitor performance, achievement against objectives and scrutinise any decision making as required. The following images show the shift from existing to proposed governance structure.

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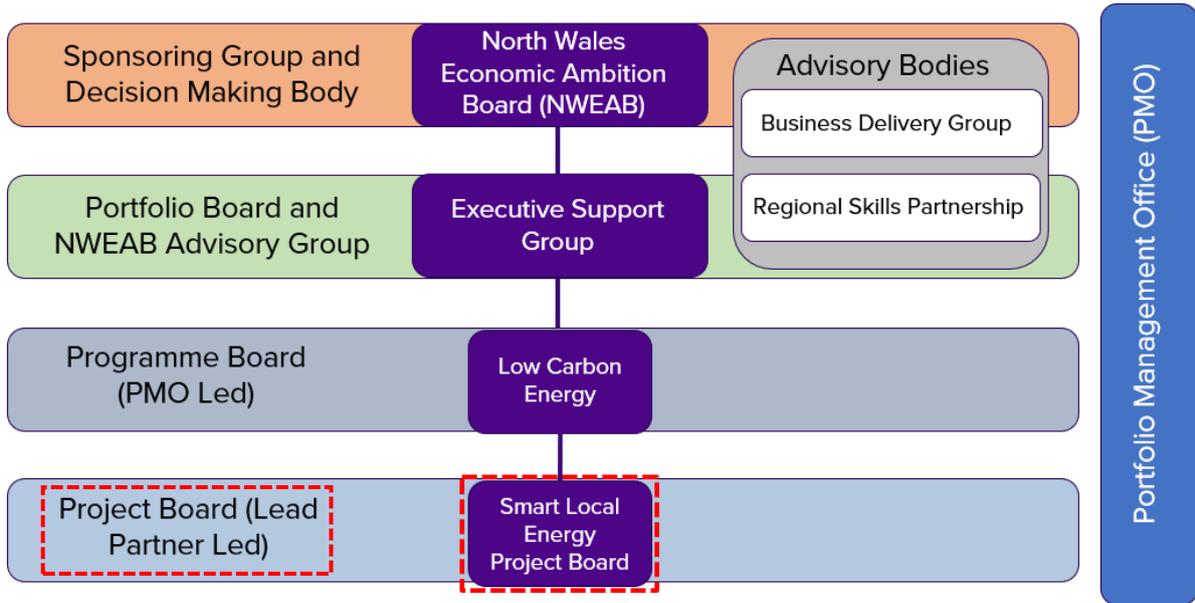


Figure 11 - Existing project governance structure

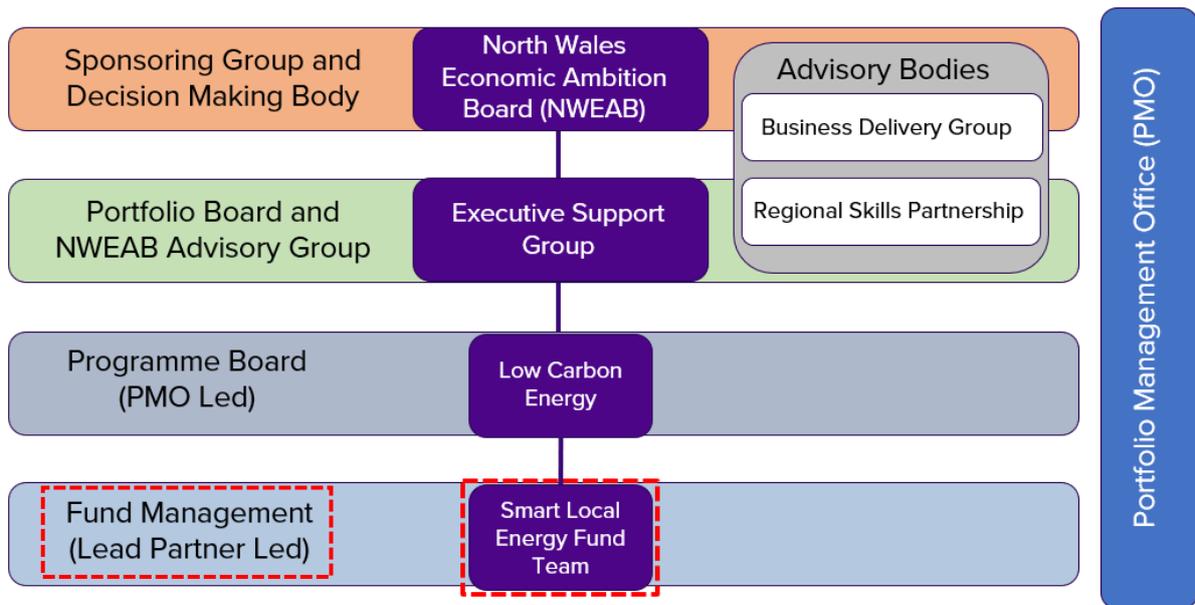


Figure 12 - Proposed fund governance structure

Table 83 - Roles of groups in governance structure

Group	Role
North Wales Economic Ambition Board (NWEAB)	<ul style="list-style-type: none"> To approve ANW’s overarching Investment Strategy and the controls and protocols that the Fund must operate within To approve budget/release capital funds for deployment Approve individual investments for the Large Schemes Sub-Fund Fund Advisor Monitoring Report annually
Portfolio Board	<ul style="list-style-type: none"> Scrutinise and endorse the direction, scope and extent of investment decisions as defined in the Investment Strategy

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	<ul style="list-style-type: none"> • Fund Advisor Monitoring Report quarterly
Programme Board	<ul style="list-style-type: none"> • Endorse Investment Strategy • Consider the direction, scope and extent of investment decisions as defined in the Investment Strategy • To monitor progress and performance of the portfolio • To refer individual investments for the Large Schemes Sub-Fund to NWEAB • To actively monitor and scrutinise the fund's performance on policy and financial grounds and assess delivery of the annual performance report • Receive and Review Fund Advisor Monitoring Report monthly
Existing Project Board (to continue until Fund is operational)	<ul style="list-style-type: none"> • To develop the initial version of the Investment Strategy • To agree and allocate resources for delivery of the fund • To support the procurement of external resources • To establish the governance for the Fund • To prepare the FBC for approval • To recommend the Fund budget for set up costs
Smart Local Energy Fund Team (to replace project board once fund is operational, with a senior member of the PMO to be appointed operational SRO for the fund)	<ul style="list-style-type: none"> • To agree priorities for external fund advisors, provided they are compatible with the Investment Strategy • Day to day management and facilitation of external Fund Advisor contract • Market intelligence to inform the Investment Strategy • Governance & Investment Decision Making • Marketing/Engagement • To monitor performance of individual investments • To monitor progress and performance of the portfolio • To undertake benefits realisation • To allocate resource for supporting Co-investment discussions • Fund Advisor to report regularly and bring investment recommendations • To approve individual investments in line with Investment Strategy for the Third Sector and Business Sub-Funds • To monitor performance of individual investments and portfolio and take corrective action where necessary

Proposed Fund Management Arrangements

The Fund will operate a blended approach using a combination of internal resources of Ambition North Wales and external resource. This will ensure that Ambition North Wales retains control of the Fund whilst securing the advantages of external expertise, resources, capacity and knowledge.

There are two main areas of resource from which will be drawn to operate the Fund:

1. Internal Resources via:

- The North Wales Economic Ambition Board as the Sponsoring Group and Decision Body
- The Programme Board, established by the Portfolio Board and NWEAB Advisory Group
- SLE Fund Team
- Support from the PMO

Based on resourcing for similar funds, it is suggested that the fund will require the following staffing resource available to deliver the plan:

- 1 Fund Manager – 0.5 FTE for first 2 years reducing to 0.25 years 3-5
- 1 Fund Officer – FTE years 1-5

2. External Advisors to support the Fund Management Team:

- Fund Advisor

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- Technical Advisor
- Legal Advisors
- Tax Advisor/Specialist
- QA/Peer Review via Welsh Government Assurance Hub (if required)
- Co-Investment Partners
- Business Support specialists

The in-house team will be supported by a team of external specialist advisors. The types of skills that may be required are set out below:

Fund Advisor - Sourcing opportunities, Market intelligence, technical advisor on industry, Portfolio management & reporting.

Technical Advisor - Technical due diligence; reviewing the technical merit of applications. There is potential to use the partner universities to assist in assembling an independent advisory panel to review applications when necessary. This will be further investigated during FBC development.

Legal advisors – investment documentation e.g. loan agreements and HoTs, advice on structuring investments, Subsidy Control and the powers required to make investments;

Financial advisors –viability assessments, accounting advice and specialist investment advice;

Tax advisors – Advice as required on Stamp Duty Land Tax, VAT, Corporation Tax;

QA/Peer review or business Leaders - challenge function, potentially via the WB Assurance Hub.

Proposed Investment Decision Making Process

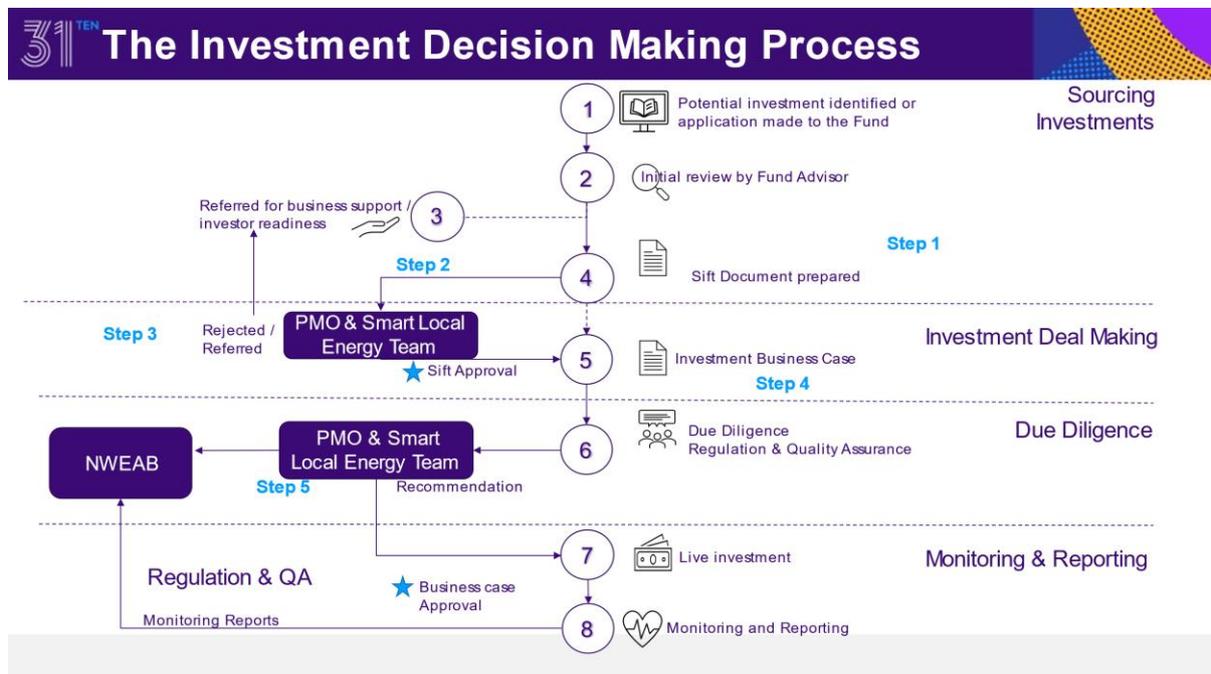


Figure 13 - Proposed investment decision making process

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Step 1 – Prepare a SIFT Document: a short Sift Document should be completed to outline the potential opportunity at a high level.

Step 2 – Sifting process: The Fund Advisor reviews all investment opportunities against the Investment Strategy and provides a shortlist of potential investments to the SLE Fund Team

Step 3 – Fund Team Review: SLE Fund Team reviews the shortlisted Sift Documents and rejects or approves them to move to Investment Business Case stage

Step 4 – Prepare Investment Business Case: An Investment Business Case is prepared by the Fund Advisor

Step 5 – Decision Making: Investment Business Case is presented to the SLE Fund Team and if appropriate criteria are met, a recommendation is made to the PMO and the investment is then approved or rejected for funding. If approved, the investment becomes part of the Fund.

Any individual investment decisions can also be referred to the Programme Board and NWEAB for further scrutiny if required.

5.3. Change Management

Strategy for Anticipated Changes

There are two key ‘anticipated’ changes being introduced by this project that will enable the project outcomes and delivery of the spending objectives. These are:

- [Organisational change]: A newly established fund to be managed by Ambition North Wales and partners.
- [Societal change]: New fund for Stakeholders in North Wales to access and utilise in order to support their clean energy solutions.

Plan for the ‘anticipated’ changes

An outline Fund Management Plan will be developed to clearly set out how the fund will be managed, and this will become the main plan for managing the anticipated changes. Figure 14 sets out the main elements of the outline Fund Management Plan and the draft plan can be seen in appendix 10.



Figure 14 - Fund management plan content

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Communication and participation

Stakeholders will be communicated with as set out in the stakeholder engagement plan. This will happen at key points to raise awareness and publicise key milestones to ensure suppliers as well as users are aware of upcoming opportunities (such as launches of a fund prospectus, fund products, key events, workshops, etc).

The project will continue to ask stakeholders to participate via workshops, consultations, surveys and focus groups to feed into the process of designing and establishing the fund to ensure the changes are welcomed and expected.

Project handover and training

The Fund Management Plan will be the core element of the handover process from project to operation. In addition to the plan, as a minimum, the following information will form part of the handover process:

- Contract agreements
- Benefits realisation plan
- Monitoring and evaluation plan

Where required, suitable training will be provided for any staff that will need to be recruited to manage the fund.

Training options will also be considered for users of the fund to identify the potential training needs that could assist stakeholders and contribute towards achieving the spending objectives of the project. Ambition North Wales will work with its partners and suppliers to identify potential training opportunities where the need has been identified. Potential areas to consider are project management, business case writing, bid writing, project delivery, contract management, benefits realisation.

Strategy for Unexpected Changes

The project will follow Ambition North Wales' Change Management strategy. Any unexpected changes to the project delivery will follow the change control process from the strategy as set out below:

1. Identify and record change – using the change log
2. Evaluate change – consider all possible impacts of the proposed change on cost, time, scope, people, reputation etc. Use of the Red, Amber, Green (RAG) assessment for the impact of a possible change (as detailed in the Change Management strategy) to assess whether it needs to be escalated within the Portfolio Management Office.
3. Completion of a Change Request Form and submit to the relevant Board.
4. Relevant Board to make decision – approve the change, escalate it, reject it, defer it (delay until a more suitable time) or refer it back for further consideration
5. Update plans and inform stakeholders – communicating changes is as important as enacting them
6. Implement the change – start work on the amended plan

5.4. Benefits Realisation

Benefits Realisation Strategy

The project will follow Ambition North Wales' Benefits Realisation Strategy which sets out the overarching approach taken to:

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- Identify, monitor and realise the direct benefits anticipated by delivery of the Growth Deal as set out in the Portfolio and Programme Business Cases;
- Identify and monitor the Growth Deal's contributions to wider economic, social and other impacts that may be generated within the Region, Wales and elsewhere in the UK.
- Determine potential negative impacts arising from delivery of the Growth Deal and how Ambition North Wales will mitigate for and manage these.

Benefits Framework

A logic model has been developed for the project that shows the relationship between project inputs, activities, outputs and outcomes that align with the Programme and Portfolio planned outcomes and impacts. The logic model for this project can be found in the Benefits Realisation Plan, appendix 11.

Ambition North Wales' Benefits Framework lists key output and outcome indicators applicable to Growth Deal programmes that will be used to select a number of key indicators relevant to this project. These indicators will be used to measure and demonstrate that the project outputs and outcomes are being delivered against the targets. Some of these indicators will also be used to demonstrate the benefits realised from the project.

Benefits Realisation Plan

The Benefits Realisation Plan for the project (appendix 11) includes the following key information:

- Register of core benefits
- Indicators assigned to the core benefits
- Targets and milestones for the indicators
- Data to be used, methods and frequency of monitoring the indicators

5.5. Risk Management

Risk Management Strategy

The project will follow Ambition North Wales' Risk and Issues Management Strategy with regards to:

- Risk definition
- Assessing risk
- Managing and controlling risk
- Risk escalation

The project's strategy for identifying and setting-out risks is to recognise potential events or conditions, that if they were to occur, could have an effect on achieving at least one project spending objective.

The project aims to mitigate risks through:

- Robust project and business case planning.
- Engagement with stakeholders when appraising options and developing solutions.
- Using the most appropriate information and evidence to inform decisions (reliable market research, government statistics, academic research, etc).
- Employing specialists to advise when required.
- Building flexibility into the project to enable changes when required to manage/mitigate risks.
- Regularly reviewing risks with the project team and key stakeholders throughout the lifespan of the project to ensure the correct mitigation measures are in place.

OUTLINE BUSINESS CASE

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Risk Management Framework

The project will follow the actions below to manage project risks (as set out in Ambition North Wales' Project Management Framework).

Risk Identification

- Consideration of risks that the PMO have deemed likely to be applicable to all Growth Deal projects.
- Use of stakeholder workshops to explore project specific risks.
- Ongoing identification of risks throughout the lifespan of the project with the project team, Project Board and key stakeholders.

Risk Management / Tools

Use of Ambition North Wales' RAID (Risks, Actions, Issues and Dependencies) log tool to record, manage and communicate risks with stakeholders.

Reporting / Communicating risks

Risks that require the attention of the Project Board or need to be escalated will feature on the highlight report presented to the Project Board by the project manager on a monthly basis.

Risk Register

The project RAID log contains the risk register which is reviewed and updated regularly. The current version of the register can be seen in appendix 12.

5.6. Carbon Emissions & Biodiversity

North Wales Growth Deal projects will aim to address the following targets:

- to operate at net zero
- increase biodiversity by at least 10%
- reduce carbon emissions caused by construction by at least 40%

To deliver against the targets above, the Smart Local Energy Fund will be adopting a proportional approach in applying **Ambition North Wales Carbon Emissions and Biodiversity Methodology** to projects seeking funding from the Smart Local Energy Fund based on the scale of the project.

It is envisaged at this stage that larger projects will follow the methodology as currently set out for Growth Deal projects, whilst lower value projects are likely to follow a 'lighter touch' process such as a checklist or a questionnaire. We will also consider the need to produce specific guidance for stakeholder delivering smaller projects to identify potential actions and 'quick-wins' for reducing emissions and improving biodiversity. There may also be a need for a three-tiered approach to cater for small, medium and large scale projects (small, medium and large in the context of the fund will need be defined with the support of a specialist advisor).

A specialist advisor will be procured post-OBC to advise on, and support the development of, the most appropriate methodology/s to integrate into our Fund Management Plan and application process that is proportional and will help projects achieve the Growth Deal's carbon emissions and biodiversity targets.

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5.7. Project Assurance and Post-Project Evaluation

Project Assurance

Smart Local Energy OBC and FBC Business Cases will be presented to UK and Welsh Government for Gateway reviews 2 and 3 at the specific point shown in the project lifecycle and as set out in the Integrated Assurance and Approvals Plan (IAAP). This will provide the decision-making body with formal points of control to review the project business case and make key decisions regarding the project. Project assurance reviews (complementary to Gateway reviews) may also take place if deemed necessary by the SRO, Governance boards or the PMO. These can be undertaken by the PMO and/or externally (e.g. UK and Welsh Government).

Gateway review 2 was undertaken on the 13-15th of February 2023 and the delivery confidence assessment rating and the summary of the report is given in the table 84:

Table 84 - Summary of Gateway Review 2

Delivery Confidence Assessment:	Amber
<p>Following the governance arrangements that apply to the North Wales Growth Deal (NWGD) the delivery confidence is assessed against the likelihood of achieving the 4 Project specific objectives (see Section 7), within the 15 year timescale.</p> <p>On that basis the DCA is Amber; there are significant issues that have been identified, but there is confidence that these will be resolved.</p> <p>The necessary resources have not been definitely secured, the crucial funding model and funding management arrangements are not yet fully defined, and there are some other gaps in the planning for delivery. It was widely acknowledged that the nature of the Project means there is inevitable uncertainty over realisation of benefits at this stage.</p> <p>Commendable work has been carried out on the Economic and Financial cases. It is however some time since the objectives were set and given the complexity of the delivery and the rapidly developing nature of the energy sector any high degree of delivery confidence will be misplaced. Much reliance will be placed on the fund administration function but that has not yet been procured.</p> <p>The Review Team (RT) is confident that the Full Business Case (FBC) will be produced and approved as currently planned. Establishing the necessary fund arrangements as envisaged in the SOC and OBC will be properly set up in time for funding to commence early in 2024.</p> <p>The RT found the OBC to be of high quality and the process for OBC development and the Project governance were also very good, meeting requirements and guidance. Stakeholder engagement had been very good. The Options Appraisal was robust. There is strong leadership and the Project team appear to have the necessary capabilities.</p> <p>Allowing sufficient flexibility into the fund management function was acknowledged to be crucial but so too is good governance and demonstrating value for money. Ensuring the funding arrangements, which will be in place for 5 years, are accompanied by the maximum delegated authorities is crucial.</p> <p>Potential benefits are set out, but it remains inherently unclear how over 15 years they can be achieved and attributed to this Project.</p>	

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Post-Project Evaluation Strategy & Framework

The project will follow Ambition North Wales' Monitoring and Evaluation strategy and develop a project specific Monitoring and Evaluation Plan to appraise whether the project has delivered its anticipated outcomes and benefits. The plan will need to consider, and where relevant, will refer to the Monitoring and Evaluation plan set out for the fund within the Fund Management Plan. The project/fund SRO and PMO will be responsible for the evaluations

Post-Project Evaluation Plans

Fund launched Q4 2023/24 with an evaluation every 2 years from the date of launch.

Table 85 - Post project evaluation

Post Project Evaluations	Evaluation 1 (first)	Evaluation 2	Evaluation 3	Evaluation 4	Evaluation 5	Evaluation 6 (final)
Date for evaluation	Q4 2025/26	Q4 2027/28	Q4 2029/30	Q4 2031/32	Q4 2033/34	Q4 2035/36
Delivered by	PMO	PMO	PMO	PMO	PMO	PMO
Responsible individual	Fund SRO	Fund SRO	Fund SRO	Fund SRO	Fund SRO	Fund SRO

5.8. Key Management Case considerations for FBC:

- Stakeholder engagement plan to be further developed with clear ownership to drive it forward
- To review risk ownership going forward as most are currently with SRO
- Consider how investor readiness support can be given to applicants to help them develop submissions
- Consider how partner universities and others can support with technical due diligence and emissions and biodiversity activities

OUTLINE BUSINESS CASE

Ynni Lleol Blaengar / Smart Local Energy

6. Appendices

- 6.1. Appendix 1 – Policy and Strategy Alignment
- 6.2. Appendix 2 – Summary of Workshops
- 6.3. Appendix 3 – Economic Case Longlist appraisal
- 6.4. Appendix 4 – Review of existing funds
- 6.5. Appendix 5 – Market Engagement Survey Results
- 6.6. Appendix 6 – Stakeholder consultations
- 6.7. Appendix 7 – Outline Fund Strategy
- 6.8. Appendix 8 – Peer review of Fund Strategy
- 6.9. Appendix 9 – Final Report from 31ten
- 6.10. Appendix 10 – Fund Management Plan (draft)
- 6.11. Appendix 11 – Benefits Realisation Plan (draft)
- 6.12. Appendix 12 – Project Risk Register
- 6.13. Appendix 13 – Stakeholder Engagement Plan (draft)
- 6.14. Appendix 14 – Project Schedule
- 6.15. Appendix 15 – Emissions and biodiversity OBC Proforma
- 6.16. Appendix 16 – Work and product breakdown structures

North Wales Growth Integrated Impact Assessment Report

Programme	Low Carbon Energy
Project	Smart Local Energy
Lead officer responsible for assessment	Henry Aron
Office responsible for monitoring impact	Elgan Roberts
Date assessment completed	06/03/23
Version	V1.2023.01

DETAILS OF PROPOSAL - Aim/Purpose/Outcome

***Proposal refers to what is being assessed and includes, policies, strategies, functions, procedures, practices, initiatives, projects and savings proposals**

The aim of the Smart Local Energy project is to create prosperity in North Wales by supporting and enabling clean energy and decarbonisation solutions. This will be delivered by targeting investments in clean energy solutions that create new local job opportunities, will attract local investment and can be replicated throughout North Wales.

The project will establish a £25m fund to invest across all areas of intervention aligning with the Regional Energy Strategy. A fund administered by Ambition North Wales over a period of up to 10 years. Capital funding allocated through grants, loans or other financial instruments, with a target of 75% match as an average across the fund.

The project has 4 spending objectives:

1. Job Creation; Create 156-193 new jobs in North Wales associated with the delivery and operation of clean energy solutions that contribute towards net additional GVA of £110-134M by 2036.
2. Investment; Deliver a total investment of £101-111M in clean energy solutions in North Wales by 2036.
3. Carbon Saving; Generate 130,000-170,000 tonnes of carbon savings from improved efficiencies and decarbonisation of energy systems in North Wales using a diverse range of solutions by 2036.
4. Local Ownership; Establish a strong and sustainable local ownership element to new clean energy assets delivered and supported by ensuring Welsh Government's local & shared ownership policy objective is met or exceeded by all project investments.

Purpose

The document outlines the integrated impact assessment undertaken as part of this proposal. This integrated approach ensures that the impact assessment is proportionate and at the centre of policy making and delivery. The aim is to take a rounded view of the main impacts, both positive and negative and involve all persons affected by the proposal; and uses evidence to meet both the requirements of the *legislations* in the short-term and long-term.

The Integrated Assessment covers 3 key areas: Well-Being, Equalities and Welsh Language and provides an overall conclusion as to the impact the proposal will have. It will highlight any positive outcomes, ensure consideration is given against each of the elements within these 3 keys areas and detail any mitigating actions required using the Five Ways of Working.

Well-being:

The assessment will record any positive contributions and potential negative impacts against each of the 7 Well-Being goals in line with the Well-Being of Future Generations Act 2015. The objective will be to seek and secure where possible, sustained improvements in the economic, social, cultural and environmental wellbeing of people in the region and Wales as a whole. To identify key learning points through the 5 ways of working and seek to embed these improvements through a range of mediums: stakeholder engagements, looking at the long-term effects of the proposal and implementation of an agreed action plan to ensure monitoring of negative mitigations and contributions to positive impacts.

Equalities:

The duty to undertake Equalities Impact Assessment (EqIA) arises from the Race Relations (Amendment) Act 2000, the Disability Discrimination Act 2005 and the Equality Act 2010. This assessment will help to ensure that any policies and decisions do not discriminate, that they promote equality wherever possible and that they foster good community relations. This will involve assessing the likely effects on people in respect of disability, gender, race, language, age, sexual orientation, gender reassignment and religion or belief. Where relevant, consideration will also be given to marriage and civil partnership and maternity and pregnancy. Additionally, it will consider it essential that policies and decisions are assessed in order to determine their impact on Welsh language. The assessment will proactively consider the positive and negative impact against the 11 Protective Characteristics as required under the equalities legislation (Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011. This will ensure that there is no unlawful discrimination, harassment or victimisation and there is an equality of opportunity between people who share a relevant protected characteristic. Due regard will be given for advancing equality throughout the proposal.

Welsh Language:

The assessment reviews the impact of the proposal against the 3 Themes within the WG guide in line with The Welsh Language (Wales) Measure 2011; Well-being of Future Generations (Wales) Act 2015 and the The Wales Spatial Plan

Monitoring and Review

Any actions identified as part of this impact review will be included in the action plan and reviewed regularly by the programme board. This document may be updated to include additional actions as identified as part of this monitoring process.

Supplementary Evidence - Links to documents/webpages <i>(5 Ways of Working)</i>	Well-Being	Equalities	Welsh Language
<p>Integration: What evidence and data has informed your proposal? <i>Detail any policies and processes used in support of the assessment</i></p>	<p><i>Policies and strategies set out in section 1.3 of the Smart Local Energy OBC</i></p> <p><i>Data set out in sections 1.5 (existing arrangements) and 1.6 (business needs) of the Smart Local Energy OBC</i></p>	<p><i>Research from Future Generations Commissioner for Wales as set out in section 1.5 of Smart Local Energy OBC</i></p>	<p><i>Ambition North Wales has a Welsh Language policy with Gwynedd Council as host authority in accordance with the Welsh Language Act.</i></p>
<p>Collaboration: Stakeholders involved in the impact assessment and consultation process</p>	<p><i>Engaged with:</i> <i>Project and Programme Board members</i> <i>Ambition North Wales Portfolio Management Office</i> <i>North Wales 6 Local Authorities</i> <i>Welsh Government</i> <i>Businesses</i> <i>Community Energy groups</i> <i>Education providers</i> <i>Housing associations</i> <i>Finance providers</i></p> <p><i>Stakeholders participated in case for change workshop for the project</i></p>	<p><i>Ambition North Wales Portfolio Management Office</i></p>	<p><i>Ambition North Wales Portfolio Management Office</i></p>
<p>Involvement: Who does this proposal affect and how have they been involved in the consultation process</p>	<p><i>This proposal will affect communities and businesses in North Wales. They have been consulted during a market engagement questionnaire and have been represented at workshops by various key stakeholders working closely with the various groups.</i></p>	<p><i>This proposal will affect communities and businesses in North Wales. They have been consulted during a market engagement questionnaire and have been represented at workshops by various key stakeholders working closely with the various groups.</i></p>	<p><i>This proposal will affect communities and businesses in North Wales. They have been consulted during a market engagement questionnaire and have been represented at workshops by various key stakeholders working closely with the various groups.</i></p>
<p>Long-term: Base line information used to balance short-term needs and safeguard meeting long-term needs</p>	<p><i>Spending objectives are based on long-term benefits being realised from short-term interventions that reduce carbon emissions, create jobs and enable investment in North Wales.</i></p> <p><i>Main benefits are:</i> <i>-Increased high value employment</i> <i>-Income from energy generation</i> <i>-Reduced energy costs</i> <i>-Reduction in CO2 emissions</i></p>	<p><i>Benefits realisation plan sets out to...Increase high value employment, especially for women, young people from North Wales and those from low-income and rural communities</i></p>	<p><i>Strengthen economic base of North Wales, increased GVA, prosperity, high level skills leading to new employment and inward investment opportunities - possibility to increase number of Welsh language speakers.</i></p>



<p>Prevention: Details of any action plans following consultations to include monitoring</p>	<p><i>Benefits realisation plan</i> <i>Stakeholder engagement plan</i> <i>Performance management of fund investments</i></p>	<p><i>Procurement plan for the project aligned with Ambition North Wales' procurement principles</i></p> <p><i>Equality requirements integrated into funding application and eligibility criteria</i></p> <p><i>Performance management of fund investments</i></p>	<p><i>Procurement plan for the project aligned with Ambition North Wales' Social value principles</i></p> <p><i>Welsh language requirements integrated into funding application and eligibility criteria</i></p> <p><i>Performance management of fund investments</i></p>
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WELL-BEING IMPACT ASSESSMENT

The assessment will identify the impact against each of the 7 Well-being Goals and provide an overall Well-being rating being Positive / Neutral / Negative. It will also provide evidence in support of the results and detail any mitigating actions required to minimise any negative effect.

The overall impact rating for this section will be determined on the highest number of Positive, Neutral and Negative impacts recorded against each Well-Being goals.

Where there may be a negative impact identified a proposed action plan must be completed to determine what mitigating actions will be undertaken and monitored to minimise the effect.



Page 60

IMPACT AGAINST THE 7 Well-being Goals			
A prosperous NW Region	Positive	A NW Region of cohesive communities	Positive
A resilient NW Region	Positive	A NW Region of vibrant culture and thriving Welsh language	Neutral
A healthier NW Region	Neutral	A globally responsible NW Region	Positive
A more equal NW Region	Positive	OVERALL WELL-BEING ASSESSMENT	POSITIVE

Note the overall Well-being assessment conclusion below:

The project will have a positive impact on well being with the spending objectives very well aligned with contributing towards a prosperous, resilient, more equal and globally responsible north Wales region.

A prosperous NW Region:		
An innovative, productive and low carbon society which recognises the limits of the global environment and therefore uses resources efficiently and proportionately (including acting on climate change); and which develops a skilled and well-educated population in an economy which generates wealth and provides employment opportunities, allowing people to take advantage of the wealth generated through securing decent work.		
Overall Impact	Result:	Positive
Justification for Impact	Smart Local Energy fund will primarily support the Third Sector and Businesses to fund clean energy solutions and help them transition towards net zero. The fund will target projects that generate jobs, leverage investment, reduce carbon emissions and increase local ownership. It will also support innovative solutions where appropriate.	
Further actions Required	None	

A resilient NW Region:		
A nation which maintains and enhances a biodiverse natural environment with healthy functioning ecosystems that support social, economic and ecological resilience and the capacity to adapt to change (for example climate change).		
Overall Impact	Result:	Positive
Justification for Impact	Only projects that can demonstrate a reduction in carbon emissions will qualify for Smart Local Energy funding. Projects seeking funding will also have to demonstrate alignment with the Growth Deal's carbon emissions and biodiversity targets.	
Further Actions Required	The Emissions and Biodiversity methodology will be integrated into the Fund Management Plan and application process.	

A healthier NW Region: A society in which people's physical and mental well-being is maximised and in which choices and behaviours that benefit future health are understood.	
Overall Impact	Result: Neutral
Justification for Impact	Clean energy solutions and reduced carbon emissions could indirectly improve physical and mental well-being from improved air-quality, improved heating of properties and local prosperity - but these impacts would be difficult to attribute directly to this project.
Further Actions Required	None

A more equal NW Region: A society that enables people to fulfil their potential no matter what their background or circumstances (including their socio economic background and circumstances).	
Overall Impact	Result: Positive
Justification for Impact	The Smart Local Energy fund is aiming to support projects that reduce energy costs and generate income from energy generation as well as generate new high value employment in low-income and rural communities. This will contribute towards growth in regional prosperity and improvements in standards of living across the region.
Further Actions Required	Consider how the impact can be driven by the funding criteria and monitoring plan.

A NW Region of cohesive communities: Attractive, viable, safe and well-connected communities.		
Overall Impact	Result:	Positive
Justification for Impact	The Smart Local Energy fund will aim to support third sector organisations as well as the private sector organisations. Therefore there will be a sub-fund dedicated for third sector organisation (such as community energy organisations) who may look to develop Local Energy Systems that will contribute towards attractive, viable, safe and well-connected communities.	
Further Actions Required	Consider how the impact can be driven by the funding criteria and monitoring plan.	

A NW Region of vibrant culture and thriving Welsh language: A society that promotes and protects culture, heritage and the Welsh language, and which encourages people to participate in the arts, and sports and recreation.		
Overall Impact	Result:	Neutral
Justification for Impact	The project will proactively encourage Welsh speakers to see economic benefit from the sector by working with the regional Mentrau Iaith and Local Authorities.	
Further Actions Required	None	

A globally responsible NW Region: A nation which, when doing anything to improve the economic, social, environmental and cultural well-being of Wales, takes account of whether doing such a thing may make a positive contribution to global well-being.	
Overall Impact	Result: Positive
Justification for Impact	Reduced carbon emissions will have a positive impact on the climate globally and contribute towards global well-being.
Further Actions Required	None

<u>Evidence to support the Well-being Impact Assessment</u>	
<input type="checkbox"/>	We have consulted published research or guides that inform us about the likely impact of the proposal
<input type="checkbox"/>	We have involved an expert / consulted a group who represent those who may affected by the proposal
<input type="checkbox"/>	We have engaged with people who will be affected by the proposal





EQUALITY IMPACT

This sections seeks to identify the impact the proposal will have on the protective characteristics. The aim will be to actively encourage equality and recognise the different needs, requirements and goals; to activity work against all forms of discrimination by promoting good relationships and mutual respect within and between our communities, residents, elected members and workforce. The aim is to be inclusive and create equality irrespective of ethic origin, sex, age, marital status, sexual orientation, disability, gender reassignment, religious beliefs or non-belief, use of Welsh Language in line with the Equality Act 2010.

This will included our duty to:

Eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by the Equality Act 2010

- advance equality of opportunity between people who share a relevant protected characteristic and those who do not
- foster good relations between people who share a protected characteristic and those who do not.

Having due regard for advancing equality involves:

- removing or minimising disadvantages experienced by people due to their protected characteristics
- taking steps to meet the needs of people from protected groups where these are different from the needs of other people
- encouraging people with protected characteristics to participate in public life or in other activities where their participation is disproportionately low.



Page 65

IMPACT AGAINST THE 11 PROTECTED CHARACTERISTICS			
Race	Neutral	Gender Reassignment	Neutral
Sex	Positive	Religion or Belief	Neutral
Disability	Neutral	Age	Positive
Welsh Language	Positive	Pregnancy	Neutral
Sexual Orientation	Neutral	Marriage	Neutral
Civil Partnerships	Neutral	OVERALL EQUALITIES ASSESSMENT	NEUTRAL

Note the overall conclusion below:

The project will have a positive impact on some of the protected characteristics, but will not have a negative impact on any. Integrating equality requirements into funding application process and eligibility criteria is key to ensuring no negative impacts.

Race	
Overall Impact	Result: Neutral
Justification for Impact	Equal access to employment will need to be demonstrated by applicants seeking Smart Local Energy funding.
Further Actions Required	None

Sex	
Overall Impact	Result: Positive
Justification for Impact	Equal access to employment will need to be demonstrated by applicants seeking Smart Local Energy funding, with the fund actively seeking to increase high value employment in the low carbon energy sector for women.
Further Actions Required	Consider how the impact can be driven by the funding criteria and monitoring plan.

Disability	
Overall Impact	Result: Neutral
Justification for Impact	Equal access to employment will need to be demonstrated by applicants seeking Smart Local Energy funding.
Further Actions Required	None

Welsh Language	
Overall Impact	Result: Positive
Justification for Impact	Strengthen the economic base of North Wales, increased GVA, prosperity, high level skills leading to new employment and inward investment opportunities - possibility to increase number of Welsh language speakers.
Further Actions Required	Consider how the impact can be driven by funding criteria and monitoring plan.

Sexual Orientation	
Overall Impact	Result: Neutral
Justification for Impact	Equal access to employment will need to be demonstrated by applicants seeking Smart Local Energy funding.
Further Actions Required	None

Gender Reassignment	
Overall Impact	Result: Neutral
Justification for Impact	Equal access to employment will need to be demonstrated by applicants seeking Smart Local Energy funding.
Further Actions Required	None

Religion or Belief	
Overall Impact	Result: Neutral
Justification for Impact	Equal access to employment will need to be demonstrated by applicants seeking Smart Local Energy funding.
Further Actions Required	None

Age	
Overall Impact	Result: Positive
Justification for Impact	Equal access to employment will need to be demonstrated by applicants seeking Smart Local Energy funding, with the fund actively seeking to increase high value employment for young people as well as opportunities for existing workforce to transition from existing fossil-fuel based employment into clean energy jobs.
Further Actions Required	Consider how the impact can be driven by funding criteria and monitoring plan.

Pregnancy	
Overall Impact	Result: Neutral
Justification for Impact	Equal access to employment will need to be demonstrated by applicants seeking Smart Local Energy funding.
Further Actions Required	None

Marriage	
Overall Impact	Result: Neutral
Justification for Impact	Equal access to employment will need to be demonstrated by applicants seeking Smart Local Energy funding.
Further Actions Required	None

Civil Partnerships	
Overall Impact	Result: Neutral
Justification for Impact	Equal access to employment will need to be demonstrated by applicants seeking Smart Local Energy funding.
Further Actions Required	None



WELSH LANGUAGE IMPACT ASSESSMENT

As a general rule, if your policy has the potential to impact on people, it will impact in some way on Welsh speakers and therefore on the Welsh language.

On 10 July 2017, the First Minister and the Minister for Lifelong Learning and Welsh Language launched their strategy Cymraeg 2050 A million Welsh speakers. The vision of the strategy is to reach a million Welsh speakers by 2050 where "The Welsh language is thriving, the number of speakers has reached a million, and it is used in every aspect of life. Among those who do not speak Welsh there is goodwill and a sense of ownership towards the language and a recognition by all of its contribution to the culture, society and economy of Wales." The strategy identifies that the challenge of achieving a million Welsh speakers by 2050 calls for far-reaching changes. Three strategic themes have been identified within the strategy to achieve its vision:

- Increasing the number of Welsh speakers;
- Increasing the use of Welsh; and
- Creating favourable conditions infrastructure and context.



Describe and explain the impact of the proposal on the Welsh Language, and explain how you will address these impacts in order to improve outcomes for the Welsh Language?

OVERALL WELSH LANGUAGE IMPACT ASSESSMENT

Positive

Justification for Impact

Strengthen the economic base of North Wales, increased GVA, prosperity, high level skills leading to new employment and inward investment opportunities - possibility to increase number of Welsh language speakers.

Further Actions Required

Consider how the impact can be driven by the funding criteria and monitoring plan.

How does the proposal align with Welsh Government strategy for the Welsh language - Cymraeg 2050: A national strategy for increasing the number of Welsh speakers to a million by 2050

The project will proactively encourage Welsh speakers to see economic benefit from the sector by working with the regional Mentrau Iaith and Local Authorities

How will you mitigate any negative impact on the Welsh language or promote the positive impact on the language?	
Promote Positive Impact	All promotional materials, engagement and formal application documentation will be produced bilingually.
Mitigate Negative Impact	Consultation with key stakeholders will take place during to ensure any negative effects are monitored and mitigating actions are put in place if required.

Cymraeg 2050 Strategy Themes	Yes	No	N/A
Does the proposal have the potential to increase the number of Welsh Speakers? <i>Workforce, Resources, Qualifications?</i> If the policy has the potential to decrease the number of Welsh speaker outline steps to mitigate the adverse effect	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provide details to support this			
Creating and safeguarding jobs to retain workers and their families in the region through. Local education providers are well positioned to offer low carbon training opportunities to local workers to reduce out-migration and potentially attract workers back into Wales that have previously left.			

Does the proposal encourage the use of Welsh? <i>Opportunities in the Workplace, Services or Social use of Welsh</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provide details to support this			
The project will proactively encourage Welsh speakers to see economic benefit from the sector by working through the regional Mentrau Iaith and Local Authorities. All promotional materials, engagement and formal application documentation will be produced bilingually.			

Does the proposal look to create favourable conditions - Infrastructure and context? <i>Community & Economy, Culture & Media, Wales & the wider world, Digital technology, Linguistic infrastructure, Language planning,</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provide details to support this			
Encouraging the use of Welsh through recruitment, procurement and adherence to policies already in place will help to create a thriving Welsh language culture during the life cycle of the project and beyond.			