
NORTH WALES ECONOMIC AMBITION BOARD 26/03/21

Present:

Voting Members - Councillors:- Hugh Evans (Denbighshire Council), Llinos Medi Huws (Isle of Anglesey County Council), Mark Pritchard (Wrexham County Borough Council), Derek Butler (Flintshire Council), Sam Rowlands (Conwy County Borough Council) and Dyfrig Siencyn (Gwynedd Council) (Chair).

Advisors – Dafydd Evans (Grŵp Llandrillo Menai), Maria Hinfelaar (Glyndŵr University), Askar Sheibani (Business Delivery Board) and Prof. Paul Spencer (Bangor University).

Chief Officers - Annwen Morgan (Isle of Anglesey County Council), Iwan Davies (Conwy County Borough Council), Andrew Farrow (Flintshire Council), Graham Boase (Denbighshire Council) and Ian Bancroft (Wrexham County Borough Council).

Officers in attendance - Dafydd L. Edwards (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), Jane Richardson (Chair of the Executive Officers Group), Sian Pugh (Group Accountant - Corporate and Projects), Robyn Lovelock (Growth Deal Programme Manager), Henry Aron (Energy Programme Manager), Rhys Horan (Welsh Government Energy Service), Anita Davies (European Funding Project Manager - Growth Vision), Erin Thomas (Communication and Engagement Officer) and Eirian Roberts (Democracy Services Officer).

1. APOLOGIES

Councillor Ian B. Roberts and Colen Everett (Flintshire Council), Yana Williams (Coleg Cambria), Professor Iwan Davies (Bangor University), Judith Greenhalgh (Denbighshire Council) and Dilwyn Williams (Gwynedd Council)

2. DECLARATION OF PERSONAL INTEREST

No declarations of personal interest were received.

3. URGENT ITEMS

None to note.

4. MINUTES

The Chair signed the minutes of the previous meeting of the NWEAB held on 5 February 2021 as a true record.

5. 2021/22 REVENUE AND CAPITAL BUDGET

The report was submitted by Dafydd L. Edwards (Statutory Finance Officer - Host Authority) and Sian Pugh (Group Accountant - Corporate and Projects).

RESOLVED

- (1) **Approve the 2021/22 Revenue Budget as presented in Appendix 1 to the report. This includes the one-off virements of £415,000 in the revenue budget to be funded from the earmarked reserve.**
- (2) **Approve the Capital Budget for 2021/22 to 2025/26 as presented in Appendix 2.**
- (3) **Fund the Gateway Reviews (Assurance) for the NWEAB and Project Sponsor led projects.**
- (4) **Formally request all six local authorities to cooperate in using their funding flexibility to release revenue funding for the NWEAB. This will mean exchanging the funding designated to the Growth Deal against other capital projects within their capital programmes and ensuring the equivalent value revenue funding is available for the Growth Deal to fund their revenue-type items.**
- (5) **Request the Portfolio Management Office to review the project costs during the year as more information becomes available, further to unforeseen costs now identified in the revenue budget. This review to consider the option of funding part of this expenditure from the individual project's capital budget.**

REASONS FOR THE DECISION

- (1) To set out the proposed budget per expenditure heading and the corresponding funding streams for the year.
- (2) To set out the proposed budget per expenditure heading and the corresponding funding streams for 2021/22 until 2025/26.
- (3) In order to operate effectively within the funding available, the NWEAB requires an annual budget to be approved.
- (4) To authorise the Portfolio Director to incur expenditure in accordance with the approved budget.

DISCUSSION

The report was submitted, which proposed the 2021/22 Revenue and Capital Budget for the NWEAB.

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

The Statutory Finance Officer of the Host Authority provided details of the changes and the unexpected situations which had arisen since the Board last discussed the budget, and which had driven the majority of the use of reserve funds, namely:-

- The unexpected substantial one-off costs in relation to developing business cases.
- The costs of the legal support to those business cases.

He explained:-

- That there was sufficient money in the reserve funds to implement this, but that the intention was to try to build the reserve fund rather than using it at the beginning.
- That the Portfolio Director, the Operations Manager and the Monitoring Officer of the Host Authority had been challenged on the figures, and that the additional one-off costs were rough estimates at present.

He further noted:-

- As the first instalment of the £16m Growth Deal grant had been received on 12 March 2021, that the partners' contributions were on the low side of the range submitted to the Board in October 2020.

- Following the UK Government's announcement in the Chancellor's Budget in relation to reducing the funding contribution from 15 years to 10 years, that the entire financial position would need to be revisited. The Chancellor's announcement had been unexpected for Welsh Government also, and it was not yet clear whether Welsh Government would also reduce the funding contribution period to align with the UK Government's timing, or what the implications would be for the relevant tax yield.
- That the capital expenditure profile had slipped somewhat also, and all these matters would need to be assessed for the future.
- That the budget for the current year was a balanced budget. By the time the 2022/23 budget would be brought before the Board in a year's time, there may be further changes, and all costs and grants would have to be looked at again in their entirety during the year. It was intended to address this over the summer, and give adequate notice to all partners of their contributions again by next year.

During the discussion, the following matters were raised:-

- In response to a question, it was explained that, should a project not go ahead, both Governments would have to be approached to ensure that any new project coming before the Board would still respond to the Governments' requirements for the investments.
- Attention was drawn to the fact that the overheads were starting to go over 10% of the annual expenditure, and the need to monitor the situation was stressed.
- In response to a question, it was confirmed that, despite the changes to the expenditure profile etc., partners were still required to pay the contributions set out in the budget for the current year.
- In response to a comment that everything seemed to be based on assumptions, and that the financial projections were not credible, it was explained that the best had to be made of the information to hand at present. It was possible to cope for the current year within the resources available, but that the situation would have to be re-assessed for next year.
- It was noted that the Board needed to show its willingness to be flexible, in light of decisions made that were outside of their control by both Governments.
- The statutory finance officers of the six local authorities were thanked for agreeing in principle to an agreement on exchanging the capital / revenue budget over the entire period of the Growth Deal, in order to be able to use the capital grant of the NWEAB as revenue funding.

6. POSITION STATEMENT ON CLIMATE AND ECOLOGICAL CHANGE

The report was submitted by Alwen Williams (Portfolio Director) and Robyn Lovelock (Growth Deal Programme Manager).

RESOLVED

- (1) To adopt the proposed position statement as set out in section 5.1 of the report on how the Growth Deal projects will deliver against regional, Welsh Government and UK Government aspirations on climate and ecological change, with the following adaptations:-
- To amend the second bullet point to read "***deliver at least 40% less embodied carbon***".
 - To amend the third bullet point to read "***deliver at least 10% net benefit for biodiversity***".
 - Delete the final sentence, namely "***The Portfolio Management Office will work with project sponsors to deliver the best affordable solution for each project***".

- (2) To note that all Growth Deal projects will need to set out to what degree they will deliver against the position statement and any relevant mitigations as part of the business case approval process.
- (3) To delegate to the Portfolio Director, authority to determine the appropriate means of implementation and measurement across the portfolio and to note that this will require external expertise to be commissioned to support the Portfolio Management Office.

REASONS FOR THE DECISION

Without a clear position from the Board on climate and ecological change, opportunities to shape project business cases may be lost. This could inadvertently result in Growth Deal projects increasing regional carbon emissions and biodiversity loss.

DISCUSSION

The report was submitted, which presented a proposed position statement for the North Wales Growth Deal in relation to climate and ecological change.

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

During the discussion, the following matters were raised:-

- Concern was expressed by some members that the proposed position statement did not go far enough, and that the wording should be tightened, e.g. it should be noted that '*all Growth Deal projects will ...*', rather than '*all Growth Deal projects will aim to ...*', etc.
- It was stressed that the NWEAB should lead across North Wales on reducing carbon footprint, and it was suggested that all Growth Deal projects should deliver 50% less embodied carbon (rather than 40%, as noted in the proposed position statement) and deliver a 20% net benefit for biodiversity (rather than the 10% noted in the statement). In response, it was explained that Wales had not set a net benefit target for biodiversity, but it was acknowledged that the current situation was not supportive of the health of ecosystems, and that there was a need to be more ambitious. In the absence of a target for Wales, the DEFRA guidance was followed, which had consulted extensively over several months in England prior to establishing the net benefit of 10%. It was further noted that the target for embodied carbon was ambitious, and that it may be possible to tighten the wording. Attention was also drawn to the fact that the statement noted that projects would be encouraged to exceed these aspirations, but the wording also needed to acknowledge the range of maturity within the portfolio, and provide a realistic assessment of that.
- In response to a question, it was explained that each of the six Local Authorities in North Wales had either declared a climate emergency, or had made commitments to be carbon neutral by 2030, and the Growth Deal Programme Manager agreed to send information about the commitments to the leader of Wrexham County Borough Council.
- It was agreed that an aspiration was needed, but it was also stressed that there was a need to be cautious in terms of tightening the wording, in case developers would be driven out of North Wales to other regions with less strict requirements.
- It was noted that there was much uncertainty surrounding baselines, etc., and that these calculations were not made lightly. It was noted that the expertise at Bangor University could support the process. It was suggested that the Board should do what was currently possible, and look at raising those standards in future, when technology, etc., would be more advanced.

- It was noted that there was a need to be practical, and that making too many promises was dangerous. However, there were opportunities available, e.g. blue hydrogen enterprises, possibly.
- It was stressed that the NWEAB should be more ambitious than comfortable, in order to drive the change that we wish to see. The economy and the environment were not independent of each other, and the economy would be driven by the changes made by the Board in relation to the environment.
- A view was expressed that the statement was full of aspiration, and gave clear guidance to the business community.
- It was suggested that the statement was suitable for where we had currently reached, but there was a desire for the Board to review it in 12 months' time to see what impact it was having, and to ensure that it complied with the requirements of businesses in relation to allowing sufficient time for the private sector, in particular, to plan towards this.
- The work was welcomed, and the policy and framework submitted were supported. However, concern was expressed that the policy could be enforced late in the day for some projects which were already fairly mature. In response, it was noted that there were implications, but that there was a need to be ambitious, and also appropriate in terms of what the additional cost implications would be against the budget set, taking into account also that this needed to be reviewed regularly in order to ensure that the plans and aspirations were appropriate for the period in question. There was no desire to agree now to any position that all partners could not commit to, therefore, the aspiration needed to be appropriate for all, but also something which could be considered further down the line in order to raise the ambition.
- It was suggested that the last sentence of the position statement was pointless, namely '*The Portfolio Management Office will work with project sponsors to deliver the best affordable solution for each project*', as the developers would be keen to make as much profit as possible.
- It was noted that the Board was in a position of considerable ignorance at present, and on a learning journey. It was not clear how a net benefit of 10% for biodiversity could be delivered, and it was believed that the Board had no factual scientific basis at present to say that the target of 10% was not sufficient. Supporting a higher target, in the knowledge that we would not be able to reach it, would be wasteful. Information may be available in 2 years' time, and the figures could be reviewed further at that point.
- It was emphasised that the Board should lead, rather than follow, on this. It was believed that DEFRA had set an incorrect net benefit figure, and that we now had an opportunity to increase the green areas and improve biodiversity within our new developments. In response, it was noted that the challenge should not be underestimated. Additional expertise was needed to understand the measures to be used to assess the baseline. It was explained that the current regulatory processes, in some cases, led to a 6-20% post development biodiversity re-establishment efficiency rate, and planning policy noted that we must do better, and the ambition was substantial. We were unclear in terms of how to do so, therefore, additional advice was needed on that. The second part of the statement noted that projects would be encouraged to exceed these aspirations. Nothing prevented the Wrexham projects from delivering this, and they looked forward to working with Glyndŵr to do so.
- In response to a question, it was suggested that the Board could review the statement within 12 months' time, after receiving additional support and technical advice.
- It was noted that holding back from establishing targets would mean that the Board would miss opportunities, as some projects were already developing business cases, and were seeking guidance on this. Consequently, it was suggested that the

second and third bullet points of the statement should be amended to refer to 'at least' 40% and 10%, in order to emphasise our aspiration to go further than that.

7. DRAFT NORTH WALES ENERGY STRATEGY

The report was submitted by Henry Aron (Energy Programme Manager) and Rhys Horan (Welsh Government Energy Service).

RESOLVED

- (1) To endorse the draft North Wales Energy Strategy in draft form and confirm the support of the Board for the commencement of preparatory work on the action plan.**
- (2) To agree to receive a further report on the draft action plan.**

REASONS FOR THE DECISION

The current strategy provides a high-level vision, priority areas, energy modelling and economic analysis which shall inform the development of the proposed action plan.

DISCUSSION

The report was submitted, which presented the North Wales Energy Strategy in draft form for endorsement, to garner support for the proposed next steps, and to show that the Strategy was in alignment with the regional commitment to the climate change challenge.

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

During the discussion, the following matters were raised:-

- It was noted that the NWEAB's Low Carbon Energy Programme Board was a part of this, and that all partners had contributed to the journey to date.
- The importance of ensuring that this did not detract from the work of the NWEAB was stressed, due to the need to deliver on the Growth Deal projects.
- In response to a question, it was explained that £15bn of expenditure that was needed to deliver the energy vision was a combination of private and public sector investment. It was unclear as yet what the split would be, but it also included expenditure from individuals, e.g. on electric vehicles, heat pumps, etc.
- The document was welcomed, and it was noted that it set out clearly some of the current issues, and the options for the future also.
- The reference to the contribution that the tidal lagoon could make was welcomed, and it was asked whether consideration had been given to broader advantages than those of energy generation alone. In response, it was explained that full consideration of all the advantages was not outlined in the snapshot given, but the economic advantages, in terms of job creation etc., had been identified and shared. In going forward, this would be important, but the detail was not yet available.

8. COMMERCIAL PRINCIPLES FOR THE NORTH WALES GROWTH DEAL

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

RESOLVED

- (1) To agree the Commercial Principles as set out in section 5 of the report.**
- (2) To note that the rationale for adopting a specific commercial position will be clearly set out alongside project business cases for the Board to consider.**

REASONS FOR THE DECISION

To provide a clear negotiating platform for the Portfolio Management Office.

DISCUSSION

The report was submitted, which presented a series of Commercial Principles which, if adopted, would be used by the Portfolio Management Office to negotiate commercial opportunities involving the Growth Deal Projects.

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

During the discussion, the following matters were raised:-

- In response to a question, it was explained that the £100,000 for external legal support referred to in item 5 above reflected the fact that there would be complex and detailed contractual work at times in relation to the general funding agreements, and that the external legal support referred to in paragraph 6.1 of the report was one element of this. It was further explained that, in approving this report, the NWEAB would not commit to direct expenditure. Nevertheless, there were financial implications to this, but likely to be positive for the Board in terms of the abilities to take advantage of commercial projects in order to have some sort of return. As the Host Authority's Statutory Finance Officer had noted in his observations on the report, this was not yet clear, and further work needed to be done in order to identify the way forward in that regard.
- It was noted that it was difficult to comprehend all of this properly until genuine examples would be seen, but that the principles seemed fair.
- It was suggested that Commercial Principle 1 could be difficult to define in terms of distinguishing between commercial returns as a result of this investment and commercial returns as a result of something that the body would do in any case. However, it was accepted that the details were not currently available.

9. NORTH WALES GROWTH DEAL - PROCUREMENT PRINCIPLES

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

RESOLVED

- (1) To adopt the proposed procurement principles for the North Wales Growth Deal.**
- (2) To note the project sponsors will need to demonstrate how they will deliver against these principles as part of the project business case.**

REASONS FOR THE DECISION

To provide a clear framework for projects to deliver against the aspirations of the North Wales Economic Ambition Board.

DISCUSSION

The report was submitted, which presented a series of procurement principles for the North Wales Growth Deal.

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

During the discussion, the following matters were raised:-

- It was noted that the principles were supported, but in implementing them, there was a desire to see some more prominence given to those principles that bring benefits to North Wales, such as climate and ecological change, supporting the local supply chain, social value, skills, jobs and opportunities etc.
- It was expressed that it was hoped that the principles would be implemented vigorously and would also be promoted.

The meeting commenced at 2.30 pm and concluded at 4.50 pm

CHAIR