



North Wales Economic Ambition Board
9 December 2022

TITLE: North Wales Growth Deal – Portfolio Delivery Fund 2023-24
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1. PURPOSE OF THE REPORT

- 1.1. The purpose of the report is to set out the proposal to establish a Portfolio Delivery Fund to support the delivery of projects during the 2023-24 financial year.

2. DECISION SOUGHT

- 2.1. That the Board agree to establish a Portfolio Delivery Fund for 2023-24 and allocate up to £7m of the unallocated £20m Growth Deal funding released by the withdrawal of the Bodelwyddan Key Strategic Site and the Llysfasi Net Zero Farm projects to this fund.

3. REASONS FOR THE DECISION

- 3.1. As stated in the report.

4. BACKGROUND AND RELEVANT CONSIDERATIONS

- 4.1. In December 2020, the Economic Ambition Board and the Welsh and UK Governments agreed the Final Deal Agreement for the North Wales Growth Deal.

- 4.2. 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.

- 4.3. 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.”

- 4.4. In September 2022, the Board agreed a set of principles for identifying replacement projects including that the Board will initially consider on a case-by-case basis requests from existing projects for additional funding from projects that meet a set criteria.

Portfolio Delivery Fund 2023-24

- 4.5. Building on the principle adopted by the Board in September, the Portfolio Management Office are proposing that a proportion of the funding released from the Bodelwyddan and Llysfasi

projects is allocated to a Portfolio Delivery 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).

- 4.6. The fund would mitigate the risk of further delays to projects dealing with cost inflation and viability issues and provide increased certainty of delivery and capital expenditure in 2023-24.
- 4.7. The fund would be available to projects with an approved business case or those of sufficient maturity (e.g. having completed Gateway 2 review) that could move into delivery during 2023-24.
- 4.8. The expected Growth Deal capital expenditure pipeline for 2023-24 as set out in the Portfolio Business Case 2022 is £29.5m. Four projects would currently meet the criteria above and would be eligible to submit proposals for additional funding to enable delivery:
 - Last Few % (OBC Approved)
 - Former North Wales Hospital, Denbigh (Gateway 2 completed)
 - Enterprise Engineering and Optics Centre (OBC Approved)
 - Glynllifon Rural Economy Hub (OBC Approved)
- 4.9. An allocation of £7m into the Portfolio Delivery Fund is considered to be sufficient to ensure three of the projects move into delivery in 2023-24, with other funding opportunities available for the Last Few% project.
- 4.10. Should the Board support the establishment of the fund; the Portfolio Management Office would work with the relevant project sponsors to bring forward proposals for additional funding for these projects to the next Board meeting.
- 4.11. Proposals will be expected to adhere to the principles previously endorsed by the Board for considering additional funding requests:
 - can demonstrate a clear rationale for any cost increase;
 - can demonstrate that options for reducing cost/scope have been evaluated;
 - can evidence that the business still delivers value for money and a positive cost benefit ratio;
 - are requesting a proportion of the additional cost and can demonstrate why the additional costs cannot be wholly covered by the project sponsor or through other funding sources.
- 4.12. Any decision by the Board to allocate additional funding to a project from the Portfolio Delivery Fund would be provisional with projects still requiring the approval of a full business case (FBC) or business justification case (BJC) to secure the funding.
- 4.13. Any funding unallocated once the Board have considered these requests could (subject to a separate Board decision) either be retained in the fund to enable further requests to be considered at a later date or transferred to the project replacement fund to increase the funding available to new projects.

Risk Assessment

- 4.14. The Portfolio Management Office recognise the risks associated with the establishment of the fund, notably that it reduces the amount of funding available for new projects to deliver against the Growth Deal targets.

- 4.15. The Portfolio Management Office consider this proposal to be a proportional approach, recognising the cost inflation issues facing projects and balancing the need to enable delivery against the need to identify new projects.
- 4.16. It should be noted that the Portfolio Delivery Fund would be a specific mechanism to enable delivery in 2023-24 and once the £7m has been allocated no further funding requests could be considered. There therefore remains a risk for future years that cost inflation could lead to projects requiring additional funding, having to be rescoped to fit within allocated funding envelopes or being withdrawn.

5. FINANCIAL IMPLICATIONS

- 5.1. Funding that has been provisionally allocated to a project that is withdrawn from the North Wales Growth Deal is retained within the wider portfolio and the decision on a replacement project or projects is a matter for the Economic Ambition Board to determine. The decision to reallocate funding within the Growth Deal is also a matter for the Economic Ambition Board to determine.

6. LEGAL IMPLICATIONS

- 6.1. The Final Deal agreement agreed between the Economic Ambition Board partners, Welsh Government and UK Government sets out the broad parameters that a process for identifying new or replacement projects must adhere to.
- 6.2. In line with Governance Agreement 2 and the Overarching Business Plan, the reallocation of funding within the Growth Deal is a matter for the Economic Ambition Board to decide upon within the agreed affordability envelope for the partnership and where the projects deliver against the objectives of the Growth Deal and its programmes.

STATUTORY OFFICERS RESPONSE:

i. Monitoring Officer – Host Authority:

“The report notes that the Ambition Board has the responsibility for managing the projects within the Programmes. The reasoning is appropriate for establishing the fund and is rational response to the challenges which are facing some projects and delivery. It is key that the fund is subject to objective criteria and arrangements for the verification and scrutiny of the case for intervention and this is reflected in the report.”

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

“The risk of cost inflation, and the impact of this on the ability to deliver North Wales Ambition schemes, is significant. Setting up this fund will contribute to mitigating these risks and therefore I support the decision sought. It will be necessary to be clear, however, about the criteria for the use of the fund when the time comes to do so.”