NORTH WALES ECONOMIC AMBITION BOARD
05/05/23

Present:

Voting Members - Councillors:- Jason McLellan (Denbighshire Council), Llinos Medi Huws (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 – Dafydd Evans (Grŵp Llandrillo Menai), Dr Maria Hinfelaar (Glyndŵr University), Askar Sheibani (Business Delivery Board) and Professor Paul Spencer (Bangor University).

Chief Officers - Dylan Williams (Isle of Anglesey County Council), Rhun ap Gareth (Conwy County Borough Council), Neal Cockerton (Flintshire Council), Sioned Williams (Cyngor Gwynedd), Ian Bancroft (Wrexham County Borough Council) and Graham Boase (Denbighshire Council).

Officers in attendance - Dewi A. 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 (Assistant Head of Finance - Host Authority), David Mathews (Land and Property Project Manager), Stuart Whitfield (Digital Programme Manager), Robyn Lovelock (Growth Deal Programme Manager), Elgan Roberts (Energy Project Manager) and Eirian Roberts (Democracy Services Officer - Host Authority).

Observers - Wendy Boddington (Welsh Government) and Gareth Ashman (UK Government)

1. APOLOGIES

Apolgies were received from Professor Edmund Burke (Bangor University) and Dafydd Gibbard (Cyngor Gwynedd).

2. DECLARATION OF PERSONAL INTEREST

No declarations of personal interest were received.

3. URGENT ITEMS

None to note.

4. MINUTES OF THE PREVIOUS MEETING

The Chair signed the minutes of the previous meeting, held on 24 March 2023, as a true record.

5. NWEAB'S REVENUE AND CAPITAL OUT-TURN POSITION FOR 2022-23

The context was set out by Dewi A. Morgan (Host Authority Head of Finance – Statutory Finance Officer) and Sian Pugh (Host Authority Assistant Head of Finance) elaborated on the content of the report.

RESOLVED

1. **To note and accept the NWEAB's revenue out-turn report for 2022/23 (Appendix 1 to the report), the NWEAB's reserves (Appendix 2) and the Capital End of Year Review as at 31 March 2023 (Appendix 3).**

2. **To approve for the £148,000 revenue underspend for 2022/23 to be transferred to the 2023/24 budget, with £18,000 of it added to the Business Delivery Board heading and £130,000 added to the Projects heading.**

REASONS FOR THE DECISION

To inform the NWEAB of its financial position for both revenue and capital in 2022/23.

DISCUSSION

In response to a question, it was explained that £18,000 needed to be added to the Business Delivery Board heading (recommendation 2) because the Board's work of tendering a contract had slipped to the first part of 2023/24.

It was further explained:-

- That the Portfolio Management Office had advertised for a partner to collaborate on a specific brief on behalf of the Business Delivery Board and an advisory team from the business sector.
- That the brief outlined a process for engaging with a partner which could create a baseline report for us and look at the North Wales economy and the sectors that are here, assessing the strengths and opportunities within that sector.
- That the initial brief had been very challenging for the partners. It was sought the encourage as much profit as possible, but unfortunately no response was received to the tender.
- That another provider had contacted very recently and had asked to submit a tender, and that provider was asked to develop an offer over the following three weeks.
- That the baseline report would be of assistance to respond to the requirement to provide an investment strategy in order to show how the Growth Deal would leverage more than £722m which would be needed to deliver the £1bn Growth Deal in its entirety over the period.

In response to a further question, it was explained that the amount of £722m was based on how much investment would have to be leveraged from the private sector, which combined with the previous commitment of both governments to provide £240m over the period, and that an additional amount had been earmarked to come in as additional funding from the public sector as well.

6. NORTH WALES GROWTH DEAL - QUARTER 4 PERFORMANCE AND RISK REPORT

The report was submitted by Alwen Williams (Portfolio Director) and the programme managers elaborated on the highlights of the individual programmes.

It was noted that the RAG Status of the M-Sparc project (Bangor University) needed to be corrected from amber to green in the report.

RESOLVED

1. **That the Board consider and note the Quarter 4 Performance Report and updated Portfolio Risk Register.**
2. **That the Board approve the submission of the Quarter 4 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

The Chair noted that it appeared that progress was being made in several fields.

With reference to the Warren Hall, Broughton, project, disappointment was expressed that the Report of the Roads Review Panel was being used as a reason not to proceed with important schemes such as this, and calls were made for urgent discussions between the Chair and Vice-chair of the Board and Welsh Government.

In response, it was explained:-

- That Welsh Government officials had been waiting for guidance from the Minister in relation to his response to the recommendation of the Roads Review Panel, and that further informal feedback had been received from the Government indicating that there was a way forward for the project.
- That meetings had been scheduled with Welsh Government and Flintshire County Council officials to discuss this further, and it was expected that greater assurances could be given in Quarter 1 2023/24 that the project was progressing in a positive way.

It was asked what the impact of the Free Port would be on Growth Deal projects.

In response, it was noted:-

- That the Free Port was a partnership between Anglesey County Council, Stena Line and other partners as well, and that Stena Line's significant investment in the Holyhead site before the announcement regarding the Free Port was made, and before any work commenced at the port, was an indication of the company's confidence in the initiative.
- That it was early days in terms of this project. There were 6 months to make a full business case and a governance and engagement process would be required to gain input during that process.
- Anglesey County Council would be the accountable body, and the Leader and Chief Executive of the Council would have to ensure compliance.
- Following the governance process, it was intended to engage with leaders and other principal leaders in the region to ensure that everyone understood the direction and where the impact and opportunity to influence will be, particularly on the cross-border strategies in terms of employment and skills, innovation, net zero and the Welsh language.

It was asked whether the shift in managing public money and providing broadband investment in Wales would jeopardise the Growth Deal's digital projects.

In response, it was explained:-

- That Welsh Government had been doing this historically, with financial support from the UK Government, but that responsibility had largely passed to the UK Government.
- In practice, that this was a positive move from our point of view as we were close to the detail of what was going on on a day-to-day basis, and we had good contact with the UK Government.
- That both governments have been careful in ensuring that the region, including North Wales, was close to updates and the opportunity to contribute towards shaping the procurement.

It was noted that the junction affecting the Western Gateway, Wrexham project, was the A483 and A525 Junction 4 (Ruthin Road) and that there were serious problems with that junction. The King's Counsel opinion stated that the junction had to be improved before the Western Gateway site could be developed, but if the money did not come forward for that from the Welsh Government and the Trunk Roads Agency, the site could not be developed. The PMO was not aware that the Council had received this legal opinion and had not been provided with a copy. The PMO has contributed to a draft Masterplan tender brief on the Western Gateway to include the recommendations from the Road Review Panel.

In response, it was made clear that no decision on this matter would be requested by the Board at its meeting today.

The Chair asked whether the roads review was going to have a negative impact on the Western Gateway project, and whether that meant there needed to be a discussion with Ministers.

In response, it was noted that it was not understood that the King's Counsel's views had been obtained on this, but that discussions were ongoing with Wrexham County Borough Council officers to try to reach a conclusion whether or not it would be possible to carry out the project without upgrading Junction 4.

The Chair asked whether it was therefore suggested that there should be a further report at the next meeting, or whether lobbying on the matter needed to begin sooner, rather than later.

In response, it was suggested to wait and see evidence that the junction had to be upgraded before going back to the Welsh Government.

It was noted that it appeared that the Quarter 1 2023-24 Performance and Risk Report would contain a great deal of information, and it was suggested that it would be beneficial to arrange a briefing for members before the next Board meeting to provide a detailed overview of progress on the Growth Deal programmes and projects.

In response to a comment regarding the Statutory Finance Officer's response to the report, it was noted that there was no objection to the inclusion of the wording "*I am satisfied that the report is a <u>true</u> and fair reflection of the financial position of Ambition North Wales*" in future, should that be appropriate.

7. NORTH WALES GROWTH DEAL - STREAMLINED FBC APPROVAL PROCESS

The report was submitted by Alwen Williams (Portfolio Director).

RESOLVED

1. **That the Board approve the streamlined approval route for Full Business Cases (FBC) as set out in Paragraph 4.10 of this report where:**
    - **There has been no change in the scope of the project since the approved Outline Business Case (OBC) or any subsequent change request that was approved.**
    - **Spending objectives targets (e.g. jobs) have not reduced by more than a 10% tolerance since the approved Outline Business Case (OBC) or any subsequent change request that was approved by the Board.**
    - **There is no additional financial ask of the North Wales Growth Deal since the approved Outline Business Case (OBC) or any subsequent change request that was approved by the Board.**
    - **No further delegated authority is required from the Board.**
2. **In all other cases the normal FBC approval process would apply.**

REASONS FOR THE DECISION

To set out a proposal to streamline the approval process for Full Business Cases (FBC) to ensure final investment decisions by the Board can be made in a timely and effective manner.

DISCUSSION

In response to a request for an explanation of the 10% tolerance in the second bullet point of recommendation 1, it was explained that the tolerance was set to recognise that there were usually minor changes as projects went through this process, particularly through procurement, and that 10% was generally recognised as a logical and proportional reduction that provided flexibility, yet not a substantial figure. As such, if 1 or 2 jobs changed during the process, that wouldn't necessarily mean having to restart the process.

It was asked whether the refined process would apply to projects currently undergoing the Final Business Case (FBC) development process, and whether the new regime would be operational immediately.

In response, it was noted that it was intended to implement this immediately, if the Board agreed with the recommendation, so it would apply to projects that were in the process of developing a Final Business Case (FBC). It was also explained that the refined process would benefit those projects as delays could mean cost increases.

In response to a comment regarding transparency and the Board's accountability, it was made clear that the refined process involved streamlining the back office assurance functions that took place before bringing business cases to the Board, and could take several months. It was added that this would not happen in all cases, however.

It was asked whether there were real-world examples of cases where the reduction in the amount of time tender prices were valid led to a situation of having to re-procure.

In response, it was noted:-

- That this had not happened within the Growth Deal itself, but that our partners had expressed concern that they had live projects where the tender prices were only valid for a maximum of 30 days, or 60 days, and therefore there was no time to go through the assurance and project approval process before the tender price expired.
- If a project could not be approved in time, there was a risk that the partners and project sponsors would either go back to their contractor of choice, which would mean cost increases, or in the worst-case scenario, re-procurement.
- While the Growth Deal had yet to experience this, we were not far from having to face those challenges ourselves as projects neared Final Business Case approval.

Bangor University's Digital Signal Processing Project (DSP) was cited as an example of a project that came to within days of the tender price expiring, and the Engineering Centre at Coleg Llandrillo's Rhyl campus, as an example of a scheme where it had to re-tender at an additional cost of £1m, as a result of the Welsh Government's failure to approve the final project quickly enough.

It was suggested that the Business Delivery Board should be involved in assessing projects as that would create more credibility from a private sector perspective, and would not add to the timetable.

In response, it was noted:-

- That the Business Delivery Board had a key role in the approval process of Outline Business Cases as they made recommendations to the Ambition Board.
- That the report did not fully consider the role of the Business Delivery Board in the process of approving Final Business Cases, which could be discussed further with their representative on this Board.
- That adding more meetings to the process added to the schedule, but if the Business Delivery Board and Ambition Board meetings could be effectively aligned, then it should be possible to include both, without extending the timetable.

It was suggested that the Business Delivery Board could be consulted over email, rather than holding formal meetings, and therefore everyone would still feel included.

We agreed to hold a conversation with the Business Delivery Board representative to see how best to engage with the body.

8. PORTFOLIO MANAGEMENT OFFICE RESOURCING

The report was submitted by Alwen Williams (Portfolio Director).

RESOLVED

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

REASONS FOR THE DECISION

To set out options for resourcing the Portfolio Management Office over the next four years to oversee the key delivery period of the North Wales Growth Deal.

DISCUSSION

The Chair noted that we had an incredibly capable and strong team in North Wales, which was an asset to us, and that it was important to look at every opportunity to keep that team together.

It was asked whether increasing the amount of grant available to support the Portfolio Management Office from 1.5% to 2% was sufficient.

In response, it was noted that a 0.5% increase was thought to be realistic and proportional, and compatible with other growth deals, and that it was important to retain as much capital as possible for delivering the projects and allowing us to meet the objectives of the Growth Deal and deliver jobs.

It was noted that paragraphs 4.12 and 4.13 of the report stated that the proposal was to use 50% of the additional £1.2m to enable the extension of existing fixed term contracts within the team to March 2025, and that no further extension could be provided until alternative sources of funding were secured. In light of this, it was asked what was happening to the other £600,000.

In response, it was explained:-

- £600,000 was planned to be used next year to enable that 12-month extension, which would mitigate the risk of staff leaving in the next year and buy us time to see what the outcome of the other funding package we were applying for through the Common Prosperity Fund (SPF) would be.
- Therefore, the £600,000 was theoretically allocated for years 3 and 4, but if no additional funding was secured, that money might have to be used in a different way, and it would not be possible to extend everyone's contract with that amount of money.
- If the application to the Common Prosperity Fund, or any other external source, was successful, it would be necessary to re-profile how we would use the £1.2m, so instead of using the £600,000 next year, we would use it in years 3 and 4.

It was suggested that the wording in the report contradicted itself as it said that no further extension can be provided until other sources of funding were secured.

In response, it was confirmed, for clarity, that no further extensions could be provided to all staff on that basis, so no further extensions could be offered to all if the £1.2m was the only funding available.

It was noted that the risk of losing staff was significant, and therefore the Board had little choice but to accept the recommendation.

It was noted that there was now a significant shortage of talent and that offering short-term contracts poses a risk to the region. The Portfolio Management Office was now developing into an economic development team for North Wales. The team could take on many other projects outside of the Growth Deal in the future, and we needed to make the most of that and start thinking about a permanent solution. The Welsh Government also needed to devolve some of these duties to North Wales so that more of the decisions could be made within the region.

In response, it was noted:-

- In an ideal world, we would want all staff to be on permanent contracts, but we had to operate within the funding envelopes we had, and the decision sought by the Board was thought to mitigate the risk as we looked for alternative funding sources, but a longer-term plan was certainly needed following that.
- That the working environment was competitive, particularly in project management, in the energy and digital fields, and was the biggest risk at the moment.
- It was assumed that most project delivery would be completed by the end of this 4-year cycle, and we would move into a period of monitoring, evaluating and realising the benefits, when the Portfolio Management Office would not need to be so large for the purposes of delivering the Growth Deal.
- That there was an option for the Board and the region to use the team for other activities in the future should it be desired. We had a fantastic team and a fantastic resource here and had built significant capacity and expertise in these sectors over the last two years, and we did not wish to lose any of the staff we currently had.

It was noted that some projects had already gone through an Outline Business Case and had to come back to the Board but had to have an addition to their allocation in order to move forward. It was asked whether this increase would be imposed on those projects that had already had to go through a process of curtailment themselves to try to keep within the financial requirements.

In response, it was confirmed that today's decision did not have a financial impact on any current projects, and that the money came from the unallocated £30m pot for new projects.

The meeting commenced at 13.30 and concluded at 15.00.

Chair