



## REPORT TO THE NORTH WALES ECONOMIC AMBITION BOARD

15/03/2024

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**Title:** 2024/25 Revenue and Capital Budget

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### **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 2024/25.

### **2. Decision Sought**

**The Board is asked to approve the:-**

**2.1 2024/25 Revenue Budget as presented in Appendix 1.**

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

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

**2.4 Extension of the fixed term staff contracts from March 2025 to March 2026.**

### **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.

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- 3.3 Appendix 2 sets out the proposed capital budget per project and the corresponding capital funding for the £240m Growth Deal.
- 3.4 Appendix 3 sets out a summary of the 2024/25 budget against the draft budget for 2025/26.

#### **4. Background and Relevant Considerations**

- 4.1 Although the NWEAB could come under the economic well-being power of the North Wales Corporate Joint Committee (CJC) during the financial year, a budget must be established for the Board's current functions.
- 4.2 The proposed detailed revenue budget for 2024/25 is shown in Appendix 1 and the proposed capital budget is shown in Appendix 2.
- 4.3 As the North Wales Growth Deal is entering its key delivery period, the Portfolio Director has requested that the employee fixed term contracts be extended until March 2026. This will not require additional contributions from partners as it will be funded from the current funding sources as shown in Appendix 3.

#### **Revenue Budget**

##### **4.4 Portfolio Management Office - £1,532,940**

The budget for the Portfolio Management Office (PMO) is based on 20 employees as well as an additional student placement grant post until August 2024. It also includes advertising and assessment of candidates; travel and subsistence; training; engagement and meetings; communications and public relations; supplies and services; premises; portfolio and programme development.

##### **4.5 Accountable Body Support Services - £212,300**

The Accountable Body provides the support services required to facilitate the work of the Joint Committee, and the budget for 2024/25 includes Finance Services Support, Legal (including Monitoring officer), Corporate Support, Information Technology (IT) and Insurance.

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

Joint Committee

4.7 External Legal Support - £18,000

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

4.8 External Financial Fees - £10,000

This budget will mainly cover the input from external treasury and pension advisors.

4.9 External Audit Fee – £27,520

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 the External Auditor.

4.10 Business Delivery Board - £15,000

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

Projects

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

4.12 Project Business Case Development - £200,000

The 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.

4.13 External Legal Support - £100,000

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

4.14 External Procurement Support - £35,000

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

4.15 Assurance - £40,000

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

Grant schemes - £772,560

- 4.16 The expenditure under this heading includes employee expenditure to deliver the Local Area Energy Plans that are funded by a specific grant from Welsh Government. It also includes the expenditure for employees and specific schemes that are directly funded from the UK Shared Prosperity Fund.

Funding Contributions

4.17 Partner Contributions – (£463,080)

In accordance with Governance Agreement 2 (GA2), the 2024/25 Budget includes a contribution of £57,880 from the six local authorities and £28,950 from the four advisors, to give a total contribution of £463,080. The partner contributions have increased by 4.6%, to reflect the out-turn adjustment for 2023/24 and the proposed salary inflation for 2024/25, 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 North Wales Growth Deal grant – (£1,100,000)

Although the North Wales Growth Deal grant is a capital grant, 2.15% - which equates to £5.15m of the North Wales Growth Deal grant – has been allocated to fund the NWEAB'S revenue expenditure, with £1.1m included in the 2024/25 budget. This flexibility can be achieved in the same way that local authorities have flexibility to manage the funding of their own capital programmes.

4.20 Welsh Government Energy grant (£106,180)

This funds the expenditure on the Projects heading as well as contributing towards two of the Energy posts in the Portfolio Management Office.

4.21 UK Shared Prosperity Fund (£973,600)

This funds the UK Shared Prosperity's expenditure on employees and specific schemes that are shown under the Projects heading as well as contributing to the PMO core staff costs.

4.22 Earmarked Reserve – (£66,950)

A balance of £277,927 is estimated in the earmarked reserve at 31 March 2024, and after using £66,950 to fund the 2024/25 budget, £210,977 will be available to fund one-off costs in future years.

**Capital Budget**

4.23 The capital budget is based on a risk-adjusted expenditure profile for each project within the Deal over the period 2021/22 to 2034/35, as well as the 2.15% top-slice to fund the revenue budget over the same period. It's based on the latest projects' timescale, and it will be reviewed during the year as the business cases are approved.

4.24 Although the £240m expenditure will be funded from the Growth Deal, the timing of the grant receipt will mean that borrowing will be required in the short term. The cost of borrowing will be funded by partners and project sponsors, and partners have already been contributing an annual sum towards these costs of which has been set aside in a specific reserve. Significant interest has also been received on balances, and this is also transferred to the same reserve.

4.25 We have been informed by both Governments that Growth Deal funding will not be received in 2023/24 and Ambition North Wales have been in discussion with both governments, and a report has been presented to UK Government on the rationale behind a revised funding profile and the re-allocation of funds from this year.

- 4.26 As a one-off measure for 2024/25 we will not be billing the partners for interest contributions and will review again the level of contributions required for the remaining years as more information becomes available during the year.
- 4.27 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.

#### **Portfolio Management Office Resourcing**

- 4.28 The majority of staff within the Portfolio Management Office (excluding 7 permanent posts) are employed on fixed term contracts until March 2025, and in order to mitigate the risk of staff leaving when the North Wales Growth Deal is going into its key delivery period, the Portfolio Director has requested for their contracts to be extended until March 2026. This will not apply for those members of staff whose posts are funded by specific grants (e.g. Energy and SPF) as their contract periods are linked directly to the grant period. The UKSPF funding that Ambition North Wales has received in 2023/24 and will receive in 2024/25 towards the core PMO staff has reduced the Growth Deal Funding requirement that had originally been allocated during these years, and therefore has allowed the funding to be reallocated to subsequent years. The extension of staff contracts to March 2026 will not require additional contributions from partners as it will be funded from the current funding sources (Appendix 3).

## **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 2024/25 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 becomes 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 2024 and December 2024 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 1,2 and 3, and the information within this report was presented to the Portfolio Board on 23 February 2024.

## **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 – 2024/25 North Wales Economic Ambition Board Revenue Budget.

Appendix 2 – 2024/25 North Wales Economic Ambition Board’s Capital Budget.

Appendix 3 – 2024/25 Revenue Budget and 2025/26 Draft Revenue 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.