
REPORT TO THE NORTH WALES ECONOMIC AMBITION BOARD

14 February 2025

TITLE: 2025/26 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 2025/26.

2. DECISION SOUGHT

- 2.1. That the Board approves the 2025/26 Revenue Budget as presented in Appendix 1.
- 2.2. That the Board approves the funding contributions to include the partner contributions, local authorities' supplementary contributions and partner interest contributions.
- 2.3. That the Board approves the Capital Budget for the Growth Deal as presented in Appendix 2.
- 2.4. That the Board approves the transfer of the interest received on the North Wales Growth Deal grant balances in 2024/25 and 2025/26 to a specific reserve to fund additional government requirements, retention of the Portfolio Management Office capacity for an additional two years (up to March 2028) as well as project development costs.

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 2025/26 budget against the draft budget for 2026/27 and 2027/28.

4. BACKGROUND AND RELEVANT CONSIDERATIONS

- 4.1. There has been a delay in the transfer of the Growth Deal functions to the economic well-being power of the North Wales Corporate Joint Committee (CJC) and the likely transfer date is now 1 April 2025. Therefore, a separate budget must be established for the Board's current functions.
- 4.2. The proposed detailed revenue budget for 2025/26 is shown in Appendix 1 and the proposed capital budget is shown in Appendix 2.
- 4.1. The proposed budget includes additional roles in line with UK and Welsh Government requirements. The Portfolio Management Office (PMO) has requested the roles to be funded by the interest received on the North Wales Growth Deal balances in 2024/25 and 2025/26. In addition, as the North Wales Growth Deal is entering its key delivery period, there is a request to extend the employee fixed term contracts until March 2028, and for these costs as well as project development costs to be funded from the Growth Deal interest.

5. FINANCIAL IMPLICATIONS

Revenue Budget

5.1. Portfolio Management Office - £1,924,770

The budget for the PMO is based on 22.75 full time equivalent posts and two of these are additional posts specific to the Smart Local Energy and Digital projects. The additional government roles heading includes a budget for two non-executive directors and an additional commercially experienced portfolio management professional. The PMO budget 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; insurance and systems.

5.2. Accountable Body Support Services - £263,530

Accountable Body provides the support services required to facilitate the work of the Joint Committee, and the budget for 2025/26 has been increased to reflect the resources required going forward and includes Finance Services Support (including S151 Officer), Legal (including Monitoring officer), Democratic Support, Corporate Support (Translation, Human Resources, Learning and Development, Health and Safety) and Information Technology. A Service Level Agreement with Cyngor Gwynedd will be set up for these services and it will include more detail on the resources and costs associated with the provision of these corporate and statutory support services.

Joint Committee

5.3. External Legal Support - £18,000

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

5.4. External Financial Fees - £10,000

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

5.5. External Audit Fee - £28,350

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.

5.6. Business Delivery Board - £15,000

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

Projects

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

5.8. Project Business Case Development - £150,000

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.

5.9. External Legal Support - £150,000

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

5.10. External Finance Support - £50,000

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

5.11. External Procurement Support - £50,000

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

5.12. Assurance - £50,000

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

5.13. Interest - £108,380

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

5.14. Partner Contributions - (£469,900)


In accordance with Governance Agreement 2 (GA2), the 2025/26 Budget includes a contribution of £58,730 from the six local authorities and £29,380 from the four advisors, to give a total contribution of £469,900. The partner contributions have increased by 1.5% to reflect the out-turn adjustment for 2024/25, the estimated salary inflation for 2025/26, as well as an allowance for the national insurance percentage and threshold changes in line with clause 15.4.3 of the GA2.

5.15. Local Authorities' Supplementary Contributions - (£240,000)

The Supplementary Contributions were approved as part of GA2 and are annual payment provided by each Council on an ongoing basis to partly fund the annual budget of the NWEAB. The budget includes £40,000 from the six local authorities to give a total contribution of £240,000.

5.16. Partner Interest Contributions - (£108,380)

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 contributions were included in the 2021/22 budget onwards. As a one-off measure in 2024/25, partners were not required to pay contributions towards the borrowing costs.



Although a lot of the variables that can affect these costs remain uncertain, these revised contributions for 2025/26 are based on the most up to date information available and level of contributions required for the remaining years will be reviewed again as more information becomes available during the year. Bangor University's capital grant allocation has reduced over the years and the contributions received are currently sufficient therefore no contributions are required from them for 2025/26.

5.17. North Wales Growth Deal grant - (£1,350,000)

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 £1.35m included in the 2025/26 budget. This flexibility can be achieved in the same way that local authorities have flexibility to manage the funding of their own capital programmes.

5.18. North Wales Growth Deal grant (Projects Staff) - (£116,675)

This is the top slice from the Digital and Smart Local Energy projects' allocation of the North Wales Growth Deal grant to fund the two additional posts specific to these projects.

5.19. Capitalisation of Salary Costs - (£60,000)

This is the capitalisation of staff costs in relation to the Digital and Smart Local Energy projects.

5.20. Interest Reserve - (£412,085)


Contribution from the interest reserve to fund the additional government roles and project development costs.

5.21. Earmarked Reserve - (£60,990)

A balance of £210,977 is estimated in the earmarked reserve at 31 March 2025, and after using £60,990 to fund the 2025/26 budget, £149,987 will be available to fund one-off costs in future years.

Capital Budget

- 5.22. The capital budget reflects the most recent 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.

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- 5.23. The Deeside Anaerobic Digestion Plant project has been withdrawn from the Growth Deal therefore the funding that was allocated to the project has been profiled to 2029/30 and 2030/31.
- 5.24. 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 the £3.6m of the interest received up to 31 March 2023 has also been transferred to the same reserve.
- 5.25. We are awaiting confirmation from both Governments of the revised funding profile of the North Wales Growth Deal grant.
- 5.26. 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

- 5.27. The majority of staff within the PMO (excluding 7 permanent posts) are employed on fixed term contracts until March 2026, 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 2028. This will not apply for those members of staff whose posts are funded by specific grants as their contract periods are linked directly to the grant period.
- 5.28. The PMO are proposing that the additional government roles, the retention of the current PMO resources for an additional 2 years beyond March 2026, as well as some of the project development costs will be funded by the interest received on Growth Deal Balances in 2024/25 and 2025/26. The total cost over the 3 year period has been estimated at £2.7m.

5.29. Interest on Growth Deal Balances are estimated to be £2.5m in 2024/25 and £1.25m in 2025/26 and therefore would be sufficient to cover the additional budget requirements over the 3 year period.

5.30. The £3.6m interest received up to 2023/24 will remain in the interest reserve and will be used to offset any future borrowing costs.

6. GOVERNANCE IMPLICATIONS

6.1. The Annual Budget is required to be prepared by the accountable body and agreed by the NWEAB Joint Committee.

6.2. The proposed budget for 2025/26 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.

6.3. 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 2025 and December 2025 and presented to the Portfolio Board and the Economic Ambition Board, with any issues highlighted and appropriate action taken.


7. CONSULTATIONS UNDERTAKEN

7.1. Appendices 1,2 and 3, and the information within this report was presented to the Portfolio Board on 24 January 2025.

8. IMPACT ASSESSMENT

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

8.2. 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.

- 8.3. 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.

9. LEGAL IMPLICATIONS

- 9.1. The Head of Operations as well as the Monitoring Officer have contributed to the budget.

APPENDICES:

Appendix 1	2025/26 North Wales Economic Ambition Board Revenue Budget.
Appendix 2	2025/26 North Wales Economic Ambition Board’s Capital Budget.
Appendix 3	2025/26 Revenue Budget and 2026/27 and 2027/28 Draft Revenue Budget.

STATUTORY OFFICERS RESPONSE:

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

This report is brought forward on the cusp of the transfer of the Growth Deal to the Corporate Joint Committee. The report also highlights additional revenue requirements arising from the requirements of the Welsh Government. According to the requirements of the GA2 Agreement the Joint Committee has a right to spend within the boundaries of this agreement. On the transfer this budget transfers to the CJC and is protected for the Growth Deal. In future it would be the responsibility of the CJC to secure additional resources should a further or subsequent need arise. As the current recommendations are within the resources available to the Board it complies with GA2.

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

Author of this report