



REPORT TO THE NORTH WALES ECONOMIC AMBITION BOARD
May 5th, 2023

TITLE: North Wales Growth Deal – Streamlined FBC Approval Process

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1. PURPOSE OF THE REPORT

- 1.1. The purpose of the report is to set out a proposal to streamline the approval process for Full Business Cases (FBC) to ensure final investment decisions can be made in a timely and effective manner.

2. DECISION SOUGHT

- 2.1. That the Board approve the streamlined approval route for Full Business Cases (FBC) as set out in Paragraph 4.10 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.
- 2.2. In all other cases the normal FBC approval process would apply.

3. REASONS FOR THE DECISION

- 3.1. “To ensure final investment decisions by the Board can be made in a timely and effective manner.”

4. BACKGROUND AND RELEVANT CONSIDERATIONS

- 4.1. In December 2020, the North Wales Economic Ambition Board (NWEAB) and the Welsh and UK Governments agreed the Final Deal Agreement for the North Wales Growth Deal.
- 4.2. As per the Final Deal agreement, business cases are to be developed for each project within the Growth Deal in line with the ‘Better Business Case’ guidance developed by Welsh Government and HM Treasury. Each business case includes 5 cases which address key questions and should be supported by workshops.
- 4.3. The majority* of projects follow a three-stage development and approval process:
- Strategic Outline Case (SOC) – approved by relevant Programme Board if required

- Outline Business Case (OBC) – approval by Economic Ambition Board
- Full Business Case (FBC) – approval by Economic Ambition Board

** lower value, lower risk projects can be considered for a single stage Business Justification Case (BJC)*

- 4.4. The OBC approval acts as a decision in principle from the Economic Ambition Board enabling project sponsors to complete the procurement process, secure cost and deliverability certainty and then update their business case into an FBC. The FBC approval is the final investment decision allowing for the funding agreement to be signed and project delivery to commence.
- 4.5. The OBC and FBC decisions by the Board are supported by a robust assurance process led by the Portfolio Management Office which includes reviews of the business cases and consideration by the relevant programme board and the Portfolio Board.

Challenges

- 4.6. Growth Deal project sponsors have requested that the Portfolio Management Office review and streamline the process for securing business case approvals due. This is echoed by a recommendation in the latest Gateway Review report for the Portfolio Management Office.
- 4.7. While the length of time taken to secure OBC approval is wholly dependent on the quality of the business case and the issues to be resolved, it is recognised that the FBC approval process could be streamlined to aid projects in securing quicker decisions and to mitigate the risk of increasing costs.
- 4.8. There has been a significant reduction in the amount of time tender prices are valid for over the past 12 months, with many bidders unwilling to fix prices for 90 days and those who are building in the risk to their costs. At present the FBC approval process can take up to 3 months dependant on when Board meetings are scheduled. This could result in increase costs or in the worst-case scenario a need to re-procure.

Proposed Streamlined Process

- 4.9. The initial option considered was to seek delegation from the Board for the Portfolio Director to approve Full Business Cases in consultation with the Chair, Vice-Chair, Monitoring Officer and Section 151 officer. This option would provide the most flexibility and potential time savings in the decision-making process. However, following consultation with the Monitoring Officer it has been deemed incompatible with Governance Agreement 2 where the approval of the final business case is clearly set out as a joint committee matter.
- 4.10. Therefore a revised option has been developed. In this option, where business cases meet the criteria set out in 2.1. there would be no need for consideration by the Programme Board or the Portfolio Board and business cases would move to consideration by the Board at the recommendation of the Portfolio Director. To provide additional flexibility, Full Business Cases could be approved on a range of costs where the procurement decision has not been finalised and delegated authority provided to the Portfolio Director to approve the final cost. The Portfolio and Programme Boards would receive update presentations as part of the revised process to ensure they remain informed about developments with the projects.

- 4.11. The following sets out how the streamlined process for approving FBCs compared to the current process. This process takes place following the approval of the OBC by the Economic Ambition Board and the completion of procurement process.

Current FBC Approval Process		Proposed Streamlined Approval Process	
1	Project sponsor updates FBC post procurement	1	Project sponsor updates FBC post procurement
2	FBC reviewed by Portfolio Management Office and final amendments made by Project Sponsor	2	FBC reviewed by Portfolio Management Office and final amendments made by Project Sponsor
3	FBC considered and endorsed by Programme Board	3	FBC considered and approved by Economic Ambition Board with range of costs if required
4	FBC considered and endorsed by Portfolio Board	4	Delegated decision approval to confirm final costs if required
5	FBC considered and approved by Economic Ambition Board	5	Funding agreement signed and contracts entered into by Project Sponsor
6	Funding agreement signed and contracts entered into by Project Sponsor		

Benefits of Proposed Streamlined Process

- 4.12. The following benefits have been identified from this proposal:
- Reduces the time required to secure an FBC approval by approximately 1-2 months;
 - Assists with accelerating projects to delivery and benefits realisation;
 - Increased flexibility to respond to changes in procurement timescales as decisions are not dependant on a fixed Board date;
 - Mitigates the risk of potential cost increases from decisions not being made during the tender validity period;

5. FINANCIAL IMPLICATIONS

- 5.1. There are no direct financial implications arising from this proposal, however the proposal will reduce the risk of additional costs being incurred for projects through the procurement process by reducing the time required to secure an FBC approval decision.
- 5.2. The proposal will reduce the capacity demands on the Portfolio Management Office and officers from the wider partnership represented on the Portfolio Board and various programme boards.

6. LEGAL IMPLICATIONS

- 6.1. The Final Deal agreement agreed between the Economic Ambition Board partners, Welsh Government and UK Government sets out that the approval of project business cases is a matter for the Economic Ambition Board. This is a specific procedure which is contained in GA2. Although Board has powers of delegation it is constrained to follow the procedure in the agreement.

STATUTORY OFFICERS RESPONSE:

i. Monitoring Officer – Host Authority:

“I have had the opportunity of advising on the contents of the report. The proposed decision can be adopted as a way forward which also meets the requirements of GA2

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

““I believe that the amended procedure outlined in this report is reasonable and allows projects to move forward in a timely manner, while still protecting the interests of the partners. Since only cases that meet specific criteria would be subject to the new arrangements, I am satisfied that adequate steps are in place to mitigate any increase in governance risks as a result of streamlining the process, which will contribute towards making the arrangements more effective and efficient.

I support the decision sought.”