

CABINET

Date of Meeting	Tuesday, 17 th November 2020
Report Subject	North Wales Economic Ambition Board Final Growth Deal
Cabinet Member	Cabinet Member for Economic Development
Report Author	Chief Executive Chief Officer (Planning, Environment and Economy)
Type of Report	Strategic

EXECUTIVE SUMMARY

The purpose of this report is to present the key documents required to reach Final Deal Agreement for the North Wales Growth Deal with the UK Government and Welsh Government.

To agree the Final Deal with both Governments, the NWEAB have prepared a suite of documents, namely the Overarching Business Plan, Portfolio Business Case, Draft Final Deal Agreement and Governance Agreement 2.

RECOMMENDATIONS

1	That the Scrutiny Committee formally endorses and recommends that Cabinet and Council approve the Overarching Business Plan as the document that sets out the arrangements to deliver the North Wales Growth Deal as the basis for entering into the Final Deal Agreement and acceptance of the Grant Funding Letter with the UK and Welsh Governments.
2	That the Scrutiny Committee formally endorses and recommends that Cabinet approves the provisions in Governance Agreement 2 relating to executive functions, recommends that Council approves the provisions relating to non-executive functions, and that Cabinet specifically adopts the delegations and Terms of Reference in " <i>Governance Agreement 2: Appendix 1</i> " thereof as the basis for completing the Final Deal Agreement

	and acceptance of the Grant Funding Letter with the UK and Welsh Governments.
3	That the Cabinet formally endorse and recommend that the Council authorise the accountable body, Gwynedd Council, to sign the Grant Funding Offer letter on behalf of the Partners.
4	That the Cabinet formally endorses and recommends that Council approves the method used to calculate the cost of borrowing notionally required to facilitate the negative cash flow for the Growth Deal, and to include a provision within the Council's budget to pay this contribution and the established core and supplementary contributions as set out in GA2 (and in paragraphs 2.5 - 2.7 below).
5	That the Chief Executive in consultation with the Leader, Monitoring Officer and Section 151 Officer be granted delegated authority to agree minor changes to the documents with the Partners as necessary to complete the agreement.

REPORT DETAILS

1.00	EXPLAINING THE NORTH WALES ECONOMIC AMBITION BOARD FINAL GROWTH DEAL
1.01	Background
1.02	The North Wales Growth Deal is a portfolio consisting of 5 programmes to be delivered over the next 15 years. It is to be delivered by the Portfolio Management Office on behalf of the North Wales Economic Ambition Board.
1.03	The Growth Deal is seeking to deliver a total investment of up to £1.1bn in the North Wales economy (£240m from the Growth Deal), to create 3,400 – 4,200 net additional jobs and generate £2.0- £2.4 billion in net additional GVA.
1.04	The five programmes include 14 projects, which have been carefully designed and developed with stakeholders to address specific market failures and barriers to economic growth. Individual project business cases will be developed and will be presented to the NWEAB for approval from January 2021 onwards.
1.05	Overarching Business Plan The Overarching Business Plan developed by the Portfolio Management Office sets out the arrangements for delivering the North Wales Growth Deal, including an overview of the programmes and projects and to seek approval from each partner for the financial implications of delivering the deal.

1.06	A copy of the Overarching Business Plan is available in Appendix 1 .
1.07	The overarching business plan summarises the contents of the Portfolio Business Case and 5 Programme Business Cases. The portfolio business case provides a summary investment proposal for the North Wales Growth Deal, and the Programme Business Cases set out the detail for the programmes. These documents will be presented to both Governments for approval of the Final Deal Agreement.
1.08	The portfolio and programme business cases once approved will be live documents used to manage the delivery of the Growth Deal on an ongoing basis and updated regularly as the programmes and projects develop.
1.09	Final Deal Agreement
1.10	The Heads of Terms Agreement was agreed by the NWEAB, Welsh Government and UK Government in November 2019, with the aim for Final Deal Agreement to be completed in 2020.
1.11	The Draft Final Deal Agreement was developed collaboratively between the NWEAB and both Governments.
1.12	The Final Deal Agreement is the contract between the NWEAB, UK Government and Welsh Government for the delivery of the North Wales Growth Deal.
1.13	The Final Deal will be signed on the basis of the portfolio business case and five programme business cases.
1.14	A copy of the Draft Final Deal Agreement is included in Appendix 2 .
1.15	Governance Agreement 2
1.16	Governance Agreement 2 has been developed by the regional Heads of Legal with expert and independent advice by legal advisers Pinsent Masons.
1.17	Governance Agreement 1 was adopted into in order to take forward the formal offer of funding to both Governments. Government Agreement 2 will take the partnership into the implementation stage of the Growth Deal. The agreement is a partnership agreement between the 6 Local Authorities and the Partner University and College bodies. It continues the governance model adopted in GA1 namely a Joint Committee supported by a host authority and provides for the commitments and responsibilities of the Partners to the partnership. It also defines the relationship between the Board and its constituent Partner organisations, the limits of delegation and accountability.
1.18	Governance Agreement 2 is a necessary element for implementing the Growth Deal. It provides assurance to the Governments as to the governance of the partnership. It establishes a legally binding commitment by and to the Partners and Accountable Body which is necessary to enable the Growth Deal Final Agreement and Grant Letter to be agreed.

	Without that assurance the Final Deal Agreement and the Grant Offer Letter could not be entered into on behalf of the Partners.
1.19	A more detailed explanatory summary of Governance Agreement 2 is provided in Appendix 3 and a copy of Governance Agreement 2 is included in Appendix 4 .
1.20	REASONS FOR THE DECISION
1.21	In 2016 the North Wales Economic Ambition Board adopted A Growth Vision for the Economy of North Wales. Based on the Growth Vision Strategy, a Growth Deal was prepared and agreed by all the partners working with both the UK and Welsh Government and the private sector in October 2018. In November 2019 the NWEAB and the Welsh and UK Governments agreed the Heads of Terms, for a Final Deal Agreement to be completed in 2020.
1.22	The NWEAB are committed to achieving Final Deal Agreement with both Government before the end of December 2020.
1.23	The Portfolio Management Office have developed the documentation required to submit to both Governments to reach Final Deal Agreement. The contents of these documents are outlined within this report, and copies of the documents attached as appendices.
1.24	Covid-19
1.25	Covid-19 has had an immense economic impact on North Wales as in other parts of the UK and globally. The NWEAB has worked closely with the six local authorities, UK and Welsh Governments and private sector representatives to co-ordinate the regional response to economic recovery. The longer term effects of Covid-19 on the regional economy at this stage is still unknown.
1.26	The Growth Deal is designed to address structural, long-term barriers to economic growth. However, the Board is fully aware that in the short-term a range of actions will be needed to facilitate recovery and alignment between those short term measures and the Growth Deal is key.
1.27	The Growth Deal on its own cannot address all the challenges facing the North Wales economy, particularly in light of Covid-19. However, such a significant injection of capital investment into the North Wales economy through the Growth Deal will be a boost to the construction and related sectors at a time when there is likely to be spare capacity in the economy.
1.28	Final Deal Agreement Process
1.29	To agree the Final Deal with both Governments, the NWEAB have prepared a suite of documents, namely the Overarching Business Plan, Portfolio Business Case, Draft Final Deal Agreement and Governance Agreement 2.
1.30	LEGAL IMPLICATIONS

1.31	The report explains relevant provisions of Governance Agreement 2 (GA2), The Overarching Business Plan (“OBP”) and the Final Deal Agreement. They form part of the legal implications, but in order to avoid duplication are not repeated in this section.
1.32	The recommendations in the report are made pursuant to the powers conferred on the Councils under sections 101, 102, 111 and 113 of the Local Government Act 1972, section 1 of the Local Authority (Goods & Services) Act 1970, section 25 of the Local Government (Wales) Act 1994, section 2, 19 and 20 of the Local Government Act 2000, section 9 of the Local Government Wales Measure 2009 and all other enabling powers now vested in the Councils.
1.33	The provisions of the Local Government and Elections Bill (Wales) 2019 in relation to proposed Corporate Joint Committees (CJC’s) and the recent publication of a consultation document on the proposed regulations are clearly of relevance to the matters addressed in this report. However, the North Wales Economic Ambition Board has been in operation as a formal Joint Committee since January 2019. GA2 does not change this basic governance model but is a necessary component to enable the Partners to commit to the Growth Deal within the given time frame. As a result there is no proposal to make any changes to the recommendations pending the advent of CJC’s although GA2 does acknowledge the provisions of the Bill and the possibility of future review.
1.34	The OBP is a key document in relation to the delivery of the Growth Deal. The content of the Plan serves to create a legitimate expectation that the Programmes will be progressed as set out in the Plan. Accordingly, it is important that each Partner is content with the content of the OBP. Decisions relating to the delivery of the programmes and projects will need to be considered in accordance with the provision set out in GA2 at which stage any legal issues raised in relation to a specific project can be considered and detailed legal advice provided.
1.35	In considering this matter regard should be had, amongst other matters, to the Councils duties under the Wellbeing of Future Generations (Wales) Act 2015. In summary the Act places a duty on public bodies in to act in accordance with the principle of sustainable development so as to ensure that the needs of the present can be met without undermining the ability of future generations to meet their needs. This is in order to improve the economic, social, environmental and cultural well-being of Wales. The OBP explains that the Wellbeing of Future Generations (Wales) Act 2015 will be intrinsic to the development and implementation of the Growth Vision and Growth deal.
1.36	A Well-being and Equality Assessment has been undertaken and is included in Appendix 5 . Regard should be had to the same in reaching a decision on this matter.
1.37	Regard has been given to public sector duties under the Equalities Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties Councils must in making decisions have due regard to the need to:

	<ul style="list-style-type: none"> a. eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by that Act; b. advance equality of opportunity between people who share a relevant protected characteristic and those who do not; c. foster good relations between people who and share a protected characteristic and those who do not.
1.38	In Wales, public sector bodies listed are required to take certain steps in order to demonstrate that they have due regard to the public sector equality duty. These Welsh specific equality duties include assessing the impact of policies and procedures on equality (often called Equality Impact-Assessment).
1.39	The Well-being and Equalities Assessment demonstrates that the detail contained in the preparation of and in the draft OBP demonstrates compliance with the well-being 5 ways of working, supports the well-being goals and identifies that the Growth Vision and Growth Deal will a positive impact on all groups and people with protected characteristics.

2.00	RESOURCE IMPLICATIONS
2.01	There is a medium-term temporary funding gap between the expected expenditure profile of the Growth Deal and the expected profile of government funding received over 15 years. The NWEAB, through the host authority, will be responsible for managing this negative cash flow, and have worked with Arlingclose to model the cost of borrowing notionally required to facilitate the negative cash flow for the Growth Deal, and the corresponding annual partner contributions required to meet this cost.
2.02	With a range of assumptions to consider, the NWEAB have forecasted a range of figures, modelled as the best case scenario (Version 1) and the worst case scenario (Version 2), to reflect the timing of finalising the Growth Deal and consequent timing of government grant funding. The difference between the best and worst case scenarios highlights the importance of finalising the Growth Deal by the end of the calendar year. In both versions the other variables, i.e. interest rate and NNDR income have remained the same. The interest rate used was 2.2% and is considered to be a prudent assumption. The NWEAB will utilise its “retained” NNDR grant from Welsh Government to offset against the negative cash flow, with the net total cost (£12.46m - £17.73m) met by the local authorities (proportional to population) for regional NWEAB projects, and with project lead sponsors responsible for the cost in relation to their projects.
2.03	Any changes to the projects, will result in a reserved matter if it means increasing partner contributions (e.g. change from project lead sponsor to NWEAB, lower NNDR yield, higher cost, earlier spend profile).
2.04	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 would be responsible

	for controlling expenditure and ensuring sufficient contingency budgets are included in the project business cases. Overspend would be for the Lead Sponsor to deal with in relation to their projects.																																																				
2.05	<p>The table below shows the total (15 years) partner contributions to cover the cost of ‘borrowing’ notionally required to facilitate the negative cash flow.</p> <table border="1"> <thead> <tr> <th>Version</th> <th>Bangor University</th> <th>Glyndwr University</th> <th>Grŵp Llandrillo Menai</th> <th>Coleg Cambria</th> <th>Other Commerical Partners</th> <th>Conwy</th> <th>Denbighshire</th> <th>Flintshire</th> <th>Gwynedd</th> <th>Isle of Anglesey</th> <th>Wrexham</th> <th>Total</th> </tr> <tr> <td></td> <td>£m</td> </tr> </thead> <tbody> <tr> <td>1</td> <td>1.40</td> <td>0.51</td> <td>0.75</td> <td>0.52</td> <td>2.29</td> <td>1.17</td> <td>0.96</td> <td>1.56</td> <td>1.24</td> <td>0.70</td> <td>1.36</td> <td>12.46</td> </tr> <tr> <td>2</td> <td>1.99</td> <td>0.73</td> <td>1.07</td> <td>0.74</td> <td>3.24</td> <td>1.67</td> <td>1.36</td> <td>2.22</td> <td>1.77</td> <td>1.00</td> <td>1.94</td> <td>17.73</td> </tr> </tbody> </table>	Version	Bangor University	Glyndwr University	Grŵp Llandrillo Menai	Coleg Cambria	Other Commerical Partners	Conwy	Denbighshire	Flintshire	Gwynedd	Isle of Anglesey	Wrexham	Total		£m	£m	1	1.40	0.51	0.75	0.52	2.29	1.17	0.96	1.56	1.24	0.70	1.36	12.46	2	1.99	0.73	1.07	0.74	3.24	1.67	1.36	2.22	1.77	1.00	1.94	17.73										
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2.08	The Corporate Finance Manager (Section 151 Officer) advises that the level of borrowing required to meet the negative cash flow is prudent and provides good value for money in the context of the timely delivery of such a major Project. The additional annual contributions will be built into the budget for 2021/22 as part of the current ongoing work on the budget process and are deemed affordable.																																																				

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT							
3.01	Ways of Working (Sustainable Development) Principles Impact							
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Well-being Goals Impact	
Prosperous Wales	Copies of the impact assessments are included in Appendices 5-7 .
Resilient Wales	
Healthier Wales	
More Equal Wales	
Cohesive Wales	
Vibrant Wales	
Globally Responsible Wales	

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	CONSULTATIONS UNDERTAKEN
4.02	On 7 th of October, 2020 the contents of this report and the documentation was supported by the Executive Officers Group.
4.03	A report and the relevant documents have been circulated to all partner organisations. The covering report and appendices will be presented to all six local authority Scrutiny, Cabinet and Council Meetings.
4.04	A report and the relevant documents will be presented to the NWEAB on 23 rd October, 2020. Please find a copy of the Covering Report in Appendix 8 and the complete documentation is available HERE .

5.00	APPENDICES
5.01	<p>Appendix 1 Overarching Business Plan*</p> <p>Appendix 2 Draft Final Deal Agreement*</p> <p>Appendix 3 A summary of Governance Agreement 2*</p> <p>Appendix 4 Governance Agreement 2*</p> <p>Appendix 5 Future Generations Impact Assessment</p> <p>Appendix 6 Welsh Language Impact Assessment</p> <p>Appendix 7 Equality Impact Assessment</p> <p>Appendix 8 NWEAB Report</p> <p><i>*subject to final edit and proof read</i></p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	See appendices

7.00	CONTACT OFFICER DETAILS
7.01	Contact Officer: Andrew Farrow Telephone: 01352 703201 E-mail: Andrew.farrow@flintshire.gov.uk

8.00	GLOSSARY OF TERMS
8.01	All terms are fully explained in the supporting papers.