

The Rt Hon Simon Hart MP  
Secretary of State for Wales  
Office of the Secretary of State for Wales  
Gwydyr House  
Whitehall

7 February 2020

Dear Simon,

### **City and Growth Deals for Wales**

On 15 January and 23 January 2020 the Assembly's Economy, Infrastructure and Skills Committee received updates on the Cardiff Capital Region City Deal, Swansea Bay City Deal, the Mid Wales Growth Deal and the North Wales Growth Deal. These annual updates follow the Committee's 2017 report 'City Deals and the Regional Economies of Wales'. The Committee has also noted the Welsh Affairs Committee's report on the Deals in November, and is broadly supportive of its recommendations on funding, in particular the proposal for "seed funding" to ease the strain on council finances in developing Deal proposals.

You will be aware that I wrote to your predecessor on 15 February 2019 with questions my Committee had after taking evidence last year. Given the joint nature of the Deals, the Committee is again writing to both governments to seek responses, as appropriate, to points raised during this year's scrutiny:

### **Cardiff Capital Region City Deal**

The Committee was pleased to hear that engagement with Welsh Government and the Chief Regional Economic Officer on the forthcoming



Regional Economic Framework has been good, given the importance of ensuring cohesion and alignment of priorities. However it notes that more engagement with “Senior Ministers” would be welcomed by the Regional Economic Growth Partnership.

Members were pleased to see a healthy pipeline of projects coming forward, and a drive for inward investment and recycling of funding for maximum impact.

In terms of the Deal’s targets for private investment, jobs and GVA, greater clarity is still needed about how responsibility for delivering them should be shared across the different elements of the Deal. Although the levels of funding and targets are broadly comparable to the Glasgow City Deal, £738m of funding for the Cardiff Deal is for the Metro, delivery of which is not the responsibility of the City Deal team. The Committee asked UK Government and Welsh Government about this issue a year ago, and was told that the UK Government was “currently finalising how the 5 year Gateway will be conducted”.

Although the CCR City Deal has had “engaged and productive discussion” over the past year with both Governments, the matter is still not resolved. The Committee again calls on the UK Government to provide urgent clarity on the proportion of the overall targets that the City Deal will be responsible for delivering. The Committee also calls on the UK Government to outline in detail the process which the Gateway Assessment will take and clarify the specific elements of the City Deal that will be included within it..

How the City Deal proposals will interact with the UK Government’s Industrial Strategy Challenge Fund and focus on innovation was also raised during the session. What is the UK Government’s view of how UKRI will formally interact with the CCR City Deal to support its innovation priorities and projects, and how can the Deal maximise opportunities offered by the Industrial Strategy Challenge Fund?

## **Swansea Bay City Deal**

The Committee welcomes progress made since the reviews of the Deal were completed, and the release of the first round of government funding. However, there are still nine project business cases in the pipeline for funding, and as we noted a year ago, it is vital to prevent any further delays to projects for which local authorities are already carrying financial risk. Delays in the approval process are prolonging the amount of time that local authorities carry that risk, and although we were told there is no evidence of the private sector walking away from involvement in projects as yet, this risk must be mitigated.

There is concern that capacity and resource issues for both UK and Welsh Governments may be slowing down the approval of business case submissions. While recognising the challenges for the Civil Service as a result of Brexit and recent changes in Government, what assurances can the Committee have that sufficient resource is now being targeted at evaluating and signing off Swansea Bay City Deal business cases as a matter of urgency? When will the business cases be approved?

## **North Wales Growth Deal**

The Committee is pleased that Heads of Terms has now been signed off and a Programme Office team is operational, but disappointed that there appears to have been lengthy and avoidable delay by both Governments in agreeing the detail of the Heads of Terms, and a lack of guidance that could have helped speed things up. The Committee understands there has recently been good engagement at officials level, and would now like to see more engagement at Ministerial level to move things forward at pace.

Some concerns were raised about different policy priorities between the two governments, and the Committee hopes that the Secretary of State for Wales and Welsh Ministers will seek to minimise the risk of inevitable differences of approach derailing any elements of the Deal.

The North Wales Economic Ambition Board has dealt with five different Ministers over the development of the Deal and said it had “no regular reports on progress”. It is seeking a “well-managed and professional relationship” between the three players involved from now on, and the Committee would welcome assurances from the Secretary of State and the Welsh Minister that this will be put in place.

It is concerning that North Wales Economic Ambition Board has had no response to its request for an additional £20m of funding from each government, following meetings held after the announcement of the proposed £20bn Wylfa Newydd station being suspended indefinitely. Can the UK and Welsh Government confirm when it will announce a decision on additional funding to help address the impact on the region of the Wylfa Newydd situation?

As with Swansea Bay City Deal, the Committee is concerned about the cash flow issue for council funding of projects, and notes concerns about the cost of borrowing needed, and that councils in North Wales may need to extend project completion periods so that income matches expenditure. The North Wales Economic Ambition Board’s written evidence notes that the requirements to develop detailed business cases at an early stage of the programme has required “disproportionate investment by the region, parts of which have been abortive”, saying it would support guidance to minimise the risk of losing scarce council resources in this way. It is vital that both governments ensure that the risk attached to up-front investment in Deal projects is minimised for stretched local authorities. Timely approval of business cases and release of funds is vital. What measures are UK Government and Welsh Government taking to minimise the financial risks to local authorities from their up-front investment in developing Growth Deal projects?

## Mid Wales Growth Deal

The Committee looks forward to the Mid Wales proposition document coming forward, but overall the rate of progress since last January is disappointing. The Committee hopes to see activity ramp up in the coming months. The Deal covers two local authority areas and clearly there is a capacity and resource issue when staff involved in the work are undertaking this on top of their day jobs. The Committee also notes that communication about the Deal is shared between two council websites rather than having a distinct separate 'vision' communicated to potential investors and stakeholders. The Committee was told that there have been verbal assurances of extra revenue support to put together a programme team and add pace to the work. Can the UK Government confirm when that revenue support will be confirmed and how soon will it be released to allow greater resource to be directed at developing the Growth Deal?

The Secretary of State for Wales's response to us on 20 March 2019 said that he would "act quickly" once firm proposals came forward from Mid Wales. Confirmation of funding is vital to the progress of the Deal now, to give confidence to all those involved, and for potential private sector investors. The provision of funding to the Mid Wales Deal also needs to be considered against analysis of the scale of financial risk of losing Common Agricultural Policy Funding: £88m for Powys and £55m for Ceredigion. Can the UK Government give a firm time commitment now of when it will confirm the funding package for the Mid Wales Growth Deal?

The fact that Mid Wales does not have its own separate Learning and Skills Partnership was noted as an issue last year: the Committee was told a separate Partnership is critical to ensure skills and curriculum are aligned to distinct business needs in Mid Wales, to encourage the private sector to set up in the area and to stop 'brain drain'. The Minister for Economy and Transport told us on 15 March 2019 that he recognised the importance of "ensuring that Mid Wales is given a distinct identity within the wider South

West and Mid Wales Regional Employment and Skills Plan”, and outlined actions underway, but the Welsh Minister’s most recent correspondence with the Committee on Regional Skills Partnerships, of 28 January 2020, did not cover this specific point.

There are strong calls for Mid Wales to be recognised as a distinct fourth region for the purposes of regional development, as the Assembly’s Climate Change, Energy and Rural Affairs Committee concluded in its report on the Draft National Development Framework. Can Welsh Government urgently confirm how and when it will address the concerns of those involved in the Mid Wales Growth Deal about the learning and skills partnership support it requires, whether or not it intends to continue with the current three region approach to regional development?

### **General observations across the Deals**

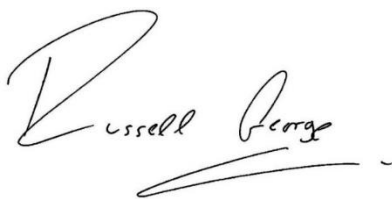
The Committee welcomes the focus being given to understanding and supporting local supply chains and having consistent procurement principles that support the local economy and build economic resilience through Deal activity. It also welcomes efforts to align skills and economic development structures in delivering the Deals, to ensure that projects and clusters can access the appropriately skilled workforce needed for growth. The Committee would also welcome a continued focus on trying to ensure gender balance in the make-up of the bodies established to support delivery of the Deals.

The overwhelming impression is that progress with the Deals has been disappointingly slow. The Committee received assurances from witnesses that the picture will be significantly different in another 12 months. Certainty over funding, support for the programme office functions, and proactive and constructive relationships are all vital. The Committee hopes that the Secretary of State and Welsh Ministers can now work together to remove any

remaining obstacles to speedy implementation of all four Growth Deals, which are so important to the Welsh economy.

As noted above, this letter has also been sent to the Welsh Government's Minister for Economy and Transport to respond to issues that are a matter for Welsh Government alone. I look forward to receiving your response.

Yours sincerely,

A handwritten signature in black ink that reads "Russell George". The signature is written in a cursive style with a large initial 'R' and a long horizontal flourish at the end.

Russell George AM

Chair, Economy, Infrastructure and Skills Committee

CC: Ken Skates AM, Minister for Economy, Transport and North Wales