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Welsh Government

Anna McMorrin MP
Parliamentary Under-Secretary (Wales Office)
House of Commons

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Dear Rebecca and Anna,

Welsh City and Regional Growth Deals

Due to their key objectives as drivers of economic growth, this Committee and its predecessor have taken a keen interest in the four Welsh City and Regional Growth Deals. Following on from work undertaken by the Committee on the Deals in 2023, we decided to seek an update from the deals and stakeholders in the 2025 summer term. The aim of this work was to undertake a quick 'health check' on progress from each of the deals. To inform this work the Committee:

- took evidence on the Cardiff Capital Region City Deal and the Mid Wales Growth Deal on 4 June;
- took evidence on the Swansea Bay City Deal and the North Wales Growth Deal on 26 June; and
- held a public consultation.



This letter sets out a high level overview of the findings from those sessions, highlights some areas of concern and includes some questions the Committee would welcome answers to. Over all it is designed to be a pulse check on the four deals.

North Wales Growth Deal

The Committee has serious concerns about progress with the North Wales Growth Deal. We heard the Deal was significantly behind its targets on both private sector investment leveraged and jobs created. I note that the First Minister shares concerns about the Deal and told Plenary, in July, “we've got to accept the fact that it's been very disappointing, the pace that has been associated with the north Wales growth deal. That's why, as a Government, we are really trying to drive the corporate joint committee that is responsible for delivering on this.”.

Trawsfynydd

The North Wales Growth Deal faces significant challenges. The biggest challenge stems from the decision taken by Great British Nuclear not to pursue Trawsfynydd as a site for the deployment of Small Modular Reactors. In their written evidence Ambition North Wales stated the Trawsfynydd project originally “accounted for 12.5% of the jobs target and 40% of the investment target for the Growth Deal”. Ambition North Wales said they “remain committed to delivering on the original Growth Deal targets, but believe government need to be receptive to considering changes to these targets where appropriate given the changes since December 2020”.

In our evidence session they explained “We've looked at removing the projects that weren't viable within the timescale of the growth deal, and we've also changed how we work that portfolio in terms of having a reserve list. Some projects have been removed completely, some have moved to that reserve list. I think that's really important because it gives us flexibility to be a bit more dynamic in accepting new projects, and also creates an element of competitiveness in that money for those projects isn't ring-fenced until there's a clear business plan in place.”

Targets

Regarding investment Ambition North Wales told the Committee “At the moment, the actual private sector investment is very low—it's £1.8 million. That's before projects are actually in delivery. They are further education or higher education projects, and the level of match funding for them is much lower. Of the other six projects that are due to move into delivery, the investment target is £275 million, and 50 per cent of that would be from the private sector.”

Regarding job creation they told Members they were “Significantly behind the original forecasts” and went on to say “we've only seen 35 jobs created, but that's on the back of only one project in operation and three currently in delivery, so we hope to see a significant increase in that figure over



the next few years, as more and more projects move into delivery." Ambition North Wales explained they felt that "the original [job creation] forecasts at the time of signing the deal were rife with optimism bias in terms of how mature some of the projects were and how quickly they would come into delivery".

Funding

Ambition North Wales also stated there had been issues drawing down the funding for the Growth Deal. In their written evidence they told the Committee they were "disappointed by Governments decision not to award the annual funding drawdown of funding for the second consecutive year, we continue to work closely with Welsh Government and UK Government to increase the pace of delivery on the Growth Deal". In our session they expanded on this saying they were seeking clarity from both governments as "When the letter for the first year came, it was made clear that the funding was still available, and it would just be re-profiled in later years. That sentence was not present in the letter this year, implying that there was a level of risk to that, and that's the ambiguity that we hope to clarify with Governments".

Clarity needed

We accept there have been some challenges with the deal and appreciate the openness and candour of Ambition North Wales when giving their evidence. However, the Committee feels there are serious questions to be asked around both the performance of the Deal and the relationship between the Deal and the two governments.

It is imperative that something is done to ensure the North Wales Growth Deal can fulfil its aim, improve the North Wales economy and that citizens of North Wales can see benefits from the considerable funding allocated.

The Committee was disappointed to hear that Ambition North Wales was having to seek clarity from both governments on whether they would still receive the full £240 million. Given the challenges to delivery that Ambition North Wales is already facing, adding in additional uncertainty as to the funding it will have at its disposal this uncertainty cannot be helpful to anyone. It is vital this issue is clarified as soon as possible.

The Committee is concerned to understand how such a significant amount of the Deal's targets, 40% of the investment target and 12.5% of the jobs, rested on the success of one scheme. Especially as it was far from certain this would come to fruition and the ultimate decision on whether that scheme would proceed was completely out of the hands of Ambition North Wales. The decision making process here needs to be reviewed to ensure lessons are learnt.

Given the target of decarbonise all public buildings by 2030, the need to improve public transport and help households move away from fossil fuels to heat their homes, the Committee struggles to

understand why the Growth Deal members in North Wales are having such difficulty in finding sustainable alternative projects worth £50m.

The Committee recommends the Welsh and UK Governments:

- Ensure they are monitoring and supporting Ambition North Wales to deliver the deal but also that the considerable public funds allocated to the Deal will create the jobs and investment aimed for;
- Set out how they will support and monitor progress with the North Wales Growth Deal going forwards;
- Offer urgent clarity around the funding available to the North Wales Growth Deal; and
- Explore what lessons can be learnt from the Trawsfynydd project failure and its knock-on impact on the Deal.

Cardiff Capital Region

Job Creation

In their evidence session Cardiff Capital Region told us that they were “lagging slightly” on their target to create 25,000 new jobs. The Committee heard that the City Deal, 9 years on from being agreed, had created 1,537 new jobs to date. They said “the direct jobs that have been created are 1,537, of which construction was 1,152. We safeguarded 1,029. Graduate employment through our graduate scheme was 261. There were 93 apprenticeships”. However, they assured Members that they are “more than on track” achieve the target.

Cardiff Capital Region noted that a large proportion of the new jobs would be created as a result of the Metro work Transport for Wales was taking forward using part of the city deal funding, the told Members targets were “shared with Transport for Wales, but we would expect, on the present rate of progress, that it would be more like 27,100”.

When asked about how the job creation target was split between jobs created from the Metro work and the wider Cardiff Capital Region investment fund Cardiff Capital Region told the Committee “there's never been any conscious decision to split the targets. So, it's a question that we have as well: how do these get apportioned and how are they reported on?” Members were surprised to hear there was no clarity for Cardiff Capital Region, or Transport for Wales, as to their responsibility regarding the job creation target.

When asked about the regional spread of jobs created by the City Deal Cardiff Capital Region told Members “we don't monitor that per se, because it's a difficult thing”. They noted that economic

markets don't respect administrative boundaries but "we're trying harder, but it's quite a difficult thing to get to grips with".

Whilst we accept there can be a certain amount of ambiguity around the key beneficiaries of any public sector investment and particularly economic stimulus and that this can make it hard to understand how investments have benefited different areas. However, this is not a unique challenge to this project or Cardiff Capital Region. The Committee is concerned that, without a clear understanding of the geographical impact of support, Cardiff Capital Region cannot plan its work correctly and may inadvertently provide disproportionate favour or neglect different parts of the region.

Regarding job creation the Committee recommends the Welsh and UK Governments:

- Work with Cardiff Capital Region and Transport for Wales to ensure there are clear job creation targets for both the Metro and Wider Investment Fund parts of the City Deal; and
- Ensure Cardiff Capital Region is monitoring as best it can where job creation is being achieved to make sure they are not accidentally disproportionately favouring or neglecting different parts of the Region.

Aberthaw

Cardiff Capital Region has faced significant challenges following its purchase of the former Aberthaw Power Station site. Cardiff Council was the contracting authority for the contract which was awarded to demolish the site. In January they admitted liability in respect of a procurement challenge by an unsuccessful bidder in relation to that contract.

In our session Cardiff Capital Region **informed** the Committee that the legal action had been concluded and had involved a settlement figure of £5.25 million. They said that Deloitte had been commissioned to undertake an independent review and that the findings would be made public, subject to legal caveats. They also **noted** that this presents a reputational risk that they are mitigating "in various ways."

In a **previous session** in September 2023, Cardiff Capital Region explained Aberthaw was going to require serious investment. Referring to the purchase cost of £8.6 million and the £30 million allocated for demolition of the site they told the Committee "£40 million is a drop in the ocean—that won't even scratch the surface in terms of what's needed here. [...] We'll need hundreds of millions of pounds to make this a success and a reality that will benefit the region and local people in the Vale of Glamorgan as well."

In our most recent session they **reiterated** the opportunities they felt the site presented saying it was the project they got the most interest in "not just from UK domestic investors, but internationally, is

absolutely Aberthaw. That's because we've got proximity to the Celtic sea, two national grid substations, 18 million tonnes of pulverised fuel ash, which has a value, which is unique in the UK. We've got data centre providers knocking the door because they know the levels of connectivity they need to drive the compute power for the future."

However, they also revised the required funding considerably saying "we don't have deep enough pockets for what Aberthaw requires... we probably are talking about hundreds of millions, maybe even more than that – maybe bigger figures. But I think the intent is for us to get through the demolition, remediation phase, clear the site and, in the meanwhile, start talking up some of the opportunities that we're starting to build."

We are concerned that the City Deal has purchased the site at Aberthaw and embarked upon a project that will require an as yet unspecified amount of money (possibly more than a billion pounds) in order to make it a success. A significant amount of this money will need to be secured from the private sector, meaning that it is all the more important that Cardiff Capital Region takes all steps possible to mitigate the impact of recent events on investor confidence.

Regarding Aberthaw the Committee recommends the Welsh and UK Governments:

- Seek clarification from Cardiff Capital Region around the latest estimate of the total development costs for the Aberthaw project including where they see this investment coming from and share this information with the Committee; and
- Closely monitor the spending on Aberthaw to ensure there is best value for money and the project does not become an unchecked drain absorbing public money or a project where good money is thrown after bad.

Additional Investment Target

One of Cardiff Capital Region's targets is to leverage £4bn of additional investment in the region. When asked if they were on track to meet this target Cardiff Capital Region told the Committee "It's probably closer to two [billion pounds] at the minute, and that's because we haven't fully expended all of our investment fund or committed it."

This is concerning and the Committee will continue to monitor Cardiff Capital Region's progress on additional investment. I hope both the Welsh and UK Governments also share this concern and will also monitor progress in this area closely.

Swansea Bay City Deal

Progress to date

In our evidence session the Swansea Bay City Region Joint Committee (referred to as the City Deal or the Deal going forwards) told the Committee that they had **made** "significant progress in terms of moving them from the feasibility stage into the pre-delivery stage, and then into the delivery and completion stages." They **told** Members they had "three projects completed to the value of about £113 million. As of the end of 2024-25, we've got six projects completed to the value of £210 million. Nineteen projects are in delivery, with an investment value of £761 million, against 17 projects previously advised, with a value of £415 million. Fourteen projects are currently in pre delivery, with a total investment of £403 million, against the 15 previously in pre delivery, with a total value of £711 million."

They **highlighted** that they had committed all their capital, that 896 jobs have been created and they created £133 million of private sector investment. They said this was "good progress being made."

Support for Port Talbot and Tata workers

The Committee heard that the Swansea Bay City Deal was working to support Neath Port Talbot Council and workers impacted by the closure of Tata's blast furnaces. They **told** Members "we were already delivering the smart manufacturing interventions, we've got the South Wales Industrial Transition from Carbon Hub – SWITCH – project, and the skills and talent project. So, those interventions were ones that were equally helpful, given the impacts of the decisions on Tata Steel. The other projects that we are delivering, obviously, will create, hopefully, opportunities for people to move across, if they do lose their employment with Tata Steel, into other industries, help them to retrain, and, again, we're linked into the programmes that have been set up to help with that. Again, whilst the city deal doesn't provide all of the answers, it is an integral part of assisting, and, again, what we were seeking to do anyway with the city deal should, hopefully, be beneficial to meeting some of those impacts created by the decisions on Tata Steel."

Challenges

The Deal noted two main challenges. One was around the difference between the Swansea Bay City Deal and the Cardiff Capital Region City Deal funding. They **explained** "we don't have the benefit of a growth fund like the capital region has, where it can invest or decide to deploy in different ways into things that it feels are important at this time. So, it's a double-edged sword – some benefits, some challenges."

They also **highlighted** frustration around the way inflation had been handled. They told the Committee "the reality is we've experienced very high inflation that nobody anticipated, and yet there

is no acknowledgment of that in terms of any flexibility of the funding from central or Welsh Government”.

As part of this pulse check, the Committee is broadly content with progress from the Swansea Bay City Deal. Members were pleased to hear the City Deal is supporting the community in Port Talbot and workers who have lost their jobs. However, we would be keen to hear the Welsh and UK governments’ responses to some of the points raised by the deal concerning the challenges they face.

Specifically the Committee would like the Welsh and UK Governments to set out:

- Their views on the different conditions the Swansea Bay and Cardiff Capital Region deals have and any considerations around this they may make going forwards.
- Their position on the effect of inflation on the Swansea Bay City Deal, and the other three Welsh deals, including any additional funding they may supply or mitigation they may make to delivery targets.

Mid Wales Growth Deal

The Mid Wales Growth Deal is the youngest of the Welsh Growth Deals having been finalised in 2022. Growing Mid Wales written evidence to the Committee said “This year has seen the Growth Deal starting delivery in earnest, with investment decisions late in 2024 leading to projects moving into delivery.”

The written evidence from Growing Mid Wales highlighted that the economic landscape in Mid Wales is “uniquely challenged” and suggests that “access to private sector investment is disadvantaged compared to the economic diversity along the M4 and A55 corridors and the English border.”

In the evidence session, Growing Mid Wales told the Committee “we have to demonstrate some clarity of vision and some confidence in order to attract additional investment into the area. So, we don't want to be hesitating; we want to be clear-sighted and we want to be bold and, in that way, we will make sure that we close that funding gap. So, I don't want to mislead you here by showing overconfidence and you thinking that we're arrogant about our approach, but we do need to demonstrate confidence in order to attract investment.”

From a governance perspective the Mid Wales Growth Deal is an outlier. They have made a specific decision not to move management of their deal to their Corporate Joint Committee. Their written evidence states “the transfer of the Growth Deal into the CJC would incur significant costs and implementation challenges (owing to the fact that the CJC is a separate legal entity) and is currently not deemed to be a beneficial step for the region”. This is of course a decision for the local

authorities, however, the Committee will monitor this approach to see if/how it will impact delivery compared to the other Deals. I would also expect the Welsh and UK Governments to do the same.

As the Mid Wales Growth Deal has only just entered its delivery phase it is hard to draw any firm conclusions for the Deal as part of this pulse check. However we are interested to see the if the different approach to governance, i.e. not transferring the Mid-Wales Deal into the Corporate Joint Committee and would be keen to understand the two governments position on that. The Committee will continue to monitor the progress of the Mid Wales Growth Deal.

Regarding the evidence provided around the Mid Wales Growth Deal the Committee would like the Welsh and UK governments to:

- Set out any views the governments have on the decision not to transfer management of the Mid Wales Growth Deal to their Corporate Joint Committee;
- Monitor this different approach to governance from Mid-Wales compared to the other three deals to see if there are any clear advantages or disadvantages between the approaches; and
- Ensure the unique challenges faced by the Mid-Wales Growth Deal, such as economic diversity and access to private sector investment as outlined in their evidence, are factored in to any ongoing work with and support offered by the two governments to the Deal.

Continuity of Political Leadership

The Committee is concerned about the impact of changes in political leadership on the growth deals ability to deliver. Councillor Rob Stewart has been at the helm of the Swansea Bay City Deal since its inception and we feel that having a continuity of political leadership driving a specific vision forward may be one of the reasons that the Swansea Bay City Deal is performing well.

The growth deals represent areas with a plurality of political views and are long term projects set to deliver over the course of multiple local government, Senedd and Westminster electoral cycles. Of course, political leadership will change in that time and this is an important part of democracy. It is also right that new political leaders use all the leavers at their disposal to achieve the commitments they have made to their electorate. However, this creates a tension with the long term nature of the deals and of economic investment more generally.

So, there is a challenge here for all four growth deals – how can they retain a long term vision and corporate memory in order to support their delivery. This is an issue that all four deals will need to face if they are to deliver in the long term.

The Committee believes the UK and Welsh Government and the four deals must grasp this nettle. We recommend:

- The UK and Welsh Government work with the four growth deals to ensure lessons are learnt and best practice is shared to support the deals when transitioning through political leadership changes.

As outlined above, this letter serves to review the current status of the four deals. Since these deals are accountable for a substantial amount of public funding and have notable economic development targets, I would appreciate your response to the points raised and any perspectives you wish to share on the matter.

I have copied this letter to Cllr Charlie McCoubrey, Vice-Chair of the Ambition North Wales; Cllr Mary Ann Brocklesby, Chair of Cardiff Capital Region; Cllr Rob Stewart, Chair of the Swansea Bay City Region Joint Committee; and Cllr Jake Berriman, Leader of Powys County Council.

Yours sincerely,



Andrew RT Davies MS

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English

CC: Cllr Charlie McCoubrey, Vice-Chair of the Ambition North Wales

Cllr Mary Ann Brocklesby, Chair of Cardiff Capital Region

Cllr Rob Stewart, Chair of the Swansea Bay City Region Joint Committee

Cllr Jake Berriman, Leader of Powys County Council