

ECONOMY, INFRASTRUCTURE AND SKILLS COMMITTEE WRITTEN EVIDENCE – CITY DEALS AND THE REGIONAL ECONOMIES OF WALES

Purpose

1. This paper provides written evidence from the Cabinet Secretaries for Economy and Infrastructure and Finance and Local Government on progress with City and Growth Deals in Wales and the contribution they make to the regional economies of Wales.

Background

2. Following the successful signing of both the Cardiff Capital and Swansea Bay Region City Deals progress continues to be made in identifying and delivering the steps to realise the ambitions of these deals, led by the local authorities in collaboration with regional stakeholders. This paper provides an update on progress with the Deals that have been signed, as well as outlining proposals for Growth Deals elsewhere in Wales.

3. City Deals are led by the ambition of local authorities and based on regional collaboration amongst stakeholders, who identify their priorities for intervention to drive sustainable economic growth. The Welsh and UK Governments are co-signatories in the Deals, but the key principle is that the local partners develop and deliver proposals which will create local economic growth.

Cardiff Capital Region City Deal

4. The Cardiff Capital Region City Deal was signed by the local authorities and the Welsh and UK Governments in March 2016. This Deal aims to provide local partners with the resources to unlock significant economic growth across the Cardiff Capital Region, enabling the local authority leaders to make decisions on a regional basis, pool their resources and work more effectively with local businesses.

5. The Deal established an Investment Fund for the Region of £1.2bn over a 20-year period. The Deal seeks to build on the region's sectoral strengths, its high skill base and three successful universities. It provides an opportunity to continue tackling the area's barriers to economic growth by improving transport connectivity; increasing skill levels; supporting people into work; and giving businesses the support they need to innovate and grow.

Impact

6. Over its lifetime, the Cardiff Capital Region City Deal aims to deliver up to 25,000 new jobs and lever an additional £4 billion of private sector investment.

Funding

7. The £1.2bn Cardiff Capital Region City Deal includes funding of £734m for the South Wales Metro, of which over £500m is provided by the Welsh Government, £125m from the UK Government and £106m from ERDF. The

Deal also sees a further £495m (£375m from the UK Government and £120m from local authorities) available to prioritise in line with the objectives of the Deal.

Governance

8. The governance arrangements for Cardiff Capital Region City Deal have been published and agreed by the ten local authorities.

9. The authorities have established a Joint Cabinet to provide the leadership and accountability for the Deal. It will be supported and advised by an Economic Growth Partnership and Regional Business Organisation ensuring the Deal reflects the needs of the private sector and wider stakeholders. A shadow Regional Transport Authority has also been created, to establish strategic priorities across the region.

10. These arrangements also govern the identification and selection of interventions, decision making, risk management and ongoing monitoring, evaluation and reporting, to ensure that the city deal successfully delivers the benefits intended for the region.

Monitoring Arrangements

11. The Cardiff Capital region is working with Welsh Government and the UK Government to develop an agreed implementation, monitoring and evaluation plan.

12. The full allocation of the funding is subject to the Cardiff Capital Region City Deal's successful completion of the Five Year Gateway Reviews, which will evaluate the impact of the Deal's investment of the funding in the five year period up to the Review. The assessments will be underpinned by an independent review of the economic benefits and economic impact of the investments and whether projects developed by local authorities, have been delivered on time and to budget.

City Deal Projects

13. Following the formal ratification of the £1.2bn Cardiff Capital Region City Deal in March 2017 and the local government elections, the region is in the process of identifying, prioritising and agreeing projects and interventions to deliver the ambitions of the Deal.

14. An assurance framework has been developed and agreed by the local authorities, with agreement from both Welsh and UK Governments, to provide a transparent process for identifying, prioritising and agreeing projects and interventions that benefit the whole City Region.

15. The Region has announced its first investment. We welcome the plans to invest £37m to create a world-leading technology cluster in Newport, as the

first project to be supported by this City Deal, which is expected to create more than 2,000 jobs and is backed by £12m of Welsh Government funding.

16. Led by the Welsh Government, delivery of the South East Wales Metro is at the heart of the Deal, including the Valley Lines Electrification programme. The procurement process for the Metro has now commenced and a Memorandum of Understanding has been agreed between the Welsh Government and the City Deal Joint Cabinet which outlines the roles and interactions for the design and delivery of future phases of Metro.

Swansea Bay City Region Deal

17. The £1.3bn Swansea Bay City Region Deal is the second deal in Wales, signed in March 2017. It offers a vehicle for supporting economic growth across South West Wales. The signing of this deal confirms a joint commitment among the four local authorities, Welsh and UK Governments, to work together and fully implement the plans set out in the document.

18. The Swansea Bay City Region Deal is structured differently to the Cardiff Capital Region City Deal. Rather than establishing an infrastructure fund, the Welsh Government, the UK Government and the partners have agreed to jointly fund a series of projects within the themes of Health, Energy, Economic Acceleration and Smart Manufacturing. There are eleven major projects proposed in total. Detailed business cases will now be developed, and will be subject to approval by the Joint Committee and the Welsh and UK Governments. The partners are also developing the governance arrangements to provide strong leadership and accountability for the Deal's successful delivery.

Impact

19. Over the next 15 years this Deal aims to boost the local economy by £1.8 billion and generate almost 10,000 new jobs, attracting £637 million from the private sector.

Funding

20. The Swansea Bay City Deal will be underpinned by a total investment package of £1.3bn made up of £125.4m Welsh Government funding, £115.6m of UK Government funding, £396m of other public sector money and £637m from the private sector.

Governance

21. The proposed governance arrangements for the Swansea Bay Region City Deal are centred on a Joint Cabinet. This approach positions local authorities at the very heart of a Deal. This Deal also proposes the creation of an Economic Strategy Board which will monitor progress with the delivery of the Deal and will provide strategic advice to the Joint Committee on the City Deal. Formal governance arrangements and a delivery model are being

agreed by the four local authorities and will need to be approved by the UK and Welsh Governments.

Monitoring

22. The Swansea Bay City Region will work with the Welsh and UK Governments to develop an agreed implementation, monitoring and evaluation plan in advance of commencing the deal, which sets out the proposed approach to evaluating the impact of delivery.

Growth Deal for North Wales

23. The Welsh Government is continuing to work closely with the North Wales Region and the North Wales Ambition Board to consider how a Growth Deal can best support their ambitions to bring further economic growth.

24. As for City Deals the Welsh Government is committed to exploring the devolution of additional powers and flexibilities to local government where there is a strong case that this could support regional growth.

25. A vision document, 'A Growth Vision for the Economy of North Wales' was submitted to both Welsh Government and UK Government Ministers at the beginning of August 2016 and is an important starting point for the development of a Deal. This vision was agreed individually by all six Local Authorities and the North Wales Business Council which included an agreement in principle to establish a Joint Committee to own and implement the North Wales Growth Bid.

26. In translating this vision into specific interventions that can have an economic impact in the region, we have been clear that partners need to identify a realistic, proportionate package of measures to unlock Welsh and UK Government financial support.

27. We welcomed the UK Government's continued commitment in the March 2017 budget to the North Wales Growth Deal and look forward to considering further proposals with the UK Government in due course.

28. The Welsh Government continues to work with local authorities and regional stakeholders to understand how we can best support their ambitions, including the Economic Ambition Board in relation to their four key work streams.

29. We are also actively engaged with our wider network of stakeholders and partners who can assist in delivering economic prosperity. These include the three North Wales Enterprise Zones, the North Wales Business Council, the Mersey Dee Alliance, Growth Track 360, Cheshire and Warrington Local Enterprise Partnership, alongside other key partners and organisations across North Wales and the wider Northern Powerhouse area.

Growth Deal for Mid Wales

30. We remain committed to working with any area of Wales that wishes to explore how City and Growth Deals might benefit them.

31. Powys and Ceredigion are continuing to develop 'Growing Mid Wales' with the Growing Mid Wales Partnership established in early 2015 as a regional partnership comprising of representatives bodies from across the public, private and voluntary sectors in mid Wales to lead the region's collaborative approach to economic development.

32. The Partnership has established a Framework for Action which sets key priorities for achieving economic growth and prosperity across the region. The Partnership is also working closely with the Marches Local Enterprise Partnership on areas of common interest and has engagement on cross border issues with other bodies in the Midlands area.

33. It is also our expectation that two sets of distinct arrangements would continue under the umbrella of the Central and South West Wales joint governance committee area.

Impact of City Deals on Regional Growth

34. City deals are based on collaboration between local partners to develop proposals for regional economic growth. A key consideration is the provision of a new set of opportunities and responsibilities to local partners and the identification of local economic strengths that provide a base for fostering economic growth. By encouraging partners to work together, the Government is looking to local authorities to consider how the needs of the whole region can be best supported. It will be important that in driving regional economic growth that partners ensure that the benefits are for the whole region..

35. In working with local partners and the UK Government, the Welsh Government has been sensitive to the relationship between the different City Deals and Growth Deals. It is important that the Deals are distinct and are not in competition with one another. This is particularly the case with the Swansea Bay and the Cardiff Capital Region City Deals neighbouring one another. Similarly, developments around the North Wales Growth Deal needs to reflect the specific needs of Wales and the nature of the cross-border economy, including the contribution to the Northern Powerhouse. The Welsh Government has been clear that these regions must work together in a complementary way.

Contribution to Welsh Government Strategy

36. Through its active encouragement of a city region approach to economic development in 2012, the Welsh Government signalled a change in approach to a more regional focus to economic development. This included the establishment of the City Regions Task and Finish Group and its report that recommended the establishment of two city regions in south Wales. These developments are aimed at growing regional economies by empowering each area to develop its own distinct economic identity and specialised sectors. Regional skills delivery remains a key policy focus going forward with Regional Skills Partnerships at the centre. These partnerships are an integral part of the City Deals that have been agreed to date.

37. Our measures for improving our transport infrastructure across all parts of Wales are set out in the National Transport Finance Plan. The City Regions have influenced this transport planning process at both local and national level. This has allowed them the opportunity to identify the key improvements they believe to be important to their regions.

38. Going forward, we have signalled a move to a more regional approach because one of the key challenges we face now is how we refocus and sharpen our approach in a way that will help us to achieve balanced growth across all parts of Wales. Through the White Paper on Resilient and Renewed Local Government, published on 31 January 2017, we set out our proposals to build resilience and support renewal in local government, building on extensive engagement with local government.

39. At the foreground we have set out a new systematic and mandatory approach to regional working as it is at the regional level and in the development of more distinct and focused identities to those economies that we can drive balanced and sustainable growth, through helping each region to develop their own clearly prioritised and specialised sectors.

40. The development of City Deals has demonstrated the impact and potential of regional working. City Deals provide a framework, beyond the City Deal investment, that allows regions to work together to set economic priorities and deliver key functions as a region, including land use planning, skills, transport and economic development.

41. City Deals in Wales have given local authorities the opportunity to drive forward and make a lasting change in how they work together for the benefit of the wider region that they represent. This is aligned with the Government's approach to local government reform.

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