

Ken Skates AM
Minister for Economy and Transport

15 February 2019

Dear Minister,

City and Growth Deals for Wales

On 23 January and 31 January 2019 the Assembly's Economy, Infrastructure and Skills Committee took evidence from those responsible for driving forward the Cardiff City Region City Deal, Swansea Bay City Deal, the Mid Wales Growth Deal and the North Wales Growth Deal. These sessions were to follow up on progress with the development of these four regional Deals, following the publication in October 2017 of the Committee's report 'City Deals and the Regional Economies of Wales'.

These sessions have raised a number of questions for Members about the progress of the various Deals, the way they are being funded and evaluated, and the extent to which activities within the Deals are dove-tailing with wider economic development strategies at Welsh Government and UK Government level. Given the joint nature of these Deals, the Committee decided that it wished to write to both governments to seek responses, as appropriate, on the following points:

Cardiff City Region City Deal

This CCR City Deal has ambitious targets for delivering jobs and leveraging in private sector investment. A large proportion of the £1.2billion Deal is allocated to the Metro, with £495 million allocated to the 'Wider Investment Fund', and the Committee was told that the Gateway Assessment would only be on the impact



of this wider Investment Fund, and within that only looking to evaluate the work being done on the IQE compound semi-conductor cluster, where £38.5m had been invested. *Can the UK Government confirm which elements of the Deal will be subject to the first Investment Fund Gateway Assessment of impact by HM Treasury, and what are the potential implications of that Gateway Assessment for the release of further funds to the Wider Investment Fund?*

The Committee was also told that the goal was to 'recycle' as much of the initial capital funding as possible but that the impact of recycled funds would not be taken into account in the UK Government's assessment of the impact of the City Deal. *Can the UK Government clarify the rationale for this approach?*

The Committee was concerned to hear that the Cardiff City Deal is finding it 'difficult to engage' with the Welsh Government in developing the economic plan for the region. *The Committee would welcome the Welsh Government's response to this suggestion and to hear how integration will be improved in the future with regard to the Cardiff Capital Region's economic plan and the Welsh Government's own plans for the region.*

Swansea Bay City Deal

The Committee noted the importance of a successful outcome of current reviews of the Deal and its governance arrangements. It will be important for the Deal to be given final sign-off as soon as possible to prevent any further delays to projects, for which local authorities are already carrying financial risk.

The Committee was surprised to hear that the Swansea Bay City Deal region is still developing the monitoring and evaluation framework which will set out the proposed approach to evaluating the impact of the City Deal. *The Committee would be grateful if the UK and Welsh Governments could clarify the timescale for finalising this important area of work.*

North Wales Growth Deal

Progress with the North Wales Growth Deal was encouraging with funding having been announced before Christmas, although disappointing that the amount of funding allocated by the Welsh and UK Governments is £100m less than that originally anticipated.

Can the UK Government provide a full explanation of its reasons for unilaterally announcing a funding commitment significantly less than the £170m that was bid for, and whether it intends to review this decision, bearing in mind the Welsh Government's commitment to match any increase made at UK level?



Can the Welsh Government provide a full explanation as to why it decided to match the UK Government's initial offer of £120 million, rather than offering to commit the £170 million that was requested by the North Wales bid?

In light of Hitachi's decision to suspend work on Wylfa Newydd, the Committee wants to understand the impact of this on the North Wales Growth Deal and how projects might be re-prioritised. The Committee has noted publicly its concerns about how other projects in North Wales can fill the gap, as their impact is dwarfed by the growth potential of Wylfa Newydd. *What is the Welsh Government's assessment of how the decision to suspend work on Wylfa Newydd affects what the Growth Deal is trying to achieve?*

Mid Wales Growth Deal

While work had been done to propose joint governance arrangements between the two local authorities in the Growing Mid Wales Partnership, the Committee saw that much more work is still needed to develop and approve detailed business cases for a Growth Deal, with the timeframes for that described as being "tight". While it was assured that cooperation at officer level was effective, it noted the need for this to translate into more frequent meetings at political level and a concrete guarantee of high-level political commitment. The Committee heard about efforts to engage with business across Mid Wales but that further engagement will be hindered until the specifics of projects are known. The weakness for Mid Wales in having a small number of 'anchor' companies could also increase the risk of effort being spread thinly across the region without significant benefit accruing.

Both Council Leaders were keen to see more pace in the development of the Deal, and confirmation of the funding forthcoming from both Governments, particularly in light of the investment of time and effort that was being put into developing the Deal at local level. *Given the resources that have already been directed towards developing the Deal, what further assurances can be given about the timeframe for the Welsh Government and UK Government to agree and announce the funding allocated to the Growth Deal? Are both governments content that the two local authorities are working well together and with sufficient pace, and that both are adequately consulting with the business sector or could be doing more in this regard?*

The Committee noted the Leader of Ceredigion would be meeting with the Welsh Minister for Economy and Transport to address the problem of Ceredigion's colleges not being adequately included in the activities of the South West and Mid Wales Regional Learning and Skills Partnership. *The Minister will*



note the Committee's current inquiry into the role of Regional Skills Partnerships in Wales - can he set out what actions will be taken to ensure that the RSP covering Mid Wales is taking full account of skills needs across the whole of that region?

Questions common across all the Deals:

The Deals are for capital funding, and in recognition of this local authorities and some education bodies are setting aside revenue funding streams to support the Deals and develop the business cases. The Committee also noted efforts were being made to try to build legacy in terms of skills training into what were capital investment projects. *How confident is Welsh Government that there will be a significant legacy created by the capital funding to justify the initial outlay at local level, particularly given the 'drip-feed' approach to allocating capital subject to the results of gateway assessments?*

The Committee asked about how well the Deals were aligned with the Welsh Government's Economic Action Plan and the work of its Chief Regional Officers, and the investment priorities at UK-level being driven by the Industrial Strategy. Members were not entirely satisfied that the linkages between these different strategies were fully identified and being maximised as part of the Deals. *How confident are you that the Deals are aligned with regional and national economic strategies to the maximum benefit of the regional economies they seek to benefit?*

It was identified that there is potential for projects in one Deal area to also provide benefits to an area covered by another Deal (e.g. employment in Mid Wales as a result of the Steel Science Centre within the Swansea Bay City Deal), but despite shared learning between the various Deal leaders, the Deals have geographical boundaries. *Is there a danger that delivering actions at regional level through City and Growth Deals will create 'growth silos' that work against wider efforts by Welsh Government, and indeed the UK Government, to drive economic growth at the national level in Wales, and across the whole of the UK?*

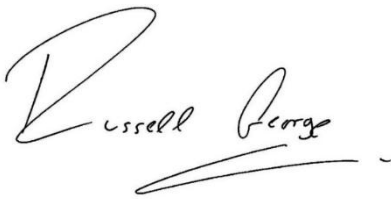
Finally, the Committee noted that a Surrey-based consultancy has been appointed to undertake the rapid review of the Swansea Bay City Deal, and that American multinational engineering firm AECOM was commissioned by the Growing Mid Wales Partnership to produce an Economic Strategy for the region. *The Committee would like to ask both governments what was the rationale for appointing consultants from outside Wales to undertake this work, and what*



thought was given to encouraging bids from within Wales through the procurement process?

As noted above, this letter has also been sent to the Rt Hon Alun Cairns MP, Secretary of State for Wales. 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 long horizontal flourish underneath.

Russell George
Chair, Economy, Infrastructure and Skills Committee

