



## **INQUIRY INTO CITY DEALS AND THE REGIONAL ECONOMIES OF WALES** **Response by the North Wales Economic Ambition Board (NWEAB)**

Over two years ago, the Economy, Infrastructure and Skills Committee of the National Assembly for Wales undertook an inquiry into City Deals and the Regional Economies of Wales.

The committee is now writing to the leaders of the City/Regional Deals who gave evidence to last year's inquiry to find out what has progressed in their region since the inquiry.

This is an update on behalf of the NWEAB.

### **1. Background**

- 1.1. The North Wales Economic Ambition Board is a Joint Committee comprising of all the 6 Local Authorities in North Wales along with the two Colleges, two Universities and the Private Sector.
- 1.2. The Board was established to support the development of the region's economy and has placed considerable emphasis on the successful delivery of the North Wales Growth Deal.
- 1.3. The NWEAB adopted the "Growth Vision for the Economy of North Wales" in September 2016. The vision set out a collective and strategic ambition for North Wales for infrastructure development; skills and employment; and business growth.
- 1.4. The NWEAB developed a Proposition Document, this was adopted during October 2018. The Proposition Document sets out the programmes and projects to be considered for inclusion in the Growth Deal.
- 1.5. The NWEAB approved "A Growth Deal for North Wales – Implementation Plan" during March 2019. The Plan was prepared in the context of the North Wales Growth Vision. The Implementation Plan includes details of the high-level activities that will support the delivery of the Growth Deal, and provides details of the nature of each project funded through the deal; their outcomes and benefits; and the indicative timeline and inter-dependencies between the projects.

1.6. The Implementation Plan along with the Outline Business Cases were formally submitted to both Governments during March 2019. Collaborative feedback have been received on the Outline Business Cases, and Ministerial Challenge Sessions were held in June 2019.

## **2. North Wales Growth Deal**

2.1. The North Wales Growth Deal aims to deliver clean growth, support up to 5% GVA uplift, create up to 4,000 new jobs, generate over £500million direct private sector investment.

2.2. The UK and Welsh Governments have committed a financial envelope of £240 million to deliver 7 Programmes, and 14 Projects in the region.

2.3. The North Wales Growth Deal includes the following Programmes:

- Low Carbon Energy;
- Advanced Manufacturing;
- Land-Based Industries and Tourism;
- Land and Property;
- Skills and Employment;
- Digital;
- Strategic Transport.

2.4. NWEAB and both Governments signed the Heads of Terms Agreement during November 2019. The Heads of Terms confirm the overall investment of £240m by Welsh Government and UK Government to deliver the North Wales Growth Deal.

## **3. Governance**

3.1. The NWEAB formed as a Statutory Joint Committee on the 1<sup>st</sup> of February, 2019.

3.2. Governance Agreement 1 has been developed as the legal framework for establishing the North Wales Economic Ambition Board as a Joint-Committee.

3.3. The Governance model is restricted under the Local Government Act of 1974 and is not ideally suited for how the Board wishes to operate. For example, non-local authority partners cannot be voting members of an Executive Joint-Committee. However, the model is the best one available under current legislation, and there is a full commitment to engage with key partners and work in an inclusive way. This is reflected in the arrangements of the Board to seek to achieve a consensus before any proposal is taken to vote.

- 3.4. Over the coming months we will progress to Governance Agreement 2 which will provide greater detail and incorporate the Heads of Terms Agreement with both Government. It will develop the current governance model to meet the needs of the implementation phase.
- 3.5. The NWEAB is empowered to establish sub-committees. A Transport Sub-Committee is currently in place to co-ordinate regional transport planning and investment, in partnership with the Welsh Government.
- 3.6. A Business Delivery Board has been established, the Board acts as the voice of businesses and employers in the region. It has a role in challenging and advising the NWEAB on matters relating to the Growth Vision and the Growth Deal. We are currently recruiting a Chair for the Business Delivery Board.

#### **4. Programme Office**

- 4.1. A Programme Office has been established to progress the development and delivery of the Growth Vision and Growth Deal. The Programme Office will be led by a Programme Director, who will be accountable to the NWEAB.
- 4.2. The Programme Office will be flexible and agile in its design and operations, and will evolve over time.
- 4.3. 5 appointments have been made to the Programme Office, and all will be in post by January 2020. These roles include the Programme Director, Operations Manager, Digital Programme Manager, Energy Programme Manager and Land & Property Programme Manager.
- 4.4. The NWEAB have submitted a funding application to WEFO to develop the Programme Office through a Team North Wales approach which will deliver the Growth Vision.

#### **5. Funding**

- 5.1. Funding for the Growth Deal will be provided on a flat funding profile over a 15 year period. Given that the projects will be delivered over a much shorter time scale than this to ensure maximum impact for the economy, there is a cash flow issue to be managed. In essence, the Local Authorities could need to manage the accelerated cash flow through borrowing.
- 5.2. The NWEAB is seeking some flexibility in the funding profile, especially in relation to the possible use of increased NNDR from the projects contained in the Growth Deal, as a way of offsetting the additional revenue costs that would

otherwise impact on Local Authority budgets. Additional flexibility to vary the flat funding profile would also help offset the financial burden.

## **6. Business Case Development**

- 6.1. Outline Business Cases are in place for all the 14 projects.
- 6.2. Now that the NWEAB have agreed the Heads of Terms Agreement with both Governments, we will need to progress with the development of the 5 Case Business Models for the programmes/projects.
- 6.3. The Welsh Government arranged Better Business Case training for NWEAB Officers. A number of Officers from all partners attended the training, and successfully achieved the accreditation.
- 6.4. The Programme Managers will lead on the development of the Business Cases, with support from a Quality Assurance Group.
- 6.5. The time scale for developing the business cases will vary from project-to-project.
- 6.6. The Business Cases will be developed in line with HM Treasury Green Book and Better Business Cases methodology. The Business Cases will be approved by Government to confirm that the Programmes and Projects are viable, value for money, sustainable and State Aid compliant.

## **7. Issues emerging from the Growth Deal Development**

- 7.1 A number of issues have impacted on progress with achieving the agreement to the Heads of Terms and the deal as a whole. There are a number of lessons learnt from the North Wales experience that could be helpful to future deals. In particular, the lengthy delay experienced in achieving the final Heads of Terms when most outstanding issues had been agreed, could have been avoidable. Some areas where our experience might usefully help shape future programmes, are detailed below.
- 7.2 **Clarity over process and procedure** – Throughout the process there has been a lack of clarity over the process and procedure to be followed. This has been explained by the comment that it is for the region to determine the projects that best deliver the growth strategy etc. This lack of guidance has however led to a number of delays where an absence of clarity has led to project development taking longer than expected. There have also been delays due to the process of signing of documents being unclear, a lack of clarity over the requirements for project development and complexity of arrangements

generally slowing down the programme. Whilst we understand the bespoke nature of Growth Deals so they can be tailored to the requirements of a region, some outline of processes and guidance on developing the bids would speed up approvals.

- 7.3 **Strategy Alignment** – The lack of alignment between Government policy between Westminster and Cardiff has caused issues on occasions. Whilst a divergence of policy is to some extent expected, the position taken when projects do not neatly align with policy is inconsistent with the intent to develop projects that support growth in the region. The ability to shape project development to meet the economic requirements of the region, even where this may not align neatly with government policy, would have been helpful.
- 7.4 **Funding Levels** – Clarity over the level of funding available to support the deal would have been helpful at the outset. This could have prevented some unrealistic expectations of funding levels for some projects.
- 7.5 **Business Case Expectations** – The requirements to develop detailed business cases at the early stages of the programme requires disproportionate investment by the region, parts of which have been abortive. We recognise the need to have clear and detailed business cases to support the final investment case, however significant investment in up-front development of projects has been needed, with a possibility that expenditure could be abortive. We would support the development of guidance that would minimise the risk of scarce financial resource expenditure being abortive.