

Written Response by the Welsh Government to the report of the Economy, Infrastructure and Skills Committee entitled City Deals and the Regional Economies of Wales

As the Committee recognises, City and Growth Deals offer Wales and our regions an opportunity to unlock additional UK Government funding to support interventions that can deliver economic growth. The Welsh Government has been clear that Deals are not simply project delivery and funding vehicles. They are critical tools in providing a framework that allows regions to drive a new way of collaborative working, setting priorities as a single voice which supports regional economic ambitions and objectives and delivering key functions at a strategic level.

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

Recommendation 1

There is a real danger that the creation of Regional Boards and structures to support them add an additional level of bureaucracy to economic development in Wales. It is vital that Regional Boards are set up in a way that allows them to streamline decision-making rather than increasing red tape for businesses seeking to invest in the area.

Response: Accept

It is not the intention to increase red-tape for businesses or introduce undue governance bureaucracy. We accept the need to streamline decision-making, however we must ensure there is full accountability of the public money being spent. Both City Deals in Wales are therefore underpinned by robust processes, but supported by governance to ensure the full engagement of wider stakeholders, including businesses seeking to invest in the area.

Working with the Welsh and UK Governments, the governance ensures the ambitions are realised and provide Government with the assurance that the authorities can deliver their plans and be held accountable for their success. Regional Boards play an important role in providing transparent, collective decision-making for the benefit of the region.

City and growth deals have a strong role to play in our regionally focussed approach to economic development. Our regional economic approach will ensure the different players in our economy - from the emerging City Deals and local government reform structures, to the new Development Bank of Wales and Regional Skills partnerships – work together on a clear footprint with businesses and other partners in a new, strategic and more collaborative partnership to support distinctive regional strengths.

Financial Implications – None. The governance costs of the Deals will be met from within existing budgets.

Recommendation 2

Governance arrangements for the Welsh Deals should ensure that the people of Wales can scrutinise who is responsible for decisions, what the deals are expected to achieve, where and how money is spent, who is accountable for outcomes, how they fit in to Welsh and UK strategies, and what happens if targets are not met.

Response: Accept

City Deals require local authorities to put in place robust governance arrangements at the outset and account for delivery at regular intervals. As we continue to work closely with the regions, we are actively considering how they can improve their governance and accountability arrangements in a way that promotes transparent decision making.

Whilst we are aware that Deal partners consider and take decisions on commercially sensitive issues, it is important that both City Deals continue to work closely with partners and stakeholders. Local authorities are also democratically accountable to their electorate for their use of public funds and will need to ensure it is clear to stakeholders and the public where responsibility and accountability for decisions lies.

It is the intention for Welsh and UK Government officials to put in place mechanisms to monitor delivery of the City Deals and to provide assurance that the Deals are progressing as planned.

Financial Implications – None. Financial implications for monitoring Deals will be met from existing budgets.

Recommendation 3

All Deal partners should work to ensure there are clear expectations for the initial Gateway Assessment and understanding of what success and failure look like. This should also apply to subsequent assessments.

Response: Accept in principle

The Welsh Government will continue to work closely with Deal partners and will ensure individual local authorities are supported during the review processes, reflecting the specific requirements of each Deal.

Continuation of Government funding for the Cardiff Capital Region City Deal will be subject to satisfactorily passing 'Gateway Reviews' at 5 yearly intervals, ensuring full accountability of the public money being spent by the region. As part of this gateway assessment, an independent review will evaluate the economic benefits and economic impact of the investments

made under the scheme, including whether the projects have been delivered on time and to budget.

Preparations are already underway for the independent review of the Cardiff Capital Region City Deal, giving the region early sight of the expectations of the Review. This gateway assessment process is being developed on a consistent basis with other similar UK City Deals, with the Cardiff Capital Region fully engaged in developments.

However, the Swansea Bay City Deal includes different arrangements to monitoring delivery rather than a formal Gateway Assessment. In line with other similar UK project based Deals, the Swansea Region is working with the Welsh and UK Governments to develop an agreed implementation, monitoring and evaluation plan which will set out the proposed approach to evaluating the impact of delivery. This will be publically available.

Financial Implications – None. Financial implications for monitoring Deals will be met from existing budgets.

Recommendation 4

Deal leaders in Wales should draw up contingency plans to consider how they would adapt their plans for the second five year block, if funding from the UK Government was not forthcoming.

Response: Accept

City deals involve local partners taking responsibility for driving sustainable economic growth across their region, being accountable for their success and managing the associated risks. Responsibility for delivery of the Deal is therefore on Deal partners and they must ensure they proceed as expected during each phase to ensure funding continues.

We therefore agree with the Committee that their contingency plans feature their response if funding is not forthcoming, but their plans should also detail their response to other scenarios. As there are a number of things that could change over the lifetime of the Deals, the requirement that Deal partners manage the funding within standard financial management practice includes scenario planning.

The governance of the Government funding within the Cardiff Capital Region City Deal is set out in the funding terms and conditions letter issued to the region and in the agreed governance arrangements for the Deal. The governance of the Government funding in the Swansea Bay City Region City Deal is being developed on a consistent basis.

Financial Implications – None, there are no additional financial implications for the Region above the existing terms of the Deals.

Recommendation 5

The North Wales Growth Deal negotiators should continue to work constructively with partners and neighbouring authorities both within Wales and across the border to ensure there is effective collaboration on infrastructure and training opportunities.

Recommendation 9

The Welsh Government should continue to support plans for a North Wales Growth Deal and use the influence it has to accelerate this process.

Response: Accept

The bid for North Wales was formally submitted to the Cabinet Secretary for Economy and Transport and the Secretary of State for Wales last month. We welcomed the UK Government's continued commitment in the 2017 Autumn budget to a growth deal for North Wales and both Governments will continue to work closely and constructively with local authorities and regional stakeholders to help bring forward and shape a growth deal to deliver the ambitions for the region. This could include maximising links such as on infrastructure and sectoral opportunities with regions in England, and also maximise strategic links with Ireland. However it remains important that partners identify a realistic, proportionate package of measures.

Financial Implications – No additional costs to accepting this in principle. Funding for the Deal is subject to a Deal being agreed between the Region and the Welsh and UK Government's.

Recommendation 6

As tools are established to measure the effectiveness of City Deals, it is important that the responsibilities on Public Authorities under the Well-being and Future Generations Act are taken fully in to account in Wales.

Response: Accept

As public authorities bound by the Well-being of Future Generations Act, we expect local authorities to account for their responsibilities under the Act in the development and delivery of City and Growth Deals. For example during the development of governance arrangements for the Swansea Bay Region City Deal, the region has engaged with the Future Generations Commissioner for Wales to ensure their proposals reflect the long term focus of the Act.

By their design, City and Growth Deals align with the sustainable principle within the Future Generations Act. At their heart is an integrated long-term vision developed by the region, for the region. In delivering the deal the regional partners need to collaborate together, involving wider regional stakeholders to address the challenges of the past, in a way that prepares the economy of the region for the future.

One of the principles behind all the city and growth deals is that the benefits will be spread across the region. In practical terms this means that

governance arrangements are developed and potential projects chosen to demonstrate regional benefits as well as addressing regional inequalities.

Financial Implications– None. Financial implications for monitoring Deals will be met from existing budgets.

Recommendation 7

The Welsh Government should put a duty on regional bodies to promote economic development/inclusive growth, with a discretion to spend a substantial amount of funding whether from Welsh Government, or raised within the region.

Response: Decline

While we don't dissent from the objectives of this recommendation, Local authorities already have a number of powers and duties as individual bodies in relation to economic development, strategic transport and land-use planning. They are subject to the duties placed upon them by the Well-being of Future Generations Act and many local authorities are already collaborating for the benefit of economic development in their regions through City Deal and other arrangements.

As part of our proposals for local government reform, the Welsh Government is already considering how we can bring a greater regional focus to certain services and functions including economic development. This process is intended to better align interventions to the different economic needs of each region of Wales and help ensure all parts of the country benefit from economic growth.

We will also be legislating to provide local government with a General Power of Competence which will provide local government with a broad power to act in the best interest of their communities and this could include promoting economic development. We have seen no evidence that local authorities require a 'duty' to promote economic growth: they do so all the time, as the City Deals demonstrate. We have set out our expectations that economic development must be a responsibility undertaken at the regional level.. The General Power of Competence will unlock any obstacles to spending money or other resources for this purpose.

Through the Economic Action Plan, the Welsh Government will work with regions in a way that best meets their economic requirements. We have begun developing stronger regional partnerships as well as re-shaping the advisory structures and business funding support processes to make them simpler to understand and more focused on delivering on our shared goals. Three Chief Regional Officers have also been appointed in North Wales, Mid and South West Wales and South East Wales to work with people and business across their regions to drive growth.

Financial Implications – None.

Recommendation 8

All Partners should work to ensure that the monitoring mechanisms for Deals allow for early lessons to be learned about the most effective way to structure future regional investment in Wales so that adjustments can be made in the face of changing circumstances over a 15-20 year timescale.

Response: Accept in principle

We accept that Deals in Wales should provide an opportunity to shape future regional investment in Wales and should include a degree of flexibility to adapt in the face of changing circumstances. Both City Deals in Wales are shaped around the economic analysis of the respective region, produced by the local authorities and partners and their proposals for how they could improve the economic performance. They therefore have solid foundations and a strong basis to achieve their ambitions.

However City Deals are long term investments and involve local partners taking responsibility for driving sustainable economic growth across their region. The true impact of the investment can only be evaluated in the longer-term. Whilst there are mechanisms in place to monitor progress during the lifetime of the deals, it is not considered that an accurate picture of the Deal's performance could be made in the immediate term. To do so, may lead to misleading conclusions and inaccurate adjustments to the investment.

Financial Implications – None. Financial implications for monitoring Deals will be met from existing budgets.

Recommendation 10

Regional boundaries – both for Growth Deals and the Welsh Government's broader Economic strategy – should be as flexible and "fuzzy" as possible, to allow communities close to the boundaries to choose how they engage with planning for economic growth. This would mean a Welsh local authority, or private sector partner, could choose to engage with more than one "region".

Response: Decline

We aim to have a flexible approach and recognise the economic and social links that exist across local authority boundaries, such as between Ceredigion and Gwynedd or Neath Port Talbot and Powys. However the priority must be for clear governance and accountability arrangements, which requires clearly understood regional boundaries.

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. The Welsh Government has also been clear that these regions must work together in a complementary way. The links

between economic regions in Wales will be cultivated and this will form part of the role of Chief Regional Officers, responsible for leading each of the three regions.

Our approach to regional economic growth involves building partnerships and commitments which will deliver more for the region than individual bodies could on their own. Regions therefore take a strategic approach, prioritising where they invest their efforts in effective, long-term partnerships and relationships. Our regional focus is also aimed at making engagement with the private sector and other partners more straightforward, enabling businesses to invest more strategically and in a more focused way – something which we recognise larger private concerns have been calling for.

Financial Implications – None.

Recommendation 11

There should be a Growth Deal for mid Wales. The Welsh Government and Growing Mid Wales must engage with a wide cross section of communities between the Valleys and the A55 corridor, and along Wales' west coast, to decide what practical measure should be included in the Deal, and what footprint would be most effective to achieve those aims.

Response: Accept in principle

We remain committed to working with any area of Wales that wishes to explore how City and Growth Deals might benefit them. We welcomed the UK Government's commitment to explore a growth deal for Mid-Wales in the Autumn 2017 budget and would welcome details from the Growing Mid Wales Partnership on how a Deal could grow the economy of mid Wales.

However, it should be noted that the geography described by the Committee includes areas already within the North Wales Growth Deal area. In line with the response to Recommendation 10 while we recognise a need for a flexible approach, the priority must be for clear governance and accountability arrangements, which requires clearly understood regional boundaries.

A thriving rural economy is fundamental to providing quality employment opportunities for people and help to secure the Welsh language in some of its heartlands in rural Wales. As part of our Economic Action Plan, we will ensure rural interests are protected and feature strongly. We will engage with the Welsh Local Government Association, rural businesses and others to consider the most appropriate means of supporting economic development in Mid and West Wales.

This includes encouraging regional collaboration to develop a growth deal proposal. This engagement will tie in closely with work to prepare rural areas for the challenges and opportunities of exiting the EU and the planning of investment streams once the UK no longer participates in EU funding

programmes. We are actively setting out the case for sustaining levels of structural funding after we leave the EU in our paper – Brexit and Regional Investment.

Financial Implications – No additional costs to accepting this in principle. Funding for the Deal is subject to a Deal being agreed between the Region and the Welsh and UK Government's.

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