

NEWTOWN Y DRENEWYDD

Economy, Infrastructure and Skills
Committee

City Deals and the Regional Economies of Wales

November 2017



National Assembly for Wales
Economy, Infrastructure and Skills Committee

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The Committee was established on 28 June 2016 to examine legislation and hold the Welsh Government to account by scrutinising expenditure, administration and policy matters, encompassing (but not restricted to): economic development; transport; infrastructure; employment; skills; and research and development, including technology and science.

Current Committee membership:



Russell George AM (Chair)
Welsh Conservative
Montgomeryshire



Hannah Blythyn AM
Welsh Labour
Delyn



Hefin David AM
Welsh Labour
Caerphilly



Vikki Howells AM
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Cynon Valley



Mark Isherwood AM
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North Wales



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Plaid Cymru
Carmarthen East and Dinefwr



David J Rowlands AM
UKIP Wales
South Wales East

Contents

Chair's foreword	5
Recommendations.....	6
01. Introduction.....	8
02. Governance, funding and strategy	10
03. City Deals and the Welsh Government's economic strategy	14
04. The Four Regions of Wales.....	21
Conclusions	31

Chair's foreword

Over the next 10-15 years, £2.5bn will be heading to the Cardiff City Region and Swansea City Region as part of city Deals signed by the UK Government, Welsh Government, local authorities and other partners.

The North Wales Economic Ambition Board is leading the charge for a similar arrangement in North Wales. In Mid Wales, thoughts are turning to what this means for that area, and whether they too need a "deal" – the Committee recommends that they should.

These new deals are re-shaping the economic development priorities of South Wales, and have the potential to do the same for the rest of Wales.

As a committee we wanted to see what impact these deals were having, how they are progressing, and to compare the Welsh deals with what is happening in other parts of the UK.

If deals are to be a key driver of future economic activity in Wales, then we need to ensure there is clarity about what is happening, who is responsible for the plans, and what happens if targets aren't achieved. We need greater certainty that meeting the UK Government's drive for GDP growth, and the Welsh Government's ambitions for a sustainable economy can both be achieved at the same time.

Our inquiry revealed concerns about whether any positive impacts of deals would reach the most disadvantaged in an area – and whether competition between regions could see some places prosper at the expense of others. It is heartening to see that leaders of the deals are mindful of these issues, and there is some evidence of collaboration between Welsh regions – but it is not clear whether that will be enough to ensure that deals can avoid the creation of winners and losers.

Deals are at an early stage, and the tailoring to local needs at the heart of deals make it difficult to learn conclusive lessons from other places. But a constant refrain has been the need for partnership around an agreed vision for the region. This element of the city deals has already occurred and will need to be sustained. The financial sums involved in deals are less significant than they appear at first glance given the long lifespan – but the potential gains from collaboration between sectors, and the development of strategic development goals could prove to be both the foundation stone, and lasting legacy of the City Deal approach.

We are grateful to all those who gave their time and expertise to this inquiry. In particular the staff of the Glasgow City Deal, FSB Scotland and RSPB Scotland who generously welcomed us to Scotland's largest city.

Russell George AM
Chair, Economy, Infrastructure and Skills committee

Recommendations

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. Page 11

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. Page 12

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. Page 13

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. Page 13

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. Page 18

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. Page 19

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. Page 19

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. Page 26

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. Page 28

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”. Page 29

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..... Page 30

01. Introduction

1. City and Growth Deals have become one of the main tools for driving economic activity in the UK in recent years. A process that started with the major urban centres of England (outside London) has grown to include most of the large population centres across the UK.
2. By their nature, these deals are unique to the area they spring from, and there is a great deal of variety in their scope and ambition.
3. In light of the city and growth deal activity that is taking place in each of the four economic regions of Wales, the Committee wanted to take the pulse of what is happening and how these regional proposals and deals fit together with the economic strategies for Wales and the UK.
4. To assist with its inquiry, the Committee issued a consultation from 5 April to 3 May 2017 seeking views on any or all of the following points:
 - The current position with regard to the signed Cardiff Capital Region and Swansea Bay City Deals and the next steps planned to take them forward.
 - The intended impact of the City Deals and the way in which this will be governed, funded and monitored.
 - The potential benefits offered by a possible Growth Deal for North Wales.
 - The extent to which a similar growth deal approach could be of benefit to Mid Wales.
 - The degree to which the growth and city deals could solve or exacerbate existing inequalities, both within and between regions.
 - The degree to which the growth and city deals co-ordinate with Welsh Government strategy.
 - The Committee would also welcome comparative views on approaches taken by other growth deals and regions across the UK.
5. In addition to the written evidence, the Committee also undertook a visit to Glasgow on 15 June 2017 to see what lessons had been learned from their City Deal process, and what impact the Deal was having in that area.
6. The Committee also took oral evidence at public meetings in June and July, including leaders of each of the regions and the Cabinet Secretaries for Finance and for the Economy. We also received written evidence from the Secretary of State for Wales on behalf of the UK Government.
7. This report uses the word Deal to refer to both City Deals and Growth Deals. The definition used by the UK Government is set out below for clarity.

“A City Deal is an agreement between Government and a city or city region. It gives the city and its surrounding area certain powers and freedom to:

- take charge and responsibility of decisions that affect their area
- do what they think is best to help businesses grow
- create economic growth
- decide how public money should be spent

A Growth Deal is very similar in purpose, but is less geographically restrictive.”¹

¹ Written evidence from the Secretary of State for Wales

02. Governance, funding and strategy

Overview

8. The **Cardiff Capital Region City Deal** was agreed by the UK Government, Welsh Government and the ten local authorities within the city region in March 2016. There will be a £1.2 billion Investment Fund, which will be invested in a range of projects over a 20 year period. Of this, £734 million will be allocated to the South Wales Metro² and £495 million to other projects to support economic growth potentially including further transport schemes; investment to unlock housing and employment sites; and development of research and innovation facilities. Devolution of powers to the city region is being considered by the Welsh Government, with potential powers including devolution of business rates income agreed at a level to fund projects; the ability to levy an infrastructure supplement; local authorities being able to use alternative finance sources; and allowing Welsh Government grants around school support and mitigating poverty to be pooled at the regional level.

9. The **Swansea Bay City Deal** was agreed by the UK Government, Welsh Government and Swansea Bay City Region Board in March 2017. It will provide £1.3 billion of funding over 15 years, of which £637 million is from the private sector, £241 million from the Welsh and UK Governments and £396 million from other public sector organisations. The theme is the “Internet Coast”, and the City Deal covers projects across Swansea, Neath Port Talbot, Carmarthenshire and Pembrokeshire. These come under four themes, the Internet of Economic Acceleration; the Internet of Energy; the Internet of Life Science and Wellbeing; and Smart Manufacturing.

10. The Chancellor of the Exchequer stated in **the UK Government’s budget in March 2017** that the UK Government looks forward to receiving the proposals for the North Wales Growth Deal. The North Wales Economic Ambition Board published the **Growth Vision for the Economy of North Wales in September 2016**, which sets out plans to improve productivity, competitiveness and growth in North Wales. This will aim to improve the region’s infrastructure, improve the skill base and grow employment and support business growth and innovation. At time of writing, there is no clear timeline for progress.

11. There is currently no deal nor proposal for a deal for the Mid Wales region, although the Growing Mid Wales partnership is doing work in this space.

Governance

12. Informal governance structures were formed in Cardiff Capital Region and Swansea Bay in order to bid for City Deals and these are in the process of formalisation in to Regional Boards with representatives of each of the councils. In North Wales the provisional plan is to establish a board/joint committee of local authority representatives, but also with co-opted representatives of higher and further education, and the business community.

13. Wales TUC argued that it is important for a formalised approach to be developed to deliver the city deals that includes trade union representation, a position supported by Federation of Small Businesses Wales (FSB Wales). As local authorities will have less autonomy as a result of sharing responsibilities at the regional level, Wales TUC argued that checks must be put in place to ensure that interest groups are not able to disenfranchise communities or “place profit before people”.

² The Welsh Government describes the South Wales Metro as “a new transport system that will transform the way we travel around the Cardiff Capital Region. It will provide faster, more frequent and joined-up services using trains, buses and light rail”. <http://gov.wales/topics/transport/public/metro/?lang=en>

14. Concerns around the transparency of City Deals resulting from these governance arrangements have also been raised by a number of respondents. The Bevan Foundation and Joseph Rowntree Foundation state that the processes used to arrive at the deals, engagement with partners and how partners might become involved in future are all unclear. This point is supported by FSB Wales, who stated that “some elements of the proposed governance structures within the Deals are complicated and need to be better explained to external stakeholders to engender trust and confidence”.³ This view was amplified by FSB Scotland during the Committee’s visit to Glasgow.

15. The Open University called for transparent processes and relationships to be a priority, in order that the public can understand how funding and other decisions have been made. Merthyr Tydfil Heritage Trust noted during the written consultation that it had had no indication of how the Cardiff Capital Region City Deal will impact upon Merthyr Tydfil, and that there had been little communication at local level. Colegau Cymru told us that the FE sector had been involved in the Swansea Bay City Deal but not the Cardiff deal, that there are concerns around transparency for all deals and potential deals, and that the provision of information has been sporadic in some cases.

16. The State of Liverpool City Region Report: Making the Most of Devolution, published in January 2016, highlights that the transparency issue is not unique to the Welsh Deals.

“The city region needs to establish greater clarity about the relationship of the local authorities, the Combined Authority, the LEP and the private sector more generally. At the moment there is too much public uncertainty about who does what and who is responsible for what. The LEP will need to be clearer about its future role, leadership, capacity and priorities.” – The State of Liverpool City Region Report⁴

Conclusion 1. The frequency of concerns around transparency, and the acknowledgement from Deal leaders that more could be done in this area, shows the need to ensure more transparent working in the future.

17. The Open University has suggested that the mechanisms to identify skills needs of the deals may duplicate similar mechanisms already in place. While the North Wales Economic Ambition Board is part of the North Wales growth deal arrangements, the Open University considers that clarity is needed on the roles of the South West Regional Learning Partnership and the Learning, Skills and Innovation Partnership in regional skills delivery. FSB Wales also state that where governance structures are set up as a result of growth and city deals then it should be considered how this can benefit economic development by avoiding duplication.

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.

18. FSB Wales also noted that it was unclear how small businesses will be represented in the governance arrangements for growth and city deals, and highlighted the need for properly resourced engagement with businesses beyond formal representative committees.

³ Written evidence

⁴ [The State of Liverpool City Region Report: Making the Most of Devolution \(PDF\)](#)

19. Across the UK many of the pioneer areas developed or already had a directly elected Mayor with responsibility for economic development. In other areas, the deals have been private-sector led or in conjunction with the Local Economic Partnership (LEP).

20. Wales has neither LEPs nor directly-elected Mayors. So the governance model in Wales will be different. The involvement of the devolved governments – and the need to accommodate their strategies and responsibilities – is an additional consideration in Wales and Scotland.

21. Both Cardiff and Swansea have built deals around a decision-making regional cabinet including representatives of its partner authorities. Glasgow is already some way down this route.

22. Cardiff Capital Region is currently developing an office to support the board and provide administrative support. Swansea Bay Region is developing arrangements for its joint board. This will include a Joint Committee of the four local authority leaders within the City Deal who have ultimate responsibility and accountability for decision making, who are supported by an Economic Strategy Advisory Board, a Programme Board and Thematic Sub-Committees. North Wales is proposing a joint committee of Local authorities with co-opted representatives from business and education.

23. The Committee questioned Cabinet Secretary for Finance Mark Drakeford on the trade-off between transparency and speed in setting up the deals. He said:

“I am saying that there were questions that people have raised that are legitimate to be raised. In a way, I think the more important question is about making sure that, once the deal is done, the way that decisions are made from now on and the way that the deal is implemented, there is a very clear set of arrangements that offer people transparency and that the people who have an interest in the way these decisions will be made are able to see as clearly as you can where those responsibilities lie and how they will be discharged.”⁵ – Mark Drakeford AM, Cabinet Secretary for Finance and Local Government

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.

Funding

24. In essence, Deals are a way of getting additional UK Government investment to an area, but that investment is conditional on targets being reached. The headline figures for UK Government investment are aggregated over the life of the deal, but are only guaranteed for the first five years. After that, Deals will go through five yearly “Gateway Assessments” which will “unlock” the next slice of funding.

25. In his written evidence the Secretary of State for Wales notes:

⁵ Para 139, 21 June 2017

“These will be held at 5 yearly intervals throughout the deal term and will ensure that there is an appropriate balance between local freedom to deliver and proper scrutiny and accountability of public money.”⁶ – Alun Cairns MP, Secretary of State for Wales

26. While Deal leaders are naturally upbeat about achieving their targets at this stage, it is unclear to the Committee how the Gateway Assessment will work, and what consideration would be given to wider economic trends.

27. An area of concern identified by Colegau Cymru is that City Regions may be impacted by economic circumstances which they have no control of, such as any negative impact that may potentially result from Brexit. If an Investment Fund Gateway is not achieved to unlock central government funding, then it will be the responsibility of individual local authorities to manage the financial impact of this from their own 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.

28. The Committee notes that there is clearly a risk that funding beyond the initial five year deal might not be forthcoming from the UK Government if its targets were not being met. If this money is underpinning essential developments within a region, it would be prudent to ensure some hedging of this risk.

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.

⁶ Written evidence from the Secretary of State for Wales

03. City Deals and the Welsh Government's economic strategy

Effect of growth and city deals on inequalities within regions

29. Colegau Cymru highlighted concerns that areas on the periphery of City Regions should have their needs taken fully into account to ensure that benefits do not just accrue to the main city within City Deals, i.e. Cardiff and Swansea. They express concern that the City Deals may “hollow out” the populations of nearby towns through convergence of skills and human capital, and that spreading prosperity throughout the City Regions is crucial. They also argued that not all parts of cities benefit equally - in Greater Manchester, which is often cited as an example of a successful City Deal, they state that not all parts of Manchester have benefitted equally as some areas of Manchester remain in the 10% most deprived areas in the UK.

30. The Committee heard the importance of spreading prosperity westwards in the proposed North Wales Deal and of extending opportunities to the northern valleys in the South Wales Deals.

31. Addressing this point the Cabinet Secretary for Economy and Infrastructure told the Committee:

“I recognise that concern, and I’ve talked about the need to ensure that we have connected infrastructure to avoid that. It’s also important that the provision of skills training is fairly rolled out, right across communities, so that everybody has an opportunity to be skilled in those areas where city deals are going to be focused at a sectoral level. It’s imperative that we don’t see city deals create wealth in Valleys communities and some of the peripheral communities just by virtue of trickle-down economics.”⁷ – Ken Skates AM, Cabinet Secretary for Economy and Infrastructure

32. The Bevan Foundation and Joseph Rowntree Foundation argued that the intended impact of the two City Deals is too narrow, just focussing on increased GVA and more jobs. They believe that the aim should be that everyone in all parts of city regions benefits from inclusive growth, and that the current plans for Cardiff and Swansea do not achieve this. Therefore they argued that the focus should be on better jobs, local jobs and economic growth, supporting people to get into work and boosting skills. This would stimulate improvement by generating growth in Wales’ most disadvantaged areas and raising skills of people with relatively few qualifications as well as maximising economic potential at the top end of the spectrum.

33. In a [blog article in December 2016](#), the Future Generations Commissioner for Wales stated that:

⁷ Para 277, 5 July 2017

“Pursuing prosperity in terms of GVA alone does not result in inclusive growth – certain sections of the public or certain geographical areas could benefit but there could be little change for those in greatest need. The question to ask is what difference will this make to Donna the single mum from the Valleys, her children and her grandchildren?”⁸ – Sophie Howe, Future Generations Commission for Wales

34. She argues that city deals must prepare for future generations by ensuring that people have the skills required for the economy of the future and to address challenges such as climate change.

35. Responding to this, Cabinet Secretary for the Economy and Infrastructure Ken Skates said:

“City deals in their own right won’t tear down barriers, giving people access to employment, nor will they in their own right create the conditions for every community to be prosperous. They contribute to a wider agenda that I believe Welsh and UK Government will agree on, which is wealth-creating opportunities. But in order to ensure that Donna and her children have the best possible opportunities to benefit from the city deal, we also have to take into account some of the wider Welsh Government, in particular, programmes to upskill the population, to give people support in order to get into work and to give people access to reliable and affordable public transport. But I think, also, there’s a piece of work that, fortunately, is being done by the Cardiff capital city region to look at bringing together some UK Government activities concerning support for people who are unemployed, perhaps through ill health, and I think that that, again, is going to be crucially important to help those who are, if you like, furthest to reach or are people who would otherwise be left behind as the city regions prosper.”⁹ – Ken Skates AM, Cabinet Secretary for the Economy and Infrastructure

36. Wales TUC argued that it is crucial that City Deals do not exacerbate inequalities by encouraging the market to develop more quickly in its existing manner. To avoid this, the “City Deals must work to protect and improve living standards of those disadvantaged by economic inequality within regions” as well as boosting GVA growth. Wales TUC highlighted the importance of improving the quality of jobs in local labour markets, and cited the Welsh Government’s delayed Employability Programme as playing a key role in this. The theme of skills investment is also taken up by Colegau Cymru, which notes that investment in physical capital needs to be matched by investment in human capital, such as through using procurement clauses to support skills development opportunities.

37. On infrastructure investment, Wales TUC calls for City Deal investment to be targeted at communities in need of greatest support, and states that the City Deals should look at projects such as the South and North Wales metros as opportunities to deliver fairer work and create better jobs, closer to home.

38. The WLGA notes that city and growth deals should not be seen as the only way of reducing inequalities within regions, and that other complementary activities should also do this. However, it also calls for measures such as community benefits clauses in contracts and “establishing links –

⁸ www.iwa.wales/click/2016/12/better-city-deal-future-generations/

⁹ Para 286, 5 July 2017

physical, ICT, skills – between deprived areas and areas of opportunity”.¹⁰ The North Wales Business Council also supports this view, stating that:

“A Growth Deal cannot though (at least not in its first iteration) become a silver bullet for low GVA and deprivation.”¹¹

39. The Committee questioned Cabinet Secretary Mark Drakeford on whether the city deals would be able to drive growth in deprived areas. He said:

“I think the people who came round the table to make those deals were very, very alert to those points. So, you’ve heard directly from some of the local authority leaders. ... when I’ve been out meeting the leaders of other Valley authorities, the fact that this has got to be a deal that spreads prosperity and has its impact in their localities has absolutely been part of their thinking from the very beginning. So, that’s not to say that this is easy to bring off. We know there are long histories of trying to achieve these things, and lots of money and lots of effort have gone into it. I’m not for a minute wanting to suggest to you that there’s some sort of easy answer to them, but what I am confident of—and I think you might be heartened by—is that the questions that you were asking me will come as absolutely no surprise to the people who have been involved in the deal because they’re really determined to make sure that the deal’s operating that way. It’s partly why I’ve said to you, and I say always to them, that the real challenge for the local authorities is a cultural one in being willing to agree to projects and spending where you know that the impact will not be the greatest in your own local authority area, but where the regional benefits for the whole of the city deal will be greater than if you’d acted by yourself.”¹² – Mark Drakeford AM, Cabinet Secretary for Finance and Local Government

Cardiff Capital Region City Deal

40. The Cardiff Capital Region City Deal states that it is attempting to increase employment rates and labour market participation to address social exclusion. The City Deal is working with the Welsh Government and the UK Government’s Department for Work and Pensions to jointly design employment support from 2017 for people with health conditions or disabilities or in long-term unemployment. This will focus on improving accessibility to employment opportunities and providing support to economically inactive and unemployed people to upskill and access public services to support their transition to employment.

41. The Merthyr Tydfil Heritage Trust considers that there is a danger that existing inequalities impacting on Heads of the Valleys communities will be exacerbated by the City Deal. They state that there needs to be a joined-up approach between initiatives such as the South Wales Metro and local transport initiatives such as bus services and active travel routes to maximise the benefits of City Deal investment.

¹⁰ Written evidence

¹¹ Written evidence

¹² Para 199 21 June 2017

Swansea Bay City Deal

42. Carmarthenshire County Council suggest that digital technology can be used to drive economic growth and innovation across the City Region, and the deal aims to reduce digital connectivity inequalities particularly between rural and urban areas. They also highlight the possibility of developing better opportunities for employment and skills across the region and greater flexibility from devolution of policy levers and fiscal powers as ways they intend to use to reduce inequality. The City of Swansea Council points to employment initiatives as a way of achieving this such as including social benefit clauses in construction contracts.

Effect of growth and city deals on inequalities between regions

43. The Bevan Foundation and Joseph Rowntree Foundation were concerned that deals might compete with each other, resulting in a “race to the bottom” on wages and business incentives such as business rates. They highlighted that safeguards may need to be put in place to mitigate against this.

44. Cabinet Secretary Mark Drakeford said the Deals should work together.

“The fact that they are structured differently and that they will operate in slightly different ways is probably helpful in making sure that they are not in competition with one another, but it is absolutely important from a Welsh Government perspective that these deals operate collaboratively, not competitively.

... I think that people, if you talk to them, are alert to the risk, don't want to fall into it, and that will be a help as well.”¹³ – Mark Drakeford AM, Cabinet Secretary for Finance and Local Government

Swansea Bay City Deal

45. Carmarthenshire County Council noted that the Swansea Bay Deal aims to develop alternative high-value jobs, grow innovative businesses indigenous to the region and develop skills to create a competitive and diverse jobs market. This will address the reliance of the region on traditional primary industries and public sector employment. It also highlights that traditional manufacturing is under threat from global competition and the Deal will focus on smart manufacturing and developing new technologies as a way forward for the sector.

Proposed North Wales Growth Deal

46. The North Wales Business Council stated that the proposed growth deal seeks to fix some of the region's key issues, for example developing better transport infrastructure fit for the 21st Century. It argued this will assist in generating prosperity and fixing issues that hinder economic growth. It considered that there needs to be a level playing field in terms of all regions being able to submit city/growth deal proposals and in the support received. To allow for working on an equal footing with areas across the border from North Wales, the North Wales Business Council calls for devolution of resources and powers at a regional level. Cardiff City Region is also exploring this idea.¹⁴

¹³ Para 221, 21 June 2017

¹⁴ See Para 8

47. The North Wales Economic Ambition Board states that:

“Devolution of functions to North Wales that matches that of neighbouring English regions is a defensive necessity and a desirable enabler of growth.”¹⁵

Conclusion 2. The Committee supports the principal of devolving appropriate powers to the regional bodies driving economic development.

48. The Mersey Dee Alliance considers that the proposed growth deal for North Wales could help businesses in the cross-border region also including the proposed Cheshire and Warrington Growth Deal area. This could help to co-ordinate services and support collaboration between local authorities on both sides of the border. Complementary growth deals in England and North Wales could help fund cross-border infrastructure schemes and skills development projects. They also note that the proposed North Wales Growth Deal plans to look at the social value aspects of the planned projects in order to address worklessness and low wages.

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.

Co-ordination between growth and city deals and Welsh Government strategy

49. The Growing Mid Wales partnership made the point that it is difficult to understand the extent to which growth and city deals co-ordinate with Welsh Government economic strategy as we are currently awaiting publication of the four strategies which form Taking Wales Forward – the Welsh Government’s overarching plan for Wales. The WLGA highlighted that it will be crucial for regional plans and the Welsh Government’s four strategies to mutually inform each other to produce co-ordinated proposals. The committee heard that the WLGA had brought council leaders together to share their paperwork and planning around the deals in the spirit of sharing good practice and learning from other regions.

50. TUC Wales have highlighted that there is a need for more clarity on how all deals will relate to Welsh Government policy, and that the way any City Deal operates will be different in Wales to England as a result of the devolution settlement. It cites the Welsh Government’s move towards a new approach to economic strategy which focusses on the foundational economy including the healthcare and energy sectors and a focus on addressing regional inequality as policies that should inform how regional economies are organised and supported.

51. Colegau Cymru highlight that the Welsh Government should be responsible for the development of economic strategy rather than this being taken forward by a “Westminster agenda” that bypasses democratic accountability set out in the devolution settlement. They express concern that the Welsh Government was side-lined in the development of the Swansea Bay City Deal. TUC Wales has also highlighted that it is essential that the role of the Welsh Government is respected and understood within City Deals and not undermined by the UK Government.

52. It is clear that Deals and the investment that follows them have given the UK Government a role in economic development that (as a devolved area) would normally be the preserve of the Welsh Government.

¹⁵ Written evidence.

53. If this joint working is harmonious, then there is strong potential for it to benefit all parties. However, there is a history of fractiousness and finger-pointing between the two governments, particularly when it comes to economic development and infrastructure projects in areas where devolved responsibilities are not 100% clear.

Conclusion 3. The Committee will monitor how the two Governments and other partners are working together in this area in the coming years.

54. Carmarthenshire County Council highlighted that the City Deal relates to all four strategies of Taking Wales Forward, the Welsh Government's Programme for Government. It also notes that the Well-being of Future Generations Act (Wales) 2015 has influenced the development of the City Deal, which will have a high impact on 21 of the 46 national wellbeing indicators and some impact on a further 22 indicators. The nine current Welsh Government priority sectors are all included in the Swansea Bay City Deal.

55. However, there is a clear tension between the GDP-focus of City Deals, and the Welsh Government's broader definitions of prosperity, and wider aspirations set out in the Well-being and Future Generations legislation. While all partners in both the Cardiff City Region and Swansea Bay claim that both can be achieved, it is not 100% clear at this stage whether or how that will be done.

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.

An economic development duty?

56. The WLGA believes that having city or growth deals across all parts of Wales would enable consistent provision of financial support and devolution of powers to the regions. They consider that this may be an alternative to creating a legislative requirement for local authorities to collaborate and call for a properly resourced statutory economic duty for local authorities. FSB Wales also supports an economic development duty, although it would rather that this was placed on the new regional bodies, who should be given a range of policy and financial levers to undertake this role.

57. While the Welsh Government has yet to publish its economic strategy, there have been clear indications from the Cabinet Secretary that he is setting up a more regional approach. The city regional structures being established to deliver the Deals provide a convenient mechanism to devolve powers from the Welsh Government.

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.

Lessons from Glasgow and other areas

58. Members of the Committee took a number of key lessons from our discussions with the Glasgow City Deal, Council leaders, local authority and Scottish Government officers, and academic experts.

Key lessons from Glasgow:

- Develop a clear strategic vision for your area;
- Agree the plan, with buy-in from all partners;
- Put in place effective monitoring – including a strong set of benchmark measurements so that the impact of investment can be tracked, and a reasonable estimate can be made of what might have happened without the deal investment; and
- Don't just take old plans off the shelf to shoehorn them in to the new funding arrangements.

59. The Centre for Urban Development Studies at Newcastle University has undertaken a comparative study of UK City Deals. This found that there are a number of issues with evaluating progress of City Deals, including whether growth can be attributed to them, what additionality they provide and whether they displace economic development in other areas.

“As governance mechanisms, the City Deals are being used by actors to rework the role of the state internally at the national and local levels and through changed central-local and inter-local (city-regional) relations. Urban public policy and governance are being recast as asymmetrical and transactional ‘deal-making’ and negotiation between central national and local (city-regional) actors unequally endowed with information and resources leading to highly uneven social and spatial outcomes.”¹⁶ - The Centre for Urban and Regional Development Studies, Newcastle University

60. The Centre for Urban and Regional Development Studies also highlighted a number of perceived positive and negative attributes of City Deals across the UK. The positive elements it identifies include local empowerment; developing a strategic vision for areas; encouragement and promotion of innovation; project and programme integration focussed on outcomes; and as a lever for local government reform. However, it also suggests that City Deals have a number of negative facets, namely asymmetric information between different bodies involved in the Deals; central government both supporting and evaluating deals; central government having greater negotiating power; lack of accountability, scrutiny and transparency; uneven outcomes of political deal-making; slippage from announcement to implementation; and lack of evaluation.

Concerns about unintended consequences of the City Deal model

61. CLA Cymru are concerned about the two City Deals not focussing on rural areas, and excluding some sectors of the economy, such as agriculture and the food-chain. Looking across rural areas of Wales they advocate the development of a strategy that emphasises the circular economy and maximises green growth. This theme is covered in a later chapter on Mid-Wales.

¹⁶ Written evidence

04. The Four Regions of Wales

This chapter looks in greater detail at progress in each of the four regions.

Cardiff Capital Region Deal

- 62.** Cardiff City Region – comprising 10 local authorities in South East Wales – was the first to apply for and secure its city deal.
- 63.** It is the largest city-region in Wales and accounts for approximately 50% of the total economic output of the Welsh economy, 49% of total employment and has over 38,000 active businesses.
- 64.** Cardiff Capital Region’s **City Deal** is worth £1.2 billion. Central to the area’s growth plan will be the development of a 20-year, £1.2 billion Investment Fund, which the Cardiff Capital Region will use to invest in a wide range of projects.
- 65.** Both the UK and Welsh Government are contributing £500 million to this fund respectively. The Welsh Government funding will be provided over the first seven years of the Investment Fund, from 2016/17 to 2022/23. The ten local authorities in the Cardiff Capital Region will collectively contribute a minimum of £120 million over the 20 year period of the Fund. In addition, over £100m from the European Regional Development Fund has been committed to delivering the City Deal.
- 66.** The Cardiff Capital Region believes investments in these areas will deliver up to 25,000 new jobs and bring forward at least £4 billion of additional investment from local partners and the private sector by 2036.
- 67.** Cardiff Capital Region will be required to evaluate the impact of the Investment Fund in order to unlock funding that has not been pre-allocated to the South East Wales Metro programme. Gateway assessments will take place every five years. To underpin these gateway assessments, an independent review will be commissioned to 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. This assessment will be funded by the Cardiff Capital Region, but agreed at the outset with the UK Government. The next five year tranche of funding will be unlocked if the UK and Welsh Governments are satisfied that the independent assessment shows the investments to have met key objectives and contributed to national growth.
- 68.** A Growth and Competitiveness Commission was established as part of the City Deal agreement between the UK Government, the Welsh Government and the ten local authorities of the Cardiff Capital Region. The Commission was established to undertake an in-depth review of the Cardiff Capital Region economy, and provided recommendations for the sustainable development of the city-region. The Commission **published** its recommendations in December 2016.
- 69.** The Cardiff Capital Region City Deal includes:
- Investment in the Cardiff Capital Region’s infrastructure. A key priority for investment will be the delivery of the South East Wales Metro, including the Valley Lines Electrification programme.
 - Connecting the region. The Cardiff Capital Region has established a new non-statutory Regional Transport Authority to co-ordinate transport planning and investment, in partnership with the Welsh Government.

- Support for innovation and improving the digital network. To develop capabilities in Compound Semiconductor Applications the UK Government will invest £50 million to establish a new Catapult Centre in Wales. The Cardiff Capital region will also prioritise investment in research and development and provide support for high value innovative businesses.
- Developing a skilled workforce and tackling unemployment. The Cardiff Capital Region and the Welsh Government will work with the Department of Work and Pensions to co-design the future employment support from 2017, for people with a health condition or disability and/or long term unemployed.
- Supporting enterprise and business growth. A Cardiff Capital Region Business Organisation will be established to ensure that there is a single voice for business to work with local authority leaders.
- Housing development and regeneration. The Welsh Government and the Cardiff Capital Region commit to a new partnership approach to strategic planning. This is intended to ensure the delivery of sustainable communities, through the use and re-use of property and sites.

70. The City Deal was formally ratified by the 10 council leaders on 1 March 2017, moving the project in to its “transition phase”. The Cardiff Capital Region Transition Plan will detail key activity to be undertaken, including establishing a Regional Office to drive the delivery of the Regional Cabinet’s work programme in anticipation of receiving proposals. This includes the creation of a bespoke impact assessment model for those proposals.

71. Cllr Andrew Morgan, leader of RCT Council and lead Member for CCR told the Committee:

“I have to say, from when I took over chairing it, people were saying we wouldn’t get the 10 authorities to work together. Actually, the 10 have worked pretty well when you consider that, across all the city deals, most authorities are in the region of four and five local authorities coming together. So, having 10 authorities, it was a concern, at the time, of both ourselves—could we make it work—and certainly in the challenge session with UK Government Ministers, that was something that was raised with me—whether or not we could get the commitment of the 10 authorities. Certainly, to date, I haven’t seen any problems. I think we’ve worked really quite well...

Actually, with Welsh Government, I have to say—and I’ve said this to Ministers—that I think the interface between Welsh Government officials and, certainly, our team and local authorities now is probably the best that I can ever recall. I think the fact that the local authorities are working together has given fresh impetus for the Welsh Government and ourselves to work closer together.”¹⁷ – Cllr Andrew Morgan, leader RCT Council and Chairman, Cardiff Capital Region City Deal.

72. The transition phase will also see the creation and development of a delivery body, the Regional Transport Authority, and three advisory bodies to the Regional Cabinet - the CCR Economic

¹⁷ Para 22-23, 25 May 2017

Growth Partnership, a region-wide business representation organisation, and an Employment and Skills Board.

Impact of the Cardiff Capital Region City Deal

73. The written evidence from the Cardiff Capital Region City Deal argues that it sets out a transformational approach to deliver the scale and nature of investment needed to support economic growth across the region. It aims to achieve an increase of at least 5% in the GVA of the Cardiff Capital Region.

74. The independent Growth and Competitiveness Commission’s report called for the city deal to take a multi-faceted approach to maximise its impact. It recommended that the overall strategy include the following approaches:

- Investment in education to improve employment and productivity;
- Employment growth in different sectors and income levels;
- Infrastructure investment to provide better integration and more opportunities;
- Multiple locations of economic growth within the region;
- Developing emerging sectors and young businesses;
- Better partnership working inside and outside the region.

75. Cllr Morgan, and others have warned not to overestimate the impact of City Deal investment. He told the Committee:

“We have to bear in mind that while, at the time it was announced, it was the largest city deal ever, it is over a period of time and across the regions, so it isn’t actually as big when you put it into comparison. For example, Cardiff and Rhondda Cynon Taf—the two local authorities—we spend the same amount in one year, as local authorities, as what the city deal is over 20 years—just to put it in comparison.”¹⁸ – Cllr Andrew Morgan, Leader, RCT Council and Chairman, Cardiff Capital Region City Deal

76. And Sheila Davies, warned that the deal would not be a “quick fix” and would require the unprecedented collaboration between 10 local authorities to be sustained and continued. She said:

“This is a long-term city deal—no quick fixes overnight—but, if the plans are right and we invest properly, we are going to see step changes, but it’s keeping everybody focused on that. I’ve always said, it’s been known, over the years, that there’s always tribalism in Wales—everybody wants what their neighbour has. If all the neighbours agree, ‘We collectively want this’, we can achieve everything that we intend to, but we have to keep people focused and we have to maintain that continuum.”¹⁹ – Sheila Davies, Director, Cardiff Capital Region City Deal

¹⁸ Para 35, 25 May 2017

¹⁹ Para 112, 25 May 2017

Conclusion 4. Cardiff City Region was the first Deal signed in Wales and consequently is furthest along in its thinking and development. However, bringing 10 local authorities together and keeping them together will not be without its challenges, but the partners appear to be working well together at present. While arrangements for scrutiny of the deal are not yet fully developed, the Committee believes this will be a crucial next step. Getting the governance right is the only way to ensure that all partners – including the private sector, 10 local authorities, the Welsh and UK Governments, (and the people they serve) – can see how the programme is being developed, and whether it is achieving its goals.

Conclusion 5. The Cardiff City Region Deal puts a heavy focus on the South Wales Metro project, and will invest substantially in this vision of a connected City Region. Disagreements between the Welsh and UK governments have led to delays in awarding the rail franchise which will be one of the drivers of the Metro project. This is a major concern.

Swansea Bay City Region

77. In February 2016, the Swansea Bay City Region Board put forward a Deal proposal which was subsequently supported by the Chancellor of the Exchequer, who announced in his March 2016 budget that he was opening discussions with the region. The Deal was eventually signed on 20 March 2017.

78. The Swansea Bay City Deal focuses on the benefits of digital infrastructure, the energy sector, smart manufacturing and innovation in life science for both urban and rural areas across the region. Since the original submission of the City Deal proposal to the UK Government in February last year, an intensive period of work has led to the submission of a detailed bid covering 11 specific projects in October of last year.

79. The Swansea Bay City Deal involves a total investment of some £1.3 billion over a period of 15 years. This consists of £241m of central government funding to be split between the two governments. Some £360m of other public sector funding and £673m of private sector contributions will make up the total investment package.

This investment is intended to deliver up to 9,465 new jobs for the region, contributing to an uplift in Gross Value Added (GVA) of £1.8 billion.

The City Deal proposal for the region consists of a package of 11 projects which are focused on 4 key strands, namely:

- Internet of economic acceleration: The Vision for the region is to establish a coherent connected region, placing it at the forefront of digital innovation and maintaining critical infrastructure fit for purpose for the 21st Century digital age.
- Internet of energy: The vision is to establish the region as globally significant in the area of energy production and storage whilst addressing the challenges of fuel poverty and energy security for current and future generations.
- Internet of Life Science and Wellbeing: The vision is to place the region at the forefront of life science innovation and to be recognised as a destination of choice for global investment and enterprise in the field of life sciences and well-being.

- Internet of Smart manufacturing: The vision is to place the region at the forefront of smart manufacturing, supporting SMEs to harness the opportunities associated with the digital manufacturing revolution.

Impact of the Swansea Bay City Deal

80. The City Region’s GVA per head as a percentage of the UK average has fallen from 90% to 77% over the past 30 years. The City of Swansea Council and Carmarthenshire County Council highlight that one of the aims of the City Deal is to regain 70% of this “lost GVA”. They also state that other key outcomes the City Deal is aiming for are:

- Creating 9,465 jobs over 15 years;
- Generating £3.3 billion GVA;
- Developing high value sectors and employment opportunities;
- Becoming a regional centre of excellence in digital technologies, life science and wellbeing, advanced manufacturing and energy; and
- Creating and commercialising new technologies and ideas.

81. BT considers that this “themed” approach is good practice, and that if it is replicated elsewhere then City Deals have the potential to deliver significant results for Wales.

82. Professor Dylan Jones-Evans **has called for a re-think of the Swansea Bay City Deal**, as he is concerned that it is focussed on “supporting highly speculative building projects...rather than investing in the growing digital economy”. He argues that this is not the same as the vision that was originally put forward by Sir Terry Matthews to transform the digital infrastructure of the region. He also suggested that what was being proposed was similar to the Technium projects, which were abolished by the One Wales Welsh Government in 2010.

83. In Committee, Professor Jones-Evans also questioned whether the Swansea target was ambitious enough. He said:

“... if you look at the ambition of both deals [Cardiff and Swansea], I would say they’re not ambitious enough. Let’s use the Swansea bay city region example. They’re talking about spending £1.2 billion or £1.3 billion to create 9,000 jobs or 9,5000 jobs. That’s in the deal. What’s interesting to note is that, in the period June 2015 to December 2016, 11,000 new employment positions have been created in the Swansea bay city region. So, even without the £1.1 billion, without a city deal in place, without any of these projects in place, in 18 months that region has created more jobs than this 15-year deal will.”²⁰ – Professor Dylan Jones Evans, Assistant Pro Vice Chancellor, University of South Wales

84. The Swansea Bay City Region **responded robustly to his criticisms**, highlighting the benefits of the city deal and stating that it does reflect Sir Terry Matthews’ proposals, will create better quality jobs, diversify the regional economy and support economic growth.

²⁰ Para 53, 21 June 2017

85. Cllr Rob Stewart, leader of Swansea City Council, said he completely disregarded Prof Jones-Evans criticism, and said it had made him “personally angry”.²¹

86. Cllr Stewart also rejected any suggestion that the targets were not right. He said:

“The rationale for the type of deal that we’ve negotiated with both Governments is that we are looking to fix the problems specific to our region. We didn’t want to follow what other cities or other regions had done because their challenges are different from ours. ...

“So, the deal was created in order to help diversify our economy and deal with the problems inherent to the economy of south-west Wales. It’s a deal that is both geographically spread and is there to fix both the urban and the rural issues that we are facing in our region. Therefore, it’s the right deal for us.”²²

87. Carmarthenshire County Council highlighted that the Swansea Bay City Deal has had input from the private sector from an early stage, which has not been the case for some other City Deals across the UK where there has been limited finance and strategic involvement from the private sector. They also state that a difference between City Deals in England and the devolved nations is that Local Enterprise Partnerships have played a key role in the English deals, whereas they do not exist in Wales or Scotland. They note that, given their City Deal is at an early stage it is not the right time to compare the effectiveness of it with other deals.

88. Evidence the Committee received from property and regeneration consultant Robert Chapman highlighted the incredible range of Deals across the UK, and the asymmetric levels of devolution and funding attached to different areas.

Conclusion 6. The Committee notes that the different characteristics of, and approaches taken in the Swansea Bay and Cardiff Capital Region City Deals make direct comparisons difficult. This is equally true when seeking comparisons with other UK cities.

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.

North Wales

89. The Cabinet Secretary for the Economy and Infrastructure **has talked** of wanting to support an “arc of prosperity centred in Wales that maximises the opportunities from Holyhead to Wrexham and on to Liverpool, Manchester, Leeds and beyond”. There are a number of policy levers at all levels of government that will have a bearing on whether this ambition is achieved. For instance, the Welsh Government is currently developing a new economic strategy, which is expected to be in place before the end of 2017. Also, the UK Government is considering awarding a potential Growth Deal for North Wales. There will also be a need for cross border relationships and joint working to be developed or strengthened, involving the North Wales Economic Ambition Board, the Mersey Dee Alliance, and key stakeholders involved in the northern powerhouse initiative, among others.

²¹ Para 147, 25 May 2017

²² Para 152, 25 May 2017

90. Colin Everett, Chief executive of Flintshire Council, told the Committee:

“... the complementarity to the north-west of England is critical. So, for example, Flintshire and Wrexham particularly are in strong discussions with Cheshire West and Chester about how we co-plan housing as well as transport integration. So, if we have one running ahead of the other, we actually lose the opportunities. It’s not just about funding—it’s co-planning, because you’ll know well that the border for economic purposes and housing planning is largely invisible.” – Colin Everett, lead chief executive for the North Wales Growth Deal project.

91. A report developed by the North Wales Economic Ambition Board sets out a **“growth vision” for the region**, with aims of creating 120,000 jobs and boosting the value of the local economy to £20bn by 2035. The vision has been backed by the region’s six council leaders and chief executives, and the document is supported by business leaders and colleges.

92. The plans are also intended to be in line with the proposed Northern Powerhouse, drawing upon the region’s economic links to the North West of England.

93. According to Gwynedd Council's cabinet member for the economy, Councillor Mandy Williams-Davies:

“If funding is secured to deliver the action plan of projects, the region will experience sustainable economic growth and the value of the North Wales economy from £12.8bn in 2015 to £20bn by 2035. Such growth rate will generate at least an additional 120,000 new employment opportunities.”²³

Next steps for a Growth Deal for North Wales

94. Despite warm noises from UK Government Ministers, there has yet to be a formal deal agreed for North Wales. The Committee heard the Board was working to agree a working document to begin negotiations at the end of July 2017.

95. However, North Wales has already achieved one of the main benefits claimed for some of the areas that do have Growth Deals – it has already been successful in bringing together the main players in the area and agreeing a coordinated vision for the development of the region.

96. This is a strong base from which to negotiate a Growth Deal, and a pre-requisite for the kind of collaboration which will be required to deliver successful projects and outcomes for the region.

Impact of the proposed North Wales Growth Deal

97. The **Growth Vision for the Economy of North Wales** produced by the North Wales Economic Ambition Board aims to add £7.2 billion to the value of the North Wales economy by 2035, so that its value increases from £12.8 billion to £20 billion. The growth vision estimates that this will generate at least 120,000 employment opportunities.

98. The North Wales Business Council believes that the proposed growth deal “has the potential to transform and sustain the economy of the region...there is in fact, no better time for a Growth Deal for the North Wales region”. They consider that the **Growth Vision for the Economy of North Wales** is a

²³ News story www.bbc.co.uk/news/uk-wales-politics-37288246

key driver of this, and that it will build on sectors where the region has expertise while providing support to those sectors that are outside of the main focus.

99. The Mersey Dee Alliance considers that benefits from the proposed North Wales Growth Deal include providing skilled job and inward investment opportunities for North Wales residents and businesses. The Mersey Dee Alliance also suggests that the growth deal will “ensure that the skills of the local workforce will reflect the demands from businesses in the region”. Additionally, the Mersey Dee Alliance considers that the growth deal will allow priorities to be aligned with the Cheshire and Warrington Growth Deal to provide “greater growth across a wider region”, in turn supporting the Northern Powerhouse agenda. Colegau Cymru highlights that while the cross-border partnership with the Cheshire and Warrington bid is sensible, involvement of partners closer to home should not be lost in the effort to work across the border.

100. The WLGA states that the proposed North Wales Growth Deal could have similar benefits to those it envisages happening as a result of the city deals. In doing this, the WLGA comments that “it will also be important to consider the rural areas of North Wales and ensure that they are not overlooked and can benefit from the regional plans”.²⁴

101. The WLGA highlights a number of projects as being crucial to delivering on this, including funding to develop employment land in North West Wales, maximising local employment from Wylfa Newydd, developing Holyhead Port and proposals for the energy and creative sectors. Additionally, the WLGA suggests that transport infrastructure improvements in North West Wales will help people to travel to major employment sites in North East Wales.

102. Universities Wales note that the North Wales Growth Deal could create growth and momentum in high-value business sectors, and that Bangor University can play a role in supporting this and also ensuring the growth deal could benefit all of North Wales.

Conclusion 7. Through the Economic Ambition Board, North Wales has done a great deal right in establishing a strong partnership, and developing a co-ordinated vision for the area. These two steps are essential for a successful Growth Deal, and should stand the area in good stead once a Deal is agreed.

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.

Mid Wales

103. The Growing Mid Wales partnership was established in September 2015 with a vision “To progress jobs, growth and the wider economy within the Mid Wales region”. It is a regional partnership and engagement arrangement between the private and public sectors, and with Welsh Government. The initiative seeks to represent the region’s interests and priorities for improvements to the Mid Wales economy.

104. The Partnership aims to:

- encourage interaction with businesses, higher and further education, and with public and private sector stakeholders
- identify key themes and sectors, and priorities for investment.

²⁴ Written evidence.

- support business led innovation, enterprise and investment in Mid Wales.
- support the delivery of Powys Local Growth Zones, SIROLI and the Teifi Rural Growth Zone concepts.
- engage with the Central Wales Economic Forum and the Mid Wales Regional Tourism Forum.
- secure wider collaborative and transformational working with key partners organisations and the business community
- agree roles, responsibilities and improved delivery arrangements in the promotion of economic development.

105. Given that the three other economic areas of Wales are pressing ahead with City/Growth Deals, it is unclear where this leaves Mid Wales. Giving evidence Ceredigion Council leader Cllr Ellen ap Glynn said Mid Wales had been “left behind” and “ignored”.²⁵ This was a feeling echoed by business leaders in the area.

106. Taking evidence from the employers and local government leaders in the area, it seemed that there is not yet a clear vision of what a deal might include nor what it might achieve, but that some thinking is taking place in this regard.

107. The WLGA pointed out that there is a logical case to complete the jigsaw in Wales, and ensure every region of Wales has a Deal of some sort.

“There would be sound logic in developing a growth deal approach for Mid Wales in the same way as for the other three regions. There could then be a consistent approach across Wales in relation to (i) financial support and (ii) devolution of powers to the regions.”²⁶ - WLGA

108. Given the lack of a “city” focal point, and the different economic circumstances of Powys and Ceredigion, it is unclear that Mid Wales is even a self-contained economic area. The Committee notes that in Scotland, some areas naturally fit together with more than one “deal area”. It may be that some areas – particularly rural and agriculturally-focused areas – in the other regions of Wales would also benefit from being part of a Mid Wales deal. In his evidence the Cabinet Secretary for Finance and Local Government noted that his recent white paper on local government had picked up the idea of a network in South West Wales which draws together actions to boost both the economy and the Welsh language.²⁷

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”.

²⁵ Para 128, 5 July 2017

²⁶ Written evidence.

²⁷ Para 154, 21 June 2017

Impact of a possible Mid Wales Growth Deal

109. The Growing Mid Wales partnership highlights that a deal for Mid Wales is needed as part of a regional economic development approach, given the structural dependence on agriculture, dispersed population, historically low rates of productivity and the high proportion of SMEs in the region. This would be part of developing a cohesive nation, and help to address historically low levels of investment. The partnership is currently developing a programme based on three sectors: Defence and Security; Animal Health and Veterinary Science; and Biotechnology and Agri-Tech. In terms of infrastructure investment, the partnership aims to address issues around digital technology, transport and access to quality further education opportunities.

110. In evidence to the committee, investment in connecting the area – whether through better roads or faster broadband – was also cited as an important driver for future growth.

111. However, in its written evidence the Open University cautions that while a focus on the needs of Mid Wales is welcome, challenges could be posed by private sector-led governance due to the limited number of anchor companies and high value added firms located within the region.

112. The Committee notes the strong sense of unfairness in Mid Wales that other regions are getting a boost to their economic development, and in particular, that additional investment is part of the Growth Deal process. However, it is clear that Mid Wales is not yet in a position to make a practical bid – as it has neither an agreed vision, nor an established group to lead such work. That said, the Mid Wales Partnership seems the most likely vehicle to achieve these aims.

“what we’ve got here is two local authorities with that responsibility, and they’re no better together than they are apart. What we’d like to see is that developing to bring in the Government properly, with funding and with resources, as well as the commercial sector to work in partnership. So, there’s a basis there, ready to be developed, we feel. We wouldn’t want to take it away, we wouldn’t want to start from scratch, but we feel that the Growing Mid Wales partnership is a start and could be developed.”²⁸ – John Brunt, Senior Manufacturing Manager, Mid Wales Manufacturing Group

113. There is also a question around whether the current arrangements for skills in Mid Wales – where the South West Regional Skills Council also covers Mid-Wales – is the best way to meet the needs of the region. The Committee did not explore this in detail.

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.

²⁸ Para 280, 21 June 2017

Conclusions

Conclusion 1. The frequency of concerns around transparency, and the acknowledgement from Deal leaders that more could be done in this area, shows the need to ensure more transparent working in the future. Page 11

Conclusion 2. The Committee supports the principal of devolving appropriate powers to the regional bodies driving economic development..... Page 18

Conclusion 3. The Committee will monitor how the two Governments and other partners are working together in this area in the coming years. Page 19

Conclusion 4. Cardiff City Region was the first Deal signed in Wales and consequently is furthest along in its thinking and development. However, bringing 10 local authorities together and keeping them together will not be without its challenges, but the partners appear to be working well together at present. While arrangements for scrutiny of the deal are not yet fully developed, the Committee believes this will be a crucial next step. Getting the governance right is the only way to ensure that all partners – including the private sector, 10 local authorities, the Welsh and UK Governments, (and the people they serve) – can see how the programme is being developed, and whether it is achieving its goals. Page 24

Conclusion 5. The Cardiff City Region Deal puts a heavy focus on the South Wales Metro project, and will invest substantially in this vision of a connected City Region. Disagreements between the Welsh and UK governments have led to delays in awarding the rail franchise which will be one of the drivers of the Metro project. This is a major concern. Page 24

Conclusion 6. The Committee notes that the different characteristics of, and approaches taken in the Swansea Bay and Cardiff Capital Region City Deals make direct comparisons difficult. This is equally true when seeking comparisons with other UK cities. Page 26

Conclusion 7. Through the Economic Ambition Board, North Wales has done a great deal right in establishing a strong partnership, and developing a co-ordinated vision for the area. These two steps are essential for a successful Growth Deal, and should stand the area in good stead once a Deal is agreed.Page 28

