



# CITY DEALS AND THE REGIONAL ECONOMIES OF WALES

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CLILC • WLGA

## **INTRODUCTION**

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales. The three national park authorities and the three fire and rescue authorities are associate members.
2. It seeks to provide representation to local authorities within an emerging policy framework that satisfies priorities of our members and delivers a broad range of services that add value to Welsh Local Government and the communities they serve.
3. WLGA welcomes the opportunity to feed comments in to the Economy, Infrastructure and Skills Committee's inquiry into City Deals and the regional economies of Wales. Comments are offered below on each of the issues highlighted for the inquiry.

### **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**

4. For both the Cardiff Capital Region and the Swansea Bay City deals a plan of action has been agreed that is designed to support economic development of the respective regions. The Metro development is central to the plan for the South East region whilst in the South West there is a strong focus on digital infrastructure.
5. Governance arrangements are in place with a Regional Cabinet of the ten local authority Leaders in the South East. The Cabinet is developing its links with other sectors to ensure a rounded, collaborative approach. Likewise, in the South West, a Joint Committee has been established including the four Leaders along with a range of advisors from other sectors/partners. In both cases, constituent local authorities have endorsed a detailed report setting out the proposals for their respective deals.
6. The Cardiff Capital Region has an assurance framework that it will use to ensure that projects supported (by the balance of funding over and above the Metro costs) meet a range of agreed criteria. This is to ensure they align with and contribute to regional development objectives – socially, economically and environmentally. The Swansea Bay Deal submission included eleven specified projects that will now be taken forward.
7. In both cases, the attraction of additional private sector finance will be critical. The £1.2bn Cardiff Capital region Deal seeks to lever an additional £4bn of private sector

investment over a 15 to 20-year period. The Swansea Bay Deal involves a total investment of some £1.3 billion over a period of 15 years to include £673m from the private sector, with the intention that the projects undertaken will attract further private sector investment over the coming years.

### **The intended impact of the City Deals and the way in which this will be governed, funded and monitored.**

8. Both City Deals have been designed to provide a catalytic effect to economic development opportunities. Development of the Metro will open opportunities for new housing, business units and commercial operations at key hubs on the network. All can generate a financial return and should therefore be capable of attracting private sector investment and generating jobs. Collectively, they can help to achieve more balanced development across the region, easing pressure along the coastal belt and helping to sustain communities in the northern half of the region, towards the Heads of the Valleys. The headline figure is for 25,000 new jobs to be created.
9. Swansea Bay aims to deliver close to 10,000 jobs developing and commercialising solutions to some of the most pressing challenges in the fields of life sciences, energy, smart manufacturing and digital networks in both urban and rural areas.
10. In both cases, the funding for the City Deal itself will come from UK Government alongside financial support from Welsh Government, and local authority borrowing<sup>1</sup>. Governance and monitoring will revolve around the Regional Cabinet and the Joint Committee (para. 5 above). They will provide leadership and oversight. They will receive regular reports from senior officers in the constituent authorities<sup>2</sup>, ensuring accountability with open, transparent procedures. Each region will have to produce monitoring reports to satisfy Welsh and UK governments. Assurance frameworks and implementation plans must be approved before government funding is released. For each authority, the work being undertaken will contribute to their local Well-being plans, produced in accordance with the Well-being of Future Generations Act. This will provide a further source of ongoing monitoring and, in terms of accountability, ensure each authority's residents can see how the City Deals relate to other local activity

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<sup>1</sup> In the case of Cardiff, £500m from UK Government, £120m from LA borrowing, £503m from Welsh Government and £106m ERDF, giving a total of £1.229bn. £734m of this is for the Metro (involving £375m of the UK Govt contribution, £503m from Welsh Govt and £106m ERDF).

For Swansea, the c£1.3bn total is made up of £241m divided between UK and Welsh Govts along with £360m of other public sector funding and £673m of private sector contributions.

<sup>2</sup> A Programme Office has already been established to support Cardiff Capital region and a similar office is being planned in the North.

designed to improve their well-being.

### **The potential benefits offered by a possible Growth Deal for North Wales**

11. An injection of funding via a growth bid would provide the same catalytic impact for North Wales. Substantial work has been undertaken in North Wales by the North Wales Economic Ambition Board (EAB). This has included work with the Mersey-Dee Alliance and the Cheshire and Warrington Local Enterprise Partnership which is now pursuing a Devolution Deal with the UK Government following two rounds of funding from the DCLG Local Growth Fund. There are also links with the wider Northern Powerhouse network as North Wales was invited by the UK Government to submit a bid that enhanced the region's links to the Northern Powerhouse and included devolution of functions from the Welsh Government (as well as the UK Government) to the region.
12. A 'Growth Vision for the Economy of North Wales' was produced<sup>3</sup> in the autumn of 2016 as the basis for negotiations with the UK and Welsh Government over a growth bid for the region, along with any other funding and investment opportunities that could be identified from EU, private sector and Welsh Government sources. North Wales has subsequently been invited to bring forward priorities from the strategy into a growth bid for investment and the conferment of powers to the region by the UK and Welsh Governments.
13. The Growth Vision sets out the strategic ambition for North Wales for infrastructure development, skills and employment and business growth. It aspires to increase the value of the North Wales economy from £12.8 billion to £20 billion by 2035, with the creation of substantial new employment opportunities. The Vision's proposed interventions are intended to increase GVA per head and improve the region's relative wage levels.
14. The vision has been developed collaboratively with partners from other sectors. Each of the six Local Authorities has now adopted the Growth Vision and agreed to work together to deliver it. Discussions are taking place about the establishment of a Joint Committee to prioritise what goes forward into the bid and to provide the necessary governance.

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<sup>3</sup> <http://wcnwchamber.org.uk/wp-content/uploads/2016-08-Vision-for-North-Wales-Economy-FINAL-VERSION.pdf>

15. The Growth Vision is supported by a prospectus from the Mersey Dee Alliance, "Unlocking the Potential" which details a Mersey Dee spatial proposition which details integrated cross border proposals which will feature in both the North Wales and Cheshire and Warrington LEP/Liverpool City Region proposals.
16. Road and rail infrastructure and connectivity, and integrated transport planning including bus routes, are central to the Growth Vision. A potential Metro for North East Wales has been developed by a range of partners to cope with an anticipated increase in demand on the transport network resulting from future job growth in the Mersey Dee cross-border area. Energy and advanced manufacturing<sup>4</sup> have been identified as significant sectors of the economy to be supported as part of any bid. The Wylfa Newydd development in Anglesey is highly relevant in this respect with the potential for major job creation (and associated transport demands) in North West Wales.
17. The North Wales Bid will also seek to develop interventions to support the operation of the markets for both housing and the development of employment land by seeking funds to pump prime development which will then subsequently bring in cash which can be re-invested in further development of housing and employment land.
18. There will be proposals to improve skills and support innovation and the development of small and medium sized enterprises. There will be a drive to develop a Team North Wales approach with the pooling of some Local Authority resources in economic development and transport which could be co-located with similar Welsh Government resources. The key outcome of any structural change proposed supported by specialist development funds will be to make economic development and transport and land use planning more sensitive to the needs of the regional economy.
19. 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. Regionally controlled funds to develop employment land in North West Wales along with maximising local employment from Wylfa Newydd, the continued development of Holyhead Port and proposals for the energy sector and the creative sector (which has a lively and growing hub around Caernarfon and Bangor) will be crucial to this objective. It is also anticipated that improvements to transport infrastructure and skills provision will enable more people from the North West to access the major employment sites in

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<sup>4</sup> The Vision document makes specific reference to the following areas: aerospace, automotive, packaging, nuclear, advanced materials, food & drink and medical sciences.

North East Wales.

### **The extent to which a similar growth deal could be of benefit to Mid Wales**

20. The Growing Mid Wales Partnership has developed its own 'Framework for Action'<sup>5</sup>. It, too, has been progressing cross-border links, working closely with the Marches LEP.
21. 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. This will be highly significant in relation to discussions over future regional policy and the reform of local government. WLGA is keen to pursue the concept of 'regional deals' as an alternative to any legislative requirement to collaborate. This also links to a commitment in the WLGA's Manifesto to seek a (properly resourced) statutory economic development duty for local government, capable of being discharged at the regional level, working in conjunction with Welsh Government and other partners.

### **The extent to which the growth and city deals could solve or exacerbate existing inequalities, both within and between regions.**

22. It is important to remember that the development of City Deal and growth bids reflects efforts by regions to attract funding streams to promote economic development as part of wider plans. There will be many other funding streams involved in the overall delivery of such plans. 'Inclusive growth'<sup>6</sup> is a key concept here and the plans must embrace social and environmental aspects of regional improvement, with tackling inequality as one of the central aims. Indeed, there is a statutory duty under the Well-being of Future Generations Act to ensure that development moves us towards a more equal Wales.
23. Projects undertaken via City/Growth deal funds should therefore take account of inequality issues **within** regions. Wherever possible, they should be designed to help address them (e.g. through community benefit clauses in contracts; by establishing links – physical, ICT, skills – between deprived areas and areas of opportunity). However, they should not be seen as the only solution. There should be other,

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<sup>5</sup> <https://www.growinpowys.com/grow-in-mid-wales>

<sup>6</sup> <https://www.thersa.org/discover/publications-and-articles/reports/final-report-of-the-inclusive-growth-commission> - defined as 'enabling as many people as possible to contribute to and benefit from growth'.

complementary activities taking place (funded through alternative mechanisms).

24. The same consideration applies in relation to inequality **between** regions. It is vital that the work of the four regions comes together to form a coherent whole. Whilst there inevitably will be a degree of competition between regions for investment, it should also be possible for the four regions to work together in the national interest. That means each region understanding the other regions' priorities and having a mature dialogue on phasing of investments.

#### **The degree to which the growth and city deals co-ordinate with Welsh Government strategy**

25. The WLGA recently facilitated a meeting between officers leading on the work in each region and representatives from Welsh Government. It was agreed that further meetings of this kind are needed and they should be mirrored at a political level – e.g. via the Partnership Council or, possibly, the Council for Economic Renewal. We are keen to facilitate further discussions between the four regions and between them and Welsh Government via their recently established Regional Alignment Board, to develop an understanding of how best to ensure national WG initiatives interact with, and relate, to regional activities.
26. It will be crucial for regional plans and Welsh Government national level strategies to mutually inform each other. In that way development proposals will be neither 'top-down' nor 'bottom-up' but will be co-produced and consistent. Welsh Government is currently working on four high level strategies ('Prosperous and Secure' etc.) and there is a need for local authorities to be able to comment on drafts of these before they are formally published. Only through open communication and engagement will we achieve the level of co-ordination required.
27. It will be important for the regions to understand how Welsh Government interventions relate and impact on the regional work and vice versa. We welcome the new approach to Economic Development signalled recently by the Welsh Government Cabinet Secretary for the Economy Ken Skates, recognising the need to change WG economic development structures to work in closer partnership with the regions. We look forward to working with him and his officials on progressing this new approach with the regions.

28. We also look forward to working with other Welsh Government Cabinet Secretaries, Ministers and Departments to ensure they adopt a regional perspective to implementing national initiatives. It will also be important for the four regions and Welsh Government to interact closely with UK Government Departments to ensure that Wales maximises opportunities from key UK Government-led funding initiatives, such as those for supporting research and development, innovation and productivity.

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