



north wales economic ambition board
bwrdd uchelgais economaidd gogledd cymru

Inquiry into City Deals and the Regional Economies of Wales

Response by North Wales Economic Ambition Board to the Economy, Infrastructure and Skills Committee Consultation

The North Wales Economic Ambition Board is a partnership of the six Local Authorities in North Wales along with the two FE Colleges, the two Universities, the Chair of the Business Leadership Forum and the North Wales Business Council.

The Board was established to support the development of the economy of the region and has placed considerable emphasis on the successful delivery of a Growth Deal for North Wales, which will sit as part of a comprehensive vision for growing the economy in the region.

More recently the Board has evolved to become the governance body for the emerging North Wales Growth Deal.

The NWEAB welcomes the opportunity to respond to the Inquiry by the Economy, Infrastructure and Skills Committee. We have noted the recommendations from the previous inquiry carried out in 2017 and the response to those recommendations by the Welsh Government.

Progress with reaching agreement over Growth Deal for North Wales has been positive, with both the UK and Welsh Governments having recently committed to a financial envelope for a deal, which could provide up to £240 million to deliver a range of projects in the region. The projects are targeted at key business sectors that have the potential for transformational growth, or which support areas where additional capacity or infrastructure is needed to sustain growth in the economy.

Since the last evidence session of the committee, a detailed vision for the future of the economy in North Wales has been prepared by the NWEAB. This document **A Growth Vision for the Economy of North Wales** sets out ambitious proposals for closing the gap in economic productivity between North Wales and UK average productivity.

The document is available at the following site

https://moderngov.wrexham.gov.uk/documents/s9675/Appendix_1.pdf

The Growth Vision sets out long-term proposals for to grow our economy. The Growth Deal bid flows from this high level vision and in 2018, the NWEAB set out a proposal for a Growth Deal to the UK and Welsh Governments.

https://northwaleseab.co.uk/sites/nweab/files/documents/growth_plan_doc_5_final.8.feb_.2018english.cleared.pdf

Since the publication of the Growth Deal bid, detailed discussions with both Governments have been held, to reach agreement over the potential projects to be included within a Growth Deal.

The NWEAB has also sought alternative funding for strategic projects included as part of the Growth Vision for North Wales. A positive example of this has been a successful bid into the UK Government Local Full Fibre Network (LFFN) programme. An additional £9 million towards the delivery of a digital strategy for North Wales has been provisionally approved, because of the opportunities highlighted in the Growth Vision.

In November 2018, the Chancellor committed a financial envelope of £120 million from the UK Government to fund a deal. In December 2018, the Welsh Government matched this amount. This provides a potential funding envelope of up to £240 million for a North Wales Deal.

The list of schemes identified in the bid document is for a larger financial amount than has been committed by the two Governments. The total value of projects to be delivered in the bid document is approximately £347 million, so there is a significant funding shortfall. The NWEAB is currently undertaking a review to assess whether scope exists to re-profile expenditure, manage the overall programme or identify alternative funding sources for some projects.

In summary therefore, the fact that both Government have now agreed a funding envelope for a deal is positive. The sum currently committed is however lower than anticipated in the bid documentation and some difficult prioritisation decisions will need to be made to identify a package of projects for the final deal. Some worthwhile projects may have to be deferred in order to remain within the agreed financial envelope.

Governance

The NWEAB has undergone significant changes to its governance structure in order to facilitate the submission of a bid. The six Local Authorities have agreed to establish a Local Government Joint Committee as a model for the delivery of the bid. To this committee, the two Universities and two Further Education Colleges, and representatives from the Private Sector have associate status at the NWEAB meetings.

The governance models available to the NWEAB are limited to those available to establish Joint Committees under the Local Government Act 1972. The bid so far has been developed in partnership with the North Wales Business Council and the Universities and Further Education Colleges. An effective partnership has

emerged to agree the bid. It is unfortunate therefore that the governance models available do not, allow associate partners to become part of the formal Joint Committee or to have voting rights in the NWEAB.

An initial governance agreement has been completed in order to submit the bid. To deliver a Growth Deal, a further more comprehensive governance agreement will be needed. Detailed discussions are underway for this second governance agreement.

In addition, agreement has been reached to establish a Business Leadership Forum to challenge the strategy, review and evaluate the projects contained within the deal. Establishing this private sector led group, has been a key feature of the UK Government requirements leading up to a deal.

The NWEAB will become a formal Joint Committee to deliver the Growth Deal. As well as the over-arching Joint Committee it is proposed that formal sub-committees will be established in the governance structure so that key strategic issues such as sites and premises development, strategic transport delivery and a potential Regional Energy Body, can be established. The NWEAB is supportive of establishing these formal bodies to deliver strategic regional activity, within a formal governance structure. Such regional bodies are well placed to lead on economic growth, strategic transport, delivery of programmes such as LFFN and to coordinate other local authority services to achieve sustained growth.

Effective partnerships with Welsh Government and other bodies should deliver a strong regional approach to future development.

Funding Profile

Funding for the Growth Deal by both Governments will be provided on a flat funding profile over a 15-year period. Given that the projects will be delivered over a much shorter time scale than this to ensure maximum impact for the economy, there is a cash flow issue to be managed. In essence, the Local Authorities could need to manage the accelerated cash flow through borrowing. This scenario, will add to the difficult financial position faced by all Local Authorities by requiring them to fund interest payments.

There is no external funding available at the moment to meet these additional borrowing costs.

The NWEAB is seeking some flexibility in the funding profile, especially in relation to the possible use of increased NNDR from the projects contained in the Growth Deal, as a way of offsetting the additional revenue costs that would otherwise impact on Local Authority budgets. Additional flexibility to vary the flat funding profile would also help offset the financial burden.

Because of the very tight local government budget settlement, the additional borrowing costs represent a potential risk to the Growth Deal project.

Project Funding

Both governments have now indicated an overall funding envelope for a Growth Deal. At this stage however, none of the potentially available funding has been allocated to specific projects. Work is underway to prepare a Heads of Terms agreement that will outline the financial commitments to specific projects.

There are some difficulties associated with this work, in that the UK Government can only fund project that are (1) non devolved matters (2) support the delivery of government objectives and strategies.

A number of the proposed projects, e.g. sites and premises development, transport connectivity projects and port related activity, cannot be funded by UK Government because the activity has been devolved to Welsh Government. Projects that can be funded will need to fit within key UK Government strategies, such as the Industrial Strategy, Energy Strategy, Clean Growth Strategy etc.

As the proposed funding profile is balanced between the two Governments, this makes developing a final prioritised list of projects more complex.

Additional flexibility in the funding profile by which money is provided by the two Governments, would be helpful to help complete the Growth Deal.

Business Case Development

Once the Heads of Terms is agreed, it will be necessary to develop full 5 Case Business Plans for the individual projects. We understand that obtaining sign off to the business cases has been a lengthy process for other Growth Deals in Wales.

The need for a detailed level of scrutiny to provide assurance over project preparation, outcomes to be achieved and funding required is recognised. The NWEAB Members will wish to be confident of the funding profile and the potential for successful implementation of the schemes, especially as the financial risk sits mainly with local government.

The costs and time scale to develop full business cases on a project-by-project basis, is however significant.

There is a risk that the implementation of the Growth deal could be delayed as the business cases are developed in detail.

In addition, the changing economic environment impacts on the individual projects. Recent changes such as the announcement to suspend the Wylfa Newydd project and continuing uncertainty over Brexit, will result in projects changing over time.