



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Cofnod y Trafodion The Record of Proceedings

[Pwyllgor yr Economi, Seilwaith a Sgiliau](#)

[The Economy, Infrastructure and Skills
Committee](#)

25/05/2017

[Agenda'r Cyfarfod](#)
[Meeting Agenda](#)

[Trawsgrifiadau'r Pwyllgor](#)
[Committee Transcripts](#)

Cynnwys Contents

- 4 Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau
Introductions, Apologies, Substitutions and Declarations of Interest
- 5 Bargaen Ddinesig Prifddinas—Ranbarth Caerdydd—Bargaenion Dinesig ac
Economïau Rhanbarthol Cymru
Cardiff Capital City Region—City Deals and the Regional Economies of
Wales
- 31 Bargaen Dinas—ranbarth Bae Abertawe—Bargaenion Dinesig ac
Economïau Rhanbarthol Cymru
Swansea Bay City Region Deal—City Deals and the Regional Economies
of Wales
- 56 Bargaen Dwf Gogledd Cymru—Bargaenion Dinesig ac Economïau
Rhanbarthol Cymru
North Wales Growth Deal—City Deals and the Regional Economies of
Wales
- 80 Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o
Weddill y Cyfarfod
Motion under Standing Order 17.42 to Resolve to Exclude the Public
from the Remainder of the Meeting

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle y mae cyfranwyr wedi darparu cywiriadau i'w tystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Hannah Blythyn Bywgraffiad Biography	Llafur Labour
Russell George Bywgraffiad Biography	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Vikki Howells Bywgraffiad Biography	Llafur Labour
Mark Isherwood Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
Adam Price Bywgraffiad Biography	Plaid Cymru The Party of Wales

Eraill yn bresennol
Others in attendance

Sheila Davies	Cyfarwyddwr, Bargaen Ddinesig Prifddinas–Ranbarth Caerdydd Director, Cardiff Capital Region City Deal
Colin Everett	Prif Weithredwr ar gyfer Cyngor Busnes Gogledd Cymru Chief Executive for the North Wales Business Council
Mark James	Prif Weithredwr, Cyngor Sir Gaerfyrddin Chief Executive, Carmarthenshire County Council
Stephen Jones	Cydgysylltydd Rhanbarthol ar gyfer CLILC yng Ngogledd Cymru Regional Co-ordinator for the WLGA in North Wales
Andrew Morgan	Cadeirydd, Bargaen Ddinesig Prifddinas–Ranbarth Caerdydd Chairman, Cardiff Capital Region City Deal

Ashley Rogers	Cadeirydd, Cyngor Busnes Gogledd Cymru Chairman, North Wales Business Council
Rob Stewart	Arweinydd Dinas a Sir Abertawe, Bargen Dinas– ranbarth Bae Abertawe Leader of the City and County of Swansea, Swansea Bay City Region

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Robert Lloyd-Williams	Dirprwy Clerc Deputy Clerk
Andrew Minnis	Y Gwasanaeth Ymchwil Research Service
Gareth Price	Clerc Clerk
Gareth Thomas	Y Gwasanaeth Ymchwil Research Service

Dechreuodd y cyfarfod am 09:16
The meeting began at 09:16.

Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau
Introductions, Apologies, Substitutions and Declarations of Interest

[1] **Russell George:** Bore da. Good morning. I'd like to welcome Members and members of the public watching, from different places, to our meeting this morning.

[2] We move to item 1, and we have got apologies from quite a few Members this morning for various reasons: David Rowlands, Jeremy Miles and Hefin David. Vikki Howells will be joining us later in the morning. There are no substitutions. Are there any declarations of interest? No, there are none.

09:17

**Bargen Ddinesig Prifddinas—Ranbarth Caerdydd—Bargeinion Dinesig ac
Economïau Rhanbarthol Cymru
Cardiff Capital City Region—City Deals and the Regional Economies of
Wales**

[3] **Russell George:** So, in that case, I move to item 2. This is the first week of our inquiry into city deals and the regional economies of Wales. This morning we're taking evidence from our witnesses—we're very grateful for your time—with regard to the Cardiff capital city region, first, in the first session. So, I would like to welcome our witnesses this morning. We're very grateful for your time. Would you mind just introducing yourselves for the record?

[4] **Mr Morgan:** I'm Andrew Morgan. I'm the leader of Rhondda Cynon Taf council, and I'm the chair of the joint cabinet for the city deal in the Cardiff region.

[5] **Ms Davies:** Good morning. I'm Sheila Davies. I'm the Cardiff capital region programme director.

[6] **Russell George:** I'm very grateful. I wonder if you could initially just take us through the timetable of steps that are going forward.

[7] **Mr Morgan:** Do you want me to cover anything up to now, or just moving forward into the next period?

[8] **Russell George:** Just moving forward, I think, just so we know what's coming up at what point.

[9] **Mr Morgan:** If I can give you an overview, then I'll ask Sheila to give you some more detail. At present, obviously, because of the elections, some things have been on hold. However, in the background, we are in the process now of bringing the shadow transport authority out of shadow. That will be happening probably at the next meeting, where they will then be formally engaging with Transport for Wales around the procurement and the plans for the metro. Obviously, our officers from both Welsh Government and local authorities are still engaged in conversations, but we'll be formalising that when the transport authority comes out of shadow.

[10] We're also in the process of setting up the economic growth

partnership. That is being carried out by Centre for Cities, who we've engaged, using some best practice from across the UK. That process is ongoing. I have an interview with them next week to confirm and finalise some of the details, and we're hoping that, certainly by—if not by the annual general meeting, which is in a few weeks' time, for the board, it'll probably be within a month or so after that when we are hoping to have the economic growth partnership in place, as that is one of the fundamental bodies that are going to be required to assess some of the projects going forward.

[11] We're also, in the background, working with the Cardiff city region board, which I also sit on—the transition board, which is coming to an end now in the next couple of weeks. We have some officers working with the business sector, where they have taken a lead on setting up the business organisation for south Wales. That is still being developed. It is not as far forward as we would like it to be and we need it to be. So, that is a piece of work now over the next few weeks we need to accelerate. There has been good buy-in from the business organisations about getting involved in that new set-up, but we are trying to sort out some areas—for example, we have committed, as leaders, to draw down some early funding to assist them to get a temporary board in place where they can then advertise out to get a permanent chair, get themselves established and get support mechanisms in place. I understand that GE have offered to do some secretariat work, as well, to support them in that, going forward.

[12] So, all the bodies are trying to be formalised and established, because, until we get that in place, any projects, really, on a wider scale, where we are drawing up the longlist, as we are calling it—they can't be assessed and go through the various stages until we get those bodies in place.

[13] **Ms Davies:** Do I press this?

[14] **Russell George:** You don't need to press the buttons, they come on automatically.

[15] **Ms Davies:** Supporting that political drive, there are two key things we're working on as the officer team in the programme management office. The first is taking forward the transition plan, which was agreed by the cabinet at their first meeting out of shadow on 17 March. That is the work plan for the next calendar year in line with the annual budgets that have been agreed. That transition plan covers many aspects in terms of finalising the longlist, the shortlist and the proposals, and the assessment criteria,

working with UK central Government and the gateway reviewers that have been commissioned by central Government to come in and do our five-year gateway reviews. So, we're working closely with those.

[16] Secondly, we're starting to make inroads into the first shapings of our regional economic strategy to take us long term. But, underpinning that, our top priority—it is a reserved matter that we have to finish this financial year—is in terms of the joint working agreement, which is our legal constitution. We have to do a business plan, specifying the work and the intention for spend over the next five years and over the 20-year programme. That has to go back to each of the 10 councils before February 2018. So, that's our priority in terms of supporting cabinet.

[17] **Russell George:** I'm very grateful for that comprehensive overview. There is the growth and competitiveness commission report at the end of next year. How is that fitting into the city deal?

[18] **Ms Davies:** That is completely driving it and is being taken forward in the aims and objectives that we're putting in our draft business plan. It will also be the driver of our regional economic strategy. There were 13 recommendations, we've taken all of them on board and we're developing those into delivery action plans.

[19] **Russell George:** I see also you've got a performance management system that you've got in place, as well. How are you working to build on that in terms of good practice?

[20] **Ms Davies:** In two parts. We have a project manager—there are two of us on full-time secondment into the team. The project manager is an expert in the PRINCE systems, so we have systems set up where we're looking at the roles and purposes of each of the bodies, each of the working groups and the programme board. They are reported, monthly and then quarterly, into cabinet. When it comes to looking at potential projects and future projects, we are following the programme management system for—well, it's in line with our assurance framework, which has been agreed by UK and Welsh Governments.

[21] **Russell George:** In terms of working with your partners, what experience have you got of that? Has it worked well, working with your partners? Have there been issues?

[22] **Mr Morgan:** Can I say that within the 10 local authorities—? 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. We did approve, only just a few weeks ago, one of the first projects, which is a substantial investment with the IQE project.

[23] 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. Ultimately, some of the projects we will be looking at, potentially, as part of the longlist, we may want to take forward and develop with the Welsh Government. So, it could well be that, in looking to see where the Welsh Government is looking to invest in infrastructure and whether we would benefit from partnering with them and maybe jointly funding projects—that is something we're now considering.

[24] **Ms Davies:** In support of that, on a practical level, we have four theme working groups, as per the heads of terms that were identified originally when we wanted the city deal, and each of those four themes has a political lead—a member from cabinet—and has a chief exec officer lead. But one of the things that we've been absolutely clear about is that we've had nominations now of the key director from Welsh Government, who is going to work with our officers on developing those themes. So, they're very much dovetailing together. I understand that the civil service side of the Welsh Government have set up what they call a 'city deal alignment board' and I am regularly invited to those meetings so that we can co-ordinate across the divisions of Welsh Government in terms of the forward thinking and what we're thinking of doing in the city deal, but in partnership with Welsh Government, so that there are no surprises and we're working together.

[25] **Russell George:** You'll be aware, of course, that we just had the county council elections this month. There must have been a change at each local

authority, so how has that changed the dynamics of the 10 local authorities?

[26] **Mr Morgan:** We haven't met as a cabinet since the local elections, but we do have a meeting scheduled, I think, in the next week or two. I have been in touch with most of the leaders. Over half of the leaders have stayed the same, so there will be consistency. I think one of the main things is, though, at all our meetings, either the leader or deputy leader has always attended, because we allow substitutes. We always have the chief executive, and because certain authorities are taking lead roles in certain areas of delivery, there should be consistency. Obviously, there are a few new council leaders, but I've offered to meet with, for example, Merthyr, when they determine who their new leader is. I know that officers have already been to brief Blaenau Gwent. I know that they're speaking to Peter Fox, the leader of Monmouthshire. I believe that he is in the process of arranging a briefing for the Vale of Glamorgan Council, because they're the same political party. So, we've tried to make sure that the new leaders, coming in, are being brought up to speed politically on where we are, as well as the fact that their officers will be briefing them.

[27] **Russell George:** Are there any changes of administration in any of the 10 local authorities that would make a difference?

[28] **Mr Morgan:** Yes. Blaenau Gwent has gone from Labour to independent, as has Merthyr, and I believe that the Vale has gone from a coalition to Conservative-Plaid Cymru, I think, now. So, there have been a few changes, but we're making sure that, between the various mixes on the boards, we are briefing all those new leaders and members to keep them involved.

[29] **Russell George:** Do you think there'll be the political buy-in from them, since there is a change of leadership?

[30] **Mr Morgan:** The other leaders, where there hasn't been change, are obviously very much committed and there is no issue there. Certainly, the indications from those authorities where there has been a change in political leadership is that that they do very much still want to be part of the deal. There's nothing to indicate that there are any concerns. In fairness, although there will obviously be a new intake of councillors, practically every council, of the 10, when they took this to their full councils for signing off—I think I'm right in saying that all bar eight of the 10 authorities gave unanimous support, of all political parties. Actually, out of something like 600 councillors across the region who voted, only six councillors actually voted

against being part of the city deal. So, I think that all the main political parties, in fairness, have bought into this.

[31] **Russell George:** I understand. That's good. Mark Isherwood.

[32] **Mark Isherwood:** Thank you. Will the city deal achieve its ambitions?

[33] **Mr Morgan:** I'm sorry, I didn't hear you.

[34] **Mark Isherwood:** Will the city deal achieve its ambitions? How likely do you think that will be?

[35] **Mr Morgan:** It's difficult to say 'Will it?' Certainly, our ambition for it is quite—it's stretching the ambition in terms of we are looking at the number of jobs and the economic impact. 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. But we certainly are working with all the partners and everything is indicating, certainly from academics around the universities—they will be making sure that the learning, skills and innovation partnership and the board there are dovetailing with what we want to do.

[36] We've also got engagement now. I sit on the Valleys taskforce board, but also officers are engaging with Welsh Government through that to make sure that we're not duplicating. Naturally, we want to maximise every pound that we spend and make sure that it does link up with what Welsh Government and local authorities are doing. So, we certainly think that it will deliver. It remains to be seen because, obviously, city deals, overall in the UK, are relatively new. Some go back five to 10 years, but for us, this is obviously the first, and it's the first time, I think—and I've said this publicly previously—that all 10 local authorities in our region, I think, are genuinely committed to working together, because we're looking at the infrastructure, transport, skills and housing. We've had discussions about whether or not we should have joint local development plans. We've had meetings with Welsh Government on whether we should have strategic housing allocation sites across the region. It's the first time that we've actually had these serious conversations as 10 local authorities.

09:30

[37] **Mark Isherwood:** How will you measure its impact on jobs and economic growth? What system or methodology would you be using?

[38] **Mr Morgan:** There is a system that's been set up. Obviously, our target over the lifetime of the deal is to increase by 25,000 jobs and an increase in GVA, but there is a matrix scoring system for all the projects, going forward, and then an evaluation. I don't know if, Sheila, you want to touch on the evaluation process.

[39] **Ms Davies:** We're in the throes of refining the evaluation process, post project investment, but we're working very, very closely with the advisers that the UK Government have appointed in terms of what is UK Government going to measure us against, what kind of measurement criteria they're using, and we would use the same. So, if we adopt that measurement criteria, we can ask those questions upfront, rather than—which some of the city deals are now facing—they've got their measurement criteria, but what the national gateway reviews are going to be looking at is slightly different. They've got to change all their criteria and how they're looking at things. So, we're going to be going down there. We're working very closely with those consultants. In fact, they're coming in in a fortnight's time. The first stage national framework indicators are being agreed, and they're coming out to look at our local indicators, because they're not going to compare city deal with city deal. They're going to take very much into account the local circumstances, where we start and where we finish, and how that's going to be measured. That will all be finalised in the next two months.

[40] **Mark Isherwood:** Thank you. With targets that are focused on GVA, which you've just referred to, and job creation—are those the right areas to be focused upon? You might be aware we've received evidence from the Bevan Foundation and the Joseph Rowntree Foundation suggesting a wider focus on the quality and location of jobs is needed, and, clearly, there's also the well-being goals in Welsh legislation to factor in.

[41] **Ms Davies:** We're putting together a suite of measurements. In fact, I could turn to them in the draft document, if you like. We're putting together a suite of documents where the headline measures are job creation and the increase of GVA, but so much is dependent on how those figures are pulled together. So, we're looking at a suite: where exactly were we at the point of 2015, when the heads of terms were agreed? So, we're looking at what kind

of skill levels, how many businesses and how many houses, what's the demand, and then we're projecting where we would be if we did nothing and then we're going to project with the investment, because this is a deal, it's not a grant. So, with the investments in this deal and the returns we're expecting, will that hit the figures we want to?

[42] So, again, we are currently grappling with: do we aim for higher than the average of the UK or do we just go for the average in the UK, which, again, is quite a step for us? But those are the figures we're working through with the gateway reviewers at the moment.

[43] **Mr Morgan:** Can I just add that we've pressed the case, actually, with UK Government that just using GVA alone was quite a crude measure of success? That's why there's been a lot of discussion—recently, we were in London for a meeting, and Sheila attended. As I mentioned, all the other city deal regions came together with UK Government and were actually discussing some of this because just simply using GVA—. Originally, there was going to be a 5 per cent uplift, and we said, 'Well, for example, if you're just measuring success on whether you get a 5 per cent uplift, what happens if there's another downturn in the world economy in three, five years' time? We can't be held accountable for that, yet our city deal will be deemed a failure if there is a downward national issue.' They accepted that. That's why, I think, the 5 per cent figure then was dropped and it was more around GVA linked with jobs. But the final detail and that is still not yet confirmed, because it is still being worked through.

[44] **Ms Davies:** If you'd like an example of some of the measures underpinning that, we're looking at: if we want to grow as an economy, there has to be a recognition that our population has to grow as well to increase the GVA. So, we're looking at population figures, percentage growth, the number of people in employment and how that changes. We're looking at the working age rate between 16 and 64, the employment rate. We're looking at wages as a percentage of the UK. We're looking at claimant counts. All of which are about our secondary criteria of: yes, we want to create the jobs, but we also want to spread the opportunities for people who are not working to come into work as well, all of which is going to help towards productivity and our GVA growth. So, there is a suite, and I could go on with the details, but we're working through the actual figures we want to use and measure ourselves against, as we speak.

[45] **Mark Isherwood:** Given that GVA is value of goods and services

produced per head of population, I presume, when you indicate growing the population, you mean the economically active population within the broader population.

[46] **Ms Davies:** Yes.

[47] **Mark Isherwood:** And obviously productivity issues, as well.

[48] **Ms Davies:** That's where housing is affected. We don't want to just do a growth deal where we've got specific projects and capital investment. This is an economic city deal in terms of: we want to affect everything that's in the economy as best we can, which is why it's so critical that we work with partners.

[49] **Mark Isherwood:** Okay. You've indicated that there's always the possibility of factors beyond your control leading to an economic reversal. What mitigation are you building into modelling, if unforeseen occurrences happen internationally, nationally, at European level, post Brexit or what have you, that could impact on your delivery of the investment fund gateway goals, if the UK and Welsh Governments are not satisfied that you've met the key objectives agreed?

[50] **Ms Davies:** That's exactly the reason why the consultants have advised UK Government that just GVA growth, as a target, is impractical, because we are working in a global economy. Lots of different things could happen totally beyond our control in south-east Wales, the Welsh Government's control and the UK Government's control. So, what they're going to measure, which is why they wanted to do the local indicators, is: what have we invested in and how have we moved locally so that if any national things affect us, those can be taken into account. But they'll still be looking at what we've invested and how we've helped to grow the economy in terms of specific investments. So, whereas they'd look at the whole growth of the region as part of 'How are you doing as a region?', they are specifically going to look at what we've invested in, which, in some ways, may overcome what might come around the corner in terms of global effects. Who knows?

[51] **Russell George:** We've got the Bevan Foundation and the Joseph Rowntree Foundation coming in to give evidence to us. Their written evidence says something that they'll expand on when they come to see us, so I wanted to raise this with you because you won't be back. They do say that the Government's process for city and growth deals is unclear and lacks

transparency and needs to be better explained to stakeholders. The Federation of Small Businesses Wales have also said that in their written evidence, and that's what they'll say and expand on when they come to see us. So, how would you respond to that?

[52] **Mr Morgan:** Can I start by saying that we've had these conversations several times with different partners? I think the biggest issue is that, while the deal was being initially formed, from getting to the stage of heads of terms to then finalising and signing the deal this year, because we had to move at such a pace—and that was driven by UK Government—we were expecting, when we had our consultants KPMG, who were working for us, to take between 18 months to two years to finalise the deal, which is the case in most parts of the UK. When we had the indication from the UK Government that they were going to support it, the time frame that they gave us was nine months. We went back and explained that no other area had ever done this in nine months, but kept being told by the UK Government that that was the timescale that they wanted to work to, for various reasons, I'm sure. Ultimately, we got it through in that timescale, but what it meant was, because we haven't got a list of projects—because in some areas, they simply said, for example, that they were going to invest only in transport and their entire city deal is around transport infrastructure, whereas ours is much broader—we haven't worked out all those specific projects and they haven't been evaluated yet. But because we said that these were the key themes, I think that business felt, at that point, that they're not having an opportunity to influence it and they felt as though they were excluded.

[53] So, I've met with all of the various business organisations. We've held a number of business breakfasts and business seminars. Peter Fox, who is part of the lead now in engaging with business, has probably met with, I would say, upwards of 200 to 300 different businesses in different seminars, trying to get that message out there and explain to them that it's actually now, through setting up the economic growth partnership, and as we're setting the strategy—that's opportunity for business to influence and help shape what we're going to be doing. I hope that message now will start to filter through to the private sector, because ultimately, we need them and we need to lever in their investment to deliver our long-term plans. But I think it's the really narrow time frame that we worked to that did make—I would probably agree with them that it did make them feel as though they weren't part of the process early on. That wasn't deliberate, unfortunately; it was just that we've had to do things slightly differently with the Cardiff city deal than in other areas.

[54] **Russell George:** So when the FSB come to give evidence to us, do you think that perhaps their views may have changed as a result of some of your—

[55] **Mr Morgan:** I hope so. But also, when this new business organisation is fully set up, and their various members are going to be part of it, they will have much more of an influence and more of a role in dialogue with us on a regular basis. Rather than deal with all of the different bodies and individual companies—whether it's the chamber, FSB and all the rest of them—if we have this one body set up, we can then speak with them, hopefully as one voice, and have much better engagement, because under the new setting, the idea is that any business at all in the region could be a member of this new organisation. There's no cost; they can register online and every business will feel as though they can have an input. Actually, then, what their broad plans are—they will bring them to us and we will have a joint discussion with them so we do have that interface, which, up until now, probably hasn't been as good as it should have been.

[56] **Ms Davies:** I met with the Federation of Small Businesses yesterday and the chamber of commerce for south Wales on Monday, and I'll be quite frank in saying they didn't fully understand how much money there was in the city deal, what the governance processes were and what their role was. They were working on lots of assumptions and perceptions, what they've read and what other people have told them. So, when I took the time to explain, 'This is how it works, this is what we'd like your role to be, we desperately need the private sector to be party to this' and the amount of money we're actually dealing with—. Because one person in the FSB said, 'Well, there's £800 million that we need to tap into on this'. I said, 'We haven't even got £800 million, full stop.' So, again, once those bubbles have been burst and those perceptions have been corrected, and they understood what we're trying to do, they became quite excited in terms of: if we're going to grow this economy, we need the private sector. How do we help small businesses, start-ups and bigger businesses to be more productive? 'Your issues, you keep saying, are around skills and skills match—you can't get them. What is it we can work on with you that you think will be a good solution and work through our skills partnership and us and Welsh Government in terms of business support?' At that point, the conversation turned from criticism to, 'Oh, well, we have been thinking of a few things. Can we come and talk to you a bit more about them?' I said, 'That's exactly what we want, yes.' So, they ended up being very positive meetings, as

opposed to very critical when we first started.

[57] **Mr Morgan:** Can I just clarify—? I'm sure you're all aware, but the actual sum involved, when we take out the £734 million that is ring-fenced for the metro, which we are co-procuring and working with the Welsh Government on—that only leaves £495 million. I know people say, 'Well, that's a lot of money,' but it's over 20 years. Even if we do frontload, and we are, as a joint cabinet, saying we may have a delivery plan over—. We can use our prudential borrowing powers to pull that funding forward and maybe spend the full amount over a 10-year delivery plan if we want, but even a 10-year delivery plan is only £49.5 million a year. It is small in comparison to the other sums, so that's why we need to make sure we do work with those housing providers to bring forward strategic sites. We're in discussion with various parts of the private sector, as well, about where we can add value to their projects and, actually, then, get a multiplier effect, like we've just done now, hopefully, with the IQE project.

[58] **Russell George:** Thank you. Adam Price.

[59] **Adam Price:** Good morning. City deals, of course, were an idea that came out of the George Osborne era, which feels like a different political age now, doesn't it? I suppose at the heart was this wider idea of city regionalism, the concept that cities are the motors of economic growth and connecting the hinterland in the wider region with those cities is an important economic catalyst. There are some people who would critique that and say that city regionalism is a spatial equivalent of trickle-down economics and it will leave some of those—it's trickle-up, if you like—but it will leave some of those disadvantaged communities high and dry, potentially. So, how do you think the city deal can drive economic growth, particularly in those disadvantaged areas within the wider region, and promote a more inclusive economic growth?

[60] **Mr Morgan:** Can I just start by saying that when you look at the city deal, the 10 authorities—? I have to say that the areas most positive about it are actually the areas further away from the city—so, the likes of Blaenau Gwent, Merthyr, my own authority of Rhondda Cynon Taf, Torfaen; those on the top of the Heads of the Valleys in particular. One of the reasons we said, when we went into this—. The then leader, Phil Bale, and Jane Hutt brought this to the table with the 10 leaders together. I was very sceptical at the time, I have to say. I was probably one of the most negative when I first came to the table, questioning, 'Is this money just going to be for the cities, for the

south?’ But, actually, when we went further into it, we were convinced that it’s only by working together as the 10 authorities with the private sector—. Because people say about the public sector creating jobs. Well, the public sector, unless we are actually taking staff on—we don’t create jobs. All we do is enable private business to create those jobs. So, we were saying about how we can enable that.

09:45

[61] We’ve got things like the investment in the Heads of the Valleys. Building a new road alone—dualling a road—is going to do nothing. It’ll improve the safety aspect, the travel time, but that isn’t going to create jobs and growth in that area, unless we maximise and work alongside, trying to either develop houses in the area or develop new industrial sites, whether it’s light industry or the business sector. But also one of the things, from my point of view and that of the other leaders, was that everything else up to now, just by doing piecemeal work on our own, doing various things, hasn’t worked. We’ve had some limited success, but actually, it’s only by having a much broader plan and, saying, ‘How do we actually tackle the issues across the region?’—. Because for our own authority, the way I sold it to my members, from all political parties who supported it, was that unless we get—. Good transport alone won’t solve the issues in the Valleys. It’s definitely a major issue and a major barrier in the Valleys, but then if you get transport, all you’re going to do is help people to leave the area.

[62] Unless you have good-quality housing—. We’ve tackled now, through the Welsh quality housing standard, social housing, which is much, much better. Private rented is an issue in the Valleys, the quality of housing. But unless we have good-quality housing, which is much cheaper—. It’s a fact that now buying a three-bedroom or four-bedroom house in the Valleys is far cheaper than it is in Cardiff or along the M4 corridor. So, it’s about having good-quality housing and making sure that people have got the skills to get those jobs, whether they’re in the Valleys or outside the Valleys, and making sure you’ve got good transport. So, for me, it’s those three areas. You can’t tackle any one of those three areas, I don’t believe, by doing it in isolation, either as a Welsh Government or as an individual local authority. So, the more we went into it and discussed it, actually, I think, for myself and many other council leaders, when we looked at it, it is those areas outside the city that really should have the most benefit. And while they are the areas that really need to benefit, I personally do think that, genuinely, we will benefit more from the city deal in the future.

[63] **Ms Davies:** In taking that steer and that direction from the cabinet, as officers, we're working on our draft regional economic strategy. If you look at the independent commission's comments in terms of spatial spreading of the investment, we are looking at—and this is in the very, very early stages—there are three distinct lifestyle zones in the whole of south-east Wales. You've got the two cities and then you've got what we class as the urban growth belt, as mentioned by the commission, which is Barry, Bridgend, Llantrisant, Pontypridd, Caerphilly and Cwmbran. Then, you've got what I class as the market town areas, and what we'd like them to be in how we want to redevelop those areas. Metro is the mechanism for helping people move about to access training, access work and for trade to happen. What we want to do is take the very small amount of money that we have in the city deal and use it as a lever, as a pump-primer and as a wedge in the door to say, 'If we do this in this area, what else is going to happen around it and what other partners can we bring in?' We're very much concentrating on the spatial distribution of the priority of where those levers should be invested. So, for instance, we know there's a shortage of housing in south-east Wales. There's no shortage of people who want to build houses in Cardiff and Newport. So, why look at that? But there are issues around north of the snow line, as has been quoted by the Home Builders Federation. So, what do we do in terms of looking at sites allocated for housing? Why aren't they coming forward? What are the issues? What needs to be done?

[64] So, we're looking at models, again, learning from the other city deals. Liverpool and Manchester have had great success in developing housing in their city deal areas and they have an incentivisation fund, which again is a lever. If we pump-prime and just invest in the infrastructure needed to open up the site, who's our partner then in terms of house builders who will take that site forward? What's the deal that we will do to get our return on that investment as well with some repayment? So, we're starting work in those areas and it's moving quite quickly.

[65] **Adam Price:** You mentioned Manchester; Colegau Cymru specifically referenced the Manchester experience in their evidence to us, which goes back to the earlier point: that the real danger—. The Northern Powerhouse is often cited as a metaphor or a model, but actually if you look outside of the core city—and this is replicated in other places around the world as well—the outlying areas certainly haven't gone forward in terms of their relative economic prosperity. If anything, you could argue that they've gone back. Isn't that the danger? Just on your spatial analysis there, where were the

Valleys there? You mentioned Caerphilly, but are the Valleys now the market towns?

[66] **Ms Davies:** It's both.

[67] **Adam Price:** So, 'the Valleys' has disappeared as an economic entity. I'm a bit worried about that.

[68] **Ms Davies:** No. 'The Valleys' is a geographical description, but when you look at the economy, there are so many similarities in terms of the issues that are being faced across the region. There is a question of, yes, if you look at the transport links, everything comes to Cardiff and Newport, because that's the way that the valleys and the rivers flow. However, the lifestyles—and I've worked in authorities in all of them—the issues they're trying to grapple with are the same. There is not the connectivity in those growth towns. People are moving to those growth towns, and there's not enough housing. There are problems with park and ride and transport, and, similarly, people are moving out of the Heads of the Valleys areas and the top end of Valleys areas down to what I class as the middle band. What do we do to incentivise and make those areas as attractive for certain lifestyles—families who want to come to the middle band or people who want to live in a vibrant city? It's a question of spreading this to the benefit of everybody.

[69] **Mr Morgan:** Can I say that, in the Valleys, for example—? Sheila's quite right; there are areas, when we first looked at the city deal, about should we include housing in there, because some were saying house builders and Welsh Government are doing things to support the housing market, and house builders will build where they build. But, actually, we came back and said, 'Well, in some of the areas, obviously, we've got depopulation.' I know Caerphilly as a local authority in particular pressed the case for, I think, the Bargoed or Aberbargoed area, and the tops of the Valleys overall, which have got depopulation.

[70] So, we've been having conversations with the Welsh Government, for example, where sites are brownfield sites—they've been allocated by local authorities, Welsh Government, with potential for housing. But if we just allocate them in an LDP, nothing will ever happen with them because, basically, there's no profit in that site for a private developer to come in. You might want to bring it forward, potentially with some social housing grant, but is it just simply social housing you want to build? You should have a mix of, obviously, private and social in the Valleys. So, what we're in discussion

with Welsh Government around is the issue around claw-back and actually saying—. And I've certainly done it in my authority—we've expanded it from Rhondda Cynon Taf then to the Cwm Taf 'one public estate', which we're looking at. I know I've had conversations with Mark Drakeford about how they're certainly now looking to fund and potentially roll that piece of work out—looking at all public sector land, whether it's Natural Resources Wales, Welsh Government or local authorities, and actually saying—. And I hope it will roll out in the same way as I did it with my officers, saying, 'This piece of land—I know, in theory, it has got a value, but, actually, if nothing ever happens with it, because it's unaffordable to develop, it's worthless. It's just a liability.' So, actually, we could probably flip the coin over and say, 'Well, how do we make this site developable?'—whether it's putting in housing or light industrial.

[71] We've been speaking to various consultants about the fact that, in the Valleys, since the Welsh Development Agency went, we've seen virtually no new building of small units—start-up units, as you were calling them. I know there are pieces of work that the Valleys taskforce has been looking at, but we've said that you could probably build 100 or 200 start-up units in the Valleys and you'd probably fill them in the first 12 months. But, actually, some of those sites where you could develop them are unprofitable, so the private sector probably won't come in, or there would be gap funding. So, we are now looking to see, actually, if we want to bring this forward—. Otherwise, just building houses and having a good metro system, all it means is that people will all jump on the train every morning and leave for the city. So, it does have to be a mix.

[72] **Adam Price:** Could I just—I know time is tight—ask very briefly, then, on this issue, Andrew, that you raised about prioritising investment within the Cardiff capital region in the former coalfield areas? The state aid map at the moment—of course, west Wales and the Valleys has the highest level of state aid possible, I think, in the whole of the European Union. In the Cardiff capital region, of course, the average GVA per capita will be higher, because it's brought up by the inclusion of the sub-M4 urban cities. Is there a danger there that, actually, the Valleys will not get whatever the state aid regime is in the future—you won't get the level that you would have if you were applying a Valleys economic regional map?

[73] **Mr Morgan:** That is a risk, but through the Welsh Local Government Association, we are pressing the case about—. I know there's interface with the Local Government Association and UK Government about how any

potential new funds coming to Wales could be distributed. But it has been the case in the past, when we've had regional bodies—. So, for example, when we had the regional transport consortia, although we had a regional transport map and our delivery of transport functions was looked at as a region, we still isolated the Valleys area that was within the Objective 1 funding, as it was then, or convergence funding. We isolated those areas out, so those projects, then, were treated in a slightly different way. So, it could well be that when, maybe, the strategy is put together, if certain areas within Wales are zoned, as in treated differently by UK Government for additional funding, we'll have to make sure we tap into that. But what we don't know yet is: is there going to be any additional funding, and if there is, is it going to be on a Wales-wide basis and not actually targeted at the previous areas? But we are trying to make representations on that.

[74] **Adam Price:** Okay, thank you.

[75] **Russell George:** Hannah Blythyn.

[76] **Hannah Blythyn:** Thanks, Chair. You touched on what I was going to cover briefly in your answers to colleagues. You were talking about whether GVA was the best way to measure things. You were talking about the additional measures that you were going to put in place beyond the headline measures in terms of that. I was wondering if you could expand maybe, just briefly, on your plans to improve the skills and quality of jobs on offer in the region, but specifically how that's going to benefit and target the people in greatest need of gaining those skills and decent, sustainable employment.

[77] **Ms Davies:** This is why we've recognised the value of LSKIP, which is a regional entity comprised of all of what I class as the supply side. So, it's higher education, further education and private sector training developers. The fact that that board has openly come to the city region board and said, 'We want to work with you; we want to work for you'—. We are now amalgamating the teams, in terms of—. There's an annual skills plan that's a requirement of Welsh Government to be delivered, but we are looking at the longer term. So, we've identified what the potential growth sectors could be. For instance, the investment that we made a fortnight ago in the compound semi-conductor cluster development: we're already saying, 'Given their job forecasts, which are very high, what kind of skills specifically do they want? When do they want to recruit them? What's available in south-east Wales?', and we're putting this project management team behind it to say, 'How does that feed out into the providers?' People in our universities locally and our HE

and our schools need to be trained ready to go into that sector, because they are saying that they can't get enough within the region.

[78] So, again, we want to invest in the future industries globally, and we want to make sure that they're in south-east Wales, rather than moving to Singapore or the States, where they could go. So, if we keep them here and we invest in them and support them properly, then the skills wraparound, and all the other lifestyle issues that those employees are looking for, need to be available on the patch as well, which is where good housing, good transport and everything else comes into the mix. So, again, yes, it's a tall order, but if we do it project by project—. And as Councillor Morgan has said, we don't have that much money, so if you invest wisely, and we get the leverage and we get the job creation as part of that investment, we do then have the resources to wrap around those projects to ensure that it's fed into the rest of the systems.

[79] I understand that, yesterday, there was a board meeting of LSKIP, where the five colleges are now coming to work together. They're looking at proposals where they will collectively work for the region. They want to come forward with some proposals where the city deal might want to invest in some of the things that they're thinking of doing. Again, that will have to be subject to our very rigorous process of taking proposals forward. We've had total support from the three universities in the region. They are working collaboratively now on looking at what they can do to help. The colleges are now working together and Councillor Morgan has already mentioned the fact that businesses and the business organisations are now starting to cotton on more and work together. The key thing is, and our message from the beginning has been: no one body can deal with all the issues that we have to deal with in south-east Wales, but collectively, with the collective purse that we've got pulled together, we should and we could work miracles, and that's the ambition, really, of the city deal board.

[80] **Mr Morgan:** Could I just add and make the point that all the college principals came together in a meeting with myself, various officers from the city deal and Debbie Wilcox, the leader of Newport, who has taken the lead on skills and has now actually been appointed on to LSKIP to have that interface? That was the first time that all of those college principals came together in one room with us and talked about what issues are facing us. What we said quite clearly to them—and we had a similar meeting with the vice-chancellors, where they came and presented—was that we don't want a presentation from each of the three universities; what we want is a

presentation from FE and HE, telling us what they can bring to the table and what they want us to do. We made clear to them that we would not support any projects if they come forward in isolation. They've been quite clear with us about some of the gaps; they're thinking about the discussions that we've had with Welsh Government officials about, for example, the use of the apprenticeship levy and about skills funding. I've already met, several times, with Julie James and had discussions about some of the areas we think that, in the Valleys, in particular, we could target and do things slightly differently. By bringing them all together and having the conversation, it's the first time that they've actually been able to say to us, as council leaders and politicians as well, 'Well, actually these are some of the gaps'. It's no good those colleges and universities, between themselves, being in competition.

10:00

[81] The skills mix is something else that we're targeting, because, in the past, something I've been quite critical of, especially with Objective 1 funding, is that courses have been run to maximise the number of people going through the course, coming out the other side and having a tick and a qualification, but without necessarily that qualification having anything to do with future demand and future skills needs for the private sector. By having the private sector now helping to shape this, saying where those growth sectors are in the economy, they are now changing the way they're working to actually deliver the skills for youngsters in the future.

[82] **Hannah Blythyn:** So, what would you say, talking about investing in skills, investing in jobs, investing in housing and infrastructure—? And whilst we'll be familiar with all this round the table, how would you sum up, say, the difference that the city deal could make, potentially, to a single mum in the Valleys, her children and grandchildren if she's, like, 'What does that mean for them and their future?'

[83] **Mr Morgan:** One of the programmes—if I can give one small example—we were looking at is the apprenticeship and graduate programme, to see, actually, as a hub, which is in our heads of terms—. It's very similar to, I think, the Manchester model, where they offered small bursary payments, in effect, to the private sector to say, 'If you take on a graduate or if you take on an apprentice, you will actually get some additional support, provided they're in certain growth sectors.' That would be really beneficial, in particular for south-east Wales, because while we have thousands and thousands of apprentices and we're doing quite well on

graduates, actually, the number of graduates who are retained within the region who then either set up their own business or go into small businesses and help them flourish and develop is really, really quite low and quite poor.

[84] So, that is a sector that we're discussing with universities, and they've actually been around the table with us, saying, 'We need to do something different'. We are looking at—I think it's the Manchester model, where they've actually set—. For example, if you say to a business in a certain area of growth, 'We will pay you a few thousand pounds additionally towards the cost'—. But it isn't just about the costs of taking on the apprentice. The biggest barrier, we've found, from our own research that we've done by contacting small and medium-sized businesses, is that, first of all, they find the existing system too difficult, and if you've only got a small business where it could be one, two or three people working there, they haven't got the time or capacity to go through a rigmarole where you have to advertise for an apprentice, then do the recruitment, and you then have to liaise with colleges or Welsh Government about the various courses. So, in effect, one of the things we are looking at, as we are calling it—and we've had discussions with the Welsh Government—is almost like a one-stop shop. It is very simple: rather than waiting for a business to say, 'I would like to take on an apprentice,' or 'I would like to have a graduate,' we could contact the small business and say, 'Actually, you would qualify to have a graduate person working in your business. This is what they could add value to and do. We would recruit them. You've got a small bursary towards the cost of them,' and actually go through the whole process of, almost, handholding them to make sure that they are then retained. Because local authorities and the public sector are very, very good in terms of the number of apprenticeships they train and retain within the area, but in the private sector, that's very different.

[85] **Russell George:** Are there any other members who have got any questions at all?

[86] **Mark Isherwood:** You've already—sorry.

[87] **Russell George:** Adam.

[88] **Adam Price:** On this?

[89] **Russell George:** Any area. We're coming to an end, but if there are any other areas that you want to cover, we've got five or 10 minutes, if the

witnesses are happy to stay a further 10 minutes.

[90] **Adam Price:** Just looking—sorry, Mark, do you want to—?

[91] **Russell George:** I'll come to Mark after.

[92] **Adam Price:** Just looking across the whole of the UK, of course, we have city deals, increasingly, all round. How are you going to actually close the prosperity gap with those other city regions, of course, reminding ourselves that the Cardiff capital region, at the moment, sadly, is pretty much not quite at the bottom, but pretty close to the bottom of the prosperity league table, at the moment?

[93] **Ms Davies:** One of the key things in the conversations we've had with central Government, and what they've been very, very clear in telling us, is that this isn't going to be a competition, a measurement or a league table across the UK of which city region is moving the fastest and which is investing the best, because that is not helping. What they're encouraging is that the whole—. What they've said is the ethos behind city deals, and you having enough control of your own region to develop your own region, is that we understand our region the best, and not somebody in Westminster saying, 'All city deals have to do this, all city deals have to do that and these are your targets'. It's: 'You know your regions best. You know where you're coming from. You will know what the interventions could be.' But this is a carrot, in some ways, to say, 'Work together and improve it better together, and see what you could achieve.' That's why we want our baseline figures and see where we're going. Because I was very concerned when I first went to the meetings, thinking, 'We've all seen the London statistics and the south-east and we've all seen the statistics everywhere else', but, actually, if you compare the skills levels and the qualifications levels in the Cardiff city deal area, compared to all the other city deal areas in our collective group of 11, our figures are much better, and I was stunned when I looked at those figures. However, the qualifications levels that we have, from postgrad right the way down to NVQ level 1, they are much better in terms of numbers for numbers, but they don't match up with what industry and the private sector say they want. So, we have a mismatch in our skills, compared to what the demand side are saying they need. That's what we have to tackle. So, if we go on the hard statistics, in that we've got to be level with this and level with that, it's a lot more complicated than that on the ground.

[94] **Adam Price:** Just a quick question to Andrew, before you come in. It

comes to the question of governance and leadership. We've seen the election now of Andy Street, for example, the former chief executive of John Lewis, as the new mayor of the west midlands—somebody with bags of energy, lots of ideas, already putting in a proposal for Channel 4 to move to Birmingham and probably preparing a bid, I would imagine, knowing Andy, for the Commonwealth Games to go to Birmingham in 2022. How are we going to compete with that quality of drive and leadership, when we have a much more disparate, shall we say, governance structure? We don't have an elected mayor driving forward an agenda.

[95] **Mr Morgan:** It is different in terms of—obviously, there are 10 of us around the table. Obviously, I'm the chair, or the current chair at least, and I'm the one who's tasked with leading the city deal in terms of the political interface, whether it's with Welsh Government or whether it's meeting with some of the larger business organisations and various events I attend, pushing for each project. All I would say is that until now, we haven't come across any problems, although the biggest point that I've tried to make to everybody is: the city deal, up until now, has all been about, in effect, paperwork—getting the processes done in the background, getting the various structures and pulling them together. It's actually the delivery phase, going forward, and certainly listening to some of the business organisations—. I was at an event recently with various business partners and they were certainly coming forward with bold ideas, but actually some of the stuff they were coming to us with was not saying they wanted money; they were actually saying, 'We could deliver this if things were done in a different way'. It's probably those conversations that are the ones that I and the other council leaders need to pick up on, because if we are to influence Welsh Government as well, who, I have to say, have been quite receptive—the officials have—. Like with house builders—it was the house builders who said to us, 'If you just wait for us to come and build in your area on these particular sites, which are your big strategic development sites, it's never going to happen', because they can evidence that the return just isn't there and obviously they won't take that big a risk with private investment.

[96] But it's about having those conversations and picking up that knowledge. I've said to a lot of people, from just being a councillor, that I don't have all the answers. It's about listening to people and getting that advice and finding out why are these barriers in place. The biggest one that's been a learning curve for myself is education and skills and just having a conversation and spending some time—several days—with the various college principals and the university chancellors, listening to some of those

issues and saying, 'Actually, we need to do these things in a different way', and it's up to us to pull those levers to make them happen because they can't do it alone. That's what I would say the difference is going to be between having one individual—. It's actually making sure that, as long as those outcomes are the same—I think that's going to be the most pressing point.

[97] **Ms Davies:** If I could add to that, in England, they are legally combined authorities—they are a legal entity now with elected mayors. They also have the organisations called local enterprise partnerships, which have come in behind those organisations. If you look at that chart of what money is actually being granted from HM Treasury in terms of the deals, there's not much difference in what we've had; it's just that they have these legal entities. Our deal, because Glasgow and Cardiff are already in devolved regions, can't go down the route of a legal entity of a combined authority. However, on our deal, our 10 leaders have already agreed that, if the functions—strategic transport, housing, planning and economic development—are regionalised and come under this cabinet, we are in effect exactly the same as a combined authority in England, in all but name. And that leverage that Andrew's just mentioned in terms of what we could do on a regional level, looking at strategic transport, prioritising, and housing—we can have that same intervention and impact that a combined authority could in a big city elsewhere. So, we legally wouldn't—. We don't have the resources behind us, either. We only have £1 million revenue from each of the 10 councils to make all this happen, and we are doing extremely well. We are already catching up much faster in our governance, processes and procedures than some of the other city deals, and they've been going a while.

[98] **Russell George:** Mark Isherwood.

[99] **Mark Isherwood:** You're referred many times, including in your answers to me earlier, to how you're working to reconcile the economic priorities of both Governments. How has that worked in practice? Have there been occasions where the offer from the UK Government and the expectations of the Welsh Government have differed, or the well-being of future generations Act requirements have run counter to the GVA and job creation goals of UK Government, or have you found a way of reconciling all of that together?

[100] **Ms Davies:** They've dovetailed very well. UK Government haven't been

specific at all. It was our offer that was negotiated with central Government that set the headline parameters that we wanted to achieve. They didn't say, 'You have to create 25,000 jobs.' It was one of the things that we negotiated in our heads of terms. What's happened is, in translation, central Government, actually, have been quite, 'So, that's the deal—go ahead and do whatever you want, within what you've agreed in your heads of terms that you've developed for us.' So, what we've done now is translated that into what are Welsh Government priorities and how do we dovetail together. Our assurance framework of the processes in which we're going to do the investment has been thoroughly—thoroughly—gone through with Welsh Government officials as well as UK. Both Governments have signed it off to say, 'Yes, this is fine. If you stick to these four parameters of your levers and you go through this process, we'll be happy.' That's another reason why I've encouraged the directors from Welsh Government to be party to the working groups that we are developing, so we're doing this together.

[101] **Mark Isherwood:** Can I ask—

[102] **Russell George:** Sorry, it was my mistake before, we were due to finish at 10:15, so you've got a bit of time. Sorry.

[103] **Mark Isherwood:** You referred earlier to the meetings you'd had with the business sector and separate organisations, and the positive journey that your dialogue was having with them. Have you looked at what's happened in north Wales? We're taking evidence later, amongst others, from the north Wales business council, where those organisations—the chamber, FSB, CBI and so on—came together some time ago and have a common agenda.

[104] Secondly, and finally, you referred to Liverpool and Manchester in the context of housing incentivisation and recovery. Liverpool began its journey in the early 1990s, when I was actually on the board of a housing association there. Their first big change was zoning and incentivising social landlords to take a zone, but the condition being that the bricks and mortar, whether that was existing regeneration or new stock, was linked to sustainable community regeneration, skills, training, services, transport and so on. Have you given any consideration to that sort of model?

[105] **Ms Davies:** Yes, definitely. What we don't want to do is to invest in silos. As Andrew mentioned earlier, we're not just looking at transport schemes for the sake of transport. The transport schemes have to open up other opportunities in those corridors. So, does a transport scheme open up

a big site for development that wasn't there before? Does it give faster access to other things in the communities?

[106] If we're looking at skills, we're looking at, 'Okay, the colleges want to come up with an integrated package. Where will that be delivered? How will that benefit local town centres and all areas in the Valleys?' Conversations with the Welsh Government in terms of apprenticeship training hubs—where they are located—can also add value to the regeneration and investment in some of those town centres. So, it's not a question of you going to a college; it could be that it's delivered in one of the community colleges somewhere.

[107] So, we want to layer. In my previous role, I was director for place in Newport, and if you know Newport very well, you'll know it was a no-go area after 5 o'clock at night and there was a huge amount of derelict buildings. What we've done is put levels of packages together to say, 'Well, this is what the council can do, this is what the private sector can do and this where Welsh Government can help', and we zoned Newport and we layered in. So, we invested in developing retail. Our partners in Welsh Government funded us under Vibrant and Viable Places to work with the RSLs and house builders, and we converted 400 derelict tops of buildings into residential accommodation so the city centre became live. Now, there's nothing stopping us using those models in the smaller town centres. So, again, it's the footfall and the whole lifestyle image around what is going on in the town centres that's needed, but it doesn't have to be the old-style, traditional, 'We'll do a regeneration scheme, and we'll just tart up the shop fronts'. It's a lot more than that is needed, and it's this integration of all these services—so, if you want to do that, how does it help with this, this, this and this? That is part of our evaluation framework and, if it doesn't help with those, we don't want to know.

10:15

[108] **Mr Morgan:** Very few isolated projects would be assessed. So, for example, if we're looking at added value of the metro, we wouldn't be looking probably just at one park and ride. The way we'd look at it is: on transport corridors, you would package up and actually say, 'On this corridor from x valley to Cardiff, we need to see park and rides or bus interventions'. So, those projects will be packaged, but also you might not—. For example, you could look at a road link. It might be a short road link, which would help the transport links, but that might not be assessed in isolation, because, if that short road link opens up a development site, or we could get a house

builder saying, 'Actually, we don't need any money, but, if you do this, we would then deliver, say, 200 units on this site'—it would be packaged up to be assessed to see actually what is the economic impact in terms of short-term jobs and long-term growth by bringing those projects together. So, they shouldn't be seen just in isolation.

[109] Can I just go back to one point earlier that you mentioned about compared to other city deals? One of the things that frustrated me and some of the other leaders in the early days was that everybody kept talking about comparing us to Glasgow, because Glasgow was the only other one that was in a devolved nation. We even said to the consultants, 'While we're interested to know what Glasgow has done, I'm not interested in Glasgow's deal as such; I want a deal for south-east Wales, which is tailored to south-east Wales and will deliver for us'. So, we have been looking, certainly, at what they are doing, but we've given a clear steer to people and to our officers that we want our city deal tailored to our area. Actually, I have to say that, in the challenge session with the UK Government, they accepted that fully and they were on side with us.

[110] **Russell George:** Okay. No more questions. Are there any parting comments you would like to leave us with? No, you've said all you want to say through your answers.

[111] **Ms Davies:** I think it goes back to the opening statement that Councillor Morgan made: this is the first time—and I've worked in local government too long to admit to you—. But I've worked in local government a long time and I've worked in lots of local authorities, county and unitary, and this is the first time in my working career that I've had 10 local authority leaders all firmly signed up to wanting to work together who are prepared to collaborate and share resources and consider regionalisation of those resources as well. But not only that—to have partnership with Welsh Government and support from central Government, cross-party. I know the world is a crazy place at the moment, but this is the first bit I'm like, 'Wow, everybody's accepted'. But it's so positive and it's about keeping that going. My worry is that—. There are changes all around us and my concern, I suppose, is keeping that total focus and commitment going.

[112] 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.

[113] **Russell George:** And you're speaking to a cross-party group of Members here today as well. So, thank you very much for your parting positive comments; very grateful. We'll take a 10-minute break.

*Gohiriwyd y cyfarfod rhwng 10:18 a 10:31.
The meeting adjourned between 10:18 and 10:31.*

**Bargen Dinas—ranbarth Bae Abertawe—Bargeinion Dinesig ac
Economïau Rhanbarthol Cymru
Swansea Bay City Region Deal—City Deals and the Regional Economies
of Wales**

[114] **Russell George:** I move to item 3 in regard to our inquiry on city deals and the regional economies of Wales. We've got two witnesses with us for this session in regard to the Swansea bay city region deal, and if I could just ask you to introduce yourselves for the record.

[115] **Mr Stewart:** Okay. I'm Rob Stewart, I'm the leader of the City and County of Swansea Council. I was also the lead politician for the negotiations with both UK and Welsh Governments for the city deal, and, again, we'll be looking for an elected leader for the joint committee once that's established in due course.

[116] **Mr James:** I'm Mark James. I'm the chief executive of Carmarthenshire County Council, and I was the lead chief executive with Rob, doing a double act to get the bid over the line, in both Cardiff and in Westminster.

[117] **Russell George:** Thank you very much. Perhaps it would be helpful if you could just set out the key milestone dates, going forward, and just talk about when the commencement of projects will take place.

[118] **Mr Stewart:** Okay. Do you want to lead on that, Mark?

[119] **Mr James:** Yes. The projects are, in fact, under way already, and the 11 projects that formed part of the city deal that we put in front of both Governments, many of which have been worked on for some time—so, where

we are with some of those projects is that we're either out to procurement, planning applications are being prepared, or we are working with private sector partners, the universities, the local health boards, to finalise the five-case business models that we need with each of the projects to put before both Governments to get them to sign off to release funding. Where we are in terms of the governance—

[120] **Russell George:** I was just going to ask, did you say that some of the projects had already started?

[121] **Mr Stewart:** Yes.

[122] **Mr James:** Not physically on site, but we are working on the projects. We're not waiting for anything. We weren't waiting for the city deal to be finalised. We've been working on the projects—in fact, in terms of Westminster, we've been questioned ad nauseam about the real detail of the projects. Because our deal is somewhat unique in the UK: we put together the 11 projects that are part of the city deal bid before we put the bid in, so the projects were already there. With most of the city deal projects, the bids that have been supported and approved in the UK to date, the projects haven't been there when the approval was given. The partners then had to bring the projects forward afterwards.

[123] **Russell George:** So, just to explain, are the business cases completed for some of the 11?

[124] **Mr James:** No.

[125] **Russell George:** They're all being worked on.

[126] **Mr James:** They're all being worked on at the moment. But that work has been ongoing for some considerable period of time, so we're not waiting for the joint committee to be formally established. That will be over the course of the next six weeks or so.

[127] **Russell George:** I was just trying to get my head around the fact that some of the projects have already started and the business cases haven't been completed for them all.

[128] **Mr Stewart:** So, if I could just add to what Mark said, I think what's important in the context of the Swansea bay city deal, compared to, say, the

Cardiff capital region or others around the UK, is the fact that, as Mark said, usually you would go and sign a city deal with the Government and then you would spend an appropriate amount of time afterwards working up your project in order to get the funding released. When the Government changed in London, the process changed. So, our city deal was done in a different way, which was that we were tasked to define all of our projects ahead of signing the deal. Now, part of that, as Mark said, was sitting with both Governments to go through the economic cases for each of the projects.

[129] We submitted a huge amount of underlying information. That was put through the Treasury model and then the outputs that are contained within our city deal proposals are the ones passed back to us by Treasury. So, things like GVA, productivity, jobs, are all what the Treasury believe we will deliver out of those projects. So, we've done it in a different way to other city deals. What that has left us with is that really, we've caught up, if you like, in terms of the timescale. What we now need to do is finalise those business cases in order to start the release of the money. So, that's why some of the projects, as Mark has said, are already getting going and, whilst they're not on the ground in terms of construction, all of the preparation, feasibility, all of the work to get us to the point where the money can be released, has been done.

[130] **Russell George:** Sure. Sorry, Mark, I interrupted you for clarification, but please carry on.

[131] **Mr James:** No, that's fine, Chair. We're then looking at the governance structure. We have a draft legal agreement ready. It's been prepared by a private sector company for us—a firm of solicitors—on behalf of the four councils. The joint committee will be established legally under the legislation and, in Wales, it's what the Secretary of State, the Cabinet Secretary, Mark Drakeford, wants local authorities in Wales to do, to operate under a joint committee. We will have a joint committee in place. That agreement is done in draft. We had to wait until the local government elections were out of the way, because we weren't quite sure who we were going to be dealing with politically. That dust is beginning to settle. The agreement is with each of the four councils at the moment, and we'll bring together the four councils in the next four to six weeks or so to finalise that, and then it'll be finally agreed, signed off, by each council and the legally binding joint committee will then be established.

[132] **Russell George:** How does the regional regeneration strategy—how

does that fit in with the city deal?

[133] **Mr Stewart:** Well, the city deal is built on the regional strategy. The strategy's been in place for some years and that's what we were very keen to say to both Governments during the pitch process and during the negotiation processes, that this is an extension of what we've done over a number of years. So, it's not a departure for us; it's an extension of what we've been doing for some years. There's been a huge amount of co-operation between the local authorities in our city region, and, really, the establishment of the joint committee is the next step in that process.

[134] **Russell George:** We've had some evidence from the Joseph Rowntree Foundation, FSB Wales, suggesting to us that the governance processes for the city growth deals are unclear. That's their evidence to us in writing, but they're going to be coming to expand on that, when—

[135] **Mr Stewart:** Did you say, 'They aren't clear' or they are?

[136] **Russell George:** They are not clear. They're saying to us in their written evidence that the governance processes for the city and growth deals are unclear. That's what they're saying in their own different words. Can you respond to that?

[137] **Mr Stewart:** Yes, happy to comment on that. I think perhaps at the time of their response that may have been true, because we certainly were going through discussions with both Governments about what their ideal governance structures would be. I have to say that the UK Government had a very different view from the Welsh Government, and some of the things that the Secretary of State for Wales would like to have seen in the governance structure were not lawful in Wales. We had to have some quite robust discussions in terms of getting to a point where we had a governance structure that was acceptable to both Governments. I think what we have is a governance structure that will work for us, that we can work with. Mark can take you through the detail of how it's proposed to work, but I think we do now have a clear governance structure and, again, that's the one that we intend to agree when the initial meeting of the joint committee is established in the next few weeks.

[138] **Russell George:** So, it's your view that, when the Bevan Foundation, Joseph Rowntree Foundation and FSB Wales do come to us, their views would have shifted from their written evidence to when they come and give

evidence.

[139] **Mr Stewart:** Yes, and certainly over the last few weeks, even during the election period, we continued to have discussions with those organisations, and I think the response that we've had in the sessions that we've run is that they are much clearer now in terms of the governance proposals for the joint committee.

[140] **Russell George:** The Centre for Urban and Regional Development Studies has said that the role of the state is being reworked at local and national levels through deal making, as informal governance arrangements are put in place to broker deals.

[141] **Mr James:** It's a surprising statement, because the angst and the work that we went through with both Governments and what's come out the other end certainly aren't informal. It is a legally binding joint committee that satisfies the requirements of both Governments in terms of governance of this process. Joint committees have been around since 1974. They come from the 1974 Act, in fact, and we've got one running education, which has a £65 million budget. Again, it's a creature that we're required to use under the national model from Welsh Government. We've had a joint committee running since 1995, running crematoria. So, these are familiar local government structures where two or more local authorities work together, they devolve power into a joint committee in order to run a particular function or service. So, I don't think there's anything informal in that. It's as formal as a local authority; it is subject to the same governance rules, standards, audit, finance regulations and legal restrictions, so it's certainly not informal.

[142] In fact, I think, as Rob has said, UK Government struggled to understand why they couldn't have the structures that they have in England in Wales. In England, they have disapplied certain parts of the legislation to enable them to do that. In Wales, we haven't, and, unless the Welsh Government changes the legislation, a joint committee has to be run by local authorities. Only local authorities can legally vote and legally bind each other together. The private sector cannot legally be a part of that, because of the accountability for public finance.

[143] **Russell George:** And some of the points you make, Councillor Rob, with regard to the differences of approach or governance between the UK Government and the Welsh Government—we may come back to that, or other

Members may pick that up, perhaps a bit later. Mark Isherwood.

[144] **Mark Isherwood:** Thank you. How do you respond to the calls by Professor Dylan Jones–Evans for a rethink of the Swansea bay city deal? He’s expressed concern, quoting it’s focused on

[145] ‘supporting highly speculative building projects...rather than investing in the growing digital economy’.

[146] He says this goes against the vision originally proposed by Sir Terry Matthews.

[147] **Mr Stewart:** Well, again, I’m going to speak my own personal views here. I was personally angry at those comments from Professor Dylan Jones–Evans. I don’t know why they attracted specific attention and I don’t know what specific role he thinks he has to comment in the way that he did. He played no part at all in any of the deliberations on the city deal. To my knowledge, he had no information available to him on which to make those comments. I think they were inaccurate and they were untrue. Given his previous roles and his connections with companies like ICE, I think they were politically motivated and were made for reasons other than a fair and impartial judgment on the city deal proposal. I totally disregard them and disagree with them.

[148] Our city deal—the vision that Sir Terry Matthews has brought to the workings of the city region is absolutely embedded in the proposal. IT, future technologies, fifth generation networks—all of that is an integral, golden thread that runs through all of the projects. There are specific projects in which to deliver the new technologies, the testbeds required to diversify the economy of south–west Wales. All of that is an absolute core, central theme of the city deal. If you look at the city deal proposals—the 11 projects—you will see that Professor Dylan Jones–Evans’s statements are completely untrue and do not reflect the deal that was signed.

[149] **Mark Isherwood:** Do you want to add to that?

[150] **Mr James:** I don’t think I’ve got anything to add to that, other than to say I agree wholeheartedly, and at no point did Professor Dylan Jones–Evans contact me—I was leading on our list—to have any form of discussion or information from us. So, I was as perplexed as Councillor Stewart was when I saw those comments.

[151] **Mark Isherwood:** Thanks. Well, moving on, obviously, targets and goals for the deal are focused on, predominantly, GVA and jobs growth. To what extent do you think those are the right targets to be heading for or should they, or have they, been broadened, particularly to accommodate the direction of Welsh Government policy and, of course, Welsh law?

10:45

[152] **Mr Stewart:** 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. If you look at GVA and at the productivity for south-west Wales, we should be at around 90 per cent of the UK average; we're actually at 77 per cent—there's been a steady decline over a number of years. Unless there are specific, targeted interventions appropriate to our region, we are never going to recover that ground. 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. So, I think the measures that we've attached to this—the aims of fixing the problems in our region, creating the jobs that are required, diversifying the economy—are the right ones for us.

[153] **Mark Isherwood:** To what extent will that meet the concerns expressed by the Joseph Rowntree Foundation and the Bevan Foundation for wider factors, such as quality and location of jobs, to be addressed?

[154] **Mr Stewart:** Absolutely, it's core to that, because what we've seen for a number of years is an economy in south-west Wales heavily dependent on traditional industries, which were in decline, and a heavily dependent public sector requirement. If we are to avoid an uncertain future, with a declining economy, we need to diversify. That means creating high-quality jobs in our region, closer to where people live. We know that if you look at the tracking of the people that we put out of our universities, far too many of them leave the region to become successful. It's about making sure that we make the right conditions, spot the innovation, spot the talent, help them to set up and create new businesses in our region and help them to grow so that they create the new jobs and the new economy in the region which we need. That has been the economic strategy that we have built upon and that's what the

city deal seeks to do.

[155] So, when we look at things like helping areas of deprivation—and there are many areas of deprivation in our region—It's about giving people those opportunities, creating the jobs that people can then move into, that we are seeking to do as part of the city deal. I think 10,000 new jobs are estimated by the Treasury and around a 35,000 job impact overall.

[156] **Mr James:** The GVA that we had to look at was a requirement of UK Government. The deal had to be put together in a certain way and it was Treasury driven—we had to look at it using their model. So, we used their own model and presented it to them. Our views on what it might look like are slightly different. As Rob said, under the model, you have to halve the jobs and halve the jobs, so that figure that we came up with is purely on the Treasury Green Book model. We think, again, as Rob has said—and we haven't said this, sort of; it wasn't something we were able to say to UK Government, because of that model—that the true impact would be nearer to 30,000 to 35,000 jobs and not just under 10,000 jobs. But the Treasury model won't allow that for their consideration. Again, it was driven—it was made very, very clear to us from day one that it had to be presented in that way or UK Government wouldn't be funding it.

[157] **Mark Isherwood:** We heard previously, and I don't know if you heard the Cardiff capital region presentation, in responding to the same line of questioning, that they felt that they had been able to work with both Governments on a bottom-up basis, where the UK Government and the Welsh Government had recognised that the best local knowledge was with them. They felt able to accommodate both the minimum requirements of the UK Government around GVA et cetera, but also the requirements of the Welsh Government in the context of the Well-being of Future Generations Act 2015, for example. Do you feel that you've been able to do the same?

[158] **Mr James:** We've done exactly the same thing. The project has come from us and we've looked, as part of the deal, and in our presentations that we've made to both Governments, at their own policies and how what we've done matches the policies that they have in place. So, we've actually done that. We did it first in November with Welsh Government, where we were grilled for two hours, I think, by the First Minister and two Cabinet Secretaries. To be fair, that was challenging and they deliberately made it challenging. I think that the comment at the time was that it was our preparation for what we would have to face in Westminster and, to an extent,

that was correct. And then later, in March, we were in Westminster, in with Westminster Secretaries of State and UK Government, to put our case again, which we did. But we'd changed the presentation slightly to reflect their priorities, which had just come out in their own industrial strategy. Frankly, that could have been written for us. We'd already had ours, but we just overlaid it on what we'd done and it fitted incredibly well. They recognised that, and the comment from senior civil servants when we left that presentation was that we'd done extremely well on all 11 of the projects that survived that process, which they were quite surprised at.

[159] **Mark Isherwood:** Thank you very much for that. Now, clearly, there are things ahead that may impact on your delivery over which you have no control. What mitigating or mitigation processes have you put in place should you be unable to meet the investment fund gateway goals to the satisfaction of both Governments?

[160] **Mr James:** So, we're now looking and working on the five case business models that are required by each of the Governments. Some of those will be ready in a couple of months' time, so we've been working hard on those between the time of getting it first signed off in November by Welsh Government and then latterly by UK Government. So, we've not stopped that process, because we were anticipating getting it over the line. We've asked for the city deal itself to be flexible, because, you're right, circumstances may change. What we think we'll be able to deliver now might change slightly, and we need that flexibility going forward if we're to ensure that we can take account of opportunities that might arise, and, where we might hit some difficulties in delivering a project, or part of a project, we need to be able to bring something else alongside, and that's the understanding that we have with both Governments at the moment.

[161] **Mr Stewart:** I think the other point to make, though, is the Secretary of State for Wales, especially, was very keen to test the private sector commitment to this deal. So, we had a number of sessions in London where private sector partners were grilled by the Secretary of State and his team about the level of commitment that they were able to give to the Swansea bay city deal. Obviously, because of procurement rules, there was only so far we could take it ahead of the deal being signed, but, again, I think it was quite proper and probing scrutiny by the Secretary of State and his team in terms of making sure that these were just not warm words from the private sector, but they were actual, firm commitments of investment coming to the region should the city deal be signed.

[162] **Mr James:** We took 21 private sector partners into his office in Whitehall over five separate sessions. We had people come over from LA to attend those sessions, we had people come from Germany to attend those sessions and we had Japanese companies attending those sessions. So, it was quite a high-profile cast of characters from the private sector that we took in, but these were all partners we'd been working with for some time, and they were very happy to come over and show that commitment to the projects that they want to be involved in.

[163] **Mark Isherwood:** So, you feel that, if circumstances change, you have the resilience to respond.

[164] **Mr James:** Yes.

[165] **Mark Isherwood:** Thank you.

[166] **Russell George:** Adam Price.

[167] **Adam Price:** Within the Swansea bay city region, there is quite a high degree of economic disparity, so how are you ensuring that the city deal will benefit particularly those areas within the region that are relatively disadvantaged?

[168] **Mr Stewart:** I'm sure Mark will say a little bit more, but the deal is geographically spread for that reason. There are specific projects for each of the authorities and for each of the areas. There are also cross-cutting projects that are aimed at lifting all of those areas that need attention in the region. So, specifically, one would be the skills and talent project. Again, we know that far too many of our people, as I said, either fail to realise the opportunities in the region, or don't get the educational opportunities or pursue courses that are not really required for the economy we're creating. So, again, local authorities are working together to look at the skills pipeline. So, this will include changes to the syllabus in schools in terms of what we teach, aligned to what we then offer in terms of further education courses and, obviously, university courses or vocational opportunities and apprenticeships. So, it's about having that joined-up approach so that we are able to unlock the potential that is in our region. The people who may be trapped in jobs that don't pay well or are not in employment yet—how we unlock that potential, get it into the economy so that people can be more productive and that people can benefit.

[169] As I said, whilst the projects themselves may be targeted at each authority, there is a geographical spread. One specifically that you might be interested in is Homes as Power Stations. On the face of it, it looks like an energy project, but actually it's an anti-poverty, poverty reduction project as well. So, the concept being that we develop—we have started already to develop the technology in the south-west Wales region, which will allow houses to be clad in energy-generating material. So, it's not just about putting PV cells on roofs or putting tiles on roofs; the whole house itself becomes a power station. That requires new battery technology and storage technology and then distribution technology in order to pass that energy to the grid. But for the people who are in those properties, it will see a reduction or an elimination of their fuel bills. So, people in those properties, potentially, will have no fuel bills in the future. That is one of the biggest things that we can do to lift people out of fuel poverty.

[170] Again, my own authority is already starting to pioneer some of these houses. We've got pilot sites already going forward, where we believe—. The first tenants will take up residence in July this year and their fuel bills will be less than £70 a year. That's just the first phase of what we're trialling. When the full technology comes on line, that will have a significant benefit across the region, we believe.

[171] **Mr James:** If I could just add to that, as Rob has said, the projects are spread across the region, but there are these cross-cutting projects, such as the Homes as Power Stations, skills and digital, that go right across the region. We're engaging with FE, HE and with schools to make sure that not only do individual projects and those opportunities go out through those networks to local people, but that they're enabled to access them through the skills package that we'll put together for them—things like coding that we're going to start teaching in schools. We just don't do it at the moment. If our local population are going to benefit from this type of digital technology coming in and the digital industries that, hopefully, come alongside it through Sir Terry Matthews and what he wants to do with his centre for next-generation technology, we must make sure that we've got those skills in the region. At the moment, we have some, but it's fairly limited. We must make sure that the local population have more than that.

[172] We're also working with the FE colleges in particular to make sure, whether it's the build programme—. And again, you'll know that in Carmarthenshire, we've got really good apprentice schemes: we've got 140

apprentices in place at any one time with our construction partners. Other authorities are doing similar things, but this all needs to be linked into the city deal. We've starting doing that, but it's an early juncture; we need to roll that out properly across the whole region.

[173] Finally, with any contracts that we have in place, we're looking to make sure that we've got community benefit clauses in place in those contracts. What we don't want, and we've said that—. Again, it is a real issue around procurement. I know that I have this debate regularly with colleagues here in Welsh Government and in the civil service here: we need to make sure that we don't do anything that will block out our local employers and local construction partners. What we don't want is all this money being invested and it going somewhere else. Am I pointing in the right direction? Yes, I think I am. We need to keep it here. We have to be fairly flexible with how we package things to make sure that our local contactors can get the most advantage out of what we're going to be investing in the area.

[174] **Mr Stewart:** Can I just add to that? We have to be a bit brave as well, because it's easy for local authorities to set their risk appetite above the level so that when companies who may be smaller and have less of a record, perhaps, don't get over the qualification stage for procurement, so they're not even in the race—. So, that's some of the work that we've already started to do to say, 'Okay, we perhaps have to look at the opportunities here and adjust our thinking in terms of how we set the barriers and the limits for people to apply for the contracts that we let', because we know that a lot of the people who are indigenous businesses may not get a contract, but will end up being somewhere in the supply chain later on. Again, if they're good enough to be in the supply chain, they're good enough to contract with us directly.

[175] **Russell George:** With one eye on the clock, we're just coming up to 11:00. The bell will ring at 11:00, and I will just invite us all to stand in remembrance of those who lost their lives on Monday in the terrorist attack in Manchester. The bell should ring in 30 seconds or so. Please could we stand at that point?

11:00

*Safodd y rhai a oedd yn bresennol am funud o dawelwch.
Those present stood for a minute's silence.*

[176] **Russell George:** Thank you. Adam, did you have further questions?

[177] **Adam Price:** Yes. Just on digital, obviously, as you'll be aware, Mark, we face a significant problem in Carmarthenshire and other rural parts of the region in terms of the digital divide. Even what we've come to expect as basic connectivity isn't available, still, in many of those communities. Is there a danger that, even though you have some very ambitious plans, overall, in terms of digital innovation—indeed, you're trying to be a testbed for the next wave of both broadband and mobile connectivity—again, you could have that available differentially within the region? So, you'll use the urban area of Swansea, in particular, as a testbed, and, once again, the rural areas will lose out. How do you combat that?

[178] **Mr Stewart:** I'll let Mark—. I'll answer directly the 'Would you focus this on the city and everybody else gets left behind?'—I guess that's what you're saying. 'No' is the answer, because if we're truly to create a testbed, it needs to be one that tests the technology both in rural and in urban areas, both in the mountainous regions and on the coastline, because it needs to have all of those components in there to truly test the technology. Again, if Terry were here, I'm sure he'd wax lyrical at length about the technology advance, but just to say, at a basic level, fifth generation mobile communications haven't yet been defined fully. It will see a 1,000-times increase in terms of the capacity and capability of the networks. But the key difference will be the latency issue.

[179] So, essentially, we're going to create networks where there must be no delay in the communication between devices on that network. Because if we're to run things like driverless vehicles, drone technology and all of the other things that are potentially possible—remotely monitoring medical devices that would be autonomous—then you cannot have those devices off net for any period of time. So, that's the challenge of fifth generation: it has to be a very reliable network that gives full coverage, otherwise it won't work. So, that's the challenge of fifth generation.

[180] Again, some of the providers are already looking at the issues, because they know that the way fourth generation technologies work, with masts et cetera—you can't do that with fifth generation. It won't work, because you can't have competitors coming together to try and deliver that sort of coverage. So, there are already explorations from BT and others around looking at whether your home Wi-Fi could be upgraded to form part of the net that covers the area. Now, even in rural areas, there are plenty of

people who have their own home Wi-Fi. Obviously, there are discussions going on with local authorities around whether we could place pods on top of the infrastructure that we own—things like the lighting columns, because, again, you could turn every lighting column into a mast, potentially. So, it's those sorts of innovative ways of delivering the coverage, I think, that will help us to do much more with fifth generation than has been achieved on third or fourth generation. Because you're quite right; even in Swansea, as soon as you go down to places like Pontarddulais or elsewhere, you lose your 4G—you're down to 2G, sometimes, or GPRS. That can't continue. We have to have equality of access.

[181] **Mr James:** Just to echo that, since we've got the city deal bid signed, we've begun to be involved at a fairly high level with the providers—EE, Vodafone, BT, Three and Virgin—about what comes next. I've been invited to various—and Rob as well—things at a UK level where they're looking at what comes next to address the issues that you highlight, Adam, which are real in our rural areas. The testbed is not just about the city region—they want to test it in a rural area as well. So, again, if we can get that right in a rural area and find something that actually works, then some of the problems that we have in some of our remote areas—we've got a real answer for how to address those. So, Terry has been adamant, and we've been adamant, that it's not just in a city or even in a major town that this needs to be addressed, but it's in a rural area as well, and they want to do that. So, we're working on that at the moment.

[182] **Adam Price:** Just while we're on digital—and Rob will know that this is a particular obsession of mine; I'm always asking about it—the transatlantic cable and the interconnector and whatever: where are we on that?

[183] **Mr Stewart:** Again, it's another one that frustrated me with Professor Dylan Jones-Evans and this suggestion that, for some reason, the transatlantic cable had been ripped out of the deal and all this stuff—nonsense. It was never part of the deal. Our approach was very clear: we were concerned that if we included things like the pipeline and the tidal lagoon, then the Governments could say, 'Well, if we give you those things, that's your deal'. So, it was a positioning statement. We created the deal that the fifth generation network is absolutely essential to help deliver the projects and the benefits of the projects that we have.

[184] The pipeline is out to procurement, as I understand it from Welsh Government. It's still proposed to come through our region and go off at

Oxwich bay. That is still the proposal and we'll know very shortly, I guess, who's going to be delivering that. It will still happen, so it will still benefit us. Likewise with the tidal lagoon—we keep pressing the UK Government and Welsh Government for decisions as quickly as possible on that because, again, they're very complementary to the deal: they can align to the projects and support the projects in the deal, but we're not reliant on them. But I hope that both happen as soon as possible.

[185] **Adam Price:** Thank you.

[186] **Russell George:** Hannah Blythyn.

[187] **Hannah Blythyn:** You've talked about making sure that the local population benefit from the city deal, but how will the deal benefit those perhaps in the most need of help and of benefit from it? How will it improve the offer or access to skills and to decent, sustainable jobs for those who actually are in most need of having that opportunity?

[188] **Mr Stewart:** Again, part of that will be the skills and talent pipeline, as I said. Mark referenced coding as a subject for schools. Again, one of the challenges with that: we know that in many parts of Wales, including our region, coding is taught, but generally, it's done in voluntary clubs. It's not part of the core syllabus. It needs to be a language that's taught from a young age. The problem is that we don't have the teachers who understand how to teach the subject. So, again, one of the conversations that we're having with Terry Matthews and others is around, 'Well, Canada have already moved forward on this issue—how did they approach some of these challenges? How can the private sector, where those skills around understanding coding and how to teach it—what would exist and how do we bring those into the schools?'

[189] If we can then make sure that some of the pupils, and future entrepreneurs, have the access and the skills that are needed for the economy we're creating, then again, they are best placed to take the jobs in the economy that we'll be creating in our region, because perhaps what's happened in the past is that people have pursued subjects that are not ones that will give them a job in the economy that's out there. So, that's really important in terms of having a strong pipeline between schools, further education and the business sector, and, if people choose not to go on to further or higher education, vocational opportunities, so that we really start to make sure that we're putting out people to the economy that's going to be

there in five or 10 years' time.

[190] **Mr James:** We've been looking at this regionally across all 11 projects, but individual projects also have their own engagement plans. One of the biggest single projects is based in a part of Carmarthenshire in Llanelli right next door to a Community First ward. We've got experience in the past of doing economic development projects on a large scale, and engaging with the disadvantaged community that's right next door, right on the doorstep, as well as wider across the region. So, we'll be doing the two simultaneously to make sure that everybody's aware of what's happening and what the opportunities are. We'll be holding all sorts of events for the local community and local businesses to make sure that everybody knows and understands what opportunities are available, and then looking at the skills that we need to get the local population, particularly those who would be considered to be in that disadvantaged category, and especially those who are unemployed, and those coming through the schools as well, so that they've got the right level of skills to get in and take advantage of the jobs that we're creating.

[191] **Mr Stewart:** The other important point here is that when further education and universities design their courses, there needs to be that business engagement in terms of how the course is created, because, again, there is some evidence that some of the courses that, perhaps, were previously on offer weren't giving people the right skills or the right education in terms of preparing them for the work environment. So, I guess there's got to be that strong link with the business world as well to make sure that courses are properly scoped and properly created to put out the people we need.

[192] **Hannah Blythyn:** Thanks. The Chair's already, I think, mentioned some of the evidence received from the Joseph Rowntree Foundation and the Bevan Commission. They are coming in to give evidence at a later date, I believe, and this is a reference they made to city deals in general, so not specifically to this one, but they say they're not

[193] 'persuaded that sufficient emphasis has been given in city deals to date in reducing poverty and inequality'.

[194] So, how would your city deal address those concerns?

[195] **Mr Stewart:** It's central to ours. As leader, I hold the poverty reduction champion role—it's a core part of my portfolio. It's a core theme to fixing the

economy of our region, because we have too many people who are not engaged in the economy, not productive, trapped in poverty. If you look at the way in which our projects will impact the lives of the individuals in our region, it is entirely about making sure that nobody's left behind, that everybody gets an opportunity to become productive in our region, and that they're given the skills, the opportunity, the education, the support and then the employment opportunities in order to become a productive member of society. So, I think our scoping of our projects entirely is around poverty reduction and prosperity creation. I think those are the two sides of the same coin.

[196] **Mr James:** We've also got a lot of in-work poverty in our region, and levels of pay across the region are much lower than they are elsewhere in Wales, or in the UK. Part of this is to provide the jobs that pay substantially better and have more career possibilities than we do at the moment. But we've been talking with companies since our city deal was first mentioned, particularly on the 11 projects and what we're doing. These are companies that are looking to bring in jobs that we simply don't have in the region at the moment, and they will provide the sorts of opportunities that, frankly, people in our region have to travel away to get.

[197] I used to work in Westminster, Westminster City Council, and I used to get lots of really high-level companies coming and talking to us about doing developments and expanding in the city. It was easy; we were almost fending them off. We don't get that in Carmarthenshire. I didn't see many of them coming down wanting to invest in Carmarthenshire until the city deal started. We're beginning to see companies like that showing an interest, because of the projects and because of the thematic areas that we want to address, which are all around new generation stuff that, in other parts of the world, they're already doing. We're not doing that in Wales, and certainly not in our region. This is an opportunity for us to get ahead on that, and to provide those sorts of jobs, possibilities and improvement for people that we don't have at the moment.

[198] **Mr Stewart:** I know Ken Skates has termed his ambitions in terms of 'better jobs closer to home'. Well, that's what this city deal does deliver. It's absolutely that.

[199] **Russell George:** Adam, did you want to come back in?

[200] **Adam Price:** Yes. You've set a very ambitious goal of closing the gap

that has emerged, which you referred to earlier, Rob, between the region's GVA per capita and the rest of the UK. Do you have a figure for what would closing that gap by 70 per cent, as you referred, mean in terms of a higher growth rate within the region, relative to the rest of the UK, over the period in question?

[201] **Mr Stewart:** So, in pounds, it would be a £5 billion uplift in the economic outputs. Those are the Treasury's figures. We believe the city deal will contribute some £3.3 billion, so it'll get us around 70 per cent of the way there. Now, obviously, the city deal isn't the only thing we're doing. Each of the authorities have their own projects that are running anyway. You'll be aware in Swansea city centre, we've got a very ambitious regeneration of the city centre and the core of the city centre there. Obviously, we've got the tidal lagoon, we've got the pipeline, as we said—all of those give additional opportunities, should they be delivered. So, we believe, if you take the city deal on its own, it'll get us 70 per cent of the way back to where we need to be, but then that 30 per cent gap will be closed by what the authorities are doing and what the other projects potentially coming to the region will give us. So, we believe we'll get over and above that 90 per cent over the period.

11:15

[202] **Mr James:** That's true. I've said on a number of occasions, we've done lots of presentations to businesses and to other organisations, and to AMs and to MPs on what we're trying to do. The city deal, as Rob said, will add about £3.3 billion. My view is that it'll do this and it'll do it very, very quickly because of what we're already seeing. But Carmarthenshire has a £0.5 billion programme that the new administration has just re-committed to deliver over the next five years. So, that's on top of this. Swansea have got their own plans. This gives us an opportunity through the joint committee to tie all that together in a way that we've talked about in Wales for some time, but we've never quite managed to get there. We will get there with this, because we'll have the governance structure there. It will be—. As I said earlier on, it's certainly not informal—it's very formal—and we'll be looking at regional opportunities and local opportunities within that to build on what we're doing now.

[203] Just one small example, if I may: the £200 million project that we're looking at at Delta Lakes in Llanelli has already grown by £25 million, because the fact that we're doing it—we've had another organisation approach us, a private sector organisation, saying, 'We'd like to be part of it.'

We don't need any public subsidies. We just want to be part of it, because what we're doing fits in so well with what you're doing. Can we please come and be part of what you're doing?' Now, we're having conversations with them. There's no decision taken on that yet. It will be part of the five-case business model and there will be a final decision on that that will go into the joint committee and to the four leaders who sit on that joint committee for a final decision. But I'm getting, as the lead chief executive, a lot of approaches from all sorts of businesses, private sector and some public sector, from not only the UK but much further afield, because they've seen what we're trying to do and they're interested to see whether they can come alongside and grow their businesses here as well.

[204] **Adam Price:** Could I just ask—? One of the things that strikes me from—you've adopted a very different approach to some other city deals. The classic approach is to identify the problems or the constraints or the bottlenecks and then come up with a solution and hope it works. It seems to me—and I'll be interested if you think this is a fair reflection of what you've done—that you seem to be more focused on opportunities and areas of existing comparative advantage in particular sectors, and identifying projects that will take that competitive advantage further. Is that—?

[205] **Mr Stewart:** I think that's fair, yes. Look—part of our thinking was that we know what the problems are in our region, and we've done a lot of work. There's a huge amount of underlying information that underpins why the strategy we're following is correct, but then it's about being innovative in how you create the solutions to fix those problems. Part of that is—again, if Terry was here, I'm sure he'd be waxing lyrical again about the advantages and the growth potential in the new technologies and the new industries, and that's why diversification into things like new tech industries, and exploitation of fifth generation technologies and networks, is really important. Because we know, in our region, Tata Steel, whilst they're at the moment doing okay, the problems haven't gone away in terms of their global competitiveness. So, again, one of the projects that we've got is aimed at helping them to innovate, so that they can become more competitive. But our traditional industries have been in decline for decades, so if we just relied on those industries long term, we'd be in a very uncertain position. So, diversification of our economy, moving our economy into new technologies, into a different sector, is really important to give us that long-term sustainability for our economy.

[206] **Adam Price:** Can I just ask, finally—? Because as you're trying to pay

catch up, of course, the problem is that all those other cities are actually running faster ahead, and so it becomes even more of a challenge. Looking at those other city deals, over the border et cetera, are there powers or levers that they have that you lack that would be useful for you to have as well?

[207] **Mr James:** I don't think there are any specific powers. What we're a little anxious about at the moment is that, because of the way that we went through Welsh Government and UK Government, we had, in our view, an additional layer of requirement for us, and what we don't want to do is get lost in the process—and it's so easy to do—of audit, procurement, regulation et cetera. We spend so much time on that, and that's where it was sort of going, which was why we were quite strong at UK level of the Government in saying, 'Look, now, this is the way we do things in Wales. It's unlawful for us to do what you're asking us to do. We're going to do this, and we really don't want have yet more layers of bureaucracy in place before we can make a decision.' So, we need to keep this as transparent and as easy to get through. Because it's a joint committee, as I said it's still like a local authority, so all the usual checks and balances and requirements and legislation are still in place on that, but we don't need even more of that imposed on us. There was an element of that, which we'll manage. We will manage.

[208] **Mr Stewart:** Can I jump in here, Mark? As a politician, I can say it a bit more directly. [*Laughter.*] Essentially, we're a devolved nation, and I think UK Government need to adhere to that and acknowledge that and let us get on with it. Because, again, what we don't want to do is to go through unnecessary red tape and unnecessary levels of bureaucracy in order to get on with the projects, because both Governments were very clear with us: they want to see delivery. Our populations want to see delivery. We can't wait 15 years to deliver this. We want to get on and do it. I think both Governments have to help us with that in terms of saying, 'Okay, you've been through the mill, we've got the answers—get on and do it.'

[209] **Mr James:** Can I just pick up one other part of your question, which was that others are getting ahead of us as we're trying to play catch up? It was really interesting when I took the life science partners in to see the Secretary of State and he had in front of him companies like Siemens and Fujitsu, and we were actually joined by another individual representing some of the middle-eastern investment funds, in fact, and he asked them pointedly, 'Well, you know, what's your commitment to this?' Fujitsu started off and said, 'Do you know, we haven't solved the problem of how we deal

with older people in Japan. We've got a huge problem with demography and looking after them, particularly when they've got dementia and that sort of thing. What you're doing here is unique. We haven't seen this before, which is why we want to be a part of it. Because, frankly, if it works in west Wales it will work in Japan.' Siemens followed and said, 'We have similar issues in Germany and the rest of Europe.' I can't remember the name of the gentleman who came in, because he'd come in with Siemens, but he was saying, 'Well, in the middle east we've got the same problems.' And we've got an American company that we're talking to. They may become part of the life science project and they're saying similar sorts of things. So, if we can get it right here, the rest of the UK is certainly interested, and I'm talking to somebody from Ebbsfleet. They've got a similar sort of project they're thinking about, but, in their words, they're way behind where we are at the moment. So, we've still got that time advantage to get ahead and do something. The same with 5G: nobody's done it yet. We really need to get cracking on it.

[210] **Mr Stewart:** And I think it's important to note the scale as well. Because whilst we might think we're small, actually if you look at the cohort of people, nearly 1 million people are serviced by Abertawe Bro Morgannwg University Local Health Board and Hywel Dda Local Health Board. That is a huge data pool. So, I think—to answer Hannah's point as well—if you think about it, if we have a centre of excellence for medical research set up in our region—a test bed there for the development of new medical technologies—it is going to attract the finest minds into our region. That can only be of benefit in terms of then creating the jobs and the technologies that spin out of that.

[211] **Mr James:** And finally, Chair, if I may again, just picking up on some of Adam's comments about how does this all fit in, when we looked at the UK industrial strategy that they came out—and I'll just, if I may, read very quickly: excellence in science and innovation—life science and the innovation stuff with 3G; digital infrastructure enabling innovation and entrepreneurship and promoting a low carbon economy; supporting the growth of indigenous and global businesses and encouraging entrepreneurship; cultivating world-leading sectors such as life science and energy, which we just happen to have; and promoting indigenous growth through supply chain developments, which we're doing; and public and private sectors driving investment together and aligning skills for the benefit of local people. So, it almost could have been made for us, and that came along after we put the bid in. So, we didn't do it the other way around to try and fit in with what was—

[212] **Mr Stewart:** We should have copyrighted it, I think. [*Laughter.*]

[213] **Russell George:** Thank you. We've got about five minutes left. I know Mark has got a few more questions, and then Vikki is keen to lead on an area that we've not covered yet. So, Mark first and then Vikki.

[214] **Mark Isherwood:** Well, very briefly, I think, to a large extent, you've answered the points I was going to raise in terms of the extent to which your projects reflect the ambitions and requirements of Welsh Government. How do you respond to the written evidence received from ColegauCymru that it's not clear how your projects reconcile with the Welsh Government's economic priorities?

[215] **Mr Stewart:** I think they absolutely do. Mark, do you want to give the detail in terms of how they match to each of the four themes there?

[216] **Mr James:** We looked very carefully at Welsh Government strategy, again, when we did the presentation to the First Minister and two Cabinet Secretaries. As I say, we were grilled for two hours on that, as to how it fitted in with Welsh Government policy in terms of well-being and future generations. These are all the future technologies that we're dealing with, and we're addressing the well-being of people through life sciences, through increasing employment opportunities, through looking at energy with poverty, so all of those things fitted in incredibly well with Welsh Government existing policy.

[217] **Mark Isherwood:** How does that fit with the Cabinet Secretary's statement that he seeks to prioritise, not only a regional approach, but a focus on foundational economy sectors?

[218] **Mr Stewart:** Yes, I think it's absolutely aligned. 'Taking Wales Forward', the statements that Ken Skates has made, as I said, about having better jobs closer to home, the indigenous growth of local businesses, is absolutely what the city deal seems to promote, and what we're looking for is investment from those large organisations who are not active in our region at the present time. But we want to make sure, as Mark said, that the money that is being released by Government, by that investment, needs to be to the benefit of local indigenous businesses to help them to grow, and that's where our procurement appetite comes in here. You know, we've had a number of engagement sessions already with microbusinesses, with small and medium

businesses, to prepare them for what the city deal might offer. Because, again, part of this is getting our own businesses ready to take advantage of the deal, because, actually, a lot of the businesses out there don't know how to get on a framework; don't know how to prepare; don't know how to apply for contracts. And it's making sure that we give all of that preparatory work focus ahead of the advertisement of some of the contracts that may be available from the city deal.

[219] **Mr James:** We did look at the sector's delivery plan as well, and we will have a direct impact on all of the nine industry-led investment sectors identified by Welsh Government. I mentioned the Well-being of Future Generations (Wales) Act: we looked at the 46 national well-being indicators, we'll have a high impact on 21 of those and we'll have a further impact on another 22. So, we did all that analysis as part of the bid preparation before we went before the Ministers.

[220] **Mark Isherwood:** Given what you've said, what dialogue have you had with Colegau Cymru or will you be having to help understanding?

[221] **Mr Stewart:** Can I make a general point? It's not specific to Colegau Cymru, but I think, given the nature of our deal, some of the projects in there are quite difficult to articulate, especially in a general session with members of the public or organisations. I think, had we gone—and this is no criticism of the Cardiff capital deal, but I think a metro network is far easier in people's minds to articulate what it will do, how you will deliver it. What we are seeking to do is to change the economy of the region through some specific interventions, some of which are new technologies that haven't yet been defined. That's far more difficult for people to grasp what it will do for them in the future years, because we don't know—. I've used the example previously of when Steve Jobs created the iPhone, nobody could foresee at that point in time how it would change everybody's life, including everybody in this room—everybody now carries their office around in their pocket. It's those sorts of things that fifth-generation technologies will do for the economy, not just for south-west Wales, but for the UK, and how we live our lives, how we do our jobs and how we do commerce in the future will change dramatically on the onset of these technologies. And I think that's perhaps why there have been some comments, which perhaps could be seen as negative, around people not being clear about how it would impact them. That's a job that we have to do as part of the joint committee now, to make sure that all of the organisations, all of the businesses, and the wider population understand the change that's coming.

[222] **Russell George:** I'm going to come to Vikki Howells with our last set of questions.

[223] **Vikki Howells:** Thank you, Chair. I'd like to understand a little more from both of you about the extent to which the Swansea bay city deal has been influenced by best practice and by lessons learned from elsewhere. So, first of all, I'd like to ask you what sort of work is being done with city and growth deals, both within Wales and further afield, really, so that you could learn from their experiences.

[224] **Mr Stewart:** Yes. We've certainly talked to other city deals and the Cardiff capital region, we've made use of our contacts within that region, both at officer and political level, to understand the challenges they went through in terms of not only signing the deal, but the work they've done to establish their structures and their governance. We also talked to Glasgow. We've done a significant amount of work to understand how we could do that. I think the difference for us, though, was that the Government's priorities in London changed during this process, and Theresa May's Government wanted to deal with city deals in a different way to David Cameron's.

11:30

[225] That didn't present a particular problem for us, but what it did do was change the process, so, specifically, we've had to heavily justify and define our projects ahead of signing the city deal. That is not something that city deals had done prior to that. So, we'd followed a new process, so it had to be somewhat different for us, but certainly, we've taken every opportunity to try and find out how others have done it, and the challenges, so that we could learn from that and incorporate it into how we approached our city deal.

[226] **Mr James:** We were advised to bring somebody in to help us who'd helped other city deals and they'd all been successful. So, we had somebody working alongside us so that we could look at how, particularly at the UK Government level, because there are more of them over the border at the moment, they had dealt with city deals in Whitehall. A guy called Ben Lucas helped us significantly to do that and to just tailor what we were doing in terms of how we presented it to all the Whitehall departments. There are a few and they don't necessarily talk to each other, so we had to deal with them.

[227] The other part of your question was about learning best practice elsewhere. If we look at life sciences, Swansea University have been incredibly successful at what they're doing in creating jobs. This is a further iteration of that. They'll essentially have a new campus in Llanelli, where they'll be going into new areas and they've engaged with the life science community in a way that they've already done. So, we're building on that success.

[228] If you look at creative industries, we've been talking with people, particularly in London and further afield—and you heard me say earlier on, even people in LA who've flown over—and I've taken them in to see the Secretary of State for Wales and they've said that they're really excited by what we're doing in south-west Wales and they want to be a part of it and they've explained why they want to be a part of it. So, they're quite intrigued by what we're doing. The company that we've dealt with in London has created 140 creative industry businesses on one—it's not a campus, but a large building. They're now going into the north-west to do exactly the same thing and they want to come and work with us because they see what we're doing down here also. These are areas in the UK and beyond that have already been successful and we want to do something similar and to grow that here in south-west Wales.

[229] **Mr Stewart:** Mark, can I just jump in? In terms of adding to that, again, if you look at the digital industries and the creation of new digital businesses, or technology businesses. Terry's obviously based in Canada at the moment, he's got a business park there, and, over the last 10 or 12 years, they've created 22,000 jobs using the model that we are going to be deploying as part of the centre of excellence for next-generation services. So, it's a proven model that spots innovative ideas, supports businesses to grow, commercialises ideas and then globalises them, because, again, speed to market is one of the things that Terry Matthews has been very successful at, because, again, you may have a great idea, but if the Chinese or another organisation gets there first, you've lost your commercial edge. So, that's what I think we can rely on in terms of having assurance that this model works, because there are 22,000 jobs already in Canada. As an example, Apple's only other research and development facility outside of their base is in Terry Matthews's business park.

[230] **Russell George:** Can I thank you both, because I appreciate that you're both busy people? We're very grateful for your evidence this morning. But, in

the course of the inquiry as others come in and give evidence, if you're aware of other comments that are being made, please feel free to drop us a note if you want to add anything to your evidence this morning.

[231] **Mr Stewart:** Great, thank you.

[232] **Mr James:** The one thing we would say, Chair, is for people to come and talk to us. Rather than just assume that they know what we're doing, it'd be great if they'd come and talk to us, and then perhaps they can talk to you from a position of further information and knowledge.

[233] **Russell George:** Well, we may well be able to make that point. Thank you.

11:34

Bargen Dwf Gogledd Cymru—Bargeinion Dinesig ac Economiâu
Rhanbarthol Cymru
North Wales Growth Deal—City Deals and the Regional Economies of
Wales

[234] **Russell George:** We're still in public session, but after I've opened, I'm going to come to Mark, then Adam and then Hannah has indicated two subject areas she wants to pick up, and then back to Adam and Mark and Vikki. We've got until 12.30 p.m.

[235] Bore da, good morning. I'd like to welcome our witnesses to our committee this morning. We're very grateful to you for making the journey from north Wales. I wonder if you could just introduce yourselves for the record.

[236] **Mr Everett:** Bore da. Good morning. Colin Everett, chief executive of Flintshire, and I'm the lead chief executive for this project in the region.

[237] **Mr Rogers:** Ashley Rogers, chairman of the north Wales business council, and I'm also lead for business on the growth bid.

[238] **Mr Jones:** Stephen Jones, Welsh Local Government Association, based in north Wales, and I support various aspects of the bid. I'm also secretary of the Growth Track 360 rail campaign.

[239] **Russell George:** Lovely. There are three of you today, so don't think you all have to answer if there are questions from Members, but if I could ask, to start with: what's the latest?

[240] **Mr Everett:** Is it okay if I lead first? Well, thank you very much for the warm welcome and the opportunity to speak with you. You'll see we've got a public sector–private sector group here. Apologies that we weren't able to field a senior politician, but you'll appreciate that the settlement after local elections isn't quite complete. So, the latest—I'll answer the question, Chair, directly—is that we are on track, subject to the new leaders settling and re-agreeing the growth vision and the detail of the strategy. We are on track to have a developed growth deal bid by the end of July, fit for formal negotiations with the Welsh and UK Governments together. That will be an inclusive bid that is approved by all the partners across public and private sectors, including higher education and further education partners.

[241] **Russell George:** Did you say 'by the end of July' and that you would hope that an agreement would be reached at that point?

[242] **Mr Everett:** That is the aim, but you'll appreciate that we still have the settlement. We have three new council leaders in north Wales and, with due respect and process, we have to re-present the bid and get back to a degree of consensus. But that's the aim: 28 July is our working deadline.

[243] **Russell George:** To what extent has the growth deal moved on from those contained within the growth vision for the economy of north Wales?

[244] **Mr Everett:** Perhaps if I lead, and then I'd particularly welcome Ashley's comments. It's moved on considerably. We have four very strong themes, two of which are complete and two of which are near-complete, which knit together to support the overarching aims and objectives. We have a theme around transport infrastructure and services—road and rail—which is largely complete and very much represented in some of the Welsh Government commitments to date, such as the 'Moving North Wales Forward' document. We then have strategic sites and premises for employment and housing—where are we trying to connect people to through improved transport infrastructure and services? Those two areas are largely complete, and the two areas that are probably bubbling, because they're quite developmental and more challenging—and Ashley will say a few words in a moment—are how we really support the ambitions of the private sector, large and small, particularly in the energy, advanced manufacturing and digital sectors.

[245] But the fourth area, which is exciting and challenging, because it's the most complex, is where we were looking at skills, really moving it into worklessness, health inequalities and access to work for all ages. That's the area that, because we're dealing with some major social challenges, is the most complex, and that's the area we're putting more of our intellectual time to, to see how the other three themes support it.

[246] **Mr Rogers:** Yes, I think on the business growth and innovation side, we've gone from very broad statements within the growth vision to working down to detailed schemes across a business growth hub, pulling in economic ambition board and Welsh Government personnel together, to really co-ordinate the economic development for the region. On top of that are a number of schemes within a regional growth fund, some of which are slightly cross-border in terms of the Mersey-Dee area—that's across export, R&D, innovation and productivity, as well as graduate recruitment, expert recruitment and so on and so forth. So, a really robust package.

[247] Those are two elements. On top of that, we're also working very closely with both universities and both colleges and Welsh Government on a number of world-leading assets across the patch, whether that's in energy and environment—for example, in Bangor—or whether that's in the Advanced Manufacturing and Research Institute in Deeside with Welsh Government. So, a whole lot going on all at one point, but we are probably at 70 per cent completion, I would say, and, within Colin's time frame, we will be completing that work. But, yes, a long way from the growth vision, quite frankly.

[248] **Russell George:** There are a number of questions that flow from what you've said, but I might be stepping on the toes of other Members who are going to cover some different subject areas, so I'll—. Did you want to say anything, sorry, Stephen?

[249] **Mr Jones:** No, thank you.

[250] **Russell George:** No, that's fine. I'll come to Mark Isherwood.

[251] **Mark Isherwood:** Thank you. Good morning. I've had the benefit of seeing the north Wales business council's presentation I think more than once, showing the GVA onion ring model moving westwards, and so on. This initial question is primarily for Ashley. How satisfied is the business council

that the proposals in the growth bid—obviously, it has to be formalised before it's submitted, but, as it's developing—will reflect your aim that the deal should represent more than just funding to deliver the status quo?

[252] **Mr Rogers:** I think, to start off, to give some perspective, when the Government in Westminster invited us to submit a growth bid, we went out to consultation to all business council members. So, our membership is the Confederation of Business Industry, the Institute of Directors, the Federation of Small Businesses, and so on and so forth. So, the whole gamut of representative organisations. We said, 'Okay, look, here's our starter for 10; this is what we feel we need in the region.' We took consultation that was then fed into the ambition board, and it's fully represented within the growth vision. Since then, we've been in consultation with members on particular schemes, and next Tuesday we have a session with all of those bodies, plus some of the key companies in the region—so, Airbus, Horizon Nuclear Power, Siemens, and so on—to run through the draft form of the bid as it stands.

[253] Now, I think, from my point of view, that's quite unusual, because we've got involved and rolled our sleeves up with this, and that's ultimately why we're in partnership. We've been given the opportunity to get that input into the draft bid. So, it's not something that's finished and polished and a consultation tick-box exercise; we are getting proper input from a whole range of private sector stakeholders, over and above the business council that's already been involved from start to finish.

[254] So, to answer your question in a very long way, Mark, yes, we are satisfied and we will keep pushing. The key thing for me is that what we do benefits not only the key sectors and the big businesses, but also the microbusinesses and the SMEs across the patch, and that's what, in terms of designing the growth fund, we've tried to do.

[255] **Mark Isherwood:** Thank you. Given the answer we had in the previous session and for the benefit of the record here, could you confirm, in addition to companies individually, the organisations who belong to the business council?

[256] **Mr Rogers:** Okay, so you're testing my memory here: Institute of Directors, chamber of commerce, Federation of Small Businesses, EEF, which is the manufacturers' organisation, the CBI, both colleges, both universities, North Wales Tourism, Wales Tourism Alliance. That should add up to 12, but I was up at five this morning, so forgive me if I may have missed one.

[257] **Mark Isherwood:** Well done; you passed. [*Laughter.*] Again, the business council said that there's, in fact, no better time for a growth deal for the north Wales economic region. How critical is timing to this and maximising the impact of the growth deal, in the context of matters happening across the border and elsewhere?

[258] **Mr Rogers:** I think, initially, pre the referendum on leaving the European Union, it was a very important time. We had a growing Northern Powerhouse, we had opportunities, and still do, within nuclear and within certain assets that are being put together for the region. So, lovely great opportunities. You add Brexit on top, and we have no idea what that will mean, basically it has to be now. We have to do everything we can to robustly package our economy in the region, including that with cross-border partners, and we've got to be doing it now. But Brexit is something that's coming up and we don't know how far that cliff goes.

[259] **Mr Everett:** Perhaps I may add two other things to that. If we think of the UK Government's current industrial strategy and some of the innovation funds and opportunities that are open to us too, time is of the essence, Mark. The other is—and I'm sure we'll discuss the cross-border side later—that 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.

11:45

[260] **Mark Isherwood:** Thank you. Now, we know that, originally, the focus, from the UK end, was on GVA growth and job creation. Both the Bevan Foundation and Joseph Rowntree Foundation have suggested that there needs to be wider focus on quality and location of jobs. You've referred to working with partners, including Welsh Government, who have their own objectives. You've also, I think, in the vision document, which I think everybody here has heard of a few times, detail a number of areas you seek to have devolved to the region.

[261] I think, in your April letter—your update, or stakeholder briefing—you

broadened that list, both UK and Welsh Government calls. So, in the round, how are you developing this to represent not just the GVA/jobs growth but the broader considerations? And, are they all agreed, in terms of the bulletin? For example, are those aspirations, or is this something that has been agreed between the six authorities and the business council?

[262] **Mr Everett:** The biggest challenge I've found personally, working on this, which I'm very alert to, is something that's scalable, and sustainable, to use the word in its proper meaning, for north Wales, where we have some very large areas of rural sensitivity and we've got linguistic and cultural sensitivity. We've got to be careful that we're not putting up something that is in fact at risk of overdeveloping north Wales and we lose its characteristics and its very being.

[263] So, that therefore means that we are trying to put forward a strategy that's scalable. So, in areas like housing, we've done much work on that since we first published the vision, where we're trying to look at housing models and numbers. You'll all know how sensitive that is as a political issue. At a local level, it's actually scalable to communities that are sustainable. So, much of the thinking, which you'll be very aware of, in the future generations Act is in our thinking. This is far more than economy and jobs. It is communities that can work together and can actually access opportunities for improved transport.

[264] Stephen might want to say a few words about what we're looking to have devolved. We're really keen about having a joint devolution of some of the DWP powers and functions, alongside Cheshire/Warrington. We're now getting very much into the softer areas of worklessness, anti-poverty, particularly looking at the impacts of benefit reform. The biggest debate we probably had recently, Stephen, was less about job numbers, but the quality and value of jobs. Because one of the reasons our GVA is low when actually our economic activity levels are relatively stable compared to the rest of the UK is because we have a number of poorly paid jobs where there are little career prospects for progression. This is what I was saying about the challenging area of our bid—it's actually the social reform dimension.

[265] **Mr Jones:** I think I'll make two points. I'll go back to your initial point about timing. I think one of the big opportunities we have about having the north Wales growth bid now is that it offers the opportunity to influence Welsh Government policy. I think the Welsh Government has been consulting on its new economic strategy and how it does economic development

business. A much more place-based focus for economic development is very important to us. Therefore, I think, working in alignment with that new ambition, it's very important to do that now.

[266] In terms of the inclusive growth agenda, it is something that we need to address within our region politically, because the lower wages fall more within the north-west. We are very conscious that we need to have benefits across the whole of our region. It's going to be an issue for the UK generally. You've referred to the Rowntree report. That is going to influence UK Government policy and it's going to influence what they're looking for in the future from economic development proposals from their regions.

[267] That is something that, in order to break, if you like, the problems around productivity and stubborn poverty, we've actually got to focus on. Probably, it's not a small group of people, because it's not just about people who are out of work, but there's also the issue of low wages, and then there's also the issue about being able to move to more, higher paid work, which means our transport infrastructure's got to be rethought and the way we do services. So, we're doing a lot on transport hubs across the regions. So, there'll be a Môn and Menai hub, a Rhyl hub, and then we're looking at a cross-border north-east Wales metro sort of integrated transport hub. Those will be about getting people to work, and then the railway and the A55 gives, if you like, the more professional, higher paid jobs the opportunity to commute further within the region, and then also into Liverpool and Manchester.

[268] So, we are very aware that we need to include a new focus within our bid, and the devolution of powers, I think, around skills, which we have to negotiate with the Welsh Government. Then, the UK Government—non-devolved—is the DWP, because we were very successful in Wrexham with HMP Berwyn, with bringing people off the unemployed register and having supported access into work, and then being able to go on to long-term employment. We did that with young people and older people. We are spinning out that model in Wylfa Newydd for the employment brokerage, and it is a model that we want to use across the region. Part of our funding bid will include that, and our devolution asks will include the DWP and also what the Welsh Government can bring to the table.

[269] **Mr Everett:** Perhaps, Chair, if I may give just two examples of devolved powers—one UK and one Wales. Some of these will be quite challenging for Governments to consider, I'm sure. When we look at the north-east Wales

metro, an area that Hannah will know well and that is included as a vision in this particular document, regarding regulation of bus services, we may wish to operate public bus services in a way that we might choose to subsidise, because the premium for accessing people to work is critical, but they might not work commercially. That's something that we are not able to do at the moment. The one within Wales—and this will probably be a well-worn argument—where, perhaps, the balance of centralism and localism isn't quite right, is that there are a number of specific grants that we would rather merge into a flexible area: Communities First, or the new version of it; VVP, or Vibrant and Viable Places; Families First, integrated. There are some areas of funding currently where we think that, if the controls were loosened and they were devolved to north Wales with some agreement of objectives with the Welsh Government, we could make more traction with that money. So, there will be a number of things in July coming to both Governments where we wish to negotiate the art of the possible through devolved powers.

[270] **Russell George:** Adam Price.

[271] **Adam Price:** You referred earlier to the particular challenges that north-west Wales faces as a largely rural economy. I think about my own experience in rural Carmarthenshire and parts of Cardiganshire and western Montgomeryshire. Doesn't north-west Wales actually have more in common with those rural Welsh-speaking counties of the western seaboard than it has with the industrial conurbation of north-east Wales, which you could argue is its own city region?

[272] **Mr Jones:** Yes, I think we are looking to develop the common interests within north Wales. Some of the original thinking—and I have got to credit an individual, Iwan Trefor Jones, who would talk about the fact that what north Wales needed was something different around high-value sectors, and we would quote energy and advanced manufacturing. The idea there is that we push up wages, we create more jobs, and there is pressure on the jobs market. I think that, as a region, we ought to be quite unapologetic about putting pressure on our jobs market and trying to create, if you like, a situation where there are more jobs chasing the same number of people. I think that exploiting the supply chain around Wylfa and the green energy sectors is very important to north-west Wales in terms of raising their GVA and more opportunities for jobs in the private sector, because it is quite a public sector-gear economy.

[273] I think that, as we have had the growth bid debate, we are recognising

that, perhaps, we need to start looking at having different spatial propositions within our bid. We learned from Cheshire and Warrington that they have three spatial strategies that cover their three areas. In north Wales, we are looking at the big things that we can do in the north-west around Môn and Menai; around the university, which is where Ashley comes in with business growth and innovation; and also real excellence in the support that we give to small businesses and microbusinesses. We probably need to have some strategies for high-value tourism, which, again, would very much help the north-west—tourism that is more all year-round, involves more capital assets, that brings in organisations that want to market all the year round and bring people in and raise wages that way. We also need to be thinking ahead and using our growth strategy and the schemes within it to access the UK-proposed prosperity fund and that would look at your agricultural support and the wider replacement of convergence funds. We're doing some thinking around that as well. So, you're absolutely right to challenge us about what are we going to do for rurality, and you can rest assured that the leader of Gwynedd and the leader of Anglesey will be challenging us all the time on that factor and they will probably want to mirror, if you like, what the Mersey Dee Alliance have done in the north-east, working with places like Carmarthenshire and also talking up what we can do with Ireland and the port of Holyhead.

[274] **Mr Everett:** If I may, this is why I was diplomatically referencing the change with the local elections, that we have three new leaders in Conwy, Gwynedd and Môn. Out of respect, and the need for them to fully support us, we've got some renegotiation of where we've got to with them, that they're comfortable with the bid as developing. I understand, yes, probably the political and cultural connection. I would argue that economically the connection is lateral. Ashley may wish to say more. Our hub areas for hot development through the bid are around Wrexham, Flintshire and Deeside, and Wylfa B, and, of course, Menai, as well. The input from Gwynedd and Môn, professionally and politically, into the bid has been strong. We all respect the fact that there's a risk that Anglesey, particularly, is at the periphery geographically. If we connect those two, and we get the connections on transport right to the north-west of England, everybody benefits, including the middle. We have to see it as a lateral development, with the two hubs at either end—it works, it works for the economy, it works for planning—but stressing the point that we're very cautious about cultural identity and developing of pace and a type that doesn't wrongly affect the character of the more sensitive parts of the region.

[275] **Mr Rogers:** I'd fully agree. In terms of the west to east flow of the economy, that's exactly how it works. We are looking—and for commercial sensitivity reasons I can't talk in detail about this—at a number of assets connected to tourism and rural development towards the west of north Wales, which will counter some of those arguments. But the one thing I would say is, having been an objective outsider and now an objective insider, as it were, for this entire process, the growth deal is not a silver bullet. It will not solve all of our problems at once and we've got a lot going on in the background—Brexit, for example, which will affect subsidies for farmers and so on and so forth. So, we are doing, I think, what we can with the vision of what we see at the moment. But, taking into account what Stephen said, we are more sensitive now as political moods change, and policies and so on, about indicators and what we're focusing on and what else we can bring in, because this is a process. It's a living, breathing document.

[276] **Adam Price:** You mentioned Iwan Trefor Jones's comments: what he was pointing out as well, of course, is that under the current convergence fund arrangements—west Wales and the Valleys—then north-west Wales both gets a higher level of per capita ERDF investment, because of its status, and it also has the highest state-aid permissibility of any part of the whole of the European Union, whereas, of course, north-east Wales does not. Is it the position of the ambition board that that kind of split, whatever comes out of the shared prosperity fund and the state-aid rules that will follow on, that north-west Wales's greater level of need should still be reflected in a higher level of investment and also greater state-aid flexibility, or do you want the same kind of rule across the whole of the north Wales ambition board growth bid for the region?

[277] **Mr Everett:** It's a very challenging question where, probably, different people, however well we work together, will give you slightly different answers. We're really mindful of the risk of loss to support existing industries as they perform in north-west Wales regardless of where we go with the growth bid post Brexit. For the moment, our bid is concentrating on the strategic gain that we can make in specific sectors in specific areas of the region for the benefit of all.

12:00

[278] We haven't got to that point yet, because, of course, we don't know what the future of European funding will be either. We would expect it, probably—and this isn't a compromise; it's an honest answer—to be partly

geared towards the strategic benefit, irrespective of where it is in the region, but we would also expect to see some high-level subsidy, particularly for rural areas of fragile economies, particularly in the west. We would want to see that balance of the two. That doesn't take away from what we're doing here, because, at the moment, we do have this east-west co-balance that we think makes the bid particularly strong.

[279] **Mr Jones:** I think we are talking in terms of developing funds that would invest in sites and premises and I think the assurance we can give you is that we recognise that more subsidy will be needed in the north-west than in the north-east.

[280] **Adam Price:** Okay, thank you.

[281] **Russell George:** Hannah Blythyn.

[282] **Hannah Blythyn:** Thanks, Chair. When we're talking about the north Wales growth deal, there are incredibly laudable headline ambitions about infrastructure development and investment, but I'm glad you touch on, Colin, I think, that it's not just about job numbers but it's about the quality and the value of those jobs, because we need to make sure that these city deals and growth deals actually benefit the most socioeconomically disadvantaged people as well. And I know in one of the themes in the north Wales growth bid it does not just mention skills and employability but also reducing worklessness. So, I was wondering if you could expand on actually how, through the growth deal, we could reach the most disadvantaged there and they can benefit from it as well.

[283] **Mr Everett:** Yes, okay. That's the area that's the most under development because we started with what you would call a fairly typical approach to skills and skills planning alongside business needs. For example, I mentioned DWP and devolvement of powers. We're already in quite a lot of discussion with DWP colleagues in the region about how we can accelerate some of their programmes. We're now beginning to bring Betsi Cadwaladr University Local Health Board more into how we can give perhaps targeted supportive support to those that are economically inactive because of health challenges. We're very mindful about young people and exclusion. Generally, north Wales's performance around—terrible term, but—NEETs is high. But we are conscious of the fact there's probably a mismatch between the educational attitude to where young people make their career choices and where we're trying to push a better promotion of apprenticeship

opportunities. So, there are a number of things we're working through but we are finding this the most challenging—where can we make real value beyond rhetoric and strategic talk—which is why this is the area of the bid that we'll probably want to engage most with the two Governments, particularly Wales's Government, about how we use some of its social programmes and fundings better, which is why I mentioned things like Communities First and the new generation of funding and opportunity that we will have. Any reflections, Stephen, on that fourth element of the bid that we're developing?

[284] **Mr Jones:** I think Colin summarised it. There are debates at officer level to design the interventions that we want and they focus on housing, health inequality, trying to remove health barriers to work and trying to remove the access barriers so that people can get there, but I think it is early days. But I think we are being informed by the principles of the social Inclusive Growth Commission that the Rowntree trust has published.

[285] **Hannah Blythyn:** Actually it was the North Wales Business Council's comments that the growth deals are not a silver bullet for deprivation and I don't know whether from your perspective you want to expand on that, but I guess it's only what we asked in a previous session today, it's actually how do you—you know, people will read the headlines and things about what this means for the area and how important it is. But then what does it mean for, say, a single mum in a community in north Wales? What's that mean for their children and their grandchildren?

[286] **Mr Rogers:** I think Stephen's touched on the fact that this is probably the most complicated area of the bid, but some of the things that we're looking at are some particular issues around retraining where, for example, someone's in a relatively low-paid job and they cannot afford to take the time off and stop working to retrain for a year and a half for a better, higher value paid job. So, we're looking at maintenance grants and that sort of thing to try and solve some of these very particular issues. But it is a very, very difficult subject and if we could solve deprivation I think we wouldn't be working for Governments we'd be running multinational corporations. It's not a silver bullet, but we are looking at particular interventions for particular problems.

[287] **Mr Everett:** The HM Prison Berwyn model that you probably know well, Hannah, is a very, very successful one where in fact a number of people who were economically inactive are now employed. We feel that's very capable of

being replicated across the region, and we mentioned its application for Wylfa B as well. So, there is a proven multi-agency approach to make that work; we need to now remodel it.

[288] **Mr Jones:** I think the issue is that it needs to be targeted at individuals. I think childcare is part of that, because I think, as part of the debates that we're having, we're talking about Families First and Flying Start, and we need to develop a package around the person that will enable them to go to work and improve their skills.

[289] **Mr Everett:** One of the proposals will specifically be a life chances investment fund that's targeted at particular people in that gap between inactivity and activity.

[290] **Hannah Blythyn:** It's me again, isn't it?

[291] **Russell George:** If you want to continue, yes. Or do you want a break?

[292] **Hannah Blythyn:** No, it's fine—fine. As you see, we're a bit thin on the ground today. Just to move to a different topic, really, and you've touched on it already in reports about the cross-border collaboration and co-operation. I think, Colin, in your earlier contribution, you said about needing to co-plan housing and transport priorities, so I was wondering if you could just maybe expand a little bit more to the committee how the north Wales growth deal proposals link into the Cheshire and Warrington growth deal, in order that we do get that cross-border collaboration.

[293] **Mr Everett:** Of course. I'm conscious, of course, you hosted the event yesterday, with colleague AMs, that some of our colleagues were at, where there was a presentation around north Wales and Mersey Dee together. I think it's really important to make this clear, because this does cause some political concerns within the region as well as outside: this is a north Wales growth deal bid exclusively for north Wales, with the boundaries respected. It's both complementary to and complemented by the work of others. I think there's some concern that—and it probably goes back to Adam's question: will there be too much investment in the north-east, which will skew the benefits and maybe even more polarise the west? That's not the intention at all—really important to record that.

[294] The Cheshire and Warrington bid is just now being adopted. I think it's fair to say that colleagues, politically and professionally, from the Mersey Dee

Alliance and Cheshire & Warrington have been equal partners in developing our own. When it comes to all the transport proposals including rail, either side of the border, they're entirely joined up and they depend on each other. The same goes for roads. A lot of the business sector work that we're doing is cross border because, of course, one of the challenges that we have, if you're in Flintshire for example, where probably approximately 50 per cent of the workforce who work in Flintshire every day come across border, we need to recognise that we're developing the same sectors. The FE and skills planning is strongly joined up.

[295] So, in thinking and working together—not just what's in documents—we are really, really joined up and together, and one of the reasons for pushing our bid fast for July is we want the two to be being adopted around the same time, because of complementarity. We've then got, of course, the Northern Powerhouse, which is still a very loose concept, isn't it? It's a confederation of people with some shared ground, but it covers such a vast geography of the UK now, it's quite diverse. But, nonetheless, the strategic sites that we've identified, particularly in the centre and the north-east of north Wales, are now recognised as places to direct business inquiries on a more global UK level. I think if we didn't have those relationships and we didn't have the co-timing with Cheshire & Warrington, going back to Ashley's earlier answer, we would be at a real disadvantage.

[296] **Mr Rogers:** I agree, and I think, from a purely, again, objective business perspective, we cross the border God knows how many times each week. I was in Chester and Northwich twice this week—Bangor, Wrexham, Prestatyn, and again in Chester. So, for us, there is no border, and, in fact, as a major contributor to the UK Exchequer, as businesses and private sector owners, we want that to function. The economy of the north Wales and Mersey Dee area has to function as it does for us in real life, but at an administrative level as well, for both UK, Welsh Governments, and local councils as well. Otherwise, one isn't supporting the other, and we provide—. To a greater degree, we provide the growth, therefore the system should at least complement what we're trying to do, in order that we can employ people with high-value jobs.

[297] **Hannah Blythyn:** Just one final question: you said there that the border is more or less an artificial border; it doesn't really exist. But we do have two different Governments either side of the border. Colin, you mentioned the—

[298] **Mr Everett:** We had noticed. [*Laughter.*]

[299] **Hannah Blythyn:** I mean, I've never noticed. We launched a new cross-party group yesterday, which is North Wales & Mersey Dee, which both myself and Mark were at, and Stephen. I was pleased to hear the Cabinet Secretary at that—when he spoke, he was talking about making sure that policies dovetail. So, I was wondering how, from your perspective, the north Wales growth deal would look at making sure it can manage and make sure those policies complement each other and work together.

[300] **Mr Everett:** If I could just give credit to all the politicians involved: we've had first-class cross-party support in Wales and in England for what we're doing, both in the Assembly Government and MPs. Of course, we've had the challenge of our own local election. I've mentioned the resettlement of leaders several times. We've now got the resettlement post general election, which doesn't make it a convenient time for trying to negotiate, but what I would say from Ministers in Wales, and certainly figures such as the Secretary of State in Whitehall, there's a lot of understanding and support for most of the content of our growth bid because it's already been seen; it's being built up through an iterative process of discussion.

[301] We've got to be mindful, we've got to be hitting home with UK Government policies around—. You mentioned industrial strategy—sector development. We see Wylfa B as one of the key UK Government targets for investment. Therefore, we've got to spin out the whole benefits. We're very, very conscious about trying to reduce the burden on the welfare state through tackling worklessness. We think those things would appeal to Welsh Government and to UK Government. Given our close relationship with Welsh Government, I have no concerns that we're not hitting all of the points on social policy reform and environmental protection that you would expect in a growth bid. So, I think when we come in to talk at ministerial level in July, there's a lot of pre-knowledge of what people are about to see and, in fact, there'll be a lot of support because we're playing to the two.

[302] **Mr Rogers:** And I think also at a senior officer level we're working very closely with Welsh Government. I've had I think two meetings this week. It's basically one of those situations where we have buy-in very much at ministerial level in both Westminster and Cardiff, and we're also working on the ground with the civil servants at the same time. I will be very, very objective again and say that it is from putting together a bid that works for the region, both urban and rural, covering key sectors, and what's happening with Brexit, when you take into account then Welsh Government strategy, the

Northern Powerhouse strategy, industrial strategy and sector deals, getting something that dovetails and works for all of it is possible to do, but it does make it a hell of a lot more complicated and more difficult.

[303] **Mr Everett:** And the two sectors that have been recognised for probably about four years now as the primary sectors by Welsh Government for development in north Wales—energy and there's advanced manufacturing. That's what led to the three enterprise zones, obviously, in Anglesey, Trawsfynydd; and Deeside. And you'll see from the content in the explanation, they are our two lead sectors for growth because that's where we're already strong. We're capitalising on our advantage.

[304] **Mr Jones:** I think strategically, the cross-border issue is very important. I think the UK Government took an interest in it, and I think the value for north Wales is that the concept behind it was to bring in UK Government investment that would complement, if you like, Welsh development but that Wales couldn't necessarily afford on its own. I think that one of the original drivers behind it was, in fact, rail electrification, and the rail work really brings home how on some of the really big strategic economic issues, you do need more critical mass, because Cheshire and Warrington Local Enterprise Partnership and Liverpool city region are looking, if you like, to maximise their influence vis-à-vis Manchester, because the Northern Powerhouse is not cities of sweetness and light—they compete with each other. And, actually, we have been able to benefit from people making the case for complementary investment around the Northern Powerhouse in Cheshire and Liverpool that benefits our rail services, our road infrastructure, like the M56 and the M53, and I think that the connection is absolutely vital.

12:15

[305] We are doing a lot of detailed work at officer level that then feeds in to bodies like Growth Track 360. There is now a north-east Wales metro working group that includes Merseytravel, Cheshire West and Chester and the Cheshire and Warrington LEP, and all of the north Wales councils, not just the north-eastern ones—they're represented across the whole region. One of the key organisations to bring it together is the Mersey Dee Alliance, and that is feeding in proposals from Wales that need to be recognised by the Cheshire and Warrington LEP, and it's then feeding in the things that north Wales needs to know about what's happening across the border and how we can maximise UK benefit and north Wales benefit from aligning with what they're doing across the border. That's why I say I think we would benefit

from something like that in the north west, because it's been the bridge, really, that's enabled us to develop propositions that maximise the investments that the UK and Welsh Government could make in the area.

[306] **Mr Everett:** We shouldn't be insular. One of the reasons for having a better connected transport system—it's not just the supply of goods and services, it's to allow people to access jobs more conveniently outside of Wales and the north west, because that's the nature of the local economy.

[307] **Mr Rogers:** Yes, and on top of that you've also got getting students in and out of our universities and our colleges, and on top of that you've got—I think we have 27 million tourism visits a year into north Wales. It's 20 per cent of the economy, at least. Without transport, and cross-border transport, none of that works. I think Growth Track 360 is probably the best example, and probably where we started before the entire growth bid process.

[308] **Mr Everett:** With integrated thinking.

[309] **Mr Rogers:** Yes.

[310] **Russell George:** We've got three subject areas left. We're not doing too badly on time, but we just ought to be perhaps a bit sharper on some of the answers as well. I've got Adam, Mark and Vikki. Adam first.

[311] **Adam Price:** You refer in your evidence to some of the key issues that have been holding the region back economically. I was wondering if you could say a little bit more about what they are and how the growth deal is designed to address those key problems and constraints.

[312] **Mr Rogers:** Would that be the business council evidence or the ambition board evidence?

[313] **Adam Price:** I'll have to check, actually. I think it's probably the business council evidence.

[314] **Mr Rogers:** I was hoping you wouldn't say the ambition board—

[315] **Adam Price:** The question, really, is about: what are the key issues that underlie the strategy, and how does the strategy address those?

[316] **Mr Rogers:** I think the basis of all of this has to be transport

infrastructure. If we can't move around the region, if we can't get to jobs, if you can't travel from, say, Prestatyn to Manchester in less than an hour, all of a sudden having clients that far over the border doesn't work. If it takes you three and a half hours to get to Cardiff and so on and so forth, then that slows everything down, which is important for business, but really importantly it's access to better employment prospects, connecting our population centres and deprivation centres with centres of unemployment. That for me is the overall key. If we only fixed the transportation system, that would be a huge chunk of what we need to do. So, if you said, 'Pick one priority', it would be that, if I'm being honest.

[317] **Mr Everett:** And—a very open answer—this fragmentation amongst councils and Welsh Government about what we do: business support, promotion. So, as six councils with partners, we're very much promoting a hub where we put our expertise on transport planning, land use planning, economic development planning together, so that we can actually work with the business sector rather than think county by county, which is very much in the thrust of the White Paper—the Welsh Government making the region work better. One of our challenges to Welsh Government has been that north Wales hasn't always had the support and the priority that it needs and there's too much fragmented support for business in Welsh Government and the civil service particularly. What we're asking is, in return for us offering to work better strategically, to do all the things that we're saying, we have some devolved people and powers around things like business support. Ashley's pulled together a superb proposal so that we can work together as one region rather than perhaps have too much of a centrist approach.

[318] **Adam Price:** I suppose—you've talked about cross-border collaboration—the flipside to that at the moment is that every city and city region in the UK is trying to steal your lunch, and everyone else's. The level of competition between places is probably higher than at any time before. So, how do you think north Wales can not just play catch up, but actually be ahead of the curve in a way that possibly we haven't been recently?

[319] **Mr Rogers:** Well, basically, we trade on our strengths. So, it's our strategic location into the rest of the Northern Powerhouse, into Ireland; it's our world-class tourism industry, it's our advanced manufacturing and it's our burgeoning energy and environment. If you put all those together, and that's not a particularly snappy strapline for marketing, but that is north Wales. That would be my viewpoint, anyway.

[320] **Mr Everett:** And if you look at the three main hubs, despite the last eight or nine years of global economic impact, Deeside is an area we still continue to outperform. Wrexham has capacity that it can't capitalise on because of the way it's locked around transport—going back to the point, particularly road transport—and now, with the energy island proposal, we have an opportunity we've never had before, generationally, for Anglesey with incredible supply chain benefits. Those three are already performing well, but, actually, transport and some of the investment in research and development are the missing links. If we can master those, those three areas can actually continue to punch their weight. So, we shouldn't be seeing north Wales as an area that's fallen behind. It's now got an opportunity to connect its added value better, but that's why we're putting this bid forward. It's principally around transport, R&D and business support.

[321] **Adam Price:** Can I ask you finally, then—? You've been consistent, as the ambition board, in making the case for the devolution of powers within Wales—a kind of internal devolution, if you like. I asked Swansea bay city region earlier whether they would like to see that, and certainly that wasn't as high a priority for them, but you've been very, very consistent on this. How receptive has the Welsh Government been to the argument that you've made? And I'm hoping that you'll give us a sneak peek as to what will be in the economic strategy. [*Laughter.*]

[322] **Mr Everett:** Well, perhaps I should answer that one. Privately, key Ministers have been hugely supportive, and I think Mr Drakeford particularly understands, for him to realise his own vision about regionalism, what needs to be done in giving us the powers and the opportunity to do it, and the same would apply to Ken Skates, AM. That has to yet be tested, though, when we ask for specific things because this will ask the Welsh Government—I keep using these terms 'to think less centralist' and 'to devolve trust'. We appreciate we've got to deliver. We will have a very strong governance arrangement and accountability arrangement. I think that would be more of a challenge in Wales than it will be with the UK Government because probably the majority of what we're asking for are freedoms to operate that are already within Wales between the Senedd and ourselves.

[323] **Adam Price:** Thanks very much.

[324] **Russell George:** Mark.

[325] **Mark Isherwood:** You've already, in your responses, referred to the

consideration you've given to the well-being goals and to Ken Skates's focus on the foundation economy and regional approach. On Tuesday I questioned the First Minister about the devolution of the powers and resources in the areas that you've indicated, and I know it's something that's in your paper to us: the business council has also indicated it as important at a regional level. I think the First Minister's response, putting it politely, highlighted the risks rather than the opportunities. In practice, as you've been taking this forward, developing proposals that strike a balance between the priorities of both Governments, how—not to use the word 'easy'—straightforward has that been? We've heard earlier today from Swansea bay and Cardiff region city deal that they felt that they were encouraged, almost, but allowed, at a local level, to exercise their local knowledge and were respected accordingly, provided they met the minimum requirements of the two Governments. What is your experience in reconciling the differences, where they apply, between the two?

[326] **Mr Everett:** Well, the logic of our argument is strong. It's going to be about political acceptance now of letting go to a regionalised trusted governance structure. As I said, Mark, that's yet to be tested until the bid comes in. I don't see any barriers to that thus far. What we want to do is work with Wales to press the UK Government to devolve more regardless of which region we're talking about. So, two particular areas we'll want to explore through the bid—. This one will be dear to your heart—the raising again or the removal of the borrowing cap for social housing construction, because we think that there are as many social housing options in north Wales to deal with housing demands as there are private sector, but we are constrained by what we can choose to build as councils, for example. The second one, which will be sensitive, given the franchise consultation's only just closed on rail, is that UK Government appropriately funds the subsidy to the new Welsh franchise because the experience going back to, was it, 2006 was probably that the franchise in Wales was underfunded to perform commercially with appropriate subsidy. They are two big issues for us because rail connectivity—the operation of rail services that work commercially with subsidy on improved rail infrastructure—is going to be critical to the performance of the economy. So, there's actually some big ticket items where we'll be working with Ministers to rehearse the arguments in Whitehall to say, 'Actually, Wales needs a better deal in return for us to be able to operate and deliver.' So, there's actually some big issues here, it's not just us asking for things from the Senedd. But that remains to be tested when we come back in July.

[327] **Mark Isherwood:** It is many things from the Senedd as well. As you're aware, we've done our own inquiry into the franchise, and our report will be public very shortly. You talk about governance and accountability arrangements. Are you envisaging some sort of north Wales economic board plus to actually administer this? And how will that reconcile with the sensitivities in the region about democratic accountability in certain local authorities, without naming them? And finally, you mentioned the borrowing cap. Are you talking about the housing revenue account exit terms agreed with the local authorities, which of course are linked in with the public sector net cash requirements, which of course are non-negotiable? Isn't it the role of the region to work together, having identified affordable social housing need, to perform a sort of strategic role with social housing partners and the commercial sector to maximise that supply, focusing the social housing grant where it can deliver most, and also to support those local authorities that haven't met the Welsh housing quality standard to use what borrowing capacity they have to do so?

[328] **Mr Everett:** Okay. I'm conscious of your time, so I'll answer the second question first, briefly: yes, that's what I was referring to, Mark. Flintshire, for example, we've got a strategy to build 500 council homes in five years. We've done quite a lot of research about the limitations on the private sector to be part of the housing solution for the region. We don't think we'll hit our housing targets if there's not an increase in the social housing supply. We're talking about the space for councils to borrow, which is currently cash limited; it needs to be renegotiated so that we can choose to build more.

[329] On governance—on the first question—I know it doesn't sound the sexiest title when we talk about a joint committee, but that's the model that we're proposing: the six council leads will form a new joint committee, they've been recommended to co-opt HE, FE and business council representatives. It will be strong in decision making, it will be accountable and there will be what we call reserves matters. In other words, the partners have to agree things back internally, for example borrowing commitments, before they're entered into regionally, so that a regional committee can never run away without a mandate to deliver. We will also be re-formalising the cross-border working relationship, where we're suggesting that we invite a co-optee from Cheshire Warrington onto our committee, and vice versa. So, that's the governance model, probably not unlike the one that Mark James was describing in the previous session that we saw on the TV screen, but robust, decision making, it has to be swift in that it can respond, but it will always go back to its constituent partners to agree the principal items, so it

always has a mandate to operate. It's not an uncommon model; it's something we're quite familiar with.

[330] **Russell George:** Have you finished your question?

[331] **Mark Isherwood:** I'm conscious that time is very, very short. I'm just concerned that the strategic housing role should first be acting, asking the whole social sector, and the commercial sector in terms of 106s or whatever, to maximise the resource available to deliver the maximum number of units, which may or may not be via a council. It could be a council in partnership with Wales and West, or whoever it might be, or one of the transfer associations up in Conway or Gwynedd, rather than just building themselves. It's how to ensure that the strategic role is sector blind, the objective being maximum supply.

[332] **Mr Everett:** Sorry, Chair, if I may clarify, I was talking about council housing as one of the solutions that complements. Of course, I agree with all of the points about strategic, and indeed, in Flintshire we're in a commercial arrangement where we're working with a developer where we're building with them commercial accommodation as well as social, to cross-subsidise. But we are being very open about the limitations. If we're going to talk about housing growth, and there isn't sufficient capacity or land value interest from developers to keep pace with our plan, we have to look at other solutions too, one of which is expanded council housing development and RSLs too.

[333] **Russell George:** Vikki Howells, you've been waiting patiently, so don't feel constrained by time.

[334] **Vikki Howells:** It's fine, thank you, Chair. I wanted to ask you some questions around how you have learnt from best practice elsewhere, and you've already given so much detail to us about the way in which the north Wales growth deal has worked with other regions, you've answered lots of the questions I was going to ask you anyway, but if I could just ask you then, if you could give us maybe one or two examples of best practice and lessons learned from the work that you've done with other groups.

12:30

[335] **Mr Everett:** Okay. We're working closely with partners that you've seen today from Cardiff and Swansea. None of us could claim best practice with growth deals, because they're all new. One of my answers would be: what is

best practice? Let's learn from lost opportunity. Actually, with the industry expertise that we've got in north Wales, if we listen to business about what it's achieved and what it hasn't achieved in the past, and how the public sector has helped and hindered, in being clear about strategic sites, clear about the planning process, clear about support, I actually think we learn from some of our experience. I don't think there is a best practice model. I think a number of the English deal bids have got stuck with politics and elected mayors' debates rather than the core of what they're trying to do. We're getting amazing learning from our north-west partners. Some of the vision around Warrington is just world-beating, I have to say, and we're trying to replicate it. So, it's live learning. Honest answer: learning from where we've failed in the past, because I think we've got a world-beating opportunity here.

[336] **Mr Rogers:** Absolutely. I would agree that, if you look at—. We've talked about transport infrastructure and the fragmentation of service delivery for an area with 700,000 people. I think what we're trying to do in the growth bid is get away from that, and solve those two fundamental problems while pinching ideas from everyone else that we can.

[337] **Mr Everett:** And not promising what you can't deliver. That's why I'm hugely sensitive to the scalability of north Wales. One of our unique selling points is that we're looking to protect our green economy by recognising that some areas will always be low development in terms of economy—[Inaudible.]—but actually, if we can increase accessibility and support for SMEs and small businesses that could be located through digital connection, that's the solution. So, not promising things we can't deliver, hence we play on the Wrexham, Flintshire, Ynys Môn and Menai principal growth areas and we let the region benefit from their totality.

[338] **Mr Jones:** I think it's worth mentioning that the WLGA brought the growth deals in Wales together and we shared, we read each other's paperwork. I think most importantly, probably, for north Wales, is that we've had access to a lot of thinking that's gone on across the border—the Cheshire and Warrington local enterprise partnership and the Liverpool city region—and we've had people like Councillor Roberts, the chair of the ambition board, who's a regular attendee of Northern Powerhouse meetings with officers from Flintshire and Gwynedd, and we're able to see what's happening in Manchester and Liverpool. And, in fairness, we've actually had a lot of encouragement from both Welsh Government and UK Government Ministers. We've had frequent dialogue with the Northern Powerhouse

Minister who was Andrew Percy—I don't know who it might be after the election—and I think, also, we learned in the past about not pushing the case for north Wales hard enough. We did benefit, I think, significantly from an all-party group in Westminster that had MPs from both sides of the border and we're absolutely delighted that we now have a north Wales group in the Assembly that will focus very much on the north Wales economy and helping us grow it.

[339] **Vikki Howells:** Thank you.

[340] **Hannah Blythyn:** I think we'll struggle to get AMs from the other side of the border, though. [*Laughter.*]

[341] **Russell George:** The all-party group, that's a cross-party group in Westminster that you're referring to.

[342] **Mr Jones:** Yes.

[343] **Russell George:** Okay. And, how long has that been in place?

[344] **Mr Jones:** I think it's been going about 18 months. It's called the Mersey Dee and north Wales group and it has members from Cheshire East, Cheshire West, the Wirral and all of north Wales, and the chair was Ian Lucas.

[345] **Russell George:** Okay. Do you attend every meeting or where you can? Are you invited to attend?

[346] **Mr Jones:** We do attend. We are invited to attend. We've made frequent updates on Growth Track 360. The last one we wanted to do was on the nuclear industry in Snowdonia, the small modular reactors, and the Snowdonia enterprise zone. We've also had presentations from the Mersey Dee Alliance and the North Wales Economic Ambition Board to that group.

[347] **Mr Everett:** We had a number of political outfits working for us, which goes back to my point to Vikki. I think everybody sees that we've never quite capitalised on our strengths and this is the moment for doing it. So, we've actually got politicians chasing us to complete the bid, because they're keen to see it and support it, which is a wonderful position to be in.

[348] **Mark Isherwood:** We agreed yesterday that the chair will be contacting the new chair in Westminster once that group is reconstituted in whatever

form it may take.

[349] **Russell George:** Okay, good. Did you have any other comments that you want to make that perhaps haven't been brought out through questioning at all?

[350] **Mr Everett:** No, thank you, Chair. Thank you very much for your time.

[351] **Russell George:** Well, we're very grateful for your taking time out to travel down. Have a safe journey back.

[352] **Mr Everett:** Thank you very much.

12:35

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o
Weddill y Cyfarfod**

**Motion under Standing Order 17.42 to Resolve to Exclude the Public
from the Remainder of the Meeting**

*bod y pwyllgor yn penderfynu that the committee resolves to
gwahardd y cyhoedd o weddill y exclude the public from the
cyfarfod yn unol â Rheol Sefydlog remainder of the meeting in
17.42(vi). accordance with Standing Order
17.42(vi).*

Cynigiwyd y cynnig.

Motion moved.

[353] **Russell George:** We move to item 5, under Standing Order 17.42 to resolve that we exclude the public from the remainder of the meeting. Are Members happy with that? Yes.

Derbyniwyd y cynnig.

Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 12:35.

The public part of the meeting ended at 12:35.