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Sent: 28 November 2023 12:06
To: Nicola Williams; Carwyn Jones-Evans
Cc: Cathy Martin
Subject: Mid Wales Growth Deal : Portfolio Business Case Development

Follow Up Flag: Follow up
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Mid Wales Growth Deal: Portfolio Business Case (PBC) Development.

The review of the Portfolio Business Case for the Mid Wales Growth Deal is an on-going and iterative process, with the requirement that a refreshed and revised version is presented to both Governments on an annual basis. In that vein, we thought it might be helpful to share some reflections on the current Portfolio Business Case to help inform the development of the next iteration. These build upon the comments made at the useful briefing workshop held earlier in the year with colleagues from across a range of policy areas in Welsh Government to raise awareness of the Deal and its proposals. In developing the Deal and the programmes and projects we are keen to ensure alignment with WG policies and to ensure complementarity and added value wherever possible.

As regional delivery partners, you are to be commended in terms of the huge amount of work carried out over the past 12 months and on receiving a very positive 'Amber/Green' PAR rating, signalling the Deal's readiness to unlock the first tranche of funding, which has now been released. Indeed, the feedback outlined below resonates strongly with many of the PAR recommendations which we understand that the PoMO is actively addressing through a focussed Action Plan. The feedback largely relates to the Strategic, Financial and Commercial Cases, but offers areas for wider consideration too in relation to our Programme for Government commitments and in relation to informing programme and project proposals/sponsors and the ongoing iteration and improvement of the PBC over the coming months.

1. *Financial Case / Private Sector Investment*

The following observations should be considered as part of an evolving financial case within the PBC, as programme and project business cases mature:

- The gap between the available funding for the portfolio and the projected programme/project costs, even at the lower end of the range

- Little committed public or private sector funding at this stage despite an anticipated gearing up of spend in the coming two financial years and sponsors likely to receive less MWGD funding than they need – real risk of the portfolio not proceeding as quickly or on the scale originally envisaged resulting in delays in delivery or potentially elements of the portfolio not proceeding. This should be clearly outlined in the accompanying Risk Register and to include clear mitigation measures. Links here to the Private Sector Investment Strategy.
- The confidence level held by the PoMO in terms of sponsors leveraging the required private sector investment given cost pressures/inflation – what is the impact across the portfolio if the target of a third of the required investment does not materialise from the private sector?
- Investments in neighbouring regions which could have an impact on the MWGD such as Freeports for example – a danger that the private sector focusses on other regions?
- There is a tendency for the PBC to refer to the government contributions to the growth deal as being ‘the Growth Deal’ and it would be clearer if this term were used only to refer to the whole of the deal (e.g., reflecting the contributions from all partners)
- It would be helpful to include more detail on the financial contribution which the local authorities themselves are proposing to make to the MWGD, both as a whole and to the component programmes and projects. At present, their contribution is wrapped up within high-level ‘other public’ funding figures.

2. ***Welsh Language – Cymraeg 2050***

- Consider how the PBC can align with Welsh Government’s Programme for Government, the Well-being of Future Generations Act and Cymraeg 2050, noting reference to Tourism as a Growth Deal strategic priority. The Welsh Government’s objectives in this regard relate to supporting Welsh tourism as well as nature, culture, and language. A future iteration of the PBC would be strengthened by setting out how support for tourism, (and other strategic Growth Deal priorities) can also support the language, as a consideration which cuts across the entire PBC.
- Ceredigion, as part of the ARFOR proposal highlighted the socio-linguistic importance and the challenges facing their county, with many areas of Powys facing similar issues, highlighting the significance of a strong local economy to safeguard and support the Welsh language. The PBC should acknowledge the challenges facing the language and how interventions will help sustain the Welsh language and in particular safeguarding Welsh-speaking communities, and what indicators will be used as evidence and the lessons which can be learned from ARFOR 1.
- The PBC states that all project / programme business cases will be required to complete a Welsh Language impact assessment and a Wellbeing of Future Generations impact assessment before consideration by the Mid Wales Growth Deal Board – early engagement with programme and project sponsors on undertaking impact assessments can maximise opportunities to influence the design of proposals so that Welsh language considerations are included from the outset or fully mainstreamed where appropriate. To strengthen the linguistic element, proposals should, where appropriate, explain how their interventions would support the socio-economic and linguistic nature of the region.

3. *WG Manufacturing Action Plan / Procurement Opportunities*

- There is a potential opportunity to align the business support/procurement objectives of the refreshed WG Manufacturing Action Plan with the aspirations of the MWGD to deliver local/regional benefits by gearing up suppliers to maximise investment opportunities. Programme and project sponsors will need to recognise that local/regional manufacturers and suppliers require medium to long term commitments on spend and co-ordinate demand with other parts of Wales. WG's Industrial Transformation Division are willing to work with the PoMO to undertake supply chain mapping work to support MWGD procurement related activity.

4. *Skills & Employment*

- An opportunity to strengthen this section to reflect the RSP which is by now established (no longer emerging and now in place) – Employment & Skills Plan includes relevant data etc in support. Consider skills & employment within matrix on p47 and inclusion of RSP under 'Governance' on p 49.

5. *Impact Assessments*

- The PoMO should consider the need to put in place the necessary impact assessments, in-keeping with the requirements set out in the Wellbeing of Future Generations Act, with particular emphasis on equalities, the Welsh Language, reducing disparities and health and wellbeing at Portfolio, Programme and Project levels. In addition, the Portfolio should consider how it can support carbon reduction and enhance biodiversity as part of programme and project business case development . These assessments will be a key component and part of a suite of documents in support of an evolving Portfolio Business Case subject to annual submission and review in line with the release of future funding. As you now turn your focus towards programme and project delivery, additional requirements in terms of benefits realisation and monitoring and evaluation plans will be required to provide assurances that the relevant impacts are being assessed across all elements of the MWGD, and which reflect the duties placed on regional delivery partners as public bodies.

We are committed to continue to work closely with you as regional partners to ensure that the Deal meets its intended aims and will continue to meet regularly with you and our UKG counterparts. As programmes and project business cases mature, it might be appropriate to bring proposals together with WG teams to help shape and inform their development – several teams across WG have indicated their willingness to support this process and we would be happy to work with you to help facilitate.

Ann Watkin

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Annwyl / Dear Ann,

RE: Mid Wales Growth Deal : Portfolio Business Case Development

Thank you for your email dated 28th November on the Strategic Portfolio Business Case (v2) for the Mid Wales Growth Deal – that was submitted 31/03/23. Your continued support and engagement in respect of the Mid Wales Growth Deal is highly appreciated.

We fully accept and recognise that your comments are well-intended and meant to be supportive. However, we felt there was merit in setting out a thorough and considered response as there are elements where it feels we have a differing understanding of Government's own guidance in respect to business case development for a Portfolio.

Our response therefore is intended to be constructive, setting out comprehensive feedback on the issues raised – so that we can set the platform needed to achieve clarity, should it be required.

We've summarised the salient points from your email and provided a response beneath.

1. Financial Case / Private Sector Investment

There is a fundamental point of understanding required on the content and purpose of a Strategic Portfolio Business Case required in relation to these points. The PoMO has followed Government's own guidance to the letter in respect of developing the business case – and it is an iterative process.

By its very approach, this will result in assumptions and forecasts that are outlined initially and are evolved into more detail as the Programme and Project business cases underneath evolve.

The consistent advice received from Joe Flanagan, and Government officials throughout has been to avoid affirming figures too early, and utilise ranges. Even on the lower end – the level of uncertainty and optimism bias and sensitivity was high in V2 of the submission in March 2023.

However, throughout 2023 the detail on the Programme Business Cases and the bulk of Projects moving from SOC to OBC will provide far greater clarity on the figures underpinning these initial assumptions.

We would like to underline this point clearly, as the response is setting out concerns that would be suited to a programme business case, not a Strategic Portfolio. A Strategic Portfolio is an evolving document that sets the strategic parameters for the Portfolio – but the detail can and will continue to evolve from the Programmes and Projects.

We note the concern however on funding levels, match funding and leverage and associated confidence – these points are somewhat addressed in your other recent letter in respect of private sector investment.

In respect of commitment levels, this information will become known at OBC stage for projects and will shortly become clearer for our two Programmes. Whilst we acknowledge the point – due process and guidance has to be followed, and governance and management arrangements we have are addressing these aspects with our Sponsors.

Whilst we acknowledge both Governments' desire to firm up the figures within the Portfolio – the business case methodology and process does not allow for a process where we set figures at the beginning of a 15 year funding stream, and guarantee their delivery.

On the issue raised in respect of Freeports – no proactive engagement or communication has been made with Mid Wales in respect of this policy/funding decision. The team however have worked hard to keep abreast of the policy and resulting decision – and none of the Programmes or Projects within the Portfolio see this as a direct risk at present. There are risks in relation to wider displacement of private enterprises to other parts of Wales – but this is a risk for both Governments to manage nationally with wider with partners in Mid Wales. There is also a secondary risk around supply chain and exacerbating issues in an already challenging construction landscape in Mid Wales – these issues we pick up further on. There is an associated risk in relation to skills demand and potential distortion/exacerbation of issues facing Mid Wales in this regard, again whilst our Regional Skills Partnership can identify the risk, it would need national response and management.

Terminology. This point is noted and will be corrected for V3 in 2024.

Financial contributions. This point was made clear in the Final Deal Agreement signed in January 2021. The Local Authorities are not directly committing any capital funding to the Mid Wales Growth Deal in general terms. There will be direct match funding to some projects – and that will evolve as their business cases develop.

However, it should be clearly understood that the main financial contribution of Powys and Ceredigion Local Authorities is the ongoing revenue requirements of running the Governance and Management of the MWGD. This cost is not

insignificant, and whilst Welsh Government kindly supported with some initial pump priming via its own funds and ESF – the ongoing contribution of £250k annually over the lifetime of the Deal (at current prices/resourcing levels).

2. Welsh Language

These comments are noted and will be considered within the realm of responding to statutory legislation and the work ongoing in both Local Authorities in response to the Future Generations Act in respect of the Welsh Language. This includes the adoption and use of measures in respect to impact assessments.

There is already strong links between various funding streams in Mid Wales – the Growth Deal and Arfor are no exception. There is strong alignment with the Vision for Growing Mid Wales across all funding streams in the region – and officials leading on different funding regularly liaise on alignment and planning matters.

3. WG Manufacturing Action Plan / Procurement Opportunities

We are grateful for this opportunity to work together and would value this conversation following the refresh of the Strategic Portfolio Business Case (v3) in February/March 2024. This will coincide with the Commercial Case having evolved further – which will be evolving some of the high-level principles in the current v2 into more tangible actions via a strategy. The PoMO were already planning to engage in supply chain mapping, particularly around construction – therefore the opportunity to work collaboratively on this piece would be welcomed.

4. Skills & Employment

Noted – the Vision for Growing Mid Wales has recently been updated and will be adopted by the Mid Wales CJC shortly. This includes updated narrative on the Mid Wales Regional Skills Partnership (which will then translate to an updated Strategic Case within the Portfolio Business Case refresh in February/March 2024).

5. Impact Assessments

Noted – these are all in place and operational. The team have been liaising with other Growth Deals across Wales and the UK. Exemplary work in Scotland has recently helped the team establish new carbon and biodiversity guidance and assessments. The only area remaining is in respect of the Welsh language – where work will seek to dovetail with the ongoing work in both Local Authorities in respect of this matter.

We hope that this response clarifies our position in respect to the issues that you raised in your email and should hopefully set out our understanding. As we have previously noted, we are more than happy to have a further conversation/written feedback if required.

Cofion gorau / Kind regards,



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Copied to:

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