



To:
Diane Reynolds /-Barry Rees – MWGD Senior Responsible Officers

Cc:
Carwyn Jones Evans/Nicola Williams/Cathy Martin

28th November 2023

Dear Diane, and Barry

Mid Wales Growth Deal: Private Sector Investment Strategy

As you will be aware, the investment by both Governments into the Mid Wales Growth Deal is intended to act as a catalyst to encourage further investment, including private sector investment, to support the growth and development of the economy within the region. We appreciate that securing private sector investment is a challenge in all regions in light of recent economic circumstances and particularly in Mid Wales given the dominance of small-scale business and the paucity of large corporate entities. However, we remain keen to ensure that all regions have in place robust private sector investment strategies to address this and to lever in the necessary wider investment to support delivery of the portfolio and the outputs and outcomes agreed.

We are aware that regional partners in Mid Wales have in place a Private Sector Investment Strategy which was submitted alongside the GMWB approved Portfolio Business Case earlier this year. Given the importance of the Private Sector Investment Strategy (PSIS) we would encourage you to keep this important aspect under review as part of the development and refinement of your Portfolio Business Case, which is of course an ongoing and iterative process. As such we thought it might be helpful to offer up the following comments on behalf of both Gareth at UKG and ourselves, to help inform the next iteration.

The development of the PSIS will also need to consider the findings of the earlier PAR (Feb. 2023), which recorded Amber/ Green rating and we appreciate that several of the recommendations are in train.

The review has highlighted the importance of securing additional funding from other sources and that the £110m government allocation acts as a catalyst for further significant investment in the region; indeed, the monies allocated are conditional upon the leverage of further public and private sector monies to deliver an ambitious investment portfolio under the auspices of the Mid Wales Growth Deal. The PSIS is therefore a key document to set out how the region intends to realise this investment

in Mid Wales. The PAR recommended that further work should be commissioned by the region to develop the existing PSIS into a Plan for Action, with more detail as to how, when and by whom the activities identified in the strategy will be carried out. We hope that the following observations set out below can assist in this regard.

A framework for programme and project sponsors

We suggest that the PSIS should act as a framework for current shortlisted and future programme or project sponsors, as it will be project led interventions which will ultimately deliver the Deal and leverage wider sources of funding. Further detail would support how this could be achieved through the individual programme/project level business cases to ensure that sponsors are best equipped to maximise government investment in the Deal and that they too take ownership of the strategy alongside other stakeholders. The PAR also highlighted that the PoMO needs a skill set that understands both public and private perspectives to help support and drive the project sponsors. It recommended the appointment of a 'Commercial Negotiator' to champion and lead the private funding element, and to act as a commercial figurehead to promote the Deal. We believe that this merits exploration in further detail and would be pleased to be updated on progress on this matter.

As highlighted by the PAR, and linked to PSIS for selection criteria, there is a need now for a Strategic Benefits framework. This will help provide strategic direction to the types of outputs/outcome and benefits required through alignment to the key objectives/principals of the MWGD. This will in turn help focus the programme and project OBC/FBCs on cost benefit analysis. This framework could also help support a consistent selection process of programme/projects that progress on to investment which are strategic and meet the key aspirations of the MWGD including the need to leverage private investment worth up to £170m over the lifetime of the Deal. Drawing on the experience of other Deals across Wales, particularly the SBCD and NWGD in this regard could also inform your plans for performance measurement and benefits realisation.

Economic Advisory Group

The involvement and engagement of the Economic Advisory Group to help drive forward the private sector strategy is key and welcomed - we are aware of their input into this second iteration of the PSIS. The Review Team noted that a key value of such a group could be to constructively challenge potential investments to confirm they are sustainable, create jobs and increase regional income. The continued input of the EAG should be sought in developing more granular detail around how the strategy can be turned into a series of deliverable actions or 'SMART objectives' and as private sector individuals, they are well placed to advise how this can be achieved across sectors and themes which offer greatest opportunity to attract private investment. Approaches should also be considered which ensure flexible delivery solutions and where governance arrangements for progressing projects with best opportunity to leverage commercial investment are not impeded by restrictive

process or governance arrangements e.g., for the delivery of commercial property for example.

The PAR also referenced the challenges faced by the region, noting its predominant Micro/SME base and a lack of big investors due to its nature. Accepting that the Deal may focus on home grown investment opportunities/projects as a priority, further detail could be considered to outline how inward investment might be secured from outside the region, to engage larger private entities which may sit in neighbouring regions of Wales and England. To what extent is the region considering carefully targeted inward investment to assist in realising the agreed benefits? Recognising the importance of the SME base to the region, you may wish to consider how the indigenous business base can take advantage of the Deal and benefit from it. This might include ensuring that the indigenous business base is well placed to take advantage of any procurement opportunities that might be available (directly and through supply chain opportunities) as a consequence of the portfolio of programmes and projects that will be selected by the regional partners for delivery.

Wider considerations

The evolving strategy will clearly need to take account of current global pressures, including inflation and disrupted supply chains, and consequent likely tightening in the availability of investment funding. The PSIS outlines that each Strategic Growth Priority/theme will develop individual response plans – again, further detail in this regard will be beneficial, particularly for themes where there is greatest potential for private sector investment.

Communication rightly features as a key priority area within the strategy. You may wish to consider how best to utilise the existing networks operating in mid Wales to support the MWGD process and its messaging. A MWGD ‘Campaign’ could be considered in future, with the aim being to set out the MWGD as a prospectus and promote/raise awareness both within the region and across the UK, involving the creation of collateral, enhanced online presence and attendance at major events as well as features within key investor or sector related publications for example. This could, at the appropriate time, help generate wider interest on the back of programmes and projects to help generate ancillary investments and in-direct benefits. Linking in with existing organisations such as Business Wales and the Development Bank for Wales to raise awareness and facilitate introductions could also be considered.

All Deals in Wales, and indeed across the UK, have a requirement to develop and deliver against their private sector investment strategies. As such you may wish to engage with other Deals across Wales and the UK to share experience and to help share good practice in this regard. It will also be important to ensure that the Deals complement each other in this respect, rather than compete.

We trust that the comments set out above are helpful and constructive and we look forward to seeing further iterations of the strategy as it evolves.

Yours sincerely

Ann Watkin – Head of Strategy, Operations Alignment and Planning, M&SWW Regional Office, Welsh Government

Gareth Ashman - Head of Regional and Local Growth, Office of the Secretary of State for Wales, UK Government



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Annwyl / Dear Ann & Gareth,

RE: Mid Wales Growth Deal: Private Sector Investment Strategy

Thank you both for your letter dated 28th November on the private sector investment strategy for the Mid Wales Growth Deal. Your continued support and engagement in respect of the Mid Wales Growth Deal is highly appreciated. Your specific advice and response on the private sector investment strategy is also appreciated, given that this has been a relatively new additional requirement within the Growth Deal process. Whilst encouraging and leveraging private sector investment has always been a key element of all Welsh City and Growth Deals – having written advice and feedback certainly helps us ensure we are responding to your expectations.

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 may be elements we may wish to pick up further to ensure full clarity of expectations. A lot of the issues raised appear to be contradictory with Government's own guidance in respect of the processes that govern business case development, but also not to duplicate existing funding/support for businesses.

We wish to note however, that we were heartened to see that none of the issues raised weren't already on our radar and in some form already being addressed. This is testament to the good working relationships and management systems we already have in place.

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

1. A framework for programme and project sponsors

This is the understood intention of the PSIS – and has been communicated as such consistently to Government and the Sponsors of the projects and programmes within the MWGD. As you will know, the document sets out the expectations to our Sponsors to aspire to. The whole premise of the MWGD is that it is scoped as a portfolio from the Strategy. As per Joe Flanagan’s guidance (and Government’s own guidance on Better Business Case development), developing the Economic, Commercial and Financial aspects of said Programmes and Projects is very much an iterative process.

The suggestion (not a recommendation) of a “Commercial Negotiator” within the PAR of February 23 was noted in response in the action plan and discussed at Portfolio Delivery Board. The suggestion was also made in the context of them being an external figurehead for the MWGD. This was discussed and discounted by the PDB (and subsequently by GMW Board) – as the PAR itself has recognised, the MWGD is a public funding process with a joint committee structure for its management (as required by Government’s own guidance). Our political Leaders (and indeed Ministers) are the figureheads for the Deal, setting the strategic direction and expectations.

As we have consistently underlined, the responsibility on achieving commercial/private investment is firmly set with the Programme and Project sponsors – with the support of the Portfolio Management Office (and wider Local Authority Economic Development teams). The Private Sector Investment Strategy sets the framework, and expectations clearly.

As you will know, the MWGD PoMO is not a development PoMO. It is a process PoMO, that has been established on a footing to ensure appropriate Governance, Management and Assurance of the MWGD (in line with the requirements set out in the Governance and Assurance framework issued by the WCGIB, and the terms of the MWGD set out and agreed in the Heads of Terms and subsequent Final Deal Agreement). The MWGD PoMO does not have the mandate or the resources to go beyond that remit.

The wider aspect of development, sector support, inward investment, business support – are enabled and delivered via a mix of different avenues. From local authorities, wider stakeholders in region – and both Governments. We join these elements together as a region via GMW Partnership and the work we undertake together with our partners.

In respect to sharing of lessons learned and working with other regions. You will know from regular engagement with our officials that they are engaging closely with the other 3 Deal areas in Wales, and also with other City and Growth Deals across the UK. On this point we do politely note that a previous PAR of the MWGD did note that further co-ordination was required on the part of the WCGIB, to ensure join up nationally, and ensure the 4 regions were not, in effect, competing.

We can assure you however, that work has started on the development of a Benefits Framework – as per the PAR recommendations (and set out previously at Portfolio

Delivery Board as part of our reporting on the action plan). You will see further update on this work in upcoming meetings of the Portfolio Delivery Board (and subsequent quarterly reporting to WGCIB).

2. Economic Advisory Group

We wholeheartedly agree that the EAG have a central role to play in the shaping and influencing the growth deal and its investments – however, we also must be mindful of the significant requirements set by the WGCIB in the Governance and Assurance framework in respect of process.

We understand our role is to find that middle ground between what is a very process-driven public sector funding model, that requires a very high degree of governance and assurance – balancing that with a private sector mindset and attitude towards investment.

Our Strategic Leads invest a significant amount of their time engaging with the group, ensuring their understanding and support – to ensure the best possible input into the process. Form follows function in this regard – and the way we have worked with the group has evolved as the needs of the Portfolio have evolved. You will have seen by your attendance in recent workshops, that we have created the space for that dialogue between the EAG and the growth deal process – to help build up a body of work that will ultimately support the investment decisions.

The Growth Deal is not a grant fund, and Governments have consistently made clear that we cannot utilise the funding as an investment fund (like Cardiff), nor can we set up any grant schemes. We are also regularly reminded that the Growth Deal cannot duplicate or overlap any existing grant schemes or finance support available (Welsh Government, Development Bank and others).

The process-driven nature and these parameters above, therefore, inevitably restrict the realistic avenues for investment leverage from the private sector. You will have heard these challenges by our various stakeholders first hand by your attendance in our meetings.

We will continue to evolve the role and input of the EAG with their views central to our future plans, you will see this evolution again in a future Portfolio Delivery Board. A paper has been drafted and currently being consulted with Members on ensuring they shape their own role in the process – principally, ensuring their voice is heard at GMW Board.

We appreciate this point fully, and you will note in our economic analysis underpinning the Strategy (Vision for Growing Mid Wales), recently refreshed – this point comes out as a clear and underlying factor to how we have brought forward the MWGD. The Commercial Strategy of the Portfolio has identified key areas for the Programmes and Projects to consider in respect of how we intend to undertake further work in respect of the existing supply chain and developing a procurement strategy to help proactive promotion of opportunities. This work will take a regional

approach to understanding the potential impact on indigenous businesses, as we all as businesses outside the region.

3. Wider considerations

We believe this piece merits further discussion around the expectations of Governments on the Mid Wales Growth Deal. Whilst Welsh Government provided initial revenue support to “pump prime” a Portfolio Management Office – it does not do so on an ongoing basis. The PoMO in Mid Wales is now funded via a combination of Local Authority contributions (not insubstantial) and a top slice of the capital funds. We have maximized the top slice to the 4% allowable – and as you will know from previous PAR reports this has enabled the establishment of a capable and competent process-focused PoMO (as the outcomes of all assurance reviews have found).

As noted in a previous point above, the PoMO does not currently have the mandate or resources to operate beyond its current remit – to manage the governance, management and assurance processes of MWGD. As you know, it does have an external communications remit – to promote the work and activity across the MWGD and also with other GMW functions (Regional Skills Partnership, UK SPF and Energy). It does so with regular newsletters and social media. The Strategic Leads also support wider network and business engagement – engaging regularly with key sectors and partners in the region, as well as key support organisations (CMI, FSB, IoD, CBI and Chambers Wales).

We hope that this response clarifies our position in respect to the issues that you raised in your letter and should hopefully provide assurance that we are addressing matters as part of due process within the Governance and Assurance frameworks that we have established.

Whilst we appreciate that you have taken the time to contact with us as Portfolio SROs we would like to take this opportunity to reassure you that we have full confidence that the MWGD is progressing successfully towards the delivery of a deal for the benefit of the Mid Wales Economy.

We very much look forward to the continued positive working relationships with both Governments.

Cofion gorau / Kind regards,

Diane Reynolds
Joint Portfolio SRO for the Mid Wales
Growth Deal

Barry Rees
Joint Portfolio SRO for the Mid
Wales Growth Deal

**Interim Director of Economy and
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