



Llywodraeth Cymru  
Welsh Government

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# Memorandum of understanding: the use of UK government funding for city and regional growth deals

An agreement between the UK government, Welsh Government and local authority regional partnerships on the principles for using funding for city and regional growth deals.

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# Preface

This Memorandum of Understanding (MOU) is founded on the principles for inter-governmental relations (the principles are set out in the [Review of Intergovernmental Relations](https://assets.publishing.service.gov.uk/media/61df0068e90e07037ba76b4c/The_Review_of_Intergovernmental_Relations.pdf) ([https://assets.publishing.service.gov.uk/media/61df0068e90e07037ba76b4c/The\\_Review\\_of\\_Intergovernmental\\_Relations.pdf](https://assets.publishing.service.gov.uk/media/61df0068e90e07037ba76b4c/The_Review_of_Intergovernmental_Relations.pdf))) and is signed by the UK Government and the Welsh Government in the spirit of joint partnership working agreed to as part of city and regional growth deals. It summarises and formalises the overarching principles and approach to the use of UK Government funding for city and regional growth deals agreed between the UK Government and the Welsh Government and local authority regional partnerships. It is a statement of inter-governmental work, acknowledging that the strategic context and personnel involved in the deals will change over the lifetime of the deals and does not create legal obligations between the parties. This document also does not constitute any agreement around changes to pre-agreed profiles of funding which will be handled separately. The Ministry of Housing, Communities and Local Government (MHCLG) and the Wales Office (WO) lead the UK Government's management and engagement of city and growth deals in Wales.

## Context

This document takes account of the principles set out in:

- [HM Treasury's Statement of Funding Policy, "Funding the Scottish Government, Welsh Government and Northern Ireland Executive](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/943689/Statement_of_Funding_Policy_2020.pdf) ([https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/943689/Statement\\_of\\_Funding\\_Policy\\_2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/943689/Statement_of_Funding_Policy_2020.pdf))

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## Status

1. There are currently four city and regional growth deals in Wales, Cardiff Capital Region (CCR) City Deal; Swansea Bay City Region City Deal; North Wales Growth Deal and Mid Wales Growth Deal. In total, the UK Government has committed to invest £791 million in the four deals over 10 to 15 years. The Welsh Government has committed to invest over £795 million over 15 to 20 years. This MOU applies to all four deals, with appropriate governance and proportionate assurance arrangements as dictated by the evolution of city and regional growth deal policy.

## Governance

2. The UK Government and the Welsh Government are committed to working collaboratively to ensure that both governments are content with the use of funding for city and regional growth deals linked to the annual release of funding to regions and appropriate, agreed arrangements around this release of funding. A joint government oversight board of officials, the Welsh Cities and Growth Implementation Board (WCGIB), is accountable for the oversight of the effectiveness of the governance, assurance and project delivery arrangements by local authority regional partnerships for each city and regional growth deal and agreeing recommendations for Ministers.

## Accountability for UK funding in city and regional growth deals

3. Given the collaborative nature of city and regional growth deals, the UK Government has allocated ring-fenced funding to the Block Grant relating to

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its funding contribution, outside the Barnett process, for the Welsh Government to administer on its behalf. This is to allow funding from both governments to be managed and released through a single agreed process for each deal. The funding will be paid by the Welsh Government to the relevant Accountable Body for each deal subject to terms for the annual release of funding being met. The Accountable Body is currently a lead local authority, as identified by the regional partners and confirmed in a joint working agreement for each region. This reflects the focus of the deals, in which both governments collaborate to coordinate investment in a particular region to maximise the economic benefit.

4. The Welsh Ministers, in line with their formal spending accountability for city and regional growth deals, are accountable to the Senedd for the use of Welsh Government and UK Government funding allocated to the programme. However, the UK Government has a consultative role in agreeing the release of UK Government funding for each deal through the WCGIB, and therefore also retains accountability for the Board's recommendations relating to that funding.
5. The Permanent Secretary of the Welsh Government is the Principal Accounting Officer (PAO), for the Welsh Government by virtue of Section 129(6) of the Government of Wales Act (GOWA) 2006. Therefore, the overarching responsibility and accountability for the administration of the public funding that flows through the Welsh Government for the deals sits with the Permanent Secretary. The Permanent Secretary is supported in this role by nominated Additional Accounting Officers.
6. Decisions as to the release of funding to the deals are taken by Welsh Government Ministers in line with the jointly agreed terms of each Deal. UK Government Ministers may be required to take decisions on the release of funding for Deals if deemed necessary by the WCGIB. Ministerial decisions are informed by recommendations from the WCGIB.

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7. While overarching accountability for the administration of funding rests with the Permanent Secretary of the Welsh Government, members of the WCGIB must ensure that they are acting in accordance with the principles in **Managing Welsh Public Money** (<https://gov.wales/managing-welsh-public-money>)(in the case of Welsh Government officials) and HM Treasury's (HMT) **Managing Public Money** (<https://www.gov.uk/government/publications/managing-public-money>) (for UK Government officials). This includes the need to assure themselves that initiatives meet the four accounting officer standards of regularity, propriety, value for money and feasibility.

## Approach to assurance

8. Both the UK Government and Welsh Government recognise that the application of appropriate project delivery methodologies, assurance and formal approval points throughout the project lifecycle helps manage risk and improve delivery confidence. This approach supports all those responsible for successful delivery whilst providing funders and other stakeholders with confidence that the portfolio can deliver to time, cost and quality.
9. The UK Government and Welsh Government agree to utilise the Welsh Government's Office for Project Delivery (OPD) to ensure that consistent assurance standards are delivered across each portfolio. OPD is authorised to deliver Gateway Assurance using accredited reviewers from both the UK and Welsh Government. OPD operates under accreditation from the **Infrastructure and Projects Authority (IPA)** (<https://www.gov.uk/government/organisations/infrastructure-and-projects-authority>), which reports to the UK Government's Cabinet Office and HM Treasury.
10. Both the UK Government and the Welsh Government mandate that the

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Portfolio Management Office (PoMO) for each city and regional growth deal (Cardiff Capital Region has pre-existing arrangements) submits a Risk Potential Assessment Form (RPA) for assessment by OPD for each project within the portfolio. Following assessment, the PoMO for each city and regional growth deal is required to submit an Integrated Assurance and Approval Plan (IAAP) to the WCGIB for review.

11. Implementation of the IAAP by the PoMO for each city and regional growth deal will provide the WCGIB with the forecast of appropriate and proportionate assurance throughout the project life cycle. Additional assurance as required by the WCGIB may be commissioned and conducted jointly or separately by the UK and Welsh governments as circumstances dictate.
12. The UK Government will provide quality and timely advice to the WCGIB based on its own due diligence to inform decisions on the release of deal funding. Final accountability for the administration and release of funding sits with the Welsh Government Accounting Officers, informed by the recommendations of the WCGIB.
13. Where the UK Government provides advice that a deal or any part of a deal that would be funded through UK Government funding is not supported, the Welsh Government will not disburse funding without the consent of the WCGIB.

## Spending

14. UK Government funding for city and regional growth deals is allocated annually as a ring-fenced top-up to the Block Grant in line with pre-agreed UK Government funding profiles for deals, on the understanding that it will be disbursed during the year it is allocated by the Welsh Government on UK

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Government commitments agreed as part of each deal.

15. Therefore, where the Welsh Government decides it cannot disburse UK Government funding in line with UK Government commitments, it will (regardless of the advice provided by WCGIB) not allocate this funding to other devolved business.
16. The Welsh Government, in line with its formal Accounting Officer responsibility takes a final decision on how UK Government underspends relating to city and regional growth deals are treated. Before taking a decision, the Welsh Government will consult UK Government officials, through the WCGIB, to inform AO advice on how to treat unspent UK Government funding. Options include:
  - a. Return in-year underspend to HMT alongside a reprofile request setting out the strategic case for the new profile. Any reprofile requests need to take into account the pre-agreed UK Government funding profile lifetime for each deal;
  - b. Notify HMT that underspend will be spent on another Welsh Deal, setting out how the Welsh Government will ensure the right UK Government quantum will be allocated to each deal over its lifetime;
  - c. At Welsh Government's discretion there is an option to consider the use of Welsh Government budgetary flexibilities to manage the profile of UK Government funding between financial years.
17. In the case that the Welsh Government decides that returning underspends to HMT is the most appropriate option, HMT Ministers will need to consent to this approach and the proposed new UK Government funding profile for the deal as part of the Main or Supplementary Estimates process.
18. This MoU sets out the treatment of funding and underspends in the context of pre-agreed UK Government in-year profiles for Deals. Both the Welsh and UK Government are committed to ensuring that Deal delivery progresses to

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agreed timeframes and therefore adjustments to wider profiles will only be considered by exception.

## Dispute avoidance and resolution

19. Both parties are committed to resolving disagreements relating to this MOU at the lowest appropriate level possible within existing inter-governmental structures relating to city and regional growth deals in Wales. If a disagreement cannot be resolved, either government may refer it to the IGR Secretariat as a dispute under the arrangements for **dispute avoidance and resolution** ([https://assets.publishing.service.gov.uk/media/61df0068e90e07037ba76b4c/The\\_Review\\_of\\_Intergovernmental\\_Relations.pdf](https://assets.publishing.service.gov.uk/media/61df0068e90e07037ba76b4c/The_Review_of_Intergovernmental_Relations.pdf)) set out in the Review of Intergovernmental Relations.

## Review

20. This document will be formally reviewed at least annually and at other times the WCGIB deems necessary (in conjunction with the WCGIB Terms of Reference) and updated as necessary.

Llywodraeth Cymru / Welsh Government:

Rebecca Evans AS/MS  
Cabinet Secretary for Economy, Energy and Planning  
Ysgrifennydd y Cabinet dros yr Economi, Ynni a Chynllunio

Llywodraeth y DU / UK Government:

Dame Nia Griffith MP

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UK Government Minister for Wales  
Ysgrifennydd Gwladol Cymru

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