

Regional Economic Development Policy

Background

1. Members have asked for a paper on the coordination of regional economic development policy. This paper highlights existing and planned current policy linked to regional economic development. Members' views are sought on whether the identified links are appropriate and whether additional areas might need to be considered for a more integrated approach to regional economic development.

Issues

2. A wide range of policy areas are considering the impact they have between and within regions across Wales, in particular the impact of different policy areas on either mitigating or reinforcing regional inequalities. This is particularly relevant for Welsh Government policy in which regionalisation, linked to the three regions identified in the Economic Action Plan, are a particular focus. Key policy areas include planning, economic development, transport, skills and employability, regeneration, housing and others.
3. Economic development remains a devolved competence, with many medium to long-term levers held by Welsh Government. UK Government is also considering the effect of its policies on places. Within Wales this is leading to investments in research and innovation via UK Research and Innovation (UKRI), such as the Strength in Places fund, and through sector deals under the UK Industrial Strategy, which will have an impact on places given the location of different sectoral clusters. Major infrastructure investments from the UK Government, and UK Government contributions to city and growth deals, will also have an influence on regional economic development across Wales. Cross-border issues are also of vital importance for Welsh regional economic development, particularly with England.
4. Further analysis is required, in particular as part of the work to underpin regional economic plans under the Economic Action Plan (EAP), to understand specific regional inequalities between and within regions and local areas in different parts of Wales. There are cross-Government challenges to ensure governance arrangements do not result in a proliferation of bodies and opportunities for rationalisation are not lost, including aligning with proposals for local government reform.
5. A programme of work is also underway with the OECD to inform this work, including how we can improve regional governance and monitoring and evaluation of both the EAP and our new regional investment approach. The OECD will be visiting Wales at the end of June for a study mission, with initial findings expected at the end of the summer.

Key policy areas and plans

6. The below highlights some key policy areas offering opportunity for integration of regional economic development across the Welsh Government. Views are welcome on opportunities for policy integration and delivery alignment.

Economic Action Plan and Regional Economic Plans

7. The development of regional economic plans under the EAP can provide an evidence-based analysis of regional strengths and opportunities for sustainable and inclusive economic development. This will need to be broader in scope than the city and growth deals – while the city and growth deals represent important economic investments in our regions, they are also limited in scope, primarily focussing on some key capital investments. Our regional economic plans will therefore need to recognise the role of the city and growth deals in each region, as well as other spatial initiatives such as the Our Valleys, Our Future: delivery plan, Enterprise Zones, and wider investments, such as for skills, employability or regeneration.
8. We also need to reflect the vital international and cross-border links which remain important for the success of our regional economies. In particular we are already engaging across the border with bodies in England to reflect the reality of inter-connected economies and transport systems.
9. The regional economic plans can provide a basis for the prioritisation of a range of future investments in our regions, from Welsh Government investments, including the replacement for our EU regional funds, to wider public and private investments. By providing a coherent framework for investment in our regional economies we can ensure a critical mass of investment for economic development towards shared goals, building on each region's distinctive strengths and assets.
10. Further work is required, working closely with partners in each of the regions, to develop these plans. This will need to translate the commitments and priorities set out in the Economic Action Plan at a regional level, including thematic sectors and the foundational economy, fair work, the economic contract and our calls to action. We will be taking this work forward with partners alongside the development work to replace our EU structural and investment funds; both of which will also be informed by the ongoing project with the OECD.

Replacing our EU structural and investment funds

11. We have not yet had any detail on how a proposed UK Shared Prosperity Fund – intended by the UK Government to replace European structural and investment funds – may operate, other than reassurances it will fully respect devolution settlements. Despite these assurances the UK Government has held 'pre-consultation' events in Wales and engaged directly with Welsh stakeholders on the proposed Shared Prosperity Fund; in direct contradiction of established conventions and the devolution settlement that the UK Government would not

interfere or make policy in devolved areas. The Welsh Government, National Assembly for Wales, stakeholders across Wales and an All-Party Parliamentary Group all agree respecting devolution must mean an allocation to Wales that is not a penny less than we would have expected if we had remained in the EU and for the Welsh Government to continue to make decisions on funding allocations, priorities and implementation arrangements – as it has for nearly 20 years.

12. Despite the absence of these assurances from the UK Government, Welsh Ministers have agreed policy development needs to progress on successor arrangements to replace our EU funds. This is necessary to ensure we are ready to implement new funding arrangements from January 2021, at which point we would have expected to start investing replacement EU funds. This funding should provide us with an investment approach to support our ambition, set out in our EAP, for more balanced regional economic development.
13. A Regional Investment for Wales Steering Group (RIWSG) has been established to provide advice to Welsh Ministers on successor arrangements, with membership from a wide range of different stakeholders, including regional partners, the CBI and FSB, trade unions, HE/FE, Local Government and the third sector. The clear steer from members to date has supported Welsh Government positions to date for future arrangements to ensure:
 - A strengthened outcomes focus, which should relate directly to the Well-being of Future Generations Act.
 - Close alignment with the Economic Action Plan, utilising the same governance and planning frameworks as for regional economic plans.
 - A continued need for national investments that support regional economic development, complemented by regionally and locally prioritised investments driven by the regions themselves.
14. The RIWSG has agreed to the establishment of working groups to carry out detailed development work on the investment framework over the summer, learning lessons from both historical investment approaches in Wales as well as experiences across the UK and internationally. This work will be planned and carried out hand-in-hand with the development of regional economic plans under the EAP.

National Development Framework

15. The National Development Framework will set a 20-year land use framework for Wales and will replace the current Wales Spatial Plan; identifying how the planning system can support nationally important growth and infrastructure. It will consider planning at the national regional and local level to support development, including via Strategic and Local Development Plans and determination of Developments of National Significance. In particular it will support national economic, transport, environmental, housing, energy and cultural strategies and

ensure they can be delivered through the planning system. This will set the context for regional investment in infrastructure and for planning and strategic land use.

Regional Skills Partnerships

16. Regional Skills Partnerships produce Regional Employment and Skills Plans, which are refreshed every three years, to analyse and influence the provision of skills based on regional economic need and growth opportunities. The Regional Employment and Skills Plans influence Welsh Government skills investments, such as Apprenticeships, and build on and support priorities identified by Enterprise Zones, regional partnerships and cross border collaborations.

City and Growth Deals

17. The City and Growth Deals, combining Welsh Government, UK Government and other funding, provide a suite of predominantly capital investments which will contribute to regional economic development. These will need to be reflected in the regional economic plans and future regional investment approach. The different models across Wales and the UK also offer lessons we will need to draw lessons from in terms of planning investments and related governance arrangements.

Regeneration Funding

18. The Targeted Regeneration Investment Fund is investing £100m during 2018-2021 on a regional basis with the aim of widening prosperity through integrated investments in regional economies. Regeneration plans have been developed on a regional basis to target investment. The regeneration model thus offers an opportunity to learn lessons around regional planning and prioritisation of funding as the approach is widened through the Economic Action Plan.

Cross Border Transport Co-operation

19. Good transport connections are key to enabling access to jobs, health and other services across the Wales-England border. Co-ordinated planning and investment of transport services and infrastructure by cross border partners is required to deliver consistent quality standards.

20. Responsibility for rail infrastructure in Wales is not devolved and there are important rail services that are outside Welsh Government's control. We have strategic road corridors that are important to the economy on both sides of the border that require to be improved in a joined up way if we are to maximise the potential economic benefit they can bring. This demonstrates the importance of the need to work closely with the UK Government.

21. Good cross-border working relationship already exists with local authorities and regional bodies but is more matured in the north than in mid and south Wales. Moves to strengthen cross-border relationships in those regions are underway. Welsh Government also has a good working relationship with the Office for the

Secretary of State for Wales and there are signs of improvement from the Department for Transport as to their desire to work with Welsh Government officials.

Joint Transport Authorities

22. The Transport (Wales) 2006 Act already enables the Welsh Ministers to establish Joint Transport Authorities (JTAs) by Order. The Order can make provision for the JTA functions, its composition including membership, proceedings, voting rights, funding of the JTA and staffing. The 2006 Act does not explicitly provide the Welsh Ministers with powers to issue guidance or directions to the JTAs and does not provide the Welsh Ministers with powers to intervene in the event that a JTA is failing. The 'Improving Public Transport' White Paper outlines the intention to amend the 2006 Act to provide the Welsh Ministers with power to issue guidance, directions and to intervene in connection with the discharge of functions by the JTAs. The initial assessment of the responses to the consultation indicates support for JTAs.
23. Welsh Government is currently working with local government on the JTA model and considering how it can work with ongoing discussions about wider local government reform and regional working. The favoured option is for JTAs to be established on a regional footprint which would allow planning and delivery of public transport to be better aligned.