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Dyddiad / Date: 23 March 2016



Councillor Phil Bale
Leader, City of Cardiff Council
County Hall
Atlantic Wharf
Cardiff
CF10 4UW

Dear Councillor Bale

ECONOMY AND CULTURE SCRUTINY COMMITTEE – 17 MARCH 2016

Thank you for attending the March meeting of the Economy and Culture Scrutiny Committee, where we considered items on the Cardiff Capital Region City Deal Agreement, Quarter 3 Performance of the Economic Development Directorate and Cardiff Tourism Strategy. I will be grateful if you could also pass on the thanks of the Committee to Paul Orders and officers for their presentations and for addressing the questions arising during the meeting. The Committee had a few comments and observations following the meeting, which are set out below.

Cardiff Capital Region City Deal Agreement

Members of the Economy and Culture Scrutiny Committee were pleased to be informed that a Heads of Terms Agreement had been signed by the leaders of the ten local authorities in the Cardiff Capital Region, the Secretary of State for Wales, Chief Secretary to the Treasury and Welsh First Minister. We understand that significant work has been put into arriving at this agreement by Council officers and wish to offer our congratulations in the success seen in driving it forward.

From the discussions that took place during the meeting, Members understand that the level of financial commitment required from the ten local authorities involved is estimated to be £279m, which captures £120m direct contribution from the local authorities and a 'carry cost' from the UK Government contribution which is not pre-allocated to the Metro. Members note that based on high level modelling on a population basis, Cardiff will be required to pay £65m toward the City Deal over a 20 year period, with an estimated peak payment of £5m in year 11. Members welcome the news that these figures are far lower in terms of local authority responsibility than was originally anticipated.

Members also note that as part of the City Deal, the ten local authorities have requested greater financial autonomy and flexibility, including exploring the

devolution of business rate income above an agreed growth level. We are confident that the required repayments outlined above could be comfortably achieved, particularly if the negotiations around business rates are successful and given the anticipated growth rates for Cardiff.

Members understand from the meeting that there has been a slight shift in position from the UK Government with regard to projects securing a set minimum level of Gross Value Added (GVA). We were pleased to be informed that GVA will remain as an element within the adopted assurance framework used to prioritise the schemes and projects taken forward. As stated in our letter dated 10 December 2015 we fear that previous European funding was not targeted effectively and resulted in diluted impact for the region, we feel this use of GVA within the evaluation process will focus the chosen projects on delivering tangible economic benefit for the region.

The Committee keenly anticipates receiving details on the chosen projects and schemes, which we understand could take anywhere between 6 – 18 months. We recognise the need to robustly assess the projects proposed, but also perceive a need to swiftly prioritise and develop the projects to be undertaken through the City Deal, particularly given the time constraints applied to the funding secured from Europe.

The Committee anticipates that the City Deal could face threats to its stability given the numerous local, Assembly and national elections that will take place over its duration, plus the potential for mayoral elections in Cardiff. In view of this, it is imperative that the City Deal Agreement is underpinned by robust governance arrangements, allowing projects and schemes to remain on course despite any changes that may occur. Members welcome the commitment that was made during the meeting to keep our Committee informed and updated on progress, and to be given the ability to test the merits of proposed decisions, however we are also mindful that developments may be required in terms of a joint or collaborative approach to scrutiny across all the local authorities involved. This is alluded to within the Agreement document in relation to the Investment Fund Assurance Framework, and we hope to see more robust plans developed in due course.

Economic Development Quarter 3 Performance

During our scrutiny of the Economic Development Directorates Quarter 3 performance Members of the Committee raised concerns with regard to the level of agency spend to month 9 against the agency budget. The figures within the Quarter 3 performance report suggest that the Economic Development Directorate is already overspent on its annual agency budget, and while this would not be of concern if spend against the staff budget was down, it appears that staff spend is also on course to be slightly over budget. We appreciate that the officers present at the meeting were not in a position to fully address the questions raised and request further clarification be provided to us on the staff costs at quarter 3, outlining the

reason behind the apparent overspend on staffing budgets and the anticipated position at the year end.

During the meeting Members explored developments in the Coal Exchange and the Heritage Quarter, and we welcome the commitment made to bringing more substantial items on these topics to this Committee in the near future. Please could arrangements for this be coordinated with the Principal Scrutiny Officer of this Committee. The Committee recognises the importance of the Coal Exchange in unlocking the potential in that area of the city, and we look forward to the prospect of progress being made here.

Members found themselves questioning whether the targets set for some of the Economic Development Outcome Agreement Measures are challenging enough and help drive performance in the service – a situation we also found ourselves in when scrutinising Quarter 3 and Quarter 4 performance for 2014/15. Again it seems that some targets are being met with relative ease, such as annual target for the level of grant aid and private sector finance to companies assisted by the Council being achieved in full in Quarter 1. We do not wish to take anything away from the achievements of the Directorate in achieving these targets in relation to safeguarding jobs and assisting in securing finance, and offer our congratulations in this respect, but we are left unclear whether the initial target was essentially set too low, or the achievement of the Directorate was outstanding against a challenging target. We recommend that in circumstances such as this, additional narrative is included to set the context of these measures and explain why they have been achieved with seemingly relative ease.

Cardiff Tourism Strategy and Action Plan: 2015 - 2020

As mentioned following our scrutiny of the Tourism Strategy in April 2015, the Members of the Economy and Culture Committee welcome the ambitious approach taken to targets, such as the key aspiration to double the value of overnight tourism in commercial accommodation in the city by 2020. Members of the Committee, however, have reservations that there seems to be no set detail on how this, and other targets will be achieved. At the meeting we received information on a broad range of initiatives and partnership undertaken in the past 12 months, all of which are welcomed, however, Members were left with the impression that targets such as doubling the value of overnight tourism is an outcome that is hoped for from this work, as opposed to an outcome the various projects are targeted to achieve. Members recommend that additional detail be developed that links the targeted outcomes to the actions listed in the Action Plan 2015 – 2020, which we feel would assist officers and partners to focus on delivering desired outcomes for Cardiff.

Throughout the Tourism Strategy Action Plan, Cardiff Business Council is referenced as the lead or partner organisation responsible for delivery of actions listed, and at

the time of developing the strategy was clearly seen to have a vital role in delivery of the tourism aspirations for Cardiff. Members request clarification on whether the new Cardiff Capital Region Business Organisation is anticipated to take over these responsibilities, maintaining an invaluable link to the business community in Cardiff and the surrounding regions.

With regard to the Cardiff Visitor Card, the Committee recognise that its enhancement to work on public transport in Cardiff will be limited by a reluctance from transport companies to invest in the technology and software required. We feel this is understandable given the anticipated developments through the South Wales Metro, and the commitment to develop integrated ticketing – companies will not wish to invest in systems that may be incompatible with the Metro as plans develop. Members also note that investment solely in systems on Cardiff's transport would not make for a strong business case given the opportunity the wider Metro presents; we anticipate there is potential for the Visitor Card to become a regional card and that the proposed Regional Transport Authority should take a leading role to drive forward integrated ticketing.

During the meeting discussions took place around the focus the Tourism Strategy places on Cardiff's Maritime Heritage. The Committee welcomes this and recognises there is an opportunity in Cardiff to focus on making more use of the city's assets and history. As mentioned above in relation to our scrutiny of Quarter 3 performance, we hope that developments can be achieved around the Coal Exchange and feel that progress here could serve as a catalyst for regeneration in that area of the city.

Members of the Committee are conscious that the resources allocated by the Council to tourism, promotion and the achievement of the Tourism Strategy are limited, and that an important emphasis has been placed on partnership and collaborative working. We understand that the budget in Cardiff is nowhere near the millions of pounds available to cities such as Berlin for promotional purposes, and feel it is a credit to the team in Cardiff that so many initiatives and projects are being undertaken to promote Cardiff. With this in mind, the Committee recommends that those organisations that look to benefit most from a boost in tourism, such as hoteliers and restaurateurs, be encouraged to help fund the various projects being taken forward. We would suggest that Cardiff Business Council be used to take this forward, however responsibility may now better fall under the remit of the Cardiff Capital Region Business Organisation, as and when it is established.

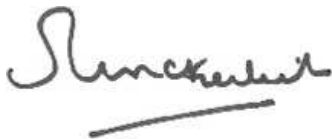
To re-cap for ease, the Committee asks that the following points are addressed:

- Members welcome the commitment to future scrutiny of the City Deal through the Economy and Culture Scrutiny Committee and feel there is a need for discussions on joint or collaborative approach to scrutiny across all the local authorities involved.

- Members request that arrangements be made for a future item on developments at the Coal Exchange.
- Members request that arrangements be made for a future item on the Heritage Quarter and City Hall.
- Members recommend that outcome agreements and performance indicators be more challenging, or additional narrative be included where indicators are met with seemingly relative ease.
- Members recommend that links be made between the targets and actions within the Tourism Strategy, particularly setting out how the value of overnight tourism in commercial accommodation will be doubled by 2020.
- Members request clarification on whether the new Cardiff Capital Region Business Organisation is anticipated to take over the responsibilities listed against Cardiff Business Council in the Tourism Strategy Action Plan.
- Members recommend that organisations such as hoteliers and restaurateurs be encouraged to help fund the various projects being taken forward in the Tourism Strategy.

I would be grateful if you would consider the above comments, observations and recommendations, and look forward to receiving your feedback.

Regards,

A handwritten signature in black ink, appearing to read 'Rod McKerlich', with a horizontal line underneath it.

Councillor Rod McKerlich
Chairperson, Economy and Culture Scrutiny Committee

cc Paul Orders – Chief Executive
Neil Hanratty – Director of Economic Development
Cabinet Support Office
Members of the Economy and Culture Scrutiny Committee.