

**CARDIFF BUSINESS COUNCIL UPDATE**

**REPORT OF DIRECTOR OF ECONOMIC DEVELOPMENT**

**AGENDA ITEM: 2**

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**PORTFOLIO: LEADER (ECONOMIC DEVELOPMENT & PARTNERSHIPS)**

**Reason for this Report**

1. To update Cabinet on the findings of an independent review and to seek authority to establish a new way forward for the Cardiff Business Council in light of current budgetary pressures and emerging opportunities to establish a more sustainable funding model.

**Background**

2. The Cardiff Business Council was established in 2012 supported by a three year funding commitment of £500k per annum from the City of Cardiff Council. The intention was for the funding to be reduced after the third year with a view to the Cardiff Business Council becoming self-funding over the longer term. In 2015 the Council took a decision to reduce its contribution to the Business Council to £340k for the third year of funding in line with other savings required from the Economic Development service.
3. Given the Council's financial outlook for the short to medium term, and the increasing pressure on discretionary services, the financial commitment from the Council is likely to be further reduced over the coming years. Whilst the Business Council has managed to successfully secure significant private sector contributions, these contributions have largely been in-kind, or have related to very specific marketing campaigns, with the base costs of operating the company met largely from the Council's direct funding and supported by resources from the Economic Development service. It is therefore considered that the current funding arrangements are not sustainable.
4. However, the emergence of new City Region governance structures does provide potentially a new approach to strategic business engagement to be considered at the City Region level with funding potentially coming from a broader number of local stakeholders including Welsh Government and all of the local authorities of South East Wales. This

opportunity has been further enhanced by the UK Government's recent announcement of a potential City Deal for the Cardiff City-Region.

5. On 2<sup>nd</sup> April 2015 Cabinet provided authority for a review of the way forward for the Cardiff Business Council to be undertaken to establish a more sustainable approach.
6. The Council appointed Publicani Consulting, led by Dr Tim Williams and Professor Dave Adamson to undertake the review in May. The review consisted of:
  - A sharp literature review of the local, regional and national policy context;
  - A review of relevant business engagement initiatives in the UK and internationally;
  - A targeted programme of 26 interviews with key representatives from the Cardiff business community, City of Cardiff Council, and other local authorities in the emerging Cardiff City Region.
7. The recommendations presented in the report were based on the findings of the above work and also the expertise and experience of the authors.

## **Issues**

8. The Publicani Consulting review was completed in August and is attached as Appendix 1.
9. The key recommendations of the report are summarised as follows:
  - Working with Welsh Government and its local authority partners from across South East Wales, the Council should seek to set up a new Cardiff city-region Business Leadership Board;
  - The city region Business Leadership Board should act as the primary regional business engagement mechanisms, and should exist predominantly as a channel for business advocacy and policy influence over City Deal and city-region governance decisions;
  - Membership of the Business Leadership Board should be drawn from across the city region, with representatives of existing local business forums. Cardiff's representative could be drawn from the proposed Cardiff BID should this proceed, as it will be an existing, legitimate and elected body;
  - The Chair of the Business Leadership Board should become a full member of the regional governance structure that is currently being designed and should be selected through a public appointment process.

- The Council should put in place an Action Plan to manage the transition to a new regional arrangement;
10. The consultant also suggested that the scope of work of the new Business Leadership Board will be dependent on the funding support available from the public sector; and if funding is forthcoming it could provide additional delivery mechanisms for specific city region economic development functions.
  11. Over recent months Welsh Government has also considered the best way forward in terms of the appropriate governance arrangements for the Cardiff Capital City Region. In September the Minister for Economy, Science and Transport wrote to all local authority Leaders in South East Wales, outlining a proposal for future governance arrangements. This included a proposal for a Business Council at the City Region level.

### **Reason for Recommendations**

12. To establish a sustainable future for business engagement across the City Region.

### **Financial Implications**

13. The 2015/16 budget allocation in respect of Cardiff Business Council is £340,000.
14. It is noted that neither the amount nor the source of funding are identified within this report. In considering the options available, the Council will need to consider both the affordability of the contribution required as well as the appropriate duration and nature of the funding mechanism going forward.

### **Legal Implications**

15. Decisions taken by the Council must be fully informed and taken for appropriate, good and relevant reasons. The body of the report refers to the opportunities for Cardiff from the emerging City Deal and the Welsh Government's proposals for business engagement in that regard. The recommendations of the review of existing arrangements for business engagement are set out in the body of the report for the consideration of the Council's decision makers

## **RECOMMENDATIONS**

The Cabinet is recommended to:

- (1) Agree the recommendations of the report presented at Appendix 1 on the way forward for the Cardiff Business Council.
- (2) Delegate authority to the Director of Economic Development, in consultation with the Leader of the City of Cardiff Council, the Section 151 Officer and the Director of Legal and Governance to:

- (i) Put in place a plan to enable the transition from the current Cardiff Business Council arrangements to the recommended new organisation at a regional level.
- (ii) Agree a funding package with South East Wales local authorities and the Welsh Government to identify resources to support the new regional arrangement.

**NEIL HANRATTY**

**Director**

6 November 2015

*The following appendix is attached:*

Appendix 1: Independent Report: A Review of Cardiff Business Engagement Arrangements in the Context of the Cardiff City Deal

PUBLICANI | CONSULTING

A Review of Cardiff Business Engagement  
Arrangements in the Context of the Cardiff Deal

September 2015

Dr Tim Williams  
Professor Dave Adamson OBE  
Dr Mark Lang

## 1. Introduction

Publicani Consulting has been commissioned by Cardiff City Council to undertake a review of business engagement arrangements in the context of the Cardiff City Region Deal discussions. At its meeting of 2<sup>nd</sup> April 2015, the City of Cardiff Cabinet agreed to 'commission a review of the Cardiff Business Council model to put in place appropriate arrangements to support a successful City Deal proposal'.

It is important to note that this is *not a review of the performance of Cardiff Business Council*. Rather, it is a consideration of what the most appropriate future mechanisms for securing business engagement might be in the context of two critical factors:

1. The arrangements that have been in place for involving the private sector, in partnership with Cardiff City Council, in promoting business development and investment, are no longer sustainable. This is because Cardiff, like other councils, has to manage its radically reduced resources with a focus on its statutory obligations. A commitment to support the Cardiff Business Council runs until the end of the 2015/16 financial year.
2. The arrangements that have been in place for involving the private sector, in partnership with Cardiff City Council, in promoting business development and investment, are no longer sustainable. This is because Cardiff, like other councils, has to manage its radically reduced resources with a focus on its statutory obligations. A commitment to support the Cardiff Business Council runs until the end of the 2015/16 financial year.

Under the existing business engagement arrangements, Cardiff Business Council is a City of Cardiff Council wholly owned company that was established in 2013 to '...act as the principle interface between the Council and the County's business community for the purposes of developing local economic policy and business support arrangements which...promote the growth of Cardiff's private sector businesses'<sup>1</sup>. Operating as an arms-length company of City of Cardiff Council, four of the Council's senior officers act as the Directors of the Company. The Company Directors also decide the annual budget allocation to the Company.

Business engagement is secured through an Advisory Board, which has no legal status or authority to act on behalf of the Company. The Interim Advisory Board was established in 2013 and is still in place pending elections that were due to take place in March 2016 'once the Company reaches an appropriate level of membership maturity'<sup>2</sup>. The remit of the Advisory Board is to advise the City of Cardiff Council on the development of economic development strategy, to develop participation and membership, and generate income to support the organisation's priorities.

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<sup>1</sup> Cardiff Council (18.10.2012). *Cabinet Paper: Economic Development Arrangements – Report of the Chief Officer City Development*.

<sup>2</sup> *Ibid.*

The Cardiff Business Council has no directly employed staff or fixed overheads, and support is provided directly from the Council's economic development team. Membership is free to Council business ratepayers. 'Enhanced membership' is also available. The City of Cardiff Council agreed to fund the Business Council up to £500k per year for three years, and expected the Business Council to generate income of its own.

The Cardiff Business Council was established with terms of reference to:

- Represent the views and interests of all businesses in Cardiff;
- Act as the principal interface between the local business community and City of Cardiff Council;
- Advise the Council on strategy to improve economic development outcomes;
- Support and contribute towards the marketing and promotion of the City;
- Promote CSR in support of the City's priorities;
- Promote growth in the local economy by encouraging business-to-business activity through the provision of a range of chargeable and non-chargeable services such as business-to-business networking meetings and events for local members<sup>3</sup>.

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<sup>3</sup> *Ibid.*

## 2. Methodology

This report has been completed during June 2015 using the following methodology: a sharp literature review of the local, regional and national policy context; a review of relevant business engagement initiatives in the UK and internationally; and most significantly, a targeted programme of 26 interviews with key representatives from the Cardiff business community, City of Cardiff Council, and other local authorities in the emerging Cardiff City Region. The findings from the interviews, which form the core part of this report, are summarised below. The interview findings are supported by examples of national and international experience, as well as the expertise and experience of the authors.

Dr Tim Williams, the lead author of this report, is the current Chief Executive of the Committee for Sydney. Previously he was Special Advisor to a number of UK Government cabinet ministers in the Department of Communities and Local Government. His credibility in the urban renewal space was first attained in his role between 1998 and 2003 when he was Chief Executive of the Thames Gateway London Partnership when he made the Gateway in East London the key urban regeneration for London and the UK. Dr Williams is internationally recognised as a leading urban renewal thinker and practitioner. For ten years he wrote a weekly column in the professional journal 'Regeneration and Renewal' and currently writes a blog for them on urban renewal and development issues in Australia.

For this project Dr Williams has received assistance on aspects of this project from his fellow Publicani Consulting director, Professor Dave Adamson. Professor Adamson is Emeritus Professor at the University of South Wales and the former Chief Executive of the Centre for Regeneration Excellence Wales. Also supporting this project was Dr Mark Lang, who runs his own UK-based consultancy. Dr Lang's former roles have included Associate Director of the Centre for Local Economic Strategies, Senior Researcher at Centre for Regeneration Excellence Wales, and Researcher at the Wales Governance Centre.

### 3. Interview Findings

During June 2015 we undertook a targeted programme of 26 interviews with key individuals from the Cardiff Business Council, the wider Cardiff business community, the City of Cardiff Council, and other local authorities in the emerging City Region. The interviews, undertaken through a mixture of face-to-face and telephone interviews, constituted semi-structured strategic conversations undertaken under Chatham House Rules. The findings from these interviews are presented below in two sections: views relating to Cardiff Business Council; and, views relating to potential future business engagement structures. In each section there are a mixture of direct quotes and our own summary of the range and weight of views expressed by respondents.

As stated above, this is not a review of the performance of Cardiff Business Council. During a number of the interviews with those participants who have had an involvement with the Cardiff Business Council, however, a range of comments have been received that provide a valuable insight into the arrangements going forward. They are presented below as they provide valuable lessons, drawn from the experience of Cardiff Business Council, about the design of future business engagement structures.

Table 1: Summary of Interview Findings – Cardiff Business Council

Cardiff Business Council	
Themes	Comments
Remit	<p>There is a lack of clarity on what the remit and objectives of the Cardiff Business Council are.</p> <p>The remit and objectives ‘should be made clear at the start of each meeting’ to properly focus discussions and priorities.</p> <p>Some respondents understood the role of the Cardiff Business Council to be to secure private sector investment into Cardiff by shaping how the Council spends its economic development resources.</p>
Representation	<p>There has been a lack of transparency regarding the appointment of the Advisory Board.</p> <p>Membership of Cardiff Business Council Advisory Board ‘...is not representative of broader business community in Cardiff’.</p> <p>‘The businesses represented are largely from older sectors, particularly around property’, which tends to influence the priorities.</p> <p>The creative technology industry ‘...is not represented or understood by the Cardiff Business Council’.</p> <p>The consensus view is that it is important universities are represented around the table as they provide skills training and a critical economic contribution to Cardiff. This view was not unanimous.</p> <p>It was felt that the existing Advisory Board is too big.</p> <p>Very big business is not particularly interested in active engagement with Cardiff Business Council, as they look for regional and direct Welsh Government engagement.</p>
Operation	<p>Too little openness – Members are ‘...often told of decisions made and actions taken after the event’.</p>

	<p>'It is sometimes not clear what the remit of the Cardiff Business Council is, and there should be reminders stated at each meeting what the purpose of the Council is.'</p> <p>It was felt that the Advisory Board has successfully avoided parochialism.</p> <p>It was generally felt that Cardiff Business Council has avoided being run by Cardiff Council officers and been business led.</p> <p>It was felt that Cardiff Business Council has been highly visible.</p>
Funding	<p>It was felt that there has been some success in securing businesses funding, but that calculation of total business contributions are boosted by contributions from organisations such as the universities.</p> <p>Some businesses have signalled that they are unlikely to renew their membership due to their experiences to date.</p> <p>Welsh Government contribution was secured.</p> <p>The consensus view was that the Cardiff Business Council is some way from being self-financing.</p> <p>It was perceived that there is a decreasing City of Cardiff Council contribution due to resource constraints.</p>
Actions	<p>It was felt that there has been some success in securing businesses funding, but that calculation of total business contributions are boosted by contributions from organisations such as the universities.</p> <p>Some businesses have signalled that they are unlikely to renew their membership due to their experiences to date.</p> <p>Welsh Government contribution was secured.</p> <p>The consensus view was that the Cardiff Business Council is some way from being self-financing.</p> <p>It was perceived that there is a decreasing City of Cardiff Council contribution due to resource constraints.</p>

Table two below summarises views expressed by the broader group of participants relating to future regional business engagement structures. As in table one, these are presented as a mixture of direct quotes and our own summaries of general views expressed by recipients. These comments have contributed significantly to the recommendations presented at the end of this report.

Table 2: Summary of Interview Findings – Cardiff City Region Business Engagement

Cardiff City Region Business Engagement Structure	
Themes	Comments
Ownership Arrangements	<p>There was no clear consensus view as to who should own a regional business engagement structure.</p> <p>The general view expressed by respondents was that 'the form of ownership should most importantly be dictated by the function it performs'.</p>
Legal Structure	<p>It would need some process of accountability (maybe officer/official representation) if it were funded by public money.</p> <p>Must be politically neutral.</p> <p>There was a strong feeling, particularly by other local authorities,</p>

	<p>that it must be a new body, not an expansion of Cardiff Business Council, so as to win confidence of wider group of interests beyond Cardiff – business interests as well as political interests.</p> <p>‘Democratic accountability of the body could be secured if its Chair became a member of the City-Region Board and as a result was answerable to that’.</p>
Leadership and Board Member Representation	<p>There should be an open and transparent appointment of a Chair and a Vice Chair.</p> <p>There should be an open and transparent process of appointing membership of any new advisory board.</p> <p>The number of councillors/politicians who sit on it should be limited.</p> <p>‘The existing Cardiff Business Council is too big, so membership of the regional body should be kept as small as possible’.</p> <p>There should possibly be official/officer representation from Welsh Government and local authorities.</p> <p>The people who sit on any new regional business body will be critical to its success.</p> <p>Needs to be more representatives of all industries, including creative technology and other growth industries – there should be less emphasis on property-based enterprise.</p> <p>‘It is important that universities are represented as they provide training and knowledge’.</p> <p>SMEs must be represented to be representative of wider regional businesses.</p>
Membership	<p>‘Perhaps a two tier structure of advisory board members and wider membership’ would be a mechanism to secure large and small business involvement, but there would need to be clear terms of reference for each.</p> <p>Big businesses do not see it as mission critical to engage.</p> <p>Difference of opinions about range of sector representation – business definitely, less clear on universities and other quasi-public sector bodies.</p> <p>‘Would need to include a mixture of small and large businesses’.</p> <p>One respondent stated that ‘Cardiff Business Council does not need wider membership drawn from outside Cardiff, it has everyone it needs to represent the city region, but should be Cardiff [businesses only]’.</p> <p>Generally, however, the consensus view was that it should be representative of the city region business community – drawn from a wider range of businesses than just those that are Cardiff based.</p>
Geographical Coverage	<p>Overwhelming support for regional coverage to include all local authorities across the Cardiff City Region.</p> <p>Many respondents ‘...fully support regional business engagement structure, but it cannot be parochial’.</p> <p>It was felt that a regional business engagement structure should sit alongside a regional governance body, i.e. City Region Board.</p> <p>‘Regional business engagement is critical’.</p>

<p>Welsh Government and Local Authority Involvement</p>	<p>Overwhelming view was that businesses must be an equal partner, and not subservient.</p> <p>Local authorities general supportive and see merits of regional working on business engagement.</p> <p>Strong view that regardless of regional structures, local authorities should retain their own business forums – critical to engage with their own SMEs.</p> <p>‘For large businesses relationships with Welsh Government are more important than local authorities, but for small businesses relationships with local authorities likely to be more important. It is important that there are links to both.’</p>
<p>Partnership Arrangements</p>	<p>Must work closely and have formal link to a city region governance structure – perhaps with the Chair sitting on the governance structure.</p> <p>Must connect with local business forums.</p> <p>Critical to link with WG – the region’s USP.</p>
<p>Funding Arrangements and Resources</p>	<p>Generally it was felt that a regional business engagement body should have its own small secretariat, but views were divided over whether it should be hosted by a local authority or other partner, such as a university, or be totally independent.</p> <p>Split views on whether it should be an advisory/strategic body or also have an economic development/inward investment delivery function.</p> <p>It was felt that if it does not engage with delivery, and is purely a strategy development and policy influencing body, then it does not need a big budget.</p> <p>There were mixed views from the business community about their ability to justify providing funding ‘There would need to see strong business case’. Businesses ‘do not see it as part of CSR spend’.</p> <p>‘Some business are simply unable, or prohibited, from funding it’, so it cannot be a condition of business involvement.</p> <p>It was also felt that giving any regional business engagement body responsibility for raising its own funding could be ‘a distraction to more mission critical issues’.</p>
<p>Role</p>	<p>‘Must have very clear and transparent terms of reference and success criteria’.</p> <p>It was felt that the role, criteria and powers of Chair and Vice Chair must be very clear.</p> <p>‘It must not be talking shop’ and ‘it must help set strategy and policy’.</p> <p>It should seek to develop and influence strategic policy-making.</p> <p>‘It must demonstrate clear impact on strategic decision-making in the City Deal context’.</p> <p>There were a range of views on whether it should assist in delivery, or simply influence policy and leave it to local authorities and Welsh Government to deliver.</p> <p>Some respondents felt it should have the regional economic development budget (marketing etc.) at its disposal to direct, though this was by no means a universal view.</p> <p>Key areas of interest highlighted included: the Metro, skills agenda, enterprise support, digital infrastructure.</p>

## 4. Experience of Cities and Business Engagement

Globally, cities and city-regions are looking to take advantage of their relationship with businesses in order to secure their best possible futures. Best practice examples, which are summarised in Appendix 1, show how they do this by:

- Being business friendly and investment ready;
- Drawing inspiration and lessons from the private sector, and borrowing their techniques and tools;
- Collaborating with business for hugely beneficial outcomes, particularly through innovation partnerships;
- Seeking support from the corporate world to negotiate desired future outcomes with higher tiers of government and improve positioning within the global economy;
- Welcoming diverse and international populations - open city regions are innovative;
- Remaining mindful of their distinctiveness from business, and the separate but complementary roles that each have to play.

The last point is vital to creating an effective partnership with business in the work of the city region. In commissioning this analysis Cardiff has shown that it recognises the unique contribution the right kind of private sector partner and structure of engagement can make to:

- Overcoming constraints which can bind city or city region authorities, because the private sector can think beyond short term electoral cycles; can look beyond political geography/electoral boundaries; and, has a strong bargaining position with central government as 'customers' rather than subordinates;
- Developing strategies and advocate for policies to enhance a city's competitiveness and productivity, in collaboration with local government and other city stakeholders;
- Improving the branding and marketing of a city or city region;
- Applying the discipline of private-sector business planning to the task of redefining and revitalising city/regional economic development.

The project team has significant collective knowledge of national and international examples of city and business engagement practices and UK City Deal experiences. This existing knowledge has been supported by additional supplementary research for this project. Our review of exemplary public-private partnering arrangements nationally and internationally clearly demonstrates that engaging such cross-sector leadership in a business-disciplined development of comprehensive city/regional growth planning creates better strategies and enhanced capacity for generating long term economic prosperity.

Designed properly, and with the right partners, such private sector engagement in city regions can be much more dynamic and proactive than traditional Chambers of Commerce and add value to the economic development and inward investment activities of the public sector. All of the successful cities and city regions we have reviewed have effective relationships with some kind of business leadership team that articulates the regional business voice to media and higher governments. With the right structures, business leaders can and should contribute to their communities and regions by using their business skills to help solve public-policy problems. Playing its role in cross-sector coalitions, focusing on tipping point critical issues, business leadership can complement, not replace, the role of city or local

government. The public sector needs to learn to involve business in new ways – and to recognise that business itself is changing, particularly in its relationship with cities, which everywhere are becoming the places in which the knowledge economy is agglomerating and clustering.

In summary, as access to knowledge, talent and innovation is becoming ever more important to enterprise, so too is business ‘urbanising’. This reinforces the urgency of ensuring the city region enjoys a close and deep relationship with business – and, increasingly, universities as key anchor institutions in the area’s knowledge and innovation economy. To both maximise the new opportunities and meet the challenges of this new economy, more effective forms of public-private partnering will be required – and ones moreover that engage with business at the earliest opportunity and in more meaningful, collaborative ways, so as to create a shared vision of the economic future.

City Deals were launched in December 2011 and further developed in a second round that extended the programme beyond the initial eight core cities to a further twenty second tier cities. Further context to the City Deal experiences across the UK is included in Appendix 2, but it is important to note here that City Deals have tended to innovate business engagement models and have recognised the requirement for effective partnership between the constituent local authorities and the private sectors at regional level. Eschewing the ‘business club’ patterns of conventional business engagement, there is a focus on creating regional strategic forums that mesh closely with the structures and governance of a city region.

Within the various City Deal structures adopted across the UK, business engagement is critical and requires high-level partnership with key business leaders and representatives of business and commercial sector bodies. These must be integrated into strategic decision-making and it is no longer sufficient for business engagement to be largely symbolic and promotional and hospitality based. Representation must also be capable of addressing the interests of the SME sector as a significant employer and potential growth component, as well as capable of attracting significant inward investment. This is a difficult balance and can only be achieved by demonstrating effective strategic business leadership in partnership with the local authorities and other public sector agencies. Effective economic planning requires a genuine melding of public and private sector investment and development, working towards shared economic objectives. In England LEPs have tended to meet this requirement and a similar forum is required in the Cardiff City Region.

## 5. Conclusions

In the context of the City Deal process the existing business engagement structures adopted by the City of Cardiff Council, specifically the Cardiff Business Council, does not represent the wider city region business community, and requires spatial as well as sectoral repositioning. The creation of a Cardiff city region 'Business Leadership Board', to serve as the regional business engagement structure, is critical. Although the design of the regional governance structure is beyond the remit of this report, and is subject to wider discussions and review, it is important that the proposed city region Business Leadership Board has a close connection with whatever model emerges.

We believe the city region Business Leadership Board should have a Chair and a Vice Chair. The Chair, or in their absence the Vice Chair, should be afforded full membership of the regional governance group and this connection would be the principle means of ensuring the business community is represented as an equal partner where governance and policy issues are determined in relation to the City Deal.

The Business Leadership Board should consist of around 10-12 members, to include:

- Chair and Vice Chair appointed by a public appointments process;
- Representatives of the local business forums drawn from across the current 10 local authority areas<sup>4</sup>;
- Representatives drawn from large Cardiff city region based enterprises;
- Representation from wider business representative groups, such as FSB and CBI;
- A senior officer from Cardiff City Council;
- A Welsh Government representative;
- A political representative drawn from the City Region Board, on a rotating basis to ensure cross-party support.

The city region Business Leadership Board should primarily deliver business advocacy and seek to ensure business community policy influence over City Deal and wider city region governance decisions. Subject to the availability of an optimal funding arrangement, the Business Leadership Board may also be able to provide additional delivery mechanisms for specific city region economic development functions.

In order to avoid duplication and confusion of multiple agencies, we do not believe the regional Business Leadership Board should become a member-based organisation. Instead, it should draw business engagement via the successful pre-existing business forums across the Cardiff city region. This also avoids the administrative burden, cost and timescale of establishing a large member-based organisation, and allows the Business Leadership Board to quickly establish its presence as the primary business engagement structure to support the City Deal process.

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<sup>4</sup> Although we note that Cardiff does not have an existing local business forum, we understand that there are ongoing discussions with regard to the creation of a Cardiff Business Improvement District (BID). In such an eventuality, we believe that a representative of the Cardiff BID should become the Cardiff local business representative on the city region Business Leadership Board. This is because the BID would be an existing, legitimate and elected local business body.

Critical to the success of the Business Leadership Board will be demonstrating in an open and accountable way the existence of a key interface between the business community, Welsh Government and the city region local authorities. Access to Welsh Government and decision-making proximity is likely to be a key factor in determining business involvement. This process of 'connected agglomeration' should be facilitated by an annual report of the Business Leadership Board and an annual high-level forum between the members of the Board, Welsh Government Ministers and Council Leaders. Cities collaborate to compete, and this engagement is critical for the success of the Cardiff City Deal process.

In the context of the City Deal discussions, the remit of a business engagement structure has changed both spatially and sectorally, meaning that the role of the Cardiff Business Council has been overtaken by wider opportunities. Given this; the need to win wider regional business and political confidence in the regional Business Leadership Board; and, the need to limit potential confusion caused by multiple business engagement bodies; we believe the City of Cardiff Council, working with its partners from the city region local authorities and Welsh Government, should seek to establish an Action Plan for a smooth transition to the new body, to include the identification of available funding sources.

#### **Summary of key recommendations:**

- **In light of the city region and City Deal opportunities, the City of Cardiff Council, should establish an Action Plan to manage a smooth transition from Cardiff Business Council;**
- **Working with Welsh Government and its local authority partners from across South East Wales, the City of Cardiff Council should seek to set up a new Cardiff city region Business Leadership Board;**
- **The city region Business Leadership Board should act as the primary regional business engagement mechanisms, and should exist predominantly as a channel for business advocacy and policy influence over City Deal and city region governance decisions;**
- **Membership of the Business Leadership Board should be drawn from across the city region, with representatives of existing local business forums. Cardiff's representative could be drawn from the proposed Cardiff BID should this proceed, as it will be an existing, legitimate and elected body;**
- **The Chair of the Business Leadership Board should become a full member of the regional governance structure that is currently being designed. Together with an annual report and meeting with Welsh Government Ministers and local authority leaders, this will become the primary mechanism for ensuring business engagement.**

## Appendix 1: Business and Cities – An International Perspective

The table below summarises a range of international examples of the role effective business engagement and involvement can play in city region development.

### What role for business groups in the city development system?

	Negotiate Advocate with Gov	Attract & retention	Reg collab	Bus know how	Comms & media	CSR	Int best practice	Pay for activities	X Party collab	Wider particip
	✓✓✓	✓✓	✓✓	✓✓✓	✓✓✓	✓	✓✓	✓✓	✓✓✓	✓✓
	✓✓✓	✓	✓✓	✓	✓✓	✓	✓	✓	✓✓	✓✓
	✓✓✓	✓✓✓	✓✓	✓✓✓	✓✓✓	✓✓	✓✓	✓✓	✓✓	✓✓✓
	✓✓	✓✓	✓✓✓	✓✓✓	✓✓	✓	✓✓	✓	✓✓	✓✓✓
	✓✓✓	✓✓	✓	✓✓✓	✓✓	✓✓✓	✓✓	✓✓✓	✓✓	✓✓
	✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓	✓✓✓	✓✓	✓✓	✓✓
	✓	✓✓✓	✓✓✓	✓✓✓	✓✓	✓	✓✓✓	✓✓	✓✓	✓✓
	✓	✓✓✓	✓✓	✓✓✓	✓✓	✓	✓✓	✓✓	✓✓	✓✓
	✓	✓✓✓	✓	✓✓	✓✓✓	✓✓	✓✓	✓✓	✓✓✓	✓✓✓
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	✓✓✓	✓✓	✓✓✓	✓✓	✓✓✓	✓✓	✓	✓✓	✓✓	✓

From Clark (2014)<sup>5</sup>.

### Barcelona

*Barcelona Global* provides an important example of international best practice. In order to provide solutions that improve the competitiveness of the city, Barcelona Global looks to:

- Strengthen the Barcelona brand, associating it with sectors and activities of the highest quality and value added;
- Facilitate the attraction, retention and landing process of foreign investment and talent in Barcelona;
- Bring together innovative talent and business decision centres and institutions;
- Encourage dialogue between economic sectors and across different groups as a way of detecting development opportunities;
- Collaborate with other institutions, organisations and public authorities on various types of projects and initiatives.

<sup>5</sup> Clark, G. (2014). *The Role of Cities in Business Innovation*. Presentation to Barcelona City Innovation Summit. November 2014

## Amsterdam

# I amsterdam.

The Amsterdam Economic Board, which was established in 2011, covers the metropolitan region and not just the city. It exists to ensure that Amsterdam is one of the top five European metro regions, and secures a position as a global hub of commerce, people and information. It seeks to:

- Encourage cross sector collaboration; provide information and support on business, finance and housing;
- Focus on eight regional clusters (creative industry; logistics; financial and business services; flowers and food; ICT/ e-Science; Tourism and Conventions; Life Sciences and Health; High Tech Materials);

Membership includes CEOs, scientists, academics and public sector representatives. It is funded by a mixture of government, industry and knowledge institutions.

## Miami



The Beacon Council's Foreign Direct Investment Initiative seeks to ensure world-class international business promotion, despite being decentralised and diffused with informal mechanisms. It is a county-level agency with 10-15 full-time staff, and in 2013 had a budget of \$5 million. Examples of projects have included:

- Lead trade missions to numerous cities based on clear selection criteria, including Germany, South Korea, Japan in 2014;
- Sponsors international trade and culture events, highly visible on global circuit;

It has attracted over \$500 million in investments, and demonstrates that public-private cooperation and coordination can be highly effective. It also shows the benefits of a narrowly focused trade agency that avoids overlap and duplication, as an alternative to heavily coordinated trade promotion capability.

## Stockholm



*Stockholm - The Capital of Scandinavia* is a shared brand name for the Stockholm region. It provides communication of scale to support Stockholm business region development and is the official investment promotion agency for region. It is responsible for marketing and provision of information, advice and assistance to

investors and companies. Membership is made up of the region's municipalities, academia and companies. The goals for Stockholm region are:

- To become the leading sustainable growth region in Europe;
- To become the world's most innovation driven economy by 2025;
- To secure regionally 43% of foreign investment in Sweden;
- To ensure Stockholm is ranked first in European Investment Region of the Future.

### Toronto Region Board of Trade



The mission of the Toronto Region Board of Trade is to advance the success of members and the entire Toronto region. It facilitates opportunities for knowledge sharing, networking, business development, and city building. There is also a focus on thought leadership, effective policy and advocacy work for businesses and people who 'want to be centre stage on issues that have an impact on the economic, social, and cultural vitality of the Toronto region'. It provides a forum for connecting with decision makers, sharing expertise and 'Making a difference. For yourself. For your business. For the city as a whole'. It also seeks to foster powerful collaborations and advocates for the region's strong economic climate, quality of life, and global competitiveness.

## Appendix 2: Business and City Deals – A UK Perspective

In considering business engagement strategies in the UK and comparing Wales with England, we have focused on models developed in the core cities. Whilst Cardiff lacks the population and economic scale of the larger conurbations, its proximity to and relationship with the South East Wales group of local authorities is analogous, for example, with those experienced in Birmingham, Manchester, Leeds and Bristol. One of the first comparisons evident is that Wales has lacked an overarching, independent economic development agency following the abolition of the WDA. In contrast, in England the longer survival of Regional Development Agencies (RDAs) provided continuity of regional economic planning. Following the abolition of the RDAs in England after the 2010 election, business engagement has largely been the responsibility of the Local Economic Partnerships (LEPs) in which local authorities partner the key business interests in their region. Initially, these were effectively voluntary affiliations attracting no Department for Business, Innovation and Skills funding, and were generally recognised to have little impact in comparison with their RDA predecessors with their relatively significant budgets<sup>6</sup>.

In the light of growing regional disparities and the effective flat lining of the UK economy, the UK Government recognised the need for a more interventionist approach and launched the Local Growth Fund in 2015 following recommendations from the Heseltine (2012) *No Stones Unturned Report*. Following their shaky start LEPs have matured and in the majority of regions have provided a focus on local economic strategies and variably successful business engagement models. These have given a more significant role for local authorities than was evident in the RDA structure. In addition, in England the early development of City Region and Combined Authority approaches has ensured closer local authority collaboration than has been evident in the South East Wales region to date.

The LEPs have not been without their critics. In its survey of business experience of LEPs in England, the CBI found that 45% had no engagement with their local LEPs. They also found that the lack of real powers limits the LEPs impact. Certainty, they say, is vital to business engagement – businesses are unwilling to commit time and resources into improving business environment without certainty. It has also been felt that LEPs have tended to be dominated by local authority representatives.<sup>7</sup> Despite these criticisms, the advantages accruing from these various structures are central to the City Deal models that have emerged in England and point to a dominant pattern of business engagement that is evident when examining the governance arrangements of these significant economic partnerships that have emerged.

Key elements of the frameworks developed are:

- **Strategic Investment Funds:** these combine local authority budgets and lever private sector investment within a vehicle which is strategically independent but managed collaboratively by the constituent authorities. (e.g. Greater Birmingham and Solihull Finance; Manchester Revolving Infrastructure Fund; Bristol Economic Development Fund; Leeds City Region Investment Fund).

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<sup>6</sup> Pugalis, L. (2011). 'The regional lacunae: a preliminary map of the transition from regional agencies to local economic partnerships'. *Regions Magazine* Vol 281, Issue 1, pp 6-9.

<sup>7</sup> CBI (2014). *Governing the UK's Growth Landscape*.

- **An overarching governance body:** whilst there are differing models depending on city region, combined authority and LEP arrangements the common element is the designation of a clear leadership structure. In many areas it is the LEP that has taken on this role building on existing management of funding streams and business engagement patterns. There is no equivalent structure in the Cardiff City Region and our proposals address this gap as an urgent requirement to provide the main platform for governance and strategic leadership.
- **A local authority leaders forum:** to ensure political commitment to collaboration and strategic planning.
- **A local authority officer forum:** to ensure effective collaborative strategy and programme delivery.

It is also worth noting at this point the key actions that have emerged within the English City Deals. Whilst each has a uniquely local flavour the identification of the key challenges has been relatively uniform. The following four components are almost universal:

- **Tackling the skills deficit:** as a major strategic element of enabling employment and economic growth.
- **Developing infrastructure:** especially transport and communication/IT networks.
- **Growing housing supply:** both as an engine of growth and to meet population needs.
- **Addressing low carbon futures:** to ensure long-term sustainability.

Four City Deals go further than the others that have been established (Manchester, West Yorkshire, Glasgow and Greater Cambridge) in establishing full-scale City Region Infrastructure Funds. Cardiff wishes to progress this type of City Deal. The common features of this type of City Deal are:

- Economically focused infrastructure development (targeted at net economic growth).
- Balance in terms of improved economic opportunities across the city region.
- Investment at a scale that makes a difference.
- Significant degree of self-help funding in the overall cost of the fund.
- 'Payment by results' mechanisms – links additional central funding to delivery of additional national growth (therefore local risk).
- 'Gateways' at five-yearly intervals – independent assessment of performance to secure funding from UK Government.

There are clear opportunities for Cardiff to learn from this trajectory of development evident in England as well as our review of international practice and the perspectives of respondents to our programme of interviews. It would be a major achievement to be able to echo the words of Andy Street, Chair of Greater Birmingham and Solihull LEP and Cllr Albert Bore in their introduction to their City Deal proposal:

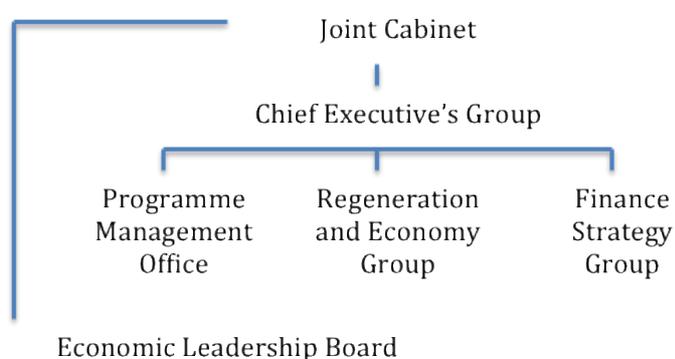
For the first time, the building blocks for success are now all in place: a strong private and public sector partnership, combining the talents of both parts to maximise their full potential; a transformational strategy for

growth<sup>8</sup>.

The CBI has stated that future City Deals should be agreed over the same geography at LEP areas, but it believes that ‘...the shift to a new set of governance structures is by no means done – making the new landscape work for business remains a substantial challenge’. It also believes that governance arrangements must be able to accommodate decision making at different levels<sup>9</sup>, which suggests the need for business engagement to also take place at different levels.

The combined authority option seen in Manchester, for example, is not a prerequisite for a City Deal as in the case of Glasgow. Established in August 2014, the Glasgow Deal created a joint cabinet, which includes all the leaders of the constituent local authorities who vote on the basis of one member one vote.

Table 3: Glasgow’s City Deal Governance Arrangements



In the case of Glasgow an Economic Leadership Board is being created, to assist the Joint Cabinet, providing links to industry, and dealing with the co-ordination and maximisation of wider economic development activity. Industry leader Lord Haughey was appointed to Chair the Economic Leadership Board in January 2015. The key point is that governance is needed to enable decisions to be made, and any alternative vehicle that can achieve this may be appropriate.

<sup>8</sup> Greater Birmingham LEP (2012). *Greater Birmingham. A city region powered by technological innovation. The Local Economic Partnership City Deal Proposal.*

<sup>9</sup> CBI (2014). *Governing the UK’s Growth Landscape.*