

**SWYDDFA'R ARWEINYDD
OFFICE OF THE LEADER**

Fy Nghyf / My Ref: CM32632

Eich Cyf / Your Ref:

Dyddiad / Date: 12th November 2015

Cllr Rod Mckerlich
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Annwyl / Dear Rod

Economy & Culture Scrutiny - 15 October 2015

Thank you for your letter dated 2nd November 2015 enclosing the response of the Economy and Culture Scrutiny Committee of the 15th October 2015 to the presentation given by myself, Neil Hanratty and Mark Lang on the review of Cardiff Business Council.

I have read your comments and observations with interest and set out below my response in line with the structure of your letter:

Report

I do understand your disappointment at only gaining sight of the Publicani report at the beginning of the meeting. I can assure you there was no intention to withhold information unnecessarily from the Committee. There was an element of confidentiality due to the timing of the meeting which I understand led officers to circulate the document at the meeting. I have subsequently asked that in future documents are circulated in good time before Scrutiny meetings to give Members proper time to digest information. On that basis I can assure you that in respect of upcoming items due for pre-decision Scrutiny, the relevant papers will be with you in advance of the meeting.

Review Process

I note the Committee's concern regarding the number of interviews that informed the review. As explained by Mark Lang at the meeting, 26 detailed interviews with a range of key stakeholders encompassing current Board members, representatives of the wider business community, senior representatives of the surrounding local authorities and other stakeholders represents a creditable pool of interviewees. In addition, more people were invited to take part in the interviews but chose to decline. Furthermore, the interviews only formed part of the overall analysis. The appointed consultants are extremely experienced in this area of policy and informed their findings through a sharp literature review of the local, regional, and national policy context, and a review of relevant business engagement initiatives in the UK and internationally.

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In terms of the fullness of the independent review, I would like to re-iterate that the report was never intended to provide a review of the performance of the Cardiff Business Council, but rather was intended to determine a suitable way forward given the new and emerging financial and governance context. I am extremely mindful that the shape, role and constitution of the new organisation, if it is backed by our local partners, will need to be decided with our local partners, i.e. it will no longer be solely a decision for the City of Cardiff Council. What will remain in our sole control will be the level of funding the Council allocates towards a business engagement organisation and it is clear that the current level of funding is not sustainable and may need to reduce even further at the end of this financial year. It is therefore extremely responsible for the Council to be considering alternative models, and the timing is right, with only four months remaining to the end of the financial year.

Furthermore, whilst at present there is no formal agreement with Welsh Government and surrounding authorities of the Cardiff Capital Region (CCR), discussions have taken place, and I believe the City Deal collaboration does present a perfect opportunity to move the discussion on over the next few months. Following on from the recent submission to UK Government on City Deal, we will shortly be entering into a phase where the engagement of business will be crucial to the development and delivery of our bid.

Cardiff Business Council

I note the Committee's preference to encourage the transformation of the current Cardiff Business Council into a regional body involving representatives and expertise across all 10 local authority areas. The recommendations of the report to Cabinet are to put in place appropriate arrangements that will manage the transition to a new model. The creation of a city-region business organisation means there will now be a much broader range of stakeholders and contributors that will decide the final shape and role of the new organisation. It would therefore be extremely presumptuous for the City of Cardiff Council to believe that it has the right to decide these details and as such the recommendation is to work on the development and implementation of a transition plan. The Council recognises the good work of the Cardiff Business Council to date and will aim to try to minimise disruption and maintain momentum.

I note your concerns in relation to the timing of the review and its impact on the Cardiff Business Council's ability to attract local membership growth. Whilst the Business Council has been successful in achieving its marketing objectives and in engaging private sector involvement and contributions towards those marketing objectives, the base costs of operating the company have, since its inception, been met almost entirely from the Council's direct funding, supported by resources from the Economic Development service. It is clear there would not be sufficient funds to sustain the organisation if and when the Council needs to reduce its funding further. It was therefore absolutely appropriate to review the situation, in good time, to try to find a new and sustainable model for business engagement with a broader range of stakeholder contributors. The review has taken time because it has relied on the engagement of a broad range of stakeholders and because it was conducted over the summer months.

Business Leadership Board proposals

In respect of the detailed questions, the Consultant's report was never intended to address this level of detail. In the key recommendations, it is proposed that the City of Cardiff Council should develop an Action Plan to manage a smooth transition from the current arrangement to the new model. This is also the key recommendation in the Cabinet report and will be the next stage in the process. It is important to note that in a city-region context, where contributions to running costs will potentially come from Welsh Government and the 10 local authorities of the CCR the anticipated cost to the City of Cardiff Council should be significantly less than the current contribution to the Cardiff Business Council. The Council has retained a reduced sum in its budget for 2016/17.

With regard to support from the Welsh Government and local authorities of the CCR discussions are on-going and will continue as part of the development of the transition plan. Welsh Government has confirmed in recent correspondence the requirement for a Business Council at the city-region level as part of its proposals for city-region governance, but as yet has not confirmed any funding contribution. The issue of business engagement has been raised with the local authorities of CCR as part of the City Deal process but as yet has not formalised into specific funding proposals. These discussions will continue over the coming months.

It is suggested in your letter that the private sector should have been given the opportunity to sustain the organisation themselves. We have seen over a long period of time stretching back to previous iterations of the Business Council, such as the Cardiff Initiative, Cardiff Marketing and Cardiff & Co that the current profile of the Cardiff economy makes it very difficult for these organisations to generate the necessary funding to be self-sustaining. This is similar to the situation in many UK cities. They have therefore always required public sector funding. The Cardiff Business Council has successfully managed to get contributions from business towards marketing activities that directly benefit their business. Pooling resources to deliver scale has been an important aspect of their work. However, more generic contributions that support operational costs have not been achieved and this was also a problem for previous city marketing organisations. As local government budgets are squeezed, it becomes increasingly difficult to justify a sizeable contribution from the Council and therefore a move to spread the contribution across a broader range of stakeholders is the obvious way forward. This does not mean to say that the public sector will by itself drive forward the new initiative. It will still need to rely on significant private sector funding, input, drive and enthusiasm.

In terms of your question regarding the public sector taking a back seat, I think the Council has definitely been in the background in regards to the Cardiff Business Council despite the fact that we have been the primary funder. But wherever public money is invested there will always be a requirement for appropriate governance arrangements to ensure that money is spent properly and delivers value for money.

Finally in response to the detailed questions you raise as to the future operation of the new Leadership Board, such as the number of members on the Board and how performance will be measured, that all remains to be decided and will be a matter for the CCR stakeholders to agree.

I hope this clarifies the situation and I can assure you that I will continue to work in the best interests of the city and in close collaboration and co-operation with all of the relevant stakeholders to get the best outcomes for Cardiff. As the proposal for the new organisation develops over the coming months I will arrange to keep Scrutiny Committee updated accordingly.

Yn gywir,
Yours sincerely,



**CYNGHORYDD / COUNCILLOR PHIL BALE
ARWEINYDD, CYNGOR DINAS CAERDYDD
LEADER, THE CITY OF CARDIFF COUNCIL**

