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**CARDIFF CAPITAL REGION CITY DEAL - UPDATE**

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**Purpose of report**

1. To provide Members with background to the Cardiff Capital Region City Deal proposals in advance of receiving an update on the proposals submitted to the UK Government.

**Background**

2. A report, 'City Deal Implications and Next Steps', was taken to Cabinet on 2 April 2015. This report provided an update on recent work on a City Deal for Cardiff and sought authority to progress with a formal City Deal proposal.

Report found at:

<http://cardiff.moderngov.co.uk/documents/s3347/Item%205%20Cabinet%202%20April%202015%20City%20Deal.pdf>

The following decisions were made, as recommended in this Cabinet report:

- (1) officers proceed with the negotiation of a City Deal for Cardiff with UK Government, Welsh Government and surrounding authorities and return to Cabinet with a further report before submitting a final proposal.
- (2) engagement with surrounding authorities in SE Wales take place to develop an appropriate local governance structure to support delivery of a City Deal for Cardiff.
- (3) Authority be delegated to the Chief Executive to:

- a. identify a budget and to appoint Specialist Advisors to support delivery of a detailed City Deal proposal for Cardiff.
  - b. commission a review of the Cardiff Business Council model to put in place appropriate arrangements to support a successful City Deal proposal.
3. A City Deal is an agreement between government and a city (or city region). The deals give new freedoms, powers and tools to help the cities go for growth, including:
  - More power to invest in and create economic growth.
  - More freedom to support local businesses.
  - More power over public money, budgets and resources to drive infrastructure development.
  - Powers to deliver the skills training local people and businesses need.
4. In terms of the City Deal mechanism, an agreement is reached where national government provides money to a city or city region for investment in return for a guarantee of economic growth. The aim being to deliver economic growth, support growth in employment and boost infrastructure investment. The priorities to be covered by a City Deal are to be determined by the areas themselves, having been subjected to business case testing.
5. The 2 April Cabinet report states that *“A City Deal for Cardiff could unlock significant new money to support capital investment in major infrastructure priorities for the city-region. However, every deal done to date has been bespoke with the eventual size and scope of the deal dependant on a number of important local factors.”*<sup>1</sup>
6. Examples of the anticipated benefits delivered through other UK City Deals are:
  - Greater Manchester’s £2.75bn Transport Fund is expected to deliver up to £3.6bn in annual GVA<sup>2</sup> and 37,000 jobs;

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<sup>1</sup> ‘City Deal Implications and Next Steps’, Cabinet, 2 April 2015 - paragraph 5

<sup>2</sup> GVA measures the contribution to the economy of each individual producer, industry or sector

- Leeds City Region's £1.45bn Transport Fund is expected to deliver up to £2.6bn in annual GVA and 23,000 jobs;
- Glasgow City Region's £1.13bn fund is expected to deliver up to £2.2bn in annual GVA and 28,000 jobs.

7. The City Deal submission will be made not just for the City of Cardiff, but for the Cardiff Capital Region. The following local authorities have committed to the City Deal and have contributed to the proposals within the submission:

Blaenau Gwent	Bridgend
Caerphilly	Cardiff
Merthyr Tydfil	Monmouthshire
Newport	Rhonda Cynon Taf
Torfaen	Vale of Glamorgan.

8. Cardiff Council led on much of the early work to investigate and establish the appropriate arrangements to push forward with a Cardiff Capital Region City Deal. Papers published for the Vale of Glamorgan Cabinet meeting of 27 July 2015 evidence the dialogue undertaken by the Leader and Chief Executive of Cardiff Council in seeking the involvement and support of the 9 other local authorities listed above.

- **Appendix A** - Cardiff Leader, Cllr Bale's letter to other local authority leaders – building on comments made by the Chancellor of the Exchequer on 18 March 2015 announced in his Budget Statement that "We're giving more power to Wales. We're working on a City Deal".
- **Appendix B** - Secretary of State, Rt Hon Stephen Crabb MP's letter to Council leaders seeking input to drive forward City Deal ambitions.
- **Appendix C** – Exchange of letters between Cardiff Council Leader and Jane Hutt AM, Minister for Finance and Government Business, in relation to the commitment from Welsh Government to the Cardiff Capital Region City Deal.
- **Appendix D** – Cardiff Chief Executive, Paul Orders letter to Heads of Paid Service in 9 local authorities listed above requesting requesting that

consideration be given to a proposal to formulate a City Deal proposal for submission to the UK Government.

9. At the Economy and Culture Scrutiny Committee meeting held on 10 September 2015, Members were informed that support had been given from all 9 local authorities. The minutes state the following:

*The Leader advised that all 10 Councils are now signed up to take the deal forward; the City Deal Project Board had been established which The Leader chairs; the position statement had been submitted to the UK Government last week and we are now in Competitive Framework; KPMG are the consultant partners to meet help meet deadlines.*

*With regards to projects, there are no specific projects identified as yet, projects would be sought across the region; the Independent Commission will evaluate the GDA uplift of each project, to get more economic benefit to the region as a whole, there needs to be a balance so that everyone benefits and its fair.<sup>3</sup>*

10. The 2 April Cabinet report outlines that the following actions and 'building blocks' were required from local authorities in order to deliver a coherent City Deal proposal:<sup>4</sup>

- Agreeing appropriate and sound objectives and minimum outcomes.
- Identification of resources to support the development of the City Deal as well as to contribute to the overall fund and cover the cost of financing requirements.
- Operationally effective governance that also fits in with the UK Government's agenda in terms of the devolution of powers to city-regions.
- Effective tools for prioritisation that provide rigour to the expected levels of impact in terms of jobs and GVA, as well as reducing the risk that local authorities are exposed to in terms of meeting the required objectives to trigger payments from the UK Government.

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<sup>3</sup> Economy and Culture Scrutiny Committee Minutes, 10 September 2015  
<http://cardiff.moderngov.co.uk/documents/g2366/Printed%20minutes%2010th-Sep-2015%2016.30%20Economy%20Culture%20Scrutiny%20Committee.pdf?T=1>

<sup>4</sup> 'City Deal Implications and Next Steps', Cabinet, 2 April 2015 - paragraph 15

- Functional economic geography consistent with effective decision making and ensuring that a scale where net impact can be maximised
- An element of local financial risk taking that shows the commitment of partners.

11. The 2 April 2015 Cabinet report makes it clear that the success of the City Deal submission will depend on the commitment given by Welsh Government to back the proposals and to provide match funding; *“it is clear there will need to be a significant role for Welsh Government in taking forward a City Deal proposal not least to ensure adequate funding is available to match any new monies provided by Central Government. There may also be a role for EU funding as part of the mix.”*

12. A written statement from Jane Hutt, Minister for Finance and Government Business in November 2015 gives this commitment from the Welsh Government;

*The Welsh Government fully supports this proposal and has indicated that it would commit up to £580 million to support the establishment of a Cardiff Capital Region Fund. The proposal seeks equivalent matched funding from the UK Government. This funding, in addition to the local authorities’ own contribution, would take the total value of the Fund to nearly £1.3 billion. This is a significant investment in the Cardiff Capital Region. [...].*

*A successful City Deal bid will be important for the development of the Cardiff region and will need to be developed in such a way that all parts of the region stand to benefit. A successful bid may also pave the way for developments elsewhere in Wales.*

The full statement from Jane Hutt can be found at **Appendix E**.

13. It was announced on 12 November 2015, that the leaders of the ten participating local authorities had submitted an outline proposal for a City Deal to the UK Government.

## Local Business Involvement

14. Local businesses have played an important role in developing and driving forward City Deal proposals across England and in Glasgow. The same will be required in Cardiff, and Members of the Committee will be aware that the 2 April Cabinet meeting gave approval for a review of the Cardiff Business Council model, developing appropriate arrangements for a regional body to support a successful City Deal proposal.
15. Members of this Committee scrutinised the results of the Cardiff Business Council review at the 15 October 2015 meeting of the Economy and Culture Scrutiny Committee. The Chair's letter capturing the Committee's point of view can be found at **Appendix F**. The response received from the Leader on 12 November 2015 can be found at **Appendix G**.
16. The view of the Committee can be summarised in the following extract from **Appendix F**;

*The Cardiff City Region needs the backing of businesses across the whole region, allowing businesses to shape local policy decisions, through a structure that isn't simply a talking shop or extra layer of governance, but rather is responsible for marketing and promoting the region and attracting inward investment. We cannot however escape the feeling that this is something the Cardiff Business Council has been achieving for Cardiff as a city, and should be built upon for the wider city region. The preference of this Committee would not be the creation of a new 'Leadership Board' but rather the transformation of Cardiff Business Council into a regional body, incorporating the need to be representative of the requirements and expertise across all ten local authority areas.*

## Next Steps

17. The Council's press release in relation to the City Deal can be found via the following link - <http://www.cardiffnewsroom.co.uk/index.php/archive/411-cardiff-capital-region-city-deal-takes-significant-step-forward>. It states that:

*The Leaders believe a City Deal for the Cardiff Capital Region represents a unique opportunity to transform the local economy to improve local productivity, create new jobs and reduce worklessness.*

*The vision is to reduce the gap of the gross value added economic measure (GVA) between the city region and the UK average, and to improve the balance of opportunity that exists right across the region.*

*It will also support the development of a more regional approach across the Cardiff Capital Region, and local authorities will be looking at how they can deliver some services and functions – such as business support and strategic planning.*

18. The formal submission to the Welsh Government begins the process of finalising the detailed proposition for projects it is hoped the City Deal will support. The Leaders and Heads of Paid Service in all involved local authorities will now work with Welsh Government and UK Government to formulate a detailed City Deal proposal. The Council press release noted above states the following:

*To ensure that projects comprising the City Deal make a difference they will be prioritised according to their impact in terms of GVA and jobs, as well as ensuring that their impact is felt across the CCR.*

19. The City Deal announcement of 12 November 2015 has received extensive media coverage. Below are links to online coverage from Wales Online and the BBC.

*Wales Online*

<http://www.walesonline.co.uk/business/business-news/city-deal-bid-cardiff-capital-10429957>

*BBC*

<http://www.bbc.co.uk/news/uk-wales-politics-34788614>

20. Within the Comprehensive Spending Review Autumn Statement, the Chancellor, George Osborne, seems to have committed support to the Cardiff Capital Region City Deal. In his announcement, Mr Osborne said:

*“The Government is working with the Cardiff Capital Region and the Welsh Government to deliver an ambitious City Deal for Cardiff.*

*The Spending Review announces an in principle commitment to contribute to an infrastructure fund for the Cardiff region.”<sup>5</sup>*

### **Previous Scrutiny**

21. In scrutinising the Draft Corporate Plan 2015 – 2017 at the 5 February 2015 meeting, Members of the Economy and Culture Scrutiny Committee explored whether the Great Western Cities Partnership might conflict with City Deal aspirations. The letter written to the Leader contained the following:

*You will be aware that Members also questioned whether the Corporate Plan will need to be updated in light of recent announcement of a partnership with Newport and Bristol under the banner of ‘Great Western Cities’. Members expressed concerns that this would seemingly conflict with the Capital City Region plans, which are mentioned in the Draft Corporate Plan. We welcome your assurances that there will be no conflict, and that this partnership will complement to the aspirations for the Cardiff City Region and will help generate increased interest in Cardiff and South Wales from a business perspective. We look forward to the upcoming announcement from the City Region in respect of this, and look forward to scrutinising this arrangement in the future.*

22. The response from the Leader, received on 17 April 2015 stated:

*I believe there is no conflict whatsoever between developing stronger relationships with adjacent cities in the UK context, alongside the development of*

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<sup>5</sup> Source – Wales Online <http://www.walesonline.co.uk/business/business-news/12bn-city-deal-cardiff-capital-10501562>



*a stronger Cardiff Capital City region partnership. The Great Western Cities, as outlined in the Statement of Intent, focusses on specific collaboration projects where there is scope for complimentary benefits. Also, in the context of a City Deal for Cardiff, raising the profile of the Great Western Cities will help demonstrate to Central Government that a 'Severn Powerhouse' is an important driver of GVA growth in the UK, comparable to the much talked about 'Northern Powerhouse'.*

23. At their 15 May 2015 meeting, Members of the Economy and Culture Scrutiny Committee considered Quarter 4 Performance for Economic Development. Discussions took place around the City Deal, and the following was included in the Chair's letter to the Leader following the meeting:

*In relation to the City Deal, discussion took place around whether, following your visit to Glasgow, any lessons had been learnt from Glasgow's experience, given that Glasgow are also operating within a devolved Government setting. The Committee recommends that this dialogue continues and that you consider inviting a representative from Glasgow to provide more detail of Glasgow's City Deal experience when setting out comprehensive plans for the City Deal for Cardiff.*

24. At its 4 June 2015 meeting, the Economy and Culture Scrutiny Committee considered the Economic Development Directorate Delivery Plan 2015-2017. During the meeting, Members discussed the progress in developing proposals for a City Deal and the following was included in the Chair's letter to the Leader:

*Members wish to note the comments made with regard to the City Deal proposals and the ongoing negotiations with surrounding local authorities. At the meeting you stated you were hopeful that all nine surrounding local authorities would give their support to the Cardiff City Deal, with Cabinet reports going through the relevant processes within each Council. We look forward to seeing whether your efforts to outline the benefits of the City Deal are successful and hope the backing of all our neighbouring authorities is received.*

25. At their 10 September 2015 meeting, Members of the Economy and Culture Scrutiny Committee considered Quarter 1 Performance for Economic Development. Again discussions took place around the City Deal, and the following was included in the Chair's letter to the Leader following the meeting:

*[...] we are pleased that all ten local authorities making up the Cardiff Capital Region have made the commitment to participate in negotiations with the UK Government. Members recognise that at present we are not able to discuss specific projects within the City Deal, but that projects are currently being submitted from across the region, all of which will be independently evaluated, ensuring that the projects taken forward will deliver the maximum economic benefit for the region as a whole. We are assured that the governance arrangements in place are suitable, with Cardiff taking a leading role in some areas, and drawing on resources and expertise from all the authorities involved. We are confident that this approach can deliver a City Deal proposal that will cover, and benefit the whole Cardiff Capital Region. Again, we look forward to testing the proposals coming forward as the City Deal negotiations progress.*

### **Way Forward**

The Leader, Councillor Phil Bale has been invited and may wish to give a statement. The Chief Executive, Paul Orders and Director for Economic Development, Neil Hanratty will also be in attendance to present on the next steps for the City Deal and to answer Members' questions.

### **Legal Implications**

26. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council

must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

### **Financial Implications**

27. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/ Council will set out any financial implications arising from those recommendations.

### **Recommendations**

28. The Committee is recommended to give consideration to the information attached to this report and received at this meeting and to submit any recommendations, observations or comments to the Cabinet Member.

**Marie Rosenthal**

Director of Governance and Legal Services

27 November 2015