

CABINET MEETING: 14 JULY 2016

CITY DEAL UPDATE

REPORT OF CHIEF EXECUTIVE

AGENDA ITEM: 2

PORTFOLIO: LEADER (ECONOMIC DEVELOPMENT & PARTNERSHIPS)

Reason for this Report

1. To update Cabinet on the progress in finalising the City Deal agreement.

Background

2. The Council report of 24 March 2016 outlined that the City Deal was signed in Cardiff on 15 March 2016 by the ten local authority Leaders, the First Minister of Wales, the Minister for Finance, the Secretary of State for Wales and the Chief Secretary to the Treasury.
3. The 'Heads of Terms' document outlines the parameters for the detailed development of the City Deal. The document also outlines how the ten local authorities will work in partnership with the Welsh Government and UK Government to support economic growth.
4. In order to progress enhanced regional working, and support the delivery of the investment fund, the City Deal document outlines proposals to establish a Cardiff Capital Region governance model that:
 - complies with the existing statutory framework that exists in Wales to deliver this City Deal;
 - strengthens and streamlines the existing governance and partnership arrangements across the Capital Region;
 - improves business involvement in local decision making;
 - provides confidence and assurance to both the UK and Welsh Government that the local authority leaders are making decisions which will drive economic growth across the Capital Region; and
 - enables local authorities to explore with the Welsh Government alternative governance arrangements in the medium term.
5. The development of the final City Deal is also reliant on the establishment of an Investment Fund Assurance Framework. By adopting the assurance framework prior to the commencement of the Investment Fund, the Cardiff Capital Region will ensure that schemes

that are taken forward (outside of the South East Wales Metro which will be subject to a separate assessment against an assurance framework) represent good value for money and are underpinned by a robust business case.

6. Other elements that will need to be concluded to finalise the City Deal include the development of governance arrangements to support the Cardiff Capital Region, these will include the establishment of:
 - a Cardiff Capital Region Economic Growth Partnership;
 - a Regional Business Organisation;
 - further regional governance arrangements relating to the transport and skills agendas;
 - arrangements to develop an integrated strategic development plan;
 - an integrated delivery unit for business support; and
 - a regional housing and regeneration plan.
7. In addition an Independent Growth and Competitiveness Commission has been established, with a remit to examine the challenges and opportunities for economic growth and competitiveness and make recommendations for how the Cardiff Capital Region can achieve its full growth potential. The Commission is a joint initiative of the ten local authorities that comprise the Cardiff Capital Region in consultation with the Welsh and UK Governments.
8. The Council report of the 24 March 2016 resolved to “*delegate authority to the Chief Executive, in consultation with the Leader of the Council, the Corporate Director Resources and Monitoring Officer to conclude any interim arrangements necessary to facilitate the development of the final City Deal (including without limitation to the generality of the foregoing appointment of external consultants and any interim appointments that may be required), provided the requisite budget provision is available.*”

Issues

9. Following the signing of the City Deal document progress has been made in establishing governance and support arrangements for the finalisation of the deal.
10. To deliver the issues identified above the Leaders of the Cardiff Capital Region agreed to appoint a Programme Director, to be supported by a further appointment in the form of a Project Manager. The posts have now been filled following a process overseen by Chief Executives.
11. The Growth and Competitiveness Commission is chaired by Greg Clark, a renowned city-region development expert. The Commission has been established as a task and finish group aiming to report in late autumn 2016. A launch event was held for the Commission on the 28 June in Merthyr Tydfil where the appointment of additional Commissioners, Alexandra Jones (Chief Executive of Centre for Cities), Kevin Gardiner (Global Investment Strategist at Rothschild) and Helen Molyneux (Chief Executive Officer of New Law) was also announced. Julie-Ann Haines,

- Customer Director for Principality Building Society and chair of CML Cymru has also since been appointed as the final commissioner.
12. As outlined above, the Commission will examine the challenges and opportunities for economic growth and competitiveness and make recommendations for how the Cardiff Capital Region can achieve its full growth potential. Discussions have also been progressed with relation to the development of a Cardiff Capital Region Growth Partnership.
 13. These developments have been undertaken in consultation with the Cardiff Capital Region Transition Board in order to ensure both continuity and complementarity of current arrangements. In addition, as outlined in a letter from the then Minister for Business, Enterprise, Technology and Science on 25 November 2015, and in subsequent discussions, the Cardiff Capital Region Transition Board have been given the task of establishing the Regional Business Organisation.
 14. Officials from city-region local authorities have also been in discussion with officials from the Department of Work and Pensions with regard to the development of a Work and Health Programme tailored to the needs of the Cardiff Capital Region. Officers are also in discussions to develop proposals to build on current Learning, Skills and Innovation Partnership arrangements to develop a more formal and resourced Cardiff Capital Region Employment and Skills Board that will act as the vehicle to drive a regional employment and skills agenda. These discussions remain ongoing.
 15. In all aspects of the development of new regional governance arrangements, reports will be brought to Cabinet in due course with further detail.
 16. Work is also underway to ensure that the various elements of the City Deal are implemented in a complementary way that ensures that the final outcome of the deal is 'greater than the sum of its parts'. This work includes the development of strategic planning and strategic transport arrangements to ensure that investment such as the Metro is undertaken in a manner that is complementary with wider developments across the city-region.
 17. Further work is on-going relating to the preparatory work for the establishment of a Cardiff Capital Region Cabinet. This will require additional external legal support given the specialist nature of the legal advice required and desired timescales for preparing all the documentation required. The provision of external legal advice will also assist with reducing any potential for conflicts of interest that may arise (or be perceived) if one Council were to take the lead on drafting the legal documentation.
 18. Additional funding allocated from local authorities will be used to cover the costs associated with the appointment of the Programme Director, Project Manager and support for the Programme Office, as well as support costs associated with the development of the Growth and Competitiveness Commission and other identified external support

required. As outlined in the 24 March 2016 Cardiff Capital Region City Deal Council report, Cardiff's share will be met from revenue resources approved in the 2016/17 budget for this purpose. Any unused contributions will be returned to the Council.

19. As part of City Deal programme arrangements the City of Cardiff Council remains responsible for the management and monitoring of the budget associated with the development of the City Deal.

Local Government Reorganisation

20. On June 13 2016 the WLGA released a statement welcoming a Welsh Government commitment to find a new way forward on plans to reorganise local councils in Wales. This follows a statement from Mark Drakeford AM, Cabinet Secretary for Finance and Local Government, in which he outlined that the plans to reorganise local government from 22 to 8 or 9 local authorities will be revisited, and that "a wider sort of conversation" was required.
21. The WLGA also stated that *"New developments like the Capital Region City Deal are based on local councils coming together at the regional level. These developments have been locally led, are maturing quickly and have the potential to offer vast benefits to our local communities."* The City Deal process offers significant opportunities for further local government collaboration. The establishment of a Cardiff Capital Region Cabinet will provide a governance vehicle to build further collaboration given that there is no legislation in place to establish vehicles such as a Combined Authority.

EU Referendum Vote

22. Phase 2 of the Metro is a central element of the City Deal and includes some £103 million ERDF funding, which would need to be spent within the next five years, and while the referendum result has created uncertainty for EU funded initiatives, advice remains that current projects should be viewed on a 'business as usual' basis. The First Minister has made a statement outlining that he will seek to ensure the Welsh Government is fully involved in negotiations on the terms of UK withdrawal and our future relationship with Europe, with a priority to protect the interests of Wales. This includes negotiations on participation, on current terms, in major EU programmes up until the end of 2020 to provide continuity while arrangements are made for the longer term. A further report on the wider implications of the EU referendum vote is being considered separately as part of the Cabinet Meeting Agenda of the 14 July 2016.

Financial Implications

23. The report serves to update Cabinet on the progress of the City Deal since matters were last reported to Council on 24 March 2016. The report to Council of 24 March (and financial implications therein), outlined the financial considerations that need to be taken into account in developing

the City Deal proposal. Members are respectfully referred to the financial implications set out in the Council report, which remain relevant.

Legal Implications

24. The report serves to update Cabinet on the progress of the City Deal since matters were last reported to Council on 24 March 2016. The report to Council of 24 March (and legal implications therein), outlined the work necessary to develop the comprehensive legal documentation required to detail how the City Deal will operate , the obligations that will fall to each party and the governance arrangements. Members are respectfully referred to the legal implications set out in the Council report, which remain relevant.

Reason for Recommendations

25. To update Cabinet on the progress in finalising the City Deal agreement.

RECOMMENDATIONS

The Cabinet is recommended to note the progress in finalising the City Deal agreement.

PAUL ORDERS

Chief Executive

8 July 2016