

**CITY AND COUNTY OF CARDIFF**

**DINAS A SIR CAERDYDD**

**ECONOMY & CULTURE SCRUTINY COMMITTEE**

**12 JANUARY 2017**

---

**CARDIFF CAPITAL REGION CITY DEAL**

---

**Purpose of report**

1. To prepare Members to consider an update on Cardiff Capital Region City Deal and allow Members to consider proposals to be taken to Council

**Background**

2. 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.
3. 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.

4. On 15 March 2016, the ten leaders of the local authorities in the Cardiff Capital Region, secretary of state for Wales, chief secretary to the Treasury, and Welsh First Minister met to sign the City Deal document. This document can be found at **Appendix A**.
5. **Appendix A** details the key elements agreed within the Cardiff Capital Region City Deal. This includes:
  - **Cardiff Capital Region Investment Fund** – the fund is approximately £1.2 billion over 20 years. Details are given of the contributions to this fund and the proportion that has been pre-allocated to the South East Wales Metro.
  - **Connecting the Cardiff Capital Region**
  - **Investing in Innovation and the Digital Network** – detailing the aspiration to extend the “arc of innovation” along the M4 corridor into the region and to designate an “Innovation District”
  - **Developing a Skilled Workforce and Tackling Unemployment** – including the launch of the Cardiff Capital Region Skills and Employment Board from the existing partnership
  - **Supporting Enterprise and Business Growth** – detailing the establishment of a Cardiff Capital Regional Business Organisation and an Integrated Delivery Unit to ensure any new business support compliments existing national initiatives.
  - **Housing Development and Regeneration**
  - **Cardiff Capital Region Governance** – detailing the creation of a Cardiff Capital Region Cabinet comprising of the ten participating local authorities, the establishment of a Cardiff Capital Region Economic Growth Partnership, and an independent Growth and Competitiveness Commission.

## **Recent Progress**

6. In June 2016 an independent Cardiff Capital Region Growth and Competitiveness Commission was launched to support the development of the City Deal. The remit of the Commission was to:

- Review the evidence about the functional economic area and advise how best to generate Gross Value Added growth and support the ambitions of a dynamic capital region in a successful Welsh Economy.
- 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, and contribute most to the Welsh economy.

This work was to be undertaken with a view to produce a comprehensive report and recommendations on how best the City Deal can be utilised to ensure economic growth across the Cardiff Capital Region.

7. As part of the 'Call for Evidence' undertaken by the Cardiff Capital Region Growth and Competitiveness Commission, the Chair of Cardiff Economy and Culture Scrutiny Committee was contacted to provide a submission. The response from the Chair of the Economy and Culture Scrutiny Committee can be found attached at **Appendix B**.
8. The work and findings of the Commission were published in November 2016, in a report 'Cardiff Capital Region City Deal: Growth and Competitiveness Commission: Report and Recommendations'. This can be found attached at **Appendix C**. The recommendations can be found from pages 30 – 49 of this document and are summarised under the following headings:

**Recommendation 1** – Cardiff Capital Region Economic Objectives

**Recommendation 2** – Economic Strategy

**Recommendation 3** – City Deal Investment Principles

**Recommendation 4** – Growth Sectors and Specialisation

**Recommendation 5** – Supporting Business Investment

**Recommendation 6** – Skills and Employability

**Recommendation 7** – Poverty

**Recommendation 8** – Strategic Spatial Development

**Recommendation 9** – Investing in Energy

**Recommendation 10** – Metro and Placemaking

**Recommendation 11** – Housing and Economic Regeneration

**Recommendation 12** – Promoting the Capital Region

**Recommendation 13** – Organising the Capital Region

9. In October 2016 the ‘South East Wales 2016 Employment and Skills Plan’ was launched by the Learning, Skills and Innovation Partnership (LSkIP) for South East Wales. This plan is intended to deliver on the CCR City Deal’s mandate including the priorities and challenges that lay ahead. The Plan is intended to be a catalyst for strategic and collaborative action amongst all stakeholders from across education, industry, funders and policy makers, to define a regional skills agenda, with associated investment, that supports employment, is aligned to the regional economy and enables economic growth.

10. The Shadow Cardiff Capital Region Transport Authority (CCRTA) was also established in October 2016. It’s remit is to co-ordinate transport planning and investment within the region, and outline the actions needed to support the City Deal. The CCRTA seeks to develop a Strategic Regional Transport Plan and programmes having reviewed and prioritised existing draft plans in the light of City Deal and results from the Growth and Competitiveness Commission. According to the Cardiff Capital Region website <sup>1</sup>:

*Issues the authority will consider and have influence in going forward include rail strategy development including integrated ticketing, bus strategy and infrastructure implementation, highway schemes including strategy, implementation and maintenance, traffic management, active travel, schools transport and parking services.*

*Certain actions the authority will undertake during the development process include clarifying roles and responsibility for delivery of technical aspects of transport functions to establish an effective partnership and avoid duplication,*

---

<sup>1</sup> <http://www.cardiffcapitalregioncitydeal.wales/news.html>

*supporting Councils in any transport-related collaboration that they wish to engage in, and supporting the Joint Cabinet with transport expertise as required.*

*The authority is also actively engaging with Welsh Government and Transport for Wales on co-designing the South East Wales Metro schemes.*

*The proposed plans developed will then be put to the City Deal Cabinet of Leaders for consideration and approval.*

## **Joint Working Agreement and Assurance Framework**

11. Pinsent Masons have been appointed as Independent Legal Support to develop the Joint Working Agreement which will be the legal framework by which a Joint Cabinet is established. The Joint Working Agreement will establish the governance arrangements and outline the roles and responsibilities of the Joint Cabinet as well as the relationship with other regional bodies and organisations. It is also expected to include the principles for financial contributions by local authorities.
12. The Joint Working Agreement will also establish the City of Cardiff Council as the lead authority for the City Deal, which effectively establishes the Council as the host for the financial and administrative arrangements of the City Deal.
13. Whilst the Joint Working Agreement will enable the formation of a Joint Cabinet it is expected that a number of issues will be reserved for consideration at a later date, namely the final financial commitments and the City Deal business plan.
14. In addition, the City Deal Programme Management Office is currently developing the Assurance Framework against which projects will be assessed. The framework will build upon the recommendations of the Growth and Competitiveness Commission report.
15. Both the Joint Working Agreement and the Assurance Framework are due for consideration at the Council meeting of each participating local authority.

## Previous Scrutiny

### 3 December 2015

16. The Economy and Culture Scrutiny Committee considered an update on the City Deal at its meeting 3 December 2015. Members received a presentation giving an overview of the City Deal, examples of the benefits other cities have seen, the indicative level of funding, evaluation metrics for proposed projects and the next steps to be taken. Following the meeting, Members wrote to the Leader to raise the following points:

- Members of the Committee were conscious that the specific projects to be funded through the City Deal had not been finalised and felt it was hard to gain a comprehensive understanding of the levels of benefit to be delivered
- Members were pleased with the Gross Value Added (GVA) approach being taken; where chosen projects must demonstrate a certain level of benefit to the region.
- the Committee did not wish to see the full allocation of City Deal finance being used to fund the Metro.
- Some Members of the Committee questioned the impact that can be achieved by an indicative £1.28bn City Deal Fund given that it is spread across 10 local authorities and a 10 year programme
- Members stressed the importance of aligning Local Development Plans across the local authorities signed up to the City Deal.

17. A reply to this letter was received from the Leader on 18 February 2016, which included the following comments:

*“With regard to the issue of private delivery of the Metro, it is important to note that this is primarily a Welsh Government led initiative. Nonetheless, in taking forward the development of an improved city-region transport infrastructure it is important that we explore a range of options. As you note, strategic planning is also an integral part of the city-region development agenda, and as such it is*

*anticipated that the City Deal will involve a movement towards a more co-ordinated approach to spatial planning.*

*“It is proposed that the Cardiff City-Region City Deal will use ‘net fiscal bottom line’ as the primary objective. This essentially relates to ensuring there is GVA uplift arising from proposed projects, as well as a reduction in dependency (worklessness, etc). There will also be secondary objectives that relate to ensuring that each participating local area experiences some benefit from the City Deal investment.”*

*“Whilst the final governance structure is to be determined, the model established in Glasgow has been recommended by KPMG as an appropriate model to follow.”*

## **17 March 2016**

18. At its 17 March 2016 meeting, the Economy and Culture Scrutiny Committee considered details of the Cardiff Capital Region City Deal Agreement, which was signed by all ten local authorities involved. Members were informed of the financial breakdown of the total City Deal fund and the commitment required from different partners. Members were also informed that a number of bodies needed to be created, including:

- Cardiff Capital Business Organisation
- Cardiff Capital Region Cabinet
- Economic Growth partnership
- Independent growth & competitiveness commission

19. Following the meeting, Members wrote to the Leader to raise the following points:

- Members note that Cardiff will be required to pay an estimated £65m toward the City Deal over a 20 year period – a figure lower than was originally anticipated.
- Members note 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) but 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.

- Members consider it imperative that the City Deal Agreement is underpinned by robust governance arrangements and are mindful that developments may be required in terms of a joint or collaborative approach to scrutiny across all the local authorities involved.

20. A reply to this letter was received from the Leader on 31 May 2016, which noted that scrutiny of the City Deal will be considered as part of the development of the overall governance arrangements being developed by participating local authorities.

### **Way Forward**

21. The Leader, Councillor Phil Bale has been invited and may wish to give a statement. The Chief Executive, Paul Orders will also be in attendance to present on the City Deal and to answer Members' questions.

### **Legal Implications**

22. 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**

23. 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**

24. 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.

**Davina Fiore**

Director, Governance and Legal Services

9 January 2017