Y Pwyllgor Menter a Busnes

Lleoliad:
Ystafell Bwyllgora 3 - Senedd

Dyddiad:
Dydd Mercher, 3 Mehefin 2015

Amser:
09.15

Cynulliad Cenedlaethol Cymru
National Assembly for Wales

I gael rhagor o wybodaeth, cysylltwch â:
Gareth Price
Clerc y Pwyllgor
0300 200 6565
SeneddBusnes@Cynulliad.Cymru

Agenda - Dogfennau Ategol

Gwybodaeth a ddarparwyd gan Brifddinas-ranbarth Caerdydd

Noder bod y dogfennau a ganlyn yn ychwanegol i'r dogfennau a gyhoeddwyd yn y prif becyn Agenda ac Adroddiadau ar gyfer y cyfarfod hwn

2 Dinas-ranbarthau (09.30-10.15) (Tudalennau 1 - 47)
Cynghorydd Phil Bale, Arweinydd Cyngor Caerdydd

CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD

CABINET MEETING: 2 APRIL 2015

CITY DEAL IMPLICATIONS AND NEXT STEPS

REPORT OF DIRECTOR OF ECONOMIC DEVELOPMENT

AGENDA ITEM: 5

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

Reason for this Report

1. To provide an update on the recent work to attract a City Deal for Cardiff and to seek authority to progress towards the preparation of a formal City Deal proposal.

2. To seek authority to undertake a review of the Cardiff Business Council to ensure the approach is best aligned to deliver its city promotion remit in addition to supporting the delivery of a City Deal.

Background

3. On 18 March the Chancellor of the Exchequer announced in his Budget Statement that *'We're giving more power to Wales. We're working on a Cardiff City Deal'*. The announcement effectively moves the current discussion about a potential City Deal for Cardiff on to the next stage where the Government has now offered to begin the formal process of negotiation.

4. The announcement follows on from the decision made in the run up to the referendum on Scottish independence to award a City Deal for Glasgow. This was the first deal with a city in a devolved nation of the UK. Up until that point the opportunity had only been made available to English cities: the first round was with the 8 largest English cities outside of London, known as the Core Cities; and the second round was with the next 14 largest cities outside of London and the 6 cities with the highest recent population growth.

5. 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.

Issues

6. The process involved in getting to a final submission is resource intensive and will require participating partners to support the allocation of a number of staff and a budget for the provision of appropriate specialist advice.

7. A key factor in determining the scale and scope of City Deals has been the level of maturity of existing partnership/governance arrangements. There seems to be a clear correlation between the scale of funds negotiated and the level of local trust and co-operation that can be demonstrated to be in place.

8. In the Cardiff context, 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.

9. In all cases, the local business community has played a role in the City Deal process. In some cases local business has led the process through Local Enterprise Partnerships. The larger agreements have been led by consortia of local government, strongly supported in close partnership by the local business community.

10. The latest and largest Deals have required a significant element of local risk taking both in terms of the 'Payment by Results' approach and a requirement for local capital investment. The Payment by Results approach introduces cash-flow consequences in terms of upfront costs being locally funded in advance of any Government contribution which is dependent on agreed outcomes being achieved. For Cardiff, this will be at a time of unprecedented pressures on capital resources.

City Deals

11. The 'City Deal' process was initiated in late 2011 as part of the UK Government's broader devolution and growth agenda. City Deals provide bespoke agreements between Government and cities that seek to empower localities to drive economic growth by providing additional freedoms and resources. In return the Government has sought new local governance arrangements, which have taken a variety of forms including combined authorities, city mayors, and other forms of local government led partnerships.

12. The Government's stated aim of the City Deal programme is to devolve control to cities to:
    - Take charge and responsibility of decisions that affect their area
    - Do what they think is best to help businesses grow
    - Create economic growth
    - Decide how public money should be spent

13. A common theme in the larger deals has been a 'Payment by Results' approach. The 'Payment by Results' approach is in effect a new form of Tax Increment Finance. Tax Increment Finance is based on retaining a share of business rate uplift which is typically around 2% of total Gross Value Added (GVA[1]) uplift to pay back finance raised for infrastructure investment. A 'Payment by Results' approach provides access to a share of the total tax receipt from GVA uplift resulting from infrastructure investment which typically equates to circa 40%.

14. The development of a successful proposal relies on agreement of a set of minimum objectives for participant areas. This means that there must be a minimum guaranteed outcome for all participant areas, typically in terms of access to job opportunities. To that end, the Infrastructure Fund created by a City Deal is required to invest according to a strict set of criteria. Essentially, eligible projects are evaluated against the net economic impact they would have on the City Deal area and also the contribution they would make towards meeting the agreed minimum objectives. The crucial requirement of city leaders therefore is to set, and agree with UK Government, the 'rules' by which the Infrastructure Fund invests. In many areas this has led to a drastic change to the order of priority for capital investment, and typically it has seen transport investment focus on projects that bring people and jobs closer together.

15. Overall the effective building blocks required by local authorities to deliver a coherent City Deal proposal include:

- 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
- 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.

16. The scale of impact anticipated from some of the largest deals is significant:
- Greater Manchester's £2.75bn Transport Fund is expected to deliver up to £3.6bn in annual GVA and 37,000 jobs;
- Leeds City Region's £1.45bn Transport Fund is expected to deliver up to £2.6bn in annual GVA and 23,000 jobs;

[1] GVA measures the contribution to the economy of each individual producer, industry or sector.

- Glasgow City Region's £1.13bn fund is expected to deliver up to £2.2bn in annual GVA and 28,000 jobs.

17. Greater Manchester's latest agreement has introduced some new and innovative opportunities including the potential to share in 'bottom-line' savings such as savings to the current circa £20bn per annum dependency costs by helping more people back to work.

Governance Arrangements

18. Effective local partnership/governance arrangements are at the heart of successful City Deals and will determine the extent to which Government is prepared to invest in a locality. The deals agreed by Government to date have been based on a variety of approaches reflecting local circumstances. The largest deals have clearly been achieved where the strongest local partnership arrangements exist and in most cases these have been local authority led. That is the case for both Greater Manchester and West Yorkshire, the largest of the City Deals in England, and is the case for Glasgow.

19. As part of the recent work undertaken by the Council's Specialist Advisors a review of partnership arrangements involved in existing City Deals has been provided as the basis for considering an appropriate model for Cardiff. This work is attached as Appendix 1.

20. In all cases, the private sector has had an important role to play. Inherently, local business is at the heart of the concept of a City Deal. City Deals are intended to grow the local economy, to increase GVA, by providing the infrastructure for business to flourish. It is therefore imperative to engage with local business in shaping priorities and supporting delivery. More to the point, the public sector funding provided to deliver key infrastructure projects will always require significant private sector investment.

Next Steps

21. The Council has procured specialist advice to develop an initial high-level proposal for a City Deal, a current draft of which is attached at Appendix 2. At this stage in the process there is no description of projects, as full analysis of economic impact will need to be undertaken before projects are properly identified and prioritised. Instead the focus is on a number of key areas for investment such as transport, housing, regeneration, skills and energy. Transport in particular has been a central theme of most City Deals to date.

22. The potential scale of the deal will rely on many factors including the extent of match funding contributions available from local sources and the appetite for taking risk. In terms of potential, based on a pro-rata calculation of the Glasgow deal, to achieve the same percentage of GVA uplift (5%) it would require an infrastructure fund in the region of £800m. Again, more detail is provided in Appendix 2.

23. Following the recent announcement by UK Government Cardiff now needs to put in place appropriate arrangements to enable a successful bid for City Deal funding to be delivered. with the Leader recently hosted a meeting with the local authority Leaders and Chief Executives of South East Wales to share the initial work undertaken by the Council's Specialist Advisors. Discussions have also taken place with Welsh Government and with UK Government. The intention is to arrange a further meeting with surrounding authorities to establish which authorities wish to be part of the initial bid to Central Government.

24. An outline proposal will be submitted to the UK Government following the General Election that will provide a high-level case for Cardiff, outlining the key aims and objectives of the Deal, and an initial summary of proposed governance arrangements. This will represent only the start of a detailed process that is likely to take up to 12 months to complete. It will require a significant level of technical expertise in developing appropriate economic modelling tools by which projects and programmes can be prioritised. The Council's Specialist Advisors have provided an outline 'Gateway Process', similar to that used by other agreed Deals, to drive the process and secure agreement at key milestones.

25. Gateway 1 involves:
- Agree the types of investments/sectors for inclusion in Infrastructure Fund/City Growth Deal plus interventions aimed at dependency reduction.
- Agree objectives (including programme minima) and metrics for appraising performance of investments/interventions.
- Sign-off on economic modelling approach to be used.
- Begin to develop proposed governance and joint working arrangements.
- Agree instructions for working up individual investments/ interventions.
- Define local funding sources 'in play' (but not decisions on the level).

26. Gateway 2 involves:
- Test/demonstrate economic modelling suite and sign-off that it is fit for purpose.
- Initial sift of long list and sign-off on medium list of investments/interventions.
- Agree funding scenarios to be developed.
- Engage with potential partners and government on scale of contribution / funding devolution available and scope for Payment by Results (PbR).

27. Gateway 3 involves:
- Present prioritisation of schemes against lead metric on a net cost basis (e.g. including match funding and other offers).
- Refine package to ensure that programme minima are delivered at each funding scenario.
- Iterate with potential funders and government on co-funding/devolution propositions and PbR options.

28. Gateway 4 involves:
- Present final shortlist of 'compliant' funding scenarios –i.e. those that maximise the lead metric and deliver the minima.
- Decisions on which scenario to be taken forward as final Fund/City Growth Deal proposition based on degree of local funding commitment.
- Decisions on the necessary delivery governance reforms (if applicable).

29. Further details on this process are provided in Appendix 2.

30. Undertaking the work to develop a detailed City Deal proposal will require resources both in terms of the cost of procuring external and independent expertise as well as staff time from participating authorities.

Partnership Implications

31. Local businesses have played an important role in the development of City Deal proposals across England and in Glasgow. The same will be required for Cardiff. At present the Cardiff Business Council provides the principal interface between the Council and the local business community.

32. Cardiff Business Council was established in 2012 as a wholly owned arms-length company of the Council. The Directors of the company are senior officers of the Council and the private sector representation is provided by an Advisory Board. The Advisory Board has no legal status or authority to act on behalf of the company and responsibility for the Council's annual budget allocation to the Cardiff Business Council rests wholly with the Directors of the company.

33. An Interim Advisory Board was appointed in July 2013 with the intention of formal appointments being made through elections in March 2016. The Advisory Board was established with a fairly narrow scope in terms of its area of operation; its primary role is to promote Cardiff as a destination for business and tourism. As such it is made up of representatives from local businesses and sectors with expertise and experience to support this remit. The development of a detailed City Deal proposal for Cardiff will require a strong partnership between Welsh Government, the participating authorities and a broader range of local businesses. The Council therefore intends to engage with key stakeholders and bring forward a review of the current Cardiff Business Council model to ensure it is fit for purpose to support this wider remit.

34. The Council also intends to consider the formal appointment of the Advisory Board, which is currently operating on an interim basis, as part of this review. Implementing these changes early in the City Deal process is anticipated to help avoid disruption in the lead up to March 2016, which could be a crucial point in the City Deal negotiation process; it will enable those involved in the development of the proposal to also have a role in the delivery phase - which should energise their engagement; and it will enable a broader range of representation to deal with the dual role of

continuing the marketing and promotion momentum alongside the new work that will be required to deliver a City Deal.

Scope of the Review

35. Given the nature and complexity of the City Deal process, and the need to maintain the city promotion momentum established by the company, the review will at least need to cover the following issues:

- Ownership arrangements
- Legal structure and operational framework
- Leadership and Board Member representation
- Membership
- Geographically coverage
- Welsh Government / surrounding local authority involvement
- Partnership arrangements
- Funding arrangements

36. It is intended that the review will commence immediately and will aim to be concluded shortly after the general election to enable the business community to play a full and active role in the City Deal bidding process. During this period of review the Council will ask the existing interim Advisory Board Members to continue in their positions.

Reasons for Recommendations

37. To provide an update on the recent work to attract a City Deal for Cardiff and to seek authority to progress towards the preparation of a formal proposal.

38. In light of the City Deal announcement to seek authority to undertake a review of Cardiff Business Council to ensure the approach is best aligned to support the delivery of a City Deal and provides a sustainable model for business engagement moving forward.

Legal Implications

39. The report sets out the opportunities for Cardiff which exist in developing a City Deal together with the risks and potential costs associated with such enterprise.

40. All decisions taken by or on behalf of the Council must:
    - Be within the legal powers of the Council and of the body or person exercising powers on behalf of the Council.
    - Comply with any procedural requirement imposed by law.
    - Be undertaken in accordance with procedural requirements imposed by the Council e.g. Council procedure rules.
    - Be fully and properly informed.
    - Be properly motivated (i.e. for an appropriate, good and relevant reason).

- Be taken having regard to the Council's fiduciary duty to its tax payers as elected members are trustees of the public interest and of its statutory purposes for which public powers are conferred on them. This general duty requires the Council to act prudently and in good faith in the interests of those to whom the duty is owed.
- Otherwise be reasonable and proper in all the circumstances.

41. Accordingly, the report seeks to set out certain actions which will be adopted to manage the risks and provide appropriate support to develop a City Deal proposal in an appropriate and robust manner. It will however be important to keep under the review those and any new risks which may present themselves as well as the effectiveness of the proposed measures to minimise and manage the risks.

42. It is appropriate from time to time for any authority to review the suitability of the structure, governance and systems of any organisation which it engages in the performance of services or the delivery of projects, to ensure that such structure, governance and systems are fit for purpose and do not create unnecessary risks for the authority, services or project. This is particularly the case where it owns or has any other direct interest in that organisation, as ownership and other interests:

    a. can generate additional risks to the authority; and
    b. will also usually enable greater access for the authority to information and data through which testing of such matters can be carried out more extensively.

Financial Implications

43. The Chancellor of the Exchequer in his Budget Statement set out that the government is "working on a Cardiff City Deal". The development of a City Deal would create significant opportunities to materially increase and improve the infrastructure of the City. The City Deal could also attract both private and public sector support and consultants KPMG have suggested that the total proposal could be in the region of £800 million to £1 billion. However, the fund value will be subject to agreement with the UK Government, Welsh Government and Local Authorities.

44. The report also sets out that the costs of developing the proposal would be significant and are at risk. An approach involving four gateways or break point is suggested with consultancy and internal resources required for each of these gateways. Clarity is required in respect of the costs to be incurred at each of these gateways and a budget will need to be identified from within existing resources or separately reported and agreed before this activity can commence.

45. As the gateways progress not only would the revenue costs of developing the proposal increase but also the emerging level of commitment and risk that the Council and its partners would be entering into. Whilst the Budget Report recognised that cities are the centre of economic activity and social change and therefore identified the opportunities afforded in progressing this initiative it also identified that

the challenges in doing this given the severe financial constraints on the Council.

46. The Payments by Results approach identified in this report means that a substantial element of the funding would need to come from the Council. In addition it is understood that the model places a significant element of the funding provided by government at risk until the key outcomes set out within the proposal have been evidenced as occurring and this means that there would be further material cash flow implications upon the Council. A factor in understanding the extent of the Council's potential exposure is dependent upon the role and support of councils across South East Wales together with Welsh Government however this position will require further negotiation.

47. The 2015/16 Budget Report set out the Capital Programme budget for the period from 2015/16 with indicative budgets up until 2019/20. Whilst some elements of infrastructure are included, for example an allocation in respect of the Central Square Bus Station, the progression of the City Deal would require further allocations from the Council in respect of its contribution to infrastructure funding.

48. The Budget Report also set out the Council's position in respect of the Medium Term Financial Plan for the period 2016/17 to 2018/19 which identified a budget gap of £120.114 million of which £51.099 million was in respect of 2016/17. These figures are dynamic and will be updated as part of the 2016/17 Budget Strategy Report which Cabinet and Council will consider in July. However the reality is that the Council's decreasing revenue base, alongside the increasing amount of unsupported borrowing the Council is entering into means that the net ratio of capital financing costs expressed as a percentage of controllable budget is already forecast to increase by 67.85% during the period 2011/12 to 2019/20.

49. Paragraph 383 of the Budget Report following consideration of the local affordability indicators identified that:

" the Council's financial position across the life of the Medium Term Financial Plan and identifies both the challenges ahead and the radical nature of the actions required. Council-wide solutions across this time frame will need to be holistic and could include consideration of both revenue and capital spend, therefore whilst approving the Capital Programme for the period up until 2019/20 Cabinet should be aware that the later years of the Programme, together with the entering into material commitments in respect of these later years, will be subject to an ongoing review of the Council's financial standing and resilience."

This statement underlines the difficulty of the Council contributing risk capital to the Deal at present. It is therefore suggested that the ability of the Council to financially contribute risk capital is resolved at Gateway One, as this identifies, although it does not commit, the local funding sources being considered. This consideration will need to be taken at a holistic Council level and will need to integrate with both the emerging financial resilience of the Council's and its budget strategy for 2016/17 and the medium term.

50. Lastly the report also refers to delegating authority to undertake a review of the model. It should be noted that the Council's budget for 2015/16 included a reduction of £160,000 to the previous £500k budget contribution made to the Cardiff Business Council and therefore any review should be considered within this context.

RECOMMENDATIONS

The Cabinet is recommended to:

(1) Approve that 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) Agree that 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) Delegate Authority 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.

NEIL HANRATTY
DIRECTOR
31 March 2015

The following appendices are attached:

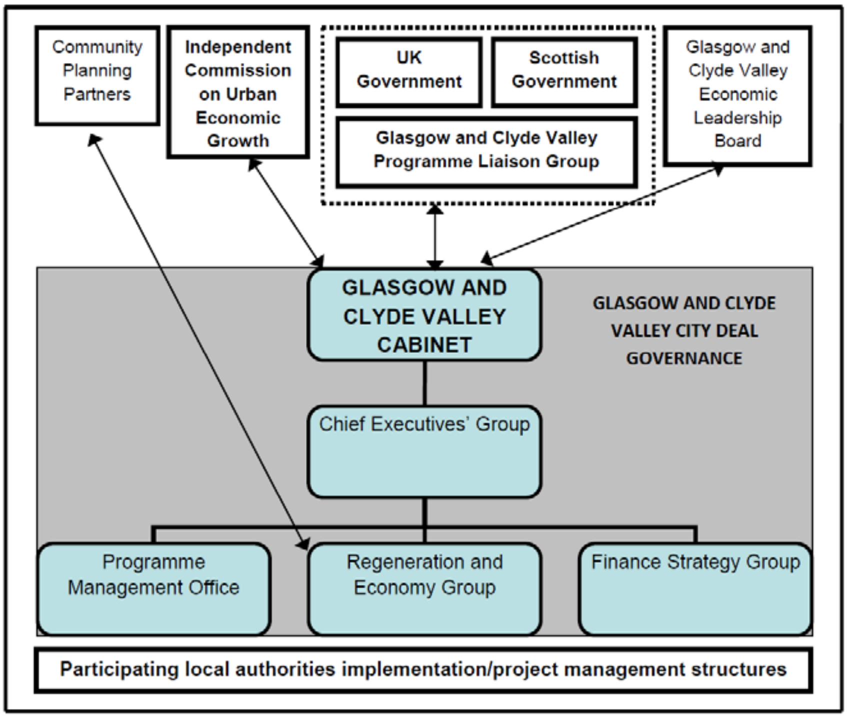
Appendix 1: City Deal Governance - Summary Overview of Largest City Deals Arrangements
Appendix 2: Draft Initial City Deal Proposal

Appendix 1: City Deal Governance

Summary Overview of Largest City Deals Arrangements

- The largest City Deals are led by a consortium of Local Authorities.
- The Combined Authority approach has been adopted by West Yorkshire and Greater Manchester, each building on current structures.
- For West Yorkshire they undertook a review of four options, namely:
    - A combined authority.
    - An economic prosperity board
    - Strengthening existing governance arrangements
    - Status quo/do nothing

  Details on these are given below – but essentially the Combined Authority approach provided a single accountable body able to take strategic decisions.
- Cardiff Council's City Deal Specialist Advisors consider that a Combined Authority is not the pre-requisite for a City Deal, citing Glasgow's approach. The key point is that governance is needed to enable decisions to be made, and that any appropriate vehicle that can do this can help to take the project forward.
- In Glasgow a 'Joint Cabinet' has been established, and this is what Cardiff Council's City Deal Specialist Advisors consider as a potential alternative to the Combined Authority route. A diagram representing this is presented below.



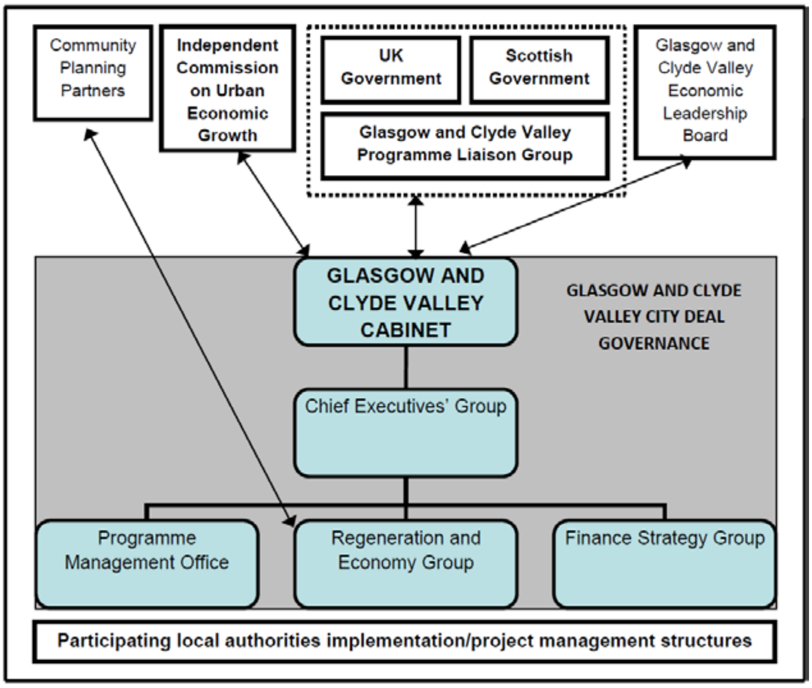
- Further details, taken from the City Deal documents and other published documents are outlined below, taken from the initial published City Deal submissions. Glasgow is again a good example and the text outlines how their 'Joint Cabinet' approach has been developed.

Glasgow

The information below is taken from the “Glasgow and Clyde Valley City Deal” consultation document.

Governance arrangements will be driven by a newly established Glasgow and Clyde Valley Cabinet. Supporting this decision making body will be: a Chief Executives’ Group; Finance Strategy Group; Regeneration and Economy Group; the independent Commission on Urban Growth (discussed above); and the Glasgow and Clyde Valley Economic Leadership Board. A City Deal Programme Management Office will also provide critical capacity and expertise to ensure the City Deal is delivered. Representatives from Department for Work and Pensions and Jobcentre Plus will be invited to join, and play an active role, in governance that relates to the delivery of the labour market programmes in this City Deal. These arrangements will build on the existing Community Planning Partnership and Glasgow Economic Leadership Board and will provide a greater focus to the remit and practices of both groups going forward.

City Deal Governance Arrangements and its interaction with: the UK Government; Scottish Government; private sector and Commission on Urban Economic Growth



The Glasgow and Clyde Valley Cabinet is the ultimate decision making body in the governance structure. It is responsible to the UK and Scottish Governments and will act in the joint interests of the eight participating local authorities across Glasgow and the Clyde Valley. The eight full members will operate on a one member, one vote basis. For the Infrastructure Fund, voting will apply to all members with approved infrastructure projects. A partnership agreement will be drawn up between the parties setting out the decision making and arbitration processes in detail.

The members of the Glasgow and Clyde Valley Cabinet are the Leaders of the participating local authorities and the Chair of the Cabinet (which will be the Leader of Glasgow City Council). The Chair of the Cabinet will act, where necessary, as the point of contact for both the UK Government and Scottish Government Ministers with regard to the implementation and management of this City Deal. The Cabinet will meet quarterly and will make strategic decisions regarding all aspects of the Glasgow and Clyde Valley City Deal.

Working together the Chief Executives’ Group will take operational responsibility individually (for activity within their local authority area) and collectively across Glasgow and Clyde Valley. The Chief Executives will meet in advance of the Leaders to propose a programme of work for the Leaders and they will individually prepare briefings for their own Leaders.

The Finance Strategy Group will be chaired by one of the Chief Executives and will be made up of senior finance specialists from the eight local authorities. This group will focus primarily on the strategic finance aspects of the Glasgow and Clyde Valley Infrastructure Fund. The programme of work will include, but is not be restricted to:

- Advice and research on long term borrowing and negotiation with lenders.
- Development of standard control and reporting templates.

- Development of modelling system for monitoring programme implementation and financial profiles.

The Regeneration and Economy Group will be chaired by one of the Chief Executives and will provide strategic guidance to both the Glasgow and Clyde Valley Cabinet and individual local authorities with regard to the implementation of the investment programme that flows from the Glasgow and Clyde Valley Infrastructure Fund. It is intended that the work of the Regeneration and Economy Group ensures the maximum leverage from the capital investment in terms of new employment opportunities, community benefits and sustainable design. Local authorities will draw on the highly successful 2014 Commonwealth Games legacy structures in the design of this group. This group will replace the current Clyde Valley Community Planning Partnership Officers Group, providing a renewed focus for integrating service delivery across partners.

The Commission on Urban Economic Growth will be established to monitor and verify the impacts of the investment programme, at a regional and national level, that flows from the Glasgow and Clyde Valley Infrastructure Fund. The proposal is that the Commission is chaired by an independent expert in the field of economics, with members nominated by the UK Government, the Scottish Government and the Glasgow and Clyde Valley Cabinet. Glasgow and Clyde Valley will set out detailed proposals on the operation of the Commission by November 2014. In support of the Cabinet a Glasgow and Clyde Valley Economic Leadership Board will also be established. The current Glasgow Economic Leadership will be recast to have a region wide remit and makeup, to provide links to industry. This will assist in the maximisation of the benefits of the investment programme that flows from the Glasgow and Clyde Valley Infrastructure Fund.

Programme Management Office - As part of Glasgow and Clyde Valley's Governance arrangements a City Deal Programme Management Office will be established in Glasgow City Council. This Programme Management Office will act as both secretariat to the Glasgow and Clyde Valley Cabinet and will act as the central point for appraisal and monitoring of all aspects of the City Deal. The key responsibilities of the Programme Management Office will be:

- Organisation of meetings of the Glasgow and Clyde Valley Cabinet and Chief Executives' Group, preparation of agendas and recording the decision making process.
- Acting as first point of contact for UK and Scottish Governments.
- Preparing reports for the UK and Scottish Governments on City Deal delivery, for use by the Glasgow and Clyde Valley Programme Liaison Group.
- Conducting the appraisal of new and substitute schemes in the investment programme for the Glasgow and Clyde Valley Infrastructure Fund.
- Working with individual local authorities to assist the implementation of projects.
- Analysis and reporting on: progress; impact; and wider benefits realisation.
- Liaison and co-ordination of programmes with other regional partners.

In addition, the Programme Management Office will be empowered with "step-in rights" by Glasgow and Clyde Valley Cabinet when delivery of any City Deal project or programme is at risk. These "step-in rights" will enable the Programme Management Office to undertake a detailed analysis of a project or programme and recommend a series of mitigating actions to the Glasgow and Clyde Valley Cabinet.

UK and Scottish Governments supporting City Deal Implementation - To support the implementation of the Glasgow and Clyde Valley City Deal the UK Government, Scottish Government and Glasgow and Clyde Valley will establish complementary tripartite City Deal implementation arrangements. These arrangements will:

- Facilitate joint working between Glasgow and Clyde Valley, UK and Scottish Government.
- Provide a mechanism to ensure that Glasgow and Clyde Valley, UK Government and the Scottish Government are meeting their commitments in this City Deal and associated implementation.
- Enable all partners to challenge if City Deal delivery is not on track and agree mitigating actions.
- Provide a forum to highlight successes.
- Ensure funding provided as part of this City Deal is being drawn down and spent according to agreed funding profiles.

This Programme Liaison Group will comprise the Senior Responsible Officer for each element of the City Deal, a representative from the Scottish Government and a representative from the UK Government Cities and Local Growth Unit. Officials will meet on a quarterly basis and will review progress on City Deal implementation. The Glasgow and Clyde Valley Programme Management Office will provide the Group with a copy of the Glasgow and Clyde Valley Cabinet's quarterly performance report that will:

- Highlight City Deal successes.
- Provide a performance narrative for each element of the City Deal.
- Provide information on outputs and outcomes agreed.
- Identify mitigating actions for projects that are not being delivered to agreed timescales.

The UK Government will work with Glasgow and Clyde Valley to agree a timetable for the production of these reports and will take the lead in convening the Glasgow and Clyde Valley Programme Liaison Group.

Source: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/346278/Glasgow_Clyde_Valley_City_Deal.pdf

Manchester Governance

The information below is taken from the "Greater Manchester City Deal" document.

Greater Manchester's City Deal governance is based on establishment of the Greater Manchester Combined Authority in April 2011. This body has powers in its own right, so is not dependent on delegations from its constituent authorities, and decisions to pursue a particular policy are binding, providing long-term stability. This provided the platform for Government to devolve powers and functions as part of the City Deal process.

The Local Enterprise Partnership (LEP) is a key component of Greater Manchester's governance arrangements. Building on existing public and private partnerships, it provides a forum to have a single conversation with business leaders, enabling them to play an even more active role in securing economic growth. Political leadership is secured through the Combined Authority and decisions are cleared by the LEP.

The Combined Authority is the accountable body for LEP funding, as opposed to having to nominate a local authority to take on this role, as is the case in other LEP areas. This provides coherence and a truly joined-up approach across all ten local authorities.

The Combined Authority model has joint governance arrangements for transport, economic development and regeneration, which allow for strategic prioritisation across the functional economic area. Sub-groups lead on different work-strands, with relevant partners represented on the Boards. Furthermore, the establishment of Transport for Greater Manchester facilitated much greater integration and closer working relationships with the Highways Agency and the ten local authorities on the operation and development of the road network.

Background on Greater Manchester's governance: the Association of Greater Manchester Authorities was created in 1986 as a voluntary association to represent the 10 Greater Manchester local authorities. In 2008, a new legal framework was introduced to better manage strategic development and pooled financial resources. The Executive Board became the focus for coordinating economic development, transport, planning and housing policies, with the support of seven Commissions. In 2009 the city agreement was signed which included: Government endorsement for the Greater Manchester Strategy; a statutory Employment and Skills Board; a single revenue pot for post-16 skills provision in Greater Manchester; and a commitment from Government to examine how transport powers could be devolved to Greater Manchester consistent with TfL, subject to the agreement on new governance arrangements.

Source: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/221014/Greater-Manchester-City-Deal-final_0.pdf

West Yorkshire Governance

The information below is taken from the "Proposal to establish a combined authority for the area of West Yorkshire" consultation document.

The "City Deal" that was agreed with Government in 2012 was designed to help realise these targets as well as improving skills, exports, transport and other infrastructure thus allowing West Yorkshire and the "Leeds City Region Local Enterprise Partnership" area to realise its full economic potential. However, the disparate governance structures presented a challenge to the delivery of this. Accordingly, a review of governance considered four governance options for West Yorkshire. The conclusions of these are as follows:

- **Status quo/do nothing.** Although the current governance arrangements have proved to be durable, this option was discounted on the basis that, as there is no single accountable body able to take strategic decisions, relevant transport and economic development functions would remain fragmented. This fragmentation results in delays in making key decisions as each individual authority has to authorise decisions before they can be implemented. This process is seen as complex and cumbersome.
- **Strengthening existing governance arrangements.** This option was discounted on the basis that, whilst some of the issues arising from fragmentation could be partially addressed by putting more formalised partnership arrangements such as a Joint Committee in place, this would add rather than remove another tier of decision making. Constituent members are limited in what functions, duties and powers they can delegate to a Joint Committee and where key decisions are needed, they would have to be referred back to the districts to be authorised, again causing a delay in key decision making.
- **An economic prosperity board.** This was discounted on the basis that, whilst, as a body corporate it would have a legal personality and be able to take on devolved powers and funding relating to strategic economic development and regeneration, it would not align strategic transport, economic development and regeneration as decisions in relation to transport would continue to be made by the West Yorkshire Integrated Transport Authority.
- **A combined authority.** This was deemed to be the optimal model for improving economic conditions across West Yorkshire. As a body corporate with legal personality and powers in its own right, a combined authority would be well placed to align decision making in relation to both economic development, regeneration and transport across the functional economic area, removing the fragmentation and delay that currently exists. It will provide a visible, stable mechanism for long term strategic decision making to drive greater economic growth.

The councils' governance review concluded that the establishment of a combined authority for West Yorkshire was the optimal solution to address the issues of fragmentation and lack of integrated decision making that can cause the type of delays that the review highlighted. For example, bringing together functional responsibility for strategic transport, economic development and regeneration, the members of the combined authority can take decisions jointly in relation to the whole of the West Yorkshire area without having to return to the five individual councils to have these decisions ratified. In addition, by bringing together local authority leaders and the chairman of the "Leeds City Region Local Enterprise Partnership" the combined authority will allow the public and private sector to work together to deliver the "Leeds City Region Plan" maximising jobs and investment to realise their shared ambition for economic growth in West Yorkshire.

Constitution - The combined authority is made up of ten members in total. Eight of these members are elected members from the five constituent councils, Bradford, Calderdale, Kirklees, Leeds and Wakefield. The five constituent councils each appoint a minimum of one of its elected members to the combined authority, with the remaining three members appointed by the constituent councils to reflect the political balance amongst the authorities, as far as this is practicable. In addition to the eight members from the constituent councils, the City of York Council appointed one of its members to be a non-constituent council member of the combined authority. The "Leeds City Region Local Enterprise Partnership" also nominated one of its members to be a member of the combined authority. The Chair of the Combined Authority is Wakefield Council Leader Cllr Peter Box, Deputy Chair is Cllr Tim Swift Calderdale Council

Voting - The constituent council members of the combined authority have one vote each and decisions would be reached by a simple majority of the members of the authority present and voting. Members from the non-constituent council and Local Enterprise Partnership are non-voting members but are given voting rights on certain issues should the constituent council members of the combined authority resolve to grant these.

Funding - The costs of the combined authority in relation to the exercise of its economic development and regeneration functions and all start-up costs are met by the constituent authorities. These costs are apportioned in such proportions as the constituent councils may agree and in default of agreement on a per capita basis. In relation to costs attributable to its transport functions the combined authority will issue a levy to the constituent authorities apportioned on a per capita basis.

Source: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/255924/West_Yorks_consultation_final.pdf

Cardiff Council
City Deal Prospectus
February 2015

A City Deal for Cardiff City Region

Purpose of this paper

This paper has been prepared by KPMG working with Cardiff Council as a briefing note for potential local partners and central government. It sets out the history of City Deals in the UK, and then applies these concepts to Cardiff City Region. This represents a significant opportunity for Cardiff City Region in terms its ability to prioritise investment in order to deliver improved economic and fiscal outcomes for the people of South East Wales.

Background

1. Cardiff City Region (CCR) is looking to secure the first City Deal and Infrastructure Fund in Wales.
2. The English 'City Deal' process was initiated in late 2011 as part of the UK Government's broader devolution and growth agenda. These City Deals are bespoke agreements between government and city regions that seek to empower local areas to drive economic growth by providing them with additional freedoms and resources.
3. This process was later extended to Scotland when Glasgow became the first (and to-date only) non-English city to secure a City Deal in August 2014.
4. Four of these deals (Greater Manchester, West Yorkshire, Glasgow, and Greater Cambridge) go further than the rest in their ability to generate economic growth through the establishment of full scale city region infrastructure funds. These Fund based City Deals have a number of common features:
   - Economically-focused infrastructure investment where money is targeted at maximising net economic growth (jobs and productivity) at the city region level;
   - An approach to programme design that ensures the fund delivers balance in terms of improved economic opportunities across the city region and in terms of disadvantaged communities;
   - Investment at a scale that can make a real difference to a City Region's growth path;
   - A significant degree of local 'self-help' funding in terms of the overall cost of the fund;
   - Payment-by-Results (PbR) mechanisms which links additional central funding to the delivery of additional national growth and thus tax receipts. This means in addition to committed local 'self-help' funding there is also local risk if the investment delivers an insufficient contribution to national growth; and
   - Gateways at five yearly intervals with independent expert assessments of performance as part of the PbR approach, with the first gateway focused on programme delivery (outputs), and the subsequent gateways being more focused on the demonstration of additional growth and thus fiscal benefits at the national level (outcomes).
5. The scale of the impacts these Infrastructure Funds are expected to have on their city region economies is significant:

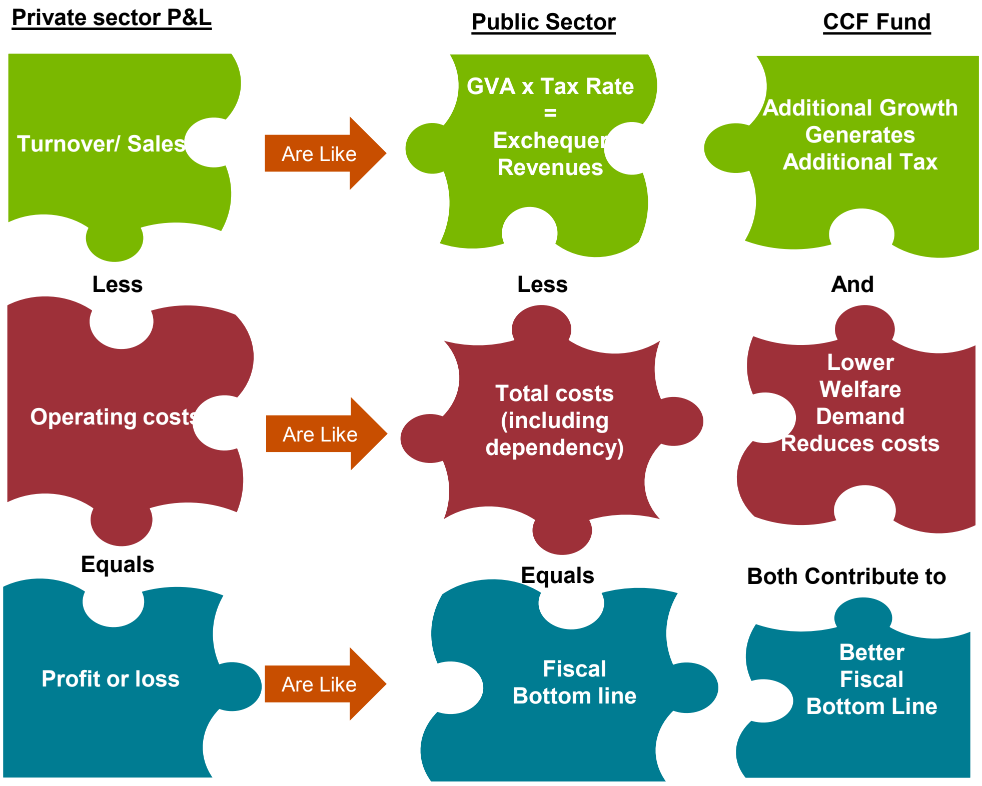
- Greater Manchester's £2.75bn Transport Fund is expected to deliver up to £3.6bn in annual GVA and 37,000 jobs (an increase in city region annual GVA of 1.3 per £ invested);
- Leeds City Region's £1.45bn Transport Fund is expected to deliver up to £2.6bn in GVA p.a. and 23,000 jobs (a GVA return of 1.8/£);
- Glasgow City Region's £1.13bn Fund (which incorporates all types of economic infrastructure) is expected to deliver up to £2.2bn in GVA p.a. and 28,000 jobs (a GVA return of 2.0/£).

Examples of the types of projects included in these funds can be found in the Appendix.

<u>A bespoke Infrastructure Fund deal for CCR</u>

6. Based on the ratios achieved by other infrastructure funds, the Cardiff City Region could expect to achieve a 5% GVA uplift with a fund size of around £0.8-£1.0bn, which would be comparable, relative to the size of the city region economy, to the Glasgow infrastructure fund deal.

7. CCR, however, wants to take the infrastructure fund approach to a new level, and by so-doing make it even more relevant to the unique circumstances of the city region economy, and make a greater national contribution. To date all funds have targeted growth and thus tax. The CCR fund would deliver more locally and nationally by targeting the fiscal "bottom line". This means targeting both growth and reductions in public expenditure through reduced dependency costs. The fund, like that in Glasgow would prioritise capital investment across Transport, Housing, Regeneration, and Energy, but would do so against a "bottom line" metric that recognised all the ways the CCR can make a fiscal contribution.



8. Not every city region has what it takes to rise to the challenge of establishing an economically-focused infrastructure fund – to date there have been only four deals of this sort across the UK, all of which involve local self-help and risk taking. The CCR authorities believe that in the context of the right deal, which delivers genuine local additionality and balance in terms of improved economic opportunities across all the partner authorities contributing financially and bearing risks, the CCR can be added to this list.

Economic context

9. The Cardiff City Region, with a GVA of approximately £25bn and a population of 1.5m accounts for 51% of the Welsh economy. It is a single economic region that is important to the UK economically. However it also has amongst the highest levels of benefit dependency in the UK which is why the CCR focus differs to some of those that have gone before.
10. Targeting the 'bottom line' is particularly relevant in a CCR context. South Wales was one of 4 areas in Britain given the original version of Assisted Area Status in 1934. Of the four areas, only South Wales retains this status. For the next round of EU regional policy (2014-2020), West Wales and the Valleys has been designated as a 'Tier 1' area (also referred to as an 'a' area), the criteria for which is GDP per capita below 75% of the EU average. The only other area in the UK with this status is Cornwall; the Cardiff City Region encompasses 35% of the UK's remaining Tier 1 population.
11. The CCR has untapped economic potential that can only be unlocked with a carefully targeted programme of locally led investment and reform that goes a long way beyond 'business-as-usual'.
12. Under business as usual, South Wales has been the largest and longest recipient of the State Aid, regeneration spending, and welfare initiatives available under 'a' area (Tier 1) status. Over the last decade, there have been some bright spots – e.g. in terms of strong job and population growth in the city centre – but a new approach to better target investment delivering growth at the city region level is required if dependency levels are to be addressed and productivity enhanced. In practise this means a combination of: devolved, growth focused investment decision making, supported by an objective and analytical assessment framework; and investing at the kind of scale that can make a real difference.
13. Realising more of CCR's economic potential would not only mean better employment and income prospects across the 10 city region authorities, it would generate additional tax receipts for both the Welsh and UK Governments and reduce UK dependency costs that are today in the region of £4bn pa. There is a very significant prize to play for in the development of a city deal.
14. Both aspects of the strategy – growth and reduced dependency – translate into fiscal dividends for the Welsh and UK Governments. The first call on these dividends should be the costs of the initial investment necessary to generate them.
15. Reflecting this, the CCR authorities wish to explore a City Deal that delivers a 10 year plus programme of additional economically-focused infrastructure investment to be partly paid for out of the additional tax and dependency cost savings it generates for the two Governments.
16. This is an ambitious and demanding agenda. It is also one that involves risk, since inevitably the investment comes before the fiscal dividends, which are uncertain in both quantum and timing. It is recognised that a meaningful proportion of these risks must be

borne locally if CCR incentives are to be aligned with the national fiscal imperative and there is to be a deal that works for the two Governments.

17. In order to manage the risks across the partners within the CCR, mission appropriate governance structures will be established that support the delivery of the desired outcomes. They will be built upon the range of initiatives already underway including the meetings between the 10 local authority leaders that are in place and the equivalents for the transport, economic, development and energy directorates. These structures will be designed to be flexible and responsive but CCR is not hung up on the final legal form, which is considered secondary.
18. In practise this means that, as with last year's Glasgow City Region deal, there will need to be some form of Payment-by-Results (PbR) mechanism under which payments from the two Governments would be contingent on delivery of additional fiscal value by the CCR partner authorities.

Summary of CCR's City Deal Proposition

19. Cardiff City Region wishes to establish a City Deal and an associated Infrastructure Fund that targets a complete picture of economic returns – this differs to the deals seen to date because it focusses on the net fiscal bottom line rather than pure economic growth;
20. Cardiff's economic context presents an opportunity to target the fiscal bottom line because this is likely to offer a better long term solution for addressing deprivation and economic balance across the functional economic geography than growth targets alone;
21. A payment by Results (PbR) deal is likely to be part of any deal operating at the necessary scale, alongside self-help and European funding where it can be shown that genuinely new local funding has generated economic returns in the form of growth or dependency savings;
22. Targeting the fiscal bottom line will require a new analytical framework beyond that which has been developed elsewhere. CCR recognises the challenge that this represents but also the prize being played for;
23. This sort of deal will require a three-way agreement with the Welsh and UK Governments. This prospectus is designed to start the conversation about how this would work.

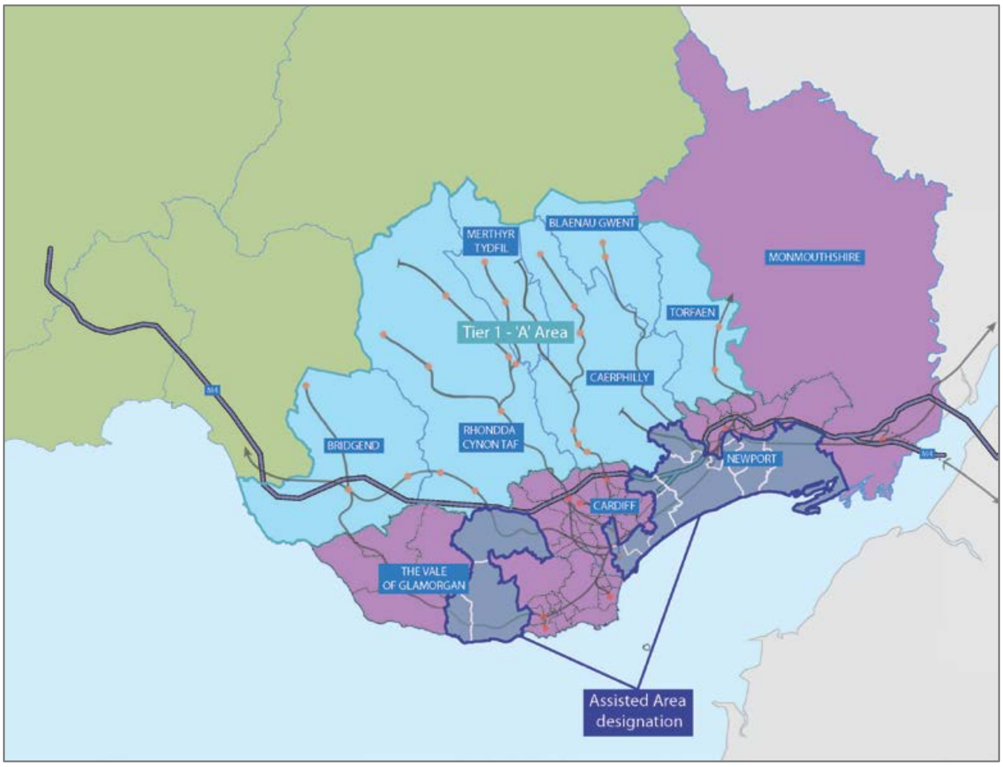
Relative performance and the role of infrastructure

24. GVA per capita in Wales is now the lowest in the UK.[1] Productivity (as measured by GVA per job) is also the lowest in the UK.[2]
25. These figures underline the scale of the untapped potential and the need for a new approach to improving the overall economic outcomes in Wales, one where every £ invested is objectively targeted towards economic returns based on analytical evidence.
26. Over the past decade Cardiff city centre has been the main source of new private sector jobs in the city region.[3] The Cardiff population has grown rapidly over the last decade – faster than any UK city – and has the potential to increase by a further 26% by 2034[4] (this figure is 9% when the wider city region is taken into account) but will only realise this

[1] ONS, as cited in 'A Metro for Wales' Capital City Region' report, Institute of Welsh Affairs (2011).
[2] ONS GVA per job (Sept 2013 release) shows that Welsh GVA per job is 81.1% of the UK average.
[3] 'Cardiff: Liveable City Report' (2014)
[4] Welsh Government population projections

potential where the barriers to growth in relation to transport, housing, energy and skills are addressed.

27. This is good news for South East Wales; clearly Cardiff represents a city that continues to attract new people and businesses. Cardiff City Region is therefore well-placed to lead economic growth across South Wales.
28. The increased attractiveness of Cardiff as a place to do business is reflected in regional commuting patterns. Inward commuting from the city region into the city centre is on the rise: according to the 2011 Census, 41% of Cardiff's workers commuted in from elsewhere, up from 37% in 2001. Proposals to develop the M4 will make Cardiff even more accessible; the local network will need to be enhanced in order to handle the influx of commuters.
29. The increased population and widening commuter patterns will place even greater strain on existing infrastructure including transport, housing and energy. Jobs growth will also be required to keep pace with the influx of population. This is of particular issue for the wider city region, where job numbers contracted by 3.6% between 2004 and 2013 (jobs in the city centre, on the other hand, increased by 3.1% over the same time period).[5]
30. Transport will need to play a key role in linking deprived areas in the tier 1 hinterland to the opportunities in the city and along the coast and will undoubtedly form a key part of the proposed Infrastructure Fund, although it is important to stress that the actual mix of schemes will depend on the outcome of a rigorous prioritisation exercise.



31. A City Deal and Infrastructure Fund offers a mechanism to help the Cardiff City Region begin to unlock its growth potential through targeted investment. Without this type of investment, infrastructure bottlenecks (e.g. in transport and housing) created by population growth and increased commuting, along with skills gaps, will stifle the region's economic growth and leave the potential represented by the 'Tier 1' and 'Assisted' areas untapped. The right kind of infrastructure is also essential to promote productivity by improving

[5] EMSI Employment database

connectivity (e.g. between businesses) directly and by enabling greater agglomeration through increased economic density.

32. Against this background, and drawing on the forecasts of what other cities expect to achieve in terms of economic returns from their funds per £ spent, the CCR wants to set an ambitious target of a permanent improvement to the fiscal bottom line of the 10 authorities of at least 5% p.a. through an initial 10 year programme. Although detailed modelling of potential projects and pilot schemes, which is essential if returns are to be maximised, have yet to be undertaken the metrics from other Infrastructure Funds suggest that this is an achievable ambition.

33. At this stage, the type of infrastructure in scope for the fund has been broadly defined since in practise there are many forms of investment that can drive growth and assist in reducing dependency, but the focus areas are likely to be:

- Transport;
- Housing;
- Regeneration; and
- Energy

34. The attached appendix provides examples of projects that have performed well in prioritisation exercises used for infrastructure funds in other city regions.

35. The objective of improving Cardiff City Region's infrastructure is in line with both national and devolved government objectives:

- The UK Government's 'Plan for Growth' establishes infrastructure investment as a key priority alongside supporting local growth through City Deals.
- Additionally, the Welsh Government's 'Economic Renewal Strategy' sets investment in infrastructure as its top priority. It is supported by the 'Wales Infrastructure Investment Plan (WIIP)', which prioritises national infrastructure investment to stimulate the economy and support jobs.
- Lastly, the Cardiff City Region Board's recent report 'Powering the Welsh Economy' highlights the case for change in the region, but also the role of connectivity and transport infrastructure as a key drivers of the city region economy.

36. Again drawing on analysis of the city deal infrastructure programmes in other cities, the potential benefits of this investment to the UK and Welsh Governments would be significant. A 5% improvement in the bottom line of the combined economies of the 10 CCR authorities could be expected to deliver net improvements worth over £200m a year based on a net fiscal deficit of around £4bn pa today.

37. On the Glasgow precedent (as well as others), the maximum annual payments from the two Governments combined (i.e. assuming the PbR metrics were met) would likely be in the range of 10-20% of this, meaning that under success 80%+ of the total fiscal benefit would be retained by the Government(s).

Targeting the fiscal 'bottom line'

38. The CCR authorities want to target the fiscal bottom line through the investment fund from the outset. This has not been done by any of the city deal funds established to date and

means developing the economic prioritisation approach used by other Infrastructure Funds so as to align it better with the "bottom line" objective.

39. The reality is that a properly targeted infrastructure fund can deliver bottom line fiscal gains by reducing welfare costs (reduced national spend) as well as by promoting productivity (increased national tax take). A holistic approach is therefore not just about adding initiatives that address issues such as complex dependency and interactions between health and social care budgets to a city deal package built around an Infrastructure Fund, it is also about how the infrastructure fund itself operates.

40. The CCR authorities therefore intend to expand on the net GVA metric adopted for the other City Deal Infrastructure Funds by turning it into something that also captures what infrastructure can do to address dependency levels, reflecting the fact that the CCR accounts for more than a third of the UK's remaining 'a' area (Tier 1) population. This is likely to produce a different programme to one that focuses solely on the top line, increasing overall fiscal returns to the two Governments per £ spent.

Roadmap for the next year: The Gateway Process

41. CCR is targeting detailed discussions with the two Governments in autumn of 2015, with a view to reaching agreements by the spring of 2016. This would provide a basis for informing the anticipated post-election spending with the broad parameters of a deal leaving the details to be settled afterwards.

42. At a high level this will entail CCR to:

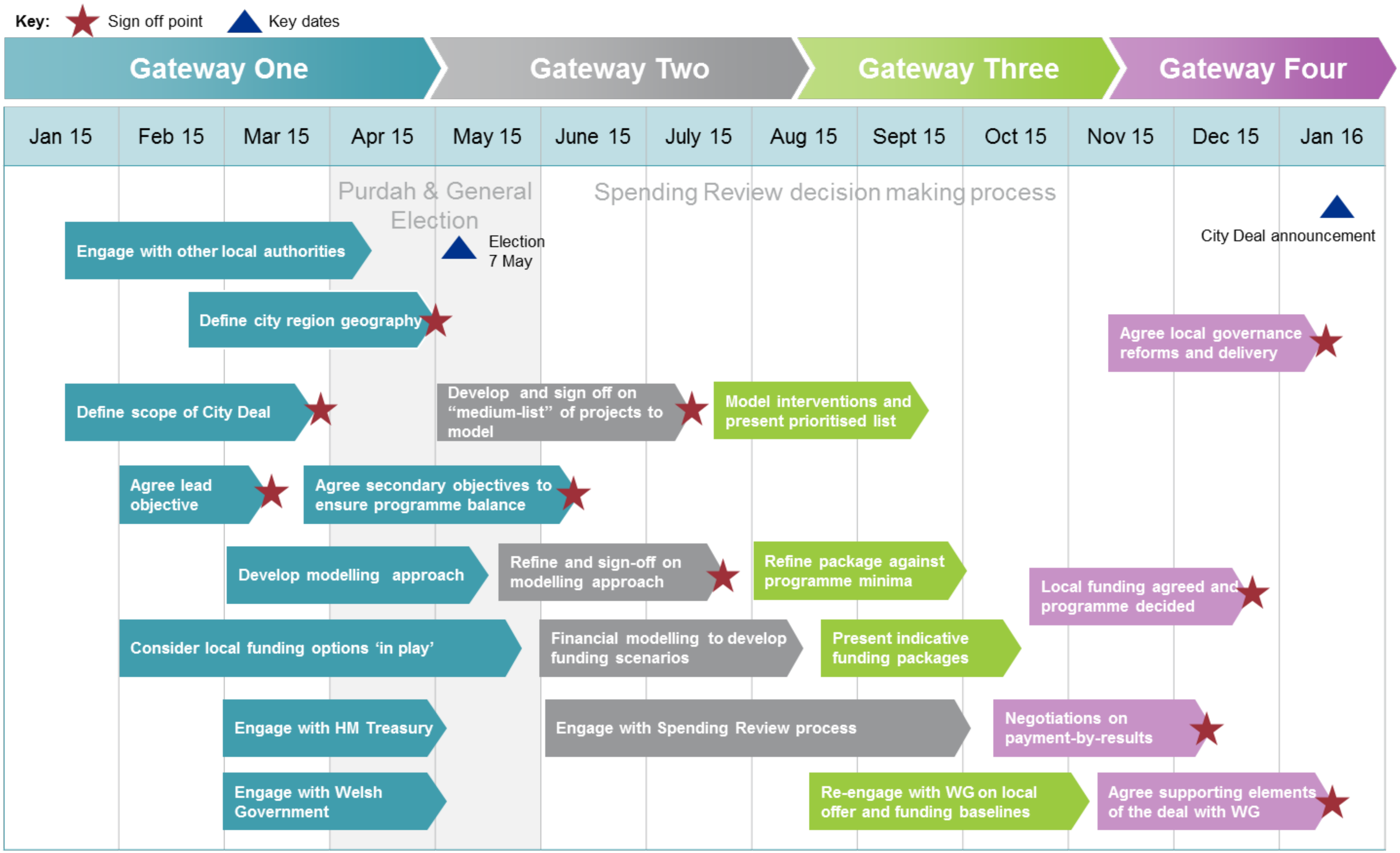
- Build consensus at city region level and define the geography of the City Deal;
- Create the analytical framework for measuring impacts (other cities provide a precedent for prioritising and appraising interventions on the growth side of the equation, but pursuing the public expenditure side of will involve breaking some new ground);
- Agree baselines with central government against which to measure improvements, and demonstrate local additionality;
- Create appropriate joint working arrangements and governance structures across the city region.

43. The city and its partners will secure local agreement using the 'gateway process' employed by other cities:

Gateway One	Gateway Two	Gateway Three	Gateway Four
▪ Agree the types of investments for inclusion ▪ Agree objectives / metrics for appraising performance, including 'programme minima' (these are minimum requirements for the programme as a whole and ensure it delivers balance across the city region) ▪ Design analytical framework that can target the fiscal bottom line (the CCR fund would be the first to do this) ▪ Agree instructions for working up individual potential interventions ▪ Define local funding sources "in play" (but not the level of contributions)	▪ Test modelling suite and sign-off that it is fit for purpose ▪ Sign-off on medium list of interventions ▪ Agree funding scenarios to be developed ▪ Engage with potential partners and governments on scale of contribution / devolved funding on offer and potential PbR mechanisms	▪ Present prioritisation of individual interventions ▪ Refine package to ensure that programme minima are delivered at each funding scenario ▪ Iterate with potential funders and governments on co-funding / devolution propositions ▪ Agree PbR proposal to the two governments	▪ Present final shortlist of "compliant" funding scenarios – i.e. those that maximise the lead metric and deliver the programme minima ▪ Decide on the level of local funding commitment ▪ Design the necessary delivery and governance reforms ▪ Agree terms of PbR deal with the two governments

44. The project plan on the following page sets out the timeline for Cardiff and its partner authorities for targeting an announcement at the next Spending Review.

DRAFT



Key:
Sign off point
Key dates
Gateway One
Gateway Two
Gateway Three
Gateway Four
Jan 15
Feb 15
Mar 15
Apr 15
May 15
June 15
July 15
Aug 15
Sept 15
Oct 15
Nov 15
Dec 15
Jan 16
Purdah & General Election
Spending Review decision making process
Election 7 May
City Deal announcement
Engage with other local authorities
Define city region geography
Agree local governance reforms and delivery
Define scope of City Deal
Develop and sign off on "medium-list" of projects to model
Model interventions and present prioritised list
Agree lead objective
Agree secondary objectives to ensure programme balance
Develop modelling approach
Refine and sign-off on modelling approach
Refine package against programme minima
Local funding agreed and programme decided
Consider local funding options 'in play'
Financial modelling to develop funding scenarios
Present indicative funding packages
Engage with HM Treasury
Engage with Spending Review process
Negotiations on payment-by-results
Engage with Welsh Government
Re-engage with WG on local offer and funding baselines
Agree supporting elements of the deal with WG

Appendix: Examples of Infrastructure Fund Projects

The table below provides a few examples of the types of infrastructure projects included in other funds throughout the UK.

The first project listed – the West Yorkshire Bus and Road Network Upgrade – will be of particular interest to Cardiff City Region. The bus package routes were specifically designed to help improve link deprived communities with new job opportunities in the city centre.

Leeds City Region Transport Fund	
Core Bus and Road Network Upgrade	A comprehensive and substantial upgrade of all core routes across West Yorkshire to reduce congestion, improve reliability and speed up journey times. Route-by-route, a mix of measures will be applied to tackle congestion hotspots, improve junctions, manage parking better whilst improving conditions for pedestrians, cyclists and local businesses and communities. The bus element is targeted at reducing operating costs by reducing journey times, converting the bus fleet to low carbon and improving passenger information. The bus element of the package was critical to delivery of West Yorkshire's requirement for balance in terms of the distribution across the city region of the improved employment prospects, particularly in deprived areas. It will also serve to increase the impact of the fund on dependency costs in West Yorkshire.
City Centre Packages in Leeds, Wakefield, and York	Substantial enhancements to the public transport infrastructure and public transport priority measures within each city centre. Includes a new bus interchange and railway station improvements. Improves accessibility to employment in central York and widens accessible labour market. Likely to improve bus journey times and service reliability.
Highway Network Efficiency Programme	This scheme tackles congestion across West Yorkshire with improvements to traffic control systems and integrated traffic management centres. This will facilitate the creation of management plans for specific corridors tailored to reduce congestion and delays. It will also provide better resilience to extreme weather events.
Additional Examples from the Glasgow City Region Infrastructure Fund	
Waterfront & Riverside	Includes a package of interventions to improve road links around the river crossing to Renfrew. This will also include enhancement of the strategic green network links between city centres. The development of transport infrastructure will improve connectivity and unlock development opportunities afforded by the proximity of Glasgow Airport.
City Centre Public Realm	Substantial public realm improvements throughout the city centre. This will also include implementation of traffic management, bus priority and local cycle infrastructure. The project builds on significant improvements in the lead up to the Commonwealth Games and will deliver public realm improvements and improved access to employment to deprived areas in the East End of Glasgow.
Ocean Terminal	Greenock Ocean Terminal has become an important cruise port and a major player in Scottish tourism as a gateway for overseas visitors but demand is exceeding capacity. Works will allow the quay to be extended and develop derelict land as part of the Ocean Terminal Facility. Creating additional quay capacity is central to unlocking the potential for cruise tourism and ensuring both the Greenock Ocean Terminal and cruise activity can continue to grow and capture economic value for Scotland and the Region.
Additional Examples from the Greater Manchester Transport Fund	
Metrolink Extension	Includes expansion of Metrolink to Rochdale, replacement of existing railway line, and tram replacement programme.
Road Bypass and Park and Ride	Various road improvements including the Manchester Airport Relief Road, a town centre bypass, and new park and ride facilities across Greater Manchester.

GREAT WESTERN CITIES

GREAT WESTERN CITIES | DINASOEDD MAWR Y GORLLEWIN

BRISTOL CITY COUNCIL

CARDIFF CAERDYDD

Newport CITY COUNCIL CYNGOR DINAS Casnewydd

INTRODUCTION

Cities and their metropolitan areas are now recognised as the engines of national economic growth, and the national economy is increasingly seen as a network of city and metropolitan economies.

This has brought with it a major shift in national economic policy. It's now accepted that for the UK economy to thrive there can no longer be a reliance solely on the economic power of London and the South East alone. The economic potential of Britain's major cities need to be released. To do so will require investment in to cities themselves; to make them better connected to their own regions and, crucially, to each other.

As the City Growth Commission recently argued, Britain will increasingly need to rely on the prosperity of a small number of 'power-house super city regions', including the Great Western city-regions across the Severn.

The Great Western Cities are already among the most successful in Britain. They are highly productive and highly skilled economies that offer high levels of tax returns.

They are also projected to be amongst the fastest growing cities in terms of population, hardly surprising considering their quality of life credentials. Cardiff and Bristol are consistently ranked as the UK's best cities in which to live and Newport has been ranked one of the top towns and cities in the UK with the largest proportion of high-growth businesses.

In short, the Great Western Cities are a national economic asset.

But they can do better.

With the right investment, they can deliver higher economic output and tax receipts for the Exchequer and make an even greater contribution to the UK economy. The nature of this investment must focus on improving connectivity, realising the energy potential of the Bristol Channel - Severn estuary and promoting South Wales and the West as a high quality destination for international business.

> "WITH THE RIGHT INVESTMENT, THEY CAN DELIVER HIGHER ECONOMIC OUTPUT"

EXECUTIVE SUMMARY

- The Great Western Cities are some of the most successful in Britain.

  - Highly productive economies, with good jobs and higher than average earnings
  - They have consistently lower unemployment
  - They are amongst the most highly skilled, with the highest concentration of graduates outside London
  - They contain some of the best universities for research in the UK outside of London and Oxbridge.
  - They are the UK's fastest growing cities
  - They consistently rank as the UK's best cities in which to live

- The Great Western Cities are a national economic asset. But they can do better. With the right investment, they can deliver higher economic output and tax receipts for the Exchequer.

- The Great Western Cities support investment in the High Speed Rail network as it will bring huge benefits to the North and to the Midlands, and ultimately to UK plc. However, we need similar investment into regional and national connectivity infrastructure.

  - To better connect the Great Western Cities to each other
  - To connect the Great Western Cities to the UK economy
  - To connect the Great Western Cities to international markets

- The opportunity of the Severn Estuary is not being exploited. This is an economic, energy and environmental national asset, and we need an investment strategy which will help to unlock its potential.

- The Great Western Cities contain leading clusters in sectors such as financial and business services, creative industries, ICT, aerospace and energy.

- We want to develop an investment strategy for connectivity and energy which will guide national infrastructure investments in the Severn region for the next 20 years.

“HIGHLY PRODUCTIVE– HIGH EARNINGS, HIGH VALUE ADDED AND HIGH LEVELS OF TAX RETURNS”

THE GREAT WESTERN CITIES

This RSA City Growth Commission identified the 'Severn' region, including the Bristol-Cardiff city-regions, of the UK as one of 6 'power-house super city regions,' upon which the British economy will rely.

The region includes the major urban areas of Bristol, Cardiff and Newport.

" 6 POWER-HOUSE SUPER CITY REGIONS "

ECONOMIC OUTPUT (GVA)

The total economic output of the Bristol-Cardiff-Newport Region is just over £58bn, larger than any other major conurbation in the UK except London.

GVA by Urban Area

Region	£million Total GVA 2013	Growth 2003-2013
Great Western Cities	**58,221**	**41%**
Greater Manchester	56,265	42%
West Midlands	55,686	33%
West Yorkshire	46,237	38%
Merseyside	27,002	33%
Northumberland and Tyne and Wear	26,594	39%
South Yorkshire	22,560	38%

Source: National Statistics [1]

> “THE TOTAL ECONOMIC OUTPUT OF THE BRISTOL-CARDIFF-NEWPORT REGION IS JUST OVER £58BN”

[1]Consists of the NUTS 3 areas of Bristol, City of, Bath and North East Somerset, North Somerset and South Gloucestershire, Central Valleys, Gwent Valleys, Bridgend and Neath Port Talbot, Monmouthshire and Newport, and Cardiff and Vale of Glamorgan.

EMPLOYMENT

In terms of employment, the Great Western Cities also deliver. The number of jobs offered by the region and the value of these jobs within key economic sectors makes the region crucial to the UK Economy.

- A total of 1.15m people are employed in the Bristol-Cardiff-Newport Region, with higher levels of productivity than the other urban areas outside of London and the South East[2].
- Over a quarter of a million people are employed in the Finance, business and IT sectors.
- Over 100,000 people are employed in the manufacturing sector.
- Overall, in employment terms, the area is second only to the West Midlands metropolitan area in size outside of London, but given higher levels of productivity, has a greater level of economic output.
- The area is also host to some of the most competitive and internationally prominent UK clusters in sectors such as aerospace, high technology, environmental, and creative industries.
- With natural resources such as the Severn tidal range, the area also has a grown cluster of businesses within the low carbon and environmental sector, and remains the leading global centre for marine technology.

"OVER A QUARTER OF A MILLION PEOPLE ARE EMPLOYED IN THE FINANCE, BUSINESS AND IT SECTORS"

[2]Measured as GVA / BRES total employment (2013)

SKILLS

Overall skills levels in the Great Western Cities are higher than all other regions of the UK, outside London. Combined with high rates of economic activity, it accounts for the higher than average output for the area.

Jan 2013-Dec 2013 - % with degree or equivalent and above - aged 16-64 (by Met County)

Area	Number	Jan 2013-Dec 2013
Great Western Cities	**447,700**	**26.9**
Greater Manchester (Met County)	415,200	24.3
West Yorkshire (Met County)	341,300	23.3
West Midlands (Met County)	322,900	19.5
South Yorkshire (Met County)	177,000	20.7
Merseyside (Met County)	164,900	19.5
Tyne and Wear (Met County)	161,100	21.8

Source: Annual Population Survey

One of the competitive strengths of the Great Western city-regions is higher education.

There is a total of over 150,000 higher education students, and almost 35,000 post-graduate students and area also has significant expertise in research.

Both Cardiff and Bristol University figure prominently in the recent REF results for 2014, both figuring prominently in the top ranking of UK universities. Their results are also boosted by the other universities in the area, all of whom deliver a significant volume of world leading research.

“ BETWEEN THE TWO CITY REGIONS THERE IS A TOTAL OF OVER 150,000 HIGHER EDUCATION STUDENTS, AND ALMOST 35,000 POST-GRADUATE STUDENTS ”

SKILLS

REF 2014 top 10 by Impact

Rank 2014	Institution	GPA
1	Institute of Cancer Research	3.87
2	London School of Hygiene and Tropical Medicine	3.74
3	Imperial College London	3.68
4	St. George's, University of London	3.64
5	**Cardiff University**	**3.61**
6	Liverpool School of Tropical Medicine	3.57
7	University College London	3.54
8	King's College London	3.52
9	University of Oxford	3.51
=10	**University of Bristol**	**3.50**
=10	London School of Economics	3.50

Source: Hefce; GPA (Grade Point Average) calculation by Times Higher Education

The potential of the University of South Wales should also be recognised. It is now the sixth largest campus university in Britain with over 33,000 students.

The Universities of Bath, Bristol, Cardiff and Exeter have also come together to form the Great Western Four. The GW4 builds on the significant number of existing bilateral, trilateral and quadrilateral academic partnerships, collaborations and joint ventures, bringing together the major research institutions of the West, with a joint turnover of over £1 billion, to form a critical mass of research and innovation.

The proximity of the universities has led to a number of partnerships, including the Severnside Alliance for Translational Research (SARTRE), which aims to accelerate the translation of medical research into new treatments and therapies to benefit patients and the Bristol-Cardiff Neuroscience Collaboration.

“ THE UNIVERSITIES OF BATH, BRISTOL, CARDIFF AND EXETER HAVE ALSO COME TOGETHER TO FORM THE GREAT WESTERN FOUR ”

UNEMPLOYMENT AND INACTIVITY

Whilst the area is potentially the most competitive area in the UK outside of London and the South East, it also – like many other regions – has a high proportion of its population classified as unemployed or inactivity. In total there are around 100,000 people across the functioning economic area who are unemployed, and almost 400,000 who are inactive.

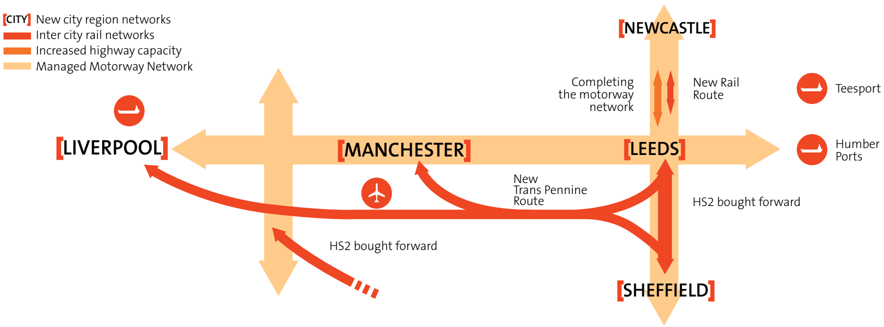
> “IN TOTAL THERE ARE AROUND 100,000 PEOPLE ACROSS THE FUNCTIONING ECONOMIC AREA WHO ARE UNEMPLOYED”

Unemployment and Inactivity Jul 2013-Jun 2014

	Unemployment - aged 16-64		Economically inactive - aged 16-64	
	Number	%	Number	%
West Midlands	131,800	10.8	476,600	28.1
Greater Manchester	114,600	8.8	443,900	25.4
West Yorkshire	100,700	8.9	368,600	24.5
Great Western City Region	**97,500**	**7.5**	**393,400**	**23.3**
South Yorkshire	68,300	10.0	192,400	22.0
Merseyside	64,700	10.3	236,000	27.4
Tyne and Wear	52,400	9.4	195,500	26.0

Source: Annual Population Survey

UK AND INTERNATIONAL COMPARATORS



One North is a strategic proposition for transport in the North which identifies the priority strategic infrastructure investments needed to connect the city-regions of the North of England.

Linkages:

The One North report outlines the economic benefits of better connectivity and how this will strengthen the North's labour markets and improve business efficiency by:

- Stimulating business investment and innovation by supporting economies of scale and new ways of working
- Achieving agglomeration economies
- Enabling firms to access a larger labour supply and providing wider employment opportunities for workers and those seeking work
- Increasing competitiveness through access to new and larger markers with the benefits of increased labour market specialisation
- Reducing trading costs and using more efficient logistics networks
- Strengthening the existing comparative advantages of the North as a place to do business

ONE NORTH:

City Regions of Leeds, Liverpool, Manchester, Newcastle and Sheffield

Population: 15million

UK AND INTERNATIONAL COMPARATORS

Perhaps the foremost example of cross-border city co-operation in Europe. The Oresund bridge links Copenhagen and Malmo . Population wise, Copenhagen dominates.

Linkages:

- A formal commission called Oresund Commission manages the link
- Opens Copenhagen airport and work up to Malmo residents. Copenhagen and Malmo ports combined
- 14,000 daily commutes across the bridge, opening up real commuter links
- 12 universities formed a consortium for mutual benefit

ORESUND:

Copenhagen, (Denmark), Malmo (Sweden).

Population 3.8million



THE OPPORTUNITY

Taken together, the Great Western Cities of Bristol, Cardiff and Newport and their metropolitan areas make a major contribution to the UK economy. As the evidence demonstrates, outside of London it is a region that leads the way in terms of delivering economic output, employment opportunities and a critical mass of graduates for the UK as a whole.

It is therefore important that the region receives a level of investment that can accelerate the growth potential of the UK's most competitive region. This will allow employment growth in key sectors and a higher tax take for government.

> “IT IS A REGION THAT LEADS THE WAY IN TERMS OF DELIVERING ECONOMIC OUTPUT”

THE GREAT WESTERN PROPOSITION

Investment in transport connectivity and energy infrastructure will have a transformative impact on the Great Western region. We will therefore develop an investment strategy for connectivity and energy which will guide national infrastructure investments in the Severn region for the next 20 years.

1. CONNECTIVITY

The RSA's City Growth Commission made a compelling case for collaboration between geographically proximate cities, capitalising on agglomeration effects to deliver for the UK economy. Creating these 'powerhouse' super-city regions will require investment in connectivity that links cities with cities, with London and with international markets.

Better connectivity means improved journey time, reliability, better travel quality and shorter journeys. This will strengthen the Great Western economy by:

- Achieving agglomeration economies by bringing firms and their employees closer to business rivals and partners.
- Enabling firms to access a larger labour supply and providing wider employment opportunities for workers and those seeking work.
- Increasing competitiveness through access to new and larger markets with the benefits of increased labour market specialisation.
- Reducing trading costs and using more efficient logistics networks.
- Strengthening the existing comparative advantages of the West as a place to do business.

All these things will mean a more productive Great Western economy, which means higher wages, profits and tax receipts for the Exchequer.

> “BETTER CONNECTIVITY MEANS IMPROVED JOURNEY TIME, RELIABILITY, BETTER TRAVEL QUALITY AND SHORTER JOURNEYS”

Tudalen y pecyn 38

CONNECTING THE GREAT WESTERN CITIES

In terms of train travel, Cardiff and Bristol are comparable to other cities of a similar distance.

Area	Driving Distance	Fastest Train Time
Liverpool / Manchester	54km	32 minutes
Copenhagen / Malmo	42km	34 minutes
Amsterdam / Rotterdam	75km	36 minutes
Antwerp / Brussels	45km	42 minutes
Bonn / Dusseldorf	71km	45 minutes
Cardiff/Bristol	**69km**	**48 minutes**
Manchester / Leeds	71km	49 minutes
Edinburgh / Glasgow	75km	55 minutes
Basel / Zurich	85km	53 minutes
Brighton / London	85km	53 minutes

The One North proposal focuses on a new trans-Pennine route connecting Manchester and Leeds. The report argues that closer integration between these two cities (from a 20 minute reduction in journey time) could increase wages by 1.06%-2.7%, and would be worth £6.7bn across the whole of the North of England. Given the similarities in terms of distance and train times between Manchester-Leeds and Cardiff-Bristol, a similar reduction in journey times could be expected to generate a similarly positive impact in the West.

“ THE REPORT ARGUES THAT CLOSER INTEGRATION BETWEEN THESE TWO CITIES COULD INCREASE WAGES BY 1.06%-2.7% ”

CONNECTING TO OTHER SUPER CITY REGIONS

Better inter-city transport links are of obvious benefit to cities in the UK, especially in terms of links with London.

The Great Western Mainline is one of the UK's busiest rail corridors serving a population of around 5.3m in South West England, South Wales and the Thames Valley-Berkshire LEP area, with an economic output of well over £100bn. It is an essential economic lifeline for all of these regions. Network Rail's long term demand forecasts estimate that by 2036 long distance rail trips between London and Bristol could grow by 98%, and trips between London and Cardiff by 115%.

High Speed 2 will dramatically reduce journey times between London and several UK core cities in the English East Midlands and the North of England[3]:

- The rail journey time between Leeds and Central London would be reduced to around 80 minutes;
- The journey between Leeds and Birmingham would take only 60 minutes;
- In comparison, the journey between Cardiff and London Paddington, even post electrification, will be 1 hour 45 minutes, whilst the journey time between Cardiff and Birmingham would remain at 2 hours.

Given the importance of connectivity to underpinning economic growth, the West cannot be left behind. The Great Western Cities need to be connected in to the UK's High Speed Rail network, both directly to London and via a link in to the North-South line.

> “ BY 2036 LONG DISTANCE RAIL TRIPS BETWEEN LONDON AND BRISTOL COULD GROW BY 98%, AND TRIPS BETWEEN LONDON AND CARDIFF BY 115% ”

[3]HS2 Ltd (2014) 'Rebalancing Britain, from HS2 towards a national transport strategy'.

2. ENERGY - RELEASING THE POTENTIAL OF THE SEVERN

There are compelling reasons for local authorities – and especially cities - to address the energy agenda. Recent research on low carbon cities has shown that cost-neutral investments in reducing energy demand and shifting energy supply could deliver significant (40%) reductions in greenhouse gas emissions by 2020. This is in the context of some challenging national targets.

- The UK goal is an 80% reduction in greenhouse gas emissions by 2050
- The UK has a target to deliver 15% of UK energy from renewable sources by 2020. The Wales Target is 10%

This is a region with real credentials in the energy sector, with one of the UK's major energy assets – the Bristol Channel - Severn Estuary – remaining undeveloped.

The tidal range in the Severn Estuary is the second largest in the world and provides the largest potential of all the UK's estuaries for renewable electricity generation from tidal and wind power. The West of England has three of the world's leading tidal turbine manufactures, along with leading design, materials and professional services. The possibilities of tidal and wind power offer significant opportunities for the Great Western Cities to strengthen their position as an internationally renowned marine technology cluster.

A memorandum of understanding is being prepared by local authorities bordering the Bristol Channel to collaborate in the development of marine energy, with Bristol, Cardiff and Newport playing a lead role. Local authority and LEP funds will create a fund for project feasibility and master planning studies for tidal lagoon, tidal stream and fence sites.

Given the scale of the region's ambition and the potential programme of projects and activities, there are considerable opportunities to pioneer ground-breaking technologies, infrastructure and innovative ways of working.

“ IN THE SUMMER OF 2013 BRISTOL CITY COUNCIL WAS ALSO AWARDED THE EUROPEAN GREEN CAPITAL AWARD FOR THE YEAR 2015 ”

ENERGY - RELEASING THE POTENTIAL OF THE SEVERN

The Bristol area has an estimated 300-plus companies in the environmental technologies sector (ETS), with significant clusters located in Avonmouth, the city centre and Clifton. Across the West of England, the total ETS employment is estimated at 13,600 jobs. Despite an uncertain economy, the global low carbon and environmental sector has seen steady and sustainable growth throughout the global recession, with the UK sector seeing a £5,920m (4.8%) increase in sales from 2010/11 to 2011/12[4]. The sector is forecast to continue to grow due to increased legislation, greater research and a general shift towards more sustainable modes of production, development and consumption.

In the summer of 2013 Bristol City Council was also awarded the European Green Capital award for the year 2015. This highly regarded award recognised Bristol's exceptional performance against a set of 12 technical measures of sustainability, as well as its ambition of leadership. Bristol City Council are also establishing a municipal energy company to drive forward city sustainability and smart-energy infrastructure.

Bristol is leading the way in the UK in sustainability matters. Bristol City Council, via the European Investment Bank grant-funded programme, aims to facilitate c£140m of energy generation/efficiency work. This is an agenda that is also being progressed in Cardiff, with work on an energy prospectus having identified projects worth over £2bn.

> "THERE ARE CONSIDERABLE OPPORTUNITIES TO PIONEER GROUND-BREAKING TECHNOLOGIES, INFRASTRUCTURE AND INNOVATIVE WAYS OF WORKING"

[4]BIS, Low Carbon and Environmental Goods and Services Report for 2011/12, July 2013

3. ECONOMY - RELEASING THE POTENTIAL OF THE GREAT WESTERN CITIES

The Great Western Cities represent the most skilled and productive urban area outside of London, boasting a workforce with a greater proportion of graduates than our competitors, and some leading clusters in sectors such as financial and business services, creative industries, ICT, aerospace and energy. The area also has the best universities for research in the UK outside of London and Oxbridge.

Jan 2013-Dec 2013 - Population with degree or equivalent and above - aged 16-64		Total GVA 2013 (£m)	
Great Western Cities	**447,700**	**Great Western Cities**	**58,221**
Greater Manchester	415,200	Greater Manchester	56,265
West Yorkshire	341,300	West Midlands	55,686
West Midlands	322,900	West Yorkshire	46,237
South Yorkshire	177,000	Merseyside	27,002
Merseyside	164,900	Northumberland and Tyne and Wear	26,594
Tyne and Wear	161,100	South Yorkshire	22,560

Source: Annual Population Survey

Source: National Statistics[5]

Through working together the Great Western Cities have the potential to become a globally significant destination for business, offering one of the most competitive locations in the UK, whilst still remaining cost competitive on the international level.

Working closer together will help to deliver a number of improved outcomes for the Great Western Cities – namely increased levels of agglomeration will support further improvements in productivity, helping to support further growth in indigenous businesses. It will also enable the area to promote itself as a globally significant destination. Individually the three cities, whilst big in the regional and UK context, are not big hitters on the world stage. Together we have a bigger voice, and a bigger offer for global investors.

To build in this we will establish a joint international marketing programme and inward investment brand for the Great Western Cities.

[5]Consists of the NUTS 3 areas of Bristol, City of, Bath and North East Somerset, North Somerset and South Gloucestershire, Central Valleys, Gwent Valleys, Bridgend and Neath Port Talbot, Monmouthshire and Newport, and Cardiff and Vale of Glamorgan.

GREAT WESTERN CITIES

DINASOEDD MAWR Y GORLLEWIN

THE GREAT WESTERN CITIES

Statement of Intent - 4 February 2015

The Great Western Cities of Bristol, Cardiff and Newport power the economy of the Severn region and are the gateway to Wales and the West. Through working together they can create one of the 'power-house super city regions' upon which Britain's future prosperity will rely.

KEY FACTS:

- A combined economic output of £58bn – larger than any other major conurbation in the UK outside London.
- A combined population of over 1.8 million.
- Some of the UK's highest performing universities.
- More graduates as a proportion of its working age population than any of the other UK urban agglomerations.
- They are amongst the UK's fastest growing cities and best cities in which to live.

WE WILL WORK TOGETHER ON:

1. CONNECTIVITY

The Great Western Cities need to be connected to each other; to London and other Core Cities; and to international markets. A multi-billion pound programme of investment in to transport infrastructure is underway, electrifying the Great Western Mainline and creating Western Access to Heathrow, and revolutionising regional rail on both sides of the Severn. Connectivity between the Great Western Cities must now be radically improved.

We will seek to significantly reduce the journey time between the Great Western Cities.

The Great Western Cities support investment in the High Speed Rail network as it will bring huge benefits to the North and to the Midlands, and ultimately to UK plc. However, we also wish for similar investment to connect Great Western Cities to the UK economy and international markets.

We will make a powerful case for connectivity in to the UK's high speed network and for continued investment in to the Great Western Mainline.

2. CLEAN AND RENEWABLE ENERGY

When it comes to clean and renewable energy, the Great Western Cities have industrial strength, international research expertise, political leadership and one of the UK's major energy assets – the Bristol Channel - Severn Estuary. Releasing the potential of the Severn can help to secure the UK's energy resilience, meet challenging carbon reduction targets, and stimulate an already strong environmental and engineering business and academic sector which exists in the West.

We will develop a joint strategy to unlock the potential of the Severn Estuary and Bristol Channel.

3. INTERNATIONAL MARKETING

Through working together the Great Western Cities can become a globally renowned centre of innovation and creativity which can make a compelling case as an internationally competitive location for business, strengthening the existing economic clusters in financial services, ICT, the creative industries and aerospace.

We will establish a joint international marketing programme for the Great Western Cities.

GREAT WESTERN CITIES | DINASOEDD MAWR Y GORLLEWIN

BRISTOL CITY COUNCIL

CARDIFF CAERDYDD

Newport City Council | Cyngor Dinas Casnewydd

DEVOLUTION DECLARATION
A MODERN STATE FOR A STRONGER BRITAIN

CORE CITIES

@corecities #devodeclaration

Declaration for Devolution
MAY 14TH 2015

On 14 May 1787, the first-ever Constitutional Convention began in Philadelphia, setting out bold, ambitious powers for a new kind of modern state in America.

Two hundred and twenty-eight years to the day here in the UK, we call for a similarly ambitious approach to modernisation of our state system, to set cities and other places free to deliver growth and prosperity for the country.

Our offer to the country and the Government is clear, bold and deliverable. Anyone who is serious about economic growth and deficit reduction should immediately enter a dialogue with us. We want to work with the Government to shape a new, modern state fit for today's local and global challenges – one that can succeed at every level: from the international, to the neighbourhood and at all levels in between.

A state that can **Rebalance**, **Reform** and **Renew Britain**. Only by working together nationally and locally in a different way can we transform the lives of millions and ensure our country can compete in an increasingly globalised and complex world. The groundwork has been done, the model tested. Now is the time for more radical action.

REBALANCE

Grow the whole of the UK economy, contributing to the elimination of the deficit, for example by generating the potential £222billion and 1.16million extra jobs across the eight English Core Cities alone by 2030, which independent forecasts demonstrate is possible with more devolution. That's the equivalent of adding Denmark to our economy.

REFORM

Improve outcomes – but also reduce costs – through better local co-ordination of funding and services, focusing on people and place, and aligning local and national services, for example by integrating health and social care and wrapping services around individuals and families, raising productivity and getting more people into work and training.

RENEW

Revitalise democracy across our cities, for example by devolving down to communities, putting decision making in local hands, lessening social tensions, and restoring faith in our institutions by giving people a major say in how their taxes are spent on the issues that affect them.

This isn't a political pipe dream. Devolution is happening now, in communities large and small across our great nation. Our cities and their surrounding areas are starting to flex their muscles and gain new freedoms, but we have barely begun to tap into their potential.

To do so we must go further to modernise a system that has made the UK one of the most centralised states in the developed world, with the biggest economic disparity between its regions in Europe.

A system that means our cities and the places around them largely under-perform by international standards and cannot provide locally-tailored solutions to the issues facing millions of people today.

A system that now needs to see our places as the solution, not the problem.

Devolution to Scotland, Wales and Northern Ireland continues, raising important questions for England. However, this will not unlock the massive economic potential of cities and other places across the UK.

The international evidence is clear: devolution below the level of nation states is critical to address the urgent challenges of driving prosperity, increasing equality and strengthening democracy, as we set out in our Modern Charter for Local Freedom. All cities must be freed from unnecessary central controls – Westminster, Holyrood, Cardiff Bay or Stormont.

The new Government has a historic opportunity to make a break with the past and create a better Britain.

We are passionate about our places and their potential to make a difference. We can help you deliver for our country and its people. Work with us to make this happen.

...CONTINUED

THE WAY AHEAD

Detailed proposals for devolution packages have been drawn up. These should be supported for those who want it and can demonstrate they will deliver, including the following priority areas.

Skills and jobs. Locally tailored skills provision to meet the needs of business and get more people into the jobs they train for. Locally commissioned welfare-to-work programmes bringing more people out of unemployment and helping them stay in work.

Transport. Devolved and integrated long-term transport funds, with powers to deliver an improved, joined-up local transport offer, shaping local bus services, local rail policy and integrated smart ticketing.

Business, trade and investment. Fully, locally integrated business support, trade and investment budgets and services to simplify and get more return per pound of investment.

Housing. Freedom to decide how housing funds are best spent locally, to a locally agreed plan to increase housing numbers, matching our economic potential, and unblocking challenges unique to cities.

Planning. Freedom to create a statutory spatial strategy for city regions, linked to economic plans, and managing land to maximise growth and development.

Low carbon and energy: Greater freedom to deliver local energy solutions, supported by better infrastructure planning and stability in national energy policy. Joint work to deliver a resilient economy.

Public Sector Reform. Freedom to join up services locally to deliver better outcomes, including Early Years, Complex Families, and Health and Social Care integration, through 'place-based budgets'.

Policing. The freedom to take responsibility for policing into locally determined governance structures.

Fiscal reform

Places that want it and meet the criteria should be able to retain the proceeds from selected taxes, including property taxes and a percentage of income tax, investing to create growth and jobs as well as improving delivery of previously centralised services. With more local control over resources, policies for growth will link to service reforms, strengthening economies, creating jobs, and saving public money.

We also need a mature national debate – in consultation with business and local communities – on how we can fully devolve some taxes into local control over the long term, within a system that redistributes resources and doesn't disadvantage places that don't have a strong tax base to start with.

COUNTDOWN TO DEVOLUTION: IMMEDIATE ACTION FOR A BETTER BRITAIN

1. Enabling legislation for devolution should be included in the 2015 Queen's Speech, to commence in the first Parliamentary session and allowing for different governance structures in different places.
2. An Independent Devolution Commission should be created to support a transparent and robust programme, with a presumption in favour of devolution and calling the Government to account.
3. A place-based Comprehensive Spending Review should seek to deliver integrated and devolved budgets for specific sets of services across a place, taking into account the relationship between public service reform, economic development, sustainable city-led growth, and deficit reduction.
4. A process to determine how much broader fiscal retention and devolution can operate should begin at the same time as the CSR, with forerunners operating within the next Parliamentary period.
5. Although there may be a Constitutional Convention, action on devolution should not be delayed.

We base these proposals on evidence. Reports on how policies will operate can be found at www.corecities.com