

Report and Recommendations



Cardiff
Capital
Region
City Deal

**Growth &
Competitiveness
Commission**

CONTENTS

	Page
Chair's Foreword	4
Setting the Scene	5
PART 1 - The Commission and The Evidence	6
Summary and Core Proposition	6
Context and Methodology	7
The Evidence Gathering Process	9
PART 2 - The Cardiff Capital Region: The Case for the Region	10
2.1 Introduction and Summary	10
2.2 Previous Studies and Reports: The Case for the Cardiff Capital Region	12
2.3 International Evidence: How City-Regions Work	18
PART 3 - Review and Recommendations	22
3.1 Prospects for the Capital City Region	22
3.2 Economy	23
3.3 Inclusion	32
3.4 Sustainable Development	37
3.5 Investment	44
3.6 Organisation: Governance and Leadership	48

CHAIR'S FOREWORD

The signing of the Cardiff Capital Region City Deal signalled an intention by the UK Government, Welsh Government, and the ten Local Authorities to increasingly work together, through joint enterprise, on issues of long term development, infrastructure, land use, economic development and employment. This important agreement provides a fresh start for the city-region and offers the possibility of an integrated, singular, and long term approach to the region, rather than the multiple and fragmented initiatives of the previous cycles.

We set out to do an evidence based review. This involved:

- A public survey.
- An open invitation for submission of evidence.
- Literature and data assessment.
- A review of previous city-region studies and interviews with their authors and chairs.
- International case studies.
- Multiple workshops with local stakeholders and decision makers.

The Commissioners have been able to benefit from extensive work that has already been undertaken and we are very grateful to all those who submitted evidence, provided us with briefing, and shared their data. We are especially grateful to the chairs and members of previous commissions, task forces, and working groups who have covered some of the same ground that we have sought to review. They have been generous with their time and insights.

International evidence shows us that city-regions are functional units in sub-national economies and the degree to which they are well organised and cohesive impacts upon their long term performance. City-regions that have joint strategies, shared institutions, and common investment programmes do better than those that do not. City-regions do much better if the higher tiers of government are aligned with the local level in a common strategy.

It is tempting to suggest that the Cardiff Capital Region will succeed best in the long term if we focus solely on one or two priorities such as growth sectors, education, enterprise, connectivity, promotion, or tourism. But our commission has found that a long term strategy for the region needs to combine and sequence multiple interventions that are not in tension with one another but require careful integration. As this report explains, we believe the long term strategy for the region will include at least:

- Investment in education to improve employability and productivity.
- Fostering of employment growth across distinct skills and income spectrums.
- Infrastructure investment to integrate the region better and provide more opportunities.
- Development in the spatial economy that will see multiple locations of growth.

- Improvements in the quality of place and the range of institutions investing in improving the city and town centres.
- Fostering of emerging sectors of employment and new/young companies.
- Increasing governance integration in the city-region to combine efforts and leverage investment.
- Effective working relationships that support economic flows and opportunities with areas outside the city-region including South Wales, Wales, the Severn Valley, The Midlands of England and the Greater South East around London.

Our report develops this multi-strand approach and argues for increasing levels of collaborative co-investment. We stress the need to move to rapid implementation and avoid further reviews.

I would like to sincerely thank my fellow Commissioners for their important work and to thank the teams from Cardiff University, the Centre for Cities and the Office for National Statistics who supported the work of the Commission.

**Prof Greg Clark CBE,
Commission Chair**

SETTING THE SCENE

The idea of the city as a “growth engine” is a compelling but partial picture of the world today: compelling because the global economy is becoming ever more urbanised, but partial because it is not so much cities as city-regions that are the real engines of economic growth. In other words, cities are not self-sufficient entities no matter how much they aspire to be, and this is especially true of Cardiff.

Indeed, few cities have been as dependent on their regional hinterland as the Welsh capital. Without the dramatic growth of the coalfields in the South Wales valleys, there would have been no commercial logic for the Bute family to build a port; and without export facilities, Cardiff would never have become the Coal Metropolis of the early 20th century. So the city and the region were mutually dependent from the outset and, though the form clearly changed, this inter-dependence remains the overriding feature of the region, so much so that the greatest political challenge today is to tap the potential of this shared destiny.

The inter-dependence of Cardiff and its regional neighbours has been recognised in planning and policy circles for many years. The Wales Spatial Plan captured the problem and the solution back in 2004 when it described the area as an “inter-dependent but unplanned urban network” where the challenge was to become “a single networked city-region on a scale to realise its international potential”.

Realising this potential will require one thing above all others, namely a political commitment to collaborate for mutually beneficial ends. In the past a zero-sum political mind-set has stymied the growth potential of the city-region, a mind-set in which the gains of the city were perceived as losses for the region.

Political leaders have put that parochial mind-set behind them in recent years, evidenced by the creation of the Cardiff Capital Region and the City Deal. Realising the potential of the City Deal will require all parties – in the public, private and third sectors of the city-region – to prove that what they have in common is so much greater than what divides them. The projects that will flow from the City Deal, particularly the Metro, will need collaboration on a scale never before witnessed in the region because no single party has the resources or the imagination to realise these projects on its own, hence the significance of the shared destiny.

Professor Kevin Morgan
Cardiff University

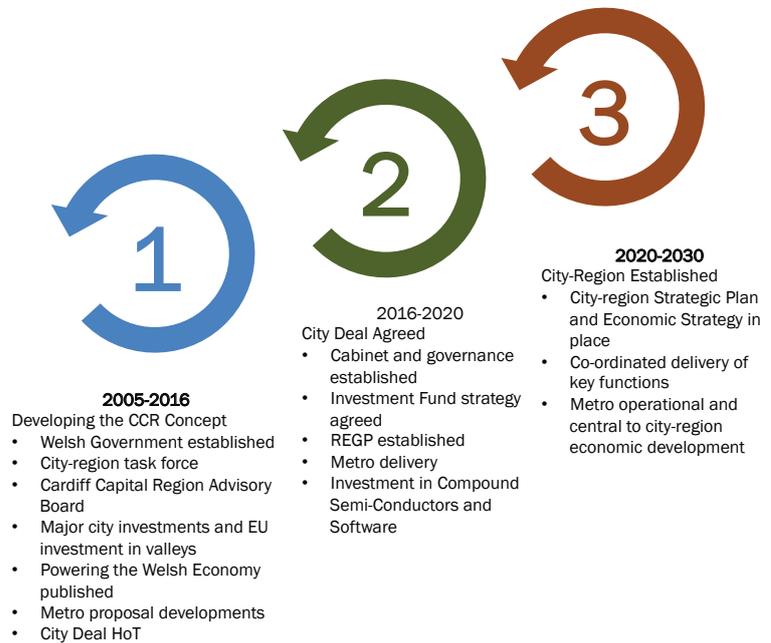
PART 1 - THE COMMISSION AND THE SUMMARY AND CORE PROPOSITION

This evidence based review by the Independent Commission sought to understand how best to generate growth and support the ambitions of the Cardiff Capital Region, and has resulted in a core proposition that drives our report.

Our assessment is that the Cardiff Capital Region can be more prosperous, more inclusive and more sustainable. We do not see inevitable or unresolvable tensions between these priorities, but we recognise that they can only be achieved if the region becomes much better connected and inter-dependent, and if investment in connectivity is used to drive changes in transport modes, new land uses, the fostering of a multi-centred economy, and improved liveability for people at all levels of income. Improvements in rail connections must act as drivers and enablers of broader placemaking, business clustering, higher skills and bolder aspirations for the city-region.

The international evidence shows us that those city-regions that adopt strategies that combine together economic development with spatial development, infrastructure development, improved sustainability and more effective human services can find a path to increased prosperity and inclusion. This evidence also shows us that such progress is achieved over 5-10 year cycles and through integrated strategies supported by combined efforts between different governments. It will not be achieved in the short term, or solely by individual projects, and one-off or fragmented, actions. We encourage the leaders of the 10 Authorities, the Welsh Government and the UK Government to act in concert now, and for the long term, to create unified governance, an increased rate of investment and deeper delivery capability that can be sustained for the two to three cycles necessary to achieve success. We see an urgent need to make progress and achieve a rapid mobilisation of efforts.

Cardiff Capital Region Three Potential Cycles of Development



The Cardiff Capital Region's potential to develop into a prosperous capital city-region for Wales, requires an **integrated economic strategy** that is sequenced with increased investment in infrastructure, placemaking and renewal. This strategy should use **connectivity to play to the strengths of multiple locations of growth**, underpinned by measures to enhance long term productivity and innovation readiness. It should be complemented by more **integrated governance, confident story-telling, and adjustments to meet the requirements of external investors.**

The Cardiff Capital Region City Deal was signed in Cardiff on 15 March 2016 by the ten local authority Leaders, the First Minister of Wales, the Minister for Finance, the Secretary of State for Wales and the Chief Secretary to HM Treasury. The 'Heads of Terms' document outlines the parameters for the detailed development of the City Deal. The document also outlines how the ten local authorities will work in partnership with the Welsh Government and UK Government to support economic growth.

The Cardiff Capital Region City Deal will invest **approximately £1.2bn in the city-region economy between now and 2036**. Whilst much of this is already earmarked for certain activities, particularly investment in the South East Wales Metro, there are funds available as part of the £1.2bn to leverage wider economic benefits. The City Deal has a small number of key targets. Notably, these include the creation of 25,000 new jobs by 2036, the leveraging of £4bn of private sector investment and securing economic growth.

The City Deal document Heads of Terms identified that an **Independent Growth and Competitiveness Commission** be established with the remit to:

- Review the evidence about the functional economic area and advise how best to generate Gross Value Added growth and support the ambitions of a dynamic capital region in a successful Welsh economy.
- Examine the challenges and opportunities for economic growth and competitiveness, and make recommendations for how the Cardiff Capital Region can achieve its full growth potential and contribute most to the Welsh economy.

In order for the City Deal to fully realise its ambitions there is a consensus that a **robust and long term strategic plan is required**.

This document cannot provide that strategic plan or strategy, but we hope that it can set the framework for it. A proper strategy will need more detailed consideration than has been the remit, timescale and resources of this Commission. It must also consider more inputs than just the City Deal. However, we can set out some clear principles, based on the materials provided to the Commission, as well as some suggestions for where action should be targeted.

At the heart of this report is the need to prioritise and make informed choices. The City Deal represents a significant investment into the Cardiff Capital Region, but it cannot finance everything that is required, particularly given that much of the funding is already committed. The available funds are also limited in that they are phased over a twenty year timeframe. Not everything that would have a positive impact on the long term development of the economy and, more particularly, the communities of the Cardiff Capital Region, will be able to be funded. Choices will need to be made, which we hope will be informed by the principles and recommendations provided by the Commission.

Rather than seeing the City Deal as a broad programme of investment, we suggest that it may be better to regard it as the **foundation to increase joint working and co-investment**. Resources should focus on key themes intended to signal a direction of travel and leverage wider investments, enhance the performance of existing assets, accelerate the process of change, and guide future policy options.

THE COMMISSION

In June 2016, the Cardiff Capital Region Programme Board agreed to establish the Growth and Competitiveness Commission to be chaired by Prof Greg Clark CBE, an international city-region development expert. The Commission was established as a 'task and finish' group aiming to report in late autumn 2016, within 6 months. A launch event was held for the Commission on the 28 June in Merthyr Tydfil where the appointment of additional Commissioners, Alexandra Jones (Chief Executive of Centre for Cities), Kevin Gardiner (Global Investment Strategist at Rothschild), Helen Molyneux (Chief Executive Officer of New Law) and Julie-Ann Haines (Customer Director for Principality Building Society) was also announced. Details on the Commissioners are provided below:

Prof Greg Clark CBE - Chair

Greg Clark is an international advisor to city-regions including Auckland, Bilbao, Hong Kong, London, Malmö, New York, Oslo, Santiago, São Paulo, Singapore, Sydney, Turin and Vienna. He is Senior Fellow at the Urban Land Institute (Europe). He is Strategic Advisor to the OECD's Local Economy programme, a Global Fellow of the Brookings Institution in Washington, and a Global Fellow LSE Cities. He is author of more than 10 books and 100 major reports on city-regional development. He is a former Chief City and Regional Development Advisor to the UK Government. He is a Fellow of the Academy of Social Sciences and received a CBE for City and Regional Economic development in 2015.

Kevin Gardiner - Global Investment Strategist at Rothschild & Co

Kevin joined Rothschild Wealth Management in August 2014. He was previously chief investment officer (Europe) at Barclays Wealth and Investment Management. He has also worked at several investment banks and the Bank of England in career covering roughly thirty years. He is a member of the Welsh Government's Financial and Professional Services advisory panel, chair of Wales Public Services 2025, and a governor at Atlantic College. He was educated at Hywel Dda School and Glan Ely Comprehensive (Cardiff); Atlantic College (Llantwit Major); the London School of Economics; and Cambridge University. In 1994, at Morgan Stanley, he wrote the "Celtic Tiger" report on the Irish economy.

Alexandra Jones - Chief Executive of Centre for Cities

Alexandra is Chief Executive of Centre for Cities. She is an influential voice in the cities debate, providing advice for senior policymakers in national and local government on a regular basis. Alexandra has worked on strategic projects with organisations ranging from Leeds City Region and the Solent Local Enterprise Partnership to the business-led West End Partnership. She has been a member of the City Finance Commission chaired by Sir Stuart Lipton and both London Finance Commissions chaired by Tony Travers, as well as being a senior adviser to the City Growth Commission, chaired by (now Lord) Jim O'Neill. She is currently Chair of the London Stansted Cambridge Consortium and on the Board of the Heseltine Institute at Liverpool University.

Helen Molyneux - former Chief Executive, NewLaw Solicitors

Helen established NewLaw Solicitors in 2004 to provide outsourced legal services facilities to organisations seeking to deliver legal services to their customers and members. From a standing start, NewLaw now employs over 450 people in Cardiff, Bristol and Glasgow and manages 7 law firms for its corporate partners. In 2014, NewLaw was sold to the Redde Group PLC. In 2013 Helen was named Legal Business Woman of the Year at The Law Society Excellence Awards. In 2015 she was awarded an Honorary Doctorate for her contribution to legal services in Wales, by the University of South Wales. Helen was a member of the Silk Commission on the devolution of powers to Wales and is Chair of the Institute of Welsh Affairs. She is also a non-executive director of Hodge Bank and Confused.com.

Julie-Ann Haines - Customer Director at Principality Building Society

Julie-Ann Haines joined the Principality Building Society in 2007, building and developing its e-commerce offering. In 2010, she was appointed Director of IT & e-channels and at the end of 2012, promoted to Customer Director, responsible for ensuring that the Society stays well ahead of the rapidly-changing nature of its customer base. Julie-Ann's new role saw her appointment to the Group Board. As Customer Director, Julie-Ann has accountability for the operation of the Building Society encompassing all customer facing areas across 70 locations across Wales and the Borders, and 600 colleagues. Julie-Ann is also Chair of the Council of Mortgage Lending Cymru and is a member of the Welsh Government's Expert Panel on Housing for an Ageing population.

Research Support

To support the Commissioners assistance was provided from Cardiff University, the Centre for Cities and the Office for National Statistics. Cardiff University also helped to co-ordinate local consultation exercises, whilst the Centre for Cities provided analytical support. Note that this report represents the findings and views of the Commission and not Cardiff University or the Centre for Cities.

THE EVIDENCE GATHERING PROCESS

In August the Chair of the Commission wrote to key stakeholders inviting them to submit evidence to the Commission. This call was also extended to the public and was promoted through local media and social media. All MPs, MEPs and AMs received written communication from the Commission Chair, in addition to the Leaders of all ten Cardiff Capital Region local authorities and the Secretary of State for Wales. Relevant scrutiny chairs were also contacted. The Commission sought specific evidence on:

- Challenges and opportunities for economic growth and competitiveness.
- Data and analysis on economic and social issues affecting the city-region.
- How to maximise economic links between the ten local authorities, and thereby make a greater contribution to the Welsh economy.

In total over 40 organisations or individuals responded to the call for evidence. In addition a number of sessions were hosted by **Commissioners and Cardiff University across South East Wales over the four months of research**. A separate in-depth **desk research exercise was also undertaken by Cardiff University and the Centre for Cities**. This focussed on reviewing the currently available evidence as well as a review of previous and existing policy relating to the Cardiff Capital Region.

Leaders of previous commissions and other major enquiries and interim boards were contacted and interviewed by the Commission Chair. These included:

- Dr Elizabeth Haywood, Chair of the Commission on City Regions in Wales.
- Roger Lewis, former Chair of the Cardiff Capital Region Board.
- Ann Beynon, Chair of the Cardiff Capital Region Interim Board.
- Simon Gibson, Chair of the Newport Task Force.
- Prof Gerry Holtham, Hodge Professor of Regional Economy at Cardiff Met.

Two conversations took place with Sophie Howe, the **Wellbeing and Future Generations Commissioner**, one with the chairman and one with the whole commission. In December 2016, as the Commission concluded its findings, discussions with the Commission chair were held with **Ministers for Economic Development and Local Government in the Welsh Government, The Secretary of State for Wales and The Permanent Secretary for Wales Government**.

A survey of over 1,500 city-region residents was also undertaken to gauge views on the city-region and their local communities.

The Cardiff Capital Region is widely recognised as a region with **major strengths, an attractive environment, a strong heritage, a growing economy and emerging opportunities. However, it is also a region where there are intense concentrations of poverty**, where many people suffer from poor health and where not all have access to the opportunities available. In recent reports about both the **Cardiff and the Welsh city regions**¹, these twin priorities of realising great potential and tackling stubbornly high levels of disadvantage are recognised.

Evidence presented to the Commission demonstrates how the Cardiff Capital Region functions as a **substantially self-contained space, but that the connectivity between places within its borders is lacking**. Strengthening this connectivity underpins much of the City Deal agreement, most notably through the proposals for the South-East Wales Metro². Submissions to the Commission stressed the importance of this connectivity, particularly in the operation of labour market, supply chains, housing markets and training / employability opportunities. Connectivity is also seen as key to enabling the evolution of a more polycentric city-region where multiple locations can thrive and flourish. In addition, better connectivity - digitally and physically - between this city-region and the neighbouring regional economies was emphasised.

The Cardiff Capital Region City Deal provides an opportunity to build on **existing assets to develop a vibrant and interconnected city-region**, which enhances prosperity and well-being for all through economic growth. In doing so, we heard how the City Deal must ensure that growth not only brings benefits to all currently in the Cardiff Capital Region, but that it also needs to consider how this will enhance the well-being of our future populations and tackle population decline. Inter-connectedness is the means

to enable shared prosperity and should shape the current cycle of city-regional development, hence the prioritisation of the Metro project. If implemented successfully, the Metro will address the issues of sustainability and future generations directly through several mechanisms:

- It can increase labour market participation by building one labour market system.
- It can increase locational options for firms, institutions and public bodies, and foster multiple locations for growth, employment, innovation and co-working.
- It can herald a major modal shift towards lower carbon public transport through system integration and expansion.
- It can drive enhanced quality of place, multiple locations of jobs and growth, and community wellbeing.
- It can promote a much more resilient city-region with enhanced capacity in housing and job markets.
- It can enable residents and visitors to enjoy more of the diverse services and opportunities the region can provide.

Implementation of the Cardiff Capital Region City Deal will involve making choices. Some will be difficult, as there are short term limits to the public funds available. A City Deal which strengthens aggregate growth without reducing overall levels of inequality, or raising standards of living in the poorest communities of the city-region, will not be regarded as a success. The aim of this City Deal must be to build on the proposed infrastructure investments in order to help residents to improve their quality of life and to ensure that all citizens can participate in the benefits of economic growth.

The city-region has a strong grounding for improvement. The Cardiff Capital Region is a dynamic economy where GVA has increased by between 28% and 30% over the 10 years depending on the measure used (GVA per job filled or GVA per hour worked). This is broadly comparable to the average rate of growth across the UK as a whole. However, GVA per job filled and per hour remains less than 90% of the UK average³.

New employment opportunities are being created across the city-region. During the five years from 2009-2014 the number of jobs within the Cardiff Capital Region increased by 7,000, a trend which, if continued, would see the City Deal target easily met. This was wholly due to an increase in private sector jobs (by 5% to 455,000) as the number of public sector jobs declined by almost 11% to 155,000⁴. This highlights the importance of a workforce that is able to adapt to changing requirements.

The population of the Cardiff Capital Region is also ageing and it is likely that a quarter of the population will be aged over 65 years old by 2039⁵. As such, the available workforce is shrinking and the city of Cardiff is projected to be the only local authority in the region with a growing population aged 16-64 between now and 2039. Compared to many other city-regions in the UK, **the Cardiff Capital Region has proven less attractive to inward migration**⁶. Increasing population growth over time, and attracting working age populations, will be an important measure of how successful the city-region is becoming.

THE CARDIFF CAPITAL REGION: FOR THE REGION

ON AND SUMMARY

There is a pressing need to raise productivity levels in the Cardiff Capital Region, where many indicators suggest significant structural challenges to raising incomes and employment rates. Improved investment in skills, infrastructure and innovation, combined with enterprise and sustained business expansion, are vital to raising productivity and so generating economic growth⁷.

Recognising future risks and tackling them is crucial for good economic management. **These risks include the impacts of meeting greenhouse emissions targets⁸, the threat of closure or reduced operations of major employers⁹, the cuts to public sector budgets, an ageing population and the outcomes and uncertainties of the Brexit negotiations.** A future strategy will need to build the capacity for individuals, households and firms to meet these challenges and opportunities, rather than trying to predict the future and provide an answer.



City Regional Economy

In 2012 a report by the **City-region's Task and Finish Group** (chaired by Dr Elizabeth Haywood) marked an important intervention in promoting city-regionalism as a policy priority in Wales. **The City Regions Final Report** considered whether a “city-region approach” would deliver “more jobs and greater prosperity” for Wales and identified South East Wales and Swansea Bay as areas exhibiting city-region dynamics that could be enhanced to promote growth. It observed the potential for a city-regional framework to achieve larger markets, labour market depth and knowledge sharing. The report noted that city regionalism “will certainly involve ceding power, funding and decision making to a more regional level” and required a long term perspective from the Welsh Government alongside local governance adaptations. Following the report, **the Cardiff Capital Region Advisory Board** was appointed in late 2013, spanning private, public, third and education sectors.

The first output of the Cardiff Capital Region Advisory Board was **Powering the Welsh Economy**, released in February 2015. It identified “connectivity”, “skills”, “innovation”, and “identity” as critical in order to transform south-east Wales from an under-performing region into: “[a] globally-connected, great place to live and work”. The report highlighted the central role of the Metro project in triggering interest in city-regionalism. The report set out a series of credible propositions on the growth of the city-region economy.

Emerging in parallel with these studies, the South East Wales Directors of Environment and Regeneration’s (SEWDER) report **Delivering a Future with Prosperity** identified “place”, “business support and development”, and “people and skills” as “strategic priorities” for South East Wales. The report also considered a range of funding

options – from structural funds to lottery funds – and points to roles for the Welsh Government in alleviating revenue pressures faced by local authorities and committing to support key infrastructure (such as the development of Cardiff airport).

In addition to work on the city-region, there is a long history of work looking at the Valleys, with a key report covering an area spanning five local authorities in South East Wales. The strategy for the **Heads of the Valleys (2006), Turning Heads**, set out a vision for “a culturally rich, dynamic network of vibrant and safe communities; a place where people want to live, work and play with a sustainable, high quality of life and a thriving population”. It identified concerns around “economic inactivity”, “quality of jobs”, “health” and “image” and set out to support “balanced communities” across the area. Sustainability and environmental criteria were stated as key principles that should guide future development. Subsequently, in 2016, a Welsh Government led task force has been established to address the priorities in the Valleys following the EU referendum. This work is in train in December 2016.

Building on the momentum gained by the Northern Powerhouse proposal, **Britain's Western Powerhouse**, prepared by Metro Dynamics, examines the opportunities for Cardiff, Newport, and Bristol to pursue a deliberate strategy of connectivity, complementarity, and concentration. The report suggests agglomeration economies may be activated across the three cities and points to the role of transport in forming deeper linkages. It suggests a potential lobbying and marketing basis for the three cities and highlights renewable energy opportunities. Though independent of the City Deal, the tri-city arrangement is posed as complementary to the evolution of the Cardiff Capital Region.

Spatial planning

The **Wales Spatial Plan** set out in 2004, then revised in 2008, points to the role of Cardiff and its connections to proximate towns such as Barry and Pontypridd. The plan contains a vision to: “**spread prosperity from the two major centres of Cardiff and Newport to valleys across the region**”. South-east Wales is split into three areas in the strategy: “city coastal zone”; “heads of the Valleys plus”; and “connections corridor”. The report acknowledges the interdependence of Cardiff and the wider Capital Region and Cardiff’s distinctive role at the centre of an internationally competitive region. Meanwhile local development plans have emerged intermittently across the city-region, but typically express individual, local authority-level thinking on key areas such as housing and transport.

The introduction of the **Planning (Wales) Act** will bring about a new planning framework, introducing the possibility of a new strategic/sub-national layer. According to the Welsh Government, such strategic development plans: “will allow [for] larger than local issues such as housing demand, search areas for strategic employment sites and supporting transport infrastructure, which cut across a number of local planning authorities”. The precise geographies of the strategic plan areas are to be determined but are likely to closely align with the city-region geography. The introduction of a national development framework will effectively replace or take over from the Wales Spatial Plan.

STUDIES AND REPORTS: THE CARDIFF CAPITAL REGION

Transport

Transport infrastructure has been a core concern in South East Wales and a driving priority behind the nascent city-region agenda. **SEWTA's strategic positions** set out in 2010 and in 2013, for rail, identified the most urgent cross-regional infrastructure projects. The 2013 rail strategy points to the necessity for linking areas of "need" with areas of "opportunity", including through additional rolling stock, and station and frequency enhancements.

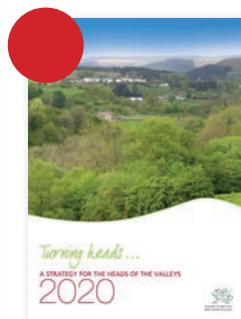
Proposals for a **Metro in South East Wales** are premised on developing an integrated transport system which reduces travel times and introduces simplified ticketing and timetabling across multiple modes. Mark Barry, a key advocate for the scheme, suggests that it has the "potential to transform the economy of south east Wales". The Metro benefits from cross-regional political support, and funding commitments have been made by the Welsh Government. A procurement exercise is currently (December 2016) underway which will, amongst other things, shape preferred transport modes. Whilst project phasing will no doubt be of concern to individual local authorities, other questions relate to who and where within South East Wales will benefit, as some feel that Metro risks hollowing out Valleys communities by bringing more people into Cardiff as the dominant employment centre.

Valleys Line Electrification and the renewal of the rail franchise agreement further shapes the transport context in South East Wales. The St David's Day agreement also approved additional powers over aspects of transport, port and related infrastructure.

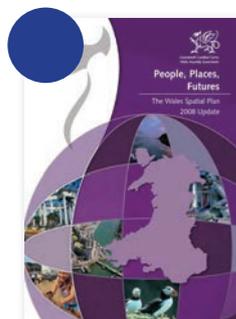


Timeline of Cardiff City-Region studies and related strategies

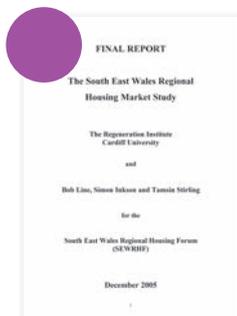
- City-region
- Sectors and Innovation
- Planning
- Housing
- Transport
- Skills
- Green Infrastructure



Strategy for the Heads of the Valleys (WG)



Wales spatial plan (WG, revision)



The South East Wales Regional Housing Market Study (SEWRHF)



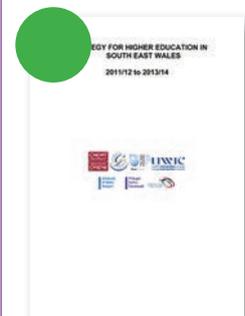
Transport (Wales) Act



Essex review – affordable housing (for WG)



Regional Transport Plan (SEWTA)



South East Wales Higher Education Strategy

2005

2006

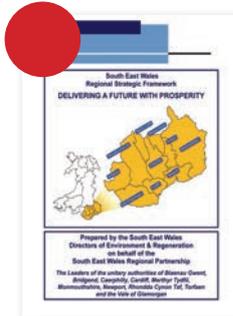
2008

2010

2011



Powering the Welsh Economy (CCRB)



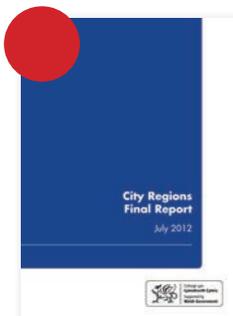
Delivering a future with prosperity (SEWDER)



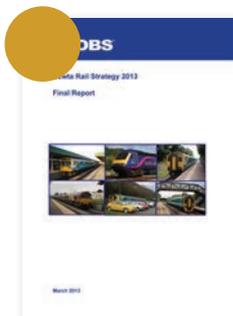
Baseline Economic Analysis for South East Wales (AECOM)



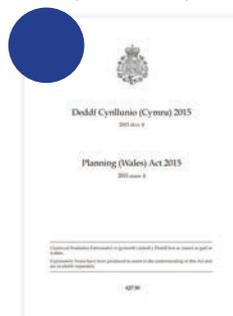
Britain's Western Powerhouse (Metro Dynamics)



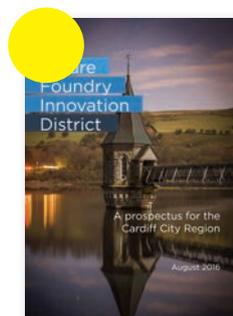
City Regions Report (task and finish group for WG)



Rail strategy (SEWTA)



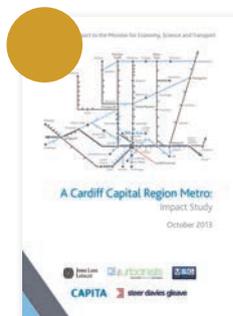
Planning (Wales) Act



Future Foundry (NESTA/city deal working group)



Valleys Regional Park Strategic Delivery Framework



Metro Impact Study (MBCG)



Future Need and Demand for Housing in Wales (Holmans for PPIW)



South east Wales employment and skills plan (LSkip)

2012

2013

2015

2016

Sectors and Innovation

AECOM's Baseline Economic Analysis, prepared for SEWDER, outlines the structure and composition of the South East Wales economy. The report notes that Cardiff will be the "key driver of growth for [South East Wales]. Tapping into the growth opportunities to benefit the wider [South East Wales] city region will be critical...". The report also points to the importance of financial and professional services, and identifies the need for up-skilling amongst residents in the region to meet this demand.

The analysis identified Insurance, **ICT Software, ICT Hardware, Medical Equipment and Energy Related Manufacturing** as the sub-sectors that have the most promise for economic development in the region, based on their "growth potential ... economic importance and geographical spread across [South East Wales]". A set of actions that could strengthen such areas are noted, including **supply chain development for insurance and medical equipment, and university connections for ICT hardware and energy related manufacturing**.

The Future Foundry report was prepared to support thinking for the innovation work stream of the City Deal. The report argues that innovation will be critical to improve the region's lagging performance and proposes two innovation districts – a **"central innovation district"** in the centre of Cardiff and a **"Western Innovation Corridor"** reflecting a broader geography from Newport to Bridgend. The districts would be underpinned by three themes: **"wellness" (life sciences), "public test bed" (public sector innovation) and "atoms to apps" (big data, semiconductors)**. The report points to the potential for an Innovation Investment Fund which, whilst owned by the 10 local authorities, would serve the function of funnelling private "risk" capital into innovation initiatives.

Summary of AECOM SWOT analysis of South East Wales region, 2015¹⁰

Strengths (build upon)	Opportunities (pursue)
Manufacturing specialisms	Businesses with competitive niche
Diverse economic base with key clusters	Marketing and exploitation of key clusters
Valued local authority business support	Tailored business support to meet skills gaps
Three Enterprise Zones	Access to £127m funding to grow skilled jobs
Strong tourism offer	Develop tourism with stronger regional identity
Growing knowledge economy in Cardiff	Cardiff City Deal funding control
Strong employment rate and start-up rate	Help disadvantaged areas via social enterprise
Some strong R&D activity	Strategic cross-boundary collaboration
Existing and planned infrastructure investment	Greater regional access to job opportunities
Weaknesses (address)	Threats (minimise)
High share of low value added manufacturing	Skills mismatches lead to business relocations
Low skill levels, employers with skill gaps	Limited public resource for business support
Poor regional transport links and to London	Over-reliance on Cardiff – jobs hard to access
Slow economic recovery and rising disparities	Lack of access to finance for start-ups
Over-dependence on public sector jobs	Widening earnings disparity with rest of UK
Low competitiveness, entrepreneurship, wages	Three year business survival rates lagging UK
Low investment in strategic development sites	Enterprise Zones displacing jobs, not creating
Lack of business export activity	Lack of regional governance or strategy
Talent drain of graduates out of the region	Lack of critical mass of firms to build ecosystem
Business support duplication across region	M4 congestion restricts growth potential

Skills

The South East Wales Employment and Skills Plan (2016) identifies five key regional sectors and proposes strategic actions to address skills. These include working with **city deal partners, seeking to support the development of a Mittelstand of medium-sized firms, encouraging entrepreneurship and working with schools.** The skills plan also seeks to match learning and training with employer requirements and seeks to ready supply chains for the labour market possibilities that might emerge through infrastructure investments.

A **strategy for higher education in South East Wales** was set out for the period 2011/12 to 2013/14. The vision seeks to, amongst other things: respond to learners and employers; widen access to higher education; and expand national/international links to the region.

Green Infrastructure

Stemming in part from the **Turning Heads** strategy, the Valleys Regional Park (VRP) Strategic Delivery Framework (2012) supports the development of green infrastructure in the city-region. Its objectives include the **effective management of green space; town centre and rural community regeneration; improved social cohesion; improved health outcomes; and supporting community based food production.** European Regional Development Fund and Welsh Government match funding underpinned the initiative, which is an important part of the region's approach to natural resource management.

Housing

Housing is critical to the functionality of city-region systems and the operation of labour markets in particular. The last report on the South East Wales housing system dates back to late 2005. Produced for the **South East Wales Regional Housing Forum (SEWHRF)** - which is now disbanded - the report identified 5 distinct housing market areas (HMAs): **“Heads of the Valleys; Mid Valleys; North of M4 corridor; three urban based areas - Bridgend/Porthcawl, Cardiff and Newport; and Rural Monmouthshire”.**

The authors, in defining the HMAs, show that such markets typically run east to west in the city-region as opposed to the administrative areas which are broadly configured north to south (particularly in the Valleys). The report noted that transport investments may change the nature of the HMAs, linking to the possible impact of Metro on regional housing markets.

A recent report for the Public Policy Institute for Wales - **Future Need and Demand for Housing in Wales** - draws attention to the large increases in households projected for Cardiff itself (over the period 2011-31, nearly 30% of all household growth in Wales, and an increase of 37% over the period). These contrast with small household increases outside the cities and even declining market demand projected for Blaenau Gwent (see Table).

Stock transfer to social landlords is a further institutional feature of the housing landscape, and local authority ballots have shown mixed results across the city-region. The Essex Review on affordable housing pointed to regulation and funding issues as concerns for the improvement of affordable housing provision.

Future demand and need for housing in Welsh districts in 2011-2031¹¹

District	Market sector		Social Sector		Total requirement/000s
	Requirement	Share	Requirement	Share	
Cardiff	33.7	72%	12.9	28%	46.6
Newport	7	65%	3.7	35%	10.7
Rhondda Cynon Taff	4.3	48%	4.6	52%	8.9
Bridgend	5.1	64%	2.9	36%	8.0
Vale of Glamorgan	6.1	85%	1.1	15%	7.2
Caerphilly	2.2	40%	3.3	60%	5.5
Torfaen	0.9	41%	1.5	68%	2.2
Monmouthshire	1.1	52%	1	48%	2.1
Merthyr Tydfil	0.9	47%	1	53%	1.9
Blaenau Gwent	-1.1	-58%	2	105%	1.9

The Commission has undertaken an international review of evidence from other city regions with similarities to Cardiff Capital Region, in order to answer certain key questions:

- What have been the core elements of successful city-regional development strategies?
- How have they addressed competitiveness and growth, and inclusion/poverty reduction?
- What role has transport infrastructure played in their development?
- What have been the effective forms of inter-municipal collaboration?
- What are the cycles and lengths of time over which successful city-regional economic development has occurred in other regions?

To address these questions, we have reviewed the experience of 5 international city-regions selected for their relevance to the Cardiff Capital Region:

	Population /million	Municipalities	Key Infrastructure Projects	Regional structures	Key regional strategies
Bilbao	0.95	35	Metro Sanitation	Bizkaia Province Bilbao Metropolis 30	Culture and Identity Polycentric development Entrepreneurship and re-skilling Smart city
Gothenburg	1.1	13	Rail and Road Tunnel Bridge over River Gota River City Project	Association of Local Authorities (GR) Business Region (non- profit association)	Sustainable development Planning Public transport corridors
Portland	1.5	25	MAX Light Rail	Metro Portland regional government	Land Use Planning Housing + Densification Nodal strategy - 2 nd centre
Greater Halifax	0.4	1 (amalgamated from 4)	Trade and Logistics (terminals, runways, parks)	Regional municipality Greater Halifax Partnership between business + 3 tiers of Gov	Economic Development Brand and profile Talent retention
Malmö	0.7	12	Øresund Bridge City Tunnel (rail)	Øresund Committee Øresund University	Innovation and Green Technology Cluster development Labour market integration
Cardiff Capital Region	1.5	10	Metro 2017	City Region Cabinet City Deal Transport Authority Growth Partnership Regional Business Council	New: Economic Development, Transport, Labour Market

The international examples of city-regions reviewed highlighted different ways that city-regional collaboration has been fostered through **multiple cycles**. In each case, regional collaboration has coincided with a **rise in population**, upgraded attempts to **reduce long term structural unemployment**, increased **job growth in internationally traded sectors**, increased **rate of entrepreneurship**, and **improved economic performance relative to the rest of the nation**. This cyclical character of development is exemplified by Bilbao as the chart below illustrates.

Why do other regions begin city-regional collaboration?

- A change of (or worsening) circumstances that breeds collective recognition of shared regional problems (whether economic, budgetary, infrastructural, social, environmental).
- Charismatic leadership from one or more regional politicians to highlight the inefficiencies of fragmentation and competition.
- An institutional reform or a policy shift from a higher tier of government that demands regional joint working and increases receptivity to new ideas.
- Sustained advocacy from business and civic groups on one or more key issues.
- The desire to implement regionally significant projects.

Bilbao's three cycles of city-regional development



Core elements of successful city-regional development strategies

The five cases point to 10 factors that contribute to the success of city-regional development strategies:

1. Shared commitment to population growth and an enhanced infrastructure and housing supply to manage this growth.
2. Agreed transport corridors and growth nodes that connect to the core city and each other.
3. Expansion and densification of the urban core, including significant new housing provision to meet the needs of different age groups, reduced car use and pollution, and increased vibrancy and quality of life.
4. Regional strategies that provide a rationale and a prospectus for targeted intensification and improved urban design in other key locations outside the urban core.
5. A clear assessment and understanding of firm networks and cluster activities.
6. Robust long-term scenario planning and strategic choices.
7. Clear accounting and visualisation of the benefits for the most remote or rural municipalities.
8. The mobilisation of citizen enthusiasm and consciousness of the regional dimension.
9. Municipalities have a strong incentive or obligation to comply with wider regional plans and targets.
10. A pipeline or sequence of projects that provide confidence both to investors and to municipalities that may benefit less from the first cycle of projects.

The role of transport infrastructure in city-regional development

Large-scale infrastructure has played a transformative and integrative role in many regions that were previously quite fragmented. Metro rail projects, tram systems, bus rapid transit corridors, or regional airport and port upgrades, have been powerful in their ability to:

- Bring regional partners to the table and spur collaborative decision-making and awareness that each part of the region will benefit in time.
- Expand labour market access and reduce the mismatch between jobs and homes.
- Provide visible benefits and create confidence in the possibility of change.
- Become a source of pride and shared regional identity.
- Connect areas that are socially and politically disconnected.
- Unlock new land for strategic densification.
- Shape spatial development and the creation of complementary and secondary centres.

Cities that have been through one cycle of regional infrastructure-building usually **develop the appetite for subsequent cycles**. After 15-20 years, they often have built up the range of transport options that serve a wide range of household types, ages and incomes. Examples may include Gothenburg and Malmö (see charts).

Gothenburg's three cycles of city-regional development



Malmö's three cycles of city-regional development



Effective forms of inter-municipal collaboration

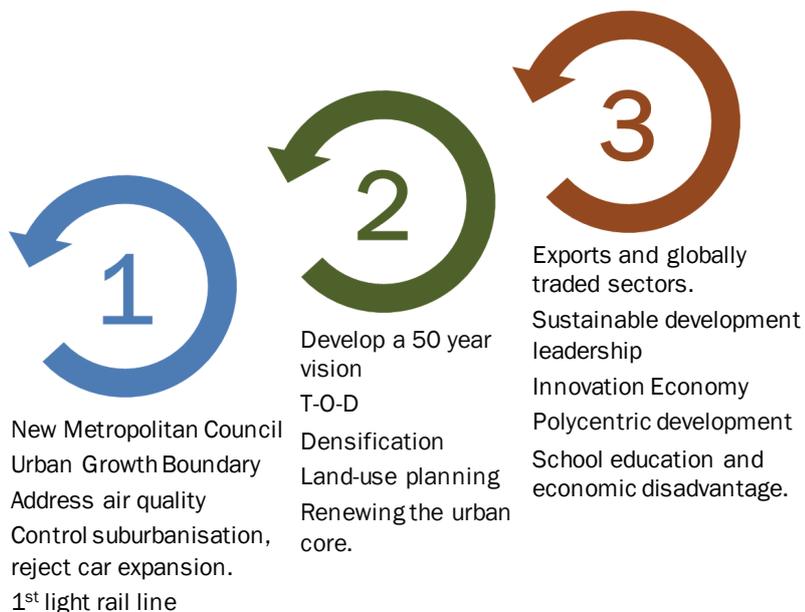
Each of the reviewed regions have pursued **different models of regional governance**. Some (e.g. Portland, Halifax) have created a new regional authority, whether as an additional tier or via amalgamation, while others have built co-operation informally and created specialised delivery vehicles. For regions that cannot or choose not to reform the governance system, co-operation is often effectively built through regular 'rounds' of consultation and deliberation about the future, and scenario planning exercises. Though these coalitions lack binding authority, they become influential by **setting a regional agenda and partnering with other non-governmental actors and allies**. It is not uncommon for these voluntary associations to evolve into more statutory units of government over time and to create **capable shared delivery vehicles**.

Competitiveness with inclusion

The international examples all highlight the challenge that many regions face to **overcome segregation and inequality in housing, labour market and education outcomes**. The international examples reviewed here highlight how regional co-ordination may enhance the focus on regional competitiveness as well as regional inclusion and cohesion. In terms of creating a **more inclusive development model**, regional co-ordination mechanisms in these five examples have made it more possible to:

- Pursue more mixed-use development in the better connected urban areas, as part of a general focus on an inclusive built environment that appeals to both local authorities and to developers.
- Focus on skills mismatches and disparities that result from labour market restructuring.
- Establish new technology or innovation locations that leverage the skills and specialisations of the former industrial economy.
- Engage and incentivise large regional employers to become inclusive in their recruitment and internship practices.
- Provide substantial affordable housing in the major regeneration areas.
- Work collaboratively to expand social entrepreneurship, inclusive start-up funding and SME technology utilisation.
- Bid jointly to attract funding for lifelong learning projects.
- Join up approaches to school education and skills at key points in student development.
- Adopt a clear measurable framework for equity and inclusion.

Portland's three cycles of city-regional development



- o To foster entrepreneurship and skills development;
- o To increase the investment rate in key infrastructure;
- o To initiate cross-border or multi-region collaboration and integration;
- Utilising the expertise of regional universities, in order to build a robust evidence base, address skills gaps and support a transition towards a higher value economy (green economy, advanced business services, design, technology).

The cycles and timeframes for regional collaboration to succeed

Although there is no uniform cause or correlation, international experience suggests that many regions begin to experience a step change in economic development after **two cycles of collaboration, over 5-15 years of building stable regional frameworks and partnerships.**

The **time frame has been more accelerated in regions where an agenda for municipal co-operation coincides with wider government reform and with an injection of transport and other infrastructure investment.** The length of time has been slower and more incremental in regions where the initial governance reform has not fully overcome scepticism about the distribution of benefits, and where agreement about spatial development and growth locations has been slow to emerge.

Halifax's three cycles of city-regional development



The examples illustrate that effective regional governance models appear to benefit from:

- Clear powers over transport, planning, land-use and economic development;
- Pooled assets and inventories of public land;
- The engagement and support of multiple tiers of government. Often it has been intermediate tiers of government with some fiscal independence and devolved responsibilities that can take ownership of certain regional projects and can help ensure returns are re-invested;
- Vehicles that bring together public and private sectors. Public-private agencies such as Bilbao Metropoli-30 and Greater Halifax Partnership have been critical for regions:
 - o To look beyond political timescales and provide oversight over the long term;
 - o To deliver a strategic plan;
 - o To convene a diverse leadership function;
 - o To create alignment between different stakeholders around common objectives;
 - o To gather intelligence about the regional economy;
 - o To lobby and advocate for necessary reform and investment projects;
 - o To build a regional story and promote the region internationally;
 - o To assemble and optimise the use of public land;
 - o To adopt a less siloed regional perspective;

PART 3 - REVIEW AND RECOMMENDATIONS

3.1 PROSPECTS FOR THE CARDIFF CAPITAL REGION

The Cardiff Capital Region has the potential to **develop into a prosperous capital city-region for Wales**, with multiple benefits for the Welsh economy and all the people of Wales. The Capital Region can be a decision making centre, a global gateway for capital, trade, and visitors, a knowledge hub, and a major population centre and business cluster for Wales, providing opportunities and resources for other regions to develop. There are many points of progress in the capital region over the past 20 years but more is needed in the next cycle to take it forward. In particular, an integrated economic strategy that is sequenced with increased investment in infrastructure and place renewal is now required. This should focus on:

- Improving inter-connectivity within the region to increase opportunities, choices, and mobility of people, jobs and investment, to foster a region with multiple locations of growth that play to those area's strengths.
- Investment in education, skills and employability to improve productivity and participation the economy.
- Enhancing the business climate for emerging sectors, enterprises and innovation that can spawn new sources of jobs and incomes into the longer-term future.

Such a strategy should be complemented by enhanced governance integration, confident promotion and story-telling, and leveraging of private sector and institutional investment.

The Cardiff Capital Region City Deal provides a unique opportunity to develop a co-ordinated and integrated approach to the development of the region to the benefit of the current, and the coming, generations. The Commission notes the commitment of all parties to work together towards a common goal. Much of the investment through the City Deal will be focused on improving internal connectivity within the region. Our report focuses on how to further strengthen the impact of that investment through actions that will help improve the prosperity of residents across the Cardiff Capital Region.

This will involve making coherent investment choices. It will also involve a targeted programme of investment that is designed to draw in additional resources from the public or private sector, as well as other possible investors. Experience elsewhere in the UK and internationally suggests that a **programme of activities focused on a common theme with a long term ambition** is more likely to be successful than a series of desirable but unconnected investments intended to meet some immediate demand.

The Cardiff Capital Region City Deal will need to take into account the **trends that are already visible across the region: an ageing population, a declining workforce and net out-migration of those aged 22-45.** As the review of previous studies in Part 2 observes, the issue of **population loss and demographic change is more prevalent in some parts of the city-region than others.** Equally, automation, digitisation and productivity improvements will reduce labour demand in several key employment sectors, including those in the public sector. This can be offset by working to improve the quality of the jobs that remain and encouraging new businesses to service emerging market segments. Across Wales, progressive carbon-reduction targets provide new opportunities for innovation and economic activity, but will also challenge many firms. In Part 3, we now review the evidence across different dimensions of the Cardiff Capital Region: Economy, Inclusion, Land and Spatial Development, Sustainability, Investment and Organisation. The core findings from this evidence inform our 10 recommendations.

3.2 ECONOMY

GROWTH AND PRODUCTIVITY

A key determinant of GVA growth is job growth and increases in productivity. It is therefore important to understand the growth and productivity strengths and weaknesses of the Cardiff Capital Region and identify where and what interventions may be appropriate in response.

A number of key questions that have therefore been considered:

- To what extent is productivity or job growth a key determinant of the GVA gap between the Cardiff Capital Region and the UK average?
- What are the factors that would support a more productive economy and where does the Cardiff Capital Region need to improve?
- How can the Cardiff Capital Region most effectively and efficiently support job growth?

Evidence Review

GVA per capita for the Cardiff Capital Region lags both the UK average as well as the majority of city-regions across the UK, as previous studies have also attested (see Part 2). Much of the gap in performance can be attributed to productivity. If productivity were to be raised to the UK average¹² this would add approximately £7bn to the total economic output of the Cardiff Capital Region, equivalent to an increase in GVA per capita of almost £4,700 per person. Labour participation also has an impact, albeit on a smaller scale and if employment rates were to be equalised with the UK average this would mean an additional 35,000 in employment and £1.5bn added to the total economic output of the Cardiff Capital region, equivalent to around £1,000 per person.

Gross Value Added (Income Approach) at current basic prices 2014

	GVA PER CAPITA (£)	GVA TOTAL (£)
London	42,666	364,310
Gloucestershire, Wiltshire and Bristol/Bath area	25,720	62,099
United Kingdom	24,958	1,618,346
Greater Manchester	21,002	57,395
West Yorkshire	20,808	47,117
Tyneside	20,693	17,420
West Midlands	19,778	55,544
Merseyside	18,621	28,257
Cardiff Capital Region	18,063	27,085
Wales	17,573	54,336
South Yorkshire	17,462	23,850

Source: ONS

Within sector productivity is much more important than sector mix and a lack of 'high level' graduate skills in determining Cardiff's below average productivity¹³. In addressing this there is an imperative to **address skills deficiencies across the skills spectrum**, particularly in those with the lowest levels of skill. In addition, the lack of effective "economic mass" within Wales, in combination with relatively long travel times to the largest centre of economic mass in England, reduces the scope to exploit agglomeration economies¹⁴.

Qualification of those aged 16-64- Jan 2015-Dec 2015

	% with degree or equivalent		% with no qualifications
Greater Manchester	26.3	West Midlands	16.8
Cardiff Capital Region	25.7	Merseyside	11.9
West Yorkshire	24.0	West Yorkshire	11.0
Tyne and Wear	23.1	Cardiff Capital Region	11.0
Merseyside	22.6	Greater Manchester	10.3
West Midlands	22.4	South Yorkshire	10.3
South Yorkshire	21.9	Tyne and Wear	9.6

Whilst sector differentials do not explain productivity differentials, there is scope for the city-region to support employment growth in a range of sectors. Based on analysis of proportional employment in other city-regions in England (outside of London), if the Cardiff Capital Region were to employ proportionally the same level of workers across sectors this would lead to a significant uplift in employment in business and finance, professional services and ICT. There would also be a significant uplift in employment in wholesale activities.

Cardiff Capital Region Job Gap vs Core City-Regions – 2015 BRES Data

Sector	Job Gap vs Core City-Region average
Business administration & support services	11,000
Wholesale	10,000
Transport & storage (inc. postal)	9,000
Professional, scientific & technical	9,000
Information & communication	5,500
Financial & insurance	900
Property	500

Source: BRES

This is further emphasised by the significant under-representation in Knowledge Intensive Business Services Employment in the Cardiff Capital Region, at just 11% of total jobs. This can have a negative impact on productivity and the competitiveness of the city-region economy.

KIBS jobs share of total 2015

	KIBS jobs share of total
West of England LEP	19%
Greater Manchester CA	16%
West Yorkshire CA	15%
West Midlands CA	14%
Liverpool City Region CA	12%
Cardiff Capital Region	11%
Sheffield City Region CA	11%
North East CA	10%

Source: Centre for Cities

Core Findings

In comparison with other city-regions, the Cardiff Capital Region lags behind the overall average level of economic output per head. This is mostly a result of relatively low levels of productivity, but is also partly determined by employment rates. **Increasing the region's productivity performance relative to the rest of the UK is a priority to achieve economic growth.**

Productivity differentials are attributed to differences in within-sector productivity rather than sector mix, the skills mix of the workforce (primarily those at the lower end of the skills spectrum) and a lack of exploitation of agglomeration effects. In terms of jobs growth there is an under-representation for the Cardiff Capital Region in Knowledge Intensive Business Services, where there remains opportunity for future growth, including through up skilling those further down the skills spectrum.

Addressing low productivity in low wage sectors that are also likely to continue to provide large numbers of jobs due to the demand and requirement for their services will also have a large impact on productivity. These cover areas such as social care, retail, hospitality and arts and entertainment¹⁵.

Key Questions

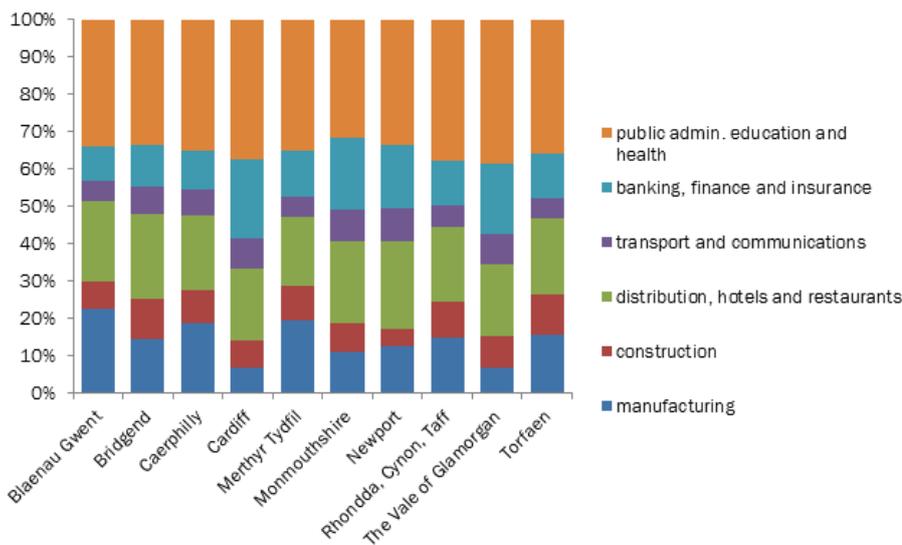
All city-regions possess particular sector strengths and weaknesses. Identifying opportunities for growth and sector support is one way of delivering more and better employment opportunities across the Cardiff Capital Region. There are, however, conflicting views as to whether ‘picking winners’ by sector is an efficient strategy and it is important to understand how a sector strategy may best be adopted in the Cardiff Capital Region.

- Which sectors are important for the future growth of the city-region?
- What is the best way to support sector growth?
- Should city deal prioritise single sectors, several, or all?

Evidence Review

Across the city-region as a whole, there is a strong dependence on employment in the health, manufacturing and public service sectors, including education. Each can be a source of growth. However, for a variety of reasons, employment within these sectors will likely remain under pressure in coming years.

% employed in key industries (Jan 2015-Dec 2015)



Source: ONS

Recent analysis suggests a need to **develop more diversified economies** across most of the Cardiff Capital Region¹⁶. This is particularly so in areas with more urban economies (rather than rural areas where less complex economies are the norm). Across the Cardiff Capital Region there is just one sector¹⁷ where employment levels markedly exceed the Welsh average (Financial and Professional Services).

It is notable that the city-region is home to a **higher proportion of large companies** than in many other city-regions, and that ‘anchor companies’ - large institutions tied to their location by their invested capital and/or their mission and relationships with employees - are found across the whole of the Cardiff Capital Region (with around half in Cardiff). Almost one third of these anchor companies are in Advanced Manufacturing, reflecting the region’s strong heritage in this area. A number of strong (and emergent) clusters of activity can be identified offering opportunities to develop regional value added through value-chain and supply-chain development.

There will also necessarily be **jobs that link to the ageing population** and despite public sector financial constraints there will continue to be demand for jobs in sectors such as care. This demand may become more pronounced in those areas where migration has augmented the workforce, meaning that it is possible there will be shortages in terms of available workers in many of these sectors in future.

In contrast, it is also important to note that within Wales as a whole, **the main source of quality employment for non-migrant graduates has been the public sector** (which employs approximately half of post-1992 young graduates who were born and live in Wales¹⁸). In the light of the reduced employment in the public sector, there is a need to encourage an **increase in demand for higher-skilled employment across the private sector**.

In terms of sector specialisms, as referred to in Part 2, AECOM’s Baseline Economic Analysis, prepared for SEWDER, points to Cardiff’s strong performance within the city-region, **the importance of financial and professional services**, and the need for up-skilling amongst residents in the region to meet this demand. There remains, however, a reliance on the public sector for graduate employment in the city-region. Recent work undertaken by the University of South Wales suggested that there are ten areas of specialism within the city-region where focussed action could support growth and deliver more jobs and increased activity. These sectors are listed above.

Sector Specialisms Summary

Automotive	Aerospace
Non Traditional Finance	Insurance
Pharmaceuticals	Medical Equipment
Energy Related Manufacturing	Recycling
ICT Hardware	ICT Software

Source: University of South Wales

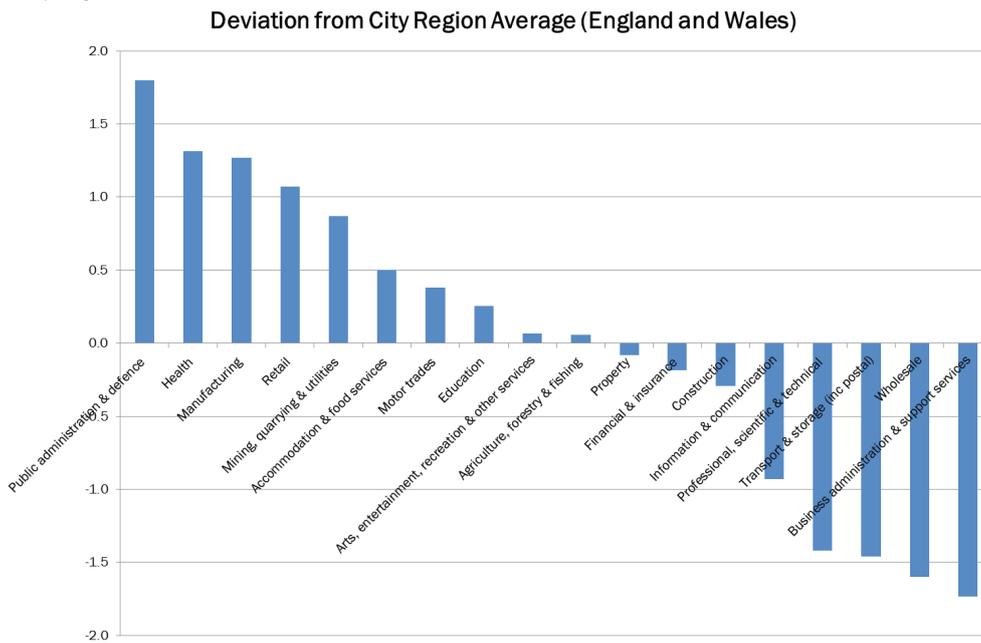
Significant investment and expertise in **Compound Semi-Conductors**, building on current industry strengths, expertise in higher education, and UK Government investment means that there is potential to build competitive strength in an export led industry cluster that would be anchored in Wales.

Another example where higher education strengths are linked with industries with growth potential is the **Software Academy in Newport**. Building on these strengths would again build a **competitive cluster for the Cardiff Capital Region with significant export potential**.

This is an example of an area where demand for skills could be augmented by retraining those currently in employment to support growth in the **software sector**, building on skills acquired elsewhere to provide graduate opportunities to those with technical expertise and experience but not necessarily the required qualifications. In doing so there is the opportunity to upskill those at the lower end of the skills spectrum in the workforce.

As highlighted above, there is also an under-representation of employment in some growing sectors, namely within **business administration, transport and ICT**.

Proportional Employment Comparisons with City-Region Average 2015 (Percentage Point Difference in Employment)



Source: Business Register and Employment Survey

Core Findings

Overall, analysis of the Cardiff Capital Region sectors shows a reliance on public sector and low value employment, as well as an employment gap in some key sectors compared with other city-regions. Raising the employment rates in low employment areas of the region is a priority to achieve overall job growth for the city-region.

There are opportunities to support growth in sectors such as **Semi-Conductors, Software, Energy, Finance and Professional Services, Higher Education, Life Sciences, Aerospace (including MRO), Digital and Screen Industries, Tourism and Hospitality**. However evidence from other city-regions suggests that addressing fundamental demand drivers and business climate conditions should take precedence over concentrating support in specific sectors.

Key Questions

Increasing entrepreneurial activity and innovation will help to support a more productive economy in the Cardiff Capital Region. It is important therefore to consider the strengths and weaknesses within these areas and the opportunities available. In particular it is important to understand:

- What are the key issues in the generation of new firms and enterprises in the city-region?
- What areas of entrepreneurial activity can best support a more productive economy and drive employment growth?
- How could the City Deal support a more innovative economy?

Evidence Review

The Cardiff Capital Region contains **a highly regarded science base**. It is the home to three universities, including one of the most research-active in the UK. This provides a strong foundation for developing new technologies and potential new development paths.

There have been **three exercises in recent years designed to identify the strengths and opportunities to grow the innovation economy in the city-region**. Each identifies different but overlapping areas of future specialisation.

Innovation themes in different policy documents

Future Foundry (Cardiff Capital Region)	Science and Innovation Audit (South West England and South East Wales)	Innovation Wales (pan-Wales)
<ul style="list-style-type: none"> • Life-sciences, medtech, healthcare and clinical • Digital, big data, cyber and semiconductors • Urban, civic, government and social innovation 	<ul style="list-style-type: none"> • Aerospace and Advanced Engineering • New energy systems • Digital Living • Next Generation Micro-electronics • Environmental and sustainability resilience 	<ul style="list-style-type: none"> • Life Sciences and Health • Low Carbon Energy and Environment • Advanced Engineering and Materials • ICT and the Digital Economy

Despite a skilled workforce and high performing universities, investment in **innovation has however remained low in the Cardiff Capital Region**. Innovate UK expenditure in Wales is less than a third of the average UK per head figure and government expenditure on R&D in Wales also stands at just 1% - a third of the expected pro-rata spend. Welsh businesses spent approximately £369 million on R&D activity which is lower than every part of the UK with the exception of the North East (£309 million).

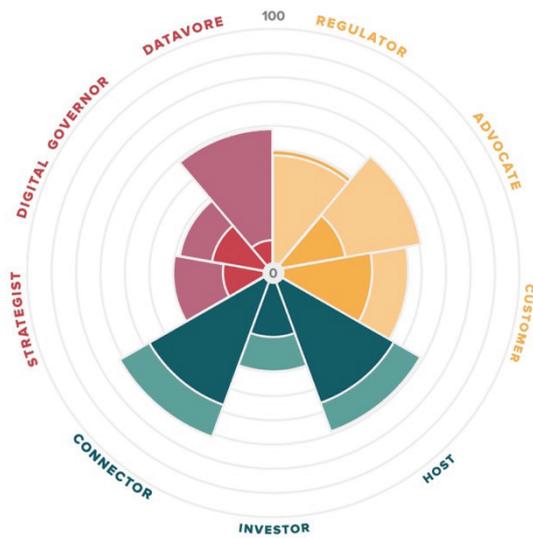
Alongside large companies, there is emerging a **thriving micro-business sector** in the Cardiff Capital Region. An ecology of micro-businesses is good for creativity, but can struggle to undertake R&D and innovation (owing to limited resources), provide opportunities for those just graduating to get initial experience, or bid for larger contracts (owing to scale constraints). Small companies also need opportunities to build their track record on bigger projects. Across the Cardiff Capital Region **there is a disproportionately low number of medium sized businesses, especially in the range of firms with around 30-100 employees**.

There are also **only seven publicly listed businesses headquartered in the Cardiff Capital Region**¹⁹, just 0.4% of the UK total according to the London Stock Exchange's Landmark website. Addressing the under representation of these business could help to develop a more competitive and productive business base for the Cardiff Capital Region.

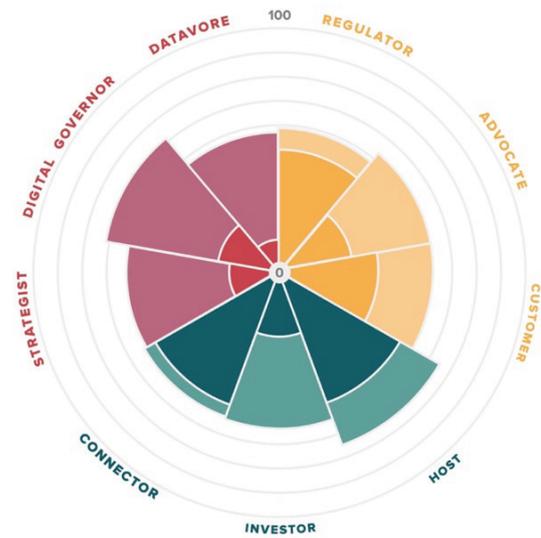
In terms of business finance, substantial evidence from our public events suggests some shortage of capital for investments in the sub-£1m category. It is suggested that it may be a bigger problem in Wales than elsewhere, partly because the potential sources of such funds are relatively small in number to begin with. In addition, banks have tightened their lending standards since the crisis. Anecdotal information also suggested that local business owners are keener on grant finance and may be less willing to offer equity stakes in their ventures. Generally however there is mixed evidence relating to the cause and effect of finance for businesses, with some **potential investors citing a lack of viable propositions, whilst businesses cite lack of available funds**. Improving the scale, quality, and consistency of business investment opportunities is a key priority.

Analysis of the wider policy context for supporting innovation in the Cardiff Capital Region, compared to selected other European and North American cities, suggests that the region performs poorly against most categories. The areas where it is stronger is that of 'regulator', 'connector' and 'host'. The categories of weaker performance suggests policy areas that might be strengthened as part of the City Deal and a wider economic strategy for the Cardiff Capital Region.

CCR vs European cities



CCR vs N. American cities



source: Future Foundry, p.20. CITIE Framework, developed with NESTA

The darker shaded areas represent the performance of the Cardiff Capital Region, whereas the lighter shaded areas are the comparator cities.

Core Findings

The Cardiff Capital Region has clear science, **innovation and human capital assets** that may form the core of a more dynamic, higher value innovation economy. However the region experiences under-investment in R&D and innovation, and the governance of the innovation system is currently less co-ordinated than other peer city-regions. There is evidence to suggest that the city-region economy is reliant on micro-businesses, which whilst providing a significant contribution to the local economy, can also constrain levels of investment in innovative activity.

There is some evidence for a lack of available finance for business in the sub £1m category, though attributing causes is difficult. Support for businesses in established and emerging innovation sectors appears to **require longer term strategies** to ensure the availability of finance, enhance the business climate and simplify city-region governance.

Key Questions

Tourism can support the city-region in terms of jobs and GVA, but also by regenerating and reinvigorating places, as well as improving quality of life by providing a range of recreational activities for city-region residents. It is important, therefore, to explore the potential of tourism to contribute to growth within the Cardiff Capital Region.

- How can tourism contribute to the future growth of the city-region?
- What can tourism contribute to spreading growth throughout the region?
- What other contributions can tourism make?

Evidence Review

Data from statistics model STEAM highlights that tourism is worth £2.5bn to the Cardiff Capital Region economy, which attracts around 38 million visitors annually. 52% of the visitors and 45% of the economic impact is attributable to Cardiff.

Cardiff accounts for 64% of the city-region's total business visitors and 68% of international business visitors²⁰. It is clear however that in a UK context there is significant room for **Cardiff to improve as a visitor and conference destination**. According to National Statistics data Cardiff lags behind the cities of Edinburgh, Manchester, Birmingham, Glasgow, Liverpool, Oxford, Bristol, Brighton and Cambridge in terms of visitors. Given that these cities often serve as the gateway to surrounding areas this clearly has a knock-on effect for Cardiff's neighbouring local authorities in terms of their ability to attract visitors.

There are a plethora of tourism opportunities across the entire Cardiff Capital Region, ranging from heritage attractions to cycling and mountain biking locations. To grow the visitor economy, the offer needs to be considered at the **city-region level, where accommodation, food and drink and attractions work together to maximise visitor numbers and economic impact**. Local or same day tourism is also a source of considerable employment opportunities within local communities, as well as providing services for people within the city-region.

Green and blue infrastructures (including upland areas, forests, parks, rivers and coastlines) play an important role, both as drivers of economic opportunities and in supporting more inclusive economic growth. Evidence suggests that green infrastructure can support urban tourism, **improve a region's image, help to attract and retain higher value industries and employees, as well as generate positive effects on health, wellbeing, climate mitigation and property values**²¹.

The region overall employs slightly less of its workforce in tourism related industries than both the Welsh and UK averages, though comparing favourably with other city-regions in the UK.

Employment in Tourism Industries 2015

	Tourism Industries	%
Blaenau Gwent	2,000	10.6
Bridgend	5,000	8.4
Caerphilly	4,000	7.3
Cardiff	22,000	10.6
Merthyr Tydfil	2,000	9.4
Monmouthshire	4,500	12.7
Newport	5,000	7.1
Rhondda, Cynon, Taff	6,000	8.1
The Vale of Glamorgan	5,000	12.6
Torfaen	3,000	8.5

Source: STEAM

Core Findings

There is an opportunity to develop more diversified tourism employment opportunities in the Cardiff Capital Region. This requires a co-ordinated approach that links the city in its role as a capital with the wider city-region.

The opportunities for the city-region are broad, ranging from the 'green and blue' infrastructure, to major events requiring a spatially differentiated focus that provides a coherent offer across the city-region.

Much of the demand for the tourism sector comes from within the city-region itself. Responding to this is not just an economic imperative, but also supports quality of life.

ECONOMY - RECOMMENDATIONS

RECOMMENDATION 1 – CARDIFF CAPITAL REGION ECONOMIC OBJECTIVES

The Economic Strategy should set clear objectives. These objectives proposed here are intentionally ambitious. There will be a need to balance the different aims.

POPULATION

- **Successful city-regions attract population, and population growth provides increased revenues that underpin amenities and services, and reduce risks of high average dependency rates.** But attracting population is the result of getting other things right. Depth and range of job market, affordability of housing, range of liveability choices. Whilst the Commission does not advocate setting any specific targets, the Capital Region should aim to become an attractive place to live, and in the context of average increases in the UK population over the next 20 years **it should seek to keep pace with average population growth in the UK core cities.** To grow, the Cardiff Capital Region will need to focus on retaining people in the region as they develop their skills, keeping students after they graduate and matching them to job and enterprise opportunities, attracting more experienced workers later in their career and developing a more flexible housing market.

PRODUCTIVITY

- **The Cardiff Capital Region should increase productivity to at least 90% of the UK average, as measured by output per hour worked.** Cardiff Capital Region is amongst the worst performing UK city-regions in terms of productivity and GVA per capita.
- **The Cardiff Capital Region should raise average hourly median earnings to 95% of the UK figure, with no local authority having average hourly median earnings of less than 90% of the UK average.** Earnings represent only one element of household income but are the component that can be most affected by City Deal investments.

JOBS

- **The Cardiff Capital Region City Deal outlines that over its lifetime, local partners expect the City Deal to deliver up to 25,000 net new jobs.** Given Welsh Government population projections, this would increase the city-region employment rate from 70.5% to 73.8% - slightly above the current UK average. This will require a strong focus on improving access to opportunities and support for skills development in the areas with the lowest levels of employment rates.
- **The Cardiff Capital Region should seek to raise employment rates in all constituency areas to the current Cardiff Capital Region average of 70.5%** (excluding Central Cardiff where student numbers skew the data). This will require an additional 9,500 people moving out of unemployment or inactivity into employment.

SKILLS

- **The Cardiff Capital Region should increase the percentage of adults with qualifications at all levels of the National Qualifications Framework.** Supporting skills development at all levels will increase opportunities for all residents in the city-region and contribute to improved productivity and support the delivery of the LSkiP Employment and Skills Plan.

SUSTAINABILITY

- **The Cardiff Capital Region City Deal investment programme should be at least neutral in terms of CO2 emissions impact,** as part of a wider strategy to ensure that the City Deal investment is undertaken on an economically, socially and environmentally sustainable basis.

POVERTY

- **The Cardiff Capital Region should reduce the percentage of people living in households in material deprivation across the city-region.** In addressing poverty, the City Deal will not only have a strong impact on individual well-being but also support a more sustainable economy.

RECOMMENDATION 2 – ECONOMIC STRATEGY

The city-region should agree a long term economic strategy that supports a competitive, economically inclusive Cardiff Capital Region, playing to the strengths of many different locations within the region to increase overall opportunities, mobility, jobs and investment. The strategy should:

- Make the most of the Metro for fostering labour market participation and increasing integration of the city-region economy, and multiple points of growth. Identify other opportunities to improve connectivity within the region for people and businesses.
- Invest in education (from early years to university), skills and employability as the primary way in which individuals can access opportunities and firms can improve productivity; This will involve deploying resources flexibly in programmes of skills that are customised to the needs of employment sectors and different parts of the community.
- Leverage private sector and institutional investment to support the development of the city-region.
- Support all businesses – emerging and existing – to thrive over the long term through strategies to support innovation, ensuring the availability of finance, promoting the area more effectively and simplifying city-region governance.
- Develop a spatial economic strategy that recognises the diverse contributions of different locations within the city-region and the potential for complementary specialisation between them.
- Include a series of short, medium and long term targets on which the city-region should focus.

The strategy should build upon and integrate effective strategy formulation work that has gone before; including

- The Cardiff Capital Region Powering the Welsh Economy
- The City Regions Report
- The LSkiP Employment and Skills Plan
- Work undertaken on the spatial economy by SEWDER
- Work developed by the Metro Project

RECOMMENDATION 3 – CITY DEAL INVESTMENT PRINCIPLES

Potential investment projects exceed the public funds available, and it is essential that public investment leverages significant private investment to support the city-region economy. With that in mind, City Deal projects need to demonstrate:

- Significant scale;
- A positive impact on GVA;
- A positive impact on jobs;
- An impact beyond the local boundary area of where the investment takes place and does not displace activity within the city-region
- Alignment with the proposed Metro investment, including investment that can unlock benefits of the Metro and address access constraints.

In addition, projects need to demonstrate a quantifiable impact on at least two of the following:

- Increasing employment rates (by constituency) in areas where employment rates are below the Cardiff Capital Region average.
- Increasing earnings in areas with below average earnings for the Cardiff Capital Region
- Supporting enterprise growth and productivity gains
- Supporting people out of employment into employment

The Cardiff Capital Region should find ways to ‘bundle’ projects across the city-region to provide attractive investment opportunities at sufficient scale to be attractive to institutional investors. Such investments are most likely to include transport and energy infrastructure, and housing projects, as discussed under the “Investment” section below.

Engagement with institutional investors at an early stage is an important element of using public funding in ways which are more likely to attract co-investment rather than substitute for it. It is recommended that a liaison mechanism be established with private investors to consider how to optimise co-investment in city-region priorities.

RECOMMENDATION 4 – GROWTH SECTORS AND SPECIALISATION

The economic strategy should seek to build upon existing strengths and opportunities and to encourage emerging high value added and high employment sectors. There are multiple sectors with growth potential in the Cardiff Capital Region, including:

- Semi-Conductors
- Software
- Energy
- Finance and Professional Services
- Higher Education
- Life Sciences
- Aerospace (including MRO)
- Digital and Screen Industries
- Tourism and Hospitality.

Strategic sector specific investment opportunities will arise from time to time and should be considered on their merits.

We do not recommend taking a narrow sectoral approach to economic development in the city-region but rather to work harder to **improve the fundamentals of business climate** in terms of population attraction, skills, enterprise, and innovation capacity, business and investor friendliness, rate of investment in growth firms and infrastructure, and speed/clarity of decision making on major projects, land uses and external investment.

We recommend a strategy of improving the business and investment climate overall, coupled with **taking specific opportunities to back sectors at key moments of their development.** The City Deal should also look to how it can improve the environment for the provision of business support and advice, including the provision of commercial support.

RECOMMENDATION 5 – SUPPORTING BUSINESS INVESTMENT

The Cardiff Capital Region should seek to co-ordinate the plethora of business support functions across the city-region to ensure that the region is investment ready. This would require a **strategic focus on working with the market** to lever additional support that will enable:

- Increased worker productivity
- Increased market penetration / market share
- Additional investment in R&D;
- No displacement of activity within the city-region;
- Alignment with Metro investment

City-region partners should also work in conjunction with Finance Wales and seek to optimise leverage from Finance Wales resources.

3.3 INCLUSION

POVERTY

Key Questions

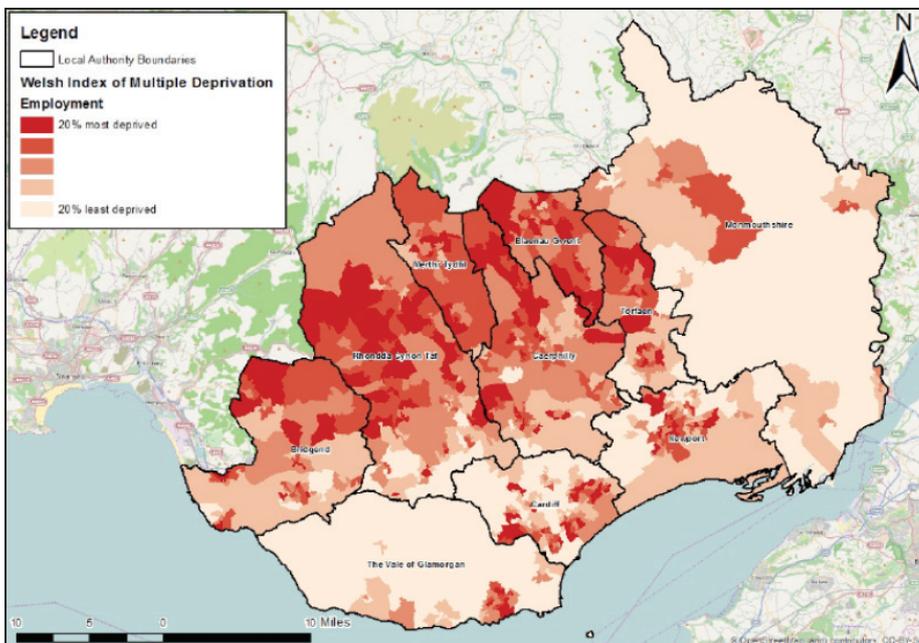
Addressing jobs and productivity will not automatically lead to better outcomes for all if we have not invested in removing barriers such as lack of skills, poor health or restricted travel. Improving accessibility to opportunities and increasing labour market participation is critical if the Cardiff Capital Region is to support an improved quality of life for all of its residents. A number of key questions that have therefore been considered are:

- How does the Cardiff Capital Region compare with other city-regions in terms of poverty, inclusion and participation?
- What are the factors that would support a more inclusive economy and where does the Cardiff Capital Region need to improve?
- How can the Cardiff Capital Region most effectively and efficiently improve labour market participation?

Evidence Review

Wards within the Cardiff Capital Region are amongst the most economically deprived in the UK. Addressing the needs of the residents of these wards will be crucial if the City Deal is to be judged a success over time.

WIMD (Wales Index of Multiple Deprivation) Employment Domain



Source: Welsh Government

There are clear patterns of poverty and deprivation across the Cardiff Capital Region as demonstrated by the Welsh Index of Multiple Deprivation (WIMD). Areas classified as amongst the most deprived areas are concentrated in the northern areas of the city-region, with pockets of deprivation also to be found in the dense urban areas.

Labour market participation also varies significantly across the Cardiff Capital Region. Inactivity in the area with the lowest labour market participation is more than double that of the area with the highest (Cardiff Central data is influenced by high student numbers).

Whilst physical accessibility has been documented as a key determinant of deprivation, skills are considered more significant in determining individual outcomes than geography. Analysis has shown that qualification level is a bigger influence on the employment rate than location - both within Wales and across England and Wales as a whole²².

Health is also a determinant of disengagement with the labour market, with a higher proportion of those inactive in the Cardiff Capital Region due to long term sickness than in all but one of the English Core City-regions.

Economic Inactivity by Constituency Jul 2015-Jun 2016

	% who are economically inactive - aged 16-64
Cardiff Central	36.1
Islwyn	29.1
Blaenau Gwent	28.3
Merthyr Tydfil and Rhymney	28.2
Newport East	27.6
Cardiff South and Penarth	27.1
Rhondda	26.4
Newport West	26.3
Cynon Valley	26.0
Cardiff West	25.4
Torfaen	24.7
Ogmore	24.6
Pontypridd	23.9
Vale of Glamorgan	22.9
Caerphilly	20.7
Monmouth	20.5
Bridgend	19.7
Cardiff North	17.7

Source: Annual Population Survey

Economic Inactivity Jul 2015-Jun 2016 – Working Age

	% who are economically inactive	% of economically inactive looking after family/home	% of economically inactive long-term sick
Liverpool City Region CA	28.0	20.2	31.5
Cardiff Capital Region	25.2	19.0	30.3
Tees Valley CA	25.0	23.5	24.7
Sheffield City Region CA	24.8	26.6	26.7
North East CA	24.6	21.4	28.1
Greater Manchester CA	24.5	24.8	26.1
West Yorkshire CA	24.5	26.4	23.1
West of England LEP	19.4	22.1	19.7

Source: Annual Population Survey

Underemployment, low pay, low-skilled jobs (with limited training) all contribute to a rising incidence of in-work poverty²³. The Joseph Rowntree Foundation estimates that poverty costs the Cardiff Capital Region at least £2.2 billion a year²⁴.

The response from the Bevan Foundation noted that “although there is a childcare strategy for Wales, provision in Cardiff Capital Region is fragmented (geographically and across the age-range), information is patchy, and costs and the quality of provision vary”. A lack of affordable and available childcare in rural areas is also a barrier to employment²⁵.

Roughly a quarter of employees in Cardiff Capital Region are not paid enough to enjoy a basic but acceptable standard of living, even after the inclusion of any in-work benefits to which they may be entitled²⁶. Low pay is a key factor (along with short working hours and the work status of other household members) in low household incomes²⁷. It should also be noted that increases in aggregate incomes have a greater economic impact if they are at the lower end of the income distribution scale²⁸.

Over many decades the Valleys have experienced a cumulative loss of over 200,000 jobs²⁹. While Cardiff can provide a focus for some employment activity, it cannot address all unemployment and inactivity across all of South East Wales. The evidence reviewed has highlighted the need to improve access to and the quality of careers advice, and to **improve the range and quality of apprenticeships**, which could have a significant impact on employability³⁰.

Core Findings

In comparison with other city-regions, the Cardiff Capital Region lags behind the overall average in terms of labour market participation. There are also clear disparities in outcomes for residents across the Cardiff Capital Region in terms of the Welsh Index of Multiple Deprivation, earnings and economic inactivity.

Whilst geography and physical access to opportunities are a factor in determining levels of deprivation, skills levels are a much clearer indicator at the individual level.

Addressing levels of inequality and raising income at the lower end of the earnings spectrum would have a significant impact in raising GVA per capita and productivity.

Promoting more inclusive growth to provide opportunities for greater inclusion and social cohesion will require concerted actions, aligned to wider development strategies, that³¹:

- **Improve connectivity and access to services for people in the poorest parts of the region.**
- **Raise living standards and conditions: tackle fuel and other forms of poverty, address inequalities in work-related income, and promote financial inclusion.**
- **Promote skills and employment: addressing inequities in the distribution of skills and promoting participation, job quality, security and progression.**

Key Questions

Improving skills is fundamental to increasing productivity, raising income levels and supporting increased labour market participation. Inextricably linked to the skills of the city-region, job creation is also a fundamental element of delivering better opportunities for everyone and improving the city-region economy.

Some of the key questions to consider for the Cardiff Capital Region are:

- How does the city-region compare with others in terms of overall levels of workforce skills, and how are skills spread across the city-region?
- How do skills impact on productivity and participation?
- What opportunities are there for job creation and what are the potential interventions that could take place to support a more skilled workforce and greater levels of labour market participation?

Evidence Review

As noted above, overall the Cardiff Capital Region performs comparatively well against other UK city-regions in terms of the proportion of its workforce with a degree or equivalent. However, the region performs around the average when compared to other city-regions in terms of the proportion of residents who hold no qualifications.

Qualification of those aged 16-64- Jan 2015-Dec 2015

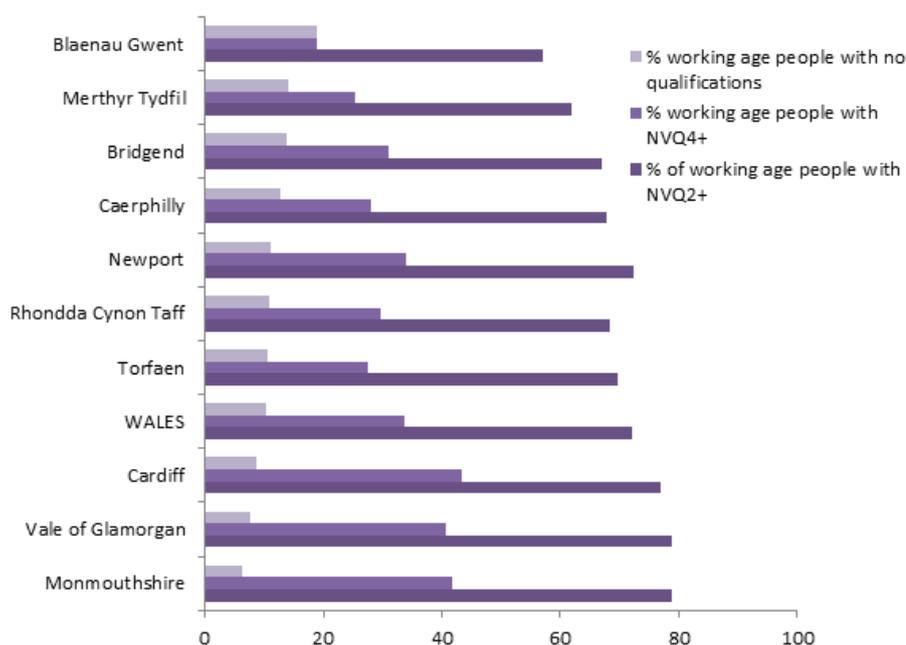
	% with degree or equivalent		% with no qualifications
Greater Manchester	26.3	West Midlands	16.8
Cardiff Capital Region	25.7	Merseyside	11.9
West Yorkshire	24.0	West Yorkshire	11.0
Tyne and Wear	23.1	Cardiff Capital Region	11.0
Merseyside	22.6	Greater Manchester	10.3
West Midlands	22.4	South Yorkshire	10.3
South Yorkshire	21.9	Tyne and Wear	9.6

Source: Annual Population Survey

The picture at the sub-region level however is very uneven. For example, the proportion of the working age population with no qualifications in Blaenau Gwent stands at 19%, compared with 6% in Monmouthshire. Similarly the proportion of those with qualifications of level 4 or higher in Blaenau Gwent is significantly less than the city-region average at 19% - less than half the figure for Cardiff, which stands at over 43%.

Furthermore, there are also differences in terms of qualification rates by age, and whilst educational results for school leavers (e.g. Key Stage 4) are improving, workforce qualifications are still low in many parts of the city-region. This illustrates the significance of maintaining provision of skills training for the adult population, who will remain a significant part of the workforce over the coming 20 years.

Skills by local authority Area 2015



Source: Annual Population Survey

Cardiff Capital Region contains a very strong educational capacity, with internationally competitive higher education institutions and further education colleges. These provide courses to local residents and attract students from across the world. However the region struggles to retain much of its graduate labour, particularly in STEM (Science, Technology, Engineering and Maths) subjects, and is not considered attractive to qualified labour educated outside of the region.

Research and stakeholder engagement by organisations such as LSkiP, has identified that, in recent years, skills and training delivery has been driven by learner demand, rather than strategic need, leading to a mismatch with employment opportunity. Improved links with employer demand would therefore help to improve overall competitiveness, and ensure that the skills profile of the Cardiff Capital Region is aligned with business needs.

Ensuring access to training and skills development is generally a key concern for many in the Cardiff Capital Region and the Commission endorses the need for locally-based approaches to build relationships between providers and people. In doing so the City Deal should also use the opportunity of the South East Wales Metro to promote the mobility of trainees around the Cardiff Capital Region. This could include the joining up of provision by providers across different sites, such as a greater use of the University of the Heads of the Valley.

The Joseph Rowntree Foundation recommends that services should reflect more effectively circumstances and opportunities in the local labour market and provide a more tailored, personal approach for those furthest from the labour market, including disabled people and those with long term health conditions. Such an approach can be delivered through correctly co-commissioning the new Work and Health Programme. As part of this, the Joseph Rowntree Foundation also recommends that all basic skills needs should be met by 2030, which would require a doubling of participation in programmes for digital skills, literacy, numeracy and language³².

Work Based Learning (WBL) and apprenticeships will continue to be important in ensuring learning and training is accessible in work. Provision for the over 40s will be required with the significant numbers of replacement jobs forecast³³.

The City Deal itself should also be viewed as an opportunity to create employment given that the £1.2bn fund, with expected further private sector leverage, will result in significant capital investment. Linking job opportunities with skills provision is an integral element of ensuring the City Deal has the greatest impact on the local labour market. It is also recognised that there is a significant role for further education to play in upskilling those towards the lower end of the skills spectrum as well as providing opportunities for continued adult learning and education.

Core Findings

Concentrations of low workforce skills in the city-region, and a high reliance on a narrow set of sectors, requires that skills development respond to strategic need and current and future demand by:

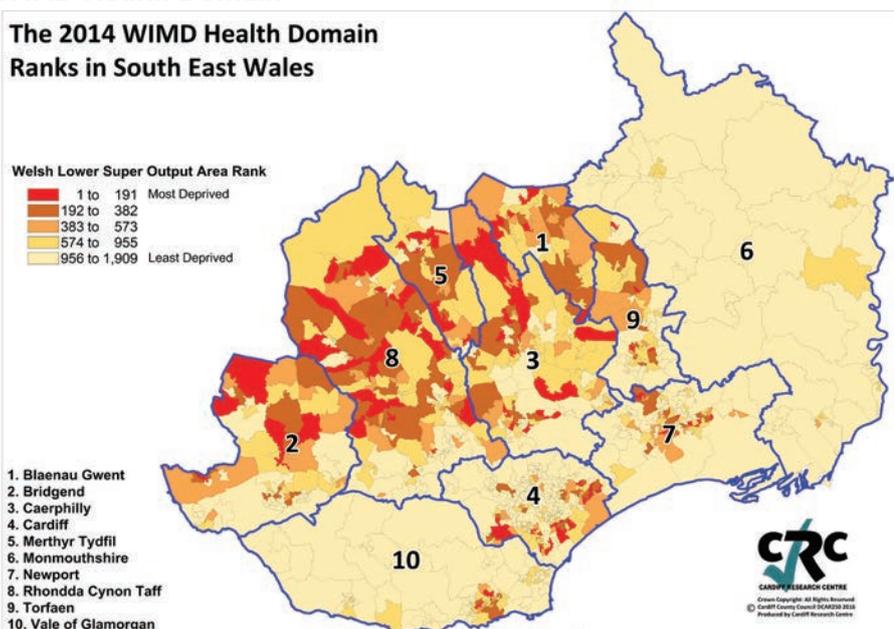
- Providing skills that meet the needs of opportunity sectors and the potential arising from infrastructure investment;
- Meeting the skills needs of the foundational economy;
- Improving skills utilisation amongst employers and tackling under-utilisation, both to realise the benefits of available skills but also to promote retention of a skilled labour force;
- Promoting STEM (Science, Technology, Engineering and Mathematics) skills;
- Building and strengthening employer engagement;

Improving the careers advice available across the Cardiff Capital Region is necessary to support more informed choices relating to employment opportunities and ensuring employer needs are understood by learners.

HEALTH AND GEOGRAPHY

Other issues that influence economic outcomes in the city-region include health outcomes, and access to services. There are clear differences in health outcomes performance across South East Wales that are not determined by local authority area. Poor health outcomes are concentrated heavily in the northern areas of the city-region, with some pockets in inner-city areas.

WIMD Health Domain



Many of these issues are also related to quality of place. WIMD analysis also shows significant differences in performance in terms of access to services and physical environment. Whilst employment and income are a key element of the WIMD other quality of life determinants cannot also be ignored.

Further consideration of spatial issues is addressed in the following section.

Source: WIMD

INCLUSION - RECOMMENDATIONS

RECOMMENDATION 6 - SKILLS & EMPLOYABILITY

Investment in developing the skills of the current and future workforce of the Capital Region is a priority for the Cardiff Capital Region City Deal and vital to improve both competitiveness and inclusion. The Cardiff Capital Region should therefore:

- Task the proposed Employment and Skills Board with working with employers and education providers to ensure that provision is aligned amongst all relevant skills provision outside schools and higher education and that skills investment is complementary to the economic strategy of the city-region.
- Task the Learning and Skills Partnership and then the Employment and Skills Board to coordinate current funding streams to invest in skills and support people from all ages into work and improve outcomes for those in work.
- Focus on provision of education and training for adults, including parents of school age children who play a major part in reducing inter-generational poverty.
- Require all Capital Region funded capital projects to support a minimum number of apprenticeships, dependent on the size and scale of the project.
- Invest in good quality careers advice in schools from year 8 onwards, linking careers advice to the strategic need of the region

RECOMMENDATION 7 - POVERTY

In seeking to increase employment rates and participation the Cardiff Capital Region City Deal should also seek to ensure that investment helps to address social and physical exclusion. Primarily this should be through improving accessibility to employment opportunities, but it should also reflect the fact that many people will be some way from entering the labour market and require more appropriate support. In doing this the Cardiff Capital Region should seek to:

- Improve transport links between areas of high deprivation and areas of opportunity.
- Ensure that those living in areas of high deprivation are able to access opportunities to upskill and access relevant public services that will support their transition to employment.

3.4 SUSTAINABLE DEVELOPMENT

POPULATION AND FUTURE GENERATIONS

Key Questions

Sustainability and the consideration of future generations underpin all elements of the Cardiff Capital Region strategy and City Deal and should therefore not be considered in isolation. Yet there are some specific considerations that should be addressed in considering future economic strategy, namely:

- How sustainable is population growth across the Cardiff Capital Region?
- What are the specific demographic challenges that will be faced by the Capital region?
- What are the environmental considerations of the City Deal?

Evidence Review

A key consideration is the impact future population growth, or lack of it, could have on a variety of issues within communities. According to Welsh Government projections, the Cardiff Capital Region population is expected to grow by around 7% between 2016 and 2036, equivalent to just under 100,000 additional people living within the city-region. As highlighted in Parts 1 and 2, there are **considerable spatial variations across the city-region**, with the majority of population growth focussed in Cardiff. Many of the local authorities across the region are expected to show negligible (or in some cases negative) population growth.

Welsh Government Population Projections

	2016	2036	2016-2036
Cardiff	360,491	433,371	20%
Newport	147,749	157,391	7%
Cardiff Capital Region	1,509,496	1,606,090	7%
Bridgend	142,038	148,005	4%
Rhondda Cynon Taf	237,626	245,812	3%
Caerphilly	180,481	182,485	1%
Vale of Glamorgan	127,985	128,715	1%
Monmouthshire	92,639	93,166	1%
Torfaen	91,799	91,709	0%
Merthyr Tydfil	59,139	58,476	-1%
Blaenau Gwent	69,549	66,960	-4%

Source: Welsh Government

Population growth is divided by age as well as geography. By 2036 projections suggest that almost a quarter of the city-region's population will be of retirement age or older, up from 18% in 2016. All areas will see a substantial increase and this will result in different demands for services as well as infrastructure.

Welsh Government Population Projections – those aged 65+

	2016	2036
Bridgend	20%	28%
Vale of Glamorgan	21%	29%
Cardiff	14%	18%
Rhondda Cynon Taf	19%	24%
Merthyr Tydfil	19%	26%
Caerphilly	19%	26%
Blaenau Gwent	20%	27%
Torfaen	20%	28%
Monmouthshire	24%	36%
Newport	18%	23%
Cardiff Capital Region	18%	24%

Source: Welsh Government

SPATIAL DEVELOPMENT

Key Questions

The Cardiff Capital Region is not homogeneous; it consists of **diverse places each with distinctive histories, strengths, challenges and opportunities**. The Commission has heard much on this point. We are also aware that future development trends will place different pressures on different places. The region's economic history and its current economic circumstances have been shaped very directly by its physical geography. Transport and trading links are important influences on economic development. The coastal plain in the south – from Bridgend through to Newport – is well linked by land, sea and air. The rural communities around Monmouth historically were also easily accessible by road and partly navigable by river.

The Valleys are relatively less accessible. Populations were originally attracted by the development of local deposits of iron ore, and then coal, during the industrial revolution. These natural resources have however long since been either exhausted or have become uneconomic to extract, leaving the relatively isolated local communities more difficult to sustain. Digital connectivity – even when more complete – can only partially address these real challenges. In responding to these issues, some of the key questions to consider are:

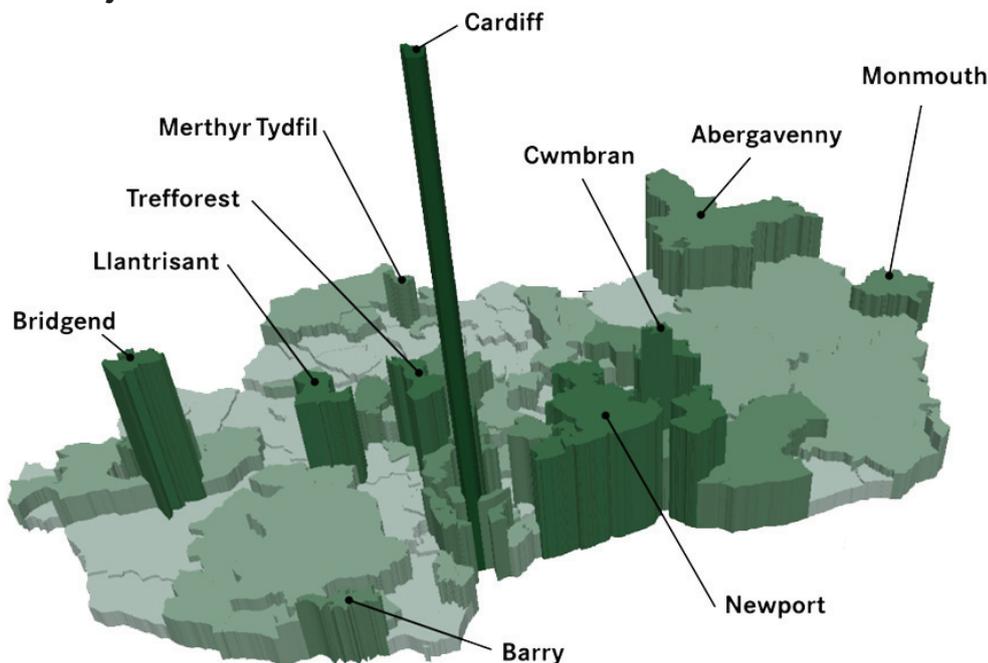
- What is the emerging character of the city-region's spatial economy?
- How can the spatial economy develop so that there are more points of growth without undermining existing centres?
- What is needed in addition to the Metro project to aid spatial development?

Evidence Review

As observed in Part 1's review of recent evidence, in the coming 20 years the number of households (note this is different to population) in the Cardiff Capital Region is projected to increase by around 13%³⁴. By far the greatest increase is projected for the cities of Cardiff (31%) and Newport (16%). Blaenau Gwent is the only local authority area where a decline in the number of households is forecast (-1%). Job creation across the region has not been evenly distributed in recent years, having been heavily concentrated in Cardiff in terms of the number of jobs created. Notably the city has also been the focus of the knowledge intensive business services sector. Many of the spatial employment patterns illustrate the importance of agglomeration or clustering to specific sectors³⁵, namely:

- Media services
- Hotels and restaurants
- Transport services
- Finance and insurance
- Business and management consultancy

Total Jobs by MSOA area



Source: Centre for Cities

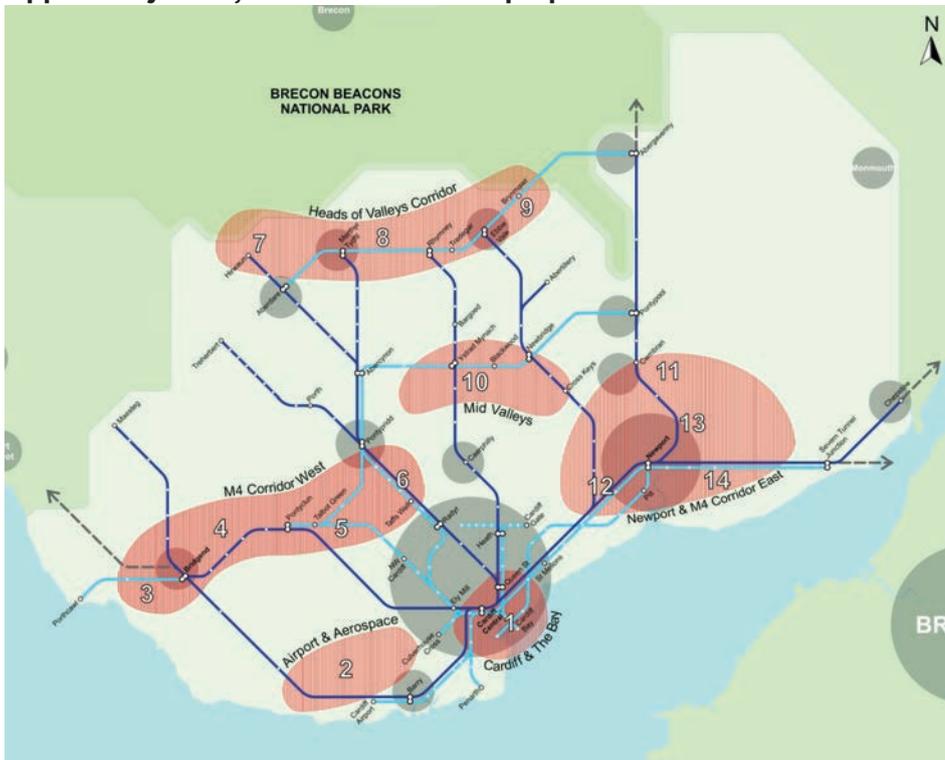
This is not to say, however, that opportunities can only be created in city centre areas. The greatest level of proportional employment growth across the region in recent years has been experienced in Merthyr Tydfil. There are also significant clusters of employment across the city-region in sectors such as advanced manufacturing that are driving productivity growth and supporting **wider supply chain development for the Cardiff Capital Region**. This is reflected in the fact that over a quarter of a million working residents in the city-region commute out of their local authority area for work. Whilst Cardiff is the biggest draw it only accounts for just over a third of outward commuting. Commuting distances and costs are important – especially for those on low incomes. We should recognise that while jobs cannot all be developed in the immediate area of populations, neither can we expect all workers to commute significant distances. Conversely, there is also a clear need to build on and develop agglomeration effects for the region.

Commuting Statistics by Local Authority

	Total number of working residents	Total number of people working in the authority	Number of people working in home authority	Number of people commuting out of the authority	Number of people commuting into the authority
Bridgend	63,500	61,500	43,700	19,900	17,800
Vale of Glamorgan	58,800	42,800	28,500	30,300	14,300
Cardiff	164,800	214,700	130,900	33,900	83,800
Rhondda Cynon Taf	105,200	79,100	61,000	44,200	18,100
Merthyr Tydfil	24,900	24,500	14,700	10,200	9,800
Caerphilly	76,300	56,200	37,300	39,000	18,900
Blaenau Gwent	28,600	20,100	14,600	14,000	5,500
Torfaen	40,400	36,800	22,700	17,600	14,100
Monmouthshire	44,800	43,900	26,100	18,700	17,800
Newport	64,100	72,800	39,700	24,400	33,100
Cardiff Capital Region (SUM)	671,400	652,400	419,200	252,200	233,200

Source: StatsWales

Opportunity areas, corridors and Metro proposals



Source: Findings of a workshop of local authority economic development officers from the ten local authorities.

Work has already been undertaken in identifying key centres and corridors as core locations for growth, several of which have been proposed in evidence received. The approach taken in the Manchester City Region offers a model against which to benchmark action in the Cardiff Capital Region³⁶. The Strategic Development Plan will, wherever possible, focus activities on or around the transport hubs developed through the South East Wales Metro and other key connectivity corridors. The Commission notes that a basis for this exists in the collective work of officers from the ten local authorities, who identify broad corridors and areas of opportunity across the Cardiff Capital Region³⁷.

Core Findings

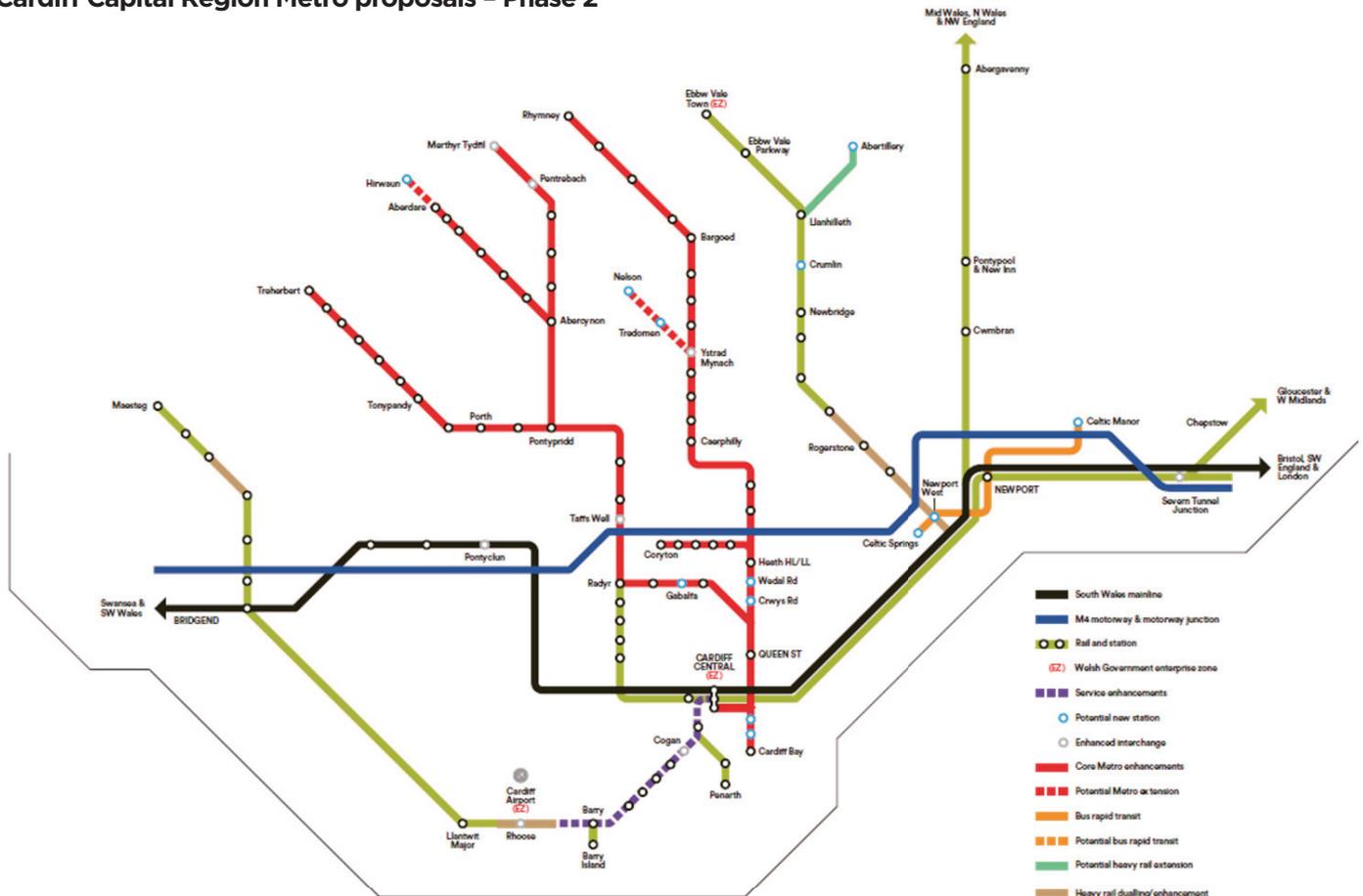
With differences in economic performance and outcomes across the city-region there is a clear need to ensure that the region is organised spatially in a way that maximises the benefits for residents. This approach, however, must be rooted in the need to reflect strengths and opportunities of areas, as well as transport investment. It is also important to dispel the commonly-held “zero sum” attitude across much of the region, a tendency to believe that one area’s gain has to be another’s loss.

Acknowledging the nature of the real physical challenges faced by these communities also underlines the potential importance of better transport links within the region as a means of linking and unifying it, whilst also recognising that transport improvements by themselves will not solve all of the city-region’s economic issues.

TRANSPORT

The South East Wales Metro will make a significant contribution to improving transport connectivity in the Cardiff Capital Region. All parties recognise that it is **crucial that this acts as more than simply a transport project**. It has the opportunity to unlock potential development sites, provide training and employment, improve access to employment and training opportunities, access to leisure and tourism uses and support wider cultural and housing benefits. It also provides a significant opportunity to deliver a substantial contribution to carbon reduction targets in the Cardiff Capital Region, and improving quality of life for residents. It is important, therefore to understand how transport (both Metro and non-Metro) can act as a catalyst for the city-region.

Cardiff Capital Region Metro proposals - Phase 2



Source: Metro Information Brochure

Evidence Review

Reducing journey times and increasing the accessibility and availability of different choices of transport will help to increase economic mass, bringing the benefits of agglomeration in terms of productivity and also effectively delivering a larger market for both business and labour. Road improvements alone would not necessarily help those distant from the labour market in accessing job opportunities, as there is a clear correlation between long term unemployment and access to a car.

The role of **airports and ports** and the impact they can have in supporting growth industries needs to be considered as part of the future transport infrastructure. Evidence suggests that Cardiff International Airport's connectivity in particular is a constraint on growth and should be a priority for any economic development strategy for the region.

Cardiff Airport also has the potential to drive wider economic development and quality of life improvements, as part of the **Cardiff Airport and St. Athan Enterprise Zone**. For example, over 20% of the UK's maintenance, repair and overhaul (MRO) of commercial aircraft is carried out within 20 miles of Cardiff Airport. **Aston Martin** has chosen the Enterprise Zone as the site of its new Centre of Excellence, manufacturing its new DBX crossover vehicle in Wales.

Many people will continue to want and seek job opportunities relatively close to home, notwithstanding the benefits of improved public transport, for reasons of time, cost and managing other commitments³⁸. In the survey undertaken for the Commission, 35% of residents in the region stated that proximity to friends and family was one of the three main factors influencing their choice to live in their current neighbourhood, compared to just 14% who highlighted availability of public transport³⁹. Even with reduced journey times there will remain areas of the South Wales Valleys where travel times and associated cost to centres of population remain excessive for anyone considering a long commute for low paid employment. It was also highlighted that many of the most disadvantaged areas in the South Wales Valleys are those that are some distance from rail/Metro stations.

There is also a need to appreciate that public transport will not be the panacea to resolving all transport issues. The (comparatively) low population density of the city-region and in its multi-directional commuting flows, means that road based (and largely private) transport will still be important in the near future.

There is a clear need for transport to be integrated, especially across bus and rail services, if it is to have an impact. In many cases commuting to Cardiff from northern valley areas proves difficult as bus services do not necessarily operate late in the evening, meaning that the commuting 'window' is limited for those travelling exclusively by public transport⁴⁰. In order to operate new routes and enhanced frequencies on existing routes, around 1,000 new jobs could be created both in public facing roles such as drivers, but also in the vital administrative and maintenance functions⁴¹.

Investment in tourism needs to dovetail with transport investment. Where tourism propositions are based on scale they must be located in appropriate locations. Furthermore, tourism also needs to adopt a complementary and not competitive approach within the city-region if it is to maximise its impact. This approach also needs to be cognisant of the fact that public transport use within the city region is highest amongst residents for leisure uses.

What do you use public transport for?	%
Leisure	57%
Shopping	46%
Visiting family & friends	19%
Travelling to work	18%
Other	15%
Travelling whilst at work	11%
Travelling to education	3%
Don't use	8%
*RESPONDENTS COULD SELECT MORE THAN ONE ANSWER	

Source: Growth and Competitiveness Commission Resident Survey

A substantial programme of investment in addition to the Metro is currently underway, or proposed, affecting transport routes serving the Cardiff Capital Region. These include:

- Underway
 - A465 (Heads of the Valley) dualling and improvements
 - Electrification of GWR mainline services from Cardiff to London
- Proposed
 - M4 relief road (under review and subject to inquiry)
 - Reduction in Severn Bridge Tolls (proposed halving from 2018)
 - Improvements to 'Five Mile Lane' to improve access to Cardiff International Airport

Core Findings

Increased connectivity and multi-modality in the Cardiff Capital Region transport system will create recognised benefits for productivity and employment. Aside from expanding opportunities to commute to Cardiff, it is also a priority to support other locations of economic activity, including Cardiff International Airport.

Much is demanded of the South East Wales Metro and many hopes are attached to it. The Metro system should form the basis for the strategic plan for new investments in land and property development. Transport nodes should form the focus of investment in hubs to promote innovation, co-working spaces and the development of new enterprises and employment opportunities. Housing investments should be related to accessibility through the Metro system.

Ensuring that investment is focussed on the Metro development will help to increase the overall investment rate, providing for a greater impact in terms of GVA.

ENERGY

Environmental considerations and opportunities are also important if the Welsh Government is to meet its emissions targets. In terms of CO2 emissions, the Cardiff Capital Region performs better than the UK and Welsh averages, which generally reflects differences in industry emissions rather than domestic and transport emissions. There are currently a range of opportunities relating to energy infrastructure being considered by a number of parties across the city-region. These build on the resources afforded by the city-region. Potential opportunities identified during the evidence gathering exercise include:

- Delivery of smart energy research and innovation.
- Investment in storage to harmonise generation from renewables and sell at peak prices.
- Building new low carbon energy generation capacity.
- Retrofit of current building stock.
- Connection of locally generated power to local need to give fuel security and avoid national grid charges.
- Creating a regional energy company.

CO2 Emissions per Capita

	Per Capita Emissions	Industry per Capita	Domestic Total	Transport Total
Vale of Glamorgan	10.1	6.2	2.0	1.7
Newport	9.7	4.8	2.0	2.9
Wales	9.6	5.7	2.2	1.9
Monmouthshire	8.6	2.5	2.3	3.7
UK	7.0	3.1	2.1	1.9
Bridgend	6.9	3.0	2.0	2.0
Cardiff Capital Region	6.7	2.8	2.0	1.9
Cardiff	6.1	2.5	1.8	1.8
Torfaen	6.0	2.6	1.9	1.4
Rhondda Cynon Taf	5.5	1.7	2.1	1.8
Caerphilly	5.3	1.9	2.1	1.3
Merthyr Tydfil	5.2	1.7	2.1	1.5
Blaenau Gwent	5.1	2.0	2.2	1.1

Source: National Statistics

Core Findings

The Cardiff Capital Region is predicted to see only limited population growth, but the expected growth is anticipated to be focussed on the city areas, with some areas likely to experience population decline. The needs of an ageing population have to be fully considered in terms of service delivery and infrastructure investment.

Carbon emissions are not higher in the Cardiff Capital Region than the Wales and UK average. However, the imperative to focus on continually reducing carbon emissions is unambiguous. The development of improved public transport, through investment such as the Metro, should support the reduction of carbon emissions, whilst also addressing issues of congestion.

SPATIAL DEVELOPMENT - RECOMMENDATIONS

RECOMMENDATION 8 – STRATEGIC SPATIAL DEVELOPMENT

The Cardiff Capital Region should develop a spatial perspective to complement its economic strategy. This will require a clear timetable for the introduction of a longer term Strategic Development Plan that complements the Economic Development Plan, helps to realise objectives around improving transport, future spatial character of the region, housing and land use, and sets out how the public will be fully involved and consulted. In the interim, a Strategic Vision should be developed as a short-term step.

This spatial development perspective should act as a future growth map for the Capital Region and define the key roles of potential of:

- Cardiff and Newport as established hubs of business, commerce and institutions, each playing to their particular strengths
- Cardiff Airport and the associated Enterprise Zones.
- The re-emerging towns such as Bridgend, Barry, Caerphilly and Pontypridd that are in transition to accommodating high value added activity, renewed resident populations and university expansions.
- The Valleys and rural towns which are becoming increasing important centres for local services, amenities and the foundational economy, and are developing their roles in tourism and leisure.

It should also address the important potential that anchor institutions, strategic assets and key infrastructures can play in the development of the region. These should include but not be limited to:

- Ports
- Universities
- Hospitals
- Major cultural institutions
- Major railway stations
- Natural parks and coastline
- Energy infrastructure

This should also seek to inform City Deal investment. Any capital investment in site regeneration for employment purposes should be prioritised on the major locations across the city-region identified above.

RECOMMENDATION 9 – INVESTING IN ENERGY

The Cardiff Capital Region should consider the opportunities afforded by its energy assets, as well as seek to reduce the leakage of income from the area linked to its natural assets. This will require co-ordinated activity amongst the key stakeholders across the city-region, including business and higher education. In doing so a strategy should be developed and agreed amongst all key stakeholders to both maximise the return on investment and impact on city-region residents in terms of quality of life. To do this the Cardiff Capital Region should:

- Develop a Cardiff Capital Region Smart Energy strategy that looks at demand and supply issues across the city-region. This should look to build upon both innovation in appropriate sectors, as well as co-ordinate investment opportunities in infrastructure
- Explore with city-region partners the potential for the development of a local energy company that could ensure security of supply within the city-region for the future, as well as preventing leakage of income from investment. This would require further detailed work to understand the full implications and means of governance.

RECOMMENDATION 10 – METRO AND PLACEMAKING

The Cardiff Capital Region should build upon the opportunities emerging from the development of the Metro to improve the quality of places to live, work and visit.

This should take the form of detailed planning of station and terminus areas and consider the scope to use better connectivity to create better places, which provide services and amenities to citizens and are able to support renewal and tourism.

3.5 INVESTMENT INFRASTRUCTURE

Key Questions

Increasing the levels of private sector investment has been identified in the City Deal document as a key objective. The Deal's success in mobilising private institutional investment – life assurance and pension funds, unit trusts, venture capital and private equity groups, hedge funds – will depend on the level, predictability and longevity of prospective returns, and on the scale of the available investment opportunities. The key questions are:

- What approach to investment is required to raise growth levels?
- What criteria should be used to assess investment choices?
- How can public investment best leverage private sector co-investment?

Evidence Review

Infrastructure investment across the Cardiff Capital Region has lagged behind much of the rest of the UK. Whilst the Metro and other transport schemes are integral to this there are other areas such as commercial and residential property and digital infrastructure that are also critical to the future of the city-region.

Digital infrastructure is also a key component of a competitive economy. However, evidence suggests that in South East Wales whilst there is still a need for continued investment in digital connectivity, there is a tendency not to capitalise on the benefits of the current infrastructure. Data provided by BT highlights that just over 23% of those with access to superfast broadband actually use it. There also remains a gap in terms of the provision of superfast broadband across the region.

It was highlighted during Commission sessions that the speed of decision-making can be a real issue in leveraging private investment. In particular there was a fear that the Cardiff Capital Region was losing out on investment to other areas as a result of slow decision making processes and the involvement of a wide range of decision makers in the decision making process.

The potential impact of the CCR Deal will be amplified materially if private sector institutional investment is forthcoming, whether on a stand-alone commercial basis or in partnership with public sector funding. Not all private sector investors are necessarily risk-takers. Managers of defined benefit pension funds, and of some life assurance schemes, need predictable returns to match explicit long term liabilities. Meanwhile, the public sector is not necessarily always risk averse. Many new developments in technology – including much of the initial impetus for the internet and for much research into aerospace and life sciences – can be traced back to government.

Core Findings

If the region's public sector partners are able to bear some of the uncertainty, then, prospective risk-adjusted returns can be made more attractive for potential institutional investors. Individual institutional investors are quite capable of investing substantial amounts in specific projects if those projects seem likely to meet their investment aims.

In addition to the increased importance of liability-driven investing, the current investment climate is one in which nominal interest rates and bond yields are historically low, there is a limited supply of predictable, explicitly long term investments, and there is a pronounced general risk aversion even among less constrained investors.

It would be expected, therefore, that there would be substantial private sector interest in the long term, relatively stable income generated by the Deal's infrastructure projects, for example, particularly if construction and/or operating risk can be muted by public sector involvement. Components of the Deal that could satisfy these requirements might include:

- Transport infrastructure: investment in and around the Metro project and airport.
- Large-scale energy projects.
- Real estate linked to housing associations, higher education, public sector bodies and/or development zones.

Key Questions

Housing plays a significant role in place shaping, determining quality of life and the local economy. Housebuilding and improvement can also be an important source of employment generation. It is important therefore to understand the impact and potential of housing as a driver of these benefits in the Cardiff Capital Region. A number of key questions have therefore been considered:

- How significant is the gap between demand and supply across the region?
- What are the barriers to development of housing within the region?
- How can we ensure that “place making” and a focus on people is achieved in the Housebuilding plan?

Evidence Review

The rising number of households in the Cardiff Capital Region, and changes in its spatial distribution, will require the provision of a substantial number of new homes. Equally, there is a need for the modification and improvement of the existing housing stock. Welsh Government policies set a strong context for this⁴², with a role for public authorities, private developers, investment and lending institutions and Registered Social Landlords. The carbon reduction targets established by Welsh Government alongside the ageing trends of the population provide additional impetus to investments in the development of the existing housing stock.

In recent years there has been a significant variation in the growth of housing stock across the Cardiff Capital Region, with around a third of the total new provision of housing since 2000 located in Cardiff.

Dwelling stock estimates by local authority

	2000-01	2014-15	Change '00/01 to '14/15
Wales	1,274,500	1,405,959	131,459
Bridgend	55,255	62,924	7,669
Vale of Glamorgan	50,979	56,194	5,215
Cardiff	127,270	149,962	22,692
Rhondda Cynon Taf	99,190	106,791	7,601
Merthyr Tydfil	24,567	26,593	2,026
Caerphilly	72,011	78,503	6,492
Blaenau Gwent	31,385	32,367	982
Torfaen	38,726	40,963	2,237
Monmouthshire	36,737	41,019	4,282
Newport	58,543	65,192	6,649
Cardiff Capital Region	594,663	660,508	65,845

Source: Welsh Government

More recently new builds have been focussed on the coastal local authorities in the Cardiff Capital Region leaving the Valleys region with a growing issue of lack of supply.

New Housing Completions

	2013-14 Annual	2014-15 Annual	2015-16 Annual
Coastal area	1854	2549	2791
Valleys area	1034	1238	753
Cardiff Capital Region	2888	3787	3544

Source: Welsh Government

These trends also reflect the fact that the average price of housing varies significantly across the Cardiff Capital Region with some areas experiencing stronger house price growth than others in recent years. This affects the ability of homeowners to benefit from asset growth, affects mobility and potentially impedes the ability of entrants to the market to purchase homes near to where they wish to live. It can also reflect variations in the desirability of locations, as well as the quantity and quality of the housing stock available. There is also considerable evidence relating to market conditions inhibiting housing development in northern areas of the South Wales valleys.

A number of stakeholders in the city-region have stressed the importance of linking new housing development to the South East Wales Metro, overcoming the fragmentation of decision-making within the Cardiff Capital Region and promoting the development of the Cardiff Capital Region as an integrated live-work space. This is further exacerbated by the lack of co-ordination in the Local Development Plan process. Throughout the evidence gathering process, there was an overwhelming call for the development of a Cardiff Capital Region Strategic Development Plan. This would provide the strategic framework for housing development across the region, integrated with the necessary infrastructure and service provision and would result in the region having more success in attracting greater diversity in housebuilding across tenure types and locations.

Local Authority LDP Summary

Local Authority	Date of Adoption	Period since 2005
Vale of Glamorgan	2017*not yet adopted.	12 years
Cardiff	2016	11 years
Bridgend	2013	8 years
RCT	2011 Plan review started	6 years
Merthyr Tydfil	2011 Plan review started	6 years
Neath Port Talbot	2016	11 years
Caerphilly	2010 Plan review started/ stopped	5 years
Blaenau Gwent	2012 Plan review	7 years
Monmouthshire	2014	9 years
Torfaen	2013 Plan Review	8 years
Newport	2015	10 years
Blaenau Gwent	2012 Plan Review	7 years
	Average time	8 years

Source: Home Builders Federation

The evidence suggests that the planning process is currently viewed as overbearing and disincentivising to housebuilders. This results in a fragmented approach to housebuilding, with smaller scale developments being the norm and scale developments seen as difficult to deliver. This in turn is limiting the flow of investment-funding into housebuilding in Wales, an approach that has proven successful in other UK city-regions.

There was recognition that housing associations and local authorities, some of whom have restarted their own housebuilding programmes, are playing a pivotal role in the delivery of housing within the Cardiff Capital Region to date with some innovative models being tested across the region. The evidence also suggests that investment funding would be available to deliver a housing agenda across the Cardiff Capital Region, in areas where scale and long term yield could be delivered. This could be encouraged through the region taking a proactive stance in its Housing plan.

Core Findings

There is a requirement to ensure that housing development is not concentrated too narrowly in specific parts of the Cardiff Capital Region, so that the benefits of housebuilding are not solely focussed on the coastal areas.

There is a clear need for acceleration in the volume of housebuilding right across the region. The introduction of a Strategic Development Plan will help ensure that proposed housebuilding is integrated with other physical infrastructure such as the Metro to ensure that placemaking is achieved. Local authorities need to continue to maintain appropriate LDPs in order that development continues at pace.

Delivery of scale housing projects could facilitate institutional investment in the city-region and this could be achieved through the use of innovative finance bonds or joint ventures. Any development needs to consider how different housing tenures can be delivered, to ensure that, where there is demand, different income groups can access affordable housing in desirable places for each stage of their lives.

There is an opportunity to consider how energy efficiency and the needs of older people are planned in from the outset whether that is to changes in existing housing stock or new builds.

INVESTMENT - RECOMMENDATIONS

RECOMMENDATION 11 – HOUSING AND ECONOMIC REGENERATION

The housing market is a key element of how the labour market functions and makes an important contribution to the social mix within the city-region. Labour productivity is underpinned by affordable and well connected housing and mixed income communities can support the drive to bring jobs closer to people and tackle concentrated poverty and disadvantage.

A step change in housing investment and development is required across all parts of the region and across the different tenures of housing. A Cardiff Capital Region Housing Plan must integrate into the Strategic Spatial Development Plan. The housing objectives are to build enough homes to keep up with the population growth of the region and, critically, to ensure that those new homes are built with appropriate infrastructure links and community/placemaking objectives delivered.

For this to be achieved, the following are required:

- In the development of a Strategic Vision and, in time, a Strategic Development Plan for the area, the city-region should seek support for the Welsh Government to build a clearer vision or the evolution of the national housing market that supports new forms and quality of supply and tenure.
- To have effective decision making on housing development now, the Cardiff Capital Region should refresh where possible Local Development Plans in line with the Strategic Vision and, in time, the Strategic Development Plan, to foster a region-focussed approach rather than local approaches to home building.
- Welsh Government should speed up the release of land and investment in remediation of land, to ensure housing land is available and “ready to build.”
- Ensure housing development and planning are prioritised near Metro locations and is of sufficient scale, density and appeal to encourage investment from private institutions in well planned new districts around stations.
- Cardiff Capital Region should simplify the planning process and utilise incentives rather than penalties to encourage house builders to build in areas where the geography/quality of land poses challenges to build.
- Cardiff Capital Region should develop a plan for redundant housing stock to regenerate communities and provide a mix of tenures available to residents.
- Cardiff Capital Region should consider the creation of a Housing Bond to encourage investment finance into housebuilding within the region.
- LAs should consider developing a joint stock housing company to drive additional supply.

3.6 ORGANISATION: GOVERNANCE AND LEADERSHIP

The City Deal will involve a wide-ranging governance arrangement involving the public and private sectors. The following bodies are mooted:

- **Cardiff Capital Region Cabinet**, comprised of the 10 Local Authorities - this will form the ultimate decision-making body in the governance structure. It has the status of a Joint Committee and will monitor the performance of the City Deal.
- **Cardiff Capital Region Economic Growth Partnership**, established to bring together business, higher education and local government. It will be responsible for setting the overarching city-region economic development strategy.
- **Independent Growth and Competitiveness Commission**, to review activities related to the City Deal, examine the challenges and opportunities for economic growth and make recommendations as to how the Cardiff Capital Region can achieve its full growth potential.
- **Cardiff Capital Region Business Organisation**, to provide a clear voice to influence and shape business support programmes.
- **Cardiff Capital Region Skills and Employment Board**, to strengthen the existing Learning, Skills and Innovation Partnership.
- An **Integrated Delivery Unit** for regionally significant aspects of economic development.
- **Cardiff Capital Region Transport Authority**, a non-statutory body to co-ordinate transport planning and investment in partnership with Welsh Government.
- **A Joint Programme Management Team** is referenced in the City Deal, the

role and function of which is not specified.

In addition, Local Authority partners have suggested a **Cardiff Innovation Capital Regional Development Corporation**⁴³, whilst, in a separate development, the Welsh Government has also announced a **Ministerial Task Force for the South Wales Valleys**, which will consider the needs of the Valley areas in both the Cardiff Capital Region and Swansea Bay City Region.

Submissions to the Commission highlight the strength of the governance arrangements proposed for the Cardiff Capital Region City Deal. Evidence received by the Commission also stresses that the City Deal provides an important opportunity to translate this governance into action. Implementation of actions on the ground is now seen to be critical to the future of the Cardiff Capital Region.

GOVERNANCE AND LEADERSHIP RECCOMENDATIONS

RECOMMENDATION 12 – PROMOTING THE CAPITAL REGION

The identity of the region is not yet well established or communicated. Currently only 33% of surveyed residents are confident that they know what the Capital Region is⁴⁴. The region has many assets and attributes that should be better understood and known to citizens, external investors and mobile sources of jobs and skilled people.

City-regions must work hard to forge a clear identity and a strong reputation as a good place to visit, live, invest, locate and trade with. The Capital Region needs a **single point of leadership and coordination on city-region promotion** in contested markets such as tourism, FDI, trade development, airline routes, hosting of events, festivals, film shoots, TV production, international and UK students, institutional investment and congresses.

This activity should be organised to benefit from partnership between the Welsh Government, regional business organisations, and local government through the proposed **Regional Economic Growth Partnership**.

RECOMMENDATION 13 – ORGANISING THE CAPITAL REGION

The Cardiff Capital Region Cabinet should quickly establish itself as the primary strategic decision making body for the city-region and build a strong partnership with WAG to ensure that Local and Welsh Government act in tandem, as the City Deal requires.

This means that the CCR Cabinet should integrate appropriate strategic activities in Economic Development, Spatial Development, Transport, and Skills and Employment within a single framework of authority and reporting, and avoid fragmented initiatives.

The CCR Cabinet should agree how to use existing capabilities to deliver city-region priorities and charge an efficient delivery unit with supporting the delivery of the City Deal process. The Cabinet should consult the Minister for Economic Development on the preferred arrangements for participation of the Welsh Government in these efforts immediately.

It should also agree a communications strategy to communicate the City Deal, economic strategy, the City Deal plans and to clarify governance arrangements for everyone across the city-region, which continues to be somewhat confusing for the uninitiated.

The agreed Regional Economic Growth Partnership should be rapidly established. It should have staff sufficient to deliver operations that build on current capacity of partners in the city-region. It should lead on promotion and branding of the city-region and work closely with other business organisations to coordinate local, regional and national efforts.

- ¹ <http://gov.wales/topics/businessandconomy/growing-the-economy/city-regions/?lang=en>;
http://www.lskip.wales/downloads/160731_LSkip_EandS_Plan_with_cover_English.pdf;
<http://gov.wales/docs/det/publications/150306cardiffcapitalregionen.pdf>;
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508268/Cardiff_Capital_Region_City_Deal.pdf
- ² <http://gov.wales/topics/transport/public/metro/?lang=en>
- ³ ONS data provided for CCR
- ⁴ ONS data provided for CCR
- ⁵ ONS data
- ⁶ ONS 12th October 2016
- ⁷ LSE Growth Commission (full ref?)
- ⁸ Welsh Government (2016) Taking Wales Forward.
- ⁹ Such as the Aberthaw power station in the Vale of Glamorgan, or Ford's engine-plant in Bridgend
- ¹⁰ <http://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Meetings/Cabinet/2015/12/15/Reports/Agendaltem2BaselineEconomicAnalysis.pdf>
- ¹¹ <https://sites.cardiff.ac.uk/ppiw/files/2015/10/Future-Need-and-Demand-for-Housing-in-Wales.pdf>
- ¹² Based on APS employment data
- ¹³ Understanding Core Cities' Productivity Gaps
- ¹⁴ Understanding productivity variations between Wales and the rest of the UK. Report to the Economic Research Advisory Panel, Welsh Assembly Government. University of the West of England, Bristol and the University of Bath. Update in progress.
- ¹⁵ Submission to Cardiff Capital Region Commission on Growth and Competitiveness by the Bevan Foundation and Joseph Rowntree Foundation
- ¹⁶ <http://www.nesta.org.uk/blog/complex-places-complex-times-analysis-complexity-uk-local-economies-and-their-future-evolution>
- ¹⁷ Welsh Government identifies 9 priority sectors which together account for 43% of employment in Cardiff Capital Region.
- ¹⁸ WISERD Report (Wales Institute of Social & Economic Research, Data & Methods, 2011)
- ¹⁹ <http://www.londonstockexchange.com/exchange/prices-and-markets/stocks/landmark/wales.html?landmark=WAL&nameCode=&initial=&page=1>
- ²⁰ GB Tourism Survey, International Passenger Survey
- ²¹ See e.g. Mayor of London, Natural Capital: investing in a Green Infrastructure for a Future London, 2015
- ²² Welsh Economic Performance: A Challenge, not a Mystery - Jonathan Price
- ²³ Joseph Rowntree Foundation (2014) <https://www.jrf.org.uk/sites/default/files/jrf/files-research/poverty-jobs-worklessness-summary.pdf>
- ²⁴ Based on the Wales' 'Barnett share' of the UK cost being £4.4 billion and Cardiff Capital Region's being 50% of the Wales total; Submission to Cardiff Capital Region Commission on Growth and Competitiveness by the Bevan Foundation and Joseph Rowntree Foundation
- ²⁵ Submission to Cardiff Capital Region Commission on Growth and Competitiveness by Monmouthshire County Borough Council
- ²⁶ Submission to Cardiff Capital Region Commission on Growth and Competitiveness by the Bevan Foundation and Joseph Rowntree Foundation
- ²⁷ Submission to Cardiff Capital Region Commission on Growth and Competitiveness by the Bevan Foundation and Joseph Rowntree Foundation
- ²⁸ For example the Office for Budget Responsibility estimates the multiplier effect of increases in benefit spending (which mostly goes to low income households) to be twice that of the cuts in personal taxes and National Insurance (which mostly goes to median and high income households).
- ²⁹ Evidence provided by Professor Steve Fothergill, CRESR, Sheffield Hallam University and National Director, Industrial Communities Alliance
- ³⁰ Submission to Cardiff Capital Region Commission on Growth and Competitiveness by the Bevan Foundation and Joseph Rowntree Foundation
- ³¹ See RSA Inclusive Growth Commission
- ³² Submission to Cardiff Capital Region Commission on Growth and Competitiveness by the Bevan Foundation and Joseph Rowntree Foundation
- ³³ Submission to Cardiff Capital Region Commission on Growth and Competitiveness by Monmouthshire County Borough Council
- ³⁴ StatsWales (2016) Population Projections
- ³⁵ Investigating the link between productivity and agglomeration for UK industries, Dr Daniel J. Graham, Centre for Transport Studies, Imperial College London
- ³⁶ <http://ontheplatform.org.uk/article/making-places-greater-manchesters-spatial-framework>
- ³⁷ Slidepack provided by SEWDER
- ³⁸ Submission to Cardiff Capital Region Commission on Growth and Competitiveness by the Bevan Foundation and Joseph Rowntree Foundation
- ³⁹ Based on survey undertaken for the Commission
- ⁴⁰ Submission to Cardiff Capital Region Commission on Growth and Competitiveness by the Bevan Foundation and Joseph Rowntree Foundation
- ⁴¹ LTA
- ⁴² Vibrant and Viable Places
- ⁴³ Future Foundry Innovation District: A prospectus for the Cardiff City Region. April 2016
- ⁴⁴ Based on a survey undertaken for the Commission

Cardiff
Capital
Region
City Deal

Growth &
Competitiveness
Commission

Cardiff
Capital
Region
City Deal

**Growth &
Competitiveness
Commission**