

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CORPORATE OVERVIEW AND SCRUTINY COMMITTEE

25 JULY 2018

REPORT OF THE CHIEF EXECUTIVE

CITY DEAL

1. Purpose of report

1.1 The committee has requested that a report be submitted to their meeting on the subject of the Cardiff Capital Region City Deal (CCRCD). Specifically the committee has requested information on the following:

- An overview of the City Deal & what will Bridgend gain from it ?
- What is Bridgend getting from the City Deal ? (what are we getting as the percentage of financial input ?)
- Is there a business plan that members can see ?
- What projects have been identified so far ?

2. Connection to corporate improvement objectives/other corporate priorities

2.1 The City Deal is identified within the Council's corporate plan as making a significant contribution to the Council priority of Supporting a Successful Economy.

3. Background

Business plan and City Deal Overview

3.1 The Council approved the City Deal business plan at its meeting on 28th March 2018. The business plan was tabled at that meeting, was available to all members and is a public document. It is appended to this report for information.

3.2 The business plan gives an overview of the City Deal and the priorities for investment (as distinct from projects).

3.3 In summary the City Deal Investment fund has been prioritised to support:

- The development of strategic sites across the region to attract new and retain existing businesses
- The development of a skilled workforce and tackling unemployment
- Creating an innovation district and increasing entrepreneurial activity and innovation
- Improving connectivity within the region and globally (including augmenting the Welsh Government's Metro scheme)
- Providing the right physical space and environment to support growth
- A wider investment fund to support the administration of the deal and the compound semiconductor investment (an agreed priority between the UK government and the ten authorities and a condition of the deal)

3.4 These are detailed further in the attached business plan. The remaining questions relating to “what will Bridgend gain” is unpicked below.

3.5 The City deal is not a grant programme against which a series of bids or projects are drawn. It is very deliberately and specifically a growth deal between the ten councils of South East Wales and the UK government treasury. This is one of a number of deals across the UK between groups of local authorities and the Treasury all of which are constituted slightly differently. The main difference in our deal are:

- we are operating in a devolved administration and therefore the Welsh Government are also partners in this deal; and
- we have very different governance arrangements to most English deals in that there has been no regional mayor created and there is no Local Economic Partnership in place – the structure in England that provides for business to take a leading role alongside local government.

3.6 Subsequent to our deal being signed, a deal with the Swansea region has been created. This is different again in that a fixed number of specific programmes were entered into that constitute the deal. In our case the deal is more of a devolution of funding and responsibility to allocate that funding to the region. The key features of our deal are therefore:

- UK treasury have committed to devolve £375m to the Cardiff Capital City Region over a 20 year period
- In return they have required the 10 authorities to:
 - create a bespoke governance model that allows for decision to be taken over how that sum is invested (the joint regional cabinet)
 - deliver measureable economic uplift across the region over that period as measured through 5 year gateway reviews – each of which are required to unlock the next tranche of UK funding that collectively make up the £375m
 - create bespoke arrangements for allowing the business community to influence and develop the strategy alongside the local authorities (The regional economic partnership)
 - commit to contribute £120m to the fund to augment the money from UK treasury. This element is funded by the ten council in proportion to population thus Bridgend with 9.4% of the region’s population is contributing 9.4% of the sum and 9.4% of the financing costs.
- The Welsh Government have a role in transferring the money from UK treasury to the ten authorities. However they have also contributed finances to the deal. In practice Welsh Government money is earmarked exclusively for the metro project and as such has different governance arrangements.

4. Current situation/proposal

Benefits to Bridgend

4.1 So far the only investment made by the partnership has been in the Compound Semi-Conductor (CSC) facility. This involves a loan of £38.5m to a special purpose vehicle (a legal entity which has representation from all ten authorities) over 2 years. This loan is to be repaid over 11 years and the repayment recycled back through the wider investment fund. These loan repayments will potentially increase

the funds gross resources from £495m to £533.5m. This itself is a good model as to how we see the fund operating as a series of investments rather than a traditional grant.

4.2 The benefits expected from the semi compound conductor investment are regional and not possible to isolate to any specific council area. The investment is supporting the creation of a centre of excellence for compound semi-conductors and is aligned to a previous investment by Welsh Government and Cardiff University at the same location. However we are anticipating that our investment will :

- Create the environment for the successful development of a CSC cluster that could generate 4,000-5,000 jobs;
- Directly create and safeguard over 2,400 well paid jobs in the region;
- Provide a positive ratio of £1 public funding to £9.90 of private sector investment.
- Creation of 4000 - 5000 jobs across the region
- Significant inward investment to the region from private sector investors

4.3 No other investments have been agreed by the City Deal pending more detailed work on the necessary assurance framework to allow for the proper levels of due diligence to be applied to our investment choices. However, the regional cabinet has given an in- principle commitment to the following programmes of investment:

- A metro central development – supporting the necessary enhancements to Cardiff Central that are required to enable a wider metro system with appropriate capacity to support economic growth
- A regional Housing Investment Fund to unlock developments that have previously stalled, bring in external funding and stimulate the SME building sector.
- A digital strategy which includes development of transatlantic link, regional fibre network, regional wifi and open data
- A regional skills programme which includes elements such as graduate internship, greater access to apprenticeships, schools engagement, regional SME support and a skills investment fund.

4.4 Each of these programme will have benefits across the region rather than being focused specifically on any one community or council area. That means that we would expect to see benefits arise within Bridgend in each of these instances – for example through the creation of the housing investment fund, investmnets in skills or investments that support the development of industry and associated growth in productivity and high value jobs.

4.5 The majority of the investment decisions have yet to be made however the purpose of the business plan is to establish the framework against which those investments will be prioritised. Again many of these are expected to benefit across the region as a whole. However it is reasonable to see how this county might expect to see further investments making a visible impact here through the business plan. For example:

- Bridgend is identified as a "strategic hub" within the business plan. Specifically as one of a number of locations in transition to accommodate high value added activity, renewed resident population or university expansion.

- Valleys and rural towns in the region are recognised within the spatial prioritisation as increasingly important centres for local services, amenities and foundational or leisure and tourism economies.
- The M4 corridor is specifically identified (within the regional economic assessment that informs the business plan) as a strategic area to focus growth
- Renewable energy is an emerging theme identified within the business plan. Bridgend is well placed to build on existing investments made by this council and develop further through the City Deal – for example in supporting the development of renewable energy sector in this area
- Urban renewal and regeneration is another emerging theme for City Deal – recognising that the revitalisation of existing urban and town centre locations has an important role to play in meeting our regional objectives
- The importance of the visitor economy is recognised in the plan with reference to Porthcawl and the regions strong outdoor adventure offer. The business plan highlights the potential for appropriate investment to extend the regions offer or complement through investments in hospitality or accommodation.

Closing remarks

- 4.6 It is reasonable for Bridgend Council to consider and keep track of the benefits for residents. However it is important to recognise that the majority of city deal investment decisions have yet to be taken and therefore it is premature to expect to see those benefits flowing. As this report highlights, many benefits are expected to be diffuse throughout the region and it may be difficult to specify a geographic area to which those benefits fall.
- 4.7 The city deal needs to be sure that it is both keeping an eye on the benefits as they are felt locally but also needs to ensure that these do aggregate up to significant regional benefit as measured by economic indicators Gross Value Added. These will be the measures used by the treasury to determine whether the deal is being successful and whether the treasury funding will continue to flow at each 5 year gateway review. Alongside this there has been a long standing commitment to ensure that economic growth is inclusive and that benefits are felt across the region – advancing prospects in areas of relatively high deprivation as well as areas of relative prosperity. Empirical measures of this are also important to the gateway assessments.
- 4.8 Finally the regional cabinet is mindful of the need to avoid the City Deal investment fund becoming a source of funding that merely replaces existing funding streams from Welsh Government and to an as yet unknown extent – European funding.

5. Effect upon policy framework and procedure rules

- 5.1 There is no impact upon the policy framework and procedure rules of the Authority.

6. Equality Impact Assessment

- 6.1 A Well-being and Equalities Assessment has been undertaken and demonstrates that the detail contained in the draft JWA Business Plan demonstrates compliance with the well-being 5 ways of working, supports the well-being goals and identifies that the City Deal is expected to have a positive impact on all groups and people with protected characteristics.

7. Well-being of Future Generations (Wales) Act 2015 implications

7.1 The proposal supports the Well-being of Future Generations Act in the following ways:

- The well-being goal of a prosperous Wales' through the efficient use of resources and developing skills and employment opportunities, and
- The sustainable development principle of 'collaboration' through working with others to help achieve common objectives.

8. Financial implications

8.1 The Council's contribution to the CCRC is £11.328 million (9.4% of the overall Local Authority Partnership capital funding requirement). A recurrent budget pressure of £598,000 was included within the MTFS in 2017-18 to fund the Council's contribution. Council agreed a revised profile for the capital programme and financing at its meeting on the 28 March 2018.

9. Recommendation

9.1 It is recommended that the Committee note the Report.

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Background documents

Cardiff Capital region City Deal Strategic f375 Business Plan