

# **BRIDGEND COUNTY BOROUGH COUNCIL**

## **REPORT TO CABINET**

### **REPORT OF THE CHIEF EXECUTIVE**

**16<sup>TH</sup> FEBRUARY 2016**

#### **THE CARDIFF CAPITAL REGION CITY DEAL**

##### **1. Purpose of the Report**

- 1.1 The purpose of this report is to update Cabinet on the progress made since the report of 24<sup>th</sup> November 2015 which set out what a “City Deal” was expected to achieve and the component parts which make up a Deal.
- 1.2 To advise Cabinet of the formation of a “Core Team” to present the proposals of the proposed Deal to the UK Government and Welsh Government at challenge sessions and to note the timescales in which these sessions will be undertaken
- 1.3 To confirm that even if a Deal is agreed by the UK Government and Welsh Government it will in principle only so there will be no financial commitment upon Bridgend County Borough Council unless or until the business case for programme is approved by all the partners. The timescale for this process is estimated to be between 6 and 18 months.

##### **2. Connection to the Corporate Improvement Objectives/ Other Corporate Priorities**

- 2.1 The Cardiff Capital Region City Deals support the current Corporate Priority 1: Working together to develop the local economy and the proposed revised priority of Supporting a Successful Economy.

##### **3. Background**

- 3.1 Since the report to Cabinet in November 2015 significant progress has been made. Both Welsh and UK Government have made public statements of their intention to each commit £580 million additional funding to an investment fund for the region.
- 3.2 Officers with external advisors (who have worked on previous City Deals) have been preparing a “Business Case - Proposals Document” to be agreed by all parties to the Deal.
- 3.3 The proposals’ document is due to be finalised this month and will be presented to all ten Leaders for approval. It will set out a strategic statement, the proposed funding composition of the Deal, the proposed governance structure for the local authority partners (including the need for a commitment from each party for the duration of the Deal) and a series of asks and offers.
- 3.4 In advance of the document being finalised, challenge sessions are due to be held this month with both the UK Government and the Welsh Government to test the robustness and deliverability of our outline proposals. It is proposed that the local government representation at these sessions should comprise three Council Leaders – Councillors Morgan (RCT - Chair), Bale (Cardiff) and Fox (Monmouthshire) together with a senior representative from both the private sector and the Higher Education sector.

3.5 Subject to these sessions and agreement of the proposals' document by all parties a formal announcement may be made the week commencing the 7 March with the signing of a Deal in principle taking place quickly thereafter.

#### **4. Current situation / proposal**

##### The Deal Agreement

4.1 In the event that a Deal is agreed in principle it will be subject to the completion of a business case and further negotiations. The agreement will only commit the constituent authorities to explore ways of delivering the principles and strategic objectives. Only once each constituent party is in full agreement to the proposals being put forward and is content to sign up to the Deal document will it become binding. As mentioned above this could take between six to eighteen months.

4.2 The document will present a high level summary of the aspirations of the local authorities to develop a series of interventions to drive economic success for the region over the next 20+ years. Detailed work to develop those interventions will be continued over coming months if the Deal document is signed in March. However, key elements are likely to include:

- Governance - The current arrangement whereby the 10 Council leaders oversee the development of the deal would be continued with the establishment of a joint committee. This is likely to be supported by a wider stakeholder board that would allow business, academic and Welsh Government input and engagement.
- Collaboration - A commitment to explore closer collaboration between the 10 Councils in coming years, including the possibility of pooling resources. This could include for example, strategic land and transportation planning, inward investment, business support and regeneration. The commitment to explore these opportunities is likely to also include a commitment by Welsh Government to similarly explore this - for example in giving the local authorities greater freedom over the allocation of relevant grants - rather than Welsh Government continue to deal with each Council individually.
- A dedicated delivery unit - A commitment to establish robust support for the administration and performance management of the City Deal - including the infrastructure fund. Councils have already made a financial contribution to allow for the development of the deal and it is likely that a further contribution will be required if the deal is signed. If that is the case then a further report will be forthcoming. It is anticipated that an ongoing delivery unit would be funded through the infrastructure fund.

#### **5. Effect Upon Policy Framework and Procedure Rules**

5.1 None.

#### **6. Equality Impact Assessment**

6.1 The City Deal is currently in its infancy and no decisions have yet been taken on areas of investment. Equality Impact Assessments will be undertaken as City Deal decisions are brought forward in the future.

## **7. Financial Implications**

- 7.1 The previous report to cabinet outlined how an infrastructure fund may operate. At that time, a “payment by results” mechanism was envisaged whereby the councils would be required to borrow to fund investments with payments being made by government at a future date and subject to the meeting of certain criteria. This meant that the councils would be required to service this debt in addition to making a direct capital contribution themselves. For Bridgend this meant that the Council would be required to fund up to £35 million over the life of the fund.
- 7.2 Negotiations have continued with various UK government departments. The precise nature of the payment regime has been clarified. The payment by results methodology is now more akin to an annual grant to be paid by the treasury. There would be gateway reviews to assure HM Treasury the funding was supporting projects that gave rise to economic advantage.
- 7.3 At this point the level of local government contribution to the Deal has not been finalised. As such the extent of the financial exposure for this Council is not clear, but it is expected to be similar to the whole life costs that were anticipated in the November 2015 report.
- 7.4 Signing the deal document would not commit the council to expenditure. Over the next six to eighteen months the business case will be developed and this will lead to greater clarity over the anticipated costs and benefits to Bridgend. At an appropriate point during that period, a further report would be brought to Cabinet (and Council if appropriate) to set out the financial implications and how these would be met.
- 7.5 In the meantime, it is likely that a dedicated regional project team would be required to take forward the business case and Deal implementation. A separate report will be brought to Cabinet at the appropriate time to seek agreement for any financial implications arising from this.

## **8. Recommendations**

- 8.1 It is recommended that:
- a) The contents of this report be noted.
  - b) In the event that the Deal is agreed by the UK Government and the Welsh Government and local government, the Leader of the Council be authorised to sign the formal “City Deal” offer document on the basis that it does not commit the Council to any expenditure until such time as the detailed proposals are negotiated and agreed between the constituent parties.

**D Mepham**  
**Chief Executive**  
**10 February 2016**

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**Background Documents:** None