

**AGENDA ITEM 4****RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL****CABINET****25 JUNE 2015****CITY DEAL PROPOSAL****REPORT OF THE DIRECTOR OF REGENERATION AND PLANNING****Author: Jane Cook, Director of Regeneration and Planning****1.0 PURPOSE OF THE REPORT**

- 1.1 To outline the recent work to attract a City Deal for South East Wales and to recommend that Rhondda Cynon Taf CBC works in partnership across the South East Wales Local Authorities, to progress towards the preparation of an initial business case in order to allow this Council and other Councils to decide if we and they want to engage in a formal City Deal proposal.

**2.0 RECOMMENDATIONS**

- 2.1 It is recommended that Members:

- (1) Authorise officers to work on a regional basis to develop an initial business case on a City Deal proposal,.
- (2) Agree to contribute financially to the development of an initial business case, so that Specialist Advisors can be procured by partners, to assist in the development of a detailed City Deal proposal. Contribution requested is £79,037 (as detailed in paragraph 6.2) and can be funded within existing Council resources.

**3.0 BACKGROUND**

- 3.1 The 'City Deal' process was initiated in late 2011 as part of the UK Government's broader devolution and growth agenda. City Deals provides bespoke agreements between Government and cities, which aim to empower these areas to drive economic growth by providing additional freedoms and resources. In return , the Government has sought new local governance arrangements, which have taken a variety of forms including combined authorities, city mayors, and other forms of local government led partnerships.
- 3.2 A key feature of the larger deals has been a 'Payment by Results' approach. This approach involves a significant element of local risk as it potentially introduces cash-flow consequences in terms of upfront costs being locally

funded in advance of any Government contribution. The contribution however is dependent on agreed outcomes being achieved.

- 3.3 These agreed outcomes are typically jobs and GVA growth. So the Infrastructure Fund created by a City Deal has to invest according to a strict set of criteria to deliver the outcomes. Projects are therefore evaluated against the net economic impact they would have on the City Deal area, including the contribution they would make towards meeting the agreed objectives.
- 3.4 Critical in devising a City Deal proposal therefore, is developing the agreed outcomes and investment criteria to deliver the outcomes. Many City Deals have seen a transport investment focus on projects that bring people and jobs closer together, though there has also been investment in both housing and skills development.
- 3.5 City Deal proposals require partners to:
- Agree appropriate and sound objectives and outcomes
  - Identify resources to support the development of a City Deal, contribute to the overall fund and cover the cost of financing requirements
  - Have effective governance that also fits in with the UK Government's agenda in terms of the devolution of powers to city regions
  - Have an effective method of project prioritisation which accurately measures the impact in terms of jobs and GVA, so reducing the risk that local authorities are exposed to in terms of meeting the required objectives to trigger payments from the UK Government
  - Have a functional economic geography consistent with effective decision making and ensuring that a scale where net impact can be maximised
  - Have an approach to risk which shows the commitment of partners.
- 3.6 The scale of some of the largest deals and their impact is significant, including:
- Greater Manchester's £2.75bn Transport Fund is expected to deliver up to £3.6bn in annual GVA and 37,000 jobs;
  - Leeds City Region's £1.45bn Transport Fund is expected to deliver up to £2.6bn in annual GVA and 23,000 jobs;
  - Glasgow City Region's £1.13bn fund is expected to deliver up to £2.2bn in annual GVA and 23,000 jobs
- 3.7 The City Deal for Glasgow was the first deal with a city in a devolved nation of the UK. Up until that point the opportunity had only been made available to English cities: the first round was the 8 largest English cities outside on London, known as the Core Cities; and the second round was the next 14 largest cities outside of London and the 6 cities with the highest recent population growth.
- 3.8 A City Deal could unlock significant new money to support capital investment in major infrastructure priorities for the city-region. However, every deal done to date has been bespoke with the eventual size and scope of the deal dependant on a number of important local factors.

#### **4.0 DEVELOPING A CITY DEAL – process and factors**

- 4.1 The process involved in getting to a final submission is resource intensive and will require partners' support through existing staff resources, and also a budget for the provision of appropriate specialist advice.
- 4.2 A key factor in determining the scale and scope of City Deals has been the level of maturity of existing partnership/governance arrangements. There seems to be a clear correlation between the scale of funds negotiated and the level of local trust and co-operation that can be demonstrated to be in place.
- 4.3 In the S E Wales context, it is clear there will need to be a significant role for Welsh Government in taking forward a City Deal proposal not least to ensure adequate funding is available to match any new monies provided by Central Government. There may also be a role for EU funding as part of the mix.
- 4.4 In all cases, the business community has played a role in the City Deal process. In some cases local business has led the process through Local Enterprise Partnerships, which exist in England. The larger agreements have been led by consortia of local government, strongly supported in partnership by the local business community.
- 4.5 As noted above, the latest and largest City Deals have required a significant element of local risk taking both in terms of the 'Payment by Results' approach and a requirement for local capital investment.

#### **5.0 NEXT STEPS**

- 5.1 Cardiff Council has developed an initial high-level proposal for a City Deal. At this point no projects have been identified, as full analysis of economic impact will need to be undertaken before projects are properly identified and prioritised. Instead the focus is on a number of key areas for investment such as transport, housing, regeneration, skills and energy. As noted above, transport has been a central theme of most City Deals.
- 5.2 The potential scale of any City Deal will rely on many factors including the extent of match funding contributions available from local sources and approaches to risk.
- 5.3 An outline proposal will need to be developed, outlining the key aims and objectives of the City Deal, and an initial summary of proposed governance arrangements. This would be the start of a detailed process which would be likely to take some time to complete but with a completion date of the end of 2015. It would require a significant level of technical expertise in developing appropriate economic modelling tools by which projects and programmes can be prioritised.
- 5.4 Undertaking the work to develop a detailed City Deal proposal will require resources both in terms of the cost of procuring external and independent expertise as well as staff time from participating authorities.

#### **6.0 FINANCIAL IMPLICATIONS**

- 6.1 The wider financial implications of a City Deal will be assessed as part of its development.
- 6.2 Evidence from elsewhere shows that to develop a City Deal proposal would cost in the region of £500K. It is proposed that this is shared across Councils in the region based upon their population resulting in Rhondda Cynon Taf needing to contribute £79,037, the detail of the individual contributions required is set out below.

local authority	Total	%	£ pro-rata
Blaenau Gwent	69800	5%	£23,366
Bridgend	140500	9%	£47,034
Caerphilly	179200	12%	£59,989
Cardiff	351700	24%	£117,736
Merthyr Tydfil	59000	4%	£19,751
Monmouthshire	92100	6%	£30,832
Newport	146600	10%	£49,076
Rhondda, Cynon, Taff	236100	16%	£79,037
The Vale of Glamorgan	127200	9%	£42,582
Torfaen	91400	6%	£30,597
Column Total	1493600	100%	£500,000

- 6.3 Funding for this contribution is available from within existing Council resources.

## 7.0 CONCLUSION

- 7.1 A City Deal clearly presents a real opportunity for the City Region to secure significant investment to support new jobs and higher levels of growth in the South East Wales region.
- 7.2 To fully develop a City Deal, including identifying projects and their economic benefits, investment is required at this stage. Other City Regions are also developing proposals, and it is therefore important that the region collectively develops a City Deal proposal for South East Wales now.
- 7.3 It is recommended that Cabinet agree the recommendations set out in this report.