

Report To: Cabinet

Date of Meeting: 26th September 2017

Lead Member / Officer: Leader

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Title: North Wales Economic Growth Deal Bid – Progress Report

1. What is the report about?

All 6 Cabinets across North Wales and other partner organisations (the North Wales Business Council and the Higher Education (HE) and Further Education (FE) institutions) adopted the *Growth Vision for the Economy of North Wales* in September 2016. The vision sets out a strategic ambition for North Wales for transport and infrastructure development, skills and employment and business innovation and growth. Following this, North Wales was formally invited to develop the vision into a 'Growth Bid' for national investment and the conferment of powers from UK and Welsh Governments. This report updates Cabinet on progress with development of that bid and outlines the next steps in the process.

2. What is the reason for making this report?

As the development work progresses, early stage negotiations now need to start with both Welsh and UK Governments. Currently there are no authorisations for this work to take place. This report, a version of which is being presented to all 6 Cabinets, seeks approval to establish a 'Shadow' Joint Committee and to authorise the Leader to represent Denbighshire on it and in the first stage negotiations needed pending formal establishment of the full Joint Committee.

3. What are the Recommendations?

3.1 That Cabinet:

1. Notes and supports the progress of the development of a competitive Growth Deal Bid for the region
2. Supports in principle, the preferred governance model of a statutory joint committee model for further development, with a full report on a recommended constitution and terms of reference, and Inter Authority Agreement, to follow later in the year
3. Authorises the Leader to act as Denbighshire's member of a 'Shadow' Joint Committee in the interim period
4. Authorises the Leader, together with the Leaders of the other 5 partner councils, to enter into collective first stage negotiations with both Governments over the scale and outline content of a Growth Deal Bid, noting that no financial or other commitments will be entered into at this first stage of negotiations.

3.2 That Cabinet confirms that it has read, understood and taken account of the Well-being Impact Assessment (Appendix 3) as part of its consideration.

4. Report details

Cabinet adopted the Growth Vision for the Economy of North Wales in September 2016. The vision set out a strategic ambition for North Wales for transport and infrastructure development, skills and employment and business innovation and growth. The cabinets of the other five councils, and other partner organisations (the North Wales Business Council and the Higher Education (HE) and Further Education (FE) institutions) similarly adopted the strategy at the same time.

The key aims of the strategy are to improve the competitiveness of the region, to increase the Gross Value Added (GVA) of the regional economy, reducing the gap between the region and the UK average, and to grow business to both create new and protect existing jobs.

North Wales has been formally invited to develop the strategy into a 'Growth Bid' for national investment and delegation of powers to the region by the UK and Welsh Governments. Our regional work is running in parallel to growth bids in selected regions of England and in South Wales. The commitment to support a North Wales bid has been restated recently by both UK and Welsh Governments. There is an expectation that significant progress is made towards closing a Bid within the current financial year. Our working deadline is to enter into negotiations with Governments from November 2017 to reach a 'heads of terms' agreement by March 2018.

Work is advanced on the content of a formal bid under the four inter-connected themes of (a) strategic employment and housing sites; (b) business growth and innovation; (c) transport infrastructure and services; and (d) skills, worklessness, and social reform. A unifying theme is also being considered.

A Growth Bid is a formal proposal for Government investment and the conferment of devolved powers. Bidding regions are required to have a legal, resilient and accountable governance model for the planning and implementation of their strategy. Regions are expected to invest in their own strategies, alongside Government(s), in capital allocations, sharing in capital borrowing, the use of land and assets, and in resourcing professional and project capacity. They are also expected to seek private sector support for their proposals, enabling and leveraging private sector investment as part of the Bid package. Each bid will have negotiated objectives and targets. For North Wales, the bidding process will involve both the UK and Welsh Governments.

Growth Deal Bids are developed in 4 phases:- (i) invitation to Bid; (ii) informal liaison between Government and the respective region over Bid direction and core contents; (iii) the first stage agreement known as Heads of Terms; (iv) final agreement and Bid 'sign-off', jointly by the partner authorities and the UK and Welsh Governments. The North Wales Bid is at the latter stages of phase (ii) with the objective to reaching Heads of Terms agreement by March 2018.

The region's Growth Vision and Strategy adopted by each Council in 2016 was developed in partnership with the private sector and other key partners. The Vision is much broader than the Growth Deal Bid. The Growth Bid is an initial step to secure funds and powers to implement the wider North Wales Growth Vision.

The Growth Deal Bid will be used to access funds for key projects which would not otherwise be funded by Governments e.g. preparatory works to unlock strategic employment and housing sites, and to add leverage for Governments to commit to major investments which are under consideration but not yet assured such as investments in rail infrastructure and franchised service, and trunk road schemes. The detailed contents of the Growth Deal Bid will be shared in full with all partner authorities, and other partners, for approval, before any agreement with the two Governments is reached at the Heads of Terms stage.

The region will have licence and opportunity to work beyond the Bid to secure its ambitions over time. The Joint Committee and the supporting officer groups set up to take forward the Growth Deal will also be able to exploit other opportunities to support and achieve the vision and strategy.

Preferred Governance Model

The negotiation of Growth Bids in England result in area specific deals, whose titles often include the term 'devolution'. The Devolution Deal model has at times been controversial, not least because there has been the requirement to agree to an elected mayor for the region as part of the package. This constitutional model is not required in Wales. The preferred regional governance model is a statutory joint committee. Interim arrangements are needed for the political management of the first stage of negotiations pending the formation of a joint committee. Therefore, a 'shadow' joint committee, without any formal decision-making powers, is proposed.

The statutory joint committee model is a known model, but does have limitations. An outline of the suggested terms of reference is set out in Appendix 2.

To support the joint committee a host authority will be needed to provide legal, secretarial and administrative support. One or more host authorities will also be needed to host the professional officers who will manage the programmes and projects to implement the growth bid. A host authority/authorities is yet to be agreed.

The joint committee will require a constitution, which will include the terms of reference for its functions, and will be underpinned by an Inter Authority Agreement (IAA). The IAA will set out how the joint committee will be governed, how decision will be made, including which decisions will be reserved for individual council approvals, the roles of host authorities, how financial contributions will be apportioned, and how risks and benefits will be shared.

The recommended membership of the joint committee is the Leader of each of the six councils. Each leader would have a nominated deputy, and the Committee would be advised by chief executives and other lead professionals.

There is the option for the Joint Committee to co-opt members from key partner organisations, principally:-

- The North Wales Business Council;
- Higher Education (Bangor and Wrexham-Glyndwr Universities); and
- Further Education (Coleg Cambria and Grwp Llandrillo Menai).

The representatives of partner organisations would be non-voting advisory members.

The recommended model and its functions are consistent with the model proposed by Welsh Government for regional governance. Therefore, the model is 'future-proofed' against expected Welsh Government legislation that is to come.

Given the centrality of transport infrastructure and services to the strategy the Joint Committee is expected to require a specialist Transport Sub-Committee. The membership of this Sub-Committee will be the transport portfolio cabinet members from the six authorities with partners invited as advisors as needed. It could have a separate host authority from that which will host the joint committee.

The role of the North Wales Economic Ambition Board (NWEAB) will need to adjust to accommodate the changing governance arrangements. The Ambition Board is supportive of change and the Economic Growth Deal Bid. There is a strong desire to retain the NWEAB Brand which has badged most regional economic development work, and also the Welsh Government funded North Wales Regional Learning and Skills Partnership, which it is proposed would come under the strategic direction of the Joint Committee in the proposed governance model.

Work on a revised constitution and terms of reference for the North Wales Economic Ambition Board is being undertaken, with consideration being given to a remit of:

- Regional assessments of need and opportunity to guide strategy;
- Development of project concepts for consideration; and
- A cross-sector review and evaluation of progress and impact at key stages of strategy implementation.

Consideration will also need to be given to the most effective and rewarding model for overview and scrutiny. At this stage local scrutiny will need to be relied upon to review the arrangements for a Growth Deal Bid as they develop. There will be the option to consider a regional model for overview and scrutiny, perhaps involving the six chairs of the respective local authority committees, at a later date.

Next Steps

Following agreement of Heads of Terms with Governments the projects within the Bid will need to meet the tests of the Government five-case business model for due diligence. This will be an intensive stage of project planning which must commence prior to the end of the calendar year in 2017 for which the region will not have the dedicated capacity without additional temporary resources.

The region has limited capacity to manage the next phase of Bid development and negotiation. Thus far development work has been managed collectively by the professional network supporting NWEAB, the Programme Management Group, with individual officers taking on lead roles on behalf of the Group. This collective effort has been supported by the small number of retained regional officers. The regional partners will be required to make an investment in a regional executive both to complete the Bid and to manage its implementation in the longer-term. Therefore, there is a recommendation for an annual revenue contribution to be made by all key regional partners.

5. How does the decision contribute to the Corporate Priorities?

Developing the Local Economy has been a corporate priority for the Council. While much work can be done on this at a local level, there is no doubt that strengthening the regional economy is also essential. The work to implement the agreed shared Vision for Economic Growth for North Wales is a core component.

6. What will it cost and how will it affect other services?

There are no direct additional resource implications as a result of this report at this stage, beyond making a revenue contribution of £50k from 2017/18 budgets. This has already been allowed for in the revenue budget for the Economic & Business Development team. In the longer term, there will be ongoing revenue costs of serving a joint committee, and the more significant costs for programme and project management for the development and implementation of the strategy from April 2018.

Potential capital costs are being evaluated with detailed consideration being given as to how the partners can limit their liabilities and financial risk exposure as part of the Growth Deal Bid negotiations. Capital schemes will be progressed on a rigorous business case evaluation which will look to establish benefits to the economy that substantially exceed investment costs.

As part of a Growth Deal UK Government will be requested to repay the principal capital sum proportion of borrowing for approved proposals. To date, most deals have involved Treasury Borrowing Approvals and some devolution of existing UK Government revenue funding to be integrated with existing local funding to gain better value from integrated programmes. In Wales, local spending includes Welsh Government revenue funding for specific programmes.

Delegation of a proportion of Business Rate growth to local authorities would provide an investment stream.

Growth Deal Bids elsewhere, including the Swansea Bay Partnership which is a useful comparator, are setting precedents for funding.

The financial value of new funds to be set aside by Governments to support the Growth Deal Bid, based on the relative size of the regional population to the Cardiff City and Swansea Bay Regions, could be in the region of £240M. Access to other national funds, such as the UK Government's Innovation and Sector Funds, is possible through the Growth Deal Bid.

7. What are the main conclusions of the Well-being Impact Assessment?

A Wellbeing Impact Assessment was conducted when Cabinet considered the Growth proposals in February 2017. A copy has been attached at Appendix 3.

The main conclusions were a positive impact on North Wales generally and Denbighshire specifically. Main benefits come from the increased employment opportunities, economic activity, personal and business wealth and wellbeing its activities will create, leading to more vibrant and sustainable communities with reduced deprivation and worklessness, and a reduction in the inequalities arising from deprivation.

There are risks, however - both in terms of how inclusive the growth will be and the impact that growth could have on the region generally and Denbighshire specifically. Managing these risks will require deliberate actions by the North Wales Councils and their partners. Some mitigation measures are already in progress, others need to be developed.

The Programme Management Group has produced a briefing note on the Growth Bid and the Wellbeing of Future Generations. A copy is attached at Appendix 4.

8. What consultations have been carried out with Scrutiny and others?

Extensive prior consultation underpins the vision and strategy document as set out in the report. The development of the content of the Growth Deal Bid is an inclusive process with considerable participation across the public and business sectors.

Cabinet considered the Growth Vision in September 2016 and the proposal to establish a statutory Joint Committee in February 2017. Councillors have been provided with a briefing on the strategic intentions of the Growth Vision & Strategy.

9. Chief Finance Officer Statement

Careful consideration will need to be given to the final governance model and the way any future financial contributions or commitments are approved. The hosting and administration arrangements will also need to be considered to ensure the costs and scale are proportionate to the value of the bid and the potential funding programme. The immediate cost implications noted are to be contained within existing service resources.

10. What risks are there and is there anything we can do to reduce them?

A detailed risk management plan is being developed as part of the Growth Bid.

11. Power to make the Decision

s2 Local Government Act 2000
s101 Local Government Act 1972