

CABINET

Date of Meeting	Tuesday, 26 th September 2017
Report Subject	North Wales Economic Growth Deal Bid Progress Report
Cabinet Member	Leader of the Council and Cabinet Member for Finance Cabinet Member for Economic Development
Report Author	Chief Executive Chief Officer (Community and Enterprise)
Type of Report	Strategic

EXECUTIVE SUMMARY

Cabinet 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. The cabinets of the other five partner councils in the region, 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.

North Wales has been formally invited to develop the strategy into a 'Growth Bid' for national investment and the conferment of powers to the region by the UK and Welsh Governments. Our regional work is running in parallel to the development and agreement of growth bids in selected regions of England and in South Wales. Our working deadline is to enter into negotiations with Governments from November 2017 to reach a 'heads of terms' agreement within the current financial year, ending in March 2018.

Work is advanced on the content of the strategy for inclusion in a formal bid under the four inter-connected themes of strategic employment and housing sites; business growth and innovation; transport infrastructure and services; and skills, worklessness and social reform. Further work is being undertaken to develop a unifying theme to aid the of the purpose and benefits of the Growth Deal Bid amongst partners, stakeholders and Government advisors.

The preferred regional governance model of a statutory joint committee is set out in the report. 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.

RECOMMENDATIONS

1.	To note and support the progress of the development of a competitive Growth Deal Bid for the region.
2.	To support, “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, supported by an Inter Authority Agreement, to follow later in the year.
3.	That the Leader be authorised to act as a member of a ‘Shadow’ Joint Committee in the interim period.
4.	That the Leader as one of the Leaders of the six partner councils represented on the ‘Shadow’ Joint Committee be granted authority to enter into collective first stage negotiations with 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.
5.	That the Chief Executive be delegated authority to authorise an initial revenue contribution from 2017/18 expenditure for the detailed development of the Growth Deal Bid up to a maximum of £50,000.

REPORT DETAILS

1.00	DEVELOPMENT OF A GROWTH DEAL BID
1.01	The <i>Growth Vision for the Economy of North Wales</i> was adopted by partner organisations across the region in 2016. The vision described North Wales as “a confident, cohesive region with sustainable economic growth, capitalising on the success of high value economic sectors and its connection to the economies of the Northern Powerhouse and Ireland”. The document set out a strategy and ambition for North Wales to achieve the vision through investment in transport and infrastructure, improving skills and employment, and supporting business innovation and growth. The strategy aspires to improve the competitiveness of the region, to increase the Gross Added Value (GVA) of the regional economy and reduce the gap between the GVA of the region and the UK average, and to grow business to both create new jobs and protect existing jobs.
1.02	Selected regions of England and the Cardiff Capital City Region and the Swansea Bay City Region in Wales, have been invited by the UK Government to develop a ‘Growth Bid’ for approval. North Wales was invited to develop a bid by the UK Government in mid-2016. This Governmental 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. The UK Government has indicated that it wishes to see the ‘heads of terms’ of a North Wales Deal agreed by March 2018 alongside the development of a new policy framework for

	supporting growth in the regions contingent on the development of a Shared Prosperity Fund which has been promised to replace European Union structural funds.
1.03	A Growth Bid, originating from within a region, 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 be prepared 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 Cardiff Capital City Region and the Swansea Bay Region, the bidding process has involved both the UK and Welsh Governments. This is a marked difference to England. The Cardiff City Region Bid has been agreed. The Swansea Bay Region Bid has completed the first stage of approval and is now in the second and final stage of approval.
1.04	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 the model of an elected mayor for the region as part of the package. This constitutional model is not required in Wales. Therefore, the preferred governance model (a joint committee) which follows is more conventional and familiar. Deals are made with Local Authorities working together within defined areas. In England, these are based on Local Enterprise Partnership areas. In Wales, they are based on the four economic partnerships areas developed by local authorities and endorsed by Welsh Government in their proposals on Local Government Reform. Both the UK and Welsh Governments will seek the close involvement of the private sector and Higher Education (HE) and Further Education (FE) partners in the development of proposals. Proposals which can evidence the support of the private sector and leverage private sector investment are being encouraged by both governments. The North Wales Business Council is fully involved in the development of the Growth Deal Bid.
1.05	Growth Deal Bids are developed in four phases: - first, invitation to Bid; second, informal liaison between Government and the respective region over Bid direction and core contents; third, the first stage agreement known as Heads of Terms; fourth, 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 the second phase with the objective to reach a Heads of Terms agreement within the current financial year (2017/18).
1.06	The content of the developing Growth Deal Bid faithfully follows the vision and strategy adopted by regional partners in 2016. The four core themes of the Bid are: - <ul style="list-style-type: none"> • Strategic sites for employment and housing; • Transport infrastructure and services; • Business innovation and growth; and • Skills, workless-ness and social reform.

	<p>The Bid Team is working on a unifying theme and narrative for the presentation of the Bid to Ministers.</p>
1.07	<p>The Growth Deal Bid is complementary to and will support: -</p> <ul style="list-style-type: none"> • UK and Welsh Government economic and social policy; • UK Government policy to develop the competitiveness of economy of the Union post BREXIT negotiations; • Welsh Government policy for regional governance and devolution; • the UK Government Industrial Strategy; • the UK Government and Welsh Government Sector Plans specifically for nuclear, energy, manufacturing (Automotive and Aerospace) and digital; • the Wales Infrastructure Plan; and • Cross-border planning and connectivity e.g. Growth Track 360 and elements of the Cheshire and Warrington Local Enterprise Partnership Devolution Deal.
1.08	<p>The particular characteristics which give strength to our regional Bid include: -</p> <ul style="list-style-type: none"> • Development of key sectors as part of the UK and global economy <ul style="list-style-type: none"> ○ Low Carbon Energy and Nuclear Energy, ○ Advanced Manufacturing ○ Digital and Creative • Connectivity – both physical and digital – to the wider UK economy • Support to sustained indigenous business growth • Sustainable development of a region with unique characteristics <ul style="list-style-type: none"> ○ Growth which is inclusive and has benefits for all parts of society ○ Growth which promotes social reform in areas including worklessness • ‘Green Growth’ which promotes and enables <ul style="list-style-type: none"> ○ Sustainable planning including multi-modal public transport ○ Low carbon energy industries ○ The complementary growth of foundation economies including tourism and agriculture.
1.09	<p>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 make ready and unlock moribund strategic employment and housing sites for development, 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, above and beyond the resources to be devolved specifically within the Growth Deal Bid itself.</p> <p>The region’s Growth Vision and Strategy adopted by each Council in 2016 was developed by the Ambition Board in partnership with the private sector and</p>

	<p>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.</p> <p>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.</p>
1.10	<p>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 developing Bid content, under the four themes in 1.06 above, is available for internal briefings with Cabinets and Overview and Scrutiny Committees.</p>
1.11	<p>The strategic outcomes of the Growth Deal Bid might include: -</p> <ul style="list-style-type: none"> • Enhanced site values for strategic employment and housing sites; • Strategic site readiness/development status; • Transport access e.g. reduce travel times to strategic employment sites; Transport usage figures to demonstrate modal switch to public transport; • Business investment; Business growth; Business performance; • Employment figures by type/sector/value – new and protected; • Skills figures – by type/sector/level – against the targets of the regional skills strategy; • Reductions in worklessness and benefits dependency; • Average income rates including household income; • Regional Gross Added value (GVA); • Sustainable housing growth figures; and • Alternative and renewable energy supply production and carbon reduction.
1.12	<p>Work is on-going with the expert support of the Business School, Bangor University, to develop the set of performance measures and outcome-based targets drawing on econometric data and evidence. Measures and targets are likely to be set which are (1) shorter term (2) cumulative and medium-term and (3) longitudinal.</p>
1.13	<p>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.</p> <p>The UK Government contribution will largely be made through additional borrowing approvals. Careful consideration is being given to the best ways of restricting the risk exposure of the partners to financial liability, whilst being ambitious in securing new funds, as part of the governance model.</p> <p>The UK Government will expect the Welsh Government to match its investment</p>

	<p>in North Wales. The two governments will negotiate their shares of investment in the North Wales Growth Deal.</p>
1.14	<p>As part of the Bid the region will be asking for devolved functions and powers from both governments. This is work in progress and is a sensitive area of negotiations with both Governments. Examples are: -</p> <ul style="list-style-type: none"> • Transport commissioning and operational powers and functions; • Management of regional support to business sectors for marketing, growth and exporting strategy; • A retention of a share of national non-domestic rate (business rates) growth for investment in the strategy as part of the collective local government financial contribution; and • A partnership role with the Department for Work and Pensions in managing back to work programmes. <p>The Welsh Government is prepared to negotiate a retention of a proportion of business rate growth with all of the growth deals in Wales.</p> <p>The eventual recommended set of devolution ‘asks’ will be shared in full with the partner councils, and other partners, for formal approval prior to the Heads of Terms stage.</p>
1.15	<p>For North Wales, there is a Governmental expectation on the part of both governments that there is close joint strategic planning with the immediate North West of England and with the wider Northern Powerhouse network. Our vision and strategy builds on the strong alliances and joint planning both within the region, through the work of the North Wales Economic Ambition Board and the cross-border partnerships such as the Mersey Dee Alliance. The latter has facilitated joint working with the Cheshire and Warrington Local Enterprise Partnership, Merseytravel, and the wider Northern Powerhouse Network. The growth bids from North Wales and the Cheshire and Warrington LEP are being developed in parallel and there is a co-dependency for their success. North Wales is also making contributions to the wider strategy of the Northern Powerhouse network, for example the nomination of prime strategic sites for business growth and inward investment. Road and rail infrastructure and connectivity, and wider transport planning, including bus routes, are central to the North Wales Growth Strategy. The Growth Track 360 plan makes the case for cross-border rail investment and is progressing through the Governmental case-making and decision-making stages. The Welsh Government’s Moving North Wales Forward - Our Vision for North Wales and a North-East Wales Metro supports the region’s transport objectives and cross border working transport movement.</p>
1.16	<p>The region has limited capacity to manage the next phase of Bid development and negotiation. Thus far the Bid development work has been managed collectively by the professional network supporting the North Wales Economic Ambition Board, 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 supported by the funds of the Economic Ambition Board and the Welsh Local Government Association (WLGA). The regional partners will be required to make an</p>

	<p>investment in a regional executive both to complete the Bid and to manage its implementation in the longer-term. 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. Therefore, there is a recommendation for an annual revenue contribution to be made by all key regional partners.</p>
--	---

2.00	THE PREFERRED GOVERNANCE MODEL
2.01	<p>There are few governance models available to the six, partner councils. Whilst a combined authority model, which has growing popularity in England may be possible in the future, there is currently no legislative capacity for this model in Wales. The preferred governance model recommended by the leaders and chief executives of the partner councils, and supported informally by civil servants from Welsh Government, the Wales Office and UK Government departments, is a statutory joint committee.</p>
2.02	<p>The statutory joint committee model is a known and dependable model. It is, though, a model with limitations. To support the joint committee a host authority will need to be nominated to provide legal, secretarial and administrative support, and one or more host authorities will need to be nominated to host the professional officers who will manage the programmes and projects to implement the growth bid. There may also be a requirement on the Joint Committee and its supporting resources to implement other collaborative projects agreed by each council. A host authority is yet to be agreed amongst the six councils.</p> <p>Joint committees are a familiar model in the region with recent examples being the GWE School Improvement Consortium and the North Wales Residual Waste Treatment Project. A relevant past example is Taith, the former transport planning consortium.</p>
2.03	<p>An outline of the suggested terms of reference, which are being developed in detail by the network of Heads of Legal Services with the expert and independent advice of Pinsents Solicitors, is set out below.</p> <p>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).</p> <p>An IAA is a joint agreement which sets out: -</p> <ul style="list-style-type: none"> • How the joint committee will be governed; • The limitations of decision-making by the Joint Committee and matters which are reserved for individual council approvals; • The roles of a host or host authorities; • How financial contributions to the joint committee and the host authority is to be apportioned;

	<ul style="list-style-type: none"> • How risks and benefits will be shared.
2.04	<p>The recommended, formal and core 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.</p> <p>There is the option for the Joint Committee to appoint advisors co-opted from key partner organisations principally: -</p> <ul style="list-style-type: none"> • The North Wales Business Council; • Higher Education (Bangor and Wrexham-Glyndwr Universities); and • Further Education (Coleg Cambria and Grwp Llandrillo Menai). <p>The representatives of partner organisations would join the Committee in a non-voting, advisory capacity.</p> <p>The governance model will need to be legal, functional and credible. Given that the business and further and education sectors will be key stakeholders it is important and recommended that they are brought into the membership for functionality and credibility with funders.</p> <p>The recommended model, and its functions, are consistent with the model proposed by Welsh Government for regional governance in its White Paper for local government reform. Therefore, the model is ‘future-proofed’ against expected Welsh Government legislation that is to come.</p> <p>Close working relationships, with the Cheshire and Warrington Local Enterprise Partnership will be important and cross-border joint working will be maintained through the Mersey Dee Alliance and other partnership vehicles that exist such as the North Wales and Mersey Dee Rail Task Force, which is leading the Growth Track 360 Strategy.</p>
2.05	<p>Outline Terms of Reference of the Joint Committee</p> <ol style="list-style-type: none"> 1. Functions 2. Strategy 3. Prioritisation 4. Representation 5. Performance 6. Accountability <p>Terms of Reference 1: Functions</p> <ul style="list-style-type: none"> • Economic growth strategy and planning • Infrastructure prioritisation and planning • Strategic land use planning and allocation • Transport planning and commissioning • Skills planning and commissioning strategy • Others to be added as powers are devolved <p>Terms of Reference 2: Strategy</p>

	<ul style="list-style-type: none"> • Setting the direction of regional strategy • On-going assessment of evidential regional need and opportunity to underpin the strategy • Setting of priorities and investment plans to deliver the strategy <p>Terms of Reference 3: Prioritisation</p> <ul style="list-style-type: none"> • Prioritisation of contributory schemes • Business case development and case-making for prioritised schemes • Investment profiling and prioritisation • Securing investment agreements <p>Terms of Reference 4: Representation</p> <ul style="list-style-type: none"> • Engagement and relationship management with regional partners • Engagement and relationship management with cross-border partners • Advocacy and lobbying with Welsh Government and UK Government, Ministers and political groupings • Public and media relations and profile <p>Terms of Reference 5: Performance</p> <ul style="list-style-type: none"> • Programme management of implementation of the strategy • Oversight of performance against key progress milestones and outcome measures • Securing strategic, programme management, and project development and management resources to implement contributory schemes <p>Terms of Reference 6: Accountability</p> <ul style="list-style-type: none"> • Reporting to the six local authorities • Reporting to regional partners on performance, investment performance and risk management • Reporting to Welsh Government on performance and the effective use of their investment • Reporting to UK Government on performance and the effective use of their investment
2.06	<p>Limitations of Decision-Making and Reserved Matters</p> <p>Examples of decisions which will be reserved for individual council approvals are: -</p> <ul style="list-style-type: none"> • Agreement of functions to be given to the Joint Committee; • Agreement of annual budget contributions for the Joint Committee and host authorities; • Investment and borrowing commitments and risk exposure levels; and • Allocation of land and other asset for pooling.
2.07	<p>A detailed constitution is being developed and will be completed for review shortly. The detailed Inter Authority Agreement is being developed in parallel.</p>

	<p>Pinsents Solicitors have been retained to act as expert and independent advisors on both the constitution of the Joint Committee and the Inter Authority Agreement. This work is being led by the Heads of Legal Services from each of the six councils with input from the Finance Managers/Section 151 Officers. Chief Executives or their nominees will act as advisors to the Joint Committee. The Programme Management Group (PMG), will be retained as the professional executive group which will support and advise the Joint Committee, and be responsible for professional programme management of the Bid once it is approved. The PMG, as previously described, is the expert professional group of economic development leads and other officers from the six councils and key partners, which has both supported the Economic Ambition Board and has led the work on the Growth Deal Bid.</p>
2.08	<p>Given the centrality of transport infrastructure and services to the strategy the Joint Committee is expected to set up a specialist Transport Sub-Committee from the outset. The membership of this Sub-Committee would be the transport portfolio cabinet members from the six authorities with invited partners as advisors as needed. It could have a separate host authority from that which will host the joint committee.</p>
2.09	<p>Consideration will 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.</p>
2.10	<p>The role of the longstanding regional North Wales Economic Ambition Board will need to adjust to accommodate the changing governance arrangements for the Growth Deal and other potential regional projects. The Ambition Board is supportive of change and is fully behind the Economic Growth Deal Bid. There is also a strong desire to retain the North Wales Economic Ambition Board Brand which has badged most regional economic development work and also the Welsh Government funded North Wales Regional Learning and Skills Partnership.</p> <p>Work on a revised constitution and terms of reference for the North Wales Economic Ambition Board is being undertaken as part of the work described in 2.07 above.</p> <p>The revised Economic Ambition Board could lead in: -</p> <ul style="list-style-type: none"> • 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. <p>It is proposed that the existing Regional Learning and Skills Partnership would also come under the strategic direction of the Joint Committee in the proposed governance model.</p>

3.00	RESOURCE IMPLICATIONS
4.01	<p>None directly at this early stage beyond making an annual revenue contribution of £50k from 2017/18 budgets. There will be ongoing revenue costs of servicing a joint committee, and the more significant costs for programme and project management for the development and implementation of the strategy from April 2018.</p> <p>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.</p> <p>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.</p> <p>Delegation of a proportion of Business Rate growth to local authorities would provide an investment stream.</p> <p>Growth Deal Bids elsewhere, including the Swansea Bay Partnership which is a useful comparator, are setting precedents for funding.</p>

4.00	CONSULTATIONS REQUIRED / CARRIED OUT
4.01	<p>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.</p>

5.00	RISK MANAGEMENT
5.01	<p>None specific at this early stage of negotiation. A risk management plan is being developed as part of the Growth Bid.</p>

6.00	APPENDICES
6.01	<p><i>Growth Vision for the Economy of North Wales.</i></p>

7.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
7.01	<p>None.</p> <p>Contact Officer: Chief Executive Telephone: 01352 702101 E-mail: chief.executive@flintshire.gov.uk</p>

8.00	GLOSSARY OF TERMS
8.01	<p>Local Enterprise Partnerships (LEP): set up in England in 2011, by the Department for Business Innovation and Skills, to lead economic growth and job creation across a region. They are voluntary partnerships between Local Authorities, and business.</p> <p>Growth Deals: a method of providing funds and opportunities to LEP's and/or local authority partnerships in England and Wales for major projects that benefit a region and the economy.</p> <p>Devolution Deals: have no set forma and involve the devolution of powers and budgets for the delivery of services across a region.</p> <p>North Wales Economic Ambition Board: a partnership of local authorities, private sector and education institutions working to develop stronger economic growth for the North Wales region.</p> <p>Mersey Dee Alliance: a partnership of Flintshire, Wrexham, Wirral and Cheshire West and Chester councils, with the private sector and education institutions, working together for sustained economic growth in the cross-border region.</p>