

CABINET

Date of Meeting	Tuesday 19 th December 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 and 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. At its meeting in September this year Cabinet then noted and supported the progress of the development of a competitive Growth Deal Bid due to be submitted to the UK and Welsh Governments by the end of November 2017.

Cabinet also supported, in principle, the preferred governance model of a statutory joint committee, with a full report to follow on a recommended constitution and terms of reference, supported by an Inter Authority Agreement.

The Leader of the Council was authorised to act as a member of the Shadow Joint Committee in the interim period, and has been appointed as Chair designate. The Leader was also granted authority as one of the Leaders on the Joint Committee to enter into collective first stage negotiations with the UK and Welsh 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.

This report outlines progress since that date.

RECOMMENDATIONS

1.	Cabinet is asked to support and endorse the Growth Deal Bid submitted to the UK and Welsh Governments and to note the timescales for each of the next stages of bid development.
2.	Cabinet is asked to note and support the priority schemes which could provide local benefit in Flintshire

REPORT DETAILS

1.00	DEVELOPMENT OF A GROWTH DEAL BID
1.01	<p>The <i>Growth Vision for the Economy of North Wales</i> was adopted by partner organisations across the region in 2016. This led to the development of a growth deal bid which was submitted to both the UK and Welsh Governments at the end of November.</p> <p>The Bid builds on the earlier Growth Vision and describes a Smart, Resilient and Connected North Wales where economic growth is powered by innovation in high value economic sectors.</p> <p>The Bid aims to improve the competitiveness of the region, to increase the Gross Added Value (GVA) of the regional economy, to 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.</p>
1.02	<p>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 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 has negotiated objectives and targets.</p>
1.03	<p>There has 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 and Mersey Dee Business Council has been fully involved in the development of the Growth Deal Bid.</p>
1.04	<p>Growth Deal Bids are developed in four phases: invitation to Bid; informal liaison between Government and the respective region over Bid direction and core contents; the first stage agreement known as Heads of Terms; the 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 by late spring 2018.</p>
1.05	<p>The content of the Growth Deal Bid faithfully follows the vision and strategy adopted by regional partners in 2016, and is attached as Appendix A to this report. The content has now been developed into 3 unifying themes, which draw the programme projects together and present a strong narrative for delivery of the vision:-</p>

	<ul style="list-style-type: none"> • Smart North Wales • Connected North Wales • Resilient North Wales <p>Smart North Wales has a range of programmes including investment in sites and premises to encourage business investment; providing enabling infrastructure to support jobs and growth from new energy developments; resource hubs to support business growth and innovation and getting products to market; graduate placements; start up units; support with export and research and development.</p> <p>Connected North Wales has a range of programmes to improve transport connectivity (but not including programmes which are the responsibility of national Governments); the development of a regional transport body; local transport initiatives which will build on the North Wales metro concept. The development of the digital infrastructure is also included in this theme with ambitions to develop fibre networks and 4G capacity.</p> <p>Resilient North Wales has a range of programmes to reduce unemployment alongside developing an enhanced careers service; bursaries to encourage skills and qualifications take up for those on low wages; investments in HE and FE to develop skills and research and development capacity in future growth areas. A skills brokerage service will also be developed to give business better access to those seeking employment. Actions to address the challenges to meeting housing growth needs are also included.</p> <p>The Bid was submitted to the UK and Welsh Governments ahead of the Chancellor's Autumn budget statement and on time. This is the start of formal negotiations. The following timetable has been set for the next stages:-</p> <ul style="list-style-type: none"> • Strategic outline business cases to be completed by the end of January 2017 • Agreement of the Heads of terms for the bid by May/June 2018 • Advanced development of each strategic project between March and October 2018 • Approval of the full business model for each of the projects by end 2018 • Investment to begin in the 2019/20 financial year
1.06	<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;

	<ul style="list-style-type: none"> the UK Government and Welsh Government Sector Plans specifically for nuclear, energy, manufacturing (Automotive and Aerospace) and digital; the Wales Infrastructure Plan; Cross-border planning and connectivity e.g. Growth Track 360 and elements of the Cheshire and Warrington Local Enterprise Partnership Devolution Deal; The imminent Welsh Government Economic Strategy.
1.07	<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 will have licence and opportunity to work beyond the Bid to secure its ambitions over time. The Joint Committee and the supporting officer executive 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>
1.08	<p>The strategic outcomes of the Growth Deal Bid 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.
1.09	<p>Work is advanced with the Business School, Bangor University, to develop the set of performance measures and outcome-based targets drawing on econometric data and evidence.</p>
1.10	<p>The total value of the Growth Deal could be circa £1.3billion. This is composed of a total capital bid of £343 million, which could lever in £1billion of private sector investment. There is also a revenue bid of £55.4 million to support some</p>

	<p>of the business sector growth propositions and the social value programmes.</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 in North Wales. The two governments will negotiate their shares of investment in the North Wales Growth Deal.</p>
1.11	<p>As part of the Bid the region is 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 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>
1.12	<p>For North Wales, there is an 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. The proposals build 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.</p> <p>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. 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.</p>
1.13	<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).</p> <p>The six councils have all agreed to make an investment of £50k each in a regional executive both to complete the Bid and to manage its implementation</p>

	in the longer-term. Three fixed-term project posts have recently been advertised; one to work on each of the programme themes to meet the tests of the five case business model for due diligence.
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2.00	POTENTIAL FLINTSHIRE BENEFITS TO THE GROWTH DEAL
2.01	There are a number of regional schemes included in the growth deal for which there will be a Flintshire benefit, and there are a number of plans which will have direct Flintshire benefit. The proposals which will provide significant local benefit are those where a Flintshire contribution to cost may need to be considered.
2.02	<p>There are a number of proposals to support business growth, which will be of benefit to existing Flintshire businesses and encourage inward investment in Flintshire. These include but are not limited to developing the routes to market for products, support with supply chain development, SME finance, and providing a more 'joined up' approach for handling business enquires through a single joined team.</p> <p>Regional schemes with direct benefit for Flintshire residents include proposals to provide individually tailored programmes to address worklessness and unemployment, an enhanced all age careers service, and the provision of bursaries to encourage the development of higher level skills and qualifications.</p> <p>FE and HE proposals to develop enhanced facilities and provision to meet economic growth needs and skills for future job roles could also mean that more Flintshire residents choose to study locally and work in the area following graduation.</p> <p>One of the proposed priority investments to bring forward mixed use sites for development is Warren Hall at Broughton.</p> <p>Local transport schemes have been identified which will encourage the use of public transport to enable people to travel more easily to major employment sites such as Deeside Industrial Park and Enterprise Zone.</p>
	PROGRESS WITH GOVERNANCE ISSUES
2.03	<p>A detailed constitution is being developed and will be completed for review shortly. The detailed Inter Authority Agreement is being developed in parallel. 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.</p> <p>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.</p>

2.04	Consideration will need to be given to the most effective 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.
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3.00	RESOURCE IMPLICATIONS
3.01	<p>None directly at this stage beyond making a revenue contribution of £50k IN 2017/18. 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>

4.00	CONSULTATIONS REQUIRED / CARRIED OUT
4.01	Extensive prior consultation underpins the bid document and is ongoing..

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

6.00	APPENDICES
6.01	Appendix 1: Growth Deal bid for the Economy of North Wales.

7.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
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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>