

GWYNEDD COUNCIL

REPORT TO THE CABINET

Date of Meeting:	24 October, 2017
Cabinet Member:	Cllr. Dyfrig Siencyn, Leader
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Title of Item:	North Wales Growth Deal Bid - Progress Report

1. BACKGROUND

- 1.1. The Cabinet supported the "Growth Vision for North Wales" (**Appendix 1**) in September 2016. The vision identifies clear priorities to develop transport and infrastructure, skills and employment and business growth and innovation. The strategy was adopted by the five other Councils in the region as well as other organisations (North Wales Business Council and Higher and Further Education Institutions) at the same time.
- 1.2. Following on from this, North Wales has received a formal invitation to develop the strategy to be a bid for the 'Growth Deal' in order to secure financial investment and the transfer of powers to the region from Welsh Government and the UK Government. This report provides an update to the Cabinet on the progress of developing the bid and outlines the next steps in the process.

2. DECISIONS SOUGHT

- a. To note and support the progress of the development of a Growth Deal bid for the region.
- b. To support, in principle, the preferred governance model of a Statutory Joint-Committee for further development with a full report on the constitution and terms of reference, supported by an Inter-Authority Agreement, to follow later in the year.
- c. That the Leader is authorised to act as the Gwynedd member of a Shadow Joint-Committee in the interim period.
- ch. That the Leader, as one of the Leaders of the six Councils represented on the Shadow Joint-Committee, is granted authority to enter into negotiations with Welsh Government and the UK Government regarding the scale and outline content of the Growth Deal bid, noting that no financial or other commitments will be agreed in the initial stages of negotiations.

- d. That the Chief Executive is delegated authority to secure an initial financial contribution of up to £50,000 from 2017/18 expenditure to prepare a bid for finance from the Growth Deal.

3. DEVELOPMENT OF THE GROWTH DEAL BID

- 3.1. The Growth Vision for the Economy of North Wales was adopted by 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*".
- 3.2. The document includes a work programme of possible schemes in order to deliver the vision through investment in transport and infrastructure, improving skills and employment and supporting business innovation and growth.
- 3.3. In the Chancellor's statement in Parliament in November 2016, North Wales was invited to submit a bid for a Growth Deal Agreement. This is the vehicle used by the Government in London now to support economic investment in regions across the country. The Cardiff region and Swansea Bay region have already received approval for the Growth Deal. The Cardiff deal is worth £1.2bn and the Swansea deal worth £1.3bn over 15 years (which includes private funding).
- 3.4. Put simply, there are two elements to the Growth Deal:
- A financial investment by the UK Government (and Welsh Government) in projects which lead to economic growth in the region;
 - Devolution of powers from Central Government to the regions in order to allow the regions to make decisions on a regional level.
- 3.5. The regions submitting a bid must have a legal, robust and accountable governance model to plan and execute their strategy. Regions are expected to be prepared to invest in their strategies alongside the Government(s) in terms of capital allocations, capital borrowing, use of land and assets and resources to develop projects and professional work.
- 3.6. Welsh and UK Governments will expect the bids to show close collaboration with the private sector and higher education and further education partners. Bids which show the support of the private sector are particularly encouraged by both Governments. The North Wales Business Council has been an integral part of the development of the Growth Deal bid in the north.
- 3.7. The Growth Deal bids are developed in four phases:
- (i) invitation to bid;
 - (ii) informal liaison between Government and the respective region regarding the 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 Welsh and UK Governments.

- 3.8. The North Wales bid is at the latter stages of the second phase with the objective to reach a heads of terms agreement by the end of the financial year (2017/18).
- 3.9. Please see the outline details of the bid in **Appendix 2**.
- 3.10. The Growth Deal is used to access funding for key projects which would not otherwise be funded by Governments e.g. preparatory work to develop and unlock strategic employment and housing sites for developments where the market has clearly failed. It will also motivate the Government(s) to commit to major developments that are under consideration, but have not yet been confirmed. These developments include investments such as railway infrastructure and trunk road schemes which are above and beyond the resources that are to be devolved to the Growth Deal.
- 3.11. It is noted that this investment will be capital funding. We are probably looking at a total investment of £240m (without including the contributions of Local Government and other partners including Higher Education and the private sector). It is also possible to gain access to other National funds such as the UK Government's Enterprise and Sector Funds via the Growth Deal bid.
- 3.12. As part of the Bid, the region will request devolved functions and powers from both governments. This is work in progress and is a sensitive area of negotiations with both governments. Examples include:
- 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 Works and Pensions in managing back to work programmes.
- 3.13. The recommendations in terms of devolved requirements will be shared with the Council and partners prior to agreeing on the "heads of terms".
- 3.14. To date, the work of developing the bid has been carried out jointly by a professional network of officers who support the North Wales Economic Ambition Board and the Programme Management Board. This joint effort has been supported by a small number of employed regional officers. The regional partners will be required to invest in a Programme Office to support the work.
- 3.15. Following a heads of terms agreement with the Governments, the projects within the Bid will need to meet the Government's five-case Business Plan standards. This stage will need to be reached before the end of the 2017 calendar year, and to reach this point, the regions do not have the necessary resources, which stresses the need for temporary additional resources. Therefore, a recommendation is made that an annual financial contribution is made by every key regional partner.

3.16. The full details of the Growth Deal bid will be shared with every authority and other partners for approval prior to any agreement with the Government. The Economy and Education Scrutiny Committee has already held an informal meeting to discuss the Growth Deal. The committee members were keen to receive regular reports on the scheme in order to gain a better understanding of the proposed projects. They were also keen for the Council to play a leading role whilst developing the bid. They also indicated that it's important to highlight opportunities for North West Wales and the rural areas, and ensure a strong voice for North West Wales.

4. THE PREFERRED GOVERNANCE MODEL

4.1. In March 2017, the Gwynedd Council Cabinet (together with the other five North Wales Local Authorities) approved the intention to establish a Statutory Joint-Committee.

4.2. The Statutory Joint-Committee is a known and dependable model. It is, though, a model with limitations. In order to support the Joint-Committee a host authority will need to be nominated to provide legal, secretarial and administrative support and one or more authorities will need to be nominated to be a host authority for the Programme Office which will manage the programmes and projects to execute the Growth Deal bid. The Joint-Committee and its support facilities may also need to implement other collaborative projects agreed by the Councils. The host authority has not yet been chosen.

4.3. A Joint-Committee is a familiar model in the region with the GwE Schools Improvement Consortium and the North Wales Residual Waste Treatment Project being recent examples. A relevant example from the past is Taiith, the former Transport Planning Consortium.

4.4. 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 Pinsent Solicitors, can be seen in **Appendix 3**.

4.5. The Joint-Committee will require a constitution, which will include the terms of reference of its functions and will be underpinned by an Inter-Authority Agreement.

4.6. An Inter-Authority Agreement is a joint agreement which sets out:

- 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 role of a host authority;
- How financial contributions to the Joint-Committee and the host authority are to be apportioned;
- How risks and benefits will be shared.

4.7. 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.

- 4.8. There is the option for the Joint-Committee to appoint advisers co-opted from key partner organisations, namely:
- North Wales Business Council;
 - Higher Education (Bangor and Wrexham-Glyndwr Universities); and
 - Further Education (Coleg Cambria and Grŵp Llandrillo Menai).
- 4.9. The representatives of the organisations would join the Committee in a non-voting, advisory capacity.
- 4.10. The governance model will need to be legal, functional and credible. Given that the business, further education and higher education sectors will be key stakeholders it is important and recommended that they are brought into the membership for functionality and credibility with funders.
- 4.11. The recommended model and its functions is consistent with the model proposed by Welsh Government in its white paper on local government reform. Therefore, the model is 'future-proofed' against expected Welsh Government legislation that is to come.
- 4.12. It is anticipated that regional working will be mandatory in key fields such as economic development, strategic land use via planning and strategic transport. In his recent statement, the Cabinet Secretary outlined that these fields could be provided on a North Wales level in future, with room for sub-regional working via joint executive committees.
- 4.13. 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. In addition to North West England, an effective cross-border partnership will need to be established with Ireland and Mid Wales.
- 4.14. Given the importance of transport infrastructure and services to the strategy, the Joint-Committee is expected to form a Specialist Transport Sub-Committee from the outset. The members of this Sub-committee would be the Cabinet Members for Transport of the six Councils together with other partners invited to advise as and when necessary.
- 4.15. The regional role of the North Wales Economic Ambition Board will need to be changed to be consistent with the changes in the governance arrangements. The Ambition Board is supportive of the changes and is entirely supportive of the Growth Deal bid. There is also a strong desire to retain the North Wales Economic Ambition Board brand, which has led most of the regional economic development work.
- 4.16. Work on the amended constitution and terms of reference for the North Wales Economic Ambition Board is underway as part of the work described above.
- 4.17. The Amended Ambition Board could lead on the following fields:
- 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.

4.18. 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.

5. RESOURCE IMPLICATIONS

5.1. There are no direct resource implications at this stage beyond making an annual financial contribution of £50k from 2017/18 budgets. There will be additional financial costs to serve the Joint-Committee, and more significant costs for programme and project management from April 2018 onwards.

5.2. Consideration will also need to be given to staffing arrangements for the Programme Office. It is possible for officers to be seconded to undertake specific functions and matters on the bid.

5.3. As part of the Growth Deal, the 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.

5.4. Delegation of a proportion of business rate growth to local authorities would provide an investment stream.

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

6. ANY CONSULTATIONS UNDERTAKEN PRIOR TO RECOMMENDING THE DECISION

6.1. Views of the Statutory Officers:

i. Monitoring Officer:

"The Cabinet has already supported the principle of a Joint-Committee model of the six Councils for governance. The scale, range of stakeholders, risks and evolving nature of the project mean that detailed and careful work is needed on developing the governance model to ensure an appropriate balance between moving the project forward effectively on the one hand and providing assurance and confidence to the partners regarding their voice and influence on the direction of and contributions to the projects on the other hand. This includes identifying and ensuring appropriate alignment with matters which will remain as decision-making responsibilities for the individual Councils.

One central element of the governance picture is the Joint-Committee and this is referred to in the report. Detailed work will be required not only regarding the high-level decision-making procedures but also on establishing the management and contractual procedures between the councils in the partnership agreement which will be prepared."

ii. Head of Finance Department:

"I support the recommendation for the Cabinet to approve the governance model of a Joint-Committee for the regional 'Growth Deal' bid and also to approve the initial financial contribution of up to £50,000 to be spent in 2017/18 on preparing the bid.

The 'Growth Bid' would provide valuable opportunities for the North Wales region, together with potential financial risks for the relevant local authorities. Therefore, I intend to support and advise the Leader and the Corporate Director as this pioneering agenda proceeds, with a view to maximising the benefits for the people of Gwynedd.

I confirm that the £50,000 (mentioned in decision 'd' in part 2 of the report) can be financed from current resources which already exist in the Chief Executive's Department's budget / funds."

6.2. Views of the Local Member:

6.2.1 Not a local matter.

6.3. Results of Any Consultation:

6.3.1 None to note.

Appendices:

- Appendix 1** Growth Vision for North Wales
- Appendix 2** Outline details of the Growth Deal Bid
- Appendix 3** Outline of the Proposed Terms of Reference

Background Documents:

None.