

A Better Deal for Future Generations - setting the challenge for the Cardiff Capital Region City Deal

Future Generations Commissioner- Sophie Howe

Introduction

City Deals are a vital opportunity for our public service leaders to demonstrate how they are planning for the future - tackling the problems of today but with the longer-term impact at the forefront of their planning.

Gone are the days when we can look at a single issue in isolation. People's lives are not lived in silos. The ability to work is not just dependent on skills but other factors such as having a transport system that is affordable and easily accessible. It depends on good health and wellbeing, for which we need access to green spaces and clean air.

As decisions about the Cardiff Capital Region City Deal are being made since the Well-being of Future Generations Act came into force they are an important milestone in the life of the Act. They offer an opportunity for us to see how local authorities, Welsh Government, and other partners are working to fulfil their obligations. That is, how they intend to maximise their contribution to the well-being goals using the five ways of working set out in the Act.

As a 20-year programme, the City Deal also offers an unusual and valuable opportunity for the authorities involved to work on a longer time frame. Short-term funding cycles are often blamed by public bodies for an inability to make long-term plans with positive long-term impacts, so we expect that they will welcome the opportunity that the City Deal programme offers to do just this.

It is also an opportunity to show how applying the Act to a major public investment programme could deliver not just some anticipated short-to-medium term economic gains in the traditional way but also transformational change in terms of our economic, social, cultural and environmental well-being. It is a chance to rise to persistent challenges such as climate change, poverty, inequality, social cohesion, jobs and skills in a truly long-term and preventative way.

1. What kind of economic development?

The overarching priorities and approaches for the City Deal programme, set by the UK Government, demand that the projects emerging from this Deal should be able to contribute to a five percent uplift in regional Gross Value Added (GVA) in south east Wales. However, chasing GVA uplift 'alone' is not compatible with pursuing the well-being of future generations and Welsh public bodies' commitments under the Act. The statutory definition of 'a prosperous Wales' sets out significant non-negotiable qualifiers about the nature and direction of economic development, specifically tying this to the creation of a low-carbon society, respecting environmental limits by using resources efficiently and proportionately, and acting on climate change.

The 10 Local Authorities and the Welsh Government are subject to the duty under the Well-being of Future Generations Act. They must demonstrate that the City Deal will enable them

to pursue an appropriate type of economic development, maximising their contribution to the seven well-being goals.

To develop a programme in 2016 that does not have low carbon as its central pillar is not just environmentally irresponsible - it is also economically irresponsible. Not only is there a need to meet the obligations under the Environment Act and the recently ratified Paris agreement, but the long-term costs to the economy of failing to tackle climate change and failing to secure reliable, affordable energy are going to be significant. Thinking in the long-term way the Act requires, means that the City Deal cannot discount these future costs if this risks leaving future generations with the consequences such as financial and environmental debt to pay. For example, a recent study¹ showed that a 21-year-old graduate will lose around £100,000 in income during their lifetime (with children of millennials thought to lose almost three times that) as a result of the economic burdens relating to climate change.

The global costs of tackling climate change to stabilise CO_{2e} levels at 500-550ppm were estimated to be around 1% of Gross Domestic Product (GDP) by 2050, in a review undertaken by Nicholas Stern². More recently, Stern has stated that the modelling under-estimated the hidden risks of climate change impacts and the costs could be higher and are likely to keep increasing until action is taken at all levels³. On the other hand, the benefits outweigh the costs: Stern valued these benefits at around \$2.5 trillion over the medium and long-term.

Some of the challenges and questions which the city deal must address include:

- Ensuring the business opportunities that will be pursued through the City Deal are appropriate for a low-carbon economy. For instance, what types of natural resource and energy do they depend on? Will they still be viable under projected climate change conditions and shrinking fossil fuel reserves?
- Ensuring investment in transport infrastructure as proposed realistically reduces the environmental costs of travel in the Cardiff Capital Region. It must take into account a range of scenarios about future travel needs, such as changing patterns of work, modes of transport and implications of ageing population – as well as a robust lifecycle analysis of the physical infrastructure required.

2. What kind of work, prosperity, and well-being and for whom?

The purpose of developing the economy is not purely to grow GDP. This alone will not achieve the Wales we want. In fact, there is growing evidence that shows increases in GDP have done little to reduce inequalities.

Research in Wales (e.g. the Deep Place studies) has shown that economic development routinely leaves behind substantial parts of the population. The Well-being of Future Generations Act requires this to change - the pursuit of prosperity is not a goal in isolation

¹ <http://www.demos.org/publication/price-tag-being-young-climate-change-and-millennials-economic-future>

² http://www.wwf.se/source.php/1169157/Stern%20Report_Exec%20Summary.pdf

³ <https://www.desmogblog.com/2014/06/19/lord-stern-we-ve-underestimated-economic-costs-globalwarming>

but a means towards well-being in its widest sense. This includes addressing long-term challenges such as persistent poverty, poor health and improving the life chances for everyone, particularly the most disadvantaged.

There are stark differences across the Cardiff Capital Region in terms of levels of deprivation. The least deprived areas within the Region are found in southern parts of Bridgend and Rhondda Cynon Taff (Taff Ely), the Vale of Glamorgan, north Cardiff, suburban areas of Newport and large parts of Monmouthshire.

The most deprived areas are found in the south Wales Valleys, Barry, south Cardiff and inner Newport. Differences in employment and income accounts for about half of this difference: average unemployment is about 8%, slightly higher than the Wales and UK averages – but this varies from 5% in Monmouthshire to 13% in Blaenau Gwent. The region also includes some hotspots of youth unemployment (under 25s) – 26% in Blaenau Gwent; 22% in Rhondda Cynon Taff, and 20% in Torfaen⁴.

There is a huge variation in child poverty across the region: 34% of children in Blaenau Gwent are living in poverty compared with 15% in neighbouring Monmouthshire.

In eight of the ten Local Authority areas in the region, child poverty is above the Welsh average. The evidence shows that children living in poverty do less well at school and earn less as adults, thus perpetuating a cycle of poverty.

The Joseph Rowntree Foundation estimates that poverty costs the Cardiff Capital Region at least £2.2 billion a year.

Our population is ageing and becoming more diverse. Life expectancy is increasing for all, but not equally, and healthy life expectancy varies dramatically across the region. In some parts of the region, there is a 20-year difference in healthy life expectancy between the least and most deprived parts of the same areas, e.g. in Llynfi valley (Maesteg and Bridgend)⁵, or in Cardiff and Vale of Glamorgan⁶. In males, the gap in life expectancy between Blaenau Gwent and neighbouring Monmouthshire is 4.5 years.

Not only do people live shorter lives in Blaenau Gwent, the proportion of those years spent in good health is lower too. The percentage of males and females assessing their general health as good or very good varies markedly across the region with over 80% of those in rural parts of the Vale of Glamorgan, north Cardiff and much of Monmouthshire reporting good health, whilst in places like Barry, south Cardiff and large parts of the south Wales valleys the figure is less than 70%.

- The City Deal must play its role in reversing these inequalities, for example through stimulating different patterns of work and employment, and breaking inter-generational cycles of poverty where it is most persistent.

⁴ Public Health Wales Observatory

⁵ <http://www.comfirstbridgend.com/news-and-information-home/article/00000118>

⁶ <http://www.wales.nhs.uk/sitesplus/922/page/87233>

At the same time, global trends suggest that much low-skilled and manufacturing work will gradually disappear as digital and automated alternatives replace the need for human labour. These are trends that the City Deal will need to engage with over its lifetime, by considering, for instance:

- How the programme will make the best use of the skills already available in south east Wales, and build on them?
- How it will support the next generations to acquire a broad and adaptable skills base that will make them fit for future work, given that they may be earning their livelihoods doing work that we cannot yet imagine?
- How it will create opportunities for more women, older people and other underrepresented groups to participate in the workforce, engaging in productive and rewarding work?

As the Future of Work⁷ report highlighted “work in the future will be more interconnected and network-oriented, where the high-skilled minority (characterised by their creativity, analytical and problem-solving capabilities and communications skills) will have strong bargaining power in the labour market, whilst the low-skilled will bear the brunt of the drive for flexibility and cost reduction, resulting in growing inequality.”

Technological changes and the pace of changes reported by World Economic Forum, indicate that globally a total loss of 7.1 million jobs are expected by 2020, two thirds of which are concentrated in office and administrative roles⁸.

These technological changes will influence the availability of jobs for a younger population, giving them an advantage growing up in a digital age. Workers in older age groups will need to embrace technology fully to compete in the labour market.

The projected trends pose a significant risk to wider economic strategies and the future of the economy in the region and the rest of Wales if we do not act now to plan for these changes.

Current trends show that in six of the ten Local Authorities, the proportion of school leavers with adequate basic skills and qualifications is below the Wales average, which will have a significant bearing on their prospects and life chances. It is vital that economic programmes are purposefully designed to tackle these issues, for instance by focusing opportunities, resources and investment in areas of higher deprivation, even if these are unlikely to offer the greatest absolute increases in GVA.

3. How does this help communities?

It is clear that many people in Wales feel disconnected from the decisions that impact on them, which are usually taken by others on their behalf and are often felt to be completely ineffective in improving their lives.

⁷ <http://mbsportal.bl.uk/taster/subjareas/hrmemptyrelat/ukces/1785622014-evidence-report-84-future-ofwork.pdf>

⁸ <http://reports.weforum.org/future-of-jobs-2016/employment-trends/>

Brexit is a wake-up call for all those developing policy and delivering public services. Most parts of the region voted strongly to leave the EU, despite the huge investment of EU money here. It is hugely important to take every opportunity to use the City Deal programme to re-engage communities in determining their own future well-being.

The City Deal is likely to focus very heavily on investment in physical infrastructure, particularly transport infrastructure. Infrastructure can be an important enabler of well-being but only where the right contextual factors are in place and specific relevant efforts are made.

The 2007 Valleys Regional Park Visioning Report found that 48% of people living in the Valleys had no relationship with their natural green space. The Tredegar⁹ and Pontypool¹⁰ Deep Place studies in south east Wales have argued for a much stronger focus on whole place systems thinking with more focus on locally specific priorities to ensure equitable and sustainable outcomes for current and future generations. The City Deal must take account of the specific and rather diverse context of south east Wales and ensure that any investment in infrastructure is both locally appropriate and leverages wider well-being gains.

For instance, how does it address increasing demand for social and health care provision in the short-to-medium term future whilst reducing and preventing future need for such provision? Across Wales the NHS deficit is predicted to be £700m by 2020, and the Health Boards in the city region had reported deficits of £47m this year alone. The links between employment and health are well-evidenced and therefore the City Deal should be striving to deliver against our aspirations for a healthier nation, which means targeting attention on areas of high economic inactivity.

We also know that the environment is key to health, so programmes delivered as part of the deal need to seize opportunities to bring nature into the city environment, enhance public green space, and encourage cycling and walking through transport plans. Wales' Chief Medical Officer has identified physical inactivity as a principal health risk, which is costing Wales over £650m a year. Across Wales only 30% of adults do the recommended levels of exercise (30 minutes 5 or more times a week), and in this region eight out of ten areas are not even matching this average.

What works in one community may not work in another so it is important that whatever approach is adopted is both flexible and responsive to local preferences. We know that growth is likely to be seen in the larger cities of Cardiff and Newport, whereas Heads of Valleys will experience a decrease; and Monmouthshire is expected to see an increase in those aged 65 years and above.

A region with a thriving culture must have a strong sense of identity to help build pride in its place, and yet where people live is not the same as where they work. Across the region 210,000 people move from one Local Authority to another to work and more than 100,000 people move in and out of Cardiff each day. With a focus to drive the number of people speaking Welsh language to one million and the culture that this brings, the Region should look to take this opportunity to drive better integration.

⁹ http://www.regenwales.org/project_9_The_Deep_Place_Study

¹⁰ <http://www.cardiff.ac.uk/sustainable-places/research/projects/the-deep-place-study>

- The City Region has the potential to provide a transformational opportunity for the area. Through an innovative, integrated approach to management and investment the City Region can take a lead in creating and sustaining an attractive, thriving, and productive environment that delivers sustainable economic, social, and environmental benefits and a high quality of life for all its citizens. The City Deal must ensure the distinctiveness and diversity of the region is reflected and enhanced in terms of culture, language and sense of place.

Moving forward in a place-based way will depend on involving local citizens and institutions in determining the relevant strategies. This goes far beyond carrying out time-specific consultation exercises as the Growth and Competitiveness Commission has apparently already done. It involves creating mechanisms for people to engage with and direct key decisions about what is done in their neighbourhood, throughout the lifetime of the City Deal programme, and working collaboratively with the full range of local institutions to deliver well-being writ large.

- What kinds of mechanisms will be put in place to ensure that community voice is a key driver of specific developments that will come about through this programme?

4. Getting the best deal for Future Generations

Globally and in the UK, there are many examples of cities which have approached their economic development in innovative ways that put sustainability and citizens at the centre.

For instance, Stuttgart has brought landscape planning into the core of its city development approach, effectively creating a 'regional landscape park' which brings multiple social, environmental and recreational benefits and increases the region's competitiveness as a business location, supporting its economic development whilst helping the region to address climate change.

In the United States, Portland Oregon is delivering its sustainability goals by comprehensively changing its patterns of energy use – combining energy efficiency measures such as replacing their streetlights to LEDs with switching to clean renewable energy sources, generating solar power and disinvesting from fossil fuels.

Swansea is developing proposals for a city deal programme around the themes of connectivity, renewable energy and health and well-being.

These examples show that it is possible to get a virtuous spiral of impacts across economic, environmental, social and cultural domains if the approach is driven by a bigger and better vision than simply increasing economic activity or GVA. We would maintain that the Cardiff Capital Region deserves nothing less than a similar visionary approach fit for our future generations.