

EXECUTIVE SUMMARY

- 1.1 Cities have risen up the political agenda both in the UK and beyond. Governments are increasingly recognising them as the drivers of regional and national competitiveness and are developing policies to help cities flourish more in future. This is the context in which the Economic Scrutiny Committee of Cardiff Council commissioned this independent research to locate Cardiff in its UK and European context. The Council was aware that Cardiff had changed significantly in recent years. It wanted to be able to compare its performance with that of comparable cities in the UK and continental Europe. This report prepared by the EIUA tries to do this by answering the questions:
- How competitive a city is Cardiff?
 - How does it compare with its English and European counterparts?
 - What does it need to do differently or better in future to improve its economic performance?
- 1.2 The report is based on three different kinds of evidence:
- a detailed analysis of much quantitative data about the city's economic performance in a regional, national and European context;
 - a review of a wide range of primary literature;
 - interviews with many of the key stakeholders in Cardiff both inside and outside the Council.

What are the key messages of this report?

- 1.3 This report tries to make an informed judgement of how far Cardiff has come in recent years, how far it has to go and who needs to do what to get it there. It assesses Cardiff's position and role in the UK context, in the context of south east Wales and in a wider European context in that order. To anticipate the story this report demonstrates that Cardiff has come a very long way in a very short time economically. It has reinvented itself as a service sector based city. It has repositioned itself nationally and possibly internationally. It has had a brilliant first act based on huge achievements in urban regeneration in the city centre and waterfront. It has improved its economic performance during the past decade and has begun to catch up with many of its competitor cities in the UK. The evidence shows that Cardiff is the dynamo of the regional economy of south east Wales. It shows that it is a genuine competitor on the UK economic scene. But it also shows that Cardiff, although performing better than many provincial English cities, is as yet a long way from being a European economic star. It is not yet the dynamic European capital city that it aspires to be.
- 1.4 The report identifies a range of policy issues and concerns that Cardiff needs to address if it is to sustain the gains it has made in recent years and to achieve its ambition of being a major European capital city. These include moving its economic activities higher up the value added chain, becoming more innovative, improving linkages between government, industry and the universities, upgrading the physical infrastructure, spreading the benefits of economic regeneration more widely, working more corporately and more strategically within the Council, working more coherently at a city regional level, forming a more mature political relationship and new political

settlement with the Welsh Assembly Government based upon the recognition of the value of Cardiff to the future of the Welsh economy. Many of those issues are part of the wider global and national economic scene over which Cardiff has limited direct control. But many of them are within the hands of the key stakeholders in the Cardiff economy. There are things that can be done to sustain and improve Cardiff's economic performance so that it can move towards its aspiration of being a dynamic European capital city.

- 1.5 Even those who believe there could be improvements clearly recognised the extent of the city's achievements in recent years. There is great support for the way in which the city has responded to the economic, social and physical challenges it has faced in a rapidly changing global economy. There is extensive recognition of and great support for the Cardiff 'first act' – its restructuring into a service based economy; the huge physical transformation especially through major projects in the Bay and city centre; the successful marketing of the city in the service tourism and leisure industry; its repositioning of the city in the national UK policy arena; the drive and energy shown by the leadership of both the former Cardiff Bay Development Corporation and Cardiff Council in achieving much of that transformation. But there are things it could do better which we outline below.

Innovation

- 1.6 Cardiff has a reasonable performance record in comparison with UK cities. But it has a long way to go before it can match the heavyweight cities in northern Europe, which typically have higher innovation scores. One of the most significant aspects of our conversations with decision-makers about the prospects for the Cardiff economy was how relatively little the theme of innovation actually was raised. There was a great concern to sustain the recent achievements in the service, tourism, and leisure industries. But for example, there was little focus within the Council upon how Cardiff was going to move higher up the value added chain. However, innovation has been identified as one of the key pillars of the Proud Capital vision for the city which will become the new Community Strategy. There was no systematic organised forum between Cardiff Council and key elements of the private sector about the opportunities the city has in key areas or how they were to be exploited in future. Further, relationships between the universities and Cardiff Council are good. But there has been relatively little systematic effort to explore how the strengths of the universities could be turned to commercial advantage for Cardiff. However, it should be noted that the Council has recently established the Cardiff Futures Forum including leading academics and practitioners to develop an agreed strategy for the future development of the city. A Business Forum is also due to be launched later in 2006.
- 1.7 ***The Council should undertake a review exploring how the crucial theme of encouraging and developing innovation within its economy should be explored and exploited systematically in future with key partners from the private sector, University and Welsh Assembly.***

Skilled workforce

- 1.8 Cardiff performs reasonably well in UK standards in terms of graduates in the local population. Also it performs relatively well in UK terms in terms of school performance at GCSE levels. However, there were constant concerns expressed that the education system did not provide such good services for pupils in the lower ends of

the ability scale. Such concerns were reinforced by the review of education undertaken in 2004. It observed that educational expenditure was low in national terms, only partly explained by national formula. The education system was assessed as only fair across many of its processes and achievements. More generally it was often asked whether education as a sector was a sufficiently high priority for the Council and for Councillors as a whole. Despite the concern with school reorganisation, there does seem some evidence that at present the Council may not give the political attention that such an important task requires.

- 1.9 ***The Council should test the argument that education is not given sufficient political attention and resources.***

Economic Diversity

- 1.10 Competitive economies tend to have a diverse economic base, preferably in as many high value added sectors as possible. The traditional structure of the Cardiff economy, and the recent focus upon financial services, tourism, and retail and leisure industries suggests that Cardiff needs to do more to increase its share of high value added sectors. The quantitative data showed that the city is well represented on public administration and higher education but not sufficiently strong in the high tech sectors. Employment in the knowledge economy compares favourably with English national average and that of the English core cities. This sector should be exploited further.
- 1.11 ***The Council should undertake a systematic analysis of its economic structure and examine the prospects for growth in some of the high value added parts of the economy where there is potential. This needs to complement the strategic analysis that should be undertaken around the themes of innovation, education and skills.***

Connectivity

- 1.12 Cardiff faces huge challenges in terms of accessibility. It is poorly connected by air and rail and only reasonably by road. It needs to do more to improve its airport in terms of international connections and also access to it. And there are huge internal problems of mobility within Cardiff itself. The costs of moving 70,000 commuters into the city on a daily basis often by private transport are huge and potentially unsustainable. The internal motorway system is not sufficiently extensive. The private sector surveys indicated that employers rate Cardiff particularly badly on this dimension. This is partly an unavoidable consequence of geography and the city's peripheral location. But Cardiff is also paying a price of economic success. Like a number of other cities in the southeast, it is in danger of choking on its own success. Cardiff Council is exploring a variety of ways of getting substantial resources into more sophisticated transport systems. But at least some of the costs are a consequence of Cardiff serving as a national capital city. Although the Assembly makes some recognition of that fact, it is currently insufficient and it should provide greater support in future. These challenges are well known in the city. This report simply underlines their seriousness.
- 1.13 Many of the successful provincial cities in recent years have consciously adopted more international strategies to explore new markets, influence the policy and funding of international organisations, find new partners and learn from new networks. Cardiff is beginning to do this. The Council has moved away from a traditional

twinning approach to building more city to city links. The Policy & Economic Development service area has undertaken a valuable assessment of this challenge through its International Partner Assessment matrix which reviewed and made selections of links worth pursuing. But some observers argued that such activities are sometimes regarded sceptically and that the city needs to be less parochial, more outward looking and internationalist in its approach in future if it is really to play in the European capital city league.

- 1.14 ***Cardiff Council should continue and develop its connectivity and international strategy to develop more effective links and networks.***

Quality of Life

- 1.15 Quality of life is an important soft location factor in terms of competitiveness. Cardiff has a number of advantages that make it attractive to employers and employees making locational choices. It is a compact city, has some good housing, an attractive waterfront, many cultural facilities and is in an attractive regional location. However, the city has restructured so quickly that it has, 'built the roof without paying enough attention to the foundations'. It has prestige projects and excellent new facilities but not the underlying infrastructure necessary to sustain it. Also the Cardiff Bay area has been a major success but is not well connected to the city centre. The two dynamic parts of the city must have greater synergy if they are to flourish in future. In particular transport links between the two need to be improved. Some interviewees felt that the retail, hotel and cultural offer in Cardiff is not yet up to the standards of a European capital city. Some also said that the overall quality of shops, restaurants and even some of the hotels on offer in the city centre felt more like a provincial large town than a major European city. Equally many commented that the city centre nighttime economy is too homogenous with too powerful a bar culture and needs diversifying. To create a step change in the city St David's 2 must have the architectural quality to dramatically improve upon earlier development phases. The public realm in the city centre looks tired and needs refurbishment. The role played by the Cardiff Bay Development Corporation in promoting the image of the city and city centre has not been adequately replaced and that the city needs to focus more effort on this challenge. The Council has recognised that the marketing effort in the city has been too focussed upon events and is currently creating a public-private partnership to provide a more effective marketing campaign targeted at broader investment opportunities.

Sharing the gains

- 1.16 Some interviewees were concerned that the city is becoming increasingly gentrified and that not enough attention is paid to issues of social housing. More generally still, some believe more needs to be done to ensure that poorer communities and residents get greater benefits from the economic renaissance that has taken place in Cardiff. Its economic recovery has not touched all groups or neighbourhoods in the city. Also in recent years in the drive to achieve mega projects the Council took its eye off the ball, core services did not receive the political attention they deserved and standards may have suffered as a result. The Council has recognised that dilemma and is attempting to strike a different balance.
- 1.17 ***To be regarded as a leading European capital city the Council's focus upon sharing the economic benefits and improving core local services needs to be sustained.***

Strategic Capacity

- 1.18 Our work has underlined the importance of strategic capacity and decision-making to the development of cities. We define it as the ability to develop and gather support from partners to implement long term economic and social development strategies. The crucial elements are leadership, partnership, strategy, vision and politics. It is difficult to quantify but even the most successful cities, which have many of the other drivers of success, emphasise the need for those assets to be mobilised and led. Much of our conversations with partners in Cardiff concerned capacity in this field. Again there was recognition that much had been achieved but that some areas needed addressing.

Long-term vision and strategy

- 1.19 The city needs a second act to build upon its successful first. It is not clear whether the city has a clear enough agreed vision about the next decade that would build upon the achievements of the last decade and push Cardiff towards greater competitiveness. Equally it is not clear whether the Council had a sufficiently clear and consistent strategy to achieve such a vision.

Leadership, consulting and choosing

- 1.20 There was recognition that the Council single-handedly pursued a clear economic regeneration agenda. The Council was right to take stock of the performance and future of the city and to consult more extensively about it. However, the consultation process should not last indefinitely. It would soon be time for the administration to give a clear lead on the direction in which it intended to take the city and the steps that would be involved in getting there.

Corporate performance and delivery

- 1.21 Cardiff Council has undergone a series of internal reorganisations in recent years in an effort to find a structure that would make it work more corporately and effectively. However, many inside and outside the Council believe that despite such structural changes the Council has not developed a sufficiently corporate culture which would ensure the organisation is pushing in the same strategic direction. There is a view that whereas the Council does not need more structural change it does still require a more corporate culture. Some senior members and officers have accepted that there is not a sufficiently powerful culture of performance management in the Council and that it has not encouraged a sufficiently entrepreneurial culture within the organisation.

Political trust and maturity within Cardiff

- 1.22 The prospects of success are greater where there is a robust partnership culture and where there are significant levels of maturity and trust between players in the system. It is argued that there is not enough trust between the members of the political parties in the Council, and between members and officers and between officers within the organisation. This is an issue that senior members and officers need to address seriously lest it be a drag on performance.

Trust and maturity in the southeast Wales region

- 1.23 Cardiff is crucial to the current and future economic success of the southeast Wales city region. But there have been historic tensions between different local authorities in the region about what contribution each does and should make and what benefits each should and does get. More political effort will need to be made to encourage greater collaboration and trust between the local authorities in the region to ensure the right decisions are made for the future of the region. The creation of the South East Wales Regional Partnership Delivery Board, which contains the Leaders and Chief Executives of the 10 local authorities, will obviously encourage this process.

Trust between Cardiff Council and the Welsh Assembly Government.

- 1.24 Relations between national governments and capital cities are enormously important often complex and sensitive, even when controlled by the same political parties - London is a case in point. However, relationships between the Welsh Assembly Government and Cardiff Council appear particularly complex and constitute a barrier to the long-term economic performance of the city. There should be a different kind of political relationship between the WAG and Cardiff in future if the city is genuinely to become a leading European capital city. It requires a new recognition and vision of the significance of the capital city. For example, although the WAG document A Spatial Strategy for Wales recognised the contribution of Cardiff, the failure to acknowledge the role of Cardiff in its recent economic strategy Wales: A Vibrant Economy is a significant omission. The Welsh Assembly Government needs to move beyond a spatial strategy to a more rounded urban policy as currently is being developed in England, where government has clearly recognised the contribution of cities to regional and national economic performance. It requires an exploration of the ways in which the Assembly can help Cardiff to flourish more in future. There should be a new political settlement, which recognises the unique contribution that Cardiff makes to the national economy, the particular burdens it carries as a result of its status and recognition that it could make a greater contribution national prosperity in future.

- 1.25 ***The Council needs to become more strategic and more systematic in the way in which it, along with its partners in a range of sectors, determines how the city will develop during the next decade to build upon the successes of the past decade. The Council is not sufficiently corporate in its daily working. There needs to be greater levels of trust both within the Council and between it and a range of partners. The Council should undertake a systematic review of the way in which it operates with its partners in the community, private sector and especially other local authorities in southeast Wales and the Welsh Assembly Government. It should propose ways of behaving more corporately, more systematically, more strategically and more in partnership so the economic performance of the city can be maximised in future. This will require mature and sometimes brave political leadership.***

Cardiff looking forward

- 1.26 Cardiff has achieved a remarkable economic, social and physical renaissance during the past two decades. However, this report has shown that the journey is not yet complete. It has identified a series of economic, social and political challenges it needs to address if it is to build upon a very successful first act of regeneration and move into the league of the economically successful European city. Many of those

are the consequences of wider international change. But many of them are within the influence of key partners in Cardiff.

- 1.27 A city is in constant flux. Even as this report was being prepared things have been happening in the city which are already beginning to address some of the institutional and policy challenges we have identified. Some have been realised some remain important statements of ambitions. The Council has published its 'Proud Capital' Vision statement. It has created the Cardiff Futures Forum to engage the Universities and stakeholders. It is planning a new Business Forum. The Roath Basin Gene Park is being developed. The Council has created a new Marketing Vehicle and the new Cardiff Transportation Partnership is exploring congestion charging in the city. There are plans to develop a Cultural Industries hub underpinned by a Creative Industries Strategy. Work continues to develop the International Sports Village and Casino as do efforts to exploit regional opportunities from the 2012 Olympics. The South East Wales Regional Delivery Board and the proposed Regional Skills vehicle should encourage greater cooperation with Cardiff's local authority neighbours. These recent developments, combined with the concrete evidence of the improvement in the past, shows there is plenty of capacity in the city to tackle its challenges. There is clearly recognition within Cardiff of what needs to be done next. There is no evidence to suggest that wise political leadership will not be able to address them. Leaders in Cardiff should seize the time.