

**CARDIFF CAPITAL REGION CITY DEAL – JOINT WORKING AGREEMENT
BUSINESS PLAN**

Purpose of report

1. To prepare Members to consider the draft Joint Working Agreement Business Plan agreed by the Regional Cabinet of the Cardiff Capital Region (CCR) City Deal, prior to consideration of the Plan at Full Council.

Background

2. A City Deal is an agreement between government and a city/ city region. They give new freedoms, powers and tools to help cities and regions go for growth. On 15 March 2016, the ten leaders of the local authorities in the Cardiff Capital Region, Secretary of State for Wales, Chief Secretary to the Treasury, and Welsh First Minister met to sign the City Deal document. This included:
 - Cardiff Capital Region Investment Fund – *approximately £1.2 billion over 20 years*
 - Connecting the Cardiff Capital Region
 - Investing in Innovation and the Digital Network
 - Developing a Skilled Workforce and Tackling Unemployment
 - Supporting Enterprise and Business Growth
 - Housing Development and Regeneration
 - Cardiff Capital Region Governance.

3. The high-level aims of the CCR City Deal are to create 25,000 jobs and lever in £4bn private sector investment, enabling economic change, improved digital and physical connectivity, improved skills and educational opportunities and regeneration across the region. The aim is to use the City Deal to act as a catalyst to drive positive change in the region.
4. The **Joint Working Agreement** provides the legal framework for the City Deal, establishing the governance arrangements and outlining the roles and responsibilities of the Regional Cabinet¹, as well as the relationship with other regional bodies and organisations. It also includes the principles for financial contributions by local authorities. Within the Joint Working Agreement, there is a requirement that Councils take a subsequent decision, no later than 12 months after the commencement date of the Agreement, on the approval and adoption of the JWA Business Plan.
5. In June 2016, an independent Cardiff Capital Region '**Growth and Competitiveness Commission**' was launched to undertake research and extensive consultation on the City Deal and provide advice and recommendations to the Regional Cabinet.
6. The Cardiff Capital Region Investment Fund provides £1.2 billion, of which £734m is allocated to the Metro programme. The remaining balance of £495m is known as the '**Wider Investment Fund**'. This, in turn, is made up of:
 - a. £375m grant from UK Government (HM Treasury) paid over 20 years, with £50m in years 1-5; and
 - b. £120m local authority partnership capital contribution – the value of each local authority's contribution determined by their percentage population; Cardiff Council's contribution is £50m.

¹ The Regional Cabinet consists of the Leaders and Chief Executives of the Cardiff Capital Region's ten local authorities.

Joint Working Agreement (JWA) Business Plan

7. On 23 February 2018, the Regional Cabinet considered the draft JWA Business Plan and agreed to recommend to the CCR City Deal constituent local authorities that they agree and adopt the draft JWA Business Plan. The report to the Regional Cabinet is attached at **Appendix 1**; this includes the draft JWA Business Plan at **Appendix A to Appendix 1**.

8. The report to Regional Cabinet sets out that Clause 7.1.4 of the JWA provides that the JWA Business Plan must address certain factors, and details where these are addressed in the draft Business Plan, as follows:
 - a. The Updated Affordability Envelope – *Section 9 of JWA Business Plan*
 - b. Methodology for agreeing nature, scope and prioritisation of projects – *Section 3 of JWA Business Plan*
 - c. Methodology and responsibility for external audits - *Section 9 of JWA Business Plan*
 - d. Methodology and responsibility for performance monitoring- *Section 3 of JWA Business Plan*
 - e. Revenue and capital monitoring reports - *Section 9 of JWA Business Plan*

9. The report to Regional Cabinet summarises the key elements of the JWA Business Plan, now named '*CCR Strategic Business Plan for the Wider Investment Fund*' in order to reflect the Business Plan's status and focus (**point 6, Appendix 1**).

10. The JWA Business Plan sets out the vision, strategic objectives, spatial priorities and strategic themes that set the context for the decisions re the way the £495m Wider Investment Fund is utilised.

11. The JWA Business Plan states that it forms the basis of a more detailed regional strategic economic growth plan and strategy (**page 6, Appendix A of Appendix 1**).

Key Issues

12. The Legal Implications section of the report to Regional Cabinet states that *'the content of the Plan [serves] to create a legitimate expectation that the matters referred to (proposals, projects and themes) will be progressed as set out in the Plan. Accordingly, it is important that Regional Cabinet and each constituent Council is content with the content of the JWA Business Plan'* (**point 42, Appendix 1**).

13. The JWA Business Plan sets out the indicative spend profile. This includes monies already invested for the Compound Semi-Conductor Project (£38.5m, as a loan to be repaid) and investments for schemes that the Regional Cabinet has agreed to in principle, as follows:
 - a. The Metro Central Project
 - b. Regional Housing Investment Fund
 - c. Digital Strategy
 - d. Skills for the Future.

14. The investment in the Compound Semi-Conductor Project was made using the UK Government's contributions to date. The report to Regional Cabinet states *'it is hoped that the adoption of the JWA Business Plan will take place in financial year 2017/18 allowing Local Authority Partnership capital contributions to be substituted for the revenue grant'* received from HM Treasury (**point 17, Appendix 1**).

15. The report to Regional Cabinet states that 'in principle' schemes and any emerging schemes will be developed and assessed to ensure compliance with the City Deal's Assurance Framework and HM Treasury's Green Book scheme. The report goes on to state that, accordingly, *'it is difficult to predict accurately the financial implications of the investment programme. Financial modelling for the Wider Investment Fund will therefore be based on educated assumptions and an indicative programme of investment which will be developed and refined as more investment decisions are made'* (**point 20, Appendix 1**).

16. The JWA Business Plan provides more details of how the 'in principle' investments will assist in meeting the aims of the CCR City Deal, in terms of the numbers of jobs created, private sector investment secured, support for strategic objectives and delivery of regional economic benefits and value for money.
17. With regard to Metro Central, the modernisation of Cardiff Central Train Station, the JWA Business Plan states that the '*current proposal would see a call on City Deal funding of £40m subject to final approval of the Full Business Case and commitment to match funding from partners*' (**page 26, Appendix A of Appendix 1**).
18. The Financial Implications section of the report to Cabinet highlights that the updated affordability envelope remains within the approved envelope of £210.8m, assuming the switch of funding from HM Treasury revenue to local authority capital contribution, detailed above at point 13, takes place. It also details a reduction in headroom from 22% to 14.5% concerning interest rate assumptions (**point 32, Appendix 1**).
19. A Well-being and Equality Assessment has been undertaken and is included at **Appendix B of Appendix 1**. The report to Cabinet states that this demonstrates compliance with the well-being 5 ways of working, supports the well-being goals and identifies that the City Deal is expected to have a positive impact on all groups and people with protected characteristics.
20. The report to Regional Cabinet highlights that the JWA Business Plan will be updated, with the decision to approve and adopt any update being a Regional Cabinet matter, unless the update amounts to a material change, in which case it will be a decision for the constituent local authority councils (**point 12, Appendix 1**).
21. The report to Regional Cabinet highlights that a Gateway Review led by HM Treasury will be undertaken in 2020/21 and that funding beyond this point is conditional on the City Deal successfully passing the Gateway Review.

Previous Scrutiny

22. The Economy and Culture Scrutiny Committee has received regular updates on the City Deal at its meetings on 3 December 2015, 17 March 2016 and 12 January 2017. At these meetings, Members raised the following points:

- The Committee did not wish to see the full allocation of City Deal finance being used to fund the Metro.
- Members stressed the importance of aligning Local Development Plans across the local authorities signed up to the City Deal.
- Members note that Cardiff will be required to pay an estimated £65m toward the City Deal over a 20-year period – a figure lower than was originally anticipated.
- Members consider it imperative that the City Deal Agreement is underpinned by robust governance arrangements and are mindful that developments may be required in terms of a joint or collaborative approach to scrutiny across all the local authorities involved.
- Members note that, as part of the City Deal, the ten local authorities have requested greater financial autonomy and flexibility, including exploring the devolution of business rate income above an agreed growth level.
- Members agree that the JWA should be in place before each local authority commits substantial amounts of money. The Committee feels it is imperative that the Assurance Framework is agreed, alongside the Joint Working Agreement, prior to any commitment to projects or allocation of finances.
- Members were pleased to be informed that the existence of a Joint Scrutiny Committee will not limit the ability of other Scrutiny Committees to consider projects and proposals affecting residents of Cardiff that fall under their respective terms of reference.
- Members note the potential for Cardiff to become a worldwide centre of excellence for Compound Semiconductor Components, noting that IQE are a global leader in this field with its headquarters in Cardiff.

23. The following responses were received to these points:

Leader on 18 February 2016:

“With regard to the issue of private delivery of the Metro, it is important to note that this is primarily a Welsh Government led initiative. Nonetheless, in taking forward the development of an improved city-region transport infrastructure it is important that we explore a range of options. As you note, strategic planning is also an integral part of the city-region development agenda, and as such it is anticipated that the City Deal will involve a movement towards a more co-ordinated approach to spatial planning.

Leader on 31 May 2016

Noted that scrutiny of the City Deal will be considered as part of the development of the overall governance arrangements being developed by participating local authorities.

Leader on 25 January 2017

‘I can confirm that a Joint Working Agreement will be in place before any substantial funds are committed by local authorities to the Joint Cabinet. Furthermore, individual council contributions will only be accessible to the Joint Cabinet once a Business Plan, including key projects, has been agreed by all ten councils. I can also confirm that the Assurance Framework will be in place before any funds are committed. The framework outlines the processes for approval of projects, as well as the requirements in terms of the development of appropriate business cases for projects.’

‘In terms of the issue of regional Scrutiny, I will also ensure that the more detailed discussions in how this is established will involve the relevant Scrutiny Chairs in Cardiff. I believe that this is a very important function for the Joint Cabinet, and will help in the development of the new governance arrangements for the city region.’

Way Forward

24. The Leader, Councillor Huw Thomas, and Councillor Goodway, Cabinet Member Investment and Development have been invited and may wish to give a statement. Neil Hanratty, Director of Economic Development, will also attend to present on the City Deal. The panel will be available to answer Members' questions.

Legal Implications

25. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

26. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that

goes to Cabinet/ Council will set out any financial implications arising from those recommendations.

Recommendations

27. The Committee is recommended to consider the information attached to this report and received at this meeting and to submit any recommendations, observations or comments to the Cabinet Member.

Davina Fiore

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2 March 2018