

**COUNCIL:**

**22 MARCH 2018**

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**CABINET PROPOSAL**

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

**Reason for this Report**

1. On 26 January 2017 the Council approved a Joint Working Agreement (JWA), including the establishment of a Cardiff Capital Region (CCR) Joint Committee, to administer the City Deal, which had been agreed with the UK and Welsh governments.
2. The role and responsibilities of the Joint Committee, which comprises leaders of the ten constituent local authorities of the Cardiff Capital Region, relate specifically and exclusively to the City Deal - enabling the joint development and implementation of a programme for investment, linked to the City Deal's Wider Investment Fund. But the Committee's powers were also confined to the first £50 million of funding from HM Treasury (HMT) until a 'reserved matter' - approval of the JWA Business Plan - was discharged by individual councils.
3. This report seeks approval for the Business Plan - enabling the Cardiff Capital Region to unlock the remaining £445 million of the Wider Investment Fund. It includes *inter alia* an in principle commitment to allocate £40 million to the modernisation and redevelopment of Cardiff Central Station, subject, amongst other things, to approval of a detailed business plan, which will result in a strategically critical £160 million project delivered in partnership with the Welsh and UK governments, the private sector and Network Rail.

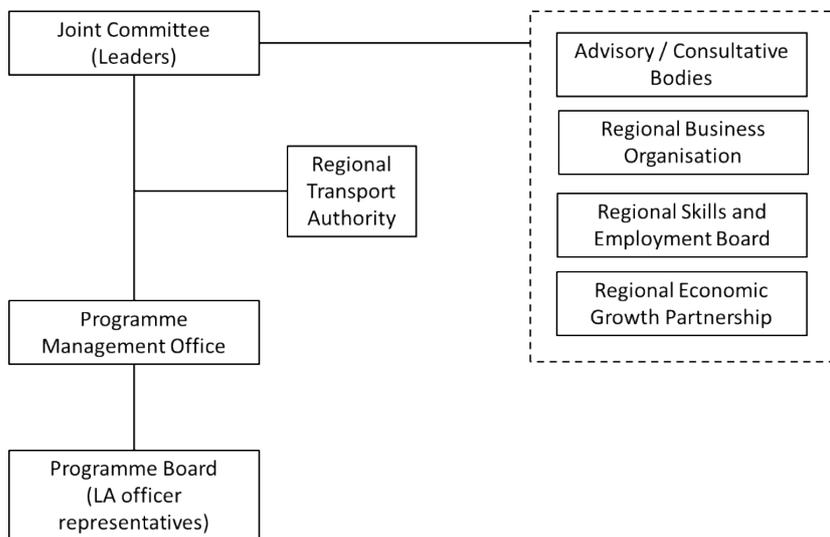
**Background**

4. As the Council report of 24 March 2016 noted, the City Deal was signed on 15 March 2016 by the ten local authority leaders of the Cardiff Capital Region, the First Minister of Wales, the Welsh Government Minister for Finance, the Secretary of State for Wales and the Chief Secretary to HM Treasury. The resulting 'Heads of Terms' agreement outlined the parameters for the detailed development of the City Deal and set out how the ten local authorities would work in partnership with the Welsh Government and UK Government to support economic growth.

5. As its core proposition the City Deal provides funding to support investment in projects to stimulate economic growth: £734 million is allocated to Metro; £495 million makes up the Wider Investment Fund to support additional economic development activities. The latter provides the focus for the Joint Committee and consists of a local government capital contribution of £120 million with the remaining £375 million provided by the UK Government over a 20 year period. Any expenditure incurred in advance of receipt of the flow of UK Government monies also requires borrowing by local authorities.
6. In effect, councils agreed to work within the framework of a total affordability envelope of £210.8 million, with contributions apportioned to individual local authorities on the basis of 2015 population data. For Cardiff this means responsibility for 23.7% - £50 million - of the total local government cost of the City Deal.
7. Progress is subject to five year 'Gateway Reviews' by an independent panel established by the UK Government, which will include an assessment of the economic impact of investment decisions made by the City Deal Joint Committee.
8. Subsequent work focused on developing appropriate governance arrangements to underpin this partnership. This resulted in the Joint Working Agreement which includes provisions for the following:
  - a Joint Committee representing the ten Cardiff Capital Region local authorities;
  - areas of delegation for the Joint Committee that focus on the management of the City Deal fund and project approval;
  - establishment of Cardiff Council as the Accountable Body;
  - financial principles for the Joint Committee;
  - matters reserved to individual Councils; and
  - the means by which decisions relating to the programme of investment (linked to the Assurance Framework) are agreed.
9. The Joint Committee works on a one member, one vote basis and decisions are made by simple majority reflecting the position in other city-region arrangements. Meetings require a quorum of seven.
10. In approving the Joint Working Agreement the Council delegated responsibility for overseeing the implementation of the City Deal to the Joint Committee, with only the 'reserved matters' being brought back to the Council for approval. The key reserved matters are the approval of the Joint Working Agreement Business Plan - the focus of this report - and any expenditure in excess of the Affordability Envelope. The Wider Investment Fund can only be drawn down once the JWA Business Plan is approved by all ten Councils. Furthermore, the individual councils' contributions to the Wider Investment Fund can only be released once the Business Plan is approved.

11. Finally, in relation to the Joint Working Agreement, councils are committed to participation in the Joint Committee for a minimum of five years or, if later, the completion of the first Gateway Review. This "lock-in" provision also features in other collaborations involving the Council, including the Shared Regulatory Service.
12. As the previous report to the Council made clear - and for the sake of completeness only - if the Council sought to withdraw from the joint working arrangement during the lock-in period it would be in breach of the provisions of the Joint Working Agreement, unless a negotiated arrangement could be reached with the other councils. Entering the agreement created a legitimate expectation that the Council would remain a party to the City Deal arrangements for at least the lock in period.

### Assurance Framework, Governance and Resource Structure



13. The Joint Working Agreement also sets out the need for partners to adhere to an agreed Assurance Framework covering the systems, processes and protocols to ensure an evidence-based and independent assessment of the governance, risk management, and control processes of the Wider Investment Fund.
14. The Assurance Framework forms part of the Joint Working Agreement, which sets out the decision making processes of the City Deal. The diagram above outlines the governance and reporting structure of the Assurance Framework with all investment decisions subject to a process of business case development and due diligence.
15. The Joint Working Agreement also stipulated that the Joint Committee would establish sub-committees and groups (advisory/consultative bodies), including the Regional Transport Authority and the Cardiff Capital Region Skills and Employment Board.
16. Further details on the Joint Working Agreement and Assurance Framework are outlined in the Council's report of 26 January 2017.

## **City Deal Update**

17. Since the establishment of the Joint Committee there has been significant progress in the development of the Cardiff Capital Region City Deal. This has included the establishment of a number of sub-committees and advisory groups, approval of an investment proposal relating to the compound semi-conductor sector, as well as in principle support for a number of additional schemes, including Cardiff's Metro Central initiative.

### *Compound Semiconductor Cluster*

18. On 2 May 2017 the Cardiff Capital Region Joint Committee approved by a majority decision a £38.5 million investment to support the purchase and initial fit out of industrial space in Newport to deliver the development of a Compound Semiconductor Cluster for the city-region. The investment has been approved in the form of a loan - as the loan is repaid, it will be recycled back into the investment fund.
19. Work has since begun on the cluster development, which has included the purchase of a building and the agreement of a lease with a tenant. A lease for the building has been signed by a Cardiff-based company, IQE, which is a global player in the compound semi-conductor market. It is expected that in taking up space in the building, IQE will create over 500 new highly skilled jobs, as well as safeguarding over 500 jobs within the sector.
20. The project is also aimed at supporting a wider cluster within the sector for south-east Wales, aiming to address the productivity gap that exists between Wales and the rest of the UK.

### *Regional Economic Growth Partnership*

21. The Cardiff Capital Region Joint Committee meeting of 20 November 2017 approved the establishment of the Regional Economic Growth Partnership and the appointment process for its board. Mr. Frank Holmes was appointed Chair of the Regional Economic Growth Partnership, supported by a board that represents public, educational, voluntary, and private sector organisations.
22. The Regional Economic Growth Partnership is responsible for:
  - reviewing and commenting on the Regional Economic Strategy;
  - providing review and challenge to City Deal investment decisions;
  - providing an advocacy role for the city-region;
  - promoting the uptake of external funding sources;
  - providing advice on proposed interventions; and
  - acting as a named consultee for the Joint Committee.

### *Regional Business Council*

23. A Regional Business Council has also been established to ensure that the city-region has a representative body for businesses in place. The members of the Regional Business Council Board encompass a broad range of business backgrounds and sectors, including representatives from the FSB, IoD, CBI, and South Wales Chamber.

### *Regional Transport Authority*

24. The Joint Committee agreed to establish, as a sub-committee, the Regional Transport Authority (RTA) on 20 November 2017. The report noted that the membership of the RTA would comprise two members of the Joint Committee, who will act as Chair and Vice Chair of the sub-committee, along with Cabinet Members responsible for transport from each local authority of the Cardiff Capital Region.
25. The Regional Transport Authority has been given certain delegated decision-making powers which were expressly granted by the Joint Committee, and fall within the delegated powers of the Joint Committee. Any member of the Authority may request that any matter delegated to the sub-committee is referred to the Joint Committee for decision. Expansion of the role and responsibilities of the Regional Transport Authority to cover non-City Deal matters would require the approval of individual local authorities.
26. The objectives of the RTA, subject to funding, are to facilitate the City Deal by:
  - a) developing and coordinating proposals for an integrated regional transport strategy that supports the strategic economic and spatial aspirations of the City Deal; and
  - b) working in partnership with Welsh Government and Transport for Wales to define and develop the priorities of the South East Wales Metro concept and support its delivery, including the development of a single integrated ticketing platform for public transport across the region.

### *Metro Central*

27. The Metro Central project aims to deliver a new Central Transport Interchange at the heart of Cardiff's city centre Core Employment Zone. The project encompasses a new central bus station, the modernisation of Cardiff Central train station, and delivery of a range of other transport infrastructure such as a new coach station, a cycle hub, and public realm improvements. The aim is to improve the capacity of the Central Interchange to accommodate increased frequency of services delivered through the South East Wales Metro investment and to provide an infrastructure platform for jobs growth in Cardiff's Core Employment Zone.

28. The timing of the Metro Central investment is critical to ensure infrastructure is delivered at the same time as construction works in the surrounding area to minimise disruption, and to align with the investment in the Metro. The regeneration opportunities surrounding the station are primed for delivery but require commitments with regards to transport infrastructure, in order to build the necessary confidence in the private sector to encourage acceleration of investment. It is estimated that Metro Central will help to secure 30,000 additional jobs, £2 billion of investment, and £1 billion of additional GVA.
29. At the Joint Committee meeting of 15 January 2018, it was agreed in principle to allocate £40 million from the Wider Investment Fund towards the Metro Central project to assist with securing match-funding from UK Government, Welsh Government and the private sector, and ultimately to assist with delivery of the project.
30. This allocation is subject to:
  - a) discharge of the JWA Business Plan reserved matter (which this report seeks to address);
  - b) formal approval of the Full Business Case by the Joint Committee in accordance with the Assurance Framework and full consideration by the appropriate advisory bodies and sub-committees;
  - c) completion of necessary GRIP and WeITAG processes; and
  - d) commitment to match-funding from Welsh Government, UK Government and the private sector, as outlined in this report.

### *Additional Projects*

31. The Joint Committee has also agreed in principle to support additional projects covering the establishment of a Regional Housing Investment Fund; the development of a digital strategy to secure a step-change in digital connectivity; and a programme to increase employment and training opportunities across the city-region. This addressed Cardiff Council concerns that the JWA Business Plan needed to include sufficient detail about projects to demonstrate the purpose of City Deal investments across the city-region.

### Regional Housing Investment Fund

32. The Regional Housing Investment Fund will seek to support house building, ranging from larger builders and developers on stalled housing sites on former industrial sites, through to small builders, community builders, custom builders, and regeneration specialists, on smaller sites across the region. It will also seek to stimulate the SME building sector across the city-region.
33. It is intended that the Fund will also support the sector through the provision of development finance, including loan funding to support the costs of building homes for sale or rent; and infrastructure finance to support site preparation and the infrastructure needed to enable housing to progress and to prepare land for development. It is also proposed to provide a Custom

Build Scheme releasing smaller plots of public sector land with a full package of support for SMEs to deliver new homes in local communities.

34. The finalisation of work on the development of the Regional Housing Investment Fund proposition will require extensive specialist work to be undertaken. As a result, £100,000 has been allocated to develop a detailed business plan in accordance with Assurance Framework requirements.
35. It needs to be noted that the JWA Business Plan makes clear that the focus of the Housing Investment Fund will be on former industrial areas within the Valleys. This does not preclude Cardiff projects but it is anticipated that funding will tend to be concentrated in areas of housing market failure.

### Digital Strategy

36. Work on the development of a digital strategy encompasses a number of interconnected proposals to enhance the digital capability and potential of the Cardiff Capital Region. The proposals include enhancements of the city-region's digital infrastructure, to ensure fast and efficient movement of data through a new "dark fibre" network.
37. Related project proposals seek to strengthen transatlantic digital connectivity; capitalize on the existing Cardiff Internet Exchange, based in BT Stadium House, which was delivered by Cardiff Council in partnership with BT and LINX; and securing better fibre connectivity at a community level with steps to address remaining "not spots" in partnership with the Welsh Government. Emerging technologies feature through work to explore the potential of 5G, and the development of a network of sensors across the city-region to support the Internet of Things. An open data proposal is also being developed with a view to improving public services, as well as assisting regional business development.
38. The Joint Committee has agreed to allocate £100,000 in 2018/19 for the scoping of a digital strategy, as well as an allocation of £30,000 to provide a resource to support the project work of the Open Data Working Group.

### Skills for the Future

39. The Skills for the Future project aims to provide region-wide school engagement with pupils and parents to offer careers advice and guidance, support for businesses to address barriers to participation, a skills investment fund, and a commitment to support delivery of over 10,000 additional apprenticeships, graduate internships and upskilling employees in the private sector.
40. The Skills for the Future project will use its initial development funding to work up proposals relating to:

A regional skills brokerage service - a local authority-led and impartial service that works with businesses, projects and investments, in conjunction with economic development and business support services, to secure

appropriate and relevant skills support through education, training and other providers.

School engagement - activities to encourage career choices that align with future demand whilst promoting parity of esteem between different pathways to help young people attain quality and sustained employment.

Access to apprenticeships including shared apprenticeships – employer engagement to increase the number and range of apprenticeships available in the region and schools engagement to increase the number of young people choosing apprenticeship pathways. Delivered in conjunction with work-based learning providers and extending access through shared apprenticeship programmes.

A graduate internship programme – employer engagement to increase the number of graduate opportunities available including placements and internships, delivered in conjunction with our Universities.

Regional SME support – to encourage apprenticeship and graduate take-up by SMEs there will be a financial incentive and provision of a human resource support service. In the immediate term the service will support SMEs to maximise the use of the current Welsh Government apprenticeships subsidy of up to £3,500. Through City Deal, it is intended that a skills investment fund will be created for SMEs to support business development, with a proposed £1,000 subsidy for new graduate employment.

A New Skills Investment Fund – a co-investment fund for SMEs that supports the upskilling of existing employees to meet technical, specialist and higher level skills needs, that can be accessed in the absence of other sources of funding.

41. No specific budget was allocated for the Skills for the Future project, but a further more detailed report is expected to be considered by the Joint Committee in April. Much of this agenda aligns well with the Council's Capital Ambition, in particular the Cardiff Commitment, and the project will potentially provide some additional support to deliver the Cardiff Commitment on a larger scale and in partnership with neighbouring local authorities.

## **Regional Working**

42. The City Deal is primarily an investment-driven programme but it also reinforces a trend towards greater collaboration at the city-region level.
43. Projects such as Skills for the Future will serve to foster further collaboration to ensure that labour market issues are tackled in a way that reflects the cross-boundary realities of the city-region economy. The Regional Transport Authority seeks to create better links between local transport authorities, and initial steps, considering taking forward a Strategic Development Plan for the region, illustrate a generalised move towards stronger regional planning arrangements.

44. Such an approach has been a longstanding aim of this Council and is welcomed by the administration. For example, a city-regional approach to economic development functions such as place promotion and business support is expected to create not just operational efficiencies, but also efficiencies in terms of co-ordination of activities at a wider level.
45. This approach also aligns with the Welsh Government's commitment to join up services at the regional level. The new Economic Action Plan - Prosperity *for All* - states that regional working will be a key principle in the future. The Welsh Government aims to "*deliver a stronger regional voice through a regionally-focussed model of economic development, building upon and enhancing existing cross-government work with the regions*".
46. However, while the Cardiff Capital Region Joint Committee may represent a focal-point for further collaboration across a range of policy areas, the Joint Working Agreement does not provide it with any further powers other than to deal with issues and funding relating to the City Deal. Any further delegation of powers would need to be subject to further approval from all participating local authorities and subject to the appropriate governance proposals.
47. In this context, the Council is keen to explore opportunities for greater collaboration in the delivery of strategic economic development, skills & training, regeneration, transport, planning, and housing functions on a city-regional basis. The Council would, however, need to assess any proposal in the future for extended delegations to any regional decision-making body, particularly in terms of the extent to which it safeguards Cardiff's success as the Capital City of Wales and addresses important issues of democratic accountability.

### **The Joint Working Agreement Business Plan**

48. As noted above, the Joint Working Agreement requires the constituent councils to take a further decision, as a "Matter Reserved to The Councils", on the approval and adoption of the Joint Working Agreement Business Plan prior to unlocking further funding to the Wider Investment Fund.
49. Subsequently the City Deal Programme Management Office has led the development of a Joint Working Agreement Business Plan. The prior in principle agreement of the above projects has also informed the development of the Joint Working Agreement Business Plan.
50. It is important to note that if the reserved matter relating to the Joint Working Agreement Business Plan is not approved, then the Council would still be locked into the Joint Committee for the lock in period. This would serve to constrain the Committee since it would not have an agreed plan against which to deliver the City Deal investment programme. In practice all parties have been actively involved in the preparation of the Joint Working Agreement Business Plan and on this basis it is hoped that it will be agreed by all councils.

51. Clause 7.1.4 of the Joint Working Agreement states that the JWA Business Plan shall, amongst other matters, address the following:
- a) the updated Affordability Envelope; (see section 9 of the JWA Business Plan)
  - b) the methodology for agreeing the nature, scope and prioritisation of projects to be developed for the overall benefit of the Cardiff Capital Region (in accordance with the terms of the Implementation Plan); (see section 3 of the JWA Business Plan)
  - c) the methodology and responsibility for any external audits in relation to this Agreement; (see section 9 of the JWA Business Plan)
  - d) the methodology and responsibility of any performance monitoring along with any performance indicators to enable the Joint Committee to measure progress against the JWA Business Plan (see section 3 of the JWA Business Plan); and
  - e) any revenue and capital monitoring reports to be prepared for the Joint Committee and the frequency of such reports. (See section 9 of the JWA Business Plan)
52. Subsequently a Joint Working Agreement Business Plan document, attached as Appendix B, has been produced that covers:
- The Strategic Context which includes:
    - Our Vision; and Strategic Objectives
  - Our Approach
  - Spatial Priorities
  - Our Strategic Themes (Programme Themes) which include:
    - Skills and Employment;
    - Innovation;
    - Connecting the Region; and
    - Regeneration and Infrastructure.
  - Indicative Five Year Spend Profile
  - Additional Opportunities for Regional Funding
53. The Business Plan also identifies and provides some detail on emerging opportunities which will be considered and developed within the life of the plan, including:
- Skills for the Future;
  - Innovation Portfolio;
  - Metro Plus;
  - Digital Portfolio;
  - Housing Investment Fund; and
  - Strategic Sites.
54. In relation to the 'Metro Plus' proposal the JWA Business Plan outlines the commitment, subject to approval of the Full Business Case, completion of necessary GRIP and WeTAG processes and commitment to match-funding from Welsh Government, UK Government, and the private sector, to support the Metro Central project as a key component of the City Deal.

55. In summary, the JWA Business Plan provides a high level overview of the spending priorities of the Cardiff Capital Region City Deal, subject to necessary approvals. It does not, however, commit all of the Wider Investment Fund and allows flexibility for further project decisions. The Plan (which will take the City Deal past its first Gateway Review, due in December 2020) also indicates that other proposals will emerge, within the life of the plan, all of which will be rigidly assessed in accordance with the Assurance Framework.
56. Final decisions on funding approval will lie with the Cardiff Capital Region Joint Committee. In the case of projects such as Metro Central this means that the Joint Committee must be satisfied that the necessary conditions required by the City Deal Assurance Framework have been met.
57. In approving the Joint Working Agreement Business Plan the Council will enable, should the nine other Councils also approve, the Cardiff Capital Region Joint Committee to have complete control of City Deal spending. All decisions relating to the £495m investment fund will be determined by the Cardiff Capital Region Joint Committee, subject to projects passing the necessary Assurance Framework requirements.
58. Table 1 below outlines the required financial commitment to the Cardiff Capital Region City Deal. Over the lifetime of the project Cardiff's contribution will total £50m, 23.7% of the total local authority contribution. The proportions have been allocated based on 2015 National Statistics population estimates, which will be used as the baseline throughout the lifetime of the City Deal and were agreed by councils in January 2017.

Table 1: Affordability Envelope / Partner Contributions

<b>Constituent Local Authority</b>	<b>%</b>	<b>£m</b>
Blaenau Gwent	4.6%	9.7
Bridgend	9.4%	19.9
Caerphilly	12.0%	25.2
<b>Cardiff</b>	<b>23.7%</b>	<b>50.0</b>
Merthyr Tydfil	3.9%	8.3
Monmouthshire	6.1%	12.9
Newport	9.8%	20.7
Rhondda Cynon Taff	15.8%	33.3
Torfaen	6.1%	12.9
Vale of Glamorgan	8.5%	17.9
<b>Total</b>	<b>100%</b>	<b>210.8</b>

### **Reason for Recommendations**

59. To agree the CCR JWA Business Plan in accordance with the requirements of the JWA and to discharge the necessary reserved matter that will release local authority funding to the City Deal Wider Investment Fund.

## Financial Implications

60. The attached report seeks approval of the Joint Working Agreement Business Plan (JWA Business Plan), which is attached at Appendix B. Section 9 of the JWA Business Plan provides details of the Cardiff Capital Region City Deal Wider Investment Fund, which amounts to £495 million. This consists of £375 million HM Treasury grant received over a period of 20 years with the balance (£120 million) met by the ten city deal partnering authorities as 'Council Contributions' on an agreed basis.
61. The JWA Business Plan outlines the current position in respect of approvals to-date, in-principle commitments and sums available for future revenue and capital projects as these are brought forward for consideration and approval. For these reasons, the JWA Business Plan is an evolving document, which will be updated at least annually to reflect updates in respect of new approvals and also to report on the actual performance of approved projects i.e. those projects that are in the implementation or operational phases of their respective lifecycles.
62. Therefore, the JWA Business Plan can only provide an indication of the financial implications arising from the Wider Investment Fund at this time. The actual approvals outlined above have been supplemented by an indicative programme of investment along with a range of other financial and technical assumptions, details of which are set out below in order to arrive at the indicative cost figures.
63. In line with the Assurance Framework, all investment proposals will be subject to business case development and approval. The business case will provide detailed information on matters such as expenditure profile (and whether it is revenue and/or capital in nature), and the proposed funding streams. The business case will also need to be clear on the proposed delivery mechanism and how risks will be allocated and managed.
64. The Joint Working Agreement (JWA) defines the Affordability Envelope as:
- “means the overall costs and investment by each Council pursuant to their proportion of the Councils' Contribution under this Agreement over the evaluation period, which shall not exceed in aggregate £210,800,000 (two hundred and ten million eight hundred thousand pounds) and shall include, without limitation, all interest, inflation and UK Government cost to carry and shall be updated and will be reflected within the terms of the JWA Business Plan (as part of its approval by the Councils) to include, amongst other matters, the annual spend profile for each Council”*
65. The approved affordability envelope has been set at £210.8 million and is based on the indicative modelling that was undertaken in January 2017 and informed the reports approved by each constituent council in January/February 2017. This represented a significant reduction of £63.8 million against the sum (£274.6 million) approved by councils in March 2016, when the Heads of Terms were signed.

66. As outlined above, the Joint Working Agreement acknowledges that the affordability implications arising from the ‘whole-life cost’ of the Wider Investment Fund will change over time, as investment decisions are made. Clause 7.1.4.a requires the inclusion of the ‘Updated Affordability Envelope’ when the JWA Business Plan is submitted to the constituent councils for approval. Agreeing any increase to the affordability envelope is a matter reserved to each council.
67. The affordability model has been updated to reflect the changes made since the Joint Working Agreement was approved by councils in January/February 2017. The updated modelling suggests that the ‘whole-life cost’ of the Wider Investment Fund to the constituent councils remains within the approved affordability envelope of £210.8 million.
68. The changes include the assumption that the ‘Reserved Matter’ is discharged by 31 March 2018, thereby allowing a ‘switch’ of funding for the capital element of the Compound Semi-Conductor project. This is designed to preserve HMT Contribution revenue grant to meet the cost of future revenue-based projects that may come forward.
69. The indicative whole-life affordability implications for each partnering authority are shown in Table 1 above. Cardiff’s updated Affordability Envelope remains at £50.0 million, over the term of the City Deal.
70. At its meeting of 22 February, Council approved its 2018/19 Capital Programme and its Medium Term Financial Plan (MTFP) as part of the budget report. The approved budget includes appropriate amounts in respect of City Deal capital contributions and the resulting annual revenue implications, which are shown in Table 2 below.

Table 2: Approved City Deal Capital Contributions and Revenue Implications

Financial Year	Capital Contributions £m	Revenue Implications £'000
2018/19	4.20	221.8
2019/20	1.20	342.3
2020/21	1.20	429.0
2021/22	1.89	606.3
2022/23	1.89	847.8
<b>Total</b>	<b>10.38</b>	<b>2,447.2</b>

#### Technical Assumptions

71. As outlined earlier, the updated affordability envelope is based on an indicative programme of investment along with a range of other financial and technical assumptions. Key assumptions include:
- **Indicative investment profile spend:** based on actual approvals to-date plus the typical spend profile of City Deals results in the following

cumulative profile - Years 1-7 = £195 million, Years 1-11 = £479 million, and Years 1-20 = £495 million);

- **Repayment Period:** borrowing is assumed to be repaid over 25yrs, but in-line with the requirements for Minimum Revenue Provision (MRP), the actual repayment period will need to reflect the economic life of the individual assets being funded;
  - **Interest Rate:** an average rate of 3% has been assumed. At the time of writing, the current 25yr PWLB rate is 2.62%, which provides headroom of 14.5% at this time, however, this is a reduction against the 22.0% headroom that existed in January 2017;
  - **Funding Drawdown priority:** all revenue expenditure is funded exclusively from HMT revenue grant. Generally capital expenditure will be first met from HMT capital grant 'in-hand', with the balance being funding in accordance with the 'funding ratio', i.e. 75.8% temporary borrowing in lieu of future capital grant (referred to as the 'Cost of Carry') and 24.2% from Council Contributions (in the form of local authority borrowing);
  - **Inflation:** is excluded, i.e. all figures are stated in nominal terms and therefore inflation will need to be met from within the overall £495 million sum.
72. The validity of these assumptions will be reviewed on a regular basis and updated as appropriate. In particular, it has been suggested that Cardiff Capital Region City Deal may wish to revisit the basis (priority) on which funding is drawn down and applied to annual expenditure.
73. The current assumption used for indicative modelling purposes is based on the overall Wider Investment Fund funding allocations, i.e. once available grant has been applied, 75.8% of the annual expenditure is funded through temporary borrowing (Cost of Carry), with the remaining 24.2% draw down against Council Contributions (£120 million local authority borrowing element).
74. However, from a cost management perspective, fully prioritising Council Contributions ahead of temporary borrowing will reduce the overall Cost of Carry over the life of the fund. Finally, whilst it is assumed that all Council Contributions are borrowed, in practice this will be a matter for each individual local authority to decide.
75. The report also highlights the following requirements of:
- Clause 7.1.4.- "the methodology and responsibility for any external audits in relation to this Agreement".*
76. This requirement will be addressed through the Annual Audit Plan agreed with the relevant external auditors and presented to Regional Joint Committee for consideration and approval and;

Clause 7.1.4.e – “any revenue and capital monitoring reports to be prepared for the Joint Committee and the frequency of such reports.”

77. Regional Joint Committee will receive regular revenue and capital monitoring reports throughout the year advising on matters such as: Approved Budget, Actual Position To-Date, Commitments and Projected Out-turn. These reports will be supplemented by the appropriate Project Performance Reports, advising on all aspects of the Wider Investment Fund.
78. HMT grant funding will be paid to the Accountable Body on behalf of the ten Cardiff Capital Region City Deal (CCRC) constituent councils. The funding must be used solely to support the objectives of CCRC through the implementation of projects and schemes agreed by the Regional Joint Committee and in accordance with arrangements set out in its Joint Working Agreement, Wider Investment Fund, Assurance Framework, and the JWA Business Plan.

- 1) Assurance Framework

As projects are presented for approval, it is important that the requirements of the Wider Investment Fund Assurance Framework are complied with as this is a key requirement of HM Treasury funding terms and conditions, as set out by Welsh Government.

- 2) Gateway Reviews

An outcome-based Gateway Review of Cardiff Capital Region City Deal led by HM Treasury will be undertaken in 2020/21. Funding for 2021/22 and beyond is conditional on the region successfully passing this Gateway Review, whilst any unspent funding up to this point may be subject to repayment if the Gateway Review is not passed.

It has been confirmed that in any year, where funds have been committed and/or there is a clear intention to spend, carry forward of funding to future years will be permitted. Carry forward in respect of the final year (2020-21) will also be permitted providing that the Gateway Review is passed.

### **Draft Legal Implications**

79. The body of the report sets out the relevant provisions of the Joint Working Agreement ('JWA') in relation to the JWA Business Plan ('Plan'). They form part of the legal implications, to which regard should be had but to avoid duplication are not repeated in this section.
80. Pointing out the obvious, the JWA Business plan is a key document in relation to the delivery of the Cardiff Capital Region City Deal. The content of the Plan serving 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 Joint Committee and each constituent council is content with the content of the JWA Business plan. As regards the progression of individual themes and projects, and as stated in the body of the report, matters will need to be considered in accordance with the provisions of the Assurance Framework, at which stage

any legal issues raised by a project can be considered and detailed legal advice provided. The Plan refers, in section 10, to a case being made for a range of powers to be devolved to the local authorities of the Cardiff Capital Region. To the extent that any further powers are sought to be delegated to the Regional Joint Committee, then this will be a matter for each of the Councils comprising the CCRCD to determine.

81. In considering this matter regard should be had, amongst other matters, to:
- (a) the Councils' duties under the Well-being of Future Generations (Wales) Act 2015, (The Plan noting at section 3 that, '... we (CCRCD) will follow the five ways of working and sustainability principles detailed in the Well-being of Future Generations (Wales) Act 2015, and reflect and support the well-being goals); and (b) Public sector duties under the Equalities Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties Councils must in making decisions have due regard to the need to a) eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by that Act; b) advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and c) foster good relations between people who share a protected characteristic and those who do not. Protected characteristics are: a. Age; b. Gender reassignment; c. Sex; d. Race – including ethnic or national origin, colour or nationality; e. Disability; f. Pregnancy and maternity; g. Marriage and civil partnership; h. Sexual orientation; i. Religion or belief – including lack of belief. In Wales, public sector bodies listed are required to take certain steps in order to demonstrate that they have due regard to the public sector equality duty. These Welsh specific equality duties include assessing the impact of policies and procedures on equality (often called Equality Impact-Assessment).
82. A Well-being and Equality Assessment has been undertaken and is included in Appendix C. Regards should be had to the same in reaching a decision on this matter.

### **Well-being and Equalities Assessment**

83. A Well-being and Equalities Assessment has been undertaken and is attached as Appendix C.
84. The Assessment demonstrates that the detail contained in the draft JWA Business Plan 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.

## **CABINET PROPOSAL**

The Council is recommended to approve the Cardiff Capital Region Joint Working Agreement Business Plan in the form attached as Appendix B to this report.

### **THE CABINET**

15 March 2018

*The following appendices are attached:*

Appendix A: Cardiff Capital Region Joint Working Agreement

Appendix B: Cardiff Capital Region Joint Working Agreement Business Plan

Appendix C: Cardiff Capital Region Well-being and Equalities Assessment