

The Vale of Glamorgan Council

Cabinet Meeting: 19 March, 2018

Report of the Leader

Cardiff Capital Region City Deal - Joint Working Agreement Business Plan

Purpose of the Report

1. For Cabinet to consider the Joint Working Agreement Business Plan (JWA Business Plan) attached, as recommended by the Cardiff Capital Region Cabinet. If Cabinet agree the content of the report and the JWA Business Plan, to refer the matter to the next Council meeting for consideration, and if agreed adoption as the formal JWA Business Plan.

Recommendation

1. That Cabinet recommends to Council that the JWA Business Plan (CCR Strategic Business Plan for the Wider Investment Fund) attached as [Appendix A](#) be approved.

Reason for the Recommendation

1. To agree a formal JWA Business Plan in accordance with the requirements of the JWA, which decision is a "Matter Reserved to each of the Councils".

Background

2. In 2015, each of the ten constituent Authorities in South East Wales agreed to work towards developing proposals for a Cardiff Capital Region City Deal. A report was presented to Cabinet on 27th July, 2015 (Minute C2873) which provided information on the concept of City Deal and outlined the work undertaken up until then on a potential City Deal. At that meeting it was resolved (in summary) that this Council contributed to work on an initial business case for a City Deal and that a contribution of circa £42.5k be provided from the Policy Budget to progress the business case.
3. On 15th March, 2016, each of the ten constituent Leaders in South East Wales, the First Minister, the Welsh Government Minister for Finance and Government Business, the Secretary of State for Wales and the Chief Secretary to the Treasury signed the Cardiff Capital Region City Deal Heads of Terms Agreement. This represented a significant step in working towards a City Deal for South East Wales. This agreement was the subject of a report to this Council's Cabinet on 22nd February, 2016 (Minute C3088) and in summary Cabinet resolved that the Leader be

authorised to sign an 'in principle' City Deal document and that further work be undertaken with constituent Authorities, the United Kingdom Government and Welsh Government to progress further the City Deal. Council on 2nd March, 2016 resolved to approve the proposals as set out in the Cabinet Report.

4. The City Deal Heads of Terms Agreement included:
 - £1.229 billion investment in the Cardiff Capital Region's infrastructure - with a key priority for investment being the delivery of the South East Wales Metro, including the Valley Lines Electrification programme.
 - Connecting the region - with the creation of a new non-statutory Regional Transport Authority to co-ordinate transport planning and investment, in partnership with the Welsh Government.
 - Support for innovation and improving the digital network - to develop capabilities in Compound Semiconductor Applications.
 - Developing a skilled workforce and tackling unemployment - with the creation of a Cardiff Capital Region Skills and Employment Board to ensure skills and employment provision was responsive to the needs of local businesses and communities.
 - Supporting enterprise and business growth - through the creation of a Cardiff Capital Region Business Organisation to ensure that there was a single voice for business to work with Local Authority Leaders.
 - Housing development and regeneration. The Welsh Government and the Cardiff Capital Region commit to a new partnership approach to strategic planning. This would ensure the delivery of sustainable communities, through the use and re-use of property and site.
 - A small number of key targets were set out in the Heads of Terms Agreement to ensure that the right investments were made to secure significant economic growth. Such targets included the creation of 25,000 new jobs by 2036 and the leveraging of an additional £4 billion of private sector investment as a result of the £1.229 billion public sector investment that made up the City Deal.
5. On 9 February 2017, a report was presented to Council when it was resolved (in summary) that the Joint Working Agreement (JWA) which formally established the Cardiff Capital Region (CCR) Joint Committee (the Regional Cabinet) as a Joint Committee, with delegated functions, with a commencement date of 1st March, 2017 be approved (Minute 1346). The JWA, in relation to the delivery of the Cardiff Capital Region City Deal, was signed and the Regional Cabinet established on 1 March 2017.
6. The JWA requires the constituent Councils to take a subsequent decision, as a "Matter Reserved to The Councils", on the approval and adoption of the JWA Business Plan.
7. The JWA requires the Regional Cabinet to:

"..... no later than twelve (12) months after the Commencement Date, prepare (or procure the preparation of), finalise (acting in the best interests of the Joint Committee) and recommend for agreement and adoption by the Councils the draft JWA Business Plan which shall comply with the provisions of Clause 7.1.4 below. The intention is to create an overarching five (5) year JWA Business Plan that, amongst other matters, shall set out the Councils objectives and priorities for the delivery of the City Deal that is updated annually."

For completeness, the Cardiff Capital Region Cabinet agreed the JWA Business plan at its meeting on the 23 February 2018.

8. Clause 7.1.4 of the JWA providing that:
 - The JWA Business Plan shall, amongst other matters, address the following:
 - the updated Affordability Envelope; (see section 9 of the JWA Business Plan)
 - 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)
 - the methodology and responsibility for any external audits in relation to this Agreement; (see section 9 of the JWA Business Plan)
 - 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
 - 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).
9. For clarity and cross reference to the JWA, the JWA Business Plan is now referred to as the 'CCR Strategic Business Plan for the Wider Investment Fund', to reflect its status and focus, and is titled accordingly on the attached appendix.

Relevant Issues and Options

10. The JWA Business Plan (CCR Strategic Business Plan for the Wider Investment Fund) is attached as [Appendix A](#). In accordance with the requirements of the JWA, this contains:

The Strategic Context which includes:

- Our Vision; and Strategic Objectives (see section 2 of the JWA Business Plan)
 - Our Approach (see section 3 of the JWA Business Plan)
 - Spatial Priorities (see section 4 of the JWA Business Plan)
 - Our Strategic Themes (Programme Themes) which includes:
 - Skills and Employment; (see section 5 of the JWA Business Plan)
 - Innovation; (see section 6 of the JWA Business Plan)
 - Connecting the Region; (see section 7 of the JWA Business Plan) and
 - Regeneration and Infrastructure. (see section 8 of the JWA Business Plan)
 - Indicative Five Year Spend Profile (see section 9 of the JWA Business Plan)
 - Additional Opportunities for Regional Funding (see section 10 of the JWA Business Plan)
11. The JWA Business Plan identifies, and provides some detail on, emerging opportunities which will be considered and developed within the life of the plan. These reflect the themes included in the Heads of Terms as outlined in paragraph 4 of this report:
 - Skills for the Future;
 - Innovation Portfolio;

- Metro Plus;
- Digital Portfolio;
- Housing Investment Fund; and
- Strategic Sites.

The JWA Business Plan has been prepared using the research, extensive consultation and recommendations of the Growth and Competitiveness Commission, as required by the Assurance Framework.

12. 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.
13. As advised in previous reports, the City Deal provides funding to support schemes which will stimulate the economic growth of the region. The agreement with the UK Government and Welsh Government provides £1.2 billion of which £734m is allocated to the Metro, with the balance of £495m being made available as the 'Wider Investment Fund'.
14. The Wider Investment Fund is made up of:
 - £375m grant from the UK Government paid over 20 years, HMT Contribution, with years 1-5 being £50m revenue grant, followed by years 6-20 being £325m capital grant; and
 - £120m Local Authority Partnership capital contribution to be drawn down as required.
15. The Regional Cabinet has stated that the high level aims of the Wider Investment Fund are the creation of 25,000 new jobs and £4bn of private sector investment. The first investment has been made in the Compound Semi-conductor Project, providing a loan of £38.5m, to be repaid, which has the potential to generate 2,000 jobs and over £380m of private sector investment.
16. As the JWA Business Plan has not yet been adopted, and will not be adopted until all 10 constituent authorities agree the Plan, the Regional Cabinet has substantially funded the initial investment by use of the HMT Contributions received to date. As these funds are revenue it is intended that the adoption of the JWA Business Plan will take place in financial year 2017/2018 allowing Local Authority Partnership capital contributions to be substituted for the revenue grant, thereby protecting the revenue funding for future use on schemes and programmes which are revenue intensive such as skills. Funding of the Local Authority Partnership capital contributions will be based on the council contributions agreed and contained in the JWA, and set out later in this report.
17. Following this initial investment, the Regional Cabinet have agreed in principle to support a number of schemes, which are outlined in the JWA Business Plan:
 - The Metro Central Project;
 - Regional Housing Investment Fund;
 - Digital Strategy; and
 - Skills for the Future.
18. These 'in-principle' schemes, along with others which may emerge, will be developed and assessed to ensure they comply with the City Deal Assurance Framework,

contribute to the sustainable economic growth of the region, and demonstrate value for money prior to any implementation investment being made.

19. This method of identifying, developing, assessing and approving schemes ensures that the Regional Cabinet have the flexibility to ensure investments accurately reflect the needs and encourage the continued development of the region. However, it does also mean that 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.
20. The JWA Business Plan will, once adopted, be subsequently updated to reflect changing circumstances. The decision to approve and adopt any updated JWA Business Plan shall be a “Joint Committee Matter” save to the extent that any such update amounts to a material change to the prevailing JWA Business Plan, in which case, the decision to approve and adopt such an updated JWA Business Plan shall be a “Matter Reserved To The Councils”. In respect of each financial year an Annual Business Plan, in relation to the annual spend for approved project(s) to be implemented in that Accounting Period, will be prepared. Upon an Annual Business Plan being approved the JWA Business Plan shall be deemed to have been amended to incorporate the provisions of the Annual Business Plan.

Resource Implications (Financial and Employment)

21. 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. Therefore, the JWA Business Plan can only provide an indication of the financial implications arising from the Wider Investment Fund at this time.
22. 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.
23. The Joint Working Agreement (JWA) defines an Affordability Envelope as "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 of 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”.
24. 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 of the City Deal partnering Councils in January/February 2017.

25. As set-out above, the JWA 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) of the JWA requires the inclusion of the 'Updated Affordability Envelope' when the JWA Business Plan is submitted to the Councils for approval. Agreeing any increase to the affordability envelope is a matter reserved to each Council.
26. In this context, 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 envelope of 210.8m.
27. The indicative whole-life affordability implications for each partnering authority is show in the table below:

Affordability Envelope / Partner Contributions

Local Authority Partner	%	£m
Blaenau Gwent	4.6%	9.7
Bridgend	9.4%	19.9
Caerphilly	12.0%	25.2
Cardiff	23.7%	50.0
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
Total	100%	210.8

28. The 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 = £195m, Years 1-11 = £479m and Years 1-20 = £495m;
 - Repayment period: borrowing is assumed to be repaid over 25yrs, but inline 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, but 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 funded in accordance with the 'funding ratio' i.e. 75.8% temporary borrowing in lieu of future capital grant (Cost of Carry) and 24.2% from 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 £495m sum.

29. The validity of these assumptions will be reviewed on a regular basis and updated as appropriate. If any of the assumptions, such as the spend profile change, the Council will need to consider its own arrangements to fund its proportion of costs.
30. There are also requirements to prepare Annual Audit Plans, prepared by the relevant external auditors and presented to Regional Cabinet in due course. In addition, the Regional Cabinet will receive regular revenue and capital monitoring reports throughout the year. HMT grant funding will be paid to the Accountable Body (Cardiff Council) on behalf of the ten Cardiff Capital Region City Deal (CCRCD) constituent Councils. The funding must be used solely to support the objectives of CCRCD through the implementation of projects and schemes agreed by the Regional Cabinet and in accordance with arrangements set out in its Joint Working Agreement, Wider Investment Fund, Assurance Framework, and the JWA Business Plan.
31. 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.
32. In addition, an outcome based Gateway Review of CCRCD led by HM Treasury will be undertaken in 2020/21. Funding for 2021/22 and beyond is conditional on CCRCD 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.
33. It has also 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.

Sustainability and Climate Change Implications

34. The JWA Business Plan will be the framework by which various economic initiatives are taken forward, including the provision of transport improvements as well as access to employment, thereby contributing to the sustainability of the region as an economic driver.

Legal Implications (to Include Human Rights Implications)

35. The body of the report sets out the relevant provisions of the Joint Working Agreement ('JWA') in relation to the JWA Business Plan. They form part of the legal implications, but in order to avoid duplication are not repeated in this section.
36. 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 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 in relation to a specific 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 Cabinet, then this will be a matter for each of the Councils comprising the CCRCD to determine.

37. In considering this matter regard should be had, amongst other matters, to the Councils duties under the Well –being of Future Generations (Wales) Act 2015 (The Plan noting at section 3 that, ‘... we (CCRC) 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.
38. A Well-being and Equality Assessment has been undertaken and is included in [Appendix B](#). Regard should be had to the same in reaching a decision on this matter.

Crime and Disorder Implications

39. None directly attributable to this report

Equal Opportunities Implications (to include Welsh Language issues)

40. A Well-being and Equalities Assessment has been undertaken and is attached as [Appendix B](#).
41. Regard has been given to 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.
42. 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).
43. The Well-being and Equalities 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.

Corporate/Service Objectives

44. The Cardiff Capital Region City Deal links directly to the Corporate Plan outcome of an environmentally responsible and prosperous Vale and the objective of promoting regeneration, economic growth and employment.

Policy Framework and Budget

45. This is a matter for Council decision

Consultation (including Ward Member Consultation)

46. As this matter relates to the Vale of Glamorgan in its entirety, no ward member consultation has been undertaken

Relevant Scrutiny Committee

47. Environment and Regeneration

Background Papers

Contact Officer

Rob Thomas, Managing Director

Officers Consulted

Corporate Management Team
Head of Legal Services
Head of Financial Services
Head of Regeneration and Planning
Head of Neighbourhood Services and Transport

Responsible Officer:

Managing Director