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- 1 Cardiff Capital Region Cabinet - 17th December 2018 at 11.00am - Valleys Innovation Centre, CF45 4SN
<https://www.cardiffcapitalregion.wales/event/regional-cabinet-meeting-11/>

17th December 2018

11.00 a.m.

Valleys Innovation Centre, CF45 4SN

Agenda

1. Welcome and Apologies for Absence
To receive any apologies for absence
2. Declarations of Interest
To be made at the start of the Agenda Item in question, in accordance with the Members Code of Conduct
3. Minutes of Regional Cabinet held on 08th October 2018
- 4a. 2017/18 Audited Statement of Accounts
To receive the Report of Section 151 Officer, Cardiff Capital Region City Deal
- 4b. Audit of Financial Statements Report
To receive the Report of Wales Audit Office
5. 2018-19 Annual Business Plan - Quarter 2 Performance Report
To receive the Report of Cardiff Capital Region Director
6. 2018/19 Month 07 Joint Committee Revenue Budget Monitoring Position
To receive the Report of Section 151 Officer, Cardiff Capital Region City Deal
7. Cardiff Capital Region Industrial & Economic Plan - Statement of Intent
To receive the Report of Cardiff Capital Region Director
8. Cardiff Capital Region Business Council – 2018/19 Business Plan
To receive the Report of Cardiff Capital Region Director
9. Cardiff Capital Region Graduate Scheme
To receive the Report of Newport City Council as Lead Authority for Skills

**Kellie Beirne
CCR Programme Director
11th December 2018**

REGIONAL CABINET MEETING: 08 OCTOBER 2018

Regional Cabinet Members Present:

Cllr Nigel Daniels, Leader	-	Blaenau Gwent Council
Michelle Morris, Managing Director	-	Blaenau Gwent Council
Darren Mepham, Chief Exec	-	Bridgend Council
Cllr David Poole, Leader	-	Caerphilly Council
Christina HARRY, Interim Chief Exec	-	Caerphilly Council
Cllr Huw Thomas, Leader	-	Cardiff Council
Paul Orders, Chief Exec	-	Cardiff Council
Cllr Kevin O'Neill, Leader	-	Merthyr Tydfil Council
Gareth Chapman, Chief Exec	-	Merthyr Tydfil Council
Paul Matthews, Chief Exec	-	Monmouthshire Council
Cllr Mark Whitcutt	-	Newport Council
Will Godfrey, Chief Exec	-	Newport Council
Cllr Andrew Morgan, Leader (Chair)	-	Rhondda Cynon Taf Council
Chris Bradshaw, Chief Exec	-	Rhondda Cynon Taf Council
Cllr Richard Clark	-	Torfaen Council
Alison Ward, Chief Exec	-	Torfaen Council
Cllr John Thomas, Leader	-	Vale of Glamorgan Council
Rob Thomas, Chief Exec	-	Vale of Glamorgan Council

Officers:

Christine Salter	-	Accountable Body
Liz Weale	-	Accountable Body
Hrjinder Singh	-	Accountable Body
David Marr	-	Cardiff Council
Peter Davies	-	Monmouthshire Council
Alistair Milburn	-	Effective Communications
Kellie Beirne	-	City Deal PMO
Matt Swindell	-	City Deal PMO

Apologies:

Cllr Huw David, Leader	-	Bridgend Council
Cllr Peter Fox, Leader	-	Monmouthshire Council
Cllr Debbie Wilcox, Leader	-	Newport Council
Cllr Anthony Hunt, Leader	-	Torfaen Council

1. Welcome and Apologies for Absence

Cllr Morgan welcomed colleagues to the meeting and apologies for absence were noted.

At the commencement of the meeting, Cllr Andrew Morgan read the following statement to Regional Cabinet:-

Members; before I start the meeting I need to inform you that unfortunately, due to technical errors, copies of the Agenda for today's meeting, including the minutes of the previous meeting and the report referred to, have not be open for inspection by members of the public, at our various offices for at least three clear days before the meeting, as required by legislation.

With Members agreement, I suggest that the meeting none the less proceeds, all be it that technically it could be viewed as a meeting convened at shorter notice, less than 3 clear days, and that by reason of special circumstances we consider the report on the CSC Project as a matter of urgency.

In considering this matter I have had regard to the facts that:-

- (a) there is only one substantive item on the Agenda for consideration, namely CSC Project – Progress Update, Annual Business Plan 2018-19 & Proposed Amendments to the Development Agreement for Lease;
- (b) I am informed that a decision on the CSC report is required as a matter of urgency, which the CCRC Director will explain. Accordingly, the decision on the CSC Project cannot be deferred until a later date. This is why the CSC report was scheduled for our October meeting;
- (c) that the Agenda and Reports were available for inspection at all authorities from Thursday 4th October 2018 and in some authorities at an earlier date; and
- (d) that Members of the Regional Cabinet were all provided with the Agenda and report on the 02nd October 2018.

Kellie Beirne, the CCRC Director, explained there were commercial imperatives relating to the CSC project that required a decision on the CSC report without delay.

Cllr Andrew Morgan continued, therefore, by reason of the special circumstances mentioned, I propose the meeting proceed and the CSC report be considered as a matter of urgency.

Cllr Morgan asked if Members were to agree to proceed based on the information in the statement and subsequent explanation, which was agreed by Regional Cabinet Members. Councillor Morgan then asked that the request be noted in the minutes.

2. Declarations of Interest

Cllr Morgan asked that all Members declare any relevant interest at the start of the agenda item in question, in accordance with the Members Code of Conduct.

Cllr Clark declared a personal (but not prejudicial) interest as a member of the CSC

Foundry Board.

3. Draft Minutes of Regional Cabinet held on 24th September 2018

The draft minutes of the meeting held on the 24th September 2018 were accepted as an accurate record.

4. CSC Project – Progress Update, Annual Business Plan 2018-19 & Proposed Amendments to the Development Agreement for Lease (Min No. 12)

Appendices 1-10 of this report are exempt from publication because they contain information of the kind described in para 14 {Information relating to the financial or business affairs of any particular person (including the authority holding that information)} of Part IV and Para 21 (that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information) of Part V of schedule 12 A of the Local Government Act 1972

Appendix 8 contains information which is exempt from publication under paragraphs 16 (legal professional privilege) of Schedule 12 A part IV of the Local Government Act 1972 , Para 14 {Information relating to the financial or business affairs of any particular person (including the authority holding that information)} of Part IV and Para 21 (that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information) of Part V of schedule 12 A of the Local Government Act 1972

The Regional Cabinet considered a report on behalf of Monmouthshire County Council as Lead Authority to CSC Foundry Ltd regarding the CSC Project – Progress Update, Annual Business Plan 2018-19 & Proposed Amendments to the Development Agreement for Lease for consideration and approval.

RESOLVED: it was agreed that Regional Cabinet:

- a) Approved the CSC Foundry Limited Annual Business Plan 2018-19 and the proposed deed of variation to the Development Agreement for Lease, as set out in the body of the report and contained in the relevant confidential appendices to the report;
- b) Noted the update on progress with the CSC Project.

Cllr Morgan thanked colleagues for attending and the meeting was concluded.

17 DECEMBER 2018 MEETING

2017/18 AUDITED STATEMENT OF ACCOUNTS

REPORT OF CARDIFF CAPITAL CITY DEAL SECTION 151 OFFICER

AGENDA ITEM: 4

Reason for this Report

1. To present Regional Cabinet with the final, audited Statement of Accounts in respect of the Cardiff Capital Region City Deal Joint Committee for the financial year 2017/18, which are attached at Appendix A.
2. The International Standard on Auditing (ISA) 260 requires the Appointed Auditor to report to those charged with governance, on key matters arising from the audit examination of the Statement of Accounts for the year ending 31st March 2018.
3. Subject to Regional Cabinet's comments, authorise the:
 - Chair of the Joint Committee to sign the Statement of Responsibilities for the Financial Statements, the Annual Governance Statement and the Letter of Representation to the Wales Audit Office for 2017/18;
 - Joint Committee's Section 151 Officer to sign the Chief Financial Officer's Statement of Responsibilities;
 - The Programme Director to sign the Annual Governance Statement and the Letter of Representation to the Wales Audit Office for 2017/18;
 - Accountable Body to publish the final, audited Statement of Accounts.

Background

4. The Statement of Accounts presents the accounts for the Cardiff Capital Region City Deal Joint Committee for the financial year 2017/18. The Accounts and Audit (Wales) Regulations 2014 (as amended) require the 'Responsible Finance Officer' to sign the accounts by the 30th June, and that the accounts are published by the 30th September.
5. The unaudited accounts were approved by Regional Cabinet at its meeting of the 18th June and were formally submitted to Wales Audit Office (WAO) that afternoon ahead of the statutory deadline of 30th June 2018.

6. In addition, the accounts were made available for public inspection for a period of 4 weeks from the 2nd July to the 27th July, as required by sections 30 and 31 of the Public Audit (Wales) Act 2004 and the Accounts and Audit (Wales) Regulations, 2014 (as amended).
7. At its meeting of the 24th September, Regional Cabinet received a report setting-out the reasons why WAO were unable to finalise their audit at that time. In summary, this resulted from delays in the finalisation of the audit of the Compound Semi-Conductor (CSC) Foundry Ltd.'s accounts. For this reason Regional Cabinet approved that the Joint Committee's draft unaudited accounts be published ahead of the 30th September deadline, along with an accompanying statement setting out the reasons.
8. The audit of the CSC Foundry Ltd. accounts has now been completed, allowing draft Joint Committee accounts to be updated and WAO to complete its work.

Statement of Accounts

9. The Code of Practice requires the preparation of Group Accounts where relevant activities e.g. subsidiaries, associates or joint ventures fall within prescribed definitions or requirements. An assessment undertaken concluded that the Special Purpose Vehicle (SPV) established to deliver the Compound Semi-Conductor project would need to be consolidated and included within the Joint Committee's Group Accounts.
10. Between 18th June and the end of August 2018, Wales Audit Office, in conjunction with the Accountable Body undertook detailed analysis of the Joint Committee's draft 'Single Entity' and 'Group Accounts'.
11. Following receipt of the final, audited CSC Foundry Ltd. accounts on 26th October 2018, revised figures were incorporated into the Joint Committee's Group accounts. The Joint Committee's Section 151 Officer approved the changes made and the updated accounts were provided to WAO in order for them to complete their audit.
12. The WAO has now substantially completed its audit work and its "Audit of Financial Statements Report" (referred to as the 'audit report') is attached at Appendix B. This outlines WAO's intention to issue an unqualified audit report following receipt of the approved financial statements and the signed Letter of Representation. Appendix 3 of the audit report provides a summary of corrections made which need to be drawn to Regional Cabinet's attention. The audit report also confirms that there are no misstatements identified which remain uncorrected.
13. The audit report highlights a number of qualitative and quantitative findings, which are summarised below:
 - i. WAO have no concerns about the qualitative aspects of the Joint Committee's accounting practices and financial reporting. WAO's audit report states:

“This is the first set of consolidated accounts that the Joint Committee has been required to produce. In preparation for this, we liaised closely with representatives of the finance directorate of Cardiff Council over a number of months in terms of the proposed format and content of the draft accounts. Consequently, the quality of the draft financial statements presented for audit were generally of a good standard.”

- ii. The WAO audit report outlines that:

“some difficulties were encountered during the audit. This relates to the delay in completion of the CSC Foundry Ltd accounts which meant that WAO were unable to provide their opinion on the Group Accounts before the statutory deadline of 30th September 2018.

Furthermore, the material amendments to the final CSC Foundry Ltd accounts impacted upon the transactions and balances of the Joint Committee’s accounts.

As a result, and in light of the shortening timescales for the completion of financial statements in future years, the WAO report contains a recommendation that “going forward, it is important that the Joint Committee agrees a timetable for the completion and audit of CSC Foundry Ltd’s financial statements that will enable them to comply with statutory deadlines for the completion of the Joint Committee’s financial statements.”

- iii. There are no significant matters discussed and corresponded upon with management which need to be reported.
- iv. There are no other matters significant to the oversight of the financial reporting process that need to be reported.
- v. There are no material weaknesses in internal controls which need to be reported
- vi. There are no other matters specifically required by auditing standards to be communicated to those charged with governance.

Summary of Changes from Draft Accounts to Final Audited Accounts

14. As outlined above, members were advised back in September that the WAO were unable to finalise their audit prior to the 30th September deadline as a result of the on-going audit of CSC Foundry Ltd accounts. The audit of CSC Foundry Ltd had not been completed as of that date due to on-going discussions and work being undertaken relating to Income Recognition, potential Corporation Tax liabilities and Capital Allowances (with the latter potentially off-setting the former) within the CSC Foundry Ltd Accounts. These matters have now been resolved to the satisfaction of CSC Foundry Ltd.’s external auditors and the resultant changes are reflected in the Joint Committee’s Group Accounts.

15. Details of these are set-out at Appendix 3 of the audit report. In summary, these changes impact on the accounting treatment (and therefore the classification) of expenditure between Capital/Revenue and the recognition of income in respect of deferred lease repayments. In addition, the opportunity was taken to update information which informed estimates of the accruals made within the CSC Foundry Ltd Accounts. The resulting impact of the changes on the Group accounts are:
- Total Comprehensive Income & Expenditure surplus has increased by £2,291,439 from £23,568,767 to £25,860,206. The increase is made-up of: (i) income recognition +£1,976,165 (ii) adjustment to assets under construction +£657,838 (iii) corporation tax liability -£353,000 and (iv) other changes +£10,436;
 - Net Assets and Total Reserves have therefore also increased by the same amount from £23,796,526 to £26,087,965.
16. WAO's review of the Annual Governance Statement also highlighted some suggested changes, which have been implemented.
17. Recommendations arising from WAO's financial audit work are set out in Appendix 4 of the audit report and relate to their finding outlined in paragraph 13.ii above.
18. Management have provided the following response to the recommendation:

“The delays experienced in finalising the CSC Foundry Ltd Accounts for 2017/18 were due to specific issues relating to Corporation Tax Liability and Capital Allowances, which made it necessary for significant legal and technical work to be undertaken by the CSC Foundry's Auditors in order to report both. As this work is now complete, the risk of such complications elongating the process of finalising CSC Foundry Ltd.'s accounts in future years is reduced.

However, officers of Cardiff and Monmouthshire Councils are working together to put arrangements in place to ensure that all reasonable steps are taken in order to meet the deadlines for compiling the Single Entity Accounts, the CSC Foundry Ltd Accounts and therefore the Consolidated Group Accounts for 2018/19.”

Next Steps

19. The unaudited accounts that are currently published on relevant websites will be replaced, once the accounts have been approved by the Joint Cabinet and the Auditor General for Wales has provided his opinion on the accounts. The final audited accounts will be published in both English and Welsh. In addition, public notification of this change will be made in the appropriate places as soon as possible.

Reasons for Recommendations

20. To advise Regional Cabinet of the conclusion and findings of the audit relating to the 2017/18 financial statements.

21. For Regional Cabinet to consider and if deemed appropriate, to formally approve the final, audited Statement of Accounts for the Cardiff Capital Region City Deal Joint Committee for the financial year 2017/18. This will allow the necessary declarations, statements and letters to be signed as required by the regulations.

Legal Implications

22. The Joint Working Agreement (1.3.17) in relation to the delivery of the CCRCDC provides the Accountable Body shall have responsibility for administering the financial affairs of the Joint Committee, including ensuring that the annual accounts of the Joint Committee are prepared and for making arrangements for external audit.
23. The Accounts and Audit (Wales) Regulations 2014 as amended, make provision with respect to the accounts and audit of local government bodies in Wales whose accounts are required to be audited in accordance with Part 2 of the Public Audit (Wales) Act 2004. The body of the report sets out how the provisions have been met.
24. **Future Generations and Wellbeing Considerations / Equalities Assessment** Considerations relating to the duties under The Well-being of Future Generations (Wales) Act 2015 and in respect of Equality are described in Appendix D.

Financial Implications

25. This report is presented to Joint Committee to allow it to discharge its duty to approve the Joint Committee's audited accounts for the year ending 31st March 2018. The financial implications are set out in the body of the report and within Appendix A.

RECOMMENDATIONS

It is recommended that the Cardiff Capital Region Joint Cabinet authorises the:

- i. Chair of the Joint Committee to sign the Statement of Responsibilities for the Financial Statements on **page 10 of Appendix A**, the Annual Governance Statement on **page 54 of Appendix A** and the Letter of Representation to the Wales Audit Office for 2017/18 (**Appendix C**);
- ii. Joint Committee Section 151 Officer to sign the Chief Financial Officer's Statement of Responsibilities on **page 11 of Appendix A**;
- iii. Programme Director to also sign the Annual Governance Statement on **page 54 of Appendix A** and the Letter of Representation to the Wales Audit Office for 2017/18 (**Appendix C**);and
- iv. Accountable Body to replace published unaudited Statement of Accounts with the final, audited Statement of Accounts and to make arrangements for the necessary public notifications as soon as possible.

Christine Salter
Corporate Director Resources
17 December 2018

The following Appendices are attached:

Appendix A - Final Audited Statement of Accounts

Appendix B - Wales Audit Office Audit of Financial Statements Report – Cardiff
Capital Region City Deal Joint Committee

Appendix C - Final Letter of Representation

Appendix D - Future Generations Evaluation

Cardiff Capital Region City Deal Joint Committee Audited Statement of Accounts 2017/18



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Appendix i: Annual Governance Statement Governance Framework Assessment

Appendix ii: Glossary of Relevant Local Government Accountancy Terms

Cardiff Capital Region City Deal

Chair's Statement

“The Cardiff Capital Region City Deal is a unique programme of collaborative working which will enable economic change, improved digital and physical connectivity, improved skills and educational opportunities, and regeneration across the region.

It is an investment in its people and aims to bring fairness and opportunities for all, no matter where they live in the region.

It builds on the region's proud heritage, the beauty of our natural landscape and the vibrancy of our rich cultural and social life.

It will enrich our lives in other ways too, reforming our public services, provide new affordable homes, improve family life, and create a workforce which can adapt to the changing needs of the 21st Century.

To do this, the City Deal partners will work together, with a shared vision of a prosperous Capital City-Region for Wales, forging a clear global identity and strong reputation as a City-Region for trade, innovation, and quality of life.

By attracting new investment and growing more successful businesses, by improving our connectivity, by developing our skills and education, we will restore the capital region to its historical role as the “engine room” of the Welsh economy.”

Councillor Andrew Morgan

Chair, Cardiff Capital Region City Deal

Narrative Report

Introduction

The Cardiff Capital Region is comprised of ten local authorities: Blaenau Gwent; Bridgend; Caerphilly; Cardiff; Merthyr Tydfil; Monmouthshire; Newport; Rhondda Cynon Taf; Torfaen; and Vale of Glamorgan. It is the largest city-region in Wales and accounts for approximately 50% of the total economic output of the Welsh economy, 49% of total employment and has over 38,000 active businesses.

The Cardiff Capital Region is an area where people want to live and work. With two cities (Cardiff and Newport) at its core, the region has seen significant regeneration and investment over recent decades. Cardiff, as the capital city, is now dynamic, fast growing and forecast to have a higher population growth rate over the next 20 years than any other city in the UK.

The City Deal sets out a transformative approach in how the Cardiff Capital Region will deliver the scale and nature of investment needed to support the area's growth plans. Central to this will be the development of a 20 year £495 million Investment Fund, which the Cardiff Capital Region will use to invest in a wide range of projects.

The Cardiff Capital Region believes investments in these areas will deliver up to 25,000 new jobs and bring forward at least £4 billion of additional investment from local partners and the private sector by 2036.

Background

In 2017 Council approval was received from each of the ten partnering authorities within the Cardiff Capital Region for the establishment of the Cardiff Capital Region City Deal Joint Committee. The Joint Working Agreement in relation to the delivery of the City Deal ('JWA') was signed by all ten Councils on 1st March 2017. The JWA sets out the Joint Committee's governance arrangements.

Each partnering authority has one elected member representative serving on the Joint Committee, which joint committee is also referred to as the Cardiff Capital Region 'Regional Cabinet'. The JWA also contains an Assurance Framework and Implementation Plan.

Financial Year 2017/18 is the Joint Committee's first full year of operation having been formally established on the 1st March 2017. The Joint Committee is supported by a Programme Management Office (PMO) headed-up by the Regional Programme Director. In addition, the City of Cardiff Council was appointed as the Accountable Body (legal entity) and is responsible for discharging the Council's obligations in respect of the City Deal in accordance with the provisions of the JWA. The cost of the PMO and the Accountable Body are met from contributions made by partnering authorities through the annual approval of the Joint Committee Revenue Budget.

Wider Investment Fund (WIF)

The City Deal provides funding to support schemes which will stimulate the economic growth of the region. The agreement with the UK and Welsh Governments total £1.2 billion, of which £734 million is allocated to the Metro and is directly managed by Welsh Government. The remaining £495 million relates to the 'Wider Investment Fund' and is made up of:

- £375 million HM Treasury grant profiled to be paid over 20 years, £50 million revenue grant will be paid during years 1-5 total, followed by £325 million of capital grant funding flowing through years 6-20;
- £120 million Council Contributions in the form of capital funding, being drawn down as required.

Wider Investment Fund 'Top-Slice'

Annually, up to 3% of the Wider Investment Fund has been earmarked to support the work of Regional Bodies and to meet the costs of Programme Development & Support. This equates to an annual sum of up to £742,500 and is referred to as the Wider Investment Fund 'Top-Slice'.

Wider Investment Fund 'Balance of Funding'

The remaining Wider Investment Fund balance (circa £480 million) is to be used to fund investment proposals as set-out in the Joint Working Agreement Business Plan, as these are brought forward for consideration and approval in-line with the requirements of the Assurance Framework.

2017/18 saw the approval and implementation of Cardiff Capital Region's first investment. A loan of £38.5 million was approved in respect of the Compound Semi-Conductor project, which has the potential to generate 2,000 jobs and over £380 million of private sector investment.

Gateway Reviews

An outcome based Gateway Review will be undertaken by HM Treasury every 5 years commencing in December 2020. Funding for financial year 2021/22 and beyond is conditional upon successfully passing each Gateway Review, whilst any unspent funding may be subject to repayment if the Gateway Review is not passed.

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.

Future Plans

The City Deal Heads of Terms document outlines the Joint Committee's aims in respect of its Wider Investment Fund, namely; the creation of 25,000 new jobs and to leverage £4 billion of private sector investment.

Following the approval of its first investment in Compound Semi-Conductor project, the Joint Committee have agreed 'In Principle' to support four additional investment proposals during 2017/18. These include:

- **Metro Central Project** – enhancing the potential benefits of the Metro to the region through the modernisation of Cardiff Central Station;
- **Regional Housing Investment Fund** – supporting the housing growth aspiration across the region through the establishment of Housing Investment Fund;
- **Digital Strategy** – creating a “Smart Region” through the introduction of a programme of digital interventions; and
- **Skills for the Future** – developing a demand-led skills system that is driven by the needs of industry and which delivers employment and skills support to increase productivity and deliver growth within the regional economy.

In-principle projects, along with other proposals that may emerge over time, will be developed and assessed to ensure they contribute to the sustainable economic growth of the region, are affordable and represent value for money. Meeting these objectives is a key requirement of the City Deal initiative. All potential projects will be assessed in accordance with the City Deal Assurance Framework.

This method of identifying, developing, assessing and approving schemes are intended to ensure that investments accurately reflect the needs and encourage the continued development of the region.

Summary of Financial Performance

2017/18 Joint Committee Expenditure and Funding

Financial year 2017/18 was the Joint Committee's first full year of operation. The Joint Committee Revenue Budget was approved on the 17th March 2017. In addition, the Joint Committee also considered and approved the Wider Investment Fund Top-Slice Budget, whilst the budget for the Wider Investment Fund 'Balance of Funding' was approved on the 2nd May 2017 as part of the inaugural Annual Business Plan.

Details of the Out-turn position against the 2017/18 approved budgets are shown below.

2017/18 Joint Committee Revenue Budget & Out-turn Position

Programme Management Office and Accountable Body	2017/18 Budget £	2017/18 Out-turn £	2017/18 Variance £
Expenditure:			
Programme Management Office	755,000	701,865	(53,135)
Accountable Body Support Services	245,000	256,289	11,289
Total	1,000,000	958,154	(41,846)
Funded by:			
Underspend brought forward	(227,750)	(227,750)	0
Partner Contributions	(772,250)	(730,404)	41,846
Total	(1,000,000)	(958,154)	41,846

2017/18 Wider Investment Fund 'Top-Slice' Budget & Out-turn Position

Wider Investment Fund Top-Slice	2017/18 Budget £	2017/18 Out-turn £	2017/18 Variance £
Gross Expenditure:			
Regional Bodies	331,297	103,248	(228,049)
Programme Development & Support	411,203	69,966	(341,237)
	742,500	173,214	(569,286)
Investment Income	0	(16,864)	(16,864)
Net Expenditure	742,500	156,350	(586,150)
Funded by:			
HMT Revenue Grant	(742,500)	(156,350)	586,150
Total	(742,500)	(156,350)	586,150

2017/18 Wider Investment Fund 'Balance of Funding' Budget & Out-turn

CSC Foundry Ltd Project	2017/18 Budget £	2017/18 Out-turn £	2017/18 Variance £
Expenditure:			
Project Delivery & Implementation	450,000	118,528	(331,472)
CSC Foundry Investment	24,210,000	24,541,472	331,472
Total	24,660,000	24,660,000	0
Funded By			
HMT Revenue Grant	(450,000)	(450,000)	0
Council Contributions	(24,210,000)	(24,210,000)	0
Total	(24,660,000)	(24,660,000)	0

Financial Position as at 31st March 2018

The Joint Committee's Balance Sheet position is summarised below and provides details of its assets and liabilities as at 31st March 2018.

Summary of Balance Sheet	31st March 2018 £
Long Term Assets :	
Long Term Debtors, Revenue and Capital (CSC Foundry Project)	24,660,000
Current Assets & Liabilities:	
Short Term Debtors, Cash & Cash Equivalents, less Short Term Creditors	17,540,331
Long Term Liabilities	(17,617,013)
Net Assets	24,583,318
Financed by:	
Usable Reserves (£41,846) and Unusable Reserves (£24,541,472)	24,583,318

Investments

In 2017/18 an investment in the form of a loan amounting to £38.5 million was approved to support the set-up of Compound Semi-conductor Foundry Ltd, a Special Purpose Vehicle wholly owned by the ten councils. The details of the arrangement were set out in the reports to Regional Cabinet and are set out in the various legal documents.

The loan, together with the private sector investment will fund the acquisition (from Welsh Government) of the Foundry building, its refurbishment and fit-out. In addition, the Foundry building will house a number of 'clean rooms' equipped with state-of-the-

art technology and specialist tools. The loan will also cover the initial start-up costs associated with the Special Purpose Vehicle such as registration and other financial and administrative costs.

The loan will be drawn down over two years, with £24.66 million being invested during 2017/18, largely funded via Council Contributions (capital costs), with revenue expenditure being met from HM Treasury Grant funding. The balance (£13.84 million) will be drawn down in 2018/19.

The loan is profiled to be repaid over an 11 year term with repayments commencing in August 2020. The loan repayments will be recycled back into the Wider Investment Fund and used to fund future City Deal commitments.

Pensions Liabilities

The Joint Committee is not a legal entity in its own right and therefore cannot enter into contracts for Goods or Services. Officers supporting the activities of the Joint Committee are contractually employed through one of the partnering authorities or other public sector organisations, such as the Welsh Local Government Association. The employing body is responsible for all current and future pension liabilities that may arise from these arrangements. The Joint Committee reimburses all salary related costs, including employer related pension contributions and accounts for these in its Income & Expenditure Account. Therefore, no liability for future pension payments or benefits is recognised in the Joint Committee's Balance Sheet at present.

Balances and Reserves

As at 31st March 2018, the Joint Committee held Usable Reserves of £41,846. This represents the net underspend against the Joint Committee Revenue budgets which is funded by contributions from the ten partnering authorities. Joint Committee agreed at its meeting of 30th June 2017, that any underspend in the current year will be carried forward and used to reduce partner contributions in the 2018/19.

Prior Period Adjustments

There were no Prior Period Adjustments during the financial year 2017/18.

Corporate Governance

The Joint Committee's governance arrangements are set out in the JWA and comprise the systems, processes, culture and values in place to deliver the intended outcomes as reviewed through application of the CIPFA / SOLACE Governance Framework.

The Joint Committee has arrangements in place through the Programme Management Office and the Accountable Body, which are designed to deliver strong governance and an effective system of internal control. These comprise the JWA as an overall basis of governance, an Assurance Framework which sets out how the Investment

fund will be allocated and managed, and an overall Implementation Plan in respect of key milestones and targets.

The Joint Committee approved the 5 year JWA Business Plan on 23rd February 2018 and it was approved by each of the ten partnering authorities during March 2018. The JWA provides a clear strategic vision and its focus over the medium term. In addition, the Joint Committee approved its 2018/19 Annual Business Plan, setting the immediate priorities and associated work programme.

The Governance Framework comprises two core principles and five supporting principles, as set out in CIPFA's Delivering Good Governance framework.

Core Principles

- a. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- b. Ensuring openness and comprehensive stakeholder engagement.

Supporting Principles

- c. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- d. Determining the interventions necessary to optimise the achievement of the intended outcomes;
- e. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- f. Managing risks and performance through robust internal control and strong public financial management;
- g. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Principles a and b permeate implementation of principles c to g but good governance is dynamic, and the Joint Committee of the CCR City Deal is committed to improving governance on a continuing basis through a process of evaluation and review.

The Annual Governance Statement (AGS) on pages 46 to 54 summarises the assessment of governance in place for the Joint Committee.

Introduction to the Financial Statements

This document presents the Statement of Accounts for the Cardiff Capital Region City Deal Joint Committee. These are prepared in accordance with the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom.

The Financial Statements

The financial statements, accompanied by a Statement of Responsibilities and the Auditor's Report, are set out on pages 10 to 32 and comprise:

Accounting Policies, Judgements and Assumptions (page 15)

The accounting policies applied by the Joint Committee, critical judgements made in their application and areas of the accounts where significant estimates or assumptions have been made.

Comprehensive Income and Expenditure Statement (page 19)

This statement provides information on how the Joint Committee has performed throughout the year and as a result, whether or not its operations have resulted in a surplus or a deficit.

Movement in Reserves Statement (page 20)

This statement shows the changes to the Joint Committee's Reserves over the course of the year and therefore, the movements in the financial position of the Joint Committee.

Balance Sheet (page 21)

This statement provides a 'snapshot' of the financial position at 31st March 2018, showing what the Joint Committee owns and owes.

Cash Flow Statement (page 22)

This statement shows the reason for changes in the Joint Committee's cash and cash equivalents during the reporting period.

Notes to the Core Financial Statements (pages 23-32)

These are the notes that accompany the main financial statements and provide an additional tier of information and context.

Statement of Responsibilities for the Financial Statements

Cardiff Capital Region City Deal Joint Committee's responsibilities

The Joint Committee is required to:

- make arrangements for the proper administration of its financial affairs and secure that an appropriate officer has the responsibility for the administration of those affairs. In 2017/18, this officer was Christine Salter, Corporate Director Resources and Section 151 Officer of Cardiff Council who held the role of Cardiff Capital Region City Deal Section 151 Officer
- manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts

Cllr Andrew Morgan

Chair of Cardiff Capital Region Joint Committee

Date

Responsibilities of the Section 151 Officer as Chief Financial Officer of the Joint Committee

The Section 151 Officer is responsible for the preparation of the Joint Committee's financial statements in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 (the Code).

In preparing these financial statements, the Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently, except where policy changes have been noted in these accounts;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Section 151 Officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Section 151 Officer Certificate

The financial statements for the Cardiff Capital Region City Deal Joint Committee give a true and fair view of the financial position of the Joint Committee at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

Christine Salter

Date

Section 151 Officer, Cardiff Capital Region City Deal Joint Committee

Audit Report

The independent auditor's report of the Auditor General for Wales to the members of Cardiff Capital Region City Deal Joint Committee

Report on the audit of the financial statements

Opinion

I have audited the financial statements of:

- Cardiff Capital Region City Deal Joint Committee; and
- Cardiff Capital Region City Deal Joint Committee Group.

for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

The Cardiff Capital Region City Deal Joint Committee financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

Cardiff Capital Region City Deal Joint Committee Group financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Cardiff Capital Region City Deal Joint Committee and Cardiff Capital Region City Deal Joint Committee Group as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Joint Committee and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the joint committee or the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the Narrative report and accounts. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the joint committee and the group and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Cardiff Capital Region City Deal Joint Committee in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Financial Statements, the responsible financial officer is responsible for the preparation of the statement of accounts for Cardiff Capital Region City Deal Joint Committee and Group which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the joint committee's and the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett

For and on behalf of the Auditor General for Wales

___ December 2018

24 Cathedral Road

Cardiff

CF11 9LJ

Accounting Policies used when formulating the accounts

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Joint Committee's income and expenditure for the year ended 31st March 2018 and its financial position at 31st March 2018. The accounts are prepared in accordance with proper accounting practices as contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).

1. Accounting Standards issued but not yet adopted

International Financial Reporting Standard 9 - Financial Instruments has been implemented in the 2018/19 Code. Its introduction will see the classifications of financial assets change to Amortised Cost, Fair Value through Comprehensive Income and Fair Value through Profit and Loss, from the previous categories of Loans and Receivables, Available for Sale and Fair Value through Profit and Loss.

The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident.

The current assessment is that the impact of these changes on the Joint Committee's financial position is likely to be immaterial.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not when the cash payments are made or received. In particular:

- revenue from the sale of goods is recognised when the Joint Committee transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Joint Committee
- revenue from the provision of services is recognised when the Joint Committee can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Joint Committee
- supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- expenses in relation to services received are recorded as expenditure when the services are received rather than when the payments are made
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the

Balance Sheet. Where debts may not be settled, the balance is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

The Joint Committee does not operate its own Bank Account, instead all cash transactions are administered by Cardiff Council in its role as Accountable Body. An approved Treasury Management strategy is in place to manage the Joint Committee's cash balances, short-term investments and borrowing requirements.

The strategy allows the Accountable Body to maintain a clear audit trail (and therefore visibility) of the Joint Committee's cash from its own resources, whilst retaining flexibility to manage cash balances and calculate interest earned or payable. The arrangements consist of short-term investments through approved counterparties and are aimed at securing market returns, whilst ensuring the cash requirements of the projects approved as part of the Wider Investment Fund can be serviced at all times.

4. Contingent assets and liabilities

These are potential benefits or obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Joint Committee's control. Contingent assets and liabilities are not recognised in the accounting statements but are disclosed in a note to the accounts.

5. Events After the Balance Sheet Date

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – The Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

6. Exceptional Items

Exceptional items are material in terms of the Joint Committee's overall expenditure and not expected to recur frequently or regularly. When they occur, they are included in the Comprehensive Income and Expenditure Statement as a separate line, if that degree of prominence is necessary to give a fair presentation of the accounts.

7. Grants – Revenue

Grants and other contributions relating to revenue expenditure are accounted for on an accruals basis and recognised when:

- the Joint Committee has complied with the conditions for their receipt;
- there is reasonable assurance that the grant or contribution will be received.

The accounting treatment will vary depending on whether it is deemed that conditions inherent in the agreement have been complied with.

When conditions have been satisfied, the grant or contribution is credited to the relevant service line, detailed as Grant Income.

Where there is no reasonable assurance that the conditions will be met, any cash received will not be recognised as a receipt of grant monies, but as a repayment due to the awarding body. The cash received is held on the Balance Sheet as a liability.

Grant funding is subject to 5 year Gateway Reviews with the first review scheduled to commence in December 2020.

8. Interests in Companies and Other Entities

The Joint Committee has interests in companies and other entities. Subject to the level of materiality and exposure to risk, these are consolidated to produce Group Accounts. In the Joint Committee's own single entity accounts, the interests in such companies are recorded as financial assets in the Balance Sheet.

9. Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Material errors discovered in prior period figures are corrected by amending opening balances and comparative amounts for the prior period.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Joint Committee's financial position or performance. Any change is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

10. Reserves

The Joint Committee sets aside amounts as reserves for future policy purposes or to cover contingencies as these are identified. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. The reserve is then appropriated back into the Movement in Reserves Statement so that there is no net charge for the expenditure.

2017/18 Comprehensive Income & Expenditure Statement

This statement records all of the Joint Committee's income and expenditure throughout the year and consequently shows the accounting cost of providing services during the year in-line with generally accepted accounting practices.

As the Joint Committee was formally established on the 1st March 2017, the comparative information in respect of the preceding period (2016/17) only represents one month of operation.

*2016/2017 £		Notes	2017/2018 £
	Cost of Services		
23,158	Staff Costs	1	456,740
0	Premises	2	19,044
118	Transport	3	2,614
142,151	Supplies & Services	4	323,954
14,350	Support Services	5	329,016
179,777	Operating Expenditure		1,131,368
(407,526)	Contributions from Local Authorities	6	(772,251)
0	Grant Income	6	(156,350)
(407,526)	Operating Income		(928,601)
(227,749)	Net Cost of Services		202,767
0	Interest & Investment Income	18	(16,864)
0	Financing & Investment Income & Expenditure		(16,864)
0	Recognised Capital Grants & Contributions		(24,541,472)
0	Taxation and Non Specific Grant Income		(24,541,472)
(227,749)	(Surplus) / Deficit on Provision of Services		(24,355,569)
0	Other Comprehensive Income & Expenditure		0
(227,749)	Total Comprehensive Income & Expenditure		(24,355,569)

* 1 month of operation 1st March – 31st March 2017

2017/18 Movement in Reserves Statement

This statement is split into both Usable and Unusable Reserves. Usable Reserves are those that the Joint Committee can use to provide services whereas Unusable Reserves such as the Capital Adjustment Account cannot be used.

	Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 31st March 2017 C/Fwd	227,749	0	227,749
Surplus / (Deficit) on the Income & Expenditure Account (See Note 7)	24,355,569	0	24,355,569
Adjustments between Accounting Basis and Funding Basis (See Note 8)	(24,541,472)	24,541,472	0
Increase/(Decrease in Year)	(185,903)	24,541,472	24,355,569
Balance at 31st March 2018	41,846	24,541,472	24,583,318

Balance Sheet as at 31st March 2018

This statement is comprised of two balancing sections – the net assets of the Joint Committee and the total reserves it holds.

*31st March 2017 £		Notes	31st March 2018 £
0	Land and Buildings		0
0	Assets Under Construction		0
0	Vehicle, Plant, Furniture & Equipment		0
0	Long Term Debtors - Revenue	13	118,528
0	Long Term Debtors - Capital	13	24,541,472
0	Long Term Assets		24,660,000
0	Inventories		0
0	Short Term Debtors	11	3,019
384,389	Cash & Cash Equivalents	12	19,667,536
384,389	Current Assets		19,670,555
(156,640)	Short Term Creditors	14	(2,130,224)
(156,640)	Current Liabilities		(2,130,224)
0	Long Term Borrowing		0
0	Long Term Creditors	14	(17,617,013)
0	Long Term Liabilities		(17,617,013)
227,749	Net Assets		24,583,318
227,749	Usable Reserves		41,846
0	Capital Adjustment Account		24,541,472
227,749	Total Reserves		24,583,318

* 1 month of operation 1st March – 31st March 2017

2017/18 Cash Flow Statement

This statement shows how the Joint Committee generates and uses cash and cash equivalents by classifying the cash flows as arising from operating, investing and financing activities.

* 2016/2017 £		Notes	2017/2018 £
(227,749)	Net (Surplus) / Deficit on the provision of services		(24,355,569)
(156,640)	Adjust net surplus or deficit on the provision of services for non-cash movements	16	24,622,422
(384,389)	Net cash flows from operating activities		266,853
0	Investing activities	16	24,660,000
0	Financing activities	16	(44,210,000)
(384,389)	Net (increase) / decrease in cash and cash equivalents		(19,283,147)
0	Cash and cash equivalents at the beginning of the reporting period		(384,389)
(384,389)	Cash balance as at 31st March		(19,667,536)

* 1 month of operation 1st March – 31st March 2017

Notes to the Core Financial Statements

As the Joint Committee was formally established on the 1st March 2017, the comparative information in respect of the preceding period (2016/17) only represents one month of operation.

1. Remuneration

2016/2017 £	Remuneration	2017/2018 £
23,158	Remuneration	456,740
23,158	Total	456,740

Officers supporting the activities of the Joint Committee are contractually employed through one of the partnering authorities or other public sector organisations, such as the Welsh Local Government Association.

In accordance with International Accounting Standard 19 – Employee Benefits, the employing body is required to disclose certain information concerning the income and expenditure of its pension scheme and its related assets and liabilities. As the Joint Committee does not directly employ staff, these statutory disclosures do not apply (instead staff pension liabilities etc. of the relevant officers will be disclosed in the financial statements of each employing body).

The Accounts and Audit (Wales) Regulations 2014 requires that the number of employees whose remuneration is over £60,000 per annum be disclosed within bands of £5,000. In addition, the Code requires a further disclosure relating to senior employees.

The following tables include disclosures of officers who fall within the Officer Emoluments criteria and have been made on a voluntarily basis, for the reasons outlined above.

Remuneration Band £	Number of Employees	
	2016/17	2017/18
95,000 - 99,999	1	1

Senior Employee Post Title	Salary, fees and allowances £	Employers Pension Contributions £	Total £
Programme Director	99,000	20,889	119,889

2. Premises Costs

The following table analyses Premises expenditure for the year.

2016/2017 £	Premises Costs	2017/2018 £
0	Rents	13,274
0	National Non Domestic Rates	5,611
0	Other Premises Related Expenditure	159
0	Total	19,044

3. Transport Costs

The following table analyses Transport expenditure for the year.

2016/2017 £	Transport Costs	2017/2018 £
0	Car Allowances	1,442
118	Travel Expenses	1,172
118	Total	2,614

4. Supplies and Services

The following table analyses Supplies and Services expenditure for the year.

2016/2017 £	Supplies & Services	2017/2018 £
0	ICT, Telephones, Printing & Software	21,698
1,137	Meeting Room Hire & Other Meeting Costs	22,395
1,175	Marketing, Branding & Communications	83,872
139,413	Programme Development & Support *	190,921
426	Other Supplies & Services Costs	5,068
142,151	Total	323,954

* Programme Development & Support covers a range of professional advice and support needed to ensure that all projects taken forward are robust and have undergone the necessary level of challenge and independent verification to comply with requirements of the Assurance Framework.

5. Support Service Costs

The following table analyses Support Service expenditure for the year

2016/2017 £	Support Service Costs	2017/2018 £
0	HR People Services	28,524
8,998	Accountancy Support	120,735
0	Exchequer, Internal Audit & Insurance	2,050
4,614	Legal & Governance Support	75,038
738	ICT, Information & Governance	9,834
0	External Audit (Inc. Technical Advice)	80,435
0	External Advice & Support	12,400
14,350	Total	329,016

6. Income

The following table analyses Income accounted for during the year.

2016/2017 £	Income	2017/2018 £
(407,526)	Contributions from Local Authorities (See Note 9)	(772,251)
0	Grant Income	(156,350)
(407,526)	Total	(928,601)

Contributions from Local Authorities relates to the funding received in respect of the Joint Committee Revenue Budget from the ten partnering authorities.

HM Treasury grant totalling £20 million was received during the year in respect of the first two years of City Deal funding (2016/17 & 2017/18). The grant is passported through Welsh Government (the grant paying body) following acceptance of their grant terms & conditions.

Based on the funding decisions made by the Joint Committee during the year, £156,350 of grant was drawn down in 2017/18 with the balance being shown in short term (£1,892,500) and long term creditors (£17,951,150). Welsh Government have 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.

7. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Joint Committee has been used to provide services in comparison with those resources consumed or earned under Generally Accepted Accounting Practices (GAAP).

Expenditure and Funding Analysis	Net Expenditure Chargeable to General Fund Balances	Adjustments	Comprehensive Income & Expenditure 2017/18
	£	£	£
Staff Costs	456,740	0	456,740
Premises	19,044	0	19,044
Transport	2,614	0	2,614
Supplies & Services	323,954	0	323,954
Support Services	329,016	0	329,016
Contributions from Local Authorities	(958,154)	185,903	(772,251)
Grant Income	(156,350)	0	(156,350)
Net Cost of Services	16,864	185,903	202,767
Interest & Investment Income	(16,864)	0	(16,864)
Recognised Capital Grants & Contributions	(24,541,472)	0	(24,541,472)
Other Income and Expenditure from the Funding Analysis	24,541,472	(24,541,472)	0
(Surplus) or Deficit	(0)	(24,355,569)	(24,355,569)
Opening Usable Reserves Balance 1 st April 2017	(227,749)		
Less Deficit on Usable Reserves Balance in Year	185,903		
Closing Usable Reserves Balance 31st March 2018	(41,846)		

Notes to the Expenditure and Funding Analysis

Expenditure and Funding Analysis	Adjustments for Capital Purposes	Other Adjustments	Total Adjustments
	£	£	£
Staff Costs	0	0	0
Premises	0	0	0
Transport	0	0	0
Supplies & Services	0	0	0
Central Departmental Support	0	0	0
Contributions from Local Authorities	0	185,903	185,903
Grant Income	0	0	0
Net Cost of Services	0	185,903	185,903
Interest & Investment Income	0	0	0
Recognised Capital Grants & Contributions	0	0	0
Other Income and Expenditure from the Funding Analysis	(24,541,472)	0	(24,541,472)
(Surplus) or Deficit	(24,541,472)	185,903	(24,541,472)

8. Adjustments between Accounting Basis and Funding Basis under Regulation

	Usable Reserves £	Unusable Reserves £
Capital Adjustment Account - Grants and Contributions	(24,541,472)	24,541,472
Total	(24,541,472)	24,541,472

9. Related Parties

The Joint Committee is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Joint Committee or to be controlled or influenced by the Joint Committee. Disclosure of these transactions allows readers to assess the extent to which the Joint Committee might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Joint Committee.

Welsh Government has the ability to effect influence on the Joint Committee via legislation and grant funding. The grant received in 2017/18 is detailed in note 6.

2016/2017 £	Related Party Transactions	Revenue	Capital	2017/2018 £
		£	£	
(18,827)	Blaenau Gwent CBC	(35,524)	(1,118,438)	(1,153,962)
(38,466)	Bridgend CBC	(73,364)	(2,285,187)	(2,358,551)
(48,773)	Caerphilly CBC	(92,670)	(2,897,478)	(2,990,148)
(96,689)	Cardiff Council	(183,023)	(5,744,006)	(5,927,029)
(16,060)	Merthyr Tydfil CBC	(30,118)	(954,075)	(984,193)
(25,035)	Monmouthshire County Council	(47,107)	(1,487,240)	(1,534,347)
(40,003)	Newport City Council	(75,681)	(2,376,487)	(2,452,168)
(64,271)	Rhondda Cynon Taf CBC	(122,016)	(3,818,150)	(3,940,166)
(24,861)	Torfaen CBC	(47,107)	(1,476,948)	(1,524,055)
(34,541)	Vale of Glamorgan Council	(65,641)	(2,051,991)	(2,117,632)
(407,526)	Total	(772,251)	(24,210,000)	(24,982,251)

10. External Audit Costs

The following table analyses the 2017/18 External Audit fee payable to the Wales Audit Office and reflects factors such as; this being the Joint Committee's first full year of operation, approval of the first investment decision during the year etc. The cost of external audit is generally reflected within the financial year to which the audit relates.

2016/2017 £	External Audit Costs	2017/2018 £
0	2016/17 Joint Committee Audit	900
0	2017/18 Review of Arrangements that supported the CSC Foundry Ltd Investment Decision	55,000
0	2017/18 Joint Committee Financial Audit	9,569
	2017/18 Joint Committee Performance Audit	14,966
0	Total	80,435

11. Debtors

31 st March 2017 £	Debtors	31 st March 2018 £
0	Central Government Bodies	0
0	Other Local Authorities	0
0	Other Entities and Individuals	3,019
0	Sub Total	3,019
0	Provision for Bad Debt	0
0	Total	3,019

12. Cash and Cash Equivalents

The Joint Committee does not operate its own Bank Account, instead all cash transactions are administered by Cardiff Council in its role as Accountable Body. Therefore, the amount of £19,667,536 shown as cash in the Balance Sheet represents the inter-authority cash held by the Accountable Body on behalf of the Joint Committee.

13. Financial Instruments

The Joint Committee's 'Financial Instruments' consist of Financial Assets in the form of a loan to Compound Semi-Conductor Foundry Ltd and amounts detailed within the Cash and Cash Equivalents note (Note 12) above.

The loan will fund the acquisition (from Welsh Government) of the Foundry building, its refurbishment, fit-out and initial start-up costs. Loans amounting to £24.66 million were drawn down in 2017/18. The loan is profiled to be repaid over an 11 year term with repayments commencing in August 2020. The loan repayments will be recycled back into the Wider Investment Fund and used to fund future City Deal commitments.

Both the 'Cash and Cash Equivalents' and the 'CSC Foundry Ltd loan' are shown in the accounts at their fair value, which is equal to their carrying value.

31 st March 2017		Financial Instruments	31 st March 2018	
Carrying Amount £	Fair Value £		Carrying Amount £	Fair Value £
384,389	384,389	Cash and Cash Equivalents	19,667,536	19,667,536
0	0	Loan to CSC Foundry Ltd	24,660,000	24,660,000
384,389	384,389	Total	44,327,536	44,327,536

Financial Instrument Gains/Losses

Interest amounting to £16,864 was earned on the Joint Committee's Cash balances held by the Accountable Body during the year. Cash balances were managed in-line with the approved treasury management strategy.

The structure of the loan made to the Compound Semi-Conductor Foundry Ltd (CSC Foundry Ltd) was agreed as part of the extensive due diligence and associated State Aid advice undertaken to approve the investment proposal. This confirmed that the investment would not carry any coupon/interest charge and therefore the loan has generated no gains or losses during the year.

The Nature and Extent of Risks arising from Financial Instruments

The Joint Committee's 'Cash and Cash Equivalents' are managed by Cardiff Council in accordance with its overall Treasury Management Strategy, although as set out earlier, appropriate measures are in place to maintain an appropriate audit trail between all the resources it is responsible for and manages.

Cardiff Council places deposits only with banks and building societies that have the Fitch minimum criteria of F1. Ratings are regularly reviewed and to date, the Council has not experienced default of any institution and this is not deemed to be a significant risk for investments held. Therefore in respect of 2017/18, it has been determined that no provisions are required and there is no requirement to recognise any losses.

The status of the loan made to CSC Foundry Ltd is subject to regular reviews by both its board members (via quarterly project update reports) and the Programme Director as part of the process for approving further advances. The latter is supported by work undertaken by the Accountable Body to inform the approval process. These range of measures provide the framework for the ongoing review of the loan value.

There is not deemed to be a risk of non-repayment, so no provision or impairment is considered to be required at this time in respect of the outstanding loan value.

14. Creditors

31 st March 2017 £	Creditors	Short Term £	Long Term £	31 st March 2018 £
0	Central Government Bodies	1,892,500	17,617,013	19,509,513
17,744	Other Local Authorities	74,979	0	74,979
138,896	Other Entities and Individuals	162,745	0	162,745
156,640	Total	2,130,224	17,617,013	19,747,237

15. Usable Reserves

2016/2017 £	Usable Reserves	2017/2018 £
0	Balance as at 1 April	227,749
	Movements during year:	
227,749	Year-end balance carried forward	0
0	Funding of Expenditure	(185,903)
227,749	Balance as at 31st March	41,846

16. Notes to the Cash Flow Statement

2016/2017 £	Operating Activities	2017/2018 £
156,640	Increase / (Decrease) in Creditors	78,419
0	(Increase) / Decrease in Debtors	(3,019)
0	Capital grants / contributions recognised in I&E	(24,541,472)
0	Revenue grants / contributions recognised in I&E	(156,350)
156,640	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(24,622,422)

2016/2017 £	Investing Activities	2017/2018 £
0	Capital Loan	24,541,472
0	Revenue Loan	118,528
0	Adjustments to net surplus or deficit on the provision of services for investing activities	24,660,000

2016/2017 £	Financing Activities	2017/2018 £
0	HMT Grant received	(20,000,000)
0	Capital contribution received	(24,210,000)
0	Adjustments to net surplus or deficit on the provision of services for financing activities	(44,210,000)

17. Capital Adjustment Account

The Capital Adjustment Account is used to reconcile the different rates at which assets are depreciated under proper accounting practice, details how capital expenditure is financed and deals with revaluation gains where applicable.

2016/2017 £	Capital Adjustment Account	2017/2018 £
0	Balance as at 1st April	0
	Capital financing applied in the year:	
0	Grants and contributions	24,541,472
0	Balance as at 31st March	24,541,472

18. Interest

Interest amounting to £16,864 was earned on the Joint Committee's Cash balances held by the Accountable Body during the year. Cash balances were managed in-line with the approved treasury management strategy.

The arrangements consist of short-term investments through approved counterparties and are aimed at securing market returns, whilst ensuring the cash requirements of the projects approved as part of the Wider Investment Fund can be serviced at all times.

Group Accounts

Introduction

The group accounts that follow comply with the requirement of the 2017/18 Code of Practice, that a local authority with interests in subsidiaries, associates and joint ventures should prepare group accounts in addition to its single entity accounts. These accounts consolidate the operating results and balances of Cardiff Capital Region City Deal Joint Committee and its subsidiary, Compound Semi-Conductor Foundry Ltd (CSC Foundry Ltd).

Whilst the single entity accounts represent a full year in 2017/18, the CSC Foundry was incorporated on the 28th July 2017, therefore its transactions are included from this date to the 31st March 2018.

The accounts for CSC Foundry Ltd which are consolidated within these Group Accounts have been independently audited and have been approved by its Board of directors.

Accounting Policies Applicable to the Group Accounts

Basis of Consolidation

The group accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Cardiff Capital Region City Deal Joint Committee and CSC Foundry Ltd. Inter-group transactions and balances between the Joint Committee and its subsidiary have been eliminated in full.

Accounting policies

CSC Foundry Ltd is a private company, limited by shares, domiciled in England and Wales, registration number 10888081. The registered office is Ty Dysgu, Cefn Coed, Nantgarw, CF15 7QQ. Its accounts have been prepared in accordance with the provisions of FRS102 Section 1A small entities.

The Group Accounts are prepared in accordance with paragraph 9.1.2.60 of the Code, using uniform accounting policies for like transactions and other events in similar circumstances. The policies to be applied are those specified for the single entity financial statements of the reporting authority, requiring realignment of the policies applied by other group members where they have materially different effect.

Therefore, the financial statements in the group accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 15 to 18.

Group Comprehensive Income and Expenditure Statement as at 31st March 2018

2016/2017 £		Notes	2017/2018 £
	Cost of Services		
23,158	Staff Costs	19	501,879
0	Premises	20	19,044
118	Transport	21	2,614
142,151	Supplies & Services	22	373,053
14,350	Support Services	23	354,016
0	Provisions	24	0
179,777	Operating Expenditure		1,250,606
(407,526)	Contributions from Local Authorities	25	(772,251)
0	Grant Income	25	(156,350)
0	Fees and Charges	25	(1,976,165)
(407,526)	Operating Income		(2,904,766)
(227,749)	Net Cost of Services		(1,654,160)
0	Interest & Investment Income	35	(17,574)
0	Financing & Investment Income & Expenditure		(17,574)
0	Recognised Capital Grants & Contributions		(24,541,472)
0	Corporation Tax	24	353,000
0	Taxation and Non Specific Grant Income		(24,188,472)
(227,749)	(Surplus) / Deficit on Provision of Services		(25,860,206)
0	Other Comprehensive Income & Expenditure		0
(227,749)	Total Comprehensive Income & Expenditure		(25,860,206)

Group Movement in Reserves Statement 2017/18

	Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 31st March 2017 Carried Forward	227,749	0	227,749
Surplus / (Deficit) on the Income and Expenditure Account	25,860,206	0	25,860,206
Called up Share Capital	0	10	10
Adjustments between Accounting Basis and Funding Basis	(24,541,472)	24,541,472	0
Increase/(Decrease in Year)	1,318,734	24,541,482	25,860,216
Balance at 31st March 2018	1,546,483	24,541,482	26,087,965

Group Balance Sheet as at 31st March 2018

31st March 2017 £		Notes	31st March 2018 £
0	Land and Buildings		0
0	Assets Under Construction		20,388,315
0	Vehicle, Plant, Furniture & Equipment		0
0	Long Term Debtors - Revenue	28	1,976,165
0	Long Term Debtors - Capital		0
0	Long Term Assets		22,364,480
0	Inventories		0
0	Short Term Debtors	28	1,564,868
384,389	Cash & Cash Equivalents	29	25,205,099
384,389	Current Assets		26,769,967
(156,640)	Short Term Creditors	31	(2,739,901)
(156,640)	Current Liabilities		(2,739,901)
0	Long Term Borrowing		0
0	Long Term Creditors	31	(19,953,581)
0	Provision for Liabilities	24	(353,000)
0	Long Term Liabilities		(20,306,581)
227,749	Net Assets		26,087,965
227,749	Usable Reserves		41,846
0	Called up Share Capital		10
0	Profit and Loss Account		1,504,637
0	Capital Adjustment Account		24,541,472
0	Revaluation Reserve		0
0	Accumulated Absences		0
0	Unusable Reserves		0
227,749	Total Reserves		26,087,965

Group Cash Flow Statement 2017/18

2016/2017 £		Notes	2017/2018 £
(227,749)	Net (Surplus) / Deficit on the provision of services		(25,860,206)
(156,640)	Adjust net surplus or deficit on the provision of services for non-cash movements	33	24,861,191
(384,389)	Net cash flows from operating activities		(999,015)
0	Investing activities	33	20,388,315
0	Financing activities	33	(44,210,010)
(384,389)	Net (increase) / decrease in cash and cash equivalents		(24,820,710)
0	Cash and cash equivalents at the beginning of the reporting period		(384,389)
(384,389)	Cash balance as at 31st March		(25,205,099)

Notes to the Core Group Financial Statements**19. Remuneration**

2016/2017 £	Remuneration	Joint Committee £	CSC Foundry Ltd £	2017/2018 £
23,158	Remuneration	456,740	45,139	501,879
23,158	Total	456,740	45,139	501,879

Officers supporting the activities of the Joint Committee are contractually employed through one of the partnering authorities or other public sector organisations, such as the Welsh Local Government Association.

In accordance with International Accounting Standard 19 – Employee Benefits, the employing body is required to disclose certain information concerning the income and expenditure of its pension scheme and its related assets and liabilities. As the Joint Committee does not directly employ staff, these statutory disclosures do not apply (instead staff pension liabilities etc. of the relevant officers will be disclosed in the financial statements of each employing body).

The Accounts and Audit (Wales) Regulations 2014 requires that the number of employees whose remuneration is over £60,000 per annum be disclosed within bands of £5,000. In addition, the Code requires a further disclosure relating to senior employees.

The following tables include disclosures of officers who fall within the Officer Emoluments criteria and have been made on a voluntarily basis, for the reasons outlined above.

Remuneration Band £	Number of Employees	
	2016/17	2017/18
95,000 - 99,999	1	1

Senior Employee Post Title	Salary, fees and allowances £	Employers Pension Contributions £	Total £
Programme Director	99,000	20,889	119,889

20. Premises Costs

The following table analyses Premises expenditure for the year.

2016/2017 £	Premises Costs	Joint Committee £	CSC Foundry Ltd £	2017/2018 £
0	Rents	13,274	0	13,274
0	National Non Domestic Rates	5,611	0	5,611
0	Other Premises Related Expenditure	159	0	159
0	Total	19,044	0	19,044

21. Transport Costs

The following table analyses Transport expenditure for the year.

2016/2017 £	Transport Costs	Joint Committee £	CSC Foundry Ltd £	2017/2018 £
0	Car Allowances	1,442	0	1,442
118	Travel Expenses	1,172	0	1,172
118	Total	2,614	0	2,614

22. Supplies and Services

The following table analyses Supplies and Services expenditure for the year.

2016/2017 £	Supplies and Services	Joint Committee £	CSC Foundry Ltd £	2017/2018 £
0	ICT, Telephones, Printing & Software	21,698	106	21,804
1,137	Meeting Room Hire & Other Meeting Costs	22,395	0	22,395
1,175	Marketing, Branding & Communications	83,872	0	83,872
139,413	* Programme Development & Support	190,921	47,304	238,225
426	Other Supplies & Services Costs	5,068	1,689	6,757
142,151	Total	323,954	49,099	373,053

* Programme Development and Support covers a range of professional advice and support needed to ensure that all projects taken forward are robust and have undergone the necessary level of challenge and independent verification to comply with requirements of the Assurance Framework.

23. Support Service Costs

The following table analyses Support Service expenditure for the year.

2016/ 2017 £	Support Service Costs	Joint Committee £	CSC Foundry Ltd £	2017/2018 £
0	HR People Services	28,524	0	28,524
8,998	Accountancy Support	120,735	22,000	142,735
0	Exchequer, Internal Audit & Insurance	2,050	0	2,050
4,614	Legal & Governance Support	75,038	0	75,038
738	ICT, Information & Governance	9,834	0	9,834
0	External Audit (Inc. Technical Advice)	80,435	3,000	83,435
0	External Advice & Support	12,400	0	12,400
14,350	Total	329,016	25,000	354,016

24. Provisions

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The following table analyses Provisions made for this purpose in the year.

2016/2017 £	Provisions	Joint Committee £	CSC Foundry Ltd £	2017/2018 £
0	Deferred Tax – Accelerated Capital Allowances	0	353,000	353,000
0	Total	0	353,000	353,000

25. Income

The following table analyses Income accounted for during the year.

2016/2017 £	Income	Joint Committee £	CSC Foundry Ltd £	2017/2018 £
(407,526)	Contributions from Local Authorities	(772,251)	0	(772,251)
0	Grant Income	(156,350)	0	(156,350)
0	Fees and Charges	0	(1,976,165)	(1,975,165)
(407,526)	Total	(928,601)	(1,976,165)	(2,904,766)

26. Related Parties

2016/2017 £	Related Party Transactions	Joint Committee £	CSC Foundry Ltd £	2017/2018 £
(18,827)	Blaenau Gwent CBC	(1,153,961)	0	(1,153,961)
(38,466)	Bridgend CBC	(2,358,551)	0	(2,358,551)
(48,773)	Caerphilly CBC	(2,990,148)	0	(2,990,148)
(96,689)	Cardiff Council	(5,927,029)	0	(5,927,029)
(16,060)	Merthyr Tydfil CBC	(984,193)	0	(984,193)
(25,035)	Monmouthshire County Council	(1,534,348)	0	(1,534,348)
(40,003)	Newport City Council	(2,452,168)	0	(2,452,168)
(64,271)	Rhondda Cynon Taf CBC	(3,940,165)	0	(3,940,165)
(24,891)	Torfaen CBC	(1,524,055)	0	(1,524,055)
(34,541)	Vale of Glamorgan Council	(2,117,633)	0	(2,117,633)
(407,526)	Total	(24,982,251)	0	(24,982,251)

27. External Audit Costs

2016/2017 £	External Audit Costs	Joint Committee £	CSC Foundry Ltd £	2017/2018 £
0	2016/17 Joint Committee Financial Audit	900	0	900
0	2017/18 Joint Committee Financial Audit	9,569	0	9,569
0	2017/18 Joint Committee Performance Audit	14,966	0	14,966
0	2017/18 Review of Arrangements that supported the CSC Foundry Ltd Investment Decision	55,000	0	55,000
0	2017/18 Audit of Accounts	0	3,000	3,000
0	Total	80,435	3,000	83,435

28. Debtors

31 st March 2017 £	Debtors	Joint Committee £	CSC Foundry Ltd £	Total 31 st March 2018 £
0	Central Government Bodies	0	0	0
0	Other Local Authorities	0	0	0
0	Other Entities and Individuals	0	3,541,033	3,541,033
0		0	3,541,033	3,541,033
0	Provision for Bad Debt	0	0	0
0	Total	0	3,541,033	3,541,033

Debtors – Long and Short Term	Long Term £	Short Term £	Total 31 st March 2018 £
Central Government Bodies	0	0	0
Other Local Authorities	0	0	0
Other Entities and Individuals	1,976,165	1,564,868	3,541,033
Total	1,976,165	1,564,868	3,541,033

29. Cash and Cash Equivalents

The Joint Committee does not hold its own bank account so all income and expenditure is managed by Cardiff Council in its role as the Accountable Body, through its own bank balance. Therefore, the amount of £25,205,099 shown as cash in the balance sheet represents the inter-authority cash held by the Accountable Body on behalf of the Joint Committee along with balances held by CSC Foundry Ltd.

31 st March 2017 £	Cash and Cash Equivalents	Joint Committee £	CSC Foundry Ltd £	Total 31 st March 2018 £
0	Bank	0	5,537,563	5,537,363
384,389	Cardiff Council Inter-Co Cash	19,667,536	0	19,667,536
384,389	Total	19,667,536	5,537,563	25,205,099

30. Financial Instruments

In addition to the Financial Assets of the Joint Committee, CSC Foundry Ltd. holds Cash and Cash Equivalents amounting to £5,537,563. All balances are shown at their fair value, which is equal to their carrying value.

The loan between the Joint Committee and CSC Foundry Ltd. is neutralised on consolidation and ceases to be a Financial Instrument in the Group Accounts.

31 st March 2017		Financial Instruments	31 st March 2018	
Carrying Amount £	Fair Value £		Carrying Amount £	Fair Value £
384,389	384,389	Cash and Cash Equivalents	25,205,099	25,205,099
0	0	Loan to CSC Foundry Ltd	0	0
384,389	384,389	Total	25,205,099	25,205,099

Financial Instrument Gains/Losses

Net interest of £17,574 has been earned on balances held as stated above, in line with each organisation's policies.

The Nature and Extent of Risks arising from Financial Instruments:

Cash and Cash Equivalents are managed by Cardiff Council, by CSC Foundry Ltd and by Monmouthshire County Council in accordance with each organisation's Treasury Management Strategy. No provisions or losses are to be recognised.

31. Creditors

31 st March 2017 £	Creditors	Joint Committee £	CSC Foundry Ltd £	Total 31 st March 2018 £
0	Central Government Bodies	19,509,513	0	19,509,513
17,744	Other Local Authorities	71,960	0	71,960
138,896	Other Entities and Individuals	162,745	2,949,264	3,112,009
156,640	Total	19,744,218	2,949,264	22,693,482

Creditors – Long and Short Term	Long Term £	Short Term £	Total 31 st March 2018 £
Central Government Bodies	17,617,013	1,892,500	19,509,513
Other Local Authorities	0	71,960	71,960
Other Entities and Individuals	2,336,568	775,441	3,112,009
Total	19,953,581	2,739,901	22,693,482

32. Usable Reserves

2016/2017 £	Usable Reserves	2016/2017 £
0	Balance as at 1 April	227,749
	Movements during year:	
227,749	Year-end balance carried forward	0
0	Funding of Expenditure	(185,903)
0	Surplus on Provision of Services	1,504,637
227,749	Balance as at 31st March	1,546,483

33. Notes to the Cash Flow Statement

2016/2017 £	Operating Activities	2017/2018 £
(156,640)	Increase / (Decrease) in Creditors	3,380,683
0	(Increase) / Decrease in Debtors	(3,544,052)
0	Capital grants / contributions recognised in I&E	(24,541,472)
0	Revenue grants / contributions recognised in I&E	(156,350)
(156,640)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(24,861,191)

2016/2017 £	Investing Activities	2017/2018 £
0	Capital Loan	0
0	Revenue Loan	0
0	Purchases of property, plant and equipment	20,388,315
0	Adjustments to net surplus or deficit on the provision of services for investing activities	20,388,315

2016/2017 £	Financing Activities	2017/2018 £
0	HMT Grant received	(20,000,000)
0	Capital contribution received	(24,210,000)
0	Adjustments to net surplus or deficit on the provision of services for financing activities	(44,210,010)

34. Capital Adjustment Account

The Capital Adjustment Account is used to reconcile the different rates at which assets are depreciated under proper accounting practice, details how capital expenditure is financed and deals with revaluation gains where applicable.

2016/2017 £	Capital Adjustment Account	2017/2018 £
0	Balance as at 1st April	0
	Capital financing applied in the year:	
0	Grants and contributions	24,541,472
0	Balance as at 31st March	24,541,472

35. Interest

Interest is earned from investment activities relating to the balance of funding held during the year by the Accountable Body on behalf of the Joint Committee. CSC Foundry Ltd. both earns and incurs interest. During 2017/18 this amounted to £17,574 (Joint Committee £16,864 and CSC Foundry Ltd, net £710).

2017/18 Annual Governance Statement

1. Scope of Responsibility

The Cardiff Capital Region City Deal (CCRCD) is a unique programme of collaborative working to enable economic change, improved digital connectivity, improved skills and education opportunities, and regeneration across the region. An Investment Fund of £495 million is funded from a HM Treasury Grant of £375 million (provided over a 20-year period) and Local Government capital contributions amounting to £120 million.

The CCRCD is overseen by a Joint Committee, which was established on the 1st March 2017 and comprises the ten Leaders from the following councils: Blaenau Gwent, Bridgend, Caerphilly, Cardiff, Merthyr Tydfil, Monmouthshire, Newport, Rhondda Cynon Taff, Torfaen and Vale of Glamorgan.

The Joint Committee is responsible for ensuring that CCRCD business is conducted in accordance with the law and proper standards. It oversees the City Deal Wider Investment Fund of £495m having regard to a combination of economy, efficiency and effectiveness. In discharging its role, the Joint Committee of the CCR City Deal is responsible for putting in place proper arrangements for the governance of its affairs.

The following governance disclosure represents an assessment in accordance with the principles of the 'Delivering Good Governance in Local Government' framework, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE). This disclosure meets the requirements of the Accounts and Audit (Wales) Regulations 2014, as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018.

2. The Purpose of the Governance Framework

The governance of the CCRCD comprises the systems, processes, culture and values in place to deliver the intended outcomes as reviewed through application of the CIPFA / SOLACE Governance Framework.

As set-out above, this is CCRCD's first full year of operation and therefore, some of the governance arrangements referred to within the Governance Framework Assessment outlined in Appendix i have been developed and introduced at various points during the year.

Whilst it is considered that the arrangements that are in place as at 31st March 2018, provide strong assurance that the principles of CIPFA's Delivering Good Governance Framework are being met, it is acknowledged that not all of these arrangements have been in place throughout the year. It is also recognised that as future investment decisions are made and as the operating arrangements of CCRCD embed, the effectiveness of these arrangements will need to be closely monitored and reviewed.

The CCRCDC has arrangements in place, which are designed to deliver strong governance and an effective system of internal control. These comprise a Joint Working Agreement (JWA) which sets out the overall governance arrangements, an Assurance Framework which sets out how the Investment fund will be allocated and managed, and an Implementation Plan. The Joint Committee and all partner councils approved its five year JWA Business Plan in March 2018 to provide a clear strategic vision and focus over the medium term.

3. **The Governance Framework**

The Governance Framework comprises two core principles and five supporting principles. Principles A and B permeate implementation of principles C to G but good governance is dynamic, and the CCRCDC Joint Committee is committed to improving governance on a continuing basis through a process of evaluation and review.

Core principles

- a. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- b. Ensuring openness and comprehensive stakeholder engagement.

Supporting Principles

- c. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- d. Determining the interventions necessary to optimise the achievement of the intended outcomes;
- e. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- f. Managing risks and performance through robust internal control and strong public financial management;
- g. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

4. **Assessment Process**

The assessment against the governance framework comprised the following stages:

- 1) Lead officers with key governance responsibilities reported the extent of assurance they could provide in their capacity against the 20 good practice assurance statements. Assurance Statements have been received from:
 - Lead Chief Executive;
 - Programme Director;
 - Joint Committee Section 151 Officer;
 - Joint Committee Monitoring Officer.

- 2) Officers documented the extent of assurance that can be provided against the 20 statements outlined in CIPFA's 'Delivering Good Governance Framework', recognising that the Joint Committee had only been in existence for 13 months as at the 31st March 2018. The responses aimed to identify the level of assurance that could be provided, using the following RAG categories:
 - GREEN - Indicates a STRONG level of assurance;
 - AMBER – Indicates a MODERATE level of assurance, which is considered to be satisfactory, but recognises that further controls could be put into place to strengthen the level of assurance and identifies further action/s that should be taken;
 - RED - Indicates a LIMITED level of assurance i.e. 'significant governance issue identified', which needs to be recognised and addressed through an agreed action.
- 3) The individual officer assurance statements were consolidated and presented to the City Deal Chief Executives Group (CEXs) for consideration, comment and agreement. Where further actions have been identified, these have been captured as part of the formal Action Plan as set-out in the conclusions section below.
- 4) To ensure ownership, the CEXs have identified and agreed the following details for each action:
 - Action owner;
 - Target date for completion;
 - Mechanisms and frequency to review progress.
- 5) Prior to its inclusion in the unaudited Statement of Accounts, an opportunity was provided for the draft Annual Governance Statement process and outputs to be discussed with the Joint Committee, with all appropriate comments reflected within the final statement.

5. Assurance Summary

The Governance Assessment exercise completed was comprehensive, carried out in accordance with CIPFA's Delivering Good Governance Framework and considered all 20 good practice assurance statements, accepting that some statements may not be directly relevant to a Joint Committee arrangement.

In addition, the Programme Director has provided the following statement to provide the appropriate context to the AGS work completed at this time:

"Our City Deal is embryonic and still very much in the early phases of development. It must therefore be borne in mind that the statements and targets described in this report reflect notional progress and different points in time where new practices, developments and standards have been adopted, in line with our emergence and 'bedding in'. This growing maturity and ongoing development is difficult to depict in target setting – and even more difficult to reflect in target

hitting. Where we have stated that something has been achieved in full or to an optimum standard, it reflects a considered view that for that stage of progress – we have completed the task. However the full context is that task will need to evolve and adapt as we advance and as such a moment in time.

This is especially important in recognising that our City Deal is now moving to the next phase of delivery and that will be important in providing a baseline from which to compare and relate progress year on year. In essence we are in ‘start up’ territory and as we move forward, this serves as an important reminder that much of what we are doing is new and different and our jurisdictions are limited to the stages we are at and the tasks relevant to them. It is only overtime and as things routinize and settle that history will allow for comparisons and more informed judgements to be made.”

Findings 1 – Strong Level of Assurance

1. As a result of the assessment process undertaken, it has been concluded that Strong Assurance can be indicated against 16 of the 20 good practice assurance statements. Details of the 16 statements, with the corresponding reference (as set-out in CIPFA’s Delivering Good Governance Framework document) are outlined in Table 1 below, with the full consolidated response detailed at Appendix i.
2. The importance of maintaining a programme of ‘Ongoing Review’ of these areas has been agreed, to ensure this level of assurance is maintained.

Table 1. – Strong Level of Assurance in Place

ASSURANCE STATEMENT REFERENCES (with abbreviated descriptions)					
4	Clear channels of communication with all stakeholders have been established.	5	A vision specifying intended outcomes has been developed and communicated effectively.	6	We have translated the vision into courses of action for our function, its partnerships and collaborations.
7	We have mechanisms in place to review the effectiveness of the decision-making framework.	8	We measure the performance of services and related projects, and ensure that they are delivered in accordance with defined outcomes.	9	We have defined and documented the roles and responsibilities of members and management.
10	Our financial management arrangements conform to all relevant legislative and best practice requirements.	11	We have effective arrangements in place to discharge the monitoring officer function.	12	We have effective arrangements in place to discharge the head of paid service function.
13	We provide relevant induction training and have mechanisms in place to identify the development needs of members and senior officers.	15	We ensure effective counter fraud and anti-corruption arrangements are developed and maintained.	16	We have an effective scrutiny function in place.

17	Our internal audit assurance arrangements conform to Public Sector Internal Audit standards and relevant best practice.	18	We have arrangements in place for the delivery of the core functions of an audit committee.	19	We provide timely support to external auditors and properly consider audit findings
20	We incorporate good governance arrangements in our partnerships and other joint working arrangements.				

Findings 2 – Moderate Level of Assurance

- 1) The assessment identified that 3 of the remaining 4 good practice assurance statements achieved a Moderate assurance rating as detailed in Table 2.
- 2) The rating recognises that the Joint Committee is relatively new in its development cycle, with roles, responsibilities, processes and procedures still 'bedding down'. However, identification of areas for improvement, coupled with a proactive approach to address the gaps via an agreed Action Plan will seek to improve the level of assurance that can be provided against these statements.

Table 2. – Moderate Level of Assurance in Place

	Assurance Statement	Consolidated Response
1	Codes of conduct exist and are effectively communicated	<p><i>Specific reference within the JWA to Codes of Conduct. Induction sessions were organised during the year for the Joint Committee (Leaders) on the Joint Working Agreement. Should instances arise between officers across the 10 Local Authorities regarding conduct then each officer is subject to their employing authority's codes of conduct.</i></p> <p><i>It is therefore important that the employment status of all officers supporting City Deal is clear, including clarity regarding the employing authority where staff transfers have occurred. The need to correctly document the arrangements in place is paramount.</i></p> <p><i>Member and staff Codes of Conduct, whistleblowing and conflicts of interest policies are in place.</i></p> <p><i>Whilst the JWA outlines that the Accountable Body's policies and procedures apply to Joint Committee matters it is unclear as to which authority's policy and procedures would apply to matters that may arise outside of the committee setting. For example is the accountable body responsible for and able to respond to complaints between officers and members of different organisations (should they arise) and are all officers and members aware of what the accountable body's policies are.</i></p>

2	We ensure compliance with all relevant laws, regulations and internal policies	<p><i>Governance protocol is designed to ensure compliance with relevant laws and regulations, whilst due diligence work aims to ensure expenditure is lawful.</i></p> <p><i>Monitoring Officer and S151 Officer (or nominated deputies) are present at every Joint Committee meeting.</i></p> <p><i>The Joint Committee follows the policies and procedures e.g. Financial Procedures Rules, Contract Standing Orders etc. of the Accountable Body which in turn are compliant with all relevant laws and regulations. Regular budget monitoring meetings took place throughout the year and were formally reported to the Joint Committee at appropriate intervals. Formal financial advice provided on all reports to the Joint Committee and relevant Sub-Committees.</i></p> <p><i>There have been a number of instances where formal reports have fallen outside of the agreed protocol in terms lateness of report and/or completeness of information provided. This creates a potential issue in respect of the s151 officer's ability to respond in time and undertake the required depth of review and challenge. There is a risk that this in turn could undermine the robustness of the assessment made in respect of identifying and reporting, key financial issues and risks in respect of the proposed decision. The 2018/19 Work Plan includes the need to review key governance documents e.g. JWA etc.</i></p> <p><i>Legal and financial implications written by appropriately qualified staff are included in all reports for decision to the Joint Committee. On occasions the draft reports had been provided with insufficient time for the written comments included in the reports to be as comprehensive as is ideal. However, legal and financial advice is available at all Joint Committee meetings and oral updates can be given. The joint committee has not been operating for very long and so this is a matter for improvement in the future.</i></p> <p><i>Business Case Development process will be key in providing assurance that internal policies and procedures are being complied with.</i></p>
3	We are committed to openness and acting in the public interest.	<p><i>Comply with Local Government legislation on public meetings. The aim is to ensure that decision making meetings are held in compliance with legislation and open to public. It is recognised that the arrangements for Welsh Language need to be more visible and therefore, need to be strengthened.</i></p> <p><i>Where information is deemed to be confidential, then appropriate tests are applied and suitable disclosures are made on published agendas within the prescribed timescales.</i></p> <p><i>Need to consider the openness and perceptions of openness of the various partnership bodies established by the City Deal. No obvious concerns as yet but Programme Director and Chair to maintain a watching brief</i></p>

Findings 3 – Limited Level of Assurance

1. The assessment identified that 1 of the 20 good practice assurance statements only offered Limited Assurance at this time. As set-out in Table 3, this relates to:

“Statement 14 - We have mechanisms to review the effectiveness of our framework for identifying and managing risks and performance and for demonstrating clear accountability”

2. Operational (including investment) decisions are informed by a good understanding of risks. All decision-making reports are considered to draw appropriate attention to relevant risks and are supported by the inclusion of detailed implications e.g. Legal, Finance, HR etc. prepared by professionally qualified staff. These arrangements support the decision-making process, whilst

ensuring compliance with the Assurance Framework and funding terms and conditions.

3. However, it is recognised that the absence of a risk management strategy to formalise a process for the identification, reporting, escalation and management of risk, provides a significant gap in assurance at a strategic risk management level. Accordingly, this area is considered to represent a significant governance issue for which steps have been considered for mitigation, and these are outlined within the conclusions section of this document.

Table 3. – Limited Level of Assurance in Place

	Assurance Statement	Consolidated Response
14	We have mechanisms to review the effectiveness of our framework for identifying and managing risks	<p><i>Quarterly Performance Management Reports provide risk rating around achievability, however, wider piece of work needed to build on risk strategy work undertaken during the year.</i></p> <p><i>Individual proposals for investment have risk registers. An overall CCRC D Risk Register needs to be completed now that the processes and procedures are agreed.</i></p> <p><i>Issues log in place to capture all financial and technical issues as they arose through the year. All but 2 of the 36 issues captured have been resolved and closed. However, consideration needed to establish a similar process in respect of the identification of key financial risks and associated mitigation measures.</i></p> <p><i>Arrangements for the identification and monitoring of wider Risks, need to be put in place.</i></p>

6. Other Cardiff Capital Region City Deal Governance Related Work

In addition to the specific governance assessment process outline above, a number of other governance related reviews have been undertaken which will serve to supplement the work and findings outlined in the AGS at this time.

a) Wales Audit Office (Performance Audit) - Review of Compound Semi-Conductor Foundry Project

Commenced: February 2018

Report Issued: Expected towards the end of 2018

The Wales Audit Office Performance Audit Team commenced a review of the decision to invest in the Compound Semi-Conductor (CSC) Foundry project, towards the end of the 2017/18 financial year. The final report is expected to be issued towards the end of 2018 and governance arrangements will be reviewed in-light of the findings and any recommendations that are set-out in that report.

b) Internal Audit Service - Review of Governance, Transparency and Effective Decision Making Project

Commenced: April 2018

Report Issued: July 2018

Cardiff Council's Internal Audit Service is responsible for providing internal audit services to the Cardiff Capital Region City Deal through a Service Level Agreement (SLA) with the Accountable Body.

To enable the Internal Audit Service to fulfil its role, a 5 year audit plan has been prepared covering the period from 2017-18 to 2021-22 and sets out the proposed work required each year, to secure the appropriate level of assurance.

The first audit of the 5 year plan covered governance, transparency and the effectiveness of decision making and was undertaken just after the end of the 2017-18 financial year. The final report was issued in July 2018.

In summary, the key findings largely mirror those reached as part of the AGS assessment outline above. The audit report's Recommendations, Risk Rating, Management Response and Agreed Actions were set-out in Appendix iii (Internal Audit Action Plan) of the report.

Progress against the Internal Audit Action Plan will be monitored and reported to the Joint Committee through the quarterly performance reporting arrangements.

A further Internal Audit is scheduled during the second half of the 2018/19 financial year.

7. Conclusions & Next Steps

- a) The assessment process identified that in the vast number of areas (16 out of 20) good practice is applied and therefore, Strong Assurance is in place. The areas where improvement actions have been identified will be subject to 'ongoing review' by officers to target strong assurance in all areas and ensure that high standards continue and remain consistent going forward.
- b) Officer feedback identified 3 areas where Moderate Assurance is currently provided and 1 area where only Limited Assurance is currently indicated. The action plan outlined in Table 4. below is aimed at addressing the current shortcomings, whilst agreeing a formal mechanism for the continuing review of those areas where Strong Assurance has been identified at this time.
- c) In addition, other governance related work has been undertaken and the arrangements will be reviewed on completion of that work.

Table 4. – Action Plan

Assurance Statement	Suggested Action	Responsible Officer/s	Review Period	Mechanism for Review
Statements: 4, 5, 6, 7, 8 ,9, 10, 11, 12, 13, 14, 15, 17, 18 ,19, 20	Periodic review of Good Practice Assurance Statements undertaken during the year.	Programme Director, s151 Officer, Monitoring Officer & CEXs	6 monthly	Half-year review of AGS

1	Codes of conduct exist and are effectively communicated	Clarity needed on the applicability of Policies and Procedures outside of those explicitly outlined in the JWA The need to correctly document the employment arrangements in place is paramount. HR (Accountable Body) to advise, with any non-compliance escalated to CEXs via Programme Director	Programme Director with advice from Accountable Body	Quarterly	Progress against action monitored and reported on a quarterly basis
2	We ensure compliance with all relevant laws, regulations and internal policies	Need to remind City Deal partnering authorities of the Governance Protocol approved by the Joint Committee in relation to the decision making framework	Programme Director / CEXs	Quarterly	Progress against action monitored and reported on a quarterly basis
3	We are committed to openness and acting in the public interest	It is recognised that the arrangements for Welsh Language need to be more visible and therefore, need to be strengthened.	Programme Director with advice from Accountable Body	Quarterly	Progress against action monitored and reported on a quarterly basis
14	We have mechanisms to review the effectiveness of our framework for identifying and managing risks	Programme Director to lead on putting in place the appropriate arrangements in respect of Strategic Risk Management	Programme Director	Quarterly	Progress against action monitored and reported on a quarterly basis

8. As indicated within Table 4 above, appropriate officers have been identified as responsible for the development of the respective action plans, with each action having clear and defined governance arrangements in terms of deadlines for implementation and mechanisms for review. Outcomes arising from this process will be analysed throughout the 2018/19 financial year and lead by the responsible officers, with the appropriateness of the suggested action plans being the subject of ongoing assessment.

Certification by the Chair of the Cardiff Capital Region Joint Committee and the City Deal Programme Director.

Cllr Andrew Morgan

Date

Kellie Beirne

Date

Governance Framework Assessment

STRONG ASSURANCE		
Assurance Statement	Consolidated Response	Suggested Action
4 Clear channels of communication with all stakeholders have been established	<p>Clear channels of communication have been established with the ten Councils through the establishment of the S151 Officer Group and Technical Sub-group. Key issues are debated and decisions made are appropriately communicated. Decisions requiring escalation are managed accordingly. Arrangements in place to provide financial advice and support to Programme Board, CEXs and the Joint Committee (Briefings and Meetings). Arrangements in place to consult with Welsh Government and Wales Audit Office as required. Arrangements in place to support the implementation of approved projects e.g. CSC Foundry Project.</p> <p>Web site developed. Advisory groups / bodies either set up (or in process of being set-up) for consultation on relevant matters.</p> <p>Initial meeting with all Monitoring Officers held to discuss original agreement and subsequent email contact</p> <p>Local arrangements are well established, with good progress made on developing these in a regional context. Some further work to do with the Business forum, with the Regional Business Council advisory body (once established), acting as the conduit.</p>	Subject to Ongoing Review
5 A vision specifying intended outcomes has been developed and communicated effectively	5 year JWA Business Plan agreed by the Joint Committee and adopted by all 10 Councils in March 2018 and sets vision, aims & objectives.	Subject to Ongoing Review
6 We have translated the vision into courses of action for our function, its partnerships and collaborations.	<p>Annual Business Plan translates JWA Business Plan into action plan for each year.</p> <p>The Quarterly Performance Reporting against the Annual Work Plan will ensure agreed courses of action are regularly monitored and reported upon.</p>	Subject to Ongoing Review

7	We have mechanisms in place to review the effectiveness of the decision-making framework	<p>Completion of the AGS proforma by those responsible for and supporting governance matters, coupled with the process of consulting with the wider CEX group and the resulting Action Plan, demonstrates that a mechanism for reviewing effectiveness is in place. Introduction of the Joint Scrutiny function during 18/19 will introduce a further mechanism of review (see Statement 16).</p> <p>Assurance Framework has been accepted by UK & Welsh Government. JWA includes details of delegations. All investment proposals must comply with Assurance Framework. Gateway reviews every 5 years ensure mechanisms for review. Quarterly liaison meetings with UK and Welsh Government in place.</p> <p>Joint Committee indicated that it would like to review its delegations when the new Programme Director is in place and this action has been added to the 2018/19 work plan.</p> <p>Senior Offices representing the Accountable Body attend key meetings, briefings, workshops etc. in preparation for formal decisions via Joint Committee reports.</p>	Subject to Ongoing Review
8	We measure the performance of services and related projects, and ensure that they are delivered in accordance with defined outcomes	<p>City Deal is still in its infancy with only one project fully approved and in delivery stage at this time. Projects are required to go through formal business case development cycle, however, at the time of the first project approval, the full assessment process was still in development.</p> <p>The business case development cycle will include details of the financial assessment done as part of that process will consider matters such as deliverability, value for money and compliance with funding Terms and Conditions. An appropriate level of resources (capacity and capability) have identified to support these activities. Regular bi-monthly meetings with UK and Welsh Government, supplemented by the 5 year Gateway Review process add appropriate challenge and review mechanisms. The effective role of Programme Board is key in robustly applying the 'Scheme Assessment, Appraisal and Evaluation' framework, once approved.</p> <p>In addition the Assurance Framework requires 5 Case Business Model detail info & will measure the outputs & outcomes of each investment made. UK and Welsh Government Funding Terms & Conditions requires compliance with Assurance Framework.</p>	Subject to Ongoing Review

9	We have defined and documented the roles and responsibilities of members and management	<p>JWA Governance structure specifies the Roles & Responsibilities. JWA sets s151 Officer and Monitoring Officer roles and responsibilities of members and officers with clear protocols for effective communication in respect of authority and partnership arrangements.</p> <p>This is supplemented by a range of SLAs which clearly set-out the level of support that will be provided. Governance protocol also in place and approved by the Joint Committee.</p>	Subject to Ongoing Review
10	Our financial management arrangements conform to all relevant legislative and best practice requirements.	<p>Financial management arrangements conform to all relevant legislative and best practice requirements. Full budget cycle (budget setting, monitoring and accounts closure) completed in accordance with statutory and internal deadlines. Regular budget monitoring meetings took place throughout the year and were formally reported to the Joint Committee at appropriate intervals. Formal financial advice provided on all reports to the Joint Committee and relevant Sub-Committees. As set-out in 9 above a range SLAs in place which outline the financial management support and services that have been provided throughout the year. Close working relationship maintained with Welsh Government and Wales Audit Office to ensure City Deal expenditure is appropriately accounted for under the relevant legislative powers in the current year and going forward as each project is approved.</p>	Subject to Ongoing Review
11	We have effective arrangements in place to discharge the monitoring officer function.	<p>A Monitoring Officer representative is at all Joint Committee meetings and is able to contact senior staff and raise any concerns.</p>	Subject to Ongoing Review
12	We have effective arrangements in place to discharge the head of paid service function.	<p>No head of paid service as not statutory body. All employees are seconded from other Local Authorities subject to their respect Head of Paid Service arrangements. The CCR appoints the Regional Programme Director who oversees daily HR/Staffing issues of the PMO.</p>	Subject to Ongoing Review
13	We provide relevant induction training and have mechanisms in place to identify the development needs of members and senior officers	<p>Member induction June 2107 after Local Government Elections. Each Local Authority leader has benefit of own Local Authority Training. Training for PMO (and wider) staff has been undertaken and budget provision for training allocated in budget.</p> <p>Training provided to PMO staff on financial matters including budget matters e.g. chart of accounts, purchasing, ordering and payment of invoices.</p>	Subject to Ongoing Review

15	We ensure effective counter fraud and anti-corruption arrangements are developed and maintained.	<p>SLA in place with the Accountable Body's Internal Audit section, which incorporates a 4 year audit plan, which is based on a risk assessment. As the City Deal activity ramps up the Audit Plan will be developed and updated accordingly. The accounts of CSC Foundry Ltd will be externally audited to provide independent assurance.</p> <p>All procedures for purchasing goods & services follow CCC policies. Clearly identified financial authorisation limits in place.</p>	Subject to Ongoing Review
16	We have an effective scrutiny function in place.	<p>Until such time as Joint Scrutiny arrangements are in place, effective scrutiny arrangements are met through the ability of each member's individual Scrutiny Committee to scrutinise decisions if they so wished.</p> <p>Proposals for Regional Joint Scrutiny were accepted by the Joint Committee in November 2017. Bridgend CBC will now take the role of Lead Authority in ensuring delivery of the Regional Joint Scrutiny Committee.</p>	Next steps in relation to Regional Joint Scrutiny to be included in 18/19 Work Plan, along with timescales for implementation.
17	Our internal audit assurance arrangements conform to Public Sector Internal Audit standards and relevant best practice.	<p>SLA in place with the Accountable Body's Internal Audit section, which incorporates a 4 year audit plan based on an assessment of risk. As the City Deal activity ramps up the Audit Plan will be developed and updated accordingly. The Internal Audit section conforms to Public Sector Internal Audit standards and relevant best practice.</p> <p>Cardiff Council's Audit Committee meeting of the 27th March 2018, noted the successful completion and endorsement of its 5yr Peer Review by RCT Council</p>	Subject to Ongoing Review
18	We have arrangements in place for the delivery of the core functions of an audit committee.	<p>There is no statutory requirement for a Joint Committee to have its own audit committee. The Joint Committee is the body charged with governance and therefore the 'core functions' of an audit committee are being delivered through a combination of roles and responsibilities. For example, ensuring effective financial management and internal controls, preparing its accounts and submission for audit is discharged by the Joint Committee through its appointed s151 Officer. Providing independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes is achieved via an SLA with the Accountable Body's Internal Audit Section and through the Annual External Audit Plan.</p>	Subject to Ongoing Review

19	We provide timely support to external auditors and properly consider audit findings	<p>A two-way relationship is maintained with Wales Audit Office, with regular update meetings taking place through the year. WAO have made available a Technical Manager to observe the work of the Technical Sub-group and assist with resolving issues as they arise.</p> <p>The 2016/17 Smaller Bodies Return audit was completed on time and without qualification. Regular updates and exchanges taking place with WAO in respect of the preparation of the 2017/18 full Statement of Accounts. WAO Review of the CSC Foundry Project ongoing with meetings attended and information provided as appropriate.</p> <p>The first formal WAO review is currently taking place and all information requested to-date has been provided.</p>	Subject to Ongoing Review
20	We incorporate good governance arrangements in our partnerships and other joint working arrangements.	<p>Joint Committee governance arrangements are covered in the JWA. Depending on the nature of the partnerships different governance structures are required. Terms of Reference of Regional Partnerships agreed by Joint Committee. Regional Skills Partnership are developing their governance. The Regional Business Council are developing governance but any funding provided by CCRCD will be subject to a grant agreement.</p> <p>In this context, partnerships are considered to refer to our true partners such as the Welsh and UK Governments and possibly (in time) other city deals. Constituent bodies established the deal as part of the governance structure operate in part as partners, but that implies that we have no control over their governance. We do and therefore it is suggested that we have a more active influence in their probity, transparency etc. than we would a truly independent partner.</p>	Subject to Ongoing Review

Glossary of Relevant Local Government Accountancy Terms

Knowledge of basic accountancy terminology is assumed. However, there are certain specialist terms related to local government finance, which are described below:

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Asset Under Construction

An asset that is not yet complete.

Borrowing

Loans taken out taken out by the Council to pay for capital expenditure or for the prudent management of the Council's financial affairs.

Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

Capital expenditure pays for improvements to existing and new assets used in the delivery of Council services as well as other items determined by Regulation. Capital resources are scarce, costly and also have long term revenue implications over many years and even generations where capital expenditure is funded by borrowing. Hence the requirement of the Prudential Code to ensure what is charged as Capital Expenditure is Prudent, Sustainable and Affordable.

The statutory definition of capital expenditure is given in the Local Government Act 2003, the Local Authorities (Capital Finance) Regulations 2003 and 2004 amended. Statute relies on the accounting measurement of cost in IAS 16 to determine whether expenditure is eligible to be capitalised or whether it should be treated as revenue expenditure. Key to what is eligible as capital spend are the following words in IAS 16 - 'Costs directly attributable to bringing the specific asset into working condition for its intended use'.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Cash and Cash Equivalents

Sums of money available for immediate use and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Chartered Institute of Public Finance & Accountancy (CIPFA)

CIPFA is the leading professional accountancy body which determines accounting standards and reporting standards to be followed by Local Government.

Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

Current Value

The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

Debtors

These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

Earmarked Reserves

Amounts set aside to be used to meet specific, known or predicted future expenditure.

External Audit

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Fair Value

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Impairment

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Investments

The purchase of financial assets in order to receive income and/or make capital gain at a future time, however with the prime concern being security of the initial sum invested.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Prior Period Adjustments

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

Property, Plant and Equipment (PPE)

Tangible assets (i.e. assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

Provisions

Amounts set aside in respect of liabilities or losses which are likely or certain to be incurred, but in relation to which the exact amount and date of settlement may be uncertain.

Related Parties

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Reserves

Reserves are also amounts set aside for future use. Reserves may be for a specific purpose in which case they are referred to as 'earmarked reserves' or they may be general reserves (or balances) which every Council must maintain as a matter of prudence.

Treasury Management

The process by which the Council controls its cash flow and its borrowing and lending activities.



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – Cardiff Capital Region City Deal Joint Committee

Audit year: 2017-18

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This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

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infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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Summary report

Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the Cardiff Capital Region City Deal Joint Committee (the Committee) at 31 March 2018 and its income and expenditure for the year then ended. The accounts consolidate the operating results and balances of the Committee and its subsidiary, Compound Semi-Conductor Foundry Ltd (CSC Foundry Ltd). The accounts for CSC Foundry Ltd which are consolidated within the group accounts are independently audited.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative levels at which we judge such misstatements to be material for the Committee is £247,000. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of Committee, for 2017-18, that require reporting under ISA 260.

Status of the audit

- 6 The accounts of the Joint Committee consolidate the operating results and balances of the Joint Committee and its subsidiary (CSC Foundry Ltd) for the year ended 31 March 2018. The accounts for CSC Foundry Ltd are prepared by officers of Monmouthshire County Council and are independently audited by a private sector accountancy practice.
- 7 Following approval of the draft Joint Committee accounts by the Cabinet on 18 June 2018, we received the draft financial statements in line with the agreed deadline.
- 8 We have now substantially completed the audit work and we are reporting to you the more significant issues arising from the audit. The audit team has already discussed these issues with the Corporate Director Resources and Head of Finance.

Proposed audit report

- 9 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
- 10 The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

- 11 There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

- 12 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#)

Other significant issues arising from the audit

- 13 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:
 - **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** This is the first set of consolidated accounts that the Joint Committee has been required to produce. In preparation for this, we liaised closely with representatives of the finance directorate of Cardiff Council over a number of months in terms of the proposed format and content of the draft accounts. Consequently, the quality of the draft financial statements presented for audit were generally of a good standard.
 - **We encountered some difficulties during the audit.** The draft financial statements of the Joint Committee were based upon the unaudited financial statements of its subsidiary CSC Foundry Ltd. The operating results and balances of CSC Foundry Ltd contained balances and disclosures that were likely to be material to the consolidated accounts and therefore we were unable to provide our opinion on the consolidated Joint Committee consolidated accounts until the audit of CSC Foundry Ltd was complete. The audit of CSC Foundry Ltd was completed by its auditors on 26 October 2018 (ie approximately four weeks after the statutory deadline for completion of

the Joint Committee financial statements). As a result of that audit, a number of material amendments to the subsidiary's draft accounts were required. These amendments also impacted upon the transactions and balances of the consolidated Joint Committee's accounts. Therefore, the draft Joint Committee accounts could not be updated by Cardiff Council until the final version of the subsidiary's accounts were received from Monmouthshire County Council. **Appendix 3** and paragraph 14 below provide further details in respect of the amendments required to the 2017-18 accounts and the statutory audit deadlines from 2018-19 onwards.

- **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal controls that we have not reported to you already.**
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Amendments to the accounts and audit deadlines going forward

14 Under the Accounts and Audit (Wales) (Amendments) Regulations 2018¹, in future the Joint Committee and the Auditor General are required to meet earlier statutory deadlines. Under the amended regulations the new deadlines are due to change in stages, with the final change taking effect from 2020-21. **Exhibit 1** sets out the new deadlines.

Exhibit 1: changes in deadlines introduced by the amended regulations

Annual financial statements year	Financial statements signed by the responsible finance officer (Section 151 Officer)	Financial statements approved by the Joint Cabinet and published (with the signed audit certificate or an explanation for its absence)
2017-18	30 June 2018	30 September 2018
2018-19	15 June 2019	15 September 2019
2019-20	15 June 2020	15 September 2020
2020-21 and thereafter	31 May 2021	31 July 2021

¹ <http://www.legislation.gov.uk/wsi/2018/91/contents/made>

- 15 To comply with the relevant legislative requirements, on 28 September 2018, the Joint Committee published its draft financial statements, together with a statement, which explained that the audit was yet to be concluded due to technical matters relating to the 2017/18 audit of CSC Foundry Ltd needing to be finalised.
- 16 Given the earlier statutory deadlines going forward, it is important that the Joint Committee agrees a timetable for the completion and audit of CSC Foundry Ltd's financial statements that will enable them to comply with statutory deadlines for the completion of the Joint Committee's financial statements.

Recommendations arising from our 2017-18 financial audit work

- 17 The recommendations arising from our financial audit work are set out in [Appendix 4](#). Management has responded to them and we will follow up progress on them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Independence and objectivity

- 18 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 19 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There is one potential conflict of interest that I wish to bring to your attention. This relates to the Audit Manager of my financial audit team whose wife previously worked with, and remains, a friend of the Chair of the Joint Cabinet's mother. However, in my opinion as the work of the Audit Manager does not require any direct contact with the Chair outside of the Joint Cabinet meetings, I do not believe that this impacts on our objectivity and independence. With the exception of this, all other members of my team are independent of the Council and your officers and there are no relationships between the Wales Audit Office and the Joint Committee that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

17 December 2018

Representations regarding the 2017-18 financial statements

This letter is provided in connection with your audit of the financial statements of the Cardiff Capital Region City Deal Joint Committee (the Joint Committee) for the year ended 31 March 2018 for the purpose of expressing an opinion on their truth and fairness.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Code of Practice; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Committee and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There are no uncorrected misstatements.

Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for ensuring that the Joint Committee maintains adequate accounting records.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Committee on 17 December 2018.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

[Officer who signs on behalf of management]

Date: 17 December 2018

Signed by:

[Officer or Member who signs on behalf of those charged with governance]

Date: 17 December 2018

Appendix 2

Proposed audit report of the Auditor General to the Cardiff Capital Region City Deal Joint Committee

The independent auditor's report of the Auditor General for Wales to the members of Cardiff Capital Region City Deal Joint Committee

Report on the audit of the financial statements

Opinion

I have audited the financial statements of:

- Cardiff Capital Region City Deal Joint Committee; and
- Cardiff Capital Region City Deal Joint Committee Group;

for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

The Cardiff Capital Region City Deal Joint Committee financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

Cardiff Capital Region City Deal Joint Committee Group financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Cardiff Capital Region City Deal Joint Committee and Cardiff Capital Region City Deal Joint Committee Group as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section

of my report. I am independent of the Joint Committee and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the joint committee or the group's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the Narrative report and accounts. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial

statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the joint committee and the group and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Cardiff Capital Region City Deal Joint Committee in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Financial Statements, the responsible financial officer is responsible for the preparation of the statement of accounts for Cardiff Capital Region City Deal Joint Committee and Group which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the joint committee's and the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
19 December 2018

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of the Cardiff Capital Region City Deal Joint Committee Cabinet

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Corrections arising from the audit of the Committee's single-entity accounts

Exhibit 2: Impact on single-entity accounts

Value of correction	Nature of correction	Reason for correction
Balance Sheet 'Reclassification of Short-Term Debtors' and 'Cash' balances. Cash increase of £261,647 and corresponding decrease in short-term debtors of £261,647.	Receipt believed to be owed at year-end had been received but was initially allocated within a Cash Suspense balance. Associated impact on Cashflow Statement and Note.	Recognises that the material debt balance had been received and was held as a cash asset as at 31 March 2018 and not a debt.
Comprehensive Income & Expenditure Account 2016-17 comparators: 'Contributions from Local Authorities' - £227,749 increase.	Disclosure of prior-year income omitted the unused balance of funding received and carried forward into 2017-18 Associated impact on Cashflow Statement and Note.	Correction to ensure disclosure of prior-year surplus equals the opening net assets per Joint Committee Balance Sheet.
Comprehensive Income & Expenditure Account Reclassification of expenditure costs between 'Staff Costs, 'Transport' and 'Supplies and Services', £17,216.	Analysis of ledger data used to collate account analysis identified incorrect classification of expenditure in various expenditure sub-headings.	Improves the accuracy and classification of the expenditure disclosed.

Value of correction	Nature of correction	Reason for correction
Cashflow Statement, Movement in Reserves Statement, Expenditure and Funding Analysis, Disclosure Notes and Annual Governance Statement	A number of amendments were made in relation to disclosures made in the Cashflow Statement, Movement in Reserves Statement, Expenditure and Funding Analysis, and disclosure notes within the Financial Statements and within the Annual Governance Statement	To ensure compliance with accounts and Annual Governance Statement disclosure requirements

Corrections arising from the audit of the Committee's subsidiary accounts

Exhibit 3: Impact on single-entity accounts

Value of correction	Nature of correction	Reason for correction
<p>Balance Sheet 'Long-Term Debtors - Revenue' balance - £334,137 decrease</p> <p>Balance Sheet 'Long-Term Debtors - Capital' balance - £334,137 increase</p> <p>Balance Sheet 'Long-Term Creditors' balance - £334,137 decrease</p> <p>Comprehensive Income & Expenditure Account 'Recognised Capital Gains + Contributions' - £334,137 decrease</p> <p>Balance Sheet Reserves 'Capital Adjustment Account' £334,137 increase</p>	The reclassification of revenue expenditure as capital expenditure on the group account consolidation has impacted on the amount of funding provided to the subsidiary and expended on revenue or capital purposes.	Amendments made during the audit of the subsidiary accounts altered the relative split of revenue and capital expenditure incurred. Material amendments were therefore required to the single-entity accounts to recognise the impact of increased funding of capital expenditure.

Exhibit 4: Impact on Group Accounts

Value of correction	Nature of correction	Reason for correction
<p>Balance Sheet 'Long-Term Debtors' balance - £1,976,165 increase</p> <p>Comprehensive Income & Expenditure Account 'Fees and Charges' - £1,976,165 increase</p>	<p>Following the final certification of the CSC Foundry Ltd subsidiary accounts, the accounting convention of income recognition spread across the full period of the lease contract has been applied to the 2017-18 rent-free period, with this income held as a debtor until such time as it is received later in the life of the lease.</p>	<p>Amendments made during the audit of the subsidiary accounts to ensure correct accounting treatment to recognise income due, material amendments subsequently needed on the group accounts.</p>
<p>Balance Sheet: 'Asset under Construction' balance - £767,338 increase</p> <p>Balance Sheet 'Short-Term Creditors' balance - £324,480 decrease</p> <p>Comprehensive Income & Expenditure Account, Various expenditure classifications within 'Operating Expenditure' - £442,958 decrease</p>	<p>Following the final certification of the CSC Foundry Ltd subsidiary accounts, an additional £767,338 of expenditure previously categorised as revenue was re-categorised as capital and added to the Asset under Construction on the Group Balance Sheet.</p>	<p>Amendments made during the audit of the subsidiary accounts to ensure correct accounting treatment of expenditure incurred, material amendments subsequently needed on the group accounts.</p>
<p>Balance Sheet 'Provisions' balance - £353,000 increase</p> <p>Comprehensive Income & Expenditure Account 'Corporation Tax' - £353,000 increase</p>	<p>Following the final certification of the CSC Foundry Ltd subsidiary accounts, a corporation tax liability was recognised on the surplus for the year and a matching provision was raised for its future payment.</p>	<p>Amendments made during the audit of the subsidiary accounts to ensure recognition of corporation tax liability, material amendments subsequently needed on the group accounts</p>

Value of correction	Nature of correction	Reason for correction
<p>Balance Sheet 'Provisions' balance - £1,800,172 decrease</p> <p>Balance Sheet 'Long Term Creditors' balance - £1,800,172 increase</p>	<p>Following the final certification of the CSC Foundry Ltd subsidiary accounts, the original provision balance representing the eventual potential settlement payment due if the tenant company did not exercise their option to purchase has been reclassified as a Creditor.</p>	<p>Amendments made during the audit of the subsidiary accounts to ensure correct classification of liability balances, material amendments subsequently needed on the group accounts.</p>
<p>Balance Sheet 'Short Term Creditors' balance - £536,396 decrease</p> <p>Balance Sheet 'Long Term Creditors' balance - £536,396 increase</p>	<p>Following the final certification of the CSC Foundry Ltd subsidiary accounts, reclassification made between categories of creditor liability to accurately recognise the timeframe for their clearance.</p>	<p>Amendments made during the audit of the subsidiary accounts to ensure correct classification of liability balances, material amendments subsequently needed on the group accounts.</p>

Appendix 4

Recommendation arising from our 2017-18 financial audit work

We set out the recommendation arising from our audit with management's response to it. We will follow up this next year and include any outstanding issues in next year's audit report:

Exhibit 5: recommendations arising from our 2017-18 financial audit work

Matter arising 1 – Timely receipt of audited certified accounts of Joint Committee subsidiaries	
Findings	<p>We were unable to complete our audit of the Joint Committee's 2017-18 financial statements in line with the statutory deadline. This was due to the fact that, as at 30 September 2018, a number of technical accounting issues were still to be resolved in respect of the Joint Committee's special purpose vehicle CSC Foundry Ltd.</p> <p>The nature of the matters that were to be resolved indicated that they were likely to lead to material changes to the Joint Committee's draft financial statements prior to the Wales Audit Office being in a position to provide an opinion on the truth and fairness of the Groups financial statements.</p>
Priority	High
Recommendation	<p>Given the delays experienced in certifying the Joint Committee's 2017-18 financial statements and the earlier statutory deadlines for future years, we recommend that the Joint Committee reviews and agrees a revised timetable with Monmouthshire County Council for the completion and audit of CSC Foundry Ltd's 2018-19 financial statements.</p> <p>The revised timetable should ensure that it provides sufficient time to allow staff working for the accountable body within Cardiff Council to make the necessary consolidation adjustments within the Joint Committee's draft financial statements.</p>

Matter arising 1 – Timely receipt of audited certified accounts of Joint Committee subsidiaries

Management response	<p>The delays experienced in finalising the CSC Foundry Ltd Accounts for 2017/18 were due to specific issues relating to Corporation Tax Liability and Capital Allowances, which made it necessary for significant legal and technical work to be undertaken by the CSC Foundry's Auditors in order to report both. As this work is now complete, the risk of such complications elongating the process of finalising CSC Foundry Ltd's accounts in future years is reduced.</p> <p>However, officers of Cardiff and Monmouthshire Councils are working together to put arrangements in place to ensure that all reasonable steps are taken in order to meet the deadlines for compiling the Single Entity Accounts, the CSC Foundry Ltd Accounts and therefore the Consolidated Group Accounts for 2018/19.</p>
Implementation date	31 March 2019

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Cardiff CF11 9LJ

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Textphone.: 029 2032 0660

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Final Letter of Representation

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

17th December 2018

Representations regarding the 2017-18 financial statements

This letter is provided in connection with your audit of the financial statements of the Cardiff Capital Region City Deal Joint Committee (the Joint Committee) for the year ended 31 March 2018 for the purpose of expressing an opinion on their truth and fairness.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the Code of Practice; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:

- all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Committee and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There are no uncorrected misstatements

Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for ensuring that the Joint Committee maintains adequate accounting records.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Committee on 17th December 2018.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

Kellie Beirne
Programme Director, on behalf of management

Cllr Andrew Morgan
Chair, on behalf of those charged with
governance

Date: 17th December 2018

Date: 17th December 2018

Future Generations Assessment Evaluation

Name of the Officer completing the evaluation: Kellie Beirne Phone no: 07826 9219286 E-mail: kellie.beirne@cardiff.gov.uk	Please give a brief description of the aims of the proposal To present the final, audited Joint Committee Statement of Accounts for 2017/18.
Proposal: Joint Committee to approve the final, audit accounts	Date Future Generations Evaluation form completed: 05 Dec 2018






1. **Does your proposal deliver any of the well-being goals below?** Please explain the impact (positive and negative) you expect, together with suggestions of how to mitigate negative impacts or better contribute to the goal.

Page 100

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
A prosperous Wales Efficient use of resources, skilled, educated people, generates wealth, provides jobs	The report presents the final, audited Statement of Accounts and Wales Audit Office Report. Whilst this is not directly relevant – it sets out a picture of wider City Deal progress relating to governance and financial accountabilities and responsibilities	Set out in report
A resilient Wales Maintain and enhance biodiversity and ecosystems that support resilience and can adapt to change (e.g. climate change)	Not directly relevant however financial support and investments will have regard to these principles and will be set out on a business-case by business-case basis.	
A healthier Wales	Not direct applicable	

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
People's physical and mental wellbeing is maximized and health impacts are understood		
A Wales of cohesive communities Communities are attractive, viable, safe and well connected	Not directly applicable	
A globally responsible Wales Taking account of impact on global well-being when considering local social, economic and environmental wellbeing	Not directly applicable	
A Wales of vibrant culture and thriving Welsh language Culture, heritage and Welsh language are promoted and protected. People are encouraged to do sport, art and recreation	Not directly applicable	
A more equal Wales People can fulfil their potential no matter what their background or circumstances	City Deal is about delivering as far as possible across 10 LAs and a population of £1.5m people. It is about economic gains – but importantly how this will convert as tools for improving people's lives. Some of the specific interventions around skills and housing – will seek to make a more direct contribution to equity of access and equal opportunity for all.	

2. How has your proposal embedded and prioritized the sustainable governance principles in its development?

Sustainable Development Principle	Does your proposal demonstrate you have met this principle? If yes, describe how. If not explain why.	Are there any additional actions to be taken to mitigate any negative impacts or better contribute to positive impacts?
 <p>Long Term</p> <p>Balancing short term need with long term and planning for the future</p>	<p>Relates to a final position and opinion and must be seen in context of the wider 5 year business plan</p>	
 <p>Collaboration</p> <p>Working together with other partners to deliver objectives</p>	<p>As above – albeit the assessment does refer to opinions and areas for improvement</p>	
 <p>Involvement</p> <p>Involving those with an interest and seeking their views</p>	<p>Communications and engagement remain a feature of our work.</p>	
 <p>Prevention</p> <p>Putting resources into preventing problems occurring or getting worse</p>	<p>Demonstrated in the report through detailed funding allocations and investment cases</p>	
 <p>Integration</p> <p>Considering impact on all wellbeing goals together and on other bodies</p>	<p>City Deal seeks to make a contribution on place and to improving the life chances of people in the region.</p>	

3. Are your proposals going to affect any people or groups of people with protected characteristics? Please explain the impact, the evidence you have used and any action you are taking below.

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Age	The report is to present the Statement of Accounts and Wales Audit Office Report. Protected characteristic assessments related to specific proposals will need to be drawn out in the relevant business cases and proposal documents.	None arising at this time.	
Disability	As above	As above	
Gender reassignment	As above	As above	
Marriage or civil partnership	As above	As above	
Pregnancy or maternity	As above		
Race	As above		
Religion or Belief	As above		
Sex	As above		
Sexual Orientation	As above		
Welsh Language	As above	Not at this time but the situation will be kept under review.	

4. Safeguarding & Corporate Parenting. Are your proposals going to affect either of these responsibilities?

	Describe any positive impacts your proposal has on safeguarding and corporate parenting	Describe any negative impacts your proposal has on safeguarding and corporate parenting	What will you do/ have you done to mitigate any negative impacts or better contribute to positive impacts?
Safeguarding	Not directly relevant –however, building the future economy should have a profoundly positive impact on ability to safeguard the future of our residents		
Corporate Parenting	Not directly relevant – however building strength in the economy should create opportunities for all of the young people entrusted in our care		

5. What evidence and data has informed the development of your proposal?

<ul style="list-style-type: none"> • Annual Governance Statement • CSC Foundry Ltd reporting
--

6. SUMMARY: As a result of completing this form, what are the main positive and negative impacts of your proposal, how have they informed/changed the development of the proposal so far and what will you be doing in future?

This report discharges the Joint Committee’s statutory obligation to produce an audited Statement of Accounts for the financial year

7. MONITORING: The impacts of this proposal will need to be monitored and reviewed. Please specify the date at which you will evaluate the impact, and where you will report the results of the review.

The impacts of this proposal will be evaluated on:	N/a – The audit for 2017/18 is now complete
---	--

17 DECEMBER 2018 MEETING

2018-19 ANNUAL BUSINESS PLAN - QUARTER 2 PERFORMANCE REPORT

REPORT OF CARDIFF CAPITAL REGION DIRECTOR

AGENDA ITEM: 5

Reason for this Report

1. To inform key stakeholders, principally, Regional Cabinet and Wales and UK Governments of the Quarter 2 performance reporting position against the 2018/19 City Deal Business Plan, thus discharging the reporting requirements of the Assurance Framework and providing a comprehensive overview of progress.
2. To provide regional Cabinet with an update of actual expenditure and projected full year out-turn as at Quarter 2 against the approved Wider Investment Fund budgets as set out in the Annual Business Plan for the financial year 2018/19.
3. To note the changes to the format, structure and shape of the Performance Report itself, in order to provide a 'balanced scorecard' approach and a consistent, concise and coherent means of evaluating and monitoring wider performance and key success factors ongoing.
4. To approve the amended Work Programme, which underpins the Performance Report and has been revised to reflect the '10 point plan' priorities for evolving City Deal. Whilst this makes no material changes to the Joint Working Agreement Business Plan and Annual Business Plan, it gives greater focus to the ways in which goals and targets can be achieved with maximum productivity and effectiveness and regard for a wider set of Critical Success Factors.
5. To recommend that Regional Cabinet approve the Quarter 2 report, which has been seen and informed by Wales and UK Governments, in order for formal submission to government partners.

Background

6. Regional Cabinet approved its 2018/19 Annual Business Plan at its meeting on the 26th March 2018, which included details of the Wider Investment Fund budgets for that year. The report also provided an overview of the key work streams that would need to be progressed during the year.

7. At its meeting of the 18th June, Regional Cabinet received the 2018/19 Work Programme, which provided details of the tasks and activities required in the coming year to address the requirements of the Joint Working Agreement and the Assurance Framework. That programme of work was accepted by Regional Cabinet as the Work Programme for the 18/19 financial year, and allowed the required resources to be identified and for progress to be monitored by the Regional Cabinet.
8. The Work Programme also forms the basis of the Quarterly Performance Monitoring Reports which are issued to the UK and Welsh Governments. Minor changes have been made to the structure, format and shape of the Work Programme in order to:
 - Situate plans, actions and priorities in the context of the targets that City Deal is required to deliver against – GVA growth, job creation and leverage opportunities;
 - Be compatible with the Ten Point Plan (attached at Appendix 1) now needed to evolve the direction of City Deal and embrace factors wider than just technical projects and programmes – such as influence, challenge-led investment, the need for data, strategy, robust partnerships and a strong approach to internationalisation;
 - Provide a direct line of sight into the UK-wide Industrial Strategy and the £6.4bn available annually for investment in growing the UK's innovation economy, through the non-departmental government entity – UK Research and Innovation; and,
 - Align more comprehensively with the Welsh Government Economic Action Plan and its 'economic contract' and ambitions for 'good growth'
9. Whilst these minor and contextual nuances changes are important in terms of opening up the City Deal Programme to the factors that will be key in securing critical success, they do not detract or move away from the priority actions, objectives and goals set out in the Joint Working Agreement 5 year business plan and the Annual Business Plan for 2018/19. Section 3 of the re-configured Work Programme (Appendix 2), continues to embody the 'long list' of 'Key Programmes' that directly relate to both core City Deal origination documents. These continue to provide a detailed overview in relation to Skills, Transport, Housing Investment Fund, Digital, Energy, Sites and Premises, Regional Destination Management, Urban Renewal, Energy and Innovation and Entrepreneurship.
10. These changes are further reflected in the new make-up and structure of the 'covering' Performance Report. Rather than pages of narrative and extraneous detail, the headlines of the Performance Report are now extracted into a one page 'balanced scorecard' summary sheet which:
 - Sets out headline detail on key areas of progress; placing a clearer emphasis on delivery and actions that are outstanding and requiring attention;
 - Provides a high-level account of strategy and 'direction of travel' alongside assurance on matters relating to Finance, Risk and Assurance;
 - Captures key priority areas and activities guiding critical interventions and wider success factors, pertaining to Programme Delivery; Partnerships; Communications and Reach; Influence and Engagement and resultant/outstanding actions;

- Drives a greater sense of pace and urgency and adopts a dashboard format, which places an emphasis on getting things done, making the right connections, increasing influence and mobilising the resources, assets and expertise of key partners; and,
 - Demonstrates the underpinning importance of good culture, strong capability and engaged adaptive leadership.
11. The detail ordinarily contained within this report is now set out in the attached appendices.
- Appendix 1: CCR City Deal Quarter 2 Performance Report ‘Balanced Scorecard’
 - Appendix 2: CCR City Deal Quarter 2 Updated Work Programme
 - Appendix 3: AGS Action Plan Quarter 2 Update (containing the Risk Register) – Two of the five actions are complete, with the significant progress made against the remaining three actions.
 - Appendix 4: Internal Audit Action Plan Quarter 2 Update – Two of the four recommendations are complete, with the third recommendation expected to be completed by the 31st December 2018. The final recommendation is scheduled for completion by the end of the financial year.
 - Appendix 5: Wider Investment Fund Budget Quarter 2 Update – Full year spend is projected to be on target with the approved 2018/19 budget.
 - Appendix 6: Future Generations Evaluation
12. Regional Cabinet should note that the Joint Working Agreement (JWA) outlines timescales in which the Annual Business Plan should be prepared and the periods of notice to be given to relevant parties:
- Clause 7.3.1 provides that the draft Annual Business Plan should be circulated to the Joint Committee 90 business days prior to the end of the financial year, particularly with respect to annual spend for approved projects. This equates to a target date of the 4th December 2018;
 - Clause 7.3.2 provides that within 30 business days of the date of circulation of the draft Annual Business Plan that a Joint Committee meeting is convened to for the consideration and approval of the draft Annual Business Plan. This equates to a target date of the 21st January 2019.
13. It is proposed that, as the Joint Committee supporting arrangements continue to ‘evolve and bed down’ and because of some of the changes to format and structure already starting to be introduced through the changes in this quarter to evolving performance reporting, that (i) the time limits in clauses 7.3.1 and 7.3.2. be waived in respect of the 2019/20 Annual Business Plan and (ii) the Annual Business Plan for 2019/20 be reported to Regional Cabinet for approval prior to 31.3.19. The waiver of requirements required by the JWA, in effect, amount to an amendment of the terms of the JWA. The waiver in time limits is not deemed a substantive amendment to the terms and conditions of the JWA and the amendment, if acceptable, can be agreed by the Joint Committee, within the scope of its delegated powers.
14. This waiver will allow sufficient time for stakeholder consultation, and full consideration by members ahead of approval at the Regional Cabinet meeting, currently scheduled prior to the end of March 2019. In addition, regular updates will be provided to relevant parties throughout the business planning phase to allow

them to incorporate the up to date position within their respective budgeting processes.

REASONS FOR RECOMMENDATIONS

15. The approach to the ongoing development and delivery of City Deal is changing and evolving, to keep pace with the external environment, newly emerging challenges and opportunities and expectations. Rather than wait for a new financial year, and a new reporting cycle to implement updates and adjustments in style, tone and emphasis - and as these adaptations do not fundamentally change or undermine already approved plans and targets - it is important to demonstrate the ability of City Deal to pivot, modernise and evolve. Taking account of the wider critical success factors that do not currently form part of work programmes and performance reporting, is simply a way of enhancing and heightening progress and accelerating progress.

Legal Implications

16. The report (i) sets out the Quarter 2 performance and is submitted to Regional Cabinet for consideration pursuant to the reporting requirements within the Cardiff Capital Region City Deal Assurance Framework, (ii) seeks waiver of time limits in respect of submission of the Annual Business Plan 2019/20 (see paragraph 13, which contains relevant legal advice on this point) and (iii) seeks approval to the amended work programme. As regards individual projects referred to in the Work Programme, then legal advice on those projects will be reflected in the relevant reports as and when such matters are reported to Regional Cabinet.

Financial Implications

17. Regional Cabinet approved its 2018/19 Annual Business Plan and the associated budgets at its meeting of the 26th March. Appendix 1 provides an update as at Quarter 2, which indicates that the full year spend is projected to be on target with the budget. The projection includes a number of assumptions around the value of expenditure that may be incurred during the second half of the year.
18. Regular budget monitoring reports will be presented to Regional Cabinet throughout the year to ensure that any budget management issues that arise are highlighted at an early stage and appropriate action taken.

Future Generations and Wellbeing

19. Considerations relating to the duties under The Well-being of Future Generations (Wales) Act 2015 and in respect of Equality are described in Appendix 6.

RECOMMENDATIONS

It is recommended that the Cardiff Capital Region Joint Cabinet:

- a) Note the overall progress of Quarter 2 for 2018/19, including the position against the Wider Investment Fund budget and the revised 'performance scorecard' style of reporting;
- b) Consider and if deemed acceptable, approve the Quarter 2 performance report;

- c) Consider and if deemed acceptable, approve the amended and updated Work Programme with its emphasis on the wider critical success factors needed for success. To note, that notwithstanding such adjustments, the key line of sight back to the existing five year JWA Business Plan and the annual Business Plan 2018-19;
- d) Waive the time limit prescribed in clauses 7.3.1 and 7.3.2 of the Joint Working Agreement in relation to the preparation, circulation and approval of the draft Annual Business plan for 2019/20; and,
- e) Authorise the Director of the Cardiff Capital Region City Deal to formally submit the Quarter 2 performance report, including supporting information to both UK and Welsh Governments, and other stakeholders as required, on behalf of the Regional Cabinet.

Kellie Beirne
Cardiff Capital Region Director
17 December 2018

The following Appendices are attached:-

- Appendix 1: CCR City Deal Quarter 2 Performance Report 'Balanced Scorecard'
- Appendix 2: CCR City Deal Quarter 2 Updated Work Programme
- Appendix 3: AGS Action Plan Quarter 2 Update (containing the Risk Register)
- Appendix 4: Internal Audit Action Plan Quarter 2 Update
- Appendix 5: Wider Investment Fund Budget Quarter 2 Update
- Appendix 6: Future Generations Evaluation

GOOD GROWTH SUPPORTING & DELIVERING 5% GVA UPLIFT, 25K NEW JOBS & £4BN LEVERAGE

STRATEGY & DIRECTION

- Sectoral analysis commissioned, first cut of data by end of December 2018. Data Dashboard work underway – first prototype early 2019
- Draft Regional Industrial Plan developed by REGP to go to Regional Cabinet in December 2018
- Electric Vehicle specialists Cenex, commissioned to develop EV Plan and bid to Innovate UK for Stations of Future
- Response drafted to review of Research & Innovation Wales
- Input provided into Review of Digital and Economic Strategy Wales
- Principles of Investment & Intervention Framework established and agreed with REGP and Local Partnerships Commission
- City Deal evolution -10 Point Plan converted to revised Work Programme
- Co-investment agreement with Innovate UK on alignment of challenges. IUK to produce paper setting out scope in early 2019

FINANCE & ASSURANCE

- First meeting held of CCRCD Joint Scrutiny Committee in October 2018 and work programme agreed
- Formal Future Generations assessment framework now in place for all decision-making reports
- First UK National Evaluation Steering Group attended in September 2018 with second group meeting in Glasgow in 2019 Local evaluation models agreed for Gateway Review and first stakeholder surveys underway in December 2018
- First meeting of Implementation Board across UK, WG and City Deal held – no concerns raised
- New Annual Governance Statement in place containing comprehensive Risk Log
- 3 of 4 areas actioned on Internal Audit Report for 2018/19
- Work on the Investment Fund to be translated into a supplemental and business friendly Assurance Framework by Local Partnership
- Financial reporting for Q2 – posted and on budget
- Consolidated Statement of Accounts (including CSC Foundry Ltd) - posted

PROGRAMME PIPELINE & DELIVERY

- Draft project pipeline in development to underpin Innovation & Investment framework
- Innovation and Investment framework key principles agreed – translation to toolkit on target for completion Jan 19
- Submission to Innovate UK – Stations of the Future (Metro Plus). Initial outline case on metro Plus received from Capita
- NESTA commissioned to develop Skills for the Future business case
- Graduate Placement Scheme – pilot proposal to be considered by Regional Cabinet December 2018
- Digital OBC draft received – workshop dates currently being set
- Housing Investment Fund: OBC work underway. Match funding commitment to be agreed with WG
- Outcome of Strength in Places fund submission awaited
- CSA Catapult co-located with CSC Foundry Jan'19 with 5 year business plan and budget in place
- Outline submission prepared for submission to WEFO 'Building Institutional Capacity' for Public Services Testbed
- LFFN submissions made on Wave 3 – unsuccessful. Awaiting Wave 4 and confirmation awaited on the £200m announced for rural/ valleys in Autumn budget statement
- 2 successful submissions notified on Energy Revolution

PARTNERSHIPS

Regional Economic Growth Partnership:

- Draft Regional Industrial Plan produced
- Data work commissioned
- Secured PhD studentships to inform data insight & foresight
- Draft Innovation & Investment framework prepared
- REGP Chairs' update

Regional Business Council:

- Session with Innovate UK on workshops for business on IS Challenge Fund
- Draft Business Plan produced for Cabinet consideration in Dec 2018
- MIPIM preparation underway
- Meeting with UK Dept. for International Trade to agree features for prospectus and panel representation at MIPIM

Regional Skills Partnership:

- Handover to RSP to Newport City Council in progress
- Q1 performance report approved
- Graduate scheme proposed and to be considered by Cabinet in Dec 18

RTA:

- Capita commissioned to develop Business Case for Metro Plus (match to be agreed with WG)
- Stations of the Future submissions made to IUK
- EV Strategy work underway by CENEX

COMMUNICATIONS, MARKETING & REACH

- Year to date, City Deal news articles directly generated: 93
- Website: 1959 overall visitors
- Website: 5248 page views
- Website: 206 contact page visits
- Twitter: 2179 followers
- Twitter: 78.3k impressions
- Twitter engagement: 2k
- Tweets: 74 RTs: 176 Link clicks: 849
- MIPIM promotional work in progress with production of video showcasing region & aerial photography
- Shortlist of 3 potential schemes to feature in Dept for International Trade international investment prospectus
- Role on the DfIT Investment Panel at MIPIM
- New and improved City Deal website up and running
- Feature in Western Mail by Chair of REGP on City Deal ambitions and progress
- Sponsorship of Fast Growth 50
- Sponsorship of Wales in London Week 2019 and Panel representation and session for CCRCD

INFLUENCE & ENGAGEMENT

- CCRCD keynote speeches/ inputs to:
 - Social Business Conference (Wales Co-op Centre)
 - Magor Rail Group (Monmouthshire)
 - ARUP Autumn Lunch
 - Innovate UK: Women in Innovation Knowledge Transfer Network
 - Community Housing Cymru Annual Conference
 - IWA Event and report on Smart Regions
 - CIPFA Annual Conference
 - Cardiff Business Club
 - Wales Skills Board
 - CITB Roadshow
 - Gwent Futures
- Launch of UKRI in Wales and meeting with CEO, Sir Mark Walport
- Ian Campbell CEO of IUK – meeting February '19
- Roundtable session held on digital at Caerphilly CBC with DCMS Minister M. James
- Input into UK Government pre-consultation on shaping Shared Prosperity Fund



ACTIONS PENDING

- Formalise Innovation & Investment framework and 3 funds, decision in early 2019 with launch of Three Funds to follow
- Update 5 Year Business Plan & produce 2019/20 Annual Business Plan
- Transfer Sites and Premises work into Office of City Deal
- Write formally to WG seeking clarity on position re: support for apprenticeships
- Seek meeting with WG re: commitments to co-investment and pooling resources
- Respond to formal Shared Prosperity Fund consultation
- Respond to WG regional working proposals
- Clarify position on topslice of Wider Investment Fund for resource and capacity investment
- Clarify position on treatment of leverage in the Gateway Review
- Focus work of s151 group on making progress with wider fiscal programme and measures - NNDR
- Respond to WG Brexit impact assessment/ CCR impact
- Produce Investment Prospectus

KEY ACTIVITIES

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CULTURE, CAPACITY & LEADERSHIP

- City Deal Office team planning day
- New Structure & Resources proposal for City Deal Office & move to Tredomen office to establish 'front of house' presence
- PhD KES studentships to commence in March 2019
- Prince2 Training for all City Deal Office staff
- Challenge prize training – to be delivered by Nesta
- Knowledge development: KTN and bi-weekly team briefings
- CCRCD role in assessing current round of SBRI bids
- Secondment agreed with BG for temp Strategic Lead role
- CCRCD Director appointed to Chief Scientific Adviser's Panel Wales

Cardiff Capital Region City Deal Work Programme 2018-19
Evolving our City Deal – Areas to Shape Emerging Regional Plan and Approach

(1) DATA RICH – EVALUATION READY

To address the issue of low levels of data insight and foresight and to ensure we have a robust baseline from which track progress and key advancements	Q1	Q2	Q3	Q4
<ul style="list-style-type: none"> Commission sectoral analysis and an overview of competitiveness as regional and place level 		Work underway	First report due in Dec 2019	Final report due
<ul style="list-style-type: none"> Commission work on a data dashboard to provide a portal that brings together and makes sense of data sources that are relevant to tracking and telling the story of the region 			Commissioned and due in Q2-3 2019/20	
<ul style="list-style-type: none"> Adopt the National Evaluation Framework and work with SQW to develop the local evaluation frameworks, logic models and plans to inform the work needed for the Gateway review 		Report approved by Cabinet in Sept 2018		
<ul style="list-style-type: none"> Action in conjunction with SQW, the first set of stakeholder surveys and interview to inform the work needed for the Gateway Review 		Preparation work underway	Phase 1 to be completed	Phase 2 to be completed
<ul style="list-style-type: none"> Secure investment through the KES Studentship scheme for PhD student to join the City Deal Office to inform and develop data capacity and competency 			Secured with start date of April 2019	
<ul style="list-style-type: none"> Complete the work commenced by Data Cymru on the Regional Skills database 			Completed	

(2) SETTING OUR STALL OUT – REGIONAL INDUSTRIAL STRATEGY / PLAN

To set out our core competitive strengths and have a key means of engaging with the WG Economic Action Plan and the UK Industrial Strategy	Q1	Q2	Q3	Q4
<ul style="list-style-type: none"> Develop context to the JWA five year business plan 			Draft complete	Due for publication
<ul style="list-style-type: none"> Set out core competitive and sectoral strengths and demonstrate synergies with Four Grand Challenges & priorities featuring in the Economic Action Plan 			As above	
<ul style="list-style-type: none"> Work with Welsh and UK Government to respond to the Local Industrial Strategy guidance and provide the first Industrial Strategy in Wales 			Opportunity set out in Cabinet Report Dec 2018	To be agreed across Reg Cabinet UK & Wales Govts
<ul style="list-style-type: none"> Demonstrate increased number of submissions into the Industrial Strategy Challenge Fund 			Submissions made to: Energy Revolution SIPF Stations of Future	ongoing
<ul style="list-style-type: none"> Convert the core elements of the Industrial Strategy/ Plan into a CCR Investment Prospectus and to be ready for MIPIM in March 2019 				To be completed

(3) DELIVERY PIPELINE 'ECO-SYSTEM'

To develop the tools needed to enact robust assessment and decision-making in line with our key targets (GVA, jobs and leverage) and to monitor delivery against current work streams and projects	Q1	Q2	Q3	Q4
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<ul style="list-style-type: none"> Develop an integrated project pipeline document to be monitored and assessed by Regional Cabinet and informed by the REGP by end of 2018/19 			Work has commenced	To be completed
<ul style="list-style-type: none"> Develop and bring forward for approval by UK Govt, Wales Govt and CCR Cabinet, a new Investment and Intervention Framework and the establishment of three sub-funds to establish the criteria and evaluation tools for investment decision-making 			Work has commenced and Local Partnerships commissioned	To be completed
<ul style="list-style-type: none"> Once approved, launch the three funds in early 2019 – Regional Infrastructure Fund, Challenge Fund and Innovation Investment Fund 				To have commenced
<ul style="list-style-type: none"> Preparation of the Annual Business Plan for 2019/20 				To be completed

KEY PROGRAMMES (lifted from Annual Business Plan)

<p>Regional Skills Partnership</p> <ul style="list-style-type: none"> Redesign LSKIP to become CCR Employment and Skills Board 			Reg Skills Partnership – now to be Transferred to NCC, Skills lead	To be completed
<ul style="list-style-type: none"> Plan delivery of WG contractual requirements 			Q1 submitted and feedback received	As above

<ul style="list-style-type: none"> • Develop a CCR Employability Plan <p>Skills for the Future</p> <ul style="list-style-type: none"> • To produce the Outline Business Case • To produce a full business case by August 2018 • To initiate phase 1 delivery <p>Connecting the Region</p> <ul style="list-style-type: none"> • RTA Meetings to take place quarterly with progress reports to Joint Cabinet • Finalise consultation on Regional Transport Plan • Secure agreement of all 10 Councils for Regional Transport Strategy • RTA to oversee development of Metro Plus scheme • To prepare a programme business case for Metro Central in Cardiff Central Square and Business District <p>Digital</p> <ul style="list-style-type: none"> • Secure project development support to design proposals for regional digital infrastructure • Prepare a development plan business case for digital infrastructure OBC • To report to Regional Cabinet to progress • Sign up to Open Data Licence <p>Housing Investment Fund</p> <ul style="list-style-type: none"> • Secure project development support to enable design and development of proposal • To prepare and develop business case • To report to regional Cabinet on progress in forming a Fund and comply with Assurance Framework to secure investment alongside WG <p>Strategic Sites and Premises</p> <ul style="list-style-type: none"> • Identify agreed list of strategic sites • Prioritise into short/med/long terms opportunities with WG • Explore sources of investment and report findings 			<p>Re-worked bus case underway. Nesta commissioned. Graduate scheme for approval to Regional Cabinet Dec '18</p> <p>Complete</p> <p>Underway</p> <p>Underway</p> <p>Underway OBC in draft and consultation day with EGP 12.12 Completed</p> <p>Business case underway with Dev Bank</p> <p>Phase work identified key sites and</p>	<p>To be completed</p> <p>Prog of quick wins underway</p> <p>To be completed</p> <p>To be completed</p> <p>To be completed</p> <p>To be completed</p> <p>Workshop with Regl Cabinet in Jan 19</p> <p>Match funding to be agreed</p> <p>Business case to be completed</p> <p>Site list and data visualisation to be complete</p>
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<ul style="list-style-type: none"> • Explore potential for a Regional Development Fund supported by WG and City Deal • Establish a strategic property register • Identify sources of investment for sites and premises redevelopment and development <p>Visitor Economy</p> <ul style="list-style-type: none"> • Produce regional visitor economy plan and for Regional Cabinet agreement • Review constitution of Destination Management Group • Identify and secure opportunities for delivery against the Plan • WG resources and City Deal resources to be aligned for delivery in CCR <p>Energy</p> <ul style="list-style-type: none"> • Identify regional investment opportunities in key renewable energy schemes, industrial energy management and manufacturing technologies • Identify and secure potential resources • Regional sustainable energy plan <p>Urban Renewal</p> <ul style="list-style-type: none"> • Develop proposals that revitalise town centres and urban locations • Identify all sources of funding to enhance centres and towns and opportunities for job creation and secure TRI <p>Innovation & Entrepreneurial Activity</p> <ul style="list-style-type: none"> • Support meetings of RBC and report recommendations to regional Cabinet and investment support for proposals • Secure project development support for the Technology Venture Capital Fund and secure investment support and decision through partners and Assurance Framework 			<p>premises agreed with WG. Phase 2 work commissioned Work handed over to City Deal office</p> <p>Draft Plan produced Update to Regional Cabinet in Dec 2019</p> <p>Local Partnerships pro bono input Stations of Future submitted X two Energy Revolution schemes secured</p> <p>TRI proposals secured Bi-monthly TRI meetings</p> <p>MIPIM report supported 09.18 Superseded by Investment Framework</p>	<p>To be completed</p> <p>Work on plan to be underway</p> <p>2018/19 TRI scheme to be completed</p> <p>MIPIM to be completed</p>
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<ul style="list-style-type: none"> • Report progress on National Software Academy and development of National Cyber Academy • Public Services testbed to be rolled out and developed • Support and develop internationally renowned CSC Cluster • Support CSC Foundry Ltd and development of Foundry 			Not relevant at this time	EOI to be submitted to WEFO
			SIPF bid submitted	SIPF notified
			ongoing	

(4) CONSOLIDATED & EFFECTIVE 'GOOD GOVERNANCE'

To establish a streamlined effective 'good governance' that utilises the full range of talents, skills and assets available to City Deal	Q1	Q2	Q3	Q4
<ul style="list-style-type: none"> • Develop the detailed 'Evaluation Criteria, Methodology and Weightings' along with a range of 'practical, user-friendly guidance notes' which support the Assurance Framework that demonstrates we are open for business and the way in which that business will be conducted 			Under-way	To be completed
<ul style="list-style-type: none"> • Re-visit the number, variety, composition and frequency of the plethora of groups, partnerships and fora developed to support City Deal and streamline, consolidate and schedule into an appropriate and supportive governance network by end of Quarter 4 				To be under way

<ul style="list-style-type: none"> Transfer the 'host' authority status for the Regional Skills Partnership to lead body, Newport City Council 			Transition period in effect	To be completed
<ul style="list-style-type: none"> Put in place arrangements for transitioning Lead Authority responsibility for CSC Foundry Ltd during 2019/20, including meeting all statutory requirements. 				To have commenced
<ul style="list-style-type: none"> Develop and monitor a concise and coherent Risk Register and complete work around City Deal wider Risk Environment 			Actioned	To have commenced
<ul style="list-style-type: none"> Develop and implement a comprehensive Annual Governance Statement 		Actioned		
<ul style="list-style-type: none"> Quarterly Financial Monitoring Reports to Regional Cabinet, Welsh Government and UK Government 		Actioned		
<ul style="list-style-type: none"> Develop a new Future Generations/ Sustainability Assessment to demonstrate that all decisions are foregrounded in FG considerations 		Actioned		
<ul style="list-style-type: none"> Actively contribute to and develop presence and profile at UK Govt Steering Group Meetings, Pan-UK Implementation Panel and all relevant cross-government partnerships 		Actioned	Actioned	

(5) DEVELOP CITY DEAL INFLUENCE, PROFILE & VISIBILITY

To establish the profile and visibility of the City Deal and City Region with key decision-makers, investment sources and the people and organisations who can help grow our high potential ideas	Q1	Q2	Q3	Q4
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<ul style="list-style-type: none"> Address full range of external partnerships, events, investment community and others to develop understanding of the purpose and profile of CCR 		City Deal input at 5 events	City Deal inputs to 12 events	
<ul style="list-style-type: none"> Develop relationship with UKRI and Innovate UK through direct interaction, University-led partnerships and input into key policy and strategy development 			CCRCD on GW4 Partnership	
<ul style="list-style-type: none"> Further develop relationship with WG and regional working structures and strategies 			Director appointed to CSA Council	
<ul style="list-style-type: none"> Develop role of REGP as industrial figure-heads supporting CCR and CCRCD 			REGP lead on Industrial Plan, data & investment framework	
<ul style="list-style-type: none"> Obtain a seat for CCRCD at UKRI level by 2021 			ongoing	On-going

(6) CREATE 'OFFICE OF CITY DEAL'

Develop a professional, efficient and sufficiently resourced City Deal Office capable of driving and delivering step change in the region	Q1	Q2	Q3	Q4
<ul style="list-style-type: none"> Define and make a case for the capability and capacity needed to underpin delivery with a Resourcing Plan bringing forward for decision in January 2019 			Early thinking developed	To be complete

<ul style="list-style-type: none"> Develop branding and marketing required to establish the City Deal core identity and brand and value proposition 			Prototype designs established	To be complete
<ul style="list-style-type: none"> Establish a new CDO presence at the Innovation and Technology Centre in Tredomen with a clear 'front of house' provision 			CDO move date 10 Dec	To be complete
<ul style="list-style-type: none"> Launch the new City Deal website 			Completed	
<ul style="list-style-type: none"> Develop a comprehensive Communications plan and set targets for reach, profile and sentiment assessment 			Draft developed	To be complete
<ul style="list-style-type: none"> Develop a targeted social media campaign 				ongoing

(7) REFOCUS ROLE OF INDUSTRY & ENHANCE LOCAL LEADERSHIP

To demonstrate City Deal is enabled and overseen by strong local leadership alongside strong and vibrant industrial leadership	Q1	Q2	Q3	Q4
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<ul style="list-style-type: none"> Develop a challenge-led approach which focuses on Regional Cabinet's approach and commitment to understanding and solving big problems in region 			Part of Investment Framework - underway	To be underway
<ul style="list-style-type: none"> Develop the 'good growth' proposition and articulate ambitions for growth that is sustainable and inclusive 			Part of Comms Plan - underway	
<ul style="list-style-type: none"> Work with Regional Business Council to establish the 2018/19 Business Plan to articulate their priorities and key activities to engage and involve the business community 			For decision Dec 2018	

<ul style="list-style-type: none"> Support the increasing profile and growing programme of work of the Regional Economic Growth Partnership 			Industrial Plan, data and investment framework	
<ul style="list-style-type: none"> Develop and submit proposal to WEFO for building Institutional Capacity – Public Services testbed 			underway	completed

(8) CHALLENGE FOCUSED & MISSION-LED

Growing our ability to secure investment on a competitive basis	Q1	Q2	Q3	Q4
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<ul style="list-style-type: none"> Develop a challenge-fund to align with UKRI and UKIS 4 Grand Challenges 			Underway as part of investment framework work	
<ul style="list-style-type: none"> Secure co-investment commitments from Innovate UK and WG 			Proposal paper to be developed by InnovateUK	To be completed
<ul style="list-style-type: none"> Document learning from successful SBRI and GovTech work 				To be completed
<ul style="list-style-type: none"> Engage with work of Nesta's Challenge Prize Centre 			Contact established	To be completed
<ul style="list-style-type: none"> Develop competency around Open Data and Open Data-led projects and propositions through the Digital OBC work 				
<ul style="list-style-type: none"> Secure UKRI resources in 5 major investment programmes in 2019/20 				ongoing

(9) INTERNATIONALISM & COMPETITIVE ADVANTAGE

To grow the global reach and profile of CCR and CCRC and develop and market our comparative advantage	Q1	Q2	Q3	Q4
• Produce Investment prospectus by March 2019 for MIPIM that promotes both the region's liveability and investability				To be completed
• Promote region at MIPIM 2019 and work with Dept for IT to promote regionally significant scale projects and propositions in its Prospectus and take-up Panel opportunities			Contact established and drafts in development	To be completed
• Support and sponsor Wales Week in London 2019			Confirmed	To be completed
• Develop links with the Vanguard and Manumix and the wealth of Knowledge Transfer Partnerships & programmes, bringing global great practice into the region			KTN participation with Innovate UK	
• Promote our commitment to sustainable development through more targeted activity with public purpose organisations – Bcorps, Co-ops and employee-owned organisations and through a commitment to the Circular Economy			Yet to progress	

(10) TOWARDS A MORE SELF-RELIANT CARDIFF CAPITAL REGION

To develop City Deal alongside other means and mechanisms for reducing dependency and increasing regional economic self-reliance	Q1	Q2	Q3	Q4
• Develop a plan to systematically explore, test and implement full range of fiscal powers and incentives – NNDR, Tax Increment Financing, Retail and Institutional Investment etc			Yet to progress	To be under-way

<ul style="list-style-type: none"> Develop, approve and implement Investment and Intervention Framework in order to target approach to investment leverage 			Underway	To be completed
<ul style="list-style-type: none"> Identify the appropriate junctures at which to explore and develop the opportunities that currently sit outside of City Deal in order to begin bringing about greater coherence and clarity to the areas in which there is agreement to act as a region 			Progress with Regional Skills Partnership and SDP	
<ul style="list-style-type: none"> Develop inter-regional links and connections and identify areas in which collaboration to enhance competition will best serve CCR 			Input into Severnside Summit	ongoing

Appendix 3 – AGS Action Plan: Quarter 2 Update

	Assurance Statement	Suggested Action	Responsible Officer/s	Review Period	Mechanism for Review	Qtr 2
	Statements: 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15, 17, 18, 19, 20	Periodic review of Good Practice Assurance Statements undertaken during the year.	Programme Director, s151 Officer, Monitoring Officer & CEXs	6 monthly	Half-year review of AGS	Complete
1	Codes of conduct exist and are effectively communicated	Clarity needed on the applicability of Policies and Procedures outside of those explicitly outlined in the JWA The need to correctly document the employment arrangements in place is paramount. HR (Accountable Body) to advise, with any non-compliance escalated to CEXs via Programme Director	Programme Director with advice from Accountable Body	Quarterly	Progress against action monitored and reported on a quarterly basis	Complete
2	We ensure compliance with all relevant laws, regulations and internal policies	Need to remind City Deal partnering authorities of the Governance Protocol approved by the Joint Committee in relation to the decision making framework	Programme Director / CEXs	Quarterly	Progress against action monitored and reported on a quarterly basis	In Progress
3	We are committed to openness and acting in the public interest	It is recognised that the arrangements for Welsh Language need to be more visible and therefore, need to be strengthened	Programme Director with advice from Accountable Body	Quarterly	Progress against action monitored and reported on a quarterly basis	In Progress
14	We have mechanisms to review the effectiveness of our framework for identifying and managing risks	Programme Director to lead on putting in place the appropriate arrangements in respect of Strategic Risk Management	Programme Director	Quarterly	Progress against action monitored and reported on a quarterly basis	In Progress

AGS 2018-19 Progress Overview Table: Quarter 2

Assurance Statement		Quarter			
		1	2	3	4
1	We have and effectively communicate codes of conduct to define standards of behaviour for members and staff, and we have policies for dealing with whistleblowing and conflicts of interest.	Yellow	Green		
2	We ensure: a) Compliance with relevant laws and regulations, b) Compliance with internal policies and procedures, and c) that expenditure is lawful.	Yellow	Yellow		
3	We are committed to openness and acting in the public interest.	Yellow	Yellow		
4	We have established clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.	Green	Green		
5	We have developed and communicated a vision, which specifies intended outcomes for citizens and service users, which is used as a basis for planning.	Green	Green		
6	We have translated the vision into courses of action for our function, its partnerships and collaborations.	Green	Green		
7	We have mechanisms in place to review the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.	Green	Green		
8	We measure the performance of services and related projects and ensure that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.	Green	Green		
9	We have defined and documented the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.	Green	Green		
10	Our financial management arrangements conform to all relevant legislative and best practice requirements.	Green	Green		
11	We have effective arrangements in place to discharge the monitoring officer function.	Green	Green		
12	We have effective arrangements in place to discharge the head of paid service function.	Green	Green		
13	We provide relevant induction training and have mechanisms in place to identify the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.	Green	Green		
14	We have mechanisms to review the effectiveness of our framework for identifying and managing risks and performance and for demonstrating clear accountability.	Red	Yellow		
15	We ensure effective counter fraud and anti-corruption arrangements are developed and maintained.	Green	Green		
16	We have an effective scrutiny function is in place.	Green	Green		
17	Our internal audit assurance arrangements conform to Public Sector Internal Audit standards and relevant best practice.	Green	Green		
18	We have arrangements in place for the delivery of the core functions of an audit committee.	Green	Green		
19	We provide timely support, information and responses to external auditors and properly consider audit findings and recommendations.	Green	Green		
20	We incorporate good governance arrangements in our partnerships and other joint working arrangements.	Green	Green		

Quarter 1 Summary



Quarter 2 Summary



Strong (Green Rating) Level of Assurance (Statements 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 17, 18, 19 & 20)

Quarter 2 Update: Following a 'status review', all 16 assurance statements have remained Green at Quarter 2, indicating a strong level of assurance. However, to ensure this position is maintained going forward, the following additional actions have been identified at the half-year review stage:

Assurance Statement 4: *We have established clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.*

Clear channels of communication have been established with the community and other stakeholders, however, it is recognised that further work is required to build on this position and respond to any feedback that is received.

1. A key channel of communication employed by the Cardiff Capital Region is its dedicated website. This is in the process of being relaunched to improve accessibility and navigation to ensure that the required information can be found quickly.
2. Work ongoing to develop further the working relationships and understanding with the Skills Partnership Board and the Regional Business Council.

Assurance Statement 6: *We have translated the vision into courses of action for our function, its partnerships and collaborations.*

Approval of the Joint Working Agreement (JWA) 5 year Strategic Business Plan and Annual Business Plans translates the Cardiff Capital Region's vision into tangible actions. However, to assist with monitoring actual progress against these plans, the need to introduce a mechanism for establishing and monitoring Key Performance Indicators (KPIs) has been identified. As a minimum these KPIs will need capture progress against the key criteria such as (i) £4bn of private sector leverage, (ii) the creation of 25,000 jobs and (iii) a 5% uplift in GVA in the region.

1. Consideration will be given to the introduction of KPIs as part of the 2019/20 Annual Business Plan approval process.
2. There is a need to provide guidance around the practical use of the Cardiff Capital Region's Assurance Framework, to ensure that proposals and approvals are fully compliant. Further guidance and supporting documentation to be prepared.

Assurance Statement 7: *We have mechanisms in place to review the effectiveness of the decision making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.*

The Joint Working Agreement (JWA) contains the appropriate mechanisms to review the effectiveness of the decision making framework.

1. Decision being sought on whether any changes to delegation arrangements are needed in the current year.
2. Work is being progressed to establish a series of measures on the economic and social make-up and performance of the region, as well as a baseline against which future performance can be assessed. This data will inform the Gateway Review process and facilitate more effective decision making, through a better understanding of the region's strengths, and the opportunities which exist to make strategic interventions that are likely to have the greatest impact.

Moderate (Amber Rating) Level of Assurance (Statements 1, 2 & 3)

Assurance Statement 1: Codes of Conduct exist and are effectively communicated.

A moderate assurance rating was given to assurance statement 1 as it was acknowledged that some clarity was needed on the applicability of policies and procedures outside of those explicitly outlined in the Joint Working Agreement (JWA) e.g. specific employment arrangements etc.

Quarter 2 Update: Rating changed from Amber to Green following the action completed at Quarter 1.

Quarter 1 Action: The Accountable Body has provided the following clarity for circulation by the Programme Director in response to the action identified:

“All individuals working within the City Deal Programme Office are subject to the policies and procedures of their employer and any policies and procedures highlighted in any secondment agreement. Any arrangements which are not clear have been escalated to the Programme Director.”

Assurance Statement 2: We need to ensure compliance with all relevant laws, regulations and internal policies.

In respect of assurance statement 2, the moderate assurance rating reflected the need to remind City Deal officers of the approved Governance Protocol that is in place in respect of the decision making framework.

Quarter 2 Update: Further work completed during Quarter 2 on developing the 'Forward Plan', however, the rating remains at Amber at this time as it is recognised that further work is needed to communicate and practically implement the Forward Plan and lead-in times for cabinet reporting.

Quarter 1 Action: The Accountable Body has provided the following statement for circulation by the Programme Director in response to the action identified:

“Under the direction of the Regional Programme Director, colleagues involved in CCRCD will be instructed and reminded of the importance of complying with the protocol. In particular, that draft reports are developed and circulated for advice and comment in a timely manner, so that all have appropriate time to consider and input. A Work Programme has been developed and matters will be kept under review.”

Assurance Statement 3: We are committed to openness and acting in the public interest.

The moderate (amber) rating for assurance statement 3 recognises that arrangements for accommodating the requirements of the Welsh Language need to be more visible and therefore, require strengthening.

Quarter 2 Update: Whilst a number of actions relating to this assurance statement have been completed during the year, others actions are still in-progress at Quarter 2 and therefore the rating remains at amber.

Quarter 1 Action: The Regional Cabinet meetings are not held in fixed locations and it is the goal to continue hold meetings in a variety of locations and venues across the region in order to maximise accessibility across the geography. Consideration is currently being given the live-streaming of meetings and improved social media engagement.

In respect of Welsh Language Scheme requirements, cabinet agendas are currently produced in Welsh and reports and items are available in Welsh upon request. The same applies to relevant policies, strategies and plans and consultation papers. Policies and procedures will be constantly updated to reflect changing guidance and to ensure there is clarity about our role and obligations in this regard and that services in Welsh are clearly visible to all.

Limited (Red Rating) Level of Assurance (Statements 14)

Assurance Statement 14: We have mechanisms to review the effectiveness of our framework for identifying and managing Risks.

The assessment acknowledged that operational (including investment) decisions are informed by a good understanding of risks. All decision-making reports are considered to draw appropriate attention to relevant risks and are supported by the inclusion of detailed implications e.g. Legal, Finance, HR etc. prepared by professionally qualified staff.

However, it was also recognised that the absence of a risk management strategy to formalise a process for the identification, reporting, escalation and management of risks, represents a significant gap in assurance at a strategic risk management level. Accordingly, this area was considered to represent a limited level of assurance and required the Programme Director to lead on putting in place the appropriate arrangements in respect of Strategic Risk Management.

Quarter 2 Update: The rating for this assurance statement has reduced from Red to Amber following a second workshop session, where 9 strategic risks to the City Deal delivery were identified for inclusion in the City Deal Strategic Risk Register. These strategic risks are as follows:

- CDR1: Business Plan Delivery
- CDR2: Governance & Effective Decision Making
- CDR3: City Deal Programme Scope & Funding
- CDR4: Financial Affordability
- CDR5: Funding Terms & Conditions
- CDR6: Workforce

- CDR7: Further Regional Working
- CDR8: Specific Project Delivery
- CDR9: Brexit

These risks have been assessed and evaluated using a Risk Register template that has been tailored to the needs of the City Deal and is compliant with the Accountable Body's reporting requirements (the full Strategic Risk Register is attached as Appendix 3.i). Outlined below is a high level summary of these risks extracted from the Strategic Risk Register as at Quarter 2, which provides a breakdown of risks by their risk status, their inherent (pre-control) risk score, the residual risk score (post-control score).

Risk Ref	Risk	Inherent Risk		Residual Risk	
		Likelihood	Impact	Likelihood	Impact
CDR1	Business Plan Delivery	B	1	C	2
CDR2	Governance & Effective Decision Making	C	2	D	2
CDR3	City Deal Programme Scope & Funding	B	1	C	2
CDR4	Financial Affordability	C	2	D	2
CDR5	Funding Terms & Conditions	C	1	C	2
CDR6	Workforce	C	3	D	3
CDR7	Further Regional Working	D	2	D	3
CDR8	Specific Project Delivery	B	2	C	3
CDR9	Brexit	B	2	C	2

The next steps will involve further refining the approach to risk to ensure that the Risk Environment (Risk Policies, Strategies, reporting and escalation etc.) is fully embedded within the City Deal. It is expected that over the longer term, the risk management approach is further developed and will be reported to Regional Cabinet as a standalone agenda item.

Quarter 1 Action: The Programme Director commissioned external consultancy support from the Vale of Glamorgan Council in July 2018 to undertake this work on assessing and preparing a Strategic Risk Register. In addition, the commission will identify and recommend appropriate monitoring and review mechanisms. This work is being supported by the Accountable Body, in-line with the requirements of the JWA.

Cardiff Capital Region City Deal Statigic Risk Register

Ref	Risk Description	Potential Impact	Risk Owner	Inherent Risk		Current Controls	Residual Risk		Proposed Management Actions
				Likelihood	Impact		Likelihood	Impact	
1	Business Plan Delivery Failure to unlock the significant socio-economic potential within the City Region articulated by failing to achieve the City Deal's objectives contained in the Business Plan relating to economic growth and employment and opportunity.	The well-being of current and future generations is negatively impacted by reduced opportunities for employment, travel and access to skills development. The reputation of the City Deal is negatively impacted through non-delivery of the business plan's objectives.		B	1	1 - JWA Business Plan sets out the plan for 5 years and the statigic direction of the City Deal, which is captured through key in principle project decisions. 2 - The JWA and Assurance Framework provides for consultation with Programme Board and stakeholder bodies prior to decisions made by the Joint Cabinet. Decisions are made with regards to City Deal KPIs (including job creation, GVA, private sector leverage).	C	2	A - Develop a pipeline of projects, including on-going consultation and collaboration with key stakeholders, including the advisory bodies the REGP, RTA, RBC and SPB. B - Identify additional and supplementary funds and approaches through the integration of City Deal investment with other regional investment/funding/programme sources. The Investment Framework sets out the investment that the City Deal will make with other funding being leveraged from elsewhere.
2	Governance & Effective Decision Making Failure to ensure appropriate governance arrangements are in place and that decision making is ineffective, including the ability to to make balanced and comparable decisions across the portfolio. There is also a risk of a lack of clarity of the roles and responsibilities of advisory bodies and how these are involved, consulted and integrated into the work of City Deal projects.	Sound decision making is undermined leading to a risk of legal challenge, with associated reputational impacts. Ineffective decision making impacts on the City Deal's ability to deliver its objectives, with negative impacts on the well-being of citizens in the long-term. Ineffective working relationships between Regional Cabinet and Advisory Bodies could lead to a negative reputational impact, impact on the ability to make effective decisions and to ensure projects are efficiently delivered with common purpose and no duplication or missed opportunities to deliver the objectives of the City Deal.		C	2	1 - JWA approved by 10 Councils and in place and includes details of delegations and decision making conforms to these requirements. 2 - Governance protocol is in place and is designed to ensure compliance with relevant laws and regulations, including timeliness and adequacy of information to support decision making. 3 - Completion of the AGS proforma by those responsible for and supporting governance matters, coupled with the process of consulting with the wider CEX group. The resulting Action Plan demonstrates that a mechanism for reviewing effectiveness of decision making is in place (See AGS assurance statements 5, 6, 8 and 20). Introduction of the Joint Scrutiny function during 18/19 introduces a further mechanism of review. 4 - Assurance Framework has been accepted by UK & Welsh Government. All investment proposals must comply with Assurance Framework and Gateway review every 5 years ensure mechanisms for review. 5 - Quarterly performance reporting to the Regional Cabinet is in place to review actions arising from the AGS. 6 - Quarterly liaison meetings with UK and Welsh Government in place. 7 - The RTA set up as a sub-committee and terms of reference approved by Regional Cabinet. 8 - REGP has been set up as a forum and terms of reference approved by Regional Cabinet.	D	2	A - Encourage the JWA and governance protocol to be adhered to through the City Deal Office reviewing all reports for Cabinet's consideration. B - Ensure there is an effective Cabinet agenda Forward Plan with adequate timescales. C - Monitoring of AGS Action Plan through quarterly performance reports. D - Review of Assurance framework to aid understanding and streamline processes where applicable. E - Work with the Business Council to collaoratvely develop a Business Plan and funding arrangements. F - LSKIP has been established outside of the City Deal, but continue to explore ways to involve the body as a consultee body for City Deal projects, Skills for the Future project.
3	City Deal Programme Scope & Funding The risk of a mismatch in expectations and understanding of the scope of the City Deal in terms of what it can deliver and what people anticipate it is for. Failure to meet the requirements of the Gateway Review. This could ultimately lead to the risk that 1 or more LAs withdraw from the Joint Working Agreement that governs the City Deal .	The objectives of the City Deal are not delivered, with associated impacts on the well-being of current and future generations. Failure to meet the requirements of the Gateway Review lead to further grant funding not being forthcoming and the potential claw back of funds already received, as well as additional reputational impacts.		B	1	1 - JWA Business Plan sets out the plan for 5 years and the statigic direction of the City Deal, and captured key in principle project decisions. 2 - The City Deal PMO and Accountable Body are working with SQW and Welsh Government to ensure gateway review preparation work is comprehensive and completed on time, including regular bi-monthly meetings. 3 - Quarterly performance reports on progress on project delivery and outcomes/KPIs throughout the year. 4 - The City Deal Assurance Framework is in place which requires projects to go through a formal business case development cycle with Programme Board and Regional Cabinet sign off. This includes details of the financial assessment done as part of that process will consider matters such as deliverability, value for money and compliance with funding Terms and Conditions. Decisions are made with regards to City Deal KPIs (including job creation, GVA, private sector leverage). 5 - An appropriate level of resources (capacity and capability) have been identified to identify Gateway Review metrics and ensure on-going data analysis work is undertaken. 6 - Challenge is provided by the Programme Board and advisory bodies to ensure the Scheme Assessment, Appraisal and Evaluation framework is robustly applied. 7 - City Deal is trail blazer on a local Economic Strategy, thematically delivered in line with heads of terms and informed by appropriate data. 8 - Provisions of the JWA have a 'lock in' period to the first Gateway Review.	C	2	A - Ensure the Programme Director continues to ensure the controls remain in place, including the regular meetings, assurance framework activities and processes, taking into account and responding to feedback appropriately. B - Implement an Investment and Intevention framewok to assist prioritisation via criteria. C - Develop a pipeline of projects, including on-going consultation with the REGP, RTA, RBC and SPB. D - Identify additional and supplementary funds and approaches through the integration of City Deal investment with other regional investment/funding/programme sources. The Investment Framework sets out the investment City Deal will make with other funding being leveraged from elsewhere.

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					<p>9 - Regular Leader briefings undertaken to demonstrate the ongoing value of City Deal to each partnering Council.</p> <p>10 - Welsh Government has established regional economic frameworks and are dealing with the region as a body, recognising the established functional economic geography.</p> <p>11 - Consideration is already being given to alternative and additional approaches to enable legal/governance mechanisms to be put in place to enable further regional working in addition to the City Deal structures where it is more appropriate or tactical to do so.</p>				
4	<p>Financial Affordability Risk of the affordability envelope being materially exceeded.</p>	<p>Further financial investment would be required from Councils above existing approvals, which if not forthcoming could lead to the incomplete delivery of City Deal projects, with associated well-being and reputational impacts.</p>		C	2	<p>1 - JWA and Assurance Framework requires compliance with the HMT Business Case development process where the financial case will need to set out the whole life costs of projects being taken forward.</p> <p>2 - Reports to Regional Cabinet include an assessment of a project's financials on the approved affordability envelope, including the potential for further investment.</p> <p>3 - Quaterly performance reports include a review of financial affordability.</p> <p>4 - Liaison between Accountable Body and S151 Officers is undertaken to review the financial strategy, which underpins the affordability model which includes input from the 10 LA finance officers. This will inform each Council's Medium Term Financial Plans, their respective capital programmes, treasury management strategies and prudential indicators.</p>	D	2	<p>A - Ensure the Programme Director continues to ensure the controls remain in place, including the regular meetings, assurance framework activities and processes.</p> <p>B - Identify additional and supplementary funds and approaches through the integration of City Deal investment with other regional investment/funding/programme sources. The Investment Framework sets out the investment City Deal will make with other funding being leveraged from elsewhere.</p>
5	<p>Funding Tems & Conditions Non-compliance (or being deemed to not be compliant) with grant funding terms and conditions.</p>	<p>No further grant funding is forthcoming and the potential claw back of funds already received, leading to strategic objectives not being met. Negative impact on the reputation of the City Deal.</p>		C	1	<p>1 - The City Deal Assurance Framework is in place which requires projects to go through formal business case development cycle with Programme Board and Regional Cabinet sign off, including details of the financial assessment done as part of that process will consider matters such as deliverability, value for money and compliance with funding Terms and Conditions.</p> <p>2 - Quarterly performance reports on progress on project delivery and outcomes/KPIs throughout the year.</p> <p>3 - Regular bi-monthly meetings with UK and Welsh Government, supplemented by the 5 year Gateway Review process add appropriate challenge and review mechanisms.</p> <p>4 - Accountable Body undertakes its role with regards grant monitoing, including the requirement for the S151 Officer to sign an annual grant release form confirming the terms and conditions of grants will continue to be monitored and met.</p> <p>5 - Production of the AGS and internal audit processes ensure checks and balances are executed on the compliance against grant terms and conditions.</p>	C	2	<p>A - Ensure ongoing compliance with curent controls.</p>
6	<p>Workforce The risk that there is insufficient capacity and capability within the City Deal to deliver the Business Plan.</p>	<p>Delays of project delivery. Impact on sound decision making and governance. Impact on the Gateway Review. Negative impact on the City Deal. Inability to effectively involve, engage, communicate and influence our communities. Negative impact on the image of the City Deal.</p>		C	3	<p>1 - Regional Director is in post and is undertaking a review of the project pipeline, including the level and type of resources required.</p> <p>2 - 5 Year JWA Business Plan with Annual Business Plan sets out the overall level of available resources to deliver projects.</p> <p>3 - The Annual budget setting process seeks to ensure sufficient resources are allocated to deliver the Annual Business Plan.</p> <p>4 - HMT Business Case Model and Assurance Framework includes a requirement to identify the resources required for specific project development and delivery.</p> <p>5 - Quarterly performance reports on progress on project delivery and outcomes/KPIs and budget monitoring throughout the year.</p> <p>6 - Leaders in place as figureheads for the City Deal and able to advocate and understand the potential and benefits of the City Deal.</p>	D	3	<p>A - Programme Director to present proposals in respect of the Office of the City Deal.</p> <p>B - Consider undertaking a Training Needs Analysis and development of a training and Organisational Development plan for the City Deal Office.</p> <p>C - Ensure ongoing compliance with current controls.</p>
7	<p>Further Regional Working Failure to identify and agree ways to integrate the scope of the City Deal with other regional mechanisms that would enable greater benefits to be delivered for citizens through collaboration.</p>	<p>Potential limitation on the benefits delivered for citizens. Without appropriate legal considerations, decisions could be taken ultra vires with associated risk of potential legal challenge. Negative impact on the City Deal in terms of reputation and financial compliance.</p>		D	2	<p>1 - JWA has been approved by all 10 partnering Councils and includes details of the role and scope of delegations to CCR Regional Cabinet.</p> <p>2 - The Accountable Body advises on the delegations to ensure these fall within the approved scope as set out in the JWA.</p> <p>3 - Consideration is given to other methods of regional working, where the matter cannot be met within the remit of the City Deal.</p>	D	3	<p>A - Ensure ongoing compliance with current controls.</p>

8	<p>Specific Project Delivery The risk that there is insufficient progress made in developing, approving and delivering projects as anticipated that contribute to the overall business plan and objectives of the City Deal.</p>	<p>Potential limitation on the benefits delivered for citizens. Without appropriate legal considerations, decisions could be taken ultra vires with associated risk of potential legal challenge. Negative impact on the City Deal in terms of reputation and financial compliance.</p>		B	2	<p>1 - JWA and Assurance Framework requires compliance with the HMT Business Case development process where the financial case will need to set out the whole life costs of projects being taken forward, including a summary of risks and resources required.</p> <p>2 - Quarterly performance reporting process in place requiring projects to provide updates associated with progress and achievement of benefits/ performance against KPIs.</p> <p>3 - Project risk registers in place tracking specific project risks.</p>	C	3	<p>A - Develop a pipeline of projects, considering the balance across the portfolio and achievability in terms of resources, scope and interdependence between projects.</p> <p>B - Ensure ongoing compliance with existing controls.</p>
9	<p>Brexit Brexit leads to a deterioration in the macro economic environment (for example, interest rate rises, inflationary pressures and the impact on currency exchange and the supply chain) and post-Brexit funding opportunities are not forthcoming.</p>	<p>This risk has impacts for the communities of the City Region area in terms of productivity, growth and well-being. Any impact on the financial resources available to the City Deal (through inflationary pressure or future funding opportunities being restricted) limits the ability for the City Deal to influence other regional working mechanisms and deliver the objectives of the Business Plan, with associated reputational and well-being impacts.</p>		B	2	<p>A - On-going lobbying by City Deal with Welsh Government and the Welsh Office to set out the issues that the City Deal would face.</p> <p>B - Business Plan financial modelling and reporting includes predictions of inflation rate trends.</p> <p>C - HM Treasury 5 Case Model requires sensitivity analysis and optimism bias to be undertaken.</p>	C	2	<p>A - Ensure ongoing compliance with existing controls.</p>

Appendix 4 - Internal Audit Action Plan: Quarter 2 Update

1. Cardiff Council's Internal Audit Service is responsible for providing internal audit services to the Cardiff Capital Region City Deal, through a Service Level Agreement (SLA) with the Accountable Body. To enable the Internal Audit Service to fulfil its role, a 5 year audit plan has been prepared covering the period from 2017-18 to 2021-22 and sets out the proposed work required each year, to secure appropriate levels of assurance.
2. The first audit of the 5 year plan covered governance, transparency and the effectiveness of decision making and was undertaken at the beginning of the current financial year (2018/19). The final report was issued in July 2018.
3. In summary, the key findings largely mirror the conclusions reached as part of the AGS process outlined above. The audit report's Recommendations, Risk Rating, Management Response and Agreed Actions have been captured as a separate Action Plan and a detailed update was provided as part of the Quarter 1 Performance Report.
4. At Quarter 2 further progress has been made against the outstanding actions with 2 of the 4 actions completed. The overall position is summarised below:

R1. Development of a Risk Management Policy and Strategy – In progress. Strategic Risk Register now in place which captures details of the 9 Strategic Risks along with current controls and further management actions clearly documented.

The Cardiff Capital Region relies on the policies, strategies and processes of the Accountable Body, however, work completed on preparing the Risk Register has identified the need for to prepare a bespoke Risk Management Policy and Strategy for Regional Cabinet's consideration and approval.

R2. Establishment of a Joint Scrutiny Committee – Complete. First Joint Scrutiny meeting took place in October and programme of work to be developed going forward.

R3. Establish and maintain a register of declared interests – In progress. A link is to be added to the Cardiff Capital Region's website directing the user to the 'declarations of interest forms' home website for each Cabinet Member.

In addition, every Cabinet meeting has an agenda item reminding members of the need to declare any interests, with any such declarations being added to the minutes and decision register for those meetings.

R4. Training to be provided on new Contract Standing Orders and Procurement Rules – Complete. There will be an ongoing review of training requirements for current and new staff throughout the year.

Appendix 5 - Wider Investment Fund Budget – Quarter 2 Update

1. The 2018/19 Wider Investment Fund Annual Business Plan approved a programme of expenditure as detailed in Table 1 below, along with the proposed funding priority.

Table 1: 2018/19 Approved WIF Expenditure & Funding

	£'000
<u>Indicative Programme Expenditure</u>	
Wider Investment Fund Top Slice	742.5
Approved Projects	13,840.0
In Year Revenue Project approvals	1,000.0
In Year Capital Projects approvals	4,015.0
Total Investment	19,597.5
<u>Funded by</u>	
HMT Contribution (Revenue)	-1,892.5
HMT Contribution (Capital)	0.0
Total HMT Contribution	-1,892.5
Council Contribution	-17,705.0
Temp Borrowing 'Cost of Carry'	0
Total Funding	-19,597.5

2. The Wider Investment Fund Top-Slice revenue budget is set at £742,500 and supports the work of the Regional Bodies. In addition, the budget includes amounts in respect of Programme Development & Support. Details of agreed 2018/19 budgets and projected expenditure as at Quarter 2 are shown in Table 2 below.

Table 2. 2018/19 WIF 3% Top-Slice – Quarter 2 Update

	Budget	Qtr 2 Actual	Projected Year End	Variance
	£	£	£	£
<u>Regional Bodies</u>				
Regional Transport Authority	52,193	24,565	47,641	-4,552
Regional Skills Board	102,193	29,986	101,478	-715
Regional Economic Growth Partnership	70,000	228	70,000	0
Regional Business Council	50,000	0	50,000	0
Sub-total	274,386	54,780	269,119	-5,267
<u>Programme Development & Support</u>				
Digital Strategy Project	130,000	25,800	130,000	0
Housing Investment Fund Project	100,000	0	50,000	-50,000
Programme Dev' & Support	238,114	4,862	281,073	72,131
Sub-total	468,114	30,662	490,311	22,131
Investment Income	0	-5,216	-16,864	-16,864
Total	742,500	79,820	742,500	0

Regional Bodies: (-£5,267)

3. The Regional Bodies element of the WIF Top-Slice budget amounts to £274,386 and includes sums set aside to advance the work of the Regional Transport Authority, the Regional Skills Board, the Regional Economic Growth Partnership and the Regional Business Council.
4. There are 2 FTE posts funded from these budgets (1 FTE each relating to the Regional Transport Authority (RTA) and the Regional Skills Board). There are underspends totalling -£5,267 projected for the financial year against these posts, mainly due to a delay in recruitment to the RTA post.
5. In terms of the Regional Economic Growth Partnership (REGP) budget, there was a minimal level of actual expenditure incurred as at Quarter 2, however, a number of initiatives have been approved that will result in expenditure being incurred during the second half the year. These initiatives include PhD Student placements and the engagement of external support to establish a series of measures on the economic performance and social make-up of the region. These initiatives will provide a baseline against which future performance can be assessed. In addition, this data will be key in supporting the Gateway Review process and will facilitate more effective decision making, through a better understanding of the region's strengths and the opportunities which exist to make strategic interventions which are likely to have the greatest impact.

6. Expenditure against the budget approved in respect of the Regional Business Council is subject to the receipt and approval of the advisory body's Terms of Reference and their Business Plan. It is understood that these are currently being prepared with the expectation that they will be submitted to Regional Cabinet for consideration at their December 2018 meeting.
7. The projection assumes that both documents will be submitted and approved in due course, allowing an 'in-principle decision' in respect of committing up to £30,000 towards the 2019 MIPIM event to crystallise during the second half of the year. Commitments in respect of the remaining budget will be dependent on the details contained within the Business Plan and Regional Cabinet being satisfied that the proposals support the Cardiff Capital Region's objectives and comply with its funding terms and conditions.

Programme Development & Support Budget: +£5,267

8. As detailed above, a budget of £468,114 was approved for 2018/19 in respect of Programme Development & Support. This budget is allocated between projects that have secured an 'In-Principle' approval from Regional Cabinet (£230,000) with the balance (£238,114) being available to support emerging projects and initiatives.
9. Work is commencing on both the Digital Strategy and the Housing Investment Fund projects, with business cases expected to be brought forward during the early part of the 2019. The Digital Strategy is projecting a full spend against its budget allocation of £130,000. However, it is understood the £100,000 allocation approved in respect of the Housing Fund project is unlikely to be fully spent in 2018/19, so the projection has been reduced to **£50,000 (TBC)**, whilst the details are worked through with a potential 'fund partner'. Dialogue with the project teams will be maintained throughout the second half of the year and the projections updated accordingly.
10. As a result of the underspends referred to above, the resources available in respect of Programme Development & Support have increased during the year. A commitment of £29,172 has been agreed to support a part-time secondment to lead the work on data analytics, economic forecasts and sectoral assessments. On this basis a sum of £281,073 is available during the second half of the year to support emerging proposals. At Quarter 2, a prudent position has been taken, which assumes this sum will be spent in full. However, in the event that these resources are not fully spent, any underspend will be available to support the WIF Top-Slice in future years, subject always to observing the 3% cap approved by Regional Cabinet.

2018/19 Approved Project Budgets

11. The 2018/19 Annual Business Plan approval included budgets in respect of Year 2 costs relating to the Compound Semi-Conductor Foundry Site project. These are budgeted at £13.84 million and consist of both project related expenditure

and the ongoing cost of servicing the Special Purpose Vehicle (Project Delivery & Implementation budget). An update against these budgets is outlined in Table 3 below.

Table 3: 2018/19 Approved Project Budgets

	Budget £'000	Qtr 2 Actual £'000	Projected Year End £'000	Variance £'000
CSC Foundry Site Funding	13,690.0	12,308.4	13,690.0	0.0
CSC Project Delivery & Implementation	150.0	150.0	150.0	0.0
Total	13,840.0	12,458.4	13,840.0	0.0

12. At Quarter 2, the majority (90.0%) of the budget has been released to the Compound Semi-Conductor Foundry project based on the arrangements contained with the project funding letter and the supporting legal documentation. Those documents provide a maximum cap on the level of City Deal funding that can be made available to the project and on that basis the budget is projected to be fully spent in 2018/19.

2018/19 In Year Revenue and Capital Project Approvals

13. The 2018-19 Annual Business Plan contains additional revenue (£1.000 million) and capital (£4.015 million) resources and are available to provide Regional Cabinet with a level of flexibility to approve sums during the year. This could be in respect of In-Principle and/or emerging projects that come forward as part of the Cardiff Capital Region's 'delivery pipeline' and also meet the requirements of the Assurance Framework.

Table 4: 2018/19 In Year Project Approvals

	Budget £'000	Qtr 2 Actual £'000	Projected Year End £'000	Variance £'000
In Year Revenue Project approvals	1,000.0	0	1,000.0	0.0
In Year Capital Project approvals	4,015.0	0	4,015.0	0.0
Total	5,015.0	0	5,015.0	0.0

14. As set out in Table 4, there have been no additional in year approvals as at Quarter 2. The position will continue to be monitored through the rest of the year, however, for prudence, the full year projection currently assumes that these sums will be spent.
15. In the event that these budgets are not fully utilised in 2018/19, then the sums will be rolled forward and made available to support the budget in future years. The position will be updated and factored in to the development of the 2019/20 Annual Business Plan accordingly.

Future Generations Assessment

<p>Name of the Officer completing the evaluation:</p> <p>Kellie Beirne</p> <p>Phone no: 07826 9219286 E-mail: kellie.beirne@cardiff.gov.uk</p>	<p>Please give a brief description of the aims of the proposal</p> <p>Setting out substantive performance and progress against the approved annual business plan for 2018/19.</p>
<p>Proposal: Quarter 2 Performance</p>	<p>Date Future Generations Evaluation form completed: 17 Dec 2018</p>






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1. **Does your proposal deliver any of the well-being goals below?** Please explain the impact (positive and negative) you expect, together with suggestions of how to mitigate negative impacts or better contribute to the goal.

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
<p>A prosperous Wales Efficient use of resources, skilled, educated people, generates wealth, provides jobs</p>	<p>Assessing progress with City Deal and the targets set around GVA, jobs and leverage – is our key means of securing greater prosperity. Reporting progress in this way contributes to a growing sense of self awareness.</p>	<p>Proposals to improve progress against each of the projects currently in progress – are set out in the report. This report does not seek to simply report progress – but to address the actions needed to drive it.</p>
<p>A resilient Wales Maintain and enhance biodiversity and ecosystems that support resilience and can adapt to change (e.g. climate change)</p>	<p>References to submissions around the 'Energy Revolution' challenge fund are described in the report. Also recent submissions around EV and Stations of the Future</p>	<p>This activity will be driven up in future. In addition as physical infrastructure schemes enter delivery – more comprehensive assessments will need to be carried out in full.</p>

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
A healthier Wales People's physical and mental wellbeing is maximized and health impacts are understood	A number of the interventions in train – Skills, Housing and Transport improvements seek to make a contribution to the way the region 'works', how it promotes opportunity and unlocks potential	
A Wales of cohesive communities Communities are attractive, viable, safe and well connected	The place-shaping component of our City Deal is set out in the report	A greater contribution will be made to this by the aforementioned data capability, sectoral analysis and place assessments.
A globally responsible Wales Taking account of impact on global well-being when considering local social, economic and environmental wellbeing	Attending MIPIIM to promote the CCR will see us play a stronger part in developing the economic wellbeing of our region and country, thus impacting social and community objectives. It will help make our country feel more connected and outward looking.	Develop the legacy impact of the event, sustaining new connections, sharing great practice and potentially securing propositions and deals that support economic growth.
A Wales of vibrant culture and thriving Welsh language Culture, heritage and Welsh language are promoted and protected. People are encouraged to do sport, art and recreation	Our City Deal is uniquely Welsh – but pitches towards being world leading in areas of competitive strength. This enables a strong reflection on our rich culture and heritage.	
A more equal Wales People can fulfil their potential no matter what their background or circumstances	City Deal is about delivering as far as possible across 10 LAs and a population of 1.5m people. It is about economic gains – but importantly how this will convert as tools for improving people's lives. Some of the specific interventions around skills and housing – will seek to make a more direct contribution to equity of access and equal opportunity for all.	

2. How has your proposal embedded and prioritized the sustainable governance principles in its development?

Sustainable Development Principle	Does your proposal demonstrate you have met this principle? If yes, describe how. If not explain why.	Are there any additional actions to be taken to mitigate any negative impacts or better contribute to positive impacts?
 <p>Long Term</p> <p>Balancing short term need with long term and planning for the future</p>	<p>The report describes performance in the round. It sets out short-term interventions and balances these against the long-term delivery of major programmes.</p>	
 <p>Collaboration</p> <p>Working together with other partners to deliver objectives</p>	<p>A cornerstone of our process is the strength of partnership working. An update on governance is set out in the report.</p>	
 <p>Involvement</p> <p>Involving those with an interest and seeking their views</p>	<p>Communications and engagement remain a feature of our work.</p>	<p>More needs to be done to develop engagement platforms – beyond formal partnerships – to reach communities, hard to reach groups and those who currently have a limited understanding of City Deal. Improving social media, web presence and marketing materials will increasingly make a contribution to this.</p>
 <p>Prevention</p> <p>Putting resources into preventing problems occurring or getting worse</p>	<p>This is set out in the REGP work on the developing Regional Economic and Industrial Plan.</p>	<p>This will be an increasing focus of scheme and programme delivery.</p>
 <p>Integration</p> <p>Considering impact on all wellbeing goals together and on other bodies</p>	<p>City Deal seeks to make a contribution on place and to improving the life chances of people in the region.</p>	

3. Are your proposals going to affect any people or groups of people with protected characteristics? Please explain the impact, the evidence you have used and any action you are taking below.

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Age	The report is an overview of performance in all of the relevant aspects of projects, partnership, governance and investment. The protected characteristic assessments related to specific proposals will need to be drawn out in the relevant business cases and proposal documents.	None arising at this time.	
Disability	As above	As above	
Gender reassignment	As above	As above	
Marriage or civil partnership	As above	As above	
Pregnancy or maternity	As above		
Race	As above		
Religion or Belief	As above		

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Sex	As above		
Sexual Orientation	As above		
Welsh Language	As above	Not at this time but the situation will be kept under review.	

4. Safeguarding & Corporate Parenting. Are your proposals going to affect either of these responsibilities?

	Describe any positive impacts your proposal has on safeguarding and corporate parenting	Describe any negative impacts your proposal has on safeguarding and corporate parenting	What will you do/ have you done to mitigate any negative impacts or better contribute to positive impacts?
Safeguarding	Not directly relevant –however, building the future economy should have a profoundly positive impact on ability to safeguard the future of our residents		
Corporate Parenting	Not directly relevant – however building strength in the economy should create opportunities for all of the young people entrusted in our care		

5. What evidence and data has informed the development of your proposal?

- Evidence and input contributed by theme leads
- Outcomes of assessments such as audit reports
- Delivery against targets set out in individual business cases/ approved project documentation

6. SUMMARY: As a result of completing this form, what are the main positive and negative impacts of your proposal, how have they informed/changed the development of the proposal so far and what will you be doing in future?

The areas requiring attention and focus are set out and follow-up actions will be assessed and monitored ongoing through the quarterly reporting mechanism. .

7. MONITORING: The impacts of this proposal will need to be monitored and reviewed. Please specify the date at which you will evaluate the impact, and where you will report the results of the review.

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The impacts of this proposal will be evaluated on:

Quarter 3

17 DECEMBER 2018 MEETING

2018/19 MONTH 07 JOINT COMMITTEE REVENUE BUDGET MONITORING POSITION

REPORT OF ACCOUNTABLE BODY – SECTION 151 OFFICER, CARDIFF CAPITAL REGION CITY DEAL

AGENDA ITEM: 6

Reason for this Report

1. To provide the Cardiff Capital Region Joint Committee (Regional Cabinet) with details of actual expenditure, income and the projected full year out-turn position as at the 31st October 2018 (Month 07), against its approved 2018/19 Joint Committee Revenue Budget.

Background

2. At its meeting of the 15th January 2018, Regional Cabinet approved its 2018/19 Joint Committee Revenue Budget. The budget provides the necessary resources in respect of the Programme Management Office (PMO) and the Accountable Body support arrangements, which support the work of the Regional Cabinet.
3. The budget is funded from a combination of the underspend brought forward from 2017/18, with the balance being met from local authority '2018/19 Partner Revenue Contributions'.
4. At its meeting of the 24th September 2018, Regional Cabinet noted the Month 04 Monitoring Position which outlined that overall, expenditure was projected to be on target with the approved 2018/19 budget.

Issues

5. Regional Cabinet was formally established on March 1st 2017 and therefore, 2018/19 represents its second full year of operation. The inaugural year was primarily spent on ensuring that all governance, accountability and project

arrangements were set-up and executed in line with the Joint Working Agreement. In addition to this, Regional Cabinet also approved its first project investment (the Compound Semi-Conductor Foundry project) and gave in-principle approval to a further four projects, namely Skills for the Future, Regional Housing Investment Fund, Digital Strategy and Metro Central Project. Updates relating to these projects can be found in the Programme Director's Quarterly Performance Reports.

6. 2018/19 has seen the appointment of a new Programme Director to support the work of Regional Cabinet, through the development of the next stage of the City Deal. A key aspect of this development is the need to focus on the requirements of the 5 year Gateway Review process thus ensuring that Cardiff Capital Region is well placed to demonstrate both the 'Progress' and the 'Impact' that the City Deal has had on the region, over the evaluation period to-date. In addition to this, significant work is being progressed on the 'Delivery Pipeline' of projects and how these will be evaluated as part of the Investment and Intervention Framework.
7. At Month 07 the actual expenditure incurred amounts to £358,841 which represents just over 34% of the annual budget, with the projected out-turn position indicating that the budget will be fully spent at year end. Table 1 summarises the position at Month 07 and a narrative summary is outlined below.

Table 1: Month 07 Joint Committee Revenue Budget Monitoring Position

	Budget	Mth 07 Actual	Projected Year End	Variance
	£	£	£	£
<u>Programme Management Office (PMO)</u>				
Employee Related	475,976	158,010	457,906	-18,070
Premises Related	20,564	7,916	18,673	-1,891
Transport Related	7,500	3,827	7,500	0
Supplies & Services	87,390	17,479	70,871	-16,519
Joint Scrutiny	20,000	0	25,000	5,000
External Support - Communications & Media	25,000	39,634	61,480	36,480
5 Year Gateway Review Support	50,000	0	50,000	0
Contingency	62,585	0	57,585	-5,000
Sub Total	749,015	226,866	749,015	0
<u>Accountable Body Support Services</u>				
HR People Services	11,250	10,011	14,025	2,775
Finance & Accountancy Support	135,640	74,486	135,640	0
Exchequer, Internal Audit & Insurance	3,535	1,754	3,070	-465
Legal & Governance Support	108,815	41,287	108,815	0
ICT, Information & Governance	14,830	4,437	14,830	0
External Audit Fee	5,000	0	9,569	4,569
Contingency	21,915	0	15,036	-6,879
Sub Total	300,985	131,975	300,985	0
Gross Expenditure*	1,050,000	358,841	1,050,000	0

Funded by:-				
2017/18 Underspend B/Fwd	0	-41,846	-41,846	-41,846
Partner Contribution – Blaenau Gwent (4.6%)	-48,507	-46,132	-46,574	1,933
Partner Contribution – Bridgend (9.5%)	-99,110	-94,257	-95,160	3,950
Partner Contribution – Caerphilly (12.0%)	-125,665	-119,512	-120,657	5,008
Partner Contribution – Cardiff (23.7%)	-249,121	-236,922	-239,194	9,927
Partner Contribution – Merthyr Tydfil (3.9%)	-41,379	-39,353	-39,730	1,649
Partner Contribution – Monmouthshire (6.1%)	-64,502	-61,344	-61,931	2,571
Partner Contribution – Newport (9.8%)	-103,069	-98,022	-98,961	4,108
Partner Contribution – RCT (15.8%)	-165,595	-157,486	-158,995	6,600
Partner Contribution – Torfaen (6.1%)	-64,056	-60,919	-61,503	2,553
Partner Contribution – Vale of Glam (8.5%)	-88,996	-84,638	-85,449	3,547
Gross Income*	-1,050,000	-1,040,431	-1,050,000	0
Net Position	0	-681,590	0	0

*** Note: the approved budget for 2018/19 amounts to £1,159,940 and included funding of £109,940 in respect of two FTEs from the Wider Investment Fund (WIF). Actual costs against this element of the budget will be reported against the WIF budget via the Quarterly Performance Reports.**

Programme Management Office: On Target

8. At Month 07 the actual expenditure incurred amounts to £226,866 and represents just over 30% of the Programme Management Office (PMO) element of the approved budget. However, the projected out-turn position assumes that the budget will be fully spent over the course of the financial year. The reasons for this and the position against the key PMO budget heads is summarised below.

Employee Related Budgets: (-£18,070)

9. The Employee Related budget approved in respect of the PMO totals £475,976 and is based on 7 FTEs, which includes two senior posts to support the work of the Programme Director. The budget report advised Regional Cabinet that the specific team structure was being developed in consultation with Chief Executives and the Accountable Body. A key principle agreed at that time was that recruitment to the two senior posts would not be progressed until the new Programme Director was in post.
10. At Month 07, the actual costs amount to £158,010 and relate to the Programme Director, two Project Support posts, part year cost for the now vacant Delivery Lead post and the costs of the Development Officer (Digital) post which commenced in October. Based on this cost profile, the Programme Director has resources amounting to £164,666 at her disposal for the remaining part of the year.
11. As outlined at Month 04, the Programme Director wishes to retain as much flexibility as possible to allow her to build an extended and agile team, which has the breadth, skills, networks and capabilities to evolve the City Deal into the next phase of its growth. For this reason, the Month 07 projection assumes that the remaining level resources (referred to above) will be fully spent by 31st March 2019.

12. Work is underway to guide the 'way forward' for the next phase of evolution of the City Deal, a structural re-alignment including proposals for staffing the PMO and building an extended virtual team. A fully costed proposal, including details of any funding implications will be brought forward as part of a future report to Regional Cabinet. In addition to any budget implications (both in year and future years), the report will need to consider and set-out the position in relation to employment contracts, VAT and insurance matters.
13. Noting the above key assumptions, an underspend of -£18,070 is being reported against the Employee Related budgets in Month 07. These budgets will be closely monitored over the course of the year and projections updated accordingly. In particular, to reflect the implementation (and related timetable) of proposals brought forward in respect of an agile resourcing structure as referred to above.

Premises Related Budgets: (-£1,891)

14. These budgets relate to the Office Lease and NNDR costs for the PMO office at Valleys Innovation Centre which are currently projected to be underspent by £1,891 at year end. Arrangements are in place to relocate the office from Valleys Innovation Centre in Abercynon to new premises in Caerphilly. Early discussions suggest that there will be a small increase in the leasing costs for the new office but that this will be more than offset by savings in meeting room costs which are shown under Supplies and Services below. An update on this will be provided in a future report as confirmation of these costs crystallise.

Supplies & Services: (-£16,519)

15. There are a range of Supplies & Services budgets totalling £87,390 and at Month 07 these are largely anticipated to be fully spent at year end, despite the fact that expenditure has been slower to materialise than expected. There is currently a projected overspend in respect of Office Equipment & Furniture amounting to £3,000. This overspend is off-set by an underspend of £20,000 against the Web Design and Social Media Management budget which is used to fund the overspend on Communications & Media set-out below, resulting in a net underspend of -£16,519.

Joint Scrutiny (+£5,000)

16. Governance arrangements for a Cardiff Capital Region Joint Scrutiny Committee were approved by Regional Cabinet at its meeting of 15th January 2018, where a budget of £20,000 was earmarked against PMO resources. Further information received from the lead authority taking forward joint scrutiny arrangements indicated that costs are likely to be in the region of £25,000. The inaugural meeting of the Joint Scrutiny Committee took place on 15th October 2018 and actual costs for 2018/19 will be updated as the Committee's work is taken forward. Consideration will need to be given to this budget head as part of the 2019/20 budget process.

External Support – Communications & Media: (+£36,480)

17. Communications & Media has an approved budget of £25,000 in respect of the 'base contract', which covers a range of services such as Public Relations, Social Media, Digital Marketing etc. which are delivered via an external partner.
18. At Month 07, actual spend totalled £39,634 against a profiled budget of £14,583 and as a result of this, along with ongoing commitments for these services, the budget is projected to be overspent by +£36,480 at the year end. A large part of the projected overspend relates to services provided in respect of the £20,000 Web Design and Social Media Management budget (referred to above), which are now being delivered through these external arrangements. The balance relates to the base contract which was budgeted at £25,000 for the full year. A new contract has been let which covers a suite of services (base contract along with website & social media management and supporting stakeholder engagement) and is estimated to cost an additional £27,000 for the six month period from September 2018 to February 2019.
19. The Programme Director has committed to reviewing the arrangements for Communications & Media throughout the rest of financial year in order to manage the extent of the overspend as much as possible. Any action taken as part of this review will need factored into the 2019/20 budget setting process.

5 Year Gateway Review Support: (On Target)

20. A budget of £50,000 has been approved in 2018/19 to fund work associated with the Gateway Review process. It is understood that discussions are taking place between the PMO and SQW (HM Treasury's appointed advisors) regarding the potential cost to the Cardiff Capital Region to develop and assess Locality Frameworks and Locality Evaluation Plans. These will build on the work of the National Evaluation Framework which was largely completed in 2017/18.
21. At Month 07 the budget is projected to be fully spent, but dialogue is ongoing to understand the total quantum and profile of costs involved to undertake and complete this work in the current, and future, financial years.

Contingency: (-£5,000)

22. The Contingency budget amounts to £62,585. At Month 07, known commitments amount to £7,500 and relate to the joint scrutiny arrangements outlined above and a small cost agreed with the Vale of Glamorgan to support the development of a City Deal Strategic Risk Register. However, in order to retain flexibility to be able to react to opportunities and generate accelerated results, the remaining budget of £55,085 is projected to be fully spent. This position will be reviewed and updated as we progress through the financial year.

Accountable Body Support & Related Services: On Target

23. At Month 07, actual costs amounting to £131,975 were incurred in relation to the Accountable Body Support and Related Services budget and equate to just under 44% of the full year budget. The position Month 07 assumes that the full year projection will be on target with the £300,985 approved budget. However, the position in respect of the Contingency Budget and Legal Services charge outlined below, should be noted.
24. The position against the key service heads is summarised below:

HR People Services: (+£2,775)

25. There is a small overspend projected against the HR People Services budget which totals £11,250. The overspend is as a result of £1,155 of costs for the Programme Director recruitment process flowing into 2018/19, along with £1,620 additional HR costs in supporting the PMO recruitment process.

Finance & Accountancy Support: On Target

26. The total budget for the provision of these services is £135,640 and is projected to be on target at Month 07. The budget covers a range services including advice, support and attendance at meetings of a senior accountancy manager, a full-time accountant as well as cash and treasury management services.
27. The Budget assumed 50% of the full time cost of the senior accountancy manager and 75% of a group accountant. However, the service is being delivered via 95% of the senior accountancy manager only, with additional support also being provided by other Cardiff Council Officers at a projected cost of £9,500. These changes allow the overall budget to be met whilst also providing the level of support required by the Programme Director and the Joint Committee Section 151 Officer.

Exchequer Services, Internal Audit and Insurances: (-£465)

28. The £3,535 budget for the three services can be broken down as Exchequer Services (£350), Internal Audit (£2,000) and Insurances (£1,185). Currently these are expected to be on target with budget, with a small underspend projected against Insurance costs.

Legal & Governance Support: On Target

29. The approved budget for the provision of Legal and Governance support is £108,815 and was based on the assumption that additional resources would be needed to support the then Programme Director at meetings during 2018/19. However, based on the actual demand for legal advice for the first half of the year, in particular the reduced number of meetings, the legal costs incurred are less than that assumed in the budget. On this basis, it is projected that the number of hours that may be recharged in 2018/19 are likely to be in-line with the £74,935 cost charged in 2017/18.

30. However, as the work of the new Programme Director's beds in and takes effect during the second half of the year, the level of activity may change. For this reason, the Month 07 projection remains on target with budget, but noting that, depending on the actual business need over the remainder of the financial year, an underspend of up to £33,880 may crystallise. The position will be closely monitored throughout the financial year and updated accordingly.

ICT and Information & Governance: On Target

31. ICT services are projected to be on target based on 11 ICT User Accounts and devices being supported throughout the year. The Information & Governance budget of £5,000 is a fixed fee.

External Audit: (+£4,569)

32. At the time of setting the 2018/19 budget, the external audit fee was estimated to be £5,000. Subsequently, the 2017/18 fee was charged at £9,569 and the assumption is that the 2018/19 fee will be at a similar level and on this basis, an overspend of +£4,569 is projected.

Contingency Budget: (-£6,879)

33. The Accountable Body element of the budget includes a contingency of £21,915. At Month 07, no actual costs have been incurred. It is therefore assumed that part of this budget can be used to cover the projected overspend detailed above and deliver an overall balanced budget position for 2018/19. However for prudence, the remaining balance of £15,036 has been committed in order to provide for unforeseen costs, should they arise.

Month 07 Summary

34. This report summarises the monitoring position against the Joint Committee's Revenue Budget at Month 07 and outlines that overall the projections are in line with the approved budget for 2018/19.
35. It should be noted that a significant level of resources are projected to be spent during the remainder of the year, which aims to reflect the anticipated acceleration of activity, to move the City Deal forward. A report containing fully costed proposals will be brought forward for Regional Cabinet's consideration and approval. This will need to set-out the budgetary impact on the current year's budget as well implications for future years.
36. The budget will continue to be monitored and reviewed through the rest of the financial year and updates reported back to Regional Cabinet at appropriate intervals. The impact of any changes in future years will need to be considered as part of the 2019/20 budget setting process.

Reasons for Recommendations

37. To provide Regional Cabinet with an update of the monitoring position against its approved 2018/19 Joint Committee Revenue Budget, as at 31st October 2018 (Month 07).

Financial Implications

38. The financial implications are set-out within the main body of this report.

Legal Implications

39. This is a revenue budget monitoring report for noting and based on the information contained in this report, does not raise any direct legal issues.

RECOMMENDATION

It is recommended that Cardiff Capital Region Joint Cabinet:

- a) Notes the actual expenditure, income and projected full year out-turn position as at the 31st October 2018 (Month 07), against its approved 2018/19 Revenue Budget.

Christine Salter
Corporate Director Resources
17 December 2018

The following Appendix is attached:

Appendix 1: Future Generations Evaluation

Future Generations Assessment Evaluation






Name of the Officer completing the evaluation: Kellie Beirne Phone no: 07826 9219286 E-mail: kellie.beirne@cardiff.gov.uk	Please give a brief description of the aims of the proposal To provide details of expenditure, income and projected full year outturn position against the approved 2018/19 Joint Committee revenue budget.
Proposal: 2018/19 Month 07 Joint Committee Revenue Budget Monitoring Position	Date Future Generations Evaluation form completed: 11 Dec 2018

1. **Does your proposal deliver any of the well-being goals below?** Please explain the impact (positive and negative) you expect, together with suggestions of how to mitigate negative impacts or better contribute to the goal.

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
A prosperous Wales Efficient use of resources, skilled, educated people, generates wealth, provides jobs	The report sets out progress against agreed revenue budgets and the way in which resources are being used to deliver outcomes and targets.	Set out in report
A resilient Wales Maintain and enhance biodiversity and ecosystems that support resilience and can adapt to change (e.g. climate change)	Not directly relevant however financial support and investments will have regard to these principles and will be set out on a business-case by business-case basis.	
A healthier Wales	Not direct applicable	

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
People's physical and mental wellbeing is maximized and health impacts are understood		
A Wales of cohesive communities Communities are attractive, viable, safe and well connected	Not directly applicable	A greater contribution will be made to this by the data capability, sectoral analysis and place assessments.
A globally responsible Wales Taking account of impact on global well-being when considering local social, economic and environmental wellbeing	Not directly applicable	
A Wales of vibrant culture and thriving Welsh language Culture, heritage and Welsh language are promoted and protected. People are encouraged to do sport, art and recreation	Not directly applicable	
A more equal Wales People can fulfil their potential no matter what their background or circumstances	City Deal is about delivering as far as possible across 10 LAs and a population of £1.5m people. It is about economic gains – but importantly how this will convert as tools for improving people's lives. Some of the specific interventions around skills and housing – will seek to make a more direct contribution to equity of access and equal opportunity for all.	

2. How has your proposal embedded and prioritized the sustainable governance principles in its development?

Sustainable Development Principle	Does your proposal demonstrate you have met this principle? If yes, describe how. If not explain why.	Are there any additional actions to be taken to mitigate any negative impacts or better contribute to positive impacts?
 <p>Long Term</p> <p>Balancing short term need with long term and planning for the future</p>	<p>The report sets out short-term interventions and balances these against the long-term delivery of major programmes.</p>	
 <p>Collaboration</p> <p>Working together with other partners to deliver objectives</p>	<p>A cornerstone of our process is the strength of partnership working.</p>	
 <p>Involvement</p> <p>Involving those with an interest and seeking their views</p>	<p>Communications and engagement remain a feature of our work.</p>	
 <p>Prevention</p> <p>Putting resources into preventing problems occurring or getting worse</p>	<p>Demonstrated in the report through detailed funding allocations and investment cases</p>	
 <p>Integration</p> <p>Considering impact on all wellbeing goals together and on other bodies</p>	<p>City Deal seeks to make a contribution on place and to improving the life chances of people in the region.</p>	

3. Are your proposals going to affect any people or groups of people with protected characteristics? Please explain the impact, the evidence you have used and any action you are taking below.

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Age	The report is an overview of financial performance. The protected characteristic assessments related to specific proposals will need to be drawn out in the relevant business cases and proposal documents.	None arising at this time.	
Disability	As above	As above	
Gender reassignment	As above	As above	
Marriage or civil partnership	As above	As above	
Pregnancy or maternity	As above		
Race	As above		
Religion or Belief	As above		
Sex	As above		
Sexual Orientation	As above		
Welsh Language	As above	Not at this time but the situation will be kept under review.	

4. Safeguarding & Corporate Parenting. Are your proposals going to affect either of these responsibilities?

	Describe any positive impacts your proposal has on safeguarding and corporate parenting	Describe any negative impacts your proposal has on safeguarding and corporate parenting	What will you do/ have you done to mitigate any negative impacts or better contribute to positive impacts?
Safeguarding	Not directly relevant –however, building the future economy should have a profoundly positive impact on ability to safeguard the future of our residents		
Corporate Parenting	Not directly relevant – however building strength in the economy should create opportunities for all of the young people entrusted in our care		

5. What evidence and data has informed the development of your proposal?

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- Evidence and input contributed by theme leads
- Outcomes of assessments such as audit reports
- The Draft Annual Governance Statement
- Delivery against targets set out in individual business cases/ approved project documentation
- Financial data and recording

6. SUMMARY: As a result of completing this form, what are the main positive and negative impacts of your proposal, how have they informed/changed the development of the proposal so far and what will you be doing in future?

The areas requiring attention and focus are set out and follow-up actions will be assessed and monitored ongoing through the quarterly reporting mechanism. .

7. MONITORING: The impacts of this proposal will need to be monitored and reviewed. Please specify the date at which you will evaluate the impact, and where you will report the results of the review.

The impacts of this proposal will be evaluated on:	Quarter 3
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17 DECEMBER 2018 MEETING

CARDIFF CAPITAL REGION INDUSTRIAL AND ECONOMIC PLAN – STATEMENT OF INTENT

REPORT OF CARDIFF CAPITAL REGION DIRECTOR

AGENDA ITEM: 7

Reason for this Report

1. To seek Regional Cabinet's endorsement of the Cardiff Capital Region Industrial and Economic Plan being developed by the Regional Economic Growth Partnership.
2. To seek Regional Cabinet's agreement to the publication of the Industrial and Economic Plan – Statement of Intent contained in Appendix 1.

Background & Issues

3. The Regional Economic Growth Partnership was established, amongst other things, to advise the Regional Cabinet on its funding decisions from the Wider Investment Fund. To this end the Regional Economic Growth Partnership is developing an Industrial and Economic Plan that takes the principles and themes within the JWA Five Year Business Plan, the Welsh Government Economic Action Plan, and the UK government Industrial Strategy, and articulates an industrial and economic plan for the region. This will guide and influence future funding recommendations made by the Regional Economic Growth Partnership to Regional Cabinet.
4. The development of the Industrial and Economic Plan has been led by the Economic Growth Partnership and builds upon the Growth and Competitiveness Commission Report (2016), and has involved consultation and input from stakeholders across the region from Business, Academia and the Public Sector.
5. The Industrial and Economic Plan – Statement of Intent (contained in Appendix 1) is consistent with the JWA Five Year Business Plan and the Assurance Framework. The Statement of Intent sets out the approach that will be taken by the Economic Growth Partnership in developing the Industrial and Economic Plan for the region. The plan once produced will be submitted to Regional Cabinet for approval.

Legal Implications

6. In addition to the work on developing the proposed Industrial and Economic Plan, the Statement of Intent notes (paragraph 8) that the Regional Economic Growth Partnership will be making recommendations to the Regional Cabinet to establish an investment and intervention framework that will contain three designated investment funds. That is a proposal that the Cardiff Capital Region wider investment fund comprises a series of three funds. It is understood that this proposal will be the subject of a detailed report to Regional Cabinet for approval. As these proposals are developed detailed commercial, financial, legal and other advice will be required as regards the structure (including governance structure), investment criteria and investment policy that will attach to the proposed funds.

General advice

7. In considering this matter and developing the proposed Industrial and Economic Plan regard must be had, amongst other matters, to:
 - (a) The Councils' duties under the Well-being of Future Generations (Wales) Act 2015. The Well-being of Future Generations and Equalities assessment set out in Appendix 2, sets out how the duties have been considered as regards preparation of the Statement of Intent;
 - (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 (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. 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; and
 - (c) The Welsh Language (Wales) Measure 2011 and the Welsh Language Standards.

Financial Implications

8. There are no direct financial implications arising from this report. Any future report brought forward in respect of funding decisions relating to the Cardiff Capital Region Wider Investment Fund will need to give due regard and consideration to matters set-out in the Joint Working Agreement and its associated Schedules, as well as Welsh Government's funding terms and conditions in respect of the HM Treasury Contribution.

Recommendations

It is recommended that the Cardiff Capital Region Joint Cabinet:

- i) Endorse the direction taken by the Regional Economic Growth Partnership in developing an Industrial and Economic Plan for the region; and
- ii) Agree to the publication of the Industrial and Economic Plan – Statement of Intent contained in Appendix 1 of this report.

Kellie Beirne
Cardiff Capital Region Director
17 December 2018

The following Appendices are attached:-

Appendix 1 – Industrial and Economic Plan – Statement of Intent
Appendix 2 – Well-being / Equalities Assessment

Background Papers

The following Background Papers have been taken into consideration:

- 1) Report to Regional Cabinet of 14th July 2017 – Regional Economic Growth Partnership.
- 2) Report to Regional Cabinet of 2nd May 2017 – Grant Funding Terms and Conditions.
- 3) CCR City Deal Strategic Business plan Wider Investment Fund (JWA Five Year Business Plan).
- 4) Joint Working Agreement dated 1.3.17 in relation to the delivery of the Cardiff Capital Region City Deal (including the Assurance Framework).

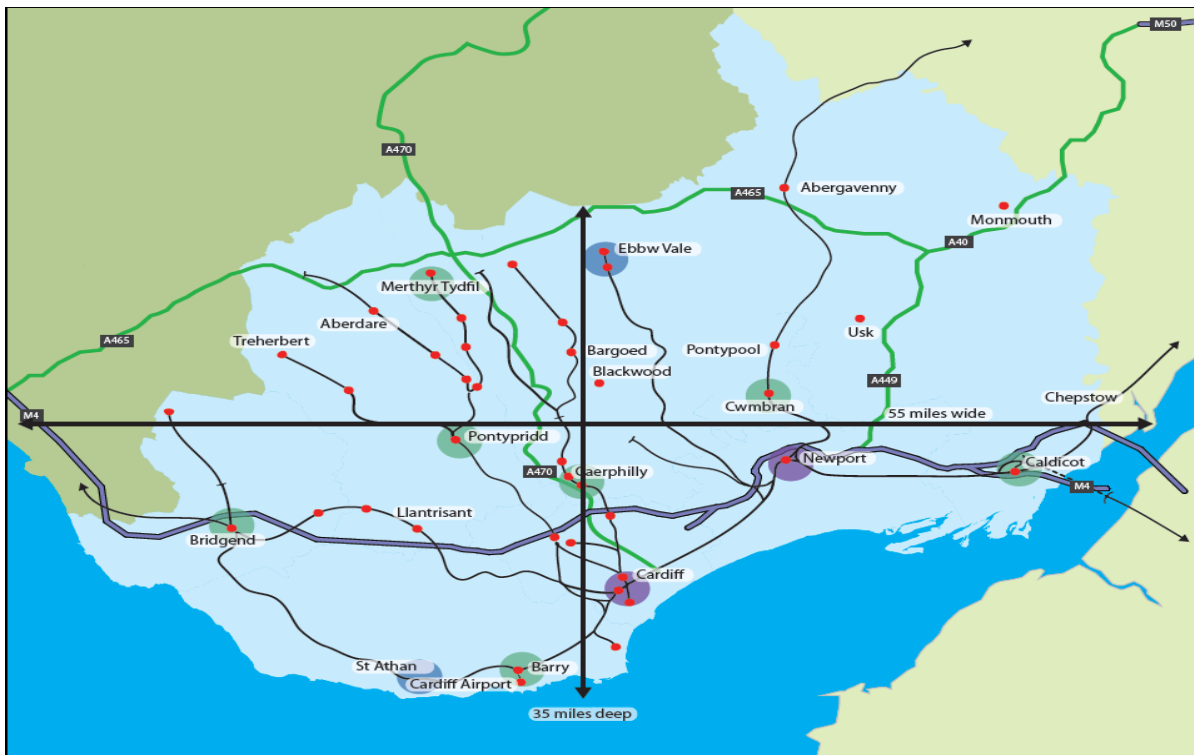
Appendix 1

Cardiff Capital Region Industrial and Economic Plan – Statement of Intent

1. The Regional Economic Growth Partnership was established to advise on the implementation of the Cardiff Capital Region City Deal's Wider Investment funds. This Industrial and Economic Plan that is under development will set out an ambitious and long-term plan to boost productivity, accelerate economic and inclusive growth in the region by making the CCR a highly investable proposition backing businesses to create good and sustainable jobs through targeted investments in skills, priority industries, infrastructure and innovation.
2. Our approach will be based on:
 - Cohesion: policy collaboration and delivery partnerships and ensuring that there is cumulative impact to the range of investments and interventions delivered by the City Deal;
 - Scale: limited number of significant interventions, rather than a disparate range of random small-scale activities;
 - Leverage: maximise the City Deal investments by attracting co-investors with complimentary funding and resources; and
 - Return on Investment: demonstrable impact and return will be expected from all investments and interventions.
3. The purpose of the plan will be to guide the deployment of funding, policy decisions, and targeted effort to ensure the future productivity and prosperity of the region. It sets out a route to future economic self-reliance.
4. In delivering sustainable and inclusive growth, we will address two mutually supportive objectives of boosting competitiveness and tackling inequalities. The introduction of inclusive and regenerative growth as central threads of the plan set out the case for delivering an economic agenda that drives sustainable and thriving economic growth and productivity across all of the region.
5. The CCR Industrial and Economic Plan will set out a new way of working within the region, with UK Government, Welsh Government and local government working together and in partnership with the private sector, Higher Education and Further Education institutions, third sector and other public sector bodies on boosting productivity and accelerating economic and inclusive growth. This will build on the foundations established in the CCR City Deal. Where appropriate we will work with partners beyond the CCR in both the Swansea Bay Region, the South West of England and beyond where the critical mass across the partnerships will allow a greater strategic focus to improve productivity.
6. The role of government within the region will be to act as a future shaper of our region; to convene, facilitate and catalyse strategic interventions and investments that will deliver on our combine goals and objectives.

Delivery of the plan will be a partnership between the private, public, education and third sectors.

7. The development of the CCR Industrial and Economic Plan has been led by the Economic Growth Partnership and builds on the Growth and Competitiveness Commission Report (2016), and is informed by the UK Industrial Strategy (2017), Welsh Government Economic Action Plan (2017) and two recent Science and Innovation Audits that cover the region – the South West England and South East Wales S&I Audit (2016) and the South Wales Crucible Audit (2018).
8. The Economic Growth Partnership is also:
 - Investing in data analysis capability to provide robust and reliable data on a series of economic and social indicators to better understand the performance of the region. This will ensure well informed decisions are taken in the delivery of the regional industrial and economic plan.
 - Recommending to the Regional Cabinet to establish an Investment and Intervention Framework that will contain three designated Investment Funds. The three designated Investment Funds (Innovation, Infrastructure, and Challenge) will be established in partnership with the investor community to drive forwards our economic ambitions and priorities within the region as set out in the Industrial and Economic Plan.



Future Generations Assessment

<p>Name of the Officer completing the evaluation:</p> <p>Kellie Beirne</p> <p>Phone no: 07826 9219286 E-mail: kellie.beirne@cardiff.gov.uk</p>	<p>Please give a brief description of the aims of the proposal</p> <p>Setting out the REGP Regional Industrial and Economic Plan – Statement of Intent</p>
<p>Proposal: REGP – Statement of Intent – Economic and Industrial Plan</p>	<p>Date Future Generations Evaluation form completed: 17 December 2018</p>






Page 16 of 1

1. **Does your proposal deliver any of the well-being goals below?** Please explain the impact (positive and negative) you expect, together with suggestions of how to mitigate negative impacts or better contribute to the goal.

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
<p>A prosperous Wales Efficient use of resources, skilled, educated people, generates wealth, provides jobs</p>	<p>The Plan draws on data and evidence and seeks to set out the competitive strengths and advantages of the CCRCD</p>	<p>The proposal is predicated on the principles of ‘good growth’ and has enshrined within in it, commitments to reducing inequality and promoting social justice.</p>
<p>A resilient Wales Maintain and enhance biodiversity and ecosystems that support resilience and can adapt to change (e.g. climate change)</p>	<p>The plan promotes ‘good growth’ and the kind of growth that has regard to living systems and demonstrating that a healthy economy and healthy planet are not mutually exclusive.</p>	<p>In sub-sets of the plan e.g. mobility – enhancement sare being made to existing schemes around incorporation of Electric Vehicle and Station of the Future and Energy Revolution proposals and so on. We are taking bold steps to demonstrate value</p>

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
		added through a focus on sustainability and resilience
A healthier Wales People's physical and mental wellbeing is maximized and health impacts are understood	Developing the conditions, through new links and networks – and opportunities for future engagement – will make a contribution to prosperity, which in turn will support wellness and wellbeing.	
A Wales of cohesive communities Communities are attractive, viable, safe and well connected	The plan seeks to position our region and its competitive strengths – economic and wider and will seek to yield demonstrative legacy benefit for the country as a whole.	ROI assessments and expert advice on how to leverage opportunities and build on local social capital whilst at the same time, scanning the world for experts who can help grow high potential ideas
A globally responsible Wales Taking account of impact on global well-being when considering local social, economic and environmental wellbeing	The Plan has regard to the wider factors required to support a vibrant and responsible economy	Proposals emanating from the Plan will place an emphasis on new forms of procurement and support for BCorps, employee owned and public purpose organisations. For example, Public Services Testbed.
A Wales of vibrant culture and thriving Welsh language Culture, heritage and Welsh language are promoted and protected. People are encouraged to do sport, art and recreation	Our City Deal is uniquely Welsh – but pitches towards being world leading in areas of competitive strength. This enables a strong reflection on our rich culture and heritage.	
A more equal Wales People can fulfil their potential no matter what their background or circumstances	City Deal is about delivering as far as possible across 10 LAs and a population of 1.5m people. It is about economic gains – but importantly how this will convert as tools for improving people's lives.	The 'spread' and targeting of City Deal benefits in a place-based and place-led way.

2. How has your proposal embedded and prioritized the sustainable governance principles in its development?

Sustainable Development Principle	Does your proposal demonstrate you have met this principle? If yes, describe how. If not explain why.	Are there any additional actions to be taken to mitigate any negative impacts or better contribute to positive impacts?
 <p>Long Term</p> <p>Balancing short term need with long term and planning for the future</p>	<p>The Plan is relevant to today, but focused on foresight and what comes, tomorrow.</p>	<p>Continued work on data/ evidence and generating in equal measure, insight and foresight.</p>
 <p>Collaboration</p> <p>Working together with other partners to deliver objectives</p>	<p>The report sets out the different partners and sectors engaged in this work</p>	<p>City Deal will be delivered by a multiplicity of diverse partners.</p>
 <p>Involvement</p> <p>Involving those with an interest and seeking their views</p>	<p>The report sets out the different partners and sectors engaged in this work</p>	
 <p>Prevention</p> <p>Putting resources into preventing problems occurring or getting worse</p>	<p>The Plan seeks to stimulate economic activity in the region creating opportunities to engage people in work and develop the prosperity needed to ensure people are more economically self reliant and self sufficient.</p>	
 <p>Integration</p> <p>Considering impact on all wellbeing goals together and on other bodies</p>	<p>The REGP is not a public body. But, in working with City Deal and understanding some of the wider social and sustainability aims, seeks to make its contribution to wellbeing goals.</p>	

3. Are your proposals going to affect any people or groups of people with protected characteristics? Please explain the impact, the evidence you have used and any action you are taking below.

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Age	As with all those categories below – the impacts will relate to specific delivery that underpins the execution and operation of this Plan	None arising at this time.	
Disability	As above	As above	
Gender reassignment	As above	As above	
Marriage or civil partnership	As above	As above	
Pregnancy or maternity	As above		
Race	As above		
Religion or Belief	As above		
Sex	As above		
Sexual Orientation	As above		

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Welsh Language	As above		

4. Safeguarding & Corporate Parenting. Are your proposals going to affect either of these responsibilities?

	Describe any positive impacts your proposal has on safeguarding and corporate parenting	Describe any negative impacts your proposal has on safeguarding and corporate parenting	What will you do/ have you done to mitigate any negative impacts or better contribute to positive impacts?
Safeguarding	Not directly relevant –however, building the future economy should have a profoundly positive impact on ability to safeguard the future of our residents		
Corporate Parenting	Not directly relevant – however building strength in the economy should create opportunities for all of the young people entrusted in our care		

5. What evidence and data has informed the development of your proposal?

<ul style="list-style-type: none"> • Evidence and data from other cities, regions and countries • New data emerging from the ISCF ann Innovate UK about engagement • Arloesiadur • Previous report of Economic Growth and Competitiveness Commission
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6. SUMMARY: As a result of completing this form, what are the main positive and negative impacts of your proposal, how have they informed/changed the development of the proposal so far and what will you be doing in future?

As above, the main implications will be in the delivery of this work.

7. MONITORING: The impacts of this proposal will need to be monitored and reviewed. Please specify the date at which you will evaluate the impact, and where you will report the results of the review.

The impacts of this proposal will be evaluated on:

Before end of March 2019

17 DECEMBER 2018 MEETING

CARDIFF CAPITAL REGION BUSINESS COUNCIL - 2018/19 BUSINESS PLAN

REPORT OF CARDIFF CAPITAL REGION DIRECTOR

AGENDA ITEM: 8

Reason for this Report

1. To set out the inaugural Business Plan for the Regional Business Council for 2018/19 in accordance with the report to Regional Cabinet of 24 September 2018, which committed to contextualising the MIPIM business case and investment within a wider Business Plan.
2. To note that whilst at the time, a commitment was made to the Regional Business Council embedding the MIPIM investment within a wider Business Plan to 2021, this report instead sets out a Business Plan for just the financial year 2018-19. This still provides the wider backdrop to the MIPIM investment and some small-scale complementary activity. However, given the pervading economic uncertainty; volatility in the market; and, the synergies developing across the work of the Regional Business Council and Regional Economic Growth Partnership, a shorter-term plan is proposed, whilst the medium-term challenges and opportunities become better understood.
3. To set out the wider financial ask of the Regional Business Council in its near-full first year of operation, which in the main, comprises the MIPIM investment and, a small scale associated activities, in line with its purpose, priorities and work plan for 2018/19. To further demonstrate the 'in-kind' commitment of resources the Regional Business Council is making, by way of the time, contributions and resource inputs of its membership.

Background

4. The Regional Business Council is a key part of the City Deal governance apparatus and performs an important two-fold role: to ensure the voice and views of business shape and permeate City Deal strategy and delivery; and, to ensure that opportunities galvanised and catalysed by City Deal, can be accessed and led by business. The Regional Council has been in operation for almost one year. The Council has wisely spent the initial period, 'bedding in' – working as a team, building relationships and developing its purpose, approach and key priority areas. The Regional Business Council comprises a diverse and wide-ranging membership, covering HE, FE,

Business and Industrial representatives and trade bodies. A full Membership List for the group is attached at Appendix 1.

5. The Regional Business Council identified early on in its development, the opportunity to participate in MIPIM. The business and investment case for this was captured in a report to the Regional Cabinet in September 2018. The report established that whilst the wider Business Plan for the Regional Business Council was in development, a decision on MIPIM was needed in advance, given the timing imperatives involved. A commitment was made in the report to bringing forward the full Business Plan, containing the MIPIM investment and other plans, priorities and proposed investments to 2021. It should be noted that a significant amount of work is currently underway in preparation for MIPIM, straddling marketing, promotions, scheduling, film-making, liaison with partner regions and collaboration with the Dept for International Trade.
6. It has not been possible however to establish this medium-term outlook at this point. The market is an uncertain one and whilst the priorities established by the Business Council look and feel like the right ones at this time, the context of exiting the European Union and any associated economic instability, must be carefully monitored. In addition, the needs of business and industry are changing and as a co-ordinating voice for the business community, the importance of pivoting, nuancing and adapting at such an unusual time – must be maintained. For example, participation at MIPIM will be a first for the Cardiff Capital Region. It makes sense to take stock and review progress and opportunities following the first visit and to understand how the Regional Business Council and City Deal programmes of work are shaped and influenced by it, before making further future commitments.
7. The growing synergies across the work of the Regional Business Council and Regional Economic Growth Partnership, are a further positive feature of the City Deal partnership landscape and again, these connections and overlaps are important and must be optimised. It is for this reason and all those stated in 6 above, that, at this time, the business plan is limited to the present financial year, at the end of which, outcomes can be reviewed, with a view to establishing a more medium-term approach and outlook for the Regional Business Council.
8. The Business Plan for 2018/19 (Appendix 2) mainly centres on activity from September 2018-March 2019, given this is the period of heightened delivery activity for the Regional Business Council. The main investment and activity area set out in the Plan is the MIPIM event in March 2019. There is accompanied by small-scale but critical complementary activity, under the priority work programme headings of:
 - **Communication, Engagement and Visibility** – developing core messages, extending reach and developing the business profile of the CCR
 - **Doing business in the CCR** – setting out why the CCR isn't just open for business but why it is a great place in which to do business
 - **Promoting Challenge-led Investment** – working with partners in UK and Wales Governments and businesses across the region, to develop and enhance capability to competitively secure new and additional investment
9. The Business Plan further sets out a range of small-scale investment asks, that sit under the above headings and in addition to MIPIM, include sponsorship of and participation at Wales in London in 2019; marketing and brand development and the

undertaking of workshop activity with bodies such as InnovateUK and others, in order to make wider investment opportunities and the new ways of securing investment known, visible and accessible to business, industry and entrepreneurs.

10. Whilst the Business Plan at this time, is not the medium-term document envisaged and the acceptance that this will come in time, the Plan is coherent, organised around priority themes and sets out the in-kind resources, input and contributions from Regional Business Council members. This is important since the ability to leverage the skills, assets and expertise of the wider business community is one of the key benefits of its establishment.

REASONS FOR RECOMMENDATIONS

11. The reasons for the recommendations contained in this report are:
 - To provide Regional Cabinet with the Business Plan for the Regional Business Council in 2018/19;
 - To set out why the Business Plan is for the current financial year only and doesn't take the more medium-term review previously suggested;
 - To provide a context for the first major investment case, in attending and participating in MIPIM 2019;
 - To set out the emerging purpose and coherence around the work of the Regional Business Council, the synergies with the work of the Regional Economic Growth Partnership and the in-kind resourcing benefits achieved; and
 - To in-build the flexibility to review the Business Plan and work programme, given its inaugural status and the need to observe and respond flexibly to a fast-changing environment.

Legal Implications

12. The Joint Working Agreement in relation to the delivery of the Cardiff Capital Region City Deal, concluded on 1.3.17, envisaged the CCRC Regional Cabinet would establish a group known as the Regional Business Organisation, (now referred to as the Regional Business Council). The Regional Cabinet has not established such a group but a Regional Business Council ('RBC') has been established by third parties. It is understood that the Regional Business Council is not a separate legal entity in its own right, rather it is an unincorporated association. That is a forum/body of persons who meet from time to time with the objectives set out in the annual business plan. It is understood that the RBC is considering what form its structure should take and further developing its constitution (rules) and terms of reference. The legal status of the RBC is important in terms of considering the mechanics of awarding any funding. Normally if the CCRC was to award funding to a third party, then acting through the Accountable Body, the CCRC would require the third party to enter into a contract or grant agreement, which would set out the terms and conditions as to how the monies awarded could be used. This is important as the CCRC must ensure that any City Deal monies spent comply with the HMT and WG funding conditions, so in turn it needs to ensure that relevant conditions are passed on to third parties. As unincorporated associations have no separate legal identity, the RBC as a body cannot enter into such a contract or grant agreement. The contract or grant award would have to be made with an individual officer or officers of

the association, for example the Chair (which can expose that individual to potential personal liability). In this case it is proposed that the bulk of the funding (£30K) sought, to support the activity of the RBC to secure a CCR presence at MIPIM 2019, would not be passed to the RBC but instead the payment of the monies would be managed by the Director and made to Cardiff Council as regards the tasks involved. Only a relatively small sum, circa £5k would either be paid to the Chair on behalf of the RBC or managed via the Programme Office, for the activities listed in the RBC Annual Business plan. If any sums are paid to the Chair on behalf of the RBC then terms and conditions (reflecting the relevant WG funding conditions and dealing with other matters such as 'conflict of interests) should be attached.

13. Arrangements with the RBC should be kept under review as the RBC develops its own rules and makes further decision as to its proposed structure.
14. The arrangement with the RBC could potentially be viewed as a services arrangement but the total value of the arrangement proposed for 2018/19 is below threshold and a direct award could be made, if satisfied as to best value. This is an issue, however, that will require further consideration when considering arrangements in future financial years.

Financial Implications

15. At its meeting of the 26th March 2018, Regional Cabinet approved its Annual Business Plan in respect of 2018-19, which also included a range of budgets required to support the planned activity for that year. The Wider Investment Fund 'Top-Slice' budget was established by setting aside 3% of the Wider Investment Fund on an annual basis and is, in part, used to cover the costs and/or financial contributions to regional bodies.
16. The 2018-19 budget includes an allocation of £50,000 in respect of the Regional Business Council (RBC), however, drawdown is subject to:
 - Regional Cabinet approving RBC's business plan;
 - Regional Cabinet being clear on how RBC's planned activities, contributions and Programme of Work will support the objectives of the Cardiff Capital Region;
 - The Accountable Body understanding RBC's funding requirement and putting in the place the necessary arrangement's, which take into account the need to comply with Welsh Government funding Terms & Conditions.
17. The Business Plan attached at Appendix 2 seeks approval of £35,000 of City Deal funding in 2018/19 and comprises £30,000 in respect of MIPIM 2019 and a further £5,000 to support 'engagement and promotion' activities. This sum can be met from within the budget allocated for the Regional Business Council in the current year. However, Regional Cabinet are referred to the Legal Implications section of this report, regarding the contractual conditions required to make City Deal funding available to a third party.
18. The report outlines that *"it makes sense to take stock and review progress and opportunities following the first MIPIM visit and to understand how the Regional*

Business Council and City Deal programmes of work are shaped and influenced by it, before making further commitments.”

19. Therefore, Regional Cabinet’s 2019/20 Annual Business Plan will need to contain the appropriate budgetary provisions to support any future requests for funding. Decisions around future funding will be considered once outcomes have been evaluated and a view established around how best to take forward the work of the Regional Business Council.

Future Generations and Wellbeing Considerations / Equalities Assessment

20. Considerations relating to the duties under The Well-being of Future Generations (Wales) Act 2015 and in respect of Equality are described in Appendix 3.

RECOMMENDATIONS

It is recommended that the Cardiff Capital Region Joint Cabinet:

- a) Approve the inaugural Business Plan of the Regional Business Council 2018-19 and associated expenditure of £35,000, representing the contribution required of the City Deal to realising the objectives set out in the plan.
- b) Note that £30,000 of the £35,000 was approved ‘in-principle’ as part of the MIPIIM Business and Investment Case (Report to Regional Cabinet of 24 September 2018).
- c) Recognise the reasons for this shorter-term approach and the need to build-in the flexibility to review progress; and for the Regional Business Council to adapt and respond to uncertain conditions.
- d) Note the continued commitment to participation in MIPIIM and the hugely significant and positive work taking place to ensure it has every chance of success.

Kellie Beirne
Cardiff Capital Region Director
17 December 2018

The following Appendices are attached:-

Appendix 1 – Membership List Regional Business Council
Appendix 2 – Business Plan, Regional Business Council 2018-19
Appendix 3 – Well-being / Equalities Assessment

Background Paper

The following background paper has been taken into consideration:-

Report to Regional Cabinet, 24/09/2018 – ‘Regional Business Council - Making a Case for MIPIIM 2019 – Request of the Regional Business Council’

Regional Business Council Membership List

Neil Brierley

Chair, Cardiff Capital Region Business Council

Neil Brierley is Regional Managing Director for England and Wales for Currie & Brown. A chartered quantity surveyor and Fellow of the RICS, he is a past Chair of the RICS in Wales, past Chair of the Forum for the Built Environment, and chaired the Shadow Board which worked with the City Deal Team to put in place the CCR Business Council structure.

Huw Lewis

Finance Director and Company Secretary - Cardiff Airport

Huw joined the company as Finance Director and Company Secretary on 1st March 2016. He brings with him a wealth of financial and management experience and a proven track record of supporting organisations to achieve strategic objectives through business partnering, development of teams and analytical thinking.

Huw began his career in auditing roles overseas before moving onto financial management positions in large organisations including GE and the BBC. Most recently he was Chief Financial Officer at Pure Wafer plc.

Richard Selby

Richard Selby co-founded Pro Steel Engineering in 2012, having previously worked for Mabey Bridge for over ten years. Pro Steel Engineering is a steelwork construction services firm, working on prestigious projects such as the rejuvenation of the Olympic Park and the extension of Twickenham Stadium. The firm added a manufacturing facility in 2016 in response to demands from clients along with a multitude of additional service offerings.

In 2016, Pro Steel Engineering was named as the fastest growing firm in Manufacturing and Engineering at the Fast Growth 50 awards, and came second in the overall list of fastest growing businesses, with just 6 per cent of growth separating it from the overall winners. Pro Steel Engineering has also won a number of other high profile industry awards.

Richard became a member of the Prince's Trust Wales Advisory Council in 2017 and Pro Steel Engineering has recently embarked on relationships with local colleges to provide workplace experience for students working towards their qualifications in construction and engineering. Through this, Richard hopes to encourage more young people into the industry to help reduce the skills shortage. Richard is also a Governor at Croesyceiliog School.

Richard Selby is an active member of the Welsh business community. He is a member of the IoD, the South Wales Chamber of Commerce Cardiff Capital Region Council and the CBI Enterprise Forum and has recently been appointed to the Construction Sector Group for the Learning Skills and Innovation Partnership (LSKIP) advising Welsh Government.

Karen Wenborn

Karen is a customer experience professional with a passion for embedding the voice of the customer at the heart of an organisation championing change and driving a holistic view of customer

experience across all touch points. Karen's career in customer service spans 25 years and she has worked with blue chip companies such as Barclaycard, T-Mobile, Dyson, Dwr Cymru and Aviva.

Ann Beynon OBE Ann has held major roles in the private and public sectors. As BT's Director for Wales until July 2015, she was the company's senior representative, overseeing its commercial and policy agenda in the country. This required in-depth knowledge of all aspects of BT's commercial activities across all its lines of business and engagement with BT's central policy, public affairs and CSR teams. Ann managed BT's relationship with the Welsh Government and all key opinion formers.

She is currently Severn Trent Water's Senior Advisor on Welsh Affairs.

She is also a Non Executive Director of FUWIS (the Farmers Union of Wales Insurance Services).

She was the Equality and Human Rights Commission's Commissioner for Wales until May 2016, and sat on its UK Board and its Audit and Risk Committee in addition to chairing the Wales committee.

Since April 2015 she has chaired the Advisory Board of the Wales Governance Centre at Cardiff University.

She chaired the Cardiff Capital Region Transition Board for the Welsh Government until May 2017 and is a member of the Welsh Government's Valleys Task Force.

Ann was appointed as HRH the Prince of Wales's Ambassador to the community in Wales in 2007, and chaired HRH's charity Business in the Community in Wales, as well as sitting on its UK board for three years.

The then Prime Minister appointed her a member of the Royal Commission on the role of the House of Lords from 1999-2000.

She has worked in urban regeneration as Business Development Director at the Cardiff Bay Development Corporation and in European and UK media policy as Head of Public and European Affairs at S4C, the Welsh Language TV channel.

Grant Santos **CEO of the Educ8 Group**

Grant has worked in the training and education sector for nearly 20 years and has developed a comprehensive understanding of the work based learning environment and the ever-evolving skills agenda. He is politically astute and plays an active role in many influential task groups including; Regional Learning Partnerships, the Valleys Taskforce and the National Training Federation for Wales, where he sits as a Board member.

Starting his career as a Trainer/Assessor for a large private training organisation based in Gwent, Grant spent a short time working in a FE institution before moving to a private training provider as Director of Operations. He joined Educ8 in 2007 where he has worked with

Colin to facilitate impressive levels of growth for the organisation and has recently progressed to the position of Chief Executive Officer.

Grant brings to VSP his experience as a qualified Peer Inspector with in-depth knowledge and experience of working with Estyn as both an Inspector and as a nominee during the inspection process. An MBA qualified management professional, he adds a strategic and operational perspective to the board and important connections across the work based learning arena.

Grant is passionate about vocational education and the quality of teaching and learning and believes that learners should be at the heart of everything we do.

Katy Chamberlain Chief Executive, Business in Focus

A chartered accountant and a graduate of Leeds and Reading Universities, Katy joined Business in Focus as Chief Executive in November 2012. Business in Focus is a not for profit organisation which provides practical support for new and existing businesses in South Wales. With a team of 92 personnel, Business in Focus delivers the Welsh Government's flagship business support programme, Business Wales and also owns and manages some 330 business tenancies across South Wales.

Katy's career with international accountancy and advisory firm KPMG spanned over 20 years, for the last seven as a director, There she led teams delivering audit, grants advisory and corporate finance services to a wide variety of businesses in Wales and across the UK, ranging from major subsidiaries of international groups to owner-managed indigenous businesses.

An experienced leader and manager, Katy is committed to people development and motivation and had a key role in KPMG, Cardiff achieving Investors in People status. In 2000 Katy's achievements were acknowledged when she became winner of the Welsh Woman of the Year Management Achievement Award.

From 2004 to 2008, Katy was a member of the Board of Trustees of Chwarae Teg, the charity which promotes the role of women in the workforce in Wales. Katy was appointed Chief Executive in April 2008. During her tenure the organisation grew from 13 to more than 60 strong, delivering the £12.5 million European and Welsh Government funded Agile Nation Project.

Katy was the President of the South Wales Society of Chartered Accountants for the year ended May 2011 and is a member of the ICAEW Wales Strategy Board. She is also a member of the Board of Governors of Cardiff Metropolitan University.

Heather Myers Director of South Wales Chamber of Commerce

Heather Myers was appointed the Director of the South and Mid Wales Chambers of Commerce in November 2016. Her appointment comes after a four-year tenure as the CEO of one of Wales' best loved events, the Abergavenny Food Festival.

With over 25 years' experience of working in the public and private sector and running her own business, Heather had a strong understanding of businesses in a number of different sectors, including challenges like recruitment, the development of skilled staff, finance and marketing.

Recently named as being one of the 50 most influential business voices in Wales, her mission is to ensure that Wales is not only seen as being 'open for business', but as somewhere that businesses can thrive and be successful, both domestically and internationally.

Heather has a strong focus on supporting and listening to the needs of Chamber members; to provide them with clarity; to be the strong articulate and independent business voice for SME's in Wales and to be the "go-to" provider for international and exporting trading, training and documentation.

The South and Mid Wales Chambers of Commerce are accredited to the British Chambers of Commerce which creates strong links to over 52 UK Chambers and over 40 overseas chambers creating a one of the most powerful membership organisations both within the U.K. and across the World.

Jo Rees

Partner, Blake Morgan

Jo is a lawyer and partner at Blake Morgan specialising in construction, infrastructure and regeneration work.

Paul Webber

ARUP

Cardiff Office Leader and Education business leader for UK, India, Middle East and Africa at Arup

Foreword – Introducing a Council, Made by Business, for Business

I am pleased to present the Cardiff Capital Region Business Council Business Plan for 2018/19 – setting out our plans and priorities for our first near-full year's operation. Whilst the final publication of this document is later in the year than anticipated, it comes at a point at which the Business Council is 'bedded in'; increasingly clear about its core purpose and priorities and supported by a system in which political direction; delivery; wider partnerships; and, the role of the City Deal Office feels strongly aligned.

The business plan represents our programme of work in 2018/19 and captures the activities we will undertake and specifically, the way in which we will support key sectors, existing businesses and play our part in delivery of the emerging Regional Industrial Plan. In view of the fact that the RBC only came together in this financial year – the plan reflects a programme of core activity from September 2018 – March 2019. This period is a busy one and activity in the main has been geared towards preparations to take an established and professional CCRC presence to MIPIM in Cannes, (le Marche international des professionnels immobilier), enhancing global visibility and reach of the region at an international-class real estate event. This plan reflects the way in which MIPIM, as a key demonstration of our ambition and drive for the region, embodies and exemplifies all three of the Key Priority Areas you will see captured in this Plan:

- **Communication, Engagement and Visibility** – developing our core messages, extending our reach and developing the profile of the CCR
- **Doing business in the CCR** – setting out why the CCR isn't just open for business but why it is a great place in which to business
- **Promoting Challenge-led Investment** – working with partners in UK and Wales Governments and businesses across the region, to develop and enhance capability to competitively secure new and additional investment

As Chair of the RBC, I am delighted with the way in which our small group of representatives has quickly mobilised and grasped the opportunity to work with the Regional Cabinet, key stakeholders such as the Regional Economic Growth Partnership and with the City Deal Office, which is rapidly asserting itself as a thought leader capable of creating the conditions for optimal delivery. Given this is an inaugural plan, and in view of the uncertain backdrop, it is inevitably, a plan for the short-term. However, in the medium-term, we can begin planning with greater certainty, around some major developments and programmes. In future plans you will see further evidence of our ability to work in a more integrated way with key partners, most notably, the Regional Economic Growth Partnership and businesses from across the region. To do this, we must remain flexible to embrace new opportunities; to adapt to the changing needs of business and the volatile setting that surrounds us and ready and able to capitalise on both public sector and market-driven opportunities.

Our programme of work seeks to make a contribution to the economic success of the City Deal and more, widely, the whole of the Cardiff Capital Region. In this very short period, we hope,

it begins to demonstrate how the RBC can contribute in a key way, to the kind of broad based economic development that enables good growth – smart, sustainable and for all.

Neil Brierley,
Chair – Cardiff Capital Region, Business Council

1. Introduction

Our first short period of operation, has been in the main, about laying the foundations and understanding the purpose, role and ‘fit’ of the Regional Business Council. We have invested time in developing our thinking around the following core tenets:

- **Our value-set** – we are committed to be open, inclusive and opportunity-driven – ensuring we raise the profile of the business community and ensure they feel engaged, informed and understand the routes and mechanisms through which they are best supported. Core to this is a focus on ensuring businesses don’t just survive the testing climate of today – they are equipped and prepared to thrive for tomorrow;
- **Our purpose** – to strengthen the profile of the business voice and input into the City Deal, in order that whilst it is politically-led, it is business and industry driven and delivered. We want to ensure that investment in growth is informed and shaped by business, for business;
- **Our focus** – is on the drivers for productivity from the contribution made by big industry to that made by the smallest of businesses. We will focus specifically on communications and marketing ‘reach’ and internationalisation and how we can ensure the mechanisms are in place to support businesses to participate in an increasingly competitive investment space; and,
- **Our business** – will be to help position the region’s competitive strengths, forging new partnerships, links and connections and ensuring business connections to the Welsh Government’s Economic Action Plan and the UK Government’s Industrial Strategy.

We will continue to refresh and develop our thinking. The ability to adapt and respond against a backdrop of economic volatility and uncertainty will be critical.

2. Economic context

Central Government in its Industrial Strategy for the whole of the UK, sets out the five foundations of prosperity:

- 1) Ideas – innovation-led economy
- 2) People – good jobs and better earning power
- 3) Infrastructure – upgrading foundations
- 4) Business environment – a great place to do business
- 5) Places – sharing prosperity

Similarly, in its Economic Action Plan for Wales, businesses seeking the support of Wales Government will enter into an ongoing dialogue, through a new and innovative 'Economic Contract'. This will place an onus on businesses to commit to:

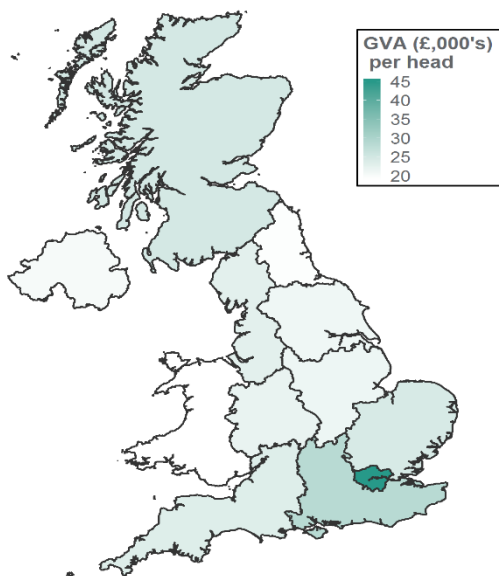
- Growth potential
- Fair work
- Promotion of health, skills and learning
- Progress in lowering the carbon footprint

Allied to this, Calls to Action identify key areas for work with businesses, ensuring commitments and activities are capable of demonstrating – efforts targeted at decarbonisation; innovation; growing exports and trade; delivering high quality and productive employment and skills and R&D intensity.

The Cardiff Capital Region City Deal is a £1.3bn investment programme aimed at fundamentally re-building the pillars of productivity in a 'lagging economy' region. Whilst the region has some strong economic advantages – both in terms of place based and sectoral strengths, as the diagram below demonstrates – it has the lowest levels of GVA per head in the UK and three of the ten Local Authority areas making up the Cardiff Capital Region, remain at the bottom of the UK Competitiveness Index.

Gross Value Added (2016)

UK NUTS1 Regions



The objectives of the City Deal are thus, to:

- Raise GVA by 5%

- Create 25,000 new jobs
- Leverage some £4bn of private investment

Within this there are two important features. The first is the mantra for 'good growth' – growth that does good because it is genuinely smart, inclusive and sustainable. The second, is the potential created around the UK Government's target to raise spend on R&D by 2.4% of GDP by 2027. This represents an ambitious step-change and would see the UK on par with other OECD countries. This is significant for Wales and the CCR for four reasons:

- 1) Wales accounts for only 2% of all UK business spend on R&D
- 2) Firms that are investing in R&D have higher productivity (13%) than businesses where there is no investment in R&D
- 3) Whilst Wales is only slightly behind the vast majority of English regions, it has more micro-businesses innovating and with innovation potential, than both Scotland and Northern Ireland, but is hugely undersubscribed when it comes to take up of R&D tax credits
- 4) Exit from the EU will be an important factor on the horizon when it comes to influencing R&D businesses' decisions to invest in the Cardiff Capital Region

3 Our Core Priorities

There are a number of Wales and Central Government Programmes and levers, aimed at promoting business innovation activity – R&D Tax Credits, Patent Box, Smart Cymru, Small Business Research Initiative (SBRI) and the Industrial Strategy Challenge Fund calls by funding bodies such as InnovateUK. We have started to develop our relationship with InnovateUK's Manager for Wales and a major focus of our work will be to engage key stakeholders, investment bodies and other partners, to promote the opportunities that can assist in supporting business innovation in the CCR. We will work with Innovate UK, WG Innovation Team, Innovation Point, Universities and others, to ensure that businesses have clear signposting and full access to the information, advice and support they require.

In addition, it is clear that much of the above information has little visibility within the business community. The fact that a number of the investment sources and opportunities are now 'challenge-led and driven' and thus, competitive across city regions and place, requires real work to highlight and communicate and ensure businesses are equipped. Equally, marketing the region as not just a great place to do business, but as a space that embraces innovation and has core innovation strengths, is a further critical task. Our 'brand' and identity needs a core value proposition and our work seeks to make a contribution to this.

In addition we recognise that there are major barriers to progress for all businesses across the region. The two that have been highlighted to the Regional Business Council, repeatedly, are: access to patient finance and addressing significant skills gaps and shortages.

Arising from this our priorities for 2018/19 and highly likely to remain a feature beyond are:

- 1) **Communication, Engagement and Visibility**
- 2) **Doing business in the Cardiff Capital Region**
- 3) **Promoting challenge-led investment**

4 **Work Programme 2018/19**

The following areas and activities below set out our substantive work programme for 2018/19.

- 1) **Communication, Engagement and Visibility** – we are committed to extending the reach of the CCR and specifically, the CCRCD and strengthening business engagement and involvement. We will:

Do what	By when	With whom & how	With what investment?
Develop the foundations of a strategy for comprehensive and ongoing engagement with businesses across the CCR	End of March 2019	In conjunction with SW Chamber of Commerce and through making links and connections with local business organisations	This will require £3k investment to run workshops and this will be met in full by the RBC leveraging existing connections and committing their own time to running sessions, collating information and brokering relationships
Sponsor and promote CCRCD at Wales in London Week in March 2019	End of March 2019	March 2019. Participate in and promote the region through panel sessions, roundtable and marketing at Wales in London Week 2019	This will require £3k in total. This will be split across City Deal and RBC Member attendance in kind
Elevating knowledge of City Deal across the region and making information as open and accessible as follows	End of March 2019	Via Effective Communications, new City Deal website up and running with improvement and iteration ongoing Articles in business & trade press	No further investment required at this time In kind contribution of CCR BC Chair

		between November 2018-March 2019 by the Chair promoting CCR BC and CCRCD	
TOTAL INVESTMENT REQUIRED			£6,000
IN-KIND CONTRIBUTIONS OF CCRBC			£3,000
INVESTMENT CONTRIBUTION OF CITY DEAL			£3,000

2) **Doing business in the Cardiff Capital Region** – we want to establish ‘brand value’ of the Cardiff Capital Region and its City Deal, creating and spreading awareness and developing its international profile and presence. We will:

Do what	By when	With whom and how	With what investment
Participate in MIPIM 2019 in Cannes, France*	March 11-15 2019	With Cardiff Council, Wales Office, Dept for International Trade and range of private sponsor partners and CCR City Deal: <ul style="list-style-type: none"> • Develop MIPIM investment prospectus • Secure places, bookings and accommodation • Develop features for Dept for International Trade Prospectus • Feature in Panel debates • Host investor sessions • Marketing and Brand promotion 	City Deal investment of £30k agreed by Regional Cabinet in Sept 2018 It is estimated that with the wider support of sponsors, holding sessions to promote and market the City Deal at MIPIM (for example the Blake Morgan event, the ARUP breakfast etc) this equates to an estimated £5k contribution from RBC members).

TOTAL INVESTMENT REQUIRED			£35,000
IN-KIND CONTRIBUTIONS OF CCRBC			£5,000
INVESTMENT CONTRIBUTION OF CITY DEAL			£30,000

*See Report to CCRCD Cabinet of 24.08.18

MIPIM – the most significant activity in 2018/19 will be investment in, preparation for, and attendance at, MIPIM. CCRBC believes this to be a pivotal investment in building the profile and visibility of the CCR on a significant and international stage, to creating investment opportunities for businesses and to expanding the reach and influence of the CCR as a major player in the global real estate scene. The opportunity is to position the region as a serious and credible contender for inward investment and development and to make connections within the international investment markets. MIPIM offers the Capital Region the potential to:

- Showcase the skills and investment potential of the Region to over 26,000 participants, including circa 5,000 investors
- Identify potential partners from over 4,800 developers
- Gain international exposure via circa 500 journalists
- To also see what other Regions across the UK are doing and opportunities for future collaboration and partnerships

3) Promoting Challenge-led Investment – there is a clear need to ensure businesses are supported and equipped to compete in an investment space that is governed by the ability to respond to challenge calls and to compete for challenge prizes, such as the £6.4bn annual Industrial Strategy Challenge Fund. We will:

Do what	By when	How and with whom	With what investment
Develop the relationship with WG Innovation Team and UKRI? Innovate UK (Wales) to engage businesses in challenge-driven investment opportunities and promotion of opportunities around R&D target	End of March 2019	With: InnovateUK Manager for Wales, WG SBRI Programme, Smart Cymru, Innovation Point and partner Universities How: holding the first of three workshop sessions on SBRI Opportunities for Business and InnovateUK –	£2k for venue, administration and support. £2k worth of in-kind support provided by the RBC members who will facilitate the sessions and broker networks and support.

		investment opportunities for business in late February 2019	
Support the REGP in the production of the Regional Economic Plan and the formation and implementation of the Investment and Intervention Framework and the Three Funds proposal to emphasise the importance of challenge-led approaches	End of January 2019	To work with support, be a consultee and major stakeholder to the emerging Regional Industrial Plan	None required
Attend and participate in the UKRI Wales launch in Cardiff in December	December 2018	To represent and be a visible presence at the UKRI Wales launch with Sir Mark Walport in December 2018	None required
TOTAL INVESTMENT REQUIRED			£4,000
IN KIND CONTRIBUTIONS OF CCRBC			£2,000
INVESTMENT CONTRIBUTION OF CITY DEAL			£2,000

5 Next Steps

The above Work Programme and wider Business Plan sets out our undertakings and activities in the short-term. This will provide a solid foundation upon which to work and build for the medium-term and it is anticipated that forthcoming Business Plans, whilst likely to continue the themes and priorities featured in this inaugural plan, may be subject to change and adaptation. Once better certainty is achieved, future plans will become more expansive, longer-term and ambitious. The forward external environment is a changeable and unknown one – and at the same time, the pace and intensity of City Deal development, is growing all of the time. What is clear is that we stand on the cusp of a number of exciting and game changing challenges and opportunities. We recognise that this means our plans and programmes of work cannot stand still and will need to evolve and adapt as the opportunity pipeline and the market backdrop requires. Whilst our function as a business council cannot be static - what needs to remain a constant is our commitment to engaging businesses and supporting them to step up to the significant challenges and opportunities upon us – many of which are set out in this first business plan.

As the Business Council, for the Cardiff Capital Region, we commit to promoting and optimising the opportunities that can help grow strong and prosperous places, support good growth and leverage our existing distinctive assets, companies, entrepreneurs and businesses. In time, we will focus more closely on opportunities to widen the scope of our work and develop deeper frameworks, building on the solid foundations that our sister body, the Economic Growth Partnership is creating.

There are firstly, practical and pragmatic steps to take and our hope is that this inaugural Business Plan marks the first stages of an approach that allows business to capitalise on the opportunities in the region. By business, for business.

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Future Generations Assessment

Name of the Officer completing the evaluation: Kellie Beirne Phone no: 07826 9219286 E-mail: kellie.beirne@cardiff.gov.uk	Please give a brief description of the aims of the proposal Setting out the wider RBC Business Plan for 2018/19
Proposal: Regional Business Council Business Plan 2018-19	Date Future Generations Evaluation form completed: 17 December 2018






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1. **Does your proposal deliver any of the well-being goals below?** Please explain the impact (positive and negative) you expect, together with suggestions of how to mitigate negative impacts or better contribute to the goal.

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
A prosperous Wales Efficient use of resources, skilled, educated people, generates wealth, provides jobs	The proposal relates to building the brand, comparative advantage and profile of the region in a global context	The proposal has been led and shaped by the Regional Business Council. This demonstrates partnership, collaboration and a business-led proposition based on strong knowledge of regional strengths.
A resilient Wales Maintain and enhance biodiversity and ecosystems that support resilience and can adapt to change (e.g. climate change)	Not directly applicable at this early stage, however some of the work with IUK will involve encouraging businesses to engage more fully with Grand Challenges of the Industrial Strategy Challenge Fund. One of these challenges is Clean Growth and	

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
	opportunities for business to pioneer the green and clean growth agendas.	
A healthier Wales People's physical and mental wellbeing is maximized and health impacts are understood	Developing the conditions, through new links and networks – and opportunities for future engagement – will make a contribution to prosperity, which in turn will support wellness and wellbeing.	
A Wales of cohesive communities Communities are attractive, viable, safe and well connected	The report seeks to position our region and its competitive strengths – economic and wider and will seek to yield demonstrative legacy benefit for the country as a whole.	ROI assessments and expert advice on how to leverage opportunities and optimize the time and contacts made through the various events and initiatives
A globally responsible Wales Taking account of impact on global well-being when considering local social, economic and environmental wellbeing	Attending MIPIM to promote the CCR will see us play a stronger part in developing the economic wellbeing of our region and country, thus impacting social and community objectives. It will help make our country feel more connected and outward looking.	Develop the legacy impact of the event, sustaining new connections, sharing great practice and potentially securing propositions and deals that support economic growth.
A Wales of vibrant culture and thriving Welsh language Culture, heritage and Welsh language are promoted and protected. People are encouraged to do sport, art and recreation	Our City Deal is uniquely Welsh – but pitches towards being world leading in areas of competitive strength. This enables a strong reflection on our rich culture and heritage.	
A more equal Wales People can fulfil their potential no matter what their background or circumstances	City Deal is about delivering as far as possible across 10 LAs and a population of 1.5m people. It is about economic gains – but importantly how this will convert as tools for improving people's lives.	

2. How has your proposal embedded and prioritized the sustainable governance principles in its development?

Sustainable Development Principle	Does your proposal demonstrate you have met this principle? If yes, describe how. If not explain why.	Are there any additional actions to be taken to mitigate any negative impacts or better contribute to positive impacts?
 <p>Long Term</p> <p>Balancing short term need with long term and planning for the future</p>	<p>Attendance at MIPIM/ WiL Week and other events and activities starts to build and enhance the reputational profile of the region – the benefits of which should demonstrate longevity and added value</p>	
 <p>Collaboration</p> <p>Working together with other partners to deliver objectives</p>	<p>The events will be shaped through a consortium approach comprising partners, the 10 LAs, including 'lead' LA Cardiff Council and business sponsors.</p>	<p>Much of the involvement will be coordinated through the Regional Business Council to maximize reach and impact and benefits for businesses in the region.</p>
 <p>Involvement</p> <p>Involving those with an interest and seeking their views</p>	<p>Engagement events will be staged in the run up to the events.</p>	<p>The RBC will demonstrate the 'reach' of its engagements</p>
 <p>Prevention</p> <p>Putting resources into preventing problems occurring or getting worse</p>	<p>Ensuring we have strong trading relationships post-Brexit will be critical to our economic viability in the medium and long-term</p>	
 <p>Integration</p> <p>Considering impact on all wellbeing goals together and on other bodies</p>	<p>The RBC is a non-public body seeking to demonstrate its commitments to sustainability and wider wellbeing goals, through its work with the CCR CD.</p>	

3. Are your proposals going to affect any people or groups of people with protected characteristics? Please explain the impact, the evidence you have used and any action you are taking below.

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Age	The proposal is about attendance and support for national and international events. The expectation is that this will yield opportunity, new connections and networks that if leveraged comprehensively – should foster opportunity for all.	None arising at this time.	
Disability	The expectation is that the plan will yield opportunity, new connections and networks that if leveraged comprehensively – should foster opportunity for all.	As above	
Gender reassignment	The expectation is that this will yield opportunity, new connections and networks that if leveraged comprehensively – should foster opportunity for all.	As above	
Marriage or civil partnership	The expectation is that this will yield opportunity, new connections and networks that if leveraged comprehensively – should foster opportunity for all.	As above	
Pregnancy or maternity	The expectation is that this will yield opportunity, new connections and networks that if leveraged comprehensively – should foster opportunity for all.		

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Race	The expectation is that this will yield opportunity, new connections and networks that if leveraged comprehensively – should foster opportunity for all.		
Religion or Belief	The expectation is that this will yield opportunity, new connections and networks that if leveraged comprehensively – should foster opportunity for all.		
Sex	The expectation is that this will yield opportunity, new connections and networks that if leveraged comprehensively – should foster opportunity for all.		
Sexual Orientation	The expectation is that this will yield opportunity, new connections and networks that if leveraged comprehensively – should foster opportunity for all.		
Welsh Language	The expectation is that this will yield opportunity, new connections and networks that if leveraged comprehensively – should foster opportunity for all and in particular, raise the international profile of the Welsh language	Not at this time but the situation will be kept under review.	

4. Safeguarding & Corporate Parenting. Are your proposals going to affect either of these responsibilities?

	Describe any positive impacts your proposal has on safeguarding and corporate parenting	Describe any negative impacts your proposal has on safeguarding and corporate parenting	What will you do/ have you done to mitigate any negative impacts or better contribute to positive impacts?

Safeguarding	Not directly relevant –however, building the future economy should have a profoundly positive impact on ability to safeguard the future of our residents		
Corporate Parenting	Not directly relevant – however building strength in the economy should create opportunities for all of the young people entrusted in our care		

5. What evidence and data has informed the development of your proposal?

- Evidence and data from other cities, regions and countries
- Evidence from Cardiff Council and their previous endeavours
- New data emerging from the ISCF ann Innovate UK about engagement

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6. SUMMARY: As a result of completing this form, what are the main positive and negative impacts of your proposal, how have they informed/changed the development of the proposal so far and what will you be doing in future?

The plan for beyond 2018/19 will continue to be shaped over the coming weeks and months. The process will be an iterative one and this will be reflected in the continued work across City Deal, the business council and the wider business community.

7. MONITORING: The impacts of this proposal will need to be monitored and reviewed. Please specify the date at which you will evaluate the impact, and where you will report the results of the review.

The impacts of this proposal will be evaluated on:	Before end of March 2019
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17 DECEMBER 2018 MEETING

CARDIFF CAPITAL REGION GRADUATE SCHEME

REPORT OF COUNCILLOR DEBBIE WILCOX

AGENDA ITEM: 9

REASON FOR THIS REPORT

1. To recommend that Regional Cabinet agree to allocate £175,000 from the Wider Investment Fund to deliver a one-year pilot of the Cardiff Capital Region Graduate Scheme.

BACKGROUND

2. Regional Cabinet first received a report containing the Cardiff Capital Region (CCR) Graduate Scheme as a strand of activity of the wider Skills for the Future programme on 12th February 2018.
3. Regional Cabinet accepted the report's recommendation and agreed to commit officer time to develop the business case for the Skills for the Future programme.
4. An initial draft report on Skills for the Future was developed and is now being taken forward comprehensively by the National Endowment for Science Technology and the Arts (Nesta). Nesta has undertaken seminal work in both the UK and US on Future Skills and Economies of the Future. Their brief is to update, refresh, and provide a stronger platform for stakeholder engagement alongside a programme of early initiatives, in order to build momentum and speed up progress.
5. One such early initiative, which is well documented in the evidence base, is a proposed one-year pilot of the CCR Graduate Scheme. Given the distinctive focus on the graduate market, this scheme is 'standalone' and can operate ahead of other segments of the wider programme, for the following reasons:
 - Work is advanced enough on the CCR Graduate Scheme to enable an informed decision to be taken on the pilot ahead of the business case for the Skills for the Future being considered and approved.
 - Various partner organisations have agreed to provide support to deliver the CCR Graduate Scheme and are eager for a pilot scheme to progress.

- The CCR Graduate Scheme could secure additional sources of funding to the Wider Investment Fund following the pilot.
- The pilot scheme will be an iterative one. It will adapt and evolve in its pilot period and there will be scope to broaden the focus to all parts of the business / industrial sectors and to provide a specific-sectoral focus, given the demand-based labour market intelligence that will underpin it.
- The scheme will work at a CCR-level, and yet will not replace or supersede other similar local schemes in operation. It will aim to provide a means of co-ordination and signposting and ensure better alignment of opportunities.
- The pilot period will enable a number of critical factors to be tested and developed – such as the wider case for investment – beyond the pilot period, by industry, higher education (HE), further education (FE) and government partners.

ISSUES

6. The CCR Graduate Scheme is a business growth programme focusing on enhancing productivity, innovation and economic growth while promoting the CCR as a destination for talented graduates.
7. The proposed scheme would deliver a significant economic impact by enhancing demand for higher skills and delivering private sector leverage through graduate wage contributions.
8. The programme is embedded in a collaborative approach and true partnership working. It has been developed with the University of South Wales, Cardiff Metropolitan University, Cardiff University, the Open University and business representative groups in response to persistent market failures that are hampering regional prosperity.
9. The programme will create an internship scheme for graduates (specifically people who have finished their degree) through various events and a four stage process:
 - **Attraction:**
 - i. targeted communications to promote graduates to businesses;
 - ii. targeted communication to engage final year students and graduates;
 - iii. a central website to promote the graduate scheme and specific jobs.
 - **Application and Assessment:** exploiting pre-existing local authority and university expertise to:
 - i. support businesses in developing job roles;
 - ii. undertake sifting and assessment centres on behalf of businesses.
 - **Matching:** providing businesses with a list of candidates to interview
 - **Internship Programme:** delivering a cohort-based internship programme for graduates that includes:
 - i. an ILM qualification;
 - ii. graduate level employment;
 - iii. cohort events and networking opportunities.

iv. a 'match' with a challenge

10. The processes for businesses and applicants are set out in Appendix A and Appendix B.
11. The aim is to deliver an initial fifty graduate interns over a period of six months between September 2019 and April 2020. Internship salaries and post-internship job salaries will leverage an estimated £1,645,020 of private sector funding. The assumptions which sit behind this estimate are set out with the Economic Case within Appendix C.

REASONS FOR THE INTERVENTION

Targeting Strategic Challenges in the CCR – Scope and Sectors

12. While the Cardiff Capital Region has a net gain of students, the region has a low graduate retention rate. Of those who stay, a large proportion of graduates are underemployed in lower skilled positions – this contributes to the region's low productivity and wages compared to the UK average.
13. Graduates in high-level employment in the region are disproportionately represented in the public sector. Moreover, continuing public sector cuts risk rendering the CCR more vulnerable to a 'brain drain' of graduates leaving the region.
14. The Small and Medium Enterprise (SME) sector is the largest business sector in the region. It is proposed that intervening to support the SME sector will be a core focus of the pilot for the reasons set out under 15 below. However, there is clear potential within the pilot period to extend the scope beyond SMEs to larger businesses and industry – particularly where there are sector-specific issues.
15. Developing this sector-specific focus is critical given both historic and more recent data and evidence that documents increasing skills gaps and difficulties in recruitment in the Compound Semiconductors, Digital, Data Science, Cyber and Creative Industries spaces. There are positive examples and illustrations with the work carried out in Cardiff with the Financial and Professional Services scheme and the Electronic and Software Technologies Network.
16. Such a focus on sectors and addressing specific business and industrial needs offers a real opportunity to align thinking and developing much more closely with the key pillars and priorities of the UK Government's Industrial Strategy.

Addressing Market Failure & Building an Investment Case

17. Despite the well-documented business benefits that graduates offer, they are not routinely recruited by SMEs due to a series of barriers:
 - SMEs can find it difficult to access graduate talent;
 - SMEs often have no human resource function;
 - time constraints in SMEs can hold back recruitment;

- graduates are less aware of SME names and brands.
18. 34% of SMEs that were surveyed reported that they would be interested in recruiting a graduate if human resource support were provided while only 10% of surveyed SMEs had previously recruited one.
 19. The potential impact from addressing barriers to recruitment is substantial as SMEs make up over 95% of businesses and over 50% of the economy in the CCR.
 20. Targeting these barriers would also address the Growth and Competitive Commission's recommendation to "*encourage an increase in demand for higher-skilled employment across the private sector*". In addition to the strategic recommendation from the Centre for Cities to "*[Build] long term engagement between SMEs and graduates*".
 21. During the pilot period and through closer engagement with SMEs, Industry, Higher Education Institutes and Further Education providers, the case for co-investment and the potential to introduce industry levies (as exemplified in sectors such as construction by Y Prentis) will be explored and examined. The idea is to develop a self-sustaining Graduate Programme that is not only capable of being scaled but is financially self-reliant, viable and relevant on its own terms.
 22. The proposed pilot scheme would not result in any ongoing liabilities e.g. employment costs etc. for CCR beyond the period of the proposed pilot.

Improving the Cardiff Capital Region's Brand

23. The creation of the first region-wide SME-focused graduate scheme in the Cardiff Capital Region would sell the region as a destination for talented graduates while augmenting the range of opportunities for people who have finished their degree.
24. The inclusion of a qualification, an induction and events in the programme would instil a commitment to continuing professional development in the graduates and by extension, the wider SME community. It would also allow graduates and SMEs to benefit from knowledge spill-overs and networking opportunities.

Delivering a Long Term Impact

25. Initiatives that target barriers to graduate recruitment in SMEs in other regions in the UK have achieved:
 - return on investment of £9.95 per £1 spent;
 - significant gains to GVA;
 - high conversion rates of internships to permanent jobs;
 - significant private sector leverage through wages paid to interns and through post-internship jobs;
 - the creation of a programme that has secured various sources of funding to help SMEs to recruit graduate interns for fifteen years.

26. Given the disproportionate significance of SMEs to the CCR and the surplus of under-employed graduates in the region, the development of the CCR Graduate Scheme presents a unique opportunity to gain proof of concept of a strategic graduate scheme that could bolster regional prosperity and outlive the CCR City Deal.

Value for Money Considerations

27. The limited amount of funding available to the CCR City Deal means that the success of the CCR Graduate Scheme pilot will not only be based upon delivery of its key outputs, outcomes and benefits, but also the extent to which the programme can operate independently of the Wider Investment Fund beyond its first year of delivery.
28. Accordingly, a one-year pilot of the Cardiff Capital Region Graduate Scheme is recommended as it will minimise the cost to the Wider Investment Fund in developing, testing and refining with the market a scheme which seeks to provide optimum results for all stakeholders. By minimising the initial outlay more funds are available for other future initiatives.
29. Conversely, there is an opportunity cost in terms of the outputs, outcomes and benefits that would be foregone from not delivering the CCR Graduate Scheme and a risk that delaying the introduction of the scheme would disenfranchise partner organisations and jeopardise their offer to promote and support the scheme.

DELIVERY MODEL

30. The aim is to deliver fifty graduate interns through recruitment cycles and events over the course of the first year of the programme (2019-2020). Internship salaries and post-internship salaries will be captured to demonstrate private sector funding leveraged.
31. Universities in the Cardiff Capital Region have agreed to undertake the student focussed element of the 'Attraction' stage, provide premises, support in parts of the 'Application and Assessment' stage and support in parts of the delivery of the 'Internship Programme' stage.
32. The University of South Wales has committed most staff time and resources to the development and delivery of the programme and has volunteered to take a lead role.
33. Accordingly, a funding package of £25,000 was recommended to second a member of staff on a part time basis from December 2018 to March 2020 from the University of South Wales to the Office of the City Deal to continue to lead the development and delivery of the CCR Graduate Scheme.
34. Two additional full time members of staff will be required to undertake the delivery of the programme. This will include:
 - the SME-focused element of the 'Attraction' stage;

- the human resource support services from the 'Application and Assessment', 'Matching' and the 'Internship Programme' stages;
- monitoring and data management.

35. Details of the cost estimates of the pilot can be found in the below table:

Cost Estimates			
	2018/2019	2019/2020	Total
Recruitment costs	£1,000	-	£1,000
Two regional business engagement / human resource support staff (salary + on-costs)	£7,100	£77,900	£85,000
Non-salary expenditure	£850	£9,150	£10,000
USW Secondee	£6,500	£18,500	£25,000
Qualification cost	-	£23,000	£23,000
Website, bilingual marketing and events	£9,000	£1,000	£10,000
Contingency	£7,000	£14,000	£21,000
Total	£31,450	£143,550	£175,000

36. All staff will work out of the Office of the City Deal under the direction of the CCRC Director and will use Office of the City Deal, university and local authority premises in order to engage businesses flexibly and deliver graduate intern starts in all ten local authority areas.

37. The achievement of the outputs of the programme with the modest staffing structure is dependent on links and input from the region's universities, local authorities and partner organisations.

SCOPE AND TARGET SETTING

38. While there is not a sector-specific focus in the pilot of the programme, links with local authorities can help the CCR Graduate Scheme business engagement staff to target high-value businesses and local authority priorities to maximise the value added of the programme.

39. Ongoing monitoring and evaluation of the programme will help stakeholders to assess whether there is merit in a specific strategic sector focus or changes to the programme's scope following the pilot.

NEXT STEPS SUBJECT TO REGIONAL CABINET APPROVAL

40. A funding envelope of £175,000 will be used to develop and deliver a one-year pilot.

41. Final year students and graduates will be engaged shortly after approval of the programme while a website with SME and graduate facing material will be developed and launched by March 2019.

42. While the programme will involve delivering an experimental approach to recruiting graduates that involves events and formal recruitment

processes, the following table outlines estimated timescales for key activity:

Timescales	Activity
December 2018	<ul style="list-style-type: none"> • Appointment of University of South Wales secondee • Development of job descriptions for two roles
January-February 2019	<ul style="list-style-type: none"> • Development and coordination of website content • Work with partners to identify practical guides on line management of interns, carrying out career conversations, principles of job design and strategic workforce planning • Launch of graduate- and SME-facing material and website • Student/graduate engagement • Establish database of interested businesses (target of 200) • Engage key sector groups to gauge requirements • Establish a business/industry capture plan
March-May 2019	<ul style="list-style-type: none"> • Two staff begin business engagement • USW secondee attends and organises events to promote key sectors and the scheme
May-August 2019	<ul style="list-style-type: none"> • Application and assessment undertaken • Matching of successful candidates with businesses for interviews • Recruitment of graduates • Management of talent pool
September 2019	<ul style="list-style-type: none"> • First cohort of graduate inductions (25 target) • Business engagement
October-November 2019	<ul style="list-style-type: none"> • Application and assessment undertaken • Matching of successful candidates with businesses for interviews
December 2019	<ul style="list-style-type: none"> • Recruitment of graduates • Management of talent pool
January 2020	<ul style="list-style-type: none"> • Second cohort of graduate inductions (25 target) • Business engagement for monitoring
February-September 2020	<ul style="list-style-type: none"> • Graduate support • Monitoring and evaluation

43. The type of activity following September 2019 will be undertaken subject to the performance of the first assessment cycle. This flexibility based upon performance is an approach that will allow a richer, more informed evaluation and thus greater potential for the delivery of a sustainable programme following the pilot.
44. Development of material for the website and co-ordination of material to support businesses will be compiled through engagement with partner organisations. This will include material for practical guidance on line management of interns, career conversations, principles of job design and strategic workforce planning.
45. Two new members of staff will start to engage SMEs across the region and promote the scheme by April 2019. The 'Application and Assessment'

and the 'Matching' stages will be undertaken between May and August 2019 with the first graduate interns beginning work in September 2019.

SCHEME MONITORING AND EVALUATION

46. The following outputs will be monitored by the staff delivering the CCR Graduate Scheme:
- intern starts;
 - number of applicants per position;
 - talent pool tracking;
 - business location and sector;
 - intern salaries and post duration;
 - the conversion rate of interns to post-internship jobs;
 - post-internship salaries and contract length;
 - feedback on the programme from businesses and graduate
47. The business engagement staff will capture initial information on business and graduate appetite to engage with the scheme from April 2019. The number of positions created through the first cycle of business engagement and the number of applicants for such positions will be available by August 2019 and the number of graduate starts by September 2019.
48. The Office of the CCR City Deal will collect information from the two members of staff and the secondee from the University of South Wales to provide updates on the programme, including the achievement of outputs to the Regional Skills Partnership and Regional Cabinet.
49. While all of the graduate intern starts, sectors, wage levels from the pilot would be captured by January 2020, if arrangements have not been made for the continuation of the programme, the Office for the City Deal would capture the conversion rate to post-intern jobs, salary of post-intern jobs and any other feedback beyond March 2020.

Development of the Skills for the Future Programme

50. As stated earlier in the report, Nesta has been commissioned to undertake an independent critical appraisal of the draft business case for Skills for the Future to ensure that the programme is cognisant of future trends and agile in responding to them.
51. A report providing an update of the Skills for the Future programme and its corresponding timescales will follow.

Regional Skills Partnership

52. Synergies and overlap between the Skills for the Future programme and the Regional Skills Partnership will be exploited while transitory arrangements for the handover of the Regional Skills Partnership to Newport City Council are underway.

FINANCIAL IMPLICATIONS

53. The attached reports seeks approval to allocate £175,000 of funding to the Graduate Pilot scheme in order to develop various aspects of the initiative ahead of a full scheme being implemented as part of the wider Skills for the Future business case. Amongst the aspects being tested is the requirement to develop a scheme that will be sustainable and financially self-reliant.
54. The report provides costs estimates in respect of the funding being requested, split into a number of budget heads. This indicates that £31,450 is required in the current year with the balance (£143,550) being required in 2019/20. Any outstanding evaluation work required post 31st March 2020 will be completed by the City Deal Office within existing resources. A contingency sum of £21,000 has been factored into the overall funding requirement and provides a level flexibility, which acknowledges the developmental nature of the emerging proposal.
55. The sums outlined above can be met from the Wider Investment Fund Programme Development & Support budget. The sum requested in respect of 2019/20 will represent a forward commitment against the budget and will need to be factored into the Annual Business Plan for that year.
56. The report outlines that the commitment to take forward the business case for the Skills for the Future programme is being progressed in conjunction with Nesta. It is understood that the proposed Graduate Pilot scheme outlined in this report has been reviewed by Nesta and feedback received has been factored into the proposal. In keeping with the requirements of the Wider Investment Fund Assurance Framework, a business case has been prepared in respect of the proposed pilot and is attached at Appendix C.
57. Given the developmental nature of the scheme and to ensure that maximum value is obtained from the pilot phase, it is important that the following questions are considered and adequately addressed as part of the pilot:
 - *Are all the arrangements in place for the successful implementation and delivery of the pilot scheme?*
 - *How will the benefits be delivered and associated business and service risks be managed throughout the pilot phase?*
 - *Are there robust and timely arrangements in place for Monitoring and Reporting to key stakeholders, to allow progress to be assessed and to enable corrective action to be taken, in the event the scheme/benefits are off track?*
 - *Are there suitable arrangements in place for post project evaluation?*

The 'Management Case' (within Appendix C), seeks to address these key points of detail.

LEGAL IMPLICATIONS

58. It is understood that the one-year pilot for the Cardiff Capital Region Graduate Scheme, if approved, would be delivered through the Office of the City Deal (PMO). To facilitate this:-
- (i) Two individuals would be seconded to or temporarily employed by Cardiff Council as the Accountable Body and employer for the PMO. The HR implications address this.
 - (ii) A contract for services would be directly awarded to The University of South Wales, in the sum of £25,000, in respect of support services to be provided, (a member of the University's staff would support the project on a part time basis from December 2018 to March 2020). This amounts to a direct award of a contract without open competition. A direct award of the contract at the value stated is legally permissible if this represent the best value way forward (the report details the rationale for the approach). If the project continues beyond the pilot then consideration should be given to openly procuring this and any other services required to support the project, and in any event, the procurement process adopted should ensure compliance with procurement law rules. This point similarly applies to the procurement of the proposed course provider (ILM leadership & Management Award), which is understood to be a direct of award of contract to the University of South Wales with a value circa £23,000.

HUMAN RESOURCE IMPLICATIONS

59. The staffing requirement set out in paragraph 33 of this report will not have any human resource implications across the 10 Authorities as the process will be one of co-location only.
60. The two staff identified in paragraph 34 of this report will be either secondments or temporary appointments to Cardiff Council as the Accountable Body and employer for the Programme Office. The roles have not yet been submitted for job evaluation, therefore the financials associated with these posts may be subject to change once the grade of the jobs have been set. The Accountable Body will ensure that these posts are evaluated and recruited to through a fair and transparent process.

Future Generations and Well-being Considerations

61. In order to exploit opportunities from considering the CCR Graduate Scheme within the context of the well-being goals, the Well-being of Future Generations Commissioners Office has provided suggestions and feedback on the Skills for the Future programme and the CCR Graduate Scheme.
62. It was recognised in such meetings that providing SMEs with support services to help overcome the burden of recruitment would not only

increase the number of graduate positions in the private sector in the Cardiff Capital Region but will also deliver productivity gains, enhanced innovation, economic growth and greater prosperity.

63. Furthermore, additional graduate level employment would have a positive impact on a range of sustainability considerations, including health benefits of being in employment and reduced pressure on public services due to individuals moving from being economically inactive or unemployed into employment.
64. The Office of the Future Generations Commissioner has offered input into the programme's events to help graduates better understand the unique legislative context in Wales, the key principles of the Well-being of Future Generations (Wales) Act 2015, and how thinking more broadly about improving Wales' economic, cultural, social and environmental well-being can unlock new business opportunities around priorities such as the low carbon and circular economies.
65. A Future Generations assessment form can be found in Appendix 4.

RECOMMENDATION

The Cardiff Capital Region Cabinet is recommended to agree to allocate £175,000 from the Wider Investment Fund for a one-year pilot of the Cardiff Capital Region Graduate Scheme in the Cardiff Capital Region as detailed in this report.

Kellie Beirne
Cardiff Capital Region Director
17 December 2018

The following Appendices are attached:

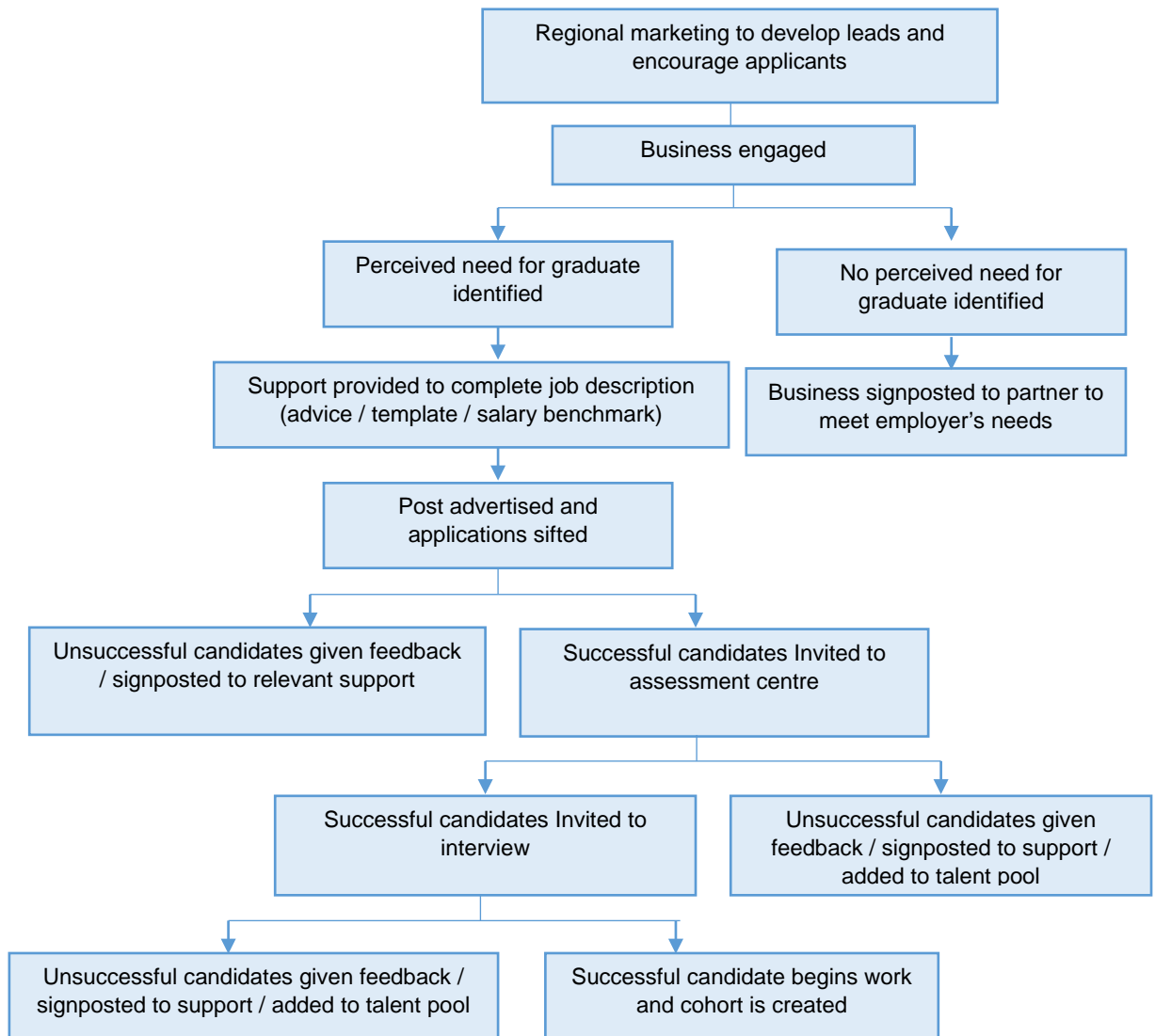
Appendix A – Outline of the Process for SMEs
Appendix B – Outline of Process for Graduates
Appendix C – Graduate Pilot Business Case
Appendix D – Future Generations Assessment

Background Papers

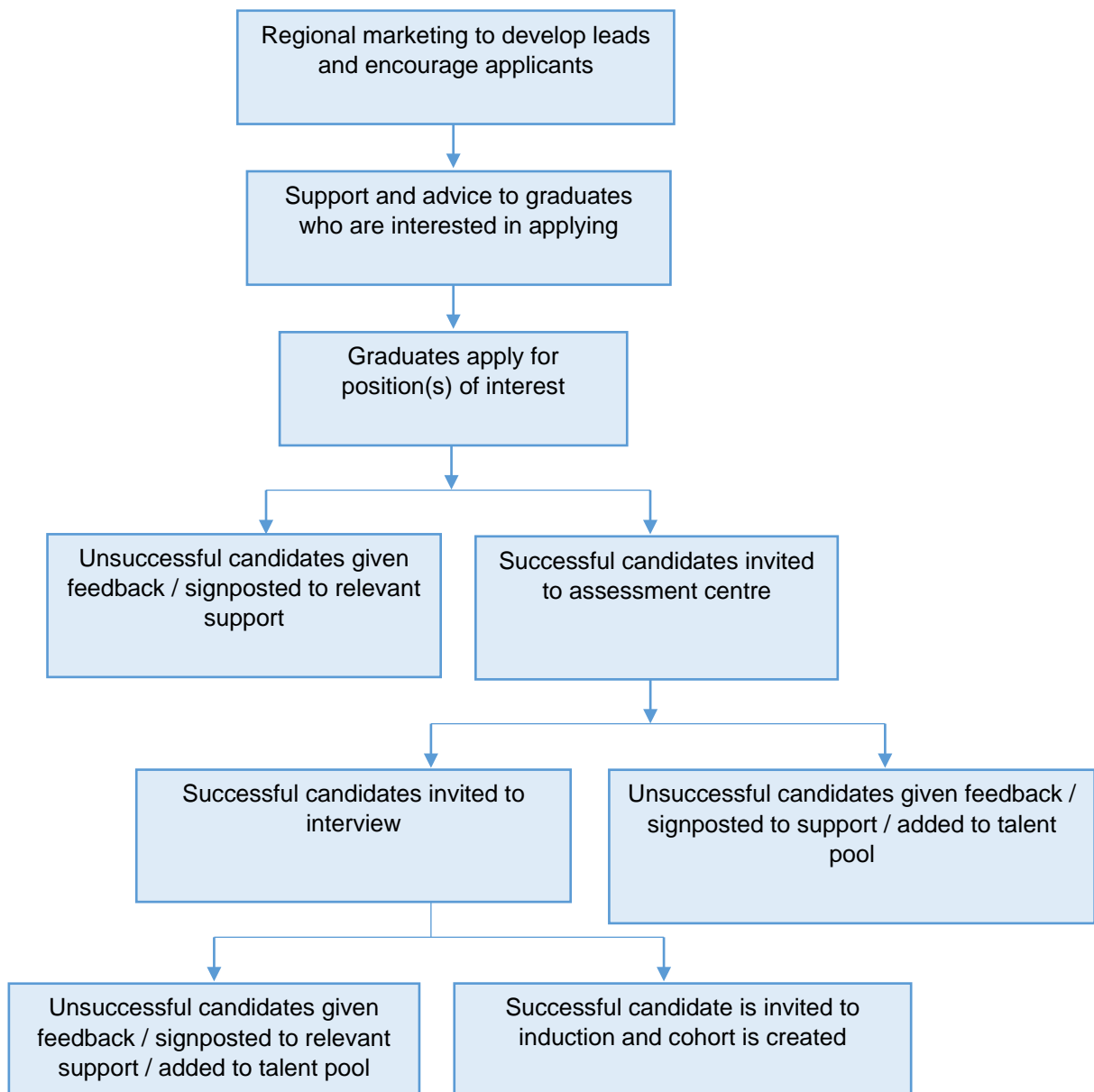
The following Background Papers have been taken into consideration:

1. Regional Cabinet Report – 'Skills for the Future', 12th February 2018

Appendix A – Outline of the Process for SMEs



Appendix B – Outline of Process for Graduates



Appendix C – Graduate Pilot Business Case

The CCR Graduate Scheme was developed in parallel to the other strands of activity of the Skills for the Future programme. Accordingly, the summary of the five case business model below reflects the work that has been undertaken for the CCR Graduate Scheme within the context of the wider Skills for the Future programme's development.

Strategic Case

There is a low graduate retention rate in both Wales and the Cardiff City Region. The 'brain drain' of graduates relocating to other parts of the UK, is a potential threat to the Cardiff Capital Region's economic prosperity, particularly given the mismatch between the skills needs of employers and the skills profile of the region's population.¹ Despite attracting a net inflow of students, new graduates tend not to stay in Wales and Cardiff after finishing their studies.²

While there is an emerging thriving micro-business sector in the Cardiff Capital Region, which is good for creativity, these businesses can struggle to provide opportunities for those just graduating.³ As a result, the Growth and Competitive commission notes that in order to grow, the Cardiff Capital Region will need to focus on retaining people in the region as they develop their skills, keeping students after they graduate and matching them to job and enterprise opportunities.⁴

The Future of Cities Graduate Mobility and Productivity notes:

- Employment available in Cardiff and its surrounding labour market is often of a lower quality as measured by pay or anticipated career pathways, than that on offer in other parts of the UK. This is particularly the case for STEM subjects
- The public sector employs around half of the post-1992 graduates who were both born in and now live in Wales
- Wales successfully attracts a net inflow of students to study. Since 2000, student numbers in the city rose by 60%, with the number of postgraduate students trebling
- Once students have gained their degrees from universities in Cardiff or Wales, they tend not to stay
- Cardiff's population grew by 13% between 2002 and 2013 – a rate of growth higher than London or any of the English Core Cities – a trend set to continue with a projected growth of 26% over the next 20 years making Cardiff the fastest growing UK city and reflecting the quality of life on offer – Cardiff now routinely features in the UK's most liveable cities (Cardiff Liveable City report 2015)
- The population is highly skilled compared with other major British cities, but this is not translating into higher wages and higher productivity

Such findings are supported by the Growth and Competitive Commission who note that within Wales as a whole, the main source of quality employment for

¹ AECOM Baseline Economic Analysis for South East Wales (2015) pg74 and pg85

² Centre for Cities (2016) Future of Cities: Graduate Mobility and Productivity: An experiment in place-based open policy-making pg42

³ Growth and Competitive Commission (2016) Report and Recommendations pg27

⁴ Growth and Competitive Commission (2016) Report and Recommendations pg30

non-migrant graduates has been the public sector and that, in the light of the reduced employment in the public sector, there is a need to encourage an increase in demand for higher-skilled employment across the private sector.⁵

The OECD provide a range of factors that can be used as a diagnostic tool to explore the extent to which issues facing a region are supply or demand driven. This tool can therefore aid policy makers in creating initiatives to support a transition to a more optimal skills equilibrium (see table below).⁶

Skills supply	Skills Demand
<ul style="list-style-type: none"> • Education levels in the workforce or the population e.g. according to the International Standard Classification of Education % of population with post-secondary qualification • Graduation rates • Uptake of post-secondary and VET education • Percentage of people not completing school education • Percentage people receiving training within a particular period 	<ul style="list-style-type: none"> • Occupations within the workforce • Wage levels • Productivity • Skills shortages and vacancies (in particular unmet vacancies) • Employee jobs in knowledge based industries/high technology firms • Under-employment/over-qualification of workers⁷

While the Cardiff Capital Region performs well on many of the factors on the supply side such as qualification levels and graduation rates, the region scores lower on the demand side such as under employment / over-qualification of workers, productivity and wage levels.^{8 9}

Therefore, a key problem with the *status quo* are consequences from a supply-led system: the existing and widening mismatch between skills demand and skills supply, underemployment of graduates in the workforce and a failure to translate qualifications into productivity.

While the Skills for the Future Programme's principle business needs are to raise GVA by matching skills demand with skills supply and to release apprenticeship and graduate recruitment and growth potential in the private sector, the CCR Graduate Scheme's business needs are the latter points of business growth and additional graduate recruitment.

While SMEs seem reluctant to hire graduates (only 7% of Welsh firms offered internship placements in 2016),¹⁰ this does not appear to be because of the lack of desire to take on graduates, but the perceived barriers to doing so (a survey of 100 SMEs in the Cardiff City Region indicates that while only 10 had hired a graduate in the past, 34 would be interested in hiring a graduate if human resource support were provided).¹¹ These findings are supported by the below

⁵ Growth and Competitive Commission (2016) *Report and Recommendations* pg25

⁶ F.Froy, S.Giguère and M. Meghnagi (2012) *Skills for Competitiveness A Synthesis Report* OECD

⁷ F.Froy, S.Giguère and M. Meghnagi (2012) *Skills for Competitiveness A Synthesis Report* OECD

⁸ Centre for Cities (2016) *Future of Cities: Graduate Mobility and Productivity: An experiment in place-based open policy-making*

⁹ Growth and Competitive Commission (2016) *Report and Recommendations* pg16

¹⁰ Department for Education (2017) *Employer Perspectives Survey 2016*

¹¹ Rhondda Cynon Taf Survey of 100 SMEs (2016)

case studies of programmes designed to increase demand for graduates in different parts of the UK.

Table 1 – Graduate Scheme Case Studies

Case Studies
<p>Initiatives have emerged around the UK to release untapped graduate recruitment potential in SMEs in order to improve an area's graduate retention rate. Examples include the following:</p> <ul style="list-style-type: none">▪ Go Wales - enhanced the graduate retention rate across Wales from January 2009 to December 2014 by providing targeted support to businesses including funded graduate placements. Over the duration of the programme, over 5,000 individual participants and over 1,800 businesses were supported which led to the creation of over 3,100 net additional jobs.¹²▪ West Midlands - Graduate Advantage provides free human resource services to SMEs to incentivise additional graduate recruitment. The programme was conceived by Aston University in 2003 and through work with partnership organisations including other HEIs, business representatives and public sector organisations. It has supported over 29,000 graduates and 18,000 businesses in addition to helping to launch the careers of over 3,500 graduates in the West Midlands.¹³▪ Sheffield City Region - Rise provides free human resource services and a £1,000 grant to SMEs to incentivise additional graduate recruitment. The programme was conceived by Sheffield City Council, HE partners and business representatives. Since 2013, it has delivered over 200 new graduates and it has a target to deliver 250 more by 2020.¹⁴ All partners are bought into the concept of the programme delivering productivity gains, improvements to innovation and economic growth as opposed to just additional graduate positions.¹⁵ The impact of 250 additional graduate positions to be delivered over the next three years include:<ul style="list-style-type: none">▪ £6.9m net GVA▪ Return on Investment of £9.95 per £1 spent▪ 150 permanent jobs created (60% conversion rate)▪ Private sector wage match of a minimum of £1.6m¹⁶

Economic Case

The case studies (Table 1 above) and labour market intelligence (from the strategic case) was shared with representatives from the four universities in the Cardiff Capital Region in order to gauge whether there was an appetite to develop a similar initiative in the region.

Through various workshops that were facilitated by the Office of the Cardiff Capital Region City Deal, approaches to enhance the graduate retention rate in the region by supporting businesses were explored.

The key spending objective was to support businesses to create additional graduate-level employment in the private sector. Crucially, the scheme would have to contribute toward key City Deal metrics including:

¹² Hardisty Jones Associates (2015) *Go Wales Evaluation*

¹³ Graduate Advantage website (2018)

¹⁴ Sheffield Rise website (2018) see also <https://www.theguardian.com/business/2015/apr/13/rise-up-sheffield-graduate-scheme-stopping-city-brain-drain>

¹⁵ Sheffield Rise website (2018) see also <https://www.theguardian.com/business/2015/apr/13/rise-up-sheffield-graduate-scheme-stopping-city-brain-drain>

¹⁶ Sheffield City Council website (2018) <http://democracy.sheffield.gov.uk/ieDecisionDetails.aspx?Id=1514>

- £4bn private sector leverage (or at least £9 for each £1 from the Wider Investment Fund)
- 25,000 additional jobs
- 5% increase in GVA

The potential benefits and risks associated with supporting businesses to create additional graduate level employment are outlined in Table 2.

Table 2 - Benefits

Main stakeholder beneficiaries	Benefit no.	Main Benefit Criteria
Cardiff Capital Region	1	Potential for sustainable economic benefit – increase the number of graduate-level employees in the private sector
Businesses	2	Improved productivity
	3	Business growth
	4	Reduced costs for recruitment
	5	Improved networking opportunities
	6	Improved ability to attract staff
	7	Increase in new ideas
Graduates	9	Improvement in career prospects
	10	Improved opportunity for networking
	11	Improved graduate employability

Table 3 - Non-financial risks

Risk No.	Non-financial risks
1	Lack of appeal of the programme to businesses
2	Lack of appeal of the programme to graduates
3	Business confidence / willingness to recruit damaged by Brexit
4	Failure to attract businesses from each local authority area
5	Failure to support businesses of strategic significance

Table 4 - Financial risks

Risk No.	Financial risks
1	Potential vulnerability to deadweight loss if businesses would have recruited graduates in the absence of the programme
2	Difficulty to assess costs per output prior to the programme's implementation (i.e. more applicants than anticipated could increase the costs associated with assessment centres)
3	Providing support to businesses could prove to be more resource intensive than anticipated

4	Risk the programme does not secure other sources of funding which would allow the programme to operate independently of the wider investment fund.
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In exploring how to maximise benefits and to avoid or minimise risks, the following standard critical success factors were considered:

Table 5 - Critical Success Factors

Key CSF	How well does/is the option:
Strategic fit and business needs	satisfy the investment objectives and business needs? optimise the identified benefits? align with and promote national, regional and local strategies?
Value for money	optimise available resources and provide value for money?
Potential achievability	acceptable to key stakeholders? politically acceptable? operationally and physically achievable?
Supply-side capacity and capability	attractive to potential suppliers to deliver the requirements?
Potential affordability	affordable within the forecasted revenue of the organisation? affordable within the forecasted capital funding of the organisation?

In order to maximise the impact for businesses in the region, the programme needs to have a core offer to attract as many high-calibre applicants as possible. The creation of a coherent graduate scheme, as opposed to a series of unconnected placements, was identified as a means of achieving this in workshops with partner organisations.

The below table indicates the offer to graduate interns as part of the programme.

Table 6 – Core Components of the Programme for Graduates

Core Parts of the Programme		
Induction	ILM leadership & Management Award – level 3 or 4	Relevant Events
Induction with the following categories: <ul style="list-style-type: none"> • Introduction • ILM qualification • Progression and development • Health and 	Maximum 4 day programme (potentially 1 day per month or 2 x ½ days). Evening learning or blended learning are also options. The ILM would include the following components: <ul style="list-style-type: none"> • Project Management 	Additional development opportunities could be signposted from partner HEIs and could include: <ul style="list-style-type: none"> • WBFG act and sustainability event • Sector specific events; guest lectures and panel

<p>safety</p> <ul style="list-style-type: none"> • Workplace etiquette • Managing expectations 	<ul style="list-style-type: none"> • Problem Solving & Decision Making • Financial Awareness • The Resilient Leader and Managing Change 	<p>events</p> <ul style="list-style-type: none"> • Networking with professional bodies as appropriate
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A qualification, induction and series of events would allow the graduates to improve their employability, careers prospects and benefit from networking opportunities and fresh ideas from attending a range of events. Additional options were suggested for graduates including specifically tailored qualifications for the job role, assistance with travel expenses and additional wrap around support throughout the placements.

While such options could enhance the offer to graduates, comparative evidence had suggested that a leaner structure could still attract significant numbers of applicants and would therefore provide better value for money.

It was recognised that the programme could be reviewed following a pilot to explore whether the offer needs to be enhanced to increase interest in the programme and applications.

Similarly, a range of offers to businesses had been adopted in the case studies to deliver additional graduate-level positions. Some of the model involved providing new businesses with a grant of £1,000 to incentivise participation on the scheme, providing qualification to people within businesses in addition to providing human resource services.

Evidence from one of the case studies indicates that the 'sell' of what a graduate could offer a business combined with human resource services and marketing was enough of an incentive for businesses to take on new graduates. As a result, the optimal approach for a pilot for the programme was one that did not offer the grant or the qualifications for businesses to avoid deadweight loss. If business engagement indicated that the incentives needed to be more comprehensive for businesses, this could be reviewed following the pilot.

Providing a qualifications for business managers in addition to the graduates was suggested to ensure that both the manager and the graduate would understand the language and processes associated with the qualification. In order to offset the loss from not including the qualification for both parties in the pilot, efforts will be made to work with partners to identify practical guides on line management of interns, carrying out career conversations, principles of job design and strategic workforce planning.

Furthermore, engagement with businesses presents the opportunity to outline some of the expectations that graduates may have over the course of the programme (for one-to-ones and feedback etc) while the induction will make efforts to discourage graduates from using unnecessary jargon associated with their qualifications.

This input led to the creation of the processes for graduates and businesses (see Appendices A and B), documents outlining organisations' potential roles and responsibilities (see 'Delivery Model' section) and the following commitments from employers:

- all internships need to be paid, graduate-level positions;
- there should be potential for a job at the end;
- employers must make the final decision over which applicant(s) to recruit;
- short anonymous surveys need to be completed at the end of the placement to collect feedback.

In assessing the proposal, stakeholders from the businesses community with extensive experience in graduate recruitment suggested that as opposed to only taking the sifting and assessment centre approach, meetings could be facilitated between students / graduates from specific degree areas and businesses who were interested in recruiting such students / graduates.

Having flexibility to test such ideas as part of the pilot could allow the programme to respond more effectively to strategic need in the Cardiff Capital Region and to be more innovative in creating additional graduate positions. A more experimental approach is also supported by Nesta, who recommended considering two or more different ways for linking graduates with businesses and comparing the outputs and outcomes from these routes. As a result, in addition to the core programme outlined in paragraph 9, additional events to link employers and graduates / students was identified as activity to include in the pilot.

Adopting a coordinated approach with partner organisations is a central aim of the programme and as such, it was recommended that the pilot only support businesses that either have not recruited graduates in the last year or are looking to recruit a graduate in a new area of their business so that existing good practice is not displaced in the region.

Employers noted that there is a need for the services that are being offered to businesses as part of the Skills for the Future programme and the CCR Graduate Scheme, particularly due to recruitment and retention challenges for businesses in the region. However, they also stressed that it is currently challenging for many businesses to plan ahead due to the uncertainty surrounding Brexit.

Soft skills were seen as being particularly important for employers, including attitude, punctuality, dress code, diligence, public speaking and willingness to learn. Such factors have been integrated to the programme as qualities to assess in the recruitment process for graduates and/or themes to promote in the induction.

Engagement with businesses also identified the fact that the Skills for the Future programme should use the Cardiff Capital Region branding and should engage businesses flexibly, as required by the business in question. Being able to arrange meetings in the evening was also something that the business

community would appreciate. These factors will be accounted for in developing the job descriptions of the delivery staff.

Preferred way forward

Overall, the preferred way forward has been identified as a pilot of a programme that offers human resource and marketing services to businesses and a cohort based structure to graduate recruitment in addition to tests of flexible solutions to link graduates to businesses based upon partner organisation experience.

While indications suggest that SMEs in particular have benefited from similar initiatives around the UK, there are compelling arguments to supporting key sectors in the CCR region both in terms of the potential careers progression of the graduate intern and the additional economic benefits that focussing on strategic need could offer. The pilot should therefore target businesses of all sizes to ensure that the programme can align with strategic priorities.

Delivery of fifty graduate intern starts over the course of a one-year pilot is a quantity that could be achieved if a coordinated approach is adopted with the region's local authorities, universities and business community.

An evaluation could explore whether there could be greater value in changing elements of the programme such as the offer to businesses and graduates or the approach to providing human resource services following the results of the pilot.

The potential impact of the lean approach to piloting the programme is significant with an estimated £1,645,020 of private sector funding or approximately £9.40 in private sector leverage for every £1 invested.¹⁷

While a quote has been obtained to estimate the costs of the website, the programme could also consider testing more intelligent technological solutions, such as platforms for matching employers and graduates to ensure sustainable outcomes could be achieved beyond preserving the core offer that stems from the human resource based services of the programme.

Commercial Case

The workshops and meetings led to the identification of two service streams:

- A central team to undertake flexible business engagement, the human resource services and support in the induction.
- Flexible elements of service delivery and signposting through partner organisations (promotion of the scheme and signposting)

It was agreed that various organisations' sites could be used throughout the delivery phase with a rotational basis being suggested for assessment centres and inductions. Additionally, Office of the City Deal, local authority and

¹⁷ Assuming an average starting salary of £9 per hour for fifty interns on a thirty seven hour contract and a conversion rate of internship to job of 60% with the post-internship jobs assumed to be thirty seven hour, two-year fixed term contracts that pay £10.50 per hour. The assumptions are conservative since they do not account for on-costs, equipment, permanent contracts or the higher conversion rates of intern to post-internship job that have been achieved in similar initiatives in other parts of the UK.

university sites will be used to ensure flexible, region-wide business engagement is achieved.

The University of South Wales had offered the most staffing capacity to support the delivery of the programme and volunteered to take the lead in the delivery of the graduate programme. The university has stressed its commitment to supporting the pilot and have offered venues including their Exchange facility at Treforest, Cardiff and Newport sites. Proof of concept of the regional approach of the CCR Graduate Scheme would entail delivering graduate starts in every local authority area.

Financial Case

The one-year budget for this programme has been estimated at £175,000 based upon table 7.

Table 7 – Cost Estimates

Cost Estimates			
	2018/2019	2019/2020	Total
Recruitment costs	£1,000	-	£1,000
Two regional business engagement / human resource support salary	£7,100	£77,900	£85,000
Non-salary expenditure	£850	£9,150 ¹⁸	£10,000
USW Secondee	£6,500	£18,500	£25,000
Qualification cost	-	£23,000 ¹⁹	£23,000
Website, bilingual marketing and events	£9,000 ²⁰	£1,000	£10,000
Contingency	£7,000	£14,000	£21,000
Total	£31,450	£143,550	£175,000

Further details on the estimated staff costs and non-salary expenditure can be found below:

Staff	2 X £31,370.25pa posts + 34% on costs	£84,072.28
Travel expenses	(based on £250 p/p per month)	£6,000.00
IT Equipment	2 X laptops	£2,000.00
Mobile phone	X 2	£700.00
Printing and Miscellaneous		£2,227.72
Total Costs		<u>£95,000</u>

Management Case

The aim is to deliver fifty graduate interns through recruitment cycles and events over the course of the first year of the programme (2019-2020).

¹⁸ Currently based upon two salaries of £31,370.25 plus on-costs, travel expenses, IT equipment and mobile phones – may be subject to revision

¹⁹ Cost of £460 per ILM qualification for 50 graduate interns – may be subject to revision

²⁰ Estimated cost of website provided by City Deal partner and estimated cost of bilingual marketing – may be subject to revision

Internship salaries and post-internship salaries will be captured to demonstrate private sector funding leveraged.

Universities in the Cardiff Capital Region have agreed to undertake the student focussed element of the 'Attraction' stage, provide premises, support in parts of the 'Application and Assessment' stage and support in parts of the delivery of the 'Internship Programme' stage.

The University of South Wales has committed most staff time and resources to the development and delivery of the programme and has volunteered to take a lead role. This will be coordinated through a funding package of £25,000 to second a member of staff on a part time basis from December 2018 to March 2020 from the University of South Wales to the Office of the City Deal to continue to lead the development and delivery of the CCR Graduate Scheme.

Two additional full time members of staff will be required to undertake the delivery of the programme. This will include:

- the SME focused element of the 'Attraction' stage;
- the human resource support services from the 'Application and Assessment', 'Matching' and the 'Internship Programme' stages;
- monitoring and data management.

The credentials and track-record of the staff and the SME/Industry capture plan will be crucial to ensure that high-quality career opportunities for graduate candidates are created as part of the programme.

All staff will work out of the Office of the City Deal under the direction of the CCRCD Director and will use Office of the City Deal, university and local authority premises in order to engage businesses flexibly and deliver graduate intern starts in all ten local authority areas.

The outputs of the programme are achievable with the modest staffing structure due to the cost-effective approach of leaning on expertise and existing provisions across the region's universities, local authorities and partner organisations.

The following outputs will be monitored by staff delivering the CCR Graduate Scheme:

- intern starts;
- number of applicants per position;
- business location and sector;
- talent pool targeting;
- intern salaries and post duration;
- the conversion rate of interns to post-internship jobs;
- post-internship salaries and contract length;
- feedback on the programme from businesses and graduate

The business engagement staff will capture initial information on business and graduate appetite to engage with the scheme from April 2019. The number of positions created through the first cycle of business engagement and the

number of applicants for the positions will be available by August 2019 and the number of graduate starts by September 2019 (see Table 8 for further details).

Table 8 – Provision Timescales

Timescales	Activity
December 2018	<ul style="list-style-type: none"> • Appointment of University of South Wales secondee • Development of job descriptions for two roles
January-February 2019	<ul style="list-style-type: none"> • Development and coordination of website content • Work with partners to identify practical guides on line management of interns, carrying out career conversations, principles of job design and strategic workforce planning • Launch of graduate- and SME-facing material and website • Student/graduate engagement • Establish database of interested businesses (target of 200) • Engage key sector groups to gauge requirements • Establish a business/industry capture plan
March-May 2019	<ul style="list-style-type: none"> • Two staff begin business engagement • USW secondee attends and organises events to promote key sectors and the scheme
May-August 2019	<ul style="list-style-type: none"> • Application and assessment undertaken • Matching of successful candidates with businesses for interviews • Recruitment of graduates • Management of talent pool
September 2019	<ul style="list-style-type: none"> • First cohort of graduate inductions (25 target) • Business engagement
October-November 2019	<ul style="list-style-type: none"> • Application and assessment undertaken • Matching of successful candidates with businesses for interviews
December 2019	<ul style="list-style-type: none"> • Recruitment of graduates • Management of talent pool
January 2020	<ul style="list-style-type: none"> • Second cohort of graduate inductions (25 target) • Business engagement for monitoring
February-September 2020	<ul style="list-style-type: none"> • Graduate support • Monitoring and evaluation

Willingness for businesses and students / graduates to engage would be captured to explore whether the offer should be extended in future version of the programme, as would wider metrics of job satisfaction for the graduate positions such as levels of perceived skills utilisation.

The Office of the CCR City Deal will collect information from the two members of staff and the secondee from the University of South Wales to provide updates on the programme, including the achievement of outputs to the Regional Skills Partnership and Regional Cabinet.

As highlighted in the economic case section, various approaches will be tested throughout the pilot stage that could be strengthened or re-purposed in future models.

While all of the graduate intern starts, sectors, wage levels from the pilot would be captured by January 2020, if arrangements have not been made for the continuation of the programme, the Office for the City Deal would capture the conversion rate to post-intern jobs, salary of post-intern jobs and any other feedback beyond March 2020.

Regional Cabinet and Employment and Skills board, whose membership includes the Cardiff Capital Region Cabinet Member for Skills and the RSP's university representative, will receive updates of progress and achievement of outputs. Ad-hoc updates will also be provided to other partners upon request.

This will create a rigid monitoring and evaluation structure that will be to intervene if the pilot scheme is off track against deliverables and target dates that are outlined in Table 8.

Future Generations Assessment Evaluation

<p>Name of the Officer completing the evaluation:</p> <p>Robert Seale</p> <p>Phone no: 03000 040414 – ext 19003 E-mail: robert.seale@cardiff.gov.uk</p>	<p>Please give a brief description of the aims of the proposal</p> <p>The core aim of the Cardiff Capital Region (CCR) Graduate Scheme is to enhance productivity, innovation and economic growth while promoting the CCR as a destination for talented graduates. This would be achieved by providing targeted human resource support services to businesses and facilitating events to release untapped graduate-level recruitment potential.</p>
<p>Proposal: CCR Graduate Scheme</p>	<p>Date Future Generations Evaluation form completed: 11 Dec 2018</p>






1. **Does your proposal deliver any of the well-being goals below?** Please explain the impact (positive and negative) you expect, together with suggestions of how to mitigate negative impacts or better contribute to the goal.

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
<p>A prosperous Wales Efficient use of resources, skilled, educated people, generates wealth, provides jobs</p>	<p>The proposal seeks to develop an intervention that could secure external sources of funding to embed a long-term link between graduates and businesses, particularly those in priority sectors and SMEs, in the region. This link is crucial to increasing private sector demand for highly skilled workers.</p> <p>Whilst wholly positive, effort must be made to ensure that businesses in the most deprived parts of the region also benefit from the scheme and that a coordinated approach is adopted with existing graduate recruitment activity.</p>	<p>The approach to delivery involves leaning on expertise and existing provisions across the region's universities, local authorities and partner organisations and therefore optimises public value in establishing proof of concept of the graduate scheme.</p> <p>A sectoral focus and experimental approach in delivering the graduate scheme would be more likely to establish partner buy in for the programme beyond the pilot.</p> <p>Moreover, links with business support departments in all local authorities will allow the scheme to target high-value businesses and priority sectors to maximise the value added of the programme.</p>

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
<p>A resilient Wales Maintain and enhance biodiversity and ecosystems that support resilience and can adapt to change (e.g. climate change)</p>	<p>The proposal reflects an opportunity to ingrain and embed economic resilience within businesses as a result of the fresh ideas, innovation and productivity gains that graduates can contribute. Stronger links between businesses and universities would also create a fertile environment for the development of more integrated partnerships to support business resilience.</p> <p>A sectoral focus and experimental approach in delivering the pilot would also be conducive to establishing various windows of opportunity to secure sustainable support for the programme beyond the pilot.</p>	<p>The programme will work with partners to identify specific resources to incorporate practical guides on line management of interns, carrying out career conversations, principles of job design, and strategic workforce planning. Such resources are particularly important as transitioning internships into jobs may require different type of advice.</p> <p>It is likely that larger businesses and businesses from key sectors will have more established career pathways and jobs demanding higher skills than businesses in sectors reliant on lower-skilled roles. Such factors will be accounted for in the industry engagement plan.</p>
<p>A healthier Wales People's physical and mental wellbeing is maximized and health impacts are understood</p>	<p>Additional graduate level employment will have a positive impact on a range of sustainability considerations, including health benefits of being in employment and reduced pressure on public services due to individuals moving from being economically inactive or unemployed into employment.</p> <p>Furthermore, providing a higher number of opportunities that include training and development will provide potential to get local people into steady and stable work, which in turn, reduces the stress burden around financial issues which can be a key contributor to mental health problems.</p>	<p>A qualification, an induction and events have been included in the programme to instil a commitment to continuing professional development in the graduates and by extension, the wider business community.</p> <p>Working with partners to strengthen the support to businesses beyond the internship period presents the opportunity to create more sustainable employment.</p>
<p>A Wales of cohesive communities Communities are attractive, viable, safe and well connected</p>	<p>A core aim of the proposal is to sell the Cardiff Capital Region as a destination for talented graduates. Accordingly, efforts have been made to ensure that communities in each local authority area would benefit from the proposal.</p>	<p>Links with business support departments in all local authority areas will not only allow the scheme to target local economic priorities, but will also ensure the programme is conducive to delivering enhanced economic development across the whole region.</p>

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
<p>A globally responsible Wales Taking account of impact on global well-being when considering local social, economic and environmental wellbeing</p>	<p>The project seeks to create sustainable opportunities in the Cardiff Capital Region within the context of underemployment of a high proportion of graduates.</p> <p>A graduate-facing event led by the Well-being of Future Generations Office has been incorporated into the programme to achieve a greater impact on local social, economic and environmental wellbeing. The event would involve promoting the business opportunities from the circular economy, energy efficiency and other business benefits the well-being act could offer.</p>	<p>A coordinated approach with partners, including signposting businesses to provisions that could meet their needs and working with partners to encourage additional events for graduates.</p>
<p>A Wales of vibrant culture and thriving Welsh language Culture, heritage and Welsh language are promoted and protected. People are encouraged to do sport, art and recreation</p>	<p>The coordinated approach between higher educational institutions, local authorities and business representative organisations underscores a significant commitment to regional prosperity and selling the brand of the Cardiff Capital Region as a destination for talented graduates.</p> <p>Additionally, the events present the opportunity for graduate involvement in or promotion of more recreational activities and networking.</p>	<p>Consideration has been given to the appropriate amount of information and events that graduate interns could be invited to in order to ensure an inundation of invitations does not detract from attendance to events that are beneficial to those on the scheme.</p>
<p>A more equal Wales People can fulfil their potential no matter what their background or circumstances</p>	<p>Within the context of significant underemployment of graduates in the Cardiff Capital Region, the creation additional graduate-level opportunities would allow people from different and diverse backgrounds to benefit from a range of opportunities that are unlikely to emerge in the absence of this intervention.</p>	<p>Information on the application process will be included on the website for the CCR Graduate Scheme and feedback will be provided to unsuccessful candidates to help them to learn from the experience and improve their employability skills for future applications.</p>

2. How has your proposal embedded and prioritized the sustainable governance principles in its development?

Sustainable Development Principle	Does your proposal demonstrate you have met this principle? If yes, describe how. If not explain why.	Are there any additional actions to be taken to mitigate any negative impacts or better contribute to positive impacts?
 <p>Balancing short term need with long term and planning for the future</p>	<p>The proposal is about creating long-term prosperity that will enhance the number of higher level skills opportunities in the region as well as sustained growth in businesses across the Cardiff Capital Region.</p>	<p>An experimental approach combined with continual assessment will help to maximise the positive impacts.</p>
 <p>Working together with other partners to deliver objectives</p>	<p>The programme has been developed in partnership with universities, business representative groups, local authorities and other partners. It has taken an inclusive approach to engagement and is working with a wide-range of partners.</p>	<p>Continuing to engage partners, including those that offer additional support services to businesses, will be crucial to maximising positive impacts of the programme.</p>
 <p>Involving those with an interest and seeking their views</p>	<p>Surveys, consultation, workshops and research from various interest groups were used to develop the scheme and strike a balance between creating an offer to graduates while minimizing the burden of participation for businesses.</p>	<p>Continual engagement with businesses and graduate interns will present the opportunity to provide feedback on the programme and review whether there is scope for improvement in the programme's delivery in future.</p>
 <p>Putting resources into preventing problems occurring or getting worse</p>	<p>The ambition to create a long-term support service to help businesses overcome barriers to recruitment would result in the creation of a service that provides a tailored response for businesses that face similar barriers.</p>	<p>Working with sector groups and business representative organisations could support the development of the aforementioned sustainable approaches to incentivising graduate recruitment.</p>
 <p>Considering impact on all wellbeing goals together and on other bodies</p>	<p>The partnership arrangements between the ten local authorities in the region, the four universities and business representative organisations ensure that a coordinated approach is adopted.</p>	<p>Not at this time</p>

3. Are your proposals going to affect any people or groups of people with protected characteristics? Please explain the impact, the evidence you have used and any action you are taking below.

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Age	Should the proposal be successful opportunities will be open to all.	None arising – although particular attention will have to be paid to how the message and opportunities is conveyed as consistently as possible to all aspects of the future workforce.	Particular attention will have to be paid to how the opportunities are conveyed as consistently as possible to all aspects of the future workforce.
Disability	Should the scheme be approved, training and skills development will be done on a flexible basis ensuring accessibility and equality of access.	As above	As above
Gender reassignment	Should the scheme be approved, training and development processes will be focused on all equalities principles and matters, including gender.	As above	As above
Marriage or civil partnership	Should the proposal be successful, employment and recruitment processes will have regard to all of the protected characteristics including the rights of married couples or those in civil partnerships.	As above	As above
Pregnancy or maternity	Should the proposal be successful, proper regard will be had to the rights of any employees with regard to pregnancy/ adoption/ maternity and paternity.	As above	As above
Race	Should the proposal be successful and a recruitment and appointment process begin, proper regard will be had at that time, regarding promoting equality of opportunity, translation services and general support to ensure opportunities are genuinely open to all members of the community/ workforce.	As above	As above
Religion or Belief	As above.	As above	As above

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Sex	Again, should the proposal be successful, proper regard will be had to working conditions and rights and ensuring equity.	As above	As above
Sexual Orientation	As with all of the section above.	As above	As above
Welsh Language	Should the bid be successful we will discharge all of our duties in relation to the Welsh language Act.	Not at this time but the situation will be kept under review.	As above

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4. Safeguarding & Corporate Parenting. Are your proposals going to affect either of these responsibilities?

	Describe any positive impacts your proposal has on safeguarding and corporate parenting	Describe any negative impacts your proposal has on safeguarding and corporate parenting	What will you do/ have you done to mitigate any negative impacts or better contribute to positive impacts?
Safeguarding	Any work with young people or in the context of schools/ learning establishments, will have proper regard to Safeguarding requirements and policy compliance.	Safeguarding is about ensuring that everything is in place to promote the well-being of children and vulnerable adults, preventing them from being harmed and protecting those who are at risk of abuse and neglect.	As above
Corporate Parenting	If successful, an opportunity exists to advise and support graduates about the potential for careers, growth and personal development.	None arising	As above

5. What evidence and data has informed the development of your proposal?

- Data and evidence on the Cardiff Capital Region Economy
- Academic research
- Graduate mobility trends
- Survey research and business responses
- Reports on future trends

6. SUMMARY: As a result of completing this form, what are the main positive and negative impacts of your proposal, how have they informed/changed the development of the proposal so far and what will you be doing in future?

The proposal will support businesses to grow and deliver additional graduate positions that would not be present in the absence of the intervention. The experimental approach in the pilot will allow proof of concept of various ideas to be attained thereby creating a range of paths to creating a self-sustaining programme beyond the pilot.

7. ACTIONS: As a result of completing this form are there any further actions you will be undertaking? Please detail them below, if applicable.

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What are you going to do	When are you going to do it?	Who is responsible	Progress
NA			

8. MONITORING: The impacts of this proposal will need to be monitored and reviewed. Please specify the date at which you will evaluate the impact, and where you will report the results of the review.

The impacts of this proposal will be evaluated on:	NA
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