



SPECIAL COUNCIL – 28TH MARCH 2018

SUBJECT: APPROVAL OF CARDIFF CAPITAL REGION CITY DEAL JOINT WORKING AGREEMENT BUSINESS PLAN

REPORT BY: INTERIM CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To consider the Draft Joint Working Agreement Business Plan (JWA Business Plan) recommended to Council by the Cardiff Capital Region Cabinet, and if content, agree and adopt it as the formal “JWA Business Plan”.

2. SUMMARY

- 2.1 The Cardiff Capital Region City Deal was formally launched on 1st March, 2017, and with the approval of Council, this Authority joined the other nine authorities in the region in forming a Joint Cabinet to oversee and manage this collaborative arrangement.
- 2.2 The City Deal includes a £1.2 billion investment, including the development of the South Wales Metro; support for innovation and digital infrastructure; developing skills and helping people back into work; promoting enterprise and business growth; and wider activity in regeneration and housing. It is hoped that it can help deliver 25,000 new jobs in the region and lever in up to £4 billion of private sector investment.
- 2.3 The Council along with the other nine local authorities, agreed a Joint Working Agreement which provides for the investment of an initial £50m contribution from the UK Treasury, but which precludes any further investment until a detailed business plan setting, out the overall investment priorities for the City Deal is agreed by the Joint Cabinet and submitted to each authority for approval.
- 2.4 The JWA Business Plan sets out proposals and themes as well as indicative financial allocations to be made over the next 5 years. Projects that wish to progress under each of the specific themes, will only do so if they comply with the Assurance Framework.
- 2.5 The Regional Joint Cabinet have agreed in principle to support a number of schemes that will benefit all parts of the region and will underpin any specific individual projects brought forward at a later date.
- 2.6 The approval of the JWA Business Plan will allow the remaining HM Treasury funding of £325 million to be unlocked, as well as enabling the £120 million local authority contribution to be used and maximised.

3. LINKS TO STRATEGY

- 3.1 Economic development and job creation has long been a high priority of the council. It is a major part of national policy for the UK and Wales and features prominently in the Council's Regeneration and Housing Strategies. It also underpins the Public Service Board, Single Integrated Plan for Caerphilly County Borough. The "City Deal" offers the prospect of attracting significant infrastructure improvements, new business growth and investments in skills and training. The Cardiff Capital Region City Deal will make a significant contribution to delivering the Well-being goals and to delivering the Council's priority of economic development and regeneration.

4. THE REPORT

- 4.1 The Joint Working Agreement (JWA) in relation to the delivery of the Cardiff Capital Regional City Deal was approved by Council on 31st January 2017 and the Regional Cabinet was subsequently established on March 1st, 2017.

- 4.2 The JWA requires the constituent Councils to take a subsequent decision, as a "Matter Reserved to the Councils", on the approval and adoption of the draft JWA Business Plan.

- 4.3 The JWA required the Regional Cabinet to:

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

- 4.4 Clause 7.1.4. Of the JWA requires that:

The JWA Business Plan shall, amongst other matters, address the following:

- (a) the updated Affordability Envelope (see Section 9 of the JWA Business Plan)*
- (b) the methodology for agreeing the nature, scope and prioritisation of projects to be developed for the overall benefit of the Cardiff Capital Region (in accordance with the terms of the Implementation Plan); (see section 3 of the JWA Business Plan)*
- (c) the methodology and responsibility for any external audits in relation to this Agreement; (see section 9 of the JWA Business Plan)*
- (d) the methodology and responsibility of any performance monitoring along with any performance indicators to enable the Joint Cabinet to measure against progress against the JWA Business Plan (see section 3 of the JWA Business Plan);and*
- (e) any revenue and capital monitoring reports to be prepared for the Joint Committee and the frequency of such reports (see section 9 of the JWA Business Plan)*

- 4.5 For clarity and cross reference to the JWA, the draft JWA Business Plan is now referred to as the "CCR City Deal Strategic Business Plan for the Wider Investment Fund", to reflect its status and focus, and is titled accordingly on the attached Appendix A.

4.6 The Proposal

- 4.7 The draft JWA Business Plan (CCR City Deal Strategic Business Plan for the Wider Investment Fund) is attached at Appendix A.

- 4.8 In accordance with the requirement of the JWA, the draft JWA Business Plan contains:

- The Strategic Context which includes;

- The Vision; and Strategic Objectives (Section 2)
- The Approach (Section 3)
- Spatial Priorities (Section 4)
- The Strategic Themes (Programme Themes), which includes:
 - Skills and Employment (Section 5)
 - Innovation; (Section 6)
 - Connecting the Region; (Section 7)
 - Regeneration and Infrastructure (Section 8)
- Indicative five year spend profile (Section 9)
- Additional opportunities for regional funding (Section 10)

4.9 The draft JWA Business Plan identifies and provides some detail on, emerging opportunities which will be considered and developed within the life of the Plan;

- Skills for the Future;
- Innovation Portfolio;
- Metro Plus;
- Digital Portfolio;
- Housing Investment Fund; and
- Strategic Sites

4.10 The Plan (which will take the City Deal past its first Gateway Review, due in December 2020) also indicates that other proposals will emerge, within the life of the plan, all of which will be rigidly assessed in accordance with the Assurance Framework.

4.11 Cardiff Capital Region Wider Investment Fund

4.12 The City Deal provides funding to support schemes which will stimulate the economic growth of the region. The agreement with the UK Government and Welsh Government provides £1.2 billion of which £734m is allocated to the Metro, with the balance of £495m being made available as the “Wider Investment Fund”.

4.13 The Wider Investment Fund is made up of:

- £375m grant from the UK Government paid over 20 years, HMT contribution, with years 1-5 being £50m revenue grant, followed by years 6-20 being £325m capital grant; and
- £120m local authority partnership capital contribution to be drawn down as required.

4.14 The Regional Cabinet have stated that the high level aims of the Wider Investment Fund are the creation of 25,000 new jobs and £4bn of private sector investment. The first investment has been made in the Compound Semi- Conductor project, providing a loan of £38.5m, to be repaid, which has the potential to generate 2,000 jobs and over £380m of private sector investment. This investment was reported to Council on 31st July 2017.

4.15 As the JWA Business Plan has not yet been adopted, the Regional Cabinet has substantially funded this initial investment by use of the HMT contributions received to date which is in line with the proposal agreed by Council on the 31st July 2017. However as the HMT funds are revenue in nature, the JWA Business Plan now proposes that local authority partnership capital contributions should be substituted for the revenue grant. This revised approach will protect the HMT funding for future use on schemes and programmes which are revenue intensives, such as skills. Funding of the local authority partnership capital contributions will be based on the council contributions agreed within the JWA. Caerphilly CBC’s capital contribution under the revised approach will be £6.23m (i.e. 12%) over the initial 5 year programme period. Caerphilly CBC’s share of the overall affordability envelope over the life of the City Deal will remain unaltered at £25.2m.

- 4.16 Following the initial investment, the Regional Cabinet have agreed in principle to support a number of schemes:
- The Metro Central Project
 - Regional Housing Investment Fund
 - Digital Strategy; and
 - Skills for the Future
- 4.17 These “in-principle” schemes, along with others which may emerge, will be developed and assessed to ensure they comply with the City Deal Assurance Framework, contribute to the substantial economic growth of the region, and demonstrate value for money prior to any implementation investment being made. The Council has a number of potential “City Deal” schemes being developed and once matured; each business case will be tested against the Assurance Framework prior to any City Deal funding being released.
- 4.18 These initial investment commitments will benefit the whole region and will underpin specific project proposals brought forward from local authority, further education and business. Each proposal will be assessed to ensure they comply with the City Deal Assurance Framework, before proceeding.
- 4.19 Each project proposal must align with the strategic themes that are detailed in paragraph 4.8, as well as contribute positively to the over-arching objectives of delivering up to 25,000 new jobs and leverage of an additional £4 billion of private sector investment. All candidate schemes will be required to demonstrate how they will contribute to one or more of those objectives and others contained in the Regional Economic Strategy. Additionally schemes will also need to demonstrate a quantifiable impact on at least two of the following:-
- Increasing employment rates (by constituency) in areas where employment rates are below the Cardiff Capital Region average;
 - Increasing earnings in areas with below average earnings for the Cardiff Capital Region;
 - Supporting enterprise growth and productivity gains;
 - Supporting people out of employment into employment.
- 4.20 Candidate schemes will also have to demonstrate they are deliverable, represent value for money and that they comply with the necessary regulations including legal and state aid requirements.
- 4.21 Three stages of Business Case development are required in the appraisal process:-
- The Initial Proposal (Strategic Outline Case);
This is particularly important as it will focus on establishing the case for the proposal and although at this stage the scheme is not necessarily expected to be fully worked up or immediately deliverable the level of information must be sufficient to gain a clear understanding of the scheme, how it addresses the Appraisal Criteria, estimated costs and benefits.
 - The Outline Business Case (OBC)
This will be a substantive business case document and will include a thorough options appraisal to justify the preferred option and an assessment of value for money to underpin the economic case.
 - The Full Business Case (FBC)
This will build on the information in the OBC and confirm the scheme has the necessary contractual/procurement and delivery arrangements in place to allow the scheme to proceed.

- 4.22 Each stage of the proposal will be submitted to the CCR Programme Board for assessment who will make recommendations to the Regional Cabinet, who in turn will have the responsibility for confirming if the candidate scheme is eligible (or not) for inclusion in the CCR Delivery Programme.
- 4.23 This method of identifying, developing, assessing and approving schemes ensures that the Regional Cabinet have the flexibility to ensure investments accurately reflect the needs and encourage the continued development of the region. However, it does also mean that it is difficult to predict accurately the financial implications of the investment programme. Financial modelling for the Wider Investment Fund will therefore be based on educated assumptions and an indicative programme of investment which will be developed and refined as more investment decisions are made.

5. WELL-BEING OF FUTURE GENERATIONS & EQUALITIES

- 5.1 The Well-being of Future Generations Act (Wales) 2015 comprises of seven wellbeing goals as follows:
- A prosperous Wales
 - A resilient Wales
 - A healthier Wales
 - A more equal Wales
 - A Wales of cohesive communities
 - A Wales of vibrant culture and thinking Welsh language
 - A globally responsible Wales
- 5.2 The CCR City Deal seeks significant investment built around the following purposes and themes:
- Improve productivity and economic performance in the region
 - Tackle worklessness which costs the UK billions in welfare payments for South East Wales.
 - Build on the foundations of innovation across the region
 - Investment in physical and digital infrastructure
 - Provide effective support for business
 - Improve skills
 - Ensure the economic benefit is felt across the nation
 - Working together to deliver more
- 5.3 A Well-being and Equalities Assessment has been undertaken and is attached as Appendix B
- 5.4 The Assessment demonstrates that the detail contained in the JWA Business Plan demonstrates compliance with the well-being 5 ways of working supports the well-being goals and identifies that the City Deal is expected to have apposite impact on all groups and people with protected characteristics.

6. FINANCIAL IMPLICATIONS

- 6.1 The approved affordability envelope over the life of the City Deal has been set at £210.8m and is based on the indicative modelling that was undertaken in January 2017 which informed the reports that were presented to each City Deal partnering Council at that time. The affordability envelope has since been reviewed in light of the content of the JWA Business Plan and the updated modelling suggests that the “whole life cost” of the Wider Investment Fund to the constituent Councils remains within the approved envelope of £210.8m.

Caerphilly CBC's share of the overall affordability envelope remains at £25.2m as reported to Council on the 31st January 2017.

- 6.2 The proposed substitution of local authority capital contributions for HMT revenue grant in respect of the £38.5m loan for the Semi-Conductor project will result in Caerphilly CBC's capital contribution being £6.23m (12%) during the initial five-year period covered by the JWA Business Plan. The revenue implications of this borrowing requirement have been factored into the 2018/19 revenue budget and updated Medium-Term Financial Plan approved by Council on the 22nd February 2018.

7. PERSONNEL IMPLICATIONS

- 7.1 None.

8. EQUALITIES / LEGAL IMPLICATIONS

- 8.1 The body of the report sets out the relevant provisions of the Joint Working Agreement (JWA) in relation to the JWA Business Plan. They form part of the legal implications, to which regard should be had but to avoid duplication are not repeated in this section.
- 8.2 The JWA Business Plan is a key document in relation to the delivery of the Cardiff Capital Regional City Deal (CCRCD). The content of the Plan serving to create a legitimate expectation that the matters referred to (proposals, projects and themes) will be progressed as set out in the Plan. Accordingly, it is important that Regional Cabinet and each constituent council is content with the content of the JWA stated in the body of the report, matters will need to be considered in accordance with the provisions of the Assurance Framework, at which state any legal issues raised by a project can be considered and detailed legal advice provided. The Plan refers, (Section 10), to a case being made for a range of powers to be devolved to the local authorities to the Cardiff Capital Region. To the extent that any further powers are sought to be delegated to the Regional Cabinet, then this will be a matter for each of the Councils.
- 8.3 In considering this matter regards should be had, amongst other matters, to:
- (a) the Councils' duties under the Well-being of Future Generations (Wales) Act 2015, (The Plan noting at Section 3 that, ...“we (CCRCD) will follow the five ways of working and sustainability principles detailed in the Well-being of Future Generations (Wales) Act 2015, and reflect and support the well-being goals); and
 - (b) Public sector duties under the Equalities Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties Councils must in making decisions have due regard to the need to a) eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by that Act; b) advance equality of opportunity between people who share relevant protected characteristic and those who do not; and c) foster good relations between people who share a protected characteristic and those who do not. Protected characteristics are: a) Age; b) Gender reassignment; c) Sex; d) Race – including ethnic or national origin, colour or nationality; e) Disability; f) Pregnancy and maternity; g) Marriage and civil partnership; h) Sexual orientation; l) Religion or belief – including lack of belief. In Wales, public sector bodies listed are required to take certain steps in order to demonstrate that they have due regards to the public sector equality duty. The Welsh specific equality duties include assessing the impact of policies and procedures on equality (often called Equality Impact Assessment).
- 8.4 A Well-being and Equality Assessment has been undertaken and is included in Appendix B. Regards should be had to the same in reaching a decision on this matter.

9. CONSULTATIONS

9.1 There are no relevant consultations relating to this proposal.

10. RECOMMENDATIONS

10.1 That Council consider the draft JWA Business Plan (CCR Strategic Business Plan) attached as Appendix A; and if content, approve the JWA Business Plan.

10.2 That Council approves borrowing of up to £6.23m in respect of Caerphilly CBC's capital contribution during the initial five-year period covered by the JWA Business Plan.

11. REASONS FOR THE RECOMMENDATIONS

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

12. STATUTORY POWER

12.1 Well Being Powers: Local Government Act 1972 and 2000
Local Government Wales Measure 2009 and
Local Authorities (Goods and Services) Act 1970

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Background Papers:

- Joint Working Agreement in relation to the delivery of the Cardiff Capital Region City Deal
- Report to Council 31st January 2017

Appendices:

- Appendix A: Draft joint Working Agreement Business Plan
- Appendix B: Well-being and Equalities Assessment