

# CARDIFF CAPITAL REGION JOINT CABINET

## JOINT CABINET MEETING 20 NOVEMBER 2017

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### THE WIDER INVESTMENT FUND 2017/18 ANNUAL BUSINESS PLAN - MONTH 05 UPDATE

### REPORT OF CARDIFF CAPITAL REGION PROGRAMME DIRECTOR

#### AGENDA ITEM: 7

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#### Reason for this Report

1. To provide Cardiff Capital Region Joint Cabinet (Regional Cabinet) with an update of actual expenditure, commitments and projected full year out-turn as at 31<sup>st</sup> August 2017 (Month 05), against the Annual Business Plan for the financial year 2017/2018.
2. To provide Regional Cabinet with a general update on the position against the Wider Investment Fund for the five year period to 2020/21, when the first gateway review is scheduled to take place.

#### Background

3. Between 25<sup>th</sup> January and 9<sup>th</sup> February 2017 Council approval was received from the ten partnering local authorities within the Cardiff Capital Region for the establishment of the Regional Cabinet to deliver the commitments set-out in the City Deal Heads of Terms document.
4. The Cardiff Capital Region Regional Cabinet is responsible for preparing the Joint Working Agreement (JWA) Business Plan in respect of the Wider Investment Fund totalling £495m. The JWA Business Plan will then be considered by the ten local authority partners in order to discharge the 'Reserved Matter'.
5. Until such time as the Reserved Matter is discharged, Regional Cabinet is only authorised to commit up to £50 million pounds of HM Treasury funding in respect of 'Initial Project Investments', as set-out section 2.4 of the Joint Working Agreement.
6. At its meeting of the 2<sup>nd</sup> May, Regional Cabinet approved its Annual Business Plan for 2017/18. The Annual Business Plan covered expenditure amounting £20 million pounds, and reflected the first two years of HM Treasury funding.

## Issues

7. Clause 7.4.1 of the Joint Working Agreement states “progress against each JWA Business Plan and Annual Business Plan should be regularly reviewed at the Joint Committee Meetings”. Whilst the JWA Business Plan is in the process of being developed, Regional Cabinet have taken the opportunity to make a number of decisions in respect of ‘Initial Project Investments’. Table 1 summarises the commitments arising from decisions taken to date.

**Table 1. 2017/18 – 2020/21 Wider Investment Fund Budget**

	Year 1 2016/17 £m	Year 2 2017/18 £m	Year 3 2018/19 £m	Year 4 2019/20 £m	Year 5 2020/21 £m	Total £m
HMT Funding	0.000	-20.000	-10.000	-10.000	-10.000	-50.000
<b><u>Actual Expenditure &amp; Commitments</u></b>						
Wider Investment Fund ‘Top-Slice’	0.000	0.743	0.743	0.743	0.743	2.970
Compound Semi-Conductor Project	0.000	19.257	9.257	9.257	0.729	38.500
<b>Uncommitted Sums</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>-8.528</b>	<b>-8.528</b>

### **Wider Investment Fund (WIF) ‘Top slice’**

8. The Update on Accountable Body Arrangements report approved by Regional Cabinet on 17<sup>th</sup> March 2017, set aside 3% of the total investment fund (£495m) to be used to fund the activities of a number of Regional Bodies and for Programme Development and Support.
9. This decision equates to setting aside £742,500 of resources annually and is referred to as the Wider Investment Fund ‘Top Slice’. Around 45% of the annual top slice (£331,297) has been allocated to progress the work of the Regional Bodies. In part, this sum was based on discussions with key stakeholders regarding their proposals for taking forward the work of the Regional Bodies. Details of actual costs and the full year projections at Month 05 are set-out in Table 2.
10. The balance (£411,203) will be used for Programme Development and Support and reflects the need to discharge the Reserved Matter before detailed work on bringing forward projects can ‘ramp up’. The details at Month 05 are set-out in Table 3.

**Table 2. Month 05 Position – Regional Bodies**

	<b>Budget</b>	<b>Mth 05 Actual</b>	<b>Projected Year End</b>	<b>Variance</b>
	<b>£s</b>	<b>£s</b>	<b>£s</b>	<b>£s</b>
Regional Transport Authority	99,066	37,832	89,634	-9,432
Regional Skills Board	67,231	0	67,231	0
Economic Growth Partnership	75,000	0	75,000	0
Regional Business Organisation	90,000	2,125	90,000	0
<b>Total</b>	<b>331,297</b>	<b>39,957</b>	<b>321,865</b>	<b>-9,432</b>

Regional Bodies: (-£9,432)

11. The Council approval received from the ten partnering local authorities included the need to progress the set-up of a number of regional bodies to support the work of Regional Cabinet. The formal terms of reference of such subcommittees and groups will be submitted to Regional Cabinet for approval in due course.
12. Budgets have been established to cover the costs and/or financial contributions to the following regional bodies: Regional Transport Authority, Regional Skills Board, Economic Growth Partnership and the Regional Business Organisation.
13. It is acknowledged that the budget sums identified are based on the information known at this time and therefore are indicative and subject to review. The process of ongoing review and challenge will ensure that the appropriate level of resource is directed towards each body and the form of the investment is both appropriate and sustainable.

*Regional Transport Body Budget: (-£9,432)*

14. The City Deal Heads of Terms committed to establishing a new non-statutory Regional Transport Authority to co-ordinate regional transport planning and investment, in partnership with the Welsh Government.
15. A budget has been allocated to meet the cost of two posts to take forward work on the Regional Transport Authority. At Month 05, an underspend of (-£9,432) is projected which is the net position of the projected costs of the Technical Engineer and the Strategy Development posts.

*Regional Skills Board: (on target)*

16. The Cardiff Capital Region committed to strengthening the existing Learning, Skills and Innovation Partnership, which is to be re-launched as the Cardiff Capital Region Employment and Skills Board. The Board will represent a wide range of stakeholders, including: business organisations; higher and further education; local authorities and the Welsh Government and a budget has been allocated to deliver the aims of developing a skilled workforce and reducing unemployment.

17. Whilst there are no costs incurred at Month 05, it is expected that an Employment and Skills Officer will be appointed, and a graduate opportunity will be made available in the second half of the year. On this basis it is projected that the cost of the Regional Skills Board can be accommodated within the budget (£67,231) allocated in 2017/18.

*Economic Growth Partnership: (on target)*

18. A Cardiff Capital Regional Economic Growth Partnership is to be established, which will be a multi-agency advisory board to help shape the development of the wider city-region economic development strategy.
19. In terms of the budget requirement, the Shadow Regional Cabinet initially considered the likely resource requirements during 2016/17. However, as part of the 2017/18 budget approval, the requirement was reviewed and the budget has been set at £75,000. The detailed work undertaken during the early part of this year indicates a resource requirement of circa £30,000 as considered by Regional Cabinet at its meeting of the 14<sup>th</sup> July. The position makes a number of assumptions around the delivery and cost of the support required for the partnership. At Month 05 a prudent view has been taken, which assumes that the budget will be fully spent in 2017/18. However, this projection will be kept under review as the partnership commences its work and the position will be updated as part of future reports to Regional Cabinet.

*Regional Business Organisation: (on target)*

20. The development of a Regional Business Organisation is to be undertaken, which will consist of key business stakeholder representatives from across the capital region, creating a single voice for business to influence the implementation of city deal projects and initiatives.
21. At Month 05 the actual spend amounts to £2,125 and relates to some initial work undertaken in respect of website design and builds on the work undertaken in 2016/17. In terms of taking the work of the Regional Business Organisation forward there have been delays in establishing the Board. This will need to be reviewed in the next 2 months in consultation with Welsh Government and their commitment to match fund City Deal resources. The budget allocation and the projection, which assumes that the budget will be spent in full will be revisited following this consultation and updated as appropriate.
22. In summary, at Month 05 there is a projected underspend of -£9,432 against the approved budget for Regional Bodies. However, as outlined above this position will be kept under review as we progress through the financial year and the projections updated accordingly.

**Table 3. Month 05 Position – Programme Development and Support**

	<b>Budget</b>	<b>Mth 05 Actual</b>	<b>Projected Year End</b>	<b>Variance</b>
	<b>£s</b>	<b>£s</b>	<b>£s</b>	<b>£s</b>
Economic Growth Strategy Work	100,000	0	100,000	0
Available for Future Projects	311,203	0	311,203	0
<b>Total</b>	<b>411,203</b>	<b>0</b>	<b>411,203</b>	<b>0</b>

Programme Development and Support Budget - £411,203

23. This budget covers a range of professional advice and support that is needed to ensure that the work of Regional Cabinet (including any projects taken forward) is robust and has undergone the necessary level of challenge and independent verification to comply with requirements of the Assurance Framework.
24. A significant element of the budget has been set aside to fund the development of emerging projects as these are brought forward by the various 'Theme Leads'. In addition, circa £100,000 of the budget will be used to fund the work required to deliver a Regional Economic Growth Strategy for South East Wales. The Programme Management Office are in the process of commissioning this work and the actual cost in 2017/18 will be dependent on the agreed timescales for commencing and completing this work.
25. At Month 05 the budget is projected to be fully spent and is therefore is reported to be on target. However, the actual costs in 2017/18 will to a large extent be determined by the progress made on the approval of the JWA Business Plan and the discharging of the 'Reserved Matter'.

Compound Semi-Conductor Project

26. The balance of the Wider Investment Fund will be used to support projects as set out in the JWA Business Plan, when approved. However, as set out above, Section 2.4 of the Joint Working Agreement restricts Regional Cabinet to committing funds up to £50 million in advance the Reserved Matter being discharged.
27. At its meeting of 14<sup>th</sup> July 2017, Regional Cabinet received and approved proposals in respect of the Compound Semiconductor Project totalling £38.5m. This is the only project which has been approved to date and Table 1 above sets out the position in respect of actual costs and commitments against the £50 million HMT Treasury funding currently available.

Month 05 Summary

28. At Month 05 a small underspend of (-£9,432) is projected against the Wider Investment Fund annual top-slice budget of £742,500. The remaining sum approved as part of the Annual Business plan is fully committed in the current and future years to 2019/20. In 2020/21 £8.528 million of the HMT Treasury funding remains uncommitted at this time.

29. The budgets will continue to be monitored and reviewed through the rest of the financial year and reported back to Regional Cabinet at regular intervals.

### **Reasons for Recommendations**

30. To inform Regional Cabinet of the of actual expenditure, commitments and the projected full year out-turn as at 31<sup>st</sup> August 2017 (Month 05), against the Annual Business Plan for the current financial year.
31. To provide an update against the Wider Investment Fund covering the 5 year period to the first gateway review in 2020/21

### **Financial Implications**

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

### **Legal Implications**

33. The report is submitted pursuant to the requirements of the Joint Working Agreement of 1<sup>st</sup> March 2017, which provides, “progress against each JWA Business Pan and Annual Business Plan should be regularly reviewed at the Joint Committee Meetings”.
34. This monitoring report does not raise any direct legal implications, given the information set out in the body of the report.

### **Recommendations**

It is recommended that Cardiff Capital Region Regional Cabinet:

- a) Notes the actual expenditure, commitments and projected full year out-turn as at the 31<sup>st</sup> August 2017 (Month 05) against the Annual Business Plan;
- b) Notes the positon against the Wider Investment Fund over the 5 year period to the first gateway review due in 2020/21.
- c) Authorises the Regional Director and Portfolio Lead for Business to undertake an urgent review of the initial support requested for the Regional Business Organisation, in conjunction with Welsh Government;

**Sheila Davies**  
**Cardiff Capital Region City Deal Programme Director**  
**14<sup>th</sup> November 2017**