

Report

Council

Part 1

Date: 27 March 2018

Subject Cardiff Capital Region City Deal – Joint Working Agreement Business Plan

Purpose For Council to consider the draft Joint Working Agreement Business Plan (JWA Business Plan) attached which is recommended to you by the Cardiff Capital Region Cabinet; and if content, agree and adopt it as the formal JWA Business Plan.

Author Chief Executive

Ward ALL

Summary The Cardiff Capital Region City Deal (CCRCD) is a partnership that brings together the 10 authorities across South East Wales: Bridgend, Rhondda Cynon Taff, Merthyr Tydfil, Vale of Glamorgan, Cardiff, Caerphilly, Blaenau Gwent, Torfaen, Monmouthshire and Newport, along with Welsh and UK Governments to work together to improve economic outcomes for the SE Wales region. The Heads of Terms document signed in March 2016 outlines the agreement to create an investment fund of £1.229bn over a 20 year period to be spent on a variety of projects ranging from the development of the SE Wales Metro to creating a more focused approach to skills development.

On March 1st 2017 the CCRCD Regional Cabinet was established, bringing together the Leaders of the 10 councils, creating the main decision making forum for the city deal. The main task over the last 12 months has been the development of the Joint Working Agreement (JWA) business plan. The final document was considered and agreed by the Regional Cabinet on 23rd February 2018.

The roles and responsibilities of the Regional Cabinet relate specifically and exclusively to the City Deal – enabling the joint development and implementation of a programme for investment linked to the City Deal’s Wider Investment Fund of £445m. However the Regional Cabinet’s powers were also confined to the first £50m funding from HM Treasury (HMT) until a “reserved matter” – approval of the JWA Business plan – was discharged by individual councils.

This report presents the business plan to Council for agreement. A similar report is being considered by the other 9 authorities across SE Wales and for the city deal to progress to full implementation, unanimous agreement from all 10 authorities is required.

The main issues considered in this report are as follows:

- Outline of the priorities for investment over the 20 year life of the city deal
- Progress to date
- Financial implications for the council
- Recommendation to agree the JWA Business Plan.

Proposal Council is asked to approve the JWA Business Plan attached as Appendix A which commits Newport City Council to the obligations of the Cardiff Capital Region City Deal.

Action by Council Leader and Chief Executive

Timetable Immediate and on-going.

This report was prepared after consultation with:

- Leader of the Council
- Chief Executive
- Head of Finance
- Head of Law and Regulation

Signed

Background

The **JOINT WORKING AGREEMENT (JWA)**, in relation to the delivery of the Cardiff Capital Region City Deal, was signed and the Regional Cabinet established on March 1st, 2017.

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.

The JWA requires the Regional Cabinet to:

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

Clause 7.1.4 of the JWA providing that:

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

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

For clarity and cross reference to the JWA, the draft JWA Business Plan is now referred to as the ‘CCR Strategic Business Plan for the Wider Investment Fund’, to reflect its status and focus, and is titled accordingly on the attached appendix.

Priorities for Investment

The draft JWA Business Plan (CCR Strategic Business Plan for the Wider Investment Fund) is attached as **Appendix A**.

In accordance with the requirements of the JWA the draft JWA Business Plan contains:

- The Strategic Context which includes:
 - Our Vision; and Strategic Objectives (see section 2 of the JWA Business Plan)
- Our Approach (see section 3 of the JWA Business Plan)
- Spatial Priorities (see section 4 of the JWA Business Plan)

- Our Strategic Themes (Programme Themes¹) which includes:
 - Skills and Employment; (see section 5 of the JWA Business Plan)
 - Innovation; (see section 6 of the JWA Business Plan)
 - Connecting the Region; (see section 7 of the JWA Business Plan) and
 - Regeneration and Infrastructure. (see section 8 of the JWA Business Plan)
- Indicative Five Year Spend Profile (see section 9 of the JWA Business Plan)
- Additional Opportunities for Regional Funding (see section 10 of the JWA Business Plan)

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.

The Plan, which will take the City Deal passed 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.

Progress to Date

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 £1.229 billion of which £734m is allocated to the Metro, with the balance of £495m being made available as the 'Wider Investment Fund'.

The Wider Investment Fund is made up of:

- £375m grant from the UK Government paid over 20 years, HMT Contribution, with year 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.

The Regional Cabinet has stated that the high level aims of the Wider Investment Fund is 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 in Newport, 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.

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. As these funds are revenue it is hoped that the adoption of the JWA Business Plan will take place in financial year 2017/2018 allowing the Local Authority Partnership capital contributions to be substituted for the revenue grant, thereby protecting the revenue funding for future use on schemes and programmes which are revenue intensive such as skills. Funding of the Local Authority Partnership capital contributions will be based on the council contributions agreed and contained in the JWA.

Following this initial investment, the Regional Cabinet has agreed in principle to support a number of schemes:

- *The Metro Central Project*
Aims to deliver a new Central Transport Interchange at the heart of Cardiff's city centre core employment zone.
- *Regional Housing Investment Fund*
Will seek to support house building ranging from larger builders and developers on stalled housing sites, through to small, community and custom builders on small sites across the city region.
- *Digital Strategy*
To enhance the digital capability and potential of the region.
- *Skills for the Future*
Aims to provide region wide school engagement with pupils and parents to offer careers advice and guidance, support for businesses to address barriers to participation, a skills investment fund, and a commitment to support delivery of over 10,000 additional apprenticeships, graduate internships and upskilling employees in the private sector.

These 'in-principle' schemes, along with others which may emerge, will be developed and assessed to ensure they comply with the City Deal Assurance Framework, contribute to the sustainable economic growth of the region, and demonstrate value for money prior to any implementation investment being made.

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.

Implications for this Council

Newport is at the heart of the city region with a diverse economy which provides a wide range of opportunities for our communities. The city is influenced by economic activity within the region and beyond and one of the key aims of the city deal is to work with partners to create a dynamic and modern economy to enable our communities to face the future with confidence.

The new corporate plan entitled, "Building on Success, Building a Better Newport" was adopted by council at its meeting in November 2017. Agreeing the JWA Business Plan and therefore enabling the city deal investment to be confirmed will enable the council to deliver on its overall mission – Improving People's Lives.

The corporate plan also outlines four themes which will underpin the activity of the council over the period to 2022; Resilient Communities, Thriving City, Aspirational People and Modernised Council.

The city deal will focus activity in two of these themes – Thriving City and Aspirational People. Since the signing of the original Heads of Terms document in 2016, Newport has already benefited from the city deal, with a number of projects being based in the city.

For instance the establishment of the Cyber Security Academy at the University of South Wales and the opening of the National Software Academy by the University of Cardiff, both based in Newport have created new facilities which will both develop skills within the city and also stimulate further investment in high quality jobs.

The largest single investment from the city deal, the creation of a compound semi-conductor cluster, focused on a £38m investment in the technology company IQE has also taken place in Newport, with the potential to create around 2,000 jobs across the region.

The city deal initiative is a long term commitment and investment and needs to be considered in that light. However the benefits also need to be considered in the long term as it will take time to secure the changes to the foundations of the regional economy which are at the heart of the city deal proposition.

Financial Implications

As noted above, Local Authorities are contributing £120m to the overall investment fund. Newport City Council is contributing 9.8% of that - £11.8m:

| Year | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | Remaining Years | Total |
|-----------------------------|---------|---------|---------|---------|---------|---------|-----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Total LAs contribution | 24,210 | 17,705 | 5,055 | 5,055 | 7,961 | 7,961 | 52,053 | 120,000 |
| Newport Contribution @ 9.8% | 2,376 | 1,738 | 496 | 496 | 781 | 781 | 5,111 | 11,779 |

In terms of the revenue implications of this and the Wider Investment Fund – this is the ‘overall affordability envelope’. As shown in Appendix A section 9, the overall affordability envelope for the Local Authorities wider investment fund is £210.8m over the life of the project. This is made up of:

- The usual minimum revenue provision and interest costs related to the Councils £120m total capital contribution to the wider fund as and when it is spent
- Cost of carry i.e. interest costs of front-loading HMT capital funded costs. As noted above – HMT capital funds are not received until year 6 onwards but the business case is predicated on spending ahead of HMT funds being received which the Local Councils will fund therefore incurring cost of carry costs before HMT capital grants are used to repay.

Newport City Council’s contribution rate is 9.8%; therefore its modelled total contribution to the overall affordability envelope (£210.8m) over the life of the project is £20.6m.

The table below shows the total and Newport revenue costs implications. Costs increase per year and peak in 2027/28 before reducing. The costs incurred in the current life of this Councils MTFP (2018/19 to 2022/23) are relatively modest but increase in the next 5 years to its peak in 2027/28.

| Year | 18/19 | 19/20 | 20/21 | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | 26/27 | 27/28 |
|--|-----------|------------|------------|------------|------------|------------|------------|------------|--------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Total LAs contribution | 940 | 1,440 | 1,810 | 2,560 | 3,570 | 5,000 | 6,820 | 8,860 | 11,260 | 12,440 |
| NCC Interest @ 9.8% | 92 | 126 | 141 | 191 | 252 | 342 | 458 | 595 | 754 | 792 |
| NCC MRP @ 9.8% | 0 | 16 | 36 | 60 | 99 | 148 | 211 | 275 | 351 | 429 |
| Total Newport Contribution @ 9.8% | 92 | 142 | 177 | 251 | 351 | 490 | 669 | 870 | 1,105 | 1,221 |

| | Remaining years (28/29 – 52/53) | TOTAL |
|--|---------------------------------|---------------|
| | £'000 | £'000 |
| Total LAs contribution | 156,100 | 210,800 |
| NCC Interest @ 9.8% | 5,153 | 8,896 |
| NCC MRP @ 9.8% | 10,137 | 11,762 |
| Total Newport Contribution @ 9.8% | 15,290 | 20,658 |

The Minimum Revenue Provision (MRP) and interest costs to 2021/22 are built into to the current MTFP and the future increases will need to be factored into those future years in due course, resulting in a pressure on the Council's MTFP in those years. It is important that these are reviewed and updated on a regular basis as the financial model supporting the Wider Investment Fund is updated for known projects and changes to expenditure profile.

In addition to the revenue costs above, there are annual revenue contributions by each partner authority to the running cost of the project management team of c£100k per annum for NCC. This has been included in 2018/19 revenue budgets onwards.

Legal Implications

The body of the report sets out the relevant provisions of the Joint Working Agreement ('JWA') in relation to the JWA Business Plan ('Plan'). They form part of the legal implications, to which regard should be had but to avoid duplication are not repeated in this section.

Pointing out the obvious, the JWA Business plan is a key document in relation to the delivery of the Cardiff Capital Region City Deal. The content of the Plan serving to create a legitimate expectation that the matters referred to (proposals, projects and themes) will be progressed as set out in the Plan. Accordingly, it is important that Regional Cabinet and each constituent council is content with the content of the JWA Business plan. As regards the progression of individual themes and projects, and as stated in the body of the report, matters will need to be considered in accordance with the provisions of the Assurance Framework, at which stage any legal issues raised by a project can be considered and detailed legal advice provided. The Plan refers, section 10, to a case being made for a range of powers to be devolved to the local authorities of the Cardiff Capital Region. To the extent that any further powers are sought to be delegated to the Regional Cabinet, then this will be a matter for each of the Councils comprising the CCRCD to determine.

In considering this matter regard should be had, amongst other matters, to:

- (a) the Councils' duties under the Well-being of Future Generations (Wales) Act 2015, (The Plan noting at section 3 that, '... we (CCRCD) will follow the five ways of working and sustainability principles detailed in the Well-being of Future Generations (Wales) Act 2015, and reflect and support the well-being goals); and
- (b) Public sector duties under the Equalities Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties Councils must in making decisions have due regard to the need to a) eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by that Act; b) advance equality of

opportunity between people who share a relevant protected characteristic and those who do not; and c) foster good relations between people who share a protected characteristic and those who do not. Protected characteristics are: a. Age; b. Gender reassignment; c. Sex; d. Race – including ethnic or national origin, colour or nationality; e. Disability; f. Pregnancy and maternity; g. Marriage and civil partnership; h. Sexual orientation; i. Religion or belief – including lack of belief. In Wales, public sector bodies listed are required to take certain steps in order to demonstrate that they have due regard to the public sector equality duty. These Welsh specific equality duties include assessing the impact of policies and procedures on equality (often called Equality Impact-Assessment).

Risks

As the JWA Business plan identifies activity over a 5 year period and the city deal commitment is for 20 years one of the risks is uncertainty of outcome. The city deal process is subject to 5 year Gateway reviews by HM Treasury which could introduce further risk.

| Risk | Impact of Risk if it occurs* (H/M/L) | Probability of risk occurring (H/M/L) | What is the Council doing or what has it done to avoid the risk or reduce its effect | Who is responsible for dealing with the risk? |
|--|--------------------------------------|---------------------------------------|---|---|
| Failure of Gateway Review | H | L | Working with other authorities to secure outcomes which will ensure economic growth. | Chief Executive |
| Projects in Business Plan not delivered. | H | L | Regional Cabinet is focused on ensuring projects proceed and deliver agreed outcomes. | Chief Executive |

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

The Corporate Plan, “Building on Success, Building a Better Newport”, sets out four themes which will guide activity over the period to 2022: Resilient Communities, Thriving City, Aspirational People & Modernised Council. The city deal business plan will help the council to meet its overall mission – “Improving People’s Lives”.

Options Available and considered

Two options were considered:

- 1) Agree the CCR City Deal Business Plan
- 2) Not agree to support the CCR City Deal Business Plan

Preferred Option and Why

Option 1. Regional working is being encouraged by Welsh Government and there is a great deal of evidence to show that economic growth is most effectively secured on a regional basis. Option 1 will ensure that Newport can play a positive role in this agenda and provide the best possible opportunities for the communities of the city.

Comments of Chief Financial Officer

The financial implications of the Wider Investment Fund are significant – at c£210.8m for all the Local Authorities and £20.6m for Newport City Council itself. It is a long term financial commitment. These costs represent the revenue implications of funding their own capital contributions to the Overall

Investment Fund (@£120m) and the cost of carry costs of front loading costs before HMT capital grants are received.

Annual costs are relatively modest until about 2022/23 – the end of this Council's current MTFP but increase faster beyond that for the following 5 years, peaking at an annual cost of c£1.2m in 2027/28, before then decreasing. The increased costs over the next 10 years or so will be additional budget pressures on the Council's overall budget and are already built into the current MTFP to 2022/23

The HMT contributions are dependent on the achievement of key objectives and specifically on increasing the economic output of the region. No details are currently known on how this will be measured though failure to achieve this will adversely impact on HMT grant, precise details of this are also not yet known. But, there will, most likely, be financial consequences if this was to be the case and that being the case, would impact on the Wider Investment Fund and/or Councils costs. The first gateway review is after 2020/21. In this respect, the robust evaluation of schemes to meet this objective and delivery are key issues.

Comments of Monitoring Officer

In January 2017, Council agreed to enter into a legally binding Joint Working Agreement (“JWA”) to establish the necessary joint governance arrangements for the Cardiff Capital Region City Deal and to commit the necessary funding to establish the Regional Investment Fund. The JWA was completed and signed by all of the participating local authorities on 1st March 2017. For the most part, all of the councils have delegated power to the Regional City Deal Cabinet under Section 20 of the Local Government Act 2000 to take collective executive decisions regarding the approval of individual City Deal projects. However, there was one outstanding “Reserved Matter” relating to the approval of the JWA Business Plan, which had to be referred back to each of the individual councils for unanimous approval. The councils gave a commitment under the JWA to approve the Business Plan within 12 months.

The Regional Cabinet has agreed the JWA Business Plan (now referred to CCR Strategic Business Plan for the Wider Investment Fund), a copy of which is attached at Appendix 1, and they are recommending its approval and adoption by each of the councils.

This should not be seen as an opportunity for each of the councils to reconsider its commitment to the City Deal; the JWA has already locked the councils into a legally binding commitment to these collaborative arrangements for a minimum period of 5 years and sets out their respective financial contributions towards the overall financial envelope for City Deal. The CCR Strategic Business Plan simply sets out an overarching strategic plan for the implementation and delivery of City Deal, including specific objectives and priorities for regional investment and growth, spending profiles and a framework for the assessment and evaluation of individual projects. This Business Plan is necessary in order to meet the requirements of first Gateway review and the funding conditions of Welsh Government and the Treasury.

The previous Council report set out the detailed legal issues, the Council's statutory powers to enter into the JWA and to incur expenditure in relation to City Deal. Council was satisfied that the City Deal strategic objectives and the assessment criteria for individual projects were consistent with the priorities and objectives set out in the Council's Community Strategy and should promote and improve the economic and social well-being of Newport and its citizens. There is nothing in the CCR Strategic Business Case that changes any of these considerations and it serves to confirm the regional and local benefits of City Deal in terms of growth and investment.

The Report to the Regional Cabinet refers to the need for each authority to have due regard to the impact of the recommended CCR Strategic Plan in terms of its well-being and equalities duties. A well-being and equalities impact assessment is set out at Appendix 2. It can be seen from the assessment that the CCR Strategic Plan specifically applies the sustainable development principle and ways of working set out in the Well-Being of Future Generations (Wales) Act 2015 and the strategic themes within the Plan are entirely consistent with the Council's own well-being objectives. In terms of the

Council's public sector equality duty under the Equality Act 2010, the assessment confirms that the aims and objectives within the Business Plan should advance equality issues.

Therefore, the proposed CCR Strategic Business Plan for the Wider Investment Fund is fully compliant with the Council's well-being and equalities duties and is entirely consistent with the reasons for the decision previously taken to commit to the JWA. As such, it is recommended that the Plan is formally approved and adopted by the Council, in order to satisfy the reserved matter within the JWA and meet the requirements of the Gateway process.

Comments of Head of People and Business Change

There are no human resource implications arising from this report.

Comments of Cabinet Member

The Leader of the Council has responsibility and delegated authority for matters relating to the CCRCD and has endorsed the recommendation in the report.

Scrutiny Committees

There will be a regional scrutiny function to evaluate the activities of the CCRCD. Where appropriate reports will be presented through Newport City Council scrutiny processes to oversee ongoing activity and commitments.

Equalities Impact Assessment and the Equalities Act 2010

The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users. In exercising its functions, the Council must have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Act; advance equality of opportunity between persons who share a protected characteristic and those who do not; and foster good relations between persons who share a protected characteristic and those who do not. The Act is not overly prescriptive about the approach a public authority should take to ensure due regard, although it does set out that due regard to advancing equality involves: removing or minimising disadvantages suffered by people due to their protected characteristics; taking steps to meet the needs of people from protected groups where these differ from the need of other people; and encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

Wellbeing of Future Generations (Wales) Act 2015

A comprehensive Wellbeing and Equalities Assessment has been conducted at a city region basis. This is attached as Appendix B to this report.

Children and Families (Wales) Measure

No direct implications

Crime and Disorder Act 1998

Section 17(1) of the Crime and Disorder Act 1998 imposes a duty on the Local Authority to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area.

RECOMMENDATION:

It is recommended that Council:

Consider the draft JWA Business Plan (CCR Strategic Business Plan) attached as Appendix A; and if content, approve the JWA Business Plan on behalf of this Council.

Background Papers

Set out a list of any relevant background papers and whether they are available to the public.

Dated: 19th March 2018