

CARDIFF CAPITAL REGION CITY DEAL JOINT OVERVIEW AND SCRUTINY COMMITTEE

13th JANUARY 2022

REFRAMING THE APPROACH TO DEVELOPING THE SOUTH EAST WALES CORPORATE JOINT COMMITTEE

REPORT OF THE SERVICE DIRECTOR DEMOCRATIC SERVICES AND COMMUNICATIONS RHONDDA CYNON TAFF COUNTY BOROUGH COUNCIL

AGENDA ITEM: 4

1. PURPOSE OF THE REPORT

- 1.1 To advise Members on the Reframing Approach to Developing the South East Wales Corporate Joint Committee as reported to the Cardiff Capital Region Cabinet on the 13th December 2021.

2. RECOMMENDATIONS

It is recommended that Members: -

- 2.1 Acknowledge the content of the report
- 2.2 Consider if they wish to further scrutinise any areas; and
- 2.3 Request that further updates are provided to the Cardiff Capital Region City Deal Joint Overview and Scrutiny Committee at appropriate stages of the process.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To update the Cardiff Capital Region City Deal Joint Overview and Scrutiny Committee of a number of issues that require a re-defining and re-directing of the approach CCR has proposed to take to the establishment of the South East Wales Corporate Joint Committee (CJC) along with a number of risks which remain live.

- 3.2 To update members on an interim way forward that recognises in a pragmatic way, the need to make progress with initial implementation steps on a 'bare minimum' basis, in so far as they ensure compliance with the legislation and that CCR incurs no worsening of its position in relation to the unresolved issues.
- 3.3 To re-set the critical path towards the statutory budget setting date of on/before 31 January 2022, establishing all resource and sequential reporting requirements; and, in the interim period, standing down the Transition Board, until such time, the new path to 'lift and shift' is resolved, understood and resurrected.
- 3.4 To update the Joint Overview and Scrutiny Committee of the work that continues to be undertaken with Welsh Government (WG), Audit Wales (AW) and other bodies, with a view to supporting resolution of the issues that currently prevent full transition to the 'lift and shift' model agreed by Regional Cabinet, which is predicated on ensuring a 'no worse-off' position.
- 3.5 For Members' information the link to the report also includes two appendices:

[Agenda for Regional Cabinet on Monday, 13th December, 2021, 9.30 am - Modern Council \(moderngov.co.uk\)](#)

Appendix 1 – Exempt

[Appendix 2 WFG assessment CJC repurposing Dec 2021 final](#)

4. BACKGROUND

- 4.1 At its meeting of the 20 September 2021, Regional Cabinet approved a report that established Governance and Delivery Option 3 'Lift and Shift' as the preferred model for CCR's transition to one integrated model of regional public investment and economic governance under the CJC. The report further set out a comprehensive Transition Plan and Transition Board model to oversee the process of evolution and a critical path for achieving key milestone dates.
- 4.2 The report described a number of live risks and issues, relating to a series of unresolved matters concerning the implications of CJs' financial status for tax purposes and borrowing and their impacts. It was stated that work would continue to be undertaken with CCR's advisory team and WG to resolve the issues sufficiently in allowing for Lift and Shift model to be implemented from 28 February 2022 – the date on which the functions exercised by the CJC (Regional Transport Plan, Strategic Development Plan and economic wellbeing power) commence. A letter was also provided from the WG Minister for Finance

and Local Government to reiterate this intent and the report sought to commit to a 'no worse off' principle, on this basis as at the point of transition.

- 4.3 In the intervening period, it is clear that the risks and issues highlighted at this time, cannot be resolved to comply with the timescales set out and allow for Lift and Shift. This is mainly because the issues that require resolution, need the approval of bodies such as HMRC and HM Treasury (HMT) and these clearly sit outside the sphere of direct influence and control of WG. In addition, further issues have arisen in respect of Corporation Tax. This is a complex matter not addressed so far in the Regulations; and could have significant implications to the CCR operating model unless similarly addressed through an application to HMT for relevant dispensations. Work is underway on addressing this, with CCR supporting WG's business case application to HMRC for the relevant dispensations.
- 4.4 In other words, there remain a number of substantially unresolved matters, that unless addressed and resolved prior to full 'lift and shift' implementation and are understood and mitigated against ahead of 'bare minimum' implementation – could have a significant impact. On the latter point, even basic activities under a 'bare minimum' CJC may still incur a level of irrecoverable VAT and as such an initial scaled back approach which reduces such a potential risk is proposed.
- 4.5 The impacts of all these issues are not standalone and consideration will need to be given to the matter of seeking UKG support to transfer the existing CCRCD Funding Agreement to the CJC. In addition, it must be understood that these are complex and inter-connected issues and there are no 100% guarantees of success. Wider financial status issues are bound up within making the case for s33 status and in essence, the need to demonstrate the intent and effect of the CJC legislation, which is for them to be 'creatures of LAs' and 'part of the LG family'.
- 4.6 CCR has made representations to WG on these issues, including seeking a re-setting of the statutory budget timeframe. WG has advised that this is not possible due to timescales and the need to carry out statutory consultation on any proposed changes. However, the issues raised are recognised and understood and implementation on the basis of a pragmatic and proportionate provisional approach is supported. Additionally, legal advice has been taken on the risks and challenges posed to CCR of 'doing nothing'. This report is thus, framed in this context and of being minimally compliant.
- 4.7 The 'bare bones' implementation of the CJC legislation will therefore need to be 'twin-tracked' with continuation of the current Joint Committee/Accountable Body-led model for delivering the CCR City Deal for the time being. This dual approach is unavoidable and will provide business continuity for City Deal delivery.
- 4.8 WG has also set out that the date of commencement of immediate duties around preparation of the Regional Transport Plan, Strategic Development

Plan and economic wellbeing powers, can be changed from the original date set for SE Wales of 28 February 2022 to 30 June 2022 – thus, falling in line with other CJC regions. This report recommends that this later date is accepted in order to better align with the proposed bare minimum approach.

5. FINANCIAL IMPLICATIONS

5.1 The Financial Implications are set out in the main report

6. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED

6.1 The Legal Implications are set out in the main report