



RHONDDA CYNON TAF COUNCIL CARDIFF CAPITAL REGION CITY DEAL JOINT OVERVIEW AND SCRUTINY COMMITTEE

Minutes of the meeting of the Cardiff Capital Region City Deal Joint Overview and Scrutiny
Committee meeting held virtually on Thursday, 4 November 2021 at 2.00 pm

County Borough Councillors - Cardiff Capital Region City Deal Joint Overview and Scrutiny Committee Members in attendance:-

Councillor G Davies – Blaenau Gwent
Councillor G Thomas -RCTCBC
Councillor K Gibbs - Merthyr Tydfil CBC
Councillor B Brooks - Vale Of Glamorgan Council
Councillor T Thomas - Bridgend County Borough Council
Councillor N Howells - Cardiff Council
Councillor C Crick - Torfaen Council

Officers in attendance

Mr C Hanagan, Service Director of Democratic Services & Communications RCTCBC
Ms Kellie Beirne – CCRCDC Programme Director
Mrs Sarah Daniel – Senior Democratic and Scrutiny Officer – RCTCBC

Other Members in Attendance

Councillor A Hunt – Chair, Cardiff Capital Region City Deal Cabinet

27 Welcome and Apologies

The Chairperson welcomed the following officers to the meeting:

Chair of the Cardiff Capital Region City Deal
Director of the CCR City Deal.

Apologies

Cllr Jon-Paul Blundell – Bridgend CBC
Cllr Paul Jordan – Monmouthshire CC
Cllr Richard Roden - Monmouthshire CC
Cllr James Clarke - Newport Council
Cllr Ramesh Patel - Cardiff Council

28 Declarations of Interest

Cllr V Crick (Torfaen) declared a personal interest as she is a member of the the
CSC Foundry Board

29 Minutes

RESOLVED:

To approve the minutes of the Cardiff Capital Region City Deal Joint Overview

and Scrutiny Committee held on the 28 July 2021.

30 To receive an update from the Chair of the Cardiff Capital Region City Deal

The Chair of the Cardiff Capital Region City Deal (CCRCD) thanked the Chair and Members for the invite and explained he would give an overview of the CCRCD and he looked forward to developing a productive relationship as Members looked to scrutinise their performance. He viewed his role to ensure every Local Authority in the CCRCD felt they were able to make the most of their input and to get questions answered when they had them.

He continued that he saw the CCRCD as a region, not just as a one-off City Deal, so developing relationships and that positive culture had been key. That extended beyond the 10 Councils to external partners as well as developing those relationships with different levels of Government, so making sure the principal of subsidiarity rules, was key. In terms of the values, he hoped to bring an awareness of the original targets of the CCRCD but accepting that the aims and ambitions for the region, but also to reach all parts of the region to ensure no community was left behind.

A lot of work was being undertaken on inclusive growth and sustainability. There was a need to look at every community and issues, like the foundation economy, and how to maximise the benefit felt by supply chains of investments that were made, not just the headline investments. He acknowledged there was a need to do things differently looking beyond the old model of economic regeneration and just attracting outside investment, but looking much more to try and get an evergreen concept working, by using the strengths of the region to build and then reinvest the money back in the future.

As a group of 10 Leaders it was recognised, they were not going to solve the problems of the region, but they could act as the catalyst to help others in the business. He looked forward to working with Scrutiny Members, recognising this was a difficult job, as the City Deal was so broad.

The Chairperson thanked the Chair of CCRCD for his comprehensive introduction and stated it was reassuring to hear those things said and Members shared the enthusiasm this brought in having an opportunity to move forward. The CCRCD had been in place for some time but nevertheless he sensed there was a momentum being gained now and that was critically important.

He acknowledged that the Chair of CCRCD had mentioned how difficult Members might find it as a Scrutiny Committee, which was true, as views varied and differed, but they were there to play their own part and the role was quite clear as to how they could support.

The Chair of CCRCD recognised the momentum and felt this was a much better phase, as a Scrutiny Committee because there were bricks appearing above the surface, that could begin to be seen, so it was much easier to scrutinise some of the things coming through the pipeline.

31 2021-22 Quarter 1 April – June 2021 - Performance Report

The Service Director, Democratic Services and Communications reminded Members that a summary of the high-level information, very much to support members questions and challenge, had been provided, in respect of what was

an important report in terms of the performance information. This was an approach that would be developed moving forward, around some of those key issues that had already been touched upon.

32 Verbal Update: Establishment of Corporate Joint Committee

The CCRCD Director explained that the CCRCD had been in progress for the last four years and there were some real shoots of growth now appearing above the surface but the CCRCD couldn't standstill and the Corporate Joint Committee CJC represented an important next stage of development. The report set out the background to the CJSs and what the legislation meant, the core principles, the proposed governance option, functions, and some of the issues around the transition process. She felt the CCRCD was in a good position when looking at a map of the region, with dots all across it, because a two-pronged approach to the investment strategy had been taken, by trying to serve all the basic needs of the region in terms of access to a transport scheme, a housing scheme, digital connectivity etc, but at the same time keeping the door open to some of the market driven propositions which the CCRDC tried to spread across the region.

To date over £200 million worth of projects were in the bag, leveraging around £2.5 billion pounds over the long term, and on target to deliver 6900 new roles. There was a lot there, but equally a lot in the pipeline including taking reports to Cabinet to acquire a power station, developing a regional hydrogen hub and a full business case for a £50 million innovation investment fund. There was also a £20 million renovation hub cluster proposal crystallising, and something similar coming forward for Fintech Wales to take forward the Insurtech industry, two strength in places programmes with UK government that brings in nearly £100 million of additional investment for compound semiconductors and the creative industry and a lot more work was being done around marrying up capital investment with some of the investment needed in people and skills through the venture skills hub.

The CCR City Deal was currently governed by a joint committee but didn't exist as an organisation in its own right, only existing because it was backed up by the lead Council accountable body. This meant not being able to act in its own right e.g., not being able to go to UK Government or Welsh Government (WG) and receive money directly, but through very complex back-to-back arrangements with the 10 stake holding authorities. Therefore, the current model was narrow and limiting and the operating model was probably unsustainable and unviable. There was a need to make sure the region was equipped and open to access all the opportunities available, whether they sat with WG, UK governmental, or beyond. That was an important principle, which needed the levers to maximise investment into communities. The CJC, or corporate entity, establishment recommendations and regulations were seen as a good thing by the CRC Cabinet overall, because they would help fill some of those gaps and develop beyond some of the limitations e.g., a balance sheet, act directly, borrowing, hold assets etc.

What was agreed by Cabinet was that the CJC would be established in the mould of the WG regulations, looking at some of the best fit opportunities, and taking advantage of the soonest possible date. Cabinet was clear this was not the strategy, this was already in place, this was just a mechanism for amplifying impact as far as possible. Cabinet very much wanted to take the CCRCD and move that across to the CJC, so everything was aligned and came under one

banner and that would make for the most cohesive and coordinated way of working. So, concurrence with existing arrangements, recognising devolution subsidiarity, whilst making sure that local authorities were at the heart of the move because the CJC would only really do those things that are best done at a regional level. Four different delivery options were looked. One was do nothing, which couldn't be done because the legislation was already in place. One was like for like, which wouldn't take the CCRCD beyond some of the limitations spoken about.

The lift and shift model or a corporate entity group structure, offered the best first stage of transition whilst recognising special purpose vehicles would need to be set up e.g., CSC foundry limited, equity investment in another company. The CJC would effectively take on the City Deal but would also take on the three functions that were bestowed upon the CJC as at the 28th February 2022. There was a comprehensive transition plan with 5 work streams around the legal work, governance, finance, different functions, bringing across stakeholder structures and Transfer of Undertakings (TUPE) and HR issues, plus setting up accounting systems, bank accounts, policy, constitution, standing orders, etc, which was going to be a massive amount of work to get done by the deadline. The report went through Cabinet, setting all of this out in lots of detail, but it also flagged up some serious potential risks and issues e.g., around the financial status of CJC's, the different powers and the fiscal flexibility a CJC would have. But also, some more practical things. The regulations don't make it clear if CJC's, as public bodies are subject to VAT or things like corporation tax. It was agreed with WG to continue working through these issues with the expectation that the CJC could go live by the deadline.

However, it had become clear in recent weeks, that this probably wasn't going to be possible which was nobody's fault, but it was about stepping through a fundamentally different course that nobody had been on before. Some of those issues meant taking things in a different direction with a lot of those issues outside of WG control but were going to take some time to resolve e.g., clarity around VAT status and corporation tax. There were also some issues in relation to the financial status of the CJC and whether CJC's were going to be levying bodies. What had been resolved was to do support WG to make an application to HMRC for the new CJC's to be part of the VAT refund scheme, to have that dispensation around corporation tax and to work through some of the other issues with the financial status of the CJC. It was not, therefore, known how long this process was going to take which probably meant the CCRCD wasn't probably going to happen on the 28th February 2022, because it was not known how long the time frames were.

In terms of next steps, there was a Cabinet briefing on Monday and there were three options now. One was do nothing, which couldn't be done because the CJC legislation was live and there was affectively a CJC. The other was to change the date with WG, but it was unlikely to be possible because the legislation was enshrined. The other one was to do a kind of bare bones or bare minimum CJC, which would mean twin tracking e.g., set up the CJC, just to adopt the powers. There would still be a lot of work to do because it will have to have budget and audited accounts and standing orders and set up certain committees and put regulatory provisions in place but continue to run the CCRCD through the accountable body, at the same time, although this was not ideal because of double resourcing and running two things, but it should come to a point in time when all issues are resolved. There were some risks and issues involved with this, namely in that if the CCRCD continued to transact through the

accountable body and regional Cabinet and the CJC just did the basics, but at a point in time novating the projects to the CJC and in so was the potential to incur two lots of taxations, stamp duty land tax and corporation tax. It raised questions about how this was mitigated, and it could be that if those costs are were prohibitively high, then the project stayed on the balance sheet of the accountable body, but this would be a fragmented approach to consolidating the accounts.

The CCRCD Director finished by explaining that all that could be done was to be very pragmatic, as there was a bump in the road that all were working hard to try and get across. She recognised that it was quite a complex and difficult thing to describe but hopefully she had set things out clearly enough for Members to pose any questions.

A Member asked whether places like Birmingham and the Northern Powerhouse had been looked at to see how they ran their scrutiny and what differences they had in governance.

The CCRCD Director said it was an excellent point because the whole governance environment under a CJC would change massively so very much like a combined authority, like they had in Birmingham, Liverpool, and Manchester. There would still be a scrutiny committee but because of the legislation it would need an audit and governance committee and a standards committee and in respect of planning and transport, there would have to be dedicated sub committees chaired by members, so that they would have delegations around decision making, spending money and so on. So, the governance structure would change massively and be reinforced. One of the issues now was how to make both things work. When the time came to lift and shift it and bring it all together it was definitely something the Scrutiny Committee could look at, in terms of holding Members to account against some of those more mature models that exist out there.

The Service Director, Democratic Services and Communications acknowledged that Heads of Democratic Services across Wales had raised this with WG because the legislation, in terms of the information and direction of CJC's and the Scrutiny Function, was particularly light although he saw this as an asset moving. The examples, referenced in England were different because they had directly elected Mayors, but there was an opportunity for us to influence, shape and direct it, to how best suited the 10 local authorities in South East Wales.

The CCRCD Director acknowledged it was a good point raised, however she was struggling at the moment, given the role, to make sure the Committee could be live and present in the process, as some of the issues were overcome. She hoped to take another report back to Cabinet at the end of the month to put the critical path back together and again, she was happy to share with Members for any input comments and any questions.

The Chairman expressed that this seemed to be a distraction, at this stage and wondered how much this was going to divert focus from the key role all had, in terms of the CCRCD, into dealing with this administrative difficulty.

The CCRCD Director agreed that this would make a difference because it was taking up at least 50% of her time and that was just to get to a bare minimum model, so it was going to be resource intensive. It would come down to working out the implications of running this twin track model. The view could be taken to

delay those things, until certainty with the CJC, but she could not do that because it was not known, how long that delay might be, so there was a need to press ahead, with what the implications might be, so she could be clear with Regional Cabinet and decision makers, that if they went down this road, it was eyes wide open because these maybe some of the implications and unintended consequences as well.

The Chairman asked whether the CCRCD Director had a sense of the resourcing implications there were, in having to do all this.

The CCRCD Director confirmed that a grant had been received from WG for £250k which was helping with some of the legal work which she hoped would be matched. One of the complexities was that the grant counted against the CJC, so accounts would still need to be produced for the CJC in this year and for next year. It was trying to balance the tasks and activities needed to be done, to gain some of the value for money considerations. She thought the resource impacts would really be seen, into next year, when there was the double bump of resource.

The Chairman asked if there was a deadline now, particularly from UK Government, in terms of their input into the funding.

The CCRCD Director stated ideally it would be the 28th February because that is the date the powers were inherited. A budget needed to be set by the 31st January, so a budget had been set for this financial year because some expenditure would count against the CJC, and then by the 31st January the budget needed to be set for next year. Until the issues are resolved, it would be that twin tracked approach.

A Member asked what the impact on contracts would be, in terms of supplies and on staffing costs going up and was this going to affect the timeline regarding the different projects.

The CCRCD Director explained it depended on whether things were delayed because of waiting for the full integrated model to go ahead so things, like the potential for double taxation, being incurred or whether it was felt the path was clear enough to proceed. She acknowledged the hit in changes in global pricing of materials, construction costs, etc., which were going through the roof with inflation, and it was an issue which had been flagged up to both Governments, so it was the main considerations in bringing those projects across to the new CJC, so additional costs weren't incurred.

The Chair of CCRCD explained the region wanted to take the CJC concept and run with it to make sure that a solution was designed for it, rather than having it forced upon, and therefore this had been a frustrating process so there was a need to look at the long term. He acknowledged that the CCRCD Director and her team, had moved mountains to get into a position of being ahead of the curve and had done everything asked but it was frustrating, at this point. Hopefully in the long term the work and frustrations would bear fruit.

The Chairperson asked, in relation to the VAT and corporation tax issue, whether there was a sense of the mood coming back on that, at this moment in time because quite clearly that that would have a massive impact on the whole notion and funding of the Capital Region.

The CCRCD Director explained that there wasn't a time scale. A meeting with WG was due to take place next week. They had just had a first meeting with HMRC and were hopeful they could give some indication of time frame. She couldn't say what the outcome could be, but she knew WG had put together a compelling narrative, making it clear the CJC should be treated as public bodies, so hopefully all the evidence could be brought together to support that argument effectively.

33 Information reports

No questions were raised by Members in relation to the Information reports.

34 Urgent Items

None received