Cabinet Prifddinas Ranbarth Caerdydd | Cardiff Capital Region Cabinet

19 DECEMBER 2019

2019-20 ANNUAL BUSINESS PLAN - QUARTER 2 PERFORMANCE REPORT

REPORT OF CARDIFF CAPITAL REGION DIRECTOR

AGENDA ITEM 5

Reason for this Report

1. To inform key stakeholders, principally, Regional Cabinet and also, Wales and UK Governments of the Quarter 2 reporting position against the 2019/20 City Deal Business Plan, thus discharging the reporting requirements of the Assurance Framework and providing a comprehensive overview of progress.

2. To provide regional Cabinet with an update of actual expenditure as at Quarter 2 against the approved Wider Investment Fund budgets as set out in the Annual Business Plan for the financial year 2019/20.

3. To recommend that Regional Cabinet approve the Quarter 2 report, in order for formal submission to government partners.

4. To note the continued changes to the format, structure and shape of the report, in order to provide a 'balanced scorecard' approach relevant to the performance targets set – and their dates for completion/ achievement – as set out in Annual Business Plan.

Background

5. Regional Cabinet approved its 2019/20 Annual Business Plan at its meeting on the 19th February 2019, which included details of the Wider Investment Fund budgets for that year. The report also provided an overview of the key work streams that would need to be progressed during the year in accordance with key priorites. This consolidated Annual Business Plan sets out the activities, tasks and objectives to be delivered in 2019/20; alongside an assessment of the resources required to deliver.

6. That Annual Business Plan for 2019/20 and the priority action contained within it, now forms the basis of the Quarterly Performance Monitoring Reports which are issued to the UK and Welsh Governments. Ongoing changes have been made to the structure, format and shape of the Performance report in order to situate plans and priorities in the context of the targets City Deal must deliver against;

reduce extraneous information volume; provide a high-level account of strategy and direction; alongside measures of Finance, Risk and Assurance; and, set out performance against key priority areas such as Programme Delivery and Pipeline – which are relevant to the new Investment and Intervention Framework. Also included are priorities around Partnerships. Communications, Influence/ Engagement and Culture, Capacity and Leadership.

7. In addition to this, now that the Investment and Intervention Framework (IIF) is activated, further enhancements to the process have been made. In the main, this includes:

- A revised version of the 'balanced scorecard' that relates to the targets specifically set for delivery in the relevant quarterly period – in this case – Q2;
- A copy of Q2 Performance on the Compound Semi-conductor (CSC) Project – the single 'live' investment of CCRDCD. This Q2 update is in the format required by National Evaluation Leads, SQW and is presented as an update to the agreed Logic Model. This will keep reporting consistent, connected into all main reporting outlets – Cabinet, CSC Foundry Board and SQW;
- As stated in the Q1 report, now attached is the most up-to-date version of the IIF 'Current Status' tracker document; enabling Regional Cabinet and partners to understand the status and progression of schemes through the Framework. This is attached at Appendix 5;
- Progress tracker for 'in principle' projects – Skills for Future, Digital, Metro Plus, Metro Central and Housing Investment Fund;
- A rolling tracker of progress overall, that shows the quarterly delivery targets in the context of the objectives of the Annual Business Plan – in order to provide both a backwards and forwards-looking assessment of progress.

8. It should be further noted that whilst the quarterly performance reporting information will be focussed and pertain only to those tasks embodied in the Annual Business Plan – there is a wider programme of activity ongoing. The Annual Business Plan represents the core tasks and activities crucial to making strategic progress in 19/20. In addition to this, there is work underway to:

- Contribute to current policy debates and developing thought leadership role:
  - keynote at City Regions in Wales conference;
  - keynote at Ser Cymru celebration event;
  - keynote at EstNet networking event;
  - keynote at UK Shared Prosperity Fund hosted by Cardiff University and Lord Heseltine and input into resulting report;
  - hosted BSA Roundtable event in conjunction with Regional Business Council;
  - hosted and presented to Industrial Communities Alliance;
  - delivery of both written and verbal evidence to Welsh Affairs Select Committee with a positive focus on CCR in resultant report (attached at Appendix 6);

- participation in Regional Investment Board and ministerial task and finish groups.

- Promote the investment framework and originate quality projects:
  - first projects submitted into Investment and Intervention Framework;
  - inaugural meeting of the Investment Panel;
  - Regional Business Council hosted summer roadshows in four locations across region attracting 300+ delegates;
  - development of the SIPF network and consortium for Devices and diagnostics and address at the first Medical Monday event.

- Develop the International presence – sourcing for UKRI board positions; hosting Singapoore and Xiamen delegations connected to CS Cluster; partner launch of MIPIM 2020 and, delivery of two CCR and Department for International Trade UKRI/ workshops;

- Building the Team – key appointments to City Deal Office to establish core structure and resources; and,

- Targeting external investment – full business case submission to SIPF for CS Connected; submission of SIPF 2 for Devices and Diagnostics; and, stage 2 submisison to WEFO P5 on building Instituional Capacity

9. The detail attached to the report, sets out the core activity in priority areass:

- Appendix 1 CCR City Deal Quarter 1 Performance 'Balanced Scorecard'
- Appendix 2 CCR City Deal CSC Project Quarter 1 Logic Model
- Appendix 3 AGS Quarter 1 Update (containing the Risk Log) and Internal Audit Action Plan
- Appendix 4 Wider Investment Fund Finance Update
- Appendix 5 IIF Current Status Tracker
- Appendix 6 House of Commons Welsh Affairs Committee – City Deals and Growth Deals in Wales
- Appendix 7 Wellbeing of Future Generations Assessment

Financial Implications

10. Regional Cabinet approved its 2019/20 Annual Business Plan and its associated budgets at its meeting of 18th February 2019. Appendix 4 provides an update as at Quarter 2.

11. Wider Investment Fund Top-Slice expenditure is projected to exceed the approved budget of £742,500 by £42,195 with this amount able to be funded by an additional draw down from the Wider Investment Fund made possible by prior-year Top-Slice underspends carried forward.

12. In terms of Approved Projects, i.e. those that are in delivery stage, a sum of £1,381,600 is in place against the CSC Foundry Ltd.'s approved capital budget and this is now expected to be paid in 2020/21.There is also a budget of

£143,550 in place to complete the Graduate Pilot Scheme which is currently expected to be fully required.

13. In addition to this, the Annual Business Plan contains currently uncommitted revenue and capital resources of £0.856 million and £26.110 million respectively. These resources are in place to provide Regional Cabinet with a level of flexibility to approve additional expenditure during the year in the event that In-Principle and/or emerging projects find themselves in a position to be allocated approved project funding during 2019/20. There are currently no extant decisions which would lead to draw down of these amounts.

14. It is important to note Paragraph 17 of Appendix 4 of this report which draws attention to the fact that, depending upon the nature and timing of any in-year project expenditure approvals, the components of the 'funding mix' may vary and subsequently impact upon the funding requirements of the Partner Authorities. The established stakeholder networks will be used to provide updates on this as and when necessary.

15. Regional Cabinet will be provided with regular project performance reports, supplemented by quarterly budget monitoring statements, where matters such as progress against the Project Delivery Pipeline and associated budgets can be assessed and the proposed funding arrangements can be reviewed as appropriate.

Legal Implications

16. The report sets out the Quarter 2 performance and is submitted to Regional Cabinet for consideration pursuant to the reporting requirements within the Cardiff Capital Region City Deal Assurance Framework. As regards individual projects referred to in the attached, then legal advice on those projects will be reflected in the relevant reports as and when such matters are reported to Regional Cabinet.

Well-being of Future Generations (Wales) Act 2015

17. The Well-Being of Future Generations (Wales) Act 2015 ('the Act') is about improving the social, economic, environmental and cultural well-being of Wales. The Act places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales - a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible. In discharging their respective duties under the Act, each public body listed in the Act (which includes the Councils comprising the CCRCD) must set and published well-being objectives. These objectives will show how each public body will work to achieve the vision for Wales set out in the national well-being goals. When exercising its functions, the Regional Cabinet should consider how the proposed decision will contribute towards meeting the 'well-being duty' and in so doing assist to achieve the national well-being goals.

18. The well-being duty also requires Councils to act in accordance with a 'sustainable development principle'. This principle requires Councils to act in a way which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. Put simply, this means that the Regional Cabinet must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Regional Cabinet must:

    - look to the long term;
    - focus on prevention by understanding the root causes of problems;
    - deliver an integrated approach to achieving the seven national well-being goals;
    - work in collaboration with others to find shared sustainable solutions;
    - involve people from all sections of the community in the decisions which affect them.

19. The Regional Cabinet must be satisfied that the proposed decision accords with the principles above.

20. To assist the Regional Cabinet to consider the duties under the Act in respect of the decision sought an assessment has been undertaken, which is attached as an Appendix to this report (Well–being of future generations assessment) for Member's consideration.

21. In preparing reports due regard must be given to the Statutory Guidance on the Act issued by the Welsh Ministers, which is accessible using the link below: http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en

Equality Act 2010

22. In considering this matter, regard should be had, amongst other matters, to the Councils' duties under the Equality Act 2010. Pursuant to these legal duties the Regional Cabinet must in making decisions have due regard to the need to (1) eliminate unlawful discrimination (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. Protected characteristics are:

    - age;
    - gender reassignment;
    - sex;
    - race – including ethnic or national origin, colour or nationality;
    - disability;
    - pregnancy and maternity;
    - marriage and civil partnership;
    - sexual orientation;
    - religion or belief – including lack of belief

RECOMMENDATIONS

It is recommended that the Cardiff Capital Region Joint Cabinet:

(1) note the overall progress at Quarter 2 2019/20, including the budget position reported at Appendix 5;

(2) consider and if deemed acceptable, approve the Quarter 2 performance report;

(3) authorise the Director of the Cardiff Capital Region City Deal to formally submit the Quarter 2 performance report, including supporting information to both UK and Welsh Governments, and other stakeholders as required, on behalf of the Regional Cabinet.

Kellie Beirne
Director, Cardiff Capital Region
19 December 2019

Appendices

Appendix 1	CCR City Deal Quarter 1 Performance 'Balanced Scorecard'
Appendix 2	CCR City Deal CSC Project Quarter 1 Logic Model
Appendix 3	AGS Quarter 1 Update (containing the Risk Log) and Internal Audit Action Plan
Appendix 4	Wider Investment Fund Finance Update
Appendix 5	IIF Current Status Tracker
Appendix 6	House of Commons Welsh Affairs Committee – City Deals and Growth Deals in Wales
Appendix 7	Future Generations Assessment Evaluation

Prifddinas Ranbarth Caerdydd | Cardiff Capital Region

Appendix 1

Annual Business Plan Balanced Scorecard

Actions Due:	Q1	Q2	Status
Activities on Schedule	8	14	✔
Activities In progress with some issues	4	8	-
Activities Failing to Progress	0	0	✖

ACTION POINT	DUE DATES	Q1	Q2	Status	ASSURANCE STATEMENT	ASSURANCE LEVEL
4	Q1/4	ON TARGET	ON TARGET	✔	7	STRONG/MODERATE
5	Q2/3	C/F TO NEXT Q	ON TARGET	✔		
7	Q2	C/F TO NEXT Q	COMPLETED	✔		
9	Q1	PROGRESSING - SOME ISSUES	ON TARGET	✔	2	MODERATE
13	Q2	C/F TO NEXT Q	COMPLETED	✔		
16	Q2	C/F TO NEXT Q	COMPLETED	✔		
19	Q2/4	PROGRESSING - SOME ISSUES	PROGRESSING - SOME ISSUES	-		
21	Q1/3	ON TARGET	ON TARGET	✔		
22	Q1/2	PROGRESSING - SOME ISSUES	PROGRESSING - SOME ISSUES	-	20	STRONG/MODERATE
23	Q2/3	C/F TO NEXT Q	ON TARGET	✔	20	STRONG/MODERATE
24	Q2/3	C/F TO NEXT Q	PROGRESSING - SOME ISSUES	-		
25	Q1/4	ON TARGET	ON TARGET	✔		
26	Q2	C/F TO NEXT Q	ON TARGET	✔		
30	Q2	C/F TO NEXT Q	PROGRESSING - SOME ISSUES	-	9	STRONG/MODERATE
31	Q2	C/F TO NEXT Q	PROGRESSING - SOME ISSUES	-		
32	Q2/4	C/F TO NEXT Q	ON TARGET	✔		
33	Q1/4	ON TARGET	ON TARGET	✔		
35	Q2	C/F TO NEXT Q	PROGRESSING - SOME ISSUES	-		
36	Q1	COMPLETED	COMPLETED	✔		
37	Q1	COMPLETED	COMPLETED	✔		
39	Q2	C/F TO NEXT Q	PROGRESSING - SOME ISSUES	-	13	MODERATE
40	Q2	C/F TO NEXT Q	PROGRESSING - SOME ISSUES	-		

Prifddinas Ranbarth Caerdydd | Cardiff Capital Region

Appendix 2a

Quarter 2 Project Pipeline Update

Deliverable	ABP Action	Progress Update	Status		When Completed
CSC Cluster (subject to SIPF outcome)	18a	SIPF submissions to UKRI • Full business plan submitted for the CSConnected project c£45m • Wave 2 EOI submitted for Medical Diagnostics and Devices • Wave 2 EOI supported for Creative Clwster and Fintech	PROGRESSING - SOME ISSUES	–	
Metro Central	19a	• Investment Panel recommended to Regional cabinet release of £100k for feasibility work and to inform scope of FBC subject to 5 conditions being satisfied • DfW approvals in principle for the outline business case related to the Cardiff Railway Central Station	PROGRESSING - SOME ISSUES	–	
Metro Plus & EV Strategy	19b	• Delegations to RTA for scheme approvals against City Deal Requirements • City Deal Requirements set out in the approved Common Assessment Framework • Metro Enhancement Framework adopted and approved by RTA to complement the above • First 'approved' schemes coming forward for initial funding approval of RTA on 13 November 2019 • Taxi LEV strategy going for RTA approval on 13 November	PROGRESSING - SOME ISSUES	–	
Housing Investment Fund (including Sites and Premises assessment	19c	• Investment Panel recommended to Regional cabinet release of £100k for FBC development • Workshop events with partners to inform the stalled sites and SME aspects of fund • Sites and premises work being synched with the principles of the fund	PROGRESSING - SOME ISSUES	–	
Digital Infrastructure	19d	• CVL fibre project has in principle status as part of the IIF – with developmental work ongoing with proposers • Fibre enablement of 'core towns' project is at SIFT 1a stage of the IIF • Two further discussions underway on IIF proposals regarding market opportunities around digital infrastructure • Digital infrastructure requirements and opportunities embedded within the Metro Plus Common Assessment Framework • LFFN Wv 2 project re-purposed to deliver across all CCR LAs – anticipated to be c£6-7m • 5G Blueprint for CCR submission to DCMS led by Innovation Point, CCR, WG and academic and private industrial partners • Digital demand report commissioned as a frame for regional digital investments	PROGRESSING - SOME ISSUES	–	
Skills for the Future	19e	• Work is underway to establish a Youth Cabinet/ Forum – with partnerships, youth councils and organisations from across the region • MSC data science students are working across the CDO and RSP to augment capacity for regional skills 'live' data capture. PhD data science students start in January 2020 (through the KES scheme) and skills intelligence will feature in this work • A brief has been drawn up to appraise existing shared apprenticeship schemes in the region with a view to scaling up a scheme for the region • The Common Assessment Framework is now adopted and embeds skills opportunities through social value clauses and Targeted Recruitment and Training as core requirements of contracts • CSC engagement is taking place through CSConnected to establish one integrated plan for training, learning and skills development • In relation to inclusive growth around skills development, several of the IIF pipeline schemes originated relate to young people outside of the system and in particular, care leavers • The Annual Employment and Skills Plan was produced and published in October 2019 • CCR supported pupils to participate in the STEM Royal Military Academy at Sandhurst September 2019. This was in conjunction with Innovate UK and the leaders of the Faraday Challenge	ON TARGET	✔	
Graduate Placement Scheme -	19f	• 13 graduates are now in place in locations such as Newport, Monmouthshire, Cardiff and Bridgend. 2 further posts are out to advert and with the commitments in the pipeline now working through, it is estimated that 47 graduates will be in place as at 31 March 2020.	ON TARGET	✔	
Public Services testbed submission to WEFO institutional capacity	19g	WEFO P5 Institutional Capacity • InFuSe bid submitted £8m with match funding requirement • Additional bid into SBRI for £1.6m • Target commencement date April 2020	PROGRESSING - SOME ISSUES		

Prifddinas Ranbarth Caerdydd | Cardiff Capital Region

Appendix 2b

Quarter 2 Detailed Work Programme Update

Logic model title	**Compound Semiconductor Cluster**
Logic model type	**Hybrid 4A: Sites and premises for enterprise and innovation and 4C: Science & R&D capacity**
Interventions / projects covered by logic model	**Compound Semiconductor Project**

Theory of change

Investment Fund monies will be used to support the development of a compound semiconductor cluster in South Wales, centred on the former LG site between Cardiff and Newport. Monies will be used specifically to redevelop the facility to modern standards, including a clean room facility for the production of compound semiconductors, which is anticipated to leverage substantial private investment, by a single tenant (IQE), of £375m to kit out the factory. A Special Purpose Vehicle (SPV) has been set up as the site owner, and it will receive rental income for 11 years at which point IQE has an option to acquire the site. Through this arrangement, the expectation is that the Investment Fund monies would be repaid.

It is expected that the facility, and IQE's location in South Wales, will act as anchor in the region for high end compound semiconductor production. The investment is expected to complement other investments in the compound semiconductor sector locally, including ERDF funding for Cardiff University's Institute for Compound Semiconductors. The long-term intention is to create a cluster at the forefront of R&D in this technology area, and at the forefront of production of compound semiconductors, although this would rely on non-Investment Fund activities (unless additional Investment Fund monies are committed to other projects to develop the cluster).

Key assumptions underlying the ToC: site's tenant could not have found alternative space locally, and would have moved production overseas without the intervention; retention and expansion of firm's production in Wales results in jobs safeguarded and created as expected; the modernised factory and clean room facility is attractive as a property resulting in enhanced value; the development of this facility and its primary lessee is an essential component in the development of the cluster resulting, alongside other interventions, in helping current semiconductor firms in south Wales to move up the value chain, and attracting other new companies and activities.

Other factors: complementary activities, e.g. of Cardiff University and the Compound Semiconductor Applications Catapult; market demand for compound semiconductors and the continuing growth of the sector; and development of the necessary skills.

Inputs	Activities	Outputs	Outcomes
Investment Fund inputs • £38.4m *Other inputs (including staffing and in-kind)* • None	• Construction activities in relation to development of a clean room facility for the production of compound semiconductors at the former LG site between Cardiff and Newport • Establishment of a Special Purpose Vehicle for the site	• Ha land acquired (LS) • Ha land assembled for commercial development • Commercial floor space developed (5,900 sq. m) • Construction years of employment • No. of learners enrolling/ completing course (i.e. apprentices in construction) (LT)	**Theme-specific outcomes** • Private sector leverage up to the value of £375m for kit out of the facility (LS) • Secure a £50m investment from the Compound Semiconductor Catapult (LS) • Increase in premises with access to connectivity infrastructure (one) – *Celtic Way, Newport has since seen improved road infrastructure and fibre connectivity* • Positive property market sentiment survey • Uplifted commercial sale value (£6m) • Land value uplift • Floor space occupied by firms at the facility

- Direct creation of new jobs at the site (501 - achieved over time) [65 direct jobs created to date]
- Safeguarding jobs (156 at head lessee company, 390 jobs at wafer fabrication plant)
- Indirect and Induced jobs (1088 - achieved over time) [259 indirect and induced jobs created to date]
- Apprenticeships [8 new apprenticeship opportunities created to date]

- Growth in employment of business located in the facility by number of employees
- Growth in turnover of business located in the facility
- Improved business survival rate of business located in the facility
- Increased expenditure on business R&D (tenant + subsequently in wider sector)
- Increase in exports (tenant + subsequently in wider sector)
- New/improved processes adopted (tenant + subsequently in wider sector)
- New/improved products entering the market (tenant + subsequently in wider sector)
- Intellectual Property (IP) registered (e.g. patents) within the cluster
- Improved attractiveness as a location for inward investment

Broader outcomes

- Return on investment up to the value of £33,108,000 (LS) *[anticipated that tenant will exercise option to purchase ahead of year 6 with full return of investment resulting]*
- A total of 259 indirect jobs have been created off the back of the foundry through local supply chain and household effects, with particular impacts in the construction and higher education sectors and the catapult, along with the creation of a further 8 apprenticeship opportunities.
- A further 697 jobs indirectly supported to date within the semiconductor sector in SE Wales since the commencement of the Foundry.
- Enhancement of local innovation ecosystems
- Increase in the number of businesses that are innovation active (i.e. in the wider compound semi-conductor sector)
- As of Oct 2019 it is estimated that IQE supports direct and indirectly around £22m of Welsh GVA and with much of this supported in the Cardiff City Region. Over the same period the wider semiconductor cluster has estimated to support direct and indirectly around £158m of GVA. The commercial fundamentals of the sector are strong and we are fortunate to have so many good companies in this area with the potential for further job creation and enhanced GVA support for the region.

Prifddinas Ranbarth Caerdydd | Cardiff Capital Region

Appendix 2b

Expected timescales for inputs / activities / delivery of outputs and outcomes			
Investment Fund inputs • 2017-18 *Other inputs (including staffing and in-kind)* • None	• 2017-18	• Achieved on completion of the project and tenant moving into the facility. • Project delivery, including site occupation, phased so outputs achieved incrementally over time	• Impacts to be realised over time. Some will be realised on or soon after completion of the project e.g. investment leveraged, improved attractiveness of the site, development of floor space. • Others will be realised as the principal beneficiary develops its business • Yet others will take longer, e.g. development of the ecosystem and outcomes relating to the wider sector.

Relationship to other interventions

Other Investment Fund logic models:

- Unknown at this stage – further interventions (and logic models) to be confirmed

Other non-Investment Fund activities:

- Wider development of the Compound Semiconductor sector in Cardiff e.g. EU funding for Cardiff University's Institute for Compound Semiconductors

Prifddinas Ranbarth Caerdydd | Cardiff Capital Region

Appendix 3(a)

AGS 2018/19 Action Plan Q2 update

The tables below outline a progress summary of the actions that have been captured as part of a formal 2018/19 Action Plan.

As at Quarter 2, 18 actions are on target and 2 actions are progressing with some minor issues. There are no actions failing to progress.

New Risk Management and Assurance monitoring procedures have been created and are due for implementation in Quarter 3.
The first team Risk and Assurance review meeting is due to take place at the beginning of Quarter 3.

Appendix 3(c) contains the initial risks identified by the City Deal team which form the current City Deal Risk Register.
These risks will be reviewed at the Risk and Assurance review meeting in Quarter 3.

Table 1

ASSURANCE LEVEL	Actions on Target	Actions progressing – some issues	Actions Failing to progress
STRONG	9	0	0
STRONG/MODERATE	4	2	0
MODERATE	4	0	0
MODERATE/LIMITED	1	0	0
LIMITED	0	0	0
TOTAL	**18**	**2**	**0**

Prifddinas Ranbarth Caerdydd | Cardiff Capital Region

Table 2

Appendix 3(a)

	Assurance Statement	2018-19 Q4	2019-20 Q1	2019-20 Q2	
No.		Assurance Rating	Assurance Rating	Assurance Rating	Progress status
1	We have and effectively communicate codes of conduct to define standards of behaviour for members and staff, and we have policies for dealing with whistleblowing and conflicts of interest.	MODERATE	MODERATE	MODERATE	ON TARGET
2	We ensure: a) Compliance with relevant laws and regulations, b) Compliance with internal policies and procedures, and c) that expenditure is lawful.	MODERATE	MODERATE	MODERATE	ON TARGET
3	We are committed to openness and acting in the public interest.	STRONG/MODERATE	STRONG/MODERATE	STRONG/MODERATE	ON TARGET
4	We have established clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.	MODERATE/LIMITED	MODERATE/LIMITED	MODERATE/LIMITED	ON TARGET
5	We have developed and communicated a vision, which specifies intended outcomes for citizens and service users, which is used as a basis for planning.	STRONG	STRONG	STRONG	ON TARGET
6	We have translated the vision into courses of action for our function, its partnerships and collaborations.	STRONG	STRONG	STRONG	ON TARGET
7	We have mechanisms in place to review the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.	STRONG/MODERATE	STRONG/MODERATE	STRONG/MODERATE	ON TARGET
8	We measure the performance of services and related projects and ensure that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.	STRONG/MODERATE	STRONG/MODERATE	STRONG/MODERATE	ON TARGET
9	We have defined and documented the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.	STRONG/MODERATE	STRONG/MODERATE	STRONG/MODERATE	PROGRESSING - SOME ISSUES
10	Our financial management arrangements conform to all relevant legislative and best practice requirements.	STRONG	STRONG	STRONG	ON TARGET
11	We have effective arrangements in place to discharge the monitoring officer function.	STRONG	STRONG	STRONG	ON TARGET
12	We have effective arrangements in place to discharge the head of paid service function.	STRONG	STRONG	STRONG	ON TARGET
13	We provide relevant induction training and have mechanisms in place to identify the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.	MODERATE	MODERATE	MODERATE	ON TARGET
14	We have mechanisms to review the effectiveness of our framework for identifying and managing risks and performance and for demonstrating clear accountability.	MODERATE	MODERATE	MODERATE	ON TARGET
15	We ensure effective counter fraud and anti-corruption arrangements are developed and maintained.	STRONG	STRONG	STRONG	ON TARGET
16	We have an effective scrutiny function is in place.	STRONG/MODERATE	STRONG/MODERATE	STRONG/MODERATE	ON TARGET
17	Our internal audit assurance arrangements conform to Public Sector Internal Audit standards and relevant best practice.	STRONG	STRONG	STRONG	ON TARGET
18	We have arrangements in place for the delivery of the core functions of an audit committee.	STRONG	STRONG	STRONG	ON TARGET
19	We provide timely support, information and responses to external auditors and properly consider audit findings and recommendations.	STRONG	STRONG	STRONG	ON TARGET
20	We incorporate good governance arrangements in our partnerships and other joint working arrangements.	STRONG/MODERATE	STRONG/MODERATE	STRONG/MODERATE	PROGRESSING - SOME ISSUES

Prifddinas Ranbarth Caerdydd | Cardiff Capital Region

Appendix 3(b)

Internal Audit Schedule 2017/18 to 2021/22

Subject	Audit Focus	Y1 2017-18	Y2 2018-19	Y3 2019-20	Y4 2020-21	Y5 2021-22
Governance, transparency and effective decision-making	Governance Structures Arrangements for business cases Managing and reporting on projects Performance reporting Registers of Business Interests	✔	✔	✔	✔	✔
Financial Management	Review of SAP systems and controls Budgetary control and monitoring Security of Assets		✔		✔	
Payroll and Personnel	Review of pay and payroll costs			✔		
Commissioning and Procurement	Review of procurement arrangements and payment procedures Tenders and Contracts	✔		✔		✔
Income collection and debt management	Review of income collection (incl. grant income)		✔		✔	
Best value/ value for money	Benefit realisation Performance indicators and evaluation methodology	✔	✔	✔	✔	✔
Review of Joint Committee statement	Review statement for annual accounts	✔				

Prifddinas Ranbarth Caerdydd | Cardiff Capital Region

Appendix 3(c)

CCR City Deal Risk Register

Ref	Risk Title	Inherent Risk		Residual Risk	
		Risk Score	Priority	Risk Score	Priority
CDR1	Business Plan Delivery	B1	High	C2	Medium/ High
CDR2	Governance & Effective Decision Making	C2	Medium/ High	D2	Medium/ High
CDR3	City Deal Programme Scope & Funding	B1	High	C2	Medium/ High
CDR4	Financial Affordability	C2	Medium/ High	D2	Medium/ High
CDR5	Funding Terms & Conditions	C1	High	C2	Medium/ High
CDR6	Workforce	C3	Medium/Low	D3	Medium/Low
CDR7	Further Regional Working	D2	Medium/ High	D3	Medium/Low
CDR8	Specific Project Delivery	B2	High	C3	Medium/Low
CDR9	Brexit	B2	High	C2	Medium/ High

2019/20 Wider Investment Fund Budget: Quarter 2 Update

1. The Wider Investment Fund (WIF) 2019/20 Budgets were approved by Regional Cabinet at its meeting of 18th February 2019, and included a programme of activity as detailed in Table 1 below, along with the proposed funding priority.

Table 1: 2019/20 Approved WIF Expenditure & Funding (and Medium Term Overview

	2019/20 £'000	Medium Term Overview 2020/21 £'000	2021/22 £'000	2022/23 £'000
Indicative Programme Expenditure				
Wider Investment Fund Top-Slice	743	743	743	743
Approved Projects - Revenue	144	0	0	0
Approved Projects - Capital	1,382	0	0	0
Revenue Resources Available	856	1,600	1,000	1,000
Capital Resources Available	26,110	31,325	42,964	45,663
Total Resources	**29,235**	**33,668**	**44,707**	**47,406**
Funded by				
HMT Contribution (Revenue)	(1,743)	(1,743)	(1,743)	(1,743)
HMT Contribution (Capital)	0.0	0.0	(22,000)	(22,000)
Total HMT Contribution	**(1,743)**	**(1,743)**	**(23,743)**	**(23,743)**
LA Contribution (£120M)	(6,418)	(9,073)	(7,964)	(7,964)
LA Funding 'Cost of Carry'	(21,074)	(21,052)	(11,146)	(11,146)
CSC Loan Funding Repayment	0.0	(1,800)	(1,854)	(4,553)
Total Funding	**(29,235)**	**(33,668)**	**(44,707)**	**(47,406)**

Wider Investment Fund Top-Slice

2. The WIF Top-Slice revenue budget is set at £742,500 and supports the work of the Regional Bodies, as well as including a range of budgets in respect of Programme Development & Support activity.

3. At the time when the budget was set, known commitments were identified which totalled £504,417, with the balance (£283,083) being available to fund new initiatives approved during the year.

4. The actual expenditure at Quarter 2 against the WIF Top-Slice budget is £239,695. Details of this expenditure to date and full year Outturn projections are shown in Table 2 below.

Table 2: 2019/20 Wider Investment Fund Top Slice Budget Monitoring Position

	2019/20 Budget £	2019/20 Q2 Actual £	2019/20 Outturn £	2019/20 Variance £
Forward Commitments:				
Contribution to Joint Committee Revenue Budget	163,417	0	163,417	0
Development of Metro Plus Programme	75,000	29,018	75,000	0
REGP PHD Student support	15,000	0	15,000	0
Housing Investment Fund	80,000	65,000	163,000	83,000
REGP Costs (Chair Expenses)	1,000	0	1,000	0
REGP Costs (MIPIM 2020)	0	54,883	59,883	59,883
Regional Business Council	15,000	7,500	24,100	9,100
Challenge Fund Set-Up and Management Support	25,000	0	0	(25,000)
Investment Fund Set-up / Manager	40,000	0	0	(40,000)
Emerging Projects	90,000	0	100,000	10,000
Sub Total	**504,417**	**156,401**	**601,400**	**96,983**
Programme Development & Support:				
Uncommitted Sum	238,083	83,295	183,295	-54,788
Sub Total	**238,083**	**83,295**	**183,295**	**-54,788**
Total	**742,500**	**239,696**	**784,695**	**42,195**

5. This expenditure and outturn position reflects the ongoing work against both emerging and approved in-principle projects, which have been approved by relevant Regional Cabinet decisions. These include the following:

   - £50,000 for MIPIM 2020, approved 10th June 2019
   - £9,100 overspend on Regional Business Council Business Plan, approved 15th July 2019
   - £50,000 for Expression of Interest costs for Strength in Places Fund Wave 2, approved 15th July 2019
   - £59,000 for ongoing costs relating to the Digital Strategy, approved 15th July 2019
   - £50,000 for the support of Local Sustainable Growth in Bridgend, approved 12th September 2019
   - £98,000 for ongoing costs relating to the Housing Investment Fund, approved 21st October 2019
   - £100,000 for ongoing costs relating to the Metro Central Project, approved 21st October 2019

6. The projected year end expenditure in excess of the agreed budget allocation for the year can be covered by a draw down from Wider Investment Fund balances carried forward. Any future decisions made by Regional Cabinet which would further increase expenditure during this year will need to be considered within the confines of the funding available.

Approved Projects (Revenue & Capital)

7. Table 3 below sets out the budgets for Approved Revenue and Capital Projects for 2019/20. These are projects which are in their delivery stage.

	2019/20 Budget £'000	2019/20 Q1 Actual £'000	2019/20 Outturn £'000	2019/20 Variance £'000
Graduate Pilot Scheme (Revenue)	143.6	42.9	143.6	0.0
CSC Foundry Site Funding (Capital)	1,381.6	0.0	0.0	(1,381.6)
Total	**1,525.2**	**42.9**	**143.6**	**(1,381.6)**

8. The 2019/20 Annual Business Plan included a budget of £143,600 to fund the remaining aspect of the Graduate Pilot Scheme, which was approved during 2018/19. Recruitments have been completed and officers are in post, marketing and publicity work to advertise the scheme to both employers and graduates has been undertaken and graduate appointments have been facilitated. This budget must retain the flexibility to be able to respond to the needs of the Graduate programme and any underspend to this allocation within 2019/20 will be available to be carried forward to complete the scheme. A further report on this is being considered by Regional Cabinet on 19th December 2019. For this reason, and until any potential underspends are realised, the full allocation is shown as being required.

9. The balance of £1.382M from the £38.5m budget approved In respect of the CSC Foundry Ltd project is now expected to be paid in 2020/21.

Status of Delivery Pipeline and Revenue & Capital Resources Available

10. In addition to the sums outlined above, the 2019/20 Annual Business Plan included uncommitted revenue and capital resources which provide Regional Cabinet with the ability to make new project funding approvals during the year, subject to their approval via the Investment and Intervention Framework (IIF) Process.

11. A narrative update in respect of the Project Delivery Pipeline is provided in Appendix 2a and the resources available to support any projects coming through the IIF process are set out below.

Revenue Resources Available

12. Proposals which have secured Regional Cabinet approval to proceed, subject to the preparation and approval of their business cases, are categorised as In-principle Projects. There are revenue resources amounting to £856,000 available in 2019/20 set aside to support In-principle Projects. This budget was set-out to meet the cost of developing business cases, as well as carrying out the required level of due diligence as proposals are developed and move through the IIF process.

13. It should be noted that Regional Cabinet does have further flexibilities to supplement in-year revenue resources via the HM Treasury Grant funding, should this need arise.

14. It is not currently anticipated that any revenue resources over and above those set-out above under the Top-Slice allocation will be required in Financial Year 2019/20. There are, however a number of projects which are at a stage in the pipeline which could lead to Regional Cabinet or those bodies with the delegated powers to do so to approve expenditure during 2019/20. Further updates will be brought to Regional Cabinet in this regard.

Capital Resources Available

15. Projects that have satisfactorily met all the requirements of the IIF process and which are subsequently approved by Regional Cabinet i.e. 'Approved Projects', will be allocated an 'Approved Project Budget', as set out in the project's accompanying 'Funding Letter'. Approved Project Budgets will be met from resources allocated over the medium term as most projects are likely to straddle a number of financial years. There is £26.1M of capital resources available in 2019/20 to fund projects during the year, whilst the sums available over the Medium Term amount to a further £120.0M.

16. There are currently no extant Regional Cabinet decisions which would lead to any drawdown of these capital resources in the Financial Year 2019/20. It should, however, be noted that, subject to compliance with the Investment and Intervention Framework, Regional Cabinet has the ability to make appropriate investment decisions. As stated above, there are a number of projects which are at a stage in the pipeline which could lead to Regional Cabinet or those bodies with the delegated powers to do so to approve expenditure during 2019/20. Any such decisions would be subject to the approval or noting of by Regional Cabinet as part of further reports.

17. Depending upon the nature, value and timing of any in-year project expenditure approvals, the components of the 'funding mix' may vary and subsequently impact upon the funding requirements of the Partner Authorities. The established stakeholder networks will be used to provide updates on this as and when necessary.

Pipeline - current status (12/19)

15 Sift Questionnaires at Stage 1a & b

- FTTP Project – 300k premises
- Public Services Testbed
- Centre for Neurology
- FTTP projects x 2
- Life Sciences park
- Aquaculture services
- Tidal energy project
- U220 Project
- Moving Forward project
- 5G Testbed
- AI & Data Science Centre
- CS Campus & CS Connected
- SME Competitiveness & Co-fund

28 known projects covering a range of areas across the investment priorities

- Metro Central
- Core Valley Lines fibre project
- Strength in Places - CS Connected

- Housing Catalyst Fund
- Metro Plus (+ EV renewables)
- CCR Graduate Placement Scheme
- LFFN DCMS scheme

CSC Foundry

Looking forwards to 2020 – realising the potential of the pipeline

- Funded projects in delivery
  - CSC Foundry £37.9M (£412M inc. £375M of private sector leverage)

- Pulling through projects from Strategic Outline Case approved by Cabinet to Legal Completion
  - Housing Catalyst Fund £15-30M *(£30-60M + private sector leverage)*
  - Metro Plus £15M *(£50M total project value)*
  - CCR Graduate Placement Scheme £175K *(£1.65M total project value)*

  - Metro Central £40M *(£200M total project value)*
  - Core Valley Lines – fibre project £3.5M *(£7M total project value)*
  - Strength in Place – CS Connected £3.5M *(£45M total project value)*

  £77.2-92.2M £333.65-363.65M total project value)

- Reviewing 10 Sift Questionnaires and pulling through to legal completion (*indicative combined range of project values – c.£550M to £600M*)
  - Aim: 30% of projects with the remaining projects being rejected

- Working with the project pipeline and bringing forward for formal consideration
  - Aim: 3 to 6 projects

HOUSE OF COMMONS

Welsh Affairs Committee

Oral evidence: City Deals and Growth Deals in Wales, HC 2095

Tuesday 2 July 2019

Ordered by the House of Commons to be published on 2 July 2019.

Watch the meeting

Members present: David T.C. Davies (Chair); Guto Bebb; Geraint Davies; Jonathan Edwards; Susan Elan Jones; Jack Lopresti.

Questions 32 - 63

Witnesses

I: Kellie Beirne, Director, Cardiff Capital Region City Deal, and Councillor Peter Fox, Vice Chair, Cardiff Capital Region Board

Examination of Witnesses

Witnesses: Kellie Beirne and Councillor Peter Fox.

Q32 **Chair:** A very good afternoon to Councillor Peter Fox and Kellie Beirne, who have come to talk to us today about the Cardiff capital region city deal. Thank you both very much for coming up.

Perhaps I could start off the evidence session. I have a feeling I know what the answer to this is going to be but I am going to put it to you anyway. What has been the total spend, actual and committed, on the south Wales metro and what are the different sources for its funding?

Councillor Fox: It is great to be here. Thanks for asking us to come up. You will probably recall that the city deal equates to a £1.229 billion deal, made up of £0.5 billion from the Welsh Government, £0.5 billion from the UK Government and the balance from 10 local authorities. £734 million has been pre-allocated to the metro project. The bulk of that is made up of the Welsh Government's £500 million and the balance from the UK Government, which also incorporates some European moneys. That leaves the £495 million for the likes of me, where we get involved.

That £734 million project will be administered by Transport for Wales, so there is an area we do not get so close to within the deal. It is managed by Transport for Wales, even though we do have a non-statutory transport authority made up from 10 cabinet members from councils who have some input into that.

Q33 **Chair:** I understand. We probably should put detailed questions on that point to Transport for Wales. Do you have any further idea of how much of that money has been spent so far or where the money has been spent?

Councillor Fox: I understand that we will see real, tangible trains on the tracks in 2022. On the Transport for Wales website recently there was an announcement—actually, only over the last few days—that £100 million has been committed to the first step of a depot at Taff's Well. That is where I think they are going to home all of the new trains, where a lot of the maintenance and the co-ordination of a lot of the projects will emanate from. I don't know any greater detail of what they have committed additionally to that. There have been certain works along the metro side but Kellie might have a deeper insight than me.

Kellie Beirne: Yes. There has been some early progress, so I know there has been renewal of some trains early on. As you will be aware, there is a commitment to 100% renewable energy as part of the metro rollout. I know some good progress has been made with that as well.

Of real significance is this £100 million investment in the command centre at Taff's Well, which is in Rhondda Cynon Taf. It is significant because it has potential to drive wider economic impact. I think that is

the real potential of the metro. Yes, it is a transport infrastructure project, it is about sustainability, it is about driving modal shift, but our specific interest, from the wider investment fund point of view, is how do we optimise and maximise the wider economic benefits so that we are not just moving people around but focusing on bringing people together. We are thinking about some of the links and the connections. For example, with a commitment to 100% renewable energy, how do we anchor that and grow a whole industry on the back of it in the region? I think that, beyond the technicalities, that is where our strong interest lies.

Q34 **Susan Elan Jones:** As the flagship project, are you confident that the south Wales metro will help bring about the positive impacts that the region has aimed for? As a north Walian I am interested in all your answers on all of this.

Councillor Fox: Yes. It was an absolute fundamental strand of the city deal that we negotiated. Connectivity was going to be fundamental to driving the economic change we needed to see across the region. Seeing four trains an hour—or whatever modal method of communication it will be—is going to be a massive change to the region. It is going to really drive opportunity, to try to readdress some of the balance that has shifted out of the region, where you are seeing all of the opportunities in the south and very little up in the valleys. Hopefully, that connectivity and the nodes of innovation and opportunity we can create around that connectivity in the valleys will really drive something.

We are absolutely hopeful that that will deliver what it is expected to deliver. Without that connectivity we will struggle to bring that real change that is needed in the region. You will remember that the Cardiff capital region is only about 60 miles across lengthwise. It is about 30 miles high but it has half of the Welsh population in it, and if we can help mobilise those young people and give them aspirations in all parts of the region we can certainly start redressing the balance.

That was some of the moral business case that many of us politicians had to try to address that imbalance there. I am absolutely hopeful it will do what it will do, but it is too early to say yet, because we are not seeing the actual physical stuff rolling out. We are seeing all of the ground work. If that question is asked again in 2022 we should be able to start seeing how it might really make an impact.

Q35 **Susan Elan Jones:** We know that the metro constitutes a significant proportion of the city deal's total spend. I think you have three-quarters answered this. I was going to ask about the rationale of putting so many eggs in one basket, but you have sort of said it in terms of connectivity and life chances so I will not ask for any further ones on that one, but if I could ask Councillor Fox: how will the metro ensure that areas—such as yours in Monmouthshire—benefit in addition to the hub area in Cardiff? Then if I could just ask Ms Beirne if she would like to make any other points in general.

Kellie Beirne: Yes, of course.

Councillor Fox: It is a good question. It is a question I get asked many times by our own residents: how will the metro benefit Monmouthshire? It is very difficult to say at this time because my mindset right from the beginning has been that the 10 constituent councils have to start thinking of themselves as one—one with 10 constituent parts.

If we can benefit any part of that region, the whole region benefits. If we are focused only on our own patch, we may as well have stayed at home and not got involved in that regional picture if we really want to create change. If we can drive opportunities and create high quality jobs in, say, Blaenau Gwent, and they are accessible to people in Monmouthshire, where we have an aging population, and we can keep our skilled young people in our county and let them live and grow and bring their families up there, that is better than seeing them go to Bristol, Swindon and Reading and never come back, so metro, lots of opportunities and creating jobs will be really great.

Physically communicate, connectivity-wise, I think we are unlikely in a county like Monmouthshire to see rail tracks driven all the way across it. We are more likely to see other shapes of modal shift, such as rapid bus transit and similar opportunities that can give a high-quality, reliable service not on tracks but with integrated ticketing and those sorts of things. In a county like Monmouthshire, we will be a long way behind seeing the physical benefits of metro compared with somewhere like RCT or Merthyr Tydfil.

Kellie Beirne: To give you some confidence around the wider activity attached to metro, the Welsh Government are leading some really good work at the moment on strategic hubs, so using metro stations to drive different kinds of regeneration, opening up areas that perhaps need a bit of love, care and attention, and thinking about the kind of investment that we can bring in. We are aligning different sources of investment. We are not just relying on a single source.

There is some stuff on strategic hubs and makerspaces, which is a concept that we have spoken about previously, thinking about the metro as a real driver of data. Generating data of patterns of behaviour can really drive different kinds of behavioural change, to understand what it takes to get cars off the road, to get people thinking about active travel and sustainability. That data in itself, both in terms of data analysis and data science could be a real economic driver for the Cardiff capital region, and we are doing some work with our university colleagues on that at the moment.

In terms of the wider impact of metro, one of the significant things that the regional cabinet has signed off recently is a scheme called Metro Plus. What we are trying to do is to ensure that every single place in the Cardiff capital region—those 10 local authority areas—has a modal shift transport scheme, whether it is park and ride or a new bus depot, to

drive different kinds of behaviour and to think about electric vehicle charging infrastructure, on-site renewables, digital connectivity, car sharing, taxi sharing and home-to-school transport. It has given us a real impetus to think about the big challenges that we have to respond to. In solving some of those challenges, we can drive new kinds of economic ambition.

Chair: Do you have a supplementary, Jonathan?

Q36 **Jonathan Edwards:** Councillor Fox partly answered the question. I was going to say that it takes about two hours on public transport to travel between Merthyr and Abergavenny, so can we expect improvements or is it just going to be about driving people into Cardiff?

Councillor Fox: I would sincerely hope that we will see a system that joins at the top as well, so we will see it coming across the heads of the valleys down to Monmouthshire.

I met Professor Stuart Cole, who came to look at what a later phase of metro could look like. It could create a high-quality rapid bus transit that could run across the top and join us all up, pick up Monmouthshire and circulate the region. Absolutely, it cannot be just taking people up and down the valleys; there needs to be connectivity across the top. At what stage we will see that develop? The key areas at the moment are going to be to do those lines up through the valleys.

Q37 **Guto Bebb:** Just a quick supplementary and it follows on from the hearing we had in north Wales, a week and a half to two weeks ago, where obviously the main arguments were presented by the north Wales growth bid. We asked them why they thought they would be very successful. The answer was that they came together before any opportunity to access funding was in place. To what extent is the metro—which is obviously the flagship project within the capital city region growth deal—actually gluing the 10 counties together in terms of your reasons for being involved?

Councillor Fox: It is a good point because I would say that the metro, while it is going to be fundamental for the wider region—I believe it was one of the key things laid down—as I said earlier, Transport for Wales will be dealing with that. What we are left with is: how do we utilise the £495 million left? How do we create or lever in the £4 billion additional inward investment and create the lion's share of the 25,000 jobs? That is the challenge that the 10 leaders are mainly engaged with.

Apart from that we have cabinet members who may be in the transport authority who are working with Transport for Wales. The focus of the 10 leaders, which has gelled us together and driven us, is our work around the £495 million and how we can unlock innovative opportunities, things like the advancement of compound semiconductors and those sorts of things. I think that is what gels us more.

Obviously, it is intrinsically linked to the metro because all of this stuff has to fit together. It cannot be something happening over there and something happening over here. That is what has brought us together and bound us together. The speed it emerged—the city deal emerged quite quickly—has been a catalyst to pull 10 authorities together. There is a great trust base built across the 10 authorities. We have had changes of political leaders as well over the last few years but we have kept solid to those principles of trying to drive up the benefit for the area. The GVA in our region is the second lowest in the UK alongside South Yorkshire. Is it South Yorkshire?

Kellie Beirne: Yes, it is.

Councillor Fox: It is really low and we can see the massive imperative—it does not matter what political party you are in—of actually doing something here. The tools we have now and the creation of a joint cabinet have gelled us together in a strong partnership. That enables us to do things outside of the city deal now, to take forward more of a regional agenda on other things as well.

Chair: Anymore supplementaries? If not we will move on.

Q38 **Jack Lopresti:** In March Ken Skates claimed that a no-deal Brexit could impact on the south Wales metro if the transfer of track to the Welsh Government wasn't sped up. Is this a legitimate concern or is it the usual nonsense?

Councillor Fox: It has not been put to me that Ken Skates said that. I have not been part of any conversation where he shared that and I am not quite sure what is driving that perspective. I can only make a stab. As I talked about earlier, originally the package around the metro was predicated on having about £106 million of European money. I suppose if there was a no deal and there was no substitute for those moneys, could a deficit in the global package threaten the delivery of metro? I don't know if that is where he is coming from or not.

As 10 leaders, we have not considered the effect of a no-deal Brexit on the outcomes of metro or, indeed, any of our projects. We are marching ahead believing very strongly that, whatever happens, this country is strong enough to come through it. We are focusing hard on driving up the opportunities we have in our area but, like I say, I have not been part of a conversation with Ken where he has explained that to us.

Q39 **Jack Lopresti:** Rail projects in particular do tend to run over time and over budget. Are you convinced or comfortable that the metro will be completed on time?

Councillor Fox: It is very difficult—and Kellie will have a perspective as well—as with any of these projects there is so much ground work and so many people think, "Oh, this is never going to happen", but there are pieces to put in place and I suppose the announcement that some

tangible stuff will be going on the ground and the £100 million commitment to that new depot.

As we see these tangible things roll out, it will give me and fellow leaders the confidence that those things are happening, because sometimes, as 10 leaders, we do get a bit frustrated at not being close enough to understand what is happening with Transport for Wales and the progress it is planning to make. Indeed, you try to hunt down the timeline of stuff and it is not very clear, but I am an optimist and I am confident that things will move forward at a pace.

Kellie Beirne: I think it is a really good point. We have been working very closely with Transport for Wales and that has developed very quickly, in a short space of time, a good engagement strategy and strong communication. We have seen the £100 million commitment to the command centre in Taff's Well. The stuff around renewable energy is great. It is inspiring loads of confidence.

From what we see, I think we have high degrees of confidence. An area that has been much more uncertain is that with our £500 million wider investment fund we are subject to a gateway review. I think what we are saying is: how does the metro aspect of the project also get evaluated and assessed? I believe that is under discussion at the moment.

It is important that the whole of the package is considered as one and that evaluation is right across the piece. I think that will start to give confidence that things are running to time.

Q40 **Jack Lopresti:** Do you have confidence?

Kellie Beirne: Based on what I have seen, yes, I do.

Jack Lopresti: That is good. Thank you.

Q41 **Jonathan Edwards:** Another major project is the IQE semiconductor cluster. The cabinet allocated around £38.5 million to start it off. It is highly ambitious, isn't it?

Kellie Beirne: It is, yes.

Q42 **Jonathan Edwards:** To bring it about they need £400 million of public investment and to create 2,000 high-tech jobs, which is exactly what we want to see from these city deals. Can you give us a brief outline of progress so far, especially in drawing down the private money? Also, what do you hope that the cluster will achieve?

Kellie Beirne: This is a project that I was very closely involved with, as was Councillor Fox as the portfolio holder for innovation. The reason that this project was brought forward is that it has the potential to be a game changer. We are not talking about semiconductors here; we are talking about next generation advanced compound semiconductors. The chips that you have in all of your smart phones, in all of your devices, the chips that are central to the operation of 5G telecommunications, energy

portals, everything you see in the environment around you, are powered by next generation power electronics.

The chip that IQE makes is totally unique. It is world leading. The regional cabinet was so attracted to this project because we could have the only place in the world that could boast the first compound semiconductor cluster, which is the significance of this investment.

The proposition was that for nearly £39 million we would invest in purchasing the old LG building in Newport, which was provided originally for semiconductors. We would buy the building from the Welsh Government. That building has been kitted out with clean rooms, into which IQE are spending—and they are about halfway through—nearly £411 million in kitting that building out with reactors, which are about £3 million apiece. Those reactors are the things that generate the end product, which we can clearly sell and commercialise to wider markets.

It is a fantastic project. The foundry in itself, which is the building that the Cardiff capital region has invested in, will create about 550 jobs. We are up to 60-something already in the very initial period, and we are in the process of capturing all of the other jobs indirectly formed in the supply chain. I think the significance of the project is that the foundry is a manufacturing building where this activity goes on.

We have other companies in the region that form part of this cluster, so IQE are in the foundry in Newport. They are also in St Mellons. They have a compound semiconductor centre of excellence with Cardiff University. They have a compound semiconductor institute as well with Cardiff University. There is SPTS, a semiconductor company in Newport. There is Microsemi, which is based in Caldicot. We also have the Compound Semiconductor Applications Catapult, also based in our foundry, which the UK Government were the major investor in with £50 million.

All of a sudden you can start to see that there are key anchor companies here that have real potential to grow the cluster on a globally significant scale. What we are working through at the moment is how we can create the conditions to develop that cluster.

One of the things that we have done, which we have been working on, is a bid to the industrial strategy challenge fund. We are seeking a package of £44 million under the strength in places fund to create the conditions to properly grow that cluster, to give it an international profile, to make sure it can do FDI and inward investment, because every day we are picking up the phone to people who want to be part of this cluster, whether it is graphene or different chemical compositions. The new one is a silicon product that they can do on compound semiconductors. I know that sounds boring but believe me it is really interesting because it has lots of capabilities.

We are trying to drive skills in this area to make sure that we are growing the technicians, the engineers, the apprentices and the trainees, because

it is quite difficult to recruit to the skill level that we need at the moment. It is about: how can we grow the whole package that will bring this cluster to life?

Q43 **Jonathan Edwards:** The other question I was going to ask on top—you have just answered in your last bit about the skills and education pathways—is: are educational institutions identifying this as a clear pathway? Is it joined up?

Kellie Beirne: Yes. It is starting to be, I think, because it is quite a new area. The ambition of the cluster is to grow the 550 jobs in the foundry. The independent economic impact assessment said that we could grow up to 7,000 jobs in this industry if we get it right. It is really important that those pathways are co-ordinated. It is harder than it sounds. The universities have developed a master's degree in compound semiconductors and there is some talk about PhDs.

What we are trying to do at the moment is get, at the other end of the scale, the apprenticeships in place, because the contention that the regional cabinet has—a very strong one—is that this has to be about inclusive growth. It cannot just be for the best engineers or the brightest graduates. It has to be about some of the young people that have innate technological skills but may not have the academic grounding or training. The difficult bit, but the thing that is really important, is to make sure that we are doing it at all levels and that we are creating opportunities right across the piece.

Councillor Fox: IQE is very conscious of the need to engage with local people as well and with the schools. I think it will be doing a lot of in-house training, because there are some skills that are required within that business that we do not have provision for. It has to be in-house grown. Talking to the chief executive, it is very keen to grow some of that talent locally and within the organisation itself.

However, I know from talking to the chief executive only a few days ago that, with the terrible situation in Bridgend, for instance, there are going to be a lot of high-skilled engineers there who could probably adapt to many of the roles that are growing in some of that modern technology and other areas. I know he is already looking at how he can talk to some of those people to see if there are opportunities.

The skills gap is one of the biggest worries for all of us in the region, especially seeing how far this cluster could grow and the requirement to service all of that growth. How can we make sure that local people or Welsh people manage to satisfy those jobs? We may not be able to do all that straight away. It could be a lot of people coming in from all over the place, but eventually I would be hopeful that a lot more of our local people could have what they are talking about as being £45,000 jobs on average. If we can anchor those high-quality jobs in the south of Wales, we could anchor a lot of young people we would otherwise lose. That is what we have to aspire to.

Q44 **Guto Bebb:** Just quickly, I was very pleased to hear that you are currently bidding in for the industrial strategy challenge fund, with a £44 million bid. I take it that that bid has gone in but it is not yet decided? That is not my question, by the way.

Kellie Beirne: We got through the first stage. We have been awarded some seed core funding and we have to develop a full business plan for 15 September.

Q45 **Guto Bebb:** That is great. The question I was going to ask is you have been successful in extracting money, £6 million from DCMS in terms of digital connectivity and so forth.

Kellie Beirne: Yes.

Q46 **Guto Bebb:** To what extent are you looking for these opportunities to bid into Welsh Government or, indeed, UK Government funding streams, and how important is that for the partnership?

Kellie Beirne: Absolutely. I always say that our city deal is not £1.3 billion but £5.3 billion. It is just that £1.3 billion is coming from public contributions. We have to go out there and we have to be much more active in levering in not just other public sector investment but private investment. In the example of the compound semiconductor, for every pound we invested we got £8 or £9 back in terms of private leverage.

One of the things that we have done recently is to establish a proper investment framework for our investment fund. That investment framework is divided into three funds: an innovation investment fund, an infrastructure fund and a challenge fund because we have to find better answers to some of the questions that we have at the moment.

Every single one of those funds comes with an expectation that there will be returns on investment and that we will co-invest, leverage maximum investment and, where possible, create an evergreen environment, where we don't give grants but always look for returns that we can keep reinvesting, because this isn't just delivering a city deal. It is delivering sustainability and resilience for our economy. We have to be able to withstand future shocks. We can only do that if we can control our own destiny.

Q47 **Guto Bebb:** I would not disagree with any of that. In terms of the fact that you are happily looking at other Government funding streams, in addition to private sector investment as well obviously, how easy do you find the whole process of bidding for public sector funding? Is it frustrating occasionally?

Kellie Beirne: Yes. What we really welcome—and the Welsh Government have adopted this approach with the economic action plan and the industrial strategy—is a challenge fund, which is great. It is more about the problems that we can solve rather than just applying for money to do more of the same.

Under the industrial strategy and the four grand challenge areas, what we are trying to do is not go for everything, to try to be really focused on our sectoral strands but be sympathetic to the needs of our place. That does not mean chasing everything that comes out. It means being quite considered and picking fewer priorities but going at them in a more strategic way.

Councillor Fox: One of the challenges that we have had in south-east Wales is to embody the understanding that the city deal is not a grant fund; it is an evergreen fund. There are not going to be any further city deals, so we need to keep that £495 million circulating and growing. I want to still see it there in a while because it is generating and it is drawing in that 8:1 ratio or whatever we accept in time. I think we have that mindset there.

When we were talking to the UK and Welsh Governments when we were setting this up, there was also an importance that we were to corral all of the various resources and get them focused in the same direction. Too often we see pots of funding trying to do the same thing, and we need to corral all these together as a greater good. Kellie is absolutely brilliant in pursuing these funds when they are there and hopefully we will continue to be successful.

Kellie Beirne: I would just add that one of the issues that we have had is around influence. Just thinking about the UK Research and Innovation Board, for example, we have not had a Welsh representative. We have struggled as well in terms of Welsh representation on the eight funding councils that sit underneath UK Research and Innovation, including Innovate UK.

We have raised this at a very high level because we believe that we should be around the table. We should be influencing. We should have a voice. We should have a perspective. It was gratifying to see that when UK R&I were recruiting two additional board members, it was trying in particular to target the regions and so was Innovate UK. We are working very hard at the moment to make sure that we can put some Welsh names into the hat, just so we have that representation, just so Wales is visible and we are able to articulate what we are about. That is quite important to that whole question around funding and seeking new investment. You have to be at the table in order to be able to attract it.

Councillor Fox: To add to that, we can contrast how well Scotland have done in managing to lever research and development moneys in; far better than we have in Wales, so—exactly as Kellie says—we have to get closer to that agenda and we have to start levering our fair share into Wales, or we are getting short changed.

Q48 **Chair:** The gateway assessments are due to take place every five years, to evaluate the impact of the investment fund and ensure value for money. Are you confident, Councillor Fox, that they will deliver on that and that they will be adequate to ensure that value for money is taking

place?

Councillor Fox: We are a couple of years off—is it a couple of years now?—from our first gateway review. I personally know the leaders have been interviewed about where we have been along our journey to date. I believe there is confidence in what we are doing. I have to take confidence that the gateway system, which has been agreed by Government, is going to be robust enough. I want it to be robust enough because I want confidence that we are doing the right thing.

Kellie might have a different perspective as she is a lot closer to how the gateway process will work, but I have to be assured that it is a robust enough programme and it needs to be. The interface I have had personally with it is via an interview. It is quite light really.

Kellie Beirne: The gateway review is scheduled to take place in March 2021 but the process has changed. Rather than having one watershed moment, the gateway review is now a continuous process. Between now and March 2021, three reports will be produced by SQW, the national consortium lead, which will inform the gateway review.

We have had our first report and I am pleased to report that I think it was a very good and very fair and accurate report. It illustrated real strengths in terms of our industrial growth plan, our sectoral analysis and our investment framework. There were some real positives around delivery of the compound semiconductor project being on target and ahead on things like job creation.

It highlighted some major strengths around industrial leadership, which is one of the things that we have really worked on. It did highlight that we need to do better in terms of broader business engagement, which is a priority for us now.

The one frustration that I have with the gateway review process—and I have tried to express this on previous occasions—is that the gateway review process assesses how we spend money, how money goes out of the door. Our investment fund is different. It is about money back in, and that does not form part of the criteria for assessment at the moment. As this is very much about mindset and culture and thinking about how we build resilience and sustainability in our economy, it would be good if that could be recognised as part of the gateway process. Not just how money has gone out and gone into projects. We are talking about investment here, which I think is a very different proposition.

Chair: Can I just pause for a moment? I know that you have very kindly said you could probably do an hour—between 45 minutes and an hour—and time is pressing. We are only about half way through the questions, so we might try to speed that up. Also, we are joined by Geraint Davies, a distinguished member of this Committee. With the consent of the other members, what I may do is suggest that you move to question 7 and then continue around the room with everyone being one question back, if

everyone is happy with that. It should make sense, hopefully, but I will gesticulate if it doesn't. Would you like to come in on question 7, Geraint?

Q49 **Geraint Davies:** There is a specific question I am going to ask but I want to add something in. The question that we want to ask as a Committee is: you aim to achieve a 5% gross value added uplift and create 25,000 new jobs with £4 billion of additional investment by 2036. Are you confident that you are going to reach these targets?

Councillor Fox: They are huge targets. When we originally brought the proposition up here and played it out to Ministers, we were suggesting at that point that we would still lift GVA by 5% but we were looking to lever in £3 billion of inward investment and create 17,000 jobs. On consideration of that evidence, the deal that was put back to us was that we create 25,000 jobs and lever in £4 billion, so that is what we have committed to do.

We do not know how all of that will manifest over the 20 years because some of the industries that are going to create those jobs have not even been created yet—you know, the technology. It is going to be technology based. A lot of them will be but many of those things are going to evolve quite rapidly.

One of the most important things was the anchoring of the compound semiconductor foundry and our relationship with IQE, because without that anchor and the creation of the cluster, which is going to grow around there, I think we would have been struggling to get towards 25,000 jobs. Of course, the expectation in the deal that we struck was to build strong relationships around compound semiconductors. It was identified early on that this was a growth area. Indeed, the Chancellor came to Cardiff after we had secured the deal and said that he wanted to put £50 million into the Compound Semiconductor Applications Catapult, which is now located in our foundry.

All of the ingredients that we were looking to pull together are coming together. We have the absolute foundations that will satisfy that growth, but I cannot—hand on heart—guarantee that 25,000 jobs will definitely be in place in 10 years or 15 years or 20 years. It may be a lot more than that because the thing is things move on so fast, don't they? The deal is a picture in time and it has some expectation around it, but how do we know how levering in other moneys through other opportunities that are going to flow could create even bigger opportunities and 25,000 jobs? I have to be confident. If I will see it out or not, I don't know, but I think we are on course to do what was expected of us.

Geraint Davies: When you spoke to the Assembly's Economy, Infrastructure and Skills Committee, you talked about alternative measures apart from the bottom line, which is about the quality and location of jobs. I guess the other thing is that there are certain things changing outside your control, not least Brexit and the prospect of a no deal and all this stuff, as well as the relative connectivity of Cardiff—

obviously I am speaking down the line again, in terms of electrification versus HS2—and the rebalancing of the UK's structural fund to the so-called prosperity fund, which again is bad news for south Wales. I am not trying to give you excuses here, but it seems to me that from the time of the original forecast there has been a change in the weather that may not bring out a lot of sun in your direction.

Councillor Fox: That is a fair challenge and assumption. There are some changes, and I concede there will always be changes as different things come along. We as 10 leaders have not sat down and had alarm bells ringing, saying, "Look, you are not going to be able to deliver on this stuff". Actually, as I shared just now, we are in a positive place, with all of those foundational bits coming together.

We need to see the metro element delivered. It worries me, the statement of Ken Skates saying, "Well, this is a threat perhaps if we have a no-deal Brexit". I hope that isn't the case because all of these pieces are intrinsic to that bigger picture. There will be challenges and burdens that we have to come over and we have to adapt to in our thinking and our review of our strategies as we move along. I think that is absolutely expected.

With all of this deal I have been driven by hope and lots of evidence around to say we are doing the right thing, but we keep optimistic that we are going to deliver on this. We have to because the economy of south-east Wales is in a poor shape and if we—

Q50 **Geraint Davies:** Do you feel that the overall deal is a coherent set of proposals that may be slightly bigger or smaller according to the conditions outside, or is it a mosaic of different ideas, like Swansea?

Councillor Fox: We are nothing like Swansea. Funnily enough, I read again—obviously, while preparing for today—our original document signed by Greg Clark and many others at the time, along with the Welsh Government and 10 leaders. I read through that to see if we were achieving every bit we laid down in that, the governance structures and all those elements, and word for word pretty well we have completed each bit of that, so I am really confident we are heading absolutely in the right direction.

Our anchor piece, alongside the metro, the compound semiconductor—which I outlined all through that—is taking shape exactly in line with what we were hoping it would be. While there are going to be things that are happening outside that will alter it, I am confident that we are heading in the right direction. What we have to do is embrace the opportunities of change and see if we can enhance the deal but, as it stands now, I am confident that we are heading in the right direction to deliver, but the gateway review will be the real challenge to us of where we have got to.

Q51 **Geraint Davies:** Do you have a comment, Kellie, on whether we get anywhere close to the 25,000 £4 billion mark, or will it be closer to the

17,000 £3 billion?

Kellie Beirne: I hope we exceed all of those figures. If you take the example of the compound semiconductor 9:1 intervention rate, we get all of our money back. We get a full return on investment plus compound interest, £230 million per year GVA payroll contribution. That is where we have set the bar.

Going back to your point about whether this a mosaic of projects, under our wider investment fund we only have three priorities: an innovation investment fund, an infrastructure investment fund and a challenge driven fund. That should give us coherence.

The point that I made previously about the targets that we have been set by the UK Government, around GVA, jobs and growth, is we could hit every single one of those targets but we could fundamentally miss the point. We still have to do the right thing and tackle the right issues in our region. We can have 25,000 jobs in call centres. We would hit the target but it wouldn't be the right thing, not just for our economy but for our communities. We have to have our own set of measures based on what really matters too.

Chair: I am going to appeal to everyone that we probably need to be quite concise now or we will be keeping you from your important work for longer than you expect.

Q52 **Susan Elan Jones:** I am going to be very concise. I just want to refer to a press statement on your website last month that labelled the proposed Ford closure in Bridgend as a "challenge for us all". Can I ask you, first, could the city deal do anything to prevent the closure and, secondly, if the closure does go ahead, what could you do to mitigate the effects?

Kellie Beirne: The press release did go out a couple of weeks ago. I think with changes in the automotive industry, advanced manufacturing, it is very difficult to see how that choice by that company could have been prevented or, indeed, mitigated and I was at the first meeting of the Ford taskforce yesterday.

What I think the city deal can do—to go back to my earlier point—is build resilience. We have to be able to withstand these future shocks. We have to develop the foresight so that we can see what is coming, what are the vulnerable industries and what the new industries of the future are.

To give you a very quick example, in our economy in the south-east Wales region in the last few weeks, some of the colleagues—some are part of the semiconductor cluster, while others work much more widely—won several contracts around EV and LEV transmissions and infrastructure. So if we are able to drive that link to Aston Martin and TVR—we also have an announcement on the advanced propulsion centre, which our catapult is project managing—we could do the whole value chain from R&D to production in our region. That is an economy of the future and that is exactly the kind of thing we need to get behind to

make sure that we are resilient in the face of those shocks that will inevitably come.

Q53 **Jack Lopresti:** What was your reaction to the decision taken recently not to proceed with the M4 relief road and—I will just come in now rather than wait for your answer—will there be a negative effect on the region because of the cancellation?

Councillor Fox: I was very, very disappointed, certainly from my own council's perspective, but I think all 10 leaders across the region were equally concerned. I raised it directly with the First Minister, face to face in a meeting of WLGA Council recently. I think it was absolutely the wrong decision to make. It will hold back our economy significantly in the long term.

We have great news in the bridge tolls being released, but we are going to see probably by 2030—I think it is 2037 or something—they say 36% more traffic on the M4. It is all coming through the tunnels, and I think when he visited the tunnels David Cameron said they were like a foot on the windpipe on the Welsh economy. That is exactly what it is like. It really describes it well.

While we are in the region, we are all recognising a need for longer-term sustainable transport for all those things. We are not at the point where that can replace what roads can at the moment. We need to see further infrastructure to be able to unlock the opportunities in south-east Wales and yet we have seen that in place now.

The First Minister shared with me that it was due to costs as well as some environmental issues, because the cost was projected to head towards £1.6 billion. I put it to him, and I have made that point several times, that if it was a cost issue there could have been a toll put on that road for a period to alleviate some of that pressure. I never had a response to that challenge.

Now we have to move on and work closely with the commission that is being put into place to try to find some solutions. Many of us are really worried, especially within the business community, that that commission will take years to come forward with options that will not satisfy the big issues we are facing now. I believe that decision will have a profound effect on unlocking the opportunities in our region. We now have to work with that decision and find other ways to somehow compensate for that. It was absolutely a disappointing decision. I certainly think the majority of politicians in the south of Wales would agree with that.

Q54 **Jack Lopresti:** Do you have a view on that?

Kellie Beirne: I think the view was really set out in the press release. The important thing is the challenge back: okay, so if it is not an M4 relief road, what is it? We are talking about renewable energy and behaviour change. We have an industrial strategy that focuses on the future of mobility. It focuses on clean growth. The challenge that we have put back

appropriately is: well, what is it then? We are happy to inform and contribute to that.

Q55 **Jack Lopresti:** Is there a realistic timescale maybe to get the decision reversed? Is there a mechanism?

Kellie Beirne: I am not sure at this time.

Councillor Fox: Elections are good times to change things, so—

Jack Lopresti: We might have one soon. That would be great. Okay.

Councillor Fox: We could say anything when they were talking about a Welsh Assembly in 2022 but that could change. Let's hope that there is some deeper thinking. We saw an admission last week that the Welsh Government did not know what they were doing on the economy for the last 20 years. That was a really interesting statement to be made. I think some of us are feeling that that decision played into that.

Susan Elan Jones: They made subsequent amendments.

Chair: Now this is getting lively. We don't want to get too lively.

Q56 **Jonathan Edwards:** How important is Cardiff International Airport as an asset in the region, and do you support the recommendation of this Committee that APD is devolved to the Welsh Government?

Councillor Fox: To have an international airport within the region has to be a massive selling point. How do we utilise that in the best way to drive up the opportunities for Wales? How do we get greater use of the airport? How do people start seeing it as a real benefit to fly in and out of Cardiff as opposed to going to Bristol, or up to Heathrow? We need to do that. The Welsh Government has it in their hands. I agree with your recommendation. Anything that can create more use of that airport and use it as a key selling point to Wales and the region, because if it benefits the region it will benefit all of Wales, I absolutely go with it.

Q57 **Chair:** There does seem to be a widespread cross-party view and, surprisingly, the Welsh Assembly, lots of Members of Parliament all say that we should devolve it. I am usually totally opposed to devolving powers to the Assembly but I can see very strong arguments on this occasion for doing it. Are you saying that you would tend to go with the consensus view on this?

Councillor Fox: I certainly would, if it can create more use of that airport—and that is what it needs. If you go to Bristol it is buzzing. You go to Cardiff it is not very busy.

Chair: No. Thanks for that. I think we all agree.

Q58 **Guto Bebb:** The city deal has received significant funding from the UK Government and the Welsh Government. Is it your view that the funding provided by the UK Government is sufficient in relation to the ambitions that you have for the region?

Kellie Beirne: No. Our ambition is much bigger.

Guto Bebb: I was almost bowling that one underarm at you.

Kellie Beirne: I think that is great. That is the challenge and it is also the opportunity. We have a £4 billion private leverage target and I hope that we will smash that.

Going back to my point about trying to build a more self-sufficient, self-reliant future, this city deal is just a platform to enable that. It isn't a programme. It is about building the future of a region and I think that is very much how regional cabinets see the opportunity.

Q59 **Guto Bebb:** Obviously the funding is one aspect of the support that you are getting from both Governments but, in terms of the practical supports that can be offered, is there any more that can be offered specifically by the UK Government? Obviously, we are in a position to influence the UK Government in a manner that is not quite the same in relation to the Welsh Government. What would you like the UK Government to be offering in addition to the financial support that has already been made available?

Kellie Beirne: A co-investment proposition on areas of shared interest would be very interesting. It is something we have been talking to Innovate UK and others about. If we have a sector of strength that aligns with one of the four grand challenges and there is an investment call, can we co-invest? Can we put our money together to have a much bigger impact in solving some of the problems that are of shared interest? This whole proposition around co-investment, being partners to the pot or enabling other means of delivery, is the key.

Secondly, I would say just sharing best practice because one of the areas that we are keen to develop is, beyond investment, what are the fiscal tools and incentives that we could put in place? For example, how creative can we be with our business rates? Can we look at pooling or redistribution? Can we do tax increment financing? If we are going to create additional benefits, can they be recycled into doing more and scaling more of the same? Can we look at enhancing R&D tax credits? What are the different levers that we could pull on to generate wealth in our region and to do so much more?

Things like R&D tax credits are undersubscribed at the moment. What do we need to do to get the message out there and to enhance them? Can we think about the pattern box in a different way? Things like tax increment financing happen in other places. What do we need to do to make them happen in Wales, across both the Welsh and UK Governments?

There are some very specific things but, in general, we need to do a lot better at sharing practice. We get together with the other cohort to city regions periodically to think about our gateway review and our evaluation processes, but that could be widened and expanded to talk about sharing

practice and sharing schemes, replicating the stuff that works. There is a saying that good practice isn't a good traveller, but how can we make some of this stuff around scaling and replicability much easier?

Q60 **Geraint Davies:** That was a very interesting answer. I wonder whether you feel we are getting our fair share in Cardiff and, indeed, in Swansea versus Manchester, for example or elsewhere, given that we are going to see HS2 reduce the time from London to Manchester from two hours 10 to one hour 10, and the issues with speed of the rail. You have mentioned the issue about congestion and the fact that Wales has 70% GVA, low pay and all of that, so we need the money. Do you think there is a strong case that we should get more than we have relative to what other people have?

Councillor Fox: It is a challenge. At the time, our deal was the biggest deal that had been struck in the UK, but that disguises recognition that the £734 million is already spent. For the agenda, many leaders are focusing on that other £495 million. I would have loved to have seen £1 billion around that agenda, because £495 million is a very small amount of money to do what we are charged to do with it, but I don't know if Kellie has a better perspective.

Kellie Beirne: The money is there. There is £6.5 billion set aside for delivery of the industrial strategy. That is the combined annual budget of UK Research and Innovation. The difference for us in Wales is we have to compete to secure that investment, and I think the question is: do we have the resilience and confidence to go into that space and compete to secure resources rather than just have them allocated to us? That is the big challenge for us. We are engrossed in it.

Of course, we would like more resources and I think we have the scale of ambition to match that but I think the industrial strategy, the challenge fund and shared prosperity is where we have to try to focus our efforts for the future.

Q61 **Chair:** The regional cabinet is the decision-making body for the city deal. Who scrutinises the regional cabinet? Also, given that it is made up of mainly Labour members, although it is cross-party, are there any issues with you working together across party lines on that?

Councillor Fox: I have to say the relationship we have within the 10 leaders has been great, even when we have had changes. I am the only Conservative leader at the moment. There were two. We have Independents and Labour and we all get on extremely well because we are united on that bigger goal. I don't think we have ever had to get to a point where there has been a vote and a majority has had to carry it. It has always been unanimous on every front and we find a way to get to that point.

Scrutiny is evolving, so there is a scrutiny committee now that is made up of other members from all of the 10 authorities. They are robust in

their challenge and we have been scrutinised—well, you have been scrutinised a lot more than I have—and they have a strong work plan and they are carrying out that function robustly.

Q62 **Geraint Davies:** The Auditor General for Wales has released a report on your first investment decision. Some aspects of it were quite critical. How have you responded to the report and changed your processes?

Councillor Fox: I accept the auditor's finding, and what drove that, I suppose, was that not every element of our governance structure was in place when we made that first investment opportunity. That is not to say it was made recklessly. It was done with all of the due diligence and everything we needed, but some of the elements of governance were not established.

If I come back to where we started, the fundamental anchor for our region being compound semiconductors, the investment opportunity was presented there at that time. The 10 leaders felt that it was so important that we did all we could to anchor that, because it was so fundamental to the rest of the deal. We were content with all of the due diligence that was done. We were content to make that decision.

However, we acknowledge that some areas of our governance structure and processes were not totally in place. They are now, as Kellie talked about. We do have the investment intervention framework for how we will assess all investment opportunities as they come forward. It was a hands up at that time, but it was a decision that I and the other nine leaders do not regret. We absolutely stand by and it has proven to have been the right decision, but we acknowledge where our shortcomings were and where they are right now.

Chair: We have pretty well run out of time, to be honest with you. We can ask that last question quickly if you want.

Q63 **Susan Elan Jones:** I will be very quick on it. Can I ask two parts very quickly? What did representatives of Cardiff city region learn on their recent visit to the business conference in Cannes? Can I also ask—I am very interested, Ms Beirne, on what you said about sharing practice, sharing schemes and things—have you drawn any lessons from any of the city or growth deals in England? I am happy for you both to chip in on both parts.

Councillor Fox: I will do the first bit. Yes, there was a bit of media coverage because a few of the leaders and chief execs and officers wanted to go to MIPIM. I am sure you will know it is an event that attracts probably upwards of 30,000 key investors across the world. If we are serious about selling our region and sharing what we have to offer, it is absolutely appropriate that we have a presence there. We learned a lot. Cardiff is a regular attendee and we went as a region, attached to Cardiff, to learn.

We have since evaluated that and we have learned that it is a place that regions need to be. It is not a place where a city on its own, unless it is a very big city, wants to be. It should be a country or a regional presence there. What was conspicuous by its absence is that there was no Welsh Government representation there. That was missed by a lot of delegates.

We have agreed as a region that we want to participate in that event for the next three years. It is important that if you go there, you do it well. I have been challenged because it cost about £1,800 for each member to go there. I think that was absolutely money well spent. If the region doesn't look to sell its wares on the global stage, it is never going to succeed. We need to make Wales internationally recognisable and investable. That has not been done well over many years. Hopefully, we are going to break that mould.

Chair: Thank you very much. That is excellent. Thank you both for coming in. I am sorry we overran slightly, but it is a very interesting issue and I wish you a safe journey back.

Future Generations Assessment

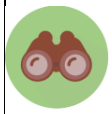
Name of the Officer completing the evaluation: **Kellie Beirne** **Phone no: 07826 919286** **E-mail: kellie.beirne@cardiff.gov.uk**	**Please give a brief description of the aims of the proposal** Setting out substantive performance and progress against the approved annual business plan for 2018/19.
Proposal: Quarter 2 Performance	**Date Future Generations Evaluation form completed: 17 Dec 2018**

1. **Does your proposal deliver any of the well-being goals below?** Please explain the impact (positive and negative) you expect, together with suggestions of how to mitigate negative impacts or better contribute to the goal.

Well Being Goal	**Does the proposal contribute to this goal? Describe the positive and negative impacts.**	**What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?**
A prosperous Wales Efficient use of resources, skilled, educated people, generates wealth, provides jobs	Assessing progress with City Deal and the targets set around GVA, jobs and leverage – is our key means of securing greater prosperity. Reporting progress in this way contributes to a growing sense of self awareness.	Proposals to improve progress against each of the projects currently in progress – are set out in the report. This report does not seek to simply report progress – but to address the actions needed to drive it.
A resilient Wales Maintain and enhance biodiversity and ecosystems that support resilience and can adapt to change (e.g. climate change)	References to submissions around the 'Energy Revolution' challenge fund are described in the report. Also recent submissions around EV and Stations of the Future	This activity will be driven up in future. In addition as physical infrastructure schemes enter delivery – more comprehensive assessments will need to be carried out in full.

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
A healthier Wales People's physical and mental wellbeing is maximized and health impacts are understood	A number of the interventions in train – Skills, Housing and Transport improvements seek to make a contribution to the way the region 'works', how it promotes opportunity and unlocks potential	
A Wales of cohesive communities Communities are attractive, viable, safe and well connected	The place-shaping component of our City Deal is .set out in the report	A greater contribution will be made to this by the aforementioned data capability, sectoral analysis and place assessments.
A globally responsible Wales Taking account of impact on global well-being when considering local social, economic and environmental wellbeing	Attending MIPIM to promote the CCR will see us play a stronger part in developing the economic wellbeing of our region and country, thus impacting social and community objectives. It will help make our country feel more connected and outward looking.	Develop the legacy impact of the event, sustaining new connections, sharing great practice and potentially securing propositions and deals that support economic growth.
A Wales of vibrant culture and thriving Welsh language Culture, heritage and Welsh language are promoted and protected. People are encouraged to do sport, art and recreation	Our City Deal is uniquely Welsh – but pitches towards being world leading in areas of competitive strength. This enables a strong reflection on our rich culture and heritage.	
A more equal Wales People can fulfil their potential no matter what their background or circumstances	City Deal is about delivering as far as possible across 10 LAs and a population of 1.5m people. It is about economic gains – but importantly how this will convert as tools for improving people's lives. Some of the specific interventions around skills and housing – will seek to make a more direct contribution to equity of access and equal opportunity for all.	

2. How has your proposal embedded and prioritized the sustainable governance principles in its development?

Sustainable Development Principle	Does your proposal demonstrate you have met this principle? If yes, describe how. If not explain why.	Are there any additional actions to be taken to mitigate any negative impacts or better contribute to positive impacts?
 Balancing short term need with long term and planning for the future	The report describes performance in the round. It sets out short-term interventions and balances these against the long-term delivery of major programmes.	
Working together with other partners to deliver objectives	A cornerstone of our process is the strength of partnership working. An update on governance is set out in the report.	
Involving those with an interest and seeking their views	Communications and engagement remain a feature of our work.	More needs to be done to develop engagement platforms – beyond formal partnerships – to reach communities, hard to reach groups and those who currently have a limited understanding of City Deal. Improving social media, web presence and marketing materials will increasingly make a contribution to this.
Putting resources into preventing problems occurring or getting worse	This is set out in the REGP work on the developing Regional Economic and Industrial Plan.	This will be an increasing focus of scheme and programme delivery.

Sustainable Development Principle	Does your proposal demonstrate you have met this principle? If yes, describe how. If not explain why.	Are there any additional actions to be taken to mitigate any negative impacts or better contribute to positive impacts?
Considering impact on all wellbeing goals together and on other bodies	City Deal seeks to make a contribution on place and to improving the life chances of people in the region.	

3. Are your proposals going to affect any people or groups of people with protected characteristics? Please explain the impact, the evidence you have used and any action you are taking below.

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Age	The report is an overview of performance in all of the relevant aspects of projects, partnership, governance and investment. The protected characteristic assessments related to specific proposals will need to be drawn out in the relevant business cases and proposal documents.	None arising at this time.	
Disability	As above	As above	

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Gender reassignment	As above	As above	
Marriage or civil partnership	As above	As above	
Pregnancy or maternity	As above		
Race	As above		
Religion or Belief	As above		
Sex	As above		.
Sexual Orientation	As above		
Welsh Language	As above	Not at this time but the situation will be kept under review.	

4. Safeguarding & Corporate Parenting. Are your proposals going to affect either of these responsibilities?

	Describe any positive impacts your proposal has on safeguarding and corporate parenting	Describe any negative impacts your proposal has on safeguarding and corporate parenting	What will you do/ have you done to mitigate any negative impacts or better contribute to positive impacts?

Safeguarding	Not directly relevant –however, building the future economy should have a profoundly positive impact on ability to safeguard the future of our residents		
Corporate Parenting	Not directly relevant – however building strength in the economy should create opportunities for all of the young people entrusted in our care		

5. What evidence and data has informed the development of your proposal?

- Evidence and input contributed by theme leads
- Outcomes of assessments such as audit reports
- Delivery against targets set out in individual business cases/ approved project documentation

6. SUMMARY: As a result of completing this form, what are the main positive and negative impacts of your proposal, how have they informed/changed the development of the proposal so far and what will you be doing in future?

The areas requiring attention and focus are set out and follow-up actions will be assessed and monitored ongoing through the quarterly reporting mechanism. .

7. MONITORING: The impacts of this proposal will need to be monitored and reviewed. Please specify the date at which you will evaluate the impact, and where you will report the results of the review.

The impacts of this proposal will be evaluated on:	**Quarter 3**