

CCR City Deal Joint Committee Annual Governance Statement 2021/22



Scope of Responsibility

1. The Cardiff Capital Region City Deal (CCRCD) is a unique programme of collaborative working to enable economic change, improved digital connectivity, improved skills and education opportunities, and regeneration across the region. The City Deal totals £1.229 billion and consists of £734 million allocated to the South Wales Metro, which is the responsibility of the Welsh Government and therefore, sits outside the scope of this Annual Governance Statement.
2. The balance of funding relates to the Wider Investment Fund of £495 million, which is met, from a HM Treasury Grant of £375 million (provided over a 20-year period) and Local Government capital contributions amounting to £120 million.
3. The CCRCD is overseen by a Joint Committee, which was established on the 1st March 2017, and which comprises one elected member representative from each of the following councils: Blaenau Gwent, Bridgend, Caerphilly, Cardiff, Merthyr Tydfil, Monmouthshire, Newport, Rhondda Cynon Taff, Torfaen and Vale of Glamorgan. The Joint Committee is chaired by Cllr Anthony Hunt, Leader of Torfaen County Borough Council and 2021/22 represents the committee's fifth full year of operation.
4. The Joint Committee is responsible for ensuring that CCRCD business is conducted in accordance with the law and proper standards. It oversees the City Deal Wider Investment Fund of £495 million having regard to a combination of economy, efficiency, and effectiveness. In discharging its role, the Joint Committee of the CCR City Deal is responsible for putting in place proper arrangements for the governance of its affairs.
5. The following governance disclosure represents an assessment in accordance with the principles of the 'Delivering Good Governance in Local Government' framework, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE). This disclosure meets the requirements of the Accounts and Audit (Wales) Regulations 2014, as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018.

The Purpose of the Governance Framework, Background and Developments

6. The governance of the CCRCD comprises the systems, processes, culture and values in place to deliver the intended outcomes as reviewed through application of the CIPFA / SOLACE Governance Framework.
7. Since 2020/21, the AGS has taken into consideration the introduction of the CIPFA Financial Management Code 2019 (FM Code), as applicable to Joint Committee structures.

Background

8. As set out above, 2021/22 represents CCRCD's fifth full year of operation and therefore, the governance arrangements are beginning to bed down and mature.

9. The City Deal Director has made the following statement to provide the appropriate context to the work completed as part of the 2021/22 AGS:

“The Cardiff Capital Region City Deal is a unique programme of collaborative working which seeks to enable targeted economic change, through real-time, real-world investment in infrastructure, innovation, skills and challenge-driven approaches to tackling industrial and societal issues. It is an investment in people and place and aims to bring fairness and opportunities for all, no matter where they live in the region.

Building upon the mantra of ‘no place gets behind’, CCR remains committed to delivery of an effective and responsive City Deal and one which seeks to balance economic gains and benefits with the ways in which we make societal impact. The Covid pandemic has shown us that ‘economic growth’ cannot just be about economic benefits, but the way in which we respond to and anticipate social challenges and issues. As such, continuing to build a networked and distributed leadership culture, in which other actors, groups and stakeholders are supported to make a contribution – remains a key feature of our governance ambitions and approach.

In 2021/22 CCR sought to evolve this thinking even further with plans to evolve current structures into the new Corporate Joint Committee which was activated on 31st January 2022. The CJC implementation will continue into 2022/23 and as a series of outstanding technical issues regarding financial status are addressed. Whilst this whole process of evolution and transition may take time and iterations – it continues to offer potential for a new operating model which places the principles of good governance at its heart. In this way, there is the opportunity for CCR to build its own capacity and capabilities; to develop its own balance sheet, constitution and partnership and collaboration arrangements.

CCR thus, has to remain adaptive to the continual changes we see around us and with the scarring effects on the economy now becoming more visible and the beginnings of a cost of living crisis, high inflation environment and possible economic downturn start to play out. This approach continues to require a high productivity environment which is dynamic and continues to evolve and respond to both macro and micro-level challenges. Our Enterprise Risk Policy, developed and approved in 2021/22, will play a key role in holding us to account in this regard.

In terms of delivery, 2021/22 has been a critical year in both consolidating progress and further building the development pipeline and programme. From approvals for Media Cymru, the Cyber Innovation Hub, operationalisation of the Strategic Premises Fund and significantly, exchanging contracts on the sale of the former Aberthaw Power Station – the opportunity set is growing. It was further pleasing that through the Comprehensive Spending Review 2021, the Chancellor of the Exchequer announced the forward funding of the CCR City Deal – bringing forward £120M to distil delivery of the deal into a 15 year overall-period.

To date, we have focussed on building momentum. The focus now turns to delivery. The principles of ROI, leveraging the resources of others and co-investing continues – and whilst this means CCR investment should be only used once and when others are also investing – we recognise the imperative to ensure approved programmes are

delivering optimally. To this end, in 2021/22, CCR has started to develop its framework for benefits realisation, and I look forward to seeing this rolled out in the coming year.

Our five-year strategic business plan continues to guide our objectives and goals. Working alongside our regional partnerships, and in particular the Regional Economic – we look forward to converting this to a revised Regional Economic and Industrial Growth Plan in 2022/23.

A key feature of 2020/21 in governance terms has also been the development of enhanced programme governance and monitoring – which continues into 2022/23. This will evolve into our revised Investment Strategy in 2022/23 and set the context for how we eventually, ‘lift and shift’ into the Corporate Joint Committee. The appointment of a dedicated lead for Governance and a new Head of Governance, Communications and Policy – help reinforce the importance attached to this ongoing.

As we look ahead, it is clear that 2021/22 has started to prepare CCR for what lies ahead in terms of post pandemic recovery and in the face of yet more turbulence around energy and food security, high inflation and further economic downturn. These risks present potential significant threats and demonstrate why responsive governance is key to ensuring our commitments to responsible investing, ESG and equality, inclusion, and diversity – are front and centre.

With an expectedly high turnover in representation on the Regional Cabinet with the elections in May 2022, there will be focus on the induction of new members. Ensuring that they are brought up to speed with robust governance and ownership of their respective portfolios. Providing them with the knowledge and confidence required to sign-off on investments early in their tenure, mitigating any potential slowdown to the programme.

CCR is about region-building. But more than in just an economic opportunity sense – it’s about the kind of region we want to be and the kind of fair, green and equitable society we want to for our future generations. We remain committed to being a permeable entity – open to all ideas and thinking and continuing to build a networked and integrated approach. The more voices and diversity the better and I feel assured the model of highly adaptive engaged and collaborative leadership we are building – is an effective one capable of serving the needs and aspirations of those we are privileged to serve.”

Key Developments in Respect of Assurance Matters during 2020/21

The Governance Framework

10. The Governance Framework comprises two core principles and five supporting principles. Principles A and B permeate implementation of principles C to G but good governance is dynamic, and the CCRCD Joint Committee is committed to improving governance on a continuing basis through a process of evaluation and review.

Core Principles

- a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- b) Ensuring openness and comprehensive stakeholder engagement.

Supporting Principles

- c) Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- d) Determining the interventions necessary to optimise the achievement of the intended outcomes;
- e) Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- f) Managing risks and performance through robust internal control and strong public financial management;
- g) Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

2021-22 AGS Assessment Process

11. At its meeting of the 18th February 2019, the Joint Committee approved a report on the 'Establishment of the City Deal Office – Restructure and Resourcing Plan', and during 2019/20 the Director, recruited the Senior Leadership Team. Therefore, in-line with previous year the AGS assessment process for 2021/22 has been led by the City Deal Office Senior Leadership Team, with input and support from the Accountable Body and other key stakeholders.
12. Furthermore, the AGS assessment includes and recognises 'Other Cardiff Capital Region City Deal Governance Related Work', that has been undertaken during the year. Details are set out in section 5 below.
 1. The following officers with key governance responsibilities reported the extent of assurance they could provide in their capacity against the 20 good practice assurance statements. The assessment was carried out in two stages, with the first stage linking specific statements to functional responsibilities (as detailed in brackets below).
 - Joint Committee Section 151 Officer (Statements 10, 15, 17, 18 & 19);
 - Joint Committee Monitoring Officer (Statements 11, 12 & 13)
 - Scrutiny team Rhondda Cynon Taf County Borough Council (Statement 16)
 - City Deal Director (all other Statements);
 - Head of Finance, Risk & Assurance (all other Statements);
 - Marketing & Communications Lead (Statements 4, 5, 6 & 9)
 2. Each officer was provided with details of 2019/20 AGS and asked to provide an initial assessment of the extent of assurance that could be provided against their respective statements in 2020/21. The initial responses were collated and then as a second stage exercise, the full 20 statements were issued to officers for wider consideration.

3. The statements are outlined in CIPFA's 'Delivering Good Governance Framework', and the assessment recognises the Joint Committee's continued development and evolution, noting that controls in respect of some Statements are in a state of transition.
4. The responses aimed to identify the level of assurance that could be provided, using a broader RAG system, which has been expanded to allow five categories of ratings to be applied, as opposed to the standard three. For the purpose of the assessment, the ratings are defined as follows:
 - **GREEN** - Indicates a STRONG level of assurance;
 - **GREEN/AMBER** – Indicates STRONG/MODERATE level of assurance, but indicates the need to consider whether further controls could be put in place to strengthen the level of assurance;
 - **AMBER** – Indicates a MODERATE level of assurance, which is considered to be satisfactory, but recognises that further controls need to be put into place to strengthen the level of assurance and identifies the required action/s that need be taken;
 - **AMBER/RED** - Indicates MODERATE/LIMITED level of assurance and could become a 'significant governance issue', unless it is addressed as a matter of priority through an agreed action/s.
 - **RED** - Indicates a LIMITED level of assurance i.e. 'significant governance issue identified', which needs to be formally recognised and addressed through an agreed action as a matter of priority.
5. In order to gauge wider stakeholder views, the draft statements, proposed responses and ratings, were issued to select members of Regional Cabinet (Chair and Vice-chairs), Investment Panel, Regional Economic Growth Partnership and Programme Board. This process sought to assess the level of wider validation that could be attributed to the process and the draft findings.
6. The individual officer and wider stakeholder comments were brought together to produce the final consolidated assessment. Where further actions have been identified, these have been captured as part of the formal Action Plan as set out in the conclusions section below.
7. To ensure ownership, the Action Plan identifies the following details in respect of each action:
 - Action owner;
 - Target date for completion;
 - Mechanisms and frequency to review progress.
8. Once approved, progress against the Action Plan will be monitored and reported against on a regular basis through 2022/23.

Other Cardiff Capital Region City Deal Governance Related Work

13. In addition to the specific governance assessment process outlined above, a number of other governance related reviews have been undertaken since the Joint Committee's inception. This work and its findings serve to supplement and strengthen the overall AGS assessment process.

Internal Audit

14. Cardiff Council's Internal Audit Service is responsible for providing internal audit services to the Cardiff Capital Region City Deal through a Service Level Agreement (SLA) with the Accountable Body.
15. To enable the Internal Audit Service to fulfil its role, a five-year rolling audit plan was prepared, initially covering the period from 2017/18 to 2021/22 and sets out the proposed work required each year, to secure the appropriate level of assurance.
16. Therefore, 2021/22 represents the fifth year of the internal audit plan. Audit activity during the year consisted of completing the audit in respect of 2020/21 (the Terms of Reference for which, were agreed in June 2021). The findings of that audit, together with the agreed recommendations were included in the 2020/21 AGS.
17. The Terms of Reference and Audit Objectives 2021/22 audit were agreed in May 2022, audit work is due to be completed during the summer period and an update will be provided in due course. The recommendations from the internal audit will be incorporated into a quarterly performance report during the year.

External Audit (Audit Wales)

18. Audit Wales is the umbrella name for the Auditor General for Wales and the Wales Audit Office. The Auditor General for Wales is responsible for the external audit of the CCRCD Joint Committee.
19. An Annual Audit Plan was prepared and agreed with the Joint Committee, with 2021/22 also representing the fifth year of external audit work. In addition to financial audit work, audit staff from Audit Wales regularly liaise with City Deal officers.

Report 1: 2021 Audit Plan – Cardiff Capital Region City Deal Joint Committee

Commenced: June 2021

Letter Issued: November 2021

The Joint Committee formally considered the findings of the review at its meeting of the 29th November 2021, with Audit Wales' Letter being attached to Item 4b to that Cabinet report and being fully published in the public domain.

<https://www.cardiffcapitalregion.wales/wp-content/uploads/2021/11/item-4-soa-and-ags.pdf>

The report concluded that there were no material uncertainties identified relating to events or conditions that, individually or collectively, may cast significant doubt on the Cardiff Capital Region City Deal Joint Committee. Within the report it was stated that there were no material misstatements within the Narrative Report or Annual Governance Statement and no matters were raised with regards to accounting records, accounting returns, financial statements, and that all information required and requested by Audit Wales was provided.

Assurance Summary

20. The AGS assessment exercise completed was comprehensive, carried out in accordance with CIPFA's Delivering Good Governance Framework and considered all 20 good practice assurance statements, accepting that some statements may not be directly relevant to a joint committee arrangement.
21. Building on the comments included in the 2021/22 AGS, the City Deal Director has provided the following statement in respect of the work completed during 2021/22:

“In the light of the governance context and frameworks created that underpin the AGS process, in 2021/22 work in the main focussed on using these strong foundations as a platform for transitioning the SEW Corporate Joint Committee. A Governance and Delivery Options report was created (with legal input from advisor, Pinsent Masons); alongside a full transition plan, sub-group of Regional Cabinet and a process for resolving technical matters. Whilst this was partially achieved, addressing remaining outstanding financial status and technical issues was not possible in 2021/22 and so this work will continue into 22/23.”

Summary of Findings

22. As a result of undertaking the assessment process outlined above, it has been concluded that STRONG assurance can be provided against 15 statements, with a further 5 statements being rated as STRONG/MODERATE.
23. There were no 'significant governance issues identified' in respect of the 20 good practice assurance statements in 2021/22.
24. A summary of the ratings in respect of the 20 good practice assurance statements are summarised in Table 1 below, with details of each statement, systems of internal control, rating and further actions needed, fully set out within Appendix 2b.

Table 1 - Summary of 2021/22 Assurance Ratings

| Rating | Total | Assurance Statement Ref. | Full Details |
|-------------------------|-----------|---|--------------------|
| Strong | 15 | Statements: 1, 3, 4, 5, 6, 7, 8, 9, 11, 12, 15, 17, 18, 19, 20 | Appendix 2b |
| Strong/Moderate | 5 | Statements: 2, 10, 13, 14, 16 | Appendix 2b |
| Moderate | 0 | | N/A |
| Moderate/Limited | 0 | N/A | N/A |
| Limited | 0 | N/A | N/A |

Conclusions & Next Steps (Action Plan)

25. The assessment completed in respect of the 2021/22 Annual Governance Statement, shows that there was further improvement to the assurance rating for 4 statements (Statements 1, 2, 7, & 8), whilst the ratings for the remaining 16 statements stayed the same.
26. The assessment identified that STRONG assurance can be provided for 15 of the 20 good practice assurance statements. These areas will be subject to 'ongoing review' by officers to ensure that the high standards of assurance continue to apply as the City Deal evolves and matures. A rating of STRONG/MODERATE was concluded for 5 of the statements.
27. The assessment process has identified 10 discrete actions, which once implemented, will seek to further strengthen the levels of assurance that can be placed against the 20 good practice statements.
28. The actions referred to above have been captured as part of the AGS Action Plan, which is attached at Appendix 2c. These actions will be progressed during the financial year 2022/23 and updates provided to Cabinet as part of the regular quarterly performance reporting arrangements.
29. Finally, 'Other Governance Related Work' is in the process of being completed. Once reports have been finalised, issued and agreed, the Joint Committee will formally consider and respond to any findings and recommendations put forward.

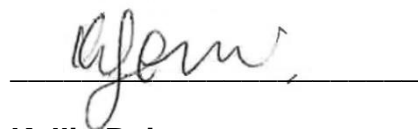
Certification by the Chair of the Cardiff Capital Region Joint Committee and the City Deal Programme Director.



28 March 2023

Cllr Anthony Hunt

Date



28 March 2023

Kellie Beirne

Date