



Prifddinas
Ranbarth
Caerdydd

Cardiff
Capital
Region

CCR City Deal Joint Committee Annual Governance Statement

2020/21 Audited



2020/21 Annual Governance Statement

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 2020/21 represents the committee's 4th 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. From 2020/21 onwards, the AGS also takes 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, 2020/21 represents CCRCD's fourth 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 2020/21 AGS:

"This has been a busy and yet productive year for CCRCD and one in which the full force of the Covid-19 pandemic and the challenges it has presented have been keenly felt. There have been many developments, such as a move to virtual on-line meetings; the introduction of the legislation for new Corporate Joint Committees, the implementation of the Covid-19 priority-set; and the development of the next 5-year Strategic Business Plan and a new Investment Prospectus – Prosperity in our Place.

This year has also seen the ramping up of project development and delivery with the first tranche of approved projects, now in delivery and totalling circa £198M. Furthermore, 2020/21 was the year in which Gateway Review was undertaken, as well the introduction/progression of a number of key priorities, such as:

- *Move to new ways of working. The Covid pandemic has required a new kind of agility and moving the whole of the CCR governance framework to on-line virtual meetings. This has been guided by the Joint Committee's Monitoring Officer and has enabled the CCR team to be more productive and drive a faster pace, acting to respond to the challenges posed by Covid-19 as well as maximise legacy value and opportunities;*
- *New Covid-19 priority-set approved by Cabinet in June 2020. This provides an addendum to the Industrial and Economic Plan and responds to the short, medium and long-term economic effects of the crisis. The economic hangover of Covid-19 will be felt for some time and as such, a range of interventions are already approved and in delivery phase, such as the business survey, reviews of key projects to decipher fitness for future, development and delivery of the Challenge Fund and Strategic Premises fund and early work on an Innovation Investment Fund;*
- *Full self-evaluation of the Investment and Intervention Framework (IIF) was undertaken. This looked at purpose, projects, process and performance. It also coincided with a review of the IIF undertaken by Audit Wales to understand if IIF investments were being made in line with stated policy. This also spawned work by AON on a revised Risk Policy and the development of a Responsible Investing Policy which was approved by Cabinet in March 2021;*
- *2020/21 marked the end of the first Gateway period and saw the production of a final evaluation report by National Evaluation Panel lead (SQW), which was approved by Cabinet in December 2020. An accompanying Director's Complementary Report was also produced and submitted into the Gateway process which comprised challenge sessions, interviews and Ministerial*

meetings. The successful outcome of the Gateway Review was reported in May 2021;

- Further to this and looking ahead to the next five-year Gateway period, a new Strategic Business Plan was produced and approved by Regional Cabinet in December 2020. This sets out the 'Five for Five' objectives to direct progress over the ensuing period – Build Back Better, Building a City Region, focussing on R&D, support for Cluster and the climate crisis;
- An Investment Prospectus was produced as means of influencing the Levelling-up agenda. This has been submitted to UKG and WG and was approved by Regional Cabinet in March 2021;
- A 'Prospectus for Evolution and Delivery' document was produced, guiding CCR on all parts of the transition to the new Corporate Joint Committees. A full response to the WG consultation was approved by Cabinet in December 2020 and submitted in January 2021. Work is now underway on vision and mission, functions and governance delivery options ahead of the 'go live' date on 28 February 2022;

The growing nature of the programme, evolution to new corporate structure and overall, the scope, breadth and magnitude of 'CCR' is now such that there are 12 sub-groups of committees and advisory boards. A full schedule of policy documents, reports, strategies and new structures that are being developed in line with delivery, whilst new projects continue to be approved via the IIF. This is a fast growing, dynamic space and requires constant oversight and support. A new Head of Governance, Communications and Policy post has been established to effect this.

Finally, given the first tranche of approved projects is in place, a comprehensive approach to programme monitoring, which builds upon the experiences of Gateway, UKG requirements and internal procedures has been developed in readiness for Q1 2021/22. A report on the arrangements for Governance and Monitoring was approved by Cabinet in March 2021.

Key Developments in Respect of Assurance Matters during 2020/21

10. 2020/21 has been a pivotal year for the Cardiff Capital Region City Deal in terms of major developments, which have both strengthened the level of assurance, but also unexpected events, which have tested the City Deal's governance, systems of internal control and therefore its overall resilience in coping with such events. Key activities in this regard are set-out in the Director's statement above.

The Governance Framework

11. 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.

2020-21 AGS Assessment Process

12. 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 2020/21 has been led by the City Deal Office Senior Leadership Team, with input and support from the Accountable Body and other key stakeholders.
13. 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 to 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 2021/22.

Update on Declarations of Interest

14. Given the focus in previous years on the process for Declarations of Interest, reinforcing the policy context and the regional scale which applies to such disclosures, efforts in 2020/21 have focussed on regular review and upkeep of the system. In April 2020 and again in May 2021 all partnerships and advisory boards were asked to update and review declarations of interest and these are made publicly available via the CCR website, ensuring openness, transparency and accountability.
15. Therefore a comprehensive exercise has been carried out for 2020/21 to capture and update Disclosures of Interests for all CCR Committees, Sub-committees, Boards and key officer groups. Updated forms have been used which seek to capture interests on a regional, rather than local basis and is tracked via the 'Disclosure of Interests Register'.
16. A summary of the 'Disclosure of Interests Register' is attached at Appendix 2a. This shows that as at the 9th November 2021 a 99.0% compliance rate has been achieved (forms issued, returned and uploaded to the website) in respect of the 97 members, officers and other relevant participants who directly support CCR activities. As a minimum, an annual reminder will be issued to all Groups to ensure declarations remain up to date.

Other Cardiff Capital Region City Deal Governance Related Work

17. 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

18. 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.
19. To enable the Internal Audit Service to fulfil its role, a 5 year rolling audit plan has been 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.
20. Therefore, 2020/21 represents the fourth year of the internal audit plan. Audit activity during the year consisted of completing the audit in respect of 2019/20 (the Terms of Reference for which, were agreed in March 2020). The findings of that

audit, together with the agreed recommendations were included the 2019/20 AGS. The Terms of Reference and Audit Objectives for the 2020/21 audit were agreed in June 2021, audit fieldwork was completed during the summer period and the audit report was issued in September 2021.

21. The audit assurance concluded “Effective with Opportunity for Improvement”. A draft set of Recommendations have been issued and an Action Plan is being finalised with the Senior Leadership Team.

External Audit (Audit Wales)

22. 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 CCRC Joint Committee.
23. An Annual Audit Plan is prepared and agreed with the Joint Committee, with 2020/21 also representing the fourth year of external audit work. In addition to financial audit work, performance audit staff from Audit Wales regularly liaise with City Deal officers and the following Performance Audit was undertaken in 2020/21:

Report 1: ‘Audit Wales’ Investment and Intervention Framework (IIF) review’

Commenced: May/June 2020

Letter Issued: December 2020

The Joint Committee formally considered the findings of the review at its meeting of the 15th March 2021, with the Audit Wales’ Letter being attached as Appendix 2 to that Cabinet report and being fully published in the public domain.

<https://www.cardiffcapitalregion.wales/wp-content/uploads/2021/03/item-10-iif.pdf>

The findings broadly indicated that the introduction of the IIF (based on following the progression of two discrete investments), has allowed proposals to advance in accordance with the IIF process and were subject to appropriate scrutiny and debate.

Some minor matters for improvement were highlighted and these have been incorporated into the wider review work via the development and delivery of the IIF Implementation Plan. In this regard the Audit Wales work was deemed to be timely, value-adding and helped to reaffirm and reinforce the focus of the Implementation Plan.

Assurance Summary

24. 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.

25. Building on the comments included in the 2019/20 AGS, the City Deal Director has provided the following statement in respect of the work completed during 2020/21:

2020/2021 marked the last monitoring period of Gateway 1, CCR produced its Complementary Reports to sit alongside the final evaluation reports of SQW – fully discharging all requirements under the National Evaluation Framework and Locality Evaluation Plan. Given it is a requirement for forward Business Plans to be produced 90 days prior to year-end, following a Regional Cabinet Away Day in October 2020, both the 5-year Strategic Business Plan and Annual Business Plan (2021-26) were produced and approved by Regional Cabinet in December 2020. These clearly set out the vision starting with ‘Five for Five’ and the focus on Build Back better, building R&D capability, developing the Capital region, Clusters and a policy driven approach to levelling-up. The first Annual Business Plan as a sub-set of the 5-year Strategic Business Plan – begins to set out the first set of key actions that will work towards achieving the vision and aims of the medium-term plan.

For 2021/22 the main area of focus will be on the legal transition to a compliant and effective corporate body via the enactment of a new Corporate Joint Committee legislation. This will require a focus on: Mission and Vision; Immediate Duties and Functions and Governance Options. Five work streams will be established on Legal & Governance, Finance, HR, New Functions and Stakeholder Communications & Engagement. This will report into a Transition Board for onward recommendation to Regional Cabinet and will need to set the CJC’s statutory budget no later than 31st January 2022.

Summary of Findings

26. As a result of undertaking the assessment process outlined above, it has been concluded that STRONG assurance can be provided against 12 statements, with a further 7 statements being rated as STRONG/MODERATE. 1 statement (Statement 2) has been categorised as providing MODERATE assurance.
27. There were no ‘significant governance issues identified’ in respect of the 20 good practice assurance statements in 2020/21.
28. 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 2020/21 Assurance Ratings

Rating	Total	Assurance Statement Ref.	Full Details
Strong	12	Statements: 3, 4, 5, 6, 9, 11, 12, 15, 17, 18, 19 & 20	Appendix 2d

Strong/Moderate	7	Statements: 1, 7, 8, 10, 13, 14 & 16	Appendix 2d
Moderate	1	Statement 2	Appendix 2d
Moderate/Limited	0	N/A	N/A
Limited	0	N/A	N/A

Conclusions & Next Steps (Action Plan)

29. The assessment completed in respect of the 2020/21 Annual Governance Statement, shows that there was further improvement to the assurance rating for 2 statements (Statements 3 & 4), whilst the rating for 17 of the remaining 18 statements stayed the same.
30. The rating for Statement 7 has been changed from STRONG to STRONG MODERATE. This change reflects the need to bring together the findings of key pieces of work carried out during the year e.g. IIF Review, Risk Management Strategy & Policy etc. This will result in a fully aligned and co-ordinated strategy that will enhance the IIF going forward, but importantly, be fit-for purpose for transition to a future Corporate Joint Committee structure.
31. The assessment identified that STRONG assurance can be provided for 12 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.
32. A rating of STRONG/MODERATE was concluded for 7 of the remaining 8 assurance statements, with the final statement being assessed as MODERATE. The assessment process has identified 7 discrete actions, which once implemented, will seek to further strengthen the levels of assurance that can be placed against the 20 good practice statements.
33. 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 2021/22 and updates provided to Cabinet as part of the quarterly performance reporting arrangements.
34. Finally, 'Other Governance Related Work' is in 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.

CIPFA Financial Management Code 2019

35. The year 2020/21 is a 'shadow' year for the implementation of CIPFA's Financial Management (FM) Code. A key goal of the FM Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. As such, the annual review will include any relevant actions from

an initial assessment undertaken during the year of the extent to which the Joint Committee's financial management arrangements comply with the FM Code.

36. A working paper was prepared which forms the basis of a self-review against sixty eight questions outlined in the code, indicating whether the CCRC Joint Committee meets the requirements (Yes / No / Partly), but importantly provides an evidence base to support the assessment made.
37. The assessment concluded that there are six (or 9%) 'No' assessments – these relate to questions which are largely 'Not Applicable' to the Joint Committee in its current form. There were eight (or 12%) 'Partly' assessments and largely revolve around capacity issues, which had already been identified and will be addressed as part of the transition to the new CJC arrangements (Lift & Shift Model). The remaining fifty four (or 79%) questions have been assessed as a 'Yes' response, with clear evidence provided to support the assessment made.

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



Cllr Anthony Hunt (Chair)

29/11/21_____

Date



Kellie Beirne (Director)

29/11/21_____

Date