



WALES AUDIT OFFICE  
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Auditor General for Wales

# Review of governance arrangements – **Cardiff Capital Region City Deal**

Audit year: 2018-19

Date issued: May 2019

Document reference: 1280A2019-20



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This document is also available in Welsh.

The team who delivered the work comprised Ian Phillips and Sara-Jane Byrne under the direction of Huw Rees.

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# Summary report

## Summary

### What we reviewed and why

- 1 We undertook a review to determine whether the Cardiff Capital Region City Deal's (CCRCD) governance and accountability arrangements support robust, transparent and effective decision making. We did the review to help fulfil the Auditor General's duty to satisfy himself that the Cardiff Capital Regional Cabinet (Regional Cabinet) has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 2 The CCRCD was the first city deal arrangement in Wales. The level of investment and the potential outcomes are significant. It is important that the Regional Cabinet has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. As part of achieving that, having strong governance arrangements to support the CCRCD is crucial.
- 3 In December 2018, we issued a report following our review of the arrangements that supported the CCRCD's first investment decision. In that report we recognised that aspects of the agreed Assurance Framework were not in place at the time of the decision, as it was taken at the early stages of the partnership. We identified some lessons arising from making the first investment. In this report, we set out our findings about the governance and accountability arrangements which have evolved since the first investment decision.
- 4 We undertook the review during the period October 2018 to February 2019.

### What we found

- 5 Overall, we found that: CCRCD's governance and accountability arrangements are at a formative stage and the indications are that they will support robust and effective decision making, but scope remains to improve transparency. We reached this conclusion because:
  - CCRCD's governance arrangements are still developing and strengthening;
  - the Industrial and Economic Plan helps to provide CCRCD with a clear strategic vision;
  - CCRCD has put in place risk management and performance management arrangements, but there is scope to ensure these operate consistently;
  - CCRCD should improve its transparency and wider accountability; and
  - CCRCD is developing a more rigorous and structured process for selecting and deselecting projects, but it recognises that consideration of the Well-Being of Future Generations Act needs to be strengthened.

## Proposals for improvement

### Exhibit 1: Proposals for improvement

The table below sets out the proposals for improvement that we have identified following this review.

Proposals for improvement	
P1	<p>The CCRCD needs to improve its transparency. For example:</p> <ul style="list-style-type: none"><li>• ensure agendas, related papers, reports and minutes are published in a timely manner on the CCRCD website for Regional Cabinet, Regional Transport Authority and Joint Scrutiny Committee meetings, subject to the proper withholding of confidential or exempt information;</li><li>• signpost forthcoming meetings of the Regional Transport Authority and the Joint Scrutiny Committee on the CCRDC website in accordance with them being public meetings;</li><li>• Regional Cabinet needs to ensure there is open challenge and debate in a public domain; and</li><li>• consider how it can improve public access to its public meetings.</li></ul>
P2	<p>CCRCD to consider whether a scheme of delegation will improve existing arrangements to facilitate decision-making.</p>
P3	<p>To further consider how the Regional Transport Authority, the Regional Business Council, the Regional Economic Growth Partnership, the Regional Skills Partnership and the Joint Scrutiny Committee collaborate and share information.</p>
P4	<p>Clarify arrangements about declarations and conflicts of interests for both members and officers.</p>
P5	<p>Although we recognise that the Joint Scrutiny Committee is still relatively new, the CCRCD must ensure it fully embraces the important role scrutiny plays in ensuring effective accountability and challenge.</p>
P6	<p>Although the CCRCD is not a 'public body' within the meaning of section 6 of the Well-Being of Future Generations (Wales) Act 2015, the CCRCD should give thorough consideration as to how it helps its constituent public bodies meet the sustainable development and wellbeing duties of that Act.</p>

# Detailed report

**CCRCD's governance and accountability arrangements are at a formative stage and the indications are that they will support robust and effective decision making, but scope remains to improve transparency**

**CCRCD's governance arrangements are still developing and strengthening**

6 In reaching this conclusion we found that:

- many of the arrangements that were not in place at the time of the first investment decision are now in place in accordance with the Joint Working Agreement and Assurance Framework. For example, the advisory bodies are in place and their momentum is starting to grow, and the joint scrutiny committee has been set up and met twice.
- working relationships between partners are improving.
- interviewees praised the Programme Director's performance in the role, in particular the drive she has provided.
- CCRCD recognise that the City Deal office (previously the Programme Office) is under-resourced. The Regional Cabinet has recently agreed that the capacity of the City Deal office be strengthened, and a number of new posts have been created and are now being advertised.
- the Accountable Body has identified that a scheme of delegation may be beneficial to enable the Programme Director to take delegated decisions, further developing the Delegations Policy that is in the Joint Working Agreement. We note that the CCRCD 2019-20 Annual Business Plan has identified developing a scheme of delegation as an action.
- the Chairs of the advisory bodies meet periodically but links between the respective bodies (and the Regional Transport Authority and the Joint Scrutiny Committee) could be strengthened further. For example, by building on those meetings, sharing meeting papers and keeping each other fully sighted of their respective work programmes.
- Cardiff Council's internal audit function did a light touch review in July 2018 to provide assurance that an adequate structure of governance arrangements within the CCRCD in respect of the Accountable Body and Programme Management Office was in place and operating effectively. Internal audit gave an assurance rating of 'effective with opportunity for improvement' for aspects of the governance framework. Internal audit made four recommendations relating to risk management, scrutiny, transparency, registers of interest, contract management and procurement. The CCRCD

has developed an action plan to address these recommendations. The recommendations were included in the quarter one performance report, and an update against the action plan was included in the quarter three annual business plan update to Regional Cabinet.

- the nature of the City Deal is such that there is significant involvement with private organisations and third parties. It is important, therefore, that there is a clear and robust process for declaring and managing conflicts of interest. The agendas for the Regional Cabinet, Joint Scrutiny Committee and Regional Transport Authority include declarations of interest as a standing agenda item. However, for the Regional Cabinet and Regional Transport Authority (RTA) this item currently only covers members' interests whereas the Joint Scrutiny Committee relates to both officers and members.
- the declarations of interest of each member of the Regional Cabinet are included on the CCRCD website under the Regional Cabinet link. We note that currently the declarations of interest for all members of the Regional Transport Authority are not included on the City Deal website. The CCRCD website does not include any information about the joint scrutiny committee and its members.
- there is scope to clarify the process around declarations of interest. Paragraphs within the Joint Working Agreement about codes of conduct are contradictory. In paragraph 3.56 it states the CCRCD Councils will 'act with regard to each Council's own employer and member codes of conduct...' and paragraph 3.59 sets out similar wording, yet paragraph 10.17 sets out that 'the Joint Committee shall adopt the Accountable Body's...codes of conduct...'. We recognise that in practice there may not be much difference between these codes, but for the avoidance of confusion, it would be sensible to resolve this and ensure everyone is clear of expectations in terms of declaring interests. This should cover both officers and members. Internal audit recommended that a register of interests is developed. We are not aware that this has been done.

## The Industrial and Economic Plan helps to provide CCRCD with a clear strategic vision

7 In reaching this conclusion we found that:

- CCRCD recently launched an Industrial and Economic Plan following agreement by Regional Cabinet. Leveraging private sector investment and maximising public sector funding initiatives form a key part of this to increase the CCRCD's overall funding as well as promoting the region internationally to attract investment in the region.
- our fieldwork identified that there was confidence and enthusiasm that the Industrial and Economic Plan would provide a clear strategic vision, which had previously been lacking. It is evident that the Regional Economic Growth Partnership has played a significant role in developing this plan.

- CCRCDC partners recognise the Welsh Government's emerging plans around regional economic development and the importance of having a joined up strategic approach. Discussions are ongoing with Welsh Government officials. It is important that the CCRCDC work closely with the Welsh Government to minimise any duplication and ensure that public monies are used efficiently and effectively for the benefit of the region.
- it is apparent that CCRCDC partners are thinking regionally and spatially rather than simply putting forward individual council projects. There is a concerted will amongst the CCRCDC to challenge themselves that projects are in the best interests of the region and that business cases are robust. We are aware, for example, that a number of projects have been challenged by the advisory panels and not taken forward due to concerns about the quality of the business cases.

## CCRCDC has put in place risk management and performance management arrangements, but there is scope to ensure these operate consistently

8 In reaching this conclusion we found that:

- there are quarterly and annual performance reports that go to Regional Cabinet. The Programme Director has improved the format of the quarterly reports so that they are more focused. Our observation of the 18 February 2019 Regional Cabinet meeting found that members were appreciative of the changes. However, we found that there was little discussion or debate during the meeting of the substantive issues in the quarterly performance report.
- it is part of the Joint Scrutiny Committee's Terms of Reference to monitor any CCRCDC project's progress against its programme plan. However, to date, the Joint Scrutiny Committee has not yet received any performance or progress reports. It has only met twice since it was established in October 2018.
- quarterly performance monitoring reports are issued to the UK and Welsh Governments.
- the Annual Governance statement reported a limited level of assurance for identifying and managing risks. CCRCDC produced an Action Plan in relation to its Annual Governance Statement which stated that the Programme Director was to lead on putting in place the appropriate arrangements in respect of Strategic Risk Management. This was subsequently done, and quarterly performance reports now include a Strategic Risk Log. The Quarter 2 and Quarter 3 2018-19 quarterly performance reports set out that it is expected that CCRCDC's risk management approach will be further developed over the longer term.



## CCRCD should improve its transparency and wider accountability

9 In reaching this conclusion we found that:

- the CCRCD website has been refreshed and improved. However, we found several examples where meeting information has not been published on the website. For example, the Regional Cabinet meetings of 30 June 2017 and 14 July 2017, any Regional Transport Authority meetings (apart from the inaugural meeting and the meeting of 5 March 2019) and any joint scrutiny committee meetings are not included on the website. It is difficult, therefore, for members of the public to find out what took place at these meetings.
- in the 'upcoming events' section of the CCRCD website, typically only Regional Cabinet meetings are signposted. However, as at March 2019, there are no upcoming events signposted. We would expect that dates of future key meetings are publicised. We are aware that there is a meeting of the Joint Scrutiny meeting on 26 March for example. As Regional Transport Authority and Joint Scrutiny Committee meetings are also public meetings, information should be provided as to when those meetings are going to be held to facilitate public participation and awareness. It is a statutory requirement that meetings of the Regional Cabinet, Regional Transport Authority and the Joint Scrutiny Committee be open to the public, except for those agenda items where confidential or exempt information is properly being considered.
- there is a will amongst CCRCD partners to ensure greater transparency going forward.
- meetings of the Regional Cabinet are open to the public, but the location of some meetings has not been conducive to this. The CCRCD needs to consider how it can improve public access to its meetings.
- the Regional Cabinet is essentially the decision-making body of the CCRCD. It is where decisions will be made about which projects will be taken forward, potentially involving large sums of money. We are aware that briefings are often held in private before meetings. This is not unusual, and we recognise the need for Regional Cabinet members to be able to have some discussion in private. However, the Regional Cabinet needs to ensure that there is open challenge and debate in a public domain and that it does not just become a 'rubber stamping' mechanism.
- project level lines of accountability can only be properly judged once more projects are taken forward and their progress monitored. However, it will be important to be clear exactly who is responsible for what, including each of the three proposed streams of the divided investment fund, and how progress and accountability will be monitored.
- the Joint Scrutiny committee will also provide greater public accountability. The CCRCD Programme Director recognises that the Joint Scrutiny Committee will play an important role in pre-decision scrutiny, looking at

projects before they are decided upon by Regional Cabinet. This role has not yet been tested. The Industrial and Economic Plan is due to be considered at the next Joint Scrutiny Committee meeting, yet this has already been agreed and launched.

- the CCRCDC will be subject to an HMT Gateway review in December 2020, the supporting work for which is ongoing by consultants. We understand the CCRCDC was the first City Deal of the second cohort of UK-wide city deals to agree its evaluation framework with the consultants. We have shared our report into the arrangements supporting the first investment decision with HMT and will also share this report with them. We will keep in contact with HMT.

## CCRCDC is developing a more rigorous and structured process for selecting and deselecting projects, but it recognises that consideration of the Well-Being of Future Generations Act needs to be strengthened

10 In reaching this conclusion we found that:

- CCRCDC has engaged external legal expertise to help develop a common investment and intervention framework that we understand will include criteria to help to determine whether a project will progress or not. We also note that CCRCDC is working with external advisors on the use of the HMT five case business model.
- the chairs of the advisory bodies told us that their respective bodies have been robust in challenging projects, and the quality of reports they have been asked to consider.
- the City Deal Office is proposing that the £495 million investment fund is split into three streams comprising an innovation fund, an infrastructure fund and a challenge fund. The aim is to provide greater structure and rigour to the use of the funding in line with the key objectives of the City Deal. The Regional Cabinet has not yet agreed this proposal, but it was evident from our interviewees that advisory bodies, officers and members have been engaged in developing this approach. The proposed three stream investment fund should strengthen the project approval process by helping to identify viable projects.
- CCRCDC partners are aware of the Well-being of Future Generations (Wales) Act 2015. They have completed a Future Generations Assessment to accompany the Industrial and Economic Growth Plan. While, as we understand it, the CCRCDC is not a 'public body' within the meaning of section 6 of the Well-Being of Future Generations (Wales) Act 2015, the CCRCDC should give thorough consideration as to how it helps its constituent

public bodies meet the sustainable development and well-being duties of that Act in proposed projects and investments to maximise the opportunity the Act provides. It needs to become an integral part of CCRCD's thinking. The Future Generation Commissioner's office has developed [a series of resources](#) including the Future Generations Framework, which CCRCD partners may find useful to inform their Future Generations Assessments. The City Deal Director acknowledges this is an area for improvement.

- activity is accelerating as more projects are now being considered. It is positive that the CCRCD is keen to ensure that they are considered against a robust assessment framework in relation to its priorities. We will continue to maintain a watching brief as projects are determined through the CCRCD's processes.

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone.: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru  
24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)