

**CABINET**

<b>Date of Meeting</b>	Tuesday, 19 <sup>th</sup> June 2018
<b>Report Subject</b>	Growth Vision and Strategy for the Economy of North Wales: Governance Agreement
<b>Cabinet Member</b>	Leader of the Council and Cabinet Member for Finance Cabinet Member for Economic Development
<b>Report Author</b>	Chief Executive Chief Officer (Governance)
<b>Type of Report</b>	Strategic

**EXECUTIVE SUMMARY**

Cabinet adopted the *Growth Vision for the Economy of North Wales* in September 2016. The vision set out a collective and strategic ambition for North Wales for infrastructure development, skills and employment, and business growth. The cabinets of the five partner councils in the region similarly adopted the strategy.

Cabinet was advised in a second report in February 2017 that North Wales had been formally invited to develop the strategy into a Growth Deal Bid for national investment and the conferment of powers to the region by the UK and Welsh Governments. At the time a statutory joint committee model was adopted, by all partners, as the preferred one for governance of work on the Bid.

The regional Committee has adopted the working title The North Wales Economic Ambition Board from the former regional advisory body of the same name. This report presents the Inter Authority Agreement for the first stage of regional working for adoption. The term Governance Agreement is used in place of Inter Authority Agreement as the partnership has a membership beyond local authorities alone. The former Economic Ambition Board will become a stakeholder group with a membership of selected representatives from the growth and foundation sectors which make up the regional economy.

A Governance Agreement is required to formalise the constitutional arrangements and confer decision-making powers to the Board within prescribed limits. The Board has two stages of Bid development to manage. The first stage, leading to the agreement of a Growth Deal with Governments is the Bid preparatory and development stage. This will run until mid-2019. The second stage, post agreement of the Bid, which will run from mid-2019 will be the Bid implementation and delivery stage. This Governance Agreement covers this first stage. A more comprehensive

second Governance Agreement will be drafted for the second stage.

This report does not attempt to present the content of the developing Growth Deal Bid in depth as its prime purpose is to present the Governance Agreement for adoption. The Economic Ambition Board will be agreeing a Strategic Proposition for the Bid at its next meeting (15 July) and this will be made available to the memberships of the partner bodies once finalised.

## RECOMMENDATION

1.	That progress on the development of a Growth Deal Bid is noted and welcomed.
2.	That the first stage Governance Agreement is approved subject to the full Council's approval of the non-executive arrangements.
3.	That the Council be presented with the final draft Growth Deal Bid for review and consent in September/October prior to the stage of reaching Heads of Terms with both Governments.
4.	That delegated authority be given to the Chief Executive and Chief Officer (Governance) in consultation with the Leader to finalise the terms of the Governance Agreement in accordance with the draft attached to this report.
5.	That the executive arrangements contained within the Governance Agreement be included in the Constitution and that Council be requested to include the non-executive arrangements within the Constitution.

## REPORT DETAILS

<b>1.00</b>	<b>PROGRESS IN DEVELOPING THE GROWTH DEAL BID</b>
1.01	A Growth Deal Bid is a formal proposal for Government investment and the conferment of devolved powers. Bidding regions are required to have a legal, resilient and accountable governance model for the planning and implementation of their strategy. Regions are expected to be prepared to invest in their own strategies, alongside Government(s), in capital allocations, sharing in capital borrowing, the use of land and assets, and in resourcing professional and project capacity. Each bid will have negotiated objectives and targets. For North Wales, the Cardiff Capital City Region and the Swansea Bay Region the bidding process involves both the UK and Welsh Governments.
1.02	Since the previous report to Cabinet the governance model of a joint statutory committee has been established in 'shadow form'. By 'shadow form' is meant that the Committee is meeting and operating by mutual agreement of all partners in a preparatory form but without the capacity to make binding decisions on behalf of the partners. An Inter Authority Agreement is required to formalise the constitutional arrangements and

	<p>confer decision-making powers to the Board within prescribed limits. The Board has two stages of Bid development to manage. The first stage, leading to the agreement of a Growth Deal with Governments is the Bid preparatory and development stage. This will run until mid-2019. The second stage, post agreement of the Bid, which will run from mid-2019 and for a number of years, will be the Bid implementation and delivery stage.</p>
1.03	<p>The Committee has adopted the working title The North Wales Economic Ambition Board from the former regional advisory body of the same name. The full members of the Board are the six unitary authorities within the region. Bangor University, Glyndwr University, Coleg Cambria and Grwp Llandrillo – Menai (College), and the North Wales Mersey Dee Business Council are advisory members of the Board. This report presents the Inter Authority Agreement for the first stage of regional working for adoption. The term Governance Agreement is used in place of Inter Authority Agreement as the partnership has a membership beyond local authorities alone.</p>
1.04	<p>The former Economic Ambition Board will become a stakeholder group with a membership of representatives from the growth and foundation sectors which make up the regional economy. The stakeholder group will be an important reference group to input concepts and proposals for regional growth, to provide expert advice and evidence to inform decision-making, and to hold the Board to account for progress with the regional vision and strategy and the Growth Deal Bid. The Chair of the stakeholder group will be invited to be an advisory member of the new Board at its discretion. The formal relationship with the stakeholder group, which is in the process of being formed, will be embodied in the second Governance Agreement.</p>
1.05	<p>This report does not attempt to present the content of the developing Growth Deal Bid in depth as its prime purpose is to present the Governance Agreement for adoption. The Economic Ambition Board will be agreeing a Strategic Proposition for the Bid at its next meeting (15 July) and this will be made available to the memberships of the partner bodies once finalised. All six councils are being encouraged to hold internal briefings with their members to both keep them up to date with developments and to take their views as part of ongoing consultation and engagement.</p>
1.06	<p>The developing Growth Deal Bid is based on these principal programme themes:-</p> <ul style="list-style-type: none"> <li>• Land and property</li> <li>• Energy</li> <li>• Technology and innovation</li> <li>• Regional business growth</li> <li>• Skills and employment</li> <li>• Skills centres of excellence</li> <li>• Digital connectivity</li> <li>• Strategic transport</li> </ul>

2.00	THE GOVERNANCE MODEL AND GOVERNANCE AGREEMENT
2.01	<p>All partners to the Growth Deal Bid work adopted the preferred governance model in 2017 and it is now a well-established model which is on track to present a Bid to Governments for initial agreement within 2018. A Governance Agreement has been developed for this first stage of the Growth Deal Bid for adoption by all partners to the North Wales Economic Ambition Board. The Governance Agreement (hereinafter referred to as the GA) has been developed by the regional Heads of Legal network and with the expert and independent advice of legal advisors Pinsents. Key features of the GA are summarised in the following paragraphs.</p>
2.02	<p>The Economic Ambition Board itself consists of representatives from each local authority (the leaders), the two universities and the two further education colleagues, and the North Wales Mersey Dee Business Council. Over time, the Board will be supported by a number of specialist sub-boards. These sub-boards will expand the range of stakeholders involved in the governance model. A diagrammatic representation of the Board and sub-boards is attached at Appendix 2. Draft Terms of Reference have been prepared for the Board and sub-boards covering membership; chairing; the roles, functions, responsibilities and powers; speaking and decision-making.</p>
2.03	<p>The adopted governance model for the Board is an executive joint committee i.e. a joint committee of cabinets. This model is not ideally suited for how the board wishes to operate, for example the non-local authority partners cannot be voting members of an executive joint committee, but the model is the best available one under the existing legislation. To work around these restrictions a method of operating is proposed whereby the Board will seek to achieve a consensus before taking a formal vote. A legislative model that permits full participation by all partners is expected to be included by Welsh Government in its Local Government Bill reform Bill due later this year.</p>
2.04	<p>The GA includes the right for any two parties to ask for a matter to be reconsidered at the next meeting of the Board. This would allow a “cooling off” period and would give the Board more time to find a resolution over challenging decisions. This provision reinforces the intention to work by consensus, and protects those parties who do not have a formal vote.</p>
2.05	<p>Some principal areas of decision-making, called “reserved matters”, will be outside the delegated authority of the Board. The proposed decision of the Board in the case of a reserved matter would first need to be considered and consented to by each partner body to the Board. In the case of the six councils this would require a formal decision by the Cabinet or Council. The list of reserved matters includes:-</p> <ul style="list-style-type: none"> <li>• Agreement of functions to be given to the Board;</li> <li>• Agreement of annual budget contributions for the Board and the authority;</li> <li>• Investment and borrowing commitments and risk exposure levels; and</li> <li>• Allocation of land and other asset for pooling.</li> </ul>

2.06	This means that, for the six councils, the most important decisions will be taken locally, with the work of the Board having some direction from the wider membership. Constitutional provisions of this type are a source of assurance for members, and respect and value the role of the local overview and scrutiny function. During this first stage of work on the Bid it is proposed that the proposals of the Board for the Bid should be subject to local scrutiny through the most appropriate overview and scrutiny committee in each council, rather than introduce a form of regional scrutiny which could be seen to be remote.
2.07	The Board has the capacity to create Sub-Boards which might either have a statutory basis or an advisory basis, depending on their functions, powers and memberships. The first Boards to be created are the Transport Sub-Board and the Digital Delivery Sub-Board. Both of these will be formally constituted as sub-committees, on a statutory basis, so as to be capable of having powers delegated to them. The pre-existing Regional Skills Partnership, a creation of Welsh Government, will report dually to Welsh Government and to the Board as an advisory Sub-Board. The set of recommended Sub-Boards needed for the second stage of the Growth Deal Bid will be embodied in the second Governance Agreement.
2.08	The GA also include reciprocal obligations between the partners and whichever council is chosen to be the host authority for the Board, such as shared liability for employment costs. All partners will sign the GA to give them certainty about the extent of their obligations and liability.
2.09	The Governance Agreement here presented is for the first stage of the work of the Board only. A second and more comprehensive Governance Agreement will be developed and presented for the second stage - Bid implementation and delivery - in early 2019.

<b>3.00</b>	<b>NEXT STAGES OF GROWTH DEAL BID DEVELOPMENT AND APPROVAL</b>
3.01	The Growth Deal Bid is now at an advanced stage of development with Bid content about to be prioritised according to (1) regional choice and ambition (2) informal Government advice on the programmes and projects which might qualify for their support and (3) business case assessments.
3.02	The Growth Deal Bid will move through two approval stages. Firstly, a Heads of Terms Agreement on the strategic content for further development and, secondly, final agreement of the detailed content supported by full and final five case business model evidence and analysis. We aim to have reached Heads of Terms Agreement in the Autumn of this year, and the final agreement for the new financial year 2019/20.
3.03	The partners to the Board, and signatories to the Governance Agreement, will be presented with the final draft Growth Deal Bid for review and consent in September/October prior to the stage of reaching Heads of Terms with both Governments.
3.04	The Growth Deal is not the only intervention to support the aims and

	<p>objectives of the wider vision and strategy for the region. Welsh Government is already committed to significant capital investment in transport infrastructure in the region alongside the Bid, both road and rail, and other investments such as the opening-up of the Northern Gateway site for inward investment and the Advanced Manufacturing Research Institute at Broughton. The Growth Track 360 strategy for cross-border rail network investment is progressing at a UK Government level. Welsh Government has recently announced the new Wales and Borders Rail Franchise with infrastructure and service improvements. Further investment programmes might be negotiated separately. The unity of the region behind the vision and adopted strategy is an important factor in having negotiating purpose, credibility and leverage.</p>
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<b>4.00</b>	<b>RESOURCE IMPLICATIONS</b>
4.01	<p>A Growth Deal Bid is a major investment in a region by Governments with risks and benefits shared with the local authorities and their partners in the region. Investment capacity is a major consideration in designing the Bid. The full cost implications of the possible Growth Deal will be reported at the Heads of Terms stage.</p>

<b>5.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
5.01	<p>There is extensive consultation across sectors in the development of the Bid and its priority content. The partners to the Bid have been encouraged to hold internal briefings with their respective memberships. Engagement of the private sector has been continuous, primarily through the North Wales Mersey Dee Business Council. Engagement with the Welsh Government and UK Government is at Cabinet Secretary and Secretary of State level.</p>

<b>6.00</b>	<b>RISK MANAGEMENT</b>
6.01	<p>A full risk assessment of the possible Growth Deal will be reported at the Heads of Terms stage. Risk analysis is built into the business case modelling for the programmes and projects which make-up the developing Bid.</p>

<b>7.00</b>	<b>APPENDICES</b>
7.01	<p>Appendix 1: Governance Agreement 1  Appendix 2: Diagrammatic of the Governance Model  Appendix 3: Terms of Reference</p>

<b>8.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
8.01	<p>Regional vision and strategy; Shadow Board agenda papers.</p> <p><b>Contact Officer:</b> Colin Everett, Chief Executive <b>Telephone:</b> 01352 702101 <b>E-mail:</b> <a href="mailto:chief.executive@flintshire.gov.uk">chief.executive@flintshire.gov.uk</a></p>

<b>9.00</b>	<b>GLOSSARY OF TERMS</b>
9.01	<p><b>Inter Authority Agreement or Governance Agreement</b> – interchangeable terms for a legally binding agreement between collaborative partners to regulate constitutional working and the sharing of risk and benefit.</p> <p><b>Growth Deal</b> – funds provided to Local Enterprise Partnerships in England, and local authority partnerships in Wales, for economic intervention programmes which benefit the region and its economy.</p> <p><b>Devolution Deals</b>- have no set format, but involve the devolution of powers and budgets for the delivery of interventionist programmes and services across a region.</p> <p><b>North Wales Mersey Dee Business Council</b> – a membership-based representative body of the private and business sectors in North Wales and the Mersey Dee sub-region.</p> <p><b>Five Case Business Model</b> – an established method for making business cases in support of proposals for investment operated under Treasury guidelines.</p>