

Cyd-Bwyllgor Dinas-Ranbarth Bae Abertawe

Lleoliad: Cyngor Sir Gar

Dyddiad: Dydd Iau, 28 Mawrth 2019

Amser: 2.00 pm

Cyn 28 Mai 2019, Cyngor Sir Gâr oedd yr awdurdod cynnal ar gyfer cyfarfodydd y cyd-bwyllgor, a cheir mwy o wybodaeth, gan gynnwys agendâu a chofnodion, ar ei wefan.



Swansea Bay City Region Joint Committee
Democratic Services Unit,
Chief Executive's Department,
Carmarthenshire County Council,
County Hall,
Carmarthen SA31 1JP.

FRIDAY, 22 MARCH 2019

TO: ALL MEMBERS OF THE SWANSEA BAY CITY REGION JOINT COMMITTEE

I HEREBY SUMMON YOU TO ATTEND A MEETING OF THE **SWANSEA BAY CITY REGION JOINT COMMITTEE** WHICH WILL BE HELD IN THE **DEMOCRATIC SERVICES COMMITTEE ROOM, - COUNTY HALL, CARMARTHEN. SA31 1JP. AT 11.00 AM, ON THURSDAY, 28TH MARCH, 2019** FOR THE TRANSACTION OF THE BUSINESS OUTLINED ON THE ATTACHED AGENDA

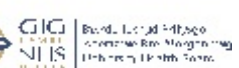
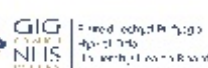
Mark James

**CHIEF EXECUTIVE
CARMARTHENSHIRE COUNTY COUNCIL**

Democratic Officer:	Gaynor Morgan
Telephone (direct line):	01267 224026
E-Mail:	GMorgan@sirgar.gov.uk



Page 1



<p>SWANSEA BAY CITY REGION JOINT COMMITTEE (Leaders of the 4 local authorities and 5 Co-optees)</p>
--

CARMARTHENSHIRE COUNTY COUNCIL

COUNCILLOR EMLYN DOLE

NEATH PORT TALBOT

COUNCILLOR ROB JONES

CITY & COUNTY OF SWANSEA

COUNCILLOR ROB STEWART

PEMBROKESHIRE COUNTY COUNCIL

COUNCILLOR DAVID SIMPSON

CO-OPTED NON VOTING REPRESENTATIVES

(5 year period 31st August 2018 – 30th August 2023)

Professor Medwin Hughes University of Wales Trinity St David

Professor Andrew Davies Abertawe Bro Morgannwg Health Board

Professor Iwan Davies* Swansea University

Judith Hardisty* Hywel Dda University Health Board

Edward Tomp Chair of the Economic Strategy Board

*To be confirmed at the meeting

A G E N D A

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF PERSONAL INTEREST**
3. **TO SIGN AS A CORRECT RECORD THE MINUTES OF THE JOINT COMMITTEE MEETING HELD ON THE 24TH JANUARY 2019** 5 - 10
4. **NOTIFICATION OF CHANGE OF CO-OPTED REPRESENTATION ON THE JOINT COMMITTEE**
 1. To endorse the formal notification from Swansea University that its representatives on the Joint Committee going forward will be:-

Professor Iwan Davies
Professor Steve Wilks (Reserve Member)
 2. To endorse the formal notification from Hywel Dda University Health Board that Judith Hardisty will be their representative going forward (replacing Bernadine Rees).
5. **SWANSEA BAY CITY DEAL INDEPENDENT REVIEW: UK AND WELSH GOVERNMENT** 11 - 36
6. **SWANSEA BAY CITY DEAL INTERNAL REVIEW OF GOVERNANCE ARRANGEMENTS REPORT MARCH 2019** 37 - 62
7. **CARMARTHENSHIRE COUNTY COUNCIL - LLANELLI WELLNESS AND LIFE SCIENCE VILLAGE REVIEWS** 63 - 88
8. **PEMBROKE DOCK MARINE PROJECT** 89 - 110
9. **DEVELOPMENT OF HOMES AS POWER STATIONS, DIGITAL, SKILLS AND TALENT AND PEMBROKE DOCK MARINE** 111 - 114
10. **PROJECTS ISSUE LOG AND RISK REGISTER** 115 - 130
11. **RETROSPECTIVE CLAIMS - DEFRAIDED EXPENDITURE** 131 - 134
12. **CORRESPONDENCE:-**
 - 12.1 **LETTER FROM THE CHAIR OF THE SWANSEA BAY CITY REGION JOINT SCRUTINY COMMITTEE (15th February 2019)** 135 - 146
 - 12.2 **LETTER FROM THE CHAIR OF THE SWANSEA BAY CITY REGION JOINT SCRUTINY COMMITTEE (5th March 2019)** 147 - 150
13. **EXCLUSION OF THE PUBLIC**

THE REPORTS RELATING TO THE FOLLOWING ITEMS ARE

NOT FOR PUBLICATION AS THEY CONTAIN EXEMPT INFORMATION AS DEFINED IN PARAGRAPH 14 OF PART 4 OF SCHEDULE 12A TO THE LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) (WALES) ORDER 2007. IF, FOLLOWING THE APPLICATION OF THE PUBLIC INTEREST TEST, THE JOINT COMMITTEE RESOLVES PURSUANT TO THE ACT TO CONSIDER THESE ITEMS IN PRIVATE, THE PUBLIC WILL BE EXCLUDED FROM THE MEETING DURING SUCH CONSIDERATION

- | | |
|--|-------------------|
| 14. YR EGIN RESUBMISSION | 151 - 758 |
| 15. SWANSEA CITY AND WATERFRONT DIGITAL DISTRICT RESUBMISSION | 759 - 1062 |

(NOTE: THESE MINUTES ARE SUBJECT TO CONFIRMATION BY THE JOINT COMMITTEE AT ITS NEXT MEETING)

SWANSEA BAY CITY REGION JOINT COMMITTEE

Thursday, 24 January 2019

PRESENT: Councillor R. Stewart (Chair)

Councillors:

E. Dole, R. Jones and D. Simpson

Co-optees:

Dr J. Davidson, University of Wales Trinity St David (Reserve Member)

Prof A. Davies, Abertawe Bro Morgannwg University Health Board

B. Rees, Hywel Dda University Health Board

E. Tomp, Chair of the Economic Strategy Board

The following Officers were in attendance:

M. James, Chief Executive, Carmarthenshire County Council

S. Phillips, Chief Executive, Neath Port Talbot County Council

I. Westley, Chief Executive, Pembrokeshire County Council

M. Nicholls, Director of Place, Swansea Council

C. Moore, Joint Committee S.151 Officer

L. R. Jones, Joint Committee Monitoring Officer

W. Walters, Director of Regeneration and Policy

G. Morgan, Democratic Services Manager

H. Morgan, Economic Development Manager

R. Phillips, Funding Manager

G. Jones, Communications and Marketing Officer (City Deal)

R. Llewellyn, Performance, Governance and Policy Officer

A. Miller, European Technical Officer

J. Laimann, Democratic Services Officer

Democratic Services Committee Room, County Hall, Carmarthen. 2.00 - 3.25 pm

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Professor Medwin Hughes (University of Wales Trinity St David). Dr Jane Davidson attended the meeting as a substitute.

2. DECLARATIONS OF PERSONAL INTEREST

There were no declarations of personal interest made at the meeting.

3. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE JOINT COMMITTEE MEETING HELD ON THE 14TH DECEMBER 2018

The Chair advised that an updated version of the minutes had been circulated and that changes from the previous version were highlighted in bold.



UNANIMOUSLY RESOLVED that the updated minutes of the meeting of the Swansea Bay City Region Joint Committee held on the 14th December 2018 be signed as a correct record.

4. SWANSEA BAY CITY DEAL PROJECTS UPDATE

The Joint Committee received an update report on the following local and regional projects funded under the City Deal:

- Digital Infrastructure;
- Swansea City & Waterfront Digital District;
- Skills & Talent;
- Yr Egin;
- Llanelli Life Science & Well-Being Village;
- Llanelli Life Science & Well-Being Campus;
- Homes as Power Stations;
- Centre of Excellence in Next Generation Services (CENGs);
- Astute Factory of the Future;
- Steel Science;
- Pembroke Dock Marine.

Projects Leads were encouraged to report any challenges to their projects' progress so that the Joint Committee could assist in resolving these where possible. To support this, it was suggested that an issue log and risk registers for individual projects be introduced as standing agenda items for future Joint Committee meetings. The individual project risk registers could be combined into a Joint Committee risk register.

With regard to HAPS, it was suggested that a cap on rent increases introduced by the Welsh Government could affect one of the project's revenue streams. After being advised that the rent cap may be an interim policy, the Chair suggested that it would be appropriate to seek clarification from the Welsh Ministers.

Having been advised that the new Vice-Chancellor of Swansea University would not be in place until July 2019, it was suggested that a letter be sent to the acting Vice-Chancellor seeking reassurance that Swansea University remained committed to the City Deal and each individual City Deal project.

With regard to the Pembroke Dock Marine Project, the Project Authority Lead advised that they were awaiting feedback from the Welsh Government on supplementary information to the draft full business case. The Project Lead



emphasised that it was critical for the project's viability to receive reassurance on funding arrangements from the Welsh Government by Mid-March.

A number of statements were made expressing concern regarding delays in Government approval for the City Deal projects which in turn delayed project delivery and exposed each partner to an element of financial risk. The Accountable Officer advised that such delays were frustrating, however he had recently raised this matter at a meeting with officials and it was hoped that ongoing delays would be resolved.

In response to a question on the Wales Audit Office review of the Llanelli Life Science and Well-Being project, the Committee S.151 Officer advised that the statement in the press was inaccurate and that the reporter had been asked to seek clarification from the WAO but had declined to do so. Documentary evidence to support the Council's correspondence with the WAO was available. In terms of scrutiny of the project, the Joint Committee Monitoring Officer advised that, under the Joint Committee Agreement, scrutiny of individual projects rested with each individual authority. The Chair advised that the Joint Scrutiny Committee had invited himself and the Lead Chief Executive to provide an update on the review and he had agreed to this request.

UNANIMOUSLY RESOLVED

- 4.1. That the projects update report be received;**
- 4.2. That project issue logs and risk registers be included as standing agenda items for future Joint Committee meetings;**
- 4.3. That a letter be sent to the Welsh Government asking for clarification regarding the cap on rent increases;**
- 4.4. That a letter be sent to the acting Vice-Chancellor of Swansea University seeking reassurance that the University remains committed to the City Deal and each individual project;**
- 4.5. That a letter be sent asking the UK and Welsh Governments to issue a letter of comfort regarding its financial support for Pembroke Dock Marine.**

5. TERMS OF REFERENCE FOR JOINT COMMITTEE INTERNAL REVIEW OF THE CITY DEAL

The Joint Committee considered a report on the final Terms of Reference and Programme for the internal review into the Swansea Bay City Deal governance arrangements, which was agreed at the previous meeting held on the 14th December 2018 (Minute 11 refers). The review, led by Pembrokeshire County Council, would be supported by a nominated Senior Auditor from Carmarthenshire, Neath Port Talbot and Swansea Councils.



The Joint Committee was advised that the Terms of Reference were structured around seven core principles and that all issues previously raised at the meeting had been incorporated into the review.

It was emphasised that it was reassuring that the Terms of Reference for the Internal and the Independent Review were largely compatible and aligned with each other. Members suggested that the Internal Review should aim to conclude around the same time as the Independent Review and that the findings of both reviews could be brought together in a single body of recommendations. The Chair confirmed that Co-opted Members would be included within the review.

UNANIMOUSLY RESOLVED

- 5.1. That the Terms of Reference for the Joint Committee Internal Review into the Swansea Bay City Deal be noted;**
- 5.2. That all Joint Committee Members be included in the review and Terms of Reference document.**

6. UK AND WELSH GOVERNMENT SWANSEA BAY CITY DEAL INDEPENDENT REVIEW - TERMS OF REFERENCE

The Joint Committee considered a report on the full Terms of Reference for the Independent Review of the Swansea Bay City Deal as advised by the UK and Welsh Governments. The report noted that the Joint Committee and City Deal Regional Office had been advised on the 6th December 2018 that both Governments had agreed to commission an independent review. Both Governments had announced assessing the progress to date to seek assurance that all elements of the Deal would deliver the full economic benefits promised by the City Deal and that due diligence and governance had been followed in all elements of the Deal and its implementation.

UNANIMOUSLY RESOLVED that the UK and Welsh Government Terms of Reference for their Independent Review of the Swansea Bay City Deal be received.

7. ECONOMIC STRATEGY BOARD - REPLACEMENT MEMBER

The Joint Committee considered the nomination of Lynne Hamilton to replace Mr Hamish Laing as life science / wellbeing representative on the Economic Strategy Board. The Joint Committee was advised that Mr Laing had resigned his position on the Abertawe Bro Morgannwg University Health Board and that the Health Board had nominated Lynne Hamilton as the replacement representative. The Joint Committee was also advised that, under the Joint Committee Agreement, all proposals for the recruitment and nomination of Economic Strategy Board members needed to be approved by the Welsh and UK Governments.



(NOTE: THESE MINUTES ARE SUBJECT TO CONFIRMATION BY THE JOINT COMMITTEE AT ITS NEXT MEETING)

UNANIMOUSLY RESOLVED that the nomination of Lynne Hamilton as life science / wellbeing representative on the Economic Strategy Board be forwarded to the Welsh and UK Governments for consideration.

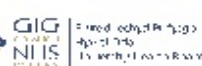
8. JOINT COMMITTEE - SCHEDULE OF MEETINGS APRIL 2019 - MARCH 2020

The Joint Committee considered a proposed schedule of meetings for the period April 2019 – March 2020.

UNANIMOUSLY RESOLVED to approve the schedule of meetings for the Joint Committee for the period April 2019 – March 2020.

CHAIR

DATE _____



This page is intentionally left blank



SWANSEA BAY CITY REGION JOINT COMMITTEE

28TH MARCH 2019

SWANSEA BAY CITY DEAL INDEPENDENT REVIEW: UK AND WELSH GOVERNMENT REVIEW

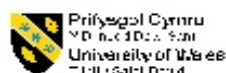
RECOMMENDATIONS / KEY DECISIONS REQUIRED:

To consider the report and recommendations of the UK and Welsh Government in response to the Swansea Bay City Deal Independent Review.

REASONS:

In December 2018 the UK and Welsh Governments announced that an independent review would be carried out into the Swansea Bay City Deal. The review has now been concluded and the published report is placed formally before the Joint Committee for its consideration.

<p>Lead</p> <p>Cllr Rob Stewart –</p> <p>This is a UK/Welsh Government report.</p>	<p>Designation:</p> <p>Chair of the Joint Committee</p>	<p>Tel No. 01267 224010</p> <p>E.Mail:LRJones@carmarthenshire.gov.uk</p>
---	---	---



EXECUTIVE SUMMARY

SWANSEA BAY CITY REGION JOINT COMMITTEE

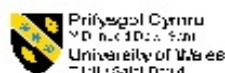
28TH MARCH 2019

SWANSEA BAY CITY DEAL INDEPENDENT REVIEW: UK AND WELSH GOVERNMENT REVIEW

In December 2018 the UK and Welsh Governments announced that an independent review would be carried out into the Swansea Bay City Deal.

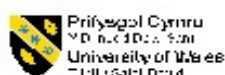
The review was published on the 15th March 2019 and the Joint Committee is asked to formally receive and consider the 7 recommendations contained within the report. The UK and Welsh Governments have already discussed the recommendations with the leaders of each local authority in the region and will continue to work closely with them over the coming weeks to consider how the recommendations can be implemented

DETAILED REPORT ATTACHED?	YES – Copy of the review
---------------------------	--------------------------



IMPLICATIONS

Policy, Crime & Disorder and Equalities	Legal	Finance	Risk Management Issues	Staffing Implications
NONE	YES	Not at this stage	Not at this stage	YES
Legal Some recommendations within the report may require changes to the Joint Committee Agreement.				
Finance				
Risk Management				
Staffing The review recommends the appointment of a Portfolio Director before May 2019 to ensure continuity of Swansea Bay City Deal leadership and independent authoritative advice to the Boards, and changes to the current structure and role of the Regional Office.				



CONSULTATIONS

N/A

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

Title of Document	File Ref No.	Locations that the papers are available for public inspection/WEBSITE LINK
UK & WG Review Document		https://www.gov.uk/government/publications/swansea-bay-city-deal-independent-review



Swansea Bay City Deal Independent Review

PC828D002 v1.0

26th February 2019

Executive Summary

Introduction

In January 2019, Actica Consulting Ltd was commissioned jointly by the Welsh and UK Governments to undertake a rapid, independently led Review of the arrangements for the delivery of the £1.3bn Swansea Bay City Deal¹ (SBCD). The Review was to provide both the Welsh and UK Government Ministers with an assessment of the deliverability of the Deal.

The Swansea Bay City Deal

The Swansea Bay City Region is a critically important driver for the Welsh and UK economy. It is a region with strong urban centres complemented by a wider rural landscape and a significant coastal footprint that has created a diverse economic profile with numerous opportunities and challenges.

The City Deal aims to provide the region and its partners with the new ways of working and resources to unlock significant economic growth across the Swansea Bay City Region. Both the Welsh and UK Governments have committed jointly to invest, subject to submission and approval of full business cases for the 11 constituent projects. This investment is also subject to agreement of governance arrangements for the Deal to support and further build on the Region's strengths which include health, energy and manufacturing: underpinned by a world-class digital infrastructure, successful universities and innovative health boards. The Deal's Heads of Terms - signed on 20th March 2017 by the Welsh Government, the UK Government and all 4 Regional Local Authorities - committed the Governments to jointly fund the Deal with £241M (£125.4M from Wales and £115.6M from UK) over 15 years to achieve 9,000 new jobs and a £1.8Bn uplift in Gross Value Added. The Local Authority and local partners from the private and public centre will also contribute funding. The intention is that the total funds from all sources over the period will be of the order of £1.3Bn.

Review Team Findings

The Review Team are confident that both Governments are committed to the success of the City Deal. We note also that Regional Partners are invested in delivering a portfolio of programmes in the spirit of the Heads of Terms outcomes. We are convinced that the Swansea Bay City Deal will have a positive impact on the region. We observe that within a healthy portfolio, programmes and projects will evolve and, in some cases, change radically to meet changing circumstances. Some will succeed while others may not. It is our view that as issues of expertise and authoritative independent management are addressed, the relationship between all parties will mature, increasing collaboration and resulting in a slicker process with an increased focus on the delivery of outcomes at pace. Commitment of funds in the short term is critical: both to give confidence to all parties and to ensure that the financial exposure of Local Authorities remains manageable. In the longer term the portfolio will grow stronger as the opportunities available to the City Deal are further explored.

The report makes 7 recommendations to improve the deliverability of the Deal's outcomes which are tabulated below.

¹ Contract Award C299/2018/2019 dated 10 January 2019: Contract to commence wef 14 January 2019.

ID	Recommendation	Urgency
1	Pre-scrutiny should be encouraged but direct and regular face-to-face contact between those writing the Business Cases and those providing comment upon them and advising those who will grant approval is essential.	Urgent by end March 2019
2	The Regional Office should be designated as a Portfolio Management Office, leavening their skills with experienced Portfolio/Programme/Project Management (P3M) specialists.	Important by end June 2019
3	The City Team should (with the support of the Welsh Government Assurance Hub and IPA as necessary) put in place a best practice Integrated Assurance and Approval Plan (IAAP) for the Portfolio. All parties should specifically consider the OGC Gateway™ Review process as a key part of that plan.	Important by end March 2019
4	Under the chair of the JSC each SBOD board should consider the TORs and ways of working of each to ensure that they work as intended. In doing so they should take account of this review and of the outcome of the audits currently being undertaken.	Important by end March 2019
5	A Portfolio Director should be appointed before May 2019 to ensure continuity of Swansea Bay City Deal leadership and independent authoritative advice to the Boards.	Urgent by end April 2019
6	The SBOD should be managed as a Portfolio not as a set of predetermined and immutable projects.	Important by end June 2019
7	For Yr Egin and Swansea Waterfront, the two business cases which we consider are close to final approval, senior UK Government and Welsh Government and Local Authority officials should aim to reach a swift conclusion to ensure that funding can flow as needed.	Immediate

Addressee

	Name	Date
Prepared by	Actica Consulting	24/02/2019
Delivered to	UK and Welsh Governments	26/02/2019

List of Contents

Executive Summary	i
Addressee	iii
1 Introduction	1
1.1 Scope of the Review	1
1.2 Methodology and Approach	1
1.3 Considerations	2
2 Background to this Review	3
2.1 The Swansea Bay City Region Deal	3
2.2 Timeline	3
3 Review Observations, Analysis, Key Findings and Recommendations	5
3.1 Introduction	5
3.2 Progress	5
3.3 Project Approval Process – Governance and Assurance	6
3.4 Swansea Bay City Deal Governance	9
3.5 Swansea Bay City Deal Business Cases	11
3.6 Swansea Bay Future Programme delivery capability	12
3.7 Way Forward	13
A Confidence in the Deliverability of Planned SBCD Outcomes	14

INTENTIONALLY BLANK

1 Introduction

1.1 Scope of the Review

1.1.1 In January 2019, Actica Consulting Ltd was commissioned jointly by the Welsh and UK Governments to undertake a rapid, independently led, joint Government Review of the arrangements for the delivery of the £1.3bn Swansea Bay City Deal. The main focus of the review was:

- a. The alignment of the constituent projects to the overall strategic objectives of the City Deal, to ensure that the benefits can be realised.
- b. The overall risks to delivery of the City Deal, including the appropriateness and deliverability of the constituent projects, in particular focussing on those that have started their delivery lifecycle as the first tranche of projects.
- c. The interactions between the Joint Committee and City Deal governance structures with the regional governance structures to make recommendations on the provision of robust assurance.
- d. The overall due diligence practices in operation on the first tranche of projects and whether these have received the appropriate level of financial assurance.

1.1.2 The Review was to deliver a joint report to both Governments within six working weeks, recognising a balance between urgency and comprehensiveness.

1.1.3 The Review Team was asked to make any recommendations that would improve the deliverability of the outcomes of the Deal.

1.1.4 It was noted that whilst the Review should provide specific recommendations for action, all final decisions would rest with Ministers or the Joint Committee as appropriate.

1.1.5 Finally, the Review Team was informed that the development of the Business Cases, recommendation of any individual Business Case for release of funding or consideration of alternative projects was out of scope.

1.2 Methodology and Approach

1.2.1 The Review Team adopted a three-stage approach based on proven well established independent peer review techniques, consisting of Discovery, Analysis and Output phases.

1.2.2 Discovery: A period of learning and engagement consisting of an Initiation meeting, pre-reading of programme documentation and Interviews with Stakeholders.

1.2.3 Analysis: A period of reflection on the findings of Discovery, cross-referencing the interview evidence with a thorough assessment of the documented processes and procedures to eliminate any biases or blind spots. This analysis was also to reflect upon the practical delivery of the programme outcomes and the governance.

1.2.4 Output: The compilation of the findings and recommendations into a report based around the key questions laid out in the Terms of Reference, with the final report issued at Ministerial level.

1.2.5 It is important to note that the final report is an evidence-based snapshot of the programmes' status at the time of the review.

1.3 Considerations

1.3.1 The Review's conclusions and recommendations need to be understood and taken within the context of its constrained scope and methodology and the limited due diligence possible in the available timescales. Its Recommendations are graded 'Immediate' (do now), 'Urgent' (do by...), and 'Important' (do by...). To ensure focus we have limited the number of recommendations. There are a number of incremental improvements and some implied recommendations within the report which we would expect the Portfolio Director and an appropriately experienced team to take forward as a matter of normal business.

1.3.2 The Review Team would like to thank all of the stakeholders who attended for interview for their support and openness, which contributed to the Review Team's understanding of the Programme and the outcome of this Review. Particular thanks go to the Swansea Bay City Deal Regional Office Secretariat for managing the key logistics for the review and coordinating the Regional interview process.

1.3.3 It is important to note that this report looks forward rather than back and focuses on the lessons learned (and hence actions that could be taken) by all parties to move the City Deal Forward. Suggestions for improvement by Stakeholders, reflecting their recent experience of the City Deal, have informed our recommendations.

1.3.4 The Review Team would also like to make it clear that this is an independent and objective review, not an audit. It does not, in any way, consider any implications arising from the recent publicity around the Life Science & Wellness Village programme, which is subject to internal audit by the University, the Local Authorities and to an external audit by the Wales Audit Office.

2 Background to this Review

2.1 The Swansea Bay City Region Deal

2.1.1 The Swansea Bay City Region is a critically important driver for the Welsh and UK economy. It is a region with strong urban centres complemented by a wider rural landscape and a significant coastal footprint that has created a diverse economic profile with numerous opportunities and challenges.

2.1.2 This City Deal aims to provide the region and its partners with the new ways of working and resources to unlock significant economic growth across the Swansea Bay City Region. It is a Deal where both Welsh and UK Governments have committed to jointly invest, subject to the submission and approval of full business cases in relation to the eleven identified projects and the agreement of governance arrangements for the deal. This is made up of £241 million of government funding which is intended to unlock other private and public sector funds on specific interventions which seek to support and further build on the region's strengths which include health, energy and manufacturing sectors and are underpinned by a world-class digital infrastructure, successful universities and innovative health boards. The City Deal is structured around eleven project proposals, set against four themes, with major investment in the region's digital infrastructure and workforce, skills and talent underpinning each.

2.1.3 The Deal provides an opportunity to continue tackling the area's barriers to economic growth through: developing higher value sectors and higher value employment opportunities to match; increasing the number of businesses within these sectors to widen the economic base; and improving the region's Gross Value Add level against the UK average.

2.1.4 As well as taking forward projects and programmes to drive economic growth, the City Deal commits local leaders and partners to implementing effective leadership across the City Region. In agreeing this deal, the four local authority leaders across the Swansea Bay City Region have agreed to create and have setup a regional Economic Strategy Board and a Joint Committee to oversee the delivery of this City Deal.

2.1.5 Local partners within the Swansea Bay City Region estimate that this City Deal will lead to:

- a. Funding of nearly £1.3 billion for interventions to support economic growth;
- b. Over £600 million of direct private sector investment leveraged to deliver interventions;
- c. Investment spread across the whole of the region to ensure all localities and citizens can benefit;
- d. An overall increase to the economy of over 9,000 gross direct jobs;
- e. A contribution to regional GVA of £1.8 billion.

2.2 Timeline

2.2.1 Swansea Bay City Region Board published its vision document 'An Internet Coast' in February 2016. Shortly afterwards the Welsh and UK Governments opened negotiations on a City Deal for the region in March 2016.

2.2.2 On 20th March 2017 the Heads of Terms for the £1.3bn City Deal were signed. This document provided the foundations for the City Deal and confirmed the joint commitment among the

four local authorities and the Welsh and UK Governments to ensure full implementation of the Swansea Bay City Region City Deal. This was subject to funding conditions set by Government being met. The Heads of Terms document also referenced a wider suite of control and governance documents, laying the foundations for the City Deal.

- 2.2.3 Over the next 15 years, the City Deal aims to boost the local economy by £1.8bn. It will be underpinned by £125.4m Welsh Government funding, £115.6m of UK Government funding, £396m from the four local authorities and other public sector bodies in the region together with £637m from the private sector.
- 2.2.4 In July 2018, all four local authorities approved their Joint Committee Agreement. This legal agreement establishes the key governance structures such as the Joint Committee, the Economic Strategy Board and Scrutiny Committee and commits the four local authorities to work together over the 15 years of the Deal.
- 2.2.5 The Regional Office was established using staff redeployed from Carmarthen County Council (CCC) to provide a secretariat function. The Office also provide this function for CCC projects without the Swansea Bay City Deal (SBCD).
- 2.2.6 The provision of Government funding is subject to the agreement of governance arrangements for the Deal and the submission and approval of full business cases in relation to the eleven identified projects, as was set out in the Heads of Terms. To date none have been submitted formally.
- 2.2.7 In January 2019, the rapid, independently led, joint Government Review of the arrangements for the delivery of the £1.3bn Swansea Bay City Deal was commissioned: the outcome of which is this report.

3 Review Observations, Analysis, Key Findings and Recommendations

3.1 Introduction

3.1.1 This section summarises the Review Team's Key Observations following stakeholder interviews, along with specific recommendations on how to move the programme forward.

3.1.2 The Swansea Bay City Deal (SBCD) Portfolio is currently faced with the following issues:

- a. A perception that the Portfolio is not making sufficient progress since the Heads of Terms were signed on 20th March 2017;
- b. Events have called into question governance and have led to wider concerns regarding assurance and confidence in the Region's ability to deliver the anticipated outcomes;
- c. Local Authorities will incur, on programmes already started in good faith, unanticipated borrowing costs and greater restrictions on their borrowing next year if Government funding is not made available as expected.

3.1.3 Consequently, both Governments, who remain committed to the success of the Deal, seek practical recommendations that may be implemented in the short/medium term.

3.2 Progress

3.2.1 The Review Team found that there is a view that progress of the SBCD has been unduly slow in comparison with other city deals in Wales. Some have expressed a view that the Heads of Terms were perhaps immature compared to those agreed subsequently; others have argued that they were only ever meant to be a loose framework. We have heard that the signing of the Heads of Terms was preceded by volatility in the City Deal management team and this caused a hiatus post signing which impacted on the drawing up of the Joint Committee Agreement (JCA). The construction of this deal is different from earlier city deals. It is project-based, with each project requiring the approval of both UK and Welsh Governments. This additional approval level has added a level of due diligence and a demand for assurance which the SBCD has found difficult to supply and consequently the relationship between the City Deal and the two Governments has suffered. We note that in later City Deals, certainly where they have been centred on one urban centre, quicker progress has been made.

3.2.2 Since the Heads of Terms was signed by all parties on 20th March 2017 in Swansea, the participants in the City Deal (the four Local Authorities, the two Health Bodies, and two Universities) together with the two Governments have, under a JCA, set in place a Governance regime that is acceptable to them all. This includes the establishment of the Regional committees - Joint Committee (JC), Economic Strategy Board (ESB) and Programme Board (PgBd) - and the appointment of individuals to key posts. In parallel, the parties at the sub-regional level were crafting the final shape of individual projects and obtaining a bespoke combination of various public and private funding streams: each of which requires negotiation with, and agreement by, individual bodies with their own approval process. As the projects matured, the Local Authorities have been leading on the construction of a Business Case for each project that is acceptable to the Regional Committees and both Governments.

3.2.3 The JC and ESB have met formally five times and three times respectively, with the last two meetings approving three of the eleven projects. These projects still require the agreement of the two Governments and of the lead Local Authority.

3.2.4 The Review Team considers that, whilst there might have been a desire to progress faster, it is understandable that four Local Authorities, working with two Universities and two Local Health Boards would spend 17 months setting up and staffing the SBCD management and financial structure.

3.3 Project Approval Process – Governance and Assurance

3.3.1 The process by which Business Cases are presented formally to the two Governments does, as mentioned above, appear to have presented all concerned with difficulties: particularly when the approval process was placed under severe pressure by the perceived need to gain approval urgently in order to release funds quickly.

3.3.2 The presentation of a Five Case Business Case model - in line with HMT 'Green Book' guidance - to the two Governments is an implied requirement of this City Deal. It is not clear to the Review Team when this became clear to the City Deal participants. While the Local Authorities and the Regional Office are familiar with raising cases for European, Lottery and Welsh Government grant funding, the requirements of the 'Five Case Model' appear to have been less well understood.

3.3.3 Concerns regarding the progress of business cases arose and led to a decision by the Welsh and UK Governments to supply training and support. This was we understand helpful, but we would argue there is no substitute for expertise and experience when drafting an appropriate case which is proportional to the scope and risk of the project. The two Governments also offered to receive draft copies of the Business Cases for circulation to officials within their Departments before formal submission. This pre-scrutiny approach is used by many Central and Devolved Government Departments to ensure a smooth path to the formal approval of a Business Case.

3.3.4 In this situation it did not work well: there was a lack of understanding of the process at the Regional and sub region level who appear not to have had sufficient clarity and transparency regarding the approvals procedures to be followed between SBCD and Welsh/UK Governments. Some business cases were sent for pre-scrutiny through the Regional Office, whereas others were sent, out of process, direct from a Local Authority. We understand that on receipt by Welsh/UK Governments, the business cases were distributed to all those Groups or Departments with a policy interest. Comments received from those Departmental officials were collated and returned. Because the formal response on the submission was made only when all officials had responded, the collated response sometimes took months to issue. In one case the response took three months to return as an e-mailed matrix with a large number of comments reflecting individual opinions that did not appear to have been triaged, coordinated or prioritised. This caused frustration and distrust.

3.3.5 We understand that for other City deals in other regions of the UK there is a strong face-to-face relationship between the Programme Management Office (PMO) and relevant projects teams from the Region with the UK Government Ministry of Housing, Communities and local Government (MHCLG) and tightly focused pre-scrutiny business cases meetings ('Business Case Working Groups') are a regular occurrence. This has not been the case with SBCD. A few very large meetings between parties were held in the autumn but these did not seem to move the

projects forward, leaving the Region and the project teams reliant on the emailed comments from individual policy areas. Some of the comments were along the lines of “it would be beneficial to the case if the connection was made to XYZ policy”. These were not fundamental to the strength of the Business Case: they served only to influence the quality of the text rather than addressing quantitative programme/project Cost, Time, Performance, and Risk issues. The Review Team also observed that, while attention was focused on the main text of the business case, key annexes received less attention: for example, the Review Team saw no evidence that a critical missing annex on Benefits Management was flagged. Consequently ‘final’ but incomplete Full Business Cases (FBCs) have been approved by the JC and formally submitted to the Approving authority. This is not good practice, and has led to a position where the Business Cases lack important underpinning information regarding benefits, risk etc. We would expect that such information would inform the quantitative aspects of the Full Business Case.

- 3.3.6 However, it is important to note that there were also some very pertinent and constructive points around financial treatment which should have been identified by the SBCD and addressed during an earlier stage in the normal course of business case development. The projects should have been challenged by the Regional Office but they were not. This is we think a window to the source of the real problem - namely the nature of the Regional Office.

- 3.3.7 Many consider the Regional Office to be Programme Management Office (PMO). It is not, it is primarily a Secretariat. It does not include Portfolio/Programme/Management (P3M) specialists. This a major issue because it cannot operate as a centre of excellence with the opportunities to learn lessons for the portfolio as a whole, or provide Portfolio/Programme Management support and assurance (without recourse to external support), or give independent briefing to the City Deal Boards. As a result, the Regional Office is unable to fulfil the role that many assume it has. A combination of its inability to provide a regional tier of support advice and assurance combined with confusion over its role has been at the heart of much of the unease we have heard expressed regarding progress. There needs to be an authoritative tier of assurance and support to the individual programmes and also to the decision-making boards. We believe that a reconstituted P3M office with strong professional and independent leadership is key to delivery. The regional organisation would require additional funding to offer full PMO services. As confidence is built this will satisfy much of the two governments need for assurance and the need for extensive government involvement in the detail will reduce.

- 3.3.8 Expectations of the parties regarding the pre-scrutiny and actual scrutiny procedures were also different. This combined with a disjointed process led to misunderstandings, delay, frustration, and blame. Pre-scrutiny is good practice but the process needs to be transparent, collaborative, and intelligently managed.

- 3.3.9 In summary, the expectations of those providing the business cases for pre-scrutiny were not aligned with those receiving them. The attempt to solve the issue of a lack of expertise and experience at the Regional level by circulation of the business cases for comment by the Governments was not effective and probably could not be in the absence of a Regional PMO.

- 3.3.10 Collaborative work is needed between the SBCD members and Welsh/UK Governments to improve the Approvals process and especially the value-add of pre-scrutiny activities. The Review Team understands responsibility for City Deals is being transferred to the Economy, Skills & Natural Resources Department under the Deputy Director in Welsh Government. The Review Team supports the change as this moves responsibility from a policy-focused area into

a delivery-focused area. However, we do have a concern that this transfer, and the concomitant reorganisation, will be a distraction for the approval of two Business Cases that are very close to being finalised

- 3.3.11 The desire to spend the Governments 'in year funding' for FY 2018/19, coupled with the need to ensure that time-sensitive European funding is 'locked in' to individual projects has placed a severe time pressure on the projects and the approval bodies. Meetings of the Regional committees have taken place 'back to back' to maintain pace and incomplete business cases have been provided to the boards without prior circulation. Boards were not given adequate time to read and understand the proposals adequately nor were they provided with independent expert advice on those cases. They were therefore not in a position to provide a level of challenge which we would normally expect. We also have a concern that such a detailed (but arm's length) level of scrutiny by the two Governments sent the wrong message to the SBCD, giving the JC a licence to approve the business cases swiftly on the understanding that the two Governments were generally satisfied with them.

Recommendation 1: Pre-scrutiny should be encouraged, but direct and regular face-to-face contact between those writing the Business Cases and those providing comment upon it and advising those who will grant approval is essential. (URGENT - by end March 2019)

Recommendation 2: The Regional Office should be designated as a Portfolio Management Office, leavening their skills with experienced Portfolio/Programme/Project Management (P3M) specialists. (IMPORTANT by end June 2019)

- 3.3.12 The Review Team found no evidence that the City Deal has an Integrated Assurance and Approval Plan (IAAP). This would be good practice. As would the application of the OGC Gateway™ Review process. This internationally recognised process exists to provide Governments and Departments with external assurance, and has been used successfully by the Welsh Government on both its own and Local Authority major infrastructure projects (e.g. Vibrant and Viable Places, 21 Century schools) through its Assurance Hub. However, the Review Team was unable to establish any evidence that it had been used anywhere within the SBCD portfolio to date. Reviews can be organised by the Welsh Government Assurance Hub, ideally in line with an IAAP but if necessary, at relatively short notice. Amongst other things, this would provide the Welsh/UK Governments with an independent and objective Delivery Confidence Assessment per SBCD programme/project, or indeed of the SBCD portfolio overall. As a minimum the approach is valuable at key Approval points (such as OBC, FBC) but offers maximum benefits when used throughout the lifecycle. Peer Reviews also offer the opportunity for those engaged on other more progressed City deals nationwide to share knowledge. We would see the responsibility for this lying with the Regional Office.

Recommendation 3 The City Team should with the support of the Welsh Government Assurance Hub and IPA as necessary put in place a best practice Integrated Assurance and Approval Plan (IAAP) for the Portfolio. All parties should specifically consider the OGC Gateway™ Review process as a key part of that plan. (IMPORTANT - by end March 2019)

3.4 Swansea Bay City Deal Governance

- 3.4.1 The Review Team notes that the recent governance concerns regarding the Life Science & Wellness Village programme have been addressed by all parties. This issue has been given a high priority by the Region who assembled the Joint Scrutiny Committee in December 2018 and have appointed an internal regional audit team with members from the four Local Authorities to investigate. The University is carrying out an investigation and the Welsh Audit Office has also initiated an inquiry. We recognise that the restoration of public confidence may take some time. That said, the Review Team notes that the current publicity surrounds the alleged actions of individuals. As yet we have not heard evidence that these allegations undermine the business fundamentals of that particular project and certainly, we believe should not undermine delivery of SBCD outcomes as a whole. We suggest that the implementation of the recommendations we make within this report, supplemented by any audit findings, should provide a basis for confidence in future governance.
- 3.4.2 The ways of working of the committees are still evolving. We have discussed options with members but we do not feel it would be helpful at this stage for us to direct them to a solution - particularly with the results of the audit investigations awaited. We have a view that for the efficient conduct of business, smaller committees are better than larger ones and that it would be best not to duplicate membership. We are concerned that the level of challenge within the City Deal is low, in particular that there is no incentive for members of the JC to robustly test each other's proposals. Where one committee advises another there should be time and space between those committees for that advice to be considered and discussed as needed. Furthermore, an approval audit trail is currently established through examination of the various approving committees' meeting minutes. It might be simpler and more transparent for each FBC to have an accompanying Approvals Sheet to be signed and dated by the authorised persons.
- 3.4.3 Finally given the scarce resource of the ESB we believe that their time considering strategic issues should not be diluted by the detailed consideration of final business cases. Rather, their role should be focused, as we understand was originally intended, on identifying opportunities, and providing private sector insight and advice.

Recommendation 4: Under the chair of the JSC each SBCD board should consider the TORs and ways of working of each to ensure that they work as intended. In doing so they should take account of this review and of the outcome of the audits currently being undertaken. (IMPORTANT - by end March 2019)

- 3.4.4 It is our view that the appointment of an independent Portfolio Director (PfD) supported by a Regional Office will be better able than the current arrangements to support projects through a combination of advice and appropriate challenge and, importantly, ensuring that all committee members are well informed. The CEO of Carmarthenshire is to retire in the summer of 2019. Heavily involved in driving its inception and supporting it since, he has been highly prominent within SBCD for some years. We suggest therefore that his departure provides an opportunity to appoint a PfD for the SBCD with equal status to the four Local Authority Chief Executives. We suggest that the PfD should report to the JC and in turn be responsible for the Regional Office team (a PfMO in line with Recommendation 1 above). The 'person specification' for such a PfD would need to be carefully considered by the JC and the ESB. Clearly, they would need solid P3M skills and a track record of delivering major public-private programmes. They would also need to be able to command respect in the Local Authorities, Central Government and the Private Sector alike.

Recommendation 5: A Portfolio Director should be appointed before May 2019 to ensure continuity of Swansea Bay City Deal leadership and independent authoritative advice to the Boards. (URGENT - by end April 2019)

- 3.4.5 The SBCD is seen by many as a Programme containing a set of predetermined immutable projects with perhaps some synergistic relationships and dependences which taken together deliver an outcome (jobs/GVA). This view carries the danger that projects agreed years ago may not offer the best prospects today (or tomorrow). There is a danger of stagnation and missing out on new opportunities. We would suggest that it is better to look at the SBCD as a portfolio with programmes (and projects) kept under review with funding switched to those considered most likely to deliver the agreed outcome(s). In this scenario we would expect some individual programmes and projects to fall away as other more worthy programmes were identified and prioritised. This is a healthy process. The ESB could play a key role in actively seeking and identifying new projects and supporting the SBCD team in evaluating respective benefits. Overall, we believe that this approach offers the best chance to deliver the intended outcomes. We would also expect such competition to increase the level of robust challenge to business cases which would incidentally be beneficial in providing an increased level of due diligence and assurance. The Heads of Terms allows for this approach but the opportunity has been downplayed.

Recommendation 6: The SBCD should be managed as a Portfolio not as a set of predetermined and immutable projects. (IMPORTANT by end June 2019)

3.5 Swansea Bay City Deal Business Cases

3.5.1 There are two business cases Yr Egin (Creative Digital Cluster) and Swansea Waterfront where we detect the parties are close to an agreement. Having undertaken a deep-dive into their status, they are in our view broadly fit for purpose, have been approved by the Region and formally submitted to the Governments (although we understand that for reasons of (in)completeness they have been withdrawn and will be resubmitted).

3.5.2 Our understanding of the current status of these two business cases is provided in the table below:

ITEM	YR EGIN FBC	SWANSEA WATERFRONT FBC
VERSION NUMBER	V9.6	V18
DATE	3 Aug 2018	28 Nov 18
APPROVALS	ESB Review 8 Nov 18 PgBd Review 22 Nov 18 JC Review 22 Nov 18	ESB Review 8 Nov 18 PgBd Review 22 Nov 18 JC Review 22 Nov 18
STRATEGIC CASE	Complete	Complete
ECONOMIC CASE	Complete	Complete
COMMERCIAL CASE	Complete	Complete
FINANCIAL CASE	Complete	Complete
MANAGEMENT CASE	Complete	Complete
OPTIMISM BIAS	10% but a very round figure	10% but a very round figure
RISK MANAGEMENT	5x5 estimation but more qualitative than quantitative	5x5 estimation but more qualitative than quantitative
GENERAL COMPLETENESS	Cross-references blank Missing template elements No IAAP	No obvious blanks, but does not address all best practice aspects e.g. IAAP
KEY MISSING APPENDICES	Benefits Register - seen in Draft	Benefits Register - not seen

3.5.3 For these two business cases, which we consider are close to agreement, senior UK Government and Welsh Government and LA officials with the authority to 'do a deal' should meet in one location and together with appropriate experts address any substantive issues aiming to reach a swift conclusion. This meeting should be independently chaired and minuted by the Regional Organisation to both record agreements and take note of agreed actions, those individuals tasked and the required date recorded. The Accounting Officers' responsibilities for financial regularity and commercial propriety need to be satisfied. However, we suggest that this could be achieved with careful and appropriate use of a caveated Approval (e.g. a phased funding release to award SBCD FY 2018/19's and possibly some of FY 2019/20's funding) on the proviso that SBCD work with the two Governments to instigate a good practice approach to, for example, benefits management, within a specified timeframe and to apply this learning to later Tranches of work. We would suggest that the absence of important but essentially technical components of Five Case Business Cases can be worked through jointly: particularly where the expertise and experience currently lie with Governments (such as the approach to monitoring benefits including sustainable job creation).

The release of funding in future might also be tied to delivering the recommendations of this report.

- 3.5.4 In summary a collaborative approach should be applied in future to ensure that the intention of the Heads of Terms is upheld. If it is not possible to deliver some elements of otherwise viable business cases before the end of this financial year, immediate consideration should be given to a conditional release of funds. This would be concomitant on all parties working collaboratively to reach an agreed position on benefits modelling and monitoring.

Recommendation 7: For Yr Egin and Swansea Waterfront, the two business cases which we consider are close to final approval, senior UK Government and Welsh Government and Local Authority officials should aim to reach a swift conclusion to ensure that funding can flow as needed. (IMMEDIATE)

- 3.5.5 Annex A specifically looks at the Review Teams assessment of the deliverability of the planned Swansea Bay City Deal Outcomes and the status of the 11 programmes and projects as a whole.

3.6 Swansea Bay Future Programme delivery capability

- 3.6.1 The majority of the stakeholders interviewed were enthusiastic about the SBCD and the opportunities it offers for the people in the area. Governments remain solidly behind it. Notwithstanding our concerns, regarding the lack of PPM expertise and experience of the Regional Office mentioned above, the Review Team was struck by the high calibre of those people responsible for its successful delivery and in particular by those who are involved in its development and support without remuneration. Equally, the Local Authorities and other public bodies in the SBCD area have demonstrated that they have the capability to deliver substantial projects: whether this be Local Authorities under the Government-led 21st Century Schools or Vibrant and Viable Places programmes; or locally driven schemes involving multiple sources of funding and interests. Local Authorities are well-experienced in delivery of infrastructure projects. Health and Education institutions likewise have delivered major infrastructure schemes over many years. Where they have less experience is in the programmatic aspects of long-term benefits management within the transformation programmes that such infrastructure projects enable. This may be why benefits management appears to be presenting a problem for them.
- 3.6.2 The Review Team considers that SBCD can, provided our recommendations are followed, deliver on the broad promises set out in the Heads of Terms in March 2017. It is not possible to say whether these activities will deliver the full economic benefit aspired to and underpinned by the original economic model. The SBCD offers an opportunity to maintain partnership working in the region and expand upon it. There is an opportunity to stimulate the local economy and create sustainable jobs. The eight partners have a good track record of regeneration and building infrastructure and have the necessary capabilities to deliver it. The Government funding is not large but it is significant. It is required to build confidence and to leverage private funding and collaboration. There are large benefits on offer for the people in the region although the specific value is yet to be confirmed.
- 3.6.3 In order to deliver the intended benefits, the SBCD needs to keep its cohesion, which does face a number of risks. For example: a combination of concerns over funding and of the much-

publicised concerns on the Wellness Village could cause a loss of confidence within the Region; or the loss of a key Local Authority partner could prove severely damaging to confidence of non-public partners. In this context, real progress must be demonstrated and we suggest that the time for exchange of emails and revised business cases has passed. The approval of at least some projects this year is critical both financially and to build confidence. The financial risk to the two Governments is minimal because of the way the SBCD is structured and a failure to meet specified conditions can result in the withdrawal of funds. Some Local Authorities are already financially exposed, having borrowed funds to commence projects at risk, while others could lose critical funding streams if the Government funding fails to materialise in a timely manner. The aim should therefore be to release funds in this financial year.

3.7 Way Forward

- 3.7.1 We have outlined above our key recommendations but here we summarise them in chronological order. The most important is that the Regional Office be reconfigured as a P3MO with a strong and independent leadership.
- 3.7.2 To demonstrate Government commitment in the short-term funding must be seen to flow. A way of achieving that while managing the issues and risks through collaboration must be found.
- 3.7.3 In the medium term the parties to the agreement need to continue this collaboration. Greater delivery professionalism is needed at the Regional level to ensure that all parties speak the same language. To a large extent these two things go together. The Welsh Government have made an important start in reassigning the responsibility for City Deals in Wales to a delivery focused department. The Region must step up likewise and ensure that the Regional Office has the authority, the experience and the expertise to broker a strong professional relationship with that department and the UKG's MHCLG.
- 3.7.4 Concerns over governance and assurance must be addressed. We have made a number of proposals and these will need to be considered with the outcome of the various ongoing audits. All parties need to cooperate proactively to ensure that a process is developed and behaviours are such that all can have confidence in the Region's ability to manage the substantial funds available to City Deal. We believe that a reconstituted PfMO with strong professional and independent leadership is key to this because it will provide an authoritative tier of assurance and support to the individual programmes and to the decision-making boards. An IAAP will give structure to the assurance approach. As confidence is built this will satisfy much of the two Governments' need for assurance and they can draw back from the detail.
- 3.7.5 In the longer term the SBCD should seek to run the programmes within a portfolio and identify other programmes for it using the ESB as a fulcrum to lever positive benefits for the region.

A Confidence in the Deliverability of Planned SBCD Outcomes

- A.1.1 This Annex specifically looks at the Review Team's assessment of the deliverability of the planned Swansea Bay City Deal Outcomes as a whole.
- A.1.2 This assessment found that there is no clear Portfolio/Programme Mandate for the SBCD that identifies required outcomes, dependencies, timelines, constraints, risks etc. The nearest available document to a Mandate is the Heads of Terms (signed by senior political leaders) that lists the SBCD's 11 constituent projects and suggests that the anticipated SBCD investment (Central Government, Local Government, and Private Investment) would support the creation of over 9,000 additional jobs (i.e. 3% over the current 302,000) and contribute to increasing GVA by £1.8 billion. The Heads of Terms further commits the Welsh/UK Governments to up to £241M of direct funding over 15 years but is silent regarding spend profile.
- A.1.3 Since the Heads of Terms new-job/GVA outcomes were based upon the SOBCs/OBCs available at the time, and in many cases nothing has changed regarding individual projects since then, it is difficult for the Review Team to gainsay it based on the available information.
- A.1.4 All parties were taking a significant strategic risk when the SBCD was launched without any Portfolio/Programme/Project Management (P3M) work having been done to establish the top-level (top-down) plan, risks, issues, opportunities, benefits, resources etc. Best practice, followed by a number of UK Government Departments and supported by the Infrastructure and Projects Authority (IPA), would be to carry out a formal strategic assessment bringing together those responsible for policy and those responsible for delivery. This is especially critical when amongst the 11 projects there are 3 cross-cutting regional, notionally enabling projects: Digital Infrastructure, Skills & Talent and Homes as Power Stations.
- A.1.5 The Review Team has not seen the detailed economic models for each of the 11 Swansea Bay City Deal Region projects so is not in any position to comment on the Heads of Terms assertion (based on the 11 SOBCs/OBCs) that *"The Swansea Bay City Region believes that this investment will support the creation of over 9,000 additional jobs and contribute to increasing GVA by £1.8 billion"*.
- A.1.6 An alternative approach to assessing deliverability is to adopt a bottom-up approach and use the IPA guidance on assessing Delivery Confidence against each of the 11 projects: assessing delivery against the four dimensions of Time (vs Plan), Cost (vs Budget), Benefits Delivery (i.e. Performance) and programmatic Process. Such a detailed appreciation was not practical within the strict time-bounds of the review as each of the 11 projects approaching FBC approval would be subject to a separate 3-day Gateway™ 3 Review by a team of 3 people.
- A.1.7 The Review Team noted that all SOBCs/OBCs were very light on detailed planning, risk/issue management and benefits management; however, that would not be surprising at this early stage. The FBCs seen during the week of the Review (Yr Egin and Swansea Waterfront) had improved in this regard though were still immature regarding benefits management. The Review Team has seen a Draft Benefits Register for Yr Egin which is a promising start, albeit clearly a work in progress. The Review Team has not seen a Benefits Register for Swansea Waterfront. The optimism bias @ 10% looks more like a contingency figure than an HMT Green Book assessment. However, these projects (and certain other single Authority projects) were proceeding, despite the lack of promised Welsh/UK Governments funding, at Project

Partner risk thus maintaining planned timelines albeit at increasing financial exposure via increased borrowing (incurring unbudgeted interest charges and concomitant cost risk). Overall, the Review Team considers that Yr Egin and Swansea Waterfront would probably rate an 'Amber' DCA which is typical for an infrastructure-enabled economic transformation programme at the FBC stage of evolution. The balance of projects would be Red.

This page is intentionally left blank



SWANSEA BAY CITY REGION JOINT COMMITTEE

28TH MARCH 2019

SWANSEA BAY CITY DEAL INTERNAL REVIEW OF GOVERNANCE ARRANGEMENTS REPORT MARCH 2019

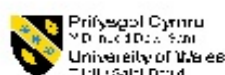
RECOMMENDATIONS / KEY DECISIONS REQUIRED:

To consider the report on the Swansea Bay City Deal Internal Review of Governance Arrangements (attached at Appendix 1).

REASONS:

The Joint Committee at its meeting held on the 14th December 2018 unanimously resolved that the Swansea Bay City Deal Joint Committee undertake an internal review into the Swansea Bay City Deal governance arrangements, and that the review run in parallel with the UK and Welsh Government Independent Review. It was agreed that Pembrokeshire County Council would lead the Internal Review supported by a nominated Senior Auditor from Carmarthenshire, Neath Port Talbot and Swansea Councils. The Joint Committee at its meeting held on the 24th January 2019 noted the final Terms of Reference.

Report Author:	Designation:	Tel No. 01437 775841
Ian Westley	Chief Executive Pembrokeshire County Council	E. Mail: Chief.Executive@Pembrokeshire.gov.uk



EXECUTIVE SUMMARY

SWANSEA BAY CITY REGION JOINT COMMITTEE

28TH MARCH 2019

Swansea Bay City Deal Internal Review of Governance Arrangements Report March 2019

BRIEF SUMMARY OF PURPOSE OF REPORT

To consider the report of the Swansea Bay City Deal Internal Review of Governance Arrangements.

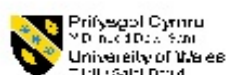
DETAILED REPORT ATTACHED?

YES



IMPLICATIONS

Policy, Crime & Disorder and Equalities YES	Legal YES	Finance YES	Risk Management Issues YES	Staffing Implications YES
1. Policy, Crime & Disorder and Equalities As detailed within the report with respect to the Policy Framework.				
2. Legal As detailed within the report with respect to the Policy Framework.				
3. Finance As detailed within the report.				
4. Risk Management As detailed within the report.				
5. Staffing Implications As detailed within the report.				



CONSULTATIONS

See Appendix A within the report.

Meeting with Leaders 6th March 2019.

Meeting with Section 151 Officer 12th & 13th March 2019.

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

Title of Document	File Ref No.	Locations that the papers are available for public inspection/WEBSITE LINK



Swansea Bay City Deal

Internal Review of Governance Arrangements

March 2019



Internal Review Team:

Pembrokeshire County Council (Lead & Report Author)

Neath-Port Talbot County Borough Council

Carmarthenshire County Council

City & County of Swansea Council



Executive Summary

1. Introduction & Background

1.1 Political Context

The UK Government's Industrial Strategy identifies five Foundations and four Grand Challenges to ensure that the UK takes advantage of major global trends to improve productivity and the lives of people. City Deals are one of the main vehicles for driving economic activity and growth within the UK and are aligned to the five foundations of the UK Government's Industrial Strategy, they are specific to each Region and aim to build on the Region's strengths.

City Deals in Wales support Welsh Governments longer-term approach to Public Sector reform in Wales. Public Sector partnership arrangements already exist on various footprints to support and improve the provision of services for Education and Social Services & Wellbeing. The Heads of Terms signed by UK Government, Welsh Government and the Leaders of the four Local Authorities on 21 March 2017, commits the Swansea Bay City Region to working in partnership with Welsh Government to deliver local government service reforms that will see a number of strategic functions delivered at the regional level. The Joint Committee is required to keep under review the arrangements for discharging local authority functions that might be mandated to be exercised regionally (e.g. land use planning, transport planning and economic development).

Existing and future Government regeneration funding is expected to be based on a regional working approach. A key feature of the Welsh Governments Targeted Regeneration Investment Programme, which has been available to Local Authorities since April 2018, is the identification of projects through regional working. The proposed UK Shared Prosperity Fund is likely to award funding on the same basis.

1.2 Swansea Bay City Deal (SBCD)

The theme of the SBCD is the Internet Coast. There are four sub-themes, which are aligned to the UK's Industrial Strategy.

The Swansea Bay City Region covers Carmarthenshire, Swansea, Neath Port Talbot and Pembrokeshire. The SBCD is a partnership between the four Local Authorities, Local Health Boards, Universities and UK Government (UK) and Welsh Government (WG).

The four Local Authorities approved the Joint Committee Agreement (JCA) in July 2018 with the first meeting of the Joint Committee held on 31 August 2018. Prior to this and since 2016, the Joint Committee and Programme Board operated in shadow. In addition to the four Local Authorities, membership of the Joint Committee includes Swansea University, University of Wales Trinity St Davids, Hywel Dda University Health Board and Abertawe Bro

Morgannwg University Health Board. In shadow form, the Joint Committee focused on drafting the JCA, business plan development and negotiation with WG on interventions and enabling actions to assist with delivery of the SBCD.

Eleven projects, representing a £1.274 Bn investment, are expected to be completed within five years to secure maximum benefit for the Region. Government funding represents £241m (19%) of the overall investment and will be paid over fifteen years to the Accountable Body who will distribute to the partner Local Authorities on a yet to be agreed basis. In order to deliver the SBCD Programme within five years, the four Local Authorities will need to finance the Government funding through their own capital (or prudential borrowing) or revenue funding, with payback over fifteen years. Investment of £396m (31%) is required from the Public Sector and £637m (50%) is required from Private Sector investment.

2. Purpose, Scope & Methodology of the Internal Review

As required by the Joint Committee, an Internal Review team made up of representatives from the four Local Authorities Internal Audit Services formed to undertake an internal review of the governance arrangements for the SBCD. This followed the suspension of senior staff at Swansea University and potential links in relation to the Llanelli Life Science and Wellbeing Village project, which forms part of the SBCD.

The purpose of the Internal Review is to provide assurance to the Joint Committee (including co-opted Members and the wider Partnership), and identify areas for improvement to ensure that the governance arrangements are robust and follow best practice.

The Joint Committee approved the Terms of Reference for the Internal Review, which used the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 as a basis for evaluating the effectiveness of the SBCD governance arrangements.

The Internal Review of the SBCD governance arrangements was an evidence-based appraisal, which involved meetings or discussions with stakeholders, a review of supporting documentation and an evaluation of the effectiveness of governance arrangements against best practice.

3. Summary of Key Findings

3.1.	The investigation at Swansea University, its links with the Llanelli Life Science and Wellbeing Village project and its subsequent referral to the police is having a detrimental impact on partners within the SBCD and is eroding trust across the partnership. However, all parties within the Partnership are committed to the Partnership and the delivery of the Programme.
3.2.	The statutory roles and the majority of principal roles and functions within the SBCD, as agreed within the JCA, are assigned to Carmarthenshire County Council and should be more evenly distributed across the partnership. These include three Statutory Roles (Head of Paid Service, Section 151 Officer and Monitoring Officer) and several supporting roles including Chair of the Programme Board (Lead Chief Executive), the Accountable Officer of the Regional Office function (Lead Chief Executive), and Internal Audit. Only two appointments have been made to the Regional Office - this function is largely resourced by Carmarthenshire County Council's staff, jointly funded by the SBCD partners in the sum of c£400k.
3.3.	Paragraph 55 within the Heads of Terms agreement states: "If the City Deal is not delivered as set out in the implementation plan agreed by the Swansea Bay Joint Committee, the Welsh Government and UK Government, or if any of the commitments in this deal document are not fulfilled, the Governments will review and may halt the payment of any unpaid funding for this deal." This could present a risk to the Programme for which there should be a contingency plan as recommended in the National Assembly for Wales Economy, Infrastructure and Skills Committee report on City Deals and the Regional Economies of Wales, November 2017.
3.4.	At this early stage in the programme, there is a lack of certainty over the funding in terms of how some aspects of both private and public sector funding will be secured. However, a high level estimate of funding streams and costs for each of the eleven projects is included within the draft Implementation Plan. Confidence in where the funding will come from and when it will be received is a priority as projects develop.
3.5.	The expected level of borrowing per Local Authority has not been established at this point and this will have to be determined as a priority to ensure Local Authority commitment and assurance. Local Authority funding arrangements have not been resolved to date, but are likely to require multiple funding agreements between partners and the Accountable Body; this may result in disproportionate effort and the most pragmatic methods need to be agreed promptly.
3.6.	Interviewees stated that some of the local projects were planned and would have been prioritised at Local Authority level but were included in the SBCD to access funding. The SBCD should be seen as a Programme of 11 related projects that deliver the vision of the Internet Coast on which SBCD was originally based. Reliance on local policies and procedures along with approval and scrutiny of projects at a Local Authority level detracts from the regionality of the SBCD.
3.7.	UK & WG have not approved the Implementation Plan. In order to approve the Implementation Plan they require a Programme financial plan, an improved Programme risk register and agreed prioritisation of projects.

3.8.	The iterative process requested by UK & WG to evaluate submitted emerging business cases is not operating as intended, is undermining confidence in the SBCD governance arrangements and resulting in further bureaucracy. A review of the emerging business cases submitted under the iterative process and feedback from UK & WG identified that these business cases are submitted prematurely. Lack of clarity on the economic, commercial and financial cases persists. Business cases have been referred to Joint Committee for approval when a number of outstanding issues raised by Government Officers have not been resolved. The adopted iterative evaluation process was initially devised to prevent this.
3.9.	The Regional Office is not delivering the SBCD Delivery Team function as expected by UK & WG. This has resulted in UK & WG undertaking checks that were expected (by them) to be undertaken by the Regional Office. In the eyes of UK & WG, this is undermining confidence in the SBCD governance process.
3.10	The governance functions (in relation to project approvals) identified in the JCA are not operating as intended, however, they are being relied upon to provide assurance to the Joint Committee. These functions must be strengthened.
3.11	Programme risk management is not effective. The Programme Risk Register is not an up to date reflection of the risks to the Programme and is not considered by the Joint Committee. Consideration hasn't been given to the overall risk appetite for the SBCD and how an effective risk management methodology can be delivered across the Programme.

4. Conclusion & Suggestions for Improvement

In response to the summary of key findings arising from this review consideration should be given to the following:

4.1.	Redistribution of roles and functions to ensure an equitable balance across the SBCD Partnership, each acting as a check and balance for the other. (refer to 3.1 and 3.2)
4.2.	Appointment of an independent Programme Director, securing the independence of the Lead Officer responsible for the Regional Office with a direct reporting line to the Joint Committee. The officer undertaking this role must be of sufficient seniority and capability to challenge and be challenged whilst remaining independent and objective. To facilitate this, there should be separation between the roles of Head of Paid Service (employer) and Lead Chief Executive (Chair of the Programme Board). Reconsideration of the funding arrangement for the RO could enable the associated costs to be contained within existing commitments. (refer to 3.1 and 3.2)
4.3.	The local approach to the delivery of the SBCD projects needs to take account of the interdependencies across the Programme. Consideration should also be given to contingency plans if Government funding is withdrawn at a later date. (refer to 3.1, 3.3, 3.5 and 3.6)
4.4.	The Implementation Plan needs to be revised so that delivery of the projects is prioritised and approved by the Joint Committee. The Implementation Plan should be supported by a clear Programme Financial Plan and Risk Register before being resubmitted to UK & WG for approval. The Implementation Plan should form the basis for monitoring delivery of the Programme. (refer to 3.4 , 3.7 and 3.9)
4.5.	<p>The Joint Committee, as a conduit for regeneration of the Region, needs to further establish its own identity in terms of overarching standard operating principles, values and expected practice. Key areas for consideration are highlighted within the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 for such a Partnership and include:</p> <ul style="list-style-type: none"> • Agreed risk appetite of the Partnership • Agreed risk management methodology; • Establishing the ethical values and framework; • Counter fraud, corruption & bribery procedures; • Due diligence and anti-money laundering arrangements; • Programme/project management methodology; and • Overarching record of declarations of interest and offers of gifts and hospitality by all Officers and Members. (refer to 3.1, 3.6 and 3.11)
4.6.	If the iterative process continues to cause a bottleneck once standards have been addressed, then there should be an approach to UK & WG to reconsider the process to eliminate disproportionate effort by all parties and to ensure that focus is on the deliverability of outcomes and not only on the standard of written documents. The relationship between individual LA's, project leads, the Regional Office and UK and WG's should be recast to establish strict communication lines. Such communication is currently inconsistent and is clearly contributing to confusion and delay. (refer to 3.8)

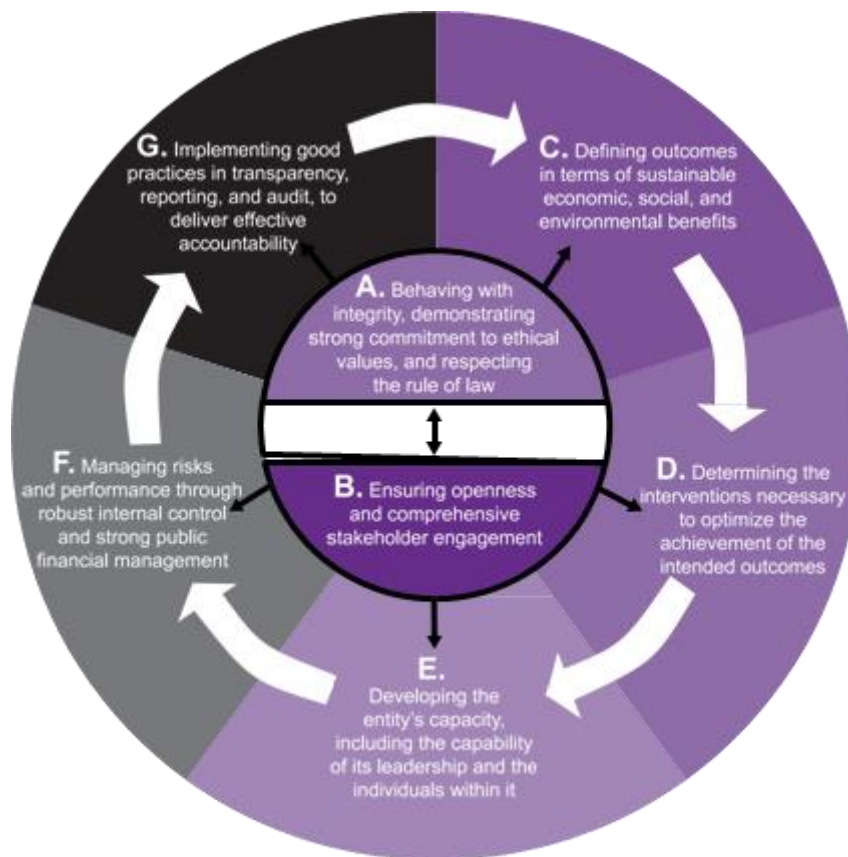
4.7.	The Programme Board, Economic Strategy Board (ESB) and Joint Committee should receive written assurance (in a format to be agreed) that each business case submitted for approval has been subject to the required checks and process as defined within the JCA, including approval by the Lead Local Authority. This should ensure that all comments from UK & WG have been addressed and concerns highlighted by the ESB have been fully considered. There should be an evidence trail to ensure all parties are held accountable. (refer to 3.10)
4.8.	The Regional Office, in its capacity as the SBCD Delivery Team should undertake detailed checks prior to entering into the iterative process or submitting to Programme Board and ESB, to ensure compliance with standard operating principles/values and provide an overview of the outcome of these checks, in order to provide independent assurance to the Programme Board and Joint Committee. (refer to 3.9)
4.9.	<p>Membership and remit of the Programme Board and ESB needs to be reconsidered:</p> <ol style="list-style-type: none"> The Programme Board needs to undertake detailed analysis of the financial viability, deliverability and risks to the project. The Programme Board should have detailed knowledge of the business cases and the feedback from UK & Welsh Government to ensure that business cases are of the standard and quality to be submitted for approval to Joint Committee. Current membership includes the Chief Executives of the four Local Authorities. Consideration should be given to the most suitable level of Management to commit to Programme Board (possibly Director or appropriate Head of Service), consideration should be given to the appearance of lead project officers to present the case. The ESB membership needs to be streamlined to enable a well functioning commercially minded appraisal function that is focused on identifying further opportunities for the Region and attracting inward investment. Current membership includes the Leaders of the four Local Authorities, which seems unnecessary given the ESB report to the Joint Committee. Consideration should be given to the membership of the ESB. There is an opportunity for the ESB to provide UK & WG with the confidence that is currently lacking around the commercial case; consideration could be given to including a summary report from the ESB with the Full Business Case submission. (refer to 3.10)

Detailed Findings

5. Overview of Good Governance Evaluation

The Governance Arrangements for the Swansea Bay City Deal have been reviewed against the CIPFA/SOLACE Delivering Good Governance in Local Government Framework. The diagram below illustrates the various principles of good governance in the public sector and how they relate to each other.

Achieving Intended Outcomes While Acting in the Public Interest at all Times



As the diagram demonstrates, the principles of good governance along with the behaviours and actions that demonstrate good governance are intertwined, but are based on the two fundamental principles:

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

The detailed findings of the review are reported by exception and demonstrate the key issues arising and suggestions for how they can be resolved.

6. Core Principle A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Expected Actions & Behaviours: integrity; acting in the public interest; establishing & embedding values or standard operating principles; establishing, monitoring & maintaining agreed ethical values; commitment & adherence to rules and regulations; .

Areas for Improvement: values or standard operating principles need to be identified; imbalance of power.

Standard Operating Principles/Values

There is a defined vision for the Region but the standard operating principles/values for the delivery of the SBCD programme have not been identified. Projects are classed as local or regional but the expected practice in delivering those projects is not explicit. The assumed position within the Partnership is that the policies and procedures of the Project Lead Authority will be adhered to and local projects will be subject to scrutiny by the constituent Authority. There is no evidence that consideration has been given to the implications of this approach, or how the Joint Committee will be provided with assurance that all expected processes and procedures have been adhered to.

The Joint Committee forward work plan includes approval of a few overarching documents for the Programme, but given that some projects are quite advanced and the Heads of Terms was signed two years ago, these are late in development.

In addition to the overarching documents identified in the Joint Committee forward work programme for approval at future meetings, consideration should be given to developing the following:

- Risk Appetite and Risk Management Methodology for the SBCD;
- Ethical Framework – this is a high risk Programme and there needs to be clarity amongst the Partnership over acceptable ethical practice, especially around the procurement of private sector investment;
- Counter Fraud, Corruption & Bribery Arrangements;
- Due Diligence and Anti-Money Laundering Arrangements;
- Programme & Project Management Methodology.

A Co-opted Member Code of Conduct is in place and Local Authority Members and Officers are expected to adhere to their own Local Authority Code of Conduct. The Regional Office holds co-opted Member declarations of interest, but there was no evidence of declarations of interest from all Local Authority Officers and Members. Other than holding and recording the declarations of interest, there was no evidence that there had been any verification or consideration of appropriateness by the Joint Committee.

Balance of Functions & Responsibilities

The Joint Committee Agreement places too much responsibility on Carmarthenshire County Council and the Lead Chief Executive. It is expected that the Head of Paid Service as the employer of the Regional Office will be the Principal Adviser and Accountable Officer overseeing the work of the Regional Office, and as such will be the Lead Chief Executive. The Lead Chief Executive is also the Chair of the Programme Board.

In addition, Carmarthenshire County Council also undertake the following roles:

- As Accountable Body, the statutory role of Section 151 Officer and the provision of the Internal Audit service;
- Monitoring Officer;
- The statutory role of Head of Democratic Services is not defined within the JCA; however, Carmarthenshire County Council's Head of Democratic Services provides support to the Joint Committee and Neath Port Talbot County Borough Council provides support to the Joint Scrutiny Committee; The Regional Office provides support to the Programme Board and the ESB.

7. Core Principle B

Ensuring openness and comprehensive stakeholder engagement.
Expected Actions & Behaviours: open culture based on trust; shared commitment for change; acceptance or robust challenge; transparent decision-making; engagement and consultation with all stakeholders.
Areas for Improvement: openness & transparency; creating a culture of trust and shared commitment; identifying and effectively engaging with stakeholders.

Trust

It was evident through meetings with stakeholders that there is insufficient trust within the Partnership. This is attributable to a number of issues, which are expanded on in further detail within the report, however, the root causes are:

- Imbalance of power within the Partnership due to distribution of key roles;
- Lack of clarity from the JCA regarding expected practice (standard operating principles/values);
- Lack of openness and transparency across the wider Partnership as projects are being treated as local rather than regional.

Openness & Transparency

The Joint Committee meetings and the Joint Scrutiny Committee meetings are the two public meetings within the SBCD governance process. As identified within the Terms of Reference, the Joint Committee has ultimate responsibility and accountability for decisions taken in relation to the SBCD. The format and conduct of the Joint Committee meetings was

discussed with Members and Officers that attend the Joint Committee meetings, key observations include:

- Verbal updates provided
- Quick meetings which lack constructive debate and challenge
- Failure to provide the Joint Committee with accurate updates
- Lack of oversight of communications between the Regional Office and UK & WG
- Suspicion that some Members know more information than others
- Pre-meetings excluding the co-opted Members
- Reports provided at short notice
- Overload of information that cannot be effectively scrutinised prior to the meeting.

Areas that may be of particular interest to the public, such as business cases, are considered in private session as there will be an element of commercial sensitivity. However, the majority of the discussion could take place in open session as long as members of the Joint Committee observe the rules of debate and reserve questions leading to commercial sensitivity for private session discussions. Consideration could also be given to webcasting these meetings to demonstrate the commitment to openness.

At the meeting on 22 November 2018, three business cases were presented to the Joint Committee for approval for formal submission to UK & WG; however, evidence has been obtained that these business cases ought not to have been presented to the Joint Committee at that time based on the feedback from UK & WG (see Appendix B).

Discussions with SBCD Representatives, WG Officers and Ministers had taken place the day before the Joint Committee meeting to discuss what was required in order to approve the three business cases. It is the opinion of the Internal Review team that the issues raised by UK & WG were reasonable requests for clarity to ensure that business cases are robust. The Regional Office has since attempted to submit two amended business cases (21 December 2018), however, these can't be accepted by UK & WG until the original submissions are formally withdrawn and revised submissions approved by the Joint Committee. A request has been made to UK & WG to 'hold' the Llanelli Life Science & Wellbeing Village project business case.

Media attention over the staff suspensions at Swansea University and the links with Llanelli Life Science & Wellbeing Village project have identified a number of issues that the Joint Committee should have been aware of as they impact on the SBCD as a whole, including:

- The links between Kent Neurosciences Limited and Sterling Health Security Holdings Ltd;
- The role of Sterling Health Security Holdings Ltd and clarity that the company was not directly providing the private sector investment;
- Links between the Llanelli Life Science Wellness Village project with other worldwide projects such as Kuwait;
- UK & WG concerns that had not been resolved;
- Declarations of interest and wider roles that current or former Officers and Members would have with this company and planned projects.

The establishment of standard operating principles would have provided clarity to the wider partnership over expectations and expected practice within an agreed ethical framework and risk appetite.

The appointments process of the ESB is unclear. UK & WG along with the Internal Review team have been unable to gain clarity over the shortlisting of applications and who determined the recommended ESB appointments to the Joint Committee in August 2018. The lack of openness and transparency over the process in respect of these appointments has undermined the trust of UK & WG.

The Joint Scrutiny Committee has only met twice. At the second meeting the Vice Chair of the Joint Scrutiny Committee gave his apologies for the meeting as he had a conflict of interest arising from an arrangement to secure access to information. The matter was reported in the media and has undermined confidence within the Partnership.

Consultation & Engagement

The expectations and timescales for engagement and formal consultation are unclear; however the review did not involve substantive testing of this area. Communication and marketing as part of the SBCD has been recorded since February 2018. There was evidence of early high-level promotional activities to stimulate private sector interest in the SBCD. There was also evidence of local consultation and engagement activity in relation to the Llanelli Life Science & Wellbeing Village project.

8. Core Principle C

Defining outcomes in terms of sustainable economic, societal & environmental benefits.
Expected Actions & Behaviours: clear vision and defined outcomes sustainable & deliverable within available resources.
Areas for Improvement: robust implementation plan that identifies the required resources, to which all Partners are committed to and can sustain.

Defining Outcomes

The Swansea Bay City Region Economic Regeneration Strategy 2013-2030 sets out the framework to support South West Wales and its future economic development. The SBCD proposal was based on the theme of the Internet Coast, which aimed to put the region at the forefront of the digital age and fourth industrial revolution; where value is created by knowledge extracted from vast data sources. In October 2016, Swansea University appraised the potential impact of the Internet Coast through the portfolio of Project Proposals within the SBCD. Job creation and Gross Value Added are the desired outcomes on which the SBCD is based. In order to demonstrate how these outcomes will be achieved the Treasury Five Case Model is used.

The Implementation Plan for the SBCD Programme was approved by the Joint Committee in August 2018 but has yet to be approved by UK & WG. Discussion with UK & WG confirmed that in order to approve the Implementation Plan they require a credible Programme risk

register, financial plan and prioritisation of projects. The Internal Review identified the same concerns regarding the Implementation Plan.

The current business case approval process involves development of the business case and presentation to the Programme Board for consideration, albeit this is presented at a high-level, not the detailed written business case. The Regional Office will engage in an iterative process with UK & WG to ensure that full business cases have the best chance of approval when formally submitted. This stage is causing a bottleneck and frustrating all parties. Appendix B provides a summary of the correspondence between UK & WG and the Regional Office in respect of the three Business Cases that were presented to the Joint Committee in November 2018; this demonstrates that the process defined in the JCA is not being followed. Business cases are presented to UK & WG prematurely resulting in UK & WG undertaking due diligence checks they would expect the Regional Office to have undertaken, which is further frustrating the process.

There is a disconnect between the project concept and the written business case. There is a degree of confidence in the deliverability of outcomes for certain projects, however, written business cases reviewed lack clarity on the economic, commercial and financial cases. Business cases are too long; they are repetitive and can appear more as marketing material than as an evaluation of the critical success factors of projects. Discussions with Members of the Joint Committee identified mixed views on the confidence and deliverability of the Programme as a whole, but there was a degree of confidence in their individual projects. There was general support for the deliverability of the Homes as Power Stations project, along with securing of Private Sector funding to deliver the project, however, the business case has not progressed and there is no clarity over the detailed funding arrangements for regional projects.

There is confusion within the region over the Yr Egin project. The opinion of UK & WG is that focus has been on the Phase 1 development, which is complete and has a high occupancy rate; however, Phase 2 was the original SBCD project. Phase 1 has now been included as part of the SBCD as there was a shortfall in funding.

Business cases need to be streamlined, there is too much information to be scrutinised locally and it is over and above the information required by UK & WG; this is a contributing factor to the delays in progressing projects.

Commitment & Sustainability

Government funding of the SBCD will be paid over a 15-year period. In order to deliver the projects within five years, Local Authorities will have to borrow to finance the Government funding. At this early stage of development of the regional projects there is no clarity over the borrowing requirements (values) and how this will be delivered by the Lead Authorities. There is a risk that Local Authorities will not support the proposed borrowing requirements (although the principal is included within the JCA) which could result in abortive work and wasted resource in developing these projects.

There is a lack of clarity over the funding and borrowing arrangements to support delivery of the SBCD. WG have agreed to Local Authorities receiving 50% NNDR generated from the Programme, however, the apportionment and distribution of this revenue has not been determined. The likely return on NNDR will be an influencing factor in determining the affordability of borrowing that Local Authorities will be willing to accept, so there is a pressing need to determine this promptly.

In order to continue to draw down Government funding over the 15-years of the SBCD, the Programme will need to be able to demonstrate that it is delivering the intended outcomes. The monitoring and evaluation process, which is currently under development, will need to be robust. Consideration should also be given to contingency arrangements should funding be withdrawn at a later date.

9. Core Principle D

Determining the interventions necessary to optimise the achievement of intended outcomes.

Expected Actions & Behaviours: strategic, operational and financial planning of projects; prioritising projects for delivery; objective and rigorous analysis of projects including an assessment of intended outcomes and risks.

Areas for Improvement: the JCA defined process for analysing projects is not operating as intended; the implementation plan needs to be prioritised and supported by a financial plan and programme risk register.

Determining Interventions

The JCA outlines the stages and responsibility for developing, appraising and approving business cases. There is a five-stage process to approving business cases for formal submission to UK & WG. Meetings with Members of the Joint Committee, Programme Board and the Chair of the ESB, along with a review of correspondence between the Regional Office and UK & WG identified that the process is not operating as intended.

Delivery Lead

Clause 12.3 (a) within the JCA outlines the responsibility of the Delivery Lead and the requirement to include a Resolution of the Project Lead Authority (and all Councils if delivering a regional project) when submitting a business case to the Regional Office. This process isn't being followed. Business Cases are referred back to the Project Lead Authority after approval has been received by the Joint Committee.

Iterative Process

Clause 12.3 (d) within the JCA outlines the role of the Regional Office in assessing the quality and financial profile of business cases before passing to UK & WG for them to undertake their own assessments. A review of business cases passed to UK & WG at this stage identified the following:

- Business cases lacking in the detail required by the 5 Case Model;
- Seemingly unnecessary information included;
- Incomplete sections;
- Lack of clarity around economic, commercial and financial cases.

Feedback to the Internal Review team reflected frustration within the Region on the delays with the iterative process and the comments/feedback from UK & WG. However, the comments and feedback from UK & WG were deemed to be reasonable and necessary by the Internal Review team.

Programme Board

The JCA expectation is that Programme Board would analyse the financial viability, deliverability and risk of the proposed business case and make a recommendation on whether or not the business case should proceed. It is expected that there would be challenge at this stage around the due diligence processes undertaken.

In reality, the Programme Board receive an update against all projects, similar to the update provided to the Joint Committee; there is no detailed review of the written business case or compliance with processes and procedures. Membership of the Programme Board is at the highest officer level, so they are unlikely to have capacity to deliver the time commitment required for this level of scrutiny and challenge.

Economic Strategy Board (ESB)

The ESB is expected to review the business cases from the private sector perspective, against the strategic aims and objectives of the SBCD and make a recommendation to the Joint Committee on whether or not the business case should proceed.

The ESB, having only met a few times, is still establishing the format of meetings and information required to provide a value-added function. The ESB considers the concept, they do not review the written business case; they undertake site visits and meet with Project Leads. The ESB have requested a SWOT analysis for the projects they are considering, using their commercial expertise to identify wider opportunities for the Region and determine if there are any threats that require further consideration.

ESB membership comprises of Private Sector Representatives, the four Leaders of the Local Authorities, and representatives from the Local Health Boards and Universities. The purpose of including the Leaders of the Local Authorities on the ESB is unclear and doesn't add value. The ESB has no decision-making powers, their purpose is to look at wider opportunities and stimulate confidence and interest in inward investment to the Region. The ESB could provide UK & WG with the confidence that they are currently lacking around the economic and commercial viability of business cases. Consideration should be given to the mechanism for providing this assurance, e.g. a covering brief for submission with the full business case.

Discussion with the Chair of the ESB on the three full business cases previously considered and then approved by the Joint Committee (22 November 2018) for formal submission to UK & WG, identified the following:

- The ESB had confidence in Phase 1 of Yr Egin but had reservations around the economic and commercial case of Phase 2;
- The ESB had queried where the private sector investment was coming from for the Llanelli Life Sciences & Wellbeing Village project but did not receive answers;
- The ESB raised questions of the Swansea City & Waterfront Digital District project in connection with transportation infrastructure.

Joint Committee

Joint Committee receive the full business cases for consideration and approval to submit to UK & WG. The business cases are extensive documents and in practice it is questionable whether the Joint Committee Members have time to read them in any detail. Reliance is placed on the process, as defined within the JCA, that the business case is expected to have been through, i.e. iterative process with UK & WG, Programme Board and ESB; however, as demonstrated above, the process is not operating as intended and cannot be relied upon.

10.Core Principle E

Developing the Partnerships capacity, including the capability of its leadership and individuals within it.
--

Expected Actions & Behaviours: distinction between roles and responsibilities; specification of delegated decisions versus those reserved for the Joint Committee; reviewing operations, resources and performance to ensure effectiveness.
--

Areas for Improvement: independence, capacity and capability of the Regional Office to deliver the Project Management Office function.

Capacity & Capability

Carmarthenshire County Council's staff have largely fulfilled the function of the Regional Office. Although a structure was costed and approved by the Joint Committee at its meeting in August 2018, positions have not been substantively filled, but duties have been covered by existing Carmarthenshire County Council employees. The Internal Review team were advised that three new appointments were made to the Regional Office.

The expectation of UK & WG was that the Regional Office (as the SBCD Delivery Team) would fulfil the role of the Project Management Office for the SBCD. In reality, the Project Leads are expected to undertake their own due diligence checks and reliance is placed on individual Lead Authorities to ensure that this is done. The Regional Office are supposed to act as the link between the Project Leads and UK & WG, however, there have been instances where the Regional Office have been bypassed. There are only three regional projects, so if reliance is placed on the individual Local Authorities it is unclear why eleven posts are required (not all substantively filled) in the Regional Office.

To date neither the Implementation Plan nor any business cases have been signed-off. Feedback from the Regional Office and Members of the Joint Committee do not accord with the feedback from UK & WG, so there is clearly a communication breakdown between parties. A review of the feedback on business cases to the Regional Office from UK & WG concluded that the questions were reasonable and should be raised. Due to the timescales to deliver this review, substantive testing was not undertaken to form any conclusions in this report.

The Heads of Terms makes reference to the SBCD Delivery Team, which is the function undertaken by the Regional Office. The Heads of Terms makes reference to the SBCD City Deal Delivery Team being appointed and reporting to the Joint Committee. Clause 9.2 within the JCA states that the 'Joint Committee shall designate the Head of Paid Service of the Accountable Body as Lead Chief Executive to act as its principal adviser and as Accountable Officer to manage and oversee the work of the Regional Office staff'. This clause compromises the independence of the Regional Office who are expected to report through the Lead Chief Executive, who is also the Head of Paid Service.

Members of the Joint Committee have questioned whether an independent Chief Executive/Managing Director should manage the Regional Office. While this could be an option, the success of this will be heavily dependent on the skills and capability of the candidate to ensure that they have the ability to challenge at all levels within the Partnership and with UK & WG and receive challenge while remaining independent and objective. In any event there will be a reporting line to one of the Local Authority Chief Executives as Head of Paid Service; however, the role of employer of the Regional Office and role of Lead Chief Executive should be separated (as with other Regional working arrangements), to promote the independence of the Regional Office.

11.Core Principle F

Managing risks and performance through robust internal control and strong financial management.
--

Expected Actions & Behaviours: integrating robust risk management arrangements; monitoring delivery of the Programme and effective scrutiny arrangements.
--

Areas for Improvement: risk management, performance management and the role of the Joint Scrutiny Committee.

Risk Management

Risk management arrangements require improvement. Risks are not clearly articulated to describe the event, consequence and impact. There is no consistent risk management methodology used across the Partnership. No consideration has been given to the overall risk appetite of the Partnership and articulated into any statement. The Programme risk register should be a true reflection of the current risks to the delivery of the Programme and should be a regular agenda item for consideration by the Joint Committee, but there is no evidence that this is happening. This is a significant contributing factor to the lack of confidence by UK & WG in the delivery of the Programme.

Managing Performance/Scrutiny

The issues highlighted above demonstrate the lack of performance management and scrutiny of business case development that is currently undertaken, which again is reflective of why the Implementation Plan and business cases are not progressing to sign-off stage so that Government funding can be drawn down.

The Joint Scrutiny Committee has formed, but the Terms of Reference restrict their remit to scrutiny of Regional projects, scrutiny of individual Authority projects are a matter for the relevant Constituent Authorities Scrutiny Committee. This detracts from the Regional approach of the SBCD.

Appendix A – Summary of Meetings/Discussions with Stakeholders

Regional Office

UK & WG Civil Servants: (Head of Regional Growth, UK Government in Wales; Head of Policy, UK Government in Wales; Deputy Director, Head of Cabinet Office, Welsh Government; Deputy Director, Commercial and PPM, Welsh Government; Chief Regional Officer, Mid and South West Wales, Welsh Government; Head of Programme for Government, Welsh Government; Head of City and Growth Deals, (Mid and South West Wales), Welsh Government).

Chair of the Joint Committee (Leader of City and County of Swansea Council)

Director of Place, City and County of Swansea Council

Leader of Pembrokeshire County Council

Chief Executive of Pembrokeshire County Council

Chair of UBMA Health Board

Leader of Neath Port Talbot County and Borough Council

Chief Executive of Neath Port Talbot County and Borough Council

Chair of Joint Scrutiny Committee

Vice Chair of Joint Scrutiny Committee

Chair of Hywel Dda Health Board

Leader of Carmarthenshire County Council

Chief Executive of Carmarthenshire County Council

Chair of the ESB

Registrar and Chief Operating Officer of Swansea University

Pro- Vice Chancellor, University of Wales Trinity St Davids

Monitoring Officer

Section 151 Officer

Appendix B – Summary of Correspondence between the Regional Office and UK & WG (Governments) in relation to the 3 full business case submissions and submissions to the ESB and Joint Committee

Swansea City & Waterfront Digital District Business Case

Date	Action
04/01/18	Draft Business Case sent to Governments
15/02/18	Comments received from Governments
04/04/18	Response to comments and revised business case shared with Governments (advised by RO)
18/05/18	Comments received from Governments
19/07/18	Draft Business Case sent to Governments
05/11/18	Governments sent comments back and stated meeting required to discuss Economic case
08/11/18	Draft Business Case submitted to ESB – full approval given
12/11/18	Regional office acknowledged and agreed requirement for meeting
15/11/18	Governments provided potential dates for meeting
19/11/18	Regional office stated 27/11/18 to be best date for meeting
21/11/18	Response to comments sent to Governments
22/11/18	Joint Committee approved Business Case
26/11/18	Business Case formally submitted to Governments for approval
27/11/18	Meeting held
27/11/18	Governments provided written comments on Economic case
29/11/18	Additional information provided to Governments
21/12/18	Updated Business Case submitted to Governments (though Governments state that original not withdrawn and update does not include Economic case changes)
21/12/18	Further meeting planned for 14/01/19 to discuss

Yr Egin Business Case

Date	Action
15/12/17	Draft Business Case shared with Governments
12/04/18	Comments received from Governments
03/08/18	Draft Business Case sent to Governments
31/10/18	Governments sent comments back
08/11/18	Draft Business Case submitted to ESB – full approval given
22/11/18	Joint Committee approved Business Case
26/11/18	Business Case formally submitted to Governments for approval (Governments state that this was exactly the same as the submission on 03/08/18 with no amendments)

27/11/18	During the meeting on Digital District, Governments state a conversation was had around the Economic Case with David Swallow, and Governments were informed the Business Case had changed since submission to reflect this and to reflect comments provided on 31/10/18 (no e-mail evidence to support this)
03/12/18	Business Case considered by Carmarthen County Council (CCC) Executive Board and agreed it could be submitted to UK and WG (confirmed via CCC website)

Llanelli Life Science & Well-being Village Business Case

Date	Action
15/12/17	Draft Business Case sent to Governments – no financial case included
23/01/18	Draft Business Case resubmitted to Governments with financial case included
08/03/18	Amended Draft Business Case sent to Governments
23/03/18	Review meeting with Governments
13/04/18	Economic case addendum sent to Governments
11/06/18	Review meeting with Governments
15/08/18	Draft Business Case sent to Governments – including table of response to previous feedback
19/10/18	Governments sent comments back (states that this contained specific questions about due diligence which had not been resolved) ¹
08/11/18	Draft Business Case submitted to ESB – full approval given
16/11/18	Response to comments sent to Governments
22/11/18	Joint Committee approved Business Case
26/11/18	Business Case formally submitted to WG for approval
03/12/18	Business Case considered by Carmarthen County Council (CCC) Executive Board and agreed it could be submitted to UK and WG (confirmed via CCC website)

¹ WG state that numerous phone calls/offline discussions about due diligence issues were handled informally (no e-mail evidence to support this)

This page is intentionally left blank

28TH MARCH 2019

CARMARTHENSHIRE COUNTY COUNCIL LLANELLI WELLNESS AND LIFE SCIENCE VILLAGE REVIEWS

RECOMMENDATIONS / KEY DECISIONS REQUIRED:

To note the findings of the Carmarthenshire Council Independent Legal Review and the WAO Review of the Llanelli Wellness and Life Science Village.

REASONS:

The Chair of the Joint Committee at the meeting held on the 14th December 2018 requested Carmarthenshire County Council to forward to the Joint Committee, once available, all advice and documentation relating to the Carmarthenshire Council commissioned review of the Llanelli Wellness and Life Science Village.

Report Author:
Wendy S Walters

Designation:
Director of Regeneration & Policy

Phone & Email:-

01267 224112 /
WSWalters@sirgar.gov.uk



EXECUTIVE SUMMARY

SWANSEA BAY CITY REGION JOINT COMMITTEE

28TH MARCH 2019

Llanelli Wellness and Life Science Village

The report provides, for the Joint Committee's information, a copy of:-

- a) the findings of the independent legal review undertaken by Carmarthenshire County Council on the procurement and governance of the Llanelli Wellness and Life Science Village project, both pre and post Collaboration Agreement and
- b) the findings of the Wales Audit Office Review which assessed Carmarthenshire Council's management of process, risk and governance and the protection of public money

These reports were considered by Carmarthenshire County Council's Executive Board on the 4th March 2019.

DETAILED REPORT ATTACHED?	YES
---------------------------	-----



IMPLICATIONS

Policy, Crime & Disorder and Equalities NONE	Legal NONE	Finance NONE	Risk Management Issues NONE	Staffing Implications NONE
--	----------------------	------------------------	---------------------------------------	--------------------------------------

CONSULTATIONS

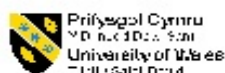
N/A

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

Title of Document	File Ref No.	Locations that the papers are available for public inspection/WEBSITE LINK
Carmarthenshire County Council Executive Board meeting 4 th March 2019		http://democracy.carmarthenshire.gov.wales/ieListDocuments.aspx?CId=131&Mid=2183&Ver=4



This page is intentionally left blank

January 2019

**LIFE SCIENCE AND WELLNESS VILLAGE
AT DELTA LAKES**

GOVERNANCE AND PUBLIC PROCUREMENT REVIEW

Acuity Legal Limited

PART ONE: TERMS OF REFERENCE

1. Acuity Legal has been asked by Carmarthenshire County Council (the Council), to undertake a Governance and Public Procurement review in relation to the Llanelli Wellness Village Project at Delta Lakes (the Project).
2. The terms of reference for the review involve a legal appraisal of the key mechanisms through which the Council is protected in relation to the Project including:
 - 2.1 the Council's decision-making processes in the public procurement process in the light of the advice received
 - 2.2 the terms of the Collaboration Agreement with Sterling and Swansea University
 - 2.3 the Council's actions since July 2018 under the processes established through the terms of the Collaboration Agreement
 - 2.4 papers relating to the Project since the establishment of the Collaboration Board including the minutes of recent Collaboration Board meetings
 - 2.5 whether the Council followed robust governance processes in relation to the decision to terminate the Collaboration Agreement; and
 - 2.6 potential future options for financing the Project.

The review excludes consideration of appropriate mechanisms to engage in future with private sector participants in a manner which is compliant with Public Procurement rules.

3. Acuity has been asked to conduct the review on the basis that it is a panel adviser to local authorities in Wales under the National Procurement Service for Wales Legal Framework, covering governance work. Acuity did not advise on the procurement process or on the preparation of the Collaboration Agreement which form the bulk of the subject matter of the review. This firm does have knowledge of the direction of the Project having recently been asked by the Council to consider funding options and how best to regulate the future engagement of the Council with third parties in the period following the signing of the Collaboration Agreement between the Council, Swansea University (the University) and Sterling Health Securities Holdings Limited (Sterling)

4. In conducting the review, representatives of Acuity have spoken to senior officers at the Council concerning the factual background. Our review incorporates information provided as a result of those discussions and our conclusions are, in part, based on discussions with Council's officers and in part based on our review of the relevant material, in particular:
- a. The Collaboration Agreement
 - b. The first draft Shareholders Agreement for the proposed property holding company at Delta Lakes
 - c. The minutes of the three Collaboration Board meetings and one Shadow Board meeting
 - d. Our initial Advice Note of August 2018; and
 - e. Procurement material referred to in the Appendix
- each of which is described in more detail in this Report.
5. The report is prepared for the sole use by Council representatives and is not intended to be relied on by any party other than the Council. It should remain confidential and not be disclosed without our consent.

PART TWO: EXECUTIVE SUMMARY

6. The Council engaged and ultimately selected the University and Sterling as preferred partners following a competitive dialogue process, which is a thorough and robust method of selecting partners for projects of the nature and complexity of the Project.
7. The documentation provided by the Council demonstrates that it followed due legal process in the procurement and the award of the Collaboration Agreement to Sterling and the University as a collective party.
8. The Project records show good governance and regard by the Council to risk management
9. The documentation provided shows that the Council has not given any binding legal commitments to Sterling or the University which lock those parties into the Project, nor has it transferred any land, made loans, offered cash consideration or formed any company or formal joint venture, with either party.
10. The Council's actions since the establishment of the Collaboration Agreement, as recorded in minutes of Collaboration Board meetings and in the document itself, also reflect an approach which incorporated many levels of Council control into the draft legal arrangements, including appropriate veto rights and the creation of new corporate policies to ensure value for money and compliance with local authority governance rules. This was done in keeping with external legal advice.
11. The Council had several options available to it in relation to the Collaboration Agreement in response to the recent suspensions of University staff. In order to protect the integrity of the Project and the Council's assets it chose to terminate the Collaboration Agreement in accordance with clause 53, having sought legal advice on its options. The Council took account of a range of relevant considerations when electing to terminate. This is addressed in detail in Part Six below (paragraphs 37 to 46).
12. Termination of the Collaboration Agreement does not prevent the Council from engaging with third party participants (including Swansea University) in the future nor does the absence of Sterling Health, in our opinion, have a material adverse effect on funding structures for the Project. Indeed, it gives the Council a greater deal of control to structure finance in a way which best fits its aspirations for the Project as referred to in more detail in Part Seven of this Report.
13. Through the period we have reviewed, the Council's officers have, in our view, taken prudent steps to manage the Project in a safe and well considered legal and financial environment.

14. in our view, there has been no misuse of, and no risk posed to, public funds.

DRAFT

PART THREE: REVIEW OF PUBLIC PROCUREMENT EXERCISE

15. Acuity has undertaken a detailed analysis of the procurement process undertaken by the Council which led to the Council entering into the Collaboration Agreement with Sterling and the University.
16. Our analysis is contained in the **Appendix** to this report and it should be read in conjunction with this remainder of the report.
17. In summary, the Council's project records are in good order and demonstrate that at all times the Council acted in accordance with the Public Contracts Regulations 2015 (**PCR**) and followed appropriate processes, including the recognised competitive dialogue procedure. The Council acted with the benefit of advice provided by its experienced external lawyers, Blake Morgan as well as senior officers, including specifically the Council's Head of Law and Administration (who is also the Council's Monitoring Officer) and the Council's Director of Corporate Services (who is the Council's Section 151 Officer).
18. The Council's in-house team and external lawyers played a central role in the procurement, including attending meetings and workshops with Sterling and the University. The Council's external lawyers chaired the dialogue meetings.
19. While it is not within the scope of this review to assess the merits of the bid by Sterling and the University it is worth noting that the Council considered that their bid had the following benefits:
 - a. Sterling brought with it the University as a co-partner which, in turn, brought significant financial strength, expertise, innovation and leverage from within the University's resource and knowledge base
 - b. The concept of a wellness village ie co-locating various assisted living, wellness, rehabilitation and medical facilities, training facilities, housing and care accommodation is a concept which is attracting interest internationally and offers the potential for significant wellbeing benefits and cross border partnerships which could benefit the Council and derive many spin off benefits such as data analytics and better health outcomes
 - c. Sterling and the University had carried out preliminary work to engage with significant third party commercial entities eg Siemens, Pfizer, Fujitsu and other international companies who had the potential to bring added value

- d. The bid was informally supported by expressions of interest from private sector funding institutions. Such funding, if formally locked in, could assist in satisfying the conditions for attracting City Deal funding for the benefit of the local area.
20. In the light of these apparent benefits it does not appear unreasonable that the Council would wish to engage with Sterling and the University under the terms of a well drafted legal arrangement which preserved options for the Council, or indeed the ability to detach itself, wholly or partly, from those parties if it wished to do so. The Council therefore took the decision to proceed in a considered manner to an interim stage and an arrangement was drafted by the Council's external lawyers and signed in July 2018 as the "Collaboration Agreement".

PART FOUR: TERMS OF THE COLLABORATION AGREEMENT

21. The Council has confirmed to us that the Collaboration Agreement represents the only legal agreement in place between the Council, Sterling and the University. It has formed the background to the engagement between the parties from July 2018 to December 2018.
22. In our view, the Collaboration Agreement weighted Project risks in the Council's favour and did not expose the Council. In particular, the document:
 - a. reserved rights for the Council to progress alone with key phases of the Project if it so wished
 - b. placed the onus on Sterling and the University to bring forward further detail in relation to other components of the Project for the Council's approval before concrete commitments were made .
 - c. permitted the creation of a steering group to discuss development proposals in a streamlined and orderly fashion
 - d. incorporated the right to trigger a notice forcing the parties to provide particulars of their offering or else face termination.
 - e. inserted termination provisions which could be (and indeed were) activated at the Councils sole discretion and without liability to the Council.
23. In so doing, the Council took sensible precautions against the risk of the other parties being unable to satisfy financial and development tests or bring forward robust proposals which satisfied the Council's obligations to deliver best value from its assets and meet the requirements of its public procurement.
24. The Collaboration Agreement did not contain any legally binding commitments on the Council to transfer assets or value, or create formal joint venture commitments which could tie up public assets. In reality, the University and Sterling obtained little more than a right of first refusal right to bring forward proposals for certain phases of the Project for detailed consideration by the Council. It also provided for the creation of a joint steering group to look at the formation of joint arrangements, financing options and masterplanning work The agreement was capable of termination by the Council at any time.

PART FIVE: COUNCIL DECISION MAKING FOLLOWING THE COLLABORATION AGREEMENT

25. A steering group was established under the Collaboration Agreement. Monthly meetings took place, the meetings of which were chaired, well attended and minuted. Minutes were subsequently circulated and settled at the following meeting. Conflicts of interest were asked to be declared.
26. Copies of the minutes of the meetings to date (a Shadow Board meeting dated 29 June and then Collaboration Board Meetings of 3 September, 17 October and 15 November 2018) show that good governance of the Project was a key consideration.
27. Significant activity took place around those meetings to formulate a detailed Project strategy. Discussions also took place with prospective occupiers of elements of the Wellness Village (principally the University Human Health department and Medical School and Hywel Dda University Health Board)
28. Work was also undertaken by the Council, both internally and reviewed by an external advisor, 1971 Limited, to undertake high level financial modelling for each phase of the Project to form part of a comprehensive business plan. Detailed spreadsheets were prepared which took account of likely funding options and revenue streams. Such work was commissioned directly by the Council in response to concerns that Sterling were not undertaking such work within the required timescales and in order to ensure that the Council's position would be protected in any subsequent funding discussions.
29. Work also began to define the architectural and engineering inputs into the planning phase of the Project. Arup was appointed in relation to this work pursuant to a framework agreement that the Council was able to use. The Council was described in the documentation as the commissioning body, thereby retaining full control of the intellectual property rights in design and planning work (with such rights not being transferred to Sterling or the University). The appointment of Arup was prepared by this firm in accordance with the documentation requirements of the procurement framework which the Council had selected. The Council took on responsibility for bearing the costs of the Arup engagement on the basis that it retained all rights to the benefit of such work and retained full ownership of the land at that point.
30. Although design and planning work has been undertaken by Arup, no construction contracts have been awarded in relation to the Project.

31. A key intention of the Collaboration Agreement was to progress work towards the formation of a “Wellness Company” and “Project Vehicles” into which the Council could potentially transfer land to enable the Project to be developed through special purpose vehicles without direct legal exposure to the Council. These legal entities would also have enabled the wider development of the concept of a “wellness village” in other localities outside of Wales, from which the Council could have, and hoped to, retain an equity financial interest without the need for direct involvement.
32. Discussions at Board level took place under the Collaboration Agreement to start to prepare legal documentation for the formation of an asset holding Project Vehicle in October 2018 in accordance with legal advice. However:
- a. No land transfers have taken place and therefore the site remains in the ownership of the Council under the terms of a joint venture with Welsh Ministers, with no legal commitment to make any transfers;
 - b. No Project Vehicles were established as the proposals were in draft stage in the period prior to termination of the Collaboration Agreement and therefore the Council has not issued shares to a third party and is not obliged to do so;
 - c. The draft agreement was prepared and circulated for the creation of a property development vehicle, this did not get beyond first draft stage and therefore it is not legally binding.
 - d. The draft agreement incorporated provisions that:
 - i. New companies would have to be established (ie not adopting any existing Sterling companies) (see definition of “Company”) with only a limited number of directors from each representative entity (two each)
 - ii. Veto mechanisms for the Council and University would be incorporated into the documentation to guard against any concerns that the private sector participant could take decisions which were not in the interests of the Council
 - iii. Processes were built into the documents to enable the Council to take security over the project company if it were ever asked to contribute value (eg land, funding or guarantees) which was disproportionate to its shareholding (to be treated as loans on which market rates of interest would accrue)

- iv. The draft contained protections against fraud and anti-corruption, requirements of transparency together with significant warranties and undertakings from the Sterling and the University in favour of the Council
- 33. It should be emphasised that the draft agreement would have been further refined through discussion and negotiation between the three shareholders and their respective legal advisers and additional protections incorporated if necessary
- 34. The minutes of Collaboration Board meetings show that the Council were also anticipating the following documents to accompany the formation of a Project Vehicle:
 - a. Detailed Business Plans and financial models were to be prepared to define the parameters of the Project
 - b. A “procurement strategy” was to be documented (which this firm has been instructed to prepare following the November Collaboration Board meeting) so as to govern engagement with third parties in a manner which satisfied governance requirements of the Council (as a local authority) and University (as a charity) – and which was intended also to ensure Sterling’s dialogue with third parties was carried out in a regulated and transparent manner;
 - c. Risk register, insurances and quality assurance policies were to be established in conjunction with the proposed Business Plan, in each case to mirror examples of good governance in other local authority- controlled trading companies
- 35. It is noted from the Minutes that the Council expected both the University and Sterling to seek independent legal advice on the terms of any agreement. Such advice would have included the identity of shareholders and directors proposed by the University and Sterling which would have to be negotiated and agreed by all parties transparently. Accordingly, all parties were intending to have the opportunity to have independent scrutiny of the documents and make their proposals as to how shareholding structures would be set up. The Council also reserved its position to seek separate approvals from its Executive Board prior to concluding any legally binding commitments.
- 36. Our recent discussions with Council officers have disclosed that during the course of its engagement with Sterling under the Collaboration Agreement, it became apparent to officers that Sterling developed unrealistic expectations concerning the Project outcomes and funding structures. It also relied excessively on the Council and University to drive key elements of the Project (notably the preparation of financial models and procurement strategies for each phase

and the adaptation and refinement of elements such as rehabilitation and extra care. In our view, the mechanisms introduced into the process by the Council (and referred to above) showed an appreciation of these issues and were designed to protect the Council (and University) from associated risks and ensure their behaviour was properly regulated from a governance perspective.

37. Therefore, the Council had taken steps throughout the process to ensure high standards of governance and risk management were incorporated into the documentation which was being prepared so as to manage all future legal arrangements. The Council's implementation of the Collaboration Agreement in our view protected the Council from foreseeable economic risks of the Project. The next phase of documentation (specifically shareholder relationships) were intended also to guard the Council against failure of other parties to perform adequately in relation to the Project.

PART SIX: DECISIONS CONCERNING TERMINATION

38. At the stage of considering whether or not to terminate the Council had not received any detail concerning staff suspensions at the University. This report does not intend to comment on those suspensions or speculate as to the outcome of the University's internal review as the review is still incomplete as far as we are aware.
39. As the suspensions involved individuals with links to the Project, the Council considered that it needed to take swift and appropriate action to protect itself and the Project. It considered a range of options, principally:
- a. Await the outcome of the University investigation and take a view on the impact when it concluded (**Wait and See Option**)
 - b. Serve an interim notice under the Collaboration Agreement indicating an intention to progress the core elements of the scheme alone (particularly the Community Health Hub and Wellness Centre) and put on hold the remaining elements until further details were known (**Partial Pause Option**)
 - c. Serve 6 months' notice to terminate the Collaboration Agreement and cease discussions with Sterling, but leave open the potential of dialogue with the University in its capacity as occupier of the Community Health Hub (**Interim Termination Option**)
 - d. Serve an immediate notice ending the agreement "forthwith" alleging breach of the Agreement (**Breach Termination Option**)
40. The drafting of the Collaboration Agreement did not permit the Council to terminate the relationship with respect to one party only (Sterling or the University) and leave the other in place. Any notice to terminate therefore had the effect of ending the entire agreement.
41. When considering termination options, the Council were aware that termination of the Collaboration Agreement did not necessarily preclude the Council from continuing its dialogue with the University, both as a prospective occupier of the Community Health Hub and potentially more widely following proper re-engagement. Indeed, the competitive dialogue documentation issued by the Council made it clear that the University had a key contributory role which logically can apply whether or not the Collaboration Agreement was in place.

42. In making any decision from available options, the key factors which were relevant and available to the Council for consideration were:
- a. giving assurance to Council members that a robust stance was being taken which protected the Council;
 - b. Preserving the ability to attract City Deal funding from Welsh Government/UK Treasury and complying with the conditions attached to that funding;
 - c. retaining the valuable support that had been offered to that point by Swansea University in relation to matters such as human health, medical school, training and digital platforms as occupier of the Community Health Hub;
 - d. The Council being confident that it could obtain finance for the wider Project from private sector sources so as to match fund City Deal contributions appropriately;
 - e. project timeframes, particularly as work on master-planning had already been commissioned and was underway and there was a requirement from Hywel Dda University Health Board that any elements of the Project which they were contributing to within the Community Health Hub were delivered in a timely and transparent fashion so that care packages could be commissioned at the right time; and
 - f. Whether the University would conclude its internal reviews quickly.
43. The Council discounted the Breach Termination Option having taken legal advice. Without full and proper information regarding the outcome of the investigation by the University it could have risked disputes with the other parties if it were to allege a breach. Risking such a dispute would have been unnecessary given the alternative options available to the Council.
44. The Council also considered that it could not adopt the Wait and See Option. The timeframes for conclusion of the University review were uncertain as the suspensions were being contested publicly the fact that a full investigation was frequently a time-consuming exercise in the light of the University's charter, policies and Charities Act obligations Therefore a Wait and See Option would deprive the Council of the ability to reassure its members and the public that it was acting swiftly and responsibly.
45. The Partial Pause Option would, in effect, have kept the Collaboration Agreement alive but extracted from it two core phases, the Community Health Hub and Wellness Centre. These phases were so integral to the overall success of the Project that they would have deprived the

other parties of any real input in the Project for years. It would also have been difficult to engage partially with the University without also dealing with Sterling (or vice versa) while the Steering Group was intact for remaining phases. The uncertainty would also possibly be perceived as insufficient action to reassure the Council and other stakeholders such as Welsh Government and UK Government.

46. The Interim Termination Option was selected for the following reasons:
- a. It allowed the Council to take swift and decisive action to preserve the integrity of the Project and try to ensure City Deal funding remained in tact;
 - b. it offered a much cleaner method of terminating as it explicitly allows termination “without liability”;
 - c. it did not, in the view of the Council, prejudice private sector funding as the Council had commissioned its own financial modelling and this indicated that the funding would be primarily based around the Council's involvement and commitment;
 - d. it enabled the Council to keep on track with the work already undertaken to satisfy Hywel Dda and planning application timeframes; and
 - e. it did not necessarily preclude re-engagement with the University (and indeed we understand that the Council has already indicated to the University that it wishes to re-engage at an appropriate time and in an appropriate manner).
47. Our view is that the above were relevant factors and the Council gave appropriate weight to those factors in reaching its decision to serve an Interim Termination Notice.

PART SEVEN: FUTURE FUNDING ARRANGEMENTS

48. The Report does not consider precisely how future funding will be structured and the appropriate procurement methodologies and this will be the subject of more detailed work in future. However, there are certain observations we are able to make within the confines of the terms of reference for this Report.
49. The potential to establish a corporate vehicle (which may be wholly owned by the Council) still remains and has advantages in terms of offering security for funders and removing certain contractual risks from the Council. This is commonly adopted by local authorities when embarking on development projects.
50. Our understanding of the financial status of the Project and the modelling work undertaken to date by the Council is that its fundability does not depend to any significant degree on Sterling. While Sterling had made initial enquiries of institutional funders, it is commonly accepted that institutional funders such as banks and pension funds will look to the Council (and any other major public sector participants such as the University) as counterparties rather than Sterling, whose balance sheet would be irrelevant to asset and/or covenant backed finance methods. In contrast, the participation of an entity of the strength of the University and Hywel Dda, and also a firm commitment to funding from the City Deal would be major positive factors in attracting institutional private sector finance as well as additional support from corporate private sector bodies in the healthcare sector
51. The modelling work which the Council has commissioned from 1971 Limited is consistent with the work we have seen elsewhere in attracting institutional funding and should place the Council in a strong position to determine the optimum funding structure and the types of funders, and their terms, for most phases of the Project. This will be subject to future detailed scrutiny by the Council's finance team but in the presence of strong public sector support provides a solid foundation to attract private sector funding.
52. It is possible that the Council may have to adopt multiple funding strategies for different components of the Project. For example:
 - a. Seek new private sector investment alongside the Council in the form of risk capital and then jointly appoint contractors following applicable procurement rules;
 - b. Seek debt finance from a bank on commercially competitive terms. This is likely to be assisted by the injection of equity committed by the Council and City Deal;

- c. consider “forward funding arrangements” with a pension fund to deliver 100% finance as has been successfully delivered elsewhere in Wales for the core elements of the Project;
 - d. Consider the issue of a bond to finance the Project (or parts of it) with an institutional investor;
 - e. Consider funding with an overseas fund. We believe there is appetite for this given the international interest in wellness led schemes and investment into the UK (irrespective of Brexit outcomes) and a partnering approach with similar international schemes may yield cost efficiencies or scaling opportunities as well as a better overall scheme; and
 - f. Consider disposal to an appropriate and highly experienced partner for those elements of the scheme which are considered non-core (eg housing to a Registered Social Landlord)
53. We will be reviewing these options in more detail with the Council. In our view, when assessing such options, it will be important to determine the status of University and City Deal support and best value in relation to the terms of the funding on offer.
54. Additionally, a key factor in determining funding strategy will be the interconnectivity of its various elements, which work best when developed as part of an overall strategy rather than in isolation. This will have an impact on the phasing of funding as well as in the creation of linked elements such as public realm treatment. The fact that the Council has already, through its work with Arup, secured an initial planning permission will assist with future private sector funding as well as add to the value of the Delta Lakes site.

Acuity Legal Limited

APPENDIX

Public Procurement Review

DRAFT



Mark James CBE
Chief Executive
Carmarthenshire County Council
County Hall
Carmarthen
SA31 1JP

24 Cathedral Road / 24 Heol y Gadeirlan
Cardiff / Caerdydd
CF11 9LJ
Tel / Ffôn: 029 2032 0500
Fax / Ffacs: 029 2032 0600
Textphone / Ffôn testun: 029 2032 0660
info@audit.wales / post@archwilio.cymru
www.audit.wales / www.archwilio.cymru

Reference: AMH/JE/NG

Date issued: 21 February 2019

Dear Mark

Llanelli Life Science and Well-being Village

As you are aware, the Wales Audit Office recently undertook a review of the Llanelli Life Science and Well-being Village project following concerns raised with us about its governance. The review sought assurance that the Council had sound governance and risk management arrangements in place, had complied with its own internal processes, and that it had ensured that public assets were protected. Our review was carried out under powers contained within section 17 of the Public Audit (Wales) Act 2004.

The Council entered an Exclusivity Agreement with Kent Neuro Science on 23 May 2016. This agreement did not require any significant checks or detailed process as it did not involve any financial liability for the Council. The agreement was for a 12-month period. As the Council decided to move forward to a competitive dialogue procurement process, the agreement was cancelled with the agreement of both parties on 7 February 2017.

Following EU procurement rules, the Council then launched a procurement process on 18 March 2017 with the publication of a prior information notice. The Council appointed a leading law firm, with significant procurement experience, to support the procurement process and provide legal advice.

Following assessing the responses to the prior information notice, the Council issued a pre-qualifying questionnaire (PQQ) on 10 July 2017. This resulted in one submission, led by Sterling Health Securities Holdings Limited, that met all the

PQQ requirements, including due diligence checks. The Council moved forward with a competitive dialogue process.

Advice provided to the Council indicated that if it had not continued with the procurement at this stage they could have been subject to challenge as the bid received met all the PQQ requirements.

As the competitive dialogue process continued, Sterling Health Securities Holdings Limited sought contributions from a range of other organisations listed in the original bid. Additionally, Sterling Health Securities Holdings Limited sought and received support from Swansea University.

At the point Sterling Health Securities Holdings Limited introduced Swansea University staff to the dialogue sessions, the Council halted activity while they sought legal advice. Swansea University were also acting as advisors to the Council as a stakeholder in the project and, as such, a clear conflict of interest existed. Consequent to the legal advice, several declarations of interest were sought, and an information protocol between the University and the Council was developed to ensure that those supporting the bid were not party to any information relating to the assessment of the bid. In any event, with a single bidder, no competitive advantage would have been gained had information breached the procedures put in place. However, these measures created a separation between those supporting the bid and those supporting the Council.

The competitive dialogue continued, and on 9 March 2018 the Council decided to offer a collaboration agreement to Sterling Health Securities Holdings Limited and Swansea University. This agreement did not include the transfer of any asset or money to either Sterling Health Securities Holdings Limited or Swansea University. The agreement gave the Council significant control and the ability to terminate the agreement in several ways should it need to.

Throughout the procurement process the Council took appropriate legal advice and framed contracts/agreements to mitigate risk and to protect the Council and public funds. The Council has not paid any money to either Sterling Health Securities or Swansea University as part of the collaboration agreement.

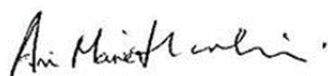
Decisions have been made by Executive Board and, where appropriate, by senior officers of the Council. The Council has operated within its constitution and scheme of delegation throughout the project timeline. Between decision points, Executive Board has received information updates and other less formal briefings.

Following the suspension of Swansea University staff with links to the Llanelli Life Science and Well-being Village, the Council considered it needed to take swift action to protect itself and the future of the project. Following legal advice, it invoked one of the termination clauses (clause 53) in the collaboration agreement with Sterling Health Securities Holdings Limited and Swansea University. The Council gave six months' notice of termination without liability.

The Council now intends to develop the project itself. The cessation of the collaboration agreement does not preclude it from working with Swansea University or any other parties previously involved in the project in the future.

As a result of our review, we have concluded that, to date, Carmarthenshire County Council has followed appropriate processes and effectively managed risk to protect public money in its activities relating to the Llanelli Life Science and Well-being Village. We will continue to monitor progress of this and other Swansea Bay City Deal projects.

Yours sincerely



Ann-Marie Harkin
Engagement Director

cc. Huw Rees, Director
Jeremy Evans, Performance Audit Manager
Jason Garcia, Financial Audit Manager

This page is intentionally left blank

DATE – 28.03.2019

PEMBROKE DOCK MARINE PROJECT

RECOMMENDATIONS / KEY DECISIONS REQUIRED:

- (i) To approve the change in project scope subject to any comments from the ESB.
- (ii) To agree the five year project delivery period commences from the start on site date.
- (iii) To approve the principle of a shared allocation of NNDR uplift.

REASONS:

The Pembroke Dock Marine project is at a critical stage with partners and Pembrokeshire County Council unable to make further progress without these issues being resolved.

Report Author:
Dr Steven Jones

Designation:
Director of Community
Services
Pembrokeshire County
Council

Tel No.
01437 775894



EXECUTIVE SUMMARY

SWANSEA BAY CITY REGION JOINT COMMITTEE

28TH MARCH 2019

PEMBROKE DOCK MARINE PROJECT

BRIEF SUMMARY OF PURPOSE OF REPORT

PEMBROKE DOCK MARINE PROJECT: KEY ISSUES

Background

The Regional Office has received a request from Milford Haven Port Authority (on behalf of the Pembroke Dock Marine Project partners) and Pembrokeshire County Council for the Joint Committee to address a number of key issues that, individually and collectively, determine the fate and future of the PDM project. These issues are now urgent, and if supported, would enable both Governments to respond with a phased approval whereby the match funding for WEFO funded elements could be released to keep the project on track.

The case for Joint Committee decisions is set out on the attached Memorandum from Milford Haven Port Authority (dated 11 February; see Appendix 1). Significant progress on the PDM has already been achieved through the combined actions of the project partners, with major inward investment (£15m-£35m) secured on the presumption that the PDM will be delivered (see Appendix 2a, 2b, and 2c).

The project has evolved (and reduced in size) to reflect both industry needs and EU/WEFO funding timescales. The revised project (see Appendix 3) has been considered by the Regional Office (see Appendix 4) and was considered by the Economic Strategy Board at its site visit on 26 February. Pembrokeshire County Council support the change in scope.

Key issues

1. Revised project scope

Subject to comments from the ESB the Joint Committee is requested to approve the revised project scope.

2. Timeframe

The Joint Committee is requested to approve that the (discretionary) five year project delivery period commence from the start on site date rather than the approval date. (This reflects the extensive terrestrial and marine consenting process.)

3. NNDR uplift allocation

The PDM is 'unusual' insofar as the c.£48m capital expenditure is not likely to generate a significant uplift in NNDR. Historically, new businesses have been entitled to business rate relief in Enterprise Zones. Pembrokeshire County Council and PDM partners argue that as all City Deal projects are of regional benefit, and all costs are apportioned equally, then the net NNDR uplift from the City Deal projects should be aggregated and apportioned across the suite of projects.

Subject to the Welsh Government approving any necessary legislative changes, the Joint Committee is requested to agree the principle of shared NNDR allocation. This may also require clarification from WG, reference Mark Drakeford's letter of 11 April 2018, in this regard.

Conclusion

The PDM project is at a critical stage with partners and Pembrokeshire County Council unable to make further progress without these key issues being resolved.

The PDM has the potential to give the city region a competitive edge in the global marine energy sector (see forthcoming Marine Energy Wales Conference, 4 April 2019).

DETAILED REPORT ATTACHED?

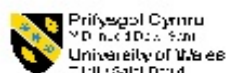
YES

Appendices 1 - 4



IMPLICATIONS

Policy, Crime & Disorder and Equalities NONE	Legal NONE	Finance NONE	Risk Management Issues NONE	Staffing Implications NONE



CONSULTATIONS

Extensive consultations with industry, and local stakeholders, with WEFO and WG and with UK Government.

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

Title of Document	File Ref No.	Locations that the papers are available for public inspection/WEBSITE LINK





PORT OF MILFORD HAVEN

MEMORANDUM

To: The Joint Committee, Swansea Bay City Region

c/o Helen Morgan, Regional Office,

cc
 Ian Westley, PCC
 Steven Jones, PCC
 Andy Jones, MHPA
 Paul Ellsmore, ORE Catapult
 Claire Gibson, WaveHub Ltd
 David Jones, Marine Energy Wales

From: Tim James, MHPA

Date: 11.02.2016

Request

This Memo is submitted to support a recommendation for formal approval of Pembroke Dock Marine in its current submitted format by the Joint Committee in response to a query raised by UK and Welsh Government at a meeting with RO officials on the 30th of January.

The projects vision and ethos to make the SBCR a global leader in the Marine Energy and Engineering Industry is unchanged. We are comforted by the strong political support both UK and Welsh Government have for this intervention. It still remains a regional project and is able to evidence the benefits from technology developers, academia and supply chain across the region.

The current scope makes for a more robust project for all stakeholders. The projects economic case was independently carried out by Amion Consulting, which concluded high Value for Money against the green book methodology. Nothing in their assessment suggests that the jobs and GVA figures as presented at HoT stage would be compromised in any way.

Members will be aware that the affordability of the SBCE funding's revenue costs is an issue for both the project partners and Lead Authority. The project will create NNDR but only in the Port Infrastructure element with the quantum not certain as such will be reliant on customer demands in the future, however these are not expected to cover the cost of borrowing in its entirety.

We are therefore collectively seeking and requesting a regional solution to this issue and ask the Joint Committee to use their ability under clause 14.3 of the Agreement for the Establishment of the Joint Committee to agree a method for ascertaining the distribution of NNDR uplift across the regional portfolio to enable this project to meet its proposed deliverables as part of the Swansea Bay City Deal.

We continue as always to support the Joint Committee to find a solution that works for all parties.

This Memo provides a summary of the Pembroke Dock Marine project that evolved from the project scope at Heads of Terms stage in March 2017. The project's industry consultation, which commenced in mid-2017 has resulting in a change in funded outputs but has been carried out openly and transparently with all stakeholders.

The current scope of the project is fully described in the Full Business Case that passed Regional Office review and was submitted to UK and Welsh Government on the 16.08.2018.

To answer initial Government queries raised on the 28th of September, Supplementary Information which detailed the scope change, industry consultation and rationale for that change also passed Regional Office review and was submitted to UK and Welsh Government on the 11th of December 2018.

The four elements that make up the project still exist and we are confident that a Marine Energy and Engineering Centre of Excellence (MEECE) centred around a Port infrastructure development (PDI), nursery testing sites (META) and an array scale demonstration (PDZ) area are what industry require.

That offering has and will continue to attract inward investment to make the Swansea Bay City Region a global leader in the marine energy and floating wind sector within the context of the established oil and gas sector.

Significant advances have been made since the Heads of Terms were signed and solid progress is being made on all elements. MEECE is operational and has attracted additional investment from the academic sector.

META is also active working on its consent and aims to utilise additional allocation from underspend elsewhere in the project to increase its market attractiveness and strengthen its sustainability beyond the initial 5 years

The Port infrastructure is also working towards its relevant consents. Design work is reducing heritage impact and CADW are fully engaged in pre-application discussions. These have been extremely positive to date. No listed structures are being demolished and a significant package of enhancement measures (including the 2000m² of refurbished offices in the annexes to the two Sunderland Hangers, which have planning and listed building consent in hand) are being proposed to mitigate any residual impact.

Extensive industry feedback has informed the current proposals and timing for the PDI and PDZ elements. The PDZ completed a commercial and technical viability study that concluded including floating wind technology will be more attractive to industry in the short term. The project is now looking to provide double the capacity to market (180MW) making it not only the world largest wave energy scheme but also the world's largest floating wind lease area.

Including wind energy in the project scope has increased the consenting period so that it would not be possible to build the onshore PDZ infrastructure by the end of WEFO's deadline at the

end of 2023. This unfortunately meant allocation of WEFO funding for the PDZ build and private match could not progress within the project scope.

Part of the City Deal and WEFO allocation have been re-distributed to Access Infrastructure elements of the Pembroke Dock Improvements, with the remaining City Deal allocation being re-distributed to META.

The project finances now stand as presented in the latest FBC and are shown below.

PDI / META / MEECE / PDZ TOTALS								
Costs	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Totals
Capital	£672,169	£6,572,706	£13,855,347	£14,027,920	£10,959,251	£2,354,119	£1,880,572	£48,441,508
Revenue	£353,690	£1,042,724	£2,976,631	£2,840,434	£2,495,189	£1,427,929	£1,044,774	£12,181,371
Total	£1,025,859	£7,615,429	£16,831,977	£16,868,353	£13,454,440	£3,782,048	£2,925,346	£60,622,878
Funded by:								
Catapult	£0	£21,175	£189,064	£185,235	£135,646	£459,860	£312,009	£1,302,988
CCF	£150,000	£150,000	£0	£0	£0	£0	£0	£300,000
City Deal	£0	£2,673,977	£8,284,200	£11,318,675	£4,744,651	£675,163	£303,333	£28,000,000
PoMH	£0	£632,346	£360,000	£1,336,000	£2,427,090	£5,160,110	£630,572	£10,546,118
Private Sector	£0	£0	£0	£0	£0	£1,250,000	£1,650,000	£2,900,000
WEFO	£243,513	£898,434	£6,844,801	£6,339,244	£2,069,521	£710,922	£0	£17,106,436
Other	£0	£11,843	£177,912	£98,109	£94,512	£55,529	£29,431	£467,337
Total	£393,513	£2,272,775	£11,951,977	£15,567,904	£15,472,138	£12,019,225	£2,925,346	£60,622,878

Members of the Joint Committee will note the headline figure has reduced from £76m. This is largely due to the reduction in private sector funding for the PDZ element which reduced from £36m to £4.6m. The other elements have responded to reduce the reduction to £15m, roughly the equivalent of the private sector investment into the PDZ element.

The project has, as part of the Wales offer attracted £15m of inward investment from Australian wave energy developer Bombora Wavepower (see letter to Cllr. Simpson Dated 10.12.2018 - attached). We are also encouraged that the Tidal Energy Limited technology and grid connected facility at Ramsey Sound has also been bought by Cambrian Offshore Ltd. Their investment and plans as detailed in the attached letter will bring in further investment and provide additionally to the presented scope.

Upon receipt of a level of comfort from UK / Welsh Government that Pembroke Dock Marine is supported, a further £20m of investment will be unlocked from Swansea based Marine Power Systems (see letter to Cllr Simpson and Cllr Stewart dated 27.11.2018).

It is this evidence and insight that gives the project partners confidence in a more commercially attractive and robust proposition for the Swansea Bay City Region and supported by the Lead Authority, the Project Delivery Lead requests on behalf of the consortium of Pembroke Dock Marine project partners that the Joint Committee formally approve this project scope so that it can progress through the necessary milestones and dependencies towards approval.

This page is intentionally left blank



UNDEB EWRDREDAID
EUROPEAN UNION



Uywodraeth Cymru
Welsh Government

**Cronfa Datblygu
Rhanbarthol Ewrop
European Regional
Development Fund**



Bombora Wave Power Europe Ltd

The Offices
Cleddau Reach
Pembroke Dock
Pembrokeshire
SA72 6UJ

www.bomborawave.com

Cllr David Simpson
Leader
Pembrokeshire County Council
County Hall
Haverfordwest,
Pembrokeshire
SA61 1TP

10th December 2018

Dear Cllr Simpson,

We are writing to request your continued support for the Pembroke Dock Marine project and request that a swift decision is made to approve the project.

Bombora Wave Power Europe Limited (Bombora) is a subsidiary of Bombora Wave Power Pty a company founded in 2012 In Perth, Western Australia to develop a Wave Energy Conversion (WEC) technology called mWave.

After considerable research, Pembroke Dock was selected for our European headquarters and operations and we moved here in November 2017. We have set up our operations at Llanion Cove, Pembroke Dock, and have an agreement with the Port Authority for use of their facilities where we intend to carry out our fabrication, assembly and shore testing.

Pembroke Dock offers good access to experienced marine energy staff, critical supply chain capability and marine operations expertise, enabling us to strengthen our team and ramp up operations to demonstrate and commercialise the mWave technology. The Marine Energy Test Area (META) provides access to an exposed ocean testing area and test areas that can accommodate multiple wave and tidal energy technologies.

To complete the R&D for the mWave Demonstration Project, we have been awarded a £10.3m grant from the European Regional Development Fund through the Welsh Government to develop our £15m full scale 1.5MW mWave prototype.

The ERDF program in Wales offers developers like Bombora a significant opportunity to test pre-commercial technology. However, the Swansea Bay City Deal and more specifically Pembroke Dock Marine provides an opportunity for the long term, creating an exciting facility and environment where we can operate a sustainable business plan to market mWave throughout Europe. Bombora is committed to creating a global operational and assembly base in Pembroke Dock and the development proposed under the Pembroke Dock Marine project is important to facilitate this.

Bombora Wave Power Europe Ltd is a Company Registered in England & Wales
Company Registration Number 10733443 VAT Registration Number GB 291 4034 17

Over the last 12 months we have created an operational base in Pembroke Dock with the generation of 18 high quality posts. Our work to date has engaged and contracted local supply chain companies such as Kingswood Engineering in Pembroke Dock, Griffiths and Daughters in Tenby, Mainstay Marine Services in Pembroke Dock and Norrard Electrics in Milford Haven.

This is just the start of the potential local regeneration benefits and opportunities that will stem from the project over the next 2 years. These opportunities will extend longer into the future if we have the opportunity to do so.

As a technology company we liaise with local academia to support our activities. We are sponsoring a student at Swansea University and have visited Pembrokeshire College to raise awareness of our project and the opportunities Marine Renewable Energy has for the region.

Our ability to deliver on time and to budget and to create a sustainable technology and operating business in Pembroke Dock will be supported by timely approval of the Pembroke Dock Marine project. As part of a growing new industry in Pembrokeshire we request your support for the Pembroke Dock Marine project for the benefit of Pembrokeshire and the Swansea Bay City Region.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Chris Williams', written in a cursive style.

Chris Williams
Commercial Manager



For the attention of David Simpson

27th November 2018

Dear David,

I hope that you are well and do not mind me writing to you in regard to support for Pembroke Dock Marine. Our Company, Marine Power Systems is an established marine energy technology business who is developing the WaveSub, a wave energy converter. Based in Swansea, the company currently employs 10 staff who reside throughout the region.

The 1:4 scale device that was supported by private investment and European Regional Development Funding, was fabricated and deployed in Pembroke Dock and maximised the local supply chain throughout the Swansea Bay Region contracting work to business' within all four local authorities. This included, but was not limited to Ledwood Mechanical Engineering, Mainstay Marine Solutions, Camplas Technology and 3K's Engineering. In the future, we envisage that European installed capacity could be constructed and delivered from the SBCR, due to our unique advantage of being able to tow the device considerable distances using modest work vessels.

Immediate plans

We are in the advanced stages of making the £20m financial investment decision for our full scale device. This decision is predicated on the outputs of Pembroke Dock Marine being available to Marine Power Systems. The next phase is expected to maintain our current staffing levels & increase headcount by circa 14 full time staff. To deliver on the creation of jobs and growth, by providing employment opportunities for those who are out of work, MPS is fully committed to the vision of a Welsh marine energy supply chain, having set itself an aim of achieving a minimum 50% Welsh supply chain content for the Operation. This was achieved for our 1:4 scale Operation.

Need for PDM

The full scale WaveSub will be a significant piece of engineering. At approximately 100m long, 40m wide and weighing several thousand tonnes, the device will require infrastructure and access infrastructure to suit. Marine Power Systems were an active consultee in both the Pembroke Dock Improvements, META and the commercial and technical feasibility study for the Pembrokeshire Demonstration Zone. The current re development plans at Pembroke Port are critical to our next phase and longer term ambitions are to have capacity in The Pembrokeshire Demonstration Zone, which would see multiple WaveSub's fabricated, deployed and maintained within from the region.

In order for us to make our next final investment decision, we need to have a degree of comfort that Pembroke Dock Marine is in a position to move forward in early 2019. Without it, there is potential risk of delay as it is unlikely that the fabrication will be able to be completed at Pembroke Dock. All of these have the potential to dent investor confidence and I would ask that you use your influence to lead this project to approval as soon as possible.

Please do not hesitate to contact me, should you wish to discuss further.

Yours sincerely,

Dr Gareth Stockman
Chief Executive Officer



This page is intentionally left blank



Tim James
Port of Milford Haven
Pembroke Port
Pembroke
Wales

Cambrian Offshore Ltd
14-16 Churchill Way
Cardiff
Wales
CF10 2DX

9th January 2019

Support for the Pembroke Dock Marine Development- Swansea Bay City Deal

To whom it may concern,

I am writing to express our support for the development of Pembroke Dock, as described as part of the Swansea Bay City Deal. Cambrian Offshore Ltd are a new organisation, set up to realise the potential for the development of tidal energy in Wales. Our initial project is to regenerate the existing assets at the Ramsey Sound tidal deployment site and work in alignment with the local supply chain.

We intend specifically to use the port facilities at Pembroke Dock, including office space, lay down areas and quayside as well as maintaining a lease of storage facilities within the port. As the project progresses, we are likely to be undertaking significant activity within the Port facilities, including completion of a forensic analysis of the Delta-Stream tidal turbine, refurbishment of the subsea base, cabling operations and transition piece design. This work will require the facility and handling capacity found within the Port. During the recovery operations, our intent is to utilise the Port as a base for marine operations, including the recovery of a substantive mooring system.

Following recovery, we plan to use Pembroke Port as the base for all marine operations in relation to the Ramsey Sound project. We will be working extensively with marine contractor KML to realise opportunities in Wales. KML have an interest in seeing the port develop to accommodate their vessels.

The opportunity for Pembroke Dock to play a key role in supporting not only the development of the Ramsey Sound project but also more broadly the opportunities for building a new sector and industry in Wales cannot be understated. The geographic and logistical position of the facility and the investment assigned to support the future of the port is a key factor in Cambrian Offshore considering the Ramsey Sound project.



I do hope this letter serves to express our support for the development and investment in to Pembroke Dock. Providing the facilities for development of marine energy in West Wales will be vital to leverage further investment through marine energy projects including not only Ramsey Sound but the Marine Energy Test Areas (META) and Catapults Marine Energy Centre of Excellence (MEECE). By clustering these activities around Pembroke Dock, the opportunity for accelerated development, economic benefits and knowledge capacity will be captured within the region.

Please do not hesitate to contact me if you wish to discuss this matter further.

Regards,

Sue Barr

Cambrian Offshore Ltd.

Chair – Marine Energy Council

Agenda Item -

Pembroke Dock Marine – Funded Outputs

The Pembroke Dock Marine (PDM) project is made up of 4 integrated elements,

- Pembroke Dock Improvements (Infrastructure)
- Marine Energy Test Area (META)
- Marine Energy Engineering Centre of Excellence (MEECE)
- Pembrokeshire Demonstration Zone (PDZ)

Project scope is to 'unlock local growth and regeneration opportunities in the area, exploring marine and other energy sectors. The ambition will be that this project will create a cluster of resources, knowledge and capabilities in marine energy and other energy sectors to accelerate technological development and lead to indigenous business growth, new start up business and an attraction for international business in this field.

In response to changing policy support for marine renewables and the rules around state aid in Maritime Ports since signing the HoT in March 2017, in depth industry consultation was undertaken to ensure the project could attract interest from a number of complimentary sectors. This was done with full knowledge and support from the RO and both governments supported. As a result, the funded outputs of two elements have changed, most significantly for;

- Pembroke Dock Improvements (Infrastructure)
- Pembrokeshire Demonstration Zone (PDZ)

This paper summarises the changes in funded outputs of the two project elements above and the impact of these changes on overall project outputs and finances with further detail in the attached Appendix.

Both Governments have received an informal Business Plan and an associated Addendum detailing these changes and the rationale behind them. In order to progress with the assessment of these documents, both Governments have asked that the 4 Leaders approve the change in funded outputs of the project.

The project has a number of complex interdependencies including security and conditions of ERDF monies totalling £16.7m across all elements which is dependent on City Deal monies being approved and project commencement, ideally in July 2019, which is looking unlikely but as soon as reasonably practicable.

1. Pembroke Dock Improvements (Infrastructure)

Original Funded Outputs	Proposed Funded Outputs
1. Secure outline consents and conservation consents	1. Secure outline consents & conservation consents
2. Infill of one of the dis-used slipways, pickling pond and dry dock	2. Infill of dis-used dry dock and pickling pond

	Modification of two slipways into a single 'superslipway'
	Outline consent for 4900Sqm Fabrication shed over disused dry dock
3. Acquisition of small parcel of land (Triangle') to create construction space	3. Acquisition of small parcel of land (Triangle') to create construction space
4. Creation of 8100sqm of laydown yard and external works for heavy fabrication / device assembly	4 Creation of 28,028 sqm of laydown yard and external works (increase by 350%
	outline consent for 11,900sqm of heavy fabrication shed
5. Construction of heavy fabrication sheds (including overhead cranes)*	5 outline consent for two sheds above and construction of 2500sqm of fabrication shed.
6. Construction of 2000 sqm of MEECE support offices/laboratories/workshop/training in Gate 4 area*	6. Re development of 2000sqm of offices, workshops around Sunderland Hangar annexes
7. Construction of repair shed (inc overhead cranes)*	7. see 2.
8. Installation of heavy lift hoist or floating dry dock or submersible jack up	8. Construction of multi use slipway
	9. Construction of 70sqm of workboat berthing pontoons
	10. 20m transport corridor between the east and west of the dockyard.
	11. Adequate parking provision for increased employment

Rationale:

The change in scope is based on changing industry needs which have been identified through extensive consultation with industry. This consultation revealed a preference for more open, inter connected multiuse laydown space and to not compromise the space with office accommodation.

In addition to the funded outputs, the latest business case makes a number of supporting investment objectives including in part, 5 and 15 year inward investment objectives of £50m and £300m respectively with the latter caveated on national policy support for marine renewables.

2. Pembrokeshire Demonstration Zone (PDZ)

Original Scope	Current Scope
<ul style="list-style-type: none"> Consent and build the onshore infrastructure for the PDZ, a 90km2 offshore leased site for the commercial deployment of 100MW full scale wave energy devices, including connection to the UK energy system. 	<ul style="list-style-type: none"> Consent for an Increased capacity from 90MW to 180MW Target wave and floating wind energy devices Securing grid connection

Rationale:

At Heads of Terms PDZ was subject to approximately £18m of ERDF (with £14m private sector match funding) to fund the build of the 90km2 offshore leased site. This ERDF funding was subject to findings of a feasibility study which was completed in August 2018. The findings of this

Commercial and Technical viability study showed that the PDZ offshore leased site should include opportunities for floating Wind Energy devices as well as wave energy devices. Wind energy is a more developed sector and has a faster route to market. Including wind energy in the project scope has increased the consenting period meaning that it is now not possible to build the original PDZ 90km2 offshore leased site within WEFO's timeframe of 2023. As a result the £18m ERDF has been reduced to £3.6m to secure the consent, with the £14m private sector match funding no longer being required within the 5 year funding period.. It is therefore no longer possible to build the PDZ 90km2 offshore leased within 5 years but the consent will enable the inward investment and construction, which according to the studies above could be in excess of £900m of inward investment and 1000 jobs.

Impact:

Financial

	Original Scope (HOT)	Current Scope
	Pembroke Dock Improvements (Infrastructure)	
	£18,850,000 - City Deal £9,620,000 – Private Sector	£21.55m – City Deal £2.5m – Private Sector £13,163,118 – MHPA £7m - ERDF
Total	£28,470,000	£44,213,118
	Pembrokeshire Demonstration Zone (PDZ)	
	£4.5m – City Deal £14m – Private Sector £17.5m – ERDF	£1,667,103 – City Deal £2,932,897 - ERDF
Total	£36,000,000	£4,600,000
	Overall Pembroke Dock Marine Project	
	£28,000,000 – City Deal £25,920,000 – Private £22,400,000 – Public	£28,000,000 – City Deal £13,563,118 – Private £18,709,740 - Public
Total	£76,320,000	£60,272,857




Outputs

Original Assessment					
£ GVA (5 year)	£ GVA (10 year)	£ GVA (15 year)	Net Jobs (5 year)	Net Jobs (10 year)	Net Jobs (15 year)
25,000,000	67,000,000	126,000,000	119	553	595

Current Assessment (carried out by Amion Consulting Ltd)		
£ GVA (Annual*)	£ GVA (Cumulative)	Net Jobs (period unspecified)
73,500,000	343,400,000	1881**

This page is intentionally left blank

Table 2: Review of the HoT submission outputs with the Current FBC and Rationale for Change (Extract from Supplementary Information)

HOT Submission	Rationale for Change	Current FBC (5 year)	Beyond 5 years
 <p>1. Infill of dis-used slipway and dry dock</p>	<ul style="list-style-type: none"> Access infrastructure options were not finalised at HoT stage (see No.8) Industry consultation preferred alternative method of access (as referenced and evidenced in Appendix C of FBC) SWOT analysis resulted in strong preference to not infill slip 2 but combine with slip 1 to create large slipway. 	 <ul style="list-style-type: none"> Outline consent to infill dis-used dry dock and construct Building B, a 75m by 65m high bay ship repair and fabrication building (4900 M²) Infill of dis-used dry dock. 	 <ul style="list-style-type: none"> Construction of Building B over infilled dry dock in response to private sector investment and demand. (Estimated cost @ £1000 / m² = £4.9m)
<p>2. Acquisition of small parcel of land ('Triangle') to create construction space</p> <ul style="list-style-type: none"> Consents Clearance of all buildings including Grade II former Foreman's Office Enabling Building 8 (as shown above) 	<ul style="list-style-type: none"> Access Infrastructure changes required scheme re-design. Comparable building scale relocated to Graving Dock site. 	<ul style="list-style-type: none"> Outline consent and conservation area consent to enable clearance of buildings. Acquisition of triangle as per original HoT. Clearance of buildings No new building proposed on top of triangle land Construction space now open proposed as multi-purpose space for laydown and transition space between new slipway and infilled dry dock site. Potential to retain the Former Foreman's Office. 	<ul style="list-style-type: none"> Fully Deliverable within the 5 year window.

HoT Submission	Rationale for Change	Current FBC	Beyond 5 years
3 & 4 : Infill of pickling pond & external works for heavy fabrication area on pickling pond (10,000m ²)	<ul style="list-style-type: none"> (post HoT) Industry consultation on proposal informed strong preference to : <ul style="list-style-type: none"> Increase scale of external works. Not compromise access between laydown and access infrastructure with Building 6 	<ul style="list-style-type: none"> Outline consent and conservation area consent construct to infill the pickling pond Building A, a 170m by 70m fabrication building for subassemblies and marine engineering related schemes (11,900m²) Infill of Pickling Pond as per original HoT. Increase in external working area from 8100m² by 350%, comprising of: <ul style="list-style-type: none"> Area D: 15,584m² Area F1: 8,058m² Area F2: 4,836m² As shown in Proposed Masterplan (Appendix C – FBC) 	<ul style="list-style-type: none"> Construction of Building A over infilled pickling Pond in response to private sector investment and demand. (estimated cost @ £1000 / m² = £11.7m)
5: Development of Laydown Yard for device assembly	<ul style="list-style-type: none"> On top of dis-used dry dock site, the laydown will be created within the 5 year period. However, access infrastructure change and revision of scheme following industry consultation has relocated the space elsewhere in the Dockyard for a building in this location 	<ul style="list-style-type: none"> As per HoT, additional laydown and transition space provided in area's D, F1 and F2 as shown above 	<ul style="list-style-type: none"> Construction of Building B over infilled dry dock in response to private sector investment and demand. Estimated cost @ £1000 / m² = £4.9m).
6: Construction of heavy fabrication sheds (including overhead cranes).	<ul style="list-style-type: none"> Industry consultation requested relocation from HoT position to locations as shown in FBC. The same process also requested a preference for more open, multiuse laydown space away from the quayside, necessitating the need to review the need for these within the 5 year initial SBCD period. Detailed cost analysis of the revised Infrastructure revised the financial profile. 	<ul style="list-style-type: none"> Outline Consent for building A, B and C Construction of 2500m² light assembly and maintenance building (or equivalent) See Diagram 3: Point 13, Page 16 FBC. 	<ul style="list-style-type: none"> Construction of Building's A over infilled pickling dock in response to private sector investment and demand. Estimated cost @ £1000 / m² = £11.7m.

HoT Submission	Rationale for Change	Current FBC	Beyond 5 years
7: Construction of MEECE, support office, laboratories, workshop, (in principle Gate 4 area comprising 2000m ²)	<ul style="list-style-type: none"> Strong response from industry consultation process to not compromise open laydown and fabrication areas with support offices in same location with equally strong preference to locate these within restored heritage buildings. Hangar Annexes proposed in substitution. 	<ul style="list-style-type: none"> 1967m² of mixed use commercial space comprising offices, laboratories and workshop space designed with MEECE in mind. 	<ul style="list-style-type: none"> Fully deliverable in the 5 year window.
8: Construction of repair shed (including overhead cranes) (2400m ²)	<ul style="list-style-type: none"> Building 8 relocated to Building B location as a result of industry consultation and need to maintain interconnectivity between laydown and access infrastructure. 	<ul style="list-style-type: none"> Outline consent to infill dis-used dry dock and construct Building B, a 75m by 65m high bay ship repair and fabrication building (4900 M²) Commitment to Construct of 2500m² light assembly and maintenance building (or equivalent), which could include repair shed if deemed preferable by sector. See Diagram 3: Point 13, Page 16 FBC. 	<ul style="list-style-type: none"> Construction of Building B over infilled dry dock in response to private sector investment and demand. Estimated cost @ £1000 / m² = £4.9m).
9: Installation of heavy lift hoist/floating dry dock/submersible jack-up	<ul style="list-style-type: none"> Need for enhanced access infrastructure was recognised but Access infrastructure options were not finalised at HoT stage Industry consultation preferred alternative method of access (as referenced and evidenced in Appendix C of FBC) SWOT analysis resulted in strong preference to not infill slip 2 but combine with slip 1 to create large slipway. 	<ul style="list-style-type: none"> 13,051m² slipway and transition area proposed in substitution to methods referenced in the HoT submission. 	<ul style="list-style-type: none"> Fully deliverable within the 5 year window

Additionality to scope following HoT Submission	Rationale for Change	Current FBC (5 year)	Beyond 5 years
10. Transport Corridor between Principle Gate 4 site and Gate	<ul style="list-style-type: none"> Need for better interconnectivity between the heavy lift quay in gate 1 and the principle gate 4 area in response to industry consultation 	<p>Construction of 15m transport corridor between Gate 1 and Gate 4 following route as shown in Proposed Masterplan.</p> <p>NB – although costed in the detailed cost analysis in Appendix F of FBC. Have noticed that this is not clearly shown in the summary of SBOD deliverables within Section 2.</p>	<ul style="list-style-type: none"> Fully Deliverable within the 5 year window
11. Carriage Drive (amenity enhancements)	<ul style="list-style-type: none"> Enhancement of South east cluster in response to: <ul style="list-style-type: none"> Industry preference to located support offices away from principal construction areas. Need to mitigate residual heritage impact in principal gate 4 area 	<ul style="list-style-type: none"> Enhancement of 7,317m² of amenity space (see Carriage Drive – Section 3.7.2 of this SEI). 	<ul style="list-style-type: none"> Fully deliverable within 5 years window. Prepared to consider the adjacent corner site acquisition for parking / extension to amenity.
12. Car Park	<ul style="list-style-type: none"> To secure consents the, scheme will be required to demonstrate that adequate parking facilities are available and will not result in a significant adverse impact to the development 	<ul style="list-style-type: none"> Parking provision to meet the needs of the development. 	<ul style="list-style-type: none"> Fully Deliverable within the 5 year window
13. Workboat Berthing	<ul style="list-style-type: none"> Recognition that the opportunities for Marine Operations contractors to berth at the site were limited. Industry consultation feedback. Additional public funding brought into the scheme from WEFO with a specific desire to support increased berthing provision. 	<ul style="list-style-type: none"> Modification of existing walkways, the PDFT pontoon and dolphins to accommodate access from Gate 1. Fabrication of new access brow and pontoons off the PDFT dolphins. 	<ul style="list-style-type: none"> Fully Deliverable within the 5 year window



SWANSEA BAY CITY REGION JOINT COMMITTEE

28TH MARCH 2019

DEVELOPMENT OF HOMES AS POWER STATIONS, DIGITAL, SKILLS AND TALENT AND PEMBROKE DOCK MARINE

RECOMMENDATIONS / KEY DECISIONS REQUIRED:

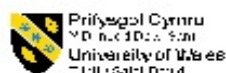
To approve the prioritisation of the development of the following business cases;

- Digital Infrastructure
- Homes as Power Stations
- Pembroke Dock Marine
- Skills and Talent

REASONS:

At the request of UK and Welsh Governments the region needs to identify the next suite of projects to be progressed to formal submission to UK and Welsh Governments for approval.

Lead	Designation:	Tel No.
Helen Morgan	Economic Development Manager Carmarthenshire County Council	01267 224901
		E.Mail: hlmorgan@carmarthenshire.gov.uk



EXECUTIVE SUMMARY

SWANSEA BAY CITY REGION JOINT COMMITTEE

28TH MARCH 2019

DEVELOPMENT OF HOMES AS POWER STATIONS, DIGITAL, SKILLS AND TALENT AND PEMBROKE DOCK MARINE

In order to achieve prompt project approvals, thereby maximising the outcome and impact of the SBCD programme, the UK and Welsh Governments have requested that the region identifies a number of tranches of projects to be developed from draft to formal business plan submission and approval stage.

The first tranche of projects included;

- Swansea City and Waterfront Digital District
- Yr Egin
- Llanelli Life Science and Well-Being Village

It is recommended that the following four projects be progressed as part of the second tranche of projects;

- Homes as Power Stations
- Digital Infrastructure
- Skills and Talent
- Pembroke Dock Marine

The Digital Infrastructure and Skills and Talent projects are cross cutting projects and prompt approval will therefore further enhance overall achievements and impacts of the programme. The Homes as Power Stations project will be physically delivered across all areas of the region. It is therefore a project of significant scale with a number of interdependencies which may be at risk if prompt approval is not received. There are pressing funding dependencies relating to ERDF match funding for the Pembroke Dock Marine project. If approval is delayed there is a potential risk that the project will fall.

Inclusion of the above projects reflects those which are currently at a mature stage of development. Development of all business cases will continue within the region and will respond to changing circumstances and demands across the City Deal programme.

DETAILED REPORT ATTACHED?

NO



IMPLICATIONS

Policy, Crime & Disorder and Equalities NONE	Legal Not at this stage	Finance Not at this stage	Risk Management Issues YES	Staffing Implications NONE
--	-----------------------------------	-------------------------------------	--------------------------------------	--------------------------------------

Risk Management Issues

Interdependencies relating to the financing and implementation of the four projects proposed for inclusion in the next suite of projects may be at risk if business cases are not progressed to formal submission and approval stage

CONSULTATIONS

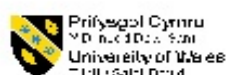
Project leads
Project Authority leads
Welsh Government
UK Government

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

Title of Document	File Ref No.	Locations that the papers are available for public inspection/WEBSITE LINK



This page is intentionally left blank



SWANSEA BAY CITY REGION JOINT COMMITTEE

28TH MARCH 2019

PROJECTS ISSUE LOG AND RISK REGISTER

RECOMMENDATIONS / KEY DECISIONS REQUIRED:

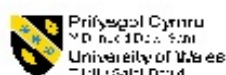
To inform the Joint Committee of the latest projects issue log and SBCD risk register.

To confirm process and timescales of reporting and escalating project risks which present significant or immediate risks to the delivery of the SBCD project and/or overall programme.

REASONS:

The Joint Committee requested that project issue logs and SBCD risk register be submitted to each Joint Committee meeting for consideration.

Report Author:	Designation:	Tel No.
Helen Morgan	Economic Development Manager Carmarthenshire County Council	01267 224902 E.Mail:. HLMorgan@carmarthenshire.gov.uk



EXECUTIVE SUMMARY

SWANSEA BAY CITY REGION JOINT COMMITTEE

28TH MARCH 2019

PROJECTS ISSUE LOG AND RISK REGISTER

The report includes;

1. SBCE Programme Risk Register

A detailed Programme Risk Register has been developed for the Swansea Bay City Deal Programme (attached) and will be managed, revised and updated by the Regional Office. The risk register will be reviewed at each meeting of the Programme Board and Joint Committee and updated on a quarterly basis or as otherwise required.

This provides an overview of the programme and project risks, as detailed in the SBCE Implementation Plan. Each Swansea Bay City Deal project will carry its associated risks which will be mitigated throughout the application and delivery process. A detailed risk analysis will be undertaken for all projects by the Project Delivery Lead as part of the development of the 5 case business model process, with a project specific Risk Register established to assist in the ongoing management and mitigation of all risks. These will be available to Joint Committee as project business cases develop. A summary of key overarching project risks is included in the SBCE Implementation Plan approved in principle by the SBCE Joint Committee on 31st August 2018.

2. SBCE Project Issues Log

Any risks which pose a potentially significant or immediate risk to the overall City Deal programme and/or project delivery will be highlighted and escalated to the Joint Committee via the monthly issue log. The issues log captures the most current position and will be updated and submitted to Programme Board and Joint Committee on a monthly basis.

DETAILED REPORT ATTACHED?

YES

- Project Issues Log – March 2019
- Programme Risk Register – January 2019



IMPLICATIONS

Policy, Crime & Disorder and Equalities NONE	Legal Not at this stage	Finance Not at this stage	Risk Management Issues YES	Staffing Implications NONE
--	---------------------------------------	---	--	--

Risk Management Issues

An agreed process to identify potential significant and/or immediate risks is required to strengthen the integrity of existing programme risk management arrangements. Although risk ownership for individual projects remains with the project lead and project lead authority this process will ensure that any risks and issues which pose a potentially detrimental risk to the overall City Deal are identified, mitigated and escalated to Joint Committee at the earliest possible stage.

CONSULTATIONS

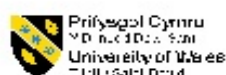
n/a

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

Title of Document	File Ref No.	Locations that the papers are available for public inspection/WEBSITE LINK
Swansea Bay City Deal Implementation Plan		Available from the Regional Office



This page is intentionally left blank

SBCD Project Issue Log – March 2019

The project issue log highlights current pressing issues and risks currently or potentially have a significant or immediate affect to overall City Deal programme and/or project delivery including delays to project development, implementation or achievement of outcomes for example. The issue log should be considered alongside the wider project risk register (where available) and the SBCD Programme risk register.

Skills and Talent				
Issue	Description	Owner	Implications	Action / Update
Business Case Development	Awaiting feedback on whether the latest business case addresses previous comments by UK and Welsh Government	WG / UKG	Unable to progress business case to formal review and submission stage. Delay in business case / funding approval will mean that the other projects will begin delivering without the associated Skills training being in place.	

Digital Infrastructure				
Issue	Description	Owner	Implications	Action / Update
Project management resource	Dedicated project management team required including identified project leads in each of the partner organisations.	Project lead authority	Pace of delivery will be compromised without a formal project management team in place	

Swansea Waterfront and Digital District				
Issue	Description	Owner	Implications	Action / Update
Funding approval	Approval of Council funding is dependent on Government sign off of City Deal business case.	SBCD / UKG / WG	Delay to approval of City Deal funding will impact on the delivery timescales for the projects	

Yr Egin - Creative Digital Cluster				
Issue	Description	Owner	Implications	Action / Update

Funding approval	Yr Egin phase one has been completed and is fully occupied	SBCD / UKG / WG	Delay in approval of City Deal funding will increasingly impact on project delivery timetable for phase 2.	
------------------	--	-----------------	--	--

Centre of Excellence in Next Generation Services (CENGs)

Issue	Description	Owner	Implications	Action / Update
None reported as at 22 nd March 19				

Life Science and Well-being Campuses

Issue	Description	Owner	Implications	Action / Update
None reported as at 22 nd March 19.				

Life Science and Well-being Village

Issue	Description	Owner	Implications	Action / Update
Delay in phase 1 funding	Funding for phase 1 will need to be confirmed in line with procurement of a construction contractor.	Project lead	Potential delay in September 2021 'go live' date for education, skills and training components.	
Negative perception of project	Reputational risks owing to sustained media coverage linking to the ongoing investigation in Swansea University to the proposals for the Village.	Project lead / SBCD	Potential decline in interest by investors, service providers and general public	

Homes as Power Stations

Issue	Description	Owner	Implications	Action / Update
Funding approval	Funding assurance required to support match funding bids for ERDF and IHP funding	SBCD / UKG / WG	Until formal approval of City Deal business case is received project can only provide assurance in principle which may pose a risk to securing match funding	
Business case	Clarity required as to whether approval can be obtained without procurement activity required for FBC	WG / UKG		

Pembroke Dock Marine

Issue	Description	Owner	Implications	Action / Update
Change in project scope	Since signing the heads of terms the project funded outputs have changed significantly to reflect the needs of industry, as detailed in separate report to JC in March 2019. Need approval to progress change in scope.	JC / Project leads	If change of scope is not agreed this will have severe implications on whether the project can proceed.	
NNDR	Clarity required on NNDR arrangements specifically how NNDR will be apportioned	Acc. Body / Project authority lead	Project viability is subject to discussions relating to NNDR	
Project delivery timescale	Clarity required on when the five year delivery period begins	JC	Will ensure project implementation and benefits realisation timescales are accurate.	
Funding approvals	Number of interdependencies relating to spend / securing of ERDF match funding	SBCD / UKG / WG	Until formal approval of City Deal business case is received project can only provide assurance of funding in principle which may pose a risk to match funding or overall project delivery	

Factory of the Future				
Issue	Description	Owner	Implications	Action / Update
Land	Project unable to reach agreement with WG to secure land site for building	Project Authority lead / WG	Until a site has been confirmed the project business case and delivery cannot progress	

Steel Science				
Issue	Description	Owner	Implications	Action / Update
Land	Project unable to reach agreement with WG to secure land site for building	Project Authority lead / WG	Until a site has been confirmed the project business case and delivery cannot progress	

This page is intentionally left blank

Swansea Bay City Deal Programme Risk Register

Development Risks

Original Assessment: Latest Assessment:- 1st January 2019
March 2018

Risk Description	Category	Owner	Potential Consequence	Inherent Probability	Inherent Impact	Inherent Rank	Control Actions	Revised Probability	Revised Impact	Revised Rank	Review Date	Review Update/Control Actions	Revised Probability	Revised Impact	Revised Rank	Review Date	Review Update/Control Actions	Revised Probability	Revised Impact	Revised Rank
Delay in approval of JCA	C6 C14	All	Unable to formally establish governance structures. Unable to draw down city deal funding. Unable to sign off project business cases. Risk of withdrawal of local authority / other partner from City Deal (see risks below)	3	5		Local authority legal and financial working group established and meeting regularly with contractors to ensure agreement reflects requirements of all parties. Regular updates to Joint Committee and drafts regularly submitted to Joint Committee and Governments for review.	2	5		1.Oct.18	JCA formally approved by each of the four local authorities at meetings of the full Councils in June and July. JCA endorsed by JC at first formal meeting on 31st August 2018	1	1		01.Jan.19	As previous update	1	1	
Delay in approval of Implementation Plan	C6 C14	RO	Delay in overall mobilisation and delivery of City Deal programme and agreement of formal Joint Committee work programme.	3	3		IP drafted by RO. Review of draft versions IP by both Govs and speedy iterative process have enabled final version. IP on agenda for sign-off at first formal JC meeting anticipated end of Summer 18.	2	3		1.Oct.18	IP signed off in principle at the first JC on 31st August 2018. Final IP to be reviewed and endorsed by JC at next meeting following approval by UK and Welsh Government	1	1		01.Jan.19	IP signed off in principle at the first JC on 31st August 2018. IP will need to be reviewed in light of / following programme review due to be completed in Jan 2019.	5	4	
Delay in establishment of ESB	C14	JC / UKG & WG	Formal governance structure incomplete. Unable to begin formal review of business cases. Lost opportunity of private sector direct involvement to inform and assist in the wider economic development of the SBCD Region.	4	5		Recruitment process agreed with UK & Welsh Government Early and frequent communication re: regional decisions / recommendations	3	5		1.Oct.18	ESB Chair and membership approved at first formal Joint Committee meeting on 31st August 2018. Introductory session held on 19th September to assist members in their new role. Future meeting dates for the next 12 months set in advance, with scheduled frequency of ESB meetings increased to a monthly basis (or more frequently as required) to establish momentum in anticipation of a number of business cases coming forward.	1	1		01.Jan.19	As previous update	1	1	
Competing priorities of partners	C6 C14	JC	City Deal issues are not considered a priority and therefore sufficient resources are not dedicated causing potential otherwise unnecessary delays in delivery or achievement of outcomes.	4	3		Ensure partners are engaged fully from the outset and that the benefits and potential opportunities of the City Deal partnership, and their involvement are clearly articulated. Ensure opportunities for open and honest dialogue regarding competing pressures. Establish support mechanisms to assist partners with competing priorities to allow them to be as involved as possible. Set up annual meeting schedule to enable effective time management for all partners. Provide regular electronic updates and briefings inbetween meetings on progress / key issues	2	2		1.Oct.18	Timetable of meetings for 2019 circulated August 2018 to allow partners to organise diaries in advance. Fortnightly updates circulated to all committee members. Nominated substitutes identified for Joint Committee to further enable organisations to be represented at all times.	2	1		01.Jan.19	As previous update	2	1	
Stakeholders misunderstand the objectives / benefits / purpose of the City Deal	C13 C6	RO	Lack of support for City Deal. Disengagement due to confusion or lack of understanding. Support for City Deal but based on inaccurate understanding. Potential for negative media and social media coverage, undermining the City Deal brand and objectives	3	3		Employed dedicated communication and engagement officer to act as central point of contact for all City Deal related communications. Establish a communications group of key comms officers within all City Deal partner and project lead organisations to ensure consistency and up to date information. Provide regular updates to all partners or programme and project progress. Monitor tweets, press releases, articles etc relating to City Deal and ensure, where appropriate, a response is issued promptly. Regular proactive comms and marketing of the City Deal keeping stakeholders up to date with activities, coverage and outcomes.	2	3		1.Oct.18	SBCD Business Engagement Officer in post. SBCD Business Engagement Plan currently being drafted outlining opportunities, plans and indicative timescales for engagement with businesses. SDCD Communications Officer in post. Draft SBCD Communication Plan developed for consideration by governance structures including key messages, key stakeholder groups, opportunities, plans and timescales for engagement. Daily tweets, monitoring of news articles and responding to press enquiries. Representation at a number of public and business engagement events to raise awareness and spread consistent messages about the SBCD.	2	2		01.Jan.19	In addition to ongoing work included in previous update eight dedicated Business Engagement Sessions held throughout November 2018 and large Regional Regeneration event held in early December 2018 primarily targeting private sector businesses within the region to raise awareness of the City Deal and other opportunities within the Region.	2	2	

Swansea Bay City Deal Programme Risk Register

Implementation Risks

Original Assessment: March 2018 Latest Assessment: 1st January 2019

Page 124 of 124	Risk Description	Category	Owner	Potential Consequence	Inherent Probability	Inherent Impact	Inherent Rank	Control Actions	Revised Probability	Revised Impact	Revised Rank	Review Date	Review update	Revised Probability	Revised Impact	Revised Rank	Review Date	Review Update/Control Actions	Revised Probability	Revised Impact	Revised Rank
	Slippage in delivery of programme	C6 C14	JC	City Deal doesn't achieve the outcomes intended within the timescales agreed. Borrowing and recouperation does not accurately reflect spend	4	4		Establish robust monitoring and evaluation framework to ensure programme and project delivery remains within agreed timescales and to ensure that all targeted project outputs and outcomes will be achieved. Regional Team in place to undertake monitoring role. Accountable Body/Section 151 officers will undertake programme level financial profiling to ensure borrowing and distribution of City Deal funding is reflective of programme delivery.	3	3		1.Oct.18	Ongoing monitoring of programme and project delivery and of programme level financial profiling.	2	3		01.Jan.18	UK and WG independent review of the City Deal programme announced in December 2018 to be completed by end of January 2019. Corresponding internal review also to take place in January 2019 to provide assurance of the robustness of the Deal. It is impretive that these reviews are timely in order to prevent further delays in programme delivery and the region will work closely to support both reviews in order to ensure the City Deal achieves outcomes in a timely manner.	3	3	
	Delay in development of business plans	C11 C14	RPAL / Delivery Lead	Delay in project start. Depending on critical timescale could impact projects ability to deliver proposed outcomes. Potential knock on affect for other projects ability to deliver and achieve outcomes.	5	3		Iterative review of draft business cases. Open and frequent dialogue between delivery lead and regional project lead authority (RPAL).	4	3		1.Oct.18	Regional Team in place to co-ordinate submission of business cases by the Project Leads. Gantt Chart developed to assist in mapping out project development, submission and approval process timelines. Programme Board and ESB in place to oversee the development of business cases. Joint Committee Agreement in place which sets out agreed processes for deciding on any actions required	2	3		01.Jan.18	Two projects submitted for formal approval following sign off by City Deal Governance. Work to develop the other business cases continues.	2	3	
	Delay in approval of business plans - regional structure	C11	RO	Delay in project start. Depending on critical timescale could impact projects ability to deliver proposed outcomes. Potential knock on affect for other projects ability to deliver and achieve outcomes.	3	4		Ensure JCA is completed and agreed. Identify robust regional review process / structure. Ensure project authority leads have early sight of relevant business cases.	2	4		1.Oct.18	JCA and governance structure formalised in August 18. Regional Project Authority Leads / Project Authority Leads will have early sight of relevant draft version business cases for comment/feedback.	2	3		01.Jan.18	Forward work programme for Joint Committee approved in Dec 18. Pending the outcome of UK and Welsh Government independent review and SBCD internal review in January 2019 the forward work programmes for SBCD committees may need to be reviewed including timescales for approving business plans. The region will work closely to support both reviews in order to ensure timely approval of project business cases can still be obtained.	3	3	
Page 124 of 124	Delay in approval of project business plans - Welsh & UK Govs	C11	Govs	Delay in project start. Depending on critical timescale could impact projects ability to deliver proposed outcomes. Potential knock on affect for other projects ability to deliver and achieve outcomes.	3	4		Iterative process with governments to enable them to review early drafts to minimise the amount of review required for final version Develop and agreed process and timescale for final business case review with Governments.	2	4		1.Oct.18	Iterative process with governments for review of draft business cases in place which aids speedier decision. Agreement of submission process and timescales for review of final business plans with both governments.	2	3		01.Jan.18	UK and WG independent review of the City Deal programme announced in December 2018 to be completed by end of January 2019. Although work will continue to develop business cases through the duration of the review formal approvals will not be awarded until review is complete and further delays may be a result of the review findings. The region will work closely to support both reviews in order to ensure timely approval of project business cases can still be obtained.	3	3	
	Business case is not approved / project falls	C3 C11	RPAL / Delivery Lead	Project unable to proceed	3	5		Ensure regional project authority lead is fully involved in the development of the business case and has early sight of relevant business cases. Provide Councils with project briefings where appropriate.	2	5		1.Oct.18	Iterative business case review process. Open and regular dialogue between Accountable Body, RO, Project Delivery Lead and Project Lead. Early identification of potential trigger points and any potential mitigating/rectifying actions. If irreconcilable, Joint Committee Agreement in place which sets out agreed processes for identifying new project(s) to achieve the outcomes of the City Deal.	2	3		01.Jan.18	As previous update	2	3	
	Companies of required calibre are not based within the region	C13 C6	JC / Delivery Leads	City Deal does not achieve the anticipated long term change / outcomes and projects do not secure long term sustainability. Potential for negative media and social media coverage, undermining the City Deal brand and objectives	3	4		Employ dedicated business engagement officer to work with projects and industry. Host several industry targeted events / engagement opportunities to ensure business community are clear of the opportunities to engage in the City Deal and its legacy. Esnure clear and consistent communications with industry / buesiness forums about City Deal opportunities and potential for industry. This should include phonecalls, e-marketing, face-to-face meetings, newsletters and social media. Engage with organisations that are representative of the business community and have extensive contact networks that can be used to raise awareness Tailored communications targeted at specialist business/property media	3	3		1.Oct.18	Dedicated business engagement officer in place. Business engagement and communication strategy under development to target key industries and businesses within and outside of the region. Engaged with industry representatives at a regional, welsh and UK level. Economic Strategy Board established to represent the voice of industry and the private sector at a strategic level. All of which will help to support attraction of companies of relevant calibre from both within and outside of the region	3	2		01.Jan.18	As previous update	3	2	
	Change in project scope pre-business case approval	C11 C6	Delivery lead	Project no longer requires same amount of funding. Project no longer achieves the necessary outcomes required for City Deal funding. Project is not approved and therefore unable to proceed / proceed as planned.	4	4		Continuous dialogue with delivery leads and RO during business case development to ensure consistency with orignalal scope in terms of alignment to overarching aims and objectives of the deal. Iterative process of business case review by governments enabling early identification of concerns to be raised and rectified. Where changes in scope are identified close working with RO, regional project authority lead and delivery lead to ensure that changes do not compromise the proposed outcomes / outputs of the original project and that revised project scope still achieves overall programme aims and objectives	4	3		1.Oct.18	As previous update.	4	3		01.Jan.19	As previous update	4	3	
	Swansea University withdraw from projects (added January 2019)	C6, C10, C11, C14	Project leads	Projects unable to deliver at alll or to full scope as detailed in heads of terms. Unable to achieve intended programme outputs and outcomes	3	5											01.Jan.19	Project leads to remain engaged at an operational level with Swansea University colleagues and to continue to progress operational delivery. Project leads to highlight any operational issues to Joint Committee in monthly updates. Joint committee to formally approach Swansea University to identify temporary representative to sit on Joint Committee.	2	5	

Swansea Bay City Deal Programme Risk Register

Operational Risks
Original Assessment: Latest Assessment: 1st January 2019
March 2018

Risk Description	Category	Owner	Potential Consequence	Inherent Probability	Inherent Impact	Inherent Rank	Control Actions	Revised Probability	Revised Impact	Revised Rank	Review Date	Review update	Revised Probability	Revised Impact	Revised Rank	Review Date	Review Update/Control Actions	Revised Probability	Revised Impact	Revised Rank
Withdrawal of Local Authority Partner	C3 C6 C11	JC	Potential for projects to fall as lack of funding / borrowing available from the project lead authority. Loss of funding for regional projects and regional support structures. Potential need to reduce scale of regional projects and / or withdraw scheme from local authority area. Unable to achieve outcomes of City Deal.	3	5		Ensure JCA is agreed by all local authority partners and includes provisions for such a scenario.	2	5		1.Oct.18	JCA signed by each LA which clearly sets out agreed provisions for such a scenario.	1	2		01.Jan.19	As previous update	1	2	
Withdrawal of other partner	C3 C6 C11	JC	Reduction in funding for regional support structures, potential impact on ability to achieve broader outcomes of City Deal re: improving public service delivery and other strategic regional functions	3	4		Develop arrangements with other partners who are not subject to the JCA to reflect provisions for withdrawal	2	4		1.Oct.18	As per previous update. Co-opted members signed code of conduct and declaration of interest.	2	4		01.Jan.19	As previous update	2	4	
Decisions made by Programme Board (or other relevant City Deal group) have implications for financial management.	C3	PB	Potential delays in funding release / payments, potential conflicting messages and unclear process. Delay in progress.	3	5		Lead Section 151 Officer to attend Programme Board (and other City Deal groups as necessary) to advise and assist in financial management discussions as appropriate and feedback relevant decisions to Section 151 Officer Working Group. Regular briefings on financial management to programme board and Joint Committee. Regional Office to provide feedback to Section 151 Officer Working Group via the Lead Section 151 Officer on relevant decisions by other City Deal groups where Lead Section 151 Officer is not in attendance.	1	2		1.Oct.18	As previous update	1	2		01.Jan.19	As previous update	1	2	
Page 127 Slippage in delivery of programme against key milestones		JC	City Deal doesn't achieve the outcomes intended within the timescales agreed. Borrowing and recouperation does not accurately reflect spend	3	4		Establish robust monitoring and evaluation framework to ensure programme and project delivery remains within agreed timescales and to ensure that all targeted project outputs and outcomes will be achieved. Regional Team in place to undertake monitoring role. Accountable Body/Section 151 officers will undertake programme level financial profiling to ensure borrowing and distribution of City Deal funding is reflective of programme delivery.	2	4		1.Oct.18	Ongoing monitoring of programme and project delivery and of programme level financial profiling	2	3		01.Jan.19	UK and WG independent review of the City Deal programme announced in December 2018 to be completed by end of January 2019. Corresponding internal review also to take place in January 2019 to provide assurance of the robustness of the Deal. It is impretive that these reviews are timely in order to prevent further delays in programme delivery and the region will work closely to support both reviews in order to ensure the City Deal achieves outcomes in a timely manner.	3	3	
Failure to engage relevant stakeholders including industry and private sector	C13 C6	RO / Delivery Leads	City deal does not achieve the anticipated long term change / outcomes. Lack of support / engagement with City Deal and related projects.	3	4		Employed dedicated communication and marketing officer. Establish dedicated communication group of key partners and project leads. Utilise different mediums and methods of communication to reach a range of audiences / stakeholders. Hold a variety of events appealing to a range of audiences. Work with project leads to identify targeted stakeholders and develop specific marketing tools for engagement with identified groups. Targeting of specific stakeholders on social media. Promotion and regular update of a cutting-edge City Deal website. Number of key partners already engaged. Ensure early and ongoing involvement through public events, procurement and supply events for example.	2	3		1.Oct.18	Economic Strategy Board in place providing private sector involvement. Key stakeholders already engaged. SBCD Business Engagement Officer and Communications Officer employed in the RO to ensure early and ongoing involvement through SBCD Business Engagement & Communication Plan.	2	1		01.Jan.19	SBCD Business Engagement Officer in post. SBCD Business Engagement Plan and Procurement strategy currently being drafted outlining opportunities, plans and indicative timescales for engagement with businesses. SDCD Communications Officer in post. Draft SBCD Communication Plan developed for consideration by governance structures including key messages, key stakeholder groups, opportunities, plans and timescales for engagement. Response to media, public and partner queries. Representation at a number of public and business engagement events to raise awareness and spread consistent messages about the SBCD. Series of dedicated business engagement sessions during Nov 2018 to be replicated in 2019. In addition a private sector / local industry focused event in early December 2019.	2	1	
Page 125 Initial Procurement exercises fail to benefit the local supply chain. Projects fail to implement Programme Procurement Principles.	C6 C7 C13	All	City Deal does not achieve the anticipated long term change / outcomes. Lack of support / engagement with City Deal and related projects. Potential for negative publicity and loss of credibility.	3	5		Procurement Action Plan developed. Programme Procurement Principles drafted. Procurement Principles aligned to the WbFG Act. Industry engagement has identified key concerns/issues to be addressed in the Principles. Project Lead meetings planned with speakers on key topics of concern. Industry B2B events to be held. ESB/JC to endorse principles.	3	4		01-Oct-18	Economic Strategy Board in place providing private sector involvement. Key stakeholders already engaged. SBCD Business Engagement Officer and Communications Officer employed in the RO to ensure early and ongoing involvement through SBCD Business Engagement & Communication Plan.	3	4		01.Jan.19	Procurement principles to be discussed by ESB in February 2019. Register of City Deal procurement opportunities to be developed to ensure local supply chain are aware of and prepared for forthcoming opportunities.	3	4	

<div>Page 126</div> <div>Negative media coverage</div>	C13	RO	Negative image of City Deal portrayed to all stakeholders and consequently the opportunities afforded by the City Deal are not realised at all levels. Disengagement of industry, business and social stakeholders alike. Potential for further negative coverage from other media, given damage to City Deal reputation and the opportunity for follow-up questions / diary markers to scrutinise City Deal progress / previous statements.	3	4	<p>Dedicated communications officer in place to manage media enquiries, monitor all press releases, posts etc relatng to City Deal and develop appropriate response where necessary. Ensure regular press releases on positive news and progress. Further develop relationships with key journalists across the region</p> <p>Develop contacts with specialist publications and websites</p> <p>Regular, pro-active comms (press releases and social media) on City Deal milestones/updates/facts and good news stories.</p> <p>Inclusion of video and audio content to accompany press releases and social media posts, when appropriate</p> <p>Regular proactive comms updates to key identified stakeholders across the region</p> <p>Approved statements to be sent in response to media queries on deadline, accompanied by discussions with the reporter asking the question(s)</p> <p>Discussions with news editors/editors to try to influence the tone of coverage</p> <p>Approved press releases and statements to be sent to identified stakeholders in advance of online or offline publication</p> <p>City Deal news/updates to be regularly added to the City Deal website</p>	2	3	1.Oct.18	As previous update	2	3	01.Jan.19	In addition to the previous update following the announcement of independent and internal reviews, the City Deal's communications officer is responding to media queries, when approached, and monitoring media coverage/social media mentions relating to the reviews. The communications officer will also work with both governments to ensure inclusion of key City Deal messages, if possible, in any communications related to the outcome of the independent review. If appropriate, pro-active social media activities and liason with the media will continue to take place while the reviews are ongoing. Communications will also be prepared for potential release to partners, the media and other stakeholders once the outcome of the reviews has been announced. These communications - aimed at both residents and businesses - will highlight key messages aimed at maintaining confidence in the delivery of the City Deal.	3	3	
<div>Projects are not delivered as a coehsive programme</div>	C13 C6	All	Projects do not make the cross connections and the whole system opportunity for change is not realised. Ambitions of the City Deal are not embedded into organisational aims and the transformational potentia of the deal is therefore not realised. City Deal is viewed and delivered via status quo rather than challenging and positively transforming the delivery of industry and public services in the region	4	3	<p>Regular project leads meetings to identify opportunities for cross project working. Digital Infrastructure and Skills and Talent projects to meet with other project leads on a 121 basis to ensure the cross cutting themes of skills and digital are incorporated into all project plans.</p>	2	3	1.Oct.18	As previous update	2	3	01.Jan.19	As previous update	2	3	
<div>Page 128</div> <div>Lack of alignment of communications between partners</div>	C13 C6	RO	Confused / inconsistent / unclear messages given out. Disengagement of stakeholders due to confusion or incorrect understanding. Potential for negative media and social media coverage, undermining the City Deal brand and objectives	4	5	<p>Employed dedicated communication and engagement officer to act as central point of contact for all City Deal related communications. Establish a communications group of key comms officers within all City Deal partner and project lead organisations to ensure consistency and up to date information. Provide regular updates to all partners or programme and project progress. Monitor tweets, press releases, articles etc relating to City Deal and ensure, where appropriate, a response is issues promptly. Develop and maintain a protocol which requires partners to send press releases and statements to the City Deal Communications officer for consistency and awareness. Develop online portal for partners to access shared logos, statements, quotations etc for us in all City Deal comms.</p>	1	3	1.Oct.18	As previous update	1	3	01.Jan.19	As per previous update in relation to regional partners. In addition, strong communication with UK and Welsh Government during review period is critical to ensuring clear and consistent messages are relayed to the public, business community and other partners. Communications with City Deal partner organisations will continue to be made regularly available via a fortnightly, bilingual e-newslettter to help maintain consistency of messages. The communications officer will also continue to liaise with communications teams at City Deal partner organisations to ensure communications protocols are adhered to.	1	3	
<div>Change in project scope post-business case approval</div>	C11 C6	Delivery lead	Project no longer requires same amount of funding. Project no longer achieves the necessary outcomes required for City Deal funding. Project is not approved and therefore unable to proceed / proceed as planned.	4	4	<p>Establish robust project monitoring and evaluation to ensure project remains on track to deliver scope outlined in appropoved business case and overarching aims of the City Deal in terms of growth and jobs.</p>	4	2	1.Oct.18	Process for monitoring of projects against business case outlined in JCA which was endorsed by all four regional councils in summer 2018. Need to develop detailed monitoring plan for each project as business cases are approved.	3	2	01.Jan.19	As per previous update	3	2	
<div>Failure to establish a robust baseline</div>	C6	Delivery leads / RO	Inaccurate measuring of impacts of city deal.	3	4	<p>Initial impact assessment undertaken to identify headline impacts of the city deal. Need to further develop this to capture the full range baseline indicators that will demonstrate the impact of the city deal</p>	3	3	1.Oct.18	Work underway to develop monitoring and evaluation framework in line with key outcomes as set out in heads of terms.	3	3	01.Jan.19	Approval of monitoring and evaluation framework to governance structure prior to appointment of consultants to undertake baseline assessment. Include review of this baseline at key intervals of the monitoring and evaluation plan to ensure it reflects any major changes in the external environment.	3	3	

Swansea Bay City Deal Programme Risk Register

Financial Risks

Original
Assessment:
March 2018

Latest Assessment: 1st October,
2018

Risk Description	Category	Owner	Potential Consequence	Inherent Probability	Inherent Impact	Inherent Rank	Control Actions	Revised Probability	Revised Impact	Revised Rank	Review Date	Review update	Revised Probability	Revised Impact	Revised Rank	Review Date	Review/Control Update/Control Actions	Revised Probability	Revised Impact	Revised Rank
Failure to identify / secure revenue funding	C3 C6 C11 C14	Accountable Body	Four projects, including one regional project, unable to proceed.	5	5		Ongoing dialogue with governments to identify potential solutions including discussions on Capitalisation Direction. Projects with revenue element encouraged to explore alternative funding streams to support revenue elements.	3	5		1.Oct.18	Ongoing dialogue with governments underway to identify potential solutions. Received confirmation of the ability to utilise Capital Receipts to maximise flexibility and make most effective use of resources. LA Section 151 Officers working to determine revenue practical requirements.	3	5		01.Jan.18	Dialogue with governments have identified a potential solution. Received confirmation of that LAs may utilise Capital Receipts or Reserves to maximise flexibility of funding and make most effective use of resources. LA Section 151 Officers will work this solution through on each of the relevant projects.	3	5	
Failure to agree NNDR (rates retention) flexibility	C3	Accountable Body	Local authorities unable to borrow required for projects	4	5		Ongoing dialogue with government to explore opportunities for rate retention	4	5		1.Oct.18	In-principle letter received from Cabinet Secretary stating intention to initiate arrangements to allow the region to retain 50% of the additional net yield in non-domestic rates generated by the 11 projects. Officers of the four local authorities currently looking at obtaining relevant information. Clause 14.3 of JCA, endorsed in Summer 2018, reiterates agreement in principle.	2	5		01.Jan.18	In-principle letter received from Cabinet Secretary stating intention to initiate arrangements to allow the region to retain 50% of the additional net yield in non-domestic rates generated by the 11 projects. Meeting with WG taken place and officers need to work up a proposal, so the mechanics and allocation is acceptable to all.	2	5	
Private sector funding contribution/s not in line with initial business case projections	C3	Delivery Lead	Overall impact of the City Deal not realised. Project cannot deliver full scheme. Project is unsustainable	5	5		Projects required to complete full five case business model including robust financial detail and commercial case identifying and confirming sources of income.	3	4		1.Oct.18	For all projects, in addition to the 5 case model assessment, the Accountable Body will undertake an assessment of the Project's Financial profile to check that the private sector contribution is in line with the initial business case financial projections. Any implications resulting from variance to be reported to PB, ESB and JC for action.	3	4		01.Jan.18	As per previous update. Outcomes of UK and Welsh Government review and SBCD internal review may provide further assurance and/or recommendations for ensuring these processes are robust.	3	4	
EU match funding contributions not in line with initial business case projections	C3	Delivery Lead	Overall impact of the City Deal not realised. Project cannot deliver full scheme. Project is unsustainable	5	5		Projects required to complete full five case business model including robust financial detail and commercial case identifying and confirming sources of income.	3	4		1.Oct.18	For all projects, in addition to the 5 case model assessment, the Accountable Body will undertake an assessment of the Project's Financial profile to check that the private sector contribution is in line with the initial business case financial projections. Any implications resulting from variance to be reported to PB, ESB and JC for action. RO in dialogue with WEFO.	3	4		01.Jan.18	As per previous update. Outcomes of UK and Welsh Government review and SBCD internal review may provide further assurance and/or recommendations for ensuring these processes are robust. EU funding will only impact on some schemes.	3	4	
Timeframe for end of current EU funding programmes	C3	All	Unable to deliver full funding package at both project and programme level.	3	3		Early dialogue with all funders including Governments and WEFO. Project lead to accelerate business case development	3	3		1.Oct.18	As per previous update	3	3		01.Jan.18	Completion date for EU funded projects mid 2023 at the latest with all expenditure to be paid out by this date. This increases pressure to begin delivery of EU funded projects including those under the City Deal. Without City Deal sign off this may not be possible. Therefore timely completion of UK and Welsh Government reviews and implementation of any recommendations is essential to mitigating this risk.	4	4	
Failure to achieve full funding package	C3	All	Project potentially unable to delivery or to deliver full scale of anticipated project outcomes	3	5		Early engagement with all funders to develop strong relationships. Robust financial planning and clear outline of interdependencies of funding in the business case, ensuring that fundamental aspects of the project are funded through most secure funding sources. Timely review and approval of five case business plan. Effective and timely procurement activity. Establishment of robust contracts. Ongoing dialogue to resolve issues relating to revenue funding.	2	5		1.Oct.18	Credible and robust financial profiles need to be in place for each City Deal Project from the outset. All Letters Confirmation Match Funding to be in place for the project before City Deal funding is approved, confirming amount and timing as set out in the project's financial profile. Timely monitoring and review following approval of five case business plan. Robust and timely procurement activity must be planned, executed and monitored. All Project Authority Leads to put in place effective monitoring and evaluation processes. Funding agreements signed between Project Authority Lead and Project Lead.	2	5		01.Jan.18	As per previous update. Outcomes of UK and Welsh Government review and SBCD internal review may provide further assurance and/or recommendations for ensuring these processes are robust.	3	4	
Project authority lead unable to borrow amount required to frontload project	C3 C6	LA's	Projects unable to go ahead	3	5		Project lead authority's to factor anticipated CD borrowing and repayment costs into financial profiling. Regular dialogue between delivery lead and project lead authority to develop expenditure forecast as accurately as possible. Delivery lead to inform project lead authority of any changes to financial profile. Section 151 officer group to look at schedule of repayment of City Deal funding for consideration and agreement by Joint Committee.	2	5		1.Oct.18	Clause 13.1 of the Joint Committee Agreement commits Project Authority Leads to borrowing or securing alternative funding to support projects. JCA was unanimously agreed by all four regional councils in summer 2018.	2	3		01.Jan.18	As per previous update	2	3	
Regional project authority lead unable to borrow amount required to frontload regional project funding	C3 C6	LA's	Project potentially unable to delivery or unable to deliver across the whole region.	3	5		Regional project lead authority's to factor anticipated CD borrowing and repayment costs into financial profiling. Regular dialogue between delivery lead and regional project lead authority to develop expenditure forecast as accurately as possible. Delivery lead to inform regional project delivery lead of any changes in financial profile. Section 151 officer group to look at proportional borrowing, repayment and benefit / impact of regional projects for each local authority area.	2	4		1.Oct.18	Joint Working Agreement signed by all four Councils in July 2018. First formal meeting of the Joint Committee ratifying commitments took place on 31st August 2018. Clause 12.3b of the Joint Committee Agreement outlines due process to be undertaken should a Council not approve funding for a regional project	2	3		01.Jan.18	As per previous update	2	3	

Swansea Bay City Deal Programme Risk Register - Categories

The Swansea Bay City Deal programme risk register captures and monitors key programme level risks to the delivery of the City Deal and achievement of its aims and objectives. It will be monitored by Joint Committee and Programme Board via circulation prior to each meeting and issues tabled for discussion as necessary.

Category	Ref. No	Description
Contractual	C1	Ineffective use or management of contracts leads to increased costs
Environmental	C2	Environmental incidents
Financial	C3	Financial risks facing the Councils
Health & Safety	C4	Harm to employees / public
IT	C5	Failure of systems / cyber attack
Objectives	C6	Threat to achieving programme objectives
People / Social	C7	Threat to / from society / groups / public
Physical / Assets	C8	Damage to organisational property
Political	C9	Adverse actions caused by changes in local, regional or national governments
Professional	C10	Lack or loss of qualified employees
Projects	C11	Threat to / from individual projects
Regulatory / Legal	C12	Changes to regulations / law
Reputation	C13	Negative publicity
Schedule / Timescales	C14	Threats to timelines / critical path(s)

Swansea Bay City Deal Programme Risk Register - Scoring

Risk Assessment Matrix		Impact				
		Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Fundamental (5)
Probability	Almost Certain (5)					
	Likely (4)					
	Possible (3)					
	Unlikely (2)					
	Extremely Unlikely (1)					

		Percentage	Description
Probability	Almost Certain (5)	> 80%	Will occur in most circumstances
	Likely (4)	51 - 80%	Strong possibility
	Possible (3)	26 - 50%	Reasonable chance of occurring - has occurred before on occasion
	Unlikely (2)	10 - 25%	Unlikely to occur but potential definitely exists
	Extremely Unlikely (1)	<10%	Will only occur in exceptional circumstances

Impact	Insignificant (1)	No impact on programme success - minimal delay or interruption. No adverse interest from the media / stakeholder groups
	Minor (2)	Little impact on ability to deliver. Adverse comments confined to local media / stakeholder groups
	Moderate (3)	Moderate impact on the success of programme.
	Major (4)	Potential to damage success of programme and prevent achievement of key outputs / outcomes. Significant delays or changes to programme occur as a result of risk being realised. Adverse comments
	Fundamental (5)	Potential to prevent programme from delivering at all. Prevent outputs / outcomes from being achieved. Adverse comments from national press / stakeholder groups.

This page is intentionally left blank



SWANSEA BAY CITY REGION JOINT COMMITTEE

28TH MARCH 2019

RETROSPECTIVE CLAIMS - DEFRAID EXPENDITURE

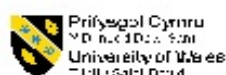
RECOMMENDATIONS / KEY DECISIONS REQUIRED:

To confirm retrospective claims of defrayed expenditure back to 20th March 2017.

REASONS:

On 13th July 2017 the Shadow Joint Committee approved retrospective claiming of defrayed expenditure for the SBCD back to 20th March 2017. This needs to be ratified by the formal Joint Committee.

Lead	Designation:	Tel No.
Helen Morgan	Economic Development Manager Carmarthenshire County Council	01267 224901 E.Mail: hlmorgan@carmarthenshire.gov.uk



EXECUTIVE SUMMARY

SWANSEA BAY CITY REGION JOINT COMMITTEE

28TH MARCH 2019

RETROSPECTIVE CLAIMS - DEFRAID EXPENDITURE

Project leads have incurred significant preliminary expenditure in order to develop the SBCD projects and corresponding five case business plans which, once approved, will release City Deal funding to the region. Both Governments confirmed that decisions relating to retrospective claims is a matter for the Joint Committee. Subsequently in July 2017 the Shadow Joint Committee confirmed that retrospective claims dating back to 20th March 2017 can be made by SBCD project leads as long as these costs are included within the approved five case business plan.

This decision needs to be ratified by the formal Joint Committee.

DETAILED REPORT ATTACHED?

NO



IMPLICATIONS

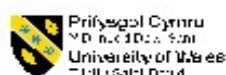
Policy, Crime & Disorder and Equalities NONE	Legal Not at this stage	Finance YES	Risk Management Issues YES	Staffing Implications NONE
Finance <p>Project leads have undertaken significant spend at risk to progress the development of the SBCD Projects and corresponding five case business models in order to release central City Deal funding. If this expenditure cannot be retrospectively claimed there will be a gap in their funding package.</p>				
Risk Management <p>As above. Any gap in project funding poses a risk to achieving the full ambitions of the project and therefore wider City Deal programme.</p>				

CONSULTATIONS

N/A

Section 100D Local Government Act, 1972 – Access to Information List of Background Papers used in the preparation of this report: THESE ARE DETAILED BELOW

Title of Document	File Ref No.	Locations that the papers are available for public inspection/WEBSITE LINK
Minutes of Shadow Joint Committee – 13 th July 2017.		Available from Regional Office



This page is intentionally left blank



Neath Port Talbot
Castell-nedd Port Talbot

County Borough Council Cyngor Bwrdeistref Sirol

Date Dyddiad 15 February 2019
Direct line Rhif ffôn 01269 825767
Email Ebost cllr.a.n.woolcock@npt.gov.uk
Contact Cyswllt Councillor A.N.Woolcock
Your ref Eich cyf
Our ref Ein cyf

Cllr R Stewart
Chair of the Joint Committee for the
Swansea Bay Region City Deal

By e-mail

Dear Councillor Stewart

RE: Swansea Bay City Region

Can I once again thank you for attending the recent meeting of the Joint Scrutiny Committee. Please find attached a note of the findings and recommendations from the meeting that I would ask you to put before the Joint Committee.

I look forward to receiving your response to the recommendations we have made in the near future.

Yours sincerely,

PP. *John Davis*

Cllr A N Woolcock
Chair, Joint Scrutiny Committee Swansea Bay Region City Deal

continued overleaf...

CC Councillor Rob Jones, Leader, C/o Neath Port Talbot County Borough Council (by e-mail)

Councillor Emlyn Dole, Leader, C/o Carmarthenshire County Council (by e-mail)

Councillor David Simpson, Leader, C/o Pembrokeshire County Council (by e-mail)

Councillor Rob Stewart, Leader, C/o City and County of Swansea (by e-mail)

Note of Findings and Recommendations arising from a meeting of the Joint Scrutiny Committee Swansea Bay Region City Deal, held on January 31st 2019

Summary and Findings

Scrutiny members received information from witnesses about the sequence of events that had taken place from 22nd November 2018 when three business cases had been endorsed by the Joint Committee, including the business case for Delta Lakes. The Committee was given a clear assurance by witnesses that the first time Members/officers involved with the Joint Committee became aware of the suspensions at Swansea University was the day the matter was made public. The Chair of the Joint Committee advised that he had subsequently met with the Registrar of Swansea University and his legal advisers in the period between the suspensions being made public and the Joint Committee's meeting of 14th December where information was shared under legal privilege concerning the matters under investigation. At the meeting, the Registrar also advised of the University's continued commitment to the Swansea Bay City Deal programme.

The Lead Chief Executive advised the Committee that Carmarthenshire Council had requested a review of the arrangements related to Delta Lakes by the Wales Audit Office. The initial discussion with the Wales Audit Office had taken place at the end of November involving Carmarthenshire Council's s151 Officer and WAO officials. Information pertinent to the review had been shared with WAO from early December 2018. An external legal review had also been

commissioned by the Executive Board of Carmarthenshire Council to seek assurance that the appointment of the development partner for Delta Lakes had been undertaken correctly. This external legal review has been completed and will be considered by the Executive Board in forthcoming weeks.

Additionally, the Chair of the Joint Committee explained that at the Joint Committee's meeting on 14th December, the Joint Committee had also decided to seek its own assurance that the processes established to govern the City Region Deal had been complied with and were appropriate.

In response to specific questions raised by Members of the Joint Scrutiny Committee, assurance was given that the suspensions at Swansea University had occurred after the three full business cases had been endorsed by the Joint Committee on 22nd November. The Joint Scrutiny Committee was told that at the time the Joint Committee had made a decision to endorse the business cases there was no information available to the Joint Committee about the investigations conducted by Swansea University. The Committee was told that the Joint Committee members had relied on the assurances provided with the reports at the meeting on 22nd November 2018 to come to their decision to endorse the three business cases. The Committee were also advised that the University had not approached Members of the Joint Committee or officers to make them aware that their internal investigations and the subsequent suspensions had some implications for the Delta Lakes project and the City Deal programme. The Chair of the Joint Committee advised that he had needed to take the initiative to seek out information from the University to assess if there

were implications for the Programme.

In relation to the review commissioned by the UK and Welsh governments, the Chair of the Joint Committee and Lead Chief Executive advised the Joint Scrutiny Committee that the events at Swansea University had not triggered the review commissioned by the UK and Welsh governments. Furthermore, they did not believe that Welsh Government officials or Ministers were aware of the investigations taking place at Swansea University until events were made public but were not in a position to confirm this. The reviews were to provide assurance to both governments that arrangements within the Programme are fit for purpose.

The Joint Scrutiny Committee noted that in addition to the review commissioned by the UK and Welsh governments, a number of other reviews were underway: a review commissioned by the Joint Committee; the Wales Audit Office review of the Delta Lakes project; an external legal review of the procurement of the development partner commissioned by Carmarthenshire County Council. The Chair of the Joint Committee gave scrutiny members an assurance that the Joint Committee would give full consideration to the findings of the four reviews, including making a challenge to conclusions reached and recommendations made, if appropriate. The Chair of the Joint Committee also gave an assurance that the Joint Scrutiny Committee would be provided with the reports arising from the review, including the associated terms of reference at an appropriate time. Members of the Joint Committee would be pleased to discuss the findings of the review with scrutiny members in due course, should

the scrutiny members request that. Scrutiny members welcomed these assurances and underlined the importance of the Programme operating on a principle of transparency. Scrutiny members were unhappy that some of the documents requested had not been provided when requested.

In relation to the Delta Lakes project specifically, the Chair of the Joint Committee gave an assurance that no funds had transferred from the City Deal programme to Swansea University or the individuals subject of the suspension. The Lead Chief Executive confirmed this and added that neither had any land transferred or any companies been established. The Committee were advised by the Chair of the Joint Committee and the Lead Chief Executive that they expected all reviews to be completed in February 2019.

The Chair of the Joint Committee gave scrutiny members an assurance that the UK and WG governments' money is safe. Additionally, the Committee were advised that flexibility had been provided for in the City Deal terms and conditions in the event there should be a need to adjust projects, substitute projects or make changes to lead bodies for the projects within the Deal. It was explained by the Chair of the Joint Committee that the UK and Welsh governments were not withholding funding while their review was in train as there had been no timetable for releasing the funds. The governments' review had not changed the position on programme funding. Scrutiny members were assured that all partners remained committed to the Deal and relationships between partners to the Deal were on a strong footing.

In response to questions about the risk register that had been circulated to the Joint Scrutiny Committee, the s 151 Officer advised that the financial risk

attached to projects is borne entirely by individual agencies. Governance arrangements within the Programme expected individual agencies to sign off the financial elements of individual projects, amongst other things. Scrutiny members were advised there is no financial risk at programme level. Scrutiny members observed that the circulated risk register did not detail the financial exposure of agencies and asked the Chair of the Joint Committee to consider if the risk register was complete. In response, scrutiny members were advised that the risk register circulated had not been seen by the Joint Committee but there would be a standing agenda item to consider programme risks at future meetings of the Joint Committee

Scrutiny members also sought assurances about the management of reputational risk and investor confidence. The Chair of the Joint Committee advised that he had put a range of communications activities in place but he was not able to control statements made by the individuals who had been suspended by Swansea University. Programme communications were being supported by partners, co-ordinated by the central programme office. In relation to commercial risks, the s151 officer advised scrutiny members that there was no detriment to the Programme as investors had indicated continued confidence in the Programme.

Scrutiny members asked about the status of projects within the programme. The Chair of the Joint Committee advised that projects continue to be developed in parallel with the reviews. In relation to the Wellbeing Village at Delta Lakes, this is being reconsidered by Carmarthenshire County Council to

identify an alternative delivery model. Once the alternative model is available, Members were assured that the project would be subject to all of the Joint Committee sign off and assurance processes.

Members of the Joint Scrutiny Committee thanked the Chair of the Joint Committee and officers for attending the meeting to provide information and to answer questions, however, scrutiny members pointed out that they were unhappy that the Joint Committee had not proactively shared information about developments following the suspension of individuals at Swansea University with them, nor had the Joint Committee been consulted about the reviews and associated terms of reference. The Chair of the Joint Committee explained that the Joint Scrutiny Committee had not been consulted about the reviews and associated terms of reference as he had expected the Joint Scrutiny Committee would want to determine its own programme of review. Scrutiny members made it clear that it was reasonable to have expected the Chair of the Joint Scrutiny Committee to have been consulted as a minimum.

Scrutiny members also pointed out that whilst the Joint Committee and some of the associated governance structures had been established in shadow form since 2017, there had been no similar mechanisms for conducting joint scrutiny in this phase of the programme development. By waiting until the Joint Working Agreement was signed to put the joint scrutiny mechanisms in place, scrutiny members felt that a number of key decisions had already been made and the committee members were on a steep learning curve. Members of the Joint Scrutiny Committee noted that scrutiny committees within individual

authorities would have had the opportunity to scrutinise individual projects as they were developed by the respective local authorities. However, scrutiny members were of the view that the reliance placed on scrutiny at individual authority level alone during the shadow period had been insufficient.

Recommendations

Recommendation 1

The Joint Committee should reinforce with City Deal partners that they have an obligation to disclose material events to partners in a timely way to ensure good governance and to ensure attendant risks to the wider programme are managed effectively

Recommendation 2

The Joint Scrutiny Committee believes that it can operate most effectively when there is a good flow of information between the Joint Committee and its own arrangements. The Joint Scrutiny Committee would like a formal assurance from the Joint Committee that any further material developments that are not set out in the Joint Committee's Forward Work Programme are notified to the Chair of the Joint Scrutiny Committee in a timely and appropriate way.

Recommendation 3

The Joint Scrutiny Committee believes that all of the work of the Joint Committee should be visible to Joint Scrutiny Committee members and that there should be no delay in information being shared with the Joint Scrutiny Committee. The presumption should be that there is transparency across the Programme. The Joint Committee is therefore asked to revise the existing information sharing arrangements to ensure all papers (both public and private) are available to scrutiny committee members and support officers.

Recommendation 4

The Joint Scrutiny Committee notes and welcomes the standing invitation issued by the Chair of the Joint Committee to attend and observe meetings of the Joint Committee. The Joint Scrutiny Committee recommends that this suggestion be formally reflected in governance arrangements so that the Chair and/Vice Chair of the Committee and supporting scrutiny officers can attend and observe both public and private meetings of the Joint Committee.

Recommendation 5

The Joint Scrutiny Committee welcomes the encouragement provided by the Chair of the Joint Committee for the terms of reference set out in the Joint Working Agreement to be operated in a more flexible way. The Joint Scrutiny Committee does not believe that neat boundaries can be drawn around the

scrutiny of individual projects and scrutiny of the programme as a whole. The Joint Scrutiny Committee acknowledges and agrees that some matters at project level are more appropriately scrutinised at individual agency level, however, there may be situations where issues related to individual projects may have a bearing on the programme more broadly and the Joint Scrutiny Committee would want the ability to scrutinise those matters. The Joint Scrutiny Committee agrees that where appropriate the Joint Scrutiny Committee should be able to explore project activity.

Recommendation 6

The Joint Scrutiny Committee notes that the Joint Committee intends to review the Risk Register at each of its future meetings. The Joint Scrutiny recommends that the Joint Committee considers whether the current Risk Register is comprehensive and up to date and is sufficient to support the Joint Committee in taking all of the actions needed to ensure the Programme delivers the outcomes required. In particular, the Joint Scrutiny Committee recommends that the Joint Committee considers whether the programme Risk Register is adequately informed by project risk to ensure that significant project risks are visible and enable the Joint Committee to assess whether they have the potential to impact on the delivery of the overall Deal.

Recommendation 7

The Joint Scrutiny Committee was told that the Risk Register circulated for the

meeting had not been seen by the Joint Committee. The Joint Scrutiny Committee recommends that the controls in place within the Programme Office be reviewed to ensure appropriate release of programme information.

Recommendation 8

The Joint Scrutiny Committee was pleased to receive assurances about the lack of impact flowing from the suspension of individuals at Swansea University and subsequent events on reputational risk and investor confidence. However, the Joint Scrutiny Committee was not convinced the full impact of current events on reputational damage was being identified and recommends that the Joint Committee gives further consideration to the impact of events on reputational damage and the measures in place to mitigate associated risk.



Neath Port Talbot
Castell-nedd Port Talbot
County Borough Council Cyngor Bwrdeistref Sirol

Date Dyddiad 5 March 2019
Direct line Rhif ffôn 01269 825767
Email Ebost cllr.a.n.woolcock@npt.gov.uk
Contact Cyswllt Councillor A.N.Woolcock
Your ref Eich cyf
Our ref Ein cyf

Cllr. Rob Stewart
Chair of the Swansea Bay City Region
Joint Committee
C/o City & County of Swansea
Civic Centre
Oystermouth Road
Swansea
SA1 3SN

By e-mail

Dear Councillor Stewart

RE: Swansea Bay City Region

I am writing to inform you of the recommendations made to the Joint Committee by the Joint Scrutiny Committee at its meeting on Friday, 1 March, 2019. The recommendations are as follows:

Recommendation 1

The Joint Scrutiny Committee was very concerned to learn of the considerable delays being experienced in securing agreement from the Welsh and UK governments to the full business cases of the projects that make up the City Deal. The Joint Scrutiny Committee notes that these delays mean that almost two years since the Heads of Terms were signed, no business cases have yet reached a point where they have been approved for implementation. Members of the Joint Scrutiny Committee wish to underline the importance of the City Deal to bringing about long term, sustainable improvements to the well-being of people across the region and would like to understand what action the Joint Committee, Welsh Government and the UK Government intend to take to address the causes of the delays inherent in the existing processes.

continued overleaf...

Chief Executive's Directorate
Steve Phillips
Chief Executive
Civic Centre
Port Talbot
SA13 1PJ
Tel 01639 763285
www.npt.gov.uk

Cyfarwyddiaeth Y Prif Weithredwr
Steve Phillips
Prif Weithredwr
Y Ganolfan Ddinesig
Port Talbot
SA13 1PJ
Tel 01639 763285

Recommendation 2

In considering the status of the three regional projects contained within the Deal – Homes as Power Stations; Skills and Talent; and Digital Infrastructure – the Joint Scrutiny Committee noted that none of these projects would be delivered within the timetable initially envisaged. Accordingly, the Joint Scrutiny Committee recommends that priority should be given to bringing all three projects to a point where they can be formally initiated and that the programme plan be revised to reflect a new delivery period of five years which commences on the dates when the business cases are approved. The programme plan should also take account of the inter-dependencies between these three projects and other projects within the City Deal programme.

Recommendation 3

The Joint Scrutiny Committee considers that there is insufficient information about financial risk across the programme and requests that the Joint Committee provides it with a detailed report on the financial assumptions and risk that attach to each of the projects and the programme as a whole.

Recommendation 4

The Joint Scrutiny Committee noted in scrutinising the Homes as Power Stations project that there is an assumption within the emerging business case that local authorities will use their collective leverage to deliver the project benefits. The Joint Scrutiny Committee wishes to underline the importance of all four local authorities working together to achieve this, including making representations to Welsh Government to adopt measures for example, through building regulations, that would secure greater private sector engagement in the work.

continued overleaf...

Recommendation 5

The Joint Scrutiny Committee recommends that the Joint Committee considers how a new approach to economic development can be developed for the period beyond the existing City Deal so that the legacy created by this programme can be sustained and further developed over the longer term.

I am sending a copy of this letter to other members of the Joint Scrutiny Committee and to the four Leaders of the constituent local authorities.

I look forward to receiving your response to the recommendations we have made in the near future.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Arwyn Woolcock', with a large 'P.P.' written to the left of the signature.

Councillor Arwyn Woolcock

Chair of the Swansea Bay City Deal Joint Scrutiny Committee

CC Councillor Sharon Freeguard C/o Neath Port Talbot County Borough Council (by e-mail)

Councillor Alun Llewelyn C/o Neath Port Talbot County Borough Council (by e-mail)

Councillor Darren Price C/o Carmarthen County Council (by e-mail)

Councillor Rob James C/o Carmarthen County Council (by e-mail)

Councillor Giles Morgan C/o Carmarthen County Council
(by e-mail)

Councillor James Adams C/o Pembrokeshire County Council
(by e-mail)

Councillor Tony Baron C/o Pembrokeshire County Council
(by e-mail)

Councillor Michael Evans C/o Pembrokeshire County Council
(by e-mail)

Councillor Jan Curtice C/o City and County of Swansea
(by e-mail)

Councillor Philip Downing C/o City and County of Swansea
(by e-mail)

Councillor Jeff Jones C/o City and County of Swansea
(by e-mail)

Councillor Rob Jones, Leader, C/o Neath Port Talbot County
Borough Council (by e-mail)

Councillor Emlyn Dole, Leader, C/o Carmarthenshire County Council
(by e-mail)

Councillor David Simpson, Leader, C/o Pembrokeshire County
Council (by e-mail)

Councillor Rob Stewart, Leader, C/o City and County of Swansea
(by e-mail)

Agenda Item 14

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

Document is Restricted

This page is intentionally left blank

Agenda Item 15

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

Document is Restricted

This page is intentionally left blank