

Report of the Leader

Extraordinary Council – 26 January 2016

SWANSEA BAY CITY DEAL

Purpose:	To seek delegated authority for the Leader of Council and Chief Executive to sign an in principle agreement on a Swansea Bay City Deal.
Policy Framework:	Swansea Bay City Region Economic Regeneration Strategy Swansea Central Area Regeneration Framework (2016) Corporate Priority: Creating a Vibrant and Viable City and Economy
Consultation:	Finance, Legal, Access to Services
Recommendation(s):	<ol style="list-style-type: none">1. To delegate to the Leader of Council and the Chief Executive authority to sign an in principle City Deal agreement on the basis described in this report.2. That officers be requested to bring a further full report to Cabinet and Council on any definitive commitments following the local government elections in May should the City Deal agreement be signed in principle.
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1.0 Introduction

- 1.1 The report seeks delegated authority for the Leader of Council and the Chief Executive to sign an in principle agreement on a Swansea Bay City Deal based upon the proposals submitted (and described below) should negotiations be successfully completed in the next few weeks.
- 1.2 To recap on the essential points, City Deals are bespoke arrangements between Cities or Regions and Government designed to promote growth, innovation and employment measured specifically in terms of Gross Value Added (GVA) growth and jobs. In the devolved context, they are triangular arrangements involving the City Region and both the UK and Welsh

Governments. There have been some 20+ City Deals signed off in England and four in Scotland.

- 1.3 The challenge we face is that this region's GVA has fallen from 90% of the UK average to 77% over the last three decades with low productivity and high economic inactivity. We are also over reliant on traditional primary industries and the public sector and risk falling further behind the rest of the UK and other parts of Wales. To counter this, the City Deal is expected to realise some 9,500 jobs over 15 years; a total £3.3 billion uplift in GVA recovering 70% of the lost GVA.
- 1.4 In Wales, the Cardiff Capital Region signed a high level deal in Spring 2016 and the Swansea Bay City Region submitted in February of last year an outline proposal which focused on the benefits of digital infrastructure (including the Internet of Things), the energy sector and innovation in healthcare (the "Internet Coast" document). Since then, an intensive period of work led to the submission of a detailed bid covering 11 specific projects in October of last year. The projects are summarised at Appendix 1.
- 1.5 The Council is leading on the Digital District Project for Swansea City Centre. This will provide funding towards a new Digital Village on the Kingsway, which will provide accommodation for Swansea's growing tech businesses. It would also provide funding towards the development of a Digital Square and Arena as part of the St David's development. Also included in the Digital District proposal is a Box Village and Innovation Precinct at University of Wales Trinity Saint David SA1 Swansea Waterfront development to provide incubation space and co-working space for start-up businesses.

2.0 Where are we now?

- 2.1 Immediately prior to and following the submission of the bid there has been a series of discussions with both governments as well as engagement events with Members of Parliament, Assembly Members and others across the region. However, we are now entering a crucial stage in terms of getting the Deal signed off in principle prior to the local government elections in May, so as to sustain the momentum of the process. Prior to Christmas, there was a "Challenge Session" with Welsh Government Ministers which produced their agreement in principle to what is proposed and the Welsh Government has assured us that the funding has been set aside. That process will be repeated very shortly in Whitehall with UK Ministers and their advisors. If successful, we hope to be in a position to sign the Deal on the basis described above by the end of February.

3.0 What would the City Deal entail?

- 3.1 Essentially, it involves a total investment of some £1.3 billion over a period of 15 years (although precise timeframes have yet to be settled). This consists of £241m of central government funding to be split between the two governments - on a basis to be agreed between them - plus £360m of other public sector funding and £673m of private sector contributions.

3.2 The Council is not being asked to sign up definitively to these commitments now for a number of reasons including the fact that the precise terms of the City Deal are not yet on the table.

3.3 We need to know who is paying for what (again, in large part, a debate between the two governments around devolved and non-devolved competencies); certainty around all of the funding stream/components; the profile of funds over the lifetime of the City Deal; how it will flow and to whom and the terms and conditions that the governments may seek to apply (e.g. periodic Gateway Reviews upon which the release of central government funding may be conditional). This detail is vital if the Council is to borrow for projects in our area and manage risk in line with our fiduciary duty and will be reported at the appropriate time. There are also competing priorities for borrowing (e.g. the 21st Century Schools programme).

3.4 There are a range of other matters to be resolved on individual projects which the partners are working through with the UK and Welsh Governments. More widely, there are a number of other factors bearing upon the City Deal and the negotiations. These include:

- The positive outcome of the Hendry Review on Tidal Lagoons published earlier this month. Essentially, this was an endorsement of the proposed Swansea Bay Tidal Lagoon. The City Deal is not dependent upon the Lagoon; but the synergies with the renewable energy strand in the Internet Coast document are very strong;
- The need to ensure that all parts of the City Region benefit from the City Deal, which includes rural areas and the Valleys;
- The need to take account of the legislative framework in Wales, notably the Well-Being of Future Generations Act; and
- The need to take maximum advantage of the remaining two years or so of European Structural Funds prior to Brexit.

4.0 Governance

4.1 The remit of the Swansea Bay City Region Board expires on 31 March 2017 and the Welsh Government has decided not to renew it. It will be replaced by a Joint Committee structure, led by the local authorities to secure accountability for public funds; but also involving other partners including the private sector where Sir Terry Matthews is expected to be closely involved in the technology area. An indicative representation of what the structure may look like is at Appendix 2.

4.2 The establishment of the Joint Committee is linked to the Welsh Government's local government reform agenda in the context of a push towards a greater regional working on economic development, transport and strategic planning.

At one level, the proposed Joint Committee therefore represents a good vehicle for both the City Deal and wider local government collaboration.

- 4.3 However, full details are not yet finalised. The region has commissioned external legal advice on these issues and the Welsh Government's anticipated White Paper on local government reform is imminent at the time of writing; but has not yet been published. Thus, the Joint Committee will be established in shadow form initially pending resolution of these issues and the City Deal negotiations.
- 4.4 It is essential that appropriate scrutiny arrangements are in place and this will be the subject of a further report.
- 4.5 In addition, these new structures will require a City Deal Delivery Team to be established – again see Appendix 2. This will need to be properly resourced as the previous arrangements supporting the City Region Board are not sustainable. The Welsh Government has been asked to make funding available and, if they agree, that will need to be matched in cash by the four local authorities, the Universities, the Local Health Boards and potentially other partners. Initially, it is proposed to fund any Council contribution (circa £25,000) from within existing resources. This is particularly important as delivering the projects will require a level of expertise on digital infrastructure and energy in particular that is not available in local government or the wider public sector in Wales.

5.0 Financial and Legal Implications

- 5.1 In addition to the governance related aspects (immediately above), the indicative funding profiles for the City Deal are at Appendix 3. But as noted above, no definitive commitments are proposed in this report. If Members endorse the recommendations below, a further report would be brought to Cabinet and Council following the local government elections in May. This is essential because such a report – unlike this one - would clearly impact upon the Council's budgetary framework which is a Council function.
- 5.2 A full presentation will be made to this Council from the City Deal pitch team led by the Leader of the City and County of Swansea and the Chief Executive of Carmarthenshire Council.
- 5.3 In addition to the governance issues identified above, there are existing powers available to local government to promote economic, social and environmental wellbeing and, of course, collaboration between local authorities and other public bodies has been in place for many years.

6. Equality and Engagement Implications

- 6.1 Should Council decide to proceed with the City Deal and a formal offer is made by Government an Equality Impact Assessment will be considered at that time undertaken in accordance with the Council's Equality and Engagement policies.

7.0 Reason for Recommendations

- 7.1 To provide delegated authority to sign an in principle City Deal agreement on the basis described in this report. In this regard, it should be noted that the other three local authorities (Pembrokeshire County Council, Carmarthenshire County Council, Neath Port Talbot County Borough Council) are taking similar reports to their Cabinets and Councils at this time.

Background Papers:

The Internet Coast proposal – February 2016

Appendices:

1. Summary of City Deal Project Information
2. Proposed Governance Structure
3. Financial Information

Appendix 1 – Summary of City Deal Project Information

Swansea Bay City Region – City Deal Proposed projects summary

Project title: The Internet Coast – Digital Infrastructure

Lead / Partners / Joint Partners:

Joint Partners: Neath Port Talbot CBC, CC Swansea, Pembrokeshire CC, Carmarthenshire CC, Swansea University, University of Wales Trinity St David (UWTSD), ABMUHB & Hywel Dda

Funding:

Investment requested from City Deal - £25m

Match funding from other sources - £30m

Total Project Value - £55m

Project Summary:

The Internet Coast (Infrastructure and Test Bed) programme will be an enabling programme with the following aims:

- Placing the City Region at the forefront of strategic global trends
- Developing large markets
- Giving SBCR a true Unique Selling Proposition, differentiated from other regions in competitive World-wide industries
- Developing an offer which builds on the region's asset base and core strengths but also adds to the wider economic benefits previous investments in SBCR have generated
- Delivers a 'hyper-connectivity' agenda for the entire region with the aim of achieving 100% coverage and access to next generation broadband services, focus will be on rural & urban
- Underpins the development of CENGs and delivery of the integrated thematic priorities and projects of the City Deal focusing on health & wellbeing, energy and economic acceleration

Project title: Swansea City and Waterfront Digital District

Lead / Partners / Joint Partners:

Lead: CC Swansea

Partners: Swansea University and University of Wales Trinity Saint David (UWTSD)

Funding:

Investment requested from City Deal - £50 million

Match funding from other sources - £118.2million

Total Project Value - £168.2 million

Project Summary:

The Swansea City and Waterfront Digital District project aims to create a vibrant and sustainable city centre that facilitates the growth of higher value activities (particularly

tech businesses) and acts as a key driver for the regional economy. The project objectives are:

- To create a Box Village and Innovation Precinct at University of Wales Trinity Saint David Swansea Waterfront development to provide incubation space and co-working areas for start-ups and small businesses;
- To create flexible and affordable accommodation to support the growth of tech businesses and other higher value added activities, through the development of a new Digital Village in the City Centre;
- Development of a Digital Square and Arena to revitalise the city centre to create the vibrant environment, leisure and lifestyle offer that attracts and retains tech businesses and skilled workers for the benefit of the wider region.

Project title: Creative Digital Cluster – Yr Egin

Lead: University of Wales Trinity Saint David

Partners: Carmarthenshire County Council, S4C

Funding:

Total Project Value - £24.3m

Investment requested from City Deal - £5m

Match funding from other sources - £19.3m

Project Summary:

Yr Egin will create a digital and creative industry cluster within Carmarthen, joined by S4C as the key anchor tenant and approximately 28 other digital and creative media SMEs as tenants. The centre will create a clustering effect which will create major and positive change in the creative and digital economy of Wales. This development will also contain business accelerator facilities, incubation, as well as shared spaces for interaction between each of the tenants, driving entrepreneurial development.

Project Title: Centre of Excellence for Next Generation Services (CENGS)

Lead / Partners / Joint Partners:

Lead: Neath Port Talbot CBC, CC Swansea, Carmarthenshire CC & Pembrokeshire CC, Swansea University, University of Wales Trinity Saint David, ABMUHB, Hywel Dda Health Board

Partners: TATA & Swansea University (SPECIFIC project)

Funding:

Investment requested from City Deal - £23m

Match funding from other sources - £32.5m

Total Project Value - £55.5m

Project summary:

CENGS will provide a data analytics capability to turn world class data sourced innovation into commercial systems and solutions establishing a leadership position for Wales and the UK. Initially focused on the domain of Internet of Health and

Wellbeing and Internet of Energy, the core objective is to transition 'ideas' to private sector job creation and wealth generation.

The project consists of the following:

- Development of the SBCR CENGs Technology Centre at Baglan which will provide a hub for innovation, linking the scientific community with industry and government partners. It will build on current research and development activities and would house the Swansea Bay City Region Centre of Excellence for Next Generation Systems (CENGs) (see below); SBCR core regional team as well as a range of office space together with step-up / step-down laboratories
- The second element of the project will establish, over a seven year period, a self-financing UK Centre of Excellence for Next Generation Services (CENGs) which acts as a commercialisation hub for systems and solutions
- The provision of this capability will allow entrepreneurs and innovators drawn from a range of different sources and institutions to concentrate their efforts on delivering solutions without having to build their own platform, thus accelerating the number of ideas and opportunities which we can take to market.
- CENGs will be staffed with a mix of commercial and technical experts focussed on realisation and commercialisation of innovative ideas generated by others.

Project Title: Life Science and Wellbeing Campus Network

Lead / Partners / Joint Partners:

Lead: CC Swansea

Partners: ARCH partnership (ABMUHB, Swansea University, Hywel Dda UHB, Private Sector)

Partners/Private sector investment consortium

Funding:

Investment requested from City Deal - £15 million

Match funding from other sources - £30 million

Total Project Value - £45 million

Project Summary:

The ARCH programme has defined a campus and village Life Science & Wellbeing network to support growth of the Life Sciences and Wellbeing sectors. The 'Campuses' will build upon the successful Institute of Life Science initiative, providing a world-class integrated research & business incubator/park secondary/tertiary clinical, research and trials environment, and skills development centres. These hubs will strengthen the regional capacity to commercialise research, attract additional inward investment and further increase export of high-value services and goods such as medical devices.

Project Title: Life Science and Well Being Village

Lead / Partners / Joint Partners:

Lead: Carmarthenshire CC

Partners: ARCH Partners/Private sector investment consortium (additional partners including Coleg Sir Gar/Scarlets)

Funding:

Investment requested from City Deal - £40 million

Match funding from other sources - £159.5 million

Total Project Value - £199.5 million

Project Summary:

- The Llanelli Life Science and Wellbeing Village will comprise an Institute of Life Science, sports and leisure facilities, a primary/community care facility and critically an education and skills development capability integrated across the on-site services.
- The Llanelli Life Science and Wellbeing Village aims to deliver transformational social and economic benefits through delivering the full scope of the Life Science and Wellbeing Village definition, namely the integration of business development, education, wellness initiatives, research and development and healthcare initiatives.

The village in Llanelli will be operational during the first five year period of the programme.

Project Title: Delivering Homes as Power Stations

Lead / Partners / Joint Partners:

Lead: Neath Port Talbot CBC, CC Swansea, Carmarthenshire CC, Pembrokeshire CC.

Partners: Swansea University

Funding:

Investment from City Deal - £15m

Match funding - £502.1m

Total value £517.1m

Project Summary:

The project will create a new industry based around innovative and sustainable energy generation, combined with storage and efficiency. New technologies developed and/or applied within the region are allowing homes and buildings to generate, store, and release their own energy. This is creating entirely new value chains stretching from world-leading research to applications for strategic heavy industry. A major aim will be to reduce fuel poverty and its impact on health. There will also be a focus on broadband Internet connections and smart metering, and the potential for links to a local authority led ESCO (Energy Supply Company).

The project will initially develop a cluster in Neath Port Talbot to catalyse a supply and value chain, which will deliver jobs with the construction supply chain, from new

build and retro fit activities and developing inward-investing and spin-out opportunities. The initiative will then progress across the region.

Project Title: Pembroke Dock Marine

Lead / Partners / Joint Partners:

Lead: Milford Haven Port Authority

Partners: Marine Energy Pembrokeshire (META), Offshore Renewable Energy – Catapult (MEECE) and Wave Hub Ltd (SPDZ)

Funding:

Investment Requested from City Deal – £28m

Match funding from other sources – £48.3m

Total Project Value - 76.3m

Project Summary:

- Pembroke Dock Marine will deliver a thriving marine energy centre positioned to exploit existing expertise and proximity to resource.
- By creating a unified, dedicated development and delivery site key long term objectives can be reached, regional economic growth increased, creation of specialist skills base with export potential, bring down the cost of energy for marine sourced energy and ensure UK energy security.
- Pembroke Dock Marine brings together four key elements to concentrate, innovate, collaborate and generate a world class marine energy base in Wales – capable of taking developers from start-up to deployment and onwards to ongoing operations and maintenance.
- Close to some of the world's best marine energy sources and with an existing specialist skill base and relevant infrastructure, this project will play an important part in making marine derived energy both cost effective and reliable – ready to help protect UK energy security.

Project Title: Factory of the Future

Lead / Partners / Joint Partners:

Lead: Swansea University/Industry Consortium

Partners: Wider Supply/Value Chain Industry Partners

Funding:

Investment requested from City Deal - £10m

Match funding from other sources - £13.5m

Total Project Value - £23.5m

Project Summary:

The Factory of the Future is crucial to supporting existing business owners in the region and building upon its strong manufacturing base. The region will create a Smart Manufacturing network bringing together disparate sectors ranging from heavy industry to complex microelectronics assembly to consumer products and food. This industry led initiative will create an ecosystem capable of manufacturing the innovative products developed within the region and also attract inward-investing manufacturing demand from the UK and globally.

Supporting SMEs to invest in leading edge technologies and harness the opportunities associated with a digital manufacturing revolution. Informed by industry 4.0 principles, and supported by world class industrial innovators, this initiative will put the region and its enterprises at the forefront of this digital and data based manufacturing movement creating a regional integrated manufacturing ecosystem.

As well as addressing the needs of the region, and will create an ecosystem capable of delivering innovative products/processes/technologies developed within the region for the benefit of the region, but also creating opportunities of expanding/exporting this expertise to the wider world increasing national and international competitiveness for Welsh companies

Project Title: Steel Science Centre

Lead / Partners / Joint Partners:

Lead: Neath Port Talbot CBC and Swansea University

Partners: Industry Partners

Funding:

Investment requested from City Deal - £20 million

Match funding from other sources - £60 million

Total project value - £80 million

Project Summary:

- This project aims to build on regional excellence across the metals sector including Advanced Materials research e.g. the Welsh Centre for Printing and Coating, the SPECIFIC IKC and the diverse industrial capabilities of the Welsh Steel Industry, it is proposed to create an Open Access Innovation Centre for the Steel sector and its supply chains.
- This Centre will enable the steel sector to grow into a leading edge zero carbon steelmaker with carbon positive products utilising locally generated waste products as a chemical and raw materials feedstock; this is a model that could be exported to all developed economies ensuring a vibrant, innovative and profitable steel sector with regional and national product specialisms Steel technologists will be co-located with academic and research staff from Swansea and key UK partner universities supporting knowledge flow to existing Catapult centres. This innovation capacity will support activities including;
 - *R&D and Process Development for Primary Steelmaking to minimise carbon emissions*
 - *Development of value and supply chain opportunities in new products and processes*
 - *Novel construction material and supply chains into domestic and industrial building typologies*
 - *Environmental and Energy improvement and waste treatment for steel processes and exploring the greater use of recycled materials in the steel manufacturing supply chain*
- The Centre will connect to the wider UK academic ecosystem via the WMG activities and through the four core partners and create a vibrant multidisciplinary

environment equipped with state of the art research equipment that will deliver innovative solutions to industry led problems across the UK steel sector.

Project Title: Skills and Talent Intervention

Lead / Partners / Joint Partners:

Lead: Regional Learning and Skills Partnership

Partners: Higher Education; Further Education; Local Authority and Industry partners

Funding:

Investment requested from City Deal - £10m

Match funding from other sources - £20m

Total Project Value - £30m

Project Summary:

- The project will provide an integrated regional approach to delivering sector specific skills to meet the demand of the Swansea Bay City Region – City Deal.
- The Regional Learning and Skills Partnership will undertake a skills gap analysis to identify and quantify existing and new regional skills.
- The project will Influence and Inform the future workforce requirements of the City Region.
- The establishment of a Talent Bank will support the development of sector specific new emerging skills/roles reflecting the new technologies within each of the Internet themes to reflect the real-world opportunities.
- The skills analysis and identification and delivery of new training will be operational during the first five year period of the programme.