

UK Government Llywodraeth y DU



Llywodraeth Cymru Welsh Government

# Swansea Bay City Region City Deal



#### **Executive Summary**

- 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. This City Deal will 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, up to £241 million 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.
- 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 GVA level against the UK average.
- 4. As well as taking forward 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 an Economic Strategy Board and Joint Committee to join up decision making and oversee the delivery of this City Deal.
- 5. These new governance arrangements demonstrate the benefits of taking a collaborative approach and will also enable local authorities to plan and deliver services at an appropriate scale for more effective delivery including strategic land-use planning, strategic transport and economic development.
- 6. Local partners within the Swansea Bay City Region estimate that this City Deal will lead to:
  - Funding of nearly £1.3 billion for interventions to support economic growth
  - Over £600 million of direct private sector investment levered to deliver interventions
  - Investment spread across the whole of the region to ensure all localities and citizens can benefit

- An overall increase to the economy of over 9,000 gross direct jobs
- A contribution to regional GVA of £1.8 billion

Our signing of this document confirms our joint commitment to ensure full implementation of the Swansea Bay City Region City Deal proposed by: Pembrokeshire County Council, City and County of Swansea, Neath Port Talbot Council and Carmarthenshire County Council.

The Rt Hon Theresa May Prime Minister

Y Gwir Anrhydeddus Theresa May Prif Weinidog

The Rt Hon Alun Cairns Secretary of State for Wales

Y Gwir Anrhydeddus Alun Cairns Ysgrifennydd Gwladol Cymru

The Rt Hon Carwyn Jones First Minister of Wales

Y Gwir Anrhydeddus Carwyn Jones Prif Weinidog Cymru

Mark Drakeford AM Cabinet Secretary for Finance and Local Government

Mark Drakeford AC Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol

Cllr. Rob Stewart Leader, City and County of Swansea

Y Cynghorydd Rob Stewart Arweinydd Dinas a Sir Abertawe

Cllr. Emlyn Dole Leader, Carmarthenshire County Council

Y Cynghorydd Emlyn Dole Arweinydd Cyngor Sir Gâr

Clir. Ali Thomas Leader, Neath Port Talbot Council

Y Cynghorydd Ali Thomas Arweinydd Cyngor Castedd-nedd Port Talbot

Cllr. Jamie Adams

Leader, Pembrokeshire County Council

Y Cynghorydd Jamie Adams Arweinydd Cyngor Sir Penfro

#### Introduction

7. The Swansea Bay City Region is comprised of four local authorities: Pembrokeshire County Council, the City and County of Swansea, Neath Port Talbot Council and Carmarthenshire County Council. It is a major driver of the Welsh economy and has a resident population of 688,000 supporting some 302,000 jobs and containing around 22,000 businesses.

- 8. The region is large and diverse containing both urban centres and a wide array of rural locations with distinctive yet inter-connected economies and communities. This diversity helps to position the region as a desirable location to live, work, visit and invest.
- 9. Whilst it is home to a range of major employers in key strategic sectors including manufacturing, healthcare and the public sector, it also includes a number of invaluable natural resources and infrastructure. For example, Milford Haven is one of the largest natural harbours in the world through which 28% of natural gas imports into the UK pass.
- 10. These existing strengths and assets are underpinned by a supportive network, including the region's further education establishments: Coleg Ceredigion, Pembrokeshire College, Coleg Sir Gar, Gower College Swansea and Grwp NPTC. This is also supported by Swansea University and University of Wales Trinity St David's which both deliver world-leading research and the skills and talent to drive growth.
- 11. However, despite these strengths the region is underperforming economically. Overall productivity (GVA) growth is consistently below that of the UK and Wales over the past two decades with GVA per employee in the region at £34,300 in 2015 (at 2011 prices), 74% of the UK average. This statistic is reinforced through the sectoral mix of the economy which, as a whole, is geared towards lower value sectors compared to the UK and therefore the nature of the jobs within these sectors is generally of a lower value.
- 12. Regional partners understand both the opportunities which the region's strengths could exploit and its weaknesses that must be addressed to deliver growth and have collaborated extensively to propose a City Deal with absolute focus on collective action over the next two decades.

## Key Elements of the Deal

- 13. The Swansea Bay City Region partnership, through the 'Internet Coast' publication and subsequent discussions with the Welsh and UK Governments, has developed a clear strategy which has been underpinned with identified interventions to deliver widespread and sustainable economic growth across the region. These interventions, subject to the submission and approval of detailed business cases for the eleven identified projects by the Welsh and UK Governments, and the agreement of necessary governance agreements and a delivery model, form this City Deal and will represent a 15 year, £1.3 billion commitment for the region.
- 14. Both the Welsh and UK Governments will contribute up to £241 million into this Deal respectively. The four local authorities and other public sector bodies in the region will contribute £396 million over the period of this Deal.
- 15. It is anticipated that up to £637 million of direct private sector investment will be secured for this Deal across all interventions.
- 16. 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.

#### **Investment Themes**

- 17. A future-proofed digital infrastructure will provide the transformative foundations for interventions in the Deal which, when combined, create a paradigm shift in the design, development and the application of technology within key sectors across the region. These interventions will centre on:
  - The Internet of Economic Acceleration. To deliver a coherent and integrated economic development strategy for the region that incorporates the identification of demand for and potential delivery of a next generation digital infrastructure and the creation of a digital district in Swansea and its hinterland. In addition, supporting the growth in the creative industries within the region through optimising the benefits of S4C's relocation, providing a recognised, world leading supportive environment for technology businesses and start-ups; and the development of the skills required to support growth.
  - The Internet of Life Science & Well-Being. To build on the existing regional assets through the expansion of research and innovation infrastructure and the piloting of a digitally integrated healthcare environment.

- The Internet of Energy. To place the region at the forefront of energy innovation in the areas of sustainable house building to address fuel poverty and in the creation of a centre of excellence to develop and exploit aspects of marine and other energy.
- Smart Manufacturing. To support the critically important regional manufacturing economy through aligning digital assets and research and development provision under Industry 4.0 principles to improve products, services and processes. In addition, developing a leading-edge innovation capability to support R&D within the steel industry in Wales and the wider UK.

#### **Government Funding**

- 18. The UK and Welsh Government commit to providing £241 million of capital funding to support this City Deal, with £115.6 million being contributed by the UK Government and £125.4 million by the Welsh Government, reflecting the balance of reserved and devolved areas of spending in the proposed projects.
- 19. The Governments will provide the funding over a 15 year period. Funding will be released following the agreement of full business cases for the projects by both Governments.

## Local Authority Borrowing

- 20. Throughout the course of the City Deal programme the four Swansea Bay City Region local authorities will be responsible for financing the capital investment programme. The cost of any external borrowing is the responsibility of the relevant local authority or local authorities and is to be managed in accordance with prudential principles it must be prudent, affordable and sustainable.
- 21. In a scenario where future City Deal delivery is not within agreed limits, leading to any reduction or cessation of City Deal grant, then it will be the responsibility of individual local authorities within the Swansea Bay City Region to manage the financial impact of this within their local authority budget, utilising reserves or surpluses as required.

#### **Additional Funding Flexibilities**

22. To support the Swansea Bay City Region's City Deal commitments and further underpin the resourcing of interventions to deliver economic growth, the four local authorities would welcome greater levels of financial autonomy and flexibility.

- 23. As part of this City Deal the Welsh Government will explore with the Swansea Bay City Region:
  - the devolution of business rate income above an agreed growth baseline to provide funding for the City Deal programme;
  - providing the ability to levy an infrastructure supplement;
  - creating the option for the local authorities to use alternative finance sources; and
  - removing conditions around some specific Welsh Government grants, to allow funding to be pooled at the regional level in areas such as school support and interventions that seek to address poverty.

## **Delivering Strategic Regional Functions**

- 24. The Swansea Bay City Region, in partnership with the Welsh Government, will commit to delivering a number of key strategic functions at a regional level to support both the implementation of this Deal and wider development activity.
- 25. These functions will include strategic land-use planning and economic development however the four local authorities are free to agree to others where they demonstrate significant regional benefit.
- 26. As part of this commitment, local authorities will develop a timetable for implementation.

## The Internet of Economic Acceleration

- 27. The Internet of Economic Acceleration theme seeks to position the region as an internationally recognised location for the industry led exploitation of next generation digital networks and innovation systems.
- 28. It aims to build on existing assets within the region with interventions focused on both the need and potential provision of digital infrastructure together with the physical space, support networks and skills required to develop technology focused businesses across knowledge based sectors.
- 29. Identified interventions will complement any existing provision in the region and will be subject to the submission of detailed business cases and implementation plans for approval by the Welsh and UK Governments. Under this theme interventions include:
  - **Digital Infrastructure**. The local partnership will explore the demand and investment case for the provision of a state of the art digital infrastructure for the region that will underpin all interventions within this Deal. This infrastructure could potentially include the creation of a full-fibre network with gigabit speeds and the expansion of existing 4G and WiFi capabilities. The UK Government's 5G Strategy published at Budget 2017 sets out the steps that the Government will take to achieve its ambition to be a global leader in 5G, including the creation of a new national 5G Innovation Network. The local partnership will investigate how investment in 5G technology and applications through the City Deal could support projects within the area. The UK Government would encourage engagement from the local partnership to identify how the Swansea Bay City Region might link with the wider 5G Innovation Network programme.
  - Swansea City & Waterfront Digital District. The Digital District initiative 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. It will create incubation space and co-working areas for start-ups and small businesses at the Waterfront development; create a new City Centre Business District to support the growth of tech businesses and other higher value added activities and; develop digitally orientated physical assets to help revitalise the City Centre.
  - Centre for Excellence in Next Generation Digital Services. The Centre aims to act as a systems and solutions hub for the internet coast. Operating from a purpose-built facility which will offer incubation, laboratory and 2<sup>nd</sup> stage space, the Centre will bridge the gap between research and innovation and the ability to launch, develop and grow commercial opportunities.

- Yr Egin Creative Digital Cluster. Building on the decision by S4C, the Welsh language broadcaster, to establish its headquarter presence in Carmarthen, Yr Egin aims to develop a new digital creative cluster. This will seek to attract creative SMEs to start up or expand through providing next generation digital infrastructure, business accelerator facilities, incubation space, and networking opportunities.
- Skills and Talent Initiative. Delivered through the Regional Learning and Skills Partnership which is made up of private and public sector members, this initiative seeks to ensure the creation, attraction and retention of a workforce equipped to deliver each of the City Deal interventions. It will focus on a number of strands including advanced skills, HE/FE provision, Continuing Professional Development, apprenticeships and school engagement amongst others to contribute to a broader uplift in productivity across the wider economy.

#### The Internet of Life Science & Wellbeing

- 30. The Internet of Life Science & Wellbeing theme seeks to act as a catalyst for the specific economic development ambitions of the existing ARCH (A Regional Collaboration for Health) partnership.
- 31. This partnership is unique, bringing together the regional Health Boards and the life science expertise within Swansea University, with a focus on openinnovation harnessing research capability, digital connectivity, clinical expertise and citizen access to enhance the impact of the life science and healthcare sectors on economic growth.
- 32. Identified interventions will complement any existing provision in the region and will be subject to the submission of detailed business cases and implementation plans for approval by Welsh and UK Governments. Under this theme interventions include:
  - Life Science & Well-being Campuses. Built upon an 'open access-open innovation' philosophy, the Campus project will expand research and innovation infrastructure at the Morriston campus alongside world-leading clinical delivery. This will allow for significantly larger levels of both technology and clinical innovation to strengthen the regions capacity to commercialise research in partnership with international business, indigenous SMEs and university spin outs. In addition, a reconfiguration in real estate will see an expansion of the Singleton Campus where a growing cluster of medical and health technology businesses currently operate and collaborate.
  - Life Science & Well-being Village. The development of a Health & Wellbeing Village will be a truly unique initiative within the UK and at its heart would be the objective of integrating business development, education, wellness initiatives, research and development and healthcare into a single physical locality. The Village will contain a primary/community care facility, an Institute of Life Science facility to support research and provide incubation space, an education and skills development capability, and leisure and tourism facilities each element integrating to create a 'Living Lab' environment. The Village will be digitally connected to the campuses utilising the transformative digital infrastructure supported through the Internet of Economic Acceleration supporting interconnection across the region and creating life science and health employment and investment opportunities.

#### The Internet of Energy

- 33. The Internet of Energy theme seeks to build on the significant and diverse energy asset base within the region. It will align conventional and renewable energy production and storage capabilities, world leading research in areas such as tidal, materials and energy systems with the strategic energy hub at Milford Haven and transformative initiatives such as SPECIFIC.
- 34. This alignment will provide significant economic benefits positioning the region as a centre for energy related innovation as well as responding to critical regional issues such as the shortage of affordable homes and fuel poverty.
- 35. Identified interventions will complement any existing provision in the region and will be subject to the submission of detailed business cases and implementation plans for approval by Welsh and UK Governments. Under this theme interventions include:
  - Homes as Power Stations. Building on the capabilities of existing organisations and research facilities within the region that are developing new technologies to allow buildings to generate, store and release energy, this initiative seeks to undertake an extensive new house build and retrofit programme which integrates such technologies. Whilst this programme will help to generate sustainable and affordable homes and address fuel poverty, it will also develop and seek to attract new sector supply chains incorporating leading research and high value manufacturing and construction operations. The UK and Welsh Governments expect the Swansea Bay region's proposals to be ambitious and also additional to the existing innovation landscape.
  - **Pembroke Dock Marine.** This project will 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.

#### **Smart Manufacturing**

- 36. The Smart Manufacturing theme seeks to provide clear alignment between the region's critically important manufacturing sector, including both multi-nationals and SMEs, with existing and newly emerging R&D capability to deliver a step change in improving new products, services and industrial processes.
- 37. This new approach will have the aim of ensuring all businesses across the region can benefit from the increasing marriage between information, data, technology and the manufacturing process to exploit new markets and improve competitiveness, export capability, supply chain opportunities and the marketability of the region as a strong base within Europe for the sector.
- 38. Identified interventions will complement any existing provision in the region and will be subject to the submission of detailed business cases and implementation plans for approval by Welsh and UK Governments. Under this theme interventions include:
  - Factory of the Future. To support and continue to build the region's strong manufacturing base, this initiative will create a network of smart manufacturing innovation centres which will provide SMEs with an opportunity to invest in leading edge technologies and 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.
  - Steel Science Centre. The Centre will focus on providing commercial R&D to address the current and future challenges of sustaining steel-making capacity in the region and the UK. In doing so it will work with industry to reduce its carbon impact and place the region at the cutting edge of low carbon production. It will also provide support for the developments in the steel supply chain and downstream operations. Local partners commit to working with the UK Government, and other stakeholders across the UK industrial innovation landscape, to ensure that this centre aligns with and strengthens future proposals within a potential sector deal for the UK steel industry.

#### Swansea Bay City Region Governance

- 39. The leadership and governance arrangements across the Swansea Bay City Region will be strengthened through the development of a transparent, stable and clearly accountable leadership structure which will provide a direct line of responsibility to the electorate of the four local authorities.
- 40. At the heart of these arrangements is an agreement that local partners will create two new bodies to oversee the implementation of this deal: an Economic Strategy Board, chaired by a private sector business person and with membership drawn from across the public and private sectors, and a Joint Committee of the local authorities and chaired by a local authority leader.
- 41. The Economic Strategy Board will set the strategic direction for the City Deal and will provide strategic advice to the Joint Committee on matters relating to the City Deal. The board will oversee the production of the final business cases for City Deal projects before referring them to the Joint Committee and receive regular monitoring reports to assure and if necessary challenge delivery of the deal.
- 42. The chair of the Economic Strategy Board will be appointed, following nominations, by unanimous agreement of: the Welsh Government, of the UK Government, and of the local partners (through a vote of the Joint Committee). Other members of the Board will be appointed through an open recruitment and nomination process. Swansea Bay partners will submit proposals for the recruitment and nomination process. This will be subject to unanimous agreement by local partners, the Welsh Government and UK Government.
- 43. The Joint Committee will be responsible and accountable for all financial, staffing and legal decisions in the delivery of this deal. The Joint Committee would need to agree to make decisions on City Deal funding based only on business cases on interventions previously agreed by the Economic Strategy Board.
- 44. The Joint Committee will also embrace the wider opportunities presented through a regional approach to strategic functions such as planning, transport and economic development.
- 45. The interventions outlined in paragraphs 29, 32, 35 and 38 will be subject to the submission and approval of detailed business cases by the Welsh and UK Governments.
- 46. The Regional Learning and Skills Partnership for South West and Mid Wales will also have a central role to play in leading on the strategic approach to the delivery of employment and skills in the region.

47. Formal governance arrangements and a delivery model will need to be agreed as part of a Joint Working Arrangement by the four local authorities and approved by the UK and Welsh Governments.

#### City Deal Delivery Team

- 48. To manage the implementation of the City Deal, partners will create a dedicated Operational Delivery Unit. This Unit will be resourced through an appropriate recruitment process. It will report directly to the Joint Committee and have day to day responsibility for managing the identification, assessment, approval, monitoring and evaluation processes for interventions and projects.
- 49. It will also deliver all appropriate administrative functions necessary to the implementation of the Deal including specific duties to service respective Committees.
- 50. The City Deal Delivery Team will be appointed by and report to the Joint Committee and will provide monitoring reports to both the Joint Committee and Economic Strategy Board.

#### Local Government Service Reform

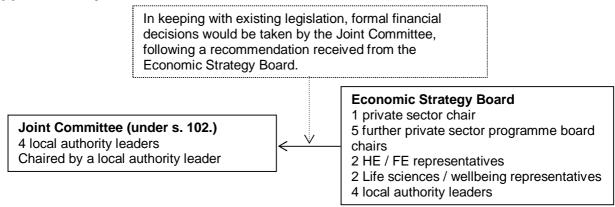
- 51. The Swansea Bay City Region through the Joint Committee and in partnership with the Welsh Government, will commit to deliver service reforms that will see a number of strategic functions delivered at the Regional level. This will include land use planning, transport planning and economic development and will provide the underpinning blueprint and delivery mechanism for development across the region.
- 52. Proposals for local government reform include the development of joint governance committees covering three regions. These three joint governance committees would be required to determine and keep under review the arrangements for discharging those local authority functions which might be mandated to be exercised regionally. Potentially there are a range of functions which might be mandated including economic development, transport, land use planning, education improvement and social services.
- 53. The relevant region for the Swansea Bay Region City Deal would include the four local authorities which are part of the deal together with Powys and Ceredigion. These two authorities are developing 'Growing Mid Wales' and it is our expectation that these two sets of distinct arrangements would continue under the umbrella of the Central and South West Wales joint governance committee area. This Committee would then have a role in ensuring the coherence of these arrangements with those relating to other economic development and relevant functions within its area.

#### Delivery, Monitoring and Evaluation

54. Swansea Bay City Region will work with the UK Government and the Welsh Government to develop an agreed implementation, monitoring and evaluation plan in advance of implementation, which sets out the proposed approach to evaluating the impact of delivery.

- 55. 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.
- 56. The Swansea Bay City Region City Deal will be monitored by the Joint Committee. The City Deal Delivery Team will provide the UK and Welsh Governments with a quarterly performance report that will:
  - Highlight City Deal successes.
  - Provide a performance narrative for each element of the City Deal against agreed implementation plan timescales.
  - Provide information on outputs and outcomes agreed.
  - Identify mitigating actions for projects and programmes that are not being delivered to agreed timescales.
- 57. The UK Government and Welsh Government will work with the Swansea Bay City Region to agree a timetable for the production of these reports and the Swansea Bay City Region will convene regular progress meetings.
- 58. A joint scrutiny committee will be drawn from the membership of the four authorities to provide an independent scrutiny function to ensure greater public accountability over decisions made by the Joint Committee and any of its sub-committees and related entities.
- 59. The Swansea Bay City Region commit to recognising the "City Deal" in promoting and branding investments made as a result of this Deal. This includes acknowledging Welsh Government and UK Government equally alongside other funding partners. The City Region may wish to explore a single unique brand identity that represents the whole City Region area and all the partners involved in delivering the City Deal.

#### Appendix: City Deal Governance<sup>1</sup>



The Joint Committee's role is :

- UK and Welsh Governments funding 
   would flow into the Joint Committee
- All financial decisions would be taken by the Joint Committee of Local Authority
   Leaders.
- The Committee has ultimate 

   responsibility and accountability for decisions taken in the Deal.
   •
- The Joint Committee will be chaired by one of the Local Authority Leaders.
- The Joint Committee would make investment decisions on the basis of a recommendation received from the Economic Strategy Board, of which they
   are all members.
- The Joint Committee can refer new proposals to the Economic Strategy Board for advice.
- The Joint Committee would need to agree to make decisions on City Deal
   funding based only on business cases on interventions previously agreed by the Economic Strategy Board, of which they are all members.

The Economic Strategy Board's role is :

- To provide strategic advice on matters relating to the City Deal and specifically in relation to proposals for investment.
- The Strategy Board would monitor progress with the delivery of the Deal.
- The Board will oversee production of business cases.
- The Economic Strategy Board would take the form of an "unincorporated association". It should set its own membership criteria, decision-making processes etc. but it cannot hold money or employ people.
- The Economic Strategy Board should agree in adopting its constitution that it will appoint as its chair a private sector representative. This person would be in addition to the private sector representatives on the board.
- There would be a three member recruitment panel consisting of one representative of the local area, one representative from Welsh Government and one from UK Government. Unanimous approval would be required to appoint the chair.
- The Local Area will be required to come forward with a proposal for the nomination and recruitment process of the Economic Strategy Board's membership. This will then need to be

<sup>&</sup>lt;sup>1</sup> Subject to agreement of Joint Working Arrangements by the four local authorities and approved by the UK and Welsh Governments.

approved by both UK and Welsh Governments.