



## Report of the Cabinet Member for Economy and Strategy & Chief Executive

Cabinet – 21 June 2018

### Swansea Bay City Deal

<b>Purpose:</b>	To approve the establishment of the Swansea Bay City Deal Joint Committee and the associated funding streams.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Access to Services, Finance, Legal.
<b>Recommendation(s):</b>	<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"><li>1. Approve the establishment of the Swansea Bay City Deal (SBCD) Joint Committee and associated governance structure</li><li>2. Endorse the draft Joint Committee Agreement and grant delegated authority to the Chief Executive, in consultation with the Leader, to make such minor amendments to the Agreement as are required and agreed between the partner Authorities and the UK and Welsh Governments to finalise the agreement.</li><li>3. Endorse the establishment of a Swansea Bay City Deal Joint Scrutiny Committee.</li><li>4. Endorse the proposal that the Council contributes £50k per annum over 5 years to jointly cover operating costs for the Joint Committee, Economic Strategy Board, Programme Board, Joint Scrutiny Committee, Accountable Body and Regional Office functions and approves the principle that further funding is provided equivalent to the 1.5% top slice of the City Deal funding allocation. The agreement of the basis of the provision of this funding to be delegated to the Head of Financial Services and Service Centre (Section 151 officer) in consultation with the Leader of the Council.</li><li>5. Authorises the Head of Financial Services and Service Centre (Section 151 officer) to explore and implement the most appropriate proportionate borrowing to fund Regional projects delivered in Council respective areas.</li><li>6. Authorises the Head of Financial Services and Service Centre (Section 151 officer) to negotiate with colleague Directors the most appropriate allocation basis for the regional non-domestic rate retention in respect of the 11 projects.</li></ol>

<b>Report Author:</b>	Tracey Meredith / Phil Roberts
<b>Finance Officer:</b>	Ben Smith
<b>Legal Officer:</b>	Debbie Smith
<b>Access to Services Officer:</b>	Rhian Millar

## **1.0 Introduction / Background**

- 1.1 Council approval was received from each of the four local authorities of Swansea, Neath Port Talbot, Carmarthenshire and Pembrokeshire to sign a City Deal agreement (Heads of Terms), worth a total value of £1.3bn.
- 1.2 This was subsequently signed with UK and Welsh Governments on the 20th March 2017. The signing of the document confirmed joint commitment by all four local authorities to implement the Swansea Bay City Deal proposals along with other specific areas namely wider economic development matters including planning and transport.
- 1.3 Since the signing, the Swansea Bay City Deal has been operating in Shadow form in order to maintain momentum and develop the necessary governance arrangements that will enable the region to deliver the Swansea Bay City Deal programme. This has involved the development of the Joint Committee Agreement (JCA) which provides the legal framework within which the Swansea Bay City Deal will operate.
- 1.4 Detailed discussions with the Welsh Government have also taken place and it has been agreed that:
  - SBCD Local Authorities are able to retain 50% of the additional net yield in the non- domestic rates generated by the 11 projects which are to be delivered by the Deal
  - That the SBCD Local Authorities are able to utilise funding flexibilities in respect of the revenue based project expenditure, details of which are now included within the Joint Committee Agreement at Schedule 11 “Welsh Government Guidance on Flexible Use of Capital Receipts.”
- 1.5 The attached draft Joint Committee Agreement at Appendix A sets out the governance proposals and related financial requirements as well as key functions that need to be formally established. The £1.3 billion City Deal investment programme provides a once in a generation opportunity to increase prosperity and opportunity in the urban and rural areas across Swansea, Neath Port Talbot, Pembrokeshire and Carmarthen.
- 1.6 Through an innovative private and public partnership, the Swansea Bay City Deal will considerably boost growth in sectors including digital enterprise, life science and well-being, smart manufacturing and

sustainable energy production. The Deal will also work to ensure that our current and future workforces are equipped with the skills, knowledge and experience to take advantage of opportunities created through the City Deal. This will help build the region for local people and local businesses as the major projects unfold. With the Swansea Bay City Deal Heads of Terms firmly signed, there is a need to set in place robust governance arrangements and to continue the momentum and excellent progress already made to ensure that the Region is in a position to begin delivering against its ambitious and extremely exciting transformational plans.

- 1.7 The Swansea Bay City Deal is an excellent example of working in partnership with other councils, universities and education providers, health boards, UK and Welsh Governments, and the business community. It demonstrates what collaboration and joined-up thinking can achieve for our citizens.
- 1.8 The City Deal is a good example of the 5 ways of working promoted by The Well-being of Future Generations (Wales) Act 2015 and will make a significant contribution to the 7 well-being goals.
- 1.9 The City Deal is a 15 year programme which provides an opportunity to address climate change, poverty, inequality, jobs and skills in a transformational and preventative way.
- 1.10 It also demonstrates how the four authorities are using the 5 ways of working to maximize their contribution to the well-being goals required under the Act, through a major public and private investment programme.

## **2.0 Equality and Engagement Implications**

- 2.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:
  - Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act
  - Advance equality of opportunity between people who share a protected characteristic and those who do not
  - Foster good relations between people who share a protected characteristic and those who do not
- 2.2 The Equality Impact Assessment process ensures that we have paid due regard to the above. Equality Impact Assessments will be undertaken for individual projects in line with the Council's legislative duties.

## **3.0 Financial Implications**

- 3.1 The structure of the deal in terms of financing will be based on a 15 year programme. The four local authorities will be asked to borrow the required sum (each Local Authority will fund its relevant projects) and the funding will be drawn down as projects develop over a period of 5 years.

- 3.2 The capital borrowing (in respect of the Government funded element) for the SBCD projects will be re-paid by Government funds (UK & Welsh government) over the 15 year period. The exact level of borrowing and the structure and terms of the borrowing is yet to be confirmed, however it will be calculated based on the amount required per relevant local authority and will be agreed based on the principles of the Prudential Code and the Treasury Management Strategy and Policy for each Authority. When further details of the investments required for each project are known, a full business case appraisal for each individual project will be completed and submitted to the relevant local authority for approval before submission to the Joint Committee. These full business cases will include the detailed funding proposals and requirements of the local authority.
- 3.3 To support the interest costs for each Authority, Welsh Government have agreed that SBCD Local Authorities are able to retain 50% of the additional net yield in the non-domestic rates generated by the 11 projects. The basis of the allocation of the rates generated within the SBCD is yet to be agreed.
- 3.4 The Accountable Body (Carmarthenshire County Council) has set-up a Swansea Bay City Deal Financial & Legal Group which comprises representatives from each of the four local authorities. The group is tasked at looking at the accounting and reporting implications that will arise from the implementation of the City Deal Programme as well as the borrowing requirements of the City Deal proposal.
- 3.5 There will be a requirement for each Local Authority to contribute £50k per annum over 5 years plus equivalent to 1.5% top slice of the City Deal allocation (Government funding) to cover the operating costs of the Joint Committee, Economic Strategy Board, Programme Board, Joint Scrutiny Committee, Accountable Body and Regional Office functions.
- 3.6 The Council's own capital contributions to the City Deal projects will be via a range of funding options including potential future capital receipts and future income generating assets, but will predominantly be required to be, especially in the early years, in the form of additional unsupported borrowing. Furthermore to deliver to the pace and scale envisaged, over an accelerated shorter time frame, this will add significantly to capital financing costs in the revenue budget and require significant offsetting revenue savings in service revenue budgets, as set out in the 2018-19 budget and medium term financial plan reports to Council in March, to ensure affordability.

#### **4.0 Staffing / IT Implications**

- 4.1 Each Swansea Bay City Deal project will establish their own project delivery team.

- 4.2 The Accountable Body (Carmarthenshire County Council) will recruit and host staff responsible for fulfilling the functions of the Accountable Body and Regional Office.
- 4.3 There will be implications on ICT requirements in relation to governance although it is not envisaged that this will be of a significant nature.
- 4.4 The Digital Infrastructure project will present significant opportunities for the Region and each local authority's ICT departments will be engaged in the developments.

## **5.0 Legal / Procurement Implications**

- 5.1 The Swansea Bay City Deal Joint Committee shall be governed by the provisions of the Joint Committee Agreement. The terms of the Joint Committee Agreement commits the Council to discharge its responsibilities to meet the requirements of the Heads of Terms document signed on 20th March 2017.

**Appendices:** Appendix A - Draft Joint Committee Agreement.

**Background Papers:** None.