



## Report of the Cabinet Member for Economy, Finance & Strategy (Leader)

Cabinet – 20 October 2022

### Swansea Bay City Deal – Life Sciences, Well-being and Sports Campuses Business Case

<b>Purpose:</b>	To seek Cabinet approval of the updated funding agreements and financial profile for the Swansea Bay City Deal Life Sciences, Well-being and Sports Campuses project.
<b>Policy Framework:</b>	Swansea Bay City Deal Implementation Plan.
<b>Consultation:</b>	Access to Services, Finance, Legal.
<b>Recommendation(s):</b>	It is recommended that Cabinet:  1) Approves the main principles of the amended funding agreements as set out in paragraphs 4.2 to 4.4 of this report between the Council and the Accountable Body and also the Council and Swansea University.  2) Delegate authority to the Chief Executive, Director of Finance and Chief Legal Officer/Monitoring Officer to finalise the terms of the funding agreements and to enter into the same on behalf of the Council.
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#### 1. Purpose

- 1.1 To seek Cabinet approval of the terms of the funding agreements and the financial profile for the Swansea Bay City Deal Life Sciences, Well-being and Sports Campuses project.

## **2. Background and Context**

- 2.1 The Swansea Bay City Deal is a £1.3bn investment in nine major projects across the Swansea Bay City Region which is made up of Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea. The City Deal is being funded, subject to the approval of project business cases, by the UK Government, the Welsh Government, the public sector and the private sector.
- 2.2 The Life Science, Wellbeing and Sports Campuses project is a phased project based on two sites at Singleton and Morriston.
- 2.3 The vision is to integrate life sciences, med tech, sport and well-being to transform services provided from the Morriston and Singleton sites, to drive economic growth and job creation, and to attract significant inward investment into the region.
- 2.4 The previous report to Cabinet on the 16<sup>th</sup> September 2021 set out the position at that time in relation to the approval of the business case and sought delegated authority to finalise the associated funding and financial agreements that would then be required to allow the money to flow between the Accountable Body to the Council and onto the recipient, Swansea University.

## **3. The Project**

- 3.1 The project will link into the wider ecosystem of provision for the benefit of the local population, and for the development of regional and national excellence in sports and life sciences. As a result, the Morriston site will become the leading specialist tertiary services, clinical research and trials centre and the Singleton site will focus on the provision of sport and wellbeing - including prevention of ill-health and rehab provision.
- 3.2 The ambition is for the project to create 1,000 – 1,120 jobs, attract significant inward and private sector investment, and contribute an additional £150m - £153m to regional GVA.
- 3.3 The £15m City Deal investment will support the delivery of phase 1 of the project and specifically:
  - Establishment of ~700sqm ILS space at the Morriston Regional Hospital site, co-locating commercial and academic collaboration alongside clinical research and development, fostering technology development in areas of regional excellence.
  - Planning for new road access from the M4 directly to a 55-acre site already in NHS ownership adjacent to the north of the hospital, unlocking the site's investment potential;
  - Creating ~2,000sqm of dedicated research & innovation space within the Sketty Lane Sports Park, establishing an environment that supports the development, testing and

evaluation of medical, health, well-being, and sport technologies, as well as commercial collaborations.

- 3.4 Swansea University are the lead organisation for the project in partnership with a number of organisations including Swansea Council, Swansea Bay University Health Board, Hywel Dda University Health Board, ARCH Partnership (A Regional Collaboration for Health) and key private sector partners.

#### **4. Current Position**

- 4.1 Since the approval of the recommendations contained within the September 2021 Cabinet report the business case has been approved by both governments and discussion between the parties has taken place to complete the funding agreements. However, an issue has arisen in relation to the structure of the deliverables as part of a phased project where in the event of phase 2 not progressing there is a higher risk of grant clawback in the event that the failure to progress phase 2 results in the overall City Deal portfolio deliverables not being achieved.
- 4.2 After extensive discussion between the parties a solution has now been devised which involves the Accountable Body “holding back” a sum of £6m for phase 2 until all parties are satisfied sufficient progress has been made to satisfy the required “reasonable endeavours” in line with the City Deal funding conditions.
- 4.3 However to enable the project to proceed Swansea University still require the full City Deal funding of £15m to enable delivery of phase 1, with phase 2 being dependant on other funding sources including private sector investment. As such it is proposed that the Council would release the full amount of City Deal funding in line with Cabinet’s previous approval in September 2021 and all borrowing costs will be underwritten by Swansea University so this would be at “no cost” to the Council. As the city deal money is drawn down by the Council each year, then the accelerated cash advanced is reduced until it is eliminated.
- 4.4 Risks for the Council/the parties. In the event that the Accountable Body is not satisfied that Swansea University is making/has made reasonable endeavours to deliver phase 2 of the project, then the Accountable Body will not release the retained sum of £6m. That would leave the Council in a position where it has advanced £15m funding to the University but will not receive the retained sum, resulting in a £6m deficit. Therefore the funding agreement with Swansea University will need to include an obligation on the part of the University to repay to the Council the sum of £6m in the event that this sum is not released for whatever reason by the Accountable Body. This obligation may also need to be protected by some form of security to protect the Council’s position. In the event that phase 2 is not delivered and there is claw back of city deal funding from Welsh Government, then the Accountable Body will initially be liable for the claw back. It will have retained £6m to offset the risk of claw back (either through

ring fencing the funding or utilising it for an alternative project with associated deliverables). The Accountable Body may endeavour to recover any loss from the Council and the Council will similarly seek to recover the loss from Swansea University. If the reason for the claw back relates to the failure to deliver phase 2 and the parties have used reasonable endeavours then the Accountable Body will be unable to seek recovery of any loss via the funding agreements. If however Swansea University has not used reasonable endeavours then they will be liable for the claw back but their liability will be capped at the value of the funding they have received ie £9m. Therefore it is essential that the funding agreements fully capture the obligations and liabilities of the respective parties.

## **5. Financial Impact**

- 5.1 The total project cost for all phases is £131.9m with Phase 1 totalling £17.1m and Phase 2 totalling £114.8m.
- 5.2 Phase 1 of the project is funded through the £15m City Deal Funding together with other public and private sector funding totalling £2.1m.
- 5.3 Phase 2 of the project is funded through public sector investment of £57.4m and private sector of £57.4m.
- 5.4 Public sector investment consists of investment from local authorities and other public funded and public service organisations such as health boards. Public sector investment will also consist of specific Welsh Government, UK Government and European funding secured through research grant awards. There is currently no direct funding from Swansea Council into the project and any such future requirement would be subject to a further report to Cabinet.
- 5.5 Private sector investment includes regional investment from local and national private sector partners as well as local healthcare and sports providers. The project will lever in private sector funding directly from the supply chain development and indirectly from private research and development partnerships.

## **6. Financial Implications**

- 6.1 Since there is a change to the previously agreed financial implications this further cabinet report has been submitted. The financial implications falling on the authority by approving the funding agreement relates to the accelerated cash flow for the City deal element only, as set out below.
- 6.2 In order to assist the cash flow as indicated in the section 4, the Council have agreed to accelerate and advance the City Deal contribution of £15M and recover the interest incurred in the interests of true partnership working. The funding agreement will have to be agreed with Swansea University to ensure full protection and clawback provisions.

- 6.3 In the meantime the Council and the S151 officer will have to carefully manage both cashflows and resource cover for any accounting transactions related to this offer. A number of other city deal related matters will likely require the capital equalisation reserve to be added to in order to ensure its adequacy at all times.

## 7. Legal Implications

- 7.1 The risks for the Council are set out in paragraph 4.4 and these need to be managed through the funding agreement between the Accountable Body and the Council and the secondary agreement between the Council and Swansea University.

## 8. Integrated Assessment Implications

- 8.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, 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 Acts.
- 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.
- Deliver better outcomes for those people who experience socioeconomic disadvantage
- Consider opportunities for people to use the Welsh language □ Treat the Welsh language no less favourably than English.
- Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

- 8.2 The Well-being of Future Generations (Wales) Act 2005 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals.

- 8.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.

- 8.4 An Integrated Impact Assessment screening form has been completed in relation to the project which is attached at **Appendix 1**. The screening form has determined that a full IIA report will not be required primarily as

this a Swansea University lead scheme with the Council's involvement limited to being the lead authority as it receives and then transfers the relevant City Deal funding.

- 8.5 Finally, the scheme is unlikely to impact on the Council's obligations under the Welsh Language Standard Regulations 2015.

**Background Papers:** Cabinet report 16<sup>th</sup> September 2021

**Appendices:**

Appendix 1 - IIA