



Report of the Leader of the Council & Chief Executive

Council – 26 July 2018

Swansea Bay City Deal

Purpose:	To approve the establishment of the Swansea Bay City Deal Joint Committee and the associated governance arrangements.
Policy Framework:	None
Consultation:	Access to Services, Finance, Legal.
Recommendation(s):	<p>It is recommended that Council:</p> <ol style="list-style-type: none">1. Endorse the establishment of the Swansea Bay City Deal (SBCD) Joint Committee and associated governance structure as outlined in this report.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.3. Endorse the establishment of a Swansea Bay City Deal Joint Scrutiny Committee.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.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.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.

Report Authors:	Tracey Meredith / Phil Roberts
Finance Officer:	Ben Smith
Legal Officer:	Debbie Smith
Access to Services Officer:	Rhian Millar

1. 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 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. Proposed Governance Arrangements

2.1 Joint Committee

- 2.1.1 Schedule 1 of the Joint Committee Agreement sets out the Terms of Reference of the Joint Committee.
- 2.1.2 Membership will comprise the four local authority Leaders. The Joint Committee will be chaired by a local authority Leader and will be governed by the provisions of the Joint Committee Agreement. Deputies may be appointed as substitutes.
- 2.1.3 Monitoring Officer and Section 151 Officer support will be provided to the Joint Committee by Carmarthenshire County Council.
- 2.1.4 Non-voting Co-opted members include Swansea University, University of Wales Trinity St David, Hywel Dda University Health Board and Abertawe Bro Morgannwg Health Board.
- 2.1.5 The Chair of the Joint Committee is elected for a two year term and the three remaining Leaders are Deputy Chairs.
- 2.1.6 The Joint Committee's functions are set out at paragraph 2.2 of Schedule 1 and include agreeing and planning the overall strategy for and delivery of the Swansea Bay City Deal, performance management, agreeing the

terms and conditions of Government funding and making investment decisions based on recommendations received from the Economic Strategy Board and Programme Board.

2.2 Programme Board

2.2.1 Schedule 2 sets out the arrangements for the Programme Board.

2.2.2 The Programme Board will comprise the Chief Executive of each of the Councils (or other nominated officer) and is able to co-opt additional representatives from Swansea University, University of Wales Trinity St David, Hywel Dda University Health Board and Abertawe Bro Morgannwg Health Board.

2.2.3 The Chair is appointed by the Joint Committee and the Board has no decision making powers.

2.2.4 The Programme Board shall have the following distinct roles:

- (a) Preparing recommendations on the Swansea Bay City Deal programme:
 - (i) Ensuring that all schemes are developed in accordance with the agreed package;
 - (ii) Overseeing production of business cases;
 - (iii) Preparing recommendations to the Joint Committee and Economic Strategy Board on all schemes whilst ensuring that due regard is given to all advisory/consultation bodies;
- (b) Providing advice to the Economic Strategy Board as appropriate.
- (c) Overseeing performance and delivery of the delivery of projects.
- (d) Overseeing the funding arrangements of the projects.
- (e) Working on a regional basis to improve public services especially in the areas of economic development, transport, planning and strategic land use, housing and regeneration.

2.3 Economic Strategy Board

2.3.1 Schedule 6 sets out the arrangements for the Economic Strategy Board.

2.3.2 Reporting to the Joint Committee the Economic Strategy Board represents the wider community and shall include private sector, education, life science or well-being representatives together with leaders of the Councils.

2.3.3 The role of the Economic Strategy Board shall be to:

- (a) Submit strategic objectives for the Swansea Bay City Region;
- (b) Monitor progress with regard to the delivery of the Swansea Bay City Deal 8.
- (c) Oversee the production of business cases and put forward recommendations to the Joint Committee for approval.
- (d) Make recommendations to the Joint Committee.

2.3.4 The Economic Strategy Board will not have any formal decision making powers and a preferred candidate to become chair of the Economic Strategy Board has been selected and the appointment will be confirmed at the first meeting of the Joint Committee.

2.4 Accountable Body

2.4.1 Carmarthenshire County Council is the Accountable Body responsible for discharging the Councils' Obligations in relation to the Swansea Bay City Deal in accordance with the Joint Committee Agreement.

2.4.2 The role of the Accountable body is to:

- Comply with the funding conditions
- Discharge its Monitoring Officer and s 151 responsibilities
- Act as the primary interface with Welsh Government, UK Government, and any other funding bodies
- Hold and release any government funding and to use and release such funds in accordance with the terms of such funding and the Joint Committee Agreement.

2.4.3 The Joint Committee will designate the Chief Executive of the Accountable Body as Lead Chief Executive to act as its principal adviser and as Accountable Officer.

2.5 Regional Office

2.5.1 Reporting directly to the Accountable Officer and the Joint Committee, the Regional Office will play a pivotal co-ordinating and supporting role and is responsible for the day to day management of matters relating to Joint Committee and the Swansea Bay City Deal.

2.5.2 The Regional Office responsibilities will include:

- Strategic liaison with UK and Welsh Governments and policy advisors.
- Governance support for all governance structure.
- Liaison and engagement with government funding bodies and programmes and with the universities and health boards.

3. Joint Committee Agreement

- 3.1 Carmarthenshire County Council, on behalf of all four authorities, commissioned Geldards Solicitors to draft a Joint Committee Agreement between the four authorities (Appendix A).
- 3.2 The terms of the draft Joint Committee Agreement commits this local authority to discharge its responsibilities to meet the requirements of the Heads of Terms document signed on 20 March 2017.
- 3.3 Schedule 5 of the Joint Committee Agreement sets out those matters/decisions which have been identified as needing the approval of the Constituent Authorities rather than the Joint Committee. Any decisions on those matters will come back to full Council as and when they arise.

4. Joint Scrutiny Committee

- 4.1 The statutory power to establish a Joint Scrutiny Committee is set out in Section 58 Local Government (Wales) Measure 2011. The City and County of Swansea Constitution also allows for establishment of a Joint Scrutiny Committee.
- 4.2 The Joint Committee Agreement states in clause 20.1 “the Councils hereby create a Joint Scrutiny Committee with effect from the Commencement Date. The Joint Scrutiny Committee shall provide a scrutiny function to ensure greater public accountability over decisions made by the Joint Committee and any of its sub-committees and related entities.”
- 4.3 The purpose of the Joint Scrutiny Committee is to provide a scrutiny function to ensure greater public accountability over decisions made by the Joint Committee and any of its sub-committees.
- 4.4 The terms of reference of the Joint Scrutiny Committee are attached at Schedule 12 of Appendix 1.
- 4.5 The membership of the Joint Scrutiny Committee shall be 12 non-executive members with each Council nominating three members. Welsh Governance Guidance on Joint Scrutiny is that Councils should ensure that member representation on Joint Scrutiny Committees reflects the political balance represented in the relevant scrutiny committee as far as practicable. The Chair shall not be a member of the Council which is providing the Chair of the Joint Committee.
- 4.6 Neath Port Talbot County Borough Council will be the host authority for the Joint Scrutiny arrangements.

- 4.7 The role of the Joint Scrutiny Committee is to provide advice, challenge and support to the Joint Committee and will be required to:
- a) Review and scrutinise the Joint Committee's financial affairs;
 - b) Review and assess the Joint Committee's risk management, internal control and corporate governance arrangements;
 - c) Review and assess the economy, efficiency and effectiveness with which resources have been used;
 - d) Make reports and recommendations to the Joint Committee in respect of points (a) to (c).
- 4.8 The terms of reference of the Joint Scrutiny Committee will need to be considered and further elaborated on by the Committee itself to ensure that scrutiny arrangements are fully robust to review the Swansea Bay City Deal and Joint Committee.
- 4.9 Officers will liaise with colleagues in the other authorities to supplement the terms of reference and to prepare a forward work programme for ultimate endorsement by members of the Joint Scrutiny Committee.

5. Financial Implications

- 5.1 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.
- 5.2 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.
- 5.3 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.

- 5.4 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.
- 5.5 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.
- 5.6 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.

6. Equality and Engagement Implications

- 6.1 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
- 6.2 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.

7. Legal / Procurement Implications

- 7.1 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.

Background Papers: None

Appendices: Appendix A - Draft Joint Committee Agreement