

Appendix 2 – Update January 2020

Development and Regeneration Scrutiny Performance Panel Update

1. Remit of the Panel

The overarching remit of the Panel is to be responsible for ongoing monitoring of council performance in relation to development and regeneration, including the 'health' of the city centre, wider economic development across Swansea and discussion about progress on the Swansea Bay City Deal.

2. Introduction

The Panel is focused on contributing to the ongoing development and regeneration of Swansea by providing a critical friend for the Cabinet, and helping to ensure accountability.

3. Key Activities

The Panel held seven meetings between November 2019 and January 2020. This has resulted in six Convener's letters being sent to the Cabinet Member. The issues covered were as follows:

9 January 2019	Dashboard Project Update
	Planning and Student Accommodation
11 February 2019	Draft Budget Proposals for D&R
19 March 2019	Dashboard Project Update
	Swansea Central Phase 1
11 April 2019	Dashboard Project Update
	Business Case Update
17 July 2019	Services to Rural Communities – WAO Report and Action Plan
	End of Year Panel Review
31 July 2019	Dashboard Report
	Highways and Transportation Update – City Centre work
18 November 2019	Dashboard Report
	FPR7 Swansea Central Phase 1

4. Achievements / Impact

Letters

The Panel is in its second year of work and has written six letters to the Cabinet Member for Economy and Strategy (Leader) since the last update, to reflect on some of the observations the Panel Members have made. The following are some of the main points that came out of those letters:

- 1. We understand that the procurement procedure which is in place is the one widely used for regeneration projects however we do have some concerns about the price and we hope that the price developed at the end of the design phase is close to the original anticipated amount. Are you confident that this will be the case and the cost of the project will not increase significantly from the original sum?*
- 2. We are concerned that the Business Case has still not been signed off as monies cannot be released until this has been done. We look forward to hearing the Business Case has been signed off and the money released imminently.*
- 3. We were told that the Brexit outcome will impact the Rural Grant Programme but the programme will end in 2020 however there is no request in place to develop a new one. We do feel that this is not prudent as there should be preparatory plans in place which outlines the process whatever the Brexit outcome. We will be requesting this issue come back to the Panel after October so we can feed into it.*
- 4. One issue which repeatedly came up was the lack of sufficient Broadband in rural areas. You told us that this is not something the Council can resolve as it needs large scale infrastructure and investment from Welsh Government and the relevant Broadband provider. The Rural Economy Champion – Councillor Andrew Stevens highlighted this and made reference to the barriers faced by rural business who do not have sufficient internet access. The lack of internet can also limit peoples access to other online community activities and services such as comparison websites and consultation events. It can lead to more isolation and poverty in rural areas. The Panel are in agreement that this is a very important issue which needs to be highlighted with Welsh Government and we will write a letter to the relevant person emphasising our concerns. We were informed that other organisations such as the Gower Area of Outstanding Natural Beauty (AONB) Group are also looking at this issue.*
- 5. Some comments were made about electric cars; however, the issue of transport is also about congestion so even with electric cars in use, emissions may be improved but congestion will not be. There has to be a balance between active travel and public transport and access to employment and the City Centre encouraging integration.*
- 6. The scale of the capital investment proposed by the Council is significant. It is a very large amount of finance to be borrowed with very limited methods of repayment. The Panel is grateful for the clarification given by officers in relation to the affordability of the project. However Panel note that the expenditure of public monies inevitability means that the tax payers of the city have a significant interest in the success of this project, as the effect on the council's revenue account could mean resources being used for the borrowing and not for its core services. Therefore, the Panel welcome the detail provided on the generation of various income streams which will hopefully have a positive effect in mitigating impact of the financial burden in future years. Over the next 6 years the effects*

on the revenue will be met by the capital expenditure fund which has been built up over the last few years.

The Panel has particular concerns relating to the ongoing affordability of Swansea Central Phase 1 project especially in the longer term and the impact this will have on the Authority's budget and in relation to the letter received by the Authority from Wales Audit Office expressing concern about affordability (attached Appendix 1). Regarding the Business Case, there are concerns over the release of monies from Westminster, as it hasn't been released yet and over the Terms and Conditions not yet being agreed.

The 'Dashboard' Project Update

As a way of providing a regular 'health check' of the development projects, the Panel receives the departmental update report at each meeting. This allows a run through from relevant officers of all of the regeneration projects and provides a quick risk check of each one, highlighting major issues/delays or successes.

This report works well and allows the Panel to ask questions without creating a new report for the department to develop.

Special Project Update

In order to provide an in-depth level of scrutiny for the Panel, the second part of each meeting focuses on a specific project in Swansea. The Panel discussed and decided on the topics for the year 2019/20, which range from Swansea Central Phase 1 to Highways and Transportation Update for City Centre works. This allows for a more intense exploration of a project and strikes the balance between checking progress of development and regeneration in general and contributing in a more detailed manner on a specific project.

Work Programme for remainder of 2019/20	
27 January 2020	Dashboard Report
	Digital Village – Designs and Plans
	TRIP – Residential Units above Shops
25 February 2020 (TBC)	Budget Meeting
23 March 2020	Dashboard Report
	Swansea Vale Development Projects
18 May 2020	Dashboard Report
	tbc
	End of Year Review



Mr Phil Roberts
Chief Executive Officer
City and County of Swansea Council
Civic Centre
Oystermouth Road
Swansea
SA1 3SN

24 Cathedral Road / 24 Heol y Gadeirlan
Cardiff / Caerdydd
CF11 9LJ
Tel / Ffôn: 029 2032 0500
Fax / Ffacs: 029 2032 0600
Textphone / Ffôn testun: 029 2032 0660
info@audit.wales / post@archwilio.cymru
www.audit.wales / www.archwilio.cymru

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Dear Phil

City and County of Swansea Council

Financial Sustainability Review

As you will be aware, the Wales Audit Office is currently undertaking a review of financial sustainability across all Welsh Councils. I would like to thank you and your team for providing your self-assessment submission in line with the requested deadlines.

We will be undertaking the detailed work on this review over the next few weeks and as part of that process we look forward to meeting with both yourself and the Council Leader to discuss your current financial position and future strategy.

We have undertaken an initial review of your self-assessment and key documentation and consider it appropriate to bring to your attention some of our early concerns, particularly in view of some significant capital investment decisions the Council may be considering in the coming weeks.

As you will know our 2018 annual audit letter included the following conclusion:

“I am satisfied that the Council and the Group have appropriate arrangements in place to secure economy, efficiency and effectiveness in their use of resources, but the Council continues to face significant financial challenges”

We reached this conclusion for the following reasons:

- For the last three years the Council had not been able to maintain its cost of services within annual budgets and as a result had utilised reserves to fund these overspends;
- The Council had continued to have difficulty in delivering its planned levels of efficiency savings in a number of service areas;
- The Medium-Term Financial Strategy (MTFS) had identified the need to find further significant levels of efficiency savings to deliver balanced budgets; and
- The Council was planning to undertake a significant capital investment programme including the 21st Century Schools programme and major capital schemes flowing from the Swansea Bay City Deal including the digital village (£30 million) and the Swansea Arena and Swansea City Centre development (£130 million). Significant unsupported funding would be required to finance these developments.

Since we reported this conclusion, we have continued to monitor the Council's financial position. We have also been working with officers to derive assurance that the 'Sustainable Swansea – Fit for the Future' programme can deliver the financial savings and income generation targets set out in the Council's 2019-20 budget at the pace and scale required. Whilst this work is ongoing, to date, officers have been unable to provide us with the level of assurance needed. The quarter 1 monitoring return for 2019-20 projects a year-end overspend of £4m and shows that services are not delivering their planned efficiency savings and will need to develop alternative savings proposals. Your financial sustainability self-assessment describes an intended freeze on service expenditure budgets for the next 4 years, and this will require each service to identify further significant efficiency savings to cover all inflationary pressures. In addition, the MTFS shows a cumulative budget deficit by 2022-23 of £63million.

We understand that you will soon be considering whether to proceed on the Swansea Central Phase 1 project. This will involve taking out significant additional unsupported borrowing with capital financing costs that will worsen the budget deficit going forward by up to £9million p.a., according to the November 2018 report to Cabinet.

Given the current financial position, increasing future pressures, previous difficulties experienced in 'closing the gap', and impending decisions that may significantly heighten the Council's financial risk, I feel it more timely to convey my concern now, in advance of us reporting our financial sustainability review. You will of course be aware of the need for statutory officers to ensure the financial prudence of decision making, and no doubt be seeking the assurance that you require to address these financial challenges in a sustainable way.

We look forward to meeting you on 29 October to discuss these issues as we continue to seek the assurance we require on the financial sustainability of the Council.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Huw Rees', with a horizontal line extending to the right.

Huw Rees
Engagement Director