



Swansea Bay City Region Joint Committee – 9 July 2020

Award of Funding Conditions

Purpose:	To inform Joint Committee of the status of SBCD Award of Funding conditions
Policy Framework:	Swansea Bay City Deal
Consultation:	Programme Board
Recommendation(s):	It is recommended that Joint Committee:
1)	Approves the submission of the status report to the UK Government and Welsh Government
Report Author:	Jonathan Burnes, SBCD Programme Director
Finance Officer:	Chris Moore, Section 151 Officer, SBCD
Legal Officer:	Tracey Meredith, Monitoring Officer, SBCD

1. Introduction

- 1.1 The Welsh and UK Governments provided the Swansea Bay City Deal a release of funding letter to the SBCD S151 Officer on October 24th, 2019.
- 1.2 This letter - which stipulated the conditions that had to be met in order to draw down further City Deal funds and seek approval for City Deal projects – was shared with Joint Committee on November 26th, 2019.

2. Background

- 2.1. Eleven targets for the SBCD programme are included within the Award of Funding letter. Among the targets is a requirement for the SBCD to meet all recommendations arising from an external review into the City Deal. Published in March 2019, the external review was carried out by Actica Consulting.
- 2.2. Dialogue has been taking place on a monthly basis between Welsh Government and SBCD officers to update on the planning, governance and delivery requirements, along with other conditions in the Award of Funding letter through a Welsh Government target update form and SBCD schedule.



2.3. Once approved by Joint Committee, this report will be submitted to the Welsh and UK Governments for confirmation that they are satisfied with the progress and completion of the targets.

3. Financial Implications

3.1 Meeting the terms and conditions stipulated in the Award of Funding letter will support the drawing down of further funding to the SBCD programme, along with the consideration of further SBCD project business cases for approval.

3.2 The terms and conditions of the first phase of programme funding outlined specific targets for achievement by the Project Lead Authorities to satisfy the Welsh and UK Governments and to support the release of phase two funding.

3.3 The projects consist of a number of components which result in a staged delivery approach. Those elements of business cases that have been procured have progressed to full business case status in accordance with the project delivery plan.

3.4 The outlined targets do not reflect a staged approach to delivery and as such are being actively managed in consultation with both UKG and WG. This could result in a delay to the release of further funding to the programme. The first funding instalment to the SBCD programme (£18 million) was released in December 2019 in respect of the 2018/2019 financial year.

4. Legal Implications

4.1 Carmarthenshire County Council as the Accountable Body is obliged to comply with the terms and conditions within the Award of Funding letter. Carmarthenshire County Council will enter into funding agreements with all other Councils to ensure that responsibility for compliance with the funding conditions is passed to each Council receiving the benefit of government funding.

5. Alignment to the Well-being of Future Generations (Wales) Act 2015

5.1 The Swansea Bay City Deal programme and its constituent projects are closely aligned to the Well-being of Future Generations (Wales) Act 2015 and the seven well-being goals for Wales. These alignments are outlined in a Programme Business Case for the SBCD, as well as in individual project business cases.

Background Papers: None

Appendices:

- Appendix A - Award of Funding Conditions status report
- Appendix B - External review status update report

Appendix A (Swansea Bay City Deal Award of funding conditions status report)

1. Introduction

The Welsh and UK Governments provided the Swansea Bay City Deal a release of funding letter to Mr Chris Moore (SBCD S151 Officer) on October 24, 2019. This letter was shared with the [Joint Committee](#) on November 26, 2019, where it stipulated the conditions that had to be met in order to draw down further City Deal funds and seek approval for City Deal projects. Dialogue has been taking place on a monthly basis between the Welsh Government and SBCD officers to update on the planning, governance and delivery requirements, along with other conditions in the Award of Funding letter through a WG target update form and SBCD schedule. Once approved by the Joint Committee, this report will be submitted to the Welsh and UK Governments for them to confirm that they are satisfied with the progress and completion of the targets.

2. Target status update

2.1. Target 1: Delivery of a clear plan for addressing the remaining recommendations from the independent review led by Actica Consulting

Update summary	Status
<p>A schedule of activity was updated on a fortnightly basis since March 2020 and shared with the chairs of the Joint Committee and Programme Board and with Welsh and UK Government officials.</p> <p>The SBCD Project Plan was first presented at Programme Board in July 2019, with monthly progress updates following.</p>	Complete

2.2. Target 2: An Integrated Assurance and Approval Plan and a report of the stocktake findings

Update summary	Status
<p>The SBCD Regional PMO programme level IAAP is complete and has been shared with Programme Board and Joint Committee in May/June 2020. The IAAP was developed in consultation with the WG's Integrated Assurance Hub and feedback on the most recent draft has been incorporated. In addition, and outside of the required conditions, a workshop took place with the SBCD project managers in June 2020 to embed the IAAP at project level. The IAAP is a live document and therefore will continue to evolve and be reported through the SBCD governance structures.</p> <p>The IAAP will be shared with the SBCD programme external Stage Gate Review taking place on the 15-17 July 2020.</p>	Complete

A stocktake of the Programme was produced and submitted in April 2020. The up to date stocktake can now be found in the updated Programme Business Case and Implementation Plan.	
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2.3. Target 3: A complete and up-to-date Implementation Plan and a complete and up-to-date Monitoring and Evaluation Plan for the Programme reflecting the composition of the Programme.

Update summary	Status
<p>The Implementation Plan is current. Version 25 was shared with Programme Board on 25 June and will be shared with Joint Committee on 9 July, 2020. This and the previous version (March 2020) have been shared with the Welsh Government via the Programme Board.</p> <p>The Monitoring & Evaluation (M&E) Plan has been developed in consultation with the SBCD project leads and key stakeholders. The M&E Plan was presented at Programme Board on June 25 and will be considered for approval at Joint Committee on July 9. The outputs/outcome targets are currently in the Programme Business Case and Implementation Plan and once signed off will form part of the M&E plan moving forward.</p> <p>The Implementation and M&E plans are live documents and therefore will continue to evolve and be reported through the SBCD governance structures.</p> <p>The Implementation and M&E plans will be shared with the Stage Gate 0 External Review between 15-17 July 2020.</p>	Complete

2.4. Target 4: The successful delivery of the recommendations of the Independent Review ahead of any further project business cases being formally submitted for approval.

Update summary	Status
<p>Actica Consulting, who were appointed by the UK Government and Welsh Government to carry out an external review into the City Deal, published their findings in March, 2019. These findings included a series of recommendations. A delivery plan to meet these recommendations was first presented at Programme Board in July 2019, with monthly progress updates following.</p> <p>Please see Appendix B for further details.</p>	Complete

2.5. Target 5: Complete, up-to-date Full Business Cases which meet HM Treasury Green Book business case standards to the satisfaction of the Welsh Cities & Growth Implementation Board for the Yr Egin and Swansea City and Waterfront Digital District projects. Each business case must be approved

before submission by the Joint Committee and/or the external party responsible under the Joint Committee Agreement.

Update summary	Status
<p>The WG have confirmed that this requirement is not as it's stipulated. Each of the two projects had an action list which were given a RAG status (Red, Amber, Green). The actions associated with each are now complete.</p> <p>Programme Board (3 July) and Joint Committee (9 July) will receive a business case status and update report for each project.</p>	Complete

- 2.6. Target 6: Yr Egin – confirmation in writing that appropriate due diligence has been completed to provide assurance that the University of Wales Trinity Saint David (UWTSD) is able to make its financial contribution and/or access the necessary levels of borrowing over the 15-year lifespan of the Programme.**

Update summary	Status
<p>Due diligence completed by Carmarthenshire County Council. In addition, SBCD Funding agreement templates have been approved at Joint Committee on 11 June, 2020. Financial arrangements between Carmarthenshire County Council and UWTSD will be initiated upon signing of a funding agreement by both parties.</p>	Complete

- 2.7. Target 7: Yr Egin – confirmation in writing that appropriate due diligence provides assurance that S4C is expected to remain financially viable over the lifetime of the project and that the project is designed to achieve optimal value for money for the public funds invested.**

Update summary	Status
<p>In February 2020, UWTSD confirmed in writing that:</p> <p>Appropriate financial due diligence was undertaken when the engagement with S4C was brokered in 2014/15, and subsequently tested during the finalisation of lease negotiations in 2015/16. Optimisation with regards to value for money for the public funds invested was a key component of all lease negotiations for S4C and other tenants (and continues to be the case for new tenants). This optimisation includes associated benefits for the University's core business, such as work experience for students, which is over and above the economic and commercial benefits of the creative cluster that was set out in the business case approved by Government.</p>	Complete

As far as the University was able to establish the financial viability of S4C, this was done and comprehensively so. The University does not have any reason to expect that S4C's 25-year commitment to the project will not be financially sustainable. Existing tenants in the building have been procured on market terms following a full commercial marketing exercise and all external service providers have been, and will continue to be, selected through public procurement procedures.	
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2.8. Target 8: Yr Egin – confirmation in writing that due diligence has been carried out on the third-party management company for Phase 2 when appointed.

Update summary	Status
<p>Further information: In February 2020, UWTSO confirmed in writing that:</p> <p>At the time of completing its business case submission, the University stated that whilst its preferred approach was to manage the facility from internal resources, it would not rule out the appointment of a third-party management company in the future. The facility is now being successfully managed by a wholly-owned subsidiary of the University (achieving c95% occupancy). If that was to change in the future, then a full public procurement and due diligence exercise would be undertaken in the selection of any third-party management company. No third-party management company currently operating facility.</p>	Complete

2.9. Target 9: Swansea City and Waterfront Digital District – confirmation in writing that the local authority financial contribution for the Project is committed as set out in the Business Case.

Update summary	Status
<p>The S151 Officer at Swansea Council has confirmed that the project is contained within the overall capital programme and anticipated borrowing as part of the £180m envelope approved by Council in both the 2020-21 budget and the medium term financial plan. Half of the £180m funding has already been drawn down. The work-up costs of £2.6m to take the Digital Village scheme to planning approval have been fully funded and it would be normal practice to await costs certainty following the tender process to inform a final FPR formally committing the exact amount required. As such, it will be a future Cabinet decision at Swansea Council to formally commit to the scheme but the council's S151 Officer is satisfied that the scheme is fully funded.</p>	Complete

2.10. Target 10: Swansea City and Waterfront Digital District – confirmation in writing that due diligence has been completed to provide assurance that UWTSD is able to make its financial contribution and/or access the necessary levels of borrowing over the 15-year lifespan of the Programme.

Update summary	Status
As outlined in target 9 the City and County of Swansea are satisfied that the project is fully funded subject to ongoing discussions and development to full business case.	Complete

2.11. Target 11: Swansea City and Waterfront Digital District – confirmation in writing that due diligence provides assurance that the Project is designed to achieve optimal value for money for the public funds invested.

Update summary	Status
Two accompanying reports were attached to the Swansea Council Cabinet approval on November 29, 2019, for the indoor arena: <ol style="list-style-type: none"> 1. A review of economic benefits, provided by AMION Consulting 2. A review of the business case, provided by RivingtonHark 	Complete

Appendix B - Independent Government Review

The UK Government and Welsh Government jointly commissioned an independent review in January 2019. This review was to provide assurance that the City Deal will deliver full economic benefits for the region. Actica Consulting - who undertook the review - outlined seven key recommendations to be adopted by the City Deal programme. These recommendations are demonstrated below, along with progress in reaching them.

ID	Recommendation	Update
1	Pre-scrutiny should be encouraged but direct and regular face to face contact between those writing the business cases and those providing comment upon them and advising those who will grant approval is essential.	Regular face to face contact has been engaged through workshops and feedback from governments and assurance partners to develop constructive and robust business cases, meeting the required standard of the HMRC Green Book.
2	The Regional Office should be designed as a Portfolio Management Office, leveraging their skills with experienced Portfolio/ Programme/ Project Management (P3M) specialists.	An SBCD Programme Director has been appointed, and started in post in March 2020. A PMO structure was approved at Joint Committee in June 2020, and recruitment is now under way.
3	The City Team should (with the support of the Welsh Government Assurance hub and IPA as necessary) put in place a best practice Integrated Assurance and Approval Plan (IAAP) for the portfolio. All parties should especially consider the OCG Gateway™ Review process as a key part of that plan.	IAAP approved at Programme Board and Joint Committee . Assurance Gateways are being implemented on a programme and project basis and will be part of the ongoing assurance framework. External reviews for Homes as Power Stations and Supporting Innovation & Low Carbon Growth have been undertaken. An external programme stage gate review is planned for 15-17 July 2020.
4	Under the chair of the JSC each SBCD board should consider their Terms of References and ways of working to ensure that they will work as intended. In doing so they should take account of this review and of the outcome of the audits currently being undertaken.	ToRs have been implemented and embedded to ensure best practice is achieved. The programme has undertaken an internal audit to review processes and all relevant assurance and risk documentation. ToRs will be reviewed periodically to ensure they are up to date.
5	A Portfolio Director should be appointed before May 2019 to ensure continuity of Swansea Bay City Deal leadership and independent advice to the Boards.	Programme Director has been appointed for the City Deal and started in post in March 2020.
6	The SBCD should be managed as a portfolio not as a set of predetermined and immutable projects.	The SBCD programme is being managed as a portfolio, embedding the P3M management principles of portfolio, programme and project.

7	For Yr Egin and Swansea Waterfront, the two businesses cases which we consider are close to final approval, senior UK Government and Welsh Government and Local Authority officials should aim to reach a swift conclusion to ensure that funding can flow as needed.	Both business cases in respect of Swansea and Yr Egin have been approved and updated, and subsequent funding has been released to the SBCD programme.
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