



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

Scrutiny Programme Committee – 19th January 2021

Key Headlines: Economy, Finance and Strategy (Leader)

Purpose: This report outlines notable activities and achievements in terms of ensuring the delivery of key priorities within the Economy, Finance and Strategy (Leader's) portfolio. It focuses on current key areas of national and local significance such as our response to the COVID-19 pandemic and recovery planning and the UK's departure from the Single Market and Customs Union (Brexit). The report also includes an update of the delivery of the Swansea Bay City Deal, the Council's budget and partnership working.

Report Author: Joanne Portwood

Finance Officer: Paul Roach

Legal Officer: Debbie Smith

For Information

1.0 The Portfolio for Economy, Finance and Strategy (Leader)

1.1 Key responsibilities within the portfolio include;

- Brexit & New Economic Relationships,
- Capital Programme Delivery,
- City Centre Redevelopment,
- City Deal Delivery,
- Communications,
- Community Leadership,
- Constitutional Changes,
- Emergency Planning,
- Finance Strategy, Budget & Saving Delivery,
- Financial Services,

- Future Digital Networks(City Deal),
- Legal Services,
- Local and Regional Investment Strategy,
- Planning Policy (Regional),
- Poverty Reduction,
- Public Service Board (PSB),
- Recovery Plan Lead,
- Regeneration Strategy & Major Projects,
- Regional Working Lead (All Bodies),
- Strategic Partnerships,
- Swansea Bay City Region Joint Committee – Chair,
- Welsh Local Government Association (WLGA) – Deputy Leader,
- WLGA Lead on Europe, Brexit, Economy & Energy,
- WLGA representative to LGA.

1.2 Owing to the breadth and scope of the Economy, Finance and Strategy portfolio, it is not the intention of this report to provide an update on *all* of the responsibilities within the Economy, Finance and Strategy portfolio. Instead, the report is designed to focus on current key areas of national and local significance such as our response to the COVID-19 pandemic and recovery planning and the UK's departure from the Single Market and Customs Union (Brexit). The report also contains an update on the delivery of the City Deal as a core element in our approach to local economic recovery from the COVID-19 pandemic and updates on the Council's budget and partnership working – as requested by the Scrutiny Programme Committee.

2.0 COVID-19 response and Recovery Planning

2.1 The COVID-19 Pandemic has placed significant and unprecedented pressure on Council services, staff and citizens. During the 1st wave of the Pandemic more than 4,500 Council staff moved to work from home using digital technology. More than 520 members of staff were re-deployed / repurposed into essential/support services. Work focused on the rapid re-resign of Council services, supporting the NHS, expanding social care, supporting key workers and vulnerable people, providing additional help to homeless people, the development of the Test, Trace and Protect (TTP) service and meeting the cost of COVID.

2.2 One of our key achievements in terms of supporting the NHS and expanding social care was the construction of a 1000 bed field hospital at Swansea Bay Studios, in less than 90 days. We also recruited over 140 extra social care workers and commissioned 1500 extra hours for community care. Swansea Council also took the lead in terms of procuring and securing Personal Protective Equipment (PPE) for Neath Port Talbot Council and the Health Board region. We also provided PPE and support for care homes in the independent private sector and finally we led the development of the Trace and Protect element of TTP for the region.

- 2.3 In terms of supporting key workers, we worked with our schools to establish emergency childcare hubs in 60 school locations, within three days of the first lock down being announced. We worked with schools and our partners to develop a free school meals “grab and go” service, a food box delivery service and facilitated a BACs payment to support families with children who were eligible for free school meals.
- 2.4 The effects and impact of the COVID-19 pandemic have differed across our communities and vulnerable people have faced potentially the greatest risks and challenges. Over 8,500 residents were identified as part of the Shielding programme and we delivered more than 500 food boxes to shielded and vulnerable people every week during the first wave. We established a food supply and distribution network and supported the expansion of the food bank network in Swansea. We expanded the Local Area co-ordination network to cover all areas of Swansea and responded to over 20,000 enquiries and requests for help. We also established a medicine collection and delivery service, a volunteer shopping service and a dedicated helpline. In addition, we provided additional emergency accommodation for homeless people and additional support for 100 Asylum seekers and their families.
- 2.5 We have continued to respond to the 2nd wave of the Pandemic by managing the firebreak, protecting citizens, enforcing the rules and protecting businesses. Working with partners we have expanded and resourced the Test, Trace and Protect service to identify and advise contacts - within the context of a significant increase in the number of COVID-19 positive cases. Working on a regional basis with Swansea Bay University Health Board and Neath Port Talbot Council, we are continuing to plan for a mass vaccination programme and developing logistical arrangements to deliver vaccinations according to prioritisation criteria. We have developed a re-ablement service at Parkway, provided additional back office support for managers in Social Services to create more capacity for critical front line service delivery and continue to review the use of Field hospitals on a weekly basis.
- 2.6 We have continued to support businesses and the local economy by administering grant support to local businesses as quickly as possible and through capital investment. Swansea Council paid out the highest proportion of support grants (90%) to eligible businesses in the first two weeks of the firebreak, compared to all other Local Authorities in Wales. We have administered more than £100 million of grants to businesses during the pandemic. We have continued with our biggest ever capital investment programme and the regeneration of the city centre and worked with businesses in the city centre to ensure that they receive all the financial help they can as quickly as possible, whilst ensuring that all businesses comply with the COVID-19 regulations and our citizens are safe.

2.7 As a result of the COVID-19 Pandemic, the Council is operating the majority of services in a different form and many staff continue to work from home. This model is not sustainable in its current format and the Council needs to manage the current situation and plan for the future. Our Recovery plan 'Swansea - Achieving Better Together' outlines a framework for recovery. The framework consists of 3 phases; re-mobilisation, re-focus and re-shaping over the short, medium and long term. Our recovery work during the re-mobilisation phase was well underway in terms of re-starting and adapting a wide range of Councils services. Many of our services transitioned to working from home and many of the capital and development programmes were maintained (albeit at a slower rate and with some disruption to meet Government guidelines and ensure COVID-19 safe ways of working). Good progress had been made in terms of recovery and ensuring that Swansea was well placed to realise its ambitions. However unfortunately the second wave of the COVID-19 pandemic has resulted in need to focus on the immediate priorities of managing the impact of the pandemic. Nevertheless, the Recovery plan provides a framework for the Council to respond flexibly to planning in the short, medium and long term in different ways and at different times.

3.0 Brexit and New Economic Relationships

3.1 We have continued to work with the WLGA and Welsh Government in terms of developing risk assessments and preparing contingency plans in relation to our departure from the Single Market and the Customs Union on the 31st of December 2020. A Trade and Co-operation deal was agreed between the UK Government and the EU on the 24th December 2020. Although this 'slim deal' provides a framework to enable Tariff and quota free trade in some goods, border checks, rules of origin requirements and extra documentation will be required for some goods (e.g. Export Health Certificates for some food-related products). Research undertaken for WLGA by Grant Thornton suggested that a 'slim' trade deal of the sort agreed could still result in a £1.1bn or 6%+ reduction in Welsh exports.

3.2 The Trade and Co-operation deal only includes only limited information on services, which account for 80% of the UK economy. There are no comprehensive set of arrangements to cover the mutual recognition of professional qualifications, 'equivalence' and 'passporting' in relation to financial services. Although there are broad frameworks for taking this work forward (e.g the mutual recognition of qualifications), these will take time to be developed and agreed.

3.3 Other key changes which the deal has brokered include;

- the introduction of controls around the movement of people (but with some flexibility around short term business visits, intra-corporate transfers etc),

- the UK's departure from Common Fisheries Policy (shares of fish will be negotiated annually after a 5.5 year period),
 - the ending of the UK's participation in some European programmes, including Erasmus (although the UK will continue to participate in 5 EU programmes - Horizon Europe, Euratom research and training, ITER, Copernicus and Satellite surveillance),
 - the UK's departure from the EU energy market and emissions trading scheme (although there will be ongoing co-operation in a range of areas including energy, aviation safety, product safety, combatting VAT fraud, security, telecoms),
 - the European Court of Justice / EU Courts will no longer have any role in dispute settlement between the UK and EU,
 - the ending of EU state aid.
- 3.4 Although the Shared Prosperity Fund (SPF) and Internal Market Bill, is not part of the Trade and Co-operation deal, it is related and is significant because it covers the issue of replacement EU funding. Under previous EU funding arrangements, Wales received around £375 million per annum. Although the UK Government have agreed to replace funding up to £1.5 billion over time, they have only allocated £220 million for pilots across the whole of the UK during 2021-22. We are continuing to work with the WLGA and our partners to seek further clarity on the pilot scheme and lobby the UK government to ensure that Wales gets its fair share of funding to replace EU funding.
- 3.5 An early assessment of the implications of the deal undertaken by the WLGA suggests that fears about the disruption to supply chains have been eased by initial evidence at ports and the zero tariff deal of some imported materials. Report from ports in Anglesey and Pembrokeshire have confirmed that there has been no major disruption to date. However some of the arrangements needed at the ports are still being finalised, with controls being phased in up to July 2021. Pressures on Environmental Health Officers also remain, especially in light of the demands being placed on them as a result of COVID-19. The impact on individuals e.g. in terms of restrictions on their freedom to travel abroad, are likely to become clearer over time, as will other long term implications of the deal.
- 3.6 We will continue to work with Welsh Government, the WLGA and our partners to plan and respond to challenges and opportunities related to the implementation of the deal during 2021-22. We will continue to identify and respond to specific risks in Swansea related to the implementation of the deal through our cross-departmental Brexit Steering group.
- 3.7 In terms of developing new economic relationships we have been a partner in developing the Great Western Gateway which includes a number of Local Authorities in Wales and England. The footprint for the Great Western Gateway includes Swansea and extends eastwards

along the M4 corridor to and including Swindon. During the last 12 months, the Western Gateway has convened a core membership consisting of Local Authority officers and Leaders, also Local Enterprise Partnership CEs and Chairs. They have undertaken early work to guide the groups and promote the organisation and instigated a programme of engagement led by the Chair which has resulted in, among other outcomes, an All Party Parliamentary Group to raise the profile of the partnership and to prepare a context for specific requests to Government. In addition, they have undertaken work to commission a prospectus of the partnership with high level activity and areas of focus, a governance review piece and an Independent Economic Review (currently in progress) – to provide the evidence base for future areas of focus and intervention and help to define, sectorally and geographically, the areas of growth and opportunity in the region

4.0 Delivering the Swansea Bay City Deal

- 4.1 Good progress has been made in delivering the £1.3 billion investment of the Swansea Bay City Deal. Three Swansea Bay City Deal projects have already been approved by the UK Government and Welsh Government – the Swansea City and Waterfront Digital District, Pembroke Dock Marine, and the Yr Egin creative and digital hub in Carmarthen. Four other projects will also soon be considered for final approval from both governments. These include the Pentre Awel project proposed for Llanelli and the Supporting Innovation and Low Carbon Growth programme proposed for Neath Port Talbot, along with the regional Homes as Power Stations and Digital Infrastructure projects that will benefit residents and businesses throughout the Swansea Bay City Region as a whole. Detailed business case planning work is on-going for two other City Deal projects: the Life Science and Well-being campuses project proposed for Swansea, and a Regional Skills and talent initiative that will generate training pathways for local people to access the high-value jobs being created
- 4.2 The UK Government and Welsh Government have agreed to release £18 million to the Swansea Bay City Deal investment portfolio in coming weeks which will help accelerate regional economic regeneration. A further £18 million is also anticipated to be released to the City Deal portfolio by the end of March 2021. This will mean that £54 million of the £241 million from both governments will have been released to the City Deal portfolio so far, with further major funding releases in the coming years.
- 4.3 Swansea Council is the Lead Project Partner for the Swansea City and Waterfront Digital District which encompasses the development of a Box Village & Innovation Precinct (at the University of Wales Trinity Saint David Swansea Waterfront Development), a Digital Village and the development of a Digital Square & Arena in Swansea City Centre.

- 4.4 Work on the construction of the Arena is well underway. The Arena's external box is now watertight and external cladding will commence shortly. A virtual Ministerial topping out ceremony was held to celebrate reaching a key construction milestone. A new branding and letting website has been launched for the Arena. Work is also advancing on iconic bridge linking the Arena site with Swansea City Centre and fabrication is nearing completion. Discussions are ongoing with Welsh Government and other partners in relation to a hotel operator.
- 4.5 Planning permission for the Box Village is underway and pre-planning applications discussions for planning are scheduled within the forthcoming weeks. Planning consent for the Digital Village has also been secured and the building procurement process is nearing completion. The construction tenders for 71/72 The Kingsway are currently being analysed in conjunction with continuing discussions about lettings.
- 4.6 Good progress has also been made in relation to other regeneration projects within the city centre such as the Mariner Street development, Castle Square, the restoration of the Palace Theatre and the re-development of Wind Street. Work on the Mariner Street site is nearing completion. Although there has been a slight delay due to the COVID-19 pandemic, the current delay should still allow for opening in September 2021. Heads of Terms have been agreed with one anchor tenant and discussions are ongoing to secure a second anchor tenant. Cabinet has agreed to progress the development of Castle Square with Swansea Council undertaking the role of developer. Funding has been identified to appoint a development manager and professional team to take forward a feasibility study and business plan to recommend the viability to move to the delivery stage. The overall programme for the restoration of the Palace Theatre is also still on track for completion in June 2022. Planning approval has been received, RBIA Stage 4 is underway and nearing completion and the tender for the main contractor is scheduled for January 2021. Early work on the re-development of Wind Street in preparation for the main works have included tree management and the installation of street lamps to make historic buildings more visible.
- 4.7 Good progress has also been made in relation to other wider regeneration projects in other parts of Swansea such as the Tawe Riverside corridor and Skyline on Kilvey Hill. A Lease has been agreed with Penderyn and is waiting completion. Scoping and preparatory works are underway in relation to the site management and the supply of services to the Power house. Funding has been secured from the Targeted Regeneration Investment programme to restore, repair and re-instate a number of other historical buildings and bridges to improve and enhance the wider infrastructure. Although the COVID-19 pandemic resulted in Skyline temporarily stopping all of their projects across the world, we have recently received notification that Skyline

intend to pursue their proposed development on Kilvey Hill - subject to securing Welsh Government support for their proposal.

5. Budget

- 5.1 The Council's Statement of Accounts has been signed off in record beating time once again and in spite of the COVID-19 lockdowns. We are in receipt of audit management letters which gives the Council a clean bill of health again this year on the technical matters.
- 5.2 The 2019-20 outturn included a managed underspend and some £17m was added to reserves across contingency, capital equalisation reserve and social services. That underspend and bolstering of reserves was the largest of all Welsh authorities and is noted in Audit Wales review of resilience in local government in Wales and has set the Council in good stead for responding to the COVID-19 pandemic.
- 5.3 The pandemic has significantly impacted our finances with over £100m of flexed support to local businesses, our own revenue budgets flexed by tens of millions and the largest ever capital programme under way including building the Bay Field Hospital on behalf of the NHS and Welsh Government. I believe the Council can rightly claim to have led the way in terms of scale and pace of action across the spectrum of intervention
- 5.4 We have taken action to contain substantial overspending in Q2 and have increased spending restrictions and other control mechanisms to slow spend and seek re-balance. It is worth noting that the overall overspend is only due to COVID-19. Once that is stripped out an under spend is forecast on underlying services.
- 5.5 The outlook is one of significant pressure to Council services if the UK government's austerity programme continues, compounded by the twin impact of Brexit and Covid. I have to hope that the messages around the end of austerity prove to be correct and honoured with real extra funding. Early signs from the UK government from the Spending Review are not at all encouraging with independent commentators indicating tax rises and future real terms cuts are likely longer term along with the Chancellor's own announcement of an outrageous public sector effective pay freeze .
- 5.6 Welsh Government has provided some short term relief with a settlement worth 3.9% for 2021-22 but starkly notes that its ability to fund more now or for the longer term is entirely dependent upon the actions and plans of the UK government. Most telling is the removal of five sixths of COVID-19 funding for Wales and there is a real fear that the UK and Wales faces a funding cliff edge in the future as well as utter uncertainty as to how the UK government is going to act to rebalance current spending let alone future spending. This is compounded by uncertainty

over the UK government use of the Shared Prosperity fund and the economic damage wreaked by COVID-19 and Brexit.

- 5.7 The Draft Budget proposals are due to have be issued and considered at Cabinet on the 21st January 2021 followed by the start of the Budget consultation on the same date. Following the consultation process, the final draft budget will come to Cabinet and Council during February and March 2020 and will include the Medium Term Financial Plan (MTFP). This is later than usual but a direct consequence of the delayed and curtailed national Spending Review and the Welsh Government decision to push back their budget and local government funding announcements
- 5.8 The Budget Medium Term Financial Plan (MTFP) is being developed for March 2021. The Council have also undertaken significant lobbying as a Council and via WLGA on budget and local government settlement matters. Swansea Council received an extra £13.2 million as part of its settlement (anticipated and factored into the Council's draft budget).
- 5.9 Work has continued to progress on the City Deal with significant cash funding due to be received before March 2021. The Council remains well placed to access this cash as one of the most advanced projects with substantial elements of the Swansea Central scheme already significantly constructed. The rapid delivery of the Arena and surrounding sites as a catalyst for future investment remains unabated despite and in spite of COVID-19.

6.0 Partnership Working

- 6.1 The Welsh Government and the WLGA commissioned a review of Strategic Partnerships in Wales, aiming to identify key areas where there was unnecessary complexity or duplication and to identify opportunities for simplification and rationalisation. The complexity of the Strategic Partnership landscape is a theme which has been consistently highlighted in numerous reviews of Welsh Public Services over the years. Overall, the Review concluded that there was no general support for a national restructure of partnership and local leadership was best placed to determine what would work best in their local area. The Review identified a number of recommendations;
- No new partnerships should be established or required without referring to the existing landscape or considering whether an existing partnership can deliver the outcome required,
 - No new functions should be given to existing partnerships without considering what obligations can be reviewed or removed or what additional resources may be required,
 - Welsh Government considers whether departments can reduce the partnership arrangements set up to administer specific grant programmes,
 - Welsh Government to write to Chairs of all partnerships to clarify and confirm that flexibilities exist to for partnerships to review their

own arrangements and alignment as appropriate – in terms of policy and geography,

- All strategic partnerships in an area should seek to play an active role to ensure that they are aligned more closely so that there are fewer partnerships. The multi-purpose strategic partnerships (such as PSBs and RPBs) have a natural leadership role in initiating this,
- Welsh Government to provide offer of facilitation for partnerships to review how they are aligned on their footprints,
- Welsh Government to explore and communicate how funding might best be distributed across strategic partnerships where it may be sensible to do so and to consider the capacity of partners to support these partnerships,
- All strategic partnerships should commit to, and invest in, board development and the development of collaborative cultures throughout the constituent organisations,
- All strategic partnerships should publish basic information online, which is easily accessible, outlining terms of reference, vision, membership, reporting on outcomes/progress and how citizens or communities can get involved,
- As part of the normal cycle of review and reporting, all strategic partnerships should seek to build in periodic reviews of their terms of reference, governance arrangements, membership and alignment to other groups or partnerships,
- Partnership Council to periodically review the partnership landscape to consider whether, when and where Welsh Government policy or legislative change may be required.

6.2 Work is currently underway in relation to mapping the work we have already done in relation to each of the recommendations and identifying further actions we need to take in relation to improving the effectiveness of partnership working. Our Partnerships are reviewed regularly as part of the governance of each. ERW has been reviewed and a new model of operation is to be put in place. The PSB is due to review its terms of reference at its next meeting. In addition we undertake an Annual Report of Regional Working to review the effectiveness of partnership working which is reported to Council and Audit Committee on an annual basis.

6.3 We have explored the option of developing a joint PSB with Neath Port Talbot Council and our partners. Currently there are no plans to develop this further and change the formal partnership structures because there was no consensus. However we continue to work on joint projects and programmes under the governance of the PSB. Nevertheless, we will continue to use local flexibility to work in partnership with our partners and respond to local priorities, without making any changes to formal partnership structures. The Review of Strategic Partnership commissioned by the Welsh Government and the WLGA found wide spread support amongst participants to use local flexibility for partnerships to come together on a temporary basis in order to tackle a priority or policy issue, rather than effect formal structural change.

7.0 Impact of the Well-being of Future Generations Act (Wales) 2015

7.1 The well-being duty to carry out sustainable development underpins all activity undertaken by the Leader of Swansea Council. The Well-being of Future Generations Act's national well-being goals are the lens through which the Council's policy commitments have been developed and form a key part of the Council's constitution. Further work to deeper integrate the sustainable development principle's ways of working into the Council's governance and processes will be explored further. The Leader's portfolio is characterised by a focus on collaborative working with partners across sectoral and geographical boundaries. These close relationships facilitate greater understanding of the well-being objectives of others and enables their impacts to be managed effectively in an integrated way that improves Swansea's well-being. A long term approach that considers how Swansea can flex and adapt to an uncertain future is particularly pertinent in relation to our recovery from COVID-19, the challenges and opportunities presented by our departure from the EU and the development of new economic relationships understood.

8.0 Financial Implications

8.1 There are no financial implications associated with this report.

9.0 Legal Implications

9.1 There are no legal implications associated with this report.

10.0 Equalities

10.1 There are no equalities implications.