

Swansea Bay City Deal

Programme Governance and Financial Arrangements

May 2018

1.0 Purpose of the Report

1.1 To provide an overview of the proposed governance arrangements for the Swansea Bay City Deal (SBCD) and outline the roles of the Accountable Body and Regional Office.

1.2 To seek Members' approval of the establishment of the Swansea Bay City Deal Joint Committee and associated governance structure as outlined in this report and in the draft Joint Committee Agreement annexed to this report.

1.3 To seek Members' endorsement of 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 UK and Welsh Governments to finalise the Agreement.

1.4 To seek Members' endorsement of the establishment of a Swansea Bay City Deal Joint Scrutiny Committee.

1.5 To seek Members' approval that Carmarthenshire County Council contributes towards the operating costs of the City Deal governance functions with any variation being agreed with the Director of Corporate Services (Section 151 Officer) in consultation with the Executive Board Member for Resources.

1.6 To seek Members' authorisation for the Director of Corporate Services to suit to explore and implement the most appropriate proportionate borrowing to fund Regional projects delivered in Council respective areas in consultation with Executive Board Member for Resources.

1.7 To seek Members' authorisation for the Director of Corporate Services to negotiate with colleague Directors on the most appropriate allocation basis for the Regional non-domestic rate retention in respect of the 11 projects.

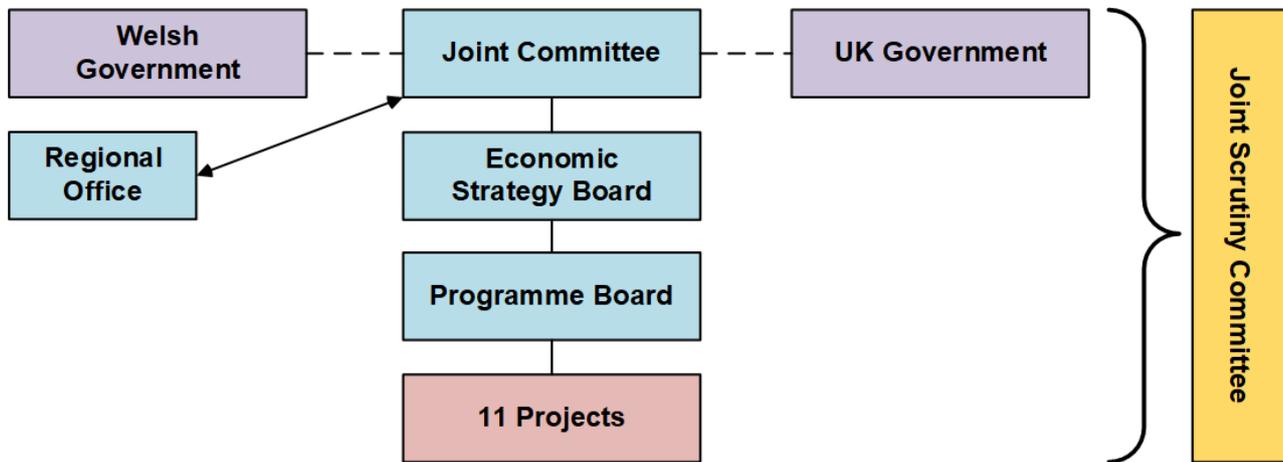
2.0 Background

Last year, Council Approval was received from each of the four local authorities to sign a City Deal Head of Terms agreement with the UK and Welsh Governments. This was subsequently signed on the 20th March, 2017. The signing of the document confirmed joint commitment by all four local authorities in ensuring full implementation of the Swansea Bay City Deal proposals along with other specific areas, namely, wider economic development matters including planning and transport.

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. Much progress has been made and 8 of the 11 projects are currently with Governments for formal business case assessment.

In order to formalise the current shadow governance arrangements officers have been developing a draft Joint Committee Agreement (JCA) which provides the legal framework within which the Swansea Bay City Deal will operate.

3.0 Proposed Governance Arrangements



3.1 Joint Committee

The Swansea Bay City Deal Joint Committee, as outlined in the Swansea Bay City Deal Heads of Terms document, will comprise of 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.

The Committee will be supported by the Monitoring Officer and Section 151 Officer from Carmarthenshire County Council.

The Leaders will co-opt representation from the University of Wales Trinity Saint David, Swansea University, Hywel Dda University Health Board and Abertawe Bro Morgannwg University Health Board.

Voting rights will be reserved for the four local authority Leaders.

Meeting on a monthly basis, the role of the Joint Committee is to:

- Have ultimate responsibility and accountability for decisions taken in respect of the Swansea Bay City Deal including all financial and legal decisions;
- Make investment decisions on the basis of the recommendations received from the Swansea Bay City Deal Economic Strategy Board and Swansea Bay City Deal Programme Board;
- Monitor the impact of the Swansea Bay City Deal programme;
- Embrace the wider opportunities presented through a regional approach to strategic functions such as planning, transport and economic development as well as the progression of the regionalisation agenda.

3.2 Economic Strategy Board

Reporting to the Joint Committee, the Economic Strategy Board will represent the wider community, including the private sector. It will act as the voice of business and provide strategic direction to the City Deal. It will also have a role in advising the Joint Committee on opportunities to strengthen the City Deal's impact. The Economic Strategy Board will not have any formal decision-making powers and it will reach agreement by consensus.

Specifically the role of the Economic Strategy Board will be:

- Submit strategic objectives for the Swansea Bay City Region;
- Monitor progress with regard to the delivery of the Swansea Bay City Deal;
- Oversee the production of business cases and put forward recommendations to the Joint Committee for approval.

A preferred candidate to become chair of the Economic Strategy Board has been selected and the appointment will be confirmed through a vote at the first meeting of the Joint Committee.

The process of appointing other members of the Economic Strategy Board, through an open recruitment and nomination process, is underway. Membership will be drawn from across the wider public and private sectors. The Economic Strategy Board membership will also be agreed through a vote of the Joint Committee.

3.3 Programme Board

Accountable to the Joint Committee, the Swansea Bay City Region Programme Board will meet on a monthly basis and will comprise the Chief Executive of each of the Councils or another officer nominated by the Chief Executive, and the Monitoring Officer and Section 151 Officer from Carmarthenshire County Council. The Chair will be agreed by the Joint Committee.

The Programme Board may co-opt additional representatives to the Board. Co-opted members may include representatives of the University of Wales Trinity St David, Swansea University, Hywel Dda University Health Board and Abertawe Bro Morgannwg Health Board.

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.

The Programme Board will not have any formal decision-making powers and decisions shall be reached by consensus.

3.4 Accountable Body

The Councils have agreed that Carmarthenshire County Council will act as the Accountable Body responsible for discharging the Councils' Obligations in relation to the Swansea Bay City Deal in accordance with the Joint Committee Agreement.

The role of the Accountable body is to:

- Act as the primary interface with Welsh Government, UK Government and any other funding bodies necessary to discharge the Councils' Obligations
- Hold and release any Government funding in relation to the Swansea Bay City Deal and only to use and release such funds as agreed in accordance with the terms of such funding and the Joint Committee Agreement
- Comply with the Funding Condition
- Discharge its Monitoring Officer and Section 151 responsibilities
- Undertake the accounting and auditing responsibilities set out in this Agreement.
- Employ the Regional Office staff

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, to manage and oversee the work of the Accountable Body and the Regional Office team.

3.5 Regional Office

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

Key activities of the Regional Office include:

- Strategic liaison with UK Government and Welsh Governments and policy advisors
- Governance support for all aspects of the City Deal governance structure, the Joint Committee, Programme Board and Economic Strategy Board
- Programme implementation co-ordination, monitoring and evaluation
- Undertake research, analysis and report on findings as requested by groups within the governance structure
- Strategic project co-ordination include advising on and coordinating the development and submission of 5 case business models for City Deal projects
- Liaison and engagement with government funding bodies and programmes, and with the Universities and Health Boards
- Responsibility for managing the identification, assessment, approval, monitoring and evaluation processes for Regional interventions and projects
- Communications and engagement management for the Swansea Bay City Deal
- Private sector involvement, business development and inward investment

Recommendation

Members endorse the establishment of the Swansea Bay City Deal Joint Committee and associated governance structure as outlined in this report and in the draft Joint Committee Agreement annexed to this report.

4.0 Joint Committee Agreement (JCA)

Carmarthenshire County Council, on behalf of the four authorities, commissioned Geldards to draft a Joint Committee Agreement between the four authorities. A copy of the draft agreement is appended as Annex 1.

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 20th March, 2017.

As will be noted from the draft Joint Committee Agreement, certain decisions have been identified as ones which will need the approval of the Constituent Authorities rather than the Joint Committee, and any decisions on those matters will come back to Full Council as and when they arise.

Recommendation

Members 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 UK and Welsh Governments to finalise the Agreement

5.0 Joint Scrutiny Committee

The Joint Scrutiny Committee will 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.

The Joint Scrutiny Committee will consist of 12 non-executive members, three from each local authority as nominated by the individual Councils. The nominated Chair of the Joint Scrutiny Committee may not be from the same Council as the Chair of the Joint Committee. The member nominated by each Council shall be an elected member of that Council but shall not be a member of that Council's executive and shall not be a member of the Joint Committee.

The role of the Joint Scrutiny Committee is to provide advice, challenge and support to the Joint Committee.

Recommendation

Members endorse the establishment of a Swansea Bay City Deal Joint Scrutiny Committee

6.0 Finances

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.

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 in line with the individual local authority internal requirements. All borrowing will be agreed based on the principles of the Prudential Code and Treasury Management Policy and Strategy 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.

Significant discussions have already taken place with Welsh Government in respect of funding arrangements and in particular in respect funding arrangements of revenue based project expenditure and the funding of the ongoing interest payments for the 15 year borrowing.

Agreement has been reached with Welsh Government that the 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. The basis of the allocation of the rates generated within the SBCD is yet to be agreed and a further report will be presented by the S151 Officers to the Joint Committee for formal approval.

Welsh Government has also provided significant support in assisting local authorities to identify a means to provide the appropriate funding for the revenue based project expenditure. Within the Joint Agreement appendices there is additional information that provides Authorities with the support to utilise funding flexibilities.

The Accountable Body 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.

There will be a requirement for each local authority to contribute £50k per annum over 5 years plus 1.5% top slice of the City Deal allocation (Government funding) to cover the operating costs of the Joint Committee, Programme Board, Joint Scrutiny Committee, Accountable Body and Regional Office functions.

Recommendations

(i) Members endorse the proposal that Carmarthenshire County 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 Director of Corporate Services in consultation with Executive Board Member for Resources.

(ii) Members authorise the Director of Corporate Services (Section 151 Officer) to explore and implement the most appropriate proportionate borrowing to fund Regional projects delivered in Council respective areas in consultation with Executive Board Member for Resources.

(iii) Members authorise the Director of Corporate Services to negotiate with colleague Directors the most appropriate allocation basis for the Regional non domestic rate retention in respect of the 11 projects.

7.0 Conclusion

To conclude, the £1.3 billion Swansea Bay City Deal investment programme provides a once in a generation opportunity to increase prosperity and opportunity in the urban and rural areas across Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea.

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 programme 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 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.

Annex 1

Draft SBCD Joint Committee Agreement

Annex 2

**Copy of NDR letter received from Mark Drakeford, Cabinet Secretary for Finance, WG
- 11th April, 2018**

Annex 3

**Copy of letter received from Deputy Director Local Government Finance Policy
Division - 3rd May, 2018 - Treatment of Certain Costs as Capital Expenditure**

Annex 4

WG Document - Guidance on Flexible Use of Capital Receipts - April 2018

Annex 5

Table showing indicative SBCD programme level financial and economic impact

Annex 6

**Letter received from WG 16th May 2018 Judith Cole, Deputy Director Finance re SBCD
Financing Arrangements**