

Community Scrutiny Committee

23 January 2019

LLANELLI WELLNESS AND LIFE SCIENCE POSITION STATEMENT

Purpose:

That Community Scrutiny Committee receives an update report on the Llanelli Life Science and Well-being Village in order to provide effective scrutiny and comment and ensure transparency and accountability.

To consider and comment on the following issues:

- Progress of City Deal Business Case.
- The status of the reviews and the delivery of the Village project
- Assurance, through legal review, that a robust procurement process was undertaken.
- Assurance around the governance of the project.
- Termination of the Collaboration Agreement.

Reasons:

This update report is brought to the attention of Community Scrutiny to allow members to exercise their scrutiny function and provide due comment. The report aims to provide assurance on the governance of the Village Project both during the procurement process and following the signing of the Collaboration Agreement with Swansea University and Sterling Health Security Holdings Limited

Members are asked to note that a series of reviews have commenced:

- The independent review requested by Executive Board is being undertaken and is looking at the procurement process of the Village, the governance following signing of the Collaboration Agreement and the subsequent termination of this agreement. Scrutiny Committee is asked to note that the Business Case submitted to Executive Board on 3rd December may need to be revised following the outcome of this review.
- CCC have invited WAO to review the Wellness Project. WAO wanted emphasise that they are not undertaking the review because they have any concerns about the project, they are undertaking the review as a direct response to our request.
- A joint Government review of the arrangements for the delivery of the £1.3bn Swansea Bay City Deal.
- An internal review being carried out, led by Pembrokeshire County Council, on behalf of the Chair of the City Deal Joint Committee.

The above reviews are all currently in progress. Findings of these reviews will be shared once completed. In the case of this Authority independent review it is expected that findings will be reported to the Executive Board in coming weeks, following which these documents will be shared with all Members.

Scrutiny Committee is asked to note that although the Collaboration Agreement has been terminated a working relationship is required, and continues with Swansea University to ensure that the optimal benefits can be achieved. Extremely positive meetings continue to be ongoing and alternative working agreements are under development.

Project progress continues to be maintained with the aim of completing phase one of the Village in 2021.

To be referred to the Executive Board / Council for decision: NO

EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:-

Cllr. Emlyn Dole, Leader of the Council with responsibility for Economic Development

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Executive Summary
Community Scrutiny
23 January 2019

**LLANELLI LIFE SCIENCE AND WELLBEING VILLAGE
POSITION STATEMENT**

Background / Context

The Llanelli Wellness Village (The Village) is a landmark development forming the largest single site development proposed for Carmarthenshire. In summary the Village will create:

- £199.5 million of infrastructure including research and business development facilities, a learning academy, a state of the art care home and assisted living and rehabilitation centre, a new leisure and aquatics centre with hydrotherapy pool, Wellness Hotel and outdoor leisure space
- A projected 1853 high value jobs plus community benefits defined within the procurement process
- £467 million GVA by Year 15
- A significant education, skills and training facility in partnership with Swansea University, University of Wales Trinity St David, Coleg Sir Gar and the Regional Learning and Skills Partnership
- A multidisciplinary community health and care facility linked to the health board services.

Partnership working is key to realising these project benefits, alongside Hywel Dda University Health Board a core partner throughout has been Swansea University. In November 2018, the University Vice Chancellor, Professor Richard Davies and the Dean of the School of Management, Marc Clement along with two other members of staff were suspended. The named individuals were the University representatives on the Wellness Village Collaboration Board. CCC have no further details regarding these suspensions or details regarding possible links to the Wellness Village.

Swansea Bay City Deal

The Village is one of eleven projects within the £1.3 billion Swansea Bay City Deal programme.

As required by the HM Treasury Green Book Model, a full five case business plan for the Well-Being Village has been developed for the City Deal funding. This comprises the following elements;

- **Strategic Case** – describes the status quo, case for change and expected outcomes. In doing so, it indicates the direction of travel and demonstrates project alignment with, and contribution to, key national, regional and local strategies/legislation, including the Well-being of Future Generations Act 2015.
- **Economic Case** – presents the economic rationale for developing the Life Science and Wellbeing Village, focusing on multi-sector job creation and Gross Value Added (GVA). This section also includes a detailed health outcomes appraisal and outlines how the project was determined.
- **Financial Case** - examines capital and revenue costs of the City Deal funding elements and their component parts, assumptions around space requirements and the projected occupancy and business needs over the 15 year period.
- **Commercial Case** - focuses on the competitive dialogue procurement exercise to identify development partner/s.
- **Management Case** - sets out the governance structure in place to deliver the Village.

The Joint Committee Agreement for the Swansea Bay City Deal which provides the legal framework for the Deal was unanimously approved by Full Council in July 2018. The agreement stipulates that in order to release City Deal funding for projects a full five case business plan, based on the HM Treasury Green Book Model, must be submitted to the UK and Welsh Governments for formal review and approval. This can only be done with prior approval of the lead Authority for the project, as stipulated in clause 12.3(a) of the Joint Committee Agreement.

The Full Business Case for the Village details the economic and social benefits that could be delivered through City Deal investment of £40m. This will provide capital for the Community Health Hub infrastructure which houses three critical elements of the Village namely:

1. An **Institute of Life Science** – bringing research and development expertise together with businesses specialising in innovation in clinical fields such as biomarkers and genes; patient and population health informatics; microbes and immunity; and medical devices
2. An **Joint Clinical Research Facility** - exploring innovation in broader health and wellbeing business and research and development activities
3. A **Wellbeing Skills Centre** – providing a skills, education and training facility linked to modern clinical practice and service delivery and business development activity in health and wellbeing

These three elements are targeted to be complete by September 2021.

The Business Case required a series of Critical Success Factors/ Economic Output to be determined which could be reasonably expected to be achieved through City Deal investment. These projections are based upon the most recent government guidance and specialist expert advice.

Critical Success Factors / Economic Outputs:

The Village proposes to deliver the following key economic outcomes / outputs;

- New infrastructure = £199.5m investment
- New jobs created = 1,853
- New enterprises created = 50
- Number of companies accelerated = 50
- Number of companies supported = 150
- New Intellectual Property (IP) created = 50 including patents, trademarks, registered designs and other IP
- Community groups actively participating in Village facilities = 50
- New skills development pathways for health and well-being workforce – 60
- Undergraduate places in related fields = 700 by 2021
- Postgraduate places in related fields = 400 by 2027
- Reduction in the number of young people in the adjacent Community First area, within the NEET category = 3%

In addition to the economic and social critical success factors a number of Health Outcomes Improvement & System Benefits were also identified.

Examples include;

- Reduced GP visits = 20% from the catchment area of the village
- Reduced hospital admissions = 20% from the target community facilities
- Improved rate of hospital return admissions for chronic conditions
- Improved mental health and wellbeing of local population through improved promotion, prevention and timely access to appropriate interventions
- Improved early detection and care of frail people including those with dementia
- specifically aimed at maintaining wellbeing and independence
- Encouraging and supporting people to make healthier choices and reduce the number of people who engage in risk taking behaviours.

Projections on the health economic benefits of the proposed Life Sciences & Wellness Village have a combined NPV of £54.4m over the agreed 15-year time period set by Welsh Government.

Full Business Case

On the 3rd December the Executive Board considered the Full Business Case of the Wellness Village. Executive Board determined that the 5 case Business Plan was robust and ready for submission to the UK and Welsh Government for approval and the subsequent draw down of £40m City Deal funding. Members however, and in order to provide assurance to the Authority, requested that officer's report back to Executive Board with the required reassurances that all due process and governance had been followed.

Accordingly, in December 2018 the Council asked Acuity Legal Limited to review the status of the Life Science and Wellbeing Village project. This includes a review of the public procurement process, the collaboration agreement and the Council's actions in the latter part of 2018 in relation to the collaboration agreement. This review is underway and the update will be shared with Members once the review has been considered by Exec Board.

Acuity has been asked to undertake a review of the status of the Llanelli Wellness Village Project at Delta Lakes. The review covers an outline appraisal of the key mechanisms through which the Council is protected in relation to the Project. These include its decision making process in the Public Procurement process, the terms of the Collaboration Agreement with Sterling Health Security Holdings Limited (Sterling) and Swansea University (University) and the Council's actions in the latter part of 2018 under the processes established within the Collaboration Agreement

Procurement and Collaboration Agreement

At its 3rd December meeting, Executive Board also heard that the Collaboration Agreement with Swansea University and Sterling Health Securities Holding Ltd was intended simply to try to prepare a Development Agreement to take the scheme forward. The Board were informed that a Development Agreement had not been reached. There was therefore no legally binding commitment or liability on the Council to maintain the arrangements of the Collaboration Agreement.

The Executive Board asked officers whether an alternative method to deliver this essential project could be found. Officers considered that this was entirely feasible. Executive Board therefore determined that "officers be requested to look at alternative delivery methods to ensure that this extremely important and much needed investment in Llanelli can be completed".

The County Council subsequently decided to implement clause 53 of the collaboration agreement and terminate the collaboration agreement with both Sterling Health Security Holdings Ltd and Swansea University.

The Authority has engaged an independent financial market consultant to develop a whole site business/financial plan for the Wellness Village, with a view to leveraging private sector investment. This work comprises detailed financial modelling and development appraisals of all elements to ascertain the investability of the Village.

It is concluded that, following review of the initial appraisals and potential rental income from various properties, subject to the financial structure being agreed, lot 1 (social housing, care, rehabilitation and assisted living) and lot 2 (Wellness Hub, Car Park and Life Sciences Building) would achieve a strong private sector financing commitment from a number of private sector investors. This would require an Information Memorandum to be sent to a pre-selected number of Investors outlining the project together with financial information and business plans. The aim of this would be to obtain best value for the Borrower, and best long- term Investor partner for the project. Such an exercise would take around 3 months to complete once the Information Memorandum is complete.

Summary:

In summary, it is recognised that the Wellness Village will deliver significant social, economic and environmental benefits at both a local and regional level. The importance of job creation, education/training programmes and health outcomes improvement, particularly within adjacent communities can not be underestimated. These areas are amongst the most deprived in Wales and, as indicated in public consultation, have low aspirations in respect of educational attainment and career progression. The Village is being developed with overwhelming support from the local community, whose input continues to shape the project.

The proposals are forward thinking and designed to catalyse investment and will see the region becoming a key participant within the UK life science and digital health care sectors. The Village has been identified by the Department for International Trade as a High Potential Opportunity project and will feature in a Welsh portfolio to be marketed across 108 countries. This evidences the viability and attractiveness of the Wellness Village and will further raise its profile, helping to attract inward investment.

Whilst we await the full outcome of the legal review, preliminary findings suggest that due process and governance has been fully observed throughout the procurement process and following the signing of the Collaboration Agreement A number of other reviews are expected to begin including at the Authority's invitation, a Wales Audit Office to review project compliance, risk management and governance arrangements and management of public assets.

To maintain the project delivery plan, work continues to timescale to develop the design of phase 1 components; the Wellness Hub, Community Health Hub and primary infrastructure. Partnership working, vital to maximising the opportunities for the project, remains strong and all stakeholder partners are committed to ensuring its long-term success. To this end, the Council has taken expert legal advice on how best to retain a working relationship with Swansea University. The University are a key partner, having signed a Memorandum of Understanding with the Council and Health Boards in 2016, and have contributed to the ILS and education/training proposals, together with digital connectivity.

DETAILED REPORT ATTACHED?

No



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IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: Wendy Walters

Director of Regeneration & Policy

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
YES	YES	YES	YES	YES	YES	YES

1. Policy, Crime & Disorder and Equalities

The report has been developed in line with a range of National and Local Strategies, these are detailed in section 5 of the report. In summary:

- A Strategic Regeneration Plan for Carmarthenshire 2015-2030 - Transformations
- Swansea Bay City Region – City Deal 2017
- The Strategy for Older People in Wales (2013-2023)
- The Social Services and Wellbeing (Wales) Act 2014
- The Integrate Commissioning Strategy
- Carmarthenshire Corporate Strategy 2015 to 20120
- Carmarthenshire’s Vision for Sustainable Services for Older People for the Next Decade
- Carmarthenshire Integrated Community Strategy 2011 to 2016
- Carmarthenshire County Council Housing LIN
- Hywel Dda University Health Board’s Mission Statement and Strategic Objects
- The Wellbeing of Future Generations Act.

2. Legal

The infrastructure development will be carried out in line with planning guidance and associated legal requirements. Advice on the optimal arrangements for site development and operation will be provided through Carmarthenshire County Council Legal Team.

Independent legal advice has been taken throughout the procurement process, and the subsequent termination of the Collaboration Agreement. The review of the processes is similarly being undertaken by independent lawyers.

3. Finance

The basis of the City Deal funding for the 11 projects in the region, is that the funding from both Welsh Government and UK Government will be paid on equal instalments over a 15 year period.

Each of the Authorities in the City Region area will be required to undertake upfront borrowing to deliver their projects in advance of the funding being paid by the WG and the UKG.

The funding for this project (Llanelli Life Science and Well-Being Village) in total from the City Deal funds is £40m and the Authority will need to borrow part or all of these funds with the principal being repaid in full over the 15 year period. Interest accruing on this borrowing will be accommodated as part of the project cost (partly through the NNDR retention policy).

The level of borrowing will be dependent upon the draw down profile of the expenditure and the timing of other City deal projects within the region. The procedures around the management of the City Deal Funding is detailed within the Joint Agreement.

The borrowing requirement will be incorporated within the Annual Treasury Management Policy and Strategy as this and the other City deal projects develop. The effective draw down of this borrowing will then be reported through the quarterly Treasury Management monitoring reports.

To manage the funding of the project in the most effective way for the benefit of the Local Authority and the Project itself, delegated authority has been given to the Director of Corporate Services to manage the financial delivery including the borrowing draw down. This will be undertaken within the parameters laid down within the Treasury Management Policy and Strategy.

If any further funding conditions are to be imposed on the release of City Deal monies by UKG and WG these will be considered and separately reported to Executive Board / County Council (as appropriate) for approval. Likewise any further financial implications of this project including any budget implications that are not already incorporated within the County Council Revenue Budget or Capital Programme will also be separately reported back to Executive Board / County Council (as appropriate) for approval.

4. ICT

The integrated partnership working on site will be facilitated through linked ICT. Initial conversations have been held, links for both communications and performance management will be specified as service and infrastructure configuration progresses.

A Full Digital Strategy is in development and will set out how data assets and technology-focused initiatives (such as Digital Healthcare) will be maximised at the Village through utilisation of appropriate platforms and applications. As part of this process, data sharing initiatives will need to be agreed in line with legislation and policy.

ICT arrangements will be in accord with the digital strategy for the Swansea Bay City Deal programme and the deployment of digital infrastructure will, so far as is possible, complement and link to other City Deal projects,

5. Risk Management Issues

The responsibility for the development and management of the risk register including appropriate mitigations has been delegated by the Llanelli Wellness and Life Science Project Board to the Project Management Office which is managed by CCC. A detailed risk register is held and managed by the PMO. The principal risks are set out below, full risk mitigation strategies are in place to ensure that the project outcome can be achieved

- Appropriate working arrangements are not put in place to maintain dialogue with and input from Swansea University
- The series of reviews underway cause delay to the project
- The full financial envelope for the Village is not secured

In taking the Village forward, the development of the project delivery structure will be subject to legal scrutiny, minimising the Council's exposure to risk and challenge.

6. Staffing

The Wellness Village will bring about positive impacts on employment and staffing – it is projected to create 1,853 jobs by Year 15 across a range of key sectors such as health and care, leisure, tourism and hospitality/catering. Affiliated education, training and skills development programmes delivered at the Village will benefit local recruitment and retention. This will be a mixture of formal teaching and placement opportunities delivered in partnership with higher and further education providers across the region. To conclude, no adverse impacts are expected on existing staffing.

7. Physical Assets

The Llanelli Life Science and Well-Being Village will be based on Local Authority owned land at Delta Lakes, Llanelli. The £200m investment provides a 'once in a generation' opportunity to provide landmark facilities for community use and, as such, a significant enhancement of physical assets can be expected. In respect of council-owned stock, this is likely to include,

- A Wellness Hub, providing new, modern leisure facilities for the people of Carmarthenshire
- Nursing home and extra care facility in line with demographic demand
- Social and affordable housing
- Outdoor recreation and free-to-access open green space

The interconnectivity of physical assets, buildings and open space will significantly add the Council's physical assets and can help break the generational cycle of deprivation and improve the aspirations and opportunities of those within adjacent deprived wards.

The Outline Planning Application was unanimously approved at an extraordinary planning committee on Thursday 10th January, pending National Resources Wales Flood Consequences Assessment and Welsh Government approval