

Swansea Bay City Region Joint Scrutiny Committee

(Hybrid/ Council Chamber Port Talbot Civic Center/ Remotely via Teams)

Members Present:

4 July 2023

Chairperson: Councillor R.James

Vice Chairperson: Councillor T.Bowen

Councillors: S.Yelland, G.Morgan, C.Holley, A.Dacey and M.Harvey

Officers In Attendance C.Moore, Burnes, S.Brennan, P.Chivers, T.Rees, J.Stevens and L.Willis

1. **Chair's Announcements**

The Chair welcomed everyone to the meeting. Officers were asked to introduce themselves one by one to the meeting. The chair also confirmed the councillors in attendance.

2. **Declarations of Interest**

There were none.

3. **Minutes of the Previous Meeting**

Minutes of the meeting held on the 2nd May 2023 were approved as an accurate record of proceedings.

Members asked to confirm any apologies. The democratic services officer confirmed the list of apologies received. It was requested that for future meetings, apologies would be an item on the agenda.

4. **Swansea Bay City Deal Quarterly Portfolio Monitoring**

Jonathan Burns presented the report to inform the Committee of the Swansea Bay City Deal Quarterly Monitoring report for both the Swansea Bay City Deal Portfolio and its constituent programmes/projects.

Jonathan Burns also explained that the quarter 4 financial report is not present as it needs to go through program board and joint committee and considered for Joint Scrutiny Committee at a future date.

Members feel there are substantial risks on the RAG status as stated on page 2 of the report and wanted to know what the mitigations were.

Officers agreed that there are seven red risks and advised that the risk register has a mitigation in place for each risk. Some of the risks aren't controllable by the Swansea Bay City deal and a watching brief is kept on those.

Officers explained that for the ones under control of Swansea Bay City deal there are mitigations in place, at least for monitoring of the risks. There are also mitigations such as course corrective action in some cases.

Members were concerned about private sector funding contribution not being in line with business case projection and the slippage in delivery programme against key milestones.

Officers explained that at a portfolio level, private sector funding is a red risk as £600,000,000 of funding is private sector funding. This is why at a portfolio level it is at a red risk, however, no project within the portfolio is identified as a red risk.

Officers explained that in relation to the slippage, all infrastructure project's nationally have been affected by delays caused by issues such as contract negotiations taking longer and increased costs. A construction impact assessment is ongoing to try monitor and mitigate against rising construction costs and slippage which tend to coincide.

Members referred to the amount of value engineering, especially the waterfront refurbishment where it is refurbishment rather than re-build. Officers advised that a change management process would need to take place, this would mean change approval.

Members also asked about whether some projects would start suffering because of these cost increases.

Officers explained that they can only when things go out to tender do projects know if there is a problem. The construction impact assessment highlights a gap of £31,000,000 that needs to be plugged. Officers advised that the mitigations against that are value engineering and gaps are also plugged by the host authority. Officers advised that they are looking at what mitigations can help with contractors.

Members were informed that on each of the project statuses included in the report. Officers explained that there are 9 headline projects and programmes and within those are 35 projects. Of these 3 are complete and in operation, 17 are in delivery and build started. This equates to approximately £400,000,000 of investment. Officers also highlighted that 15 of the 35 are in pre-commencement activity.

Members asked about the homes for power stations and asked if the risk should go to amber from red as there is only one member of staff left to employ. Officers explained that it was just a lag due to the timing of the report and they are now fully staffed. The next report will be updated with a green for this measure.

Members asked for more clarity on the project status or Generalized Activity Normalization Time Table (GANT). Members sought clarity if it was the status of the business cases or the status of projects.

Officers clarified that it was the delivery of projects such as procurement activity, these could be pre-commencement stage, going into build.

Members pointed out an issue with the diagram on the report. Officers clarified that the diagram in the report was not complete, and they would course correct the report for the next meeting. Members requested clarity on the project status reports and indications of what the risk mitigations are so that the committee can appreciate the status of aspects of the City Deal better.

Members also asked for an update on the number of total jobs created as mentioned in the appendix. Officers said that they believe the number is currently 550, an increase on what the report states of 536. Officers advised that jobs need to have run for at least a year to

confirm they are longer lasting jobs before they can be included. The number of jobs created is much higher in all likelihood. Officers stated that only after an independent economic assessment on the impact on City Deal will they be able to ascertain the true impact on job creation.

Members were advised that the economic and job impact is yet to be scoped out until certain milestone evaluations have been done. This hasn't been instigated by Joint Committee yet. governance and process must be gone through first before this can be instigated.

Officers advised from an investment perspective they are up to 22% of the overall investment target which is £271,000,000 and the updated reports that will come through will hopefully progress that as they go through the year.

Members asked to clarify if this report was a snapshot in time and wondered whether the £31,000,000 figure was an arbitrary figure due to the number of estimates included. Officers confirmed this was a snapshot in time and said there were quite a few procurements not in a stage where they could estimate the gap.

Officers also stated that the figure is a minimum as the price of things will be unlikely return to a level of two or three years ago and it's difficult to ascertain how much things have gone up until procurement.

Members also wanted clarification on whether this included the materials as well as employment costs as well. Officers confirmed it included everything.

Members enquired how much was allocated to the builds alone, having commissioned quite a few companies to start the build process on several projects. Officers didn't have the figures to hand but can find that detail out.

Members asked how many tier 1 contractors are based in Wales (had a head office based in Wales). Officers were uncertain but didn't believe many would have a head office in Wales although they are based here during the builds and are talking about a longer-term presence in the area in the future. Officers said they can look at asking these tier 1 contractors about this.

Members said that one of the early Committee discussions was the hope that contractors would be grouped together so that they can burden the liability of the costs associated with the build and put in a tender that would be a viable to be a tier 1 contractor among 3 or 4 of them. Members advised that, that hasn't come through.

Members wanted to know if was down to the market in Wales or if that was a failure on the City Deal to ensure that the projects were packaged as a whole site tender rather than packages of tenders. Officers advised that they are a collection of tenders and gave the example of the waterfront in Swansea. These will be the hotel, Arena and Kingsway and the Matrix and Precinct, they are all separate packages within the same business case. Officers explained that these would be broken down into subprojects within a project or program but even with some of the projects they would go over the scale thresholds that some local suppliers would be able to tender for.

Members were concerned that for benefits realisation, especially for jobs that especially men in the construction sector are used to working away and stay somewhere during a week and go home at the weekend. The members expressed the concern that when that project is finished what are the jobs going to be locally.

Members stated that so far most of the spend and benefits has been around construction and if that is not benefitting Welsh companies and Welsh workers then it must be questioned what the benefit realisation is of the locals as part of this stage of this scheme.

Officers advised that there have been over 200 local supply chain contracts, this would be the tiers 2 and 3. These are all with local companies who will all contribute to City Deal and grow their own companies.

Members noted this but were concerned that the tier 1 contractors would take an element of profits and had there been more Welsh tier 1 contractors then potentially there would be more of the Welsh pound staying in Wales.

Officers explained that tier 1 and tier 2 contractors are reluctant to bid for contracts at the moment and there is a need to get subcontractors involved and growing them and making sure they are able to prosper going forward.

Officers also explained that even with the sub-contractors, their books are full and there is a lack of supply of manpower that is driving the lack of companies able to bid for contracts.

Members explained that the hope was that many companies would have popped up in response to this massive investment and/or for the bigger companies locally to grow. Members stated that the question is how do they grow to the size to take on the large projects?

Members said that it might be that a conversation is needed where it can be drilled down on the benefits realisation in constructions and a paper on subcontractors and Welsh Jobs etc.

Members explained that the problem with construction would always be there because construction moves around the country and therefore so do the workers. The long-term employment needs to be looked at because the short-term employment is an issue as there aren't any Welsh construction tier 1 businesses based here. The transient nature of construction means that the construction jobs will always only be short term.

Members also wanted to know about the value added on the wider benefits of the project and would be interested to read the report that officers stated would come later in the year.

Members also stated that the projects will have a shelf life longer than the period of the City Deal and those jobs should hopefully stay for many years to come, but currently most of the jobs are in construction and the idea is to try squeeze as many benefits as possible out of that element to ensure value for money.

Officers advised that one of the areas of skills and talent is the construction industry sector, particularly around innovative ways of construction. Officers explained that they will develop a highly qualified workforce because of the pilots and the apprenticeships and ideally those people will be kept here in the Welsh construction industry.

Members highlighted that the UK Government had provided more investment via skills through other pots created and wanted to know if the local authorities and the officers have had discussions to ensure that the skills programs are being married up in a way that avoids duplications.

Officers said that they believe that is happening via the regional learning skills partnership and with the partners around levelling up as well. Officers also advised that there are other opportunities for skills development there.

The report was noted.

5. **Provisional Allocation of £5.3m Swansea Bay City Deal Funds and Swansea Bay City Deal Supporting Innovation & Low Carbon Growth (SILCG) - Advanced Manufacturing Production Facility (AMPF) Project Amendment Summary.**

Officers provided an overview of the report as circulated, they explained that Neath Port Talbot were leading the proposal of the provisional allocation of £5,300,000 City deal funds and it is intended to go into supporting innovation and low carbon growth program to bolster and enhance the advanced manufacture production facility as part of it.

Members were advised that program board had endorsed this on the 18th of April 2023 and Joint Committee approved it on the 11th of May. Members were advised that the approval means that Neath Port Talbot can now update their business case to support innovation & low carbon growth to enhance the advanced production facility with the inclusion of a national NetZero Skills Centre of Excellence.

The national NetZero Skills Centre of Excellence is a physical build, housing a Centre for Excellence for Skills. Officers explained that this is a consequence of the removal of the Centre of Excellence and Next Generation Services, The Factories of the Future and Steel Science. All of which lead by NPT in 2019.

Officers explained that what came as a consequence of that, was the support and innovation low carbon growth program which was incorporated into the programme and approved by the Governments in March 2021.

Members were advised that this meant that the £5,300,000 of the City Deal funds remained unallocated to any project or programme and Neath Port Talbot requested to amend the low carbon business case with a PMO. Officers requested to Joint committee that they approve these unallocated funds go to Neath Port Talbot in principle, for the purposes outlined in the report.

Officers requested that Neath Port Talbot can formally proceed with the development of a business case to include the advanced manufacturing production facility project and go through a process which is included in appendix b. around the business case approval change process associated with that. The development of the business case is currently being processed.

Officers explained that in relation to target dates, there has been a lot of engagement with further and higher education, Industry Wales, NetZero Industry Wales and local industry through the Economic Development team. Officers are basing this on need and demand from the industry and as such, this is an industry lead facility and industry lead skills; Welsh Government are also very interested in it.

Officers advised that in relation to timeline that they are working through the economic and business cases at the moment and are hoping to have the first draft of the economic case by this week. They will then review the document with Jonathan Burns' team and other parties they have been engaging with.

Officers are going to the Low Carbon Growth Program Board of Governors on the 14th of September 2023 and then the City Deal program board on the 31st of October 2023 and then for decision at City Deal Joint Committee on the 16th of November 2023.

Officers advised that because this is a significant change, it will likely need to be approved by Government but officers are already in dialogue with Welsh Government in regards to this.

Members were happy to receive the timeline and welcomed the funding, they asked to clarify where the Port Talbot Waterfront Enterprise Zone falls.

Officers advised that it covers harbourside, Baglan energy park and Baglan industrial estate.

Members welcomed the numbers of jobs created in relation to this project and asked whether they were long term jobs.

Officers confirmed that they are long term jobs, some linked to construction but most from successful spin out companies and spin out from Swansea University and Trinity Saint David. Both are looking for premises for startup and this facility will provide shared equipment and industry led skills such as looking at future skills of flow, freeport,

Global Centre of Rail Excellence. The goal is to ensure that the communities of Swansea Bay City Region have the appropriate skills to access long term jobs for future generations.

Officers advised that this bridges the gap between industry and academia and helps significantly in helping companies developing their products. There has been work done on this in the last 12 months. Members were advised that there are 6 or 7 catapults in England, 2 in Scotland and none in Wales. Officers are talking to Welsh Government about having a catapult in Wales and how officers can use some of their systems to then link up and be a bit more ambitious. Officers advised that they see this as a fundamental project going forward not just in Neath Port Talbot but across the region and South Wales as a whole. Officers said this is slightly more ambitious than initially thought.

Members wanted to understand more about the breakdown of the demographic of the people these jobs would go to and who would benefit from the training.

Officers explained that it would be across the board, people already in employment, school leavers, young people, all the way through to upskilling existing members of the workforce. This also allows companies to develop products in the advanced manufacturing centre. Officers also highlighted then the skills element on the side. They believe this compliments perfectly.

Officers used the example of Coventry in the MTC (Manufacturing Technology Centre) where they were producing 200 - 300 high quality apprentices every year and that helps the local industries there develop. Officers said that that is an area that is critically short on skills development.

Members highlighted that due to the economy this is a period of transition with people moving into new areas of employment and asked whether this is an opportunity for people via Welsh Government training schemes, to re-skill and move into a different sector should they wish. Members asked officers if they people could do so. Officers said that is the case.

Members also highlighted the potential to retain high quality jobs in Port Talbot from the decarbonisation of the Steel Works, as people will be looking for re-deployment from the heavy side of the industry to renewable energy.

Members asked about the £5,300,000 allocation as stated in the report and asked Chris Moore to confirm that no money has been released as part of this yet.

Chris Moore advised that when City Deal was structured originally, the funding was allocated to NPT. Because NPT has realigned some of its schemes and had taken slightly different projects, that released this amount. It was felt, as per the joint agreement, that it was sensible and appropriate to allow NPT to come forward with an amended scheme first. Officers advised that they wouldn't release any of the funding until they had a substantive project in place and this is part of the £240,000,000 that was originally allocated and its gone back to NPT for first opportunity at using the funds.

The report was noted.

6. **Private Sector Investment / Contribution Report. (For Information)**

Members were provided with an update on the current situation with Swansea Bay City Deal portfolio private sector investment and contributions as included in the report circulated.

Members queried about the digital infrastructure numbers and in relation to the £14,600,000 investments from Virgin which makes up three quarters of the actuals to date in terms of private investment.

Members asked if that funding is work that would have happened anyway and for Pentre Awel's investment projections for this year, how can it be expected that £20,000,000 investment can come this year as that is a considerable amount of money.

Officers explained that it wouldn't be possible to answer the first question, but nobody expected that much investment to be accelerated as fast as it had been.

Officers felt that the model has benefitted the region. Officers explained that in comparison to other areas, they are doing well and have expanded and accelerated their digital infrastructure roll out. This is because they have organised regionally and having lines of engagement and employed staff in the local authorities supporting digital infrastructure.

The Virgin Media numbers of £7,000,000 of expenditure in the region was excluded by the City Deal Infrastructure team from the £14,500,000 as that was not a direct involvement with the City Deal infrastructure team or project so they excluded it from the assessment. The spend in the region was higher if you include that money, but for the reasons mentioned they could not include it. Members referred to the fact that almost half of the actuals and projected private investments are virgin media related and members are aware that Virgin were already aggressively investing in this area for market share. Members queried whether City Deal was underselling itself.

Officers advised they didn't think so when you look at the breakdown of the providers and localities and felt that City deal has been ahead of where they thought in terms of stimulating private sector market and done so to good effect. Officers advised it would get more difficult as the fully fibred areas dry up, however there will be an acceleration of 5g test beds and the IOT workstreams are fully on boarded.

Members were told that this is a better position than originally thought and is qualified in terms of claimable investment impacted from city deal and the digital infrastructure team.

Officers explained that the first tranche of funding for Pentre Awel is coming from private sector borrowing and they are going into the market to pull down some money for the core element of the site they are constructing at the moment. Officers advised that the funding of that will come from the occupiers that are going on to tenancy agreements within the Pentre Awel complex.

Members were informed that this first element may slip slightly because there is an intention to use the funding in the first place and there has been a slippage in the project, although the core element of the project is still on track for Autumn 2024. The hotel and nursing care will need to break even on their own in terms of funding as it develops.

The Chair clarified with officers if the £20,000,000 is going to be borrowed from an investment company or bank and then paid back via the tenancies. Officers confirmed that was the intention and are talking to potential investors. There are also some discussions with the UK Government relating to grants being frontloaded and some of our own so officers will rebalance that as and when appropriate during the project.

Members asked if this funding would be necessary in terms of the final investment figure if we were able to be in a position where we didn't need to borrow, would officers be confident that they would get the £110,000,000 private sector investment via the hotel and the rest of the scheme.

Officers advised that the key issue is getting the tenants in to occupy that space and how you would translate that income stream into a capital value. Now the funding is needed but there might be other ways of looking at the income streams. There are the various academic institutions coming in and the private sector and innovation elements of it and that is slowly picking up momentum.

Members asked about the campuses and Swansea Waterfront being red risks. Members asked if officers knew if in 2025 that there will be the start of the investment for the campuses, and will it be spread over a number of years? Members also wanted to know in relation to the hotel build and the rental income from the Kingsway.

Officers explained that the campuses have developed the least. Until the commencement date and the funding agreement is signed, they won't know how much it has slipped by until they can start building. Jonathan Burns advised that there is a plan and he has spoken to Richard Lancaster of Swansea University who is overseeing this and has seen the investment plan but they can't start this until they get the green light to start building.

Officers explained that a lot of the £15,000,000 of city deal funds is in phase one around Singleton and Morriston Hospitals and a lot of the private sector investment is around phase 2. They are in conversations with industry partners and officers are confident that once the green light comes and they start delivering then they will start to see it coming through.

Members were advised that the project lead of the hotel has provided an update to say that they are still in negotiations with private sector investors and multiple funding sources for the hotel. The ATG fitout of £1,000,000 is done but they are still negotiating with the hotel. An announcement is imminent, and they are having negotiations with hoteliers.

Members stated that there is a major issue with funding of the hotel.

Officers said that the industry still hasn't fully recovered, currently the value is at £19,000,000 and they don't know how much of it will be coming from private funding as they may not be willing to invest at that level.

Members said that there would always be a gap between there between a 3 and 4 star and the way that gap is made up and the funding arrangement for the initial build and then the lease afterwards would be done. Members were surprised that its not a red risk rather than amber for that reason.

Members also felt that the rental for the Kingsway should also be a red risk as well as they don't know if the Kingsway will ever get filled up with all the other building going on currently.

Officers advised that the marketing campaign for the Kingsway is due to happen shortly. Indications are the opposite, catalysing the need for more office space. The Kingsway office space is considered to be high quality, collaborative space that is highly sort after.

Trinity St David have indicated that they already have got 90% occupancy earmarked for tenants for the Innovation Matrix which is amazing as they only have the seal structure up currently.

Officers advised that it is only heads of terms at the moment, and nothing signed but having that indication of tenancy agreements underway or working towards that is fantastic. It may be stimulating new businesses or industry into the region, but all those tenants will be announced as soon as they can be.

Members advised they were surprised that Homes as Power Stations was marked as green in the report as there are zero actuals for the first four years and the report is projecting £1,400,000 for this year. Members said that approximately half of the projects they are looking at is £1,400,000 out of £375,000,000 which makes up 60% of all private sector investment and they are significantly behind in terms of delivering all the actuals of private sector investment.

Members said that in a weak economy with high interest rates, not knowing what the future holds and with the construction sector being in a difficult place right now, members feel it is ambitious to believe that £375,000,000 within 8 years when so far only £1,400,000 has been delivered in 7 years.

Officers advised that the £1,400,000 is actuals and that there is a lag in the reporting as they have to gather reports and then the project lead is in the process of gathering those together for this financial year.

Lisa Willis advised that Homes as Power Stations is linked to capital builds and linked to funds that haven't been launched yet. The projections for private sector leverage are towards the end of the program so the next 2-3 years and is on target.

There is a pipeline of developments through the local authorities, through the RSLs and the private sector. There is the supply chain mapping exercise that has been done and they are fully resourced now. They have already started the delivery of Homes as Power Stations programme. Even though business plans are approved, and they are confident that the private sector projections leverage will be as met. That has been re-profiled because there is a lag in terms of construction, but they are confident they will meet those figures.

Members wanted to clarify what gives officers the confidence that they will be able to meet these figures, given every build project has slipped and the costs for everyone has increased. With a weak economy and a fully booked construction industry, how will they have the capacity to deliver £375,000,000 in 8 years.

Officers explained that the Homes as Power stations isn't a standalone building programme and is linked into the developments already projected and the aim of the project is to encourage the developments to look at renewable technologies. The housing developments would already be happening, the Homes as Power stations are sharing those lessons learned.

Members advised that the projected plan for Swansea North house building between Penllergaer, Loughor, Gowerton and Gorseinon was around 1500 houses back in 2019, up to now only 150 have been built. Members advised that quite a few of the larger builders are having problems currently building the vast estates and its only smaller builders who aren't having problems who are managing to build the smaller estates.

Members believe that they need to be very cautious how the £375,000,000 is going to be spent. Members said that some successful retrofitting has happened in Clydach on Homes as Power Stations and maybe at some point in the future it may be worth

looking seriously at whether retrofitting houses as well as building new ones.

Officers clarified that Homes as Power Stations is looking at new builds and the retrofit market and can provide an update for members.

Members feel that it is a big undertaking to get all this done in such a short space of time and all the issues they mentioned before in relation to the timeframe and the current situation of the economy, cost price increases and the position of the construction industry. Members would welcome a report to provide assurances on the plans and to see how the retrofit process would work. Members also brought up that they may add site visits to the Forward Work Program.

Simon Brennan advised members that there is always an element of risk when you are relying on the private sector and all authorities are going through the LDP process currently and everyone has ambitious plans in terms of housing delivery whether they have to work with public sector partners, RSLs. Carmarthen and Swansea also having their own in-house housing as well.

Officers advised that it's about connecting with the private sector and encouraging them to deliver. Officers explained that it is also about working in partnership with colleagues in planning as well and creating the environment for volume housebuilders to want to be engaged in the Southwest Wales region.

Officers advised that the demand is there for houses due to the work happening on the freeport and the general economic growth in the area and its about being able to reach supply and encourage contractors in. Officers commented that hopefully if they can see the economic growth then these house builders will be encouraged to build here.

In relation to retrofit, officers advised that there isn't a lot of money available and its about proving concepts and then making sure there is a good pathway when other funding stream become available to encourage retrofit across the region.

Members suggested that we may need to lean on ourselves due to the way mortgage rates are increasing causing people issues in

getting a mortgage as well as retrofitting in the authorities housing stocks or working with partners.

The report was noted.

7. **Forward Work Programme 2022/23**

Members agreed to hold a Forward Work Planning meeting in September.

8. **Urgent Items**

There were none.

CHAIRPERSON