



CABINET (SPECIAL)

***Following the Special Meeting of the
Cabinet Scrutiny Committee on
TUESDAY, 24 JANUARY 2017***

COUNCIL CHAMBER - PORT TALBOT CIVIC CENTRE

Part 1

1. To receive any declarations of interest from Members
2. To receive the Report of Chief Executive re the Swansea Bay City Deal (*Pages 3 - 20*)
3. Any urgent items (whether public or exempt) at the discretion of the Chairman pursuant to Statutory Instrument 2001 No.2290 (as amended)

S.Phillips
Chief Executive

Civic Centre
Port Talbot

Wednesday, 18 January 2017

Cabinet Members:

Cllrs. A.H.Thomas, P.A.Rees, M.L.James, E.V.Latham, Mrs.S.Miller,
P.D.Richards, J.Rogers, A.J.Taylor and A.N.Woolcock

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NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

CABINET

24TH JANUARY 2017

Report of the Chief Executive

SWANSEA BAY CITY DEAL

Matter for Decision

Wards Affected: All

Purpose of Report

1. To seek delegated authority for the Leader of Council (or the Chief Executive on his behalf) to agree and sign an in principle agreement on a Swansea Bay City Deal based upon the proposals submitted (and described below) should negotiations be successfully completed in the next few weeks.

Background

2. Members will recall previous reports on the emerging City Deal notably to the Economic and Community Regeneration Scrutiny Committee and to Member seminars, most recently last month in the context of the ongoing dialogue on local government reform in Wales.
3. To recap on the essential points, City Deals are bespoke arrangements between Cities or Regions and Government designed to promote growth, innovation and employment measured specifically in terms of Gross Value Added (GVA) growth and jobs. In the devolved context, they are triangular arrangements involving the City Region and both the UK and Welsh Governments. There have been some 20+ City Deals signed off in England and two or three in Scotland and others are in the pipeline.
4. The challenge we face is that this region's GVA has fallen from 90% of the UK average to 77% over the last three decades with

low productivity, high economic inactivity and poor health as unwelcome by-products. We are also over reliant on traditional primary industries and the public sector and risk falling further behind the rest of the UK and other parts of Wales. Sustaining the competitiveness of primary industries is crucial; but a more diverse economic base is required over time. Thus the City Deal is expected to realise some 9,500 jobs over 15 years; a total £3.3 billion uplift in GVA recovering 70% of the lost GVA.

5. In Wales, the Cardiff Capital Region signed a high level deal in Spring 2016 and the Swansea Bay City Region submitted in February of last year an outline proposal which focused on the benefits of digital infrastructure (including the Internet of Things), the energy sector and innovation in healthcare (the so-called “Internet Coast” document). Since then, an intensive period of work led to the submission of a detailed bid covering 11 specific projects in October of last year. The projects are summarised at Appendix 1 and those of more direct interest to this Council are described below.

Where are we now?

6. Immediately prior to and following the submission of the bid there has been a series of discussions with both governments as well as engagement events with Members of Parliament, Assembly Members and others across the region. However, we are now entering a crucial stage in terms of getting the Deal signed off in principle prior to the local government elections in May, so as to sustain the momentum of the process. Before Christmas, there was a so-called “Challenge Session” with Welsh Government Ministers which produced their agreement in principle to what is proposed and the Welsh Government has assured us that the funding has been set aside. That process will be repeated very shortly in Whitehall with UK Ministers and their advisors. If successful, we hope to be in a position to sign the Deal on the basis described above and below by the end of February.

What would the City Deal entail?

7. Essentially, it involves a total investment of some £1.3 billion over a period of 15-20 years (although precise timeframes have yet to be settled). This consists of £241m of central government funding

to be split between the two governments - on a basis to be agreed between them – plus £360m of other public sector funding and £673m of private sector contributions.

8. However, the key point for the purposes of this report is that Members are not being invited to sign up definitively to these commitments now for a number of reasons including the fact that the precise terms of the City Deal are not yet on the table. Both Governments will need to be clear about the terms of any deal before Members can be offered further advice.
9. We need to know who is paying for what (again, in large part, a debate between the two governments around devolved and non-devolved competencies); certainty around all of the funding stream/components; the profile of funds over the lifetime of the City Deal; how it will flow and to whom and the terms and conditions that the governments may seek to apply (e.g. the so called – and periodic - Gateway Reviews upon which the release of central government funding may be conditional). This detail is vital. The Council may borrow for projects in our area and also engage in a regional borrowing framework – to be determined – to support projects of a genuinely regional nature; but risk would need to be managed in line with our fiduciary duties. There are also competing priorities for borrowing (e.g. the 21st Century Schools programme).
10. In addition, there are a range of other matters to be resolved on individual projects (Appendix 1) including:
 - On CENGs, it is not yet entirely clear, for example, whether any funding will be capital only or capital and revenue;
 - On both digital infrastructure and skills, these will be a region wide projects and there will need to be a joint mechanism to deliver the required local authority borrowing; and
 - On steel science, the substance of the proposal will very probably need to be revisited to take account of the rather fluid and ongoing situation at Tata (discussions with the company have commenced).

11. More widely, there are a number of other factors bearing upon the City Deal and the negotiations. These include:
- The very positive outcome of the Hendry Review on Tidal Lagoons published earlier this month. Essentially, this was a ringing endorsement of the proposed Swansea Bay Tidal Lagoon and there is now no reason why it should not go ahead. The City Deal is not dependent upon the Lagoon; but the synergies with the renewable energy strand in the Internet Coast document are very strong;
 - The need to ensure that all parts of the City Region benefit from the City Deal. This obviously includes rural areas and the Valleys (this Council is closely engaged in the work of the Valleys Taskforce established by the Welsh Government last year);
 - The need to take account of the legislative framework in Wales, notably perhaps the Well-Being of Future Generations Act; and
 - Taking maximum advantage of the remaining two years or so of European Structural Funds prior to Brexit.

Governance

12. The remit of the Swansea Bay City Region Board expires on 31 March 2017 and the Welsh Government has decided not to renew it. It will be replaced by a Joint Committee structure, led by the local authorities to secure accountability for public funds; but also involving other partners including the private sector where Sir Terry Matthews is expected to be closely involved in the technology area. An indicative representation of what the structure may look like is at Appendix 2.
13. Members will recall from last month's presentation that the establishment of the Joint Committee is linked to the Welsh Government's local government reform agenda in the context of a push towards a greater regional working on economic development, transport and strategic planning. At one level, the proposed Joint Committee therefore represents a good vehicle for both the City Deal and wider local government collaboration.

14. However, full details are not yet finalised. The region has commissioned external legal advice on these issues and the Welsh Government's anticipated White Paper on local government reform was imminent at the time of writing; but had not yet been published. Thus, the Joint Committee will be established in shadow form initially pending resolution of these issues and the City Deal negotiations. The medium term policy intention, however, is to pool decision making at a regional level; but this (and indeed the full composition of the Joint Committee) may require legislative change. The minutiae of this need not detain Members here; but the implications will need to be considered at a later stage. The second Local Government Bill provides a potential vehicle for this.
15. In addition, these new structures will require a City Deal Delivery Team to be established – again see Appendix 2. It will need to be properly resourced as the previous shoestring arrangements supporting the City Region Board are not sustainable. The Welsh Government has been asked to make funding available and, if they agree, that will need to be matched in cash by the four local authorities, the Universities, the Local Health Boards and potentially other partners. Initially, it is proposed to fund any Council contribution (circa £25,000) from within existing resources. This is particularly important as delivering the projects will require a level of expertise on digital infrastructure and energy in particular that is not available in local government or the wider public sector in Wales.

Financial and Legal Implications

16. In addition to the governance related aspects (immediately above), the indicative funding profiles for the City Deal are at Appendix 3. But as noted above, no definitive commitments are proposed in this report. If Members endorse the recommendations below, a further report would be brought to Cabinet and Council following the local government elections in May. This is essential because such a report – unlike this one - would clearly impact upon the Council's budgetary framework which is a Council function where we would need to rely on our general finance powers to secure any borrowing.
17. Meanwhile, two additional safeguards are proposed: first, a referral to the appropriate Scrutiny Committee – see

recommendations below – and second, should Members so wish, a full presentation to a seminar from the City Deal pitch team led by the Leader of the City and County of Swansea and the Chief Executive of Carmarthenshire Council.

18. In addition to the governance issues identified above, there are existing powers available to local government to promote economic and wider well-being such as the Local Government Act 2000, but these are somewhat geographically constrained to the administrative areas of individual local authorities. On the other hand, collaboration between local authorities and other public bodies has also been very much the order of the day for a decade or more.

Reason for Recommendations

19. To provide delegated authority to sign an in principle City Deal agreement on the basis described in this report. In this regard, it should be noted that the other three local authorities (Pembrokeshire County Council, Carmarthenshire County Council and the City and County of Swansea) are taking similar reports to their Cabinets and Councils at this time. This process will need the participation of all four Councils.

Recommendations

That Members agree:

1. To delegate to the Leader of Council authority to agree and sign (or have signed on his behalf) an in principle City Deal agreement on the basis described in this report.
2. That the substance of the City Deal - including any subsequently signed agreement - is referred to the Economic and Community Regeneration Scrutiny Committee (or its successor) for further consideration.
3. That officers be requested to bring a further full report to Cabinet and Council on any definitive commitments following the local government elections in May should the City Deal agreement be signed in principle.

4. That this report be referred to full Council for information/discussion.

Implementation of the decision

The decision is proposed for immediate implementation

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Appendices:

1. Summary of City Region Project Information
2. Proposed Governance Structure
3. Financial Information

Background Papers:

The Internet Coast proposal – February 2016
Report to the Economic & Community Regeneration Scrutiny
Committee: 24 February 2016

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Appendix 1

Swansea Bay City Region – City Deal Proposed projects summary

Project title: The Internet Coast – Digital Infrastructure

Lead / Partners / Joint Partners:

Joint Partners: Neath Port Talbot CBC, CC Swansea, Pembrokeshire CC, Carmarthenshire CC, Swansea University, University of Wales Trinity St David (UWTSD), ABMUHB & Hywel Dda

Funding:

Investment requested from City Deal - £25

Match funding from other sources - £30m

Total Project Value - £55m

Project Summary:

The Internet Coast (Infrastructure and Test Bed) programme will be an enabling programme with the following aims:

- Placing the City Region at the forefront of strategic global trends
- Developing large markets
- Giving SBCR a true Unique Selling Proposition, differentiated from other regions in competitive World-wide industries
- Developing an offer which builds on the region's asset base and core strengths but also adds to the wider economic benefits previous investments in SBCR have generated
- Delivers a 'hyper-connectivity' agenda for the entire region with the aim of achieving 100% coverage and access to next generation broadband services, focus will be on rural & urban
- Underpins the development of CENGS and delivery of the integrated thematic priorities and projects of the City Deal focusing on health & wellbeing, energy and economic acceleration

Project title: Swansea City and Waterfront Digital District

Lead / Partners / Joint Partners:

Lead: CC Swansea

Partners: Swansea University and University of Wales Trinity Saint David (UWTSD)

Funding:

Investment requested from City Deal - £50 million

Match funding from other sources - £118.2million

Total Project Value - £168.2 million

Project Summary:

- The Swansea City and Waterfront Digital District project aims to create a vibrant and sustainable city centre that facilitates the growth of higher value activities (particularly tech businesses) and acts as a key driver for the regional economy
- The City and Waterfront Digital District builds upon a critical mass of ICT and associated knowledge-based enterprise and academic expertise already developed across the City.
- The proposal draws upon strongest available regional communication links, adjacencies to two vibrant universities, and the urban centre of the regional conurbation.

Project title: Creative Digital Cluster – Yr Egin

Lead / Partners / Joint Partners:

Lead: University of Wales Trinity Saint David

Partners: Carmarthenshire County Council, S4C

Funding:

Investment requested from City Deal - £5m

Match funding from other sources - £19.3m

Total Project Value - £24.3m

Project Summary:

Yr Egin involves the construction of a creative and digital hub within the Carmarthenshire region and the development of a Creative Sector cluster to further support the economic regeneration of the City Region building on the decision by S4C, the native language broadcaster, to establish a significant presence in Carmarthen as the anchor tenant in the building. SMEs will be engaged as tenants who will, along with S4C, enable real, tangible economic growth and job creation in the area. This is supplemented by the University's commitment to enhancing training provision and fostering innovation partnerships. Phase 1 of the project commenced in July 2015, will be on site by December 2016, and will be available for occupation in early 2018. This submission seeks City Region funding support for Phase 2 which will comprise the expansion of Yr Egin, onto adjacent land in the University's ownership, catering for additional tenant demand.

Project Title: Centre of Excellence for Next Generation Services (CENGs)

Lead / Partners / Joint Partners:

Lead: Neath Port Talbot CBC, CC Swansea, Carmarthenshire CC & Pembrokeshire CC, Swansea University, University of Wales Trinity Saint David, ABMUHB, Hywel Dda Health Board

Partners: TATA & Swansea University (SPECIFIC project)

Funding:

Investment requested from City Deal - £23m

Match funding from other sources - £32.5m

Total Project Value - £55.5m

Project summary:

CENGs will provide a data analytics capability to turn world class data sourced innovation into commercial systems and solutions establishing a leadership position for Wales and the UK. Initially focused on the domain of Internet of Health and Wellbeing and Internet of Energy, the core objective is to transition 'ideas' to private sector job creation and wealth generation.

The project consists of the following:

- Development of the SBCR CENGs Technology Centre at Baglan which will provide a hub for innovation, linking the scientific community with industry and government partners. It will build on current research and development activities and would house the Swansea Bay City Region Centre of Excellence for Next Generation Systems (CENGs) (see below); SBCR core regional team as well as a range of office space together with step-up / step-down laboratories
- The second element of the project will establish, over a seven year period, a self-financing UK Centre of Excellence for Next Generation Services (CENGs) which acts as a commercialisation hub for systems and solutions
- The provision of this capability will allow entrepreneurs and innovators drawn from a range of different sources and institutions to concentrate their efforts on delivering solutions without having to build their own platform, thus accelerating the number of ideas and opportunities which we can take to market.
- CENGs will be staffed with a mix of commercial and technical experts focussed on realisation and commercialisation of innovative ideas generated by others.

Project Title: Life Science and Wellbeing Campus Network

Lead / Partners / Joint Partners:

Lead: CC Swansea

Partners: ARCH partnership (ABMUHB, Swansea University, Hywel Dda UHB, Private Sector)

Partners/Private sector investment consortium

Funding:

Investment requested from City Deal - £15 million

Match funding from other sources - £30 million

Total Project Value - £45 million

Project Summary:

The ARCH programme has defined a campus and village Life Science & Wellbeing network to support growth of the Life Sciences and Wellbeing sectors. The 'Campuses' will build upon the successful Institute of Life Science initiative, providing a world-class integrated research & business incubator/park secondary/tertiary clinical, research and trials environment, and skills development centres. These hubs will strengthen the regional capacity to commercialise research, attract additional inward investment and further increase export of high-value services and goods such as medical devices.

Project Title: Life Science and Well Being Village

Lead / Partners / Joint Partners:

Lead: Carmarthenshire CC

Partners: ARCH Partners/Private sector investment consortium (additional partners including Coleg Sir Gar/Scarlets)

Funding:

Investment requested from City Deal - £40 million

Match funding from other sources - £159.5 million

Total Project Value - £199.5 million

Project Summary:

- The Llanelli Life Science and Wellbeing Village will comprise an Institute of Life Science, sports and leisure facilities, a primary/community care facility and critically an education and skills development capability integrated across the on-site services.
- The Llanelli Life Science and Wellbeing Village aims to deliver transformational social and economic benefits through delivering the full

scope of the Life Science and Wellbeing Village definition, namely the integration of business development, education, wellness initiatives, research and development and healthcare initiatives.

The village in Llanelli will be operational during the first five year period of the programme.

Project Title: Delivering Homes as Power Stations

Lead / Partners / Joint Partners:

Lead: Neath Port Talbot CBC, CC Swansea, Carmarthenshire CC, Pembrokeshire CC.

Partners: Swansea University

Funding:

Investment from City Deal - £15m

Match funding from other sources - £502m

Total Project Value - £517m

Project Summary:

The project will create a new industry based around innovative and sustainable energy generation, combined with storage and efficiency. New technologies developed and/or applied within the region are allowing homes and buildings to generate, store, and release their own energy. This is creating entirely new value chains stretching from world-leading research to applications for strategic heavy industry. A major aim will be to reduce fuel poverty and its impact on health. There will also be a focus on broadband Internet connections and smart metering, and the potential for links to a local authority led ESCO (Energy Supply Company).

The project will initially develop a cluster in Neath Port Talbot to catalyse a supply and value chain, which will deliver jobs with the construction supply chain, from new build and retro fit activities and developing inward-investing and spin-out opportunities. The initiative will then progress across the region.

Project Title: Pembroke Dock Marine

Lead / Partners / Joint Partners:

Lead: Milford Haven Port Authority

Partners: Marine Energy Pembrokeshire (META), Offshore Renewable Energy –Catapult (MEECE) and Wave Hub Ltd (SPDZ)

Funding:

Investment Requested from City Deal – £28m

Match funding from other sources – £48.3m

Total Project Value - 76.3m

Project Summary:

- Pembroke Dock Marine will deliver a thriving marine energy centre positioned to exploit existing expertise and proximity to resource.
- By creating a unified, dedicated development and delivery site key long term objectives can be reached, regional economic growth increased, creation of specialist skills base with export potential, bring down the cost of energy for marine sourced energy and ensure UK energy security.
- Pembroke Dock Marine brings together four key elements to concentrate, innovate, collaborate and generate a world class marine energy base in Wales – capable of taking developers from start-up to deployment and onwards to ongoing operations and maintenance.
- Close to some of the world’s best marine energy sources and with an existing specialist skill base and relevant infrastructure, this project will play an important part in making marine derived energy both cost effective and reliable – ready to help protect UK energy security.

Project Title: Factory of the Future

Lead / Partners / Joint Partners:

Lead: Swansea University/Industry Consortium

Partners: Wider Supply/Value Chain Industry Partners

Funding:

Investment requested from City Deal - £10m

Match funding from other sources - £13.5m

Total Project Value - £23.5m

Project Summary:

The Factory of the Future is crucial to supporting existing business owners in the region and building upon its strong manufacturing base. The region will create a Smart Manufacturing network bringing together disparate sectors ranging from heavy industry to complex microelectronics assembly to consumer products and food. This industry led initiative will create an ecosystem capable of manufacturing the innovative products developed within the region and also attract inward-investing manufacturing demand from the UK and globally.

Supporting SMEs to invest in leading edge technologies and harness the opportunities associated with a digital manufacturing revolution. Informed by industry 4.0 principles, and supported by world class industrial innovators, this initiative will put the region and its enterprises at the forefront of this digital and

data based manufacturing movement creating a regional integrated manufacturing ecosystem.

As well as addressing the needs of the region, and will create an ecosystem capable of delivering innovative products/processes/technologies developed within the region for the benefit of the region, but also creating opportunities of expanding/exporting this expertise to the wider world increasing national and international competitiveness for Welsh companies

Project Title: Steel Science Centre

Lead / Partners / Joint Partners:

Lead: Neath Port Talbot CBC and Swansea University

Partners: Industry Partners

Funding:

Investment requested from City Deal - £20 million

Match funding from other sources - £60 million

Total project value - £80 million

Project Summary:

- This project aims to build on regional excellence across the metals sector including Advanced Materials research and it is proposed to create an Open Access Innovation Centre for the Steel sector and its supply chains.
- This Centre will enable the steel sector to grow into a leading edge zero carbon steelmaker with carbon positive products utilising locally generated waste products as a chemical and raw materials feedstock; this is a model that could be exported to all developed economies ensuring a vibrant, innovative and profitable steel sector with regional and national product specialisms Steel technologists will be co-located with academic and research staff from Swansea and key UK partner universities supporting knowledge flow to existing Catapult centres. This innovation capacity will support activities including;
 - *R&D and Process Development for Primary Steelmaking to minimise carbon emissions*
 - *Development of value and supply chain opportunities in new products and processes*
 - *Novel construction material and supply chains into domestic and industrial building typologies*
 - *Environmental and Energy improvement and waste treatment for steel processes and exploring the greater use of recycled materials in the steel manufacturing supply chain*

- The Centre will connect to the wider UK academic ecosystem via the WMG activities and through the four core partners and create a vibrant multidisciplinary environment equipped with state of the art research equipment that will deliver innovative solutions to industry led problems across the UK steel sector. This Centre will help safeguard around 11,000 direct steel industry jobs in Wales and a further 20,000 in the UK steel sector, with the potential to create a further 1000 jobs in the SBCR region.

Project Title: Skills and Talent Intervention

Lead / Partners / Joint Partners:

Lead: Regional Learning and Skills Partnership

Partners: Higher Education; Further Education; Local Authority and Industry partners

Funding:

Investment requested from City Deal - £10m

Match funding from other sources - £20m

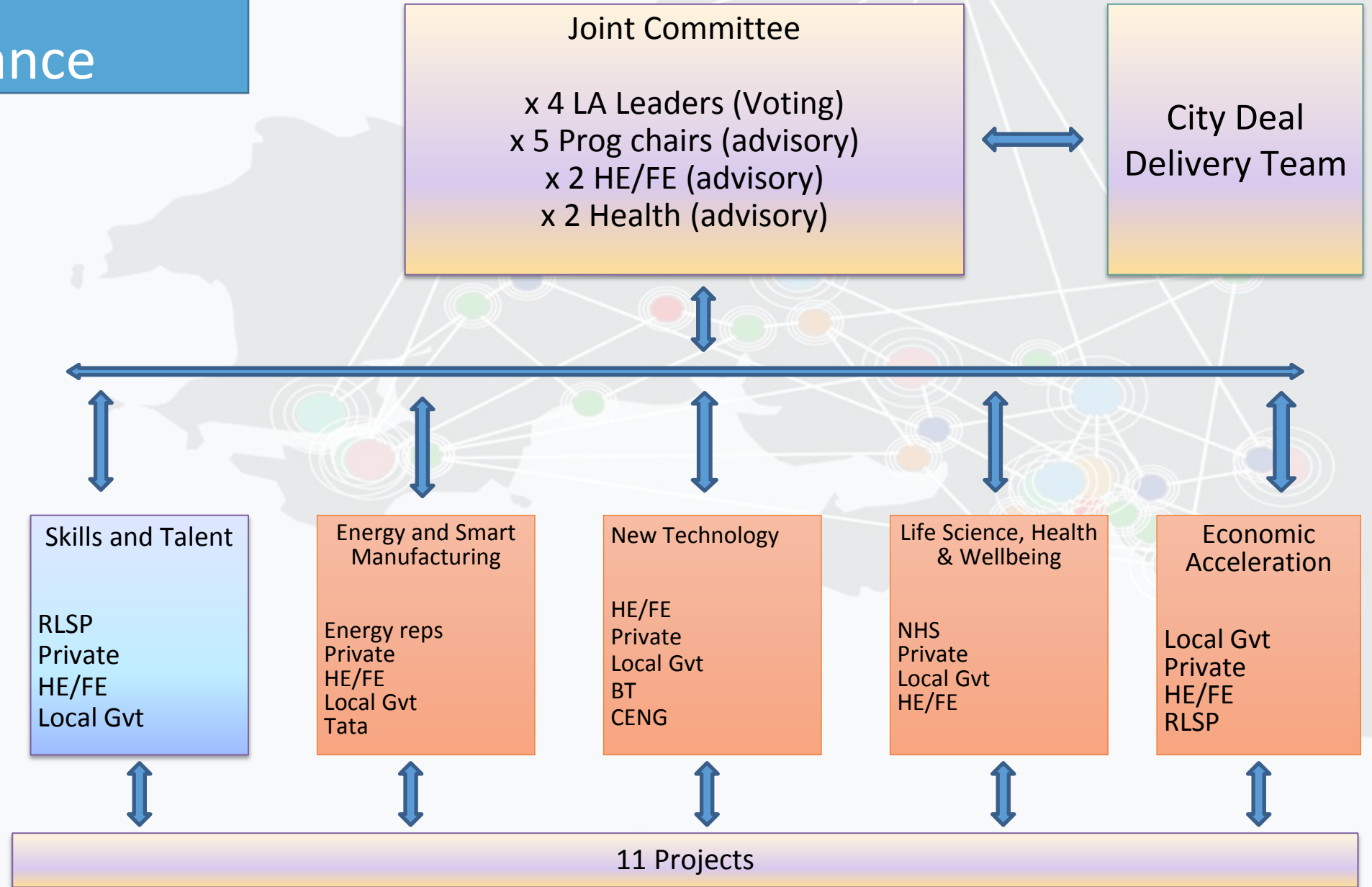
Total Project Value - £30m

Project Summary:

- The project will provide an integrated regional approach to delivering sector specific skills to meet the demand of the Swansea Bay City Region – City Deal.
- The Regional Learning and Skills Partnership will undertake a skills gap analysis to identify and quantify existing and new regional skills.
- The project will Influence and Inform the future workforce requirements of the City Region.
- The establishment of a Talent Bank will support the development of sector specific new emerging skills/roles reflecting the new technologies within each of the Internet themes to reflect the real-world opportunities.
- The skills analysis and identification and delivery of new training will be operational during the first five year period of the programme.

Appendix 2

Draft Governance



PROJECT NAME	Private	Public	Revenue	City Deal	Total Project	IMPACT					
						GVA 5 years	GVA 10 years	GVA 15 years	Gross Jobs 5 yr period	Gross Jobs 10 yr period	Gross Jobs 15 yr period
Internet of Economic Acceleration											
Digital Infrastructure & Testbeds	£30.0 m	£0.0 m	£0.0 m	£25.0 m	£55.0 m						
Skills & Talent Initiative	£4.0 m	£16.0 m	£0.0 m	£10.0 m	£30.0 m						
Swansea City & Waterfront Digital District	£61.4 m	£56.8 m	£0.0 m	£50.0 m	£168.2 m	£64 m	£190 m	£318 m	265	1176	1323
Centre of Excellence of Next Gen Digital Services (CENGS) & Technology Centre	£22.0 m	£5.5 m	£5.0 m	£23.0 m	£55.5 m	£31 m	£104 m	£154 m	100	500	500
Yr Egin	£3.0 m	£16.3 m	£0.0 m	£5.0 m	£24.3 m	£18 m	£51 m	£91 m	41	203	203
Internet of Life Science, Health & Wellbeing											
Life Science, Health & Wellbeing Campus Network	£10.0 m	£20.0 m	£0.0 m	£15.0 m	£45.0 m	£31 m	£61 m	£153 m	224	710	1120
Life Science, Health & Wellbeing Village	£127.5 m	£32.0 m	£0.0 m	£40.0 m	£199.5 m	£93 m	£286 m	£467 m	371	1853	1853
Internet of Energy											
Homes as Power Stations	£382.9 m	£119.2 m	£0.0 m	£15.0 m	£517.1 m	£50 m	£96 m	£251 m	361	1168	1804
Pembroke Dock Marine	£24.2 m	£24.1 m	£0.0 m	£28.0 m	£76.3 m	£25 m	£67 m	£126 m	119	553	595
Smart Manufacturing											
Active Factory of the Future	£3.0 m	£10.5 m	£0.0 m	£10.0 m	£23.5 m	£28 m	£36 m	£140 m	280	719	1402
Steel Science Centre	£0.0 m	£60.0 m	£0.0 m	£20.0 m	£80.0 m	£19 m	£43 m	£95 m	133	350	665
TOTALS	£668.02 m	£360.35 m	£5.00 m	£241.00 m	£1274.37 m	£359 m	£934 m	£1795 m	1893	7232	9465