

SWANSEA BAY CITY REGION JOINT SCRUTINY COMMITTEE

(Council Chamber - Port Talbot Civic Centre)

Members Present:

31 January, 2019

Chairperson: Councillor A.N.Woolcock

Councillors: T.Baron, J.Curtice, P.Downing, S.E.Freeguard,
Jones, A.Llewelyn, G.Morgan and D.Price

Officers In Attendance: K.Jones, C.Griffiths
C.Furlow, C.Davies and A.Manchipp

1. **MINUTES OF THE MEETING HELD ON 20 NOVEMBER 2018**

The Minutes of the meeting held on 20 November, 2019 were approved.

2. **UPDATE FROM THE CHAIR OF THE JOINT COMMITTEE AND CHIEF EXECUTIVE OF THE LEAD AUTHORITY FOR THE SWANSEA BAY CITY DEAL (BACKGROUND PAPERS ATTACHED)**

By way of introduction the Chairman advised Members that the Vice Chairperson had indicated that he had an issue with attending today's meeting and as such it may be necessary for him to reconsider his position on the Joint Scrutiny Committee.

The Joint Scrutiny Committee welcomed Councillor R Stewart (City and County of Swansea), the Chairperson of the Swansea Bay City Deal Joint Committee, M.James (Chief Executive, Carmarthenshire County Council), Lead Officer, C.Moore (Carmarthenshire County Council), 151 Officer and L.Rees-Jones (Carmarthenshire County Council) the Head of Administration, Law and Monitoring Officer.

The Chairperson, in his opening remarks, advised that the Committee, through its remit which included the governance of the

Swansea Bay City Deal Programme, wished to be advised of the circumstances around the suspensions at Swansea University, and the position relating to the Wellness Village at Delta Lakes, Llanelli.

The Chairman outlined the lines of inquiry which the Joint Scrutiny Committee would be pursuing today as follows:-

- Governance arrangements for the programme (Section 20.5 (b) of the Joint Working Agreement refers);
- Seeking reassurance that the City Deal was operating in accordance with the Joint Committee Agreement, its Business Plan, timetable and was being managed effectively (Paragraph 2.1.3 of Schedule 12 to the Joint Agreement refers)

Members asked for details of the events leading to the decision taken by both the UK and Welsh Governments to undertake an independent review of the City Deal arrangements. It was noted that Members of the Joint Scrutiny Committee had copies of the following background information:-

- The letter from the UK and Welsh Government in relation to the intention to carry out the joint review;
- The Terms of Reference of the Joint Government Review.

Members were advised that the Independent Review was not specifically related to the issues at Swansea University, but was part of a planned process to provide assurances prior to the release of monies. Actica had been commissioned to undertake the review on behalf of the UK and Welsh Governments.

In relation to the letter received from the Joint Governments, Members asked whether the phrase 'This will provide us all with assurances' – was predetermination and was this questioned at the time? In response Cllr Stewart disagreed with the assumption that the review was predetermined but felt that it was seeking assurances that the arrangements within the programme was fit for purpose. He advised that one year after the signing of the Deal in March 2017, all the governance arrangements were in place for the 11 defined projects. The delay in drawing up the governance arrangements, from the Deal's Head of Terms was due, in part, to the Election and more specifically the purdah period. Thereafter the Shadow City Deal Joint Committee became the City Deal Joint Committee. Three full

Business Cases were endorsed at the Joint Committee meeting held on 22 November 2018, one of which included the full Business Case for Delta Lakes. Cllr Stewart confirmed that the Joint Committee was committed to delivering the City Deal Programme. He further explained that scrutiny arrangements had not been put in place earlier as this could not be done until the Joint Committee was in place. The three projects had been endorsed in order to seek Governments' approval in line with the established governance procedures. However Members felt that the reliance placed on individual Authority's scrutiny alone, during the shadow period, had been insufficient.

Members asked for details of when the Joint Committee became aware of the suspensions at Swansea University and were advised that this was at the time the suspensions were publically announced, in November 2018.

It was noted that the Delta Lakes Project was developed and led by the individual Local Authority, Carmarthen County Council. Work had been carried out prior to the Joint Committee's endorsement and had been subject to the Local Authority's own internal governance arrangements, then the Programme Board's own governance and the Economic Strategy Board. The project would then have been endorsed by the Joint Committee and thereafter referred onto the UK and Welsh Governments.

The 151 Officer advised that risks assigned to individual projects fall to each City Deal partner and that they would be expected to sign off the financial elements of individual projects, etc. For example, in relation to Yr Egin, the risk lay with the University of Wales, Trinity St David, as the project had been completed without the sign off of the Joint Committee, etc.

Members expressed concern that the suspensions at the Swansea University had put public funds in jeopardy, however Cllr Stewart confirmed that no funds had been accessed. He confirmed that meetings had since been held with the University and there were concerns around 2 projects, however, it had confirmed that there were no issues with the other projects.

The Lead Officer confirmed to Members that no payments had been made to third parties from Carmarthen County Council and also that there were no legal liabilities. In relation to the Delta Lakes Project

the 151 Officer confirmed that the only money spent was the Local Authority's and that no companies had been established. In addition it was noted that there had been no land transfers.

Members asked what, if any, impacts and implications for the City Deal Programme had been identified to or by the Joint Committee in relation to the suspensions? It was noted that the Chair of the Joint Committee had initiated meetings with the University however information was limited. There had been a further meeting with the Swansea University's Registrar and his legal advisers following the announcement and prior to the Joint Committee meeting of 14 December, 2018. Some information was gained but was subject to legal privilege. He did however give assurances to the Joint Scrutiny Committee that the Internal Review commissioned by the Joint Committee would actively audit activity to ensure it had been carried out, in line with the agreed governance arrangements. However, there was always improvements that could be made. It was confirmed that the University of Swansea was involved in 5 projects, however only 1 had progressed to date.

Members asked whether Officers or the Joint Committee Members had been informed of the investigations carried out by the University prior to the suspensions and what were the working relationships between the 2 organisations? The Chair of the Joint Committee advised Members that there had been no notification of the investigation and that he believed the position taken by the University was correct however he would have preferred an early notification. He confirmed that there was a close working relationship between the partners and the University of Swansea on a range of projects.

Members asked whether the input of Welsh Government officials in the development of the Terms of Reference and the ongoing reviews could be clarified? The Lead Officer confirmed his frustration regarding the length of time taken in relation to governance issues as during this time the Joint Committee was keen to progress the projects. It was noted that work regarding the funding of the City Deal Programme had taken place to create new funding flexibilities. Government funding was for Capital funds and there was no revenue stream identified. Agreement had also been reached on local use of NNDR monies associated with the various projects. Also the use of capital monies as revenue for regeneration purposes. In the view of the Lead Officer the process should be reviewed and improved.

Members asked what assurances did the Joint Committee seek and receive prior to the endorsement of the full Business Cases for the Wellness Village, the Swansea Waterfront and Digital District and Yr Egin? Members were advised that the Joint Committee had received assurances that the governance arrangements had been adhered to. There was however an opportunity, in any review, to improve arrangements. The suspensions had occurred after the endorsement of the three full Business Cases, on 22 November, 2018, by the Joint Committee. It was outlined that the Joint Committee was unaware at this time, of any investigations being undertaken by Swansea University.

The Joint Scrutiny Committee asked why the Joint Committee had not met as soon as the suspensions were announced and was advised that earlier meetings had been sought, however had been impossible to convene.

In relation to the checks carried out on external companies Members asked for details of the process. The 151 Officer advised that there was an open procurement process and 1 tenderer had shown an interest. Consultants were then employed and a Business Case developed. A due diligence test was undertaken. The project was developed over 3 stages, however at stage 2 it was acknowledged that the project would not work. A consortium was then entered into between Swansea University and Stirling Health which allowed the project to continue. On 7th December this collaboration agreement was dissolved and Carmarthenshire Council was now looking for an alternative delivery option.

At this point in the meeting the Chairperson expressed his concern that at no point had the Joint Scrutiny Committee been consulted about any of the reviews nor their terms of reference. This was considered, by Members of the Joint Scrutiny Committee to be disrespectful and that the Chairperson, at least, should have been contacted.

Since the Joint Governments' Review was announced a number of other reviews had been put in place, including:-

1. A review by the Joint Committee on programme governance – The Joint Scrutiny Committee had obtained a copy of its terms of reference. The timetable was aligned with the independent review and was led by the internal auditors from Pembrokeshire

County Council supported by auditors from the other Local Authorities in the City Deal Partnership.

2. A review by the Wales Audit Office (WAO) concerning the Delta Lakes Project requested by Carmarthenshire Council. The Section 151 Officer was asked to provide the Terms of Reference for this prior to today's meeting, however he refused as they had not been shared with Carmarthenshire elected Members and would not come within the purview of the Joint Scrutiny Committee as the Delta Lakes Project was not a regional project. In response to this, the Chairperson advised that the Committee was fully aware that the Delta Lakes Project was not a regional project, however the reviews to be undertaken could reflect on the governance of the Programme as a whole, which was within its purview. As a result the Joint Scrutiny Committee would welcome an overview of the objectives of the WAO review and the External Legal Review, associated timescales and an undertaking that the findings of those reviews would be made available to the Joint Scrutiny Committee. In response the 151 Officer read out the Terms of Reference of WAO review for the Joint Scrutiny Committee's information.
3. A review being undertaken by Carmarthenshire County Council in relation to the procurement process associated with the Delta Lakes Project.
4. An internal investigation being undertaken by Swansea University.

In relation to the governments' review, Members asked for details of the anticipated timeline for its completion and whether the outcome would be shared with this Committee. Was the money safe? In response it was noted that the timeline for completion of the reviews was February as interviews were ongoing and that the outcome would be made public.

Members asked why, in relation to the Joint Committee's review, was there no contact with the Chairperson or the Joint Scrutiny Committee. The witnesses advised that there had been consultation with the UK and Welsh Governments to ensure that all areas were covered by the reviews. They did not feel it was necessary to have liaised with the Joint Scrutiny Committee as they expected the Committee would want to do its own review, but confirmed that if,

after completion of the review, Members wished to invite them back to a future meeting, they would be happy to present the findings. Again Members of the Joint Scrutiny Committee expressed their dissatisfaction that they had not been consulted prior to the review commencing. The Head of Administration and Law for Carmarthen acknowledged Members concerns and undertook to address the issue going forward.

Members expressed concern that the situation had occurred soon after the Joint Scrutiny Committee's first meeting and while it recognised some projects were not within its purview, the scrutiny of the overall governance did rest with the Scrutiny Committee. The Committee did not consider that it was possible to separate project issues from wider programme issues. Concern was expressed at the lack of a Shadow Joint Scrutiny Committee which meant that scrutiny Members were now on a steep learning curve. The witnesses agreed that information sharing/relationships would be improved going forward.

Members asked for assurances that the terms of reference for the two reviews on the Delta Lakes project would be made available to the Joint Scrutiny Committee and this was confirmed. In addition Members asked whether they would have sight of the recommendations made by the reviews and how the Joint Committee proposed to deal with them? The 151 Officer confirmed that initial feedback from the external legal reviewers was that the procurement process had been carried out correctly and further suggested that the Wales Audit Office be invited to present its findings in due course. At this point the Lead Officer interrupted the 151 Officer and advised Members that the reports would be shared with the Committee and scrutiny Members could then draw their own conclusions.

Cllr.Stewart reiterated the need for local scrutiny to be carried out by the respective Authorities as they were responsible for their governance.

The witnesses were then asked about the position regarding the suspensions at Swansea University and any implications from the ongoing investigations. Members noted the position in relation to the suspensions and any implications going forward were unknown.

As the City Deal was a significant partnership for the four constituent authorities, scrutiny Members asked the witnesses to outline what the Joint Committee had assessed the impacts and implications of the

recent events to be? The Chairman of the Joint Committee advised that there should be no impact. The investigation in Swansea University was live and the other reviews may result in changes being required. He also gave Members assurances that the findings of the reviews would be fully considered by the Joint Committee, including making a challenge to conclusions reached and recorded if appropriate. It was noted that the partnership between Carmarthen County Council and Sterling Health had been dissolved and a new partner would need to be sought. In relation to Yr Egin this project had been completed. In relation to the Swansea Digital Project this was still ongoing. There was no impact at this time and the Joint Committee would still meet.

Members questioned whether all partners, including Swansea University, were committed to the Deal and were advised that while work may be delayed the Deal was still ongoing. A meeting would be sought with the University once a new Vice Chancellor had been appointed.

In relation to the risks to the individual Local Authorities, Members questioned whether losing a partner would result in the Local Authority taking on the whole risk? Members stressed the need for the Local Authorities to be aware of the risks associated with their projects. In response Members noted that the Joint Working Agreement allowed for flexibility thus there was no financial risk at Programme level. In relation to the Delta Lakes project it may be that Carmarthenshire County Council would deliver the project itself.

Members asked what the implication would be if one Local Authority/ Government withdrew from the Deal. They were advised that there was no evidence that this was a possibility, however the Deal allows for this eventuality, and perhaps the financial allocation could be used by one of the other Local Authorities involved in the Deal. Welsh Government was still keen to deliver the Deal, but if either Government withdrew its funding, Local Authorities would need to look at alternative ways to deliver.

Members asked about the relationships within the Joint Committee and were advised that there was great enthusiasm to deliver the Programme. An invitation was extended to Members to attend a Joint Committee Meeting.

Cllr Stewart confirmed that nothing had changed as a result of the Swansea University suspensions and that work was ongoing. He

advised that the City and County of Swansea had already spent money on its project and that this now represented a risk to the Authority in the sum of £1.5m. In relation to Yr Egin, Members were advised that this project was completed and occupied, this too was awaiting City Deal money. Pembrokeshire County Council was awaiting European Funds while Neath Port Talbot had land issues associated with the Steel Science Project. The other projects were not yet ready for consideration.

Cllr Stewart again confirmed that the governments' review was coincidental and that approval of the projects was subject to, among other things, a review. The review he stressed was not being undertaken as a result of possible problems.

Members asked whether the witnesses were aware of any other similar reviews of City Deals across the UK being carried out and were advised that the process in Swansea Bay was different to elsewhere because of Government requirements. The Lead Officer thought that the review would be of assistance. It was noted however that the date for the release of monies had not yet been confirmed.

In response to the question on where were the references to the risks associated with non-release of monies, Members noted that these risks would be identified on the individual Local Authorities' risk registers.

In relation to the Joint Committee's Risk Register, Members asked for assurances that it was robust and that it had been signed off by the Joint Committee. Members noted that this version of the Risk Register had not yet been signed off by the Joint Committee as part of the Implementation Plan and was therefore awaiting approval. It was confirmed that the Risk Register would be an item on each agenda of the Joint Committee going forward. In relation to the date on the most recent Risk Register it was noted that the date of October 2018 was incorrect and it had been reviewed since that date.

The financial risks was linked more to individual Authorities, with the Joint Committee being responsible for distributing £16m. The Programme as a whole was responsible for £240m over a 15 year period.

In relation to reputational risk and commercial risk, how was this to be evidenced in the risk register? The Chairman of the Joint Committee advised that this had been considered in light of the suspensions,

however there had been no issues with other, private partners. The 151 Officer confirmed that dialogue was continuing with other investors who indicated continued confidence in the programme.

Cllr. Stewart offered to attend a future meeting of the Joint Scrutiny Committee once the outcomes of the reviews were known and would look at ways to improve scrutiny by the individual Authorities.

The Chairperson then thanked the witnesses for their attendance at today's meeting and advised that the Joint Scrutiny Committee would now discuss the information provided and make any recommendations it felt appropriate.

Following deliberations the Joint Scrutiny Committee:

RESOLVED: that

1. The Joint Committee should reinforce with City Deal partners that they have an obligation to disclose material events to partners in a timely way to ensure good governance and to ensure attendant risks to the wider programme are managed effectively
2. The Joint Scrutiny Committee believes that it can operate most effectively when there is a good flow of information between the Joint Committee and its own arrangements. The Joint Scrutiny Committee would like a formal assurance from the Joint Committee that any further material developments that are not set out in the Joint Committee's Forward Work Programme are notified to the Chair of the Joint Scrutiny Committee in a timely and appropriate way.
3. The Joint Scrutiny Committee believes that all of the work of the Joint Committee should be visible to Joint Scrutiny Committee members and that there should be no delay in information being shared with the Joint Scrutiny Committee. The presumption should be that there is transparency across the Programme. The Joint Committee is therefore asked to revise the existing information sharing arrangements to ensure all papers (both public and private) are available to scrutiny committee members and support officers.
4. The Joint Scrutiny Committee notes and welcomes the standing invitation issued by the Chair of the Joint Committee to attend and observe meetings of the Joint Committee. The Joint Scrutiny Committee recommends that this suggestion be formally reflected in governance arrangements so that the Chair

and/Vice Chair of the Committee and supporting scrutiny officers can attend and observe both public and private meetings of the Joint Committee.

5. The Joint Scrutiny Committee welcomes the encouragement provided by the Chair of the Joint Committee for the terms of reference set out in the Joint Working Agreement to be operated in a more flexible way. The Joint Scrutiny Committee does not believe that neat boundaries can be drawn around the scrutiny of individual projects and scrutiny of the programme as a whole. The Joint Scrutiny Committee acknowledges and agrees that some matters at project level are more appropriately scrutinised at individual agency level, however, there may be situations where issues related to individual projects may have a bearing on the programme more broadly and the Joint Scrutiny Committee would want the ability to scrutinise those matters. The Joint Scrutiny Committee agrees that where appropriate the Joint Scrutiny Committee should be able to explore project activity.
6. The Joint Scrutiny Committee notes that the Joint Committee intends to review the Risk Register at each of its future meetings. The Joint Scrutiny Committee recommends that the Joint Committee considers whether the current Risk Register is comprehensive and up to date and is sufficient to support the Joint Committee in taking all of the actions needed to ensure the Programme delivers the outcomes required. In particular, the Joint Scrutiny Committee recommends that the Joint Committee considers whether the programme Risk Register is adequately informed by project risk to ensure that significant project risks are visible and enable the Joint Committee to assess whether they have the potential to impact on the delivery of the overall Deal.
7. The Joint Scrutiny Committee was told that the Risk Register circulated for the meeting had not been seen by the Joint Committee. The Joint Scrutiny Committee recommends that the controls in place within the Programme Office be reviewed to ensure appropriate release of programme information.
8. The Joint Scrutiny Committee was pleased to receive assurances about the lack of impact flowing from the suspension of individuals at Swansea University and subsequent events on reputational risk and investor confidence. However, the Joint Scrutiny Committee was not convinced the full impact of current events on reputational damage was being identified and recommends that the Joint Committee gives

further consideration to the impact of events on reputational damage and the measures in place to mitigate associated risk.

3. **FORWARD WORK PROGRAMME**

Agreed by the Joint Scrutiny Committee, subject to a Special Meeting being convened to consider the reviews' findings and that the 151 Officer be invited to attend to explain governance arrangements.

CHAIRPERSON