

# NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

## CABINET

24<sup>TH</sup> 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 21<sup>st</sup> 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