

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

CABINET

27 June 2018

Report of the Chief Executive

SWANSEA BAY CITY DEAL

Matter for Decision

Wards Affected: All

SECTION A

Purpose of Report

1. To seek authority to sign off the City Deal Joint Working Agreement (JWA) and approve ancillary arrangements.

Background

2. Previous reports - listed as background documents below - provided Members with advice on the progress of negotiations. The key factors that conditioned our approach are again discussed briefly in this report; but essentially the two governments have now agreed a final version of the JWA which is satisfactory and contains other necessary safeguards. The written confirmations from both governments are listed as background documents.
3. Upon its signature by all four Councils, the agreement would formally establish a Joint Committee. The Joint Committee has no separate legal identity and so cannot own property, accept grants or enter into contracts in its own right. It is proposed that one authority, namely Carmarthenshire County Council, will act as the 'Accountable Body'. As the Accountable Body, Carmarthenshire Council will take responsibility for employment of the staff directly affected, enter any third party agreements required and provide all support services required by the Joint Committee.

4. The full text of the JWA is at Appendix 1¹. From our perspective, the key elements are as follows:

- Even though neither the UK nor Welsh Governments are formally party to the agreement, Recital E contains a very clear public commitment (from both effectively) to deal with the key financial issues of a 50% retention of non-domestic rates generated by City Deal projects and access to revenue funding. On this latter point – and in addition to the relevant clauses in the JWA - the Welsh Government has issued guidance (at Appendix 2 together with supporting correspondence) permitting local authorities to use capital receipts received during each financial year from 1 April 2016 to 31 March 2022 to fund revenue costs for defined qualifying expenditure (i.e. City Deal projects). This is key in terms of delivering the CENGs project – see below - as discussed in previous reports;
- Section 12 deals with the process for funding projects regionally including the interaction with the Economic Strategy Board – see also Schedule 6 in that regard. The terms of reference/membership arrangements for the Joint Committee and the Programme Board (Chief Executives) are to be found at Schedules 1 and 2 respectively;
- Sections 13 and 14 cover borrowing and other sources of funding respectively. These provisions should also be read against Schedule 5 which reserves certain matters to individual Councils. The key point is that paragraphs 2 and 3 of this Schedule reserve decisions on funding projects in their administrative area to the Council concerned. This is a key safeguard and our approach will be to submit all business cases for Member approval;
- Section 19 deals with the administration costs of the City Deal and Section 20 the Audit and Scrutiny dimensions (NB this Council is the designated lead on Scrutiny; but these arrangements will be the subject of a separate report to full Council which will also cover the formal appointment of Members to the Joint Committee); and

¹ Given its length, the document is available to Members electronically; but hard copies are available from Democratic Services on request.

- Section 22 provides that any Council withdrawing from the agreement must give a minimum of 12 months' notice – a standard provision in agreements of this type which mirrors, for example, that of the Joint Committee overseeing the regional school improvement consortium.

Projects

5. The issues central to this report are governance and financial matters, not the projects themselves. As noted above, they will be the subject of full business cases to be submitted to Members for determination in due course. However, for completeness brief project descriptions are included for reference below. The first three are within the County Borough and the other three are regional projects:

- **Steel Science/National Innovation Centre:** This will focus on providing commercial R&D to address the current and future challenges of sustaining steel-making capacity in the region and the UK. In doing so, it will work with industry to reduce its carbon footprint and support for the developments in the steel supply chain and downstream operations.
- **Factory of the Future:** To support and continue to build the region's strong manufacturing base, this initiative will create a network of smart manufacturing innovation centres which will provide SMEs with an opportunity to invest in leading edge technologies.
- **Centre for Excellence in Next Generation Digital Services:** The Centre aims to act as a systems and solutions hub. Operating from a purpose-built facility which will offer incubation, laboratory and second stage space, the Centre will bridge the gap between research and innovation and the ability to launch, develop and grow commercial opportunities. It is based on a proven model operating in Canada.
- **Homes as Power Stations:** New technologies allow buildings to generate, store and release energy and this programme seeks to undertake an extensive new house build and retrofit programme which integrates such technologies, addressing other issues such as fuel poverty and more sustainable homes. This Council is host to the first project in the region (in Neath).

- **Digital Infrastructure:** The partnership is exploring the demand and investment case for the provision of state of the art digital infrastructure for the region that will underpin all interventions within the City Deal.
 - **Skills and Talent Initiative:** This seeks to ensure the creation, attraction and retention of a workforce equipped to deliver each of the City Deal interventions. It will focus on a number of strands including advanced skills, HE/FE provision, apprenticeships and school engagement amongst others to contribute to an uplift in productivity across the wider economy.
6. Discussions are ongoing with partners in respect of developing the business cases further. Once complete, these will be submitted to Members for approval and be subject to the appraisal and evaluation process outlined in the Joint Working Agreement.

Financial Implications/Risk

7. As previously reported, these matters were the major sticking point for us previously in the context of securing a Capitalisation Direction or equivalent mechanism. The last report (dated 25 April 2018) contained a series of tables and analysis which demonstrated a potential additional cost of borrowing to this Council over the life of the City Deal of more than £21million had the issues not been resolved. In addition, Members will note the reference to the initial contribution of £50,000 per annum that the Council will be contributing to the running costs for years 1-5, which has been referenced in previous reports.
8. However, we are now satisfied that what is on the table represents a fair balance of risk/reward if the business cases prove robust and affordable. For completeness, revised projections of this Council's borrowing costs over the life of the City Deal is at Appendix 3. This illustrates that the residual cost/cost of borrowing is now estimated to be reduced to some £6.3 million.

Sustainable Development

9. The Future Generations and Wellbeing Act 2015 aims to make public bodies think more about the long-term, work better with people and communities and each other, look to prevent problems and take a more joined-up approach. The Act places duties upon public bodies and given the importance of the City Deal and the establishment of the Joint Committee, it is essential that the Future Generations and Wellbeing Act is given due consideration in reaching a decision whether to sign the JWA.
10. The Future Generations Commissioner has outlined clearly expectations that the City Deal will need to be based on evidence of its contribution to the well-being goals identified in the Act. The City Deal seeks to reflect the key tenets of the Act to deliver sustainable improvement in the performance of the City Region's economy and, for illustrative purposes, an "impact grid" is at Appendix 4. This attempts to assess the Act's goals and ways of working against the overarching strands of the City Deal. It is inevitably subjective at this stage (particularly so given that most business cases remain under development); but the circles on the grid denote those areas where the City Deal is likely to have the greatest impact. Thus it is included as a starting point for this policy dimension of the City Deal.

Legal Implications

11. There are a number of legal powers available to the Councils to facilitate the proposed collaboration and creation of the Joint Committee. These include Sections 101 and 102 of the Local Government Act 1972, sections 19 and 20 of the Local Government Act 2000, section 9 of the Local Government Wales Measure 2009 and Local Authorities (Goods and Services) Act 1970.
12. These powers include the ability to delegate functions, the ability for two or more authorities to discharge any of their functions jointly, and where this occurs, to do so via a Joint Committee and the ability to supply administrative professional and technical services jointly.

Workforce Implications/Equality Impact Assessment

13. None/not required at this stage.

RECOMMENDATIONS

That Members agree:

1. To delegate to the Leader of Council, in consultation with the Deputy Leader and the Cabinet Members for Finance and Regeneration and Sustainable Development, authority for the Council to enter into the Joint Working Agreement. This is subject only to the other three local authorities doing likewise taking account of any minor amendments which may prove necessary and do not alter the substance of the document at Appendix 1.
2. To appoint the Chief Executive as the Council's representative on the City Deal Programme Board and delegate to him authority to appoint a deputy to represent the authority as necessary (this would ordinarily be the Director of the Environment or the Director of Finance and Corporate Services).
3. To delegate² to the Chief Executive, in consultation with the Leader of Council and the Cabinet Member for Finance, authority to apply for and accept funding for City Deal projects on behalf of the Council and deal with other ancillary matters on the same basis.
4. To refer this report to full Council for further discussion given the potentially significant impact of the proposal on the Council's long term budget framework.

Reasons for proposed decision

To invite Members to provide authority to sign the Joint Working Agreement and formally establish the City Deal Joint Committee.

Implementation of the decision

The decision is proposed for implementation after the three day call in period.

² For the avoidance of doubt, this delegation is essentially a means of enacting decisions on City Deal business cases or facilitating the development of those business cases. **As this report makes clear, these decisions are reserved to Members, including the Scrutiny dimension.** Thus the proposed delegation is no substitute for this process.

Appendices

Appendix 1: Joint Working Agreement (JWA) – *available electronically via ModernGov*

Appendix 2: Welsh Government Guidance on the Flexible Use of Capital Receipts (available via this link: <https://gov.wales/topics/localgovernment/finandfunding/capitalisation-directions/?lang=en>)

Appendix 3: Revised Projected City Deal Borrowing Costs

Appendix 4: Future Generations Act/City Deal – “Impact Grid”

Background Documents

Report of the Chief Executive: 4 October 2017

Report of the Chief Executive: 25 April 2018

Letter from the Secretary of State for Wales to the Leader of the City and County of Swansea: 17 June 2018

Letter from the Welsh Government Cabinet Office to Carmarthenshire County Council: 19 June 2018

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