

Swansea Bay City Deal

Internal Review of Governance Arrangements

March 2019



Internal Review Team:

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Neath-Port Talbot County Borough Council

Carmarthenshire County Council

City & County of Swansea Council



Executive Summary

1. Introduction & Background

1.1 Political Context

The UK Government's Industrial Strategy identifies five Foundations and four Grand Challenges to ensure that the UK takes advantage of major global trends to improve productivity and the lives of people. City Deals are one of the main vehicles for driving economic activity and growth within the UK and are aligned to the five foundations of the UK Government's Industrial Strategy, they are specific to each Region and aim to build on the Region's strengths.

City Deals in Wales support Welsh Governments longer-term approach to Public Sector reform in Wales. Public Sector partnership arrangements already exist on various footprints to support and improve the provision of services for Education and Social Services & Wellbeing. The Heads of Terms signed by UK Government, Welsh Government and the Leaders of the four Local Authorities on 21 March 2017, commits the Swansea Bay City Region to working in partnership with Welsh Government to deliver local government service reforms that will see a number of strategic functions delivered at the regional level. The Joint Committee is required to keep under review the arrangements for discharging local authority functions that might be mandated to be exercised regionally (e.g. land use planning, transport planning and economic development).

Existing and future Government regeneration funding is expected to be based on a regional working approach. A key feature of the Welsh Governments Targeted Regeneration Investment Programme, which has been available to Local Authorities since April 2018, is the identification of projects through regional working. The proposed UK Shared Prosperity Fund is likely to award funding on the same basis.

1.2 Swansea Bay City Deal (SBCD)

The theme of the SBCD is the Internet Coast. There are four sub-themes, which are aligned to the UK's Industrial Strategy.

The Swansea Bay City Region covers Carmarthenshire, Swansea, Neath Port Talbot and Pembrokeshire. The SBCD is a partnership between the four Local Authorities, Local Health Boards, Universities and UK Government (UK) and Welsh Government (WG).

The four Local Authorities approved the Joint Committee Agreement (JCA) in July 2018 with the first meeting of the Joint Committee held on 31 August 2018. Prior to this and since 2016, the Joint Committee and Programme Board operated in shadow. In addition to the four Local Authorities, membership of the Joint Committee includes Swansea University, University of Wales Trinity St Davids, Hywel Dda University Health Board and Abertawe Bro

Morgannwg University Health Board. In shadow form, the Joint Committee focused on drafting the JCA, business plan development and negotiation with WG on interventions and enabling actions to assist with delivery of the SBCD.

Eleven projects, representing a £1.274 Bn investment, are expected to be completed within five years to secure maximum benefit for the Region. Government funding represents £241m (19%) of the overall investment and will be paid over fifteen years to the Accountable Body who will distribute to the partner Local Authorities on a yet to be agreed basis. In order to deliver the SBCD Programme within five years, the four Local Authorities will need to finance the Government funding through their own capital (or prudential borrowing) or revenue funding, with payback over fifteen years. Investment of £396m (31%) is required from the Public Sector and £637m (50%) is required from Private Sector investment.

2. Purpose, Scope & Methodology of the Internal Review

As required by the Joint Committee, an Internal Review team made up of representatives from the four Local Authorities Internal Audit Services formed to undertake an internal review of the governance arrangements for the SBCD. This followed the suspension of senior staff at Swansea University and potential links in relation to the Llanelli Life Science and Wellbeing Village project, which forms part of the SBCD.

The purpose of the Internal Review is to provide assurance to the Joint Committee (including co-opted Members and the wider Partnership), and identify areas for improvement to ensure that the governance arrangements are robust and follow best practice.

The Joint Committee approved the Terms of Reference for the Internal Review, which used the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 as a basis for evaluating the effectiveness of the SBCD governance arrangements.

The Internal Review of the SBCD governance arrangements was an evidence-based appraisal, which involved meetings or discussions with stakeholders, a review of supporting documentation and an evaluation of the effectiveness of governance arrangements against best practice.

3. Summary of Key Findings

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| 3.1. | The investigation at Swansea University, its links with the Llanelli Life Science and Wellbeing Village project and its subsequent referral to the police is having a detrimental impact on partners within the SBCD and is eroding trust across the partnership. However, all parties within the Partnership are committed to the Partnership and the delivery of the Programme. |
| 3.2. | The statutory roles and the majority of principal roles and functions within the SBCD, as agreed within the JCA, are assigned to Carmarthenshire County Council and should be more evenly distributed across the partnership. These include three Statutory Roles (Head of Paid Service, Section 151 Officer and Monitoring Officer) and several supporting roles including Chair of the Programme Board (Lead Chief Executive), the Accountable Officer of the Regional Office function (Lead Chief Executive), and Internal Audit. Only two appointments have been made to the Regional Office - this function is largely resourced by Carmarthenshire County Council's staff, jointly funded by the SBCD partners in the sum of c£400k. |
| 3.3. | Paragraph 55 within the Heads of Terms agreement states: "If the City Deal is not delivered as set out in the implementation plan agreed by the Swansea Bay Joint Committee, the Welsh Government and UK Government, or if any of the commitments in this deal document are not fulfilled, the Governments will review and may halt the payment of any unpaid funding for this deal." This could present a risk to the Programme for which there should be a contingency plan as recommended in the National Assembly for Wales Economy, Infrastructure and Skills Committee report on City Deals and the Regional Economies of Wales, November 2017. |
| 3.4. | At this early stage in the programme, there is a lack of certainty over the funding in terms of how some aspects of both private and public sector funding will be secured. However, a high level estimate of funding streams and costs for each of the eleven projects is included within the draft Implementation Plan. Confidence in where the funding will come from and when it will be received is a priority as projects develop. |
| 3.5. | The expected level of borrowing per Local Authority has not been established at this point and this will have to be determined as a priority to ensure Local Authority commitment and assurance. Local Authority funding arrangements have not been resolved to date, but are likely to require multiple funding agreements between partners and the Accountable Body; this may result in disproportionate effort and the most pragmatic methods need to be agreed promptly. |
| 3.6. | Interviewees stated that some of the local projects were planned and would have been prioritised at Local Authority level but were included in the SBCD to access funding. The SBCD should be seen as a Programme of 11 related projects that deliver the vision of the Internet Coast on which SBCD was originally based. Reliance on local policies and procedures along with approval and scrutiny of projects at a Local Authority level detracts from the regionality of the SBCD. |
| 3.7. | UK & WG have not approved the Implementation Plan. In order to approve the Implementation Plan they require a Programme financial plan, an improved Programme risk register and agreed prioritisation of projects. |

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| 3.8. | The iterative process requested by UK & WG to evaluate submitted emerging business cases is not operating as intended, is undermining confidence in the SBCD governance arrangements and resulting in further bureaucracy. A review of the emerging business cases submitted under the iterative process and feedback from UK & WG identified that these business cases are submitted prematurely. Lack of clarity on the economic, commercial and financial cases persists. Business cases have been referred to Joint Committee for approval when a number of outstanding issues raised by Government Officers have not been resolved. The adopted iterative evaluation process was initially devised to prevent this. |
| 3.9. | The Regional Office is not delivering the SBCD Delivery Team function as expected by UK & WG. This has resulted in UK & WG undertaking checks that were expected (by them) to be undertaken by the Regional Office. In the eyes of UK & WG, this is undermining confidence in the SBCD governance process. |
| 3.10 | The governance functions (in relation to project approvals) identified in the JCA are not operating as intended, however, they are being relied upon to provide assurance to the Joint Committee. These functions must be strengthened. |
| 3.11 | Programme risk management is not effective. The Programme Risk Register is not an up to date reflection of the risks to the Programme and is not considered by the Joint Committee. Consideration hasn't been given to the overall risk appetite for the SBCD and how an effective risk management methodology can be delivered across the Programme. |

4. Conclusion & Suggestions for Improvement

In response to the summary of key findings arising from this review consideration should be given to the following:

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| 4.1. | Redistribution of roles and functions to ensure an equitable balance across the SBCD Partnership, each acting as a check and balance for the other. (refer to 3.1 and 3.2) |
| 4.2. | Appointment of an independent Programme Director, securing the independence of the Lead Officer responsible for the Regional Office with a direct reporting line to the Joint Committee. The officer undertaking this role must be of sufficient seniority and capability to challenge and be challenged whilst remaining independent and objective. To facilitate this, there should be separation between the roles of Head of Paid Service (employer) and Lead Chief Executive (Chair of the Programme Board). Reconsideration of the funding arrangement for the RO could enable the associated costs to be contained within existing commitments. (refer to 3.1 and 3.2) |
| 4.3. | The local approach to the delivery of the SBCD projects needs to take account of the interdependencies across the Programme. Consideration should also be given to contingency plans if Government funding is withdrawn at a later date. (refer to 3.1, 3.3, 3.5 and 3.6) |
| 4.4. | The Implementation Plan needs to be revised so that delivery of the projects is prioritised and approved by the Joint Committee. The Implementation Plan should be supported by a clear Programme Financial Plan and Risk Register before being resubmitted to UK & WG for approval. The Implementation Plan should form the basis for monitoring delivery of the Programme. (refer to 3.4 , 3.7 and 3.9) |
| 4.5. | The Joint Committee, as a conduit for regeneration of the Region, needs to further establish its own identity in terms of overarching standard operating principles, values and expected practice. Key areas for consideration are highlighted within the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 for such a Partnership and include: <ul style="list-style-type: none"> • Agreed risk appetite of the Partnership • Agreed risk management methodology; • Establishing the ethical values and framework; • Counter fraud, corruption & bribery procedures; • Due diligence and anti-money laundering arrangements; • Programme/project management methodology; and • Overarching record of declarations of interest and offers of gifts and hospitality by all Officers and Members. (refer to 3.1, 3.6 and 3.11) |
| 4.6. | If the iterative process continues to cause a bottleneck once standards have been addressed, then there should be an approach to UK & WG to reconsider the process to eliminate disproportionate effort by all parties and to ensure that focus is on the deliverability of outcomes and not only on the standard of written documents. The relationship between individual LA's, project leads, the Regional Office and UK and WG's should be recast to establish strict communication lines. Such communication is currently inconsistent and is clearly contributing to confusion and delay. (refer to 3.8) |

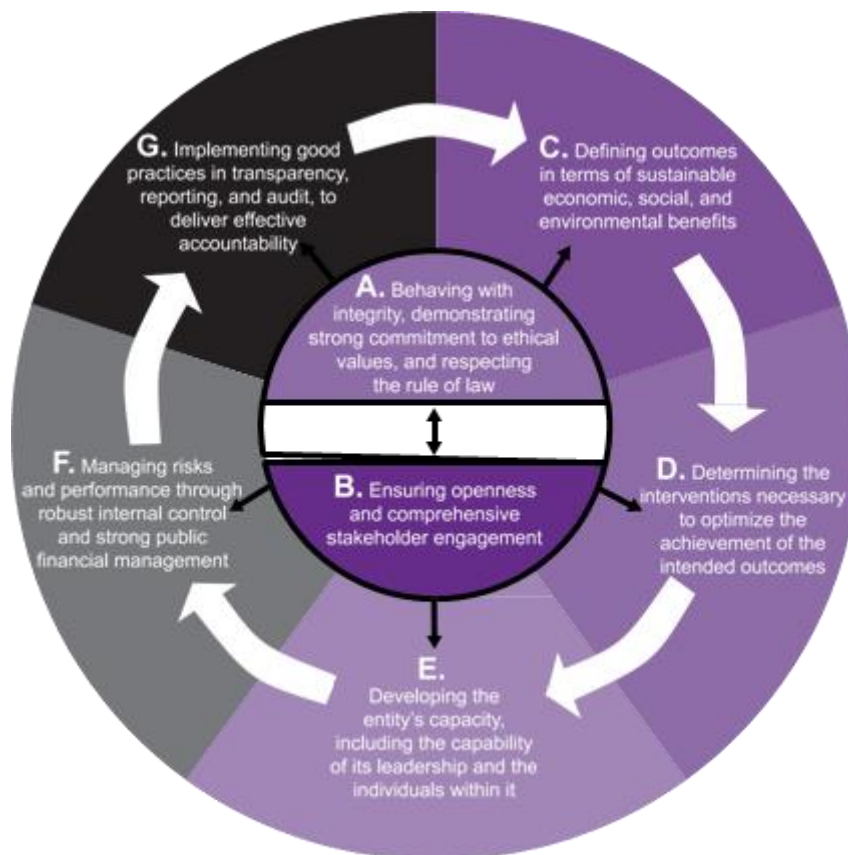
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| 4.7. | The Programme Board, Economic Strategy Board (ESB) and Joint Committee should receive written assurance (in a format to be agreed) that each business case submitted for approval has been subject to the required checks and process as defined within the JCA, including approval by the Lead Local Authority. This should ensure that all comments from UK & WG have been addressed and concerns highlighted by the ESB have been fully considered. There should be an evidence trail to ensure all parties are held accountable. (refer to 3.10) |
| 4.8. | The Regional Office, in its capacity as the SBCD Delivery Team should undertake detailed checks prior to entering into the iterative process or submitting to Programme Board and ESB, to ensure compliance with standard operating principles/values and provide an overview of the outcome of these checks, in order to provide independent assurance to the Programme Board and Joint Committee. (refer to 3.9) |
| 4.9. | <p>Membership and remit of the Programme Board and ESB needs to be reconsidered:</p> <ul style="list-style-type: none"> a. The Programme Board needs to undertake detailed analysis of the financial viability, deliverability and risks to the project. The Programme Board should have detailed knowledge of the business cases and the feedback from UK & Welsh Government to ensure that business cases are of the standard and quality to be submitted for approval to Joint Committee. Current membership includes the Chief Executives of the four Local Authorities. Consideration should be given to the most suitable level of Management to commit to Programme Board (possibly Director or appropriate Head of Service), consideration should be given to the appearance of lead project officers to present the case. b. The ESB membership needs to be streamlined to enable a well functioning commercially minded appraisal function that is focused on identifying further opportunities for the Region and attracting inward investment. Current membership includes the Leaders of the four Local Authorities, which seems unnecessary given the ESB report to the Joint Committee. Consideration should be given to the membership of the ESB. There is an opportunity for the ESB to provide UK & WG with the confidence that is currently lacking around the commercial case; consideration could be given to including a summary report from the ESB with the Full Business Case submission. (refer to 3.10) |

Detailed Findings

5. Overview of Good Governance Evaluation

The Governance Arrangements for the Swansea Bay City Deal have been reviewed against the CIPFA/SOLACE Delivering Good Governance in Local Government Framework. The diagram below illustrates the various principles of good governance in the public sector and how they relate to each other.

Achieving Intended Outcomes While Acting in the Public Interest at all Times



As the diagram demonstrates, the principles of good governance along with the behaviours and actions that demonstrate good governance are intertwined, but are based on the two fundamental principles:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- B. Ensuring openness and comprehensive stakeholder engagement.

The detailed findings of the review are reported by exception and demonstrate the key issues arising and suggestions for how they can be resolved.

6. Core Principle A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Expected Actions & Behaviours: integrity; acting in the public interest; establishing & embedding values or standard operating principles; establishing, monitoring & maintaining agreed ethical values; commitment & adherence to rules and regulations; .

Areas for Improvement: values or standard operating principles need to be identified; imbalance of power.

Standard Operating Principles/Values

There is a defined vision for the Region but the standard operating principles/values for the delivery of the SBCD programme have not been identified. Projects are classed as local or regional but the expected practice in delivering those projects is not explicit. The assumed position within the Partnership is that the policies and procedures of the Project Lead Authority will be adhered to and local projects will be subject to scrutiny by the constituent Authority. There is no evidence that consideration has been given to the implications of this approach, or how the Joint Committee will be provided with assurance that all expected processes and procedures have been adhered to.

The Joint Committee forward work plan includes approval of a few overarching documents for the Programme, but given that some projects are quite advanced and the Heads of Terms was signed two years ago, these are late in development.

In addition to the overarching documents identified in the Joint Committee forward work programme for approval at future meetings, consideration should be given to developing the following:

- Risk Appetite and Risk Management Methodology for the SBCD;
- Ethical Framework – this is a high risk Programme and there needs to be clarity amongst the Partnership over acceptable ethical practice, especially around the procurement of private sector investment;
- Counter Fraud, Corruption & Bribery Arrangements;
- Due Diligence and Anti-Money Laundering Arrangements;
- Programme & Project Management Methodology.

A Co-opted Member Code of Conduct is in place and Local Authority Members and Officers are expected to adhere to their own Local Authority Code of Conduct. The Regional Office holds co-opted Member declarations of interest, but there was no evidence of declarations of interest from all Local Authority Officers and Members. Other than holding and recording the declarations of interest, there was no evidence that there had been any verification or consideration of appropriateness by the Joint Committee.

Balance of Functions & Responsibilities

The Joint Committee Agreement places too much responsibility on Carmarthenshire County Council and the Lead Chief Executive. It is expected that the Head of Paid Service as the employer of the Regional Office will be the Principal Adviser and Accountable Officer overseeing the work of the Regional Office, and as such will be the Lead Chief Executive. The Lead Chief Executive is also the Chair of the Programme Board.

In addition, Carmarthenshire County Council also undertake the following roles:

- As Accountable Body, the statutory role of Section 151 Officer and the provision of the Internal Audit service;
- Monitoring Officer;
- The statutory role of Head of Democratic Services is not defined within the JCA; however, Carmarthenshire County Council's Head of Democratic Services provides support to the Joint Committee and Neath Port Talbot County Borough Council provides support to the Joint Scrutiny Committee; The Regional Office provides support to the Programme Board and the ESB.

7. Core Principle B

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| Ensuring openness and comprehensive stakeholder engagement. |
| Expected Actions & Behaviours: open culture based on trust; shared commitment for change; acceptance or robust challenge; transparent decision-making; engagement and consultation with all stakeholders. |
| Areas for Improvement: openness & transparency; creating a culture of trust and shared commitment; identifying and effectively engaging with stakeholders. |

Trust

It was evident through meetings with stakeholders that there is insufficient trust within the Partnership. This is attributable to a number of issues, which are expanded on in further detail within the report, however, the root causes are:

- Imbalance of power within the Partnership due to distribution of key roles;
- Lack of clarity from the JCA regarding expected practice (standard operating principles/values);
- Lack of openness and transparency across the wider Partnership as projects are being treated as local rather than regional.

Openness & Transparency

The Joint Committee meetings and the Joint Scrutiny Committee meetings are the two public meetings within the SBCD governance process. As identified within the Terms of Reference, the Joint Committee has ultimate responsibility and accountability for decisions taken in relation to the SBCD. The format and conduct of the Joint Committee meetings was

discussed with Members and Officers that attend the Joint Committee meetings, key observations include:

- Verbal updates provided
- Quick meetings which lack constructive debate and challenge
- Failure to provide the Joint Committee with accurate updates
- Lack of oversight of communications between the Regional Office and UK & WG
- Suspicion that some Members know more information than others
- Pre-meetings excluding the co-opted Members
- Reports provided at short notice
- Overload of information that cannot be effectively scrutinised prior to the meeting.

Areas that may be of particular interest to the public, such as business cases, are considered in private session as there will be an element of commercial sensitivity. However, the majority of the discussion could take place in open session as long as members of the Joint Committee observe the rules of debate and reserve questions leading to commercial sensitivity for private session discussions. Consideration could also be given to webcasting these meetings to demonstrate the commitment to openness.

At the meeting on 22 November 2018, three business cases were presented to the Joint Committee for approval for formal submission to UK & WG; however, evidence has been obtained that these business cases ought not to have been presented to the Joint Committee at that time based on the feedback from UK & WG (see Appendix B). Discussions with SBCD Representatives, WG Officers and Ministers had taken place the day before the Joint Committee meeting to discuss what was required in order to approve the three business cases. It is the opinion of the Internal Review team that the issues raised by UK & WG were reasonable requests for clarity to ensure that business cases are robust. The Regional Office has since attempted to submit two amended business cases (21 December 2018), however, these can't be accepted by UK & WG until the original submissions are formally withdrawn and revised submissions approved by the Joint Committee. A request has been made to UK & WG to 'hold' the Llanelli Life Science & Wellbeing Village project business case.

Media attention over the staff suspensions at Swansea University and the links with Llanelli Life Science & Wellbeing Village project have identified a number of issues that the Joint Committee should have been aware of as they impact on the SBCD as a whole, including:

- The links between Kent Neurosciences Limited and Sterling Health Security Holdings Ltd;
- The role of Sterling Health Security Holdings Ltd and clarity that the company was not directly providing the private sector investment;
- Links between the Llanelli Life Science Wellness Village project with other worldwide projects such as Kuwait;
- UK & WG concerns that had not been resolved;
- Declarations of interest and wider roles that current or former Officers and Members would have with this company and planned projects.

The establishment of standard operating principles would have provided clarity to the wider partnership over expectations and expected practice within an agreed ethical framework and risk appetite.

The appointments process of the ESB is unclear. UK & WG along with the Internal Review team have been unable to gain clarity over the shortlisting of applications and who determined the recommended ESB appointments to the Joint Committee in August 2018. The lack of openness and transparency over the process in respect of these appointments has undermined the trust of UK & WG.

The Joint Scrutiny Committee has only met twice. At the second meeting the Vice Chair of the Joint Scrutiny Committee gave his apologies for the meeting as he had a conflict of interest arising from an arrangement to secure access to information. The matter was reported in the media and has undermined confidence within the Partnership.

Consultation & Engagement

The expectations and timescales for engagement and formal consultation are unclear; however the review did not involve substantive testing of this area. Communication and marketing as part of the SBCD has been recorded since February 2018. There was evidence of early high-level promotional activities to stimulate private sector interest in the SBCD. There was also evidence of local consultation and engagement activity in relation to the Llanelli Life Science & Wellbeing Village project.

8. Core Principle C

Defining outcomes in terms of sustainable economic, societal & environmental benefits.

Expected Actions & Behaviours: clear vision and defined outcomes sustainable & deliverable within available resources.

Areas for Improvement: robust implementation plan that identifies the required resources, to which all Partners are committed to and can sustain.

Defining Outcomes

The Swansea Bay City Region Economic Regeneration Strategy 2013-2030 sets out the framework to support South West Wales and its future economic development. The SBCD proposal was based on the theme of the Internet Coast, which aimed to put the region at the forefront of the digital age and fourth industrial revolution; where value is created by knowledge extracted from vast data sources. In October 2016, Swansea University appraised the potential impact of the Internet Coast through the portfolio of Project Proposals within the SBCD. Job creation and Gross Value Added are the desired outcomes on which the SBCD is based. In order to demonstrate how these outcomes will be achieved the Treasury Five Case Model is used.

The Implementation Plan for the SBCD Programme was approved by the Joint Committee in August 2018 but has yet to be approved by UK & WG. Discussion with UK & WG confirmed that in order to approve the Implementation Plan they require a credible Programme risk

register, financial plan and prioritisation of projects. The Internal Review identified the same concerns regarding the Implementation Plan.

The current business case approval process involves development of the business case and presentation to the Programme Board for consideration, albeit this is presented at a high-level, not the detailed written business case. The Regional Office will engage in an iterative process with UK & WG to ensure that full business cases have the best chance of approval when formally submitted. This stage is causing a bottleneck and frustrating all parties. Appendix B provides a summary of the correspondence between UK & WG and the Regional Office in respect of the three Business Cases that were presented to the Joint Committee in November 2018; this demonstrates that the process defined in the JCA is not being followed. Business cases are presented to UK & WG prematurely resulting in UK & WG undertaking due diligence checks they would expect the Regional Office to have undertaken, which is further frustrating the process.

There is a disconnect between the project concept and the written business case. There is a degree of confidence in the deliverability of outcomes for certain projects, however, written business cases reviewed lack clarity on the economic, commercial and financial cases. Business cases are too long; they are repetitive and can appear more as marketing material than as an evaluation of the critical success factors of projects. Discussions with Members of the Joint Committee identified mixed views on the confidence and deliverability of the Programme as a whole, but there was a degree of confidence in their individual projects. There was general support for the deliverability of the Homes as Power Stations project, along with securing of Private Sector funding to deliver the project, however, the business case has not progressed and there is no clarity over the detailed funding arrangements for regional projects.

There is confusion within the region over the Yr Egin project. The opinion of UK & WG is that focus has been on the Phase 1 development, which is complete and has a high occupancy rate; however, Phase 2 was the original SBCD project. Phase 1 has now been included as part of the SBCD as there was a shortfall in funding.

Business cases need to be streamlined, there is too much information to be scrutinised locally and it is over and above the information required by UK & WG; this is a contributing factor to the delays in progressing projects.

Commitment & Sustainability

Government funding of the SBCD will be paid over a 15-year period. In order to deliver the projects within five years, Local Authorities will have to borrow to finance the Government funding. At this early stage of development of the regional projects there is no clarity over the borrowing requirements (values) and how this will be delivered by the Lead Authorities. There is a risk that Local Authorities will not support the proposed borrowing requirements (although the principal is included within the JCA) which could result in abortive work and wasted resource in developing these projects.

There is a lack of clarity over the funding and borrowing arrangements to support delivery of the SBCD. WG have agreed to Local Authorities receiving 50% NNDR generated from the Programme, however, the apportionment and distribution of this revenue has not been determined. The likely return on NNDR will be an influencing factor in determining the affordability of borrowing that Local Authorities will be willing to accept, so there is a pressing need to determine this promptly.

In order to continue to draw down Government funding over the 15-years of the SBCD, the Programme will need to be able to demonstrate that it is delivering the intended outcomes. The monitoring and evaluation process, which is currently under development, will need to be robust. Consideration should also be given to contingency arrangements should funding be withdrawn at a later date.

9. Core Principle D

Determining the interventions necessary to optimise the achievement of intended outcomes.

Expected Actions & Behaviours: strategic, operational and financial planning of projects; prioritising projects for delivery; objective and rigorous analysis of projects including an assessment of intended outcomes and risks.

Areas for Improvement: the JCA defined process for analysing projects is not operating as intended; the implementation plan needs to be prioritised and supported by a financial plan and programme risk register.

Determining Interventions

The JCA outlines the stages and responsibility for developing, appraising and approving business cases. There is a five-stage process to approving business cases for formal submission to UK & WG. Meetings with Members of the Joint Committee, Programme Board and the Chair of the ESB, along with a review of correspondence between the Regional Office and UK & WG identified that the process is not operating as intended.

Delivery Lead

Clause 12.3 (a) within the JCA outlines the responsibility of the Delivery Lead and the requirement to include a Resolution of the Project Lead Authority (and all Councils if delivering a regional project) when submitting a business case to the Regional Office. This process isn't being followed. Business Cases are referred back to the Project Lead Authority after approval has been received by the Joint Committee.

Iterative Process

Clause 12.3 (d) within the JCA outlines the role of the Regional Office in assessing the quality and financial profile of business cases before passing to UK & WG for them to undertake their own assessments. A review of business cases passed to UK & WG at this stage identified the following:

- Business cases lacking in the detail required by the 5 Case Model;
- Seemingly unnecessary information included;
- Incomplete sections;
- Lack of clarity around economic, commercial and financial cases.

Feedback to the Internal Review team reflected frustration within the Region on the delays with the iterative process and the comments/feedback from UK & WG. However, the comments and feedback from UK & WG were deemed to be reasonable and necessary by the Internal Review team.

Programme Board

The JCA expectation is that Programme Board would analyse the financial viability, deliverability and risk of the proposed business case and make a recommendation on whether or not the business case should proceed. It is expected that there would be challenge at this stage around the due diligence processes undertaken.

In reality, the Programme Board receive an update against all projects, similar to the update provided to the Joint Committee; there is no detailed review of the written business case or compliance with processes and procedures. Membership of the Programme Board is at the highest officer level, so they are unlikely to have capacity to deliver the time commitment required for this level of scrutiny and challenge.

Economic Strategy Board (ESB)

The ESB is expected to review the business cases from the private sector perspective, against the strategic aims and objectives of the SBCD and make a recommendation to the Joint Committee on whether or not the business case should proceed.

The ESB, having only met a few times, is still establishing the format of meetings and information required to provide a value-added function. The ESB considers the concept, they do not review the written business case; they undertake site visits and meet with Project Leads. The ESB have requested a SWOT analysis for the projects they are considering, using their commercial expertise to identify wider opportunities for the Region and determine if there are any threats that require further consideration.

ESB membership comprises of Private Sector Representatives, the four Leaders of the Local Authorities, and representatives from the Local Health Boards and Universities. The purpose of including the Leaders of the Local Authorities on the ESB is unclear and doesn't add value. The ESB has no decision-making powers, their purpose is to look at wider opportunities and stimulate confidence and interest in inward investment to the Region. The ESB could provide UK & WG with the confidence that they are currently lacking around the economic and commercial viability of business cases. Consideration should be given to the mechanism for providing this assurance, e.g. a covering brief for submission with the full business case.

Discussion with the Chair of the ESB on the three full business cases previously considered and then approved by the Joint Committee (22 November 2018) for formal submission to UK & WG, identified the following:

- The ESB had confidence in Phase 1 of Yr Egin but had reservations around the economic and commercial case of Phase 2;
- The ESB had queried where the private sector investment was coming from for the Llanelli Life Sciences & Wellbeing Village project but did not receive answers;
- The ESB raised questions of the Swansea City & Waterfront Digital District project in connection with transportation infrastructure.

Joint Committee

Joint Committee receive the full business cases for consideration and approval to submit to UK & WG. The business cases are extensive documents and in practice it is questionable whether the Joint Committee Members have time to read them in any detail. Reliance is placed on the process, as defined within the JCA, that the business case is expected to have been through, i.e. iterative process with UK & WG, Programme Board and ESB; however, as demonstrated above, the process is not operating as intended and cannot be relied upon.

10.Core Principle E

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| Developing the Partnerships capacity, including the capability of its leadership and individuals within it. |
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| Expected Actions & Behaviours: distinction between roles and responsibilities; specification of delegated decisions versus those reserved for the Joint Committee; reviewing operations, resources and performance to ensure effectiveness. |
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| Areas for Improvement: independence, capacity and capability of the Regional Office to deliver the Project Management Office function. |
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Capacity & Capability

Carmarthenshire County Council's staff have largely fulfilled the function of the Regional Office. Although a structure was costed and approved by the Joint Committee at its meeting in August 2018, positions have not been substantively filled, but duties have been covered by existing Carmarthenshire County Council employees. The Internal Review team were advised that three new appointments were made to the Regional Office.

The expectation of UK & WG was that the Regional Office (as the SBCD Delivery Team) would fulfil the role of the Project Management Office for the SBCD. In reality, the Project Leads are expected to undertake their own due diligence checks and reliance is placed on individual Lead Authorities to ensure that this is done. The Regional Office are supposed to act as the link between the Project Leads and UK & WG, however, there have been instances where the Regional Office have been bypassed. There are only three regional projects, so if reliance is placed on the individual Local Authorities it is unclear why eleven posts are required (not all substantively filled) in the Regional Office.

To date neither the Implementation Plan nor any business cases have been signed-off. Feedback from the Regional Office and Members of the Joint Committee do not accord with the feedback from UK & WG, so there is clearly a communication breakdown between parties. A review of the feedback on business cases to the Regional Office from UK & WG concluded that the questions were reasonable and should be raised. Due to the timescales to deliver this review, substantive testing was not undertaken to form any conclusions in this report.

The Heads of Terms makes reference to the SBCD Delivery Team, which is the function undertaken by the Regional Office. The Heads of Terms makes reference to the SBCD City Deal Delivery Team being appointed and reporting to the Joint Committee. Clause 9.2 within the JCA states that the 'Joint Committee shall designate the Head of Paid Service of the Accountable Body as Lead Chief Executive to act as its principal adviser and as Accountable Officer to manage and oversee the work of the Regional Office staff'. This clause compromises the independence of the Regional Office who are expected to report through the Lead Chief Executive, who is also the Head of Paid Service.

Members of the Joint Committee have questioned whether an independent Chief Executive/Managing Director should manage the Regional Office. While this could be an option, the success of this will be heavily dependent on the skills and capability of the candidate to ensure that they have the ability to challenge at all levels within the Partnership and with UK & WG and receive challenge while remaining independent and objective. In any event there will be a reporting line to one of the Local Authority Chief Executives as Head of Paid Service; however, the role of employer of the Regional Office and role of Lead Chief Executive should be separated (as with other Regional working arrangements), to promote the independence of the Regional Office.

11. Core Principle F

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| Managing risks and performance through robust internal control and strong financial management. |
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| Expected Actions & Behaviours: integrating robust risk management arrangements; monitoring delivery of the Programme and effective scrutiny arrangements. |
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| Areas for Improvement: risk management, performance management and the role of the Joint Scrutiny Committee. |
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Risk Management

Risk management arrangements require improvement. Risks are not clearly articulated to describe the event, consequence and impact. There is no consistent risk management methodology used across the Partnership. No consideration has been given to the overall risk appetite of the Partnership and articulated into any statement. The Programme risk register should be a true reflection of the current risks to the delivery of the Programme and should be a regular agenda item for consideration by the Joint Committee, but there is no evidence that this is happening. This is a significant contributing factor to the lack of confidence by UK & WG in the delivery of the Programme.

Managing Performance/Scrutiny

The issues highlighted above demonstrate the lack of performance management and scrutiny of business case development that is currently undertaken, which again is reflective of why the Implementation Plan and business cases are not progressing to sign-off stage so that Government funding can be drawn down.

The Joint Scrutiny Committee has formed, but the Terms of Reference restrict their remit to scrutiny of Regional projects, scrutiny of individual Authority projects are a matter for the relevant Constituent Authorities Scrutiny Committee. This detracts from the Regional approach of the SBCD.

Appendix A – Summary of Meetings/Discussions with Stakeholders

Regional Office

UK & WG Civil Servants: (Head of Regional Growth, UK Government in Wales; Head of Policy, UK Government in Wales; Deputy Director, Head of Cabinet Office, Welsh Government; Deputy Director, Commercial and PPM, Welsh Government; Chief Regional Officer, Mid and South West Wales, Welsh Government; Head of Programme for Government, Welsh Government; Head of City and Growth Deals, (Mid and South West Wales), Welsh Government).

Chair of the Joint Committee (Leader of City and County of Swansea Council)

Director of Place, City and County of Swansea Council

Leader of Pembrokeshire County Council

Chief Executive of Pembrokeshire County Council

Chair of UBMA Health Board

Leader of Neath Port Talbot County and Borough Council

Chief Executive of Neath Port Talbot County and Borough Council

Chair of Joint Scrutiny Committee

Vice Chair of Joint Scrutiny Committee

Chair of Hywel Dda Health Board

Leader of Carmarthenshire County Council

Chief Executive of Carmarthenshire County Council

Chair of the ESB

Registrar and Chief Operating Officer of Swansea University

Pro- Vice Chancellor, University of Wales Trinity St Davids

Monitoring Officer

Section 151 Officer

Appendix B – Summary of Correspondence between the Regional Office and UK & WG (Governments) in relation to the 3 full business case submissions and submissions to the ESB and Joint Committee

Swansea City & Waterfront Digital District Business Case

| Date | Action |
|----------|---|
| 04/01/18 | Draft Business Case sent to Governments |
| 15/02/18 | Comments received from Governments |
| 04/04/18 | Response to comments and revised business case shared with Governments (advised by RO) |
| 18/05/18 | Comments received from Governments |
| 19/07/18 | Draft Business Case sent to Governments |
| 05/11/18 | Governments sent comments back and stated meeting required to discuss Economic case |
| 08/11/18 | Draft Business Case submitted to ESB – full approval given |
| 12/11/18 | Regional office acknowledged and agreed requirement for meeting |
| 15/11/18 | Governments provided potential dates for meeting |
| 19/11/18 | Regional office stated 27/11/18 to be best date for meeting |
| 21/11/18 | Response to comments sent to Governments |
| 22/11/18 | Joint Committee approved Business Case |
| 26/11/18 | Business Case formally submitted to Governments for approval |
| 27/11/18 | Meeting held |
| 27/11/18 | Governments provided written comments on Economic case |
| 29/11/18 | Additional information provided to Governments |
| 21/12/18 | Updated Business Case submitted to Governments (though Governments state that original not withdrawn and update does not include Economic case changes) |
| 21/12/18 | Further meeting planned for 14/01/19 to discuss |

Yr Egin Business Case

| Date | Action |
|----------|--|
| 15/12/17 | Draft Business Case shared with Governments |
| 12/04/18 | Comments received from Governments |
| 03/08/18 | Draft Business Case sent to Governments |
| 31/10/18 | Governments sent comments back |
| 08/11/18 | Draft Business Case submitted to ESB – full approval given |
| 22/11/18 | Joint Committee approved Business Case |
| 26/11/18 | Business Case formally submitted to Governments for approval (Governments state that this was exactly the same as the submission on 03/08/18 with no amendments) |

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| 27/11/18 | During the meeting on Digital District, Governments state a conversation was had around the Economic Case with David Swallow, and Governments were informed the Business Case had changed since submission to reflect this and to reflect comments provided on 31/10/18 (no e-mail evidence to support this) |
| 03/12/18 | Business Case considered by Carmarthen County Council (CCC) Executive Board and agreed it could be submitted to UK and WG (confirmed via CCC website) |

Llanelli Life Science & Well-being Village Business Case

| Date | Action |
|----------|---|
| 15/12/17 | Draft Business Case sent to Governments – no financial case included |
| 23/01/18 | Draft Business Case resubmitted to Governments with financial case included |
| 08/03/18 | Amended Draft Business Case sent to Governments |
| 23/03/18 | Review meeting with Governments |
| 13/04/18 | Economic case addendum sent to Governments |
| 11/06/18 | Review meeting with Governments |
| 15/08/18 | Draft Business Case sent to Governments – including table of response to previous feedback |
| 19/10/18 | Governments sent comments back (states that this contained specific questions about due diligence which had not been resolved) ¹ |
| 08/11/18 | Draft Business Case submitted to ESB – full approval given |
| 16/11/18 | Response to comments sent to Governments |
| 22/11/18 | Joint Committee approved Business Case |
| 26/11/18 | Business Case formally submitted to WG for approval |
| 03/12/18 | Business Case considered by Carmarthen County Council (CCC) Executive Board and agreed it could be submitted to UK and WG (confirmed via CCC website) |

¹ WG state that numerous phone calls/offline discussions about due diligence issues were handled informally (no e-mail evidence to support this)