

# NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

## CABINET

31 July 2019

### Report of the Chief Executive

#### SWANSEA BAY CITY DEAL

#### Matter for Decision

Wards Affected: All

#### SECTION A

#### Purpose of Report

1. To seek Cabinet approval of the revised/remodelled City Deal Full Business Case (FBC) attached at Appendix 1.

#### Background

2. On 17 April 2019, the Cabinet agreed (amongst other things) that officers should pursue a revised/remodelled business case as set out in that report – Section C, paragraphs 24-29 and recommendation 2.
3. That work is now complete and a full business case is attached for Member consideration. If approved, the intention is to submit it to the City Deal Economic Strategy Board and Joint Committee (and the two governments) for endorsement at the earliest opportunity as there is now a total of £32.2 million available based upon earlier financial profiles – but see also paragraph 9, first bullet point below. This will rise to some £100 million by the end of the period covered by the business case.
4. In summary, the business case brings together two of the City Deal projects led by this Council together with investment in the existing Enterprise Zone as a gateway to the region. A strategy encouraged by Welsh Ministers in earlier discussions.
5. The Programme is split into four themes:

- The Swansea Bay Technology Centre: a further iteration of the City Deal CENGS project;
  - The National Steel Innovation Centre: a second City Deal project;
  - A Decarbonisation strand to bring together a number of projects and initiatives to respond to the Declaration of a “Climate Emergency” by the Welsh Government; and
  - An Industrial Futures programme to meet evidenced demand for different types of commercial and industrial premises so as to promote innovation, productivity growth and job creation.
6. Overall, the business case seeks an investment of some £47.7m from the City Deal over five years, matched in part by Council and other funding streams. It aims to create/safeguard some 1,300 jobs directly (with as many again safeguarded in the wider economy) and provide some 18,000 plus square metres of business space, primarily to meet demand from small to medium sized businesses.
7. It also seeks support for a range of interventions to reduce carbon footprint and promote new industries, thus diversifying the region/area’s economic base. The business case should therefore be considered against the Council’s proposed Decarbonisation and Renewable Energy Strategy (which is also on today’s agenda). The two are very much linked.
8. The anticipated outcomes, cost/benefits and financial profile are set out in some detail in the four appendices to the business case.

## **SECTION B**

9. This report also provides an opportunity to update Members on developments more widely since the 17 April report. There have been some positive developments:
- On 15 July 2019, it was announced that the UK and Welsh Governments had agreed to release initial funding for the City Deal, but subject to terms and conditions being met (not yet received at the time of writing). This funding is based on the approval of business cases for the Yr Egin and Swansea Waterfront projects with £18 million earmarked and a further £18

million potentially available this year for other projects including the business case recommended in this report;

- Recommendation 4 of the earlier report provided the Chief Executive and Head of Legal Services, in consultation with the Leader of Council, authority to agree changes to the Joint Working Agreement. The essential purpose was implement the recommendations of the two reviews of the City Deal published in March of this year and described in Section B of the previous report. Progress (initiated by this Council) has been made and the objective is to sign off a revised JWA at the next Joint Committee meeting on 30 July 2019;
- If that can be done, the job advertisement for the new Managing Director post can issue and the running cost budget for the Programme Management Office finalised. The 15 July announcement included a one off grant of £100,000 from the Welsh Government which will assist significantly with the affordability of this package. In addition, Members took the necessary decisions at Council on 17 July to establish a Special Appointments Committee to oversee the appointment of the Managing Director;
- Members will recall that this Council submitted a business case on the (regional) Homes as Power Stations project a year ago. The background is described at paragraph 25, first bullet point, of the previous report. The Chief Executive wrote to the Welsh Government on 3 May seeking greater engagement on this project and a further meeting has been arranged for 25 July 2019, so substantive progress has not yet been made towards sign off;
- On 18 June, the Leader of Council and the Chief Executive gave evidence to the Joint Regional Scrutiny Committee on the City Deal following this Council's concerns about the lack of progress. The Leader gave a clear assurance that the Council wanted the City Deal to work for Neath Port Talbot and the wider region; but underlined our frustration about the length of time it was taking to get business cases signed off, enabling the money pledged by the Welsh and UK Governments to be released.

It seems that other City/Growth Deals in Wales may be experiencing similar difficulties<sup>1</sup>. So, the message about the need for engagement and progress is one the Leader has repeated to Welsh Ministers (and the Chief Executive to officials) in separate meetings since the last Cabinet report. It is accepted that the onus is on the region to implement the recommendations of the two reviews as described above; but if the two governments insist upon approving those amendments it could delay matters for several months. Ministers have been urged to abandon this requirement in the interests of delivery of the Deal.

10. In this regard – and notwithstanding our commitment to making this work if possible - Members will recall that recommendation 3 of the previous report granted the Leader of Council delegated authority, in consultation with others (including the Leaders of the Opposition) to determine the Council’s future participation in the City Deal. It has been put to us that we would be foregoing substantial investment in the County Borough in these circumstances; but the funding does not exist unless there is a process to release it. Progress has been made; but the running total at present remains zero. However, if evidence was needed of our commitment to make the City Deal work, this business case (and all the work that has gone into it) is evidence enough.

## **SECTION C**

### **Legal Implications**

11. None specifically relevant to the substance of this report. The main legal issues bearing on the City Deal at present are in the context of the proposed changes to the JWA (see above). Those are described in detail in the previous report; but are tangential to the recommendations contained in this one.

### **Financial Implications**

12. The financial considerations are an integral part of the business case and are profiled in Table 1 in the Executive Summary (and in more detail in the appendices).
13. There are two further points worth stressing. First, in completing the business case, officers have worked within the affordability

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<sup>1</sup> <https://www.bbc.co.uk/news/uk-wales-politics-48662657>

parameters set out in the Cabinet report dated 25 April 2018 (which contained a series of tables and analysis which demonstrated the additional cost of borrowing to this Council).

14. Second, recent events have again underlined the need for robust analysis and clarity from the two governments over the release of funding. For example, the University of Wales Trinity St David's has publicly stated<sup>2</sup> that its current financial problems are, to a significant extent, attributable to the fact that anticipated funding from the City Deal for the Yr Egin project has not been released.
15. The officer advice will therefore be unchanging – we should not commit ourselves until other partners (including the two governments) do likewise. To do otherwise would not be prudent as it would leave the Council financially exposed.

### **Integrated Impact Assessment**

16. An overview of the Integrated Impact Assessment has been included in summary form only and it is necessary to refer to it in full - attached at Appendix 2 for the purposes of the meeting. The first stage assessment has indicated that a more in-depth assessment is not required as the report represents decisions to be taken at an interim stage.
17. A first stage impact assessment has been undertaken to assist the Council in discharging its legislative duties (under the Equality Act 2010, the Welsh Language Standards (No.1) Regulations 2015, the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016).

### **Valleys Communities Impacts**

18. The Council has consistently taken the position that the City Deal must benefit all parts of the region including the Valleys. That is highlighted through the business case even if the Valleys initiative is the subject of a separate programme.

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<sup>2</sup> <https://www.bbc.co.uk/news/uk-wales-48712612>

## **Sustainable Development**

19. As set out in previous reports; but with the renewed emphasis on Decarbonisation as set out in this report and the business case itself.

## **Workforce Implications/Other Impacts**

20. None.

## **Consultation**

21. There is no requirement for external consultation on this item.

## **RECOMMENDATIONS**

That Members:

1. Endorse the business case at Appendix 1 and authorise its submission to the City Deal Economic Strategy Board, Joint Committee, Welsh and UK Governments with the objective of the earliest possible approval.
2. Refer the business case report to Council for further discussion and/or to further scrutiny committees, as seen fit.

## **Reasons for proposed decision**

To invite Members to provide further direction on the City Deal.

## **Implementation of the decision**

Implementation is proposed after the three day call in period.

## **Appendices**

Appendix 1: City Deal Business Case

Appendix 2: Integrated Impact Assessment

## **Background Documents**

Cabinet Report: 17 April 2019

## **Officer Contacts**

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