

**Notice of Meeting**

You are invited to attend a Meeting of the

**Swansea Bay City Region Joint Committee**

**At:** Lord Mayors Reception Room - Guildhall, Swansea

**On:** Tuesday, 28 January 2020

**Time:** 2.00 pm

**Chair:** Councillor Rob Stewart (Swansea Council)

**Membership:**

Councillors:

|               |                                |
|---------------|--------------------------------|
| Emlyn Dole    | Carmarthenshire County Council |
| Rob Jones     | Neath Port Talbot Council      |
| David Simpson | Pembrokeshire County Council   |

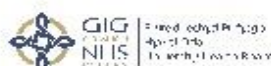
Co-opted Non-Voting Representatives:

|                         |                                       |
|-------------------------|---------------------------------------|
| Maria Battle            | Hywel Dda University Health Board     |
| Professor Medwin Hughes | University of Wales Trinity St Davids |
| Edward Tomp             | Chair of Economic Strategy Board      |
| Steve Wilks             | Swansea University                    |
| Emma Woollett           | Swansea Bay University Health Board   |

**Agenda**

**Page No.**

- 1 Apologies for Absence.**
- 2 Disclosures of Personal and Prejudicial Interests.**  
[www.swansea.gov.uk/disclosuresofinterests](http://www.swansea.gov.uk/disclosuresofinterests)
- 3 Minutes.** 1 - 3  
To approve & sign the Minutes of the previous meeting(s) as a correct record.
- 4 Announcement(s) of the Chair.**
- 5 Public Questions**  
Questions must relate to matters on the open part of the Agenda of the meeting and will be dealt with in a 10 minute period.



- 6 Swansea Bay City Deal Projects - Update. (Verbal)
- 7 Financial Monitoring Report 2019/20 - Swansea Bay City Deal Outturn Position. 4 - 8
- 8 Swansea Bay City Deal Terms & Conditions. (Verbal)
- 9 Internal Audit Governance Arrangements. 9 - 19
- 10 Implementation Plan (Version 22). 20 - 71
- 11 MIPIIM 2020. 72 - 73
- 12 Supporting Innovation and Low Carbon Growth Project (Neath Port Talbot Council). 74 - 150
- 13 Terms and Conditions and Grant Award Update. (Verbal)
- 14 Swansea Bay City Region Programme Director - Update. (Verbal)
- 15 Feedback from Economic Strategy Board (ESB). (Verbal)

**Next Meeting:** Tuesday, 25 February 2020 at 2.00 pm



**Huw Evans**  
**Head of Democratic Services**  
**Wednesday, 22 January 2020**  

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**Contact: Democratic Services (01792) 636923**

# Agenda Item 3

City and County of Swansea

## Minutes of the Swansea Bay City Region Joint Committee

Kent Room - Guildhall, Swansea

Tuesday, 26 November 2019 at 2.00  
pm



**Present:** Councillor Rob Stewart (Swansea Council) Presided

**Councillors:**

|               |                           |
|---------------|---------------------------|
| David Jenkins | Carmarthenshire Council   |
| Rob Jones     | Neath Port Talbot Council |
| David Simpson | Pembrokeshire Council     |

**Co-opted Non-Voting Representatives:**

|               |   |
|---------------|---|
| Medwin Hughes | University of Wales Trinity Saint David |
| Edward Tomp   | Chair of Economic Strategy Board        |
| Steve Wilks   | Swansea University                      |

**Officers:**

|                 |  |
|-----------------|--|
| Huw Evans       | Head of Democratic Services (Swansea Council)                            |
| Jon Haswell     | S151 Officer (Pembrokeshire County Council)                              |
| Greg Jones      | Communications & Marketing Officer - City Deal (Carmarthenshire Council) |
| Tracey Meredith | Joint Committee Monitoring Officer (Swansea Council)                     |
| Chris Moore     | Joint S151 Officer (Carmarthenshire County Council)                      |
| Helen Morgan    | Economic Development Manager (Carmarthenshire Council)                   |
| Steve Phillips  | Chief Executive (Neath Port Talbot Council)                              |
| Phil Roberts    | Chief Executive (Swansea Council)  |
| Paul Thomas     | Carmarthenshire Council  |

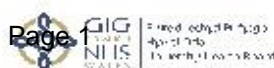
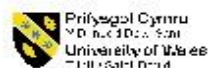
**Apologies for Absence:**

Councillor(s) Emlyn Dole (Carmarthenshire Council)  
Maria Battle (Hywel Dda University Health Board) and Emma Woollett (Swansea Bay University Health Board)  
Wendy Walters (Chief Executive (Carmarthenshire Council)) and Ian Westley (Chief Executive (Pembrokeshire Council))

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### 33 Disclosures of Personal and Prejudicial Interests.

In accordance with the Code of Conduct adopted by the City & County of Swansea no interests were declared.



**34 Minutes.**

**Resolved** that the Minutes of Swansea Bay City Region Joint Committee meeting held on 29 October 2019 be signed and approved as a correct record.

**35 Announcement(s) of the Chair.**

The Chair made no announcements.

**36 Public Questions.**

There were no public questions.

**37 Swansea Bay City Deal Projects Update. (Verbal)**

**Carmarthenshire**

The Wellness Village project was subject to fine tuning. Private Investment discussions were ongoing. Discussions regarding an Academic Partner were approaching completion.

**Neath Port Talbot**

The Authority had met with the Economic Strategy Board (ESB) earlier in the day in order to outline their Low Carbon & Homes as Power Stations Business Cases. These schemes would be presented to the Joint Committee in January / February 2020. Steve Phillips stated that the working drafts has already been submitted to both Governments.

The Authority shall inform both Governments of the progress that is being made in relation to the Neath Port Talbot Business Cases and all relevant documents shared prior to final agreement by the Joint Committee, so as not to delay the projects.

**Pembrokeshire**

Work on the Pembroke Dock Marine project was continuing; however the Authority was spending at risk and asked that for the distribution of City Region monies as soon as possible for all Authorities.

**Swansea**

The Swansea Central Phase 1 project was approved by Cabinet on 21 November 2019. Works commenced on site week commencing 25 November 2019.

**Resolved** that:

- 1) The updates be noted.

**38 Swansea Bay City Deal Terms & Conditions.**

The Regional Office submitted a report seeking approval to sign and accept the UK and Welsh Government Funding letter and associated Terms and Conditions.

**Resolved** that the UK and Welsh Government Funding letter and associated Terms and Conditions be supported and forwarded to each of the four constituent Authorities for approval.

**39 Swansea Bay City Region Programme Director.**

The Regional Office submitted a report which provided an update on the Recruitment Process for the Swansea Bay City Region Programme Director.

**Resolved** that the Interviews for the Programme Director take place on 5 and 6 December 2019.

The meeting ended at 2.35 pm

**Chair**

# Agenda Item 7



Swansea Bay City Region Joint Committee - 28 January 2020

## Financial Monitoring Report 2019/20 – Swansea Bay City Deal Outturn Position

|                                    |   |
|------------------------------------|---|
| <b>Purpose:</b>                    | The purpose of this report is to inform the Joint Committee of the year end forecast outturn position in respect of the PMO, Accountable Body and Joint Committee administration functions. |
| <b>Policy Framework:</b>           | Swansea Bay City Deal   |
| <b>Consultation:</b>               | Accountable Body  |
| <b>Recommendation(s):</b>          | It is recommended that:<br><br>1) The Joint Committee review annual accounts of the Swansea Bay City Deal.  |
| <b>Report Author:</b>              | Chris Moore   |
| <b>Finance Officer:</b>            | Chris Moore, Section 151 Officer, SBCD  |
| <b>Legal Officer:</b>              | Tracey Meredith, Monitoring Officer, SBCD   |
| <b>Access to Services Officer:</b> |   |

### 1. Introduction

1.1 This report details the projected forecast outturn position of the Programme Management Office, Accountable Body and Joint Committee functions of the City Deal Programme.

The Financial Monitoring Report presents the City Deal Accounts in a detailed format, in line with the Carmarthenshire County Council's financial management system. The outturn position demonstrates the forecasted current financial year end position, as at October 2019.

### 2. Financial Monitoring Report – Income and Expenditure

#### 2.1. Supplementary Information

2.1.1. The outturn position excludes any top slice of Government Grants in terms of income. On receipt of government grants, 1.5% (£723k) of this will be utilised to support the PMO and the direct administration functions of the Programme.

There is no requirement to call on this additional contribution by the end of this financial year. Any contribution from Government grants received within the financial year will be transferred to a ring-fenced reserve at year end, for utilisation in future years.

2.1.2. The Programme Director has an assumed commencement date of 01<sup>st</sup> April 2020, therefore no salary expenditure has been included within the accounts of this current financial year.

2.1.3. An annual interim budget was agreed (JC - 30th July 2019) for the current financial year (2019/20). Included within is an agreement between the four Local Authority partners to individually absorb indirect costs associated with the provision of key allocated functions, thus bequeathing a benefit to the programme in respect of reduced centralised costs estimated at £792k. These indirect costs have been omitted for the full year (*Appendix 2*).

## **2.2. Programme Management Office**

To the period ended 31<sup>st</sup> March 2019 the expenditure forecast position is £208k. At present the PMO is not fully staffed, only two positions have been appointed into, with further support being provided by staff employed by CCC. Direct staffing costs are estimated at £86k with recharges in relation to CCC support staff being estimated at £63k. Other costs include office rental of £22k, Promotions, Marketing & Advertising £7k and fees £21k.

## **2.3. Accountable Body**

The Accountable Body year end position is estimated at £64k. This is attributable to one staff member and the annual external audit fee. This has increased from 2018/19 due to the requirement to produce a full set of financial statements.

## **2.4. Joint Committee**

The Joint Committee expenditure forecast relates solely to legal fees in respect of amendments to the JCA and funding agreements. This has been estimated at £25k.

## **2.5. Joint Scrutiny Committee**

No costs have been incurred in respect of the Joint Scrutiny Committee at this time, as the expenditure was agreed at the date of forecast to be funded as a benefit in kind by Neath Port Talbot County Borough Council.

## **2.6. Income**

Total income for the year demonstrates £375k. This is solely from partner contributions (£50k per partner), with ongoing discussions in respect of one partner's contribution.

### **3. Financial Monitoring - Statement of Balances**

- 3.1. The prior year (2018/19) balance carried forward in reserve demonstrates £100k. Currently the estimated year end position of the City Deal accounts resides at a surplus of £78k.

### **4. Events after the Reporting Period**

#### *Receipt of Grant Award (1<sup>st</sup> Tranche)*

The first tranche of funding was received in late December totalling £18m. This was released on the signing of the Terms and Conditions and the provision of updates in respect of targets on which the grant is released.

#### *Award of Funding in relation to Swansea Bay City Deal Programme Assurance*

An Award of Funding of up to £100,000 was approved by Welsh Government to support the assurance work undertaken by the Programme. This is a one-off revenue grant relating to the period 1st August 2019 to 31st March 2020 and must be claimed in full by 31st March 2020 otherwise any unclaimed part of the Funding will cease to be available. This grant will be subject to the accepted Terms and conditions and paid in arrears of associated spend.

#### *Inclusion of Benefit in Kind*

A separate report in respect of a remodelled budget for 2020/21 has been submitted for approval. On reviewing the estimated costs treated as a benefit in kind, there was deemed to be significant imbalance between those costs absorbed by the Local authorities and as a result a detailed report has been submitted to Joint Committee with recommendations addressing this inequity.

### **5. Financial Implications**

- 5.1 The forecasted year end out-turn position (as at October 19) demonstrates a surplus of £78k, which will be transferred to the Swansea Bay City Deal ring-fenced reserve at the year end. Expenditure is forecasted at £297k, which is offset by income through partner contributions of £375k.


### **6. Legal Implications**

- 6.1 There are no legal implications associated with this report.

#### **Appendices: These will be included within the report.**

- Appendix A** Swansea Bay City Deal – Financial Monitoring Report 2019/20  
**Appendix B** Breakdown of Benefit in Kind



|  |                         | <b>Swansea Bay City Deal</b><br><b>Financial Monitoring Report (as at October 2019)</b><br>For the period ended 31st March 2020 |                          |                          |
|---|-------------------------|---|--------------------------|--------------------------|
| Description   | Actuals<br>2018/19<br>£ | Interim Budget*<br>2019/20<br>£   | Forecast<br>2019/20<br>£ | Variance<br>2019/20<br>£ |
| <b>Programme Management Office</b>  |                         |   |                          |                          |
| Pay (Inc. on-costs)   | 83,783                  | 449,603   | 85,823                   | 363,780                  |
| Recharges - Employee costs Grant (direct)   | 182,617                 | -   | 63,078                   | (63,078)                 |
| National Insurance  | -                       | -   | -                        | 0                        |
| Superannuation  | -                       | -   | -                        | 0                        |
| Apprentice Levy   | 326                     | -   | 224                      | (224)                    |
| Training of Staff   | -                       | 15,000  | 500                      | 14,500                   |
| Rents General   | 13,648                  | 15,450  | 14,892                   | 558                      |
| National Non Domestic Rates   | -                       | -   | 6,575                    | (6,575)                  |
| Electricity   | -                       | 2,472   | -                        | 2,472                    |
| Gas   | -                       | 618   | -                        | 618                      |
| Response Maintenance  | 630                     | 500   | -                        | 500                      |
| Public Transport - Staff  | 21                      | 1,800   | -                        | 1,800                    |
| Staff Travelling Expenses   | 1,575                   | 17,820  | 2,833                    | 14,987                   |
| Admin, Office & Operational Consumables   | 16,738                  | 1,000   | -                        | 1,000                    |
| Printing & Copying  | -                       | 1,000   | 200                      | 800                      |
| Fees (Monitoring & Evaluation)  | -                       | 10,000  | 21,024                   | (11,024)                 |
| Translation/Interpret Services  | 819                     | 10,000  | -                        | 10,000                   |
| ICTs & Computer Hardware  | -                       | 10,000  | -                        | 10,000                   |
| Subsistence & Meetings Expenses   | 717                     | 1,000   | 1,000                    | 0                        |
| Promotions, Marketing & Advertising   | 47,404                  | 100,000   | 6,647                    | 93,353                   |
| Projects & Activities Expenditure   | -                       | 60,000  | 5,000                    | 55,000                   |
| Photocopying Recharge   | 77                      | -   | 57                       | (57)                     |
| Furniture   | -                       | 10,500  | -                        | 10,500                   |
| <b>Total Programme Management Office Expenditure</b>                              | <b>348,355</b>          | <b>706,763</b>  | <b>207,853</b>           | <b>498,910</b>           |
| <b>Accountable Body</b>   |                         |   |                          |                          |
| Pay (Inc. on-costs)   | -                       | 99,570  | 38,974                   | 60,596                   |
| Recharges - Employee costs Grant (direct)   | 100,349                 | -   | -                        | 0                        |
| National Insurance  | -                       | -   | -                        | 0                        |
| Superannuation  | -                       | -   | -                        | 0                        |
| Apprentice Levy   | -                       | -   | 221                      | (221)                    |
| Staff Recruitment Expenses  | 597                     | -   | -                        | 0                        |
| Audit Fee (Wales Audit Office)  | 10,000                  | 25,000  | 25,000                   | 0                        |
| <b>Total Accountable Body Expenditure</b>   | <b>110,946</b>          | <b>124,570</b>  | <b>64,195</b>            | <b>60,375</b>            |
| <b>Joint Committee</b>  |                         |   |                          |                          |
| Admin, Office & Operational Consumables   | -                       | -   | -                        | 0                        |
| Legal Fees  | 3,671                   | 25,000  | 25,000                   | 0                        |
| Subsistence & Meetings Expenses   | 726                     | -   | -                        | 0                        |
| <b>Total Joint Committee Expenditure</b>  | <b>4,397</b>            | <b>25,000</b>   | <b>25,000</b>            | <b>0</b>                 |
| <b>Joint Scrutiny Committee</b>   |                         |   |                          |                          |
| Subsistence & Meetings Expenses   | 7,611                   | -   | -                        | 0                        |
| <b>Total Joint Scrutiny Committee Expenditure</b>                                 | <b>7,611</b>            | <b>-</b>  | <b>-</b>                 | <b>0</b>                 |
| <b>Total Expenditure</b>  | <b>471,308</b>          | <b>856,333</b>  | <b>297,048</b>           | <b>559,285</b>           |
| <b>Funding Contributions</b>  |                         |   |                          |                          |
| SBCD Programme Contribution (top slice 1.5%)**                                    | -                       | 723,000   | -                        | (723,000)                |
| Government Grants - WAG   | 57,632                  | -   | -                        | 0                        |
| Partner Contributions (LA & Co-Opt)   | 400,000                 | 400,000   | 375,000                  | (25,000)                 |
| <b>Total Income</b>   | <b>457,632</b>          | <b>1,123,000</b>  | <b>375,000</b>           | <b>(748,000)</b>         |
| <b>Net Annual Total - Surplus/(Deficit)</b>                                       | <b>(13,676)</b>         | <b>266,667</b>  | <b>77,952</b>            | <b>(188,715)</b>         |

\*As agreed by Joint Committee - 30th July 2019.

\*\*Omitted 'Top Slice' element due to no grant being received to date.

| <b>Movement to Reserves</b>                                 |               |                |
|---|---------------|----------------|
| Description   | 2018/19       | 2019/20        |
| Balance Brought Forward from previous year                  | 113,547       | 99,871         |
| Appropriation/Contribution To Ring-fenced City Deal Reserve | (13,676)      | 77,952         |
| <b>Balance Carry Forward</b>                                | <b>99,871</b> | <b>177,823</b> |

**Breakdown of Benefit in Kind**

|  | 2019/20        | 2020/21        | 2021/22        | 2022/23        | Total          |
|--|----------------|----------------|----------------|----------------|----------------|
| <b><u>Carmarthenshire</u></b>                                  |                |                |                |                |                |
| Finance Services Support (Section 151 Officer)                 | 54,244         | 54,244         | 54,244         | 54,244         | 216,976        |
| <b>Total</b>   | <b>54,244</b>  | <b>54,244</b>  | <b>54,244</b>  | <b>54,244</b>  | <b>216,976</b> |
|  |                |                |                |                |                |
| <b><u>Pembrokeshire</u></b>                                    |                |                |                |                |                |
| Audit Support Function (Internal Audit Fees)                   | 15,000         | 15,000         | 15,000         | 15,000         | 60,000         |
| <b>Total</b>   | <b>15,000</b>  | <b>15,000</b>  | <b>15,000</b>  | <b>15,000</b>  | <b>60,000</b>  |
|  |                |                |                |                |                |
| <b><u>Swansea</u></b>  |                |                |                |                |                |
| Legal and Democratic Support (inclusive of Monitoring Officer) | 103,849        | 103,849        | 103,849        | 103,849        | 415,398        |
| <b>Total</b>   | <b>103,849</b> | <b>103,849</b> | <b>103,849</b> | <b>103,849</b> | <b>415,398</b> |
|  |                |                |                |                |                |
| <b><u>Neath Port Talbot</u></b>                                |                |                |                |                |                |
| <b><u>Joint Committee</u></b>                                  |                |                |                |                |                |
| Room Hire  | 1,890          | 1,890          | 1,890          | 1,890          | 7,560          |
| Meeting Expenses   | 1,200          | 1,200          | 1,200          | 1,200          | 4,800          |
| Travel   | 1,800          | 1,800          | 1,800          | 1,800          | 7,200          |
| <b>Joint Scrutny</b>   | <b>20,000</b>  | <b>20,000</b>  | <b>20,000</b>  | <b>20,000</b>  | <b>80,000</b>  |
| <b>Total</b>   | <b>24,890</b>  | <b>24,890</b>  | <b>24,890</b>  | <b>24,890</b>  | <b>99,560</b>  |
| <b>Total Absorbed Cost</b>                                     | <b>197,984</b> | <b>197,984</b> | <b>197,984</b> | <b>197,984</b> | <b>791,934</b> |

# Agenda Item 9



## Swansea Bay City Region Joint Committee – 28 January 2020

### Internal Audit Governance Arrangements

|                           |   |
|---------------------------|---|
| <b>Purpose:</b>           | To consider and note the Internal Audit Charter   |
| <b>Policy Framework:</b>  | Internal Audit Governance Arrangements – Swansea Bay City Region Joint Committee Agreement  |
| <b>Recommendation(s):</b> | It is recommended that:<br><br>1) The Joint Committee approves the draft Internal Audit Charter and Internal Audit Terms of Reference 2019/20 attached. |
| <b>Report Author:</b>     | Jo, Hendy, Head of Internal Audit   |
| <b>Finance Officer:</b>   | Chris Moore, Section 151 Officer SBCD   |
| <b>Legal Officer:</b>     | Tracey Meredith, Monitoring Officer, SBCD   |

#### 1. Introduction

- 1.1 The Internal Audit Charter defines the purpose, authority and responsibility for the provision of the Internal Audit service and establishes the position of Internal Audit within the Partnership, including reporting lines of the Head of Internal Audit. The Internal Audit Charter has been prepared in accordance with the Public Sector Internal Audit Standards (2017), and takes into account the CIPFA Statement on the Role of the Head of Internal Audit in Public Sector Organisation (2019) and the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

#### 2. Audit Function

- 2.1 Attached at appendix 1 and 2 are the draft Internal Audit Charter and Internal Audit Terms of Reference.

#### 3. Financial Implications

- 3.1 None.



#### **4. Legal Implications**

- 4.1 The Joint Committee Agreement provides that the Accountable Body will ensure that the finances and discharge of functions relating to the Swansea Bay City Deal are audited

**Background Papers:** None.

**Appendices:**

Appendix 1 - Internal Audit Charter.

Appendix 2 - Internal Audit Terms of Reference



## **INTERNAL AUDIT SERVICE**

### **INTERNAL AUDIT CHARTER**

#### **1. PURPOSE AND MISSION**

1.1 The Internal Audit Service for Swansea Bay City Deal (SBCD) Partnership will be provided by Pembrokeshire County Council Internal Audit service in accordance with the Joint Committee decision on 28 May 2019.

1.2 The purpose of the Internal Audit service is to provide independent, objective assurance and consulting services designed to add value and improve SBCD operations. The Internal Audit service helps the SBCD Partnership accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, internal control and financial management arrangements. The provision of assurance services is the primary role for the Internal Audit service. The mission of internal audit is to enhance and protect organisational value by providing risk based and objective assurance, advice, and insight.

#### **2. THE ROLE OF INTERNAL AUDIT IN LOCAL GOVERNMENT**

2.1 Section 151 of the Local Government Act 1972 states that every local authority in England and Wales should 'make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'. The Director of Corporate Services for Carmarthenshire County Council is the designated Section 151 Officer for SBCD and has statutory responsibility for ensuring an effective internal audit function is resourced and maintained.

2.2 The Accounts and Audit Regulations (Wales) 2014 (as amended) state that a local government body 'must maintain an adequate and effective internal audit of its accounting records and its system of internal control. Any officer or member of that body must, if the body requires:

- a) Make available such documents of the body which relate to its accounting and other records as appear to that body to be necessary for the purpose of the audit, and
- b) Supply the body with such information and explanation as that body considers necessary for that purpose'.

2.3 The Relevant Internal Audit Standards Setters<sup>1</sup> introduced a common set of Public Sector Internal Audit Standards (PSIAS) in April 2013, which were updated in 2016 and 2017. The PSIAS are mandatory for every internal audit service provider for the public sector, whether internal, shared service or external. These are defined as ‘proper internal audit practices’.

### **3. STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING**

3.1 The Internal Audit service will govern itself by adherence to the Institute of Internal Auditors (IIA) mandatory Core Principles for the Professional Practice of Internal Auditing, Code of Ethics, Public Sector Internal Audit Standards and Definition of Internal Auditing.

3.2 The Head of Internal Audit will report periodically to the Section 151 Officer, Pembrokeshire County Councils Chief Executive, and the Joint Committee regarding the Internal Audit service’s conformance with the Public Sector Internal Audit Standards.

3.3 The IIA’s Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the Internal Audit service will adhere to the relevant policies and procedures of Pembrokeshire County Council and SBCD policies and procedures where defined.

### **4. AUTHORITY**

4.1 The Head of Internal Audit will adhere to the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2019) and will report functionally to the Joint Committee and Section 151 Officer (as outlined below in 4.3) and administratively to the Chief Executive of Pembrokeshire County Council. To ensure that the Internal Audit service has sufficient authority to fulfil its duties, the Joint Committee will:

- Approve the Internal Audit Charter;
- Approve the risk-based internal audit plan;
- Receive communications from the Head of Internal Audit on the outcome of assurance and consulting activities;
- Receive the annual Head of Internal Audit opinion and report that can be used by SBCD to inform its governance statement;
- Make appropriate enquiries of management and the Head of Internal Audit to determine whether there are inappropriate scope or resource limitations.

4.2 The Internal Audit service must be free from interference in determining the scope of internal auditing, performing work and communicating results. In order to ensure independence the Head of Internal Audit will communicate and interact directly with the

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<sup>1</sup> The Relevant Internal Audit Standard Setters are: HM Treasury in respect of central government; the Scottish Government, the Department of Finance and Personnel Northern Ireland and the Welsh Government in respect of central government and the health sector in their administrations; the Department of Health in respect of the health sector in England (excluding Foundation Trusts); and the Chartered Institute of Public Finance and Accountancy in respect of local government across the UK.

Joint Committee and will have a direct reporting line to the Chair of the Joint Committee.

4.3 In order to ensure that the Section 151 Officer can fulfil his statutory duty and comply with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016), the Head of Internal Audit will:

- Consult with the Section 151 Officer when scoping the annual internal audit work plan to ensure sufficient assurance can be provided in line with CIPFA's Code of Practice on Local Authority Accounting in the UK;
- Inform the Section 151 Officer immediately of any significant governance issues, high risks, material inaccuracies and any suspicions of fraudulent or irregular activity (as appropriate);
- Inform the Section 151 Officer of any resource limitations that may impact on the delivery of the Internal Audit work plan;
- Provide assurance to the Section 151 Officer on delivery of the Quality Assurance and Improvement Programme; the outcome of the annual self-assessment of conformance with the PSIAS; and, the outcome of the 5-yearly external assessment. Any factors of material non-compliance with the PSIAS will be brought to the attention of the Section 151 Officer.

4.4 The Internal Audit service, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the SBCD records, physical properties, and personnel pertinent to carrying out any engagement. All employees (either directly employed by SBCD or employed in a Partner Organisation) are required to assist the internal audit activity in fulfilling its roles and responsibilities. The Internal Audit service will also have free and unrestricted access to the Joint Committee.

## **5. INDEPENDENCE AND OBJECTIVITY**

The Head of Internal Audit will ensure that the Internal Audit service remains free from all conditions that threaten the ability of Internal Auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Head of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal Auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgement on audit matters to others.

Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, Internal Auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any activity that may impair their judgment including:

- Assessing specific operations for which they had responsibility within the previous year;
- Performing any operational duties for SBCD or any operational duties for Pembrokeshire County Council that would conflict with the interests of SBCD;
- Directing the activities of any SBCD employee, except to the extent that such employees have appropriately assigned to assist Internal Auditors.

Internal Auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties;
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined;
- Make balanced assessments of all available and relevant facts and circumstances;
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Head of Internal Audit will confirm to the Joint Committee, at least annually, the organisational independence of the Internal Audit service.

All auditors are required to sign an annual declaration of interest to ensure that the allocation of audit work avoids conflict of interest. Auditors who undertake any consultancy work will be prohibited from auditing those areas. Audits are rotated within the team to avoid over-familiarity and complacency.

## **6. SCOPE OF INTERNAL AUDIT ACTIVITIES**

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the SBCD's governance, risk management, financial management and internal control arrangements in relation defined objectives. Internal control objectives considered by Internal Audit include:

- Risks relating to the achievement of SBCD's strategic objectives are appropriately identified and managed;
- Consistency of operations or programmes with established objectives and effective performance;
- Effectiveness and efficiency of operations and employment of resources;
- Compliance with policies, plans, procedures, laws and regulations;
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information;



- Resources and assets are acquired economically, used efficiently, and protected adequately.

Due to its detailed knowledge and understanding of risks and controls, Internal Audit is well placed to provide advice and support on emerging risks and issues. As a result, Internal Audit may perform consulting and advisory services related to governance, risk management, internal control and financial management as appropriate, subject to the availability of resources and full cost recovery.

The Head of Internal Audit will report periodically to the Section 151 Officer, Pembrokeshire County Councils Chief Executive and the Joint Committee regarding:

- The Internal Audit service's purpose, authority and responsibility;
- The scope and outcome of the annual Internal Audit work plan;
- The Internal Audit service's conformance with the IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues;
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Joint Committee;
- Resource requirements;
- Any response to risk by management that may be unacceptable to SBCD.

The Head of Internal Audit has the responsibility to:

- Submit an annual risk-based work plan to the Joint Committee for approval, following consultation with the Section 151 Officer (as outlined in 4.3);
- Communicate to the Section 151 Officer, Chief Executive and the Joint Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in SBCD's business risks, operations, programmes, systems and controls;
- Ensure that the audit engagement process is undertaken in accordance with the Public Sector Internal Audit Standards;
- Follow up on engagement findings and corrective actions, and report periodically to Senior Management and the Audit Committee any corrective actions not effectively implemented;
- Ensure the principles of integrity, objectivity, confidentiality and competency are applied and upheld;
- Ensure that the Internal Audit service collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirement of the Internal Audit Charter;

- Ensure trends and emerging issues that could impact on SBCD are considered and communicated to Senior Management and the Joint Committee as appropriate;
- Ensure emerging trends and successful practices in Internal Auditing are considered and implemented where appropriate.

Provide a 'Head of Internal Audit Annual Opinion and Report' to the Joint Committee to provide assurance on the overall adequacy and effectiveness of SBCD's governance, internal control, risk management and financial management arrangements in place.

## **7. QUALITY ASSURANCE IMPROVEMENT PROGRAMME**

The Head of Internal Audit is responsible for documenting and continuously reviewing a quality assurance improvement programme. This will involve ensuring appropriate supervisory checks are in place within the service to monitor continued compliance with the Public Sector Internal Audit Standards on all audit engagements. Additionally a skills gap analysis will be undertaken to ensure the existing skills base is sufficient to meet the demands of the SBCD. Where a skills gap is identified, this will be highlighted to the Section 151 Officer who may consider providing additional funding for training purposes or procuring specialist knowledge or skills where applicable.

## **8. PERIODIC ASSESSMENT**

The Head of Internal Audit is responsible for periodically providing a self-assessment on the internal audit activity as regards its compliance with the Audit Charter (purpose, authority, responsibility) and performance relative to its annual plan. Results will be reported at least annually to the Section 151 Officer, Pembrokeshire County Council Chief Executive and the Joint Committee.

In accordance with the requirements of the Public Sector Internal Audit Standards, an external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside Pembrokeshire County Council. Arrangements for an external assessment is undertaken as part of Pembrokeshire County Councils responsibility for Internal Audit, however, the results will be communicated to the Section 151 Officer and the Joint Committee.

## **9. ROLE IN COUNTER FRAUD**

The internal audit plan is designed, in part, to help deter and identify fraud and corruption. Internal Audit bases its planning on regular risk assessment, and works with the Section 151 Officer (responsible for implementing appropriate measures to prevent and detect fraud and corruption) and the Programme Director as well as the Joint Committee when determining its work programme.

The Section 151 Officer or Joint Committee may commission the Internal Audit service to undertake an investigation into purported fraud or irregularity, subject to the availability of resources and full cost recovery for additional work over and above the approved annual internal audit work plan and annual Head of Internal Audit Opinion and Report.

**10. ASSURANCE MAPPING**

In accordance with the PSIAS, the Head of Internal Audit will liaise with other assurance providers when scoping the internal audit work plan. To avoid duplication of effort, the Internal Audit service will place reliance on the work of other assurance providers where the scope and standard of work are sufficient to fulfil the assurance requirements of SBCD.

**SIGNATURES:**

Head of Internal Audit:

Date:

Section 151 Officer:

Date:

Pembrokeshire County Council Chief Executive:

Date:

Chair of the Joint Committee:

Date:

## AUDIT TERMS OF REFERENCE

### Swansea Bay City Deal

#### 1. Introduction

As part of the annual internal audit plan, a review of the Swansea Bay City Deal will be undertaken.

#### 2. Objectives

To provide assurance that the Swansea Bay City Deal has adequate governance, internal control, risk management and financial management arrangements in place, which are operating effectively and assisting it to achieve its objectives.

#### 3. Scope

The review will cover the following key areas:

##### Governance

- Follow Up of Swansea Bay City Deal Internal Review of Governance Arrangements
- Follow Up of Swansea Bay City Deal Independent Review (Actica)
- Legal Agreement & Policy Framework
- Organisation Structure (including service provision arrangements with Local Authorities and the role of the Programme Management Office)

##### Financial Management

- Core Funding (including partner contributions, budgetary control, and compliance with financial procedures)
- Grant Funding (including funding agreements, distribution of funds, and compliance with grant terms & conditions)

##### Risk Management

- Risk Appetite & Risk Management Methodology

##### Internal Control

- Project Management, Monitoring & Deliverability

#### 4. Audit Approach

The auditor undertaking this review will be Justin Blewitt, Senior Internal Auditor and will involve:

- Interviews with the relevant officers
- Examining relevant documents
- Recording the system in operation
- Evaluation of the adequacy of internal controls
- Compliance and substantive testing
- Reporting to management and making recommendations where appropriate

**5. Reporting Arrangements**

The draft report will be issued to the Swansea Bay City Deal Section 151 Officer and the Finance Manager. Discussions will then take place to approve the report and agree action in respect of any recommendations for improvement that may be made. Upon approval of the draft report, the final report will be issued to the Swansea Bay City Deal Section 151 Officer and the Finance Manager (and will be reported to Programme Board and the Joint Committee).

**J Hendy**

**Head of Internal Audit**

**Date: 9<sup>th</sup> January 2020**

# Agenda Item 10



Swansea Bay City Region Joint Committee – 28 January 2020

## Implementation Plan (Version 22)

|                                    |   |
|------------------------------------|---|
| <b>Purpose:</b>                    | To consider and approve the latest version of the Implementation Plan       |
| <b>Policy Framework:</b>           | Swansea Bay City Region Joint Committee Agreement                           |
| <b>Consultation:</b>               |   |
| <b>Recommendation(s):</b>          | It is recommended that:   |
| 1)                                 | The Joint Committee approves the latest version of the Implementation Plan. |
| <b>Report Author:</b>              | Helen Morgan, Regional Office   |
| <b>Finance Officer:</b>            | Chris Moore, Section 151 Officer, SBCD                                      |
| <b>Legal Officer:</b>              | Tracey Meredith, Monitoring Officer, SBCD                                   |
| <b>Access to Services Officer:</b> |   |

### 1. Introduction

- 1.1 The Swansea Bay City Deal Implementation Plan has been developed to set out the high-level activities that will support the delivery of the Swansea Bay City Deal (SBCD).
- 1.2 The Plan outlines the work of the Joint Committee and supporting structures including programme governance, stakeholder engagement, programme implementation, monitoring, evaluation and indicative milestones for the SBCD programme and its projects.
- 1.3 The Joint Committee will review the Implementation Plan annually, with the first review to take place no later than one year after the approval of the Implementation Plan. Reviews in later years will take place no later than one year after the previous review. The Programme should be managed as a Portfolio, not as a set of predetermined and immutable projects.
- 1.4 The City Deal's Implementation Plan is an evolving document.

1.5 The latest version of this document (version 22) takes on board the revised Neath Port Talbot programme of projects, as well as updated financial profiles for projects within the City Deal programme.

1.6 Other revisions in this latest version include a section on the reviews into the City Deal, as well as additions to the section of the document about interdependencies between key City Deal themes.

## **2. Implementation Plan**

2.1 The full Implementation Plan is appended at Appendix 1.

## **3. Financial Implications**

3.1 Each project has its own financial implications, which are the responsibility of each project lead authority.

3.2 All figures included in the Implementation Plan are currently on an estimated basis. The scrutiny of all project figures will be undertaken when the detailed project business plan is considered by Programme Board and Joint Committee.

## **4. Legal Implications**

4.1 The Swansea Bay City Region Joint Committee Agreement provides that the Joint Committee will review the Implementation Plan annually.

**Background Papers:** None

**Appendices:** Appendix 1 – Implementation Plan (Version 22)

# Implementation Plan (Version 22) – Appendix 1

The Swansea Bay City Deal Implementation Plan has been developed to set out the high-level activities that will support the delivery of the Swansea Bay City Deal (SBCD).

The Plan outlines the work of the Joint Committee and supporting structures including programme governance, stakeholder engagement, programme implementation, monitoring, evaluation and indicative milestones for the SBCD programme and its projects.

The Joint Committee will review the Implementation Plan annually, with the first review to take place no later than one year after the approval of the Implementation Plan. Reviews in later years will take place no later than one year after the previous review. The Programme should be managed as a Portfolio, not as a set of predetermined and immutable projects.

## Swansea Bay City Deal

### 1.0 Summary of Programme

The Swansea Bay City Region covers the four local authority areas of Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea.

Based on the Swansea Bay City Region Economic Regeneration Strategy 2013-2030, the Swansea Bay City Deal sets out an integrated, transformational approach to delivering the scale and nature of investment needed to support plans for growth in the Region.

The strategic vision is to create a super smart innovation region which will inform and advance solutions to some of the most pressing challenges of modern times in the areas of economic acceleration, smart manufacturing, energy, life sciences and well-being.

The Swansea Bay City Deal is a total investment of £1.3 billion over a period of 15 years. This consists of £241 million from the UK and Welsh Governments, £396 million from other public sector funding, and £637 million from the private sector.

The City Deal provides a once in a generation opportunity to further consolidate the region's role in technological innovation through the creation of interconnected testbeds and living laboratories, designed not only for proof of concept but also for proof of business.

Using the transformational powers of next generation digital technologies, and supported by a programme of tailored skills development, the City Deal will accelerate the region's innovation, technological and commercialisation capabilities to support the establishment and growth of local innovation businesses, while also acting as a catalyst to attract further inward investment.



The strands of innovation, skills and digital infrastructure create synergies across the themes and projects of the Swansea Bay City Deal.

## Partnership working



The Swansea Bay City Deal is an excellent example of partnership working between councils, universities and education providers, health boards, the UK and Welsh Governments, and the business community. It demonstrates what collaboration and joined-up thinking can achieve for our citizens.

The City Deal is also a good example of the 5 Ways of Working promoted by the Well-being of Future Generations (Wales) Act 2015. The City Deal will make a significant contribution to the seven well-being goals.

Being a 15-year programme, the Swansea Bay City Deal gives an excellent opportunity to address persistent challenges such as climate change, poverty, inequality, jobs, skills and rurality in a transformational and preventative way.

It is also an opportunity for the four local authorities and City Deal partners as a whole to demonstrate use of the 5 Ways of Working to maximise their contribution to the well-being goals required under the Act, through a major public and private sector investment programme.

The Regional Office has been in discussions with the Office of the Future Generations Commissioner in Cardiff to explore at the outset how the SBCD projects can use the Act as a framework at the design stage of projects. This approach would then ensure contribution of each SBCD project towards the Act's seven Goals, while improving the 5 Ways of Working during project development.

The 5 Ways of Working principles will be used as a starting point for helping projects consider how they can involve people in the project's development, who they should be collaborating with, and what the long-term trends are that need to be considered or addressed.

The Office of the Future Generations Commissioner in Cardiff has developed a specific framework based on the 5 Ways of Working and the seven Well-being Goals. This Framework will allow SBCD Project Leads to use the Act to shape the development and assessment of projects and to drive their design and implementation. It has been shared with each of the Project Leads to assist in identifying improvements that need to be made to ensure the project adheres to the Act, while maximising the future benefits of the Swansea Bay City Deal Programme.

**2.0 Outcomes and benefits**

The aim of the Swansea Bay City Deal is to create an outward-looking City Region with the innovation, capacity and infrastructure to inform and advance solutions to major regional challenges.

By 2035 we will:

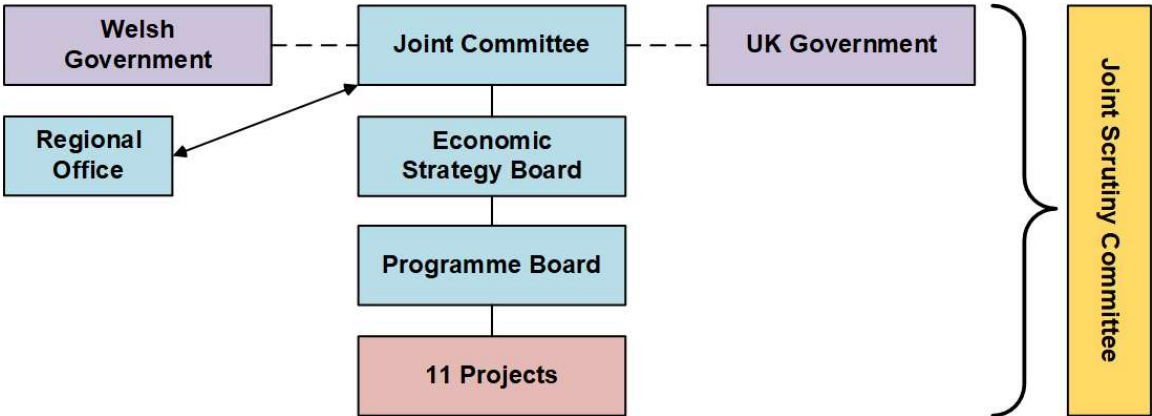
- Transform the regional economy
- Establish and maintain an effective and aligned skills base
- Create, prove and commercialise new technologies and ideas
- Be a recognised regional centre of excellence in:
  - The application of digital technologies
  - Life Science and Well-being
  - Energy
  - Advanced manufacturing

At the end of the programme period, it’s estimated the Swansea Bay City Deal will lead to:

- Funding of £1.3 billion (including a £600 million private sector contribution) for interventions to support economic growth across the City Region
- A portfolio of transformational projects throughout the City Region
- A £1.8 billion contribution to regional GVA
- The creation of over 9,465 high-skilled jobs
- Investment spread across the entire City Region to ensure benefits for residents and businesses in all communities, both urban and rural

In addition to the above outcomes, the City Deal will also have wider social and economic benefits at both a programme wide and project specific level. The full detail of all City Deal outcomes and benefits will be set out in a Monitoring and Evaluation Plan that will provide details on the capturing, monitoring and evaluation of key information throughout the City Deal programme.

**3.0 Programme Governance set out in City Deal heads of terms**



### 3.1 Joint Committee

The Joint Committee comprises the four local authority Leaders of Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea.

The Joint Committee will be chaired by a local authority Leader. Its current chair is the Leader of Swansea Council.

The Chair of the Joint Committee will be elected for a two-year term in the first instance, reviewed annually thereafter.

The Joint Committee has ultimate responsibility and accountability for decisions taken in relation to the Swansea Bay City Deal, in line with the visions and interests of all participating parties and the Swansea Bay City Deal document signed on 20th March, 2017.

The first formal meeting of Joint Committee took place on 31<sup>st</sup> August 2018 when each of the four local authorities signed the Joint Committee Agreement – a legal document that sets out how the councils will work together.

The head of paid service, monitoring officer and section 151 officer of each of the Councils shall be entitled to attend meetings of the Joint Committee as an advisor, but they shall not have a vote.

The Leaders have agreed to co-opt to the Joint Committee the Chair of the Economic Strategy Board, and one representative each from the University of Wales Trinity Saint David, Swansea University, Hywel Dda University Health Board and Swansea Bay University Health Board. Voting rights will be reserved for the four local authority Leaders.

The Joint Committee meets on a monthly basis and, as set out in the Joint Committee Agreement, its functions include:

- Identifying and introducing appropriate governance structures for the implementation of any projects within the Swansea Bay City Deal programme. This shall include the formation of corporate bodies and any other structures which the Councils can lawfully establish or participate in
- Agreeing and planning the overall strategy for and delivery of the Swansea Bay City Deal programme
- Performance management of the Swansea Bay City Deal programme
- Strategic communications
- Monitoring the City Deal programme's impact
- Reporting of impact to regional local authorities
- Authorising the Accountable Body to commission external support and to oversee the delivery and management of project expenditure
- Progressing a regional approach for the discharge of strategic functions. These functions may include land use, planning, transport and economic development
- Approval and adoption of the Implementation Plan
- Approval of any Implementation Plan deadline extension agreed by the Councils
- Agreeing the terms and conditions of Government funding
- Overseeing the proportion of each Council's responsibility for borrowing to provide funding for regional projects

- Reviewing performance of the Chair of the Economic Strategy Board on an annual basis
- Agreeing the annual costs budget
- Consideration of project business cases, based on recommendations from Programme Board and the Economic Strategy Board
- Determining whether or not to approve the submission of projects to the UK and Welsh Governments for approval/the release of government funds

### **3.2 Economic Strategy Board**

Reporting to the Joint Committee, the Economic Strategy Board (ESB) is made up of representatives from the private sector in key City Deal themes including energy, life sciences, manufacturing and housing.

The Economic Strategy Board acts as the voice of business, providing strategic direction for the City Deal through advice to the Joint Committee on matters relating to the City Region. It also has a role in advising the Joint Committee on opportunities to strengthen the City Deal's impact.

The Chair is accountable to the Joint Committee. Reaching agreement by consensus, the Economic Strategy Board does not have formal decision-making powers.

The Economic Strategy Board meets with the following frequency, or as and when required:

- Quarterly in advance of any Joint Committee meeting; and
- When necessary to deal with business as agreed by the Chair of the Economic Strategy Board.

The Regional Office will arrange for minutes of each meeting to be taken, approved and recorded. Key activities of the Economic Strategy Board include:

- Submitting strategic objectives for the Swansea Bay City Region
- Assessing the individual project business cases against the strategic aims and objectives of the City Deal
- Making recommendations to the Joint Committee on whether or not the project business cases should proceed
- Considering implications of a proposed withdrawal or change of project local authority lead
- Considering any proposal for a new project
- Providing recommendations to the Joint Committee on whether or not the new project proposed should replace the project to be withdrawn
- Determining the process for selecting new projects or reallocating funding
- Monitoring progress of the City Deal's delivery

The Chair of the Economic Strategy Board has been appointed following an open competition exercise. The process of appointing other members of the Economic Strategy Board has taken place through an open recruitment and nomination process, with membership being drawn from across private sector. The Economic Strategy Board membership was agreed through a vote at the first formal meeting of the Joint Committee on 31<sup>st</sup> August, 2018.

### **3.3 Programme Board**

Accountable to the Joint Committee, the Programme Board consists of the head of paid service

of each of the four Councils, or another officer nominated by the head of paid service. The Programme Board Chair shall be reviewed annually.

The Programme Board may co-opt additional representatives to the Board. Co-opted members may include representatives of Swansea University, the University of Wales Trinity Saint David, Hywel Dda University Health Board and Swansea Bay University Health Board.

The Board was formally established by the Joint Committee at its first meeting.

The Programme Board has four distinct roles:

- Preparing recommendations on the Swansea Bay City Deal programme:
  - Ensuring that all schemes are developed in accordance with the agreed package
  - Analysing each City Deal project's financial viability, deliverability and risk
  - Overseeing the production of business cases.
- Advising on the strategic direction of the Economic Strategy Board
- Overseeing performance and delivery of projects by reviewing progress against agreed milestones, focussing on delivery and financial risks, and identifying any necessary remedial action
- Working on a regional basis to improve public services, especially in the areas of economic development, transport, planning, strategic land use, housing and regeneration

Meetings of the Programme Board will take place on a monthly basis before meetings of Joint Committee and the Economic Strategy Board.

### **3.4 Accountable Body**

In accordance with the Joint Committee Agreement, it was agreed that Carmarthenshire County Council would act as the Accountable Body responsible for discharging City Deal obligations for all regional councils.

The role of the Accountable Body is to:

- Act as the primary interface with the Welsh Government, the UK Government and any other funding bodies
- Hold and release any Government funding in relation to the Swansea Bay City Deal
- Only to use and release these funds in accordance with the terms of the Joint Committee Agreement
- Comply with the funding conditions set out in the Joint Committee Agreement
- Undertake the accounting and auditing responsibilities set out in the Joint Committee Agreement
- Employ Regional Office staff

### **3.5 Regional Office**

Reporting directly to the Joint Committee, the Regional Office plays a co-ordinating and supporting role. It is responsible for the day to day management of matters relating to the Joint Committee and the Swansea Bay City Deal.

Key activities of the Regional Office include:

- Strategic liaison with the UK Government, Welsh Government and policy advisors
- Governance support for all aspects of the City Deal governance structure
- Programme implementation, co-ordination, monitoring and evaluation
- Undertaking research, analysis and reporting as and when requested by groups within the governance structure
- Strategic project co-ordination including advising on and coordinating the development and submission of 5 case business models for City Deal projects
- Liaison and engagement with government funding bodies and programmes, Universities and Health Boards
- Responsibility for managing the identification, assessment, approval, monitoring and evaluation processes for regional interventions and projects
- Communications and engagement management for the Swansea Bay City Deal
- Private sector involvement, business development and inward investment
- The consideration and development of opportunities for additional funding sources to assist in the delivery of regional activities which are complimentary to the SBCD.

### **3.6 Swansea Bay City Deal reviews**

In December 2018, it was announced there would be two reviews into the Swansea Bay City Deal – an external, independent review; along with an internal review.

The findings of both the external review (carried out by Actica consulting) and the internal review (carried out by Pembrokeshire County Council) were published in March 2019.

Joint Committee has agreed to implement all recommendations arising from the reviews, which include:

- The appointment of a new City Deal Programme Director
- The establishment of a new City Deal Portfolio Management Office, led by the new Programme Director
- The management of the City Deal as a portfolio, as opposed to a set of pre-determined and immutable projects
- A redistribution of roles and functions to ensure an equitable balance across the City Deal partnership, each acting as a check and balance for the other

Progress includes the appointment in December 2019 of a new City Deal Programme Director.

Roles and functions have also already been redistributed as below to ensure a more equitable balance across the City Deal partnership:

- Legal and democratic services – Swansea Council
- Finance – Carmarthenshire Council
- Audit – Pembrokeshire Council
- Scrutiny – Neath Port Talbot Council

Carmarthenshire Council will continue as the Accountable Body.

## **4.0 Joint Committee Work Programme**

A detailed work programme has been developed in Gantt format. This will be continually monitored and updated to ensure progress is being made.

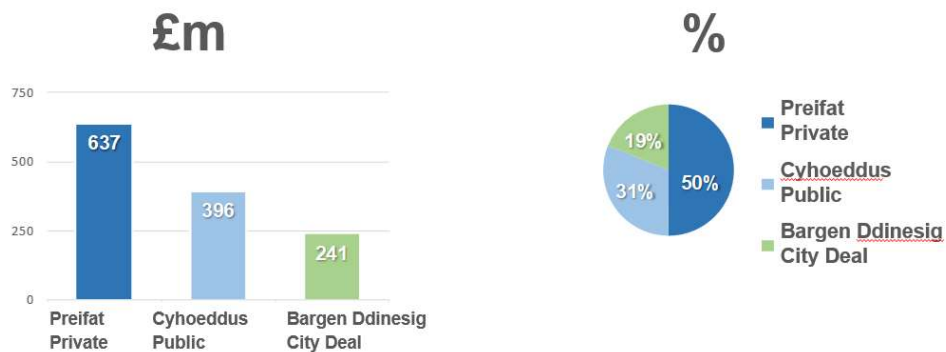
Summarised key actions for the Joint Committee include:

| <b>Category</b>                           | <b>Action</b>   | <b>Timeframe<br/>(Using<br/>Calendar<br/>Year)</b> | <b>Responsibility</b>   |
|---|---|--|---|
| <b>Governance</b>                         | JCA & SBCD governance approved at Full Council meeting in each of the 4 LAs   | Complete   | 4 LAs   |
|   | Formal agreement of JCA & SBCD governance   | Complete   | Joint Committee   |
|   | Formal establishment of Economic Strategy Board   | Complete   | Joint Committee /UKG & WG   |
|   | Establish Joint Scrutiny Arrangements   | Complete   | Neath Port Talbot   |
|   | Formal approval of Implementation Plan  | Qtr1 2020  | Joint Committee   |
| <b>Finance</b>                            | Identify and agree LA borrowing requirements  | Qtr1 2020  | LAs Section 151 Officers and Legal Officers / Accountable Body / JC |
|   | Identify funding for revenue requirements and agree position on NNDR & Capitalisation   | In principle agreement reached<br>Qtr2 2019        | Accountable Body / LAs<br>Section 151 Officers / Joint Committee    |
|   | Formal agreement of process principles for flow of finances for Regional and Local Authority City Deal projects as set out in the Joint Committee Agreement | Qtr 1 2020   | 4 LAs / Joint Committee   |
| <b>SBCD Project development /approval</b> | Agree submission process and timescales for projects to Governments   | Complete   | Regional Office /<br>/ UKG & WG / JC                                |
|   | Agree project approval process  | Complete   | Accountable Body / 4 LAs /<br>JC / UK & WG                          |
| <b>Legal and Procurement</b>              | Draft SBCD JCA developed  | Complete   | Accountable Body/ LAs<br>Section 151 Officers and<br>Legal Officers |
|   | Develop Economic Strategy Board TOR for approval  | Complete   | Accountable Body/ LAs<br>Section 151 Officers and<br>Legal Officers |
|   | Develop City Deal Regional Procurement principles   | Qtr2 2020  | Accountable Body/Regional<br>Office                                 |
|   | Contracts Register to be established to identify and report on community benefits   | Qtr2 2020  | Regional Office /Accountable<br>Body                                |
|   | Develop Template Funding Agreement between the Project Authority Lead and the Project Lead to allow the transfer of City Deal Funding                       | Qtr 1 2020   | Accountable Body/ LAs<br>Section 151 Officers and                   |

|                                     |   |                     |   |
|-------------------------------------|---|---------------------|---|
|                                     |   |                     | Legal Officers/ Joint Committee             |
| <b>Monitoring and Evaluation</b>    | Programme Risk Register Developed   | Complete            | Regional Office/Accountable Body            |
|                                     | Final Version Monitoring and Evaluation Plan agreed   | Qtr1 2020           | Regional Office / UKG & WG                  |
| <b>Stakeholder Engagement</b>       | Development and agreement of Business & Stakeholder Engagement Plan   | Qtr2 2019 & Ongoing | Regional Office / Joint Committee           |
| <b>Strategic Regional Functions</b> | Explore key strategic functions at a regional level that will support both the implementation of this Deal and wider development activity | Ongoing             | Programme Board / Joint Committee / UK & WG |

## **5.0 Programme Financing**

The Swansea Bay City Deal is a total investment of £1.3 billion over a period of 15 years. This consists of £241 million from the UK and Welsh Governments, £396 million from other public sector funding, and £637 million from the private sector.



The Joint Committee Agreement sets out details of the allocation of Government funding and private and public funding contributions for each project. The proportion of Government funding shall be in accordance with the details set out in the JCA Schedule 7 (table shown below) unless the Councils agree to vary this.

The City Deal portfolio of projects set out in the heads of terms can be seen in the diagram below.



| <b>PROJECT NAME</b>                                      | <b>Private<br/>(£ m)</b> | <b>Public<br/>(£ m)</b> | <b>City Deal<br/>(£ m)</b> | <b>Total<br/>Project<br/>Costs<br/>(£ m)</b> |
|--|--------------------------|-------------------------|----------------------------|--|
| <b>Internet of Economic Acceleration</b>                 |                          |                         |                            |  |
| Digital Infrastructure                                   | 30.0                     | 0.0                     | 25.0                       | 55.0   |
| Swansea City & Waterfront Digital District               | 23.9                     | 94.3                    | 50.0                       | 168.2  |
| Creative Digital Cluster - Yr Egin                       | 3.0                      | 16.3                    | 5.0                        | 24.3   |
| Centre of Excellence in Next Generation Services (CENGs) | 27.0                     | 5.5                     | 23.0                       | 55.5   |
| Skills & Talent Initiative                               | 4.0                      | 16.0                    | 10.0                       | 30.0   |
| <b>Internet of Life Science &amp; Well-being</b>         |                          |                         |                            |  |
| Life Science & Well-being Campuses                       | 10.0                     | 20.0                    | 15.0                       | 45.0   |
| Life Science & Well-being Village                        | 127.5                    | 32.0                    | 40.0                       | 199.5  |
| <b>Internet of Energy</b>                                |                          |                         |                            |  |
| Homes as Power Stations                                  | 382.9                    | 119.2                   | 15.0                       | 517.1  |
| Pembroke Dock Marine                                     | 25.9                     | 22.4                    | 28.0                       | 76.3   |
| <b>Smart Manufacturing</b>                               |                          |                         |                            |  |
| Factory of the Future                                    | 3.2                      | 10.3                    | 10.0                       | 23.5   |
| Steel Science Centre                                     | 0.0                      | 60.0                    | 20.0                       | 80.0   |
| <b>TOTALS</b>  | <b>637.4</b>             | <b>395.9</b>            | <b>241.0</b>               | <b>1,274.3</b>                               |

## 5.1 Revised Neath Port Talbot programme

The City Deal projects originally due to be led by Neath Port Talbot Council included Centre of Excellence in Next Generation Services (CENGs), Factory of the Future and the Steel Science Centre.

To better meet the needs of Neath Port Talbot/regional residents and businesses, however, a new programme of projects to be part City Deal funded was approved by Neath Port Talbot Council's Cabinet in July 2019.

The £58.7 million Supporting Innovation and Low Carbon Growth programme has been developed to deliver a co-ordinated delivery of sustainable growth and job creation in the region, with a targeted focus on the Port Talbot Harbourside area.

The Programme aims to create the right environment for innovation, new technologies and a decarbonised local and regional economy.

A GVA contribution of £6.2 million a year is being projected once all projects are operational. along with the creation of 446 new, high-value added jobs. This would generate a GVA impact of £93 million over 15 years.

A 15-year Net Present Value (NPV) of £145 million is also projected.

Funding of £47.7 million is being sought from the Swansea Bay City Deal, with other funding coming from Neath Port Talbot Council and the private sector.

The Supporting Innovation and Low Carbon Growth programme has been developed around four interlinked themes:

1. **Swansea Bay Technology Centre** – An energy positive building on Baglan Energy Park providing flexible office space for start-up companies and indigenous businesses, with a focus on the innovation, ICT and R&D sectors. The excess energy from solar and other renewable technologies will be converted into hydrogen at the nearby Hydrogen Centre to be used to fuel hydrogen vehicles.
2. **National Steel Innovation Centre** that aims to support the steel and metals industry in Port Talbot and Wales – with the aim of reducing the carbon footprint of the steel and metals industry, and increasing the sustainability of the industry, linking in to the circular economy.
3. **Decarbonisation** – To assist with the delivery of decarbonising the City Region, a number of core projects will be undertaken in collaboration with public, private and academic partners including the FLEXIS research operation. These projects include a hard-wired electrical link between the Swansea Bay Technology Centre and the nearby Hydrogen Centre, as well as an electrical charging infrastructure route map. Encouraging the uptake of electric vehicles, this includes the development and implementation of an electric vehicle charging network that meets the demands of residents, businesses and visitors. New charging stations will contribute to solving Wales' lag in electrical vehicle charging infrastructure and coverage compared to the rest of the UK. Air quality modelling and real-time monitoring will also be introduced to enable better informed air quality decisions in future. This project will include data analytics to identify correlation with pollution sources, evaluation of intervention measures, and area wide, real-time data with significantly more geographic detail than is currently available.
4. **Industrial Futures** – This will address the gap between demand and supply for businesses and available land in the Port Talbot Waterfront Enterprise Zone, with a hybrid building providing production units as well as office space to support start-ups and indigenous businesses - especially those in the innovation and manufacturing sectors. There will also be laboratory space supported by Industry Wales for spin-outs to monetise research and development projects, as well as land remediation, flood defence work, construction of access roads and upgrading of highways. A Property Development Fund will also be made available to support the viability of private sector schemes to develop buildings in the Enterprise Zone.

The portfolio of projects meets the requirements of recommendations arising from reviews into the City Deal, while also representing a first stage response to the climate change emergency declared by the Welsh Government in April, 2019.

The programme will develop over 18,000 square metres of business space, primarily to meet evidenced demand from small to medium sized businesses, while providing the technological platforms essential for them to grow.

## 5.2 Synergies with the Swansea Bay City Deal programme

The Programme will meet City Deal portfolio objectives by:

- Reducing gap in GVA performance between the Region and the UK through improving regional productivity - Analysis estimates an annual GVA impact of £6.2 million once all projects are fully operational. It's also estimated that the programme will deliver a positive, cumulative NPV of £145 million over 15 years.
- Creating high-value jobs - 1,320 jobs (including construction) will be safeguarded/created, with at least 30% of these to be new. Jobs will be created in the advanced manufacturing, energy, engineering and technology sectors.
- Establishing and maintaining an effective and aligned skills base - All Programme projects will work with the Regional Learning and Skills partnership to ensure there is an appropriate skills base to take advantage of the investment.
- Creating, proving and commercialising new technologies and ideas - The overall project will develop over 18,000 square metres of business space. This will include flexible office space for start-up companies and indigenous businesses to commercialise their ideas and technologies. There will also be laboratory space supported by Industry Wales for spin-outs to monetise research and development projects. The National Steel Innovation Centre will facilitate the commercialisation of steel science research and development.
- Building capacity and driving forward further and greater inward investment - Employment sites and premises will be developed to house growing indigenous businesses and attract investment, helping meet gaps in business property supply through a demand-led approach with sufficient capacity. A distinctive programme of decarbonisation for manufacturing will also be developed, helping attract investment, along with a property development fund to stimulate private sector investment. The marketability of the Enterprise Zone for further investment will also be enhanced.
- Creating a sustainable regional economy that contributes meaningfully to the economy of Wales and the UK - The project will inject momentum into the delivery of sustainable growth and job creation in Neath Port Talbot and the wider City Region. A sustainable regional economy will be created via decarbonisation to establish cleaner processes for industry and cleaner air for communities. Decarbonisation interventions will also promote sustainable travel, buildings and economic growth, while creating a more diversified economy. This will contribute to Wales and UK-wide climate change targets. The project will also invest in 21<sup>st</sup> century employment facilities to create sustainable jobs in identified sectors, with innovative steelmaking research and development due to benefit the steel industry in Neath Port Talbot, the City Region and far beyond.

The Supporting Innovation and Low Carbon Growth programme is also aligned to the four 'internet' themes within the City Deal programme:

- The Internet of Economic Acceleration: next generation digital infrastructure
- The Internet of Life Science and Well-being: expanding research and innovation
- The Internet of Energy: energy innovation and sustainable housing
- Smart manufacturing

The energy efficient buildings and decarbonisation elements of the programme align to the regional Homes as Power Stations project, as well as the Pembroke Dock Marine project aimed at boosting South West Wales' blue economy

Next generation digital infrastructure, as well as the potential for early in-region access to 5G, will boost business productivity in the new employment spaces being developed, helping attract further investment.

The Programme will also accelerate work to decarbonise the economy, while facilitating advanced research and development to safeguard the future of the steel industry.

All projects forming part of the programme will work with the Regional Learning and Skills Partnership to ensure there is an appropriate skills base to take advantage of this investment.

### **5.3 Alignment to the Well-being of Future Generations Act**

The Programme will meet the requirements of the Well-being of Future Generations Act by helping create:

- **A prosperous Wales** through the provision of new employment and efficient use of resources via building design and the re-use of brownfield land
- **A resilient Wales** via new business premises, with the necessary technological infrastructure to promote diversification and reduce overreliance on traditional industries and public sector employment
- **A healthier Wales**, with long-standing evidence demonstrating the positive impact of employment on health and well-being
- **A more equal Wales**, thanks to the programme including opportunities accessible to all to reduce societal inequalities
- **Cohesive Communities** through sustainable, viable employment
- **A Vibrant Culture and thriving Welsh Language**, with increased employment opportunities supporting the language in the medium and longer term
- **A Globally Responsible Wales**, thanks to the design and delivery of buildings in line with required sustainable development principles

### **5.4 Responsibilities and accountability**

The Joint Committee has ultimate responsibility and accountability for decisions taken in relation to the Swansea Bay City Deal. It is the role of Programme Board to ensure that all schemes are developed in accordance with the agreed package by analysing the financial viability, deliverability and risk of each City Deal project proposal. This detailed analysis will then be reported to the ESB and Joint Committee.

Private Sector investment is fundamental to the overall success of the Deal. There is a requirement for each City Deal project to have a credible and robust financial profile in place from the outset. All letters confirming both private and public sector match funding are to be in place for the project prior to City Deal funding approved, confirming amount and timing as set out in the project's approved financial profile. The Project

Authority Lead and Project Delivery Lead are to put in place effective project monitoring processes. Funding agreements will be signed at the outset between Project Authority Leads and Project Delivery Leads setting out funding conditions.

For all projects, in addition to the 5-case model assessment process, the Accountable Body will undertake an assessment of the Project's Financial Profile to check that private and public sector contribution/s are in line with that set out in the initial project business case from the Project Lead. All variances and changes, including implications of these, will be reported to the PB, ESB and JC for consideration and decision of course of action as deemed necessary before City Deal funding is approved for the project.

It is the aim of the Swansea Bay City Deal that all projects will be delivered in five years in order to maximise the full benefits realisation of the operational schemes during the lifetime of City Deal funding, which is to be released to the Region from the governments over a 15-year period.

As set out in the JCA, making decisions on borrowing and finding other sources of funding other than Government Funding for projects is a matter reserved to the Councils. Each Council shall be responsible for borrowing or providing other funding for projects located in its area.

If a project is located in more than one Council area, each local authority involved may agree that borrowing or funding should either be shared equally, or in proportions approved by all.

The Programme Board will prepare recommendations to Joint Committee on all schemes, while also ensuring project development in accordance with the agreed package.

The Joint Committee is responsible for overseeing the proportion of each Council's responsibility for borrowing to provide funding for regional projects. The capital borrowing (in respect of the Government funded element) for the SBCD projects will be re-paid by identified Government funds (UK & Welsh Government) over the 15-year period.

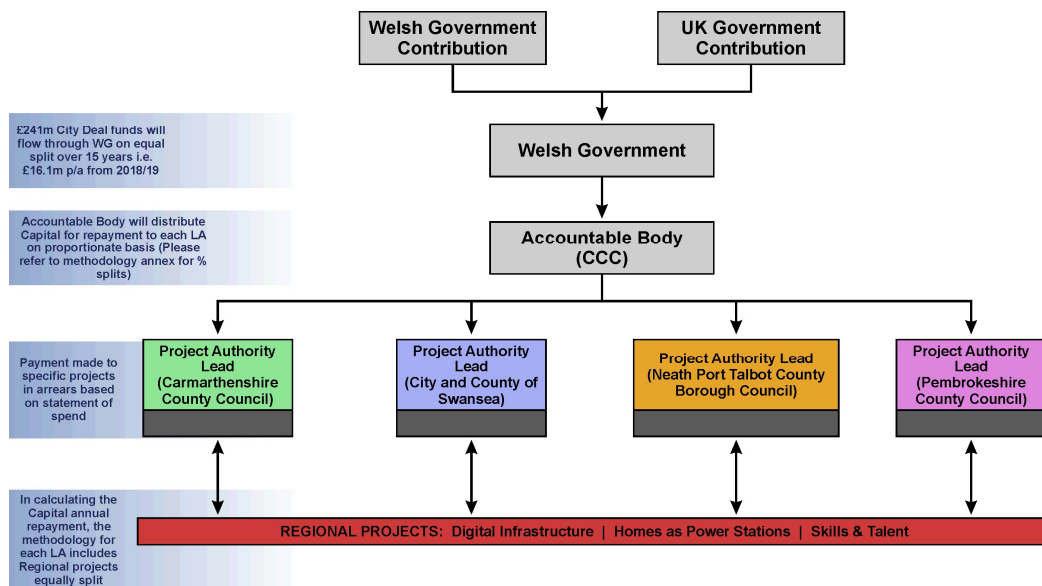
The exact level of borrowing and the structure and terms of the borrowing is yet to be confirmed, although it will be calculated based on the amount required per relevant local authority, and will be in line with individual local authority internal requirements. This is being determined by the four regional local authority Section 151 Officers. All borrowing will be agreed based on the principles of the Prudential Code and Treasury Management Policy and Strategy for each Authority. When further details of the investments required for each project are known, a full business case appraisal for each individual project will be completed and submitted to the relevant local authority for approval before submission to the Joint Committee. These full business cases will include the detailed funding proposals and requirements of the local authority.

The Welsh Government has given an in-principle agreement that the local authorities in the SBCD region will be allowed to retain 50% of the additional net yield in the non-domestic rates generated by City Deal projects. The basis of the allocation of the rates generated within the SBCD is yet to be agreed. This is being negotiated by the four Section 151 Officers of the four local authorities. There's additional information that provides authorities with support to utilise funding flexibilities within the Joint Committee Agreement appendices

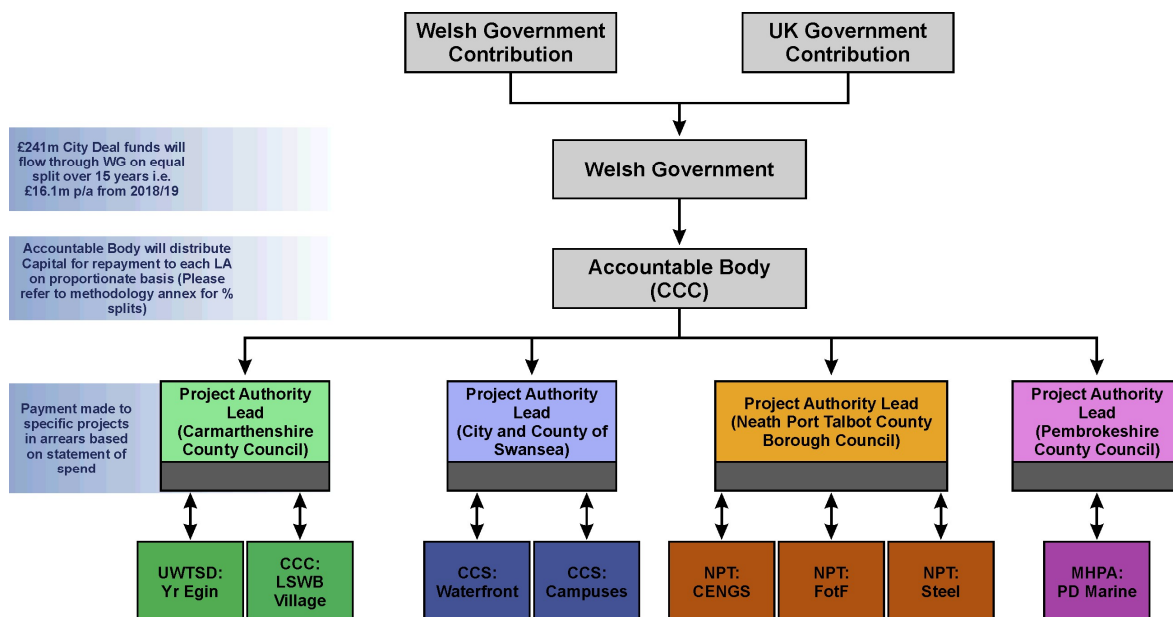
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Once the UK Government and Welsh Government have approved release of City Deal funding for individual CD projects, this funding will be released to the Region via the Accountable Body who, in accordance with the Joint Committee Agreement, will distribute the funds to the regional local authorities as demonstrated in the following flow charts:

## 5.5 City Deal flow of finances (Regional projects)



## 5.6 City Deal flow of finances (Local authority projects)



## 6.0 Strategic Programme Risks

Each Swansea Bay City Deal project carries its own associated risks which will be mitigated throughout the application and delivery process. A detailed risk analysis will be undertaken for all projects by the Project Delivery Lead as part of the development of the 5 case business model process, with a project specific risk register established to assist in the ongoing management and mitigation of all risks.

A detailed Programme Risk Register has been developed for the Swansea Bay City Deal Programme. This risk register will be managed, revised and updated by the Regional Office, with both Programme Board and Joint Committee tasked with its continual review.

A summary of the most significant programme risks is outlined in the table below. It should be noted, however, that these risks are shown at this point in time and that the status of each will alter throughout the Programme's duration.

| Category       | Risk  | Probability Scale<br>Low 1:5<br>High | Impact Scale<br>Low 1:5<br>High | Mitigation  |
|----------------|---|--------------------------------------|---------------------------------|---|
| Development    | Delay in approval of Joint Committee Agreement          | 1                                    | 1                               | JCA formally approved by each of the four LAs at meetings of the Full Council. JCA signed-off at first formal JC meeting in August 2018.<br>Revised JCA also now approved by JC and all 4 LAs   |
|                | Delay in approval of Implementation Plan                | 4                                    | 4                               | IP signed off in principle at the first JC on 31st August 2018.<br>Revised IP following SBCD reviews due for completion and approval in January 2020  |
|                | Delay in establishment of Economic Strategy Board       | 1                                    | 1                               | ESB Chair and membership approved at first formal Joint Committee meeting on 31st August 2018. Introductory session held on 19th September 2018 to assist members in their new role.  |
| Implementation | Delay in development of Business Cases by Project Leads | 2                                    | 3                               | Critical dates developed to assist in mapping out project development, submission and approval process timelines. Programme Board and ESB in place to oversee the development of business cases. Joint Committee Agreement in place which sets out agreed processes for deciding on any actions required. Three projects now submitted for formal approval following sign off by City Deal governance. Work to develop other business cases continues, with a number soon earmarked for approval and submission to both governments.                            |
|                | Delay in approval of City Deal Business Cases           | 2                                    | 3                               | JCA and governance structure formalised in August 18. Regional Project Authority Leads / Project Authority Leads will have early sight of relevant draft version business cases.<br>Agreement of submission process and timescales for review of final business plans with both governments. Joint Committee forward work programme approved in December 2018. Forward work programme for ESB approved in January 2018.<br>The region has worked closely to support both reviews to ensure timely, speedier approval of project business cases can be obtained. |
|                | Business case is not approved / project falls           | 2                                    | 3                               | Open and regular dialogue between Accountable Body, RO, Project Delivery Lead and Project Lead. . Early identification of potential trigger points and any potential mitigating/rectifying actions. If irreconcilable, Joint Committee Agreement in place which sets out agreed processes for identifying new project(s) to achieve the outcomes of the City Deal. Findings of the UK and Welsh Government independent review and the internal SBCD review in Jan 2019 will further assure that the processes outlined in the previous                          |

| Category    | Risk  | Probability Scale<br>Low 1:5<br>High | Impact Scale<br>Low 1:5<br>High | Mitigation  |
|-------------|---|--------------------------------------|---------------------------------|---|
|             |   |                                      |                                 | update are robust and effective in mitigating the likelihood that a business case is not approved.  |
|             | Slippage in Programme delivery  | 3                                    | 3                               | Establish robust monitoring and evaluation framework to ensure programme and project delivery remains within agreed timescales, and to ensure that all targeted project outputs and outcomes will be achieved. Regional Team in place to undertake monitoring role. Accountable Body/Section 151 officers will undertake programme level financial profiling to ensure borrowing and distribution of City Deal funding is reflective of programme delivery. Independent and internal City Deal reviews completed in March 2019, with Joint Committee agreeing to implement all recommendations. The implementation of these recommendations is ongoing.   |
| Operational | Withdrawal of Local Authority   | 1                                    | 2                               | JCA signed by each LA which clearly sets out agreed provisions for such a scenario.   |
|             | Failure to engage relevant stakeholders including private sector to enable wider development of the programme | 2                                    | 1                               | Economic Strategy Board in place from the outset providing private sector involvement. Key stakeholders already engaged. SBCD Business Engagement Manager and Communications Officer employed in the RO to ensure early and ongoing involvement. Regular City Deal attendance of business events across the region, with a major event held in December 2018. A further City Deal event for the business community is planned for Qtr1 2020. Regular City Deal communications ongoing via the media, the City Deal website, the City Deal social media accounts, and e-newsletters targeted at the business community. Communications and engagement plan in place, and being continually monitored and updated to reflect developments/milestones. |
|             | Failure to achieve agreed outcomes / outputs in agreed timeframe  | 3                                    | 4                               | Develop robust baseline. Establish monitoring and evaluation framework including key milestones and timescales for review. Regular performance reporting to Programme Board, ESB and Joint Committee to enable decisions on any mitigating actions deemed necessary to keep the programme on track.   |
| Financial   | Failure to identify / secure City Deal revenue funding  | 2                                    | 2                               | Ongoing dialogue with governments under way to identify potential solutions.  |
|             | Private Sector funding contribution/s not in line with initial business case projections                      | 3                                    | 4                               | For all projects, in addition to the 5 case model assessment, the Accountable Body will undertake an assessment of the Project's Financial profile to check that the private sector contribution is in line with the initial business case financial projections. Any implications resulting from variance to be reported to PB, ESB and JC for action.   |
|             | EU match funding contributions contribution/s not in line with initial  | 3                                    | 4                               | For all projects, in addition to the 5 case model assessment, the Accountable Body will undertake an assessment of the Project's Financial profile to check that the private sector contribution is in line with the initial business case financial projections. Any   |



| Category | Risk   | Probability Scale<br>Low 1:5<br>High | Impact Scale<br>Low 1:5<br>High | Mitigation   |
|----------|--|--------------------------------------|---------------------------------|--|
|          | business case projections  |                                      |                                 | implications resulting from variance to be reported to PB, ESB and JC for action. RO in dialogue with WEFO.  |
|          | Failure of projects to secure committed full funding package (cap & rev) | 2                                    | 5                               | Credible and robust financial profiles need to be in place for each City Deal Project from the outset. Letters confirming match funding to be in place for the project before City Deal funding is approved, confirming amount and timing as set out in the project's financial profile. Timely monitoring and review following approval of five case business plan. Robust and timely procurement activity must be planned, executed and monitored. All Project Authority Leads to put in place effective monitoring and evaluation processes. Funding agreements signed between Project Authority Lead and Project Lead. |

## 7.0 Business Case Assessment Process

The need to get the best possible value from spending public money will always remain a constant for those entrusted with spending decisions. To this end, all City Deal business cases must be developed using the HM Treasury and Welsh Government's Five Case Model - an approach which is both scalable and proportionate. It is recognised as best practice and is the Treasury's standard methodology.

The business case, both as a product and a process, provides decision-makers, stakeholders and the public with a management tool for evidence-based, transparent decision-making and a framework for the delivery, management and performance monitoring of the resultant scheme.

Each business case in support of SBCD project must evidence:

- **Strategic Case** - the intervention is supported by a compelling case for change that provides a holistic fit with other parts of the organisation and public sector
- **Economic Case** - the intervention represents best public value (to the UK as a whole)
- **Commercial Case** - the proposed project is attractive to the marketplace, can be procured and is commercially viable
- **Financial Case** - the proposed spend is affordable
- **Management Case** - what is required from all parties is achievable

As set out in the Joint Committee Agreement, the Project Business Case shall include a Resolution of the Project Authority Lead and all Councils in whose area the project shall take place that they approve the submission of the Project Business case.

The Regional Office has day to day responsibility for managing the assessment process for projects.

To assist a speedier assessment process, the UK Government and Welsh Government have agreed an informal iterative review process for assessing draft versions of business cases in order to assist Project Leads in the production of complete full business cases which are appropriate for 5 case formal review process.

Following the City Deal reviews, the relationship between individual local authorities, project leads, the Regional Office, the UK Government and Welsh Government has been improved to create enhanced communication.

On completion of the final draft business case, and following approval from the respective Regional/Project Authority Lead(s), full business cases for each of the City Deal projects will undergo assessment by the Regional Office before being considered by the respective City Deal governance structures. After approval by the Joint Committee the project business case will be forwarded to the UK Government and Welsh Government for approval to release City Deal government project funding to the Accountable Body.

## **Regional Office Project Assessment Criteria**

### **1. Fit with the WG Future Well-being Act**

- Clear evidence of the 5 Ways of Working;
- Clear evidence of contributing to Well-being goals
- Clear evidence of alignment with local well-being plans

### **2. Strategic Fit**

- Alignment with the strategic aims and objectives of the Swansea Bay City Deal and wider regeneration regional strategy, while demonstrating the City Region's ambitions
- Demonstrable synergies with other Swansea Bay City Deal projects

### **3. Financial**

- Credible and robust financial profile with cost breakdown is in place for each City Deal project before funding approval
- Private sector contribution/s are as set out in the initial business case financial projections for the project and in the Heads of Terms document
- Letters confirming project match funding from all sources must be in place before City Deal funding is approved. These letters should confirm amount/s and timing – and any dependencies - as set out in the project's Financial Profile for both the public and private sectors
- Evidence of ongoing project sustainability for a period of at least the 15-year SBCD Programme period to include a credible operational/commercial case that sets out full details on proposed income sources, income flows and any dependencies.

### **4. Deliverability**

- Robust governance & partnership approach
- Project management - team and experience

- Clear project plan

#### **5. Outputs and Outcomes**

- SMART (specific, measurable, achievable, results-based, time-bound) project outcomes with associated baseline data is in place in line with overall City Deal plan
- Projects should clearly establish intended outputs with a clear definition of what success would look like

#### **6. Risk Management**

- Project Risk Register and risk management process in place - identification, management and mitigation of all risks

#### **7. Procurement**

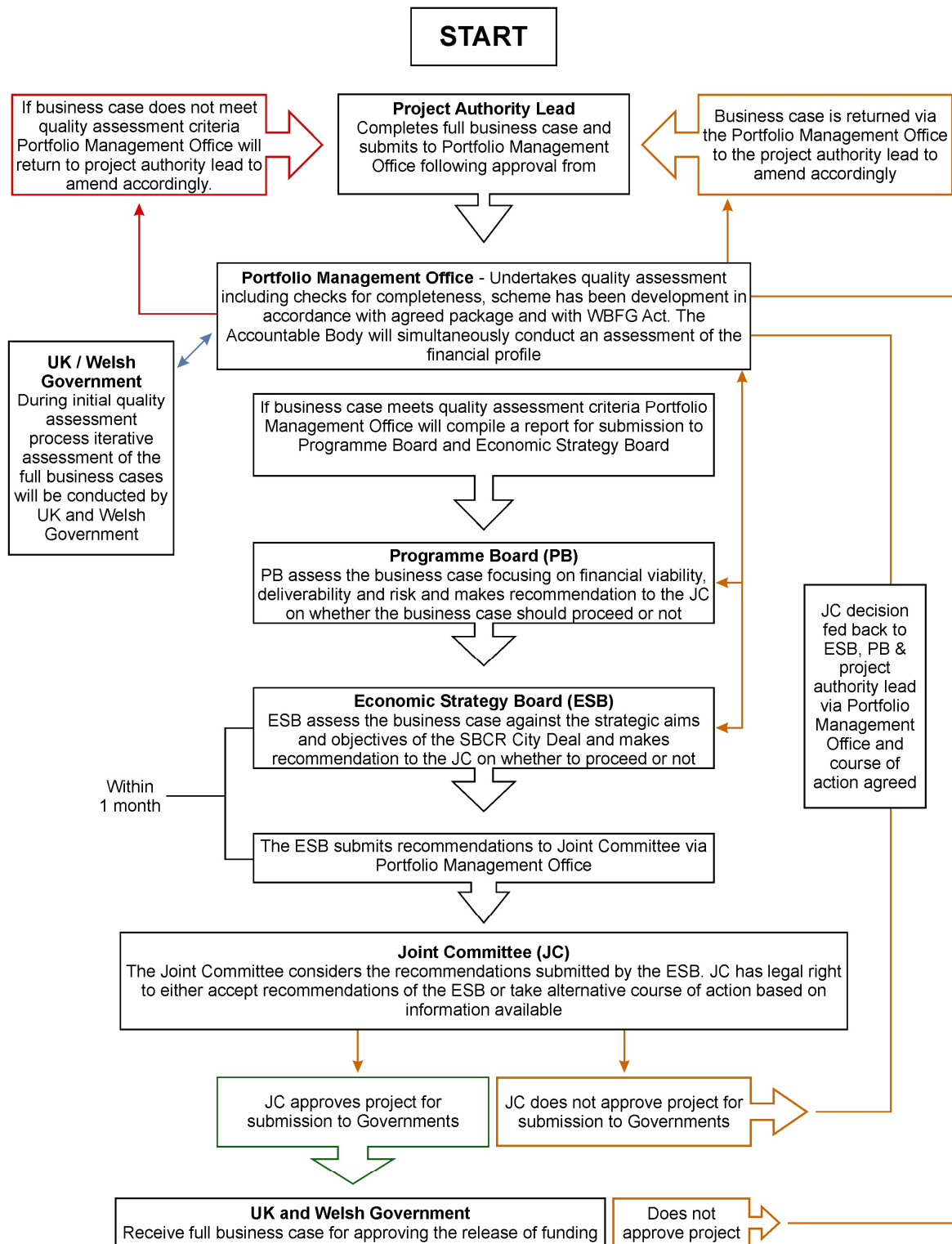
- Projects must set out how they will procure all project activity to benefit regional businesses and residents
- Wider community benefits demonstrated in the business case - local supply chain support and apprenticeships, for example

#### **8. Project Monitoring & Evaluation**

- All Project Leads to have clear and effective Monitoring and Evaluation Plans
- Key delivery steps and associated milestones demonstrated
- Detailed proposal for how and when all outputs and outcomes will be measured and reported to the Project Lead Authority and the Regional Office
- Evaluation proposal
- Exit Strategy in place

The four local authorities have agreed the following process for the formal assessment of final SBCD business cases:

# FULL BUSINESS CASE APPROVAL PROCESS FOR AGREED SBCR CITY DEAL PROJECTS



## **8.0 SBCD Programme Monitoring and Reporting**

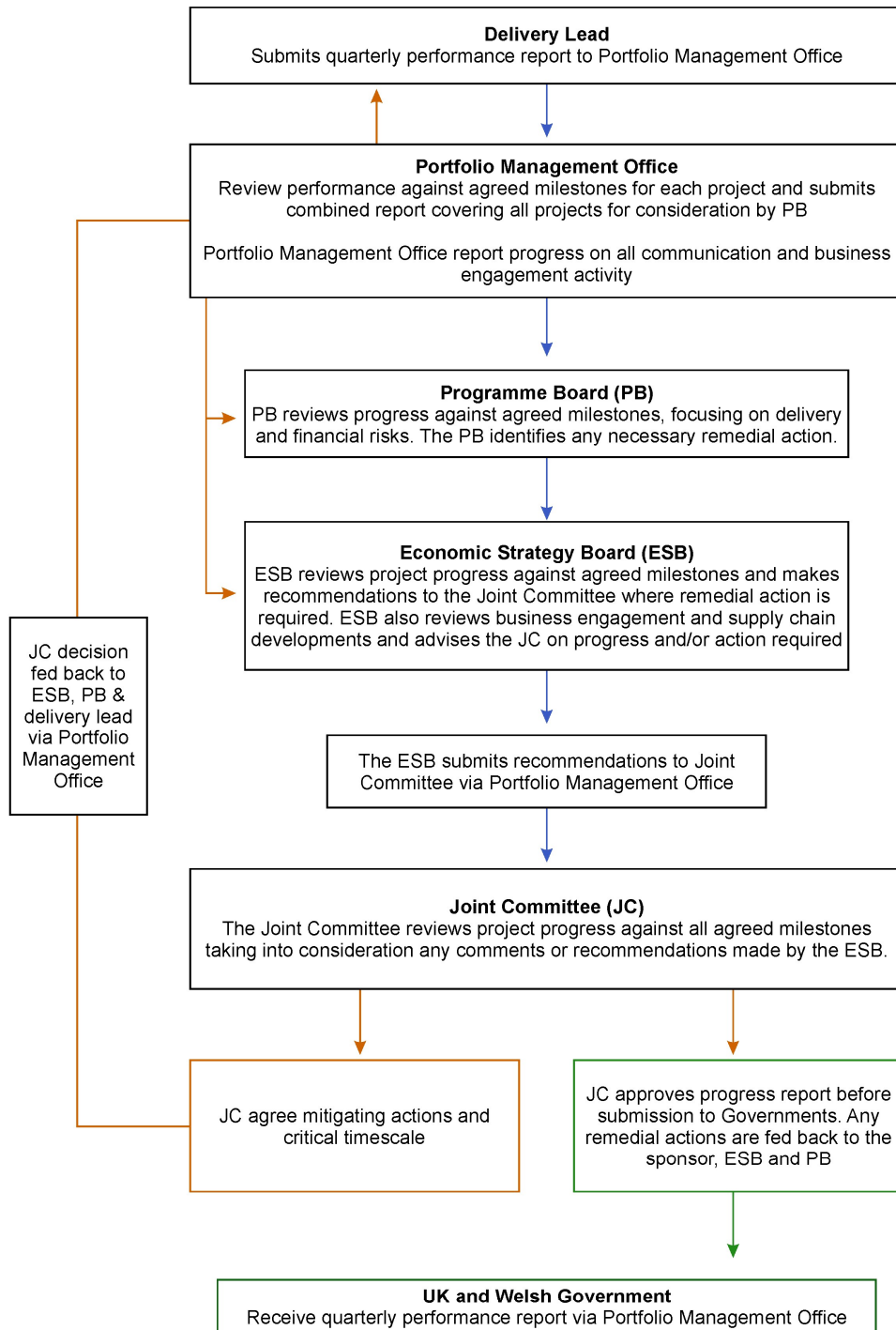
The Regional Office will have day to day responsibility for managing the monitoring and evaluation processes for projects. A robust monitoring and evaluation plan will be developed in conjunction with the UK and Welsh Governments, and agreed by the Joint Committee, which sets out the proposed approach to evaluating the impact of the Swansea Bay City Deal's delivery at programme level.

Key actions include:

- Developing a robust baseline
- Establishing a monitoring and evaluation framework including key milestones and timescales for review
- Setting up quarterly meetings with Project Delivery Leads and Regional/Project Authority Leads to discuss progress
- Regular performance reporting to Programme Board, Economic Strategy Board and Joint Committee.

All programme level reporting in relation to the City Deal and its associated projects will follow a process that has been agreed by the four local authorities. This is set out in the following chart:

# PROJECT MONITORING



## **8.1 SBCD Joint Scrutiny Committee**

As set out in the Joint Committee Agreement, the Joint Scrutiny Committee will provide a scrutiny function to ensure greater public accountability over decisions made by the Joint Committee and any of its sub-committees/related entities. It has been agreed by the four Councils that Neath Port Talbot County Borough Council will be the lead authority to take responsibility for the scrutiny function responsibility and its administration.

The membership of the Joint Scrutiny Committee will consist of 12 members. Each of the Councils shall nominate three members for appointment to the Joint Scrutiny Committee. The member nominated by each Council shall be an elected member of that Council but shall not be a member of that Council's executive and shall not be a member of the Joint Committee. The Chair of the Joint Scrutiny Committee shall not be a member of the Council which is providing the Chair of the Joint Committee.

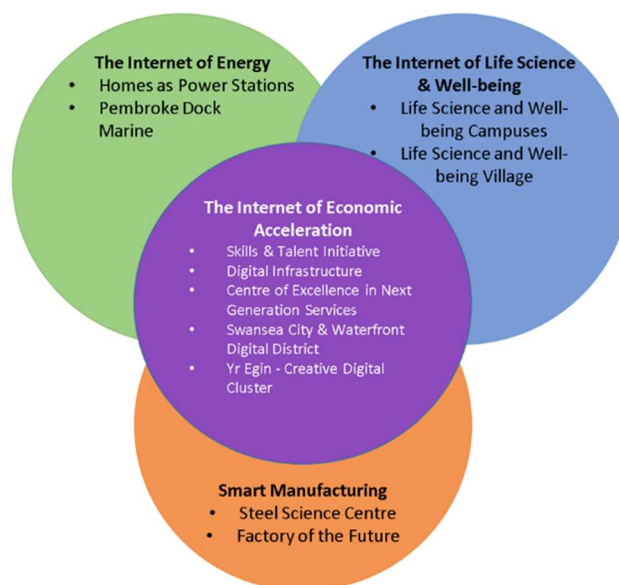
The role of the Joint Scrutiny Committee is to provide advice, challenge and support to the Joint Committee. The full terms and reference for the Joint Scrutiny Committee are set out in the Joint Committee Agreement.

The Joint Scrutiny Committee shall be required to:

- Review and scrutinise the Joint Committee's financial affairs
- Review and assess the Joint Committee's risk management, internal control and corporate governance arrangements
- Review and assess the economy, efficiency and effectiveness with which resources have been used
- Make reports and recommendations to the Joint Committee in relation to the points in 1 and 3 above

## **9.0 Swansea Bay City Deal Project Portfolio**

The Swansea Bay City Deal comprises a portfolio of projects across four inter-related themes. Each thematic project has been developed to integrate with existing cluster strengths and infrastructure, supporting development of next generation services and products. In parallel, rollout of cutting-edge digital infrastructure will be accelerated to support exploitation of new technologies and capabilities. This will be underpinned by a Skills & Talent Initiative that will put pathways in place for people across the region to access the thousands of high-skilled jobs the City Deal will create.



## 9.1 SBCD Theme - Internet of Economic Acceleration

| Skills and Talent   |   |   |
|---|---|---|
| <b>Regional Project Authority Lead</b>                              | Carmarthenshire County Council  |   |
| <b>Project Delivery Lead</b>  | Carmarthenshire County Council  |   |
| <b>Total Cost</b>   | £30,000,000   | <b>City Deal:</b> £10,000,000   |
| <b>Description</b>  | The Skills and Talent initiative, being led by the South West Wales Regional & Skills Partnership, will be a key component in ensuring that local people and businesses have the appropriate skills to benefit from each of the City Deal projects. |   |
| <b>Key Milestones</b>   | <b>Activity</b>   | <b>Date (using calendar year)</b>   |
|   | <b>Business Case Development</b>  |   |
|   | Initial draft business plan for consideration by RLSP Board   | Qtr3 2017   |
|   | Initial draft Skills and Talent business plan shared with UKG/WG  | Qtr4 2017   |
|   | Final review of draft business case by UKG / WG   | Qtr1 2020   |
|   | Independent peer review   | Qtr1 2020   |
|   | Business plan submitted to the 4 Councils   | Qtr1 2020   |
|   | Business case submitted to Economic Strategy Board, Programme Board and Joint Committee for approval of the project's submission to the UKG/WG  | Qtr2 2020   |
| UKG/WG approval of the release of Government funding to the project | Qtr3 2020   |   |
| <b>Risks</b>  | <b>Description</b>  | <b>Mitigation</b>   |
|   | <b>Operational</b>  |   |
|   | The potential for partners disengaging from the   | The structure and constitution of the City Deal and the robust partnership within the RLSP. All partners are fully committed to the |



|                          |  |   |                     |                     |                     |                     |                     |                   |
|--------------------------|--|---|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
|                          | project could pose a risk to the achievement of some of the delivery outputs   | project, and the size and number of partners from all sectors significantly reduces this risk. Only if a whole sector were to withdraw would this risk be classed as high.  |                     |                     |                     |                     |                     |                   |
|                          | Lead times in the development of a new skills offer in the region / identifying the key skills and ensuring that Welsh Government agree to include the courses within future provision within FE and apprenticeships | As one of the WG's three Regional Skills Partnerships, the RLSP is well-placed to support this development, with its annual submission of a Regional Employment and Skills Plan which is utilised to directly affect the allocation of funding to FE and apprenticeship provision.  |                     |                     |                     |                     |                     |                   |
|                          | Project activity overlapping or duplicating existing provision within the region   | The RLSP provides a platform to work across the public, private and education sectors. This partnership will ensure that there is an appropriate and timely response to industry and emerging project demands, remaining relevant and effective while avoiding duplication or missed opportunities.   |                     |                     |                     |                     |                     |                   |
|                          | <b>Implementation</b>  |   |                     |                     |                     |                     |                     |                   |
|                          | Project management, leadership and control of the project to deliver the stated activities and results   | Management, leadership and control of the project will benefit from the experience and expertise which exists across the partnership. The Partnership will establish clear lines of management responsibility, reporting and accountability from the outset.  |                     |                     |                     |                     |                     |                   |
|                          | Project does not meet the needs of the other SBCD projects   | Early engagement with each of the SBCD project leads has taken place to map out skills need, and will continue alongside the design and delivery stages of each project.  |                     |                     |                     |                     |                     |                   |
|                          | Slippage to the project timescales   | It is intended that management of all work detailed in the action plan will be subject to a regular, ongoing process of performance review by the RLSP Board in order to maintain progress in relation to the projected outputs and timelines. Where required, this will be reported through the SBCD programme governance structure.         |                     |                     |                     |                     |                     |                   |
|                          | <b>Financial</b>   |   |                     |                     |                     |                     |                     |                   |
|                          | Significant changes to the match funding package   | The level of match funding levered will be monitored on a quarterly basis by the Project Delivery Lead and Project Local Authority Lead to ensure that it is line with the agreed financial profile.  |                     |                     |                     |                     |                     |                   |
|                          | Organisational and financial risks   | The level of experience within the organisations involved in the Partnership is such that relatively high levels of knowledge, skills and experience in financial management and probity can be clearly demonstrated. This, coupled with regular performance reviews, will serve to minimise the financial risks associated with the project. |                     |                     |                     |                     |                     |                   |
| <b>Financial Profile</b> |  | <b>2018/19 (£m)</b>   | <b>2019/20 (£m)</b> | <b>2020/21 (£m)</b> | <b>2021/22 (£m)</b> | <b>2022/23 (£m)</b> | <b>2023/24 (£m)</b> | <b>TOTAL (£m)</b> |
|                          | <b>City Deal</b>   | 0.25  | 1.00                | 1.50                | 2.50                | 2.50                | 2.25                | <b>10.00</b>      |
|                          | <b>Public</b>  | 0.25  | 1.00                | 3.00                | 4.00                | 4.00                | 3.75                | <b>16.00</b>      |
|                          | <b>Private</b>   | -   | 0.50                | 0.50                | 1.00                | 1.00                | 1.00                | <b>4.00</b>       |
|                          | <b>TOTAL</b>   | <b>0.50</b>   | <b>2.50</b>         | <b>5.00</b>         | <b>7.50</b>         | <b>7.50</b>         | <b>7.00</b>         | <b>30.00</b>      |
| <b>Constraints</b>       | State Aid rules as they apply  |   |                     |                     |                     |                     |                     |                   |
| <b>Dependencies</b>      | Continued core funding from Welsh Government for the RLSP<br>Revenue support for the project from the local authorities  |   |                     |                     |                     |                     |                     |                   |

| <b>Digital Infrastructure</b>                                       |   |   |             |
|---|---|---|-------------|
| <b>Regional Project Authority Lead</b>                              | Carmarthenshire County Council  |   |             |
| <b>Project Delivery Lead</b>  | Carmarthenshire County Council  |   |             |
| <b>Total Cost</b>   | £55,000,000   | <b>City Deal</b>  | £25,000,000 |
| <b>Description</b>  | <p>A regional state-of-the-art digital infrastructure will be implemented to support each of the City Deal strategic themes and projects. The project will consist of three elements - Transport Corridor, Rural and Connected City. Together these components will:</p> <ul style="list-style-type: none"> <li>• Create digital infrastructure including gigabit fibre and the establishment of 5G testbeds that will enable innovation and entrepreneurship within the region</li> <li>• Expand the provision of 4G and Wi-Fi capabilities to benefit both urban and rural areas</li> <li>• Develop digital infrastructure for key sectors including energy, manufacturing and life sciences</li> </ul> |   |             |
| <b>Key Milestones</b>   | <b>Activity</b>   | <b>Date (using calendar year)</b>   |             |
|   | <b>Business Case Development</b>  |   |             |
|   | Project Scope Set   | Qtr1 2018   |             |
|   | Consultant appointed to develop full 5 case business plan based on agreed scope / outline proposal  | Qtr4 2018   |             |
|   | Initial draft version 5 case business plan shared with UKG / WG   | Qtr1 2020   |             |
|   | Independent peer review   | Qtr1 2020   |             |
|   | Business case submitted to 4 Councils   | Qtr2 2020   |             |
|   | Business case submitted to Economic Strategy Board, Programme Board and Joint Committee for approval of the project submission to the UKG/WG  | Qtr2 2020   |             |
| UKG/WG approval of the release of Government funding to the project | Qtr4 2020   |   |             |
| <b>Risks</b>  | <b>Description</b>  | <b>Mitigation</b>   |             |
|   | Unsuccessful project delivery / Slippage in project delivery  | Experienced project management and project delivery team in place from the outset. Project Implementation Plan to be agreed by all partners. Established robust monitoring and evaluation framework at project development stage to ensure programme and project delivery remains within agreed timescales and to ensure that all targeted project outputs and outcomes will be achieved. |             |
|   | Lack of commercial confidence   | Robust governance structure will need to in place from the outset to carefully manage both governance and commercial risks.   |             |
|   | Project not sustainable   | Project will develop a sustainable business model. On-going dialogue with key government, public sector officers and private sector organisations is key. Sustainability is an integral part of this project, so early engagement with operators/providers is embedded within the proposals.  |             |
|   | Failure to secure full funding package  | The digital plan will be implemented via partners through a competitive tendering process.  |             |
| Non-compliance with   | Use is made of existing compliant procurement frameworks to   |   |             |

|                          |  |  |                     |                     |                     |                     |                     |                     |                   |
|--------------------------|--|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
|                          | State Aid Regulation and public procurement rules  | enable speedier delivery. Different aspects of the project might entail different approaches.  |                     |                     |                     |                     |                     |                     |                   |
|                          | Engagement/partnership with industry is unsuccessful.  | Early engagement has already taken place with private sector and wider stakeholders as part of City Deal projects. Dialogue will be on-going via the projects. Dedicated project manager appointed in December 2019. |                     |                     |                     |                     |                     |                     |                   |
| <b>Financial Profile</b> |  | <b>2018/19 (£m)</b>  | <b>2019/20 (£m)</b> | <b>2020/21 (£m)</b> | <b>2021/22 (£m)</b> | <b>2022/23 (£m)</b> | <b>2023/24 (£m)</b> | <b>2024/25 (£m)</b> | <b>TOTAL (£m)</b> |
|                          | <b>City Deal</b>   | -  | -                   | 0.50                | 9.00                | 9.00                | 5.50                | 1.00                | <b>25.00</b>      |
|                          | <b>Public</b>  | -  | -                   | 2.50                | 3.00                | 3.00                | 2.50                | 2.50                | <b>13.50</b>      |
|                          | <b>Private</b>   | -  | -                   | -                   | 5.50                | 5.50                | 4.50                | 1.00                | <b>16.50</b>      |
|                          | <b>TOTAL</b>   | -  | -                   | <b>3.00</b>         | <b>17.50</b>        | <b>17.50</b>        | <b>12.50</b>        | <b>4.50</b>         | <b>55.00</b>      |
| <b>Dependencies</b>      | <p>Roll-out of UK and Wales-wide ICT policies and programmes.</p> <p>Alignment with Superfast Cymru is an important requirement.</p> <p>Engagement with service providers to gain an understanding of future plans and potential opportunities for the SBCD and Digital Infrastructure proposals is vital.</p> <p>The expectation is that the digital plan will be implemented through partner(s) via a competitive tendering process.</p> |  |                     |                     |                     |                     |                     |                     |                   |

| <b>Swansea City &amp; Waterfront Digital District</b>  |  |                                   |
|--|--|-----------------------------------|
| <b>Project Authority Lead</b>  | Swansea Council  |                                   |
| <b>Project Delivery Lead</b>   | Swansea Council  |                                   |
| <b>Total Cost</b>  | £171,131,000   | <b>City Deal</b> £50,000,000      |
| <b>Description</b>   | <p>The Swansea City and Waterfront Digital District will capitalise on the next generation connectivity available within the region, developing a vibrant and prosperous city centre that facilitates the growth of high-value ICT and digitally enabled sectors.</p> <p>The project includes a 3,500-capacity digital indoor arena, a digital square, a digital village for tech and digitally focussed businesses, and a box village and innovation precinct development for start-up businesses at the University of Wales Trinity Saint David SA1.</p> |                                   |
| <b>Key Milestones</b>  | <b>Activity</b>  | <b>Date (using calendar year)</b> |
|  | <b>Business Case Development</b>   |                                   |
|  | Initial draft business case shared with UK/WG  | Qtr4 2017                         |
|  | Final review of draft version business case by UKG / WG  | Qtr4 2018                         |
|  | Business case submitted to Council   | Qtr4 2018                         |
| Business case submitted to Economic Strategy Board, Programme Board and Joint Committee for approval of the project's submission to the UKG/WG | Qtr1 2019  |                                   |

|                                   |   |  |
|-----------------------------------|---|--|
|                                   | UKG/WG approval of the release of Government funding for the project  | Qtr4 2019  |
|                                   | <b>Project Development</b>  |  |
|                                   | <b>Milestone Activity - Box Village/Innovation Precinct</b>   |  |
|                                   | Planning Submission   | Qtr2 2020  |
|                                   | Detailed Design   | Qtr4 2020  |
|                                   | Tender and Contractor Procurement   | Qtr2 2021  |
|                                   | Construction  | Qtr4 2021  |
|                                   | Fit Out   | Qtr2 2023  |
|                                   | Completion and Occupation   | Qtr2 2023  |
|                                   | <b>Milestone Activity - Digital Village</b>   |  |
|                                   | Planning Submission   | Qtr1 2020  |
|                                   | Detailed Design   | Qtr1 2020  |
|                                   | Tender and Contractor Procurement   | Qtr2 2020  |
|                                   | Construction  | Qtr4 2020  |
|                                   | Fit Out   | Qtr1 2021  |
|                                   | Completion and Occupation   | Qtr2 2022  |
|                                   | <b>Milestone Activity - Digital Square &amp; Arena</b>  |  |
|                                   | Outline planning consent granted  | Qtr2 2017  |
|                                   | End of Design Stage 2   | Qtr4 2017  |
|                                   | Arena Operator Contract Signed  | Qtr1 2018  |
|                                   | Contractor Procurement  | Qtr3 2018  |
|                                   | Construction  | Qtr4 2019  |
|                                   | Arena construction complete   | Qtr3 2021  |
|                                   | Arena open  | Qtr4 2021  |
| <b>Risks</b>                      | <b>Description</b>  | <b>Mitigation</b>  |
|                                   | <b>Development</b>  |  |
|                                   | Failure to obtain relevant approvals  | All approval processes for the project will be identified to allow sufficient time to prevent project timeline impacts. Dedicated team and organisation structure will further mitigate this risk. In addition, expert advice will be sought to ensure that all required approvals are captured.   |
|                                   | Failure to agree project specification  | Project will continue to work extensively with all key stakeholders to ensure that agreement on specification is achieved as a priority before progressing the project further.  |
|                                   | Commercial floor space and other facilities do not meet the needs of start-ups and tech based businesses  | Project has consulted with members of the targeted industries to establish needs. The project to continue to liaise with members of the industry to ensure that the evolving project delivers on key requirements at every stage, and to continuously monitor and proactively engage with the industry to ensure that needs are appropriately met in the operational phase on an on-going basis. |
|                                   | <b>Financial</b>  |  |
| Failure to secure funding package | Swansea Council and the University of Wales Trinity Saint David funding are committed. Ensure credible and robust business plan and financial profile is in place at outset. Written letters confirming all sources of funding to be in place at approval stage |  |

|                          |   |  |                     |                     |                     |                     |                   |
|--------------------------|---|--|---------------------|---------------------|---------------------|---------------------|-------------------|
|                          | Rise in construction costs  | Ensure detailed costs are in place for the entire project at the outset. Allow for a suitable contingency. Detailed tender bids. Ensure experienced project manager is in place.   |                     |                     |                     |                     |                   |
| <b>Implementation</b>    |   |  |                     |                     |                     |                     |                   |
|                          | Delays in construction programme/<br>Project slippage   | Ensure project team in place using recognised project management tools to enable the developments to be delivered on time. The project to proactively monitor construction progress and to work extensively with the principal contractor to minimise any disruption to the programme  |                     |                     |                     |                     |                   |
|                          | Temporary traffic management failing  | Project will ensure TM contractor aware of sensitivity of route and applies appropriate resources. Advance communications to 1st Responders to take into account the impact on emergency services and providing advance notice of restrictions. Involve transport team in a timely manner. Regular review of programme and timely information to Client.                   |                     |                     |                     |                     |                   |
| <b>Operational</b>       |   |  |                     |                     |                     |                     |                   |
|                          | The commercial floor space and other facilities do not meet the needs of start-ups and tech-based businesses  | Project continues to consult with members of the targeted industries to establish needs and to ensure that the evolving project delivers on key requirements at every stage. Project to continuously monitor and proactively engage with the industry to ensure that needs are appropriately met in the operational phase on an on-going basis                             |                     |                     |                     |                     |                   |
|                          | Lower than expected demand  | The project is working extensively with potential tenants and occupiers to ensure that initial demand is sufficient. In addition, the project will be focused on supporting growth and successfully managing the success of the operational phase. Project to allocate sufficient resource to ensure that any period of lower than expected demand is successfully bridged |                     |                     |                     |                     |                   |
|                          | Failure to provide knowledge transfer and commercial opportunities  | The University to adequately resource teams to ensure that knowledge transfer and the development of commercial opportunities are given adequate priority in terms of delivery   |                     |                     |                     |                     |                   |
|                          | Focus on physical property aspects and the wider economic needs to support business creation and growth are not achieved                              | The projects are being developed in consultation with a wide range of public and private sector partners to understand demand in the market. The schemes are also designed to meet the current and future needs of an innovative business community.   |                     |                     |                     |                     |                   |
| <b>Financial Profile</b> |   | <b>2018/19 (£m)</b>  | <b>2019/20 (£m)</b> | <b>2020/21 (£m)</b> | <b>2021/22 (£m)</b> | <b>2022/23 (£m)</b> | <b>TOTAL (£m)</b> |
|                          | <b>City Deal</b>  | -  | 7.53                | 42.47               | -                   | -                   | <b>50.00</b>      |
|                          | <b>Public</b>   | 9.41   | 61.47               | 10.28               | -                   | -                   | <b>81.16</b>      |
|                          | <b>Private</b>  | 0.24   | 3.50                | 13.27               | 19.84               | 3.13                | <b>39.97</b>      |
|                          | <b>TOTAL</b>  | <b>9.65</b>  | <b>72.50</b>        | <b>66.02</b>        | <b>19.84</b>        | <b>3.13</b>         | <b>171.13</b>     |
| <b>Dependencies</b>      | Planning consents<br>The digital indoor arena and digital square features of this project form part of the overall Swansea Central regeneration plan. |  |                     |                     |                     |                     |                   |

|                               |  |  |            |
|-------------------------------|--|--|------------|
| <b>Project Authority Lead</b> | Carmarthenshire County Council   |  |            |
| <b>Project Delivery Lead</b>  | University of Wales Trinity Saint David  |  |            |
| <b>Total Cost</b>             | £25,170,000  | <b>City Deal</b>   | £5,000,000 |
| <b>Description</b>            | Yr Egin will create a digital and creative industry cluster in Carmarthen, joined by S4C as the key anchor tenant alongside other digital and creative media SMEs as tenants. The centre will create a clustering effect which will generate major and positive change to the creative and digital economy of Wales. This development will include business accelerator facilities and incubation, as well as shared spaces for interaction between each of the tenants, which will drive entrepreneurial development. |  |            |
| <b>Key Milestones</b>         | <b>Activity</b>  | <b>Date (using calendar year)</b>  |            |
|                               | <b>Business Case Development</b>   |  |            |
|                               | Initial draft version 5 case business plan shared with UKG/WG  | Qtr4 2017  |            |
|                               | Final review of draft version business case by UKG/WG  | Qtr4 2018  |            |
|                               | Business case submitted to the Council   | Qtr4 2018  |            |
|                               | Business case submitted to Economic Strategy Board, Programme Board and Joint Committee for Approval of the project submission to the UKG/WG   | Qtr1 2019  |            |
|                               | UKG/WG approval of the release of Government Funding for the project   | Qtr4 2019  |            |
|                               | <b>Project Development</b>   |  |            |
|                               | Phase 1 Practical completion of construction   | Qtr3 2018  |            |
|                               | Phase 1 Occupation & official opening  | Qtr4 2018  |            |
|                               | Phase 2 Development of updated requirements (Refurbish/new build)  | Qtr2 2020  |            |
|                               | Phase 2 Detailed design  | Qtr3 2020  |            |
|                               | Phase 2 Approval to proceed (RIBA stages 3 and 4 design)   | Qtr2 2021  |            |
|                               | Phase 2 Planning submissions as required   | Qtr4 2021  |            |
|                               | Phase 2 Construction   | Qtr3 2022  |            |
|                               | Phase 2 Fit-out, completion and occupation   | Qtr3 2023  |            |
| <b>Risks</b>                  | <b>Description</b>   | <b>Mitigation</b>  |            |
|                               | <b>Development</b>   |  |            |
|                               | Failure to agree project specification   | The University will work extensively with all key stakeholders, including potential occupiers, to ensure that agreement on specification is achieved as a priority before progressing the project further.   |            |
|                               | Failure to deliver the wider benefits identified in the business case  | The project's Monitoring and Evaluation Plan to set out clear proposals of how and when the Project Lead is going to monitor the impact of the wider benefits as set out in the 5 case business model for Yr Egin. Project M & E Plan to be in place before funding is released to the project. Quarterly reporting to the Regional Office by the Project Lead and Local Authority Leads to highlight all changes to outputs, outcomes and milestones. |            |
|                               | <b>Implementation</b>  |  |            |
|                               | Failure to obtain relevant   | All approval processes for the project will be   |            |

|                          |  |  |              |              |              |              |              |
|--------------------------|--|--|--------------|--------------|--------------|--------------|--------------|
|                          | approvals  | identified and approvals will be applied for with sufficient time to prevent project timeline impacts. The University's existing dedicated team and organisation structure will further mitigate this risk.  |              |              |              |              |              |
|                          | Delays in construction programme                                   | Phase one complete and occupied, with S4C as anchor tenant.<br>University to work closely with delivery partner for Phase 2 to ensure that any delays in construction programme are mitigated and avoided.   |              |              |              |              |              |
|                          | Skills and capacity issues in terms of project delivery            | The core project delivery team has been specifically appointed and retained to ensure that enough skill and capacity is available to deliver the Yr Egin project. The University will appoint third party specialists as required and will ensure that the project procurement process is competitive to encourage regional suppliers to engage. |              |              |              |              |              |
| <b>Operational</b>       |  |  |              |              |              |              |              |
|                          | Lower than expected demand   | The University has already seen a strong uptake with lettable space in Phase 1 and will work extensively to engage with prospective tenants for Phase 2. The University to also continuously review rent and service charge costs to ensure that Yr Egin remains highly competitive  |              |              |              |              |              |
|                          | Failure to provide knowledge transfer and commercial opportunities | The University has extensive experience and expertise in both knowledge transfer and the development of commercial opportunities. The University will adequately resource teams to ensure that both of these aspects are given adequate priority in terms of delivery.   |              |              |              |              |              |
|                          | Failure to meet industry needs                                     | The University has undertaken extensive consultation to ensure that the Yr Egin project will match the requirements of the industry. Key stakeholder management to be undertaken extensively to ensure that the project continues to do so throughout phase 2 and beyond.  |              |              |              |              |              |
| <b>Financial</b>         |  |  |              |              |              |              |              |
|                          | Failure to secure funding package                                  | Ensure credible and robust detailed business plan and financial profile is in place at outset. Written letters confirming all sources of funding to be in place at approval stage  |              |              |              |              |              |
|                          | Rise in construction costs   | Construction cost increases have been adequately anticipated through the use of third-party experts and will be integrated throughout the cost estimations for Yr Egin phases one and two. The University will continue to provide adequate contingency for any unexpected increases.  |              |              |              |              |              |
| <b>Financial Profile</b> |  | 2018/19 (£m)   | 2019/20 (£m) | 2020/21 (£m) | 2021/22 (£m) | 2022/23 (£m) | TOTAL (£)    |
|                          | <b>City Deal</b>   | -  | 3.00         | 2.00         | -            | -            | <b>5.00</b>  |
|                          | <b>Public</b>  | 11.52  | -            | 0.50         | 1.72         | 1.58         | <b>15.32</b> |

|                     |                   |              |             |             |             |             |              |
|---------------------|-------------------|--------------|-------------|-------------|-------------|-------------|--------------|
|                     | <b>Private</b>    | 3.35         | -           | -           | -           | 1.50        | <b>4.85</b>  |
|                     | <b>TOTAL</b>      | <b>14.87</b> | <b>3.00</b> | <b>2.50</b> | <b>1.72</b> | <b>3.08</b> | <b>25.17</b> |
| <b>Dependencies</b> | Planning consents |              |             |             |             |             |              |

## 9.2 SBCD Theme - Internet of Life Science and Well-being

| <b>Life Science and Well-being Campuses</b> |  |  |
|---|--|--|
| <b>Project Authority Lead</b>               | City and County of Swansea   |  |
| <b>Project Delivery Lead</b>                | Swansea University   |  |
| <b>Total Cost</b>                           | £45,000,000  | <b>City Deal</b> £15,000,000   |
| <b>Description</b>                          | <p>The Campuses project will further develop the region's thriving life science sector to help prevent ill-health, develop better treatments and improve patient care. Advanced research and development facilities will be created, building on the success of the Institute of Life Science at Swansea University's Medical School.</p> <p>Collaboration between Swansea University and its industry and NHS partners will place the Campuses project at the forefront of new technologies to improve NHS care, while creating new life science companies and highly skilled jobs. Projects will include a facility at Swansea University's Singleton Campus, as well as a Morriston Campus where research will be undertaken alongside world-leading clinical delivery.</p> |  |
| <b>Key Milestones</b>                       | <b>Activity</b>  | <b>Date (using calendar year)</b>  |
|   | <b>Business Case Development</b>   |  |
|   | Review of Outline Business Case  | Qtr1 2018  |
|   | Completed options appraisal  | Qtr1 2018  |
|   | Draft Full Business Case   | Qtr1 2019  |
|   | Partner Review of FBC  | Qtr1 2019  |
|   | Initial draft version 5 case business plan shared with UKG / WG  | Qtr2 2020  |
|   | Final review of draft version business case by UKG / WG  | Qtr2 2020  |
|   | Business case submitted to the Council   | Qtr3 2020  |
|   | Independent peer review  | Qtr3 2020  |
|   | Business case submitted to Economic Strategy Board, Programme Board and Joint Committee for Approval of the project submission to the UKG/WG   | Qtr4 2020  |
|   | UKG/WG approval of the release of Government Funding to the project  | Qtr1 2021  |
| <b>Risks</b>                                | <b>Description</b>   | <b>Mitigation</b>  |
|   | <b>Development</b>   |  |
|   | Failure to ensure stakeholder buy-in to project concept  | Project to have regular engagement with key stakeholders including Swansea Bay University Heath Board, Swansea University, private |



|                          |  |   |              |              |              |              |              |              |
|--------------------------|--|---|--------------|--------------|--------------|--------------|--------------|--------------|
|                          |  | sector and SBCD Programme Board and Joint Committee.  |              |              |              |              |              |              |
|                          | Delay in Swansea University decision making and internal governance procedures | Reviewed at SU project development board regularly.   |              |              |              |              |              |              |
|                          | <b>Implementation</b>  |   |              |              |              |              |              |              |
|                          | Procurement delays   | Make use of existing procurement frameworks.  |              |              |              |              |              |              |
|                          | Appropriateness of partnering arrangements                                     | Make use of existing procurement frameworks.  |              |              |              |              |              |              |
|                          | <b>Operational</b>   |   |              |              |              |              |              |              |
|                          | Project fails to meet City Deal outputs  | Project M&E Plan in place at project start. Regular review and monitoring - IoHWB leadership.   |              |              |              |              |              |              |
|                          | Operation of new facilities - laboratory environments                          | Integrate with existing operations.   |              |              |              |              |              |              |
|                          | Failure to secure commercial tenants   | End user discussions taking place.  |              |              |              |              |              |              |
|                          | <b>Financial</b>   |   |              |              |              |              |              |              |
|                          | Failure to secure funding package  | Ensure credible and robust detailed business plan and financial profile is in place at outset. Written letters confirming all sources of funding to be in place at approval stage |              |              |              |              |              |              |
| <b>Financial Profile</b> |  | 2018/19 (£m)  | 2019/20 (£m) | 2020/21 (£m) | 2021/22 (£m) | 2022/23 (£m) | 2023/24 (£m) | Total (£m)   |
|                          | <b>City Deal</b>   | -   | 2.50         | 2.50         | 5.00         | 5.00         | -            | <b>15.00</b> |
|                          | <b>Public</b>  | -   | 5.00         | 10.00        | 5.00         | -            | -            | <b>20.00</b> |
|                          | <b>Private</b>   | -   | 2.00         | 2.00         | 2.00         | 2.00         | 2.00         | <b>10.00</b> |
|                          | <b>TOTAL</b>   | -   | <b>9.50</b>  | <b>14.50</b> | <b>12.00</b> | <b>7.00</b>  | <b>2.00</b>  | <b>45.00</b> |
| <b>Dependencies</b>      | Planning Consent   |   |              |              |              |              |              |              |

| <b>Life Science and Well-being Development</b> |                                |                  |             |
|--|--------------------------------|------------------|-------------|
| <b>Project Authority Lead</b>                  | Carmarthenshire County Council |                  |             |
| <b>Project Delivery Lead</b>                   | Carmarthenshire County Council |                  |             |
| <b>Total Cost</b>                              | £199,500,000                   | <b>City Deal</b> | £40,000,000 |

|                           |  |   |
|---------------------------|--|---|
| <p><b>Description</b></p> | <p>The Life Science &amp; Well-being development will be located across 86 acres of brownfield land in Llanelli. The project is led by Carmarthenshire Council, in partnership with Hywel Dda University Health Board, further and higher education providers, and a range of other local and regional stakeholders. The development will co-locate local government and health board services with the academic, private and voluntary sectors to create an ecosystem for education, research and development, business incubation and broader life science and well-being initiatives.</p> <p>The project will create a number of facilities to improve the health and well-being of people across the wider region, creating around 2,000 high-quality, well-paid jobs, while boosting the economy by £467 million over 15 years. A number of education partners are working together to provide training and skills programmes across the education continuum, from work-ready to undergraduate, postgraduate and continuing professional development.</p> <p>The Life Science and Well-being development incorporates a number of interrelated facilities, City Deal funding would deliver:</p> <ul style="list-style-type: none"> <li>• A business development centre providing incubation and acceleration facilities for business start-up and research &amp; development opportunities within life sciences</li> <li>• A well-being skills centre providing facilities for education and training</li> <li>• A clinical delivery and research centre delivering a range of health and well-being services and providing opportunity for education placements within the operational clinical environment.</li> </ul> <p>The other elements of the development will be funded through a mixture of public and private market sourced funding. These will in partnership with the City Deal funded elements to ensure that benefits across the site can be maximised. These include:</p> <ul style="list-style-type: none"> <li>• A new, state-of-the-art sports, leisure and aquatics centre</li> <li>• Assisted living spaces in a range of accommodation types, including a nursing home, residential physical rehabilitation facilities, extra care and supported living accommodation</li> <li>• A hotel set along the Llanelli coastline</li> <li>• A housing development that will include an element of affordable and social housing</li> </ul> <p>Outline planning permission has been granted. Design work is on-going with the aim of construction work commencing in 2020.</p> |   |
| <p><b>Milestones</b></p>  | <p><b>Activity</b></p> <p><b>Business Case Development</b></p> <p>Outline planning consent awarded</p> <p>Independent peer review</p> <p>Revised business case submitted to Economic Strategy Board and Programme Board</p>  | <p><b>Date (using calendar year)</b></p> <p>Qtr3 2019</p> <p>Qtr1 2020</p> <p>Qtr1 2020</p> |

|              |  |  |
|--------------|--|--|
|              | Revised business case submitted to Joint Committee   | Qtr1 2020  |
|              | UKG/WG approval of the release of Government funding to the project  | Qtr2 2020  |
|              | <b>Project Development</b>   |  |
|              | Ground investigation preparatory works on site   | Qtr3 2019  |
|              | Information memorandum to financial markets to secure institutional funding  | Qtr4 2019  |
|              | New branding launch for project  | Qtr1 2020  |
|              | Procurement of principal contractor  | Qtr2 2020  |
|              | Start of main construction works on site   | Qtr4 2020  |
|              | Completion of zone one   | 2022   |
| <b>Risks</b> | <b>Description</b>   | <b>Mitigation</b>  |
|              | Site planning – environmental, ecological, land and other infrastructure planning issues could potentially delay the project or, as a worst case scenario, result in project cessation | External consultants have been engaged to undertake a range of environmental studies required to evidence a planning application and to detail any remedial action required. Detailed flooding modelling undertaken. Outline planning now granted.   |
|              | Partner communication and understanding  | A full Communications and Engagement Strategy has been prepared, which prescribes early and frequent public involvement in the development of the Village. Partners engaged in the development of a ‘brand’ for the Village, to be launched in Q1 2020. Engagement will continue in line with both statutory and best practice guidelines.   |
|              | Revenue streams  | Business planning is underway with the University Health Board and academic partners to achieve an optimal revenue solution with a projection of revenue savings over the 15-year City Deal programme.   |
|              | Failure to achieve a whole site vision to maximise benefits  | The complexity of the aims and the range of partners required to develop this integrated vision brings significant challenges with it. The Project Board ensures strategic and operational alignment. In addition, partners are engaged across all project work streams. This representation ensures that opportunities for joint working are maximised.<br><br>A framework has been developed which is used to manage work and partners and to provide a structure for benefits realisation and post implementation analysis. |
|              | Health provision - inability to provide a modern, sustainable workforce to deliver to full service specification   | Accredited training programmes will be delivered on site by further and higher education. Courses will be designed to meet the needs for modernised working  |

|                          |   |  |              |              |              |              |              |            |
|--------------------------|---|--|--------------|--------------|--------------|--------------|--------------|------------|
|                          |   | practices, improve local retention and deliver a sustainable health workforce. |              |              |              |              |              |            |
| <b>Financial Profile</b> |   | 2019/20 (£m)   | 2020/21 (£m) | 2021/22 (£m) | 2022/23 (£m) | 2023/24 (£m) | 2024/25 (£m) | TOTAL (£m) |
|                          | <b>City Deal</b>  | 2.10   | 6.00         | 17.80        | 14.10        | -            | -            | 40.00      |
|                          | <b>Public</b>   | 13.86  | 6.14         | 17.50        | 13.50        | -            | -            | 51.00      |
|                          | <b>Private</b>  | -  | 3.00         | 24.00        | 29.00        | 25.00        | 27.50        | 108.50     |
|                          | <b>TOTAL</b>  | 15.96  | 15.14        | 59.30        | 56.60        | 25.00        | 27.50        | 199.50     |
| <b>Dependencies</b>      | Discharge of reserve matters application.<br>Institutional funding to realise wider benefits. |  |              |              |              |              |              |            |

### 9.3 SBCD Theme - Internet of Energy

| <b>Homes as Power Stations</b>         |   |                                   |             |
|--|---|-----------------------------------|-------------|
| <b>Regional Project Authority Lead</b> | Neath Port Talbot County Borough Council  |                                   |             |
| <b>Project Delivery Lead</b>           | Neath Port Talbot County Borough Council  |                                   |             |
| <b>Total Cost</b>                      | £517,050,000  | <b>City Deal:</b>                 | £15,000,000 |
| <b>Description:</b>                    | The project will create a new housing industry based around innovative and sustainable energy generation, combined with storage and efficiency. New technologies developed will be applied within the region, allowing homes and buildings to generate, store and release their own energy. The project will undertake new house building and retrofit programmes which will utilise such technologies whilst developing new supply chains in this sector. The project will also address fuel poverty, which remains a persistent challenge for many communities across the region. The project will also focus on broadband internet connections and smart metering, with support from the Digital Infrastructure project. |                                   |             |
| <b>Milestones</b>                      | <b>Activity</b>   | <b>Date (using calendar year)</b> |             |
|  | <b>Business Case Development</b>  |                                   |             |
|  | Initial draft Strategic Case shared with RO   | Qtr3 2018                         |             |
|  | Initial draft business case shared with UKG/WG  | Qtr1 2019                         |             |
|  | Policy workshops held with UKG/WG   | Qtr2, Qtr 3 2019                  |             |
|  | Independent peer review   | Qtr1 2020                         |             |
|  | Business case submitted to the 4 Councils   | Qtr1 2020                         |             |
|  | Business case submitted to Economic Strategy Board, Programme Board and Joint Committee for Approval of the project submission to the UKG/WG  | Qtr1 2020                         |             |

|                            |   |   |
|----------------------------|---|---|
|                            | UKG/WG approval of the release of Government funding to the project   | Qtr1 2020   |
| <b>Project Development</b> |   |   |
|                            | Regional Social Landlord engagement   | Qtr4 2017   |
|                            | Initiated pathfinder/proof of concept development at Neath (Hafod Site)   | Qtr4 2017   |
|                            | Regional Stakeholder Workshops  | Qtr1 2018   |
|                            | Regional Local Authority Steering and Working Group established to coordinate the regional activity at scale  | Qtr2 2018   |
|                            | Consultants engaged to assist in development of the 5 case business model   | Qtr2 2018   |
|                            | Planning approved for Hafod Site (Due to commence on site)  | Qtr3 2018   |
|                            | Work complete on pathfinder site in Hafod, Neath  | Qtr4 2019   |
|                            | Establish the programme infrastructure; procure the independent organisation that will undertake the monitoring and evaluation; baseline the programme; integrate existing/related project activity; ensure the development of 200 new builds and 250 retrofits in line with the HAPS specifications.                                     | Qtr2 2020 to Qtr2 2021  |
|                            | Undertake an interim evaluation and ensure that any recommendations are integrated into the programme; continue with new builds and retrofits (supported by financial incentives); initiate the supply chain development fund (including the business grant scheme) supported by business teams from the participating local authorities. | Qtr2 2021 to Qtr2 2022  |
|                            | Continue with new builds and retrofits through to the end of the programme; ensure that the supply chain is robust and sustainable for the future; showcase the programme to Welsh and UK interests; commence the final monitoring and evaluation, and implement the exit strategy.   | Qtr2 2022 to Qtr2 2024  |
| <b>Risks</b>               | <b>Description</b>  | <b>Mitigation</b>   |
|                            | <b>Development</b>  |   |
|                            | Land costs and availability   | Project to ensure that local authorities provide a land bank.   |
|                            | Supply chain development  | Robust supply chain strategy and on-going industry engagement plan in place.  |
|                            | Approved design specification   | Development and implementation of holistic, flexible, industry approved design standards.   |
|                            | <b>Operational</b>  |   |
|                            | Supply chain capacity and capability  | Robust supply chain strategy and on-going industry engagement plan to be in place.  |
|                            | Appropriate land availability   | Ensure that local authorities provide a sizeable land bank.   |
|                            | Not achieving new build targets   | Ensure effective programme planning.  |
|                            | Insufficient capacity to deliver the programme  | Ensure that the right levels of skills and experience are in place. This includes an experienced regional project team and manager, as well as robust stakeholder management/ coordination. |
|                            | <b>Financial</b>  |   |
|                            | Failure to secure funding package   | Ensure credible and robust detailed business plan and financial profile is in place at outset.  |

|                          |  |  |                     |                     |                     |                     |                     |                     |                   |
|--------------------------|--|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
|                          | Significant changes in the funding package, including public and private sector match funding. | Ensure commitment of match funding partners through signed partner funding letters in place at project approval stage. The delivery profile and associated match funding components to be monitored on a regular basis to ensure that it is in line with the agreed financial profile. |                     |                     |                     |                     |                     |                     |                   |
|                          | <b>Implementation</b>  |  |                     |                     |                     |                     |                     |                     |                   |
|                          | Deliverability of HAPS within the City Deal programme timeframe.                               | Detailed time bound project delivery proposals for HAPS to be set out in the 5 case business model   |                     |                     |                     |                     |                     |                     |                   |
|                          | Slippage including delays in procurement / delivering contracts                                | All work detailed in the programme plan will be subject to a regular, on-going process of performance review. The benefits realisation plan will also be monitored and reviewed on a regular basis.  |                     |                     |                     |                     |                     |                     |                   |
|                          | Project management to deliver the agreed activities and results.                               | Dedicated project management and delivery team to be appointed at the outset of the project to ensure effective implementation of the programme.   |                     |                     |                     |                     |                     |                     |                   |
|                          | Complex nature of retrofit   | Robust and detailed implementation and delivery plan will be formulated to ensure that an approved and tested retrofit approach is set in place.   |                     |                     |                     |                     |                     |                     |                   |
| <b>Financial Profile</b> |  | <b>2018/19 (£m)</b>  | <b>2019/20 (£m)</b> | <b>2020/21 (£m)</b> | <b>2021/22 (£m)</b> | <b>2022/23 (£m)</b> | <b>2023/24 (£m)</b> | <b>2024/25 (£m)</b> | <b>TOTAL (£m)</b> |
|                          | <b>City Deal</b>   | -  | -                   | 2.00                | 4.00                | 5.00                | 3.75                | 0.25                | <b>15.00</b>      |
|                          | <b>Public</b>  | 6.43   | 14.08               | 22.95               | 31.90               | 43.80               | -                   | -                   | <b>119.15</b>     |
|                          | <b>Private</b>   | 23.08  | 47.68               | 73.05               | 102.60              | 136.50              | -                   | -                   | <b>382.90</b>     |
|                          | <b>TOTAL</b>   | <b>29.50</b>   | <b>61.75</b>        | <b>98.00</b>        | <b>138.50</b>       | <b>185.30</b>       | <b>3.75</b>         | <b>0.25</b>         | <b>517.05</b>     |
| <b>Dependencies</b>      | Availability of sizeable local authority land banks across the region<br>Planning Consents     |  |                     |                     |                     |                     |                     |                     |                   |

| <b>Pembroke Dock Marine</b>   |   |
|-------------------------------|---|
| <b>Project Authority Lead</b> | Pembrokeshire County Council  |
| <b>Project Delivery Lead</b>  | Milford Haven Port Authority  |
| <b>Total Cost</b>             | £60,470,905 <b>City Deal</b> £28,000,000  |
| <b>Description</b>            | <p>Helping considerably boost the region's blue economy, this project will include:</p> <ul style="list-style-type: none"> <li>• The development of a Marine Energy Test Area (META) utilising the deep port of Milford Haven</li> <li>• A Marine Energy Engineering Centre of Excellence (MEECE)</li> <li>• Infrastructure improvements to Pembroke Port</li> <li>• A Pembrokeshire Demonstration Zone (PDZ) for wave energy developers</li> </ul> |

|   |  |                                   |
|---|--|-----------------------------------|
|   | By creating a cluster of resources, knowledge and capabilities, Pembroke Dock Marine will accelerate technology development, enhancing the sector's success and ensuring continued investment and development in test sites on a regional, Welsh and UK scale. |                                   |
| <b>Milestones</b>   | <b>Activity</b>  | <b>Date (using calendar year)</b> |
|   | <b>Business Case Development</b>   |                                   |
|   | Initial draft business case shared with UKG / WG   | Qtr4 2017                         |
|   | Revised business case shared with UKG / WG   | Qtr3 2018                         |
|   | Final review of draft version business case by UKG / WG  | Qtr2 2019                         |
|   | Independent peer review  | Qtr4 2019                         |
|   | Business case submitted to the Council   | Qtr4 2019                         |
|   | Business case submitted to Economic Strategy Board, Programme Board and Joint Committee for approval of the project submission to the UKG/WG   | Qtr4 2019                         |
|   | UKG/WG approval of the release of Government funding to the project  | Qtr1 2020                         |
|   | <b>Project development</b>   |                                   |
|   | <b>Pembroke Dock infrastructure</b>  |                                   |
|   | Planning permission, CPO and consents  | Qtr1 2019                         |
|   | Construction phase area 1 (Hangar annexes)   | Qtr2 2019 to Qtr4 2020            |
|   | Construction phase area 2 (Amenity and pocket park)  | Qtr2 2019 to Qtr4 2020            |
|   | Construction phase areas 3, 4 and 5 (Slipway and berthing)   | Qtr2 2019 to Qtr2 2023            |
|   | Construction phase areas 6, 7, 8 and 9 (land prep at south of site and pickling pond)  | Qtr3 2020 to Qtr4 2021            |
|   | Construction phase area 10 (Graving dock)  | Qtr1 2022 to Qtr4 2023            |
| Construction phase areas 11, 12 and 13 (levelling, transportation corridor and light fab shed construction) | Qtr3 2023 to Qtr4 2024   |                                   |

|                       |  |   |
|-----------------------|--|---|
|                       | Operation to fullest extent  | Qtr1 2025 onwards   |
|                       | <b>Marine Energy Test Area (META)</b>                                |   |
|                       | Site identification  | Qtr1 2018   |
|                       | Site management  | Qtr1 2018 to Qtr4 2022  |
|                       | Consenting and leasing   | Qtr2 2019   |
|                       | Official opening of phase one  | Qtr3 2019   |
|                       | Legacy operation   | Qtr1 2023 onwards   |
|                       | <b>Pembrokeshire Demonstration Zone (PDZ)</b>                        |   |
|                       | Project preparation and procurement                                  | Qtr1 2020   |
|                       | Consenting, EIA and surveys  | Qtr1 2020 to Qtr2 2023  |
|                       | Grid connection preparations   | Qtr4 2020   |
|                       | FEED and site investigations   | Qtr1 2020 to Qtr3 2023  |
|                       | Site resource data   | Qtr1 2020<br>Qtr3 2023  |
|                       | Seabed lease   | Qtr4 2019 to Qtr3 2023  |
|                       | Delivery strategy  | Qtr4 2019 to Qtr3 2023  |
|                       | Project management   | Qtr3 2019 to Qtr1 2024  |
|                       | Phase 3 commencement (Enabled by SBCD)                               | Qtr2 2024   |
|                       | <b>Marine Energy Engineering Centre of Excellence (MEECE)</b>        |   |
|                       | Mobilisation   | Qtr3 2018 to Qtr1 2019  |
|                       | Delivery   | Qtr2 2019 to Qtr4 2024  |
|                       | Legacy operation   | Qtr1 2025 onwards   |
| <b>Risks</b>          | <b>Description</b>   | <b>Mitigation</b>   |
|                       | <b>Development &amp; Delivery</b>                                    |   |
|                       | One or more of the 4 PDM project partners withdraws from the project | Memorandum of Understanding/SLA to be signed by each of the 4 project partners and to be in place at the outset of the PDM project. This document to be approved by the Project Authority Lead. Funding approval letter in place between Project Lead and Project Authority Lead. |
|                       | <b>Development</b>   |   |
|                       | Environmental/ecological/archaeological constraints                  | Project to appoint specialist planning consultant to work with relevant planning/consenting agencies and ensure any findings and necessary mitigating measures are incorporated into outline planning application report  |
| <b>Implementation</b> |  |   |



|                          |   |  |              |              |              |              |              |              |              |
|--------------------------|---|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                          | Deliverability of PDM within the City Deal programme timeframe.   | Detailed time bound project delivery proposals for 4 elements of PDM to be set out in the 5 case business model.   |              |              |              |              |              |              |              |
|                          | Delay/failure to secure required consents   | Early engagement with consenting authorities and key stakeholders.<br>Project to appoint specialist consultants where appropriate. Ensure key consent milestones and interdependencies are included in project schedule and monitored closely. Project to carry out comprehensive surveys, where appropriate, and include findings and necessary mitigating measures in consent applications |              |              |              |              |              |              |              |
|                          | Failure to ensure stakeholder buy-in to project concept   | Project engaging with local community through public exhibitions and liaison groups, for example, to ensure that stakeholders are fully informed of impacts and there is opportunity for concerns to be addressed where possible.  |              |              |              |              |              |              |              |
|                          | <b>Operational</b>  |  |              |              |              |              |              |              |              |
|                          | Failure to attract developers/end users   | Project partners to undertake market research to assess need and identify end user requirements.   |              |              |              |              |              |              |              |
|                          | <b>Financial</b>  |  |              |              |              |              |              |              |              |
|                          | Failure to secure funding package   | Ensure credible and robust detailed business plan and financial profile is in place at outset. Written letters confirming all sources of funding to be in place at approval stage  |              |              |              |              |              |              |              |
|                          | Increase in design and construction costs   | Ensure detailed costs in place for the all 4 elements of this project. Prepare tender in line with agreed budgets. Ensure project manager is in place from outset. Allow for a suitable contingency in the financial profile.  |              |              |              |              |              |              |              |
| <b>Financial Profile</b> |   | 2018/19 (£m)   | 2019/20 (£m) | 2020/21 (£m) | 2021/22 (£m) | 2022/23 (£m) | 2023/24 (£m) | 2024/25 (£m) | TOTAL (£m)   |
|                          | <b>City Deal</b>  | -  | -            | 2.28         | 3.47         | 5.49         | 9.73         | 7.04         | <b>28.00</b> |
|                          | <b>Public</b>   | 0.49   | 0.89         | 3.26         | 5.42         | 4.83         | 3.80         | 0.33         | <b>19.02</b> |
|                          | <b>Private</b>  | -  | 0.63         | 0.41         | 1.54         | 3.18         | 6.16         | 1.53         | <b>13.45</b> |
|                          | <b>TOTAL</b>  | <b>0.49</b>  | <b>1.53</b>  | <b>5.95</b>  | <b>10.43</b> | <b>13.49</b> | <b>19.68</b> | <b>8.90</b>  | <b>60.47</b> |
| <b>Constraints</b>       | State Aid rules   |  |              |              |              |              |              |              |              |
| <b>Dependencies</b>      | There are 4 elements to this project, each led by a different organisation.<br>ERDF funding for PDI, MEECE, & PDZ.<br>Planning Consents |  |              |              |              |              |              |              |              |

| <b>Supporting Innovation and Low Carbon Growth</b> |  |
|--|--|
| <b>Project Authority Lead</b>                      | Neath Port Talbot County Borough Council |
| <b>Project Delivery Lead</b>                       | Neath Port Talbot County Borough Council |

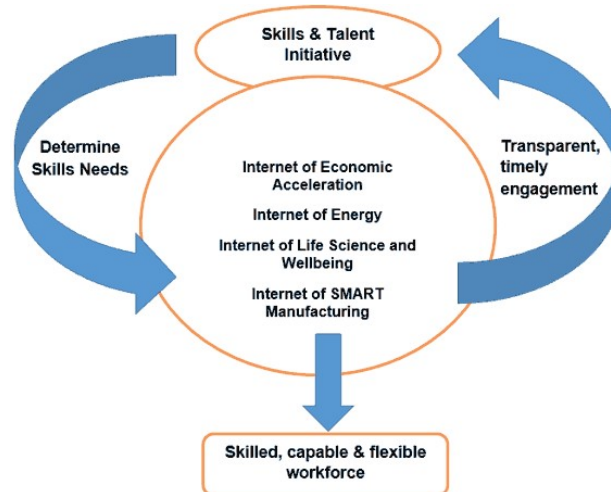
|                                    |  |                                   |               |  |
|------------------------------------|--|-----------------------------------|---------------|--|
| <b>Total Cost</b>                  | £60,400,000  | <b>City Deal</b>                  | £47.7 million |  |
| <b>Description</b>                 | <p>Focused on innovation, zero-carbon fuel and the future of steel, the project is made up of four elements:</p> <ol style="list-style-type: none"> <li>1. The Swansea Bay Technology Centre – An energy positive building that will provide office space for start-ups and local businesses, while also transmitting excess energy from solar and other renewable means to the nearby Hydrogen Centre. This energy will then be used to make zero-carbon fuel for council vehicles.</li> <li>2. A National Steel Innovation Centre that aims to support the steel industry in Port Talbot and Wales. Research and development will be anchored into future steel-making across the region to further reduce carbon emissions.</li> <li>3. Decarbonisation – Work with the FLEXIS research operation on a series of other projects, including the Swansea Bay Technology Centre/Hydrogen Centre energy link, establishing an electric vehicle charging route map, and air quality modelling and real-time monitoring.</li> <li>4. Industrial Futures – This will address the gap between demand and supply to business and available land in the Port Talbot Waterfront Enterprise Zone, with a hybrid building providing production units with office space to support start-ups and indigenous businesses - especially those in the innovation and manufacturing sectors. There will also be laboratory space supported by Industry Wales for spin-outs to monetise research and development projects, as well as land remediation, flood defence work, construction of access roads and upgrading of highways.</li> </ol> |                                   |               |  |
| <b>Key Milestones</b>              | <b>Activity</b>  | <b>Date (using calendar year)</b> |               |  |
|                                    | <b>Business Case Development</b>   |                                   |               |  |
|                                    | Business case approved by NPT council cabinet  | Qtr3 2019                         |               |  |
|                                    | Independent peer review  | Qtr4 2019                         |               |  |
|                                    | Business case submitted to Economic Strategy Board, Programme Board and Joint Committee for approval of the project submission to the UKG/WG   | Qtr4 2019                         |               |  |
|                                    | UKG/WG approval of the release of Government funding to the project  | Qtr1 2020                         |               |  |
|                                    | <b>Project Development</b>   |                                   |               |  |
|                                    | <b>Swansea Bay Technology Centre</b>   |                                   |               |  |
|                                    | Two-stage design and build contract award  | Qtr3 2019                         |               |  |
|                                    | Pre-Application Consultation (PAC)   | Qtr1 2020                         |               |  |
|                                    | Technical design   | Qtr2 2020                         |               |  |
|                                    | Full planning consent  | Qtr2 2020                         |               |  |
|                                    | Construction start   | Qtr2 2020                         |               |  |
|                                    | Construction complete  | Qtr3 2021                         |               |  |
|                                    | <b>National Steel Innovation Centre</b>  |                                   |               |  |
|                                    | Site confirmation  | Qtr4 2019                         |               |  |
|                                    | Tender period two stage-procurement (Design and build)   | Qtr1 2020                         |               |  |
| Pre-Application Consultation (PAC) | Qtr4 2020  |                                   |               |  |
| Full planning consent              | Qtr1 2021  |                                   |               |  |
| Start construction                 | Qtr2 2021  |                                   |               |  |

|                                   |  |   |              |              |              |              |              |
|-----------------------------------|--|---|--------------|--------------|--------------|--------------|--------------|
|                                   | Construction complete  | Qtr3 2022   |              |              |              |              |              |
|                                   | <b>Decarbonisation</b>   |   |              |              |              |              |              |
|                                   | Purchase and install air quality monitors  | Qtr4 2019   |              |              |              |              |              |
|                                   | Monitor air quality via data analytics   | Qtr1 2020   |              |              |              |              |              |
|                                   | Start work with key partners on evidence-based electric vehicle charging strategy  | Qtr1 2020   |              |              |              |              |              |
|                                   | Mobilisation of electric link between Swansea Bay Technology Centre and Hydrogen Centre  | Qtr3 2021   |              |              |              |              |              |
|                                   | Development of commercial strategy   | Qtr1 2022   |              |              |              |              |              |
|                                   | <b>Industrial futures</b>  |   |              |              |              |              |              |
|                                   | Start of two-stage design and procurement process for production facility  | Qtr1 2020   |              |              |              |              |              |
|                                   | Start of two-stage design and procurement process for R&D innovation and growth facility   | Qtr1 2020   |              |              |              |              |              |
|                                   | Opening of three-year Property Development Fund scheme   | Qtr2 2020   |              |              |              |              |              |
|                                   | Completion of production facility construction   | Qtr4 2021   |              |              |              |              |              |
|                                   | Completion of R&D innovation and growth facility construction  | Qtr4 2021   |              |              |              |              |              |
| <b>Risks</b>                      | <b>Description</b>   | <b>Mitigation</b>   |              |              |              |              |              |
|                                   | <b>Development</b>   |   |              |              |              |              |              |
|                                   | Delay in planning conditions / consent   | Early engagement with stakeholders and consent authorities to raise any issues early on.  |              |              |              |              |              |
|                                   | Delay in procurement of contractors  | Utilise existing procurement frameworks. Early engagement with contractors to identify issues which may cause delay and require specialist input. Monitor and review progress of contractor throughout procurement process. |              |              |              |              |              |
|                                   | <b>Operational</b>   |   |              |              |              |              |              |
|                                   | New centres do not suit end-user needs   | Regular design meetings involving end-users at initial design and fit-out stage. Early identification of supply chain.  |              |              |              |              |              |
|                                   | <b>Financial</b>   |   |              |              |              |              |              |
| Failure to secure funding package | Ensure credible and robust detailed business plan and financial profile is in place at outset. Written letters confirming all sources of funding to be in place at approval stage. |   |              |              |              |              |              |
| <b>Financial Profile</b>          |  | 2019/20 (£m)  | 2020/21 (£m) | 2021/22 (£m) | 2022/23 (£m) | 2023/24 (£m) | TOTAL (£m)   |
|                                   | <b>City Deal</b>   | 0.50  | 14.40        | 24.20        | 8.55         | 0.05         | <b>47.70</b> |
|                                   | <b>Public</b>  |   | 2.00         | 2.00         | 2.00         | 1.70         | <b>7.70</b>  |
|                                   | <b>Private</b>   |   | 1.50         | 1.50         | 1.50         | 0.50         | <b>5.00</b>  |
|                                   | <b>TOTAL</b>   | <b>0.50</b>   | <b>17.90</b> | <b>27.70</b> | <b>12.05</b> | <b>2.25</b>  | <b>60.40</b> |
| <b>Dependencies</b>               | Planning consents  |   |              |              |              |              |              |

## **10.0 Interdependencies & Project Synergies**

### **10.1 Interdependencies**

#### **Interdependence 1 - The SBCD Skills and Talent Initiative Project & *The Internet Coast***



The aim of the City Deal proposal is to create an uplift in GVA, helping close the ever-increasing gap between regional and national averages. In order to achieve this, the development of a workforce that is capable, responsive and skilled is key. The portfolio of City Deal projects share this commonality in objective and each will create opportunities for the region's current and future workforce.

The Skills and Talent Initiative will be instrumental in determining the skills needs of the other projects and, in turn, will support regional education providers to deliver the skills solutions required. It is anticipated that skills will broadly be required in, but not limited to, the areas of ICT and digital, health, manufacturing and engineering, aligning closely to the four themes of the SBCD programme. There will be opportunities for the transferability of skills between projects and therefore across the region, creating a thriving talent base.

Undeniably, underpinning each of the projects, therefore, is skills and talent, a theme that runs strongly throughout and which will determine the overall success of the City Deal Programme. The right people with the right skills, available in the region at the right time, is the most important consideration and challenge for the City Deal. Without a strong, capable and flexible workforce the SBCD would struggle to deliver programme outcomes and therefore not have the transformational effect it aims to achieve.

A further key determinant of success is the preparedness and capability of future generations to capitalise on the opportunities presented by the proposal. The Skills & Talent Initiative recognises the importance of younger generations being well-informed. This will help create a sustainable pipeline of talent which is ready and able to both support and further develop the future economy of the Swansea Bay City Region.

It is therefore the intention of the Skills & Talent Initiative to foster the themes of entrepreneurship and digital innovation, given their strategic importance to the Swansea Bay City Deal Programme, and to work with key stakeholders to align provision to these key themes. As such, these two areas will be focussed on in schools and, increasingly so, in further and higher education institutions.

In addition, there is opportunity for synergy in terms of skills between the four themes at a more specific level. Energy, Life Science & Well-being and Smart Manufacturing are of critical strategic importance in their own right, but through the City Deal they are interconnected and mutually supportive.

The 21<sup>st</sup> Century is a multidisciplinary age which transcends sectors, with the majority of innovative solutions to the most pressing challenges residing in the collision of disciplines. The further and higher education institutions operating within the region already have an exemplary offer of provision within these areas. Aligning their offer more closely to the specific needs of the City Deal and identifying where there are opportunities for multi-disciplinary teaching will create skilled individuals with the transferable skills needed to work across the region.

## **Interdependence 2 - The Internet of Economic Acceleration and its Constituent Projects**

The proposal and its constituent projects are built on a solid foundation characterised by an advanced digital infrastructure. A lack of an effective and reliable next generation digital infrastructure will hinder the development and exploitation of new technologies and capabilities which could negatively impact the success of key projects. The level of interdependency varies across the projects, with some relying on digital elements more than others.

Primarily, the successful implementation of the Digital Infrastructure project will allow for the establishment of 5G testbeds that will enable innovation and entrepreneurship. These are themes that are especially crucial for Yr Egin, the Swansea City and Waterfront Digital District and the Industrial Futures element of the Supporting Innovation and Low Carbon Growth programme. A lack of these testbeds would create significant barriers to the attraction and retention of talent, businesses, key industry leaders and inward investment to the area which are crucial to the success of those projects.

## **Interdependence 3 - The Internet of Economic Acceleration and the Internet of Energy**

An innovative digital infrastructure is particularly pertinent for the Homes as Power Stations project. Imperative to the proposal is the utilisation of the internet to create innovative and sustainable energy generation. Combined with storage and efficiency, this will be supported by the use of smart metering. The effective use of smart metering is integral to the proposal as it will allow users to manage their own energy usage, while also assisting in the measurement of the efficiencies achieved.

Advanced, innovative digital infrastructure will also accelerate the delivery and evaluation of marine energy solutions forming part of the Pembroke Dock Marine project, while also assisting the decarbonisation elements of Neath Port Talbot's

Supporting Innovation and Low Carbon Growth programme, which includes real-time air quality modelling and monitoring as well as enhanced charging infrastructure for electric vehicles.

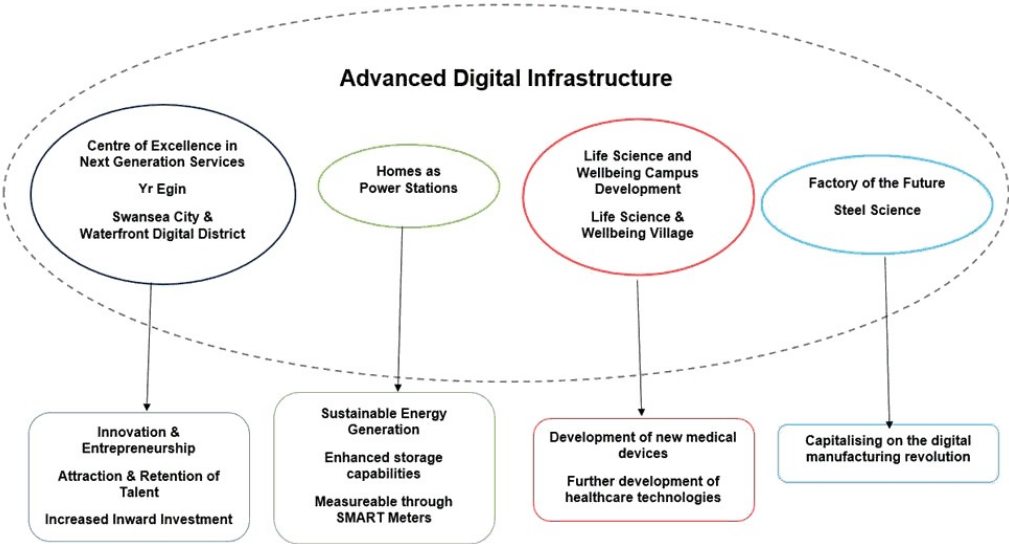
**Interdependence 4 - The Internet of Economic Acceleration and the Internet of Life Science and Well-being**

The developments proposed by both the Life Science and Wellbeing Campus and Village projects are heavily reliant on an innovative digital infrastructure. A lack of this infrastructure would impact on the development of new medical devices and healthcare technologies forming part of these projects.

**Interdependence 5 - The Internet of Economic Acceleration and Smart Manufacturing**

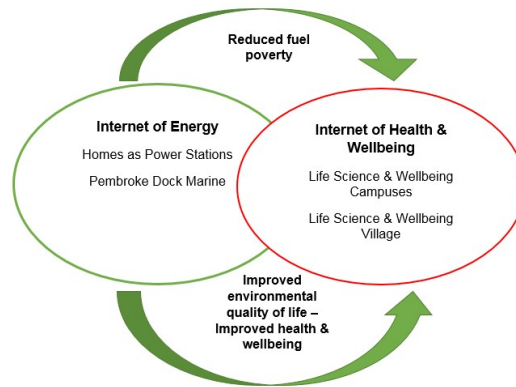
Manufacturing elements of the Supporting Innovation and Low Carbon Growth programme, including the Steel Science project, are reliant on the use of next generation technologies.

These technologies – which will further advance and emerge in coming years - include cyber-physical systems, the internet of things, cloud computing and cognitive computing. These are all elements that require a strong digital infrastructure to capitalise on continual advancements in digital manufacturing.



## 10.2 Synergies

### Synergy 1 - Energy and Life Science & Wellbeing



The economic well-being of Wales has been historically reliant on the strength of heavy industry and traditional manufacturing.

But with the gradual decline of these industries in recent decades, far greater emphasis is now placed on fostering economic growth, development and social inclusion, while ensuring natural assets continue to provide resources on which our well-being relies.

This further emphasises the importance of the green economy as a key component within the City Deal portfolio, with the investment programme's four themes closely aligning to well-being, the environment, manufacturing and economic growth.

The environmental and resource productivity of the economy is strongly linked to Homes as Power Stations, Pembroke Dock Marine and the decarbonisation elements of the Supporting Innovation and Low Carbon Growth programme, with all aiming to produce and promote sustainable energy.

The production of green energy has a positive impact on the environment as it generates little if any of the water and air pollution associated with traditional fossil fuels which costs public health services an estimated \$74.6 billion a year, according to a Harvard University study.

This shows how green energy can directly affect the health and well-being of individuals living and working in the region by reducing the risk of cardiovascular and respiratory diseases associated with traditional energy production. This direct link creates synergy with the Life Science and Well-being Campus and Life Science and Well-being Village projects.

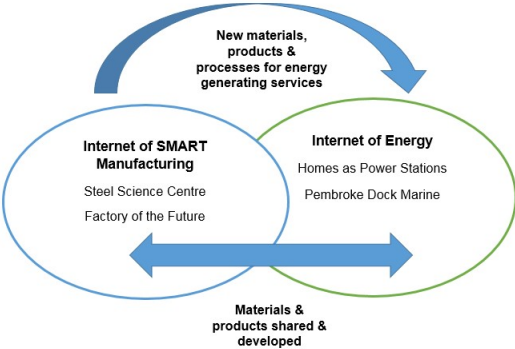
The Homes as Power Stations project will also help tackle fuel poverty, which has an impact on health and well-being. Research forming part of the project will create an evidence base in support of disruptive innovation to meet this objective.

Synergies between energy and life science & well-being can also be evidenced by the Supporting Innovation and Low Carbon Growth programme in Neath Port Talbot.

The programme’s focus on decarbonisation and improving air quality will lead to environmental benefits in Neath Port Talbot and beyond that will boost the health and well-being of contemporary residents and generations to come.

Also forming part of the programme is a drive to encourage greater uptake of electric vehicles, which will lead to environmental benefits throughout the region and elsewhere. This will place South West Wales at the heart of global innovation as an example of best practice for embracing this kind of technology as a conduit to environmental improvements.

### Synergy 2 - Energy and Smart Manufacturing



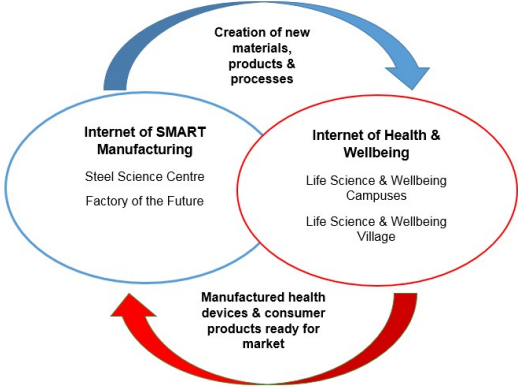
The Steel Science project will be in a prime position to have a significant impact on the Green Growth agenda. As well as developing and implementing ultra-low carbon steel making technologies, the new materials, products and processes created at the Centre will provide the opportunity to radically rethink the built environment for energy generating services. This will improve the regional natural asset base, helping promote the implementation of good environmental management in primary industries. This substantiates its synergy to Homes as Power Stations and Pembroke Dock Marine where materials and products may be shared and developed.

Furthermore, the Pembroke Dock Marine programme builds on momentum already under way regionally, in developing innovative marine energy solutions. This technology will require a local manufacturing base which builds upon the heavy engineering and steel generating capability of the region. Additionally, Homes as Power Stations provides the opportunity to expand existing pilot activities across the UK steel sector. This extends from smart coatings on steel substrates through to innovative storage and control.

As part of Neath Port Talbot’s Supporting Innovation and Low Carbon Growth programme, excess energy from solar and other renewable technologies at the Swansea Bay Technology Centre will be converted into hydrogen at the nearby Hydrogen Centre to fuel hydrogen vehicles.



### Synergy 3 - SMART Manufacturing and Life Science & Well-Being



The connections between manufacturing and life science and well-being are long-established but the introduction of smart life science and smart manufacturing have placed more importance on this relationship in recent years. The Life Science and Well-being Campus, the Life Science and Well-being Village and the Steel Science projects are those which illustrate the greatest alignment.

The region already has examples of Life Science and Well-being innovation created locally, manufactured locally and exported from the region to global markets. Examples include therapeutic devices, diagnostic devices and consumer products.

The Steel Science Centre will create new materials, products and processes, many of which will have applications in life science & well-being. This will provide the opportunity to shape the development of intelligent sterile environments, supporting disruptive technologies for telehealth like smart wearables and intelligent dressings.

The demand for next generation healthcare and smarter ways of manufacturing highlights the parallels between the two. They are both areas in transformation where new opportunities in IT to meet demands are creating more opportunities for closer working.

# Agenda Item 11



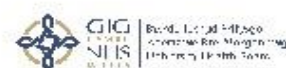
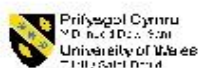
Swansea Bay City Region Joint Committee – 28 January 2020

## MIPIM 2020

|                                    |  |
|------------------------------------|--|
| <b>Purpose:</b>                    | The purpose of this report is to authorise the Swansea Bay City Region's attendance at MIPIM 2020 and its associated costs           |
| <b>Policy Framework:</b>           | Swansea Bay City Deal  |
| <b>Recommendation(s):</b>          | It is recommended that:<br><br>1) The Joint Committee authorises the City Region's attendance at MIPIM 2020 and its associated costs |
| <b>Report Author:</b>              | Helen Morgan, Regional Office, SBCD  |
| <b>Finance Officer:</b>            | Chris Moore, Section 151 Officer, SBCD   |
| <b>Legal Officer:</b>              | Tracey Meredith, Monitoring Officer, SBCD  |
| <b>Access to Services Officer:</b> |  |

### 1. Introduction

- 1.1 MIPIM is an annual, world-leading international property conference, with around 23,000 people attending for an intensive four-day programme. Attendees include thousands of investors, with scores of real estate projects throughout the UK and beyond launched there every year. The MIPIM conference offers unrivalled access to investors, developers and worldwide capital. MIPIM brings together the most influential figures from all property sectors to facilitate business between real estate professionals, investors and local authorities. MIPIM 2020 is taking place between March 10<sup>th</sup> and March 13<sup>th</sup> at the Palais Des Festivals in Cannes, France.



## **2. Benefits of regional representation at MIPIM 2020**

- 2.1 An opportunity has arisen for the Swansea Bay City Region to be showcased at MIPIM 2020 as a partner of Cardiff and the Cardiff Capital Region, who have already confirmed their attendance at the event. This would enable international profile raising of major projects and strategic development sites throughout the Swansea Bay City Region, including those due to be part-funded by the Swansea Bay City Deal.
- 2.2 A regional investment of £10,000 would secure a partnership package with Cardiff and the Cardiff Capital Region at MIPIM 2020 that would include the following benefits:
- Two delegate passes
  - The chance to purchase additional delegate passes at a discounted rate
  - Representation at a signature MIPIM 2020 event
  - The broadcast of content on a video wall
  - Display of local authority and City Deal logos
  - Exhibition space for project/strategic site promotion
  - Dedicated social media posts as part of a MIPIM campaign
  - Advertising space in a hard copy and online prospectus
  - Inclusion of a regional development or project of choice on a dedicated website

## **3. Financial Implications**

- £10,000 to secure a package to partner Cardiff and the Cardiff Capital Region at MIPIM 2020, including admission of two selected delegates.
- Joint Committee budget to cover up to one representative from each partner Local Authority (currently two Local Authorities attending). Cost covered by Joint Committee is therefore £10,000 plus one additional delegate fee.
- Additional delegate passes to be covered by relevant Local Authority partner organisations.
- The costs of flights, transfers and accommodation would be covered by relevant Local Authority partner organisations.

## **4. Legal Implications**

- 4.1 There are no legal implications associated with the report.

### **Background Papers:**

None

# Agenda Item 12



Swansea Bay City Region Joint Committee – 28 January 2020

## Supporting Innovation and Low Carbon Growth Project

### Purpose:

**Policy Framework:** Swansea Bay City Deal

### Consultation:

**Recommendation(s):** It is recommended that:

- 1) Joint Committee considers feedback from the Economic Strategy Board on the Supporting Innovation and Low Carbon Growth programme of projects
- 2) Joint Committee approves the formal submission of the Supporting Innovation and Low Carbon Growth full five-case business plan to the UK Government and Welsh Government for approval
- 3) Joint Committee grants officers delegated powers to make any minor amendments necessary to obtain that approval

**Report Author:** Helen Morgan, Regional Office

**Finance Officer:** Chris Moore, Section 151 Officer, SBCD

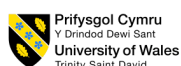
**Legal Officer:** Tracey Meredith, Monitoring Officer, SBCD

**Access to Services Officer:**

## 1. Introduction

- 1.1 The Supporting Innovation and Low Carbon Growth programme has been developed to deliver a coordinated delivery of sustainable growth and job creation in the region with a targeted focus on the Port Talbot Harbourside area.

The Programme aims to create the right environment for innovation, new technologies and a decarbonised local and regional economy.



The Programme has been developed around four interlinked themes:

- **Swansea Bay Technology Centre** – An energy positive building on Baglan Energy Park providing flexible office space for start-up companies and indigenous businesses, with a focus on the innovation, ICT and R&D sectors. The excess energy from solar and other renewable technologies will be converted into hydrogen at the nearby Hydrogen Centre to be used to fuel hydrogen vehicles.
  - **National Steel Innovation Centre** that aims to support the steel and metals industry in Port Talbot and Wales, with the aim of reducing the carbon footprint of the steel and metals industry, and increasing the sustainability of the industry, linking in to the circular economy.
  - **Decarbonisation** - To assist with the delivery of decarbonising the City Region, a number of core projects will be undertaken in collaboration with a number of public, private and academic partners including the FLEXIS research operation. These projects include a hard-wired electrical link between the Swansea Bay Technology Centre and the nearby Hydrogen Centre, as well as an electrical charging infrastructure route map. Encouraging the uptake of electric vehicles, this includes the development and implementation of an electric vehicle charging network that meets the demands of residents, businesses and visitors. New charging stations will contribute to solving Wales' lag in electrical vehicle charging infrastructure and coverage compared to the rest of the UK. Air quality modelling and real-time monitoring will also be introduced to enable better informed air quality decisions in future. This project will include data analytics to identify correlation with pollution sources, evaluation of intervention measures, and area wide, real-time data with significantly more geographic detail than is currently available.
  - **Industrial Futures** - This will address the gap between demand and supply for businesses and available land in the Port Talbot Waterfront Enterprise Zone, with a hybrid building providing production units as well as office space to support start-ups and indigenous businesses - especially those in the innovation and manufacturing sectors. There will also be laboratory space supported by Industry Wales for spin-outs to monetise research and development projects, as well as land remediation, flood defence work, construction of access roads and upgrading of highways. A Property Development Fund will also be made available to support the viability of private sector schemes to develop buildings in the Enterprise Zone.
- 1.2 The portfolio of projects meets the requirements of recommendations arising from reviews into the City Deal, while also representing a first stage response to the climate change emergency declared by the Welsh Government in April, 2019.
- 1.3 The programme will develop over 18,000 square metres of business space, primarily to meet evidenced demand from small to medium sized businesses, while providing the technological platforms essential for them to grow.

## **2. Financial Implications**

- 2.1 The procedures around the management of City Deal Funding is detailed within the Joint Committee Agreement.
- 2.2 If any further funding conditions are to be imposed on the release of City Deal monies by UKG and WG, these will be considered and reported to Joint Committee.
- 2.3 Risks will be managed through monitoring and evaluation at both project and programme level and reported, via the Regional Office, to the Joint Committee where appropriate.
- 2.4 Current scrutiny of the financial tables has been undertaken at the lead authority level.

## **3. Legal Implications**

- 3.1 Project leads will be responsible for managing legal requirements associated with the project.
- 3.2 Any programme level legal requirements will be managed by the Accountable Body in accordance with the arrangements set out in the Joint Committee Agreement.
- 3.3 No City Deal monies will be released until a funding agreement is in place with the project lead.

**Background Papers:** None

### **Appendices:**

- Appendix A – Programme Business Case
- Appendix B – Programme Business Case Summary
- Appendix C – Programme Gantt Chart
- Appendix D – Cost Benefit Analysis
- Appendix E – Potential Economic Impact – Technical Note

# Swansea Bay City Deal: Supporting Innovation and Low Carbon Growth

## Full Programme Business Case (FBC)



**Version No:** 2.0

**Issue Date:** November 2019

## DISTRIBUTION LIST

| Organisation | Position | Name |
|--------------|----------|------|
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## REVISION HISTORY

| Date | Version | Modified by         | Changes made, review history |
|------|---------|---------------------|------------------------------|
|      | 0.1     | First Draft Version |                              |
|      |         |                     |                              |
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## DOCUMENT SIGN OFF

| Date | Version | Signed off by | Comments |
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| <b>Appendix 5</b>   | Economic Appraisal                        |
| <b>Appendix 6</b>   | Financial / investment profile            |
| <b>Appendix 7</b>   | Property Development Fund scheme guidance |
| <b>Appendix 8</b>   | Programme Gantt chart                     |
| <b>These appendices can be viewed here:</b>   |   |
| <a href="https://democracy.npt.gov.uk/ieListDocuments.aspx?CId=158&amp;MIId=8692&amp;Ver=4">https://democracy.npt.gov.uk/ieListDocuments.aspx?CId=158&amp;MIId=8692&amp;Ver=4</a> |   |

## 1. Introduction – overview / background

This Supporting Innovation and Low Carbon Growth Programme has been developed to inject momentum into the delivery of sustainable growth and job creation in the Swansea Bay City Region with a targeted focus on the Port Talbot Harbourside area. The Programme aims to create the right environment for innovation, new technologies and a de-carbonised local and regional economy.

The programme has been developed in response to a number of key drivers, in particular:

- The two reviews of the Swansea Bay City Deal published in March 2019 by the Welsh and UK Governments and the Swansea Bay City Region Joint Committee which stated that the City Deal *‘should be managed as a Portfolio not as a set of predetermined and immutable projects.’* and *‘in this scenario we would expect some individual programmes and projects to fall away as other more worthy programmes were identified and prioritised’*<sup>1</sup>. We agree - and this business case acts upon those recommendations.
- It is also a response to recent job losses (and ongoing uncertainty) in the South Wales manufacturing base – see below - and contains a mix of more traditional interventions - where demand is evidenced - plus original proposals designed to help business meet 21<sup>st</sup> century challenges.

The Programme brings together two existing and complementary initiatives:

- The Swansea Bay City Deal (the ‘City Deal’) is billed as a £1.3bn investment across the region. Three projects prioritised in the original City Deal – National Steel Innovation Centre, Factory of the Future, and Centre of Excellence for Next Generation Services (CENGs) – are led by Neath Port Talbot Council (the ‘Council’) – however, progress has been limited more than two years on from the signing of the City Deal. A review of the structure of the existing projects, and the verification (or otherwise) of the outcomes originally estimated, is therefore timely; and

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<sup>1</sup> Recommendation 6 and Paragraph 3.4.5 respectively.

- The Port Talbot Waterfront Enterprise Zone (the ‘Enterprise Zone’) is maturing. A Strategic Plan (2018-2021) was endorsed by the Enterprise Zone Board and the Council’s Cabinet in October and November 2018 respectively. The vision is to create a diversified and resilient economy whilst building upon local strengths in steel, energy and manufacturing. The Enterprise Zone is also a gateway to the Swansea Bay City Region.

Both are closely aligned to the Welsh Government Economic Action Plan and the UK national Industrial Strategy plus other strategies, policies and programmes including the emphasis on the Foundational Economy. They are also tested against the requirements of the Wellbeing of Future Generations (Wales) Act. These links were previously identified in discussion between Welsh Ministers and the Chair of the Enterprise Zone<sup>2</sup>. More widely, what is proposed in the programme also complements other priorities for the Welsh Government and the Council including the Valleys Programme.

The region is home to a skilled workforce and a range of sectors - including advanced materials, energy and construction. Locally, the latest available figures suggest that the top 25 Neath Port Talbot companies posted an annual turnover of over £850 million between them. With access to deep water harbours plus good rail and road links (including new transport infrastructure), this is one of the most accessible business destinations in Wales including the Enterprise Zone itself and the Fabian Way corridor which is home to the Swansea University Bay campus and an identified growth area.

This business case clearly defines the projected outcomes and benefits from the programme and the funding profile necessary to deliver them - including funding sources - in line with the HM Treasury and Welsh Government Better Business Cases guide and the Five Case Model.

The Programme Business Case has been endorsed by Neath Port Talbot CBC’s Cabinet in July 2019. The objective is to achieve programme approval (during 2019) from both the City Region Joint Committee and the Welsh and UK Governments to enable the delivery phase to commence without further delay.

There is a renewed urgency given the position on Brexit and the necessity of measures to mitigate the announced closure of the Ford

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<sup>2</sup> Meeting between the Minister for Economy & Transport, Ken Skates AM and Roger Maggs MBE, Chair of the Enterprise Zone: 2 October 2019.

plant in Bridgend in 2020, which will have a significant impact on both the regional and local economies. Moreover, there is also a need to safeguard existing jobs in supply chains beyond Ford (e.g. the announcement that the Tata merger with Thyssen Krupp is not proceeding).

The programme will be reviewed and updated regularly, in consultation with stakeholders, to ensure it is fit for purpose and to provide programme assurance that it is delivering to time and budget.

This programme business case has been prepared in line with the HM Treasury and Welsh Government Better Business Cases guide and the Five Case Model which provides assurance that this programme of investment:

- Represents a strategic fit, supported by a compelling case for change through the **Strategic Case**
- Maximises social value through the selection of an optimal combination of projects and related activities, demonstrated through the options appraisal in the **Economic Case**
- Is commercially viable and attractive to the supply side and delivered over the short to medium term as evidenced in the **Commercial Case**
- Is affordable and fundable as evidenced in the **Financial Case**
- Can be delivered successfully by the Council and the wider partnership as set out in the **Management Case**

The purpose of the Programme is to prioritise funding for a number of interventions to provide a significant contribution towards jobs growth, investment leverage and GVA uplift (as identified in the appendices). Potentially, it is the first of a series of business cases over the fifteen year time frame of the City Deal.

The Programme is focused on four themes / service solutions which are described in greater detail in **Appendix 1 and 1a**

- Swansea Bay Technology Centre
- National Steel Innovation Centre
- Decarbonisation
- Industrial Futures

It is evident that the Programme of investment will deliver greater impact through this coordinated programme approach than single stand-alone investments. The Programme addresses the current needs of the region and the two additional themes of decarbonisation and industrial futures will add value to the original City Deal investment programme.

The Council is also leading on a fourth City Deal project – Homes as Power Stations. This regional project is not covered by this programme business case as it is the subject of a stand-alone business case.

## 2. Executive Summary

This Programme of ‘Supporting Innovation and Low Carbon Growth’ has been developed in response to the two reviews of the Swansea Bay City Deal published in March 2019 by the two Governments and the Joint Committee which contained the following statements. The Deal “*should be managed as a Portfolio not as a set of predetermined and immutable projects.*” and “*in this scenario we would expect some individual programmes and projects to fall away as other more worthy programmes were identified and prioritised*”<sup>3</sup>. We agree - and this programme business case acts upon those recommendations.

Moreover, on 29 April 2019 the Welsh Government declared a ‘Climate Change Emergency’. This proposal represents a first stage response to that declaration, largely absent from the original City Deal proposal. It is underpinned by the Neath Port Talbot ‘Decarbonisation and Renewable Energy Strategy’. The business case also incorporates – but re-orientates – original City Deal projects to provide impetus towards actual delivery and the realisation of benefits.

This business case (and the Programme contained therein) is focused on four themes. It seeks a net investment of nearly £47.7 million from the City Deal over five years, matched by Council and other funding streams. It aims to create / safeguard 1,300 jobs (including construction) with a base assumption that at least 30% of that total will be new jobs created - and at least as many again to be safeguarded in sectors of the wider economy relevant to the Programme interventions. It will also develop over 18,000 square metres of business space, primarily to meet evidenced demand from small to medium sized businesses and provide the technological platforms essential for them to grow.

See **Appendix 2** for evidence of demand

### Strategic Case

The Programme is aligned to the policy direction set by the Welsh Government in terms of recent allocations to the Economy Futures Fund in support of the Economic Action Plan.

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<sup>3</sup> Recommendation 6 and Paragraph 3.4.5 respectively.

## **Economic Case**

It is estimated that the Programme will deliver a positive cumulative NPV of £145 million over 15 years. This is based upon earlier quantitative assessments of both the City Deal itself and the Enterprise Zone as referenced in the Economic Case. Both have previously been accepted by Government as valid.

The outputs/outcomes are described in the Economic Case and set out in more detail at **Appendix 3**.

The cost benefit analysis is referenced in the Economic Case and set out in detail at **Appendix 4**.

An independent high level economic appraisal of the Programme successfully demonstrates that even under a range of highly conservative assumptions, the overall potential economic impact is positive and robust. The analysis estimates an annual GVA impact of £6.2 million once all projects are fully operational. The technical analysis is included at **Appendix 4**.

## **Commercial Case**

The Commercial Case outlines the proposed arrangements in relation to the preferred way forward described in the Economic Case.

The investment outlined in the programme will accelerate the pace of development of a number of sites across the area for regional and local benefit. The objective is to unlock/realise those benefits at the earliest possible stage.

The programme aims to encourage private sector investment to add value to the public sector investment to maximise leverage and sustainability, in line with the original objectives of the City Deal and the Enterprise Zone Strategic Plan. There are a number of options for delivery including direct investment, property development fund, Joint Venture.

## **Financial Case**

The financial / investment profile is summarised in Table 1 below and detailed in **Appendix 6** as an adjunct to the Financial Case.

**Table 1: Financial/Investment Profile**

| CAPITAL                               |             |              |              |             |             |              |
|---------------------------------------|-------------|--------------|--------------|-------------|-------------|--------------|
|                                       | 2019/20     | 2020/21      | 2021/22      | 2022/23     | 2023/24     | TOTAL        |
|                                       | £m          | £m           | £m           | £m          | £m          | £m           |
| <u>Project /Programme Costs</u>       |             |              |              |             |             |              |
| Swansea Bay Technology Centre         | 0.30        | 5.90         | 1.30         | 0.00        | 0.00        | 7.50         |
| National Steel Innovation Centre      | 0.00        | 1.50         | 10.00        | 8.50        | 0.00        | 20.00        |
| Decarbonisation                       | 0.50        | 1.25         | 1.25         | 0.00        | 0.00        | 3.00         |
| Industrial Futures Programme          | 0.00        | 9.25         | 13.25        | 1.25        | 1.25        | 25.00        |
| <b>TOTAL</b>                          | <b>0.80</b> | <b>17.90</b> | <b>25.80</b> | <b>9.75</b> | <b>1.25</b> | <b>55.50</b> |
| <b>Funded by:</b>                     |             |              |              |             |             |              |
| Neath Port Talbot Council             | 0.10        | 0.30         | 0.10         | 0.00        | 0.00        | 0.50         |
| WEFO / WG Grant                       | 0.20        | 3.20         | 0.60         | 0.00        | 0.00        | 4.00         |
| NNDR Retained                         | 0.00        | 0.00         | 0.90         | 0.90        | 0.90        | 2.70         |
| Rental Income                         | 0.00        | 0.00         | 0.00         | 0.30        | 0.30        | 0.60         |
| <b>Net requirement from City Deal</b> | <b>0.50</b> | <b>14.40</b> | <b>24.20</b> | <b>8.55</b> | <b>0.05</b> | <b>47.70</b> |
| REVENUE                               |             |              |              |             |             |              |
|                                       | 2019/20     | 2020/21      | 2021/22      | 2022/23     | 2023/24     | TOTAL        |
|                                       | £m          | £m           | £m           | £m          | £m          | £m           |
| <u>Project /Programme Costs</u>       |             |              |              |             |             |              |
| Swansea Bay Technology Centre         | 0.00        | 0.00         | 0.20         | 0.20        | 0.20        | 0.60         |
| National Steel Innovation Centre      | 0.00        | 0.00         | 0.00         | 0.20        | 0.20        | 0.40         |
| Decarbonisation                       | 0.00        | 0.00         | 0.00         | 0.00        | 0.00        | 0.00         |
| Industrial Futures Programme          | 0.00        | 0.25         | 0.65         | 0.65        | 0.65        | 2.20         |
| <b>TOTAL</b>                          | <b>0.00</b> | <b>0.25</b>  | <b>0.85</b>  | <b>1.05</b> | <b>1.05</b> | <b>3.20</b>  |
| <b>Funded by:</b>                     |             |              |              |             |             |              |
| Neath Port Talbot Council             | 0.00        | 0.25         | 0.85         | 1.05        | 1.05        | 3.20         |
| WEFO / WG Grant                       | 0.00        | 0.00         | 0.00         | 0.00        | 0.00        | 0.00         |
| NNDR Retained                         | 0.00        | 0.00         | 0.00         | 0.00        | 0.00        | 0.00         |
| Rental Income                         | 0.00        | 0.00         | 0.00         | 0.00        | 0.00        | 0.00         |
| <b>Net requirement from City Deal</b> | <b>0.00</b> | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b> | <b>0.00</b> | <b>0.00</b>  |



| TOTAL                                  |             |              |              |              |             |              |
|--|-------------|--------------|--------------|--------------|-------------|--------------|
|  | 2019/20     | 2020/21      | 2021/22      | 2022/23      | 2023/24     | TOTAL        |
|  | £m          | £m           | £m           | £m           | £m          | £m           |
| <b><u>Project /Programme Costs</u></b> |             |              |              |              |             |              |
| Swansea Bay Technology Centre          | 0.30        | 5.90         | 1.50         | 0.20         | 0.20        | 8.10         |
| National Steel Innovation Centre       | 0.00        | 1.50         | 10.00        | 8.70         | 0.20        | 20.40        |
| Decarbonisation                        | 0.50        | 1.25         | 1.25         | 0.00         | 0.00        | 3.00         |
| Industrial Futures Programme           | 0.00        | 9.50         | 13.90        | 1.90         | 1.90        | 27.20        |
| <b>TOTAL</b>                           | <b>0.80</b> | <b>18.15</b> | <b>26.65</b> | <b>10.80</b> | <b>2.30</b> | <b>58.70</b> |
| <b>Funded by:</b>                      |             |              |              |              |             |              |
| Neath Port Talbot Council              | 0.10        | 0.55         | 0.95         | 1.05         | 1.05        | 3.70         |
| WEFO / WG Grant                        | 0.20        | 3.20         | 0.60         | 0.00         | 0.00        | 4.00         |
| NNDR Retained                          | 0.00        | 0.00         | 0.90         | 0.90         | 0.90        | 2.70         |
| Rental Income                          | 0.00        | 0.00         | 0.00         | 0.30         | 0.30        | 0.60         |
| <b>Net requirement from City Deal</b>  | <b>0.50</b> | <b>14.40</b> | <b>24.20</b> | <b>8.55</b>  | <b>0.05</b> | <b>47.70</b> |

## Management Case

The Management Case addresses the achievability of the programme and planning arrangements required to both ensure successful delivery and to manage programme risks.

### **3. Strategic Case**

#### **Introduction**

The purpose of the Strategic Case is to demonstrate alignment with national, regional and local strategies and policies - as well as other current / planned programmes, and make the case for change.

It is in three parts as follows:

#### **Part 1 – Strategic Context**

Providing an overview of the sponsoring organisation and a review of the relevant strategies and policies to demonstrate strategic fit;

#### **Part 2 – Case for change**

Namely the Programme rationale based upon on the Programme outcomes and an analysis of what needs to change – the Investment Objectives and Business Needs respectively;

#### **Part 3 – Potential Programme scope**

How best to address the Business Needs (including service requirements, potential benefits/risks, constraints and dependencies) in establishing a preferred option.

#### **Part 1: Strategic Context**

The Swansea Bay City Region consists of four local authority areas: Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea. It is formally constituted under statute as a Joint Committee. The wider partnership includes two Universities and two Local Health Boards plus the private sector through an Economic Strategy Board which is an integral part of the governance structure and makes recommendations to the Joint Committee.

#### **Organisation overview**

Neath Port Talbot CBC is the lead local authority for three existing projects identified as such in the context of the City Deal Heads of Terms document signed by the UK and Welsh Governments in March 2017.

Neath Port Talbot is located at the centre of the South Wales economy between the cities of Cardiff and Swansea. It benefits from direct access via the M4 corridor and therefore has a wider catchment area for

employment. Analysis demonstrates that there is a working age population of 1.4 million and a million jobs within an hour's drive of the Enterprise Zone<sup>4</sup> which is one of eight designated areas across Wales, and one of only three continuing with a formal advisory board to assist the Welsh Government.

Neath Port Talbot CBC has a proven track record of delivering large capital projects, on budget and on time, from a number of different funding sources including:

- PDR Harbour Way: **£111m**
- 21st Century Schools Programme: **£122m**
- Neath Port Talbot Physical Regeneration: **£15m**
- Vibrant & Viable Places: **£35m**

The Council also has extensive experience of lead body status for several collaborative regional projects including:

- South West Workways: **£23m**
- Workways+: **£7.5m**
- Engage: **£21m**

#### **Table 2: Council - Key Facts:**

- Formed in April 1996 after local government reorganisation;
- The local authority area is the 8<sup>th</sup> most populous in Wales, with a population of some 140,000; and
- 17 wards within the local authority area are in the top 10% most deprived in Wales.

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<sup>4</sup> Source ESRI

## Welsh Government strategies and policy drivers

This Programme is aligned to and will deliver the aims and objectives of the following Welsh Government strategies and policies:

| Policy Drivers   | Relevance to this Programme   |
|--|---|
| <p><b>Prosperity for All: The National Strategy (Taking Wales Forward 2016 – 2021)<sup>5</sup></b></p> | <p>Taking Wales Forward sets out how the Welsh Government will deliver more and better jobs through a stronger, fairer economy.</p> <p>The aim of the Welsh Government’s ‘Prosperity for All’ national strategy is to <i>‘build a Wales that is prosperous and secure, healthy and active, ambitious and learning, and united and connected’</i>.</p> <p>The projects proposed in this programme are aligned to the following components of this economic strategy:</p> <ul style="list-style-type: none"> <li>• <b>Prosperous and Secure</b> - the programme will create high-quality jobs leading to individual and national prosperity, as well as creating the right environment for businesses to grow and thrive; and</li> <li>• <b>Skills and employability</b> – the Programme will attract new businesses and grow existing ones to improve prosperity.</li> </ul> <p>All projects will work with the Regional Learning and Skills partnership to ensure there is an appropriate skills base to take advantage of this investment.</p> |
| <p><b>Prosperity for All: The</b></p>  | <p>The Action Plan was developed to support the delivery of the Prosperity for All national economic</p>  |

<sup>5</sup> <https://gov.wales/sites/default/files/publications/2017-08/taking-wales-forward.pdf>

|   |  |
|---|--|
| <p><b>Economic Action Plan<sup>6</sup></b></p>                    | <p>strategy for Wales. It sets out a vision for growing the economy and reducing inequality.</p> <p>The Plan sets out a number of ‘<i>Calls to Action</i>’, including support for businesses focusing on decarbonisation, innovation, high-quality employment and R&amp;D.</p> <p>The projects proposed in this Programme are aligned to the Plan as follows:</p> <ul style="list-style-type: none"> <li>• Wales’ productivity – the Gross Value Added (GVA) gap - is the lowest of all UK nations and regions and this region is lower again. Investments in human capital, infrastructure; and innovation all have a part to play in addressing this;</li> <li>• There are too many people who are economically inactive. Thus the Programme aims to tackle barriers to employment;</li> <li>• The “spatial” difference in outcomes between our communities within, and between, the different regions of Wales is one of the most difficult structural problems;</li> <li>• More and more businesses in Wales are delivering services and utilising new digital technologies that impact on the labour market and present immediate challenges for employers and employees; and</li> <li>• The shift towards a low-carbon future offers huge opportunities for the economy to diversify and grow long term; but it is a transition which must start now.</li> </ul> |
| <p><b>Prosperity for all – A Low Carbon Wales<sup>7</sup></b></p> | <p>The Plan sets out how Wales aims to meet the first carbon budget (2016-2020) and consequently the 2020 interim target through 100 policies and proposals across Ministerial portfolios.</p> <p>This programme will deliver a number of</p>  |

<sup>6</sup> <https://gov.wales/topics/businessandconomy/economic-action-plan/?lang=en>

<sup>7</sup> [https://gweddill.gov.wales/topics/environmentcountryside/climatechange/emissions/prosperity-for-all-a-low-carbon-wales/?skip=1&lang=en&\\_ga=2.94270045.1558241127.1559306557-785643410.1544528811](https://gweddill.gov.wales/topics/environmentcountryside/climatechange/emissions/prosperity-for-all-a-low-carbon-wales/?skip=1&lang=en&_ga=2.94270045.1558241127.1559306557-785643410.1544528811)

|   |  |
|---|--|
|   | interventions to help meet carbon targets  |
| <b>Wellbeing of Future Generations (Wales) Act 2015<sup>8</sup></b> | <p>The Act aims to improve the social, economic, environmental and cultural well-being of Wales. It has seven well-being goals and this Programme will make direct/indirect contributions to these goals as follows:</p> <p><b>Prosperous Wales:</b> providing new employment and the efficient use of resources through building design and the re-use of brownfield land;</p> <p><b>Resilient Wales:</b> new business premises, with the necessary technological infrastructure, to promote diversification and reduce overreliance on traditional industries and public sector employment;</p> <p><b>Healthier Wales:</b> long standing evidence clearly demonstrates the positive impact of employment on health and well-being;</p> <p><b>A more Equal Wales:</b> the Programme involves opportunities accessible to all to reduce societal inequalities, regardless of circumstances;</p> <p><b>Cohesive Communities:</b> sustaining viable and well-connected communities through employment;</p> <p><b>Vibrant Culture and thriving Welsh Language:</b> increased employment opportunities can only support the Language in the medium/long term contributing to Welsh Government 2050 targets; and</p> <p><b>Globally Responsible Wales:</b> buildings will be developed and delivered in line with the sustainable development principles highlighted by the Act.</p> <p>In terms of the Act's "Ways of Working", the Programme is:</p> <ul style="list-style-type: none"> <li>• considering a <u>long term</u> view of the economic,</li> </ul> |

<sup>8</sup> <https://gov.wales/topics/people-and-communities/people/future-generations-act/?lang=en>

|   |   |
|---|---|
|   | <p>social and environmental needs to the area;</p> <ul style="list-style-type: none"> <li>• in terms of <u>prevention</u>, mitigating against economic challenges by diversifying the base;</li> <li>• contributing to the <u>integration</u> each of the well-being goals and complementing the goals of the Welsh Government and other partners; and</li> <li>• ensuring delivery is <u>collaborative</u> with relevant stakeholders involved in development/delivery.</li> </ul> |
| <b>Innovation Wales<sup>9</sup></b>                       | The 2014 Strategy emphasises the need for “key investments” on the basis of clear strategic priorities. Of relevance to this Programme, the strategy identifies four priority for investment, one of which is low carbon energy and the environment.  |
| <b>The Environment (Wales) Act<sup>10</sup></b>           | The Act requires the planning and management of Wales’ natural resources in a more sustainable and joined-up way. Part 2 (Climate Change) is particularly relevant to this Programme, where a range of interventions can contribute to the goals set by statutory emission reduction targets (by 2050).   |
| <b>Energy Wales: A Low Carbon Transition<sup>11</sup></b> | As above, the (2012) strategy aims to transition Wales to a low carbon economy; ensuring communities benefit from energy infrastructure developments; managing the relationship between energy development and the natural environment plus promote the use of renewable technologies in design and construction.   |
| <b>Green Growth Wales: Local Energy<sup>12</sup></b>      | As above, this sets out the approach to local energy and the vision of communities and businesses using locally generated electricity from renewables to minimise dependence on central generation.   |

<sup>9</sup> <https://gov.wales/topics/science-and-technology/innovation/innovation-wales-strategy/?lang=en>

<sup>10</sup> <http://www.legislation.gov.uk/anaw/2016/3/contents/enacted>

<sup>11</sup> <http://gov.wales/topics/environmentcountryside/energy/energywales/?lang=en>

<sup>12</sup> <http://gov.wales/topics/businessandconomy/creating-a-sustainable-economy/green-growth-wales/?lang=en>

|   |   |
|---|---|
| <b>Foundational Economy<sup>13</sup></b>  | This proposal will support and grow the foundational economy through an innovative model of business support and will challenge the conventional way of providing business support.   |
| <b>Welsh Government ‘Employment Sites &amp; Premises in Wales Property Delivery Plan’</b> | <p>Tim Howard (Welsh Government) attended the regional Regeneration Lead Officers meeting on 25<sup>th</sup> June 2019 to provide a background to the WG ‘Employment Sites &amp; Premises in Wales Property Delivery Plan’</p> <p>WG and the region agreed that there was an issue with the supply and quality of new business premises. It was agreed that WG would work in partnership with local authorities across the region to deliver the targets identified in the property delivery plan.</p> <p>Discussions are on-going on a local authority and PTWEZ advisory board level.</p> |
|   |   |

## UK Government Strategies and Policy Drivers

This Programme is aligned to a range of relevant UK-wide strategies:

| <b>Policy Drivers</b>   | <b>Relevance to this programme</b>   |
|---|--|
| <b>Industrial Strategy – Building a Britain fit for the future<sup>14</sup></b> | The overall vision, as set out in the 2017 Industrial Strategy, is to ‘ <i>create an economy that boosts productivity and earning throughout the UK across five ‘foundations’ (ideas, people, infrastructure, business environment and places) and four ‘grand challenges’ (Artificial Intelligence &amp; Data, clean growth, future mobility and an aging society).</i> |
| <b>Clean Growth: Leading the Way to a Low-</b>                                  | Of direct relevance, this strategy highlights the BEIS Energy Innovation Programme to accelerate the commercialisation of clean energy technologies and  |

<sup>13</sup> <https://gov.wales/foundational-economy>

<sup>14</sup> <https://www.gov.uk/government/publications/industrial-strategy-building-a-britain-fit-for-the-future>



|   |  |
|---|--|
| <b>Carbon Future</b>                        | investment in smart energy systems.  |
| <b>Climate Change Act 2008<sup>15</sup></b> | The Climate Change Act is the basis for the UK's approach by committing the Government to reduce emissions by at least 80% of 1990 levels by 2050, with five yearly interim targets. The Welsh Government has set a more ambitious target of reducing carbon emissions in Wales by at least 40% by 2020 from 1990 levels, with a 3% per annum target. This Programme will be energy positive and it is proposed to develop a Smart Energy Systems Demonstration Zone in Port Talbot. |
| <b>Clean Growth Strategy<sup>16</sup></b>   | This strategy sets out the UK Government's proposals for decarbonising all sectors of the UK economy through the 2020s. This Programme will demonstrate the benefits of buildings as power stations in a commercial/industrial settings.   |
| <b>Foundational Economy<sup>17</sup></b>    | This proposal will support and grow the foundational economy through a model of business support that will challenge the conventional way of providing business support.   |
|   |  |

## Regional and Local Strategies and Policy Drivers

This Programme is aligned to a range of regional and local strategies and policies:

| <b>Policy Drivers</b>   | <b>Relevance to this Programme</b>   |
|---|--|
| <b>Swansea Bay City Region: Economic Regeneration Strategy<sup>18</sup></b> | <p>This underpins the City Deal to 2030. The Programme delivers against the five strategic aims:</p> <ul style="list-style-type: none"> <li>• <b>Business growth, retention and specialisation:</b> By supporting indigenous companies and start-ups;</li> <li>• <b>Skilled and ambitious for long-term success:</b> Working closely with the Skills and Talent initiative to ensure the region's</li> </ul> |

<sup>15</sup> <https://www.legislation.gov.uk/ukpga/2008/27/enacted>

<sup>16</sup> <https://www.gov.uk/government/publications/clean-growth-strategy>

<sup>17</sup> <https://gov.wales/foundational-economy>

<sup>18</sup> <https://www.swansea.gov.uk/swanseabaycityregioneconomicregenerationstrategy>

|  |   |
|--|---|
|  | <p>workforce has the skills to maximise employment opportunities in growth sectors;</p> <ul style="list-style-type: none"> <li>• <b>Maximising job creation for all:</b> Supporting economic diversification through value added jobs and removing barriers to employment;</li> <li>• <b>Knowledge economy and innovation:</b> Establishing the City Region as a knowledge economy where innovation thrives; and</li> <li>• <b>Distinctive places and competitive infrastructure:</b> Providing infrastructure assets to support business as a regional gateway.</li> </ul> |
| <b>Swansea Bay City Deal ‘The Internet Coast’<sup>19</sup></b> | <p>This Programme is also aligned to the four ‘internet’ themes within the City Deal programme:</p> <ul style="list-style-type: none"> <li>• <b>The Internet of Economic Acceleration:</b> next generation digital infrastructure;</li> <li>• <b>The Internet of Life Science and Wellbeing:</b> expanding research and innovation;</li> <li>• <b>The Internet of Energy:</b> energy innovation and sustainable housing; and</li> <li>• <b>Smart Manufacturing:</b> supporting manufacturing.</li> </ul>  |
| <b>Port Talbot Waterfront Enterprise Zone<sup>20</sup></b>     | <p>The Strategic Plan sets out a number of strategic aims to deliver economic growth</p> <p>The vision is to create a diversified and resilient economy whilst building upon local strengths in steel, energy and manufacturing. The Enterprise Zone is also a gateway to the whole of the region.</p>  |

## Links with other relevant initiatives, projects and programmes

At the national, regional and local level, there are a number of other relevant initiatives, projects and programmes to which the Supporting Innovation and Low Carbon Growth programme is aligned and will complement.

Once the Programme is approved, the Programme team will formally work with the interventions listed below, however collaboration has

<sup>19</sup> <http://www.swanseabaycitydeal.wales/about/>

<sup>20</sup> <https://businesswales.gov.wales/enterprisezones/zones/port-talbot-waterfront>

already commenced. This is developed further in the Management Case.

| <b>Links with other initiatives</b> | <b>Relevance to this Programme</b>  |
|-------------------------------------|---|
| <b>Active Building Centre</b>       | <p>The Supporting Innovation and Low Carbon Growth programme and the Active Building Centre are aligned in a number of ways and will continue to work together to accelerate market adoption of energy positive and net zero buildings.</p> <p>The Active Building Centre strategic objectives are aligned to the Supporting Innovation and Low Carbon Growth investment objectives, with particular reference to the following ABC strategic objectives: ‘create a critical mass of buildings’, ‘Active Buildings as ‘Energy Positive Agent’ reducing grid impact, and ‘Adapt the Active Building Technology portfolio to tackle existing stock’</p> <p>Neath Port Talbot CBC, as lead local authority for the Supporting Innovation and Low Carbon Growth programme, provided a letter of support to Swansea University for its submission to the Industrial Strategy Challenge Fund to establish an Active Building Centre, and it is proposed that the two programmes will establish a Memorandum of Understanding to facilitate the collaboration. The partners are committed to delivery of Active Buildings at a scale to make the region a UK leader.</p> |
| <b>Flexis</b>                       | Port Talbot is a demonstration zone identified in the Flexis programme  |
| <b>Hydrogen Centre<sup>21</sup></b> | The Hydrogen Centre is a partner in the hydrogen stimulus project   |
| <b>Swansea University</b>           | SPECIFIC<br>Steel and Metals Institute (SaMI)   |
| <b>Cardiff</b>                      | Welsh School of Architecture  |

<sup>21</sup> <http://www.h2wales.org.uk/pages/hydrogen-centre/hydrogen-centre.html>

|   |   |
|---|---|
| <b>University</b>                           |   |
| <b>University of Wales Trinity St David</b> | A key partner in the Industrial Futures theme   |
| <b>Neath Port Talbot Group of Colleges</b>  | A key partner in ensuring the region has the necessary skills to deliver the opportunities in this Programme  |
| <b>Innovate UK</b>                          | <p>Neath Port Talbot attended a workshop event to explore the potential to apply to the Industrial Strategy Challenge Fund under the Transforming Construction and Demonstrators round 2.</p> <p>Innovate UK indicated that there is potential alignment of the project scope with the aim and objectives of the fund i.e. whole life asset performance.</p> <p>Once the Technology Centre is constructed, along with the other developments proposed on Baglan Energy Park and Harbourside, there is potential to create a smart energy campus linking energy positive buildings, developing small smart grid and possible heat network, and establishing an energy (Intelligent Control) mesh network across Harbourside and Baglan Energy park.</p> <p>On-going discussions, including Swansea and Cardiff Universities and the private sector to develop this further for future funding calls.</p> |

## Part 2: The Case for Change

This follows HM Treasury and Welsh Government's Better Business Case guidance, establishing a robust case for change with a clear understanding of:

- What we are seeking to achieve – the **Investment Objectives**;
- What is currently happening – the **Existing Arrangements**
- What is required to close the gap between what is happening now (Existing Arrangements) and what we are seeking to achieve (Investment Objectives) the **Business Needs**.

In this way the case for change is established on the basis of **need**, rather than simply a contention that a project is a *'good thing to do'*.

### Investment Objectives

Investment Objectives form a key element of the 'case for change' within the Strategic Case. The Investment Objectives describe what the delivery organisation and key stakeholders wish to achieve in terms of targeted outcomes. They should describe the expected outcomes of the programme, should be SMART i.e. specific, measurable, achievable, realistic and time bound, and address the five key reasons for investment:

- **Improving economy** – reducing the cost of existing services, or creating income
- **Improving efficiency** – improving the delivery of services in terms of outputs
- **Improving effectiveness** – improving the quality of services
- **Statutory compliance** – investing in services so they meet legal or best practice standards
- **Re-procurement** – investing to ensure that services subject to a contract that is expiring can continue, or be replaced

The Investment Objectives below describe what we wish to achieve in terms of targeted outcomes as follows:

|   | <b>Investment Objective</b>  | <b>Measures</b>  |
|---|--|--|
| 1 | Strengthen and diversify the regional/South Wales economy, building resilience for the longer term future. | <ul style="list-style-type: none"><li>• Ratio of jobs to capital investment</li><li>• Local GVA uplift</li></ul> |

|   |   |   |
|---|---|---|
|   |   | <ul style="list-style-type: none"> <li>• Jobs created</li> </ul>  |
| 2 | Stimulate a cluster of companies by providing a well-connected, competitive, carbon reducing, business environment.   | <ul style="list-style-type: none"> <li>• Jobs created in: <ul style="list-style-type: none"> <li>- Advanced manufacturing</li> <li>- Energy</li> <li>- Engineering</li> <li>- Technology</li> </ul> </li> </ul> |
| 3 | Work with Welsh Government and other partners to encourage investment and innovation in the steel sector and wider supply chain to ensure a long term future. | <ul style="list-style-type: none"> <li>• Investment attracted (£)</li> <li>• GVA uplift</li> </ul>  |

## Existing Arrangements

In order to consider the added value of the Programme and its impact, this section describes the current situation in terms of:

- The current state of the Swansea Bay City Region economy;
- Decarbonisation: strengths and weaknesses;
- Innovation, entrepreneurship and other relevant factors.

It provides an overview of the existing arrangements i.e. current levels of service provision, asset availability, demand and utilisation.

### Existing arrangements: The current state of the Swansea Bay City Region Economy

The City Region has a population of 688,000, supporting 302,000 jobs and 22,000 businesses. The region is a major, if under-performing, driver of the Welsh economy. Economic inactivity remains stubbornly high across the region with overall productivity (GVA) growth in the region consistently (and well) below that of other regions in the UK and the Cardiff Capital region over the past two decades.<sup>22</sup>

This is illustrated in Table 3 below:

<sup>22</sup> <https://www.walesonline.co.uk/business/business-news/shocking-economic-figures-wales-regions-14260311>

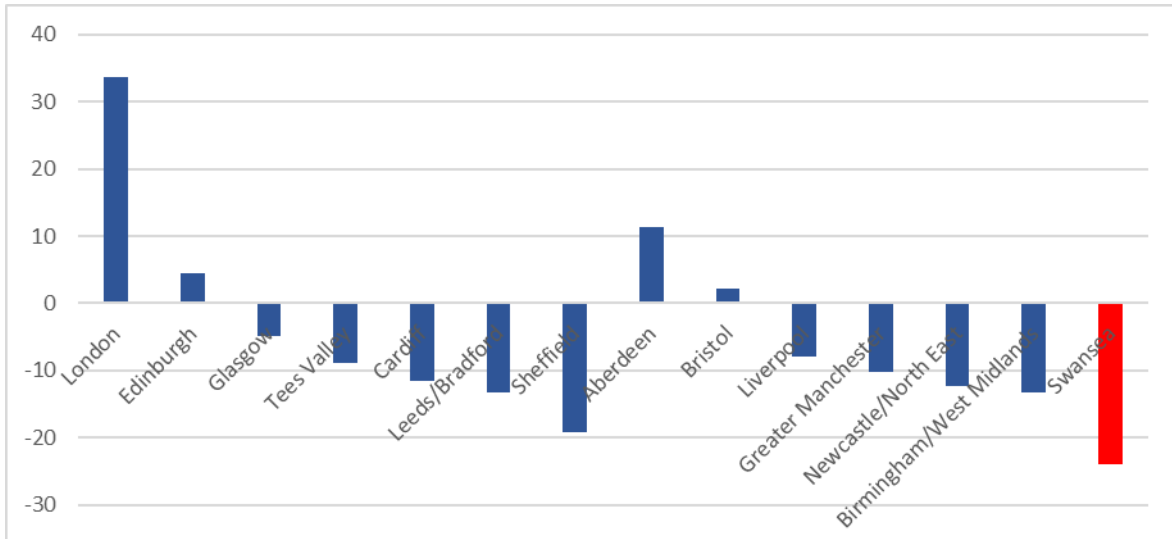


Table 3 – City Region productivity per hour relative to UK average (2016)

The economic landscape is characterised by:

- Gearing towards lower value sectors, compared to the UK;
- Low quality regional commercial and retail property, attracting low rents<sup>23</sup> (see Table 4 below); and

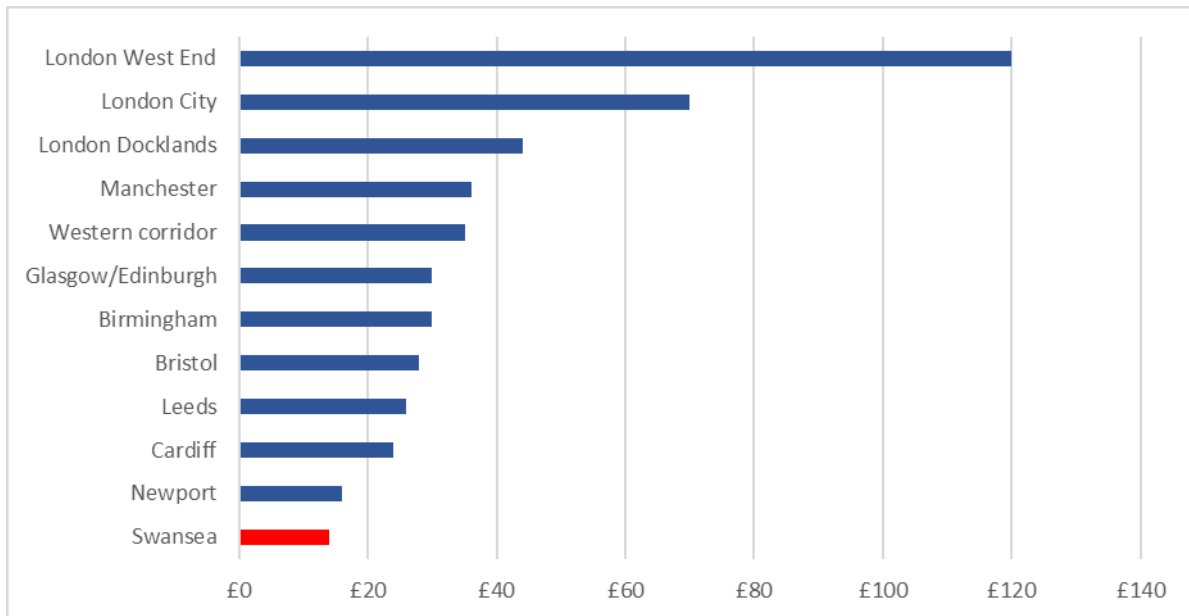


Table 4 – UK Office rents - £ per square foot (2016)

- Relatively poor broadband capacity and digital connectivity, (perhaps exacerbated by the delivery of 5G services in Cardiff)?

<sup>23</sup> [www.jll.co.uk/.../South%20Wales%20Report%202016%20web.pdf](http://www.jll.co.uk/.../South%20Wales%20Report%202016%20web.pdf)

There are also a number of other negative externalities which are inherent to the region including:

- Over reliance on the ‘heavy industries’ (and the public sector): resulting in previously low demand for modern business premises; **but** that is changing in the Enterprise Zone; and
- Due to a perceived lack of opportunities, the region has struggled to retain its innovators and entrepreneurs (“Leakage”).

There is existing demand for employment sites and premises in the region. This is evidenced in a number of ways (see below).

The Economic Action Plan recognises the importance of matching the demand and supply for/of business premises. Specifically, the Plan recognises the need for the *‘provision of employment sites and premises to house growing indigenous business and attract investment’* to meet the gaps in the property supply through a demand-led approach.

This is a longstanding issue. In 2007, analysis conducted by DTZ estimated there to be a shortfall in office supply of more than 47,000 m<sup>2</sup> across the Swansea Bay City Region over the subsequent five years.<sup>24</sup>

The same report described the age profile of the region’s office stock at that time as “*poor*”, with over half of the stock in Swansea, Neath Port Talbot and Carmarthenshire built before 1980 (at the time of writing). More recent analysis suggests that not enough has been done and the same issues of older stock and an undersupply of new, high-quality premises remain.

A report by Rowland Jones (2015) stated that *“the supply of ready-to-occupy office space [in the region] is beginning to reach critically low levels. ... Many of the Grade A Offices are 100% occupied, while some of the older stock remains vacant.”*<sup>25</sup> The South Wales Report by JLL (2018) stated that *“the lack of Grade A floor space in Swansea is a weakness that must be addressed.”*<sup>26</sup> The Enterprise Zone Strategic Plan similarly concluded that *“there is a clear shortage of available commercial premises and strong evidence of occupier interest.”*

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<sup>24</sup> Employment Property Demand Study for the Welsh Assembly Government, DTZ, August 2007

<sup>25</sup> Viability Study for Plot 4 Baglan Energy Park, Rowland Jones, 2015

<sup>26</sup> South Wales Report 2018, JLL



There is also compelling evidence that demand has strengthened and is increasing. In the last twelve months, the Council has received nearly 30 enquiries from companies looking for high-quality office and R&D accommodation, totalling over 12,350 m<sub>2</sub> of business space. The existing small scale flexible office space, of the type and quality likely to attract high-growth start-ups and high-value anchor tenants, at Harbourside and the Baglan Bay Innovation Centre are 100% and 97% let respectively.

Moreover, data from the South Wales Property Development Fund (PDF) – one of two European Regional Development Funds to stimulate private sector investment – shows that a cost/value gap exists across the region of some 55%. Thus neither Harbourside nor the Brunel Park development at the Energy Park would have been built had the public sector not covered 45% of each project's building costs, despite both projects going on to achieve full occupancy rates. Moreover, since the withdrawal of the PDF no further commercial developments of this kind have come forward. This demonstrates the necessity of public sector intervention to meet demand.

The opportunity exists (through what we have termed “Industrial Futures” – see below) to change that as the Enterprise Zone is a key site for growth and is identified as a Strategic Regeneration Area (SRA) in the Local Development Plan (LDP)<sup>27</sup>.

### **Existing arrangements: Decarbonisation**

Recent figures<sup>28</sup> show that Neath Port Talbot is the local authority area with the highest total renewable energy capacity (358 MW) and the highest level of renewable energy capacity at an estimated 1122 Gwh. The region also has an array of conventional and renewable energy production assets already present including:<sup>29</sup>

- Marine Energy: e.g. the South Pembrokeshire Demonstration Zone;
- Wind Power Generation (region-wide);
- Solar Power Systems (e.g. Saron/Ammanford and Baglan);
- Fresh Water Micro Generation systems;

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<sup>27</sup> <https://www.npt.gov.uk/7328>

<sup>28</sup> Welsh Government Energy Generation in Wales report - 2017

<sup>29</sup> *ibid*

- Over £1.5bn of biomass projects in Port Talbot and Milford Haven;
- Pembroke Power Station (2000MW – enough electricity for 1 million homes); and
- The LNG plants (South Hook and Dragon) meeting circa 20-25% of the UK’s needs plus the refining capacity at Valero.

These are strong foundations upon which to build. The FLEXIS programme will model energy production, usage/flows and deploy data to explore improved efficiency, storage and alternative fuel use.

CO<sub>2</sub> emissions will also be modelled and captured to determine any net emission reductions and to assess the potential implementation of carbon capture and CO<sub>2</sub> storage techniques.<sup>30</sup> A demonstration area has been established stretching around the coast from Tata to Swansea University’s Bay Campus; the Swansea SA1 development and incorporating Neath (see Figure/Table 5 below).

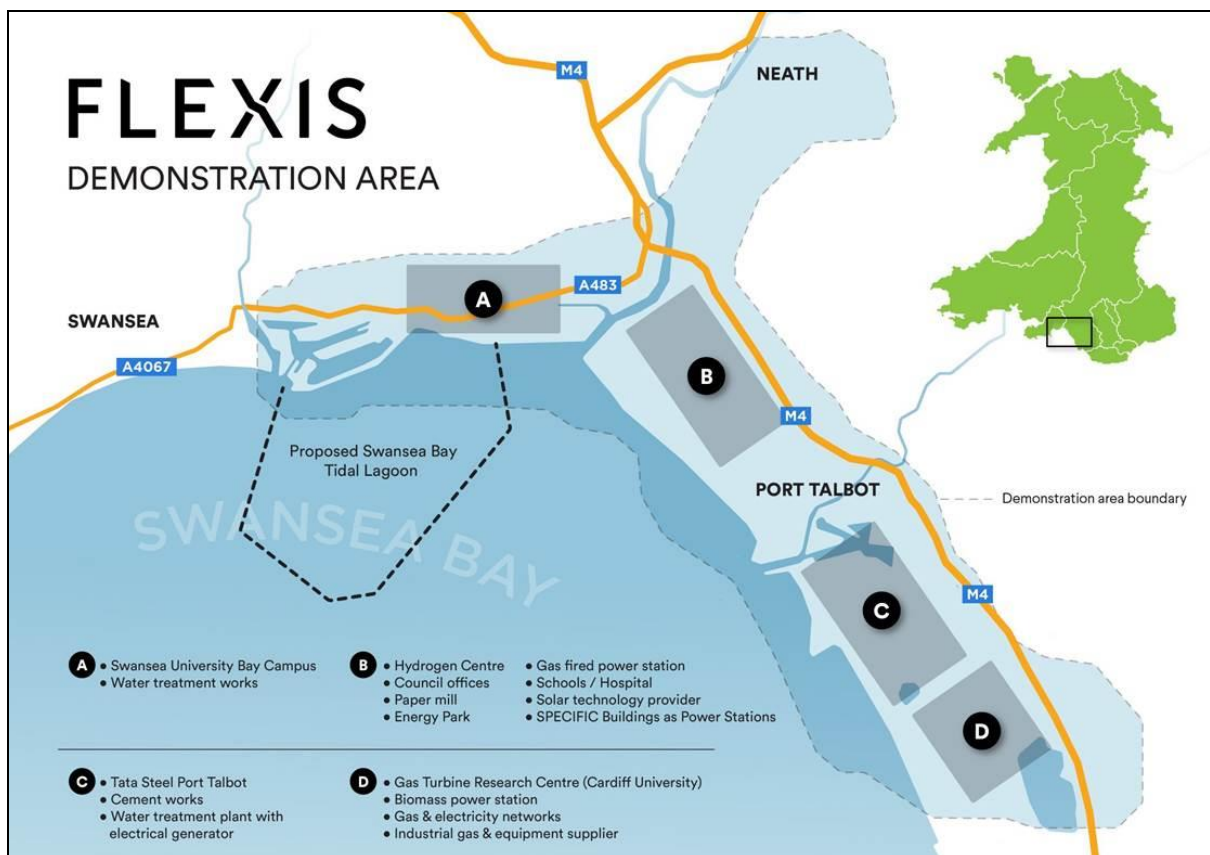


Figure 5: FLEXIS Demonstration Area

<sup>30</sup> <http://www.flexis.wales/demonstration-area/>

In addition, the Renewable Hydrogen Research and Demonstration Centre is the first of its kind in Wales. The Centre aims to demonstrate the viability of producing hydrogen from a range of renewable energy sources, with a view to evaluating the potential benefits of using hydrogen as a medium of energy storage.

### **Existing arrangements: Innovation, entrepreneurship and other relevant factors**

There are research and innovation clusters in the region around the Baglan Energy Park; Swansea University's Science and Innovation Bay Campus and University of Wales Trinity St David's (UWTSD) 'Waterfront Innovation Quarter Campus' at SA1.<sup>31</sup>

Moreover, a growing number of research and development initiatives are now operational in the region. Existing Centres of Excellence in the region include:

- The Renewable Hydrogen Centre (above);
- The FLEXIS programme (also above);
- The Sustainable Product Engineering Centre for Functional Innovative Coatings (SPECIFIC) run by Swansea University, with strategic partners Akzo Nobel, NSG Pilkington and Tata;<sup>32</sup>
- The Steel & Metals Institute (SaMI);
- The Advanced Engineering & Materials Research Institute (AEMRI);
- The TWI Technology Centre at Harbourside;
- The Engineering Research Centre of Excellence (Swansea Bay Campus);
- The Welsh Centre for Printing & Coating (Swansea Bay Campus);
- The Wales Centre for Advanced Batch Manufacture (UWTSD);
- The Construction Wales Innovation Centre (UWTSD); and

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<sup>31</sup> <https://www.uwtsd.ac.uk/sa1/sa1-news/work-starts-on-foundations-for-65m-construction-wales-innovation-centre-at-sa1-swansea-waterfront.html>

<sup>32</sup> *ibid*

- The Creative Industries Research and Innovation Centre (UWTSD).

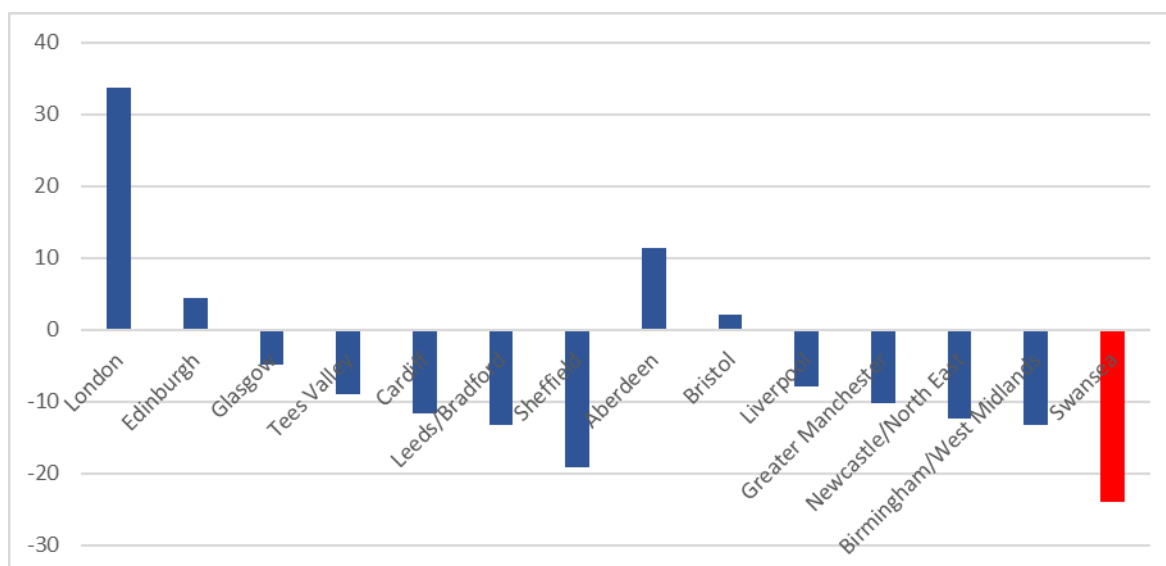
## Business Needs

The Business Needs represent the gap between the desired outcomes (Investment Objectives) and the Existing Arrangements expressed as problems with the status quo and opportunities for change.

### The needs of the Swansea Bay City Region economy

The Welsh Government Economic Action Plan identifies increasing productivity as key. But despite an array of initiatives, the reality is that the regional economy is underperforming (see above). By 2015, GVA per employee was 74% of the UK average<sup>33</sup> – down from 77% in 2010 and 90% in 1981.<sup>34</sup>

This decline in economic performance is stark.<sup>35</sup> Only 71% of the working age population is classed as economically active compared to 76% for the UK as a whole.<sup>36</sup> Moreover, there are not enough people with higher level qualifications - and too many with none at all.<sup>37</sup> By 2016, the situation had deteriorated to the point where productivity per hour was the lowest of all UK City Regions, as shown below in Table 6 below.



<sup>33</sup> Swansea Bay City Region City Deal Heads of Terms

<sup>34</sup> Swansea Bay City Region Economic Regeneration Strategy, 2013-2030

<sup>35</sup> Swansea Bay City Region City Deal Heads of Terms

<sup>36</sup> Data from 2010. Source: Swansea Bay City Region Economic Regeneration Strategy 2013-2030

<sup>37</sup> Swansea Bay City Region: A City Deal 2016-2035, The Internet Coast

Table 6: Productivity per hour (Source: ONS)

The region therefore needs targeted investment to arrest this decline. The overriding aim of the City Deal is to boost regional GVA per head to 90% of the UK average by 2035 returning to the relative position it held in 1981.

### **The needs of the Decarbonisation agenda**

National (Welsh and UK) strategies and legislation are well documented and this Programme addresses them. But it is a series of interventions where early action is required. Fundamentally this Programme starts the process of decarbonising the economy by addressing the needs of industry (cleaner processes); communities (cleaner air) and interventions to promote sustainable travel, buildings and economic growth aligned to Welsh Government and other programmes – see above.

### **The needs of innovation and entrepreneurship**

The development of the region's research, development and innovation sectors will be critical to meeting these objectives. The range of regional assets (listed above) demonstrates the potential of our applied research output; but the key to turning this into productive economic activity will be the rate at which this research can be commercialised and spun out into new companies with any resulting economic activity retained in the area. We have made a start: for example, the tenant-base of the Harbourside R&D Village, where 100% of the jobs are paid more than the Welsh average, and 90% are above the UK average.<sup>38</sup>

However, facilitating this process of commercialisation, spin-out and product development is not straightforward and will require:

- The availability of flexible office space at discounted rents with laboratory space where fledgling businesses can grow;
- The provision of incubation and business support/mentoring services for new firms (as of 2016, Swansea had four incubators accordingly to official research conducted by BEIS.<sup>39</sup> However, with the exception

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<sup>38</sup> Based on primary data gathered by NPTCBC.

<sup>39</sup> TechHub, the International Institute for Creative Entrepreneurial Development, the Centre for Nanohealth and the Institute of Life Science. Source: Business Incubators and Accelerators: The National Picture, Department for Business, Energy and Industrial Strategy, April 2017.

of TechHub, support for spin-outs and potential high-growth start-ups is limited);

- Access to angel investor, venture capital, private equity and public sector funding across all technology readiness levels (TRLs) working with the Development Bank of Wales and building upon the existing EZ Seed Investment Programme (SIP) launched in December 2018 for three years;
- Opportunities for these firms to test new ideas and products in a real-world environment (i.e. test-bed facilities); and
- Small-scale industrial plots for manufacturing once new product is ready for production, preferably with room for expansion.

### **Part 3: Potential scope and service requirements**

Part 3 of this Strategic Case starts the process of considering the potential scope of the Programme based on the changes required to satisfy the identified business needs, in particular:

- The need to increase the economic performance of the SBCR regional economy;
- The need to deliver the decarbonisation agenda
- The needs to support innovation and entrepreneurship

The rationale behind the scope is based on the City Deal Impact Appraisal previously submitted to the UK and Welsh Governments<sup>40</sup> and the Port Talbot Waterfront Enterprise Zone Strategic Plan which both remain valid and have previously been accepted by Government. As a result the scope is based on four themes.

The Swansea Bay Technology Centre and National Steel Innovation Centre interventions were products of an earlier scoping exercise carried out by the City Deal partners and were included in the City Deal Heads of Terms document.

The Decarbonisation and Industrial Futures interventions were generated through a similar exercise in the context of the (now endorsed) Enterprise Zone Strategic Plan and were divided into options

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<sup>40</sup> 13 February 2017

for ‘Spatial Priorities’ and ‘Key Actions and Investment’ to satisfy the following business needs:

Spatial priorities:

- Port-centric and advanced manufacturing: deep water port;
- R&D Innovation and Growth: Harbourside Innovation Village; and
- Energy Intensive Manufacturing and Engineering: Baglan Energy Park.

Key Actions and Investment:

- Improving market visibility of the potential of the Enterprise Zone;
- Commissioning an Infrastructure Masterplan;
- Establishing an Enterprise Zone business network;
- Targeting business support and advice;
- Supporting UK Sector Deals;
- Facilitating business growth through investment;
- Investing in the development of specialist business space;
- Forming a dedicated infrastructure and property fund; and
- Driving a distinctive programme of decarbonisation in manufacturing.

Therefore the scope of this programme is to develop a series of solutions / interventions that complement the wider programmes of investment through the private sector and public sector and satisfy the identified business needs as illustrated above. The proposed scope of activity of the Programme is indicated in the table below:

| <b>Programme scope</b>   | <b>Solution / intervention</b>   |
|--|--|
| <b>Addressing the needs of the Swansea Bay City Region economy</b> | Investment in the development of specialist business space:<br>Supporting business growth:<br>Diversifying the economy:<br><br>Swansea Bay Technology Centre<br>Industrial Futures – Production Unit<br>Industrial Futures – R&D facility<br>Industrial Futures – Property<br>Development Fund |
| <b>The needs of the</b>  | Swansea Bay Technology Centre  |

|   |  |
|---|--|
| <b>decarbonisation agenda</b>                       | National Steel Innovation Centre<br>Decarbonisation – Air Quality<br>Decarbonisation – Electric Vehicle infrastructure<br>Decarbonisation – Hydrogen |
| <b>The needs of innovation and entrepreneurship</b> | Industrial Futures – R&D facility  |

## **Main Programme Benefits**

The potential Programme benefits are as follows (a non-exhaustive list):

### **Social and environmental benefits**

- Reducing regional disparities through agglomeration, improving regional connectivity and improving accessibility, particularly for deprived communities; and
- Reducing emissions and improving environmental quality and improving health and wellbeing.

### **Demand side benefits**

- Infrastructure construction is a valuable source of employment of itself providing wider benefits in the short to medium term, although planning is essential to avoid creating capacity constraints which could drive up prices and displace activity.

### **Supply side benefits**

- Infrastructure spending enhances productivity through the supply side. For example, a positive impact on the labour market is realised if the outcomes are delivered.

### **Wider benefits**

- Investment facilitates the development of new industries. Likewise, investment which supports the early adoption of new technologies provides a region/country with a head start in new industries;



- Improving competitiveness by driving down prices and increasing the quality and availability of services; and
- Unlocking private capital. Infrastructure is a catalyst for private sector investment which would unlock the full potential of the City Deal.

## Programme Risks

The main risks associated with the potential scope for this Programme include:

|   |
|---|
| <p><b>Development Risks</b></p> <ul style="list-style-type: none"> <li>• Resource and capacity of the programme team, especially during project definition/development stage; and</li> <li>• Tender exercises fail to generate sufficient viable interest.</li> </ul>           |
| <p><b>Implementation risks</b></p> <ul style="list-style-type: none"> <li>• Programme slippage including delays in business case approval, procurement or funding;</li> <li>• Planning delays; and</li> <li>• Any land ownership issues.</li> </ul>                             |
| <p><b>Design Risks</b></p> <ul style="list-style-type: none"> <li>• Technological advancements.</li> </ul>  |
| <p><b>Change management/programme management</b></p> <ul style="list-style-type: none"> <li>• Failure to achieve agreed outputs/outcomes; and</li> <li>• Risk averse procurement procedures that fail to stimulate the market.</li> </ul>                                       |
| <p><b>Operational</b></p> <ul style="list-style-type: none"> <li>• Land costs and availability.</li> </ul>  |
| <p><b>Financial</b></p> <ul style="list-style-type: none"> <li>• Capital costs affect scheme viability;</li> <li>• Dependence on multiple funding sources increasing risk should one fall through;</li> <li>• Short term Welsh Government and other funding sources;</li> </ul> |

- |   |
|---|
| <ul style="list-style-type: none"><li>• Complexity of design resulting in significant cost increases;</li><li>• Capital costs will determine viability; and</li><li>• Failure to attract tenants would create a financial/operational cost burden on the public sector and loss of revenue.</li></ul> |
|---|

|                      |
|----------------------|
| <b>Non-financial</b> |
|----------------------|

- |   |
|---|
| <ul style="list-style-type: none"><li>• Reputational risks of failing to deliver intended outcomes.</li></ul> |
|---|

## Programme constraints

This programme could be affected by the following constraints:

- Availability of development sites;
- Private sector engagement;
- Funding availability for capital schemes;
- Limited ability for public sector to cover possible recurrent revenue deficits; and
- Planning and development parameters.

## Programme dependencies

Possible dependencies – upon which the ultimate success of this programme may be dependent, include:

- The timely provision of capital funding from a number of sources including UK Government, Welsh Government, Swansea Bay City Deal, European Regional Development Fund, Port Talbot Waterfront Enterprise Zone, Neath Port Talbot Country Borough Council;
- Addressing the Welsh Government ‘calls for action’ arising from the Welsh Government Prosperity for All: Economic Action Plan and A Low Carbon Wales

***The Programme benefits, risks, constraints and dependencies will be managed through comprehensive programme management and governance arrangements.***

## 4. Economic Case

The purpose of the Economic Case is to demonstrate that a wide range of potential options have been considered and that the chosen solution demonstrates value for money (VfM) in two stages:

Part 1 – developing a long-list and winnowing this to a short list using the ‘options framework’

Part 2 – undertaking a cost benefit analysis (CBA) of the short-listed options to determine the preferred option / chosen approach.

### Economic Case Part 1: Options Framework

The ‘options framework’ demonstrates consideration of a wide range of options (the ‘long-list’) that could potentially deliver the agreed Investment Objectives over five categories of choice:

- service scope (the ‘what’ in terms of services and coverage)
- service solution (the practical approach to ‘how’ services will be delivered)
- service delivery (‘who’ will deliver the required services)
- timing and phasing of delivery (the ‘when’)
- funding of the investment (sources of funding)

The options framework generates a structured list of potential options over a range of dimensions (the ‘long-list’), which are then qualitatively assessed in the first part of the Economic Case against the agreed Investment Objectives and Critical Success Factors.

### Critical Success Factors

HM Treasury’s best practice guidance suggests using the following list of standard Critical Success Factors (CSFs):

| No. | Critical Success Factor | Questions – How well does the option ... ? / Is the option ...?   |
|-----|-------------------------|---|
| 1   | Strategic Fit           | Satisfy the investment objectives and business needs?<br>Optimise the identified benefits?<br>Align with and support the national, regional and local strategies? |

|          |  |  |
|----------|--|--|
|          |  |  |
| <b>2</b> | <b>Value for money</b>                     | Optimise available resources and provide value for money?  |
| <b>3</b> | <b>Potential achievability</b>             | Acceptable to key stakeholders?<br>Politically acceptable?<br>Operationally and physically achievable? |
| <b>4</b> | <b>Supply side capacity and capability</b> | Attractive to potential suppliers to deliver the requirements?   |
| <b>5</b> | <b>Potential affordability</b>             | Affordable within the forecasted capital and revenue of the organisation?                              |

This process results in an assessment of each option in terms of how well it could deliver each Investment Objective and the CSFs and is assessed as either:

|   |   |  |   |
|---|---|--|---|
| <p><b>DISCOUNT</b><br/>Does not meet the Investment Objectives and CSFs</p> | <p><b>CARRY FORWARD</b><br/>Weakly meets the Investment Objectives and CSFs</p> | <p><b>CARRY FORWARD</b><br/>Broadly meets the Investment Objectives and CSFs</p> | <p><b>PREFERRED</b><br/>Strongly meets the Investment Objectives and CSFs</p> |
|---|---|--|---|

This enables some options to be ‘discounted’ (not taken forward for further consideration); ‘carried forward’ or ‘preferred’ and a short-list of viable options to be constructed. The short-list always includes the ‘*counterfactual / status quo*’ as the benchmark for value for money against which all proactive options should be measured in part 2 of the Economic Case (Cost Benefit Analysis).

The two incorporated City Deal projects were products of an earlier options appraisal / long-listing exercise which led to their inclusion in the City Deal signed off by Government.

The remainder were generated through a similar exercise in the context of the (now endorsed) Enterprise Zone Strategic Plan and were divided into options for ‘Spatial Priorities’ and ‘Key Actions and Investment’:

Spatial priorities:

- Port-centric and advanced manufacturing: deep water port;
- R&D Innovation and Growth: Harbourside Innovation Village; and
- Energy Intensive Manufacturing and Engineering: Baglan Energy Park.

Key Actions and Investment:

- Improving market visibility of the potential of the Enterprise Zone;
- Commissioning an Infrastructure Masterplan;
- Establishing an Enterprise Zone business network;
- Targeting business support and advice;
- Supporting UK Sector Deals;
- Facilitating business growth through investment;
- Investing in the development of specialist business space;
- Forming a dedicated infrastructure and property fund; and
- Driving a distinctive programme of decarbonisation in manufacturing.

The essential options considered were:

- **Do nothing/minimum:** in all areas, this option demonstrated neither an ability to achieve the outcomes nor value for money (or even a case for investment in the first place);
- **Intermediate Scope:** in all areas, this option preserved a balance between the availability of resources; Programme deliverability and meeting the Critical Success Factors discussed below; and
- **Maximum Scope:** in all areas, whilst desirable in many respects, this option was questionable set against factors such as affordability, deliverability and the consequential pressures on existing infrastructure.

This process resulted in an assessment of each option against each Investment Objective and the CSFs. They are assessed as either:

|   |   |  |   |
|---|---|--|---|
| <p><b>DISCOUNT</b></p> <p><b>Does not meet the Investment Objectives and CSFs</b></p> | <p><b>CARRY FORWARD</b></p> <p><b>Weakly meets the Investment Objectives and CSFs</b></p> | <p><b>CARRY FORWARD</b></p> <p><b>Broadly meets the Investment Objectives and CSFs</b></p> | <p><b>PREFERRED</b></p> <p><b>Strongly meets the Investment Objectives and CSFs</b></p> |
|---|---|--|---|

The results were as follows (Table 7):

|                                   | <b>Do nothing</b> | <b>Intermediate</b> | <b>Maximum</b> |
|-----------------------------------|-------------------|---------------------|----------------|
| <b>Investment Objective</b>       |                   |                     |                |
| Strengthen/ diversify the economy | Red               | Green               | Green          |
| Stimulate a cluster               | Red               | Green               | Green          |
| Work with Government/partners     | Red               | Green               | Yellow         |

| <b>CSF</b>                          |     |        |        |
|-------------------------------------|-----|--------|--------|
| Strategic Fit                       | Red | Green  | Green  |
| Value for Money                     | Red | Green  | Yellow |
| Potential achievability             | Red | Green  | Yellow |
| Supply side capacity and capability | Red | Yellow | Green  |
| Potential affordability             | Red | Green  | Red    |

All identified solutions / interventions included in this Programme (detailed below) strongly meet the Investment Objectives and Critical Success Factors.

### **Preferred Way Forward**

Against the background of this analysis, the following preferred options emerge:

#### **Theme 1 - Swansea Bay Technology Centre**

This is a further iteration of the Centre for Next Generation Services (CENGs). The original concept was a private sector subscription-based open access model aiming to bridge, through data analytics, the gap

between research and the commercialisation of products and services for the next generation of communication services.

However, whilst some of the objectives remain; it seems unlikely that the project can be delivered in this form as it does not “fit” with the City Deal governance requirements (based on the public sector). Instead, the Swansea Bay Technology Centre, at the Baglan Energy Park will provide flexible office space to support start-up companies and indigenous businesses.

## **Theme 2 - National Steel Innovation Centre**

In the region alone, some 5,000 people are employed by Tata Steel. It is a core sector as a wide range of consumer goods are made with steel; but it is also an energy intensive industry. The sector has made great strides in recent years to reduce its carbon footprint (e.g. carbon capture/storage and the use of hydrogen as reducing agent instead of coal); but there is much more to do. Steel is also almost 100% recyclable and has a key role in the circular economy.

This project therefore aims to support the industry as well as anchoring research and development from the sector in the region (the numbers employed in steel R&D in the UK have declined sharply in recent years). The Centre would provide an open access facility for the steel industry and its supply chain, helping forge links between industry and academia.

However, we have not been able to secure the transfer of the preferred site (at Fabian Way) from the Welsh Government following some eighteen months of discussion. Originally, the University wished to secure the site for a nominal sum; but (understandably) Welsh Government declined. Thus we are now considering alternative sites in consultation with Tata and others (including Harbourside).

The Council’s approach is also conditioned by the need to lease the facility on commercial terms to provide a revenue stream to service any Council borrowing for the project. It is also proposed to defer consideration of the Factory of the Future project until a subsequent phase of the City Deal so that the originally projected outcomes can be verified in terms of contributing to job creation/increased local/regional GVA. This project was also to be originally sited on Fabian Way, so the prospects for immediate delivery are uncertain anyway. Overall, we have concluded that whilst research is an important component part of the overall approach, there is a certain imbalance towards it in the original

City Deal projects and there needs to be a greater emphasis on key economic indicators including job creation in the short to medium term.

### **Theme 3 - Decarbonisation**

This theme will act as a pathfinder for achieving an increasingly decarbonised economy. It aims to help deliver future carbon targets and contribute to the promotion of new industries; low emission transportation, tackling fuel poverty and reduce carbon intensive energy costs.

To assist in the delivery of decarbonising the region, the following three core projects will be undertaken in partnership with FLEXIS. These are:

- Swansea Bay Technology Centre to Hydrogen Centre Link;
- Electrical Charging Infrastructure Strategy Route Map; and
- Air Quality Modelling and Real Time Monitoring.

#### **Theme 3.1: Swansea Bay Technology Centre to Hydrogen Centre Link**

The core aim of this project is to construct an energy positive building i.e. one that generates more energy from onsite generation than it consumes on an annual basis. This will be achieved through a combination of energy efficiency, integrated renewable energy generation and energy storage. The excess energy will be exported as electricity to the Hydrogen Centre where it will be used to create zero-carbon fuel for vehicles used by the Council.

Funding will support the connection of a hard-wired electrical link between the Technology Centre and Hydrogen Centre, as well as the necessary upgrades to the Hydrogen Centre infrastructure required to fuel a full fleet of vehicles. The initial target will consist of 20 to 30 commercial vehicles.

Future planned developments in the use of hydrogen produced at the Centre include a bus corridor connecting Port Talbot Parkway Rail Station to the Swansea University Campus.

#### **Theme 3.2: Electrical Charging Infrastructure Strategy & Route Map**

This project will have an immediate impact on transport decarbonisation and emissions reduction within the area by encouraging the uptake of



electric vehicles through initiatives and public engagement. It requires the development and implementation of an electric vehicle charging network that meets the demands of residents, businesses and visitors, in line with changes to national planning policy.

The project will consist of three main phases:

- First, consulting with industry partners and academics to produce an effective and future-proof electric vehicle charging strategy;
- Second, a focus on the physical implementation of smart charging stations and the grid infrastructure required to support them; and
- Third, using information gathered from the smart charging stations, to build a detailed dataset of electric vehicle charging behaviours within the area. This will be used to promote vehicle-to-grid transfer for flexible energy systems, virtual power plants, and future economic/business models for charging stations.

New charging stations will contribute toward solving Wales' lag in electric vehicle charging infrastructure and coverage compared to the rest of the UK.

### **Theme 3.3: Air Quality Modelling and Real Time Monitoring**

We recognise that we have an issue with air quality and the focus of this project is to achieve a greater understanding of levels of pollution by adopting community focused area wide monitoring and analysis. This will enable better informed decisions on the selection and implementation of mitigation and intervention measures and strategies, to reinforce policy initiatives at an all-Wales level.

The core components are:

- Verified sources of air quality data;
- Area wide, real-time data with significantly more geographical resolution/detail than is currently available;
- Evaluation of air quality mitigation and intervention measures; and
- Data analytics to identify correlation with factors such as pollution sources (both internal and external to the area).

### **Theme 4 - Industrial Futures**

The purpose of this theme is to address the gap between demand and supply to business units and available land within the Enterprise Zone. We wish to make the most of the sites contained in the Enterprise Zone and its current status, rather than entertain alternative proposals such as the Prison which provoked strong opposition locally. The objectives include:

- a hybrid building providing production units with office space to support start-up companies and indigenous business growth in the innovation and manufacturing sectors;
- supported incubator/laboratory space (supported by Industry Wales) for spin outs to increase commercialisation of R&D; and
- land remediation, flood defence work, construction of access road and upgrading existing highway to adoptable standards.

It will be supported and refined by a joint Welsh Government/ Enterprise Zone infrastructure which Mott MacDonald has been commissioned to undertake.

This theme also aligns to the Welsh Government '*Employment Sites & Premises in Wales Property Delivery Plan*' and will deliver investment to meet demand as identified in the Plan.

### **Preferred way forward – delivery**

Following a high level review of risk (on delivery) and value for money in securing leverage and programme outputs and outcomes, the preferred way forward is the third option, 'do something'; but in a phased approach taking account of projected funding availability to meet the Investment Objectives and Critical Success Factors of the Programme.

### **Preferred way forward - impact**

As noted above, an independent high level economic appraisal of the Programme successfully demonstrates that even under a range of highly conservative assumptions, the overall potential economic impact is positive and robust. The analysis estimates an annual GVA impact of £6.2 million once all projects are fully operational. The technical note is included at **Appendix 6**.

### **Economic Case Part 2: Cost Benefit Analysis**

A cost benefit analysis (CBA) on the short-listed options to determine the preferred option/chosen approach is at **Appendix 4**.

## 5. Commercial Case

### Commercial Strategy

This section outlines the proposed arrangements in relation to the preferred way forward described in the Economic Case. This includes procurement activity and liaison with other parts of the organisation(s) and stakeholders.

The investment outlined in the programme will accelerate the pace of development of a number of sites across the area for regional and local benefit. The objective is to unlock/realise those benefits at the earliest possible stage.

The programme aims to encourage private sector investment to add value to the public sector investment to maximise leverage and sustainability, in line with the original objectives of the City Deal and the Enterprise Zone Strategic Plan. There are a number of options for delivery including direct investment, property development fund, Joint Venture.

The Industrial Futures – Property Development Fund will be advertised on sell2wales. Draft scheme guidance is included in **Appendix 7**

The State Aid implications of each project/investment will be assessed as part of the ongoing process.

### Procurement Strategy

As lead local authority for the Programme, the Council will ensure compliance with public procurement relating to supplies, services and works for the public sector.

The Council has its own Contracts Procedure Rules (CPRs) for the procurement of goods, services and works, addressing the requirements of best value. The rules are aligned to the Public Contracts Regulations 2015. The rules ensure a system of openness, transparency and non-discrimination to ensure the accountability and probity of the procurement process.

Where appropriate and compliant, construction works will be procured through the South West Wales Regional Construction Framework,

likewise, engineering works will be procured via the South West Wales Civil Engineering Framework.

Any requirements for project evaluation(s) will be procured through Sell2Wales via an open and transparent tender exercise, or appropriate frameworks.

### **Required services**

The preferred way forward described in the Economic Case proposes a programme of activity across the Port Talbot area focused on the following elements:

- Capital Build projects;
- The Infrastructure Master Plan (in train);
- Energy projects and Infrastructure;
- Construction, land remediation and ancillary works; and
- Monitoring and Evaluation.

### **Community Benefits Statement**

The Council and its partners will work in partnership with appointed contractors and their supply chain to deliver 'targeted recruitment and training' outputs as a 'core' requirement of tenders to support the delivery of social, economic and environmental objectives. This involves encouraging:

- training and the recruitment of the economically inactive by offering apprenticeship;
- traineeships or work experience opportunities;
- maximising opportunities for SMEs to tender or bid for sub-contract opportunities;
- adopting measures to ensure prompt and fair payment terms;
- encouraging environmental initiatives;
- engaging with Third Sector organisations; and
- supporting educational and community initiatives.

In addition, there are collaborative arrangements to coordinate the delivery of community benefits. This leads to adult employability initiatives such as Workways+ and Communities for Work working closely together with organisations such as the local authorities, Department of Work and Pensions, the Further Education sector to

identify opportunities to support disadvantaged individuals and help them tackle barriers to employment.

## 6. Financial Case

The Financial Case provides assurance that the short-listed options (with particular focus on the preferred way forward) are affordable, taking into account all potential funding sources.

It should be noted that the costs are evidence-based projections and will be refined during the business case development stage for each individual project.

### Cost Profile

The estimated costings, funding profile/sources for each of the proposed projects are detailed at **Appendix 6**. The summary position is reproduced below for ease of reference:

### Financial/Investment Profile

| CAPITAL                                      |             |              |              |             |             |              |
|--|-------------|--------------|--------------|-------------|-------------|--------------|
|  | 2019/20     | 2020/21      | 2021/22      | 2022/23     | 2023/24     | TOTAL        |
|  | £m          | £m           | £m           | £m          | £m          | £m           |
| <b>Project /Programme Costs</b>              |             |              |              |             |             |              |
| Swansea Bay Technology Centre                | 0.30        | 5.90         | 1.30         | 0.00        | 0.00        | 7.50         |
| National Steel Innovation Centre             | 0.00        | 1.50         | 10.00        | 8.50        | 0.00        | 20.00        |
| Decarbonisation Industrial Futures Programme | 0.50        | 1.25         | 1.25         | 0.00        | 0.00        | 3.00         |
|  | 0.00        | 9.25         | 13.25        | 1.25        | 1.25        | 25.00        |
| <b>TOTAL</b>                                 | <b>0.80</b> | <b>17.90</b> | <b>25.80</b> | <b>9.75</b> | <b>1.25</b> | <b>55.50</b> |
| <b>Funded by:</b>                            |             |              |              |             |             |              |
| Neath Port Talbot Council                    | 0.10        | 0.30         | 0.10         | 0.00        | 0.00        | 0.50         |
| WEFO / WG Grant                              | 0.20        | 3.20         | 0.60         | 0.00        | 0.00        | 4.00         |
| NNDR Retained                                | 0.00        | 0.00         | 0.90         | 0.90        | 0.90        | 2.70         |
| Rental Income                                | 0.00        | 0.00         | 0.00         | 0.30        | 0.30        | 0.60         |
| <b>Net requirement from City Deal</b>        | <b>0.50</b> | <b>14.40</b> | <b>24.20</b> | <b>8.55</b> | <b>0.05</b> | <b>47.70</b> |
| REVENUE                                      |             |              |              |             |             |              |
|  | 2019/20     | 2020/21      | 2021/22      | 2022/23     | 2023/24     | TOTAL        |
|  | £m          | £m           | £m           | £m          | £m          | £m           |

| <b>Project /Programme Costs</b>         |                |                |                |                |                |              |
|---|----------------|----------------|----------------|----------------|----------------|--------------|
| <b>Swansea Bay Technology Centre</b>    | 0.00           | 0.00           | 0.20           | 0.20           | 0.20           | 0.60         |
| <b>National Steel Innovation Centre</b> | 0.00           | 0.00           | 0.00           | 0.20           | 0.20           | 0.40         |
| <b>Decarbonisation</b>                  | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00         |
| <b>Industrial Futures Programme</b>     | 0.00           | 0.25           | 0.65           | 0.65           | 0.65           | 2.20         |
| <b>TOTAL</b>                            | <b>0.00</b>    | <b>0.25</b>    | <b>0.85</b>    | <b>1.05</b>    | <b>1.05</b>    | <b>3.20</b>  |
| <b>Funded by:</b>                       |                |                |                |                |                |              |
| <b>Neath Port Talbot Council</b>        | 0.00           | 0.25           | 0.85           | 1.05           | 1.05           | 3.20         |
| <b>WEFO / WG Grant</b>                  | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00         |
| <b>NNDR Retained</b>                    | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00         |
| <b>Rental Income</b>                    | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00         |
| <b>Net requirement from City Deal</b>   | <b>0.00</b>    | <b>0.00</b>    | <b>0.00</b>    | <b>0.00</b>    | <b>0.00</b>    | <b>0.00</b>  |
| <b>TOTAL</b>                            |                |                |                |                |                |              |
|   | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b> | <b>2023/24</b> | <b>TOTAL</b> |
|   | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>    |
| <b>Project /Programme Costs</b>         |                |                |                |                |                |              |
| <b>Swansea Bay Technology Centre</b>    | 0.30           | 5.90           | 1.50           | 0.20           | 0.20           | 8.10         |
| <b>National Steel Innovation Centre</b> | 0.00           | 1.50           | 10.00          | 8.70           | 0.20           | 20.40        |
| <b>Decarbonisation</b>                  | 0.50           | 1.25           | 1.25           | 0.00           | 0.00           | 3.00         |
| <b>Industrial Futures Programme</b>     | 0.00           | 9.50           | 13.90          | 1.90           | 1.90           | 27.20        |
| <b>TOTAL</b>                            | <b>0.80</b>    | <b>18.15</b>   | <b>26.65</b>   | <b>10.80</b>   | <b>2.30</b>    | <b>58.70</b> |
| <b>Funded by:</b>                       |                |                |                |                |                |              |
| <b>Neath Port Talbot Council</b>        | 0.10           | 0.55           | 0.95           | 1.05           | 1.05           | 3.70         |
| <b>WEFO / WG Grant</b>                  | 0.20           | 3.20           | 0.60           | 0.00           | 0.00           | 4.00         |
| <b>NNDR Retained</b>                    | 0.00           | 0.00           | 0.90           | 0.90           | 0.90           | 2.70         |
| <b>Rental Income</b>                    | 0.00           | 0.00           | 0.00           | 0.30           | 0.30           | 0.60         |
| <b>Net requirement from City Deal</b>   | <b>0.50</b>    | <b>14.40</b>   | <b>24.20</b>   | <b>8.55</b>    | <b>0.05</b>    | <b>47.70</b> |

## **Affordability**

Subject to approval by the City Deal Joint Committee, the Programme will be a priority for the Council and for the region. A number of identified projects have already secured funding from one source or another and the Council is committed to the use of Prudential Borrowing (as per the original City Deal).

## **Balance Sheet Impact**

The Council's balance sheet will increase by the value of the investment in the fixed/property assets. These assets will depreciate over their lifetime and Council match funding will be paid over the same period. There is no impact on the Council Tax base.



## 7. Management Case

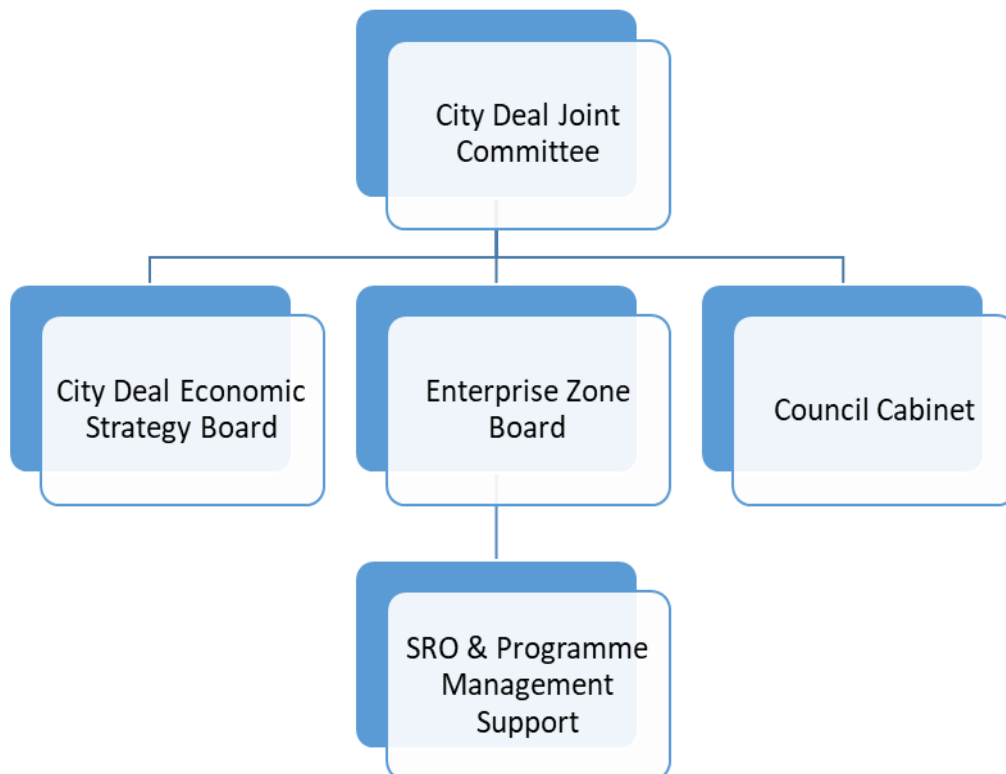
The Management Case addresses the achievability of the programme and planning arrangements required to both ensure successful delivery and to manage programme risks.

### Programme Plan

The programme focuses on short to medium time lines for delivery; but with the option of phasing some projects over a longer period (up to the 15 years envisaged in the City Deal). A detailed programme plan is being developed.

### Governance Structure

This is illustrated in the table/figure 8 below. The structure below is also subject to comprehensive local and regional scrutiny arrangements as set out in the Joint Working Agreement:



## Programme Management and Programme Initiation

Defining a Programme in accordance with Managing Successful Programmes (MSP) involves the following activities, which have been/will need to be undertaken once approval is secured:

- Establish the infrastructure for defining a programme: This has been done;
- Establish the team to define the programme: The SRO for this programme is Gareth Nutt, Director of Environment. The Programme Manager is Simon Brennan, Head of Property and Regeneration;
- Identify and analyse the stakeholders: An outline stakeholder plan is being prepared. The Programme team will have access to specialist advisers and subject matter experts;
- Refine the vision statement: Note: minimal change, if any, is envisaged to the City Deal and Enterprise Zone visions;
- Develop Blueprint: This is under development;
- Develop Benefit Profiles: High level benefits are described in the Strategic Case and the project team will develop benefit profiles during the programme definition stage, which will be monitored and evaluated;
- Validate the Benefits: As the programme progresses and the benefits start to be delivered, the process will be validated and measures tested. The Programme Board will be advised if the programme is not delivering the anticipated level of benefit, so that remedial action can be taken as necessary;
- Design the Project Dossier: There will be an appropriate branding, marketing and communications strategy.
- Identify tranches: Done;
- Design the programme organisation: Done;
- Develop the governance arrangements done: see diagram above.
- Develop the Programme Plan: Also under development;

- Consolidate programme definition: The project team will generate appropriate logs, plans and policies; and
- Prepare for the first tranche (ongoing – subject to approvals).

### **Replicability / dissemination**

The interventions identified within this Programme can be replicated at a regional and national level – the benefits and outcomes from this Programme will be disseminated via an engagement / communication plan

### **Programme Milestones**

An indicative Programme Gantt chart has been developed. See **Appendix 8**

### **Programme Assurance**

The Programme will be subject to rigorous programme assurance arrangements, including:

- Programme validation reviews;
- Programme assessment reviews;
- Gateway Reviews;
- Ongoing reviews in relation to strategic fit;
- Regular programme reporting, including key milestones and progress monitoring.

## Other Reference Documents:

|   |
|---|
| Port Talbot Integrated Territorial Strategy (May 2015)  |
| LDP Policy SRA2 Harbourside – an extract from the LDP showing the strategic regeneration area policy for Harbourside.   |
| LDP Policies EC1 & EC2 – an extract from the LDP showing the two key employment related policies.   |
| PT Harbourside & Town Centre SPG (DRAFT Sept'14) – the now dated draft version of the SPG which was included in the package of LDP submission documents for the LDP.                |
| Matter 7 Policy SRA2 – dealt with the Action Points that emerged from the LDP Examination in Public which culminated in the agreement of the revised Masterplan (refer to page 12). |
| Baglan Energy Park SPG – adopted by the Council in October 2016.  |



## Supporting Innovation and Low Carbon Growth

### Business case summary

| Project Information           |   |
|-------------------------------|---|
| <b>Project Title</b>          | Supporting Innovation and Low Carbon Growth   |
| <b>Project Authority Lead</b> | Neath Port Talbot Council   |
| <b>Project Delivery Lead</b>  | Neath Port Talbot Council   |
| <b>Total project cost</b>     | Total = £58,700,000<br>City Deal = £47,700,000<br>Public Sector = £6,000,000<br>Private Sector = £5,000,000 |
| <b>Date Submitted to ESB</b>  | 26 <sup>th</sup> November, 2019   |

| Project description   |
|---|
| <p>The Supporting Innovation and Low Carbon Growth programme has been developed to deliver a coordinated delivery of sustainable growth and job creation in the region with a targeted focus on the Port Talbot Harbourside area.</p> <p>The Programme aims to create the right environment for innovation, new technologies and a decarbonised local and region economy.</p> <p>The Programme has been developed around four interlinked themes:</p> <ul style="list-style-type: none"> <li>• <b>Swansea Bay Technology Centre</b> – An energy positive building on Baglan Energy Park providing flexible office space for start-up companies and indigenous businesses, with a focus on the innovation, ICT and R&amp;D sectors. The excess energy from solar and other renewable technologies will be converted into hydrogen at the nearby Hydrogen Centre to be used to fuel hydrogen vehicles.</li> <li>• <b>National Steel Innovation Centre</b> that aims to support the steel and metals industry in Port Talbot and Wales – with the aim of reducing the carbon footprint of the steel and metals industry, and increasing the sustainability of the industry, linking in to the Circular Economy.</li> <li>• <b>Decarbonisation</b> – To assist with the delivery of decarbonising the City Region, a number of core projects will be undertaken in collaboration with a number of public, private and academic partners including the FLEXIS research operation. These projects include a hard-wired electrical link between the Swansea Bay Technology Centre and the nearby Hydrogen Centre, as well as an electrical charging infrastructure route map. Encouraging</li> </ul> |

the uptake of electric vehicles, this includes the development and implementation of an electric vehicle charging network that meets the demands of residents, businesses and visitors. New charging stations will contribute to solving Wales' lag in electrical vehicle charging infrastructure and coverage compared to the rest of the UK. Air quality modelling and real-time monitoring will also be introduced to enable better informed air quality decisions in future. This project will include data analytics to identify correlation with pollution sources, evaluation of intervention measures, and area wide, real-time data with significantly more geographic detail than is currently available.

- **Industrial Futures** – This will address the gap between demand and supply for businesses and available land in the Port Talbot Waterfront Enterprise Zone, with a hybrid building providing production units as well as office space to support start-ups and indigenous businesses - especially those in the innovation and manufacturing sectors. There will also be laboratory space supported by Industry Wales for spin-outs to monetise research and development projects, as well as land remediation, flood defence work, construction of access roads and upgrading of highways. A Property Development Fund will also be made available to support the viability of private sector schemes to develop buildings in the Enterprise Zone.

The portfolio of projects meets the requirements of recommendations arising from reviews into the City Deal, while also representing a first stage response to the climate change emergency declared by the Welsh Government in April, 2019.

The programme will develop over 18,000 square metres of business space, primarily to meet evidenced demand from small to medium sized businesses, while providing the technological platforms essential for them to grow.

| Reference information  |  |   |  |
|--|--|---|--|
| <b>Targeted Number of Jobs Created as set out in at Heads of Terms:</b>        | Swansea Bay Technology Centre – 56 jobs over 5 years<br><br>National Steel Innovation Centre – 135 jobs over 5 years<br><br>Decarbonisation – 40 jobs over 5 years<br><br>Industrial Futures - 215 | <b>Total GVA contribution as set out in the Heads of Terms:</b>               | Steel Science Centre - £95 million over 15 years   |
| <b>Number of Jobs Created as set out in the current version Business Case:</b> | Creation/safeguarding of 446 (new high value added jobs)   | <b>Total GVA contribution as set out in the current version business case</b> | £6.2 million a year once all projects are fully operational<br><br>£93 million over 15 years |
| <b>Number of skills / training opportunities created:</b>                      | TBC, although NPT Council will work with appointed contractors and their supply chains   | <b>No of enterprises / businesses engaged:</b>                                | TBC, although the vast majority will be start-up companies and indigenous                    |

|                          |                              |                        |   |
|--------------------------|------------------------------|------------------------|---|
|                          | to deliver targeted outputs. |                        | businesses – especially in the innovation and manufacturing sectors |
| <b>NPV (15 year)</b>     | £145,000,000                 |                        |   |
| <b>Build start date:</b> | Qtr2 2020                    | <b>Build end date:</b> | Qtr3 2022   |

| <b>Alignment with the strategic aims and objectives of the Swansea Bay City Deal</b>                |              |   |
|---|--------------|---|
| <b>Aim</b>  | <b>✓ / x</b> | <b>How</b>  |
| Reduce gap in GVA performance between the Region and the UK through improving regional productivity | ✓            | Analysis estimates an annual GVA impact of £6.2 million once all projects are fully operational. It's also estimated that the programme will deliver a positive, cumulative NPV of £145 million over 15 years.  |
| Create circa 10,000 high value / high skilled jobs  | ✓            | 1,320 jobs (including construction) will be safeguarded/created, with at least 30% of these to be new. Jobs will be created in the advanced manufacturing, energy, engineering and technology sectors.  |
| Establish and maintain an effective and aligned skills base   | ✓            | All projects will work with the Regional Learning and Skills partnership to ensure there is an appropriate skills base to take advantage of the investment.   |
| Create, prove and commercialise new technologies and ideas  | ✓            | The overall project will develop over 18,000 square metres of business space. This will include flexible office space for start-up companies and indigenous businesses to commercialise their ideas and technologies. There will also be laboratory space supported by Industry Wales for spin-outs to monetise research and development projects.<br>The National Steel Innovation Centre will also facilitate the commercialisation of steel science research and development.                                  |
| Build capacity and drive forward further and greater inward investment                              | ✓            | Employment sites and premises will be developed to house growing indigenous businesses and attract investment, helping meet gaps in business property supply through a demand-led approach with sufficient capacity.<br>A distinctive programme of decarbonisation for manufacturing will also be developed, helping attract investment, along with a property development fund to stimulate private sector investment.<br>The marketability of the Enterprise Zone for further investment will also be enhanced. |

|   |          |   |
|---|----------|---|
| <p>Create a sustainable regional economy that contributes meaningfully to the economy of Wales and the UK</p> | <p>✓</p> | <p>The project will inject momentum into the delivery of sustainable growth and job creation in Neath Port Talbot and the wider City Region.</p> <p>A sustainable regional economy will be created via decarbonisation to establish cleaner processes for industry and cleaner air for communities.</p> <p>Decarbonisation interventions will also promote sustainable travel, buildings and economic growth, while creating a more diversified economy. This will contribute to Wales and UK-wide climate change targets.</p> <p>The project will also invest in 21<sup>st</sup> century employment facilities to create sustainable jobs in identified sectors, with innovative steelmaking research and development due to benefit the steel industry in Neath Port Talbot, the City Region and far beyond for many years to come.</p> |
|---|----------|---|

| <p><b>Alignment with other Swansea Bay City Deal and other Regional / National Projects</b></p> |  |
|---|--|
| <p>Digital Infrastructure Project</p>   | <p>Next generation digital infrastructure, as well as the potential for early in-region access to 5G, will boost business productivity in the new employment spaces being developed, helping attract further investment.</p> <p>It will also accelerate work to decarbonise the economy, while facilitating advanced research and development to safeguard the future of the steel industry.</p>   |
| <p>Skills &amp; Talent Initiative</p>   | <p>All projects forming part of the programme will work with the Regional Learning and Skills Partnership to ensure there is an appropriate skills base to take advantage of this investment.</p>  |
| <p>Other City Deal Project(s)<br/><i>please specify</i></p>                                     | <p>This Programme is also aligned to the four 'internet' themes within the City Deal programme:</p> <ul style="list-style-type: none"> <li>• The Internet of Economic Acceleration: next generation digital infrastructure</li> <li>• The Internet of Life Science and Well-being: expanding research and innovation</li> <li>• The Internet of Energy: energy innovation and sustainable housing</li> <li>• Smart manufacturing</li> </ul> <p>The energy efficient buildings and decarbonisation elements of the programme also align to the regional Homes as Power Stations project, as well as the Pembroke Dock Marine project aimed at boosting South West Wales' blue economy</p> |
| <p>Other significant regional project(s) <i>please specify</i></p>                              | <p>The Supporting Innovation and Low Carbon Growth programme and the Active Building Centre at Swansea University are aligned in a number of ways, and will continue to work together to accelerate market adoption of energy positive and net zero buildings.</p> <p>Port Talbot is a demonstration zone identified in the Flexis (Flexible Integrated Energy Systems) research operation programme</p>   |



|   |  |
|---|--|
|   | <p>The University of South Wales Hydrogen R&amp;D Centre in Baglan Energy Park is a partner in the hydrogen stimulus project</p> <p>The SPECIFIC Innovation and Knowledge Centre at Swansea University</p> <p>The Steel and Metals Institute (SaMI) at Swansea University</p> <p>The Port Talbot Waterfront Enterprise Zone – a strategic plan (2018-2021) was endorsed by the Enterprise Zone Board and Neath Port Talbot Council's Cabinet in October and November 2018 respectively. The vision is to create a diversified and resilient economy, while building on local strengths in steel, energy and manufacturing.</p> |
| <p>Other significant national project(s) please specify</p> | <p>Neath Port Talbot benefits from European funding as it is part of the West Wales and the Valleys programme area. European funding helps support people into work and training, youth employment, research and innovation, business (SMEs) competitiveness, renewable energy and energy efficiency, and connectivity and urban development.</p> <p>The Supporting Innovation and Low Carbon Growth also meets the requirements of the UK Government's Industrial Strategy, the BEIS Energy Innovation Programme and the Climate Change Act.</p>  |

| Key Milestones, monitoring and evaluation |  |
|---|--|
| <p>Key milestones</p>                     | <p><b>Swansea Bay Technology Centre</b></p> <ul style="list-style-type: none"> <li>• Two-stage design and build contract award - Qtr3 2019</li> <li>• Pre-Application Consultation (PAC) - Qtr1 2020</li> <li>• Technical design - Qtr2 2020</li> <li>• Full planning consent - Qtr2 2020</li> <li>• Construction start - Qtr2 2020</li> <li>• Construction complete - Qtr3 2021</li> </ul> <p><b>National Steel Innovation Centre</b></p> <ul style="list-style-type: none"> <li>• Site confirmation - Qtr4 2019</li> <li>• Tender period two stage-procurement (Design and build) - Qtr1 2020</li> <li>• Pre-Application Consultation (PAC) - Qtr4 2020</li> <li>• Full planning consent - Qtr1 2021</li> <li>• Start construction - Qtr2 2021</li> <li>• Construction complete - Qtr3 2022</li> </ul> <p><b>Decarbonisation</b></p> <ul style="list-style-type: none"> <li>• Purchase and install air quality monitors - Qtr4 2019</li> <li>• Monitor air quality via data analytics - Qtr1 2020</li> </ul> |

|                             |  |
|-----------------------------|--|
|                             | <ul style="list-style-type: none"> <li>• Start work with key partners on evidence-based electric vehicle charging strategy - Qtr1 2020</li> <li>• Mobilisation of electric link between Swansea Bay Technology Centre and Hydrogen Centre - Qtr3 2021</li> <li>• Development of commercial strategy - Qtr1 2022</li> </ul> <p><b>Industrial futures</b></p> <ul style="list-style-type: none"> <li>• Start of two-stage design and procurement process for production facility - Qtr1 2020</li> <li>• Start of two-stage design and procurement process for R&amp;D innovation and growth facility - Qtr1 2020</li> <li>• Opening of three-year Property Development Fund scheme - Qtr2 2020</li> <li>• Completion of production facility construction - Qtr4 2021</li> <li>• Completion of R&amp;D innovation and growth facility construction - Qtr4 2021</li> </ul>   |
| SMART/Investment Objectives | <ol style="list-style-type: none"> <li>1- To create a 2,500 square metre, three-storey Swansea Bay Technology Centre in response to well-evidenced demand for high-quality, flexible business premises.</li> <li>2- To establish a National Steel Innovation Centre of about 6,000 square metres that will provide access to world class facilities for the development of innovative steel products and processes. This will allow for the commercialisation of research and development, while supporting the transition to reduce carbon emissions in the steel and metals industry. This will help safeguard 3,000 jobs in the Welsh steelmaking sector.</li> <li>3- To help decarbonise the local and regional economy through the introduction of electric vehicle infrastructure, the production of zero carbon fuel for council vehicles, and the use of state-of-the-art modelling and monitoring to inform air quality interventions.</li> <li>4- The creation of over 10,000 square metres of flexible office spaces, laboratory spaces and production units to support start-up companies and indigenous companies at the Port Talbot Waterfront Enterprise Zone.</li> </ol> |

| <b>Wider Impacts</b>   |  |
|------------------------|--|
| Influencing curriculum | All projects forming part of the programme will work with the Regional Learning and Skills Partnership to ensure there is an appropriate skills base to take advantage of this investment. |
| Environmental impacts  | The decarbonisation theme of the programme will lead to environmental improvements through:  |

|                                |   |
|--------------------------------|---|
|                                | <ul style="list-style-type: none"> <li>- Energy efficient buildings, including the Swansea Bay Technology Centre</li> <li>- Cleaner air, thanks to air quality modelling and real time monitoring that will inform positive air quality interventions</li> <li>- Encouragement of further electric vehicle uptake due to investment in charging infrastructure</li> <li>- Research and development being anchored into future steel-making across the region to further reduce carbon emissions</li> <li>- The production of zero carbon fuel for use by council vehicles</li> </ul>  |
| Alignment with WCFG Act        | <p>The programme will meet the requirements of the WCFG Act by helping create:</p> <ul style="list-style-type: none"> <li>• <b>A prosperous Wales</b> through the provision of new employment and efficient use of resources via building design and the re-use of brownfield land</li> <li>• <b>A resilient Wales</b> via new business premises, with the necessary technological infrastructure to promote diversification and reduce overreliance on traditional industries and public sector employment</li> <li>• <b>A healthier Wales</b>, with long-standing evidence demonstrating the positive impact of employment on health and well-being</li> <li>• <b>A more equal Wales</b>, thanks to the programme including opportunities accessible to all to reduce societal inequalities</li> <li>• <b>Cohesive Communities</b> through sustainable, viable employment</li> <li>• <b>A Vibrant Culture and thriving Welsh Language</b>, with increased employment opportunities supporting the language in the medium and longer term</li> <li>• <b>A Globally Responsible Wales</b>, thanks to the design and delivery of buildings in line with required sustainable development principles</li> </ul> |
| Other<br><i>Please specify</i> | The programme will help the UK and Welsh Governments with their carbon reduction targets, while meeting the requirements of the BEIS Energy Innovation Programme.   |

| <b>Procurement</b>  |  |
|---|--|
| <p>Construction works will be procured through the South West Wales Regional Construction Framework, with engineering works procured via the South West Wales Civil Engineering Framework.</p> <p>Requirements for project evaluations will be procured through Sell2Wales or appropriate frameworks.</p> <p>The Council will work with appointed contractors and their supply chains to deliver targeted outputs. These include:</p> <ul style="list-style-type: none"> <li>• training and the recruitment of the economically inactive by offering apprenticeships</li> <li>• traineeships or work experience opportunities</li> <li>• maximising opportunities for SMEs to bid for sub-contract opportunities</li> </ul> <p>There are also collaborative arrangements to coordinate the delivery of community benefits, including employability initiatives like Workways+ and Communities for Work.</p> |  |

|  |
|--|
|  |
|--|

| <b>Financial Profile</b>                               |  |
|--|--|
| Breakdown of public sector funding sources and timing  | <ul style="list-style-type: none"> <li>• City Deal = £47.7 million</li> <li>• Neath Port Talbot Council – £3.7 million</li> <li>• WEFO/WG grant - £4 million</li> </ul>  |
| Breakdown of private sector funding sources and timing | <ul style="list-style-type: none"> <li>• £5m minimum contribution from Property Development Fund</li> <li>• Rental income from Swansea Bay Technology Centre, Production Unit, National Steel Innovation Centre</li> </ul> |

| <b>Sustainability</b>  |
|--|
| <p>Private sector investment will be levered into the programme, helping to promote its sustainability beyond the 15-year programme. The Industrial Futures and Swansea Bay Technology Centre aspects of the portfolio will also lead to a clustering of sector specific businesses, which will attract further inward investment and jobs. This will create a legacy of economic buoyancy for many years, with NNDR income helping to create improved services and more vibrant communities.</p> <p>The programme's decarbonisation theme will lead to Neath Port Talbot and the City Region becoming an exemplar in the use of renewable energy and technologies, helping develop a greener economy for decades to come.</p> |

| ID | Task Mode | Task Name  | Duration | Start        | Finish       | Timeline |       |       |       |       |       |       |       |       |       |       |       |  |
|----|-----------|--|----------|--------------|--------------|----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--|
|    |           |  |          |              |              | 2020     | 2021  |       | 2022  |       | 2023  |       |       |       |       |       |       |  |
|    |           |  |          |              |              | Qtr 3    | Qtr 4 | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Qtr 1 | Qtr 2 |  |
| 1  |           | <b>INDICATIVE TIMELINE - ALL PROJECTS</b>          |          |              |              |          |       |       |       |       |       |       |       |       |       |       |       |  |
| 2  |           |  |          |              |              |          |       |       |       |       |       |       |       |       |       |       |       |  |
| 3  |           | Swansea Bay Technology Centre                      | 523 days | Sun 01/09/19 | Tue 31/08/21 |          |       |       |       |       |       |       |       |       |       |       |       |  |
| 4  |           | National Steel Innovation Centre                   | 674 days | Wed 01/01/20 | Sun 31/07/22 |          |       |       |       |       |       |       |       |       |       |       |       |  |
| 5  |           | Decarbonisation                                    | 522 days | Fri 01/01/21 | Sat 31/12/22 |          |       |       |       |       |       |       |       |       |       |       |       |  |
| 6  |           | Air Quality Monitoring Programme                   | 523 days | Wed 01/01/20 | Fri 31/12/21 |          |       |       |       |       |       |       |       |       |       |       |       |  |
| 7  |           | Hydrogen Stimulus Monitoring Programme             | 372 days | Sun 01/08/21 | Sat 31/12/22 |          |       |       |       |       |       |       |       |       |       |       |       |  |
| 8  |           | Electric Vehicle Charging Infrastructure Route Map | 784 days | Wed 01/01/20 | Sat 31/12/22 |          |       |       |       |       |       |       |       |       |       |       |       |  |
| 9  |           | Industrial Futures                                 | 522 days | Fri 01/01/21 | Sat 31/12/22 |          |       |       |       |       |       |       |       |       |       |       |       |  |
| 10 |           | Production Facility                                | 523 days | Wed 01/01/20 | Fri 31/12/21 |          |       |       |       |       |       |       |       |       |       |       |       |  |
| 11 |           | R&D Innovation & Growth Facility                   | 523 days | Wed 01/01/20 | Fri 31/12/21 |          |       |       |       |       |       |       |       |       |       |       |       |  |
| 12 |           | Property Development Fund                          | 805 days | Mon 01/06/20 | Fri 30/06/23 |          |       |       |       |       |       |       |       |       |       |       |       |  |

Project: Swansea Bay Technology  
Date: Thu 07/11/19

|           |  |                    |  |                       |  |                    |  |                 |  |
|-----------|--|--------------------|--|-----------------------|--|--------------------|--|-----------------|--|
| Task      |  | Project Summary    |  | Manual Task           |  | Start-only         |  | Deadline        |  |
| Split     |  | Inactive Task      |  | Duration-only         |  | Finish-only        |  | Progress        |  |
| Milestone |  | Inactive Milestone |  | Manual Summary Rollup |  | External Tasks     |  | Manual Progress |  |
| Summary   |  | Inactive Summary   |  | Manual Summary        |  | External Milestone |  |                 |  |

## City Deal June 2019 - Cost Benefit Analysis

| Scenario (Base)                | 10Yr NPV   | 15Yr NPV    |
|--------------------------------|------------|-------------|
| A - Preferred Implementation   | 81,083,437 | 144,778,281 |
| B - Alternative Implementation | -          | -           |
| C - Do Minimum                 | -          | -           |
| D - Do Nothing                 | 58,247     | 58,247      |

## Sensitivity Analysis

|                                       | 10Yr NPV   | 15Yr NPV    |
|---------------------------------------|------------|-------------|
| <b>20% reduction in Wider Benefit</b> |            |             |
| A - Preferred Implementation          | 71,529,861 | 129,332,028 |
| B - Alternative Implementation        | -          | -           |
| C - Do Minimum                        | -          | -           |
| D - Do Nothing                        | 54,331     | 54,331      |

|                                | 10Yr NPV   | 15Yr NPV    |
|--------------------------------|------------|-------------|
| <b>1Yr Delay in Benefits</b>   |            |             |
| A - Preferred Implementation   | 66,925,458 | 132,930,479 |
| B - Alternative Implementation | -          | -           |
| C - Do Minimum                 | -          | -           |
| D - Do Nothing                 | 58,247     | 58,247      |

|                                | 10Yr NPV   | 15Yr NPV    |
|--------------------------------|------------|-------------|
| <b>20% increase in costs</b>   |            |             |
| A - Preferred Implementation   | 70,365,443 | 134,060,287 |
| B - Alternative Implementation | -          | -           |
| C - Do Minimum                 | -          | -           |
| D - Do Nothing                 | 58,247     | 58,247      |

|  | 10Yr NPV | 15Yr NPV |
|--|----------|----------|
|--|----------|----------|

|                                  | 10Yr NPV   | 15Yr NPV   |
|----------------------------------|------------|------------|
| <b>40% reduction in Benefits</b> |            |            |
| A - Preferred Implementation     | 27,214,074 | 65,430,981 |
| B - Alternative Implementation   | -          | -          |
| C - Do Minimum                   | -          | -          |
| D - Do Nothing                   | 34,948     | 34,948     |

|   | 10Yr NPV   | 15Yr NPV    |
|---|------------|-------------|
| <b>Slow Mobilisation (6month delay)</b> |            |             |
| A - Preferred Implementation            | 74,004,447 | 138,854,380 |
| B - Alternative Implementation          | -          | -           |
| C - Do Minimum                          | -          | -           |
| D - Do Nothing                          | 58,247     | 58,247      |

|   | 10Yr NPV   | 15Yr NPV    |
|---|------------|-------------|
| <b>1Yr Delay and -20% Wider Benefit</b> |            |             |
| A - Preferred Implementation            | 57,371,882 | 117,484,226 |
| B - Alternative Implementation          | -          | -           |
| C - Do Minimum                          | -          | -           |
| D - Do Nothing                          | 54,331     | 54,331      |



STPR Factors

| Year   | 2017 | 2018  | 2019     | 2020     | 2021    | 2022     | 2023    | 2024     | 2025     | 2026     | 2027     | 2028     | 2029    | 2030     | 2031     | 2032     | 2032 | STPR (%) | Factor |  |
|--------|------|-------|----------|----------|---------|----------|---------|----------|----------|----------|----------|----------|---------|----------|----------|----------|------|----------|--------|--|
| Year   | 1    | 2     | 3        | 4        | 5       | 6        | 7       | 8        | 9        | 10       | 11       | 12       | 13      | 14       | 15       |          |      | 3.5      | 97%    |  |
| Factor | 1    | 0.965 | 0.931225 | 0.898632 | 0.86718 | 0.836829 | 0.80754 | 0.779276 | 0.752001 | 0.725681 | 0.700282 | 0.675772 | 0.65212 | 0.629296 | 0.607271 | 0.586016 |      |          |        |  |

Depreciation (Not Impact)

| Year      | 2017 | 2018     | 2019     | 2020     | 2021     | 2022     | 2023     | 2024     | 2025     | 2026     | 2027     | 2028     | 2029     | 2030     | 2031     | 2032     | 30 Year Lifetime - linear Annualise (1-) |
|-----------|------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--|
| Year      | 1    | 2        | 3        | 4        | 5        | 6        | 7        | 8        | 9        | 10       | 11       | 12       | 13       | 14       | 15       |          |  |
| Factor    | 1    | 0.966667 | 0.933333 | 0.9      | 0.866667 | 0.833333 | 0.8      | 0.766667 | 0.733333 | 0.7      | 0.666667 | 0.633333 | 0.6      | 0.566667 | 0.533333 | 0.5      | 0.0333333                                |
| 1yr later |      | 1        | 0.966667 | 0.933333 | 0.9      | 0.866667 | 0.833333 | 0.8      | 0.766667 | 0.733333 | 0.7      | 0.666667 | 0.633333 | 0.6      | 0.566667 | 0.533333 | 0.966667                                 |
| 2yr later |      |          | 1        | 0.966667 | 0.933333 | 0.9      | 0.866667 | 0.833333 | 0.8      | 0.766667 | 0.733333 | 0.7      | 0.666667 | 0.633333 | 0.6      | 0.566667 | 0.533333                                 |
| 3yr later |      |          |          | 1        | 0.966667 | 0.933333 | 0.9      | 0.866667 | 0.833333 | 0.8      | 0.766667 | 0.733333 | 0.7      | 0.666667 | 0.633333 | 0.6      | 0.566667                                 |



GVA by Year

Year: 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040 2041 2042 2043 2044 2045 2046 2047 2048 2049 2050 2051 2052 2053 2054 2055 2056 2057 2058 2059 2060 2061 2062 2063 2064 2065 2066 2067 2068 2069 2070 2071 2072 2073 2074 2075 2076 2077 2078 2079 2080 2081 2082 2083 2084 2085 2086 2087 2088 2089 2090 2091 2092 2093 2094 2095 2096 2097 2098 2099 2100 2101 2102 2103 2104 2105 2106 2107 2108 2109 2110 2111 2112 2113 2114 2115 2116 2117 2118 2119 2120 2121 2122 2123 2124 2125 2126 2127 2128 2129 2130 2131 2132 2133 2134 2135 2136 2137 2138 2139 2140 2141 2142 2143 2144 2145 2146 2147 2148 2149 2150 2151 2152 2153 2154 2155 2156 2157 2158 2159 2160 2161 2162 2163 2164 2165 2166 2167 2168 2169 2170 2171 2172 2173 2174 2175 2176 2177 2178 2179 2180 2181 2182 2183 2184 2185 2186 2187 2188 2189 2190 2191 2192 2193 2194 2195 2196 2197 2198 2199 2200 2201 2202 2203 2204 2205 2206 2207 2208 2209 2210 2211 2212 2213 2214 2215 2216 2217 2218 2219 2220 2221 2222 2223 2224 2225 2226 2227 2228 2229 2230 2231 2232 2233 2234 2235 2236 2237 2238 2239 2240 2241 2242 2243 2244 2245 2246 2247 2248 2249 2250 2251 2252 2253 2254 2255 2256 2257 2258 2259 2260 2261 2262 2263 2264 2265 2266 2267 2268 2269 2270 2271 2272 2273 2274 2275 2276 2277 2278 2279 2280 2281 2282 2283 2284 2285 2286 2287 2288 2289 2290 2291 2292 2293 2294 2295 2296 2297 2298 2299 2300 2301 2302 2303 2304 2305 2306 2307 2308 2309 2310 2311 2312 2313 2314 2315 2316 2317 2318 2319 2320 2321 2322 2323 2324 2325 2326 2327 2328 2329 2330 2331 2332 2333 2334 2335 2336 2337 2338 2339 2340 2341 2342 2343 2344 2345 2346 2347 2348 2349 2350 2351 2352 2353 2354 2355 2356 2357 2358 2359 2360 2361 2362 2363 2364 2365 2366 2367 2368 2369 2370 2371 2372 2373 2374 2375 2376 2377 2378 2379 2380 2381 2382 2383 2384 2385 2386 2387 2388 2389 2390 2391 2392 2393 2394 2395 2396 2397 2398 2399 2400 2401 2402 2403 2404 2405 2406 2407 2408 2409 2410 2411 2412 2413 2414 2415 2416 2417 2418 2419 2420 2421 2422 2423 2424 2425 2426 2427 2428 2429 2430 2431 2432 2433 2434 2435 2436 2437 2438 2439 2440 2441 2442 2443 2444 2445 2446 2447 2448 2449 2450 2451 2452 2453 2454 2455 2456 2457 2458 2459 2460 2461 2462 2463 2464 2465 2466 2467 2468 2469 2470 2471 2472 2473 2474 2475 2476 2477 2478 2479 2480 2481 2482 2483 2484 2485 2486 2487 2488 2489 2490 2491 2492 2493 2494 2495 2496 2497 2498 2499 2500 2501 2502 2503 2504 2505 2506 2507 2508 2509 2510 2511 2512 2513 2514 2515 2516 2517 2518 2519 2520 2521 2522 2523 2524 2525 2526 2527 2528 2529 2530 2531 2532 2533 2534 2535 2536 2537 2538 2539 2540 2541 2542 2543 2544 2545 2546 2547 2548 2549 2550 2551 2552 2553 2554 2555 2556 2557 2558 2559 2560 2561 2562 2563 2564 2565 2566 2567 2568 2569 2570 2571 2572 2573 2574 2575 2576 2577 2578 2579 2580 2581 2582 2583 2584 2585 2586 2587 2588 2589 2590 2591 2592 2593 2594 2595 2596 2597 2598 2599 2600 2601 2602 2603 2604 2605 2606 2607 2608 2609 2610 2611 2612 2613 2614 2615 2616 2617 2618 2619 2620 2621 2622 2623 2624 2625 2626 2627 2628 2629 2630 2631 2632 2633 2634 2635 2636 2637 2638 2639 2640 2641 2642 2643 2644 2645 2646 2647 2648 2649 2650 2651 2652 2653 2654 2655 2656 2657 2658 2659 2660 2661 2662 2663 2664 2665 2666 2667 2668 2669 2670 2671 2672 2673 2674 2675 2676 2677 2678 2679 2680 2681 2682 2683 2684 2685 2686 2687 2688 2689 2690 2691 2692 2693 2694 2695 2696 2697 2698 2699 2700 2701 2702 2703 2704 2705 2706 2707 2708 2709 2710 2711 2712 2713 2714 2715 2716 2717 2718 2719 2720 2721 2722 2723 2724 2725 2726 2727 2728 2729 2730 2731 2732 2733 2734 2735 2736 2737 2738 2739 2740 2741 2742 2743 2744 2745 2746 2747 2748 2749 2750 2751 2752 2753 2754 2755 2756 2757 2758 2759 2760 2761 2762 2763 2764 2765 2766 2767 2768 2769 2770 2771 2772 2773 2774 2775 2776 2777 2778 2779 2780 2781 2782 2783 2784 2785 2786 2787 2788 2789 2790 2791 2792 2793 2794 2795 2796 2797 2798 2799 2800 2801 2802 2803 2804 2805 2806 2807 2808 2809 2810 2811 2812 2813 2814 2815 2816 2817 2818 2819 2820 2821 2822 2823 2824 2825 2826 2827 2828 2829 2830 2831 2832 2833 2834 2835 2836 2837 2838 2839 2840 2841 2842 2843 2844 2845 2846 2847 2848 2849 2850 2851 2852 2853 2854 2855 2856 2857 2858 2859 2860 2861 2862 2863 2864 2865 2866 2867 2868 2869 2870 2871 2872 2873 2874 2875 2876 2877 2878 2879 2880 2881 2882 2883 2884 2885 2886 2887 2888 2889 2890 2891 2892 2893 2894 2895 2896 2897 2898 2899 2900 2901 2902 2903 2904 2905 2906 2907 2908 2909 2910 2911 2912 2913 2914 2915 2916 2917 2918 2919 2920 2921 2922 2923 2924 2925 2926 2927 2928 2929 2930 2931 2932 2933 2934 2935 2936 2937 2938 2939 2940 2941 2942 2943 2944 2945 2946 2947 2948 2949 2950 2951 2952 2953 2954 2955 2956 2957 2958 2959 2960 2961 2962 2963 2964 2965 2966 2967 2968 2969 2970 2971 2972 2973 2974 2975 2976 2977 2978 2979 2980 2981 2982 2983 2984 2985 2986 2987 2988 2989 2990 2991 2992 2993 2994 2995 2996 2997 2998 2999 3000

| Year | GVA     | Change |
|------|---------|--------|
| 2004 | 39,234  | -      |
| 2005 | 41,262  | 5.2%   |
| 2006 | 42,590  | 3.2%   |
| 2007 | 45,282  | 6.3%   |
| 2008 | 42,590  | -6.0%  |
| 2009 | 39,234  | -7.9%  |
| 2010 | 42,590  | 8.6%   |
| 2011 | 45,282  | 6.3%   |
| 2012 | 48,974  | 8.2%   |
| 2013 | 51,666  | 5.5%   |
| 2014 | 54,358  | 5.2%   |
| 2015 | 57,050  | 4.9%   |
| 2016 | 59,742  | 4.7%   |
| 2017 | 62,434  | 4.5%   |
| 2018 | 65,126  | 4.3%   |
| 2019 | 67,818  | 4.1%   |
| 2020 | 70,510  | 3.9%   |
| 2021 | 73,202  | 3.8%   |
| 2022 | 75,894  | 3.7%   |
| 2023 | 78,586  | 3.6%   |
| 2024 | 81,278  | 3.4%   |
| 2025 | 83,970  | 3.3%   |
| 2026 | 86,662  | 3.2%   |
| 2027 | 89,354  | 3.1%   |
| 2028 | 92,046  | 3.0%   |
| 2029 | 94,738  | 2.9%   |
| 2030 | 97,430  | 2.8%   |
| 2031 | 100,122 | 2.7%   |
| 2032 | 102,814 | 2.7%   |
| 2033 | 105,506 | 2.6%   |
| 2034 | 108,198 | 2.5%   |
| 2035 | 110,890 | 2.4%   |
| 2036 | 113,582 | 2.4%   |
| 2037 | 116,274 | 2.3%   |
| 2038 | 118,966 | 2.3%   |
| 2039 | 121,658 | 2.2%   |
| 2040 | 124,350 | 2.2%   |
| 2041 | 127,042 | 2.1%   |
| 2042 | 129,734 | 2.1%   |
| 2043 | 132,426 | 2.1%   |
| 2044 | 135,118 | 2.0%   |
| 2045 | 137,810 | 2.0%   |
| 2046 | 140,502 | 1.9%   |
| 2047 | 143,194 | 1.9%   |
| 2048 | 145,886 | 1.9%   |
| 2049 | 148,578 | 1.8%   |
| 2050 | 151,270 | 1.8%   |
| 2051 | 153,962 | 1.8%   |
| 2052 | 156,654 | 1.7%   |
| 2053 | 159,346 | 1.7%   |
| 2054 | 162,038 | 1.7%   |
| 2055 | 164,730 | 1.6%   |
| 2056 | 167,422 | 1.6%   |
| 2057 | 170,114 | 1.6%   |
| 2058 | 172,806 | 1.5%   |
| 2059 | 175,498 | 1.5%   |
| 2060 | 178,190 | 1.5%   |
| 2061 | 180,882 | 1.5%   |
| 2062 | 183,574 | 1.4%   |
| 2063 | 186,266 | 1.4%   |
| 2064 | 188,958 | 1.4%   |
| 2065 | 191,650 | 1.4%   |
| 2066 | 194,342 | 1.4%   |
| 2067 | 197,034 | 1.3%   |
| 2068 | 199,726 | 1.3%   |
| 2069 | 202,418 | 1.3%   |
| 2070 | 205,110 | 1.3%   |
| 2071 | 207,802 | 1.3%   |
| 2072 | 210,494 | 1.2%   |
| 2073 | 213,186 | 1.2%   |
| 2074 | 215,878 | 1.2%   |
| 2075 | 218,570 | 1.2%   |
| 2076 | 221,262 | 1.2%   |
| 2077 | 223,954 | 1.1%   |
| 2078 | 226,646 | 1.1%   |
| 2079 | 229,338 | 1.1%   |
| 2080 | 232,030 | 1.1%   |
| 2081 | 234,722 | 1.1%   |
| 2082 | 237,414 | 1.1%   |
| 2083 | 240,106 | 1.1%   |
| 2084 | 242,798 | 1.0%   |
| 2085 | 245,490 | 1.0%   |
| 2086 | 248,182 | 1.0%   |
| 2087 | 250,874 | 1.0%   |
| 2088 | 253,566 | 1.0%   |
| 2089 | 256,258 | 1.0%   |
| 2090 | 258,950 | 1.0%   |
| 2091 | 261,642 | 0.9%   |
| 2092 | 264,334 | 0.9%   |
| 2093 | 267,026 | 0.9%   |
| 2094 | 269,718 | 0.9%   |
| 2095 | 272,410 | 0.9%   |
| 2096 | 275,102 | 0.9%   |
| 2097 | 277,794 | 0.9%   |
| 2098 | 280,486 | 0.8%   |
| 2099 | 283,178 | 0.8%   |
| 2100 | 285,870 | 0.8%   |

Use the data in the table below to create the 2004-2056 GVA by Year chart (https://www.macrotrends.net/105340/gross-value-added-gva-by-year-2004-2056). The chart shows the annual change in GVA for each year from 2004 to 2056. The average change in GVA is 0.8%.

Source: World Bank, World Development Indicators (https://data.worldbank.org/SD/10.Y3.MFVS.CV). The data is based on the latest available data and is subject to change.

Cumulative Jobs Created

|                                      | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | Total |
|--------------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|-------|
| <b>Construction Jobs</b>             |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |       |
| <b>Total Jobs</b>                    | 8    | 8    | 8    | 1    | 3    | 1    |      |      |      |      |      |      |      |      |      | 18    |
| <b>New Jobs</b>                      | 15   | 5    | 15   | 15   | 3    | 1    |      |      |      |      |      |      |      |      |      | 39    |
| Swansea Bay Technology Centre        |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |       |
| National Steel Innovation Centre     |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |       |
| Decarbonisation                      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      | 0     |
| Hydrogen Developments                |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      | 0     |
| Air Quality                          |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      | 0     |
| Electric Vehicle Infrastructure      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      | 0     |
| Industrial Futures                   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      | 17    |
| Production Facility                  |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      | 7     |
| R&D Innovation & Growth Facility     |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      | 0     |
| Property Development Fund            |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      | 0     |
|                                      | 1    | 17   | 39   | 19   | 4    | 1    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 81    |
|                                      | 25%  | 50%  | 70%  | 90%  | 90%  | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100%  |
| <b>Technology Jobs</b>               |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |       |
| <b>Total Jobs</b>                    | 160  | 24   | 34   | 43   | 43   | 48   | 48   | 48   | 48   | 48   | 48   | 48   | 48   | 48   | 48   | 636   |
| <b>New Jobs</b>                      | 120  | 30   | 84   | 108  | 108  | 120  | 120  | 120  | 120  | 120  | 120  | 120  | 120  | 120  | 120  | 1,590 |
| Swansea Bay Technology Centre        |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |       |
| National Steel Innovation Centre     |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |       |
| Decarbonisation                      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      | 440   |
| Hydrogen Developments                |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      | 0     |
| Air Quality                          |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      | 0     |
| Electric Vehicle Infrastructure      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      | 0     |
| Industrial Futures                   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      | 584   |
| Production Facility                  |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      | 44    |
| R&D Innovation & Growth Facility     |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      | 40    |
| Property Development Fund            |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      | 9     |
|                                      | 93   | 141  | 188  | 237  | 276  | 301  | 301  | 301  | 301  | 301  | 301  | 301  | 301  | 301  | 301  | 3,945 |
| <b>Total Construction &amp; Tech</b> | 94   | 158  | 227  | 256  | 280  | 302  | 301  | 301  | 301  | 301  | 301  | 301  | 301  | 301  | 301  | 4,026 |

## Swansea Bay City Deal Supporting Innovation and Low Carbon Growth Potential Economic Impact – Technical Note

### Introduction

This Economic Impact technical note considers the potential economic impact of the City Deal ‘Supporting Innovation and Low Carbon Growth’ FBC programme.

The purpose of this technical note is to consider the potential economic impact that might arise should this Programme be successfully implemented. The potential impact of this Programme reflects the potential collective impacts of its constituent projects. The objective of this note is to provide an indication of the potential broad magnitude of the overall economic impact under highly conservative assumptions.

### Programme Costs

- Only includes capital and revenue costs;
- Not yet adjusted for optimum bias or risk; and
- Assumes each project will operate for 40 years.

Table 1: Undiscounted Programme Costs (£m, 2019 prices)

|                                  | Total Capital Costs<br>during Construction<br>Period | Total Revenue<br>Costs during<br>Operation | Total Project Costs<br>(Capital and<br>Revenue) |
|----------------------------------|--|--|---|
| <b>By Theme</b>                  |  |  |   |
| Swansea Bay Technology Centre    | 7.50   | 8.00                                       | 15.50   |
| National Steel Innovation Centre | 20.00  | 8.00                                       | 28.00   |
| Decarbonisation                  | 3.00   | -  | 3.00  |
| Industrial Futures               | 25.00  | 26.00                                      | 51.00   |
| <b>Total</b>                     | <b>55.50</b>   | <b>42.00</b>                               | <b>97.50</b>                                    |
| <b>By Project</b>                |  |  |   |
| Swansea Bay Technology Centre    | 7.50   | 8.00                                       | 15.50   |
| National Steel Innovation Centre | 20.00  | 8.00                                       | 28.00   |
| Hydrogen Developments            | 2.00   | -  | 2.00  |
| Air Quality                      | 0.50   | -  | 0.50  |
| Electric Vehicle Infrastructure  | 0.50   | -  | 0.50  |
| Production Facility              | 12.00  | 16.00                                      | 28.00   |
| R&D Innovation & Growth Facility | 8.00   | -  | 8.00  |
| Property Development Fund        | 5.00   | -  | 5.00  |
| Revenue - not project specific   | -  | 10.00                                      | 10.00   |
| <b>Total</b>                     | <b>55.50</b>   | <b>42.00</b>                               | <b>97.50</b>                                    |

Key points:

- £55.5m CAPEX, of which:
- OPEX of £1.05m per annum once fully operational to be funded from project revenues

Table 2: Discounted Programme Costs (£m, 2019 prices)

|                                  | Total Capital Costs during Construction Period | Total Revenue Costs during Operation | Total Project Costs (Capital and Revenue) |
|----------------------------------|--|--------------------------------------|---|
| <b>By Theme</b>                  |  |                                      |   |
| Swansea Bay Technology Centre    | 7.21   | 4.14                                 | 11.36                                     |
| National Steel Innovation Centre | 18.45  | 4.01                                 | 22.46                                     |
| Decarbonisation                  | 2.87   | -                                    | 2.87                                      |
| Industrial Futures               | 23.52  | 13.65                                | 37.17                                     |
| <b>Total</b>                     | <b>52.06</b>                                   | <b>21.80</b>                         | <b>73.86</b>                              |
| <b>By Project</b>                |  |                                      |   |
| Swansea Bay Technology Centre    | 7.21   | 4.14                                 | 11.36                                     |
| National Steel Innovation Centre | 18.45  | 4.01                                 | 22.46                                     |
| Hydrogen Developments            | 1.90   | -                                    | 1.90                                      |
| Air Quality                      | 0.50   | -                                    | 0.50                                      |
| Electric Vehicle Infrastructure  | 0.47   | -                                    | 0.47                                      |
| Production Facility              | 11.33  | 8.29                                 | 19.62                                     |
| R&D Innovation & Growth Facility | 7.60   | -                                    | 7.60                                      |
| Property Development Fund        | 4.59   | -                                    | 4.59                                      |
| Revenue - not project specific   | -  | 5.36                                 | 5.36                                      |
| <b>Total</b>                     | <b>52.06</b>                                   | <b>21.80</b>                         | <b>73.86</b>                              |

Once discounted as per HMT Green Book to provide comparable present costs, key points:

- The two projects already included within the City Deal funding envelope – the Swansea Bay Technology Centre and National Steel Innovation Centre – account for 46% of programme costs; and
- The Industrial Futures programme accounts for half of overall programme costs.

Comparison with the original City Deal proposal shows:

- The original City Deal funding envelope included £23m of funding for CENGS and £20m of funding for the Steel Science Innovation Centre – earlier iterations of the Swansea Bay Technology Centre and National Steel Innovation Centre respectively;

- The marginal cost of this revised City Deal Programme therefore stands at just £4.7m<sup>1</sup> – an uplift of 11% - in return for which this Programme intends to deliver eight projects rather than two;
- Moreover, this additional 11% in City Deal investment would leverage some £50m in undiscounted public sector investment across the lifecycle of these eight projects. This additional investment from WEFO / WG, NPTCBC and from retained project revenues would not be forthcoming without the initial capital funding from the Swansea Bay City Deal programme.

### Programme Benefits

Potential programme benefits comprise:

- Direct public sector benefits to the originating organisation;
- Indirect public sector benefits to other public sector organisations (not possible to calculate at this time owing to early stage of project development); and
- Wider benefits to UK society.

### Direct public sector benefits

The programme will yield cash releasing benefits in the form of rental income from new property development that would be owned by the Council and let to tenants. Key assumptions include:

- Assumes 44% of gross floor space is 'net additional'<sup>2</sup>;
- Assumes 80% of GIFA is net-lettable across each project;
- Assumes 90% occupancy levels; and
- Assumes rental of £10psf per year.

Table 3: Direct Cash Releasing Benefit (£m, 2019 prices)

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<sup>1</sup> £47.7m now vs £43m in the original funding envelope.

<sup>2</sup> Additionality Guide, English Partnerships (2008)

|                                    | Gross internal floor area (m2) | % net additional | Net additional GIFA (m2) | Percentage net lettable | Net Additional NIA (m2) | Assumed occupancy rate | Occupied Net Additional NIA (m2) | Annual Net Additional Cash Releasing Benefit to NPTCBC |
|------------------------------------|--------------------------------|------------------|--------------------------|-------------------------|-------------------------|------------------------|----------------------------------|--|
| Swansea Bay Technology Centre      | 2,500                          | 44%              | 1,100                    | 80%                     | 880                     | 90%                    | 792                              | 85,251   |
| National Steel Innovation Centre   | 6,000                          | 44%              | 2,640                    | 80%                     | 2,112                   | 90%                    | 1,901                            | 204,602  |
| Production Facility                | 2,230                          | 44%              | 981                      | 80%                     | 785                     | 90%                    | 706                              | 76,044   |
| R&D Innovation and Growth Facility | 2,000                          | 44%              | 880                      | 80%                     | 704                     | 90%                    | 634                              | 68,201   |
| Property Development Fund          | 6,000                          | 44%              | 2,640                    | 80%                     | 2,112                   | 90%                    | 1,901                            | 204,602  |
| <b>Total</b>                       | <b>18,730</b>                  |                  | <b>8,241</b>             |                         | <b>6,593</b>            |                        | <b>5,934</b>                     | <b>638,700</b>   |

### Key points:

- Once the facilities to be developed under each facility are fully operational, the resulting annual cash releasing benefit is expected to be in the order of £710K in real 2019 prices;
- Comparison between this figure and the revenue costs presented in Table 1 shows that the direct cash releasing benefit alone is equivalent to some 60% of the annual OPEX of the facilities

### Wider Benefits to UK Society

Wider economic benefits should be measured from the perspective of the UK as a whole. At this level, best practice has moved away from the use of employment and GVA calculations since at the macro level only interventions that increase human capital or job search activity have positive labour supply effects. However, at the local level, first round labour demand effects can be included.

Key assumptions in doing so include:

- Assumes 44% of gross floor space is 'net additional'
- Assumes 80% of GIFA is net-lettable across each project
- Assumes 90% occupancy levels
- Assumes 32% of jobs accommodated are 'net additional'<sup>3</sup>

Table 4: Potential Net Additional Jobs

<sup>3</sup> Additionality Guide, English Partnerships (2008)

|                                    | Net Additional NIA (m2) | Assumed occupancy rate | Occupied Net Additional NIA (m2) | Assumed Employment Density (m2 NIA per job) | Number of jobs accommodated | Net Additional Jobs Created |
|------------------------------------|-------------------------|------------------------|----------------------------------|---|-----------------------------|-----------------------------|
| Swansea Bay Technology Centre      | 880                     | 90%                    | 792                              | 12  | 66                          | 21                          |
| National Steel Innovation Centre   | 2,112                   | 90%                    | 1,901                            | 12  | 158                         | 51                          |
| Production Facility                | 785                     | 90%                    | 706                              | 12  | 59                          | 19                          |
| R&D Innovation and Growth Facility | 704                     | 90%                    | 634                              | 12  | 53                          | 17                          |
| Property Development Fund          | 2,112                   | 90%                    | 1,901                            | 12  | 158                         | 51                          |
| <b>Total</b>                       | <b>6,593</b>            |                        | <b>5,934</b>                     |   | <b>494</b>                  | <b>158</b>                  |

It is likely that these jobs would be reasonably high value. For example, the economic impact work undertaken in support of the Port Talbot Waterfront Enterprise Zone noted that manufacturing jobs within the Port Talbot area generated GVA impacts of nearly £72,000 per job.

However, owing to the early stage of project development a highly conservative estimate is adopted, which assumes productivity per job to instead be in-line with the Swansea and Neath Port Talbot average of some £39,000. This generates a more conservative estimated annual GVA impact of £6.2m once all the above projects are fully operational.

### Net Present Value

Comparison of these indicative net present costs and benefits is shown below assuming a 40 year operating period. The results show a Benefit Cost Ratio (BCR)<sup>4</sup> of 1.85, even adopting the conservative assumption that net additional jobs created are only of equal value to those already present within the Swansea / NPT area and only including the GVA and cash-releasing benefits of the above programmes in the calculation.

Table 5: High Level Net Present Value Estimates

| Economic Impact      |        |
|----------------------|--------|
| Net Present Costs    | 73.86  |
| Net Present Benefits | 136.95 |
| Net Present Value    | 63.08  |
| Benefit Cost Ratio   | 1.85   |

<sup>4</sup> BCR Definition - The Benefit Cost Ratio (BCR) is one of the standard metrics used to appraise the potential economic return from a project, the other common metric being NPV.

Net Present Value (NPV) = Present Value of Benefits (i.e. the discounted future benefits) minus the Present Value of Costs. NPV therefore gives an indication of the potential magnitude of economic impact.

BCR = Present Value of Benefits divided by Present Value of Costs. A BCR above one delivers a positive economic return. A BCR's intuitive interpretation gives an indication of the potential return on investment for every pound spent. A BCR of 1.85 therefore implies that for every £1 invested in this project, the economy benefits by £1.85 - i.e. society gets back almost twice as much as it puts in.

The above results should be treated with caution and are indicative only. However, the positive NPV is reasonably robust to changes in the input assumptions. For example, even if an optimum bias adjustment of 50% is added to all costs the BCR still remains above one as shown below.

Table 6: High Level Net Present Value Estimates, including 50% Optimism Bias

| <b>Economic Impact</b> |        |
|------------------------|--------|
| Net Present Costs      | 110.79 |
| Net Present Benefits   | 136.95 |
| Net Present Value      | 26.15  |
| Benefit Cost Ratio     | 1.24   |