

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

REVISION HISTORY

Date	Version	Modified by	Changes made, review history
	0.1	First Draft Version	

DOCUMENT SIGN OFF

Date	Version	Signed off by	Comments

Table of Contents

	Pages
Introduction	4 - 7
Executive summary	8 - 11
Strategic case	12 - 36
Economic case	37 - 44
Commercial case	45 - 47
Financial case	48 - 50
Management case	51 – 53
Other reference documents	54

Appendices:

Appendix 1	Project Overview
Appendix 1a	Project overview – additional information
Appendix 2	Evidence of demand – enquiry list
Appendix 3	Programme outputs / outcomes
Appendix 4	Cost Benefit Analysis
Appendix 5	Economic Appraisal
Appendix 6	Financial / investment profile
Appendix 7	Property Development Fund scheme guidance
Appendix 8	Programme Gantt chart
These appendices can be viewed here:	
https://democracy.npt.gov.uk/ieListDocuments.aspx?CId=158&MIId=8692&Ver=4	

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’*¹. 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 21st 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

¹ 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 Zone². 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

² 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*”³. 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.

³ 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
TOTAL	0.80	17.90	25.80	9.75	1.25	55.50
Funded by:						
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
Net requirement from City Deal	0.50	14.40	24.20	8.55	0.05	47.70
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
TOTAL	0.00	0.25	0.85	1.05	1.05	3.20
Funded by:						
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
Net requirement from City Deal	0.00	0.00	0.00	0.00	0.00	0.00

TOTAL						
	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	1.50	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
TOTAL	0.80	18.15	26.65	10.80	2.30	58.70
Funded by:						
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
Net requirement from City Deal	0.50	14.40	24.20	8.55	0.05	47.70

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 Zone⁴ 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 8th 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.

⁴ 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>Prosperity for All: The National Strategy (Taking Wales Forward 2016 – 2021)⁵</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"> • Prosperous and Secure - 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 • Skills and employability – the Programme will attract new businesses and grow existing ones to improve prosperity. <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>Prosperity for All: The</p>	<p>The Action Plan was developed to support the delivery of the Prosperity for All national economic</p>

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

<p>Economic Action Plan⁶</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&D.</p> <p>The projects proposed in this Programme are aligned to the Plan as follows:</p> <ul style="list-style-type: none"> • 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; • There are too many people who are economically inactive. Thus the Programme aims to tackle barriers to employment; • The “spatial” difference in outcomes between our communities within, and between, the different regions of Wales is one of the most difficult structural problems; • 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 • 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.
<p>Prosperity for all – A Low Carbon Wales⁷</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>

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

⁷ 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
Wellbeing of Future Generations (Wales) Act 2015⁸	<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>Prosperous Wales: providing new employment and the efficient use of resources through building design and the re-use of brownfield land;</p> <p>Resilient Wales: new business premises, with the necessary technological infrastructure, to promote diversification and reduce overreliance on traditional industries and public sector employment;</p> <p>Healthier Wales: long standing evidence clearly demonstrates the positive impact of employment on health and well-being;</p> <p>A more Equal Wales: the Programme involves opportunities accessible to all to reduce societal inequalities, regardless of circumstances;</p> <p>Cohesive Communities: sustaining viable and well-connected communities through employment;</p> <p>Vibrant Culture and thriving Welsh Language: increased employment opportunities can only support the Language in the medium/long term contributing to Welsh Government 2050 targets; and</p> <p>Globally Responsible Wales: 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"> • considering a <u>long term</u> view of the economic,

⁸ <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"> • in terms of <u>prevention</u>, mitigating against economic challenges by diversifying the base; • contributing to the <u>integration</u> each of the well-being goals and complementing the goals of the Welsh Government and other partners; and • ensuring delivery is <u>collaborative</u> with relevant stakeholders involved in development/delivery.
Innovation Wales⁹	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.
The Environment (Wales) Act¹⁰	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).
Energy Wales: A Low Carbon Transition¹¹	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.
Green Growth Wales: Local Energy¹²	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.

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

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

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

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

Foundational Economy¹³	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.
Welsh Government ‘Employment Sites & Premises in Wales Property Delivery Plan’	<p>Tim Howard (Welsh Government) attended the regional Regeneration Lead Officers meeting on 25th June 2019 to provide a background to the WG ‘Employment Sites & 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:

Policy Drivers	Relevance to this programme
Industrial Strategy – Building a Britain fit for the future¹⁴	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 & Data, clean growth, future mobility and an aging society).</i>
Clean Growth: Leading the Way to a Low-	Of direct relevance, this strategy highlights the BEIS Energy Innovation Programme to accelerate the commercialisation of clean energy technologies and

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

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

Carbon Future	investment in smart energy systems.
Climate Change Act 2008¹⁵	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.
Clean Growth Strategy¹⁶	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.
Foundational Economy¹⁷	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:

Policy Drivers	Relevance to this Programme
Swansea Bay City Region: Economic Regeneration Strategy¹⁸	<p>This underpins the City Deal to 2030. The Programme delivers against the five strategic aims:</p> <ul style="list-style-type: none"> • Business growth, retention and specialisation: By supporting indigenous companies and start-ups; • Skilled and ambitious for long-term success: Working closely with the Skills and Talent initiative to ensure the region's

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

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

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

¹⁸ <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"> • Maximising job creation for all: Supporting economic diversification through value added jobs and removing barriers to employment; • Knowledge economy and innovation: Establishing the City Region as a knowledge economy where innovation thrives; and • Distinctive places and competitive infrastructure: Providing infrastructure assets to support business as a regional gateway.
Swansea Bay City Deal ‘The Internet Coast’¹⁹	<p>This Programme is also aligned to the four ‘internet’ themes within the City Deal programme:</p> <ul style="list-style-type: none"> • The Internet of Economic Acceleration: next generation digital infrastructure; • The Internet of Life Science and Wellbeing: expanding research and innovation; • The Internet of Energy: energy innovation and sustainable housing; and • Smart Manufacturing: supporting manufacturing.
Port Talbot Waterfront Enterprise Zone²⁰	<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

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

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

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

Links with other initiatives	Relevance to this Programme
Active Building Centre	<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>
Flexis	Port Talbot is a demonstration zone identified in the Flexis programme
Hydrogen Centre²¹	The Hydrogen Centre is a partner in the hydrogen stimulus project
Swansea University	SPECIFIC Steel and Metals Institute (SaMI)
Cardiff	Welsh School of Architecture

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

University	
University of Wales Trinity St David	A key partner in the Industrial Futures theme
Neath Port Talbot Group of Colleges	A key partner in ensuring the region has the necessary skills to deliver the opportunities in this Programme
Innovate UK	<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:

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

		<ul style="list-style-type: none"> • Jobs created
2	Stimulate a cluster of companies by providing a well-connected, competitive, carbon reducing, business environment.	<ul style="list-style-type: none"> • Jobs created in: <ul style="list-style-type: none"> - Advanced manufacturing - Energy - Engineering - Technology
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"> • Investment attracted (£) • GVA uplift

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.²²

This is illustrated in Table 3 below:

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

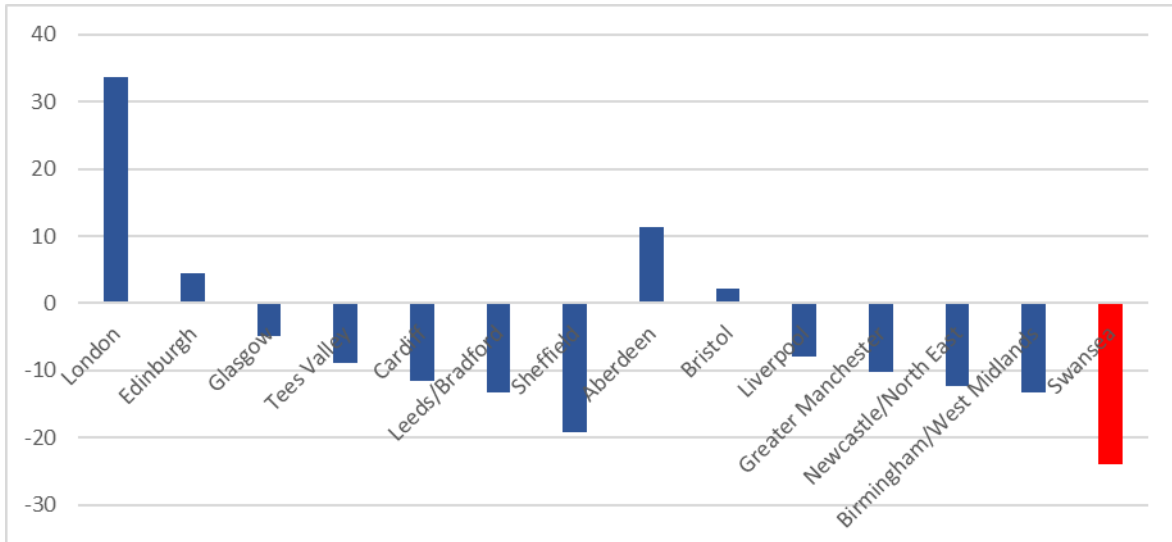


Table 3 – City Region productivity per hour relative to UK average (2016)

The economic landscape is characterised by:

- Gearing towards lower value sectors, compared to the UK;
- Low quality regional commercial and retail property, attracting low rents²³ (see Table 4 below); and

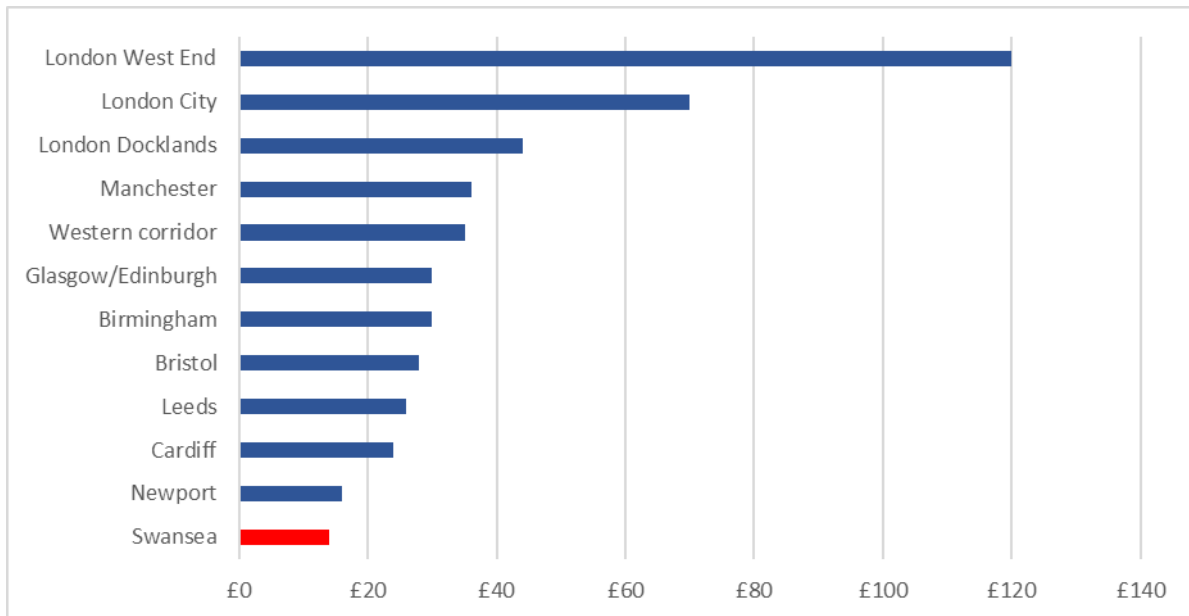


Table 4 – UK Office rents - £ per square foot (2016)

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

²³ 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 m² across the Swansea Bay City Region over the subsequent five years.²⁴

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.*”²⁵ 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.*”²⁶ The Enterprise Zone Strategic Plan similarly concluded that “*there is a clear shortage of available commercial premises and strong evidence of occupier interest.*”

²⁴ Employment Property Demand Study for the Welsh Assembly Government, DTZ, August 2007

²⁵ Viability Study for Plot 4 Baglan Energy Park, Rowland Jones, 2015

²⁶ 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 m² 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)²⁷.

Existing arrangements: Decarbonisation

Recent figures²⁸ 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:²⁹

- 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;

²⁷ <https://www.npt.gov.uk/7328>

²⁸ Welsh Government Energy Generation in Wales report - 2017

²⁹ *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.

CO₂ emissions will also be modelled and captured to determine any net emission reductions and to assess the potential implementation of carbon capture and CO₂ storage techniques.³⁰ 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).

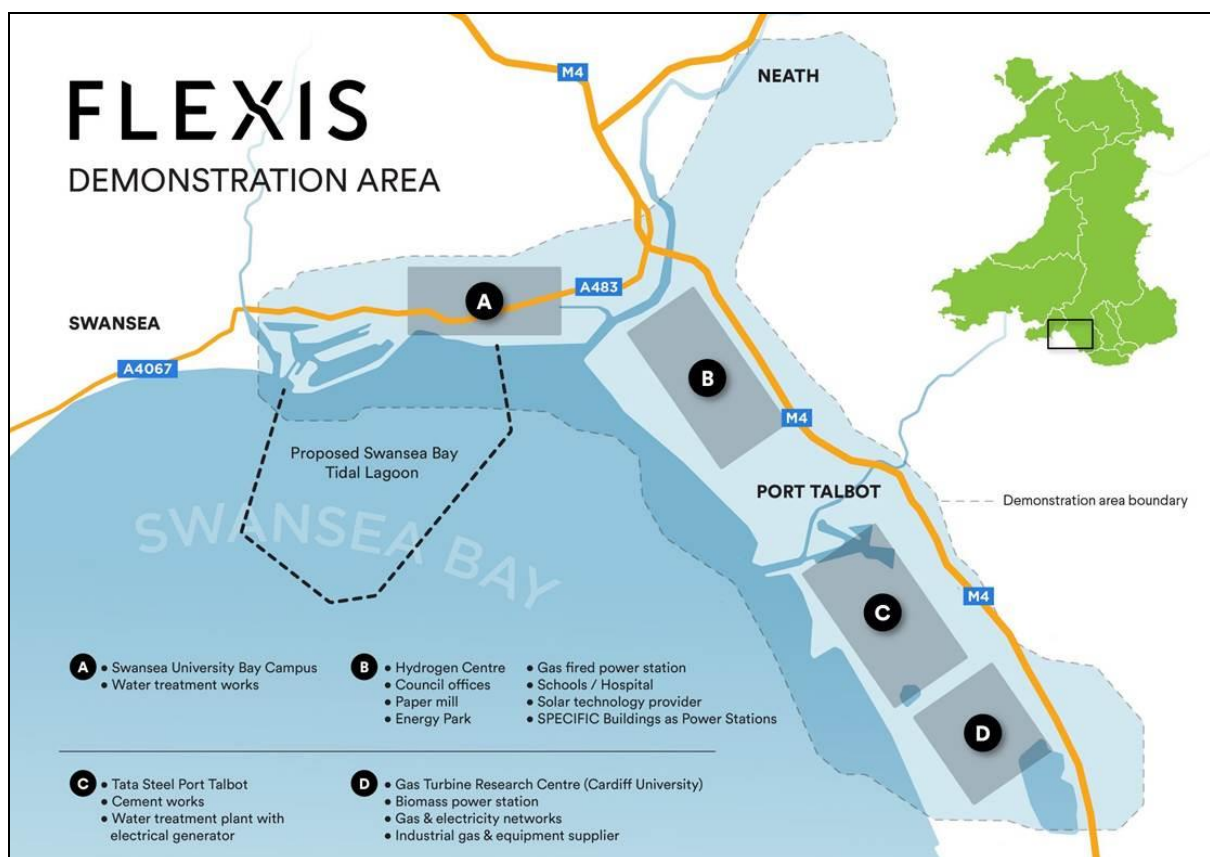


Figure 5: FLEXIS Demonstration Area

³⁰ <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 SA1.³¹

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;³²
- 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

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

³² *ibid*

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

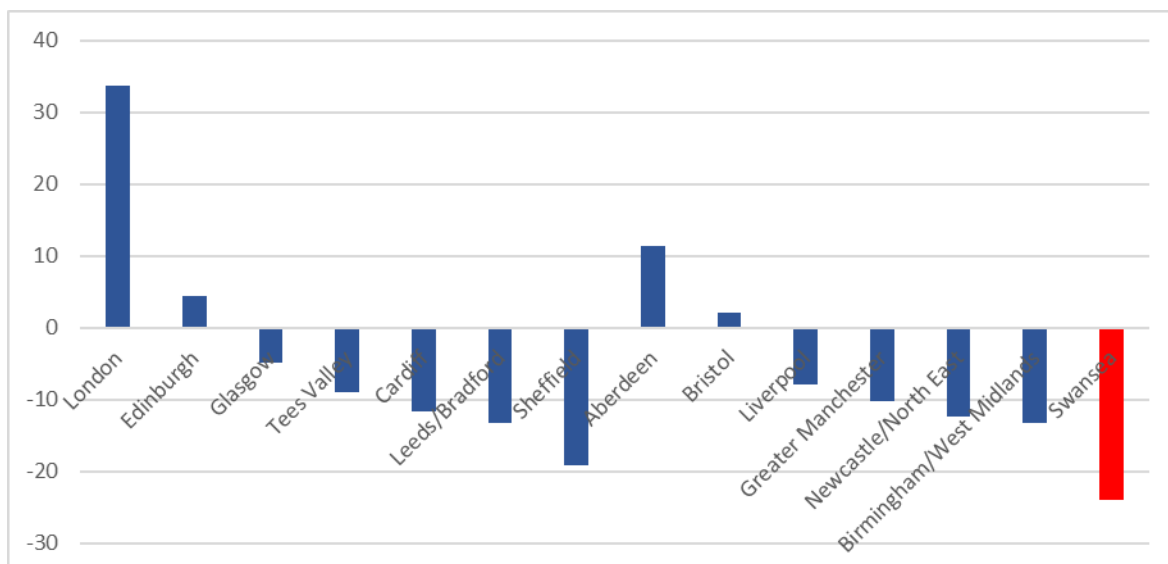
Business Needs

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 average³³ – down from 77% in 2010 and 90% in 1981.³⁴

This decline in economic performance is stark.³⁵ Only 71% of the working age population is classed as economically active compared to 76% for the UK as a whole.³⁶ Moreover, there are not enough people with higher level qualifications - and too many with none at all.³⁷ 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.



³³ Swansea Bay City Region City Deal Heads of Terms

³⁴ Swansea Bay City Region Economic Regeneration Strategy, 2013-2030

³⁵ Swansea Bay City Region City Deal Heads of Terms

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

³⁷ 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.³⁸

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.³⁹ However, with the exception

³⁸ Based on primary data gathered by NPTCBC.

³⁹ 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 Governments⁴⁰ 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

⁴⁰ 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:

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

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

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

Non-financial

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

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? Optimise the identified benefits? Align with and support the national, regional and local strategies?

2	Value for money	Optimise available resources and provide value for money?
3	Potential achievability	Acceptable to key stakeholders? Politically acceptable? Operationally and physically achievable?
4	Supply side capacity and capability	Attractive to potential suppliers to deliver the requirements?
5	Potential affordability	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>DISCOUNT Does not meet the Investment Objectives and CSFs</p>	<p>CARRY FORWARD Weakly meets the Investment Objectives and CSFs</p>	<p>CARRY FORWARD Broadly meets the Investment Objectives and CSFs</p>	<p>PREFERRED 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>DISCOUNT</p> <p>Does not meet the Investment Objectives and CSFs</p>	<p>CARRY FORWARD</p> <p>Weakly meets the Investment Objectives and CSFs</p>	<p>CARRY FORWARD</p> <p>Broadly meets the Investment Objectives and CSFs</p>	<p>PREFERRED</p> <p>Strongly meets the Investment Objectives and CSFs</p>
---	---	--	---

The results were as follows (Table 7):

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

CSF			
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
Project /Programme Costs						
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
TOTAL	0.80	17.90	25.80	9.75	1.25	55.50
Funded by:						
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
Net requirement from City Deal	0.50	14.40	24.20	8.55	0.05	47.70
REVENUE						
	2019/20	2020/21	2021/22	2022/23	2023/24	TOTAL
	£m	£m	£m	£m	£m	£m

Project /Programme Costs						
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
TOTAL	0.00	0.25	0.85	1.05	1.05	3.20
Funded by:						
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
Net requirement from City Deal	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL						
	2019/20	2020/21	2021/22	2022/23	2023/24	TOTAL
	£m	£m	£m	£m	£m	£m
Project /Programme Costs						
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
TOTAL	0.80	18.15	26.65	10.80	2.30	58.70
Funded by:						
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
Net requirement from City Deal	0.50	14.40	24.20	8.55	0.05	47.70

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

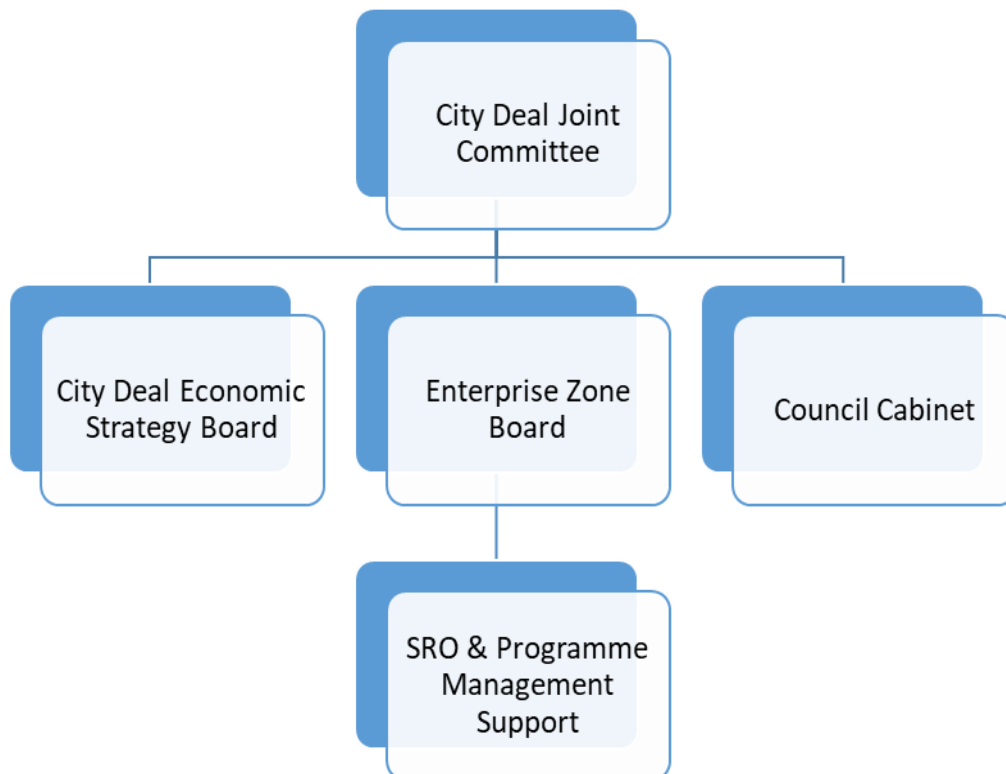
The Management Case addresses the achievability of the programme and planning arrangements required to both ensure successful delivery and to manage programme risks.

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.