

# Swansea Bay City Deal

## Portfolio Business Case

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## EXECUTIVE SUMMARY

The Swansea Bay City Deal (SBCD) Portfolio Business Case provides an overview of the rationale and collaborative approach taken by the Swansea Bay City Region (SBCR) key stakeholders to successfully deliver a portfolio of nine prioritised projects, identified in March 2017 and later reviewed in 2019. The purpose of the business case is to enable key stakeholders to understand, influence and shape the portfolio, while assisting decision-making through evidence and the identification of risks and issues, validating the portfolio's continuing viability and providing a basis to monitor and evaluate the portfolio.

This is the second iteration of the Portfolio Business Case which incorporates the recommendations of both the Gateway 0 Review and the Welsh City and Growth Deals Implementation Board (WCGIB) Accounting Officer Review (AOR) recommendations. The AOR recommendations are shown in Appendix i.i and are cross-referenced with the business case changes as appropriate. The business case also updates on the latest status, impacts, financing and management of the portfolio and its constituent programmes and projects. The purpose of each business case section and the following main changes are highlighted below and respond to the AOR recommendation to incorporate a history of change in this iteration of the Portfolio Business Case.

### **The Strategic Case**

Demonstration of alignment to relevant strategies and policy. Case for change demonstrating the need and potential scope of the proposal.

- Updated information on the strategic alignment of the portfolio with UK, Wales and Regional policy / strategy and current public sector initiatives. Further detail provided on the strategic alignment of the constituent programmes and projects.
- Investment Objectives defined, baselined and made SMART. Additional Investment Objective added relating to total investment generated through the City Deal. Detail provided on the Investment Objectives link to the SBCR Strategy. Detail on programme and project level Investment Objectives added.
- Detail provided on the benefits that will accrue through the portfolio at a programme and project level. Baseline data provided for measuring impact over the timeframe of the portfolio.
- Information provided on headline assumptions at a programme and project level relating to time, cost, quality and impact.

### **The Economic Case**

Identify the proposal that delivers best public value to society, including wider social and environmental effects.

- Inclusion of a timeline for the development of the SBCD portfolio (below)
- Updated business case development and approval status (Table 2.5) – Pentre Awel and Digital Infrastructure have received regional approval with Government approval pending. Homes as Power Stations submitted for Government approval.
- Updated economic appraisal information for portfolio, programmes and projects. Overall Portfolio NPV now £1,117.8m.
- Updated portfolio, programmes and projects GVA / Jobs impacts.

### **The Commercial Case**

Demonstrate that the preferred option will result in a viable procurement and a well-structured Deal between the public sector and its service providers.

- Updated portfolio procurement principles
- Additional information on the realisation and monitoring of community benefits, including a register template of programme and project community benefits
- Development of a register of planned procurement activities at a programme and project level to assist the private sector in identifying potential tender opportunities at an early stage

### **The Financial Case**

Demonstrate the affordability and funding of the preferred option, including the support of stakeholders and customers.

- Updated funding and investment information including breakdown of private and public sector investment. Clarification included on relationship between portfolio investment funding and capital financing
- Detail included of short-term investments and loan borrowing, and how these relate to the financing of programmes and projects
- Detail on the financial monitoring templates for annual / quarterly monitoring to WG

### **The Management Case**

Demonstrate that robust arrangements are in place for the delivery, monitoring and evaluation of the scheme.

- Updated governance and delivery structures and arrangements
- Updated arrangements for Monitoring and Evaluation of the portfolio including a governance reporting schedule and templates for quarterly monitoring of risks, issues, deliverables and financial monitoring
- Establishment of a portfolio Risk Management Strategy
- Establishment of a Change Management Strategy together with arrangements for contingency planning and management
- Communications and engagement schedule
- Updated Business Case status summary across all programmes and projects
- Updated portfolio delivery roadmap for all programmes and projects

## **The Strategic Case**

### **Strategic Context**

The SBCD has a current portfolio investment of £1.147bn, funded by the UK Government, the Welsh Government, public sector bodies and industry. This investment will improve regional infrastructure in high value sectors, attract inward investment from businesses and create good job opportunities.

The SBCD aligns closely with the priorities of the UK and Welsh Governments in relation to economic development. It is directly aligned to the UK Government's Industrial Strategy and the Welsh Government's Prosperity for All (2017) strategy and Well-being of Future Generations (Wales) Act

2015. This alignment is cascaded down to a regional level, where the SBCD is part of the Swansea Bay City Region Economic Regeneration Strategy 2013 to 2030, which aims to advance regional socio-economic growth.

### **Case for Change**

Although employment growth in the Swansea Bay City Region has increased considerably since the 1990s, the case for change is underpinned by the fact that employment is in lower value sectors and occupations. There were over 30,000 fewer manufacturing jobs in 2010 than in 1990, which has significantly contributed to the major productivity gap that has emerged between the SBCR and the UK. Productivity in the SBCR has also fallen below the Welsh average level for the past 15 years. The mix of sectors in the regional economy is geared towards lower value sectors compared to the rest of the UK and therefore underperforms in employing those in occupational groups aligned to higher wages. In addition, the nature of the jobs within these sectors is generally of a lower value than elsewhere.

The region relies too heavily on the GVA produced by public sector activities such as health, education and public administration, as well as lower paid jobs in sectors including agriculture, tourism and the foundational economy. The productivity gap between the City Region and the rest of the UK is forecast to remain below average if targeted and collective action is not taken through a City Deal portfolio.

The Investment Objectives for the SBCD Portfolio are:

1. To create over 9,000 skilled jobs aligned to economic acceleration, energy, life sciences and smart manufacturing across the region within 15 years (2017-33)
2. To increase the Swansea Bay City Region GVA by £1.8-2.4 billion through the SBCD by 2033 and contribute to the region achieving 90% of UK productivity levels by 2033
3. To deliver a total investment in the region of £1.15-1.3 billion in the South West Wales Regional economy by 2033

### **Potential Scope**

Supporting high value sectors and addressing long-term barriers to growth is at the heart of the Swansea Bay City Deal. Key business needs have been identified across these high value sectors. Thematically, the SBCR will prioritise four broad strategic themes to help tackle its structural challenges and reduce the economic performance gap between the SBCR and the rest of the UK. These themes are:

- Economic Acceleration
- Life Science & Well-Being
- Energy
- Smart Manufacturing

These areas have productivity and GVA potential for growth and are aligned to creating high technology jobs through start-ups and the attraction of inward investment from larger businesses. They are also areas of focus whereby the region has begun to build foundations to advance through R&D, infrastructure, natural resources, skills and complementary investments.

## Key Benefits, Risks, Dependencies, Constraints

<p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>• Greater employment opportunities</li> <li>• Strengthened talent retention, attraction and entrepreneurialism</li> <li>• A healthier and more diverse economy through more productive, efficient and profitable companies More disposable income and spend within the region</li> <li>• Improvements to health and social well-being</li> <li>• Improved supply chains</li> </ul>	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Displacement as a result of competing with other regions across Wales</li> <li>• Lack of funding from Welsh and UK Governments</li> <li>• Lack of inward investment from private sector</li> <li>• Lack of quality human capital within the region</li> <li>• Political change or conflict at Regional, UK and Welsh Government levels</li> <li>• External risks such as Covid-19 and Brexit</li> </ul>
<p><b>Constraints</b></p> <ul style="list-style-type: none"> <li>• Total funding package: Portfolio budget based on the fixed funding agreement between the region and the Welsh and UK Governments</li> <li>• Capital Funding: Portfolio budget being largely capital investment</li> <li>• Term of the City Deal: The timeframe for the delivery of the Portfolio cannot exceed the term of the City Deal set at 15 years</li> <li>• Resources: Resources available to establish and implement the portfolio and associated programmes and projects</li> <li>• State Aid: Growth Deal projects must comply with relevant State Aid rules</li> </ul>	<p><b>Dependencies</b></p> <ul style="list-style-type: none"> <li>• Drawdown of Funding: Annual drawdown of City Deal funding from tWG/UKG</li> <li>• Borrowing requirement for lead organisations</li> <li>• Private Sector Engagement: The City Deal cannot be successfully delivered without the engagement of and collaboration with the private sector</li> <li>• Public Sector Engagement: The SBCD requires the commitment of all primary stakeholders to deliver the Deal</li> <li>• Public Sector Delivery: The SBCD requires primary stakeholders to progress the wider economic regeneration plans relating to City Deal funding</li> <li>• Statutory Consents and Planning Approval</li> </ul>

## The Economic Case

### Critical Success Factors

The original Critical Success Factors (CSFs) have been aligned with Green Book guidance:

No.	Critical Success Factor	Requirements	Chosen CSF's for Portfolio
1	Strategic Fit and business needs	<ul style="list-style-type: none"> <li>• Meets the agreed spending objectives, related business needs and service requirements; and</li> <li>• Provides holistic fit and synergy with other strategies, programmes and projects</li> </ul>	Regional Spread GVA impact Impact on UK plc Job Creation
2	Potential Value for money	<ul style="list-style-type: none"> <li>• Optimises social value (social, economic and environmental) in terms of the potential costs, benefits and risks</li> </ul>	Consideration that the overall benefits are greater than the individual parts

3	Potential achievability	<ul style="list-style-type: none"> <li>Is likely to be delivered, given the organisation's ability to respond to the changes required, and</li> <li>Matches the level of available skills required for successful delivery</li> </ul>	Skills readiness Readiness in 5-year context
4	Supply side capacity and capability	<ul style="list-style-type: none"> <li>Matches the ability of potential suppliers to deliver the required services</li> <li>Is likely to be attractive to the supply side</li> </ul>	Private sector engagement Readiness in 5-year context
5	Potential affordability	<ul style="list-style-type: none"> <li>Can be funded from available sources of finance</li> <li>Aligns with sourcing constraints</li> </ul>	Private sector investment Readiness including affordability within programme

Table i.i. Critical Success Factors

### Option Selection

Following a process of development and review, a shortlist of nine programmes / projects were agreed to be taken forward under the SBCD portfolio. These are summarised below:

Economic Acceleration	Swansea City & Waterfront Digital District	<p>To boost Swansea city centre's economic well-being at the heart of the City Region's economy, while retaining local tech, digital and entrepreneurial talent. This programme includes:</p> <ul style="list-style-type: none"> <li>A digitally enabled indoor arena in the city centre for concerts, exhibitions, conferences and other events</li> <li>A 'digital village' development in the city centre to accommodate the city's growing tech and digital business sector</li> <li>A 'Innovation Matrix' and the wider innovation precinct development at the University of Wales Trinity Saint David's new Swansea waterfront campus to enable start-up company support and growth</li> </ul>
	Yr Egin	<p>To support and further develop the region's creative industry sector and Welsh language culture. The two-phased programme in Carmarthen, led by the University of Wales Trinity Saint David, features:</p> <ul style="list-style-type: none"> <li>National creative sector anchor tenants</li> <li>World class office space for local and regional creative sector SMEs, with opportunities for expansion</li> <li>Facilities for the community and business networking</li> <li>The facilitation of engagement between businesses and students</li> </ul>
	Digital Infrastructure	<p>To significantly improve digital connectivity throughout the City Region for the benefit of businesses and residents, also helping to attract inward investment. The programme is made of up of three themes:</p> <ul style="list-style-type: none"> <li>Connected places</li> <li>Rural connectivity</li> <li>Next generation wireless (5G and IOT networks)</li> </ul>
	Skills and Talent	<p>To develop a sustainable pipeline of regional talent to benefit from the jobs City Deal programmes and projects will generate in growth sectors for the region. This includes the potential to develop skills through courses and training and apprenticeship opportunities aligned to City Deal projects/programmes and regional priorities, as well as a partnership</p>

		approach involving schools, universities, businesses and training providers across the region to identify need and resolve skills development gaps.
Life Science & Well-being	Life Science, Well-being and Sport Campuses	To develop digital health and platform technologies and clinical innovation 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 Sciences at Swansea University and expanding on regional expertise in sport and exercise science. This project will be located at Morriston Hospital and Swansea University's Singleton Campus.
	Pentre Awel	Previously named the Life Science & Well-being Village, this development will include life sciences research and assisted living units on one site in Llanelli, alongside state-of-the-art leisure, well-being and business incubation facilities. The development will include a well-being skills centre and a clinical delivery centre (Community Health Hub). This project will benefit from and further develop regional expertise in life sciences, while providing training and high-value job opportunities for local people.
Energy and Smart Manufacturing	Homes as Power Stations	A co-ordinated project across the City Region, Homes as Power Stations will see energy-saving technologies introduced to thousands of homes as part of a smart, low carbon new-build and retrofit programme. The project will: <ul style="list-style-type: none"> <li>• Tackle fuel poverty</li> <li>• Further decarbonise the regional economy</li> <li>• Improve residents' health and well-being</li> <li>• Reduce burden on regional health and social services</li> <li>• Benefit regional supply chain businesses</li> <li>• Potentially develop a UK-wide industry in the City Region, with global export opportunities</li> </ul>
	Pembroke Dock Marine	This programme will place Pembrokeshire at the heart of UK and global zero carbon, marine and off-shore energy innovation, building on the expertise of a marine energy cluster in Pembroke Dock. Facilities will be provided for marine energy innovators to build, test and commercialise their technologies. Programme features include: <ul style="list-style-type: none"> <li>• Pembroke Dock Infrastructure (PDI) improvements</li> <li>• A Marine Energy Engineering Centre of Excellence (MEECE)</li> <li>• Marine Energy Test Area (META) developments</li> <li>• The Pembrokeshire Demonstration Zone (PDZ)</li> </ul>
	Supporting Innovation and Low Carbon Growth	This programme will help further decarbonise the regional economy, while safeguarding the regional steel industry and providing high-quality space for the innovation, ICT and research and development sectors. Programme features include: <ul style="list-style-type: none"> <li>• SWITCH - A purpose-built facility and specialist equipment to support the steel and metals industry and supply chain</li> <li>• Electric vehicle infrastructure and mapping</li> <li>• Real-time air quality modelling</li> <li>• Hydrogen production to power hydrogen vehicles</li> <li>• Cutting-edge business spaces to meet evidenced demand including a Technology Centre and Property Development Fund</li> </ul>

Table i.ii Programme and Project Summary

## Economic Appraisal

The SBCD will deliver a portfolio of projects and programmes that are most likely to offer best value for money and maximum social and economic value to the SBCR. The SBCD portfolio is estimated to generate a Net Present Social Value (NPSV) of £1,117.8 million from a public sector cost of £439.6 million. Eight of the nine programmes and projects have undertaken a robust options assessment and detailed economic appraisal of impact. An extract of the summary economic appraisal is shown below:

Appraisal Category		SBCD Portfolio	Yr Egin	Swansea Waterfront	PDM	HAPS	SI&LCG	Pentre Awel	Campuses	Digital	Skills
A	Net Present Social Value (£m)	<b>1,117.8</b>	150.02	407.51	87.2	11.11	48.7	63.86	30.2	319.2	TBC
B	Public sector cost (£m)	<b>439.59</b>	21.8	138.37	42.7	14.66	130.3	39.11	14.151	38.5	TBC
C	Appropriate BCR	-	3.7	3.95	2.63	0.76	1.3	2.63	3.14	1.5-11	TBC

Table i.iii. Economic Appraisal Summary Extract

The overall impact of the portfolio in terms of GVA and net jobs over the timeframe of the City Deal is shown below:

Programme / Project	15-year Impact	
	GVA £m	Net Jobs
<b>Economic Acceleration</b>		
Swansea City & Waterfront Digital District	669.8	1,281
Yr Egin	89.5	427
Digital infrastructure	318.8	-
Skills and Talent Initiative	-	-
<b>Life Science &amp; Well-being</b>		
Life Science, Well-being and Sport Campuses	150.0	1,120
Pentre Awel (Life Science & Well-being Village)	467.0	1,853
<b>Energy and Smart Manufacturing</b>		
Homes as Power Stations	251	1,804
Pembroke Dock Marine	343.4	1,881
Supporting Innovation and Low Carbon Growth	93	1,320
<b>SBCD Portfolio total</b>	<b>2,382.5</b>	<b>9,686</b>

Table i.ix Programme and Project Impact Deliverables

In addition to the above strategic benefits, each project/programme has identified further benefits within their business cases, and a range of benefits that cannot be quantified or monetised in a robust fashion, but which are still a significant consideration in the value for money case for the programmes.



## **The Commercial Case**

### **Procurement Strategy and Principles**

The SBCD will not undertake any procurements in relation to the delivery of the portfolio and will not own any assets as a result of the delivery activities. The procurement of SBCD programmes and projects are led by the lead delivery organisation, who may be a local authority, university, health board or private/third sector organisation. These lead delivery organisations are responsible for conducting their own procurement exercises in line with their own organisational policies and procedures. The SBCD will provide the principles, guidance and cohesion for the portfolio procurement as a whole.

The SBCD's Joint Committee approved a supplementary set of procurement principles in November 2020 that aim to encourage project/programme teams to consider wider benefits that can be achieved through procurement.

The 5 Procurement Principles have been addressed as follows:

1. Be Innovative
2. Have an open, fair and legally compliant procurement process
3. Maximise Community Benefits from each contract
4. Use Ethical Employment Practices
5. Promote the City Deal

The PoMO will work across the portfolio to apply these procurement principles and ensure maximum benefit to the region through procurement.

### **Community Benefits**

The use of Community Benefit clauses as a core requirement will bring added value and ensure long-term benefits realisation. Clauses that may be used in community benefit contracts include:

- Supply chain opportunities
- Targeted recruitment and training clauses
- Contributions to education
- Community initiatives

## **The Financial Case**

### **Financial Overview**

The SBCD has an anticipated total capital expenditure of up to £1.147 billion, of which £241 million is derived from the City Deal with the remainder provided by public and private sector partners. The capital expenditure requirements are provided in the financial case, based on the latest available project/programme business cases and aggregated up to provide the portfolio estimates.

No revenue funding is provided through the City Deal for the delivery of the projects/programmes or the operational running costs of the projects, once completed.

Operational revenue requirements for the projects/programmes once the capital expenditure is completed is the responsibility of the Project Sponsor for every project.

### Investment Breakdown

The current portfolio investment breakdown is presented below:

Programme/Project	Investment (£m)			
	City Deal	Public	Private	Total
Swansea City & Waterfront Digital District	50.00	85.38	39.97	175.35
Yr Egin	5.00	19.17	1.5	25.67
Digital Infrastructure	25.00	-	30	55.00
Skills and Talent	10.00	16	4	30.00
Life Science, Well-being and Sport Campuses	15.00	9.03	13.78	37.81
Pentre Awel (Life Science & Well-being Village)	40.00	51	108.19	199.19
Homes as Power Stations	15.00	114.6	375.9	505.50
Pembroke Dock Marine	28.00	16.35	16.12	60.47
Supporting Innovation and Low Carbon Growth	47.70	7.7	6.11	61.51
<b>TOTALS</b>	<b>235.70</b>	<b>330.34</b>	<b>581.38</b>	<b>1,147.42</b>

Table v. Portfolio Investment Breakdown

### Flow of Funding

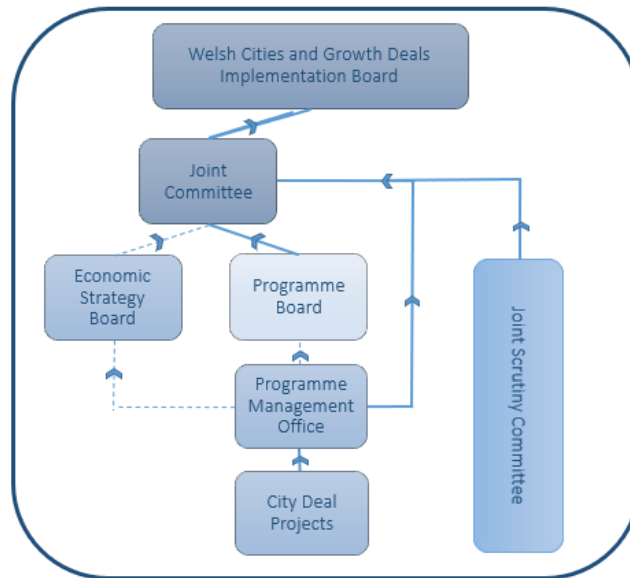
A formal process is in place for the monitoring, management and allocation of City Deal funding over the timeframe of the portfolio. Funding agreements are being finalised with the leads for the constituent programmes and projects to ensure that public funds are allocated appropriately and linked to the outputs, outcomes and impacts of each programme / project. Effective monitoring and financial control procedures are in place at each level of the portfolio to ensure accountable and transparent management of funds.

## The Management Case

### Governance Arrangements

The SBCD governance and assurance arrangements have advanced significantly with all governance committees established and fully operational. A SBCD Senior Responsible Owner (SRO) was appointed in June 2020 and the Portfolio Director having started in post in March 2020. The establishment of the Portfolio Management Office (PoMO) was completed by November 2020.

The SBCD governance structure is shown below:



### P3M Principles

The SBCD will be managed as a portfolio, strategically owned by the Joint Committee and operationally managed by the Programme (Portfolio) Board. This approach will provide oversight and flexibility in the methodologies that the diverse set of programmes and projects will utilise to manage their development and delivery.

Robust governance and approvals of the SBCD will be through its people, structures, strategies and processes - all based on Portfolio, Programme and Project Management (P3M) practices and principles.

The following key procedures, plans and strategies are in place to effectively manage the portfolio:

- Monitoring and Evaluation Plan
- Integrated Assurance and Approval Plan
- Risk Management Strategy
- Communications and Marketing Plan
- Change Control Procedure
- Implementation Plan

### Assurance

The SBCD underwent a Gateway 0 external review during July 2020, where it was given an Amber Delivery Confidence Assessment. The report was very positive overall, with three critical administrative issues needing urgent attention. All these recommendations have now been implemented through the PoMO. A further Gateway review is planned for the portfolio in the summer of 2021.

More specifically, the PoMO will oversee the SBCD portfolio delivery where all nine projects/programmes will provide monitoring and evaluation updates aligned to the planned timescales, budgets, resources and deliverables set out in their business cases.

## Programme and Project Status

The current status of business case development and approval for each of the programmes and projects is shown below:

Project / Programme name	Component	Status	SOC	OBC	FBC	Gateway DCA
Swansea City & Waterfront Digital District	Arena & Digital Square	Delivery				Q1 (2021)
	Digital Village / Kingsway					
	Innovation Matrix					
Creative Digital Cluster - Yr Egin	Phase 1	Delivery				Q2 2020/21
	Phase 2					
Digital Infrastructure	Connected places	Approval Process				Amber/Green Oct (2020)
	Rural connectivity					
	Next generation wireless					
Skills and Talent Initiative		Business Case Development				Q1 2020/21
Life Science, Well-being and Sport Campuses	Singleton	Business Case Development				Q1 2020/21
	Morrison					
Pentre Awel (Life Science & Well-being Village)	Phase 1 - Community Health Hub	Approval process				Amber (Sept 2020)
Homes as Power Stations		Approval process				Amber (June 2020)
Pembroke Dock Marine	Pembroke Dock Infrastructure (PDI)	Delivery				Amber (Nov 2019)
	Marine Energy Engineering Centre of Excellence (MEECE)					
	Marine Energy Test Area (META)					
	Pembrokeshire Demonstration Zone (PDZ)					
Supporting Innovation and Low Carbon Growth	Swansea Bay Technology Centre	Approval process				Amber (June 20)
	National Steel Innovation Centre					
	Decarbonisation					
	Industrial Futures					
<b>SBCD Portfolio</b>	<b>All projects/programmes above</b>	<b>Delivery</b>				<b>Gate 0 Review Amber (July 20)</b>

Table v.i. Programme and Project Business Case Status

The PoMO will continue to facilitate and monitor the continued development of business cases and the delivery of each programme and project to the agreed timescales.

## Document Change Record

Version	Date	Author	Summary of key changes	Approved
V1.0	12/08/20	Jon Burnes	This is the first iteration of the SBCD Portfolio Business Case. This document combines the content SBCD Programme Business Case and Implementation Plan and incorporates WG requirements and consultancy support and feedback from Joe Flanagan in June 2020.	Wendy Walters & Rob Stewart
V1.1	19/08/20	Jon Burnes	Informal feedback received from WG to update the portfolio business case and appendices with details on project level economic and financial appraisals, further detail on the financial expenditure profiles at portfolio and project level and project delivery roadmap.	Wendy Walters & Rob Stewart
V1.2	27/08/20	Jon Burnes	Submitted to the WCGIB for the AOR approval process	Wendy Walters & Rob Stewart
V1.3	23/02/21	Jon Burnes / Ian Williams	Updated PoBC submitted to the SBCD Governance board members as consultation prior to regional sign off	Wendy Walters & Rob Stewart
V2.0	11/03/21	Jon Burnes / Ian Williams	Final PoBC signed off by SBCD Governance board members	Wendy Walters & Rob Stewart

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<b>5. The Management Case</b>	5.1. Governance Evaluation Report 5.2. Management and Governance Structure 5.3. SRO appointment 5.4. Skills Audit 5.5. Overview of PRINCE2 and Managing Successful Programmes 5.6. Monitoring and Evaluation Plan 5.7. SBCD Reporting Schedule 5.8. Community Benefits Register 5.9. SBCD Quarterly Monitoring Report 5.10. Integrated Assurance & Approval Plan 5.11. Project Business Case Assessment Criteria and Process 5.12. WCGIB Portfolio, Programme & Project delivery phase 5.13. WCGIB Project Business Case development phase 5.14. SBCD Portfolio Risk Management Strategy 5.15. SBCD Portfolio Risk Register 5.16. SBCD Covid-19 Impact Assessment 5.17. SBCD Issues Log 5.18. SBCD Communications & Marketing Plan 5.19. Stakeholder Power & Influence Matrix 5.20. Communications & Engagement Schedule 5.21. SBCD Change Control Procedure 5.22. SBCD Change Control Flowchart 5.23. Project Delivery Gantt 5.24. Joint Committee Work Programme



# 1. THE STRATEGIC CASE

## Introduction

The Strategic Case demonstrates alignment of the Swansea Bay City Deal with national and regional strategies and policies, as well as other current or planned programmes, while making a compelling case for change via the programmes and projects within the portfolio. The Strategic Case is presented in two parts, as follows:

**The Strategic Context:** Explains the background to City and Growth Deals, setting out the Swansea Bay City Region and Deal, its membership, and a review of the relevant strategies and policies to demonstrate strategic fit at UK, Welsh and regional levels.

**Case for Change:** Demonstrates the rationale for the Swansea Bay City Deal and its constituent programmes and projects. This includes details on the relevant socio-economic issues and market failures, the consequent baselined spending objectives for the City Deal, and the main benefits, risks, assumptions, constraints and dependencies.

This updated version of the Portfolio Business Case includes the following changes:

- Updated information on the strategic alignment of the portfolio with UK, Wales and Regional policy / strategy and current public sector initiatives. Further detail is provided on the strategic alignment of the City Deal's constituent programmes and projects
- Investment Objectives defined, baselined and made SMART. Additional Investment Objective added relating to total investment generated through the City Deal. Detail is provided on the Investment Objectives linked to the Swansea Bay City Region Economic Regeneration Strategy (2013 to 2030). Details on programme and project level Investment Objectives have also been added
- Detail is provided on the benefits that will accrue through the portfolio at a programme and project level. Baseline data is provided for measuring impact over the timeframe of the portfolio
- Information is provided on headline assumptions at a programme and project level relating to time, cost, quality and impact

## The Strategic Context

### 1.1. City and Growth Deals

The purpose of City and Growth Deals is to support cities and regions to deliver responsive and flexible local strategies. They are now commonplace in both the UK and devolved governments, with around 40 deals in place to promote decentralisation across the country. These deals give more power and flexibility to regions and cities in terms of employment and skills, infrastructure, business engagement and support, housing, transport and investments. Regions and cities have used these powers to achieve a number of investment objectives, such as providing support to the unemployed, providing training relevant to local need, and supporting a low carbon economy.

The UK Government (UKG) opened negotiations with the Welsh Government (WG) in 2016 over a City Deal for the Swansea Bay City Region (SBCR). The Swansea Bay City Deal (SBCD) was agreed between the UKG, the WG and the four Swansea Bay City Region local authorities in March 2017. The **original heads of terms** included funding commitments of £241m from UKG and WG, and £396m from the four regional local authorities (Carmarthenshire, Pembrokeshire, Swansea and Neath Port Talbot) and other public sector bodies, with an anticipated £637m from private sector investment. Combined, this would create over 9,000 jobs.

## 1.2. Organisational overview

The Swansea Bay City Region spans across four local authority areas with a combined population of approximately 698,000 people. The City Region published an economic regeneration strategy in 2013 with a common vision to enhance the long-term prospects of the region's economy, businesses and communities. The strategy will co-ordinate collective action and identify routes and initiatives to respond to the structural challenges that are holding back the SBCR economy. The creation of the SBCR in July 2013 was based on evidence that shows City Regions of more than 500,000 people are in a better combined position than individual local authority areas to stimulate economic growth through attracting investment and generating high-value job opportunities. The population has grown by just over 1.1% (7,651) over the last five years and is expected to grow by a further 1.1% (7,850) over the next five years from 2020.

The SBCD is part of the SBCR strategy and portfolio. It's a partnership of eight regional organisations made up of local authorities, universities and health boards that aims to accelerate economic and social advancement through regional infrastructure and investment funds. The SBCD partners are:

- Carmarthenshire County Council
- City and County of Swansea Council
- Neath Port Talbot Council
- Pembrokeshire County Council
- Swansea University
- University of Wales Trinity Saint David
- Hywel Dda University Health Board
- Swansea Bay University Health Board

Carmarthenshire County Council is the SBCD Accountable Body. Representatives from each of the eight partner organisations are members of the SBCD Joint Committee and Programme (Portfolio) Board, which are the two formal governance groups that report to the regional stakeholders, UKG and WG. Regional advisers from the business community form the basis for the SBCD Economic Strategy Board, with each board and committee supported by the SBCD Portfolio Management Office (PoMO).

Each SBCD programme / project is led by one of the four regional local authorities, as summarised below in Table 1.1., with each flowing into and supported by the SBCD PoMO.

Lead Organisation	Programme / Project	Strategic theme
Carmarthenshire County Council	Yr Egin	Economic Acceleration
	Skills & Talent	Economic Acceleration
	Digital Infrastructure	Economic Acceleration
	Pentre Awel (LS &WB Village)	Life Science & Well-being
City and County of Swansea Council	Swansea Waterfront	Economic Acceleration
	Life Science, Well-being and Sport Campuses	Life Science & Well-being
Neath Port Talbot Council	Homes as Power Stations	Energy
	Supporting Innovation and Low Carbon Growth	Smart Manufacturing
Pembrokeshire County Council	Pembroke Dock Marine	Energy

Table 1.1. SBCD portfolio with lead organisation

Each local authority has a successful track record in the development, management and delivery of major programmes and projects related to economic development and regeneration.

### 1.3. Policy and strategy alignment

The City and Growth Deals fall out of the UKG Industrial Strategy and Welsh Government policy on regional development. From this, the SBCD portfolio strongly aligns to UK, Welsh and regional policies, strategies and targets relating to economic development. The primary aim of this is to create high quality jobs and increase the earning power of people through investment in skills, industries, and infrastructure. Appendices 1.1a and 1.1b present further detail of the policy alignment at thematic, programme and project level within the SBCD portfolio. Across the portfolio, the SBCD has demonstrated alignment with 26 UK, 39 Welsh and 6 key Regional level policies / strategies together with a range of local strategies and plans. The key alignments to the SBCD are summarised below:

Strategy	Core Principles	SBCD Alignment
<b>UK Policy</b>		
UK Industrial Strategy 2017	<p>UK Government long-term strategy to boost productivity through the creation of jobs and by increasing the earning power of people throughout the UK with investment in skills, industries and infrastructure. The strategy is supported through 5 Foundations of:</p> <ul style="list-style-type: none"> <li>• Ideas: the world’s most innovative economy</li> <li>• People: high quality jobs and greater earning power for all</li> <li>• Infrastructure: a major upgrade to the UK’s infrastructure</li> <li>• Business Environment: the best place to start and grow a business</li> <li>• Places: prosperous communities across the UK.</li> </ul> <p>The Strategy also recognises the Grand Challenges of:</p> <ul style="list-style-type: none"> <li>• Artificial Intelligence and data</li> <li>• Ageing society</li> <li>• Clean growth</li> <li>• Future of mobility</li> </ul>	<p>The City Deal aligns to the pillars of the Industrial Strategy with ambitions to build on existing strengths and extend excellence into the future through closing gaps in productivity, while ensuring existing businesses evolve and grow in competitive modern markets. The SBCD investment will create an ecosystem that cultivates sectoral developments across the four strategic themes, where infrastructure, Research &amp; Development (R&amp;D) and skills are brought together to secure and maximise socio-economic growth and inward investment. These ambitions are reflected throughout the SBCD portfolio, with focus on the smart manufacturing and energy strategic themes.</p> <ul style="list-style-type: none"> <li>• Ideas: Delivering future proof digital infrastructure and technology, low carbon technology and energy, well-being, life sciences and space for new and relocating businesses to innovate and grow</li> <li>• People: Creation of new, high quality jobs and opportunities and the provision of skill pathways for people to take up new employment opportunities</li> <li>• Infrastructure: Delivering a major upgrade to the digital, housing, well-being, business and innovation infrastructure in the SBCD area</li> <li>• Business Environment: Support for businesses to innovate in priority sectors via the provision of digital connectivity, skills and space to grow</li> <li>• Places: Delivery of employment, income, well-being, low carbon technology and connectivity investments throughout the SBCD area</li> </ul>
UKG Clean Growth Strategy 2020	<p>The UK’s approach to reducing emissions, developed in the context of the UK’s legal requirements under the Climate Change Act, this strategy sets out a comprehensive set of policies and proposals that aim to accelerate the pace of ‘clean growth’, helping deliver increased economic growth and decreased emissions. The strategy recognises that clean growth can only be achieved through innovation – nurturing better products, processes and systems – that we will see the cost of clean technologies come down. Key proposals are:</p>	<p>The SBCD Portfolio will respond directly to many of the central proposals of the Green Growth Strategy through the development and delivery of a range of innovative actions that will lead to improvement of energy efficiency and the transition to a low carbon economy. Specific actions include:</p> <ul style="list-style-type: none"> <li>• Improve business and industry efficiency: Enhancing business energy efficiency through next generation and mobile broadband. Development of the SWITCH and Technology Centre to promote innovation and low carbon growth</li> <li>• Improving the energy efficiency of our homes – HAPS will deliver the rollout of innovative energy efficiency homes throughout the Region</li> <li>• Accelerate the shift to low carbon transport – directly through the Supporting Innovation and Low Carbon Growth Programme</li> </ul>

	<ul style="list-style-type: none"> <li>• Accelerate Clean Growth: Develop Green Finance capabilities</li> <li>• Improve business and industry efficiency: Supporting businesses to improve energy productivity by 20% by 2030</li> <li>• Improving the energy efficiency of our homes</li> <li>• Rolling out low carbon heating</li> <li>• Accelerate the shift to low carbon transport</li> <li>• Deliver clean, smart, flexible power</li> <li>• Enhancing the benefits and value of our natural resources</li> </ul>	
<b>Wales Policy</b>		
<p>The Well-being of Future Generations (Wales) Act 2015</p>	<p>The Well-being of Future Generations Act requires public bodies in Wales to think about the long-term impact of their decisions, to work better with people, communities and each other, and to prevent persistent problems such as poverty, health inequalities and climate change.</p> <p>There are 7 Well-being Goals:</p> <ul style="list-style-type: none"> <li>• A Prosperous Wales</li> <li>• A Resilient Wales</li> <li>• A More Equal Wales</li> <li>• A Healthier Wales</li> <li>• A Wales of Cohesive Communities</li> <li>• A Wales of Vibrant Culture and Thriving Welsh Language</li> <li>• A Globally Responsible Wales</li> </ul> <p>The Act also identifies 5 Ways of Working:</p> <ul style="list-style-type: none"> <li>• Long Term</li> <li>• Integration</li> <li>• Involvement</li> <li>• Collaboration</li> <li>• Prevention</li> </ul>	<p>The SBCD portfolio provides opportunities to address persistent challenges such as climate change, poverty, inequality, jobs and skills in a transformational and preventative way, and in doing so aligns to the ambitions and approach set out in the Well-being of Future Generations (Wales) Act 2015. The four strategic themes and nine associated programmes and projects have significant impact across the seven well-being goals for Wales, and will be monitored and assessed accordingly across these goals.</p> <ul style="list-style-type: none"> <li>• A Prosperous Wales: Delivering across each of these areas through investment in digital, low carbon and the development of productivity enhancing technologies/approaches</li> <li>• A Resilient Wales: Delivering balanced and clean economic growth through enhanced connectivity, low carbon growth and business efficiency. Diversifying and strengthening the regional economy</li> <li>• A More Equal Wales: Providing pathways to securing new job opportunities and the distribution of investment benefits throughout the region.</li> <li>• A Healthier Wales: Major investments in Well-being, Health and Life Sciences to benefit the region’s residents. Major investment in housing infrastructure and the improvement of air quality</li> <li>• A Wales of Cohesive Communities: Ensuring sustainable economic development and enhanced connectivity throughout the communities of the region</li> </ul>

		<ul style="list-style-type: none"> <li>• A Wales of Vibrant Culture and Thriving Welsh Language: Realising the benefits to the use and growth of the Welsh language and culture through the portfolio investment</li> <li>• A Globally Responsible Wales: Contribution to the long-term global responsibilities to sustainable growth and the environment through innovative low carbon and energy efficient technologies</li> </ul> <p>The five ways of working (long-term; prevention; integration; collaboration and involvement) as outlined in the Act will also be used across the portfolio to ensure that sustainable development principles are applied to all that is undertaken. The SBCD PoMO is in discussions with the Office of the Future Generations Commissioner to explore how its programmes and projects can better align to the Act at the scoping and development stages of the programme/project lifecycle.</p>
<p>Prosperity for All: The National Strategy and Economic Action Plan (2017)</p>	<p>Wales Strategy for prosperity and well-being to take forward the 4 key themes of Taking Wales Forward Programme for Government:</p> <ul style="list-style-type: none"> <li>○ Prosperous and Secure</li> <li>○ Healthy and Active</li> <li>○ Ambitious and Learning</li> <li>○ United and Connected</li> </ul> <p>And based around the 5 Priority Areas:</p> <ul style="list-style-type: none"> <li>○ Early Years</li> <li>○ Housing</li> <li>○ Social Care</li> <li>○ Mental Health</li> <li>○ Skills and Employability</li> </ul> <p>The Economic Action Plan sets out a vision for inclusive growth, built on strong foundations, supercharged industries of the future and productive regions. The Plan focusses on boosting productivity and addressing inequality. The Plan presents Calls to Action on several areas including:</p> <ul style="list-style-type: none"> <li>○ Decarbonisation</li> <li>○ Innovation</li> </ul>	<p>Prosperity for All (2017) is the strategy to deliver Taking Wales Forward (2016), while embracing the five ways of working in the Well-being of Future Generations (Wales) Act 2015. The headline commitments and strategy identify four priority areas that are aligned to the SBCD portfolio objectives. These, along with the Prosperity for All cross-cutting themes of early years, housing, social care, mental health, and skills and employment, are all part of the direct and indirect outcomes and benefits of the SBCD portfolio that can support long-term prosperity and well-being. Driving long-term regional economic growth and inward investment across a range of industry sectors and improving the lives of people who live in the region demonstrates the alignment within the SBCD focus areas including smart manufacturing, digital, skills, health and well-being, and energy. Specific direct contributions include:</p> <ul style="list-style-type: none"> <li>• Decarbonisation: Enabling more businesses to become carbon light or free. A major element of the Portfolio to be delivered through the Supporting Innovation and Low Carbon Growth and Homes as Power Stations Programmes resulting in innovation of new technologies and incorporation into manufacturing and supply chains</li> <li>• Innovation: Support throughout the Portfolio for businesses to innovate in digital, production and delivery</li> </ul>

	<ul style="list-style-type: none"> <li>○ High quality employment and skills development</li> <li>○ Research and development</li> </ul>	<ul style="list-style-type: none"> <li>• High quality employment &amp; skills: Development of a pathway to skills training to meet the needs of the SBCD programmes and projects, improving the skills base of the region</li> <li>• R&amp;D, automation &amp; digitalisation: Delivery of new R&amp;D facilities particularly in relation to Health, Life Sciences, Well-being and Low Carbon, supported by the rollout of enhanced digital connectivity throughout the region</li> </ul> <p>The Economic Action Plan highlights the key role of regional partnerships in delivering on shared goals. There is a clear commitment by the Welsh Government to a regionally focused model of economic development, with the aim of developing the distinctive strengths of each region “in pursuit of growth”. The SBCD will be a key driver of the regional agenda, strengthening the economy of the City Region and complementing other regional activities.</p>
<b>Regional Policy</b>		
Swansea Bay City Region Economic Regeneration Strategy 2013 to 2030	<p>The Swansea Bay City Region Economic Regeneration Strategy 2013 to 2020 provides an evidence and stakeholder-based framework which aims to strengthen the economy and boost productivity for the City Region area. The Strategy sets out the Strategic Framework for intervention through 5 Strategic Aims:</p> <ul style="list-style-type: none"> <li>• Business Growth, Retention and Specialisation</li> <li>• Skilled and Ambition for long-term success</li> <li>• Maximum job creation for all</li> <li>• Knowledge Economy and Innovation</li> <li>• Distinctive Places and Competitive Infrastructure.</li> </ul> <p>Together with the 4 Cross Cutting themes:</p> <ul style="list-style-type: none"> <li>• Thinking and Delivering Together for Regional Success</li> <li>• Quality and Intelligence Driven Leadership Action</li> <li>• Being and Acting Connected</li> <li>• Understanding Sustainable Growth</li> </ul>	<p>The SBCD portfolio is a crucial part of the City Region Strategy and the individual programmes and projects will significantly contribute by supporting activity across the four strategic themes through:</p> <ul style="list-style-type: none"> <li>• Inward investment and growth of business</li> <li>• Creation of jobs and a skilled workforce</li> <li>• An R&amp;D pipeline of research and innovation</li> <li>• Infrastructure and environment needed for economic activity to flourish and for our region to be an attractive place to work and live.</li> </ul> <p>A review of the strategy – which is ongoing - started in Quarter 3 2020. The SBCD will continue to be a cornerstone of the refreshed strategy.</p> <p>The effective operation and strengthening of the City Deal Governance structure will also facilitate progress on the cross-cutting themes of the strategy.</p>

Towards a Regional Economic Framework 2020	<p>Consultation document for the Regional delivery of the Economic Acton Plan for Mid and South West Wales. The approach for Regional economic growth is the four broad priority areas agreed by Welsh Government Cabinet for replacement EU funds, but will also reflect additional regional priorities:</p> <ul style="list-style-type: none"> <li>• Reducing income inequalities for people, analysing the factors that create income inequality and reduce disposable and discretionary income</li> <li>• More productive and competitive businesses, including the vital role of innovation and research as well as alternative business models</li> <li>• The transition to a zero-carbon economy, taking advantage of the opportunities this creates as well as reducing negative effects</li> <li>• Healthier and more sustainable communities, recognising different challenges in different communities and the role of local areas in identifying priorities in their places</li> </ul>	<p>The approach to Regional economic growth is based on the four broad priority areas agreed by Welsh Government Cabinet for replacement EU funds, but will also reflect additional regional priorities. The SBCD is identified within the consultation document as a key driver for change in South West Wales Economy. The programmes and projects to be delivered through the Portfolio will respond directly to the priority areas identified:</p> <ul style="list-style-type: none"> <li>• Focusing on increasing productivity and GVA throughout the Portfolio, creating good quality jobs within the SBCD area and resulting in more productive and competitive businesses. Innovation and R&amp;D are central elements to many of the constituent projects and programmes</li> <li>• The delivery of the Portfolio will facilitate the transition to a zero-carbon economy with a strong drive for green growth reflected in the emphasis on new digital technology, low carbon growth and energy efficiency programmes</li> <li>• A key concern for the Portfolio is the dissemination of benefits throughout the SBCD area to ensure that inequalities are addressed and local needs and distinctiveness are considered in delivery</li> <li>• The SBCD will ensure that it has an input into the development of the REF to ensure that priority areas are addressed and the Portfolio, its programmes/ projects, outputs and benefits continue to be aligned to the aims and objectives of the Framework</li> </ul>
<b>Local Policy</b>		
Local plans /strategies relating to the SBCD	<ul style="list-style-type: none"> <li>• LA Plans and Strategies relating to e.g.: <ul style="list-style-type: none"> <li>○ Economic development</li> <li>○ Regeneration</li> <li>○ Skills and Employability</li> <li>○ Digital Transformation</li> <li>○ Well-being plans</li> <li>○ Local Development</li> </ul> </li> <li>• Health Board Action Plans</li> <li>• University Strategic Plans</li> </ul>	<p>The SBCD delivers key transformational programmes and projects across the region to realise growth, productivity, innovation and new jobs, and to upgrade skills and connectivity. This will thereby drive forward many of the aims and objectives of the organisational plans and strategies at a local level.</p> <p>The SBCD Portfolio provides a vehicle for the partnership and collaborative delivery of key strategic projects that will collectively impact the region and realise significant benefits over a 15-year timeframe.</p>

Table 1.2. Policy alignment to the SBCD



## 1.4. Alignment to existing initiatives

The SBCD Portfolio has been developed within the landscape of a range of Public Sector initiatives, with the delivery of its constituent programmes and projects benefitting from and adding value to these actions. Some key initiatives include:

### **Regional Learning and Skills Partnership (RLSP)**

The RLSP is a long-established, multi-sector partnership focusing on skills investment and the economic regeneration of the area through the development of a skilled workforce. The RLSP has a long-standing reputation of regional collaborative working with key partners in the region and working with Welsh Government to influence policy on the delivery of skills training in the region. The work of the partnership includes promoting and championing a strategic overview of skills provision to ensure that it meets regional needs and maximises economic opportunities. Central to the activity of the RLSP is the analysis of local labour market intelligence to identify and inform skills and curriculum provision, helping to bridge the gap between education and regeneration in the hope of creating a strong and vibrant economy underpinned by innovation, growth and a capable workforce.

### **A Regional Collaboration for Health (ARCH)**

The ARCH partnership operates across the Swansea Bay City Region, encompassing the reach of two local health boards and covering a population size of approximately 1 million people. ARCH brings together expertise and experience from across the three partner organisations and wider stakeholders to tackle health and well-being challenges within the region through collaborative project-driven approaches to four themes of Skills & Workforce, Research, Enterprise & Innovation, Service Transformation and Well-being. Several projects exist within each of the themes and there is cross fertilisation and shared learning amongst them. Each theme is represented across all partner organisations and engages with wider stakeholders from across the Life Science and Well-being Sector and other sectors as appropriate, including strong clinical and allied health professional engagement.

### **Transforming Towns**

A £90 million programme launched in 2020 by the Welsh Government, which is focused on measures to increase footfall by making sure the public sector locates services in town centre locations. This includes tackling empty buildings and land to help bring them back into use, and green town centres. The programme supports major city and town centre regeneration programmes across the region, generating investment, creating jobs, improving the environment and promoting healthy and vibrant town centres.

### **Regional Transportation Programmes**

The City Deal Portfolio will both complement and add value to the regional and local transportation initiatives being developed and delivered in the area, including Local Transport Plans and Active Travel initiatives. The importance of developing a high quality, integrated, affordable and efficient transportation infrastructure is recognised as crucial to maximising the benefits and impacts of the Portfolio through enhanced accessibility both to and within the region. The Swansea Bay and West Wales Metro Programme will enhance rail and bus provision across the four local authority areas of South West Wales and will include

- Rail Services and infrastructure enhancement
- Strategic Bus services and infrastructure enhancement
- Strategic integration of bus and rail services
- Active travel measures & interfaces at stations

These major improvements will reduce journey times and frequency, improve customer experience, improve accessibility and accelerate urban regeneration and site development throughout the SBCR.

**Superfast Cymru**

A national broadband project that has been extending superfast connectivity across Wales for several years, with BT. This has been topped up with additional funding via change control and is in the process of reaching further premises, now focusing on gigabit capability.

**UK F20 Programme**

A flagship programme that has been announced by Westminster, tying into a £5 billion commitment to deliver gigabit connectivity across the UK. This is intended to be a nationally led procurement (instead of local) with a gap funded element complemented by a demand-led voucher scheme.

**The Case for Change**

**1.5. Case for change**

The SBCD members and partners spanning across the public, private and not-for-profit sectors have worked together to identify and scope the portfolio of nine programmes and projects. These programmes and projects were borne from key partners being part of a long-established approach to regional working across the SBCR. All programmes and projects align to the strategic investment objectives outlined below and were agreed by the SBCD consortium and UK and Welsh Governments in 2017, which have since been updated to provide further clarity. The governance arrangements and portfolio developments have helped to evolve and enhance a cultural change towards collaboration across the SBCR, which is set to continue to advance as the portfolio matures into delivery.

The case for change is based on the following aims:

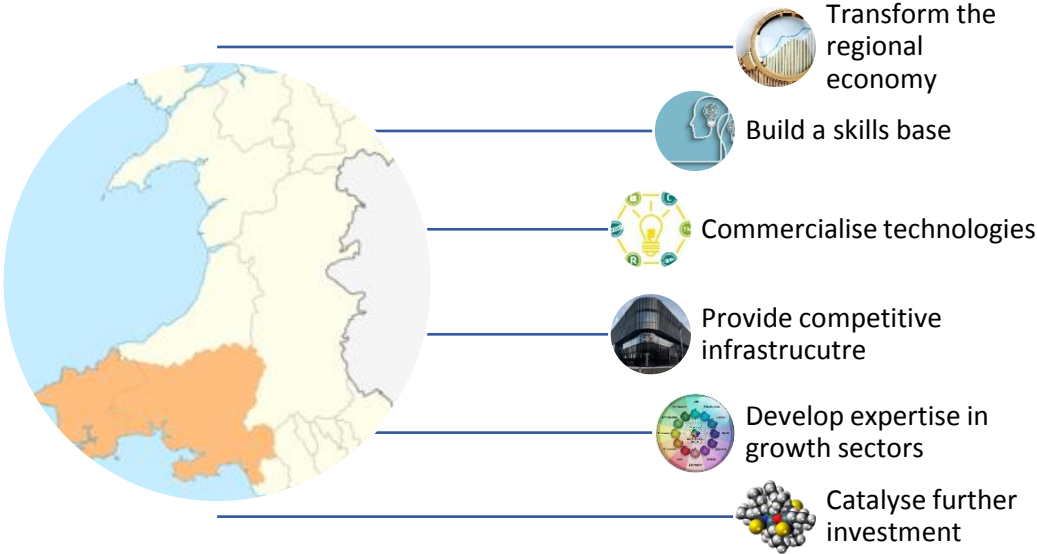


Figure 1.1 Regional aims

## 1.6. Investment Objectives

To achieve the ambitions of the region, regional stakeholders have pledged to work together to achieve the following three SBCD strategic investment objectives to significantly contribute to the Swansea Bay City Region Economic Regeneration Strategy 2013 to 2030:

1. To create over 9,000 skilled jobs aligned to economic acceleration, energy, life sciences and smart manufacturing across the region within 15 years (2017-33).
2. To increase the Swansea Bay City Region GVA by £1.8-2.4 billion through the SBCD by 2033 and contribute to the region achieving 90% of UK productivity levels by 2033.
3. To deliver a total investment in the region of £1.15-1.3 billion in the South West Wales Regional economy by 2033.

The three investment objectives are SMART (specific, measurable, achievable, realistic and time bound) and will be delivered with an anticipated £1.15 – 1.3bn investment, which currently stands at:

<i>City Deal</i> <b>£241m</b>		<i>Public Sector</i> <b>£330m</b>		<i>Private Sector</i> <b>£592m</b>
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These estimates are aligned to the evolution of the portfolio and will continue to be evaluated and updated throughout its lifespan.

These investment objectives also support the aspirations of the Swansea Bay City Region (SBCR) outlined within the SBCR Economic Regeneration Strategy 2013-2030 and its five complementary Strategic Aims:

**Strategic aim 1** – maximisation of business growth, retention and industry specialisation resulting in:

- Retention of key local employers,
- Support employers and businesses to become rooted and committed to growth in the City Region,
- Use expertise, knowledge and opportunities to produce a wider business base,
- National level leadership achieved in key priority sectors,
- Capturing quality inward investment.

**Strategic aim 2** – develop skills and ambition to deliver long-term regional success achieved through:

- A change in culture and level of ambition across Regional communities,
- Support skill enhancements across our workforce with clear commitment from employers to support professional development,
- Ensure a fully integrated and aligned skills supply across all realms of education and employment.

**Strategic aim 3** – maximisation of job creation:

- Increased employment opportunities through enterprise start-ups,
- Focus on delivering major employment creation schemes,
- Comprehensive partnership-led approach to creating work experience placements and quality apprenticeships,
- Effective CVS networks and social enterprise opportunities, creating jobs.

**Strategic aim 4** – knowledge economy and innovation:

- Establish the City Region as a recognised knowledge economy where all types of innovation thrive,
- Connect the economy to world class R & D assets,
- Actively support the dual university model,
- Compete effectively for knowledge economy inward investment projects.

**Strategic aim 5** – provide distinctive places and competitive infrastructure:

- Establish a clear and distinctive ‘place’,
- Develop fully fit for purpose land and property infrastructure assets,
- Ensure the City Region has competitive next generation broadband and 4G networks to support business growth, service innovation and facilitate new models of employment.

A review of Investment Objectives across the portfolio at a programme and project level has been included in Appendix 1.2.

## 1.7. Existing arrangements

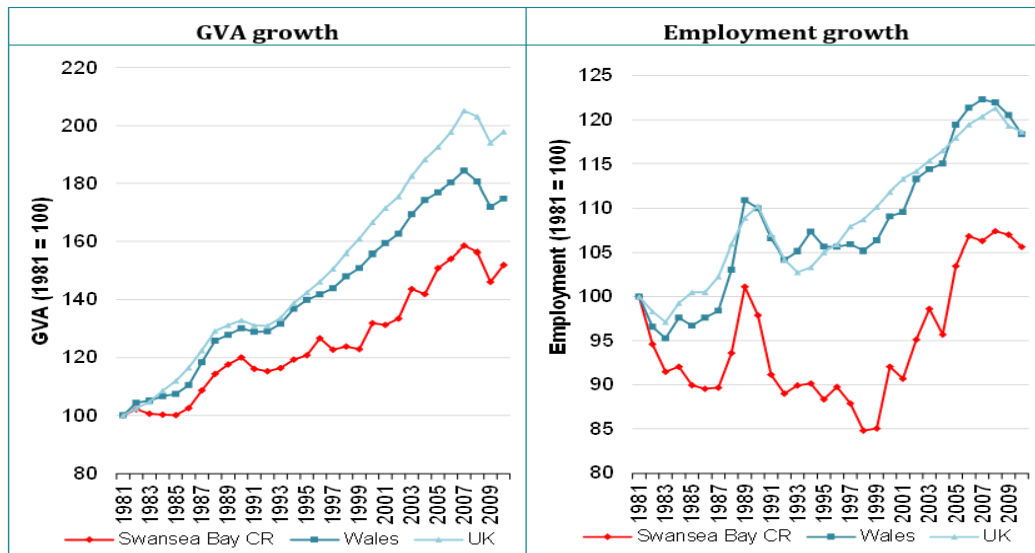
Economic development within the SBCR is headed up by the regional economic development/regeneration directors of the four local authorities, who in turn engage with many local, regional and national stakeholders and sponsors to identify, prioritise and engage with regional economic developments. This co-ordinated, evidence-based and consultative approach led to the creation of the Swansea Bay City Region Economic Regeneration Strategy 2013-2030.

The SBCR is a large and diverse City Region, containing both urban and rural places with distinctive though inter-connected economies, communities, natural resources and infrastructure. The SBCR is a major driver for the Welsh economy with a resident population of 698,000, supporting regional employment of 270,328 jobs and 22,000 businesses. These businesses and organisations include a mix of many small to medium sized enterprises and national and global organisations such as Tata Steel, Valero and the DVLA, along with high-quality universities with international reputations and links that deliver activities which support teaching, skills, education, research and innovation.

The region has benefited from significant investment in the past decade, including Swansea University’s new £450m Science and Innovation Bay Campus, Llanelli and Carmarthen town centre regeneration, a portfolio of incubation centres across the region, major improvements to the A40 in Pembrokeshire, and the Harbour Way Project that links Port Talbot and the Docks to the M4.

Recent economic performance has been resilient but there remains a persistent productivity gap, and wide variations in productivity within South West Wales. The economy is diverse with key sectors being manufacturing, energy and tourism as well as public sector jobs. There are areas of strength and opportunity, particularly in Healthcare, Education, Innovation, Research and Development, Manufacturing, Energy production, Technology, Media and Leisure and Well-being.

The SBCR generated GVA of £10.5bn in 2015, which accounted for 20% of Wales’ GVA. The GVA per employee in the Region was £34,300 in 2015 (at 2011 prices), which was 74% of the UK average. This level was attained between 1981 and 1995, but our GVA performance saw a considerable decline against the UK average in the 20 years that followed, with a move away from the strong manufacturing traditions of the region. This is shown in Figure 1.2. below:

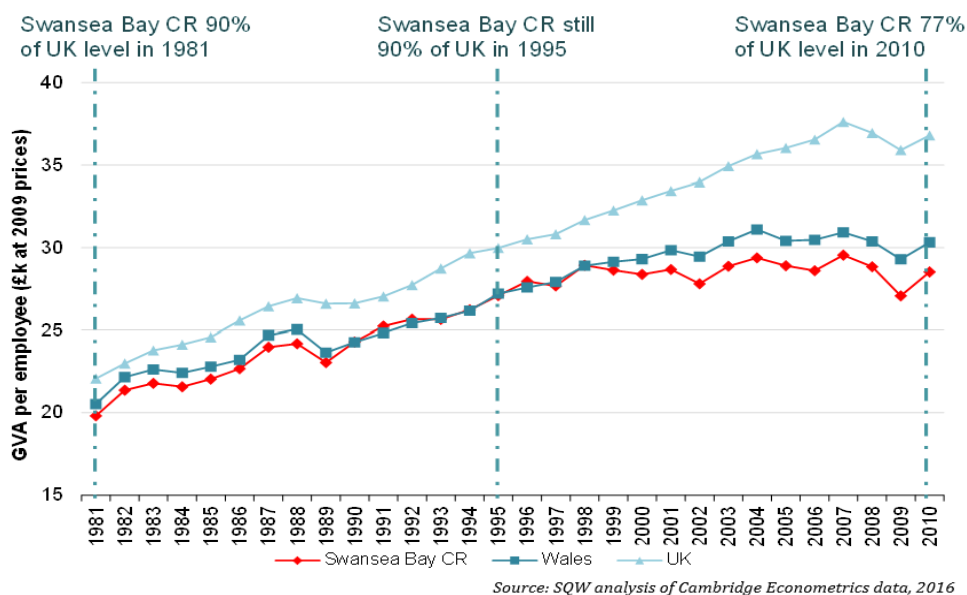


Source: SQW analysis of Cambridge Econometrics data, 2016

Figure 1.2. GVA and employment growth (1981-2010) for the SBCR, Wales and UK

Employment growth has increased considerably since the 1990s, although employment is largely in the lower value sectors and occupations - often in parts of education, health, and the wider public sector. For example, there were over 30,000 fewer manufacturing jobs in 2010 than in 1990, which significantly contributed to the major productivity gap that has emerged between the SBCR and the rest of the UK.

Productivity in the SBCR has also fallen below the all-Wales level for the past 15 years, as shown in Figure 1.3. below. The mix of sectors in the SBCR economy is geared towards lower value sectors compared to the rest of the UK and therefore underperforms in employing those in occupational groups aligned to higher wages. Also, the nature of the jobs within these sectors is generally of a lower value than elsewhere. The region relies too heavily on the GVA produced by public sector activities such as health, education and public administration. The productivity gap between the City Region and the rest of the UK is forecast to remain below average if targeted and collective action is not taken through a City Deal portfolio and other regional activity.



Source: SQW analysis of Cambridge Econometrics data, 2016

Figure 1.3. Productivity for the SBCR, Wales and UK (1981-2010)

The region is characterised by an ageing population, with retirement risk being classed as high. The average number of people aged over 55 for an area of the region's size is 241,117; whereas there are 276,439 in the SBCR. In some instances, this can adversely affect labour force growth, change patterns of savings and expenditure and increase pressure on public social expenditures.<sup>1</sup>

The SBCR's existing situation demonstrates through quantified economic evidence that the region is underperforming economically and failing to reach its full potential.

## 1.8. Business need

Based on the evidence presented in a report by SQW (2016) on economic context analysis, it follows that the SBCR:

- Has too few businesses and is not growing its business base quickly enough
- Does not have enough people with high level qualifications and too many people with none
- Needs to address the productivity gap as it is fundamental to raising the prosperity and quality of life for the SBCR
- Needs to create new and sustain existing employment
- Suffers from economic inactivity, which remains too high
- Has relied on imports to meet demand in the high value sectors, with little self-sufficiency in these areas and tradable activity
- Does not have physical infrastructure that's keeping pace with the needs of growing businesses or our communities. Broadband capacity and digital connectivity are improving, but not quickly enough. Much of our commercial and retail property is low quality and attracts low rents
- Has a regional capital (Swansea city centre) which is underperforming and needs to deliver a commercial, residential and leisure offer to match the ambitions of innovative proposals
- Needs to deliver a step change in the performance of its rural and visitor economies if the region as an integrated whole is to achieve its long-term aims

Further analysis on the SBCR can be found in Appendix 1.3: Swansea Bay City Region Economic Context, SQW (2016).

To overcome these identified issues and deliver high-quality jobs, increase GVA and achieve higher productivity levels, the SBCR will need to work regionally with all key stakeholders, particularly businesses, and with the UK and Welsh Governments to:

- Establish projects that provide key infrastructure to develop and connect technologies in high-value sectors aligned to the four strategic themes, in partnership with the private sector, to the benefit of the UK, Welsh and regional economies
- Leverage funding to invest in our skills base and workforce, building upon comprehensive existing partnerships between businesses and the higher and further education sector
- Establish an Investment Fund within projects to promote regional competitiveness, building upon the infrastructure expenditure (above) through fiscal and non-fiscal interventions
- Work with universities and the private sector to apply Research & Development (R&D) practices to start-up ventures, grow and attract inward investment and generate an ecosystem

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<sup>1</sup> World Employment and Social Outlook – Trends 2018 (Kuhn)  
<https://onlinelibrary.wiley.com/doi/pdf/10.1002/wow3.127>

of regional supply chains and export the IP, knowledge and skills base generated regionally on a global platform

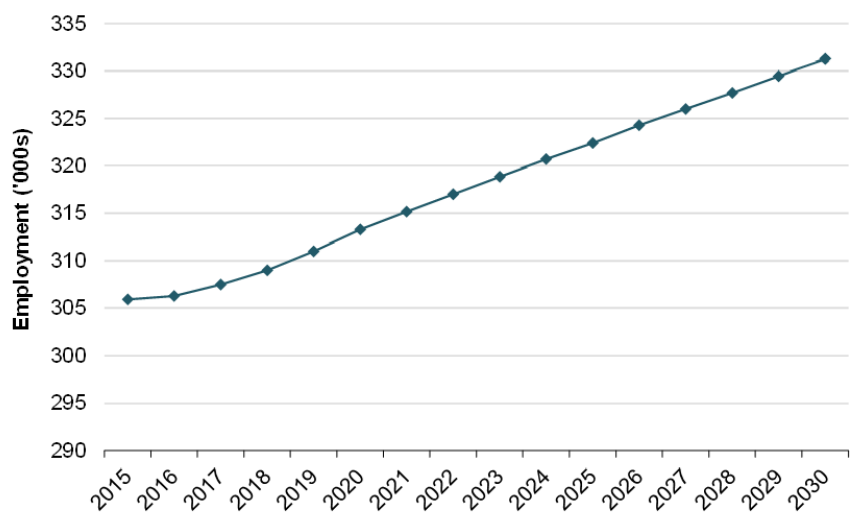
- Further establish Swansea as a vibrant regional capital and integrate further with its economic hinterland and ‘travel to work’ catchment area to a much greater extent
- Use enhanced digital networks as a catalyst for driving improved performance and competitiveness in the rural and visitor economies
- Align other expenditure in key areas, such as transport connectivity, housing and education, to complement and reinforce the SBCD
- Establish the SBCR as a diverse and low carbon economy and international centre for renewable energy production and conservation.

### 1.9. Potential scope

To overcome this identified need and realise the regional potential, intervention is required to develop initiatives which create the required infrastructure, attract inward investment from businesses, create good job opportunities in growing and targeted high value sectors, and generate closer partnership working across the region.

In doing so we will respond to the economic performance gap through increased productivity and GVA. The productivity gap between the SBCR and the rest of the UK is forecast to remain unless action is taken. Unaltered, by 2030, GVA per worker in the SBCR is forecast to be £43,200 (2011 prices), compared with £59,100 in the UK. That’s just 73% of the UK total. If the SBCR does not act to drive productivity improvements, it will continue to perform at about three-quarters of its true economic potential.

By 2030, employment is expected to build to 331,000 - an increase of 8% on 2015 figures as depicted in Figure 1.4. below:



Source: SQW analysis of Cambridge Econometrics data, 2016

Figure 1.4. Employment forecast for the SBCR (2015-2030)

The SBCR and SBCD need to focus on the expanding and adjusting sectors to realise potential growth in GVA and employment to sustain and create new employment, whilst driving productivity growth. Even though complex, the scale of opportunity is significant and is needed for the region. If the SBCR achieves its growth predictions to 2030, and over that period returns to 90% of the UK’s productivity level, then the region would be an £18bn economy as shown in Table 1.2. below:

	2020 (£bn)	2030 (£bn)
Current trajectory	11.6	14.3
At Wales level of productivity	12.5	15.5
At 90% of UK level of productivity	14.1	17.6
At UK level of productivity	15.7	19.6

Table 1.2. Indicative scale of the SBCR economy based on productivity forecasts

*(Source: SQW analysis of Cambridge Econometrics forecasts, 2016)*

Supporting high value sectors and addressing long-term barriers to growth is at the heart of the Swansea Bay City Deal. Key business needs have been identified across these high value sectors. Thematically, the SBCD will prioritise four broad strategic themes to help tackle its structural challenges and reduce the economic performance gap between the SBCR and the rest of the UK. These themes are:

- **Economic Acceleration** - To deliver a coherent and integrated economic development strategy for the region that incorporates the identification of demand for and potential delivery of next generation digital infrastructure, along with the creation of a digital district in Swansea and its hinterland. In addition, growth in the region’s creative industry sector will be supported by optimising the benefits of Welsh language broadcaster S4C’s relocation to Carmarthen. A world-leading supportive environment for technology businesses and start-ups will also be created, as well as the development of the skills required to support this economic growth. All activities will be underpinned by a regional skills development programme.
- **Life Science & Well-Being** - To build on existing regional assets through the expansion of research and innovation infrastructure and the piloting of a digitally integrated healthcare environment through a network of health science ‘medi-parks’, wellness centres and other assets. Building on a new digital architecture, we will transform the delivery of health and social care in the region and contribute to the advancement of genomic medicine in analytics and diagnostics in the UK via network-based solutions.
- **Energy** - To place the region at the forefront of energy innovation in the areas of sustainable house building to address fuel poverty, while creating a centre of excellence to develop and exploit aspects of marine and other sustainable energy. This will exploit the multi-billion pound asset base in renewable and conventional energy production and the testing and commercialisation of integrated Future Energy Systems for commercial and domestic use. The SBCD portfolio will also contribute directly to the drive towards decarbonisation of the economy and the green industrial revolution including skills for green jobs.
- **Smart Manufacturing** - To support the critically important regional manufacturing economy through aligning digital assets and research and development provision under Industry 4.0 principles to improve products, services and processes. In addition, developing a leading-edge innovation capability to support R&D within the steel industry across Wales and elsewhere in the UK.

These areas have productivity and GVA potential for growth and are aligned to creating high technology jobs through start-ups and the attraction of inward investment from larger businesses. They are also areas of focus whereby the region has begun to build foundations to advance through R&D, infrastructure, natural resources, skills and complementary investments.



The SBCD portfolio will address these and other priorities for the region as part of the wider implementation of the Swansea Bay City Region Economic Regeneration Strategy 2013 to 2030, along with the combined aim of tackling regional challenges including economic inactivity, poor digital and transport connectivity, decarbonisation, poverty and the development of skills. To support this broader work, the directors of regeneration/economic development for the four regional local authorities meet regularly to ensure oversight of the strategy and the progression of change in the region.

This proposal will aim to establish integrated infrastructure and investment funds in excess of £500m over 15 years to invest in projects to accelerate economic growth for the SBCR.

**1.10. Benefits**

The intended beneficiaries are those people who experience better standards of living because of the portfolio of programmes and projects through higher real incomes or improved access to products, services and opportunities. These beneficiaries include a wide-ranging array of private business owners and companies, regional communities and residents, and public and third sector organisations whose value-added is expected to increase through the development and implementation of SBCD programmes and projects.

Working in parallel to the Wales Infrastructure Investment Plan and the Swansea Bay Economic Regeneration Strategy, the SBCD’s approach is pan-region with the aim of stimulating growth and investment (both public and private sector) by providing a framework for the future development needs of the region. Providing a collaborative approach between partners to enhance the outlook and prospectus of the region, Governments have committed funding to support investment in infrastructure and service designed to support local demands under the four key themes. A full assessment of benefits at a programme and project level is contained in Appendix 1.4.

The direct benefits that will deliver the greatest proportion of the portfolio value are:

- Greater employment opportunities
- Strengthened talent retention, attraction and entrepreneurialism
- A healthier, greener and more diverse economy through more productive, efficient and profitable companies

Associated with these are the following indirect benefits:

- Better collaborative regional working
- More disposable income and spend within the region
- Improvements to health and social well-being
- Improved supply chains
- Increased property values

The table below sets out baseline indicators which can be used to help gauge the impact of the SBCD to the regional ambition and the regional benefits delivered through various growth initiatives throughout the Swansea Bay City Region. These indicators will be regularly assessed and updated during the delivery of the portfolio.

<b>Baseline for Strategic Outcomes and Indicators</b>	<b>2017</b>	<b>2018</b>
<b>Growth in Regional prosperity</b>		

GVA growth (GVA £m)	13,085	13,606
South West Wales GVA against UK Index = 100	67.3	68.0
GVA growth across South West Wales (From year prior)	+2.45%	+4.0%
<b>Creation of Better-Quality Jobs</b>		
Employment Levels	313,300	307,200
Employment Growth	+4.30%	-2.00%
Employment/Economic inactivity in South West Wales (age 16-64, excluding students)	20.8%	22.1%
<b>A more Skilled Workforce in the region</b>		
Increase in proportion of the population with qualifications (NQF 4)	34.25%	35.63%
Total apprenticeships (Level 2 – 4) as a proportion of total employment	14,025	13,625
Increase in apprenticeships 16- 24 as a proportion of total employment	5,560	5,245
Improvements in Standards of Living across the Region Reduce the proportion of workless households	19.35%	20.78%
Income deprivation (percentage of population)	16.5%	Not Available
Gross disposable household income (£)	+2.4%	+4.4%

Table 1.3. Baseline indicators (Source: Various ONS source data, 2020)

### 1.11. Risks

The identification and assessment of risks to the successful delivery of the Portfolio are aligned to the UK and Welsh Government Guidance, where risks fall into three main categories:

<b>Business</b>	Business-related risks remain with the public sector and can never be transferred
<b>Service</b>	Service-related risks occur in the design, build, funding and operational phases of a portfolio and may be shared between the public and private sectors
<b>External</b>	External systemic risks affect all society and are unpredictable and random in nature

Risks that can affect the scope, time, cost and quality of the Portfolio are:

#### **Business-related risks:**

- Displacement as a result of competing with other regions across Wales
- Lack of funding from Welsh and UK Governments
- Lack of inward investment from private sector
- Lack of quality human capital within the region
- Political change or conflict at Regional, UK and Welsh Government levels

**Service-related** risks will be managed by each of the City Deal programmes and projects, who will maintain, manage and monitor their own risk registers in line with guidance from the Green Book and the PoMO governance arrangements.

**External Risks:** Although not within the control of the portfolio the following external risks are significant to portfolio delivery and are therefore monitored accordingly.

- **Covid 19:** The COVID-19 pandemic still poses a risk to the delivery of the portfolio. The economic impact of lockdown restrictions has still yet to be fully realised which could impact

local businesses, local authorities and education providers alike. Future lockdown restrictions could also delay the delivery of the constituent programmes and projects. The long-term effects of Covid-19 are still largely unknown and this uncertainty needs to be managed throughout the portfolio. The portfolio will contribute to the Covid-19 recovery plans at a UK and Wales level and its consequences will continue to be monitored and mitigated for through the portfolio risk register and risk management arrangements.

- **Brexit:** The UK officially left the EU on 31st January 2020, with the terms of leaving to be agreed during a transition period ending on December 31st, 2020. On December 24, 2020, the UK and EU agreed a provisional free-trade agreement that ensures the two sides can trade goods without tariffs or quotas. However, key details of the future relationship remain uncertain and the impact on the economy at national, regional and local level is as yet unknown.

Key risks captured in a SBCD Portfolio Risk Register and Covid-19 impact assessments include SBCD partner withdrawal, delays to programme and project approval, funding draw-down and portfolio delivery delays, achievement of targets, reputational effect and change to scope and objectives.

Further details of the SBCD risk management arrangements and identified risks can be found in section 5.8 of the Management Case and Appendix 5.14, 5.15.

## 1.12. Assumptions

The main assumptions have been identified which have been used in the development of the headline indicators for the constituent programmes and projects as follows:

- Timescale – key milestones and overall timeframe for the project
- Cost / Funding – overall cost of the project / programme and the availability of individual funding sources
- Quality – in terms of infrastructure provided and its intended use
- Impact – the key economic and social impacts of the deliverables

The initial assessment is included in Appendix 1.5. The accuracy and currency of this information will be regularly reviewed throughout the timeframe of the portfolio.

## 1.13. Constraints

Portfolio constraints for the SBCD are:

- Total funding package: Portfolio budget based on the fixed funding agreement between the region and Welsh and UK Governments
- Capital Funding: Portfolio budget being largely capital investment
- Term of the City Deal: The timeframe for the delivery of the Portfolio cannot exceed the term of the City Deal set at 15 years
- Resources: Resources available to establish and implement the portfolio and associated programmes and projects
- State Aid: Growth Deal projects must comply with relevant State Aid rules

## 1.14. Dependencies

The portfolio dependencies for the SBCD are:

- **Drawdown of Funding:** The annual drawdown of City Deal funding from the Welsh and UK Governments
- **Private Sector Engagement:** The City Deal cannot be successfully delivered without the engagement of and collaboration with the private sector
- **Public Sector Engagement:** The SBCD requires the commitment of all primary stakeholders to deliver the Deal
- **Public Sector Delivery:** The SBCD requires primary stakeholders to progress the wider economic regeneration plans relating to City Deal funding
- **Statutory Consents and Planning Approval:** Several the City Deal projects will require statutory consents and planning approval

Even though the portfolio works towards common strategic Investment Objectives, there are no interdependencies at portfolio level. The interdependencies that do exist will be at project/programme level and dealt with accordingly by the project/programme teams.

Regional stakeholder interdependencies may also exist and these will be identified and managed through stakeholder management and the SBCD governance committees to identify risks and opportunities relating to synergistic regional projects outside of the remit of SBCD that may impact the SBCD portfolio. For example, Hywel Dda University Health Board leading the repurposing of Glangwili Hospital in Carmarthen and Prince Philip Hospital in Llanelli, and how this interrelates to the Pentre Awel and Campuses projects in the SBCD portfolio; Dragon Energy Island linkages with energy -related projects such as Pembroke Dock Marine and Homes as Power Stations; and the national broadband roll-out linking to the SBCD Digital infrastructure programme.

The SBCD project/programme synergies which have been highlighted are summarised in Appendix 1.6. These synergies between themes, programmes and projects will be developed further as the portfolio matures.

## 2. THE ECONOMIC CASE

### 2.1. Introduction

The Economic Case describes how the options for the potential scope of the Swansea Bay City Deal, set out in the Strategic Case, were developed and appraised. It details the overall social value that the Portfolio will deliver during its timeframe, taking into account economic, social and wider benefits that will accrue.

This updated version of the Portfolio Business Case includes the following changes:

- Inclusion of a timeline for the development of the SBCD portfolio (Figure 2.1)
- Updated business case development and approval status (Table 2.5) – Pentre Awel and Digital Infrastructure have received regional approval with Government approval pending. Homes as Power Stations and Supporting Innovation & Low Carbon Growth have been submitted to the UKG and WG and are awaiting approval
- Updated economic appraisal information for portfolio, programmes and projects (Table 2.6) – Digital Infrastructure economic appraisal has been included and revised Supporting Innovation and Low Carbon Growth NPSV and BCR added. Overall Portfolio NPSV now £1,117.8m
- Updated portfolio, programmes and projects GVA / Jobs impacts (Table 2.7). Digital GVA figure included

The SBCD will deliver a portfolio of programmes and projects that are most likely to offer best value for money and maximum social and economic value to the SBCR. The SBCD portfolio is estimated to generate a Net Present Social Value (NPSV) of £1,117.8 million from a public sector cost of £439.6 million. These figures are detailed below in the economic appraisal section and are derived from eight of the nine SBCD projects as of March 2021. These estimates for the portfolio are subject to change as business cases become more mature and develop into full business cases for the entire portfolio.

The region began the process to identify and prioritise projects in 2015/16, moving from a long to a short list of projects via an appraisal process. At this time, the region was not required to strictly follow and respond to the Green Book guidance. Since inception, all projects and the portfolio have become better aligned to ensure that the nine shortlisted projects/programmes meet the SBCD investment objectives set out in the Strategic Case.

A timeline of the development of the Portfolio and the key milestones is shown in Figure 2.1 below:

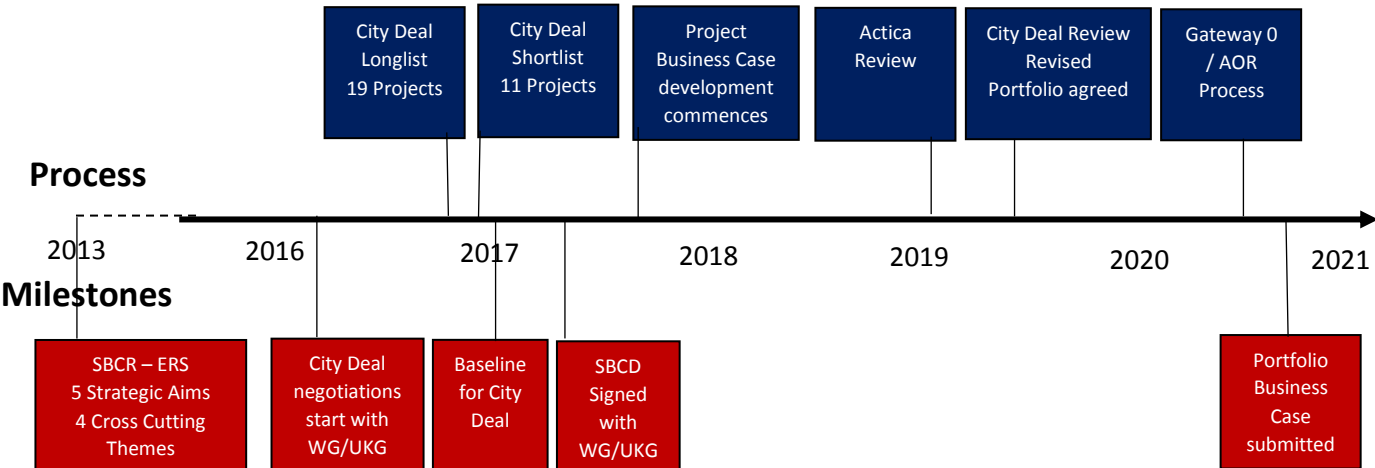


Figure 2.1. SBCD Portfolio Timeline

The nine shortlisted SBCD project/programmes are summarised in Table 2.1. below:

Economic Acceleration	Swansea City & Waterfront Digital District	To boost Swansea city centre's economic well-being at the heart of the City Region's economy, while retaining local tech, digital and entrepreneurial talent. This programme includes: <ul style="list-style-type: none"> <li>• A digitally enabled indoor arena in the city centre for concerts, exhibitions, conferences and other events</li> <li>• A 'digital village' development in the city centre to accommodate the city's growing tech and digital business sector</li> <li>• A 'Innovation Matrix' and the wider innovation precinct development at the University of Wales Trinity Saint David's new Swansea waterfront campus to enable start-up company support and growth</li> </ul>
	Yr Egin	To support and further develop the region's creative industry sector and Welsh language culture. The two-phased programme in Carmarthen, led by the University of Wales Trinity Saint David, features: <ul style="list-style-type: none"> <li>• National creative sector anchor tenants</li> <li>• World class office space for local and regional creative sector SMEs, with opportunities for expansion</li> <li>• Facilities for the community and business networking</li> <li>• Facilitation of engagement between businesses and students</li> </ul>
	Digital Infrastructure	To significantly improve digital connectivity throughout the City Region for the benefit of businesses and residents, also helping to attract inward investment. The programme is made of up of three themes: <ul style="list-style-type: none"> <li>• Connected places</li> <li>• Rural connectivity</li> <li>• Next generation wireless (5G and IOT networks)</li> </ul>
	Skills and Talent	To develop a sustainable pipeline of regional talent to benefit from the high-value jobs City Deal projects/programmes will generate in growth sectors for the region. This includes the potential to develop skills through courses and training and apprenticeship opportunities aligned to City Deal projects and regional priorities, as well as a partnership approach involving schools, universities, businesses and training providers across the region to identify need and resolve skills development gaps.
Life Science & Well-being	Life Science, Well-being and Sport Campuses	To develop digital health and platform technologies and clinical innovation 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 Sciences at Swansea University and expanding on regional expertise in sport and exercise science. This project will be located at Morriston Hospital and Swansea University's Singleton Campus.
	Pentre Awel	Previously named the Life Science & Well-being Village, this development will include life sciences research and assisted living units on one site in Llanelli, alongside state-of-the-art leisure, well-being and business incubation facilities. The development will include a well-being skills centre and a clinical delivery centre (Community Health Hub). This project will benefit from and further develop regional expertise in life sciences, while providing training and high-value job opportunities for local people.

<b>Energy and Smart Manufacturing</b>	<b>Homes as Power Stations</b>	<p>A co-ordinated project across the City Region, Homes as Power Stations will see energy-saving technologies introduced to thousands of homes as part of a smart, low carbon new-build and retrofit programme.</p> <p>The project will:</p> <ul style="list-style-type: none"> <li>• Tackle fuel poverty</li> <li>• Further decarbonise the regional economy</li> <li>• Improve residents’ health and well-being</li> <li>• Reduce burden on regional health and social services</li> <li>• Benefit regional supply chain businesses</li> <li>• Potentially develop a UK-wide industry in the City Region, with global export opportunities</li> </ul>
	<b>Pembroke Dock Marine</b>	<p>This programme will place Pembrokeshire at the heart of UK and global zero carbon, marine and off-shore energy innovation, building on the expertise of a marine energy cluster in Pembroke Dock. Facilities will be provided for marine energy innovators to build, test and commercialise their technologies. Programme features include:</p> <ul style="list-style-type: none"> <li>• Pembroke Dock Infrastructure (PDI) improvements</li> <li>• A Marine Energy Engineering Centre of Excellence (MEECE)</li> <li>• Marine Energy Test Area (META) developments</li> <li>• The Pembrokeshire Demonstration Zone (PDZ)</li> </ul>
	<b>Supporting Innovation and Low Carbon Growth</b>	<p>This programme will help further decarbonise the regional economy, while safeguarding the regional steel industry and providing high-quality space for the innovation, ICT and research and development sectors.</p> <p>Programme features include:</p> <ul style="list-style-type: none"> <li>• SWITCH - A purpose-built facility and specialist equipment to support the steel and metals industry and supply chain</li> <li>• Electric vehicle infrastructure and mapping</li> <li>• Real-time air quality modelling</li> <li>• Hydrogen production to power hydrogen vehicles</li> <li>• Cutting-edge business spaces to meet evidenced demand including a Technology Centre, Advanced Manufacturing Production Unit and Property Development Fund</li> </ul>

Table 2.1. SBCD Project Summaries

## The preferred way forward and project selection

### 2.2. Preferred way forward

To realise the ambitions within the Swansea Bay City Region Economic Regeneration Strategy 2013 to 2030, the four local authorities and other key stakeholders worked collaboratively as the SBCR Board. The Board was initially led by Sir Terry Matthews, supported by the four local authority Leaders and senior representatives from health boards, universities and the private sector. See Appendix 2.1 for the full Board membership.

During the development of the Swansea Bay City Region Economic Regeneration Strategy, the regional partners agreed to discount the business as usual and ‘do minimum’ options as they would fail to realise the economic ambition for the region. The preferred option was to proceed with establishing a Growth/City Deal programme to deliver a set of prioritised projects that would realise the potential scope set out in the strategic case by creating infrastructure, inward investment and job opportunities.

The SBCR Board agreed on the 10<sup>th</sup> October 2016 to establish an oversight working group with representation from the four local authorities, two universities and two health boards. The purpose was to review a long list of City Deal projects. Membership of the oversight working group can be found in Appendix 2.1.

### 2.3. Critical Success Factors (CSFs)

The SBCR oversight working group defined the following CSFs, which at the time were not directly aligned to the current Green Book:

No.	Critical Success Factor	Chosen CSF’s for Portfolio
1	Strategic Fit And business needs	Regional Spread GVA impact Impact on UK plc Job Creation
2	Potential Value for money	Consideration that the overall benefits are greater than the individual parts
3	Potential achievability	Skills readiness Readiness in 5yr context
4	Supply side capacity and capability	Private sector engagement Readiness in 5yr context
5	Potential affordability	Private sector investment Readiness inc affordability within programme

Table 2.2. Critical Success Factors

These CSFs were retrospectively aligned to HM Treasury guidance, as shown in Appendix 2.2.

### 2.4. Long-listed Options and Preferred Way Forward

The submission of 19 project proposals were received by the SBCR Board at 6pm on Tuesday 11<sup>th</sup> October 2016. The oversight working group conducted a prioritisation process by reviewing the projects against the CSFs and categorised them as:

- Supported
- Supported for either second phase City Deal or alternative funding sources
- Not supported

	Project title	Lead Organisation	Brief description	Outcome
1	Buildings as Power Stations	Swansea University	A programme of regional low carbon homes development and retrofit with supply chain development. Combine as one project	Supported
2	Innovative Smart Low Carbon Homes	Local Authorities		



3	ARCH Campuses (Phase 1)	City & County of Swansea /Swansea University / Health Boards	The extension of Institute of Life Sciences facilities at the Morriston and Singleton campuses	Supported
4	(CENGs) revenue	City Region Team	Centre of Excellence in Next Generation Services. Combine as one project. CENGs revenue and SBCR CENGs Technology Centre capital	Supported
5	SBCR CENGs Technology Centre	City Region Team		
6	Digital Infrastructure & Test Beds	City Region Team	Digital Infrastructure upgrades & test beds following the themes of Rural, Transport Corridor and Connected City	Supported
7	Swansea City Digital District	City and County of Swansea	Combine as one project. Arena, new offices and public realm development as part of a wider City Centre regeneration programme including the development of a box village and innovation precinct in SA1	Supported
8	Swansea Waterfront	University of Wales Trinity Saint David		
9	Distributed Generation Cluster Hub - Dulais Valley	Neath Port Talbot CBC	Creation of a Dulais Valley Smart Energy Network and a Smart energy network in Milford Haven, Pembrokeshire. Combine as one project	Supported for alternative funding sources
10	Distributed Generation Cluster Hub - Milford Haven	Milford Haven Port Authority		
11	Energy Conversion and Storage Innovation Platform (ECSIP)	Swansea University	Future-proofing new energy generation and storage with carbon reduction	Not supported
12	Factory of the Future	Swansea University	State of the art prototyping facility for Industry 4.0 growth	Supported
13	Innovation System	City and County of Swansea	Creation of The Innovation System that will provide an integrated regional approach to supporting enterprise and innovation, with sector-specific efforts targeting each internet theme	Not supported
14	Pembroke Dock Marine	Milford Haven Port Authority	Expansion of off-shore renewable energy infrastructure and test areas	Supported
15	Skills and Talent	Regional Learning Partnership	Regional skills and talent growth focused facilities	Supported
16	Steel Science Centre for UK Primary Steelmaking	Excalibur Steel UK Ltd	Combine as one project. Establishment of a Steel Science Centre for UK Primary Steelmaking and Strip Steel Production	Supported
17	Sustain	Swansea University		
18	Health & Well Being Village Phase 1	Swansea University/ Health Boards Carmarthenshire CC	New build Community Well-being Hub as catalyst to wider development	Supported

19	Yr Egin	University of Wales Trinity Saint David	New build creative hub with national anchor tenant	Supported
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Table 2.3. Long list project options

Below is a summary of the decisions made for the 19 long-listed projects, of which 11 were supported by the oversight working group:

- **Seven projects approved:** Projects subject to no change or revised budgets were 3, 6, 12, 14, 15, 18 and 19.
- **Four projects are the accumulation of 8 projects:** Several of the submitted proposals were deemed more impactful if combined as a result of their scope and synergies. The Board unanimously agreed to combine eight of the projects into the following four projects:
  - Projects 1 & 2 as they were similar in concept
  - Projects 4 & 5 were both focused on the Centre of Excellence for Next Generation Services (CENGs), with one being revenue based and the other capital based
  - Projects 7 & 8 formed part of a wider vision for the region with similar outcomes
  - Projects 16 & 17 both focussed on supporting the steel industry
- **Two projects signposted to a second phase or alternative funding:** The Board agreed that projects 9 and 10 were worthy projects to take forward, but they did not fully meet the City Deal requirements. It was agreed that they would be supported for either a second phase City Deal or for alternative funding sources.
- **Two projects not supported:** 11 and 13 were not supported as they were not aligned.

Further details on the oversight working group appraisal for the long-list options can be found in Appendix 2.2.

## 2.5. Short-listed options

The 11 shortlisted projects with project lead authorities are summarised in Table 2.4. below:

<b>Economic Acceleration</b>	Swansea City & Waterfront Digital District	C&C of Swansea/UWTSD
	Yr Egin	Carmarthenshire CC/UWTSD
	Digital infrastructure	Carmarthenshire County Council
	Skills and Talent Initiative	Carmarthenshire County Council
	<b>Centre of Excellence Next Generation Digital Services</b> (since withdrawn)	Neath Port Talbot CBC
<b>Life Science &amp; Well-being</b>	Life Science & Well-being Campuses	C&C of Swansea/ Swansea University/ Health Boards
	Pentre Awel (LS&WB Village)	Carmarthenshire County Council
<b>Energy</b>	Homes as Power Stations	Neath Port Talbot CBC
	Pembroke Dock Marine	Pembrokeshire Council
<b>Smart Manufacturing</b>	<b>Factory of the Future</b> (since withdrawn)	Neath Port Talbot CBC/Swansea University
	<b>Steel Science</b> (merged with Supporting Innovation and Low Carbon Growth)	Neath Port Talbot CBC/Swansea University

Table 2.4. Long list project options

Changes were made to the shortlisted options following the SBCD review in late 2018 and early 2019. The external review undertaken by Actica recommended that the SBCD should be managed as a portfolio, rather than as a set of pre-determined and immutable projects.

As a response to the climate change emergency declared by the Welsh Government in April 2019, a revised programme of projects entitled Supporting Innovation and Low Carbon Growth was approved for inclusion in the City Deal portfolio by Neath Port Talbot County Borough Council’s Cabinet in July 2019. This was subsequently approved by the City Deal Joint Committee.

The new project met the original CFSs and subsumed relevant parts of the Centre of Excellence in Next Generation Services (CENGs) and Steel Science projects. Factory of the Future was also no longer supported as one of the prioritised projects.

This led to the SBCD portfolio comprising of the nine shortlisted projects as detailed in Table 2.1. above.

## 2.6. Phased approach and desirability

Commencing in 2017, the SBCD portfolio has a 15-year funding and delivery profile, which was established when the Heads of Terms agreement was signed. The model is a focused period of construction funded by Local Authority borrowing and stakeholder contributions followed by implementation, benefits realisation and repayment by the UK Government and the Welsh Government.

Phase	Term	Delivery
1	Short-term (0-5 years)	Initial investment with focused spend on construction and project development
2	Medium-term (5-10 years)	Implementation, operational, benefits realisation and repayment
3	Long-term (10-15 years)	Operational, benefits realisation and repayment

The SBCD portfolio will be periodically assessed through internal and external reviews to ensure that the portfolio and project desirability is valid and viable. As of March 2021, the desirability categories for each project and its components are deemed core/essential by the SBCD. This is summarised in Table 2.5. below:

Project / Programme name	Years 0 - 5	Years 5 - 10	Years 10 - 15
<b>Swansea City &amp; Waterfront Digital District:</b> <ul style="list-style-type: none"> <li>Arena &amp; Digital Square</li> <li>Digital Village</li> <li>Innovation Matrix / Innovation Precinct</li> </ul>	Core/essential	Core/essential	Core/essential
<b>Yr Egin, Creative Digital Cluster:</b> <ul style="list-style-type: none"> <li>Phase 1</li> <li>Phase 2</li> </ul>	Core/essential	Core/essential	Core/essential
<b>Digital Infrastructure:</b> <ul style="list-style-type: none"> <li>Connected places</li> <li>Rural connectivity</li> <li>Next generation wireless</li> </ul>	Core/essential	Core/essential	Core/essential
<b>Skills and Talent Initiative</b>	Core/essential	Core/essential	Core/essential
<b>Life Science, Well-being and Sport Campuses:</b> <ul style="list-style-type: none"> <li>Singleton</li> <li>Morrison</li> </ul>	Core/essential	Core/essential	Core/essential

<b>Pentre Awel (Life Science &amp; Well-being Village):</b> • Phase 1 Community Health Hub	Core/essential	Core/essential	Core/essential
<b>Homes as Power Stations</b>	Core/essential	Core/essential	Core/essential
<b>Pembroke Dock Marine:</b> • Pembroke Dock Infrastructure (PDI) • Marine Energy Engineering Centre of Excellence (MEECE) • Marine Energy Test Area (META) • Pembrokeshire Demonstration Zone (PDZ)	Core/essential	Core/essential	Core/essential
<b>Supporting Innovation and Low Carbon Growth</b> • Swansea Bay Technology Centre • SWITCH building • Decarbonisation • Industrial Futures	Core/essential	Core/essential	Core/essential

Table 2.5. Portfolio Desirability Categories

## 2.7. Economic appraisal

Each SBCD project business case contains economic appraisals to determine the expected costs and benefits for the chosen options for each project. The economic appraisal status and summary for each SBCD project/programme is summarised in Table 2.6. and 2.7. below. Appendix 2.3 provides further details on the available economic and financial appraisals for each project.

Project/programme	Business Case Status	Economic appraisal Status
Yr Egin	Approved regionally and by WG and UKG	Current
Swansea Waterfront	Approved regionally and by WG and UKG	Current
Pembroke Dock Marine	Approved regionally and by WG and UKG	Current
Homes as Power Stations	Approved regionally. Submitted to WG / UKG	Current
Supporting Innovation and Low Carbon Growth	Approved regionally. Submission to WG / UKG imminent	Current
Pentre Awel	Approved regionally and submitted to WG/UKG	Current
Campuses	Business Case in development	Under review
Digital	Approved regionally and submitted to WG/UKG	Current
Skills and Talent	Business Case in development	Under development

Table 2.6. Business Case and Economic Appraisal Status

The status of each project/programme business case will result in the economic appraisal for the SBCD portfolio changing once the appraisals have been conducted or updated, and will form the approval process at a project/programme level and incorporated into the Portfolio Business Case.

		SBCD Portfolio	Yr Egin	Swansea Waterfront	PDM	HAPS	SI&LCG	Pentre Awel	Campuses	Digital	Skills
A	Net Present Social Value (£m)	1,117.8	150.02	407.51	87.2	11.11	48.7	63.86	30.2	319.2	TBC
B	Public sector cost (£m)	439.59	21.8	138.37	42.7	14.66	130.3	39.11	14.151	38.5	TBC
C	Appropriate BCR	-	3.7	3.95	2.63	0.76	1.3	2.63	3.14	1.5-11	TBC
	Significant unmonetizable costs/benefits	See Appendix 1.4 for detail	- skills and training opps - new business floorspace - new businesses	- skills and training opps - new business / leisure floorspace - new business start ups	- contribution to decarbon - new floorspace and infrastructure	- homes benefitting from renewable tech - Energy savings - CO2 reduction	- new infrastructure - new enterprises supported - innovation / new patents	- skills and training opps - life science programmes - new business floorspace - R&D	- skills and training opps - life science programmes - new business, R&D, floorspace	- rural community schemes - connectivity improvements - new infrastructure	- increase in higher skills - new apprenticeships - increase in STEM subjects
E	Significant unquantifiable factors	See Appendix 1.4 for detail	- improved start up opps - improved academic facilities - promotion of Welsh lang	- improved leisure facilities - improved profile - enhanced innovation ecosystem	- innovation in marine/energy - attraction of new investment - people / skills retention	- proof of concept / mainstreaming - reduction in fuel poverty - health and wellbeing - regional supply chain	- future reduction in carbon - job retention in steel industry and related enterprise - centre of excellence	- integrated approach to health care - health and wellbeing	- integrated approach to life science / wellbeing - health and wellbeing	- accelerate 5G - commercial investment - connectivity wellbeing - rural development	- new employment opportunities - people retention - benefits to wider regional initiatives
F	Risk costs by type and residual optimism bias	-	10%	10%	10%	£1.647m	10%	20%	20%	-	-
G	Switching values (for the preferred option only)	-	86%	-30.5%	-62%	167 jobs with salary uplift	TBC on a project basis	-	-66%	-	-
H	Time horizon and reason	15-year appraisal period for the portfolio. All infrastructure projects will have a residual value at the end of this term.									
I	Preferred option	-	Option 4	Option 2	Option 2	Option 4	Blended	Option E	Option D	Blended	TBC
J	Date of appraisal	-	July 2018	Nov 2018 Orig. Sept 2019 Rev.	Sept 2019	August 2020	Jan 2021	March 2020	Sept 2020	Aug 2020	Q1 2021/22
K	Appraised by	-	Amion	Amion	Amion	Value People	Value People	Swansea University	Swansea University	Cube	DS Consulting

Table 2.7. Portfolio Summary Appraisal

The initial analysis and assessment for the Gross Value Added (GVA) and jobs created targets were undertaken by a team of specialist economists at Swansea University, who assessed the short-listed projects. Since then, each project/programme has undertaken a more in-depth analysis of these two indicators as part of their economic appraisal of shortlisted options.

The original SBCD heads of terms estimated the creation of £1.8bn GVA and 9,000 skilled jobs. The current estimates show a 32% increase in GVA and 7% increase in jobs created across the SBCD portfolio and are summarised at project and portfolio levels in Table 2.8. below:

Project theme/name	15-year Impact	
	GVA £m	Net Jobs
<b>Economic Acceleration</b>		
Swansea City & Waterfront Digital District	669.8	1,281
Yr Egin	89.5	427
Digital infrastructure	318.8	-
Skills and Talent Initiative	-	-
<b>Life Science &amp; Well-being</b>		
Life Science, Well-being and Sport Campuses	150.0	1,120
Pentre Awel (Life Science & Well-being Village)	467.0	1,853
<b>Energy and Smart Manufacturing</b>		
Homes as Power Stations	251	1,804
Pembroke Dock Marine	343.4	1,881
Supporting Innovation and Low Carbon Growth	93	1,320
<b>SBCD Portfolio total</b>	<b>2,382.5</b>	<b>9,686</b>

Table 2.8. SBCD Portfolio Impact Deliverables overarching

In addition to the above strategic benefits, each project has identified further benefits within their business cases, which are summarised in Appendix 1.4 and will be reviewed and revised on a regular basis. Bespoke to each project where construction is a component, additional community benefits will be achieved via the initial procurement process. This will include:

- Construction Jobs
- Supply chain opportunities
- Targeted recruitment and training clauses
- Contributions to education
- Community initiatives

Further details on the process to obtain the community benefits can be found in the Commercial Case Section 3.3.

## 2.8. Summary

The appraisal contained in the Economic Case has demonstrated the scale of the economic and social value that the delivery of the Portfolio will achieve. The chosen way forward represents a coherent, balanced and achievable portfolio that will meet the Critical Success Factors and will deliver real and lasting benefits to the region. The impacts of the Portfolio will contribute directly to the achievement of the Portfolio Investment Objectives and to the strategic aims of the economic strategy for the City Region, generating new jobs and investment and contributing to increased GVA and productivity within the regional economy. The appraisal information will continue to be updated and refined as programmes and projects are progressed.

### 3. THE COMMERCIAL CASE

The purpose of the Commercial Case is to provide the overarching principles, objectives and arrangements for the procurement of the programmes and projects within the portfolio. The SBCD will aim to continue to secure social value through the delivery of its constituent programmes and projects, maximising benefits to the region through procurement.

This updated version of the Portfolio Business Case includes the following changes:

- Updated portfolio procurement principles
- Additional information on the realisation and monitoring of community benefits, including a register template of programme and project community benefits
- Development of a register of planned procurement activities at a programme and project level to assist the private sector in identifying potential tender opportunities at an early stage.

#### 3.1 Procurement strategy and route

SBCD programmes and projects are led by a lead delivery organisation, which may be a local authority, university, health board or private/third sector organisation. These lead delivery organisations are responsible for conducting their own procurement exercises in line with their own organisational policies and procedures.

Public sector led procurement requires the procuring bodies to comply with the:

- Public Contracts Regulations 2015
- Welsh Procurement Policy Statement 2015
- European Public Contracts Directive 2014/24/EU and the requirements placed on the Welsh public sector for all contracts over certain thresholds to be advertised in the Official Journal of the European Union (OJEU), noting that the [European Public Procurement thresholds](#) are revised every two years.
- The Welsh Government Welsh Procurement Policy Note WPPN 0320 provides the Welsh public sector contracting authorities an update on public procurement, and on the use of Sell2Wales and the new UK e-notification service Find a Tender after the end of the EU Transition Period.

<https://gov.wales/wppn-0320-post-eu-transition-public-procurement-including-find-tender-service-fts-html>

In 2012, the Welsh Government issued the Wales Procurement Policy Statement which was subsequently reviewed and updated in 2015. The statement sets out the principles by which it expects public sector procurement to be delivered in Wales. Projects will be expected to meet the requirements of this policy statement which seeks to open procurement contracts up to more innovative solutions to ensure that the money that goes into procurement is spent in a way that stimulates development.

The rules aim to minimise bureaucracy for companies bidding and to make it easier for small and medium-sized firms to participate.

## 3.2 City Deal Procurement Principles

Aligned to the Wales Procurement Policy Statement, the SBCD's Joint Committee approved a supplementary set of procurement principles in November 2020 that aim to encourage project/programme teams to consider wider benefits that can be achieved through procurement. These principles link procurement activities with UK and Welsh Government policy and best practice, especially with meeting the objectives of the Well-Being of Future Generations (Wales) Act 2015. The principles also draw on the need for net zero carbon and carbon offset contributions to be considered as part of the procurement exercises.

The principles have been drafted in collaboration with industry, as well as legal and procurement specialists, with a view to ensuring that the regional supply chain and local businesses can have the opportunity to achieve the maximum benefit from the City Deal.

Project/programme teams will be required to think innovatively with their procurements, considering all options. This will include considering what best deals can be achieved via the procurement process and whether collaborative purchasing across projects can add value.

High value procurements should be broken down into smaller lots so that regional companies are not excluded from the process. Where this is not possible due to economies of scale or risk, for example, then Tier 1 contractors should be contractually obliged to undertake the lotting process where existing frameworks allow.

Procurements should be planned well in advance, allowing time for collaborative bidding to take place where appropriate. The Sell2Wales procurement platform provides this facility (see 3.6 – Key contractual arrangements below).

Projects/programmes will be encouraged to work across the portfolio where possible to consider economies of scale where collaborative bidding and purchasing will offer benefit.

## 3.3 Community Benefits

The use of Community Benefit clauses as a core requirement will bring added value and ensure long-term benefits realisation. Clauses that may be used in community benefit contracts include:

- Supply chain opportunities: Creating opportunities for Small to Medium Enterprises (SMEs) to bid for work through the supply chain. Tier 1 contractors will be contractually obliged to undertake effective 'Meet the Buyer' events as early market engagement
- Targeted recruitment and training clauses: Providing opportunities to specific groups such as the economically inactive or young people who are Not in Education, Employment or Training (NEETs). Work experience placements will be offered to pupils and students in local schools, colleges and universities, along with apprenticeship opportunities for local people during contract periods. Projects/programmes will work in collaboration with the Skills and Talent initiative to ensure maximum benefits are achieved and retained within the region
- Contributions to education: Particularly focused on engaging with schoolchildren, this may involve offering opportunities such as site visits or delivering related information sessions
- Community initiatives: Demonstrating active participation in the community through volunteering days in local communities, sponsoring community initiatives or engaging with local community groups to maintain SBCD communication

Project/programme teams will be required to:



- Provide the PoMO with details of community benefits clauses either included in procurement contracts or agreed with suppliers following appointment
- Provide quarterly updates to the PoMO on the progress made on the delivery of community benefits
- Continual engagement with the PoMO on planned community benefit activity to promote good news stories and identify opportunities for support
- Formally report their community benefit outputs via the Welsh Government Community Benefits Toolkit, or another agreed platform, and provide a copy of this to the SBCD PoMO on an annual basis

The PoMO will maintain a register of community benefits, attached as Appendix 3.1.

### 3.3 Service requirements, Outputs and Risk allocation

Portfolio business risk will be managed by the SBCD PoMO within the established governance structure, as detailed in the Management Case. The identification of service requirements, outputs and risk allocation will be managed by the individual project/programme sponsors according to their situation and standing orders. Each project lead authority will have its own internal structure and process for procurement and risk apportionment. The detail on how each sponsor manages its business, service and external risk will be provided in individual project/programme business cases. Projects/programmes will also be required to provide regular updates on procurement activities to the SBCD PoMO. This will include the assessment of risks, progress and deliverables. Project/programme teams will work with the SBCD PoMO to promote major procurement exercises and any 'Meet the Buyer' or local supply chain events.

### 3.4 Charging mechanisms

Each programme/project will undertake its own assessment of the appropriate charge mechanisms for pre-delivery, design and build phases and whether to apply a fixed price/cost mechanism or to use payment on delivery of agreed outputs/targets. To protect the supply chain and ensure fair and prompt payment, programmes/projects will be required to put in place Project Bank Accounts (PBAs) for all significant procurements. This requirement is in line with Welsh Government policy whereby all procurements with a value of £2m or more and lasting longer than 6 months must consider doing this. Note: Other criteria will also apply - see [WG guidance](#) for more details.

### 3.5 Key contractual arrangements

Each programme/project will undertake its own contract assessment processes aligned to its own organisational requirements. In addition to the standard form of contract chosen, several supplementary requirements will be placed on programme/project teams as outlined in the Portfolio Procurement Principles in Appendix 3.2. The template for evidencing the consideration and contribution of a programme/project to the Procurement Principles is attached in Appendix 3.3. The PoMO have developed a register of planned procurement showing the pipeline, timescale and route to procurement of the individual projects to assist potential contractors in identifying and accessing tender opportunities. The pipeline template is shown in Appendix 3.4 and will be updated on a regular basis in consultation with the programme/project leads.

Industry has told us that effective communication and early market engagement is critical. Contractors and the wider supply chain need to have advance notification of future tender opportunities. Early notification and supply chain engagement is a key part of this. Where SBCD funding is part of the

package, all contracts must be published on the Sell2Wales platform and linked to the City Deal programme/project page at the earliest opportunity.

The SBCD page on Sell2Wales will promote all SBCD procurement opportunities under one banner. This includes those where Procurement Frameworks are to be used and, in doing so, will help to provide consistent and clear communications to the wider supply chain. For opportunities to be promoted well in advance, projects will be required to provide the SBCD PoMO with a procurement plan and timeline at the earliest opportunity.

The use of Community Benefit clauses within SBCD developments as core requirements will ensure the long-term benefits realisation integral to this plan for economic change.

The Welsh Government 'Ethical Employment in Supply Chains' Code of Practice (2017) states that the Government expects all public sector bodies to sign up to the code and the wider public sector supply chain to adopt it. Tier 1 contractors should be made aware of this and encouraged to sign up to the code.

Programmes/projects will be required to work closely with the Skills and Talent initiative to ensure that targeted recruitment and training objectives are met. Each major procurement will be required to produce a plan of engagement with education establishments and delivery of community benefits.

### 3.6 Personnel implications

**Portfolio level** - The SBCD has administrative support roles shared between the four partner Local Authorities, with Carmarthenshire County Council as the Accountable body role for the portfolio. A SBCD PoMO has been established with the capacity to manage the governance, assurance and decision-making mechanisms of the portfolio, along with the day-to-day duties required to service the portfolio. This includes senior financial, legal and monitoring personnel and a Senior Responsible Owner (SRO) for the portfolio. See the Management Case for further details.

**Programme/Project Level** - Sponsors will be required to ensure that key personnel and resources are in place to deliver their programmes/projects accordingly. Programmes/Projects will establish internal lines of communications to include internal stakeholders. These include programme/project managers, procurement teams, community benefits teams, legal and financial assistance, and marketing. Other departments should be included as required. Matters of concern should be recorded and escalated to the SBCD PoMO at the earliest opportunity. Any significant business issues will be managed by the SBCD PoMO via its governance process. Significant service issues will be addressed by the client organisation supported by the PoMO where appropriate.

### 3.7 Accountancy treatment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. Assets constructed or held as part of a programme/project delivered within the portfolio will be disclosed and held on the Balance Sheet within the Lead Authority responsible for the delivery of such programme/project. Assets constructed or held as part of a regional project or programme within the portfolio will be proportioned accordingly or reside within the balance sheet of the Lead Authority in which the asset resides. The Joint Committee will hold no such physical asset as categorised above within its legal remit.

## 4. THE FINANCIAL CASE

The purpose of the Financial Case is to demonstrate the affordability and funding of the portfolio, including the support of stakeholders. The Financial Case provides detail on the amount, timing and source of financial investments to ensure the fundability of the programmes and projects. The Case also details the impact upon the balance sheet, income and expenditure and accountancy arrangements of the SBCD.

This updated version of the Portfolio Business Case includes the following changes:

- Updated funding and investment information including breakdown of private and public sector investment. Clarification included on relationship between portfolio investment funding and capital financing
- Detail included of short-term investments and loan borrowing and how these relate to the financing of projects / programmes
- Detail on the financial monitoring templates for annual / quarterly monitoring to WG

### 4.1. Original Swansea Bay City Deal Investment Summary

The SBCD portfolio was originally made up of three funding components, which combine to generate an anticipated £1.3 billion investment for the Swansea Bay City Region. The components are £241 million from UK and Welsh Government, £396 million from other public sector investment, and £637 million from the private sector. The funding award Heads of Terms sets out the Welsh Government and UK Government contributions to support the City Deal. Funding will be released by the Welsh Government on behalf of both Governments to the SBCD Accountable Body, Carmarthenshire County Council, subject to the approval of business cases and portfolio delivery.

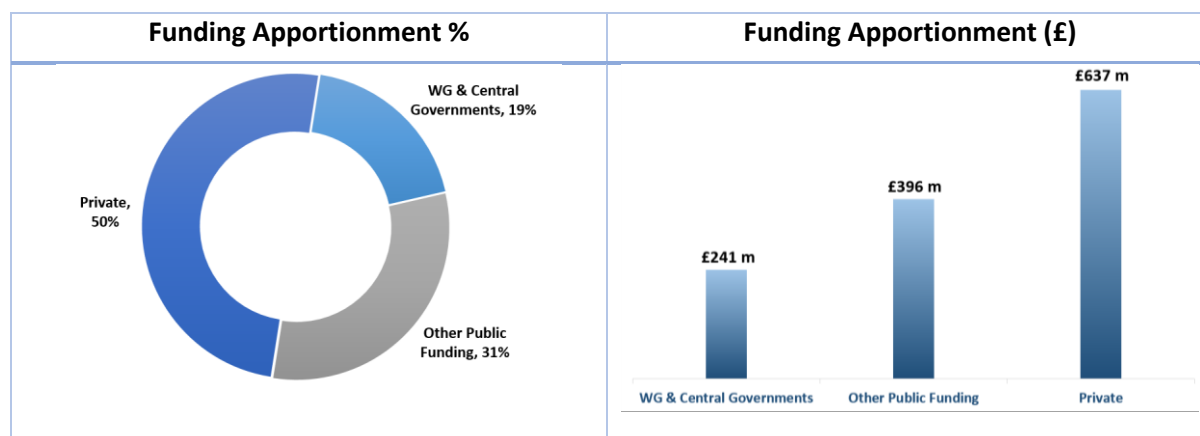


Figure 4.1. Funding Apportionment

Investment is categorised under four themes, with each designed to stimulate economic growth, increase GVA and increase the number of high-level skilled jobs in the region. Investment in these areas is summarised in Figure 4.2. below:

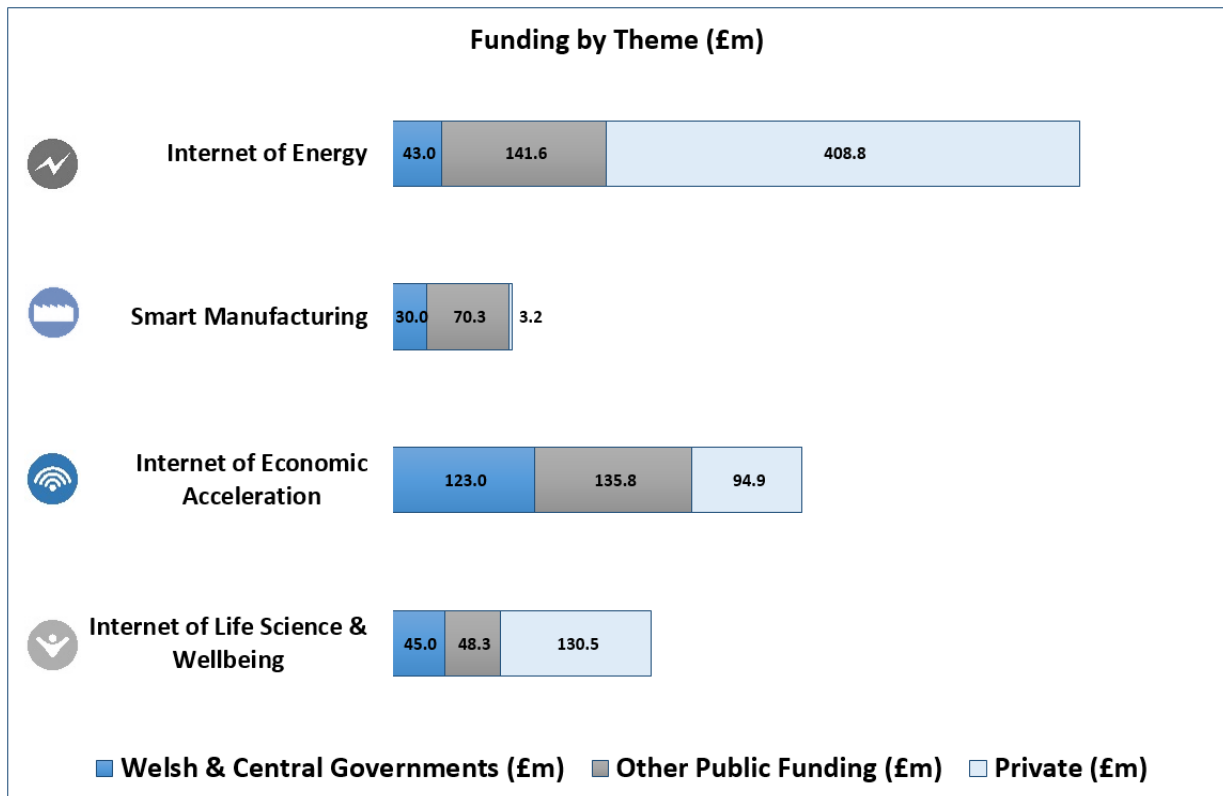


Figure 4.2. Funding by Theme

#### 4.2. Updated Swansea Bay City Deal Investment Summary

The SBCD partnership, through the Internet Coast publication and subsequent discussions with the Welsh and UK Governments, has developed a clear strategy which has been underpinned by identified interventions to deliver widespread and sustainable economic growth across the region. These interventions, subject to the submission and approval of detailed business cases for the nine identified projects/programmes by the Welsh and UK Governments, along with the agreement of necessary governance arrangement and delivery models, make up the SBCD.

The current portfolio investment breakdown presented in Table 4.1. below is based on forecasted investment as of 31<sup>st</sup> December 2020:

Theme	City Deal (£m)	Public (£m)	Private (£m)	Total (£m)	Original HoT Budget (£m)	Variance (£m)
<b>Internet of Economic Acceleration</b>						
Swansea Waterfront	50.00	85.38	39.90	175.28	168.20	7.08
Yr Egin	5.00	18.67	1.50	25.17	24.29	0.88
Skills & Talent	10.00	16.00	4.00	30.00	30.00	0.00
Digital Infrastructure	25.00	13.80	16.50	55.30	55.00	0.30
<b>Total</b>	<b>90.00</b>	<b>133.85</b>	<b>61.90</b>	<b>285.75</b>	<b>277.49</b>	<b>8.26</b>
<b>Internet of Life Science &amp; Well-being</b>						
Pentre Awel	40.00	51.00	108.19	199.19	199.50	-0.31
LS&WB Campuses	15.00	9.03	13.78	37.81	45.00	-7.19
<b>Total</b>	<b>55.00</b>	<b>60.03</b>	<b>121.96</b>	<b>237.00</b>	<b>244.50</b>	<b>-7.50</b>
<b>Internet of Energy</b>						
Homes as Power Stations	15.00	114.60	375.90	505.50	517.05	-11.55
Pembroke Dock Marine	28.00	16.35	16.12	60.47	76.32	-15.85
<b>Total</b>	<b>43.00</b>	<b>130.95</b>	<b>392.02</b>	<b>565.97</b>	<b>593.37</b>	<b>-27.40</b>
<b>Smart Manufacturing</b>						
Supporting Innovation and Low Carbon	47.70	5.50	5.50	58.70	159.02	-100.32
<b>Total</b>	<b>47.70</b>	<b>5.50</b>	<b>5.50</b>	<b>58.70</b>	<b>159.02</b>	<b>-100.32</b>
<b>Portfolio Total</b>	<b>235.70</b>	<b>330.34</b>	<b>581.38</b>	<b>1,147.42</b>	<b>1,274.39</b>	<b>-126.96</b>

Table 4.1. Portfolio Investment Breakdown

These figures are the current financial investment forecast which the SBCD is currently projecting over its 15-year term and are within a 9.96% tolerance of the original SBCD Heads of Terms. Funding elements are subject to change as the portfolio evolves. On the successful approval of business cases the Accountable Body will release Government funding to projects up to the value of the agreed project allocation.

It is the aim of the SBCD that all projects/programmes will be delivered in a seven-year period in order to maximise the full benefits realisation of the operational schemes during the lifetime of SBCD funding, which is to be released to the SBCR from both the UK and Welsh Governments over a 15-year period.

The overall investment composition comprises of the three following investment components:

- The **City Deal investment** component consists of the government grants awarded by the UK and Welsh Governments, totalling £241m (UKG £115.6m and WG £125.4). Currently only £236m is forecast, with the balance of £5m being further considered for investment. City Deal Grant is awarded to projects over the 15-year term up to a maximum of the allocated value.
- **Public sector** investment consists of investment from local authorities and other public funded and public service organisations. Public sector investment will also consist of match-funded WEFO grant funding. The public sector investment package will differ from project to project as to its composition. The majority of public sector investment will be provided through Local Authority borrowing. Each Local Authority shall be responsible for borrowing to provide funding or otherwise securing funding for projects located in its own area. Local Authorities may agree that borrowing for a Regional Project should be made by all the Authorities equally or in proportions agreed, or that borrowing should be carried out by one Local Authority on behalf of others if they so agree. Decisions on whether borrowing for any project shall be carried out by one regional Local Authority on behalf of the others – as well as the proportions - shall be determined by the Local Authorities as a matter reserved to them.
- **Private sector** investment includes regional investment from local and national private sector partners.

### 4.3. Swansea Bay City Deal Income and Expenditure Summary

The UK Government and Welsh Government capital grant contribution to the SBCD is awarded over a 15-year period. It is currently forecasted at £236m, with the remaining £5m balance being considered for further investment. The portfolio will disperse funding to the regional Project Lead Authorities to support the projects on which the grant funding was awarded. Funding will only be released from the portfolio on the successful approval of business cases by both the UK and Welsh Governments, up to a maximum of the agreed grant allocation.

An inherent temporary funding gap is recognised, with the funding being released to the portfolio over a 15-year period. Each Project Lead Authority is responsible for managing the cashflows in respect of the projects in which they hold responsibly for delivery. They are also therefore subsequently accountable for managing inherent risks and the funding gaps recognised. Each Local Authority shall be responsible for borrowing to provide funding or securing funding for projects in its own area.

The portfolio expenditure profile is presented in Table 4.2 below, with further financial appraisal on the expenditure forecasts at project/programme level detailed in Appendix 4.1.

## Portfolio Income and Expenditure Forecast

Investment Component	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
<b>Capital/Revenue</b>									
Capital Expenditure	13.92924674	5.43	30.44	45.46	133.30	193.11	203.86	213.44	224.30
Revenue Expenditure	3.5122825	0.75	0.58	0.94	7.79	9.41	12.87	11.42	9.93
<b>Total</b>	<b>17.44152924</b>	<b>6.18</b>	<b>31.02</b>	<b>46.40</b>	<b>141.09</b>	<b>202.52</b>	<b>216.73</b>	<b>224.86</b>	<b>234.23</b>
<b>Component Expenditure</b>									
City Deal Expenditure	3.13676213	4.60	6.58	7.35	57.54	60.75	59.79	27.13	8.83
Public Sector Expenditure	14.12666211	1.21	23.52	36.93	52.45	55.98	47.17	41.68	50.76
Private Sector Expenditure	0.178105	0.37	0.92	2.12	31.10	85.80	109.78	156.05	174.64
<b>Total</b>	<b>17.44152924</b>	<b>6.18</b>	<b>31.02</b>	<b>46.40</b>	<b>141.09</b>	<b>202.52</b>	<b>216.73</b>	<b>224.86</b>	<b>234.23</b>

Investment Component	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Total
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	
<b>Capital/Revenue</b>									
Capital Expenditure	224.30	9.59	1.00	-	-	-	-	-	1,073.86
Revenue Expenditure	9.93	2.29	2.31	2.33	2.34	2.35	2.36	2.38	73.56
<b>Total</b>	<b>234.23</b>	<b>11.87</b>	<b>3.31</b>	<b>2.33</b>	<b>2.34</b>	<b>2.35</b>	<b>2.36</b>	<b>2.38</b>	<b>1,147.42</b>
<b>Component Expenditure</b>									
City Deal Expenditure	8.83	-	-	-	-	-	-	-	235.70
Public Sector Expenditure	50.76	0.92	0.93	0.93	0.93	0.93	0.93	0.93	330.34
Private Sector Expenditure	174.64	10.95	2.38	1.39	1.40	1.42	1.43	1.44	581.38
<b>Total</b>	<b>234.23</b>	<b>11.87</b>	<b>3.31</b>	<b>2.33</b>	<b>2.34</b>	<b>2.35</b>	<b>2.36</b>	<b>2.38</b>	<b>1,147.42</b>

Table 4.2. Portfolio Income and Expenditure Forecast

## Public and Private Investment Breakdown

Status	Public Sector Contribution (£m)	Private Sector Contribution (£m)	Total (£)
Formally Committed	294.20	16.12	310.32
Final Approval	-	1.50	1.50
Advanced Engagement	20.00	533.99	553.99
Early Engagement	16.00	40.11	56.11
<b>Total</b>	<b>330.20</b>	<b>591.72</b>	<b>921.92</b>

Table 4.3. Public and Private Investment Breakdown

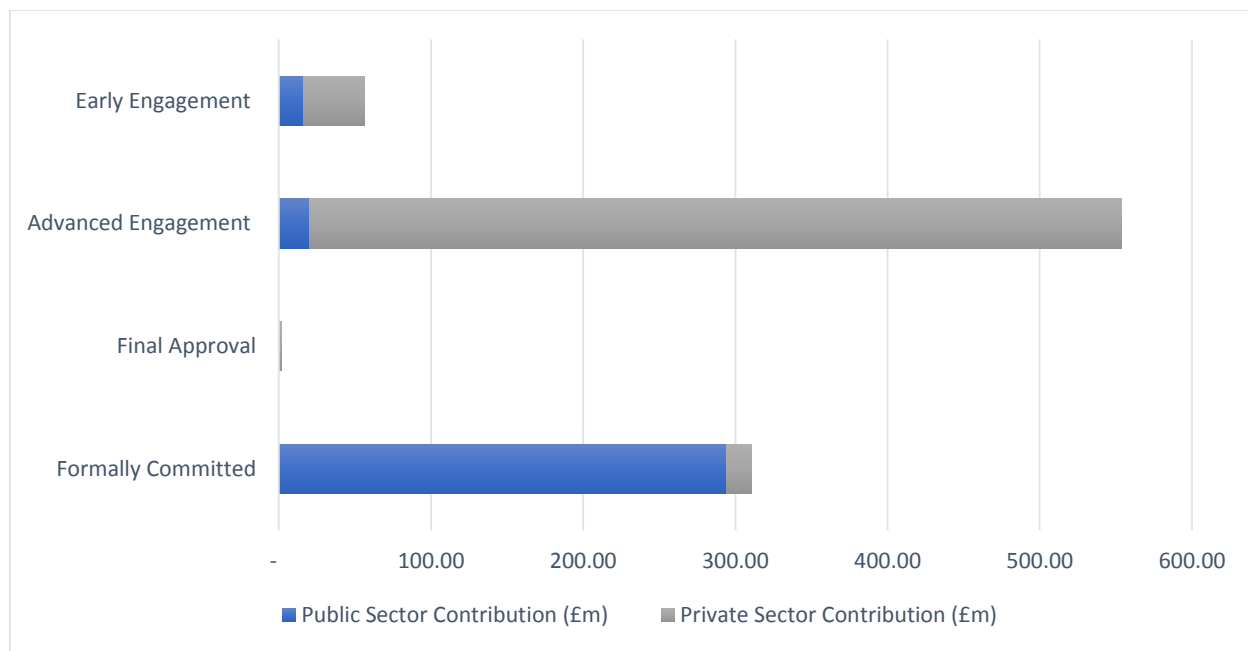


Figure 4.3 Public and Private Investment Breakdown

Further details on the public and private investment breakdown can be found in Appendix 4.2.

#### 4.4. City Deal Flow of Funding

The release of funds from the Accountable Body will follow one of two funding routes. This is determined on a project-by-project basis, depending on whether funding is being released to a regional project or a Local Authority project. The flow of funding is shown in Figures 4.4. and 4.5. below:

##### Regional Projects

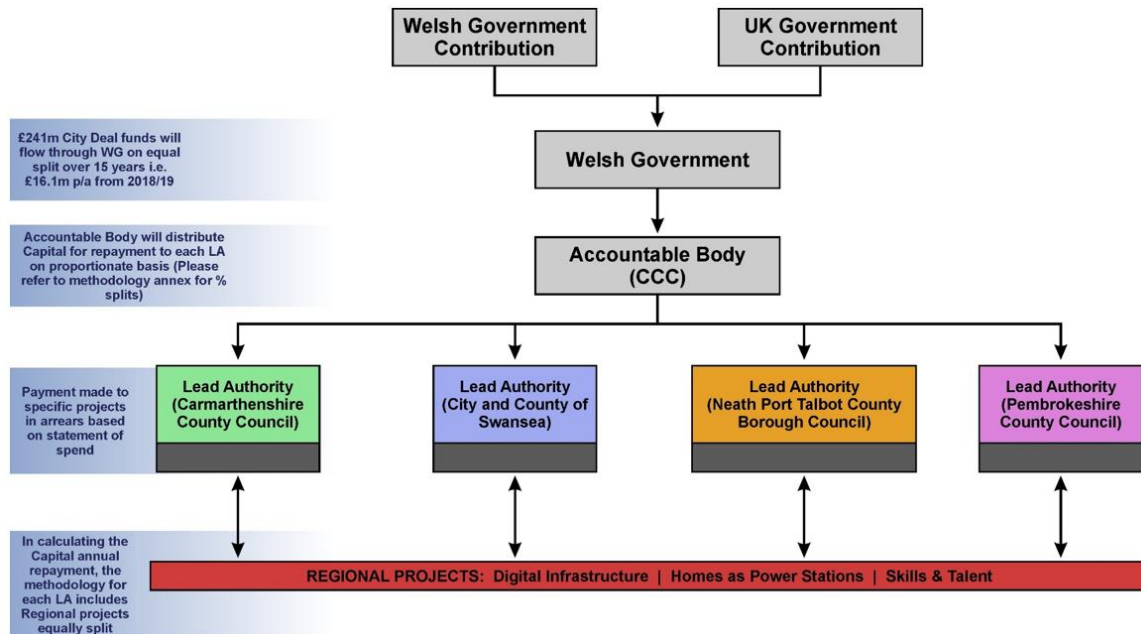


Figure 4.6. Funding Flow for Regional Projects

##### Local Authority Projects

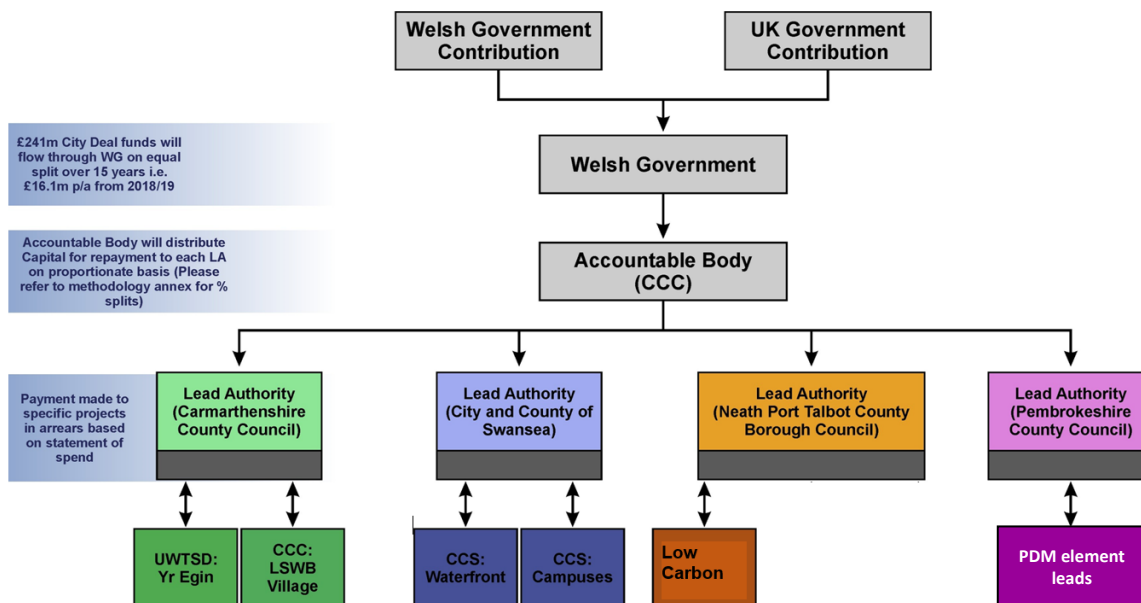


Figure 4.7. Funding Flow for Local Authority Projects



## 4.5. Portfolio Financial Overview

The Joint Committee has ultimate responsibility and accountability for decisions taken in relation to the SBCD. It is the role of Programme (Portfolio) Board to ensure that all schemes are developed in accordance with the agreed package, while analysing the financial viability, deliverability and risk of each City Deal project proposal to inform reports to the Economic Strategy Board and Joint Committee.

Private sector investment is fundamental to the overall success of the City Deal. There is a requirement for each City Deal project/programme to have in place from the outset a credible and robust financial profile. Letters confirming both private and public sector funding contributions are to be in place for the project prior to SBCD funding being approved where possible, confirming the amount and timing as set out in the project's approved financial profile. Existing projects where necessary will obtain and detail funding commitments when approved. The Project Authority Lead and Project Delivery Lead are to put in place effective financial and project monitoring processes, which will involve quarterly returns from Project Lead Authorities detailing funding and spend updates, with associated commentary on fluctuation. Financial risks are detailed at project/programme level and managed through the Portfolio Risk Register. 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 five-case model assessment process, the Accountable Body will undertake an assessment of the Project's Financial Profile to check that the 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 the implications of these, will be reported to the Programme (Portfolio) Board, Economic Strategy Board and Joint Committee for consideration and decision on a course of action as deemed necessary before City Deal funding is approved for the project.

As set out in the Joint Committee Agreement, making decisions on borrowing and on securing other sources of funding other than Government funding for projects is a matter reserved for the Local Authorities associated with the SBCR. Each Local Authority (LA) shall be responsible for borrowing or providing other funding for projects located in its area. If a project is located in the areas of more than one Local Authority, each of the Local Authorities may agree that borrowing or providing other funding should be shared between all of the LAs equally, or in agreed proportions by all of the LAs in whose areas the project is located.

The Programme (Portfolio) Board will ensure that all schemes are developed in accordance with the agreed package and will prepare recommendations to Joint Committee on all schemes.

### **Regional Projects**

The Joint Committee is responsible for overseeing the proportion of each Local Authority's responsibility for borrowing to provide funding for regional projects. The capital borrowing in respect of the Government funded elements of the City Deal 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 are yet to be confirmed at this point in time, although it will be calculated based on the amount required per relevant Local Authority and will be in line with the individual LA's internal requirements. This is being determined by the four Section 151 Officers of the four regional LAs. All borrowing will be agreed based on the principles of the Prudential Code and Treasury Management Policy and Strategy for each Local 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 LA for

approval before submission to the Joint Committee. These full business cases will include the detailed funding proposals and requirements of the Local Authority.

### Project Revisions

The SBCD projects originally due to be led by Neath Port Talbot County Borough Council (NPTCBC) included a Centre of Excellence in Next Generation Services (CENGs), Factory of the Future and Steel Science. NPTCBC subsequently decided, however, that alternative projects were needed to better meet the needs of its residents and businesses, and therefore approved them through the NPTCBC Cabinet in July 2019.

Part of this decision was to introduce the Supporting Innovation and Low Carbon Growth programme which aims to align to the strategic investment objectives to better deliver 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 and new technologies, while contributing to the decarbonisation agenda of the local and regional economies.

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

1. Technology Centre
2. National Steel Innovation Centre
3. Decarbonisation
4. Industrial Futures

This refreshed programme of projects meets the recommendations arising from reviews into the SBCD, while also representing a first stage response to the climate change emergency declared by the Welsh Government in April 2019.

Supporting Innovation and Low Carbon Growth was approved by the SBCD Joint Committee in January 2020 for submission to the UK Government and Welsh Government for consideration. The effect of the project revision has reduced investment in the project by £98 million, with investment now residing at £1.147 billion. This is down from the original heads of terms investment of £1.274 billion.

The reprofiled investment is incorporated in the financial analysis section of this business case.

<b>Supporting Innovation and Low Carbon Growth</b>			
<b>Investment Component</b>	<b>Total Forecast (£m)</b>	<b>Original HoT Total (£m)</b>	<b>Variance (£m)</b>
City Deal	47.70	53.00	-5.30
Private	6.11	30.22	-24.11
Public	7.70	75.80	-68.10
<b>TOTAL</b>	<b>61.51</b>	<b>159.02</b>	<b>-97.51</b>

Table 4.8. Supporting Innovation and Low Carbon Growth investment breakdown

## 4.6. Joint Committee Financial Overview

The financial structure of the portfolio has been split into two distinct delivery areas:

- **Joint Committee** - The Joint Committee has ultimate responsibility and accountability for decisions taken and delivery of the Portfolio. As such, the need for revenue funding to support the Joint Committee and administration functions has been recognised. This was

acknowledged by all partners, which led to agreement for an amalgamation of funding consisting of partner contributions (£50k per partner) and applying a 'top slice' to Government grants of 1.5%. The above has subsequently resulted in an annual operating budget of £1.123 million over the five-year construction period. The 'Top Slice' agreement results in a small funding gap for projects which will be supported through Project Delivery Lead Organisations and partner commitments.

- **Portfolio Investment Fund** - The Portfolio Investment Fund is overseen and upheld by the Accountable Body, which administers the receipt and distribution of SBCD grants on behalf of the Portfolio. The Accountable Body is accountable to the Joint Committee and manages the investment pool in line with Carmarthenshire County Council's Treasury Strategy Policy.

The SBCD provides grants on a project-by-project basis to responsible Lead Authorities. An annual grant award is received from the Welsh Government on behalf of both Governments and is then distributed on actuals in arrears, whilst ensuring clear financial governance is pursued. The agreement with both the UK Government and the Welsh Government totals £1.3 billion, with the grant totalling £241 million relating to the Portfolio Investment Fund (UK Government £115.6m and Welsh Government £125.4m). Any portfolio balances are invested to ensure effective optimisation of resources until approval is confirmed to initiate the release of funds to the Portfolio. Joint Committee has formally agreed it will afford Lead Authorities to borrow from any such balances that reside in the portfolio. This is done at a set rate on a 12-month term, as cash flow determines.

To support the two financial delivery areas, the following has been approved by the Joint Committee:

- **Government Grant 'Top Slice'** - Annually, up to 1.5% of the Portfolio Investment Fund, specifically the government grants awarded, will be earmarked to support the Joint Committee and central administration functions required to support the delivery of the Portfolio. This is referred to as 'Top Slice' of Government Grants.
- **Retention of Non-Domestic Rates** - The Welsh Government has agreed in principle (as per below) that 50% of the additional net yield generated through SBCD developments can be retained by the region to support revenue costs associated with the portfolio. This has been acknowledged by the Lead Authorities within the Joint Committee Agreement (JCA - 29th April 2018). On April 11<sup>th</sup> 2018, the Welsh Government stated that it intends to initiate arrangements to allow the region to retain 50% of the additional net yield in Non-Domestic rates generated by the nine projects/programmes which are to be delivered by the SBCD. Upon formal confirmation from the Welsh Government, the Joint Committee will formally agree a distribution basis to the region. See Appendix 4.3 for the estimated potential income generation of NDR.
- **Interest on Investments** - It is recognised that throughout the lifecycle of the City Deal portfolio, cash balances will arise through cashflow movements as and when projects become live and actual expenditure is incurred. Cash balances held by the Joint Committee will be invested through Carmarthenshire County Council as the Accountable Body. Income generated from cash investments will be ring-fenced and redistributed direct to projects based on the allocation outlined within the original Heads of Terms.
- **Borrowing** - The Joint Committee is responsible for overseeing the proportion of each Council's responsibility for borrowing to provide funding for regional Programmes. The capital borrowing (in respect of the Government funded element) for the City Deal Programmes will be re-paid by identified Government funds (UK & Welsh Government) over the 15-year period.

## 4.7. Monitoring and Evaluation

The total City Deal portfolio expenditure covering all projects/programmes has been reprofiled to an anticipated £1.147 billion funding package. The City Deal portfolio finances will be monitored through the Programme (Portfolio) Board and Joint Committee, with the Economic Strategy Board also making recommendations on possible additional funding opportunities or alternative portfolio expenditure. Regular reports will also be presented by the Accountable Body to the regional Local Authority Directors of Finance and Regional Section 151 Officers' working group.

The monitoring process will allow for the control of project cost variations and visibility of variations at a portfolio level. The financial monitoring template has been developed and will be reported quarterly to Welsh Government.

The monitoring requirements of the Portfolio will require the project authority lead to submit a claim for project funding to the Accountable Body at a frequency to be determined by the Accountable Body. The claim shall include a progress report on the project. The progress report shall include an assessment of risks associated with the project and details of progress against the agreed outputs. After the parties have agreed in accordance with clause 6.7 of the funding agreement that the project has achieved practical completion, the project authority lead shall not be required to submit claims for project funding. Thereafter, the project authority lead shall complete annual monitoring returns in a form to be specified by the Accountable Body prior to the Accountable Body releasing any project funding to which the project authority lead is entitled. The annual monitoring forms will include an obligation to report on the progress in achieving the agreed outputs. The Accountable Body reserves the right to impose additional monitoring requirements at a frequency and for such period as it considers reasonable in all the circumstances.

In addition to the above monitoring requirement the Accountable Body will require quarterly financial updates on project spend to support the cashflow management of the portfolio. These will detail the actual spend to the period, with forecast outturn over the 15-year duration of the portfolio.

Project lead authorities are also obligated to support the Accountable Body with any progress update reporting as required by the Welsh and UK Governments.

## 4.8. Accounting Treatment of Portfolio Transactions

### **Accounting for Income and Expenditure**

All income and expenditure in relation to projects outlined within the heads of terms are accounted for within the financial statements of the Project Lead Authority or the host Project Lead Authority in respect of regional projects.

Only income and expenditure incurred directly by the Joint Committee's activities and the disbursement of City Deal grants is accounted for through the portfolio and the financial management systems of the Accountable Body (Carmarthenshire County Council).

The Joint Committee is required to prepare financial statements in accordance with proper accounting practices. Carmarthenshire County Council as the Accountable Body is required to prepare the Swansea Bay City Deal annual statement of accounts by the Accounts and Audit (Wales) Regulations. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice 2019/20, supported by International Financial Reporting Standards (IFRS).

## **Revenue Requirement**

It has been recognised by the Joint Committee and by both Governments that an element of revenue funding is required to support the central services employed to deliver the City Deal Portfolio. Revenue income to support the portfolio has been agreed as an amalgamation of partner contributions (£50k per partner) and a 'Top Slice' of Government grants (1.5%), with any in-year surpluses transferred to a ring-fenced reserve and managed by Carmarthenshire County Council as the Accountable Body.

The Welsh Government has acknowledged that revenue funding will be required to support the delivery of projects/programmes within the City Deal portfolio. The revenue requirements by projects/programmes of the City Deal are to be managed locally by the Project Lead Authorities. The Welsh Government recognises that the four Local Authorities will need to manage their capital funding to enable revenue expenditure to be supported. To achieve this through the use of the Local Authorities' capital receipts, Local Authorities will reference to the latest direction from Welsh Government Ministers on the use of capital receipts. This was issued under section 15(1) (a) of the Local Government Act 2003, along with accompanying guidance. Specific revenue funding will be detailed within project business cases and funded through partner investment.

## **Balance Sheet Accounting**

Current assets held by the Joint Committee will be accounted for accordingly under the relevant International Accounting Standard, in line with The Code of Practice on Local Authority Accounting in the UK. Currently only such assets classified as current assets are held by the Joint Committee. These consist of cash/cash equivalents and debtor balances. See section 3.7 in the Commercial Case for more information.

## **Financial Instruments**

Financial instruments held by the Joint Committee consist of only cash and cash equivalents. It is recognised that throughout the lifecycle of the City Deal Portfolio, cash balances will arise through cashflow movements as and when projects become live and actual expenditure is incurred.

Portfolio balances are invested in line with Carmarthenshire County Council's Treasury Management Policy to optimise the return on cash surpluses. Interest is calculated on an average rate and is ring-fenced to the City Deal portfolio. Throughout the year balances have been invested through approved institutions in short-term financial instruments in adherence to the protocols set out within the applied Treasury Policy. Within the Treasury strategy, investments are only employed with counterparties whose risk appetite is very low.

Carmarthenshire County Council carries out its treasury management activities in accordance with the Prudential Code of Practice first developed for public services in 2002 by the Chartered Institute of Public Finance and Accountancy (CIPFA). This Code was last revised in 2017. The Council also carries out its treasury management activities in accordance with the CIPFA Treasury Management Code of Practice 2017.

The revised Code identifies three key principles:

1. The Council should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.
2. The Council's policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that

responsibility for these lies clearly within their Council. The Council's appetite for risk should form part of its annual strategy and should ensure that priority is given to security and liquidity when investing funds.

3. The Council should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible Councils to employ in support of their business and service objectives; and that within the context of effective risk management, the Council's treasury management policies and practices should reflect this.

The Council's Director of Corporate Services maintains a counterparty list in compliance with the criteria listed below and revises the criteria and submits them to Council for approval as necessary. This criteria is separate to that which approves Specified and Non-Specified investments as it selects which counterparties the Council will approve rather than defining what its investments are. The rating criteria use the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by all three agencies and two meet the Council's criteria, and the other does not, the institution will fall outside the lending criteria.

#### **Investment Counterparty Selection Criteria**

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. To meet this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, the criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections.
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

Furthermore, to support projects with cashflow pressures, the Joint Committee agreed to afford lending of any cash surpluses held within the Portfolio (JC - 29 Oct 2019) to Lead Authorities. This lending will attribute a charge of 0.25% above the Bank of England base rate and will be offered on a 12-month term as portfolio cashflows determine. This portfolio lending option is advantageous to Local Authorities as it allows for reduced borrowing at no detriment to the portfolio or its partners.

All cash and cash equivalents are demonstrated within the Joint Committee Statement of Accounts. These are representative of their fair value, which equates to their carrying value, in accordance with the requirements of IFRS 9 Financial Instruments.

#### **Value Added Tax**

Value Added Tax (VAT) is included where appropriate within the forecasts and estimates demonstrated. For projects delivered by local authorities, VAT is excluded from forecasts and estimates under the application of Section 33 of the VAT Act 1994. This Act refunds to (mainly) local government bodies the VAT attributable to their non-business activities and exempt business activities, providing it is considered an insignificant proportion of the total tax they have incurred.

Projects or components of projects that are delivered by parties, other than that of local authorities, are subjected to VAT in the manner as regulated by the industry or sector in which they operate, except where regulatory standards dictate a specific treatment or application. Project business cases will identify and detail the application of VAT and include within forecasts and estimates as appropriate.

## 4.9. Financial Risk Management and Assurance

### **Financial Risks**

The portfolio financial risks are monitored and managed as part of the City Deal's overall risk management arrangements. The City Deal projects maintain, manage and monitor their own risks in line with guidance from the Green Book and the City Region's Accountable Body and SBCD Portfolio Management Office. The Joint Committees operates a portfolio risk register and issues log, specifically including any financial risks identified. These risks will be monitored and updated with mitigating control actions through the Section 151 Officers' group as a standing item and then regularly presented to the Programme (Portfolio) Board and Joint Committee.

### **Financial Issues, Dependencies and Interdependencies**

The regional Section 151 Officer Working Group will develop and maintain a log of any financial issues, dependencies and interdependencies at both a portfolio and project level. This log will be considered alongside the financial risk register outlined above. The Accountable Body will work through the Section 151 Officer Working Group to determine any actions necessary to address identified issues and will present recommendations for required action to the Programme (Portfolio) Board, Economic Strategy Board and Joint Committee for approval. Regular updates on financial issues, dependencies and interdependencies will also be provided to the Programme (Portfolio) Board and Joint Committee via the PoMO/SRO as appropriate.

### **Assurance - Internal Audit**

The review of the effectiveness of the system of Internal Control and Governance arrangements is informed by the work of the Internal Auditors, from which the Joint Committee gains assurance. Internal Audit is required to undertake their work in accordance with the standards as set out in the Public Sector Internal Audit Standards (PSIAS) established in 2013, which are the agreed professional standards for Internal Audit in Local Government.

As required by these Standards, the Head of Internal Audit (Pembrokeshire County Council) prepares an annual report for consideration by the Joint Committee. The format of the Annual Report complies with the requirements of the Code of Practice. The Strategic and Annual Audit Plans are approved annually by Joint Committee and regular reports are presented to the Joint Committee throughout the year on progress and any significant weaknesses identified. In addition, the Internal Audit Unit undertakes fraud investigation and pro-active fraud detection work.

### **Assurance - External Regulators**

The Wales Audit Office as External Auditor to the Joint Committee reviews and comments on the financial aspects of Corporate Governance which include the legality of financial transactions, financial standing, systems of Internal Financial Control and standards of financial conduct and fraud and corruption.

## 5. THE MANAGEMENT CASE

The purpose of the Management Case is to demonstrate that robust arrangements are in place for the delivery, monitoring and evaluation of the portfolio and that delivery is being managed in accordance with best practice, subjected to independent assurance and that the necessary arrangements are in place for change management, benefits realisation and risk management.

This updated version of the Portfolio Business Case includes the following changes:

- Updated governance and delivery structures and arrangements, including the establishment of the PoMO team
- Updated arrangements for Monitoring and Evaluation of the portfolio including a governance reporting schedule and templates for quarterly monitoring of risks, issues, deliverables and financial monitoring
- Establishment of a portfolio Risk Management Strategy
- Establishment of a Change Management Strategy
- Communications and Engagement Schedule
- Updated Business Case status summary across all programmes and projects
- Updated Portfolio delivery roadmap for all programmes and projects

### 5.1. Introduction

The SBCD management case provides the SBCD Joint Committee and other key stakeholders with confidence that the capability and capacity to govern and deliver the portfolio at pace is in place, and that they and other governance and delivery structures receive information in a timely and transparent manner to help them make informed decisions. This has been achieved by establishing and operating capacity and capability to implement and manage robust governance and approvals through people, structures, strategies and processes based around Portfolio, Programme and Project Management (P3M) practices and principles. Having these arrangements in place to consider how the SBCD manages business cases, organisation, quality, plans, risk, change and progress will overcome challenges by reducing complexity or increasing portfolio capability, and in doing so will require regular revisits to the strategic, economic, commercial and financial cases, and analysis of the SBCD.

The SBCD will be treated as a portfolio, strategically owned by the Joint Committee and operationally managed by the Programme (Portfolio) Board. This approach will provide oversight and flexibility in the methodologies that the diverse set of programmes and projects will utilise to manage their development and delivery. More specifically, the portfolio will oversee the SBCD delivery at a portfolio level whereby all nine programmes/projects will provide monitoring and evaluation updates aligned to the planned timescales, budgets, resources and deliverables set out in their business cases.

The SBCD governance and assurance arrangements have advanced significantly in 2020. This is reflected in the satisfaction of the external and regional audit review recommendations on the SBCD and successful draw down of further City Deal funds from the Welsh Government and UK Government.

All governance committees have been established and are fully operational. Robust governance and approvals of the SBCD are through its people, structures, strategies and processes as detailed in the following Management Case.

The SBCD portfolio underwent a Gateway 0 external review during July 2020. The review returned an Amber Delivery Confidence Assessment and was generally very positive with three critical administrative issues needing urgent attention. The Welsh Government and UK Government



conducted an Accounting Officer Review (AOR) process in July-September 2020 to assure and review the previous iteration of the SBCD Portfolio Business Case. The AOR process set out a series of 15 recommendations which the SBCD PoMO are implementing. These are also being monitored by the SBCD governance arrangements, including WG and UKG.

The portfolio will be periodically reviewed by the PoMO and external stage gate reviews to assess and improve its governance, assurance and communications arrangements. This will ensure that the ambition of the portfolio and its associated programmes / projects are aligned to delivery. These arrangements will also ensure that progress and deliverables are communicated effectively through transparency, while demonstrating value for money to the region and people of Wales. To this end a Gateway 0 review will take place in the summer of 2021.

The PoMO has conducted a review to evaluate the merit of the Joint Committee (JC) and Programme (Portfolio) Board, as recommended in the Gateway 0 review into the SBCD Portfolio. These recommendations have been endorsed by both Governance Boards and the PoMO are looking to implement as part of the SBCD Portfolio governance arrangements. The report can be seen in Appendix 5.1.

## Governance Arrangements

### 5.2. Governance and Delivery Structures

The SBCD established a legal governance document - the Joint Committee Agreement (JCA) - in May 2018, which was updated in December 2019. Leading to the establishment of the SBCD Joint Committee, this document outlines the principles, rights and obligations of City Deal arrangements. Under the terms of the JCA, the four regional local authorities have pledged to work in partnership to discharge their obligations to one another, and to the Welsh Government and the UK Government, to promote and facilitate programmes / projects funded under the SBCD. The management processes and procedures outlined in the JCA include financial cash flow, programme / project approval, risk management and progress updates.

The SBCD governance and delivery structure, as outlined below in Figure 5.1., is operational with established Terms of Reference, membership/post holders, and plans and processes in place to govern and deliver the SBCD portfolio.

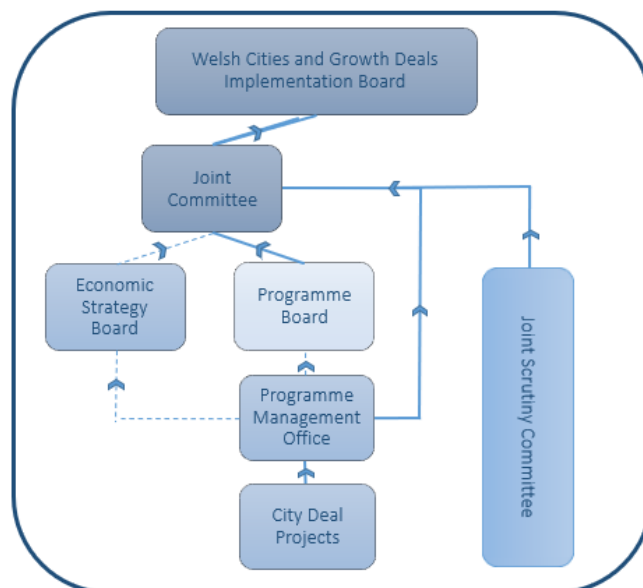


Figure 5.1 SBCD Governance Structure

Table 5.1. below summarises the key elements of the SBCD governance and delivery structure which includes committees, boards and key roles. Further details, such as Terms of Reference (ToRs) and membership, can be found in Appendix 5.2.

<b>Governance entity</b>	<b>Purpose</b>	<b>Owner/ Lead</b>	<b>Meets</b>	<b>Reports to</b>
Joint Committee	Executive board with overall responsibility for scrutiny and business case approvals. It holds the Programme (Portfolio) Board and PoMO to account. Comprises of the four Local Authority Leaders of Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea.	Cllr Rob Stewart	Monthly	WG/UKG
Programme (Portfolio) Board	Oversees the operations of the SBCD. Responsible for reviewing business case developments and portfolio progress. Consists of the head of paid service of each of the eight primary partners for the SBCD, and is chaired by the SBCD Senior Responsible Owner.	Wendy Walters	Monthly	Joint Committee
Senior Responsible Owner	Appointed by the Joint Committee, the SRO is also the chairperson of the Programme (Portfolio) Board to champion the SBCD and drive its successful implementation by overseeing portfolio delivery and ensuring that appropriate governance arrangements are in place. The SRO holds the Portfolio Director to account.	Wendy Walters	-	Joint Committee
Portfolio Director	Responsible for delivering the Portfolio Business Case and Project Development Roadmap.	Jonathan Burnes	-	Joint Committee and SRO
Programme / Project managers	Experienced individuals who manage the development of the programme / project Business Cases and implement the Assurance and Approval plan and project plan. Also works with the Portfolio Director and PoMO to apply the Portfolio Development Roadmap. Depending on the size and complexity of the programme / project the Programme / Project Manager will run the Programme / Project Team and manage external advisers.	PM for each City Deal project	Monthly	Project / Programme SRO and SBCD Portfolio Director
Portfolio Management Office	Responsible for the day-to-day management of matters relating to the Joint Committee and the SBCD.	SRO Wendy Walters	Weekly team meetings	Joint Committee /SRO
Economic Strategy Board	Private sector advisory body which acts as the voice of business. Provides strategic direction for the City Deal through advice to the Joint Committee on matters relating to the City Region.	Chris Foxall (whilst Ed Tomp is on	Monthly	Joint Committee

	The Chair is accountable to the Joint Committee.	sabbatical )		
Joint Scrutiny Committee	Provides advice, challenge and support to the Joint Committee for the SBCD Portfolio and associated cross-cutting regional projects/programmes. The full terms and reference for the Joint Scrutiny Committee are set out in the Joint Committee Agreement.	Cllr Rob James	Bi-monthly	Joint Committee
Accountable Body	Carmarthenshire County Council is the Accountable Body responsible for discharging City Deal obligations for the four Local Authorities including financial and staffing matters, for example. The Accountable body is the primary interface for the City Deal with the Welsh Government and the UK Government.	CEO Wendy Walters  Leader Cllr Emlyn Dole	-	Joint Committee

Table 5.1. SBCD Governance and Delivery Structure Overview

### 5.3. Portfolio Management Office (PoMO) and Senior Responsible Owner (SRO)

The SBCD PoMO structure (illustrated below in Figure 5.2) is led by the Portfolio Director, who started in post in March 2020 and reports to the SRO. The SRO role is fulfilled by the Chair of the Programme (Portfolio) Board. See table 5.1 and Appendix 5.3.

The PoMO functions are based on P3M (Portfolio, Programme and Project) development and delivery, which includes aspects of assurance, risk and issue management, benefits and value, communications and stakeholder engagement, information management, finance, resource management, reporting and administration. Four new roles were recruited in August 2020, which were developed based on [The UK Government Project Delivery Capability Framework \(PDCF\)](#) best practice and the PoMO Director’s previous experience.

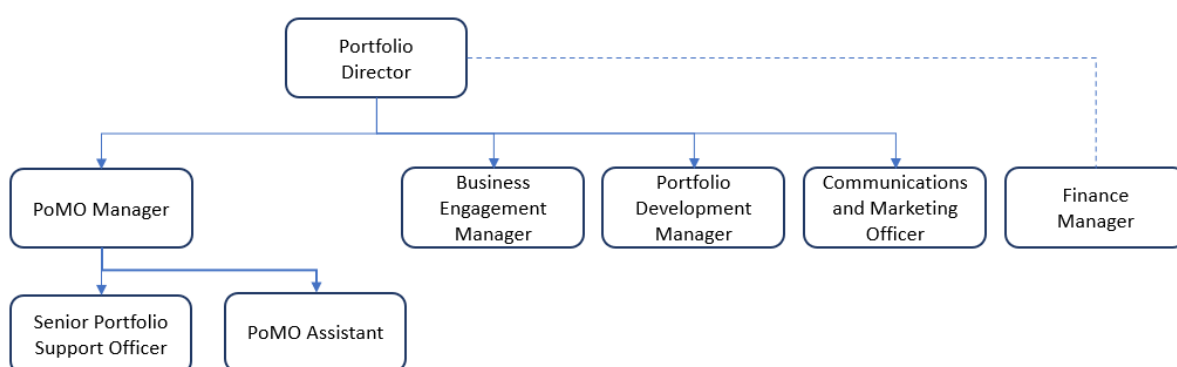


Figure 5.2 Portfolio Management Office (PoMO) Structure

In addition to these roles, all SBCD Programme / Project Leads report into the SBCD PoMO and will be consulted and required to help shape and engage the governance and assurance arrangements and reporting for the portfolio.

Local Authorities provide support services for the operation of the SBCD governance arrangements, as detailed in Table 5.2. below:

<b>Support Service</b>	<b>Purpose</b>	<b>Provider</b>
Financial	Financial leadership and advice from the SBCD host Authority	Section 151 Officer, Carmarthenshire County Council
Legal and Democratic	Legal service support for the JCA and support for the Joint Committee	Monitoring Officer and Head of Democratic Services, City and County of Swansea Council
Internal Audit	Periodic internal audit on the SBCD operations	Pembrokeshire County Council
Joint Scrutiny	Regional test and challenge from Elected Members of the four Local Authorities	Neath Port Talbot County Borough Council

Table 5.2 SBCD Support Services

#### 5.4. Use of specialist advisors

The PoMO will utilise the services of specialist advisors where appropriate for the development of the Portfolio Business Case such as the economic, financial appraisals and management approaches. Table 5.3. below summarises the use of specialist advisers to date that have helped inform and shape the SBCD Portfolio Business Case:

<b>Focus area</b>	<b>Purpose</b>	<b>Timeframe</b>	<b>Provider</b>
Assurance	Integrated Assurance and Approval Plan (IAAP)	On-going	Facilitated by the Welsh Government Office of Project Delivery
Assurance	Gateway 0 review	July 2020	External review team led by David Wilkin
Business case	Better Business Case awareness training	2017	Joe Flanagan and Joseph Lowe, Consultants
Business case	Portfolio business case workshops	July 2020	Joe Flanagan, Consultant
Economic Analysis	Swansea Bay City Region Economic Context which fed into the Strategic case, case for change	2013 2016	SQW for Regional Economic Strategy 2013-30
Economic Analysis	To determine the investment objective indicators for the SBCD portfolio (GVA, Jobs created and inward investment)	2015	Swansea University, School of Management, Gareth Davies

Table 5.3 SBCD Specialist Advisers

In addition, the SBCR Economic Strategy Board (ESB) is made up of business sector representatives from sectors including energy, finance, life sciences, manufacturing, housing and economic acceleration. While also applying private sector rigour to the assessment of City Deal programme / project business cases, the ESB makes recommendations to the Joint Committee for consideration. New members were appointed as specialist advisers in 2020 to broaden the representation of further sectors including skills and micro businesses. All ESB member appointments used an open recruitment exercise process and all members are unpaid for their SBCD contributions.

## 5.5. P3M Methods & Tooling

The SBCD portfolio utilises several methodologies to deliver the nine associated programmes and projects. The SBCD will apply project, programme and portfolio management (P3M) methods, procedures, techniques and competence to achieve its objectives. This will ensure the co-ordinated delivery of required objectives to stakeholders in a planned and controlled manner, while governing and managing the processes that deliver the objectives effectively and efficiently. This will be done by the PoMO establishing consistent systems, procedures and processes, whilst optimising the co-ordination and allocation of limited resources.

The two primary methodologies adopted by the SBCD are Managing Successful Programmes (MSP) and PRINCE2 (Projects in Controlled Environments). The latter is a project management standard widely used for infrastructure projects, such as many of those within the SBCD portfolio. The Programme/Project Management teams will be responsible for the day-to-day running of their programmes/projects and will be competent in seven aspects of delivery:

- Scope management
- Schedule management
- Finance management
- Risk management
- Stakeholder management
- Resource management
- Change management

There are many similarities between managing projects and programmes. The latter is used in order to accommodate different degrees of complexity of scope and can differ in terms of co-ordination, managing interdependencies, transformational change, and benefits management.

The PoMO is working to further support P3M methodology and best practice by implementing programme and project management software to provide a standardised approach to day-to-day management for the portfolio office, along with the wider portfolio team including the respective programme and project teams.

The SBCD PoMO team has undertaken a recent skills audit (Appendix 5.4) of its team in order to help inform the selection of potential software. Accompanying this there has been regular discussions with other Welsh city and growth deals around what technologies and software they utilise which will be followed by an initial assessment and trial of several suitable packages. Upon completion of this assessment a technology will look to be adopted in support of the whole portfolio within the first two quarters of the financial year 21/22.

Further details on the principles, themes and processes for PRINCE2 and MSP are in Appendix 5.5.

## 5.6. Monitoring and Evaluation arrangements for performance and benefits

The SBCD Monitoring and Evaluation (M&E) Plan, as detailed in Appendix 5.6, has been established to provide structure and sets out the expectations for the SBCD programme / project teams when undertaking and reporting programme / project monitoring and evaluation. The plan is targeted at Programme / Project SROs, the PoMO and SBCD Programme / Project teams. The Programme / Project SRO will ensure that the Programme / Project team makes appropriate arrangements to collate, monitor and communicate project milestones, deliverables and benefits realisation. The M&E Plan

aligns to the revised HM Treasury Green and Magenta books and the UK Government’s Project Delivery Guidance.

The M&E plan will be applied at portfolio and programme / project level where a two-way cascade of outputs and outcomes will be required to understand performance and impact of the SBCD portfolio. The tools and templates used to monitor and evaluate activity are summarised in the table below, along with their frequency:

Document	Frequency
1. Highlight report	Monthly
2. Monitoring report	Quarterly
3. Annual report	Annually
4. Benefits realisation plan	Continually updated and reported annually
5. Milestone evaluations (mid-term and final evaluations)	Years 3, 5, 10 and at the end of the portfolio

Table 5.4 M&E Tools and Templates

The M&E Plan framework summarised in the diagram below was approved by the SBCD Joint Committee in July 2020.

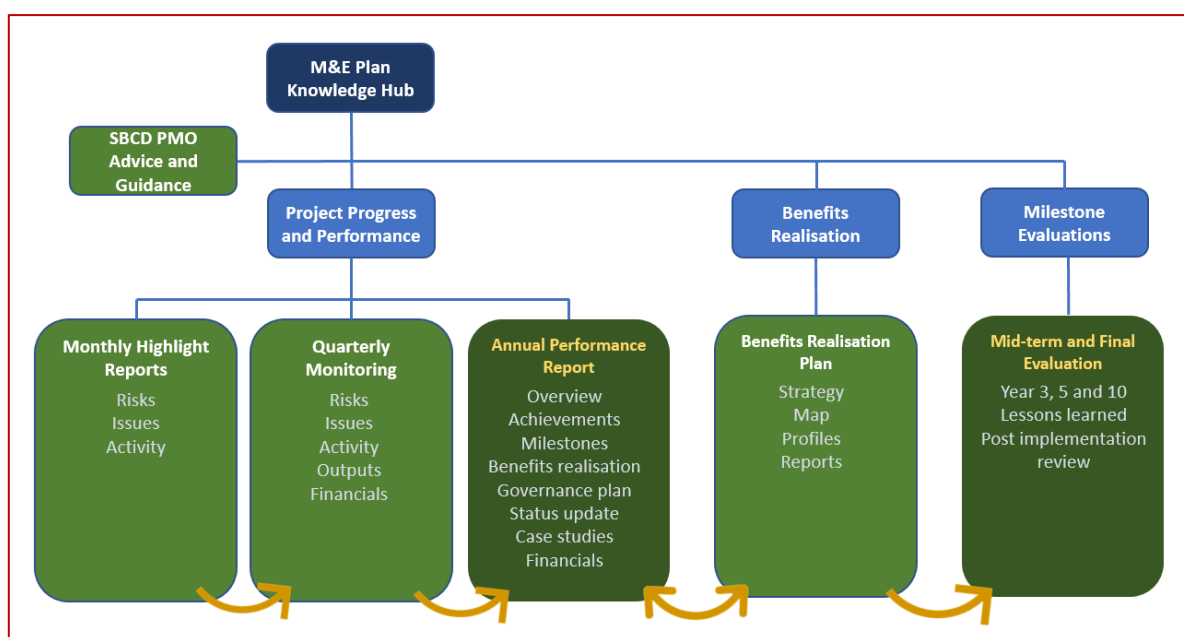


Figure 5.3 M&E Plan Framework

The M&E Plan considers two primary components. Firstly, Progress and Performance, which is a periodic assessment of programme / project implementation and performance activities; and secondly, Programme Benefits Realisation/Evaluation, which is the evaluation of their results in terms of relevance, effectiveness, and impact. The M&E Plan will provide the SBCD governance structures, namely the Joint Committee, Programme (Portfolio) Board, Economic Strategy Board and Joint Scrutiny Committee, with information on the progress and impact made towards achieving the portfolio’s milestones, outputs and outcomes. This information will be shared with the Welsh and UK Governments through periodic updates and reviews, while also being made available to the public on an annual basis.

The PoMO have established a governance reporting schedule, as detailed in Appendix 5.7. The quarterly monitoring (Appendix 5.8) includes portfolio communications, RAG rating and summary

status, key achievements, key planned activities, key risks and issues, output deliverables, IAAP, Covid-19 Impact Assessment, AOR action plan and financial monitoring.

The benefits management will assess and review the outcomes that result in change that were achieved as part of the activities undertaken by the SBCD. The milestones to review benefits will be agreed at programme / project level to ensure that benefits are realistically and meaningfully measured. These will be aligned to the IAAP and external stage gate review process. As part of the Benefits Realisation Plan (Appendix 1.4) provides the nine programme / project benefit appraisals. Further work will take place in Q1 2021/22 to further develop the plan and associated strategy, map, profile, and reports. They will also be required to use the Welsh Government Community Benefits Toolkit to capture the full range of Community Benefits outcomes achieved through procurement and will form part of the annual performance review and reported on a quarterly basis for projects / programmes in delivery, as templated in Appendix 5.9.

## 5.7. Assurance process and approvals

Working closely with the Welsh Government’s Office for Project Development, the SBCD PoMO has established a Portfolio Integrated Assurance and Approval Plan (IAAP), as detailed in Appendix 5.10, to ensure that the planning, coordination and provision of assurance activities and approval points throughout the City Deal portfolio are proportionate to levels of cost and risk. All SBCD Programmes / Projects have also established an IAAP, which are live documents and are regularly updated and shared with the appropriate governance structures at programme / project and portfolio levels. Portfolio and programme / project level IAAPs will be updated monthly by programme / project teams and reported through the SBCD governance on a quarterly basis.

Once the Programme / Project SRO and Manager have satisfactorily completed the Strategic, Outline or Full Business Case, it is then passed through a 14-point assessment and approval process as outlined in the table below. Once approved regionally by the Joint Committee, the Business Case undergoes an external Stage Gate review before progressing to the UK Government and Welsh Government for Ministerial approval.

	<b>Process</b>	<b>Owner</b>
1.	PM submits Business Case to PoMO	PM
2.	SBCD PoMO reviews business case	SBCD PoMO
3.	SBCD PoMO feedback session	SBCD PoMO/PM/SRO
4.	Business case amendments incorporated	PM
5.	Business case and associated documents shared with ESB members	SBCD PoMO
6.	ESB test and challenge meeting	ESB, SBCD PoMO, PM, SRO
7.	Business case amended with ESB feedback	PM
8.	Business case shared with Programme (Portfolio) Board	SBCD PoMO
9.	Lead organisation(s) Executive Board approval	PM/SRO
10.	Programme (Portfolio) Board presentation to decide whether to take forward to Joint Committee	SBCD PoMO/PM/SRO
11.	Programme / Project presented for Joint Committee regional approval	SBCD PoMO/JC/PM/SRO
12.	External stage gate review (Risk Potential Assessment, 3-day review and recommendation report)	SBCD PoMO/WG/PM/SRO

13.	Business case and recommendation report sent to WG/UKG for approval	SBCD PoMO/WG
14.	WG/UKG review and approval process	WG/UKG

Table 5.5 Business Case Approvals Process

It should be acknowledged that even though this process is largely sequential, timings of the assessment points can be flexible in the process depending on circumstances, but this must be agreed with the PoMO.

Appendix 5.11 provides further details on the SBCD business case assessment criteria and approval process diagram.

For completeness Appendix 5.12 and 5.13 provide details of the WCGIB assurance processes for the project business case development phase and the portfolio / programme / project delivery phase.

As detailed in the IAAP, the SBCD Portfolio and programmes / projects will be subject to OGC (Office of Government Commerce) Gateway Reviews. The SBCD will use the relevant Gateway Assurance Product that is appropriate and proportionate. This will assure successful progression and overall delivery, while supporting the Portfolio and Programme / Project SROs in the successful discharge of their duties. Stage Gate reviews are instigated and led by the Portfolio or Programme / Project SRO and progressed through the Risk Potential Assessment (RPA) process. All Welsh Government sponsored Programmes and Projects are mandated by Welsh Government Permanent Secretary to complete an RPA form for review/appraisal by the Office of Project Delivery.

All Gateway Assurance reviews are completed on behalf of the SRO. The SRO is the main recipient of a Gateway Assurance report, although the PoMO should agree and include a distribution list for the Gateway report for wider circulation if using in conjunction with an approval process.

Internal and independent external reviews were commissioned in December 2018 for the SBCD. The findings of both the external review, carried out by Actica consulting, and the internal review, carried out by Pembrokeshire Council, were published in March 2019. The City Deal's Joint Committee has agreed to implement all recommendations arising from the reviews, which the Welsh Government documented in an Award of Funding letter with specific terms and conditions in October 2019. These include:

- The appointment of a new City Deal Portfolio Director
- The establishment of a new City Deal Portfolio Management Office, led by the new Portfolio Director
- The management of the City Deal as a portfolio, as opposed to as a set of pre-determined and immutable projects
- A redistribution of roles and functions to ensure an equitable balance across the City Deal partnership, with each acting as a check and balance for the other
- Governance and assurance arrangements such as the production of an Integrated Assurance and Approval Plan, a Monitoring and Evaluation Plan and an updated Portfolio Business Case

The Welsh Government and UK Government conducted an Accounting Officer Review (AOR) process in July-September 2020 to assure and review the SBCD Portfolio Business Case. The AOR process set out a series of 15 recommendations which the SBCD PoMO are implementing. An AOR was undertaken as the initial approval process of the Business Case and subsequent drawdowns will be aligned to updating the Business Case. The SBCD drew down £36m in the last 12 months, taking to total draw down to date of £54m of the £240m.



## 5.8. Risk and issue management arrangements

**Risk** is defined as the uncertainty of outcome, whether positive **opportunity** or negative **threat**, of actions and events. The risk must be assessed in respect of the combination of the likelihood of something happening, and the impact which arises if it does actually happen. Risks that have occurred, or will do so imminently, are no longer risks, but are known as **issues**. They are no longer risks because the uncertainty about whether they will occur has been removed.

A SBCD Portfolio Risk Management Strategy has been developed in Quarter 3, 2020. Found in Appendix 5.14 and aligned to HMT Green Book supplementary guidance: The Orange Book, the strategy defines the risk appetite and tolerance of the SBCD, as well as principles of the strategy, along with a documented process for identifying, assessing, addressing and measuring risk and issues. The risk management strategy is led from the top of the SBCD and is embedded in standard practices and processes of the SBCD governance arrangements.

The purpose of the Risk Management Strategy is to provide a systematic and effective method by which risks can be consistently managed throughout the SBCD Portfolio. This will:

- Inform stakeholders how risks will be identified, assessed, addressed and managed
- Provide a common strategy and understanding of portfolio management that will enhance the capability, willingness and understanding of appropriate governance and assurance, thereby increasing the likelihood of successful delivery of the SBCD aligned to the regional ambitions
- Detail the key roles and responsibilities of groups and individuals associated with the SBCD with respect to programme management
- Signpost to additional resource, support and training
- Provide standard definitions and language to underpin the risk management process
- Implement an approach that follows best practice

The PoMO risk management approach is based on P3M (Portfolio, Programme and Project) and HM Treasury Orange Book best practices.



Figure 5.4 SBCD Risk Management Approach

The SBCD currently has a portfolio risk register (Appendix 5.15) and regularly reports on prioritised risks through its governance structures. The risk register is sub-divided into the themes of development, implementation, operational and financial. Each risk provides details of the description, owner, consequence and a review update, accompanied by a scoring based on probability and impact for each risk. The identification and assessment of risks in the risk register are aligned to the UK and Welsh Government Guidance, where risks fall into three main categories:

<b>Business</b>	Business related risks remain with the public sector and can never be transferred
<b>Service</b>	Service-related risks occur in the design, build, funding and operational phases of a portfolio and may be shared between the public and private sectors
<b>External</b>	External systemic risks affect all society and are unpredictable and random in nature

**Business-related risks** that can affect the scope, time and cost at portfolio level are summarised as follows:

- Displacement as a result of competing with other regions across Wales
- Lack of funding from Welsh and UK Governments
- Lack of inward investment from private sector
- Lack of quality human capital within the region
- Political conflict at Regional, UK and Welsh Government levels

**Service-related** risks will be managed by each of the City Deal programmes and projects, who will maintain, manage and monitor their own risk registers in line with guidance from the Green Book and the PoMO governance arrangements. Any significant risks that may affect portfolio deliverables will be escalated to the PoMO and reported and managed via the regional governance structure.

**External Risks:** Although not within the control of the portfolio, external risks are significant to portfolio delivery and are therefore monitored accordingly. Key business risks captured in a SBCD Portfolio Risk Register and SBCD Covid-19 Impact Assessment (Appendix 5.16) include SBCD partner withdrawal, delays to programme and project approval, funding draw down and portfolio delivery delays, achievement of targets, reputational effect and change to scope and objectives.

The Portfolio Risk Register is considered by Programme (Portfolio) Board and Joint Committee on a quarterly basis. This document is also considered by Joint Scrutiny Committee.

The Portfolio Risk Register is an important tool that forms an integral part of the SBCD Portfolio Risk Management Strategy and helps the PoMO document risks, track risks and address them through preventative controls and corrective measures.

The Swansea By City Deal Portfolio Issues Log (Appendix 5.17) captures and monitors key portfolio issues that could impact delivery of SBCD aims and objectives. The urgency with which an issue must be addressed is potentially higher than that for a risk - a threat or an opportunity, for example - because its occurrence is no longer subject to uncertainty. However, the information that needs to be recorded for the issue remains the same as that for a risk, as does the way it is managed through identification and implementation of control actions, and monitoring and review to determine if further control actions are required.

The SBCD Issues Log is updated quarterly and reported on by exception through the Governance structure via the Quarterly Monitoring Report.

## 5.9. Stakeholder Management and Engagement

SBCD stakeholders broadly fall into two categories:

**Primary stakeholders:** Organisations involved in portfolio/programme/project development, delivery, monitoring and evaluation. This includes the UK Government and Welsh Government, the four SBCR local authorities, the two regional health boards and both Swansea University and the University of Wales Trinity Saint David. The primary stakeholders are managed and engaged with via the governance and reporting structures outlined in this Management Case. Internal communications has also been strengthened in Q4 2020/2021 to better engage with primary stakeholders.

**Secondary stakeholders:** This category includes, among others, communities of interest in business, construction, education, local politics, residents and the media. The secondary stakeholder group may interact with the SBCD in different capacities at different times.

As such, a stakeholder Communications & Marketing Plan has been established (Appendix 5.18) which will be used as the tool to co-ordinate engagement with all stakeholders and to disseminate information to these communities of interest. The plan will be supported by a forthcoming Business Engagement Framework that outlines the City Deal's approach to business focused activities and inward investment.

The Communications & Marketing Plan is a live, evolving document, which forms the basis for content for the SBCD's social media platforms and website. The plan and framework include key SBCD messaging, helping inform content that is regularly distributed to the local, regional, national and specialist media, and to regional businesses, regional business networks, primary stakeholders and other groups.

This approach continues to ensure that positive media coverage is generated, with both the business engagement manager and communications officer acting as an interface between the media and businesses with senior SBCD officers and Joint Committee members. The SBCD Business Engagement manager and communications and marketing officer provide updates through the SBCD governance boards.

In an independent Stage Gate Review of the SBCD portfolio carried out in July 2020, the Communications & Marketing Plan was described as comprehensive, while soundly underpinning the SBCD philosophy as a regional portfolio aiming to deliver for people living in the region. The review team also commented on the SBCD's strong virtual presence, concluding that communications and engagement have been well thought-out.

Further detail on the plan, which includes a Stakeholder Power and Influence Matrix, can be found in Appendix 5.19 and a stakeholder management and engagement schedule in Appendix 5.20.

## 5.10. Change Management Strategy

The SBCD Change Control Procedure was approved through the SBCD governance process in February 2021. Recognising that all projects, programmes and portfolio are subject to change, the SBCD Change Control process is vital to raise awareness of key changes and report them through the appropriate SBCD and host organisations' governance arrangements. This is aligned to good practice including the Association of Project Management, which defines Change Control as *"the process through which all requests to change the approved baseline of a project, programme or portfolio are captured, evaluated and then approved, rejected or deferred."* The approved change control procedure can be found in Appendix 5.21 and Change Control Flow Chart in Appendix 5.22. It is owned and updated by the

Programme (Portfolio) Board and will be used to highlight relevant changes at project, programme and portfolio level.

The process considers several aspects of change that impact on scope, delivery and benefits which are detailed in the business cases of the associated portfolio, programmes or projects, where a change is likely to affect at least one of the following categories:

- Impact the total cost / financials
- Impact the completion of delivery of output(s) / key milestones
- Impact the quality outlined within the business case for the specified Programme / Project
- Impact the benefits outlined within the business case for the specified Programme / Project
- Impact the GVA, jobs created or inward investment

Any change, positive or negative, resulting in a variance in these considerations must follow the agreed change control process. The change categorisation is currently set as a minor or major change with the latter encompassing any of the above criteria, with the view to established evidenced based threshold limits later in the 2021/22 financial year.

The Change Control process was approved by the SBCD's Joint Committee in February 2021. The PoMO will work with Programme / Project leads to implement Change Control across the Portfolio for the aspects outlined in the Business Cases in order to ensure that any change does not have a detrimental impact to the successful delivery of the programmes / projects.

### 5.11. Contingency arrangements and plans

The City Deal's Joint Committee Agreement outlines contingency arrangements for several scenarios. The scenarios identified include the withdrawal of a programme / project from the City Deal portfolio, the change of a project local authority lead, and the withdrawal of a partner from the City Deal portfolio. All these scenarios and contingency arrangements will be managed via the portfolio and programme / project risk registers and issue logs and reported accordingly. Risk management is not the same as contingency planning. Risk management is about identifying, assessing, avoiding, mitigating, transferring, sharing and accepting risk; while a contingency plan is about developing steps to take when an actual issue occurs.

The PoMO will establish contingency plans at a programme / project level to develop steps to take when an issue occurs.

When a Risk has undergone all mitigation and the situation becomes certain, the occurrence becomes an issue. The PoMO adopts the following process to ensure the issue is managed appropriately.

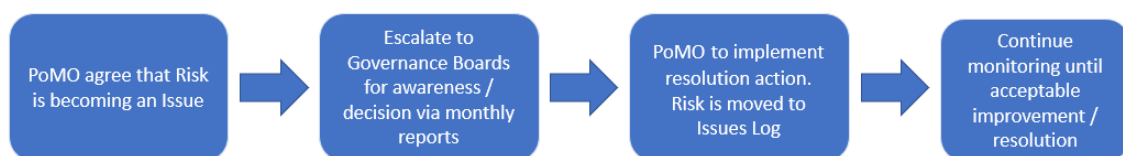


Figure 5.5 Moving a Risk to an Issue

All four local authorities are subject to the JCA, which will be kept under review.

The PoMO will ensure that contingency arrangements are considered and in place at a programme and project level to manage potential scenarios in the development, delivery and operational phases of the individual schemes.

## 5.12. Portfolio status and key milestones

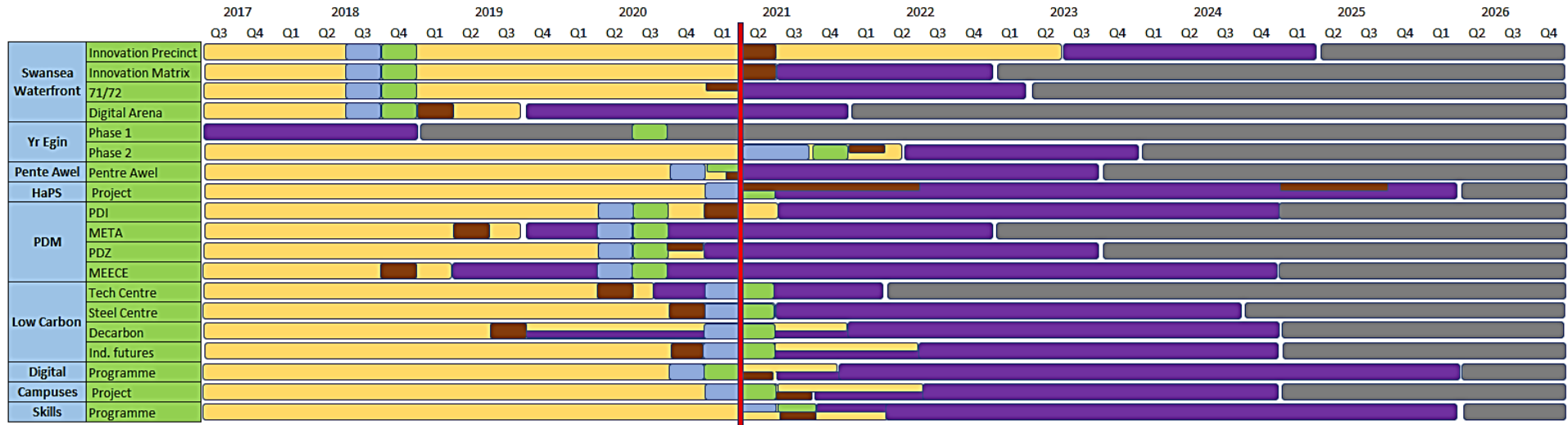
Table 5.6 provides the status of the nine programme / project business cases for the SBCD portfolio with the current Gateway Review Delivery Confidence Assessment rating, Lead Authority, Programme / Project Lead and Senior Responsible Owner.

Table 5.7 details a high-level summary of programme / project activity and milestones including the project lifecycle phases of business case development, approvals, procurement, delivery and operational phases. Further details on the programme / project delivery plans can be found in Appendix 5.23.

The PoMO have established a Joint Committee forward work programme, as detailed in Appendix 5.24, covering specific SBCD Portfolio activity that Joint Committee are planning to consider in 2021/22. This also provides an overview of items that have been achieved over the last 12 months.

Project Ownership and Business Case Status Summary					Business Case Status			Gateway DCA	
Project / Programme name	Component	Lead Authority	SRO	Project Lead	Status	SOC	OBC		FBC
Swansea City & Waterfront Digital District	Arena & Digital Square	Swansea	Phil Holmes	Huw Mowbray	Delivery				Q1 2020/21
	Digital Village / Kingsway								
	Innovation Matrix								
Creative Digital Cluster - Yr Egin	Phase 1	Carmarthen	Ray Selby	Geraint Flowers	Delivery				Q2 2020/21
	Phase 2								
Digital Infrastructure	Connected places	Carmarthen	Jason Jones	Gareth Jones	Approval process				Amber/Green Oct 20
	Rural connectivity								
	Next generation wireless								
Skills and Talent Initiative		Carmarthen	Barry Liles	Jane Lewis	Business Case Development				Q1 2020/21
Life Science, Well-being and Sport Campuses	Singleton	Swansea	Keith Lloyd	Naomi Joyce	Business Case Development				Q1 2020/21
	Morrison								
Pentre Awel (Life Science & Well-being Village)	Phase 1 - Community Health Hub	Carmarthen	Chris Moore	Sharon Burford	Approval process				Amber (Sept 20)
Homes as Power Stations		Neath Port Talbot	Nicola Pearce	Lisa Willis	Approval process				Amber (June 20)
Pembroke Dock Marine	Pembroke Dock Infrastructure (PDI)	Pembrokeshire	Steven Jones	Tim James	Delivery				Amber (Nov 19)
	Marine Energy Engineering Centre of Excellence (MEECE)								
	Marine Energy Test Area (META)								
	Pembrokeshire Demonstration Zone (PDZ)								
Supporting Innovation and Low Carbon Growth	Swansea Bay Technology Centre	Neath Port Talbot	Nicola Pearce	Lisa Willis	Approval process				Amber (June 20)
	National Steel Innovation Centre								
	Decarbonisation								
	Industrial Futures								
<b>SBCD Portfolio</b>	<b>All projects above</b>	<b>Carmarthenshire</b>	<b>Wendy Walters</b>	<b>Jonathan Burnes</b>	<b>Delivery</b>				<b>Gate 0 Review Amber (July 20)</b>

Table 5.6 Portfolio Overview and Business Case Status



Key	
<span style="color: lightblue;">■</span>	Final BC development Regional approval BC
<span style="color: green;">■</span>	Govt. approval decision to invest received
<span style="color: yellow;">■</span>	Pre-delivery period inc. BC development
<span style="color: brown;">■</span>	Procurement period
<span style="color: purple;">■</span>	Delivery Period
<span style="color: grey;">■</span>	Operational Period
<span style="color: red;"> </span>	Current date line

Please note these quarters are calendar quarters

Table 5.7 Portfolio Delivery Roadmap