



City and County of Swansea

## Notice of Meeting

You are invited to attend a Meeting of the

## Swansea Bay City Region Joint Committee

**At:** Multi-Location Meeting - Gloucester Room, Guildhall / MS Teams

**On:** Thursday, 2 February 2023

**Time:** 10.30 am

**Chair:** Councillor Rob Stewart Swansea Council

**Watch Online:** <http://bit.ly/3XFq84A>

### Membership:

Councillors:

|                          |                                |
|--------------------------|--------------------------------|
| Councillor Steve Hunt    | Neath Port Talbot Council      |
| Councillor Darren Price  | Carmarthenshire County Council |
| Councillor David Simpson | Pembrokeshire Council          |

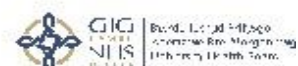
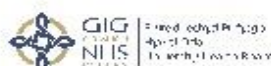
Co-opted Non-Voting Representatives:

|                         |  |
|-------------------------|--|
| Maria Battle            | Hywel Dda University Health Board        |
| Vacancy                 | Swansea University                       |
| Chris Foxall            | Chair of Swansea Economic Strategy Board |
| Professor Medwin Hughes | University of Wales Trinity Saint David  |
| Emma Woollett           | Swansea Bay University Health Board      |

## Agenda

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- 2 Disclosures of Personal and Prejudicial Interests.**  
[www.swansea.gov.uk/disclosuresofinterests](http://www.swansea.gov.uk/disclosuresofinterests)
- 3 Minutes.** 1 - 4  
To approve & sign the Minutes of the previous meeting(s) as a correct record.
- 4 Announcement(s) of the Chair.**



## 5 Public Questions

Questions can be submitted in writing to Democratic Services [democracy@swansea.gov.uk](mailto:democracy@swansea.gov.uk) up until noon on the working day prior to the meeting. Written questions take precedence. Public may attend and ask questions in person if time allows. Questions must relate to items on the open part of the agenda and will be dealt within a 10 minute period.

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| 6  | <b>Swansea Bay City Region Joint Committee Co-opted Membership.</b>                                 | <b>5 - 6</b>     |
| 7  | <b>Review of Chair of the Economic Strategy Board.</b>  | <b>7 - 11</b>    |
| 8  | <b>Swansea City &amp; Waterfront Digital District Progress Update. (For Information)</b>            | <b>12 - 177</b>  |
| 9  | <b>Supporting Innovation &amp; Low Carbon Growth Progress Update. (For Information)</b>             | <b>178 - 193</b> |
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**Next Meeting:** Thursday, 6 April 2023 at 10.30 am



**Huw Evans**  
**Head of Democratic Services**  
**Friday, 27 January 2023**

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

# Agenda Item 3

City and County of Swansea



## Minutes of the Swansea Bay City Region Joint Committee

Multi-Location Meeting - Gloucester Room, Guildhall / MS Teams

Thursday, 10 November 2022 at 10.30 am

### Present:

#### Councillors:

|               |                           |
|---------------|---------------------------|
| David Hopkins | Swansea Council           |
| Nia Jenkins   | Neath Port Talbot Council |
| Paul Miller   | Pembrokeshire Council     |
| Darren Price  | Carmarthenshire Council   |

#### Co-opted Non-Voting Representatives:

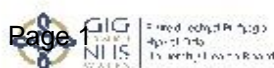
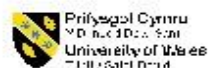
|                 |  |
|-----------------|--|
| Stephen Baldwin | University of Wales Trinity Saint David  |
| Chris Foxall    | Chair of Swansea Economic Strategy Board |
| Emma Woollett   | Swansea Bay University Health Board      |

#### Officers:

|                 |   |
|-----------------|---|
| Richard Arnold  | Finance Manager (Swansea Bay City Region)       |
| Jonathan Burnes | Director (Swansea Bay City Region)              |
| Huw Evans       | Head of Democratic Services (Swansea Council)   |
| Oonagh Gavigan  | Swansea Bay City Deal                           |
| Matthew Holder  | Swansea Bay City Region                         |
| Steven Jones    | Director of Development (Pembrokeshire Council) |
| Chris Moore     | Joint S151 Officer (Carmarthenshire Council)    |
| Martin Nicholls | Interim Chief Executive (Swansea Council)       |
| Nicola Pearce   | Neath Port Talbot Council                       |
| Phil Ryder      | Swansea Bay City Deal Programme Office          |
| Debbie Smith    | Deputy Monitoring Officer (Swansea Council)     |
| Wendy Walters   | Chief Executive (Carmarthenshire Council)       |
| Ian Williams    | Swansea Bay City Region                         |

#### Apologies for Absence:

Councillor(s) Steve Hunt (Neath Port Talbot Council), David Simpson (Pembrokeshire Council) and R C Stewart (Swansea Council)  
Maria Battle (Hywel Dda University Health Board), Medwin Hughes (University of Wales Trinity Saint David) and Steve Wilks (Swansea University)



William Bramble (Chief Executive (Pembrokeshire Council)), Karen Jones (Chief Executive (Neath Port Talbot Council)) and Tracey Meredith (Joint Committee Monitoring Officer (Swansea Council))

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**24 Election of Swansea Bay City Region Joint Committee Chair.**

**Resolved** that Councillor Rob Stewart be elected Chair of the Swansea Bay City Region Joint Committee.

In the absence of Councillor Rob Stewart, a vote was taken to elect a Chair Pro Tem.

**Resolved** that Councillor Darren Price be elected Chair Pro Tem for this meeting only.

**25 Disclosures of Personal and Prejudicial Interests.**

In accordance with the Code of Conduct, no interests were declared.

**26 Minutes.**

**Resolved** that the Minutes of the Swansea Bay City Region Joint Committee held on 28 July 2022 be approved and signed as a correct record.

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

The Chair made no announcements.

**28 Public Questions**

There were no public questions.

**29 Swansea Bay City Deal Internal Audit Terms of Reference 2022-23.**

Matthew Holder (Swansea Bay City Region – Head of Internal Audit) submitted a report seeking approval of the Internal Audit Terms of Reference 2022-2023.

**Resolved** that the Internal Audit Terms of Reference 2022-2023 as outlined in the report be approved.

**30 Swansea Bay City Deal Internal Audit Charter.**

Matthew Holder (Swansea Bay City Region – Head of Internal Audit) submitted a report seeking approval of the draft Internal Audit Charter for the Swansea Bay City Deal.

**Resolved** that the draft Internal Audit Charter be approved.

**31 Homes as Power Stations (HAPS) Project Update. (For Information)**

Oonagh Gavigan (HAPS Project Manager) submitted an information report outlining project progress.

**32 Financial Monitoring Report 2022/23 - Provisional Outturn Position Quarter 2.**

Chris Moore (Swansea Bay City Region – Section 151 Officer) submitted a report that provided an update on the latest financial position of the Swansea Bay City Region.

**Resolved** that the financial monitoring update report be approved.

**33 Swansea Bay City Deal Quarterly Monitoring Report.**

Amanda Halfhide (Swansea Bay City Region) submitted a report outlining the Quarterly Monitoring Report for both the Swansea Bay City Deal Portfolio and its constituent programmes / projects.

**Resolved** that the Quarterly Monitoring Report for both the Swansea Bay City Deal Portfolio and its constituent programmes / projects be noted.

**34 Swansea Bay City Deal Business Case Development Process.**

Ian Williams (Swansea Bay City Region) submitted a report that sought approval for the Swansea Bay City Deal Business Case Development process for the updating and development of the headline business cases.

**Resolved** that the Swansea Bay City Deal Business Case Development & Update process as attached to the report be approved.

**35 Portfolio Gateway Assurance Arrangements.**

Ian Williams (Swansea Bay City Region) submitted a report that sought approval for the Swansea Bay City Deal Business Assurance Framework detailing the assurance arrangements for the Portfolio and its constituent programmes and projects.

**Resolved** that the Swansea Bay City Deal Business Assurance Framework as outlined in the report and associated Terms of reference be approved.

**36 Portfolio Gateway Review and Action Plan.**

Ian Williams (Swansea Bay City Region) submitted a report that outlined the outcome of the Portfolio Gateway Review and sought to agree the Action Plan in response to the review recommendations.

**Resolved** that the outcome of the Portfolio Gateway Review be noted and the Action Plan as attached at Appendix A of the report be approved as the response to the review recommendations.

**37 Joint Committee Forward Work Plan.**

Amanda Burns (Swansea Bay City Region) submitted a report that outlined the Forward Work Plan.

**Resolved** that the Forward Work Plan be agreed.

The meeting ended at 11.17 am

**Chair**

# Agenda Item 6



Swansea Bay City Region Joint Committee - 2 February 2023

## Swansea Bay City Region Joint Committee Co-opted Membership

|                          |   |
|--------------------------|---|
| <b>Purpose:</b>          | To review and agree the Joint Committee Co-opted Members of the four partner organisations  |
| <b>Policy Framework:</b> | Swansea Bay City Deal (SBCD)<br>Joint Committee Agreement (JCA)   |
| <b>Consultation:</b>     | Programme Board<br>Joint Committee  |
| <b>Recommendation:</b>   | It is recommended that Joint Committee  |
| 1)                       | Confirms the current co-opted members set out in Table 1 and approves the appointment of Paul Boyle as the replacement Swansea University co-opted member. (Link to Bio in table below) |
| <b>Report Author:</b>    | Phil Ryder, SBCD Portfolio Office Manager   |
| <b>Finance Officer:</b>  | Chris Moore, Section 151 Officer, SBCD  |
| <b>Legal Officer:</b>    | Tracey Meredith, Monitoring Officer, SBCD   |

### 1. Introduction

Due to several original Co-opted members of the Joint Committee announcing their departure from their respective organisations there is a need to review who is currently a co-opted member, and, if required, for new members to be recommended by their organisation for approval by Joint Committee.

### 2. Proposed Members/confirmed members

Below is a list of proposed/confirmed members of the Four partner organisations and ESB. Each member will be required to sign a copy of Schedule 13 - Rules of Conduct of Co-opted Members of the Joint Committee and the Economic Strategy Board. This agreement is reviewed every 5 years. The Joint Committee Agreement provides that any co-option of any person as a non-voting member shall be subject to that person confirming in writing to the Portfolio Management Office that they

agree to comply with the Co-opted Member Protocol and that no co-option shall take effect until such confirmation has been given. If a signed schedule 13 is not available for the members listed below, the PoMO will ensure that these are completed as a matter of urgency.

Table 1

|  |                                       |                                 |
|--|---------------------------------------|---------------------------------|
| Emma Woollett  | Swansea Bay University Health Board   | Joint Committee Co-opted Member |
| Professor Medwin Hughes  | University of Wales Trinity St Davids | Joint Committee Co-opted Member |
| Paul Boyle<br><br>Biography: <a href="#">Biography - Professor Paul Boyle - Swansea University</a> | Swansea University                    | Joint Committee Co-opted Member |
| Maria Battle   | Hywel Dda University Health Board     | Joint Committee Co-opted Member |
| Chair of ESB   | Economic Strategy Board Chair         | Joint Committee Co-opted Member |

**3. Financial Implications**

There are no financial implications with this report.

**4. Legal implications**

The Joint Committee Agreement provides at Section 3 that the Joint Committee is entitled to co-opt on terms acceptable to the Joint Committee one representative from each of the following organisations:

- (a) Swansea University
- (b) University of Wales Trinity St David
- (c) Hywel Dda University Health Board
- (d) Swansea Bay University Health Board.

Any such appointment is for a period of 5 years from the commencement date of the Agreement and will therefore expire on 30 August 2023.

**5. Alignment to the Well-being of Future Generations (Wales) Act 2015**

The SBCD Portfolio and its constituent programmes / projects are closely aligned to the Well-being of Future Generations (Wales) Act 2015 and the seven well-being goals for Wales. These alignments are outlined in a Portfolio Business Case for the SBCD, as well as in individual programme / project business cases.

**Background Papers:** None

**Appendices:** None



# Agenda Item 7



Swansea Bay City Region Joint Committee - 2 February 2023

## Review of Chair of the Economic Strategy Board

|                           |   |
|---------------------------|---|
| <b>Purpose:</b>           | To seek approval from Joint Committee for the nominations for Chair and Vice Chair of Economic Strategy Board   |
| <b>Policy Framework:</b>  | Swansea Bay City Deal (SBCD)<br>Joint Committee Agreement (JCA)   |
| <b>Recommendation(s):</b> | It is recommended that Joint Committee:<br><br>1) Approves the appointment of Chair and Vice Chair of the Economic Strategy Board as set out in paragraphs 1.3 and 1.4 below. |
| <b>Report Author:</b>     | Peter Austin (SBCD Business Engagement Manager)   |
| <b>Finance Officer:</b>   | Chris Moore (SBCD S151 Officer)   |
| <b>Legal Officer:</b>     | Tracey Meredith (SBCD Monitoring Officer)   |

### 1. Background

1.1 The purpose of the Swansea Bay City Deal Economic Strategy Board (ESB) is to provide strategic direction for the Swansea Bay City Deal and provide strategic advice to the Joint Committee on matters relating to the Swansea Bay City Region. Specifically, the role shall:

- i) Submit strategic objectives for the Swansea Bay City Region.
- ii) Monitor progress with regard to the delivery of the Swansea Bay City Deal in accordance with diagram B in Schedule 8.
- iii) Oversight of business case production.
- iv) Consideration of regional added value and identifying opportunities for investment.
- v) Make recommendations to the Joint Committee.
- vi) Produce a summary report of issues considered by the Economic Strategy Board to be annexed to the submission of any business cases

- 1.2 The ESB is required to review the position of Chair annually and report back to Joint Committee as to the appointment of a Chair and Vice Chair, following approval from UK Government and Welsh Government. Joint Committee appointed Chair of ESB (Mr Chris Foxhall) as a co-opted member of Joint Committee in October 2021.
- 1.3 Members of the ESB have undertaken a nomination exercise (electronically) for the position of Chair and Vice Chair.
  - a) Members have unanimously nominated Mr Chris Foxall to continue as Chair.
  - b) Members have also unanimously nominated Ms Amanda Davies to remain as Vice-Chair.
- 1.4 Mr Foxall and Ms Davies have agreed to continue in these roles
- 1.5 The new arrangements have been agreed by UK Government and Welsh Government.
- 1.6 It is recommended that Joint Committee approves the above appointments for 2023

## **2. Financial Implications**

- 2.1 There are no financial implications associated with this report.

## **3. Legal Implications**

- 3.1 The Joint Committee Agreement provides at 4.1 Membership that the Chair shall be appointed following nominations by the unanimous agreement of: the Welsh Government, the UK Government and the Joint Committee.

## **4. Alignment to the Well-being of Future Generations (Wales) Act 2015**

- 4.1 The SBCD Portfolio and its constituent projects are closely aligned to the Well-being of Future Generations (Wales) Act 2015 and the seven well-being goals for Wales. These alignments are outlined in a Portfolio Business Case for the SBCD, as well as in individual project business cases.

**Background Papers:** None

### **Appendices:**

Appendix A: ESB Terms of Reference

## **Swansea Bay City Deal Economic Strategy Board**

### **Terms of Reference**

#### **1 Purpose**

- 1.1 To provide strategic direction for the Swansea Bay City Deal and provide strategic advice to the Joint Committee on matters relating to the Swansea Bay City Region. Specifically, the role shall:
- (a) Submit strategic objectives for the Swansea Bay City Region.
  - (b) Monitor progress with regard to the delivery of the Swansea Bay City Deal in accordance with diagram B in Schedule 8.
  - (c) Oversight of business case production.
  - (d) Consideration of regional added value and identifying opportunities for investment.
  - (e) Make recommendations to the Joint Committee.
  - (f) Produce a summary report of issues considered by the Economic Strategy Board to be annexed to the submission of any business cases

#### **2 Reporting**

- 2.1 Joint Committee

#### **3 Membership**

- 3.1 Members shall be appointed through an open recruitment and nomination process. Members including co-opted members of the Joint Committee shall submit proposals to the Joint Committee for the recruitment and nomination process. Those proposals shall be subject to unanimous agreement by members of the Joint Committee the Welsh Government and the UK Government. Members shall include:
- (a) 1 private sector chair or other suitable representative.
  - (b) 5 private sector representatives.
- 3.2 For the avoidance of doubt the Joint Committee may appoint additional co-opted members should the Joint Committee determine appropriate
- 3.3 The Programme Director, head of paid service, monitoring officer and s151 officer of each of the Councils or their nominated representative shall be entitled to attend meetings of the Economic Strategy Board as an adviser or an observer but shall not have a vote.

## **4 Chair**

- 4.1 The Chair shall be appointed following nominations by the unanimous agreement of: the Welsh Government, the UK Government and the Joint Committee.
- 4.2 The Chair shall be a private sector representative or other suitable representative.
- 4.3 The Chair shall be accountable to the Joint Committee.
- 4.4 The Chair shall be reviewed annually.

## **5 Voting/Agreement**

- 5.1 The Economic Strategy Board shall not have any formal decision-making powers.
- 5.2 The Economic Strategy Board shall reach agreement by consensus.
- 5.3 Where alternative views and opinions are expressed these shall be recorded and included in any reporting process.

## **6 Conflicts of Interest**

- 6.1 To allow the Economic Strategy Board to undertake all its functions a clear distinction shall be drawn between those involved in specific scheme development and those preparing recommendations on those schemes to the Joint Committee. A robust system of declaration of conflict of interest shall be put in place.
- 6.2 Occasions shall arise where conflicts of interest preclude specific named officers, individuals, committee members from taking part in discussions which shall form views and recommendations on specific matters. Members have an obligation to declare any such interests which shall then be recorded.
- 6.3 Co-opted members of the Economic Strategy Board shall be subject to the rules of conduct set out at Schedule 13 and shall sign an undertaking in the form set out at Schedule 13 to confirm that they will abide by those rules of conduct.

## **7 Proceedings of meetings**

- 7.1 The Portfolio Management Office shall arrange for minutes of the proceedings of each meeting to be taken, approved, and recorded.

## **8 Quorum**

- 8.1 For the Economic Strategy Board to agree and submit recommendations, membership must be represented up to a quorate equivalent to 50% of the membership of the Economic Strategy Board.

## **9 Frequency**

- 9.1 The Economic Strategy Board shall meet with the following frequency or as and when required:
  - (a) Quarterly in advance of any Joint Committee meeting; and
  - (b) When necessary to deal with business as agreed by the Chair of the Economic Strategy Board.

**10 Allowances**

10.1 There shall be no allowances paid.

**11 Servicing**

11.1 The Portfolio Management Office shall organise appropriate servicing for the meetings.

**12 Sub groups**

12.1 Thematic sub committees may be established as and when required and shall report to the Economic Strategy Board.

**13 Review**

13.1 To be reviewed annually.

# Agenda Item 8



Swansea Bay City Region Joint Committee - 2 February 2023

## Swansea City and Waterfront Digital District Update

|                          |  |
|--------------------------|--|
| <b>Purpose:</b>          | To inform Joint Committee of: <ol style="list-style-type: none"><li>1. The progress made and status of the SBCD Swansea City and Waterfront Digital District programme.</li><li>2. The development of the updated programme business case as at Appendix A</li><li>3. The outcome of the recent PAR Gateway Review as at Appendix B and Action Plan as at Appendix C</li></ol> |
| <b>Policy Framework:</b> | Swansea Bay City Deal Region Joint Committee Agreement   |
| <b>Report Author:</b>    | Huw Mowbray (Development and Physical Regeneration Strategic Manager)  |
| <b>Finance Officer:</b>  | Chris Moore (SBCR S151 Officer)  |
| <b>Legal Officer:</b>    | Tracey Meredith (SBCR Monitoring Officer)  |
| <b>For Information</b>   |  |

### 1. Programme Overview

1.1 The Swansea City and Waterfront Digital District programme is made up of three elements:

- Creation of a 34,000 sq ft. **Innovation Matrix** and 64,600sq ft. **Innovation Precinct** at University of Wales Trinity Saint David to provide incubation space and co-working areas for start-ups and small businesses. The project is being delivered by University of Wales Trinity Saint David
- Creation of 115,000 sq ft of flexible and affordable office accommodation to support the growth of tech businesses and other higher value added activities, through the development of a new **Digital Village** (71-72 Kingsway) in the City Centre. The project is being delivered by University of Wales Trinity Saint David
- Development of a **Digital Square and Arena** by as part of a wider scheme to revitalise the city centre to create the vibrant environment, leisure and lifestyle

offer (including events space) that attracts and retains tech businesses and skilled workers, acts as a catalyst for future schemes for the benefit of the wider region. The project is being delivered by University of Wales Trinity Saint David

- 1.2 Swansea is a key engine of growth for Swansea Bay City Region, producing 40% of regional Gross Value Added (GVA). It has significant innovation assets, with two expanding universities and a growing capability across key sectors linked to university expertise and Swansea Techhub.
- 1.3 However, the City Deal Business Case identified fundamental issues with:
  - a lack of suitable incubation and grow-on space for businesses;
  - a poor-quality city centre environment, commercial, leisure and lifestyle offer;
  - low rental values (making private sector development unviable); business start-ups and graduates being lost to the city.

These issues need to be addressed for the city and region to prosper.

## **2. Programme Outcomes**

- 2.1 The Digital District programme will deliver significant beneficial outcomes.
- 2.2 The combined effect of the Innovation Matrix & Innovation Precinct, Digital Village and Digital Arena will improve the offer for innovative, technology based businesses and create an environment in the City Centre where these businesses can thrive.
- 2.3 In terms of economic impact, the Digital District project is estimated to create an additional £69.1m of GVA per annum in Swansea Bay City Region once completed, and will deliver an estimated 1,281 net additional full time equivalent jobs in Swansea Bay – for City Deal and whole elements of the scheme.
- 2.4 In terms of social impact, the project will generate significant social benefits through the application of social benefit clauses in legal agreements with developers and contractors through the Council's Beyond Bricks & Mortar approach. It is estimated that the three Digital District schemes will generate 3,266 training weeks for economically inactive and unemployed individuals, along with supply chain initiatives, contributions to education and community initiatives.
- 2.5 The digital arena has confirmed that over 8,000 weeks of targeted recruitment training has been completed by apprentices under the BBM programme.

## **3. Programme Status Update**

### **Digital Arena**

Swansea's Digital Arena opened in March 2022 in the heart of the new Copr Bay district and has currently sold over 145,000 tickets over 55 performance events.

The Digital Arena and Coastal Park was opened by the Welsh Government First Minister and the Leader of Swansea Council and now provides a 3,500 capacity high tech facility that is capable of holding major digital events, including worldwide computer gaming competitions and other digital and data driven events, alongside more traditional live theatre and concert events.

The arena has generated 22 full-time jobs and 100 part-time jobs so far, with recruitment ongoing.

It has proven itself as a catalyst for future investment, with the vision and ambition of the City Deal projects sited by regeneration specialists Urban Splash, who are now in a JV partnership agreement with Swansea Council, looking at the redevelopment of seven key sites across the City.

A Developer has been appointed for the hotel and discussions are progressing well with Welsh Government for grant and loan funding with a decision in Q1 2023.

### 3.2 Digital Village (71-72 Kingsway)

The Digital Village, located on the former Oceana site on the Kingsway in Swansea City Centre, will be delivered by Swansea Council to provide 115,000sq ft of low cost, flexible offices within a high-quality commercial environment with high-speed digital connectivity.

Swansea Council and Bouygues UK exchanged a fixed price contract in 2019 and works commenced in November 2021. Construction is continuing onsite with a completion date for the main construction of October 2023 with fit out and opening in May 2024.

Swansea Council team are continuing work on Heads of Terms with flex tenants and the letting strategy is progressing well, with websites and marketing materials being prepared.

Work is also progressing preparing the tender documents for the Building Management Strategy.

### 3.3 Innovation Matrix and Innovation Precinct

The Innovation Matrix and Innovation Precinct project team submitted a change request in 2022 that was approved by the SBCD Joint Committee. The Box Village became the new Innovation Matrix, a higher quality, slightly larger space that will allow for greater flexibility and use from tenants.

Planning approval for the Innovation Matrix was received in July 2022, with Stage four design now complete.

Good progress has been made with tenant and partner engagement with first tenancies negotiated.

## 4. **Business Case Development**

- 4.1 The original Outline Business Case (OBC) for the Swansea City and Waterfront Digital District programme was approved in 2017 and secured approval to invest £174.2m, including £50m of City Deal funding in a number of ambitious and transformational projects in the city. The business case was then updated in June 2020 to reflect the Digital Arena procurement.



- 4.2 Swansea Council have now undertaken a further update of the business case to incorporate the procurement of the Digital Village and other relevant changes, reflective of the progress made on the programme. The update has been prepared using the agreed standards and format for business cases, as set out in the Green Book Supplementary Guidance 5 Case Model and Better Business Case guidance. The update revisits each of the five dimensions of the business case to demonstrate the strategic alignment, case for change, value for money, viability, affordability and delivery arrangements for the programme. A further update will be undertaken when procurement details are available for the Innovation Matrix and Precinct projects.
- 4.3 The update has been undertaken in discussion with the SBCD PoMO and in accordance with the approved SBCD guidance for business case development.
- 4.4 The updated business case is attached for information and a summary of the key changes is included at the beginning of each of the following 5 business case sections.
- the **strategic case** section. This sets out the case for change, together with the supporting investment objectives for the scheme. Updated information on strategic alignment, refined investment objectives and updated risks and dependencies
  - the **economic case** section. This demonstrates that the organisation has selected the most economically advantageous offer, which best meets the existing and future needs of the service and optimises value for money (VFM). The economic case has been updated with the procurement information for Digital Village, Digital Square and Arena, with Innovation Matrix information to follow, demonstrating the VFM for the chosen option and confirming the updated costs, benefits and risks, confirming the procurement strategy, route and evaluation criteria that were followed and demonstrating that the option offering best public value has been chosen.
  - the **commercial case** section. This sets out the content of the proposed deal. The commercial case has been updated with the choice of service providers, negotiated deals and the contractual arrangements for the procurements.
  - the **financial case** section, which confirms funding arrangements, affordability and the effect on the balance sheet of the organisation. This section has been updated with the current cost and funding details to demonstrate the affordability of each of the project elements.
  - the **management case** section which details the plans for the successful delivery of the scheme to cost, time and quality. The management case has been updated with further detail on the delivery and management arrangements for the programme including current governance arrangements, benefit realisation, monitoring and reporting, change and programme assurance.
- 4.5 The key milestones for the delivery of the programme are shown below:

Innovation Matrix

|                                   | <u>Finish Dates</u> |
|-----------------------------------|---------------------|
| Planning Submission               | April 22            |
| Detailed Design                   | July 22             |
| Tender and Contractor Procurement | July 22             |

|                           |        |
|---------------------------|--------|
| Construction              | TBA    |
| Construction Completion   | Nov 23 |
| Completion and Occupation | Dec 23 |

### Innovation Precinct

|                                   | <u>Finish Dates</u> |
|-----------------------------------|---------------------|
| Planning Submission               | Mar 23              |
| Detailed Design                   | June 23             |
| Tender and Contractor Procurement | Oct 23              |
| Construction                      | Sept 24             |
| Construction Completion           | Oct 25              |
| Completion and Occupation         | Dec 25              |

### **Digital Village (71-72 Kingsway)**

|                                   | <u>Finish Dates</u> |
|-----------------------------------|---------------------|
| Detailed Design                   | Aug 20              |
| Planning Submission               | Mar 20              |
| Tender and Contractor Procurement | May 21              |
| Enabling infrastructure works     | Sep 21              |
| Construction                      | Jul 23              |
| Fit Out                           | May 24              |

### **Digital Square and Arena**

|  | <u>Finish Dates</u> |
|--|---------------------|
| Outline planning consent granted                     | June 17             |
| Arena Operator Contract Signed (Agreement for Lease) | Jan 18              |
| Contractor Procurement                               | July 18             |
| Construction complete                                | Jan 22              |
| Arena Opening (phased)                               | Mar 22              |
| Hotel to be delivered by private sector              | TBC                 |

## **5. Gateway Review**

- 5.1 A PAR (Project Assessment Review) was undertaken for the elements of the programme being delivered by Swansea Council on 15<sup>th</sup>-17<sup>th</sup> November 2022. The review was led by an external consultant appointed by the Welsh Government Integrated Assurance Hub and consisted of two days of stakeholder conversations and a formal written report on the outcome of the review.
- 5.2 The review was based around specific terms of reference provided by the Senior Responsible Owner for the programme as follows:

*The Project Assurance Review (PAR) will provide assurance to the SRO, the region and to the UK and Welsh Governments (the funding sponsors) that the Swansea Arena (delivered) and 71/72 Kingsway (in construction) Projects are meeting expectations as set out in the Programme Business case.*

- 1. Has the Council's intervention (for both Swansea Arena and 71/72 Kingsway given the market confidence to invest in Swansea?)*
- 2. Early assessment of the impact on city centre regeneration (Arena <12 months opened)?*

3. *Is Governance appropriate with controls and measures in place to manage and mitigate project risks, milestones, and deliverables?*
4. *Completeness and quality of Full Business Case.*

*For Swansea Arena (70%):*

5. *Has the Project delivered against its objectives?*
6. *Is benefit realisation on track against the planned benefits?*
7. *How effective is the operational management (ATG)?*
8. *Effectiveness of ongoing contract management and support and maintenance*
9. *Ongoing stakeholder engagement, marketing, and communication plans.*

*For 71/72 Kingsway (30%):*

10. *Assess whether the Business Case justification for the project is on track*
11. *Confirm that there is still a business need for the investment. How is this assured?*
12. *Assess progress against plans, is the project on track and how is this evidenced and assured?*
13. *Ongoing stakeholder engagement, marketing, and communications plan.*

- 5.3 The review returned an Amber / Green Delivery Confidence Assessment (DCA) rating, defined as follows:

*Successful delivery appears probable. However, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.*

- 5.4 The review report included six recommendations which will be addressed by the programme team within the timescales indicated in the review report.
- 5.5 A copy of the review report is attached for information together with an action plan to address the review recommendations.

## **6. Financial Implications**

- 6.1 Financial implications for the Swansea Waterfront Digital District project are specifically included within the Digital District Business Case. Financial Risks will be managed through monitoring and evaluation at both Project and Programme level and reported, via the Swansea Bay City Deal's Programme Management Office, to the Joint Committee, where appropriate.
- 6.2 The project is funded through £50m City Deal Funding, £85.4m public sector funding and £39.9m private sector funding. City Deal funding will be released on the successful approval of the programme business case by UK and Welsh Government. Public sector investment consists of investment/contributions from local authorities and other public funded and public service organisations. Private sector investment includes regional investment from local and national private sector partners.

## **7. Legal Implications**

- 7.1 There are no legal implications associated with this for Information report.

## 8. Alignment to the Well-being of Future Generations (Wales) Act 2015

8.1 The SBCD Portfolio and its constituent programmes / projects are closely aligned to the Well-being of Future Generations (Wales) Act 2015 and the seven well-being goals for Wales. These alignments are outlined in a Portfolio Business Case for the SBCD. The Swansea City and Waterfront Digital District programme is aligned to the Act as shown below:

| Goals  | Digital District Alignment with goal  |
|--|---|
| A prosperous Wales                                     | <ul style="list-style-type: none"> <li>• Generating highly skilled, sustainable and well paid employment opportunities for Swansea bay residents</li> <li>• Growing higher added value technology based activities in the region, to raise productivity levels and drive economic growth.</li> <li>• Supporting the growth of low carbon technology based business sectors</li> <li>• Low carbon strategies at heart of the new developments to reduce energy use and promote resource efficiency, with an aspiration for BREEAM Excellent rated buildings.</li> <li>• Local sourcing through application of Swansea Council Beyond Bricks &amp; Mortar policy</li> </ul> |
| A resilient Wales                                      | <ul style="list-style-type: none"> <li>• Minimising the impact of the developments on ecological systems: extensive environmental and ecological assessments are being undertaken to inform the design and build of the developments.</li> </ul>  |
| A healthier Wales                                      | <ul style="list-style-type: none"> <li>• New green spaces and high quality public realm will contribute to a healthy urban environment that supports health, recreation and wellbeing.</li> <li>• Creating secure and sustainable employment opportunities, including training and employment opportunities for workless individuals through Beyond Bricks &amp; Mortar social benefit clauses in contracts</li> </ul>  |
| A more equal Wales                                     | <ul style="list-style-type: none"> <li>• Reducing regional differences by contributing to an improvement in economic performance and employment opportunities in the Swansea Bay City region, which lags behind Southeast Wales (and also the UK)</li> <li>• Utilising social benefit clauses to create employment and training opportunities for workless individuals</li> </ul>   |
| A Wales of cohesive communities                        | <ul style="list-style-type: none"> <li>• Supports the growth of a collaborative and cohesive technology based business community in Swansea, that will provide employment opportunities for local people</li> <li>• Revitalisation of a run-down part of the City Centre (Kingsway) to create a new connected living and working environment</li> <li>• Improves the attractiveness and viability of Swansea City Centre, supporting the growth of local businesses and increasing employment opportunities for local people.</li> </ul>  |
| A Wales of vibrant culture and thriving Welsh language | <ul style="list-style-type: none"> <li>• The new digital arena will offer a broad programme of events that will add to the leisure and cultural offer in the city, and encourage wider participation in the arts, particularly digitally focused activities.</li> </ul>   |

|                              |  |
|------------------------------|--|
| A globally responsible Wales | <ul style="list-style-type: none"><li>• The programme will be delivered in a globally responsible way through, for example, responsible and (where possible) local sourcing of key materials, and a focus on reduced energy consumption and resource efficiency.</li></ul> |
|------------------------------|--|

**Background Papers:** None

**Appendices:**

Appendix A - Swansea City and Waterfront Digital District Full Business Case Nov 22

Appendix B - Swansea City and Waterfront Digital District PAR Report Nov 22

Appendix C - PAR Action Plan

Appendix D - Overview

# SWANSEA CITY & WATERFRONT DIGITAL DISTRICT Full Business Case



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# SWANSEA CITY & WATERFRONT DIGITAL DISTRICT FULL BUSINESS CASE

## 1. Executive summary

### 1.1 Introduction

The Outline Business Case (OBC) for the Swansea City and Waterfront Digital District programme was approved in 2017 and secured approval to invest £174.2m, including £50m of City Deal funding in a number of ambitious and transformational projects in the city. These developments will facilitate the growth of higher added value activities (particularly tech businesses) in Swansea, for the benefit of the wider Swansea Bay City Region. The programme is anticipated to deliver 1,281 jobs, generate £39.9m private sector investment and contribute Gross Value Added of £669.8m to the regional economy.

This updated business case for the programme reflects the significant progress made since approval and updates to Full Business Case (FBC) status for two out of three of the constituent projects as follows:

- The Digital Square and Arena project is now at FBC level with construction completed on site and the facility operational.
- Digital Village (71-72 Kingsway) is also at FBC stage, having secured a planning consent and procured a construction contractor with construction commencing in November 2021.
- Innovation Matrix has now received planning, subject to successful S106 agreements.

This update has been prepared using the agreed standards and format for business cases, as set out in the Green Book Supplementary Guidance 5 Case Model and Better Business Case guidance. The update revisits each of the five dimensions of the business case to demonstrate the strategic alignment, case for change, value for money, viability, affordability and delivery arrangements for the programme. A summary of the key changes is included at the beginning of each of the following 5 business case sections.

- the **strategic case** section. This sets out the case for change, together with the supporting investment objectives for the scheme. Updated information on strategic alignment, refined investment objectives and updated risks and dependencies
- the **economic case** section. This demonstrates that the organisation has selected the most economically advantageous offer, which best meets the existing and future needs of the service and optimises value for money (VFM). The economic case has been updated with the procurement information for Digital Village, Digital Square and Arena, with Innovation Matrix information to follow, demonstrating the VFM for the chosen option and confirming the updated costs, benefits and risks, confirming the procurement strategy, route

and evaluation criteria that were followed and demonstrating that the option offering best public value has been chosen.

- the **commercial case** section. This sets out the content of the proposed deal. The commercial case has been updated with the choice of service providers, negotiated deals and the contractual arrangements for the procurements.
- the **financial case** section, which confirms funding arrangements, affordability and the effect on the balance sheet of the organisation. This section has been updated with the current cost and funding details to demonstrate the affordability of each of the project elements.
- the **management case** section which details the plans for the successful delivery of the scheme to cost, time and quality. The management case has been updated with further detail on the delivery and management arrangements for the programme including current governance arrangements, benefit realisation, monitoring and reporting, change and programme assurance.

## 1.2 Strategic case.

The Strategic Case demonstrates the current alignment of the Swansea City and Waterfront Digital District programme with national, regional and local strategies and policies, as well as other current or planned programmes, while making a compelling case for change via the constituent projects.

### 1.2.1 *The strategic context*

The organisations making the case for investment in the scheme are Swansea Council and University of Wales Trinity Saint David.

The strategic alignment of the Digital District programme has been reviewed. It remains aligned with, and will help to deliver, local, regional and national policies and strategies including:

#### **Local:**

- The well-being objectives of Swansea Council, as set out in the Corporate Plan 2017-22, in particular “Transforming our Economy & Infrastructure
- University of Wales Trinity Saint David Transformation Strategy
- Swansea Central Area Regeneration Framework (SCARF), .

#### **Regional:**

- Swansea Bay City Region Economic Regeneration Strategy
- The South West Wales Regional Economic Delivery Plan 2022-2030 updates and re-focusses the SBCR Economic Regeneration Strategy
- Regional Economic Framework 2021 (REF) for South West Wales

## **Wales:**

- Wellbeing of Future Generations (Wales) Act 2015
- Welsh Government's Prosperity for All strategy
- Welsh Government's Economic Action Plan

## **UK:**

- UK Industrial Strategy.2017
- Build Back Better: Our plan for growth 2021
- Levelling Up White Paper 2022
- Digital Strategy 2017

The programme also links with and contributes to other funding initiatives including:

- WG Targeted Regeneration Investment Programme
- WG Building for the Future Project
- European Regional Development Fund
- Government Transforming Towns programme
- UK Government Levelling Up and Shared Prosperity Fund initiatives.

The Swansea City and Waterfront Digital District is one of the nine headline programmes of the Swansea Bay City Deal under the theme of Economic Acceleration. The programme supports the City Deal aim of raising productivity levels by facilitating the growth of higher value activities. Establishing Swansea as a vibrant regional capital is one of the aims of the Internet Coast City Deal proposal. Developing a TechHub led commercial district to encourage graduate retention and provide space for new companies to grow and expand is one of the projects listed under the Internet of Economic Acceleration theme.

### *1.2.2 The case for change*

The investment objectives for this programme are as follows:

- Investment Objective 1: To create incubation and co-working areas for start-ups and micro businesses, with high levels of curation and access to University expertise to maximise survival rates.
  - Outcomes for objective 1 include: To create over 459 net FTE jobs and drive start-up, micro and SME growth in the region through accommodation and support addressing industry needs
- Investment Objective 2: To create 115,000 sq ft of flexible and affordable accommodation in the city centre to support the growth of technology-based businesses (and other higher added value activities) by 2023
  - Outcomes for objective 2 include: To create over 500 net FTE jobs and act as a catalyst for new private sector led development and refurbishment of further properties on the Kingsway to create a new Central Business District in Swansea City Centre.

- Investment Objective 3: To create the vibrant environment, leisure and lifestyle offer (including events space) in the city centre by 2022 that attracts and retains technology-based businesses and skilled workers for the benefit of the wider region.
  - Outcomes for objective 3 include: To create over 450 net FTE jobs and provide a 3,500 capacity high tech facility that will be capable of holding major digital events, including worldwide computer gaming competitions and other digital and data driven events, alongside more traditional live theatre and concert events

The Swansea Bay City Region suffers from a number of overarching economic issues, as outlined in the region's Economic Regeneration Strategy: including low productivity, low average wage levels, small business base (which isn't growing quickly enough), skills deficits and high levels of economic inactivity. While both Swansea University and University of Wales Trinity Saint David are expanding and increasing the potential pool of graduate labour available within the region, there are issues with graduate retention, linked to the lack of well paid, graduate employment opportunities in the region. It is imperative that the region improves its economic performance and creates higher skilled, higher paid employment opportunities for its people.

Within Swansea, significant investments undertaken and planned by both universities are increasing the city's capacity for knowledge and innovation-based research, the graduate pipeline, collaboration with business, and the creation of spin-out businesses. In addition, there is also a burgeoning technology sector in the city, with many new enterprises emerging to commercialise research and expertise in areas such as digital media, Life Sciences and ICT. There is significant potential to develop this growing technology sector to support high value economic activity. This is evidenced by the growing cluster of activity across the city, which is only restrained by the availability of an appropriate environment to realise its potential.

However, as outlined in the Swansea Central Area Regeneration Framework, Swansea City Centre has poor quality, dated office accommodation which doesn't meet the needs of modern-day occupiers. Swansea is not an established location for the office sector, and therefore has no scale of stock, and particularly no office stock of quality. In addition, the city centre offer is perceived as tired, dated and in decline with an average offer. As such, the City Centre doesn't currently have the modern, flexible and affordable commercial floorspace, city living or leisure and lifestyle offer needed to capitalise on potential opportunities and is losing businesses (and graduates) as companies move elsewhere.

The main business needs and issues that the programme will address are:

- Lack of Commercial Space for Start-Ups and Growing Businesses
- Lack of Private Sector Led Commercial Development in the City Centre
- Inadequate Leisure Offer and Lack of Events Space

The potential scope and service requirements of the programme are:

| Service Requirements | Business Scope and Key Service Requirements  |
|----------------------|--|
| Core                 | <ul style="list-style-type: none"> <li>• Creates new floorspace for start-ups and microbusinesses</li> <li>• Creates grow on space for local businesses</li> <li>• Provides events space to meet the needs of local businesses</li> <li>• Supports the growth of higher added value activities</li> <li>• Is located within the City Centre/ SA1 Swansea Waterfront Area to contribute to the regeneration of Swansea City Centre</li> <li>• Actively managed/ curated to provide support to growing businesses</li> </ul> |
| Desirable            | <ul style="list-style-type: none"> <li>• Arena to provide dedicated large-scale events space</li> <li>• Access to academic expertise for growing businesses</li> </ul>   |
| Optional             | <ul style="list-style-type: none"> <li>• Enhanced retail and leisure offer</li> </ul>  |

The main benefits, risks, constraints and dependencies are shown below:

#### Benefits:

- Increased availability of fit-for-purpose commercial floorspace
- Increased number of employees
- More supportive, conducive environment where start-up technology businesses can thrive
- Enables small businesses to develop efficiencies and specialisms, become more competitive and strengthen their market position
- Contribute to increase in local GVA and employment opportunities
- Generation of revenue income to Swansea Council and UWTSD
- Creation of training and apprenticeship opportunities
- Raise the profile of Swansea City Centre as a business location
- Catalyst for private sector investment
- Availability of events space and conference facilities
- More attractive environment & leisure offer to attract and retain skilled employees
- Improvements to leisure offer

#### Risks:

- The commercial floor space and other facilities do not meet the needs of start-ups and tech-based businesses
- Funding not secured – without public sector funding the proposals would not be implemented
- Insufficient internal capacity to project manage and deliver the developments
- Unexpected rise in construction costs
- Delays in construction and delivery programme

- Unable to secure tenants to occupy the buildings
- Project is property driven and the wider economic needs to support business creation and growth are not achieved
- Unforeseen economic / external factors
- Low initial demand and/or lower than expected growth
- Covid-19
- Failure to collaborate effectively with partners
- Wider regeneration scheme does not progress leading to loss of supportive infrastructure
- Poor transport infrastructure (external) leads to loss of attractiveness for schemes
- Failure to obtain relevant approvals
- Failure of target markets to grow

#### Constraints:

- Construction Timeline
- Level of available funding
- Any conditions attached to the planning consents
- National growth in target industries
- Local tenancy demand from targeted industries
- The availability and timing of public funding

#### Dependencies:

- Skills development, to support the new employment opportunities created, through the City Deal skills & talent initiative.
- Securing planning consent for the developments. In place for Arena, 71/72 Kingsway and Innovation Precinct.
- ATG lease requires the delivery of the new footbridge and car park (not part of City Deal project but included in wider project and construction contract).
- Ample / appropriate transport solutions to service the developments.
- University continues to generate a pipeline of graduate start ups
- Securing tenants for Digital Village and Digital Square.
- The University and the Council have the capacity and capabilities to curate/ manage the Innovation Matrix & Innovation Precinct and Digital Village.
- Future private sector investment in the City Centre is dependent on the catalytic effect of the Digital District programme.
- Delivery of external digital infrastructure, to meet the requirements of occupiers, and to network the three developments with Swansea University and University of Wales Trinity Saint David.

### **1.3 Economic case**

The updated economic case consists of two parts:

Part 1. Revisit the OBC Options – the OBC options are reviewed and confirmed.

Part 2. Detail the procurement process and evaluation of the Best and Final Offer (BAFO) - the procurement processes undertaken to date are detailed and the chosen service provider identified in respect of the procurements to date.

The Critical Success Factors for the programme are:

- **Strategic Fit:** Strategic fit with Swansea Bay City Region Economic Regeneration Strategy and Swansea Central Area Strategic Framework
- **Business Needs:** Satisfies all the Investment Objectives
- **Benefits Optimisation:** Optimises job creation and GVA growth
- **Potential Achievability:** Meets the requirements of tech businesses and other stakeholders in Swansea and is sustainable. CCS and UWTSD must have the management capacity, skills and vision to deliver the programme, or aware of the need to recruit assistance where necessary
- **Supply Side Capability and Capacity:** Sufficient established and reputable construction firms bid for work to ensure both competition and value for money in new building delivery
- **Potential Affordability:** The required capital investment can be met by combining CCS/ UWTSD own funds with other public and/ or private sector funding
- **Deliverability:** Programme can be delivered within 5 years

### Part 1. Revisit the OBC Options

The following shortlist was developed at OBC stage:

- option 1 – the do nothing, do minimum or status quo
- option 2 – the reference project or outline Public Sector Comparator (PSC) based on totality of the preferred choices within each of the above categories
- option 3 – the reference project or outline PSC (more ambitious option) based on the more ambitious possible options within each of the above categories
- option 4 – the reference project or outline PSC (less ambitious option) based on the less ambitious options within each of the above categories.

The Economic Case details changes to the programme since the approval of the OBC and updates the preferred option as shown below:

| Category         | OBC   | FBC   |
|------------------|---|---|
| Scope            | Incubation, grow on and Digital Square and Arena  | Incubation, grow on and Digital Square and Arena  |
| Service Solution | Digital Village (100,000sq ft), UWTSD Innovation Matrix (28,000 sq ft) & Innovation Precinct (64,000 sq ft), 3,500 capacity Digital Arena, Digital Square and Hotel | Digital Village (115,000sq ft), UWTSD Innovation Matrix (34,000 sq ft) & Innovation Precinct (64,600 sq ft), 3,500 capacity Digital Arena, Digital Square and Hotel |
| Service Delivery | Innovation Matrix & Innovation Precinct: UWTSD, Digital Village and Digital Square &  | Innovation Matrix & Innovation Precinct: UWTSD, Digital Village and Digital Square &  |

|                |  |  |
|----------------|--|--|
|                | Arena: CCS (with private sector hotel development) | Arena: CCS (with private sector hotel development) |
| Implementation | Completion by 2023 – 2027                          | Completion by 2023 – 2027                          |
| Funding        | Public capital led, leveraging in private sector   | Public capital led, leveraging in private sector   |

Updated economic appraisal information is provided for Digital Arena and Square and Digital Village projects.

The appraisal confirms that the Preferred Option remains Option 2 as this is most likely to achieve the Investment Objectives and was ranked first in the benefits and risk appraisals and second in the economic appraisal. Whilst the More Ambitious Option scored highest in the economic appraisal in terms of financial benefits, the additional costs are not affordable and the demand and delivery risks associated with this Option have resulted in it being discounted.

| Evaluation Results     | Option 1<br>Do<br>Minimum | Option 2<br>Reference<br>Project | Option 3<br>More<br>Ambitious | Option 4<br>Less<br>Ambitious |
|------------------------|---------------------------|----------------------------------|-------------------------------|-------------------------------|
| Economic appraisals    | 4                         | 2                                | 1                             | 3                             |
| Benefits appraisal     | 4                         | 1                                | 1                             | 3                             |
| Risk appraisal         | 4                         | 1                                | 3                             | 2                             |
| <b>Overall ranking</b> | <b>4</b>                  | <b>1</b>                         | <b>2</b>                      | <b>3</b>                      |

The updated Economic Case has demonstrated that the preferred option in the approved OBC remains valid. Changes to the specific elements of the preferred option have been detailed and economic, benefits and risk appraisals have been revisited and the option rankings confirmed.

## **Part 2. Detail the procurement process and evaluation of the Best and Final Offer (BAFO)**

This updated version of the business case details the procurement strategy, route and evaluation criteria that were in the procurement processes for the following project elements:

- Digital Square and Arena
- Digital Arena operator
- Hotel Developer
- Digital Village (71-72 Kingsway)

It is recognised that Better Business Case guidance requires that an economic appraisal is undertaken for the potential service providers. This has not been carried



out as there have been several procurements undertaken for the individual project elements that have been subject to specific evaluation and assessment criteria to identify the service provider offering best use of public money in delivery.

The procurement processes for the individual projects have been detailed and the selection of each of the preferred service providers offering best public value for money demonstrated.

### Digital Arena Procurement Process

The Digital Square & Arena forms part of the wider Swansea Central Phase 1 development. The process for the procurement of a contractor to deliver the whole Phase 1 scheme has been detailed and Buckingham construction company selected as the service provider.

Under the OJEU process, a competitive dialogue procurement exercise was undertaken by Swansea Council to secure an operator for the Digital Arena. Following the initial Pre-Qualification Stage, four bidders were invited to participate in a single-stage Competitive Dialogue process. Two of these bidders withdrew from the competition during the process, leaving two competitors to submit final tenders. Following assessment of the bids, Ambassador Theatre Group Limited (ATG) were appointed as the preferred operator.

For the hotel, which forms part of the Digital Square & Arena, the Council through Rivington Land appointed Jones Lang LaSalle Hotel Agency Team to formally procure a developer and operator. This process has been completed with Cairns being appointed as preferred developer.

### Digital Village Procurement Process

For the Digital Village (71-72 Kingsway), tenders were issued to contractors included within Lot 6 of the Southwest Wales Regional Contractors Framework (SWWRFCF).

Following the first tender stage, the tenders returned were all deemed to be non-compliant with Swansea Council's Contract Procurement Rules (CPR). A value engineering exercise was undertaken and tenders re-issued under the SWWRFCF. Following a detailed tender evaluation process, Bouygues was identified as the preferred contractor to construct the project. The contract was awarded on approval of the budget at Cabinet in May 2021. Subsequently the contract was signed, and work commenced in November 2021.

### Innovation Matrix Procurement Process

Details of procurement process for the Innovation Matrix are being finalised and will be added to the FBC once completed and signed off.

## **1.4 Commercial case**

### *1.4.1 Agreed products and services*

In developing the FBC the commercial case dimension has been revisited and updated to reflect the negotiated deals and their financial consequences over the lifespan of the contracts and services. This section sets out the negotiated arrangements for the following project elements:

- The construction and operation of a 3,500 capacity Digital Arena in Swansea City Centre with podium level public realm, commercial units in the public realm, a cutting-edge Digital Square around the arena, and a new hotel, to revitalise the environment, leisure and lifestyle offer in the city centre and provide events space for tech businesses.
- The construction and operation of a new Digital Village on the Kingsway in Swansea City Centre that will provide 115,000 sq. ft. of new office accommodation for growing technology-based businesses.
- The construction of a 34,000 sq. ft. Innovation Matrix and 64,600sq ft. Innovation Precinct at University of Wales Trinity Saint David Swansea Waterfront development to provide incubation space and co-working areas for start-ups and small businesses.

#### *1.4.2 Agreed Delivery Timescales*

The programme is being delivered to the following timescales:

##### Digital Square & Arena

The Digital Square and Arena project is now completed and the facility is fully operational. The contractor Buckingham produced a detailed programme for the works and whilst there were some delays due to Covid-19, these were minimised, the construction site remained open and works progressed. The Council signed an Agreement for Lease with the selected operator Ambassador Theatre Group in January 2018 with the 30 year lease agreement signed in October 2021. The original procurement process for the hotel development was completed in May 2018. Discussions are currently progressing with Visit Wales over the funding of proposal.

The project was undertaken to the following timescales:

|  | <u>Finish Dates</u> |
|--|---------------------|
| Outline planning consent granted                     | June 17             |
| End of Design Stage 2                                | Nov 17              |
| Arena Operator Contract Signed (Agreement for Lease) | Jan 18              |
| Hotel procurement                                    | May 18              |
| Contractor Procurement                               | July 18             |
| Arena Operator Lease Agreement                       | Oct 21              |
| Construction complete                                | Jan 22              |
| Arena Opening (phased)                               | Mar 22              |

## Digital Village

The Digital Village project has been procured and is currently underway. The project is programmed for delivery to the following timescales with completion scheduled for October 2023:

|                                   | <u>Finish Dates</u> |
|-----------------------------------|---------------------|
| Detailed Design                   | Aug 20              |
| Planning Submission               | Mar 20              |
| Tender and Contractor Procurement | May 21              |
| Enabling infrastructure works     | Sep 21              |
| Construction                      | Jul 23              |
| Fit Out                           | Aug 23              |
| Completion and Occupation         | Oct 23              |

## Innovation Matrix

|                                   | <u>Finish Dates</u> |
|-----------------------------------|---------------------|
| Planning Submission               | Q2 22               |
| Detailed Design                   | July 22             |
| Tender and Contractor Procurement | July 22             |
| Construction                      | TBA                 |
| Construction Completion           | Nov 23              |
| Completion and Occupation         | Dec 23              |

## Innovation Precinct

|                                   | <u>Finish Dates</u> |
|-----------------------------------|---------------------|
| Planning Submission               | Mar 23              |
| Detailed Design                   | June 23             |
| Tender and Contractor Procurement | Oct 23              |
| Construction                      | Sept 24             |
| Construction Completion           | Oct 25              |
| Completion and Occupation         | Dec 25              |

### *1.4.3 Agreed risk allocation and charging mechanism*

Overall allocation of service risks in the design, build and operational phases of the programme will be as follows. These are unchanged from the risk allocation within the approved OBC.

| Risk Category                         | Potential allocation |         |        |
|---------------------------------------|----------------------|---------|--------|
|                                       | Public               | Private | Shared |
| 1. Design risk                        |                      |         | X      |
| 2. Construction and development risk  |                      |         | X      |
| 3. Transition and implementation risk |                      |         | X      |
| 4. Availability and performance risk  |                      |         | X      |

|                                      |   |  |   |
|--------------------------------------|---|--|---|
| 5. Operating risk                    |   |  | X |
| 6. Variability of revenue risks      |   |  | X |
| 7. Termination risks                 | X |  |   |
| 8. Technology and obsolescence risks |   |  | X |
| 9. Control risks                     |   |  | X |
| 10. Residual value risks             | X |  |   |
| 11. Financing risks                  | X |  |   |
| 12. Legislative risks                | X |  |   |
| 13. Other project risks              | X |  |   |

### Digital Square and Arena

Swansea Council procured the contractor on the basis of a fixed price.

Under the SEWSCAP framework, appointed contractors are required to take account of and actively participate in environmental, social and economic impacts to delivery within the community and surrounding areas.

The operator lease agreement was finalised in October 2021 with ATG imposes obligations to maintain and insure the Digital Arena for the duration of the 30 year lease. Main terms of the lease are:

- Term of the lease – 30 year lease, commencing 25<sup>th</sup> February 2022
- Tenant responsibilities for insuring and repairing
- Joint Operations Management Plan
- Profit Sharing arrangements
- Option for Tenant to extend and renew the lease

The council is responsible for the LED façade.

### Digital Village

Swansea Council procured the contractor on the basis of a fixed price. Contractual allocation of risk. For construction contract.

The Digital Village office occupiers will be required to pay a service charge towards maintenance and repairs.

To minimise the lettings risk the project sponsors have in place dedicated in-house teams to actively promote and work with intended occupiers both to secure lettings and understand the level of demand in the commercial market. This team is supported by external property letting specialists.

The Digital Village will be let on a mix of tenancies to create a mix of occupiers with the larger occupiers on longer tenancies and the smaller businesses on shorter tenancies.

### Innovation Matrix and Precinct

Details to be provided by UWTSD once details once the contract has been agreed.

Overall allocation of service risks in the design, build and operational phases of the programme will be as follows. These are unchanged from the risk allocation within the approved OBC.

Each of the project elements include social benefit clauses as part of the delivery of the main construction contract. These are being regularly monitored and reported and include the following areas:

- Targeted recruitment and training
- Supply Chain initiatives
- Contributions to Education
- Community Initiatives

## 1.5 Financial Case

The Financial Case demonstrates the affordability of the procured contracts within the total programme costs.

The financial information shown below includes the procured construction costs and associated project costs and fees in the development and delivery of each project element. The current investment breakdown presented in the table below is based on forecasted investment as of 30 June 2022.

| <b>Expenditure</b>          | <b>Year 1<br/>2018/19<br/>(£m)</b> | <b>Year 2<br/>2019/20<br/>(£m)</b> | <b>Year 3<br/>2020/21<br/>(£m)</b> | <b>Year 4<br/>2021/22<br/>(£m)</b> | <b>Year 5<br/>2022/23<br/>(£m)</b> | <b>Year 6<br/>2023/24<br/>(£m)</b> | <b>Year 7<br/>2024/25<br/>(£m)</b> | <b>Year 8<br/>2025/26<br/>(£m)</b> | <b>Year 9<br/>2026/27<br/>(£m)</b> | <b>Year 10<br/>2027/28<br/>(£m)</b> | <b>Total<br/>(£m)</b> |
|-----------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|-------------------------------------|-----------------------|
| Capital                     | £ 6.03                             | £ 10.04                            | £ 31.82                            | £ 19.27                            | £ 15.91                            | £ 39.03                            | £ 21.54                            | £ 20.32                            | £ 5.95                             | £ 1.25                              | £ 171.15              |
| Revenue                     | £ -                                | £ -                                | £ -                                | £ -                                | £ -                                | £ -                                | £ -                                | £ -                                | £ -                                | £ -                                 | £ -                   |
| <b>Total</b>                | <b>£ 6.03</b>                      | <b>£ 10.04</b>                     | <b>£ 31.82</b>                     | <b>£ 19.27</b>                     | <b>£ 15.91</b>                     | <b>£ 39.03</b>                     | <b>£ 21.54</b>                     | <b>£ 20.32</b>                     | <b>£ 5.95</b>                      | <b>£ 1.25</b>                       | <b>£ 171.15</b>       |
| <b>Funding</b>              |                                    |                                    |                                    |                                    |                                    |                                    |                                    |                                    |                                    |                                     |                       |
| Swansea Bay City Deal Grant | £ -                                | £ -                                | £ 11.43                            | £ 11.42                            | £ 4.57                             | £ 9.52                             | £ 8.82                             | £ 4.24                             | £ -                                | £ -                                 | £ 50.00               |
| Public Sector               | £ 6.03                             | £ 10.04                            | £ 20.37                            | £ 7.85                             | £ 11.34                            | £ 20.93                            | £ 2.89                             | £ 1.80                             | £ -                                | £ -                                 | £ 81.25               |
| Private Sector              | £ -                                | £ -                                | £ 0.02                             | £ -                                | £ -                                | £ 8.58                             | £ 9.83                             | £ 14.29                            | £ 5.95                             | £ 1.25                              | £ 39.90               |
| <b>Total</b>                | <b>£ 6.03</b>                      | <b>£ 10.04</b>                     | <b>£ 31.82</b>                     | <b>£ 19.27</b>                     | <b>£ 15.91</b>                     | <b>£ 39.03</b>                     | <b>£ 21.54</b>                     | <b>£ 20.32</b>                     | <b>£ 5.95</b>                      | <b>£ 1.25</b>                       | <b>£ 171.15</b>       |

The original budget for the programme as detailed in the OBC totalled £174.67m.

The table below shows the project level funding breakdown:

| <b>Project</b>    | <b>Swansea Bay<br/>City Deal Grant</b> | <b>Public Sector</b> | <b>Private Sector</b> | <b>Total</b>  |
|-------------------|--|----------------------|-----------------------|---------------|
| Innovation Matrix | 13.44                                  | 11.07                | 8.90                  | 33.41         |
| Digital Village   | 13.71                                  | 29.83                | 5.00                  | 48.54         |
| Digital Square    | 22.85                                  | 40.36                | 26.00                 | 89.20         |
| <b>Total</b>      | <b>50.00</b>                           | <b>81.25</b>         | <b>39.90</b>          | <b>171.15</b> |

The income and expenditure summary for the programme is shown in the table below.

| Expenditure         | Year 1      | Year 2       | Year 3       | Year 4       | Year 5       | Year 6       | Year 7       | Year 8       |
|---------------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                     | 2018/19     | 2019/20      | 2020/21      | 2021/22      | 2022/23      | 2023/24      | 2024/25      | 2025/26      |
| Capital Expenditure | 6.03        | 10.04        | 31.82        | 19.27        | 15.91        | 39.03        | 21.54        | 20.32        |
| Revenue Expenditure | -           | -            | -            | -            | -            | -            | -            | -            |
| <b>Total</b>        |             |              | <b>31.82</b> | <b>19.27</b> | <b>15.91</b> | <b>39.03</b> | <b>21.54</b> | <b>20.32</b> |
| <b>Funding</b>      |             |              |              |              |              |              |              |              |
| City Deal           | -           | -            | -            | 15.99        | 4.79         | 4.79         | 4.79         | 4.79         |
| Public Sector       | 6.03        | 10.04        | 20.37        | 7.85         | 11.34        | 20.93        | 2.89         | 1.80         |
| Private Sector      | -           | -            | 0.02         | -            | -            | 8.58         | 9.83         | 14.29        |
| <b>Total</b>        | <b>6.03</b> | <b>10.04</b> | <b>20.39</b> | <b>23.84</b> | <b>16.13</b> | <b>34.29</b> | <b>17.51</b> | <b>20.87</b> |

| Expenditure         | Year 9       | Year 10     | Year 11     | Year 12     | Year 13     | Year 14     | Year 15     | Total         |
|---------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|
|                     | 2026/27      | 2027/28     | 2028/29     | 2029/30     | 2030/31     | 2031/32     | 2032/33     |               |
| Capital Expenditure | 5.95         | 1.25        | -           | -           | -           | -           | -           | 171.15        |
| Revenue Expenditure | -            | -           | -           | -           | -           | -           | -           | -             |
| <b>Total</b>        | <b>5.95</b>  | <b>1.25</b> | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>155.08</b> |
| <b>Funding</b>      |              |             |             |             |             |             |             |               |
| City Deal           | 4.79         | 4.79        | 1.12        | 1.04        | 1.04        | 1.04        | 1.04        | 50.00         |
| Public Sector       | -            | -           | -           | -           | -           | -           | -           | 81.25         |
| Private Sector      | 5.95         | 1.25        | -           | -           | -           | -           | -           | 39.90         |
| <b>Total</b>        | <b>10.73</b> | <b>6.04</b> | <b>1.12</b> | <b>1.04</b> | <b>1.04</b> | <b>1.04</b> | <b>1.04</b> | <b>171.15</b> |

A funding agreement is in place between the Council and Carmarthenshire council as lead City Deal body and in addition Swansea Council and the University Board of Governors have signified their agreement to their respective level of funding required.

The proposed expenditure on the Digital District programme will be capitalised on the balance sheets of Swansea Council and University of Wales Trinity Saint David.

## 1.6 Management case

The Management Case demonstrates that robust arrangements are in place for the delivery, monitoring and evaluation of the programme 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.

### 1.6.1 Programme management arrangements

The Council is adhering to its established processes of reporting and corporate procedure rules in the engagement of contractors or works. Delivery Teams are in place for each scheme and team members are ensuring review of the overall aims and objectives. Team members review and discuss the various Highlight Reports and scrutinise the reported decisions required, risks and issues being reported by the project managers and work stream leads, in order to deliver a concise, coordinated monthly report to the Regeneration Project Board, and each organisation's internal reporting structures.

University of Wales Trinity Saint David will manage the projects in accordance with PRINCE 2 methodology.

In order to retain the monthly reporting the delivery teams ensure the collation of the following key documents which will assist the day-to-day running of a successful programme;

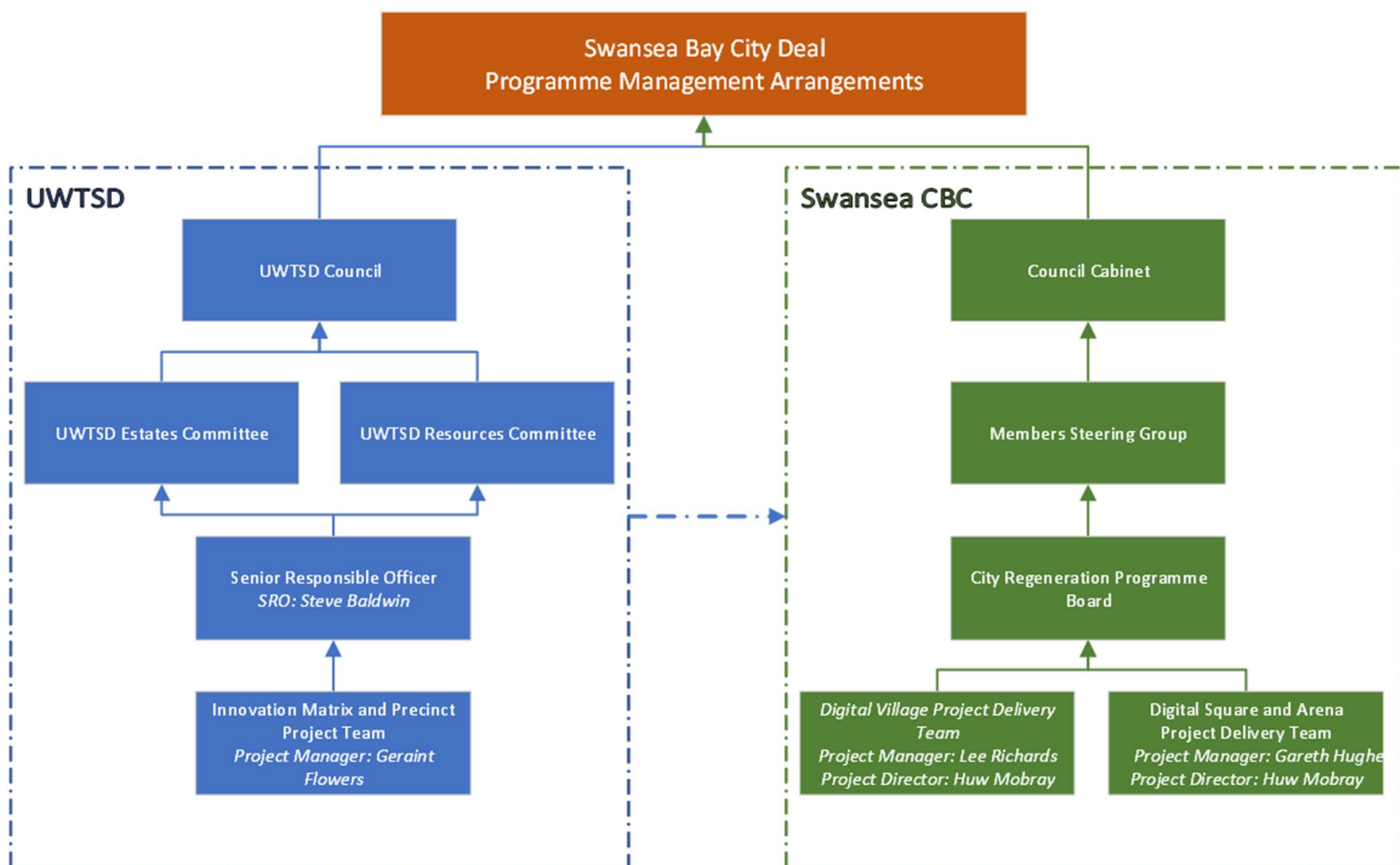
- Programme Plan/Timeline.
- Risk, Issue, Actions, Dependencies (RAID) Tracker
- Benefits Tracker
- Stakeholder and communication plan.
- Financial monitoring plan.

Delivery of the Beyond Bricks and Mortar – Community Benefits is led by the Council’s existing Beyond Bricks and Mortar team.

### 1.6.2 Programme Governance Structure

The programme and has robust and effective governance in place to ensure the successful management and delivery of each of the project elements.

The overall governance structure is shown below:



The Regeneration Project Board is the authority that provides overall direction to and management of the Digital District Project. Specifically, the Board will manage the commitment of personnel, money and equipment to complete the aims and objectives of the Digital Arena and Digital Village project in line with the strategic aims of City Deal Programme. The UWTSD projects have their own governance structure and feed milestones and decisions into the Regeneration Board.

Project Management reporting to the Regeneration Project Board will be conducted on a monthly cycle on the basis of exception to allow the Project Board to determine progress over the term of the project against the key milestones as outlined in the project plan.

Monitoring and reporting arrangements include:

- Monthly highlight reports
- Quarterly monitoring reports
- Annual reports
- Benefits realisation plan – continually updated and reported quarterly
- Integrated Assurance and Approval Plan (IAAP)
- Covid-19 Impact Assessment
- Construction Costs Impact Assessment
- Financial Monitoring
- Milestone evaluations as agreed with the Portfolio Management Office

Robust arrangements are also in place for:

- Benefits realisation
- Risk Management
- Change Control
- Assurance Arrangements
- Evaluation



## 2. Strategic Case

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

**The Strategic Context:** Explains the background and context of the programme and describes the organisations leading on the delivery of the programme. It includes a review of the relevant strategies and policies to demonstrate strategic fit at UK, Welsh and regional levels.

**Case for Change:** Demonstrates the investment objectives and rationale for the programme and describes the main benefits, risks, constraints and dependencies.

This updated version of the business case reflects the development of significant elements of the programme to FBC status and includes the following main changes:

- Policy and Strategy Alignment – Aligned demonstrated with Levelling Up White Paper and Plan for Growth. Alignment also updated with WG Regional Economic Framework and Town Centre First approach and updated Regional Economic Development Plan.
- Refined and SMART Investment Objectives
- Updated contextual information relating to the Existing Arrangements
- Updated Business Need section incorporating current demand information
- Main Benefits, Risks, Constraints and Dependencies reviewed and updated

## **Part A: the strategic context**

### **2.1 Organisational overview**

The organisations making the case for investment in the scheme are Swansea Council and University of Wales Trinity Saint David.

Swansea Council has a track record in delivering large scale regeneration projects, having been involved directly and indirectly in the management and delivery of regeneration programmes and projects since it was formed in 1996 after local government reorganisation. Projects funded and delivered by the Council have included construction of the Liberty Stadium for Swansea City Football Club & Ospreys Rugby Club, and a new £32m 'LC' Leisure Centre in the city centre.

Joint ventures have been progressed with Welsh Government (and formerly WDA) to deliver the Swansea Vale Mixed Use Development and Felindre Strategic Business Park. Over £120m of projects were facilitated during the EU Objective 1 2000-2006 programme including landmark schemes such as the National Waterfront Museum (£28m total cost). During the EU Convergence 2007-2013 period, a series of large-scale initiatives were delivered including the Quadrant Bus Station (£10m) and Waterfront City, which invested circa £30m in a range of improvements to the fabric of the City Centre including major public realm and property façade improvements.

University of Wales Trinity Saint David (UWTSD) is a dynamic and ambitious institution, originally formed from a merger between University of Wales, Lampeter and Trinity University College in 2010. The University comprises seven faculties and annually trains a full-time student cohort of over 10,000 in subjects as diverse as automotive engineering, fine and applied arts and film and media.

These courses are delivered from three campuses in Swansea, Lampeter and Carmarthen, alongside a dedicated Wales International Academy of Voice located in Cardiff. In 2012, the University opened its first non-Welsh campus in London to deliver MBA programmes to a primarily international student base and maintains extensive relationships with overseas learners.

However, the University is still firmly rooted in Wales and is dedicated to the provision of innovative and first-rate education, upskilling the local population and providing opportunities for all to engage in further and higher education. To meet this aim, UWTSD became one of the first dual sector universities in Wales, bringing further education providers such as Coleg Sir Gâr and Coleg Ceredigion into the Group. This has facilitated the creation of links within the wider community of education providers dramatically and has enabled an increasing number of Welsh students to attain the highest levels of education qualification available.

Recognising its position as a major influencer in its areas of operation, UWTSD is committed to stimulating the economic development of Wales overall. The University has long recognised the capabilities that Higher Education Institutions have to stimulate sustainable economic and social growth and that these objectives are inextricably linked and mutually reinforcing. To this end, the University has already established extensive relationships with industry, business and enterprise through the development of bespoke training and accreditation services, along with direct involvement in R&D. Key to this is the creation and development of SMEs, who are essential to sustained, economic growth. By harnessing the business experience of the University, its considerable academic ability and its capability for innovation, SMEs will be nurtured and supported from their inception as a start-up right through to their development into a large-scale employer.

In furtherance of this goal, the University has commenced a major £100m+ transformation project to bring its operational capabilities up to the standards demanded by its ambitions. This multi-part strategy will place the University at the heart of public/private education and economic collaboration in the Swansea Bay region and will drive large scale education-led regeneration. The University has the focus and appetite to deliver major regional changes to the Swansea Bay area and to bring its significant influence to bear.

### **2.3 Business strategies**

The Digital District programme remains aligned with, and will help to deliver, local, regional and national policies and strategies including:

#### **Local:**

- The well-being objectives of Swansea Council, as set out in the Corporate Plan 2017-22, in particular “Transforming our Economy & Infrastructure – so that Swansea has a thriving mixed use City Centre and a local economy that will support the prosperity of our citizens”.
- University of Wales Trinity Saint David Transformation Strategy, which is based on creating multi-skilled communities by developing a replicating commercial skills pipeline focused on SME growth and startups, student entrepreneurship and employability. The University’s strategic intent and direction focuses on knowledge transfer, skills development and enrichment, employability and sustainable economic regeneration. The University considers its current and future contribution to Wales, and its own longer-term sustainability, within the context of education and knowledge as symbiotic enablers of transformational change both for individuals and the wider economy. Quite simply: economic growth stimulates demand for education; education stimulates economic growth.
- Swansea Central Area Regeneration Framework (SCARF), which has a vision to create a mixed-use location with a strong retail, commercial and leisure heart supported by a vibrant resident population. The Central area must have a vibrant mix of leisure, cultural, retail office and residential uses all delivered in a legible way, with quality buildings and public spaces with a sense of place, which promotes local culture and differentiates Swansea from other cities. The SCARF, and the supporting Swansea Retail Capacity Study (Strategic Insight 2013), highlights that there are not enough people living and working in the City Centre,

which limits footfall and spend and has a negative impact on the viability of businesses. The Digital District programme will directly address this issue by attracting more people into the city centre for employment, leisure and to live.

- The Digital District programme also complements developments within Swansea University, for example the Institute of Life Science, Computational Foundry and the Centre for Innovation & Entrepreneurship in Law’s new LegalTech initiative, by providing grow-on space for any businesses looking to expand out of the University, and conference and events space in the Digital Arena.

**Regional:**

- The vision of the Swansea Bay City Region Economic Regeneration Strategy to raise productivity to 90% of the UK average, by facilitating the growth of higher value activities. This Strategy provides the overarching strategic framework for the SBCD Portfolio. Under Strategic Aim 4: Knowledge Economy & Innovation, the Economic Regeneration Strategy highlights the need to support growth sectors and provide pro-actively managed grow on space for high growth firms through business incubation and innovation centres. The Digital Village, Innovation Matrix & Innovation Precinct directly respond to this need.
- The South West Wales Regional Economic Delivery Plan 2022-2030 updates and re-focusses the SBCR Economic Regeneration Strategy and provides an ambitious route map for the development of the regional economy to 2030. The Swansea City and Waterfront Digital District will directly contribute to the Ambitions and Missions set out in the Economic Delivery Plan.
- The Regional Economic Framework 2021 (REF) for South West Wales sets out the Welsh Government approach to economic development for the region and supports a more regionally-focused model of economic development, in accordance with the Welsh Government’s Programme for Government. and a commitment to progress the Economic Resilience and Reconstruction Mission for Wales. The REF outlines the approach that the Welsh Government will take with the key stakeholders in the region to work collectively to develop and realise the ambitions for economic growth. The Swansea City and Waterfront Digital District will contribute directly to a strengthening of the city and regional economy building resilience and accelerating recovery.

**Wales:**

At the Welsh level, the Digital District programme will help deliver on the seven goals of the Wellbeing of Future Generations (Wales) Act 2015, as set out below:

| Goals              | Digital District Alignment with goal  |
|--------------------|---|
| A prosperous Wales | <ul style="list-style-type: none"> <li>• Generating highly skilled, sustainable and well paid employment opportunities for Swansea bay residents</li> <li>• Growing higher added value technology based activities in the region, to raise productivity levels and drive economic growth.</li> <li>• Supporting the growth of low carbon technology based business sectors</li> </ul> |

|  |  |
|--|--|
|  | <ul style="list-style-type: none"> <li>• Low carbon strategies at heart of the new developments to reduce energy use and promote resource efficiency, with an aspiration for BREEAM Excellent rated buildings.</li> <li>• Local sourcing through application of Swansea Council Beyond Bricks &amp; Mortar policy</li> </ul>   |
| A resilient Wales                                      | <ul style="list-style-type: none"> <li>• Minimising the impact of the developments on ecological systems: extensive environmental and ecological assessments are being undertaken to inform the design and build of the developments.</li> </ul>   |
| A healthier Wales                                      | <ul style="list-style-type: none"> <li>• New green spaces and high quality public realm will contribute to a healthy urban environment that supports health, recreation and wellbeing.</li> <li>• Creating secure and sustainable employment opportunities, including training and employment opportunities for workless individuals through Beyond Bricks &amp; Mortar social benefit clauses in contracts</li> </ul>   |
| A more equal Wales                                     | <ul style="list-style-type: none"> <li>• Reducing regional differences by contributing to an improvement in economic performance and employment opportunities in the Swansea Bay City region, which lags behind Southeast Wales (and also the UK)</li> <li>• Utilising social benefit clauses to create employment and training opportunities for workless individuals</li> </ul>  |
| A Wales of cohesive communities                        | <ul style="list-style-type: none"> <li>• Supports the growth of a collaborative and cohesive technology based business community in Swansea, that will provide employment opportunities for local people</li> <li>• Revitalisation of a run-down part of the City Centre (Kingsway) to create a new connected living and working environment</li> <li>• Improves the attractiveness and viability of Swansea City Centre, supporting the growth of local businesses and increasing employment opportunities for local people.</li> </ul> |
| A Wales of vibrant culture and thriving Welsh language | <ul style="list-style-type: none"> <li>• The new digital arena will offer a broad programme of events that will add to the leisure and cultural offer in the city, and encourage wider participation in the arts, particularly digitally focused activities.</li> </ul>  |
| A globally responsible Wales                           | <ul style="list-style-type: none"> <li>• The programme will be delivered in a globally responsible way through, for example, responsible and (where possible) local sourcing of key materials, and a focus on reduced energy consumption and resource efficiency.</li> </ul>   |

- The programme also supports the Welsh Government's Prosperity for All strategy, and in particular, the Prosperous and Secure theme by generating new secure and sustainable employment opportunities and creating the right environment in Swansea for technology based businesses to grow and thrive. In line with the actions in Prosperity for All, application of Swansea Council's Beyond Bricks and Mortar approach will promote local sourcing of goods and services to maximise spend in the local economy, and co-location of start-up and growing businesses with UWTSD academic expertise, will stimulate research and innovation, to drive economic growth. Low carbon strategies will be at the heart of the design and build

of the new developments, to cut energy use and contribute to a low carbon economy in Wales.

- In the same way, the programme supports the aspirations and objectives of the Welsh Government's Economic Action Plan, particularly by growing higher added value technology activities to raise productivity and drive regional growth (helping to tackle regional inequalities). Delivering modern and connected infrastructure (new floorspace and conference / events space) will enable businesses to grow and raise the profile of Swansea nationally and internationally as a location for technology businesses.

#### **UK:**

- At the UK level the Digital District programme directly contributes to the Industrial Strategy's focus on raising productivity and creating good new jobs, by encouraging the growth of high value added activities, and creation of highly skilled jobs in Swansea Bay. It contributes to the five foundations of productivity, and the aspirations set out in the Industrial Strategy.
- The programme contributes to Build Back Better: Our plan for growth 2021 and to the 3 pillars of growth of Infrastructure, Skills and Innovation. The programme will provide first class facilities to promote business growth (particularly in the tech sectors) and innovation and will support the development of new skills and opportunities within the region.
- The programme will also contribute to the levelling up agenda as set out in the Levelling Up White Paper 2022 and to its 12 missions and 4 objectives of the strategy particularly Objective 1 - Boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging and Objective 3 - Restore a sense of community, local pride and belonging, especially in those places where they have been lost and Objective 4 - Empower local leaders and communities, especially in those places lacking local agency
- In addition, the Digital District programme supports the new UK Digital Strategy 2017 which has an ambition to create a world-leading digital economy, overcoming barriers to growth and innovation and creating more of the high-skilled, high-paid jobs of the future. One of the seven strands within the Strategy focuses on "*Making the UK the best place to start and grow a digital business*". This includes an emphasis on supporting and growing new businesses and growing digital clusters across the UK. The Digital District programme directly responds to this, by facilitating the creation and expansion of innovative technology-based businesses in Swansea Bay.

#### **Links with other Funding Initiatives:**

- WG Targeted Regeneration Investment Programme - Swansea City Centre is included as one of the target areas. A Property Enhancement Development Grant Scheme (that will upgrade commercial premises) and a Sustainable Living Grant scheme (that will create new housing units) will help to revitalise vacant commercial units in the city centre (including Kingsway in close proximity to the Digital Village) and help to improve the attractiveness and vibrancy of the city centre as a location for technology businesses.

- WG Building for the Future Project - Swansea has a prioritised list of vacant buildings which includes Kings Building and Orchard House on the Kingsway. Similarly, bringing these buildings back into use would enhance the physical environment in the city centre and complement the Digital District schemes.
- European Regional Development Fund – investment has been provided through Priority 4.4 for infrastructure improvements on The Kingsway to enable the Digital Village scheme – *this specifically contributes to significant environmental improvements within The Kingsway (which has been completed) demolition of two properties on Oxford Street to facilitate the new pedestrian link between the bus station and the development at 71/72 The Kingsway, a contribution to the additional floor which exceeds the original commercial floorspace outputs at 71/72 The Kingsway, and to facilitate the refurbishment of the adjacent former Barclays building to bring back commercial space within an existing building.*
- The programme also makes a significant direct contribution the Welsh Government Transforming Towns programme which is focused on measures to increase footfall by making sure the public sector locates services in town centre locations. 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.
- The programme will synergise and provided added value to the projects and initiatives being developed and delivered through the Levelling Up and Shared Prosperity Fund initiatives.

## 2.4 Swansea Bay City Deal

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 co-ordinates collective action and identifies routes and initiatives to respond to the structural challenges that are holding back the SBCR economy. This strategy has now been updated with information from the South West Wales Regional Economic Delivery Plan that sets out the ambitions to develop a resilient, broad based and sustainable economy to 2030.

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 Swansea Bay City Deal (SBCD) is part of the SBCR strategy and portfolio. It is 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



The main outcomes of the SBCD are to create jobs, generate investment and contribute to raising regional GVA.

The Swansea City and Waterfront Digital District is one of the nine headline programmes of the SBCD under the theme of Economic Acceleration.

| 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     |
|                                    | SBCD Campuses Project                       | 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                    |

The Swansea City and Waterfront Digital District proposal supports the City Deal aim of raising productivity levels by facilitating the growth of higher value activities. Establishing Swansea as a vibrant regional capital is one of the aims of the Internet Coast City Deal proposal. Developing a TechHub led commercial district to encourage graduate retention and provide space for new companies to grow and expand is one of the projects listed under the Internet of Economic Acceleration theme in the Internet Coast proposal document.

The UWTSD SA1 Swansea Waterfront programme is referenced in the Swansea Bay City Deal as a key programme of the Internet of Economic Acceleration – *transforming the Swansea docklands into the flagship knowledge led SA1 waterfront development.*

Using the transformational powers of next generation digital technologies delivered through the SBCD Digital Infrastructure regional programme and supported by a programme of tailored skills development through the SBCD Skills & Talent regional initiative, the City Deal will accelerate the region’s innovation, technological and commercialisation capabilities to support the establishment and growth of local innovation businesses and inward investors. These strands of innovation, skills and digital infrastructure create synergies across the four themes of the SBCD.

Together, the eleven SBCD projects will establish the region as a lead innovator in developing and commercialising solutions to some of the most pressing challenges in the fields of life science and well-being, energy, and smart manufacturing through digital innovations and a programme of skills which is tailored to business needs.

Each thematic project has been developed to integrate with existing cluster strengths and infrastructure, supporting development of next generation services and products.

The vision of the Swansea Bay City Deal is to create a region that is innovative, outward-looking and capable of positive change. In achieving this, the region will become a hub for creating a skilled and talented workforce that is capable of generating and benefitting from the proposed growth the City Deal will bring.

#### *Link with the Regional Digital Infrastructure Programme*

A strong Digital economy is at the heart of the SBCD plan. The Regional Digital Infrastructure programme within SBCD aims to achieve this. This includes working with key projects, of which Swansea City and Waterfront Digital District is one of the most important components.

The SBCD Digital Infrastructure programme has the objective of providing the SBCD region with excellent digital connectivity, support for innovation, adoption and public services to drive regional economic growth, digital social inclusion and inward investment. The region will develop a thriving digital economy which meets the needs of businesses and consumers.

The Digital District programme has worked closely with the Digital Infrastructure programme on a common plan. This has included the installation of duct capable of supporting full fibre in areas of redevelopment, the provision of fibre access points for future third party access, digital services strategy and planning. There has also been work on reducing the barriers to 3<sup>rd</sup> party operators, including reviewing StreetWorks. The Digital programme working with the City authorities has taken steps to encourage 5G deployment in the City at an early stage.

#### *Link with the Regional Skills and Talent Programme*

The Digital District programme is closely engaged with the Skills & Talent programme which is leading on the development of skills across all the other 8 projects that make up the SBCD. The Skills and Talent programme has already identified a number of key skills required within the Swansea area to meet the demands of the Digital District programme which include more basic coding skills training within schools to cyber security and higher level programming and digital technology training. A Skills Barometer has been completed and a Skills Solution Group established to map and identify existing and future skill needs.

## ***Part B: the case for change***

### **2.5 Investment objectives**

The investment objectives for this programme are as follows:

- Investment Objective 1: To create incubation and co-working areas for start-ups and micro businesses, with high levels of curation and access to University expertise to maximise survival rates.
  - Outcomes for objective 1 include: To create 459 net FTE jobs and drive start-up, micro and SME growth in the region through accommodation and support addressing industry needs
- Investment Objective 2: To create 115,000 sq ft of flexible and affordable accommodation in the city centre to support the growth of technology-based businesses (and other higher added value activities) by 2023
  - Outcomes for objective 2 include: To create 500 net FTE jobs and act as a catalyst for new private sector led development and refurbishment of further properties on the Kingsway to create a new Central Business District in Swansea City Centre.
- Investment Objective 3: To create the vibrant environment, leisure and lifestyle offer (including events space) in the city centre by 2022 that attracts and retains technology-based businesses and skilled workers for the benefit of the wider region.
  - Outcomes for objective 3 include: To create 450 net FTE jobs and provide a 3,500 capacity high tech facility that will be capable of holding major digital events, including worldwide computer gaming competitions and other digital and data driven events, alongside more traditional live theatre and concert events

### **2.6 Existing arrangements**

Economic development within the region 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 deliver regional economic development initiatives. This co-ordinated, evidence-based and consultative approach led to the creation of the Swansea Bay City Region Economic Regeneration Strategy 2013-2030. This Strategy was revisited in 2021 with the South West Wales Regional Economic Delivery Plan providing an analysis of recent economic performance across the region and a strategic approach to unlock the region's potential and ensure that economic growth is resilient, sustainable and inclusive.

The analysis of the regional economy found that in the years leading up to the Covid-19 pandemic, the economy performed strongly in generating new jobs and by 2019 there were 322,000 jobs in the region, an increase of 20,000 from 2013. However, there is still 'spare capacity' in the labour market. Although the 'jobs density' (the number of jobs per working age resident) has grown steadily, it is still lower than the UK and Wales averages.

There have been steady improvements in the economic activity rate over the past 15 years at a faster pace than in the rest of the UK. However, South West Wales' economic activity rate still falls behind the UK average (and slightly behind the Wales average). The analysis also highlighted that there still remained a large and persistent productivity gap with the UK overall and structural weaknesses in the economy.

The newly established South West Wales Corporate Joint Committee will exercise the following functions as specified in the regulations:

- strategic development planning
- regional transport planning
- economic wellbeing powers

The CJC will therefore have a central role going forward for economic development / regeneration programmes and initiatives including oversight and delivery of the SWW Economic Delivery Plan.

Within this context, University of Wales Trinity Saint David (UWTSD) has a track record of producing graduate start-ups, with the highest level of recorded graduate start-ups in Wales with 95 new graduate start-ups in the 2014-15 financial year, 234 such companies surviving 3 years or more and in total currently 420 active firms. In response to demand, the University has opened up the top floor of its Business School as a small scale pilot for the Innovation Matrix. This is building up the curation approach in anticipation of the Innovation Matrix coming on stream.

UWTSD is developing a new campus on 23 acres at SA1 Swansea Waterfront, that will lead to an estimated total investment of c£388m. The University has commenced construction of Phase 1, a new Campus centred on its Faculty of Architecture, Computing and Engineering and has planned spend of £88M and has already committed investment of £63M. UWTSD owns the two Technium buildings in SA1, both of which are fully occupied.

The South Wales Report 2016 by Jones Lang LaSalle highlighted that there is only 10,000 sq. ft. of good quality office space currently available within the vicinity of Swansea City Centre (at Langdon House in SA1 Swansea Waterfront). There is currently no private sector led office floor space being developed in Swansea City Centre. Coastal Housing Group (a Not-For-Profit Organisation) has created some new office space as part of its Urban Village Development, although this was not progressed on a commercial basis, and the floor space is now fully let.

The Swansea Central Area Regeneration Framework (SCARF) has identified the requirement for a new business district in the city centre, and a team of multidisciplinary consultants, led by Parsons Brinkerhoff, has identified the Kingsway as having the greatest potential to deliver this. The Council, with the support of the Welsh Government, has acquired and demolished the former Oceana nightclub on the Kingsway, and has also assembled the remainder of the site for an employment led development. In addition, the Council has received approval for an ERDF bid to secure funding to provide the enabling infrastructure for this.

Swansea has established a base leisure offer, in its Wind Street area (which has just had a £3m investment), which was led by the Council and Welsh Government. This is very popular as a destination for the younger, student demographic, however the leisure offer also needs to cater for the older and more affluent sectors of the catchment.

The SCARF baseline review highlights that there is additional scope for further leisure development, across all sub sectors of leisure, given the size of the catchment and role of Swansea as a regional centre. The Council has appointed Urban Splash to manage the regeneration of the St Davids former shopping centre site to create a regionally significant office hub, restaurant and retail/commercial units.

## **2.7 Business needs**

The Swansea Bay City Region suffers from a number of overarching economic issues, as outlined in the region's Economic Regeneration Strategy: including low productivity, low average wage levels, small business base (which isn't growing quickly enough), skills deficits and high levels of economic inactivity. While both Swansea University and University of Wales Trinity Saint David are expanding and increasing the potential pool of graduate labour available within the region, there are issues with graduate retention, linked to the lack of well paid, graduate employment opportunities in the region. It is imperative that the region improves its economic performance and creates higher skilled, higher paid employment opportunities for its people.

Within Swansea, significant investments undertaken and planned by both universities are increasing the city's capacity for knowledge and innovation-based research, the graduate pipeline, collaboration with business, and the creation of spin-out businesses. In addition, there is also a burgeoning technology sector in the city, with many new enterprises emerging to commercialise research and expertise in areas such as digital media, Life Sciences and ICT. There is significant potential to develop this growing technology sector to support high value economic activity. This is evidenced by the growing cluster of activity across the city, which is only restrained by the availability of an appropriate environment to realise its potential.

However, as outlined in the Swansea Central Area Regeneration Framework, Swansea City Centre has poor quality, dated office accommodation which doesn't meet the needs of modern-day occupiers. Swansea is not an established location for the office sector, and therefore has no scale of stock, and particularly no office stock of quality. In addition, the city centre offer is perceived as tired, dated and in decline with an average offer. As such, the City Centre doesn't currently have the modern, flexible and affordable commercial floorspace, city living or leisure and lifestyle offer needed to capitalise on potential opportunities and is losing businesses (and graduates) as companies move elsewhere.

### **Lack of Commercial Space for Start-Ups and Growing Businesses**

The lack of quality floorspace is recognised in the Jones Lang LaSalle South Wales Report 2018, which outlines that the challenge for both Swansea and Newport is to develop new high quality office space within their city centres. Chris Sutton, lead director at JLL's Cardiff office has commented: *"Whether it's warehouses or offices, Grade A space attracts Grade A occupiers - bringing high quality jobs and investment. And it doesn't have to be a major PLC - increasingly niche, small start-ups in everything from tech and digital to life sciences and engineering are looking for first class space to deliver quality of life and attract the right staff."* The South Wales Report goes on to identify that the lack of grade A floorspace in both Swansea and Newport city centres is a

weakness that must be addressed in order to attract both footloose enquiries and retain existing occupiers.

As indicated in the letter of support in Appendix A, Swansea has an active requirement for new office space in the city centre, and there is currently no suitable space available to meet this need. There are some very successful technology businesses in the city with growth plans that will see them outgrow their existing premises in the next couple of years, with no alternative provision available in the city centre. As part of the Review Report on the Outline Design and Delivery of the Digital Village (October 2018, led by 00 consultancy), the professional team have spoken to tech businesses in Swansea such as Veeqo, Wolfestone and PISYS who are looking to expand in the city. As a result, the consultants are recommending that the 115,000 sq ft of floorspace in the Digital Village should be constructed in one phase/ one building as they consider there to be sufficient demand to justify this. A copy of the Review Report has been included in Appendix H as background information to accompany the business case.

In addition, discussions with Swansea University have ascertained that further growth of the University is now constrained by a lack of floor space, and there is a need for grow on space for companies based within the Institute of Life Science and R&D activities of multinationals linked to the Computational Foundry. In addition, the Digital Village will act as a flagship to promote the technology sector in Swansea, raising the profile of Swansea as a location for technology-based businesses and helping to attract new businesses to Swansea.

All incubation centres (Techniums, Institute of Life Science) are fully occupied, and there are examples of companies (such as OSTC and Luminar LED Lighting) that have expanded within the Technium facilities in SA1 as no suitable alternative floorspace is available for them in their desired City Centre location. This is constraining the growth of these businesses and limiting the ability of the Techniums to accommodate new start-up businesses (which was their intended role). Consequently, there is also a current lack of incubation space for start-up businesses and graduates in Swansea.

However, good quality floorspace and shared facilities will not ensure the survival and growth of graduate start-ups and microbusinesses alone. To enable these small/ start-up businesses to become sustainable will require extensive support and curation services, including provision of external expertise, training resources, mentoring and access to finance. Locating incubation space within the UWTSO SA1 Swansea Waterfront new development would enable the University to put in place a dedicated resource team and provide access to its wider research expertise to support the businesses and foster innovation partnerships.

Covid 19 is impacting thinking on office requirements however the office developments in this business case offer a range of additional facilities and high quality accommodation not currently available in Swansea. The impact of Covid-19 has witnessed a shift towards home working, however, there remains a need for teams to come together for collaboration and knowledge transfer purposes, and for community building and social interaction.

Project designers have responded to this new challenge. For example, the 71/72 The Kingsway project design will assist with managing the impact of Covid-19 through its wide-open design with high ceilings and openable windows which will enable fresh air exchange. It also has two circulation cores between levels, flexible floorplan allowing

for one-way routes if required and anti-bacterial touch-free lift controls and anti-microbial ironmongery is prescribed. The project will also create a new outdoor public space.

We are in regular contact with market experts and occupiers to continually assess the changing economic context and demand levels. Feedback from market agents and prospective occupiers indicate growing demand for modern, flexible, collaboration focused office space in Swansea. This demand appears not to be heavily impacted by the Covid-19 situation, evidenced by recent market commentary and the ongoing significant interest in the Digital Village (71/72 The Kingsway).

Whilst there is some vacant office space, much of this is dated, of poor quality and mainly small scale, which does not meet occupier requirements, therefore leading to low take up levels. A report completed by Cushman & Wakefield stated, “there is currently no Grade A offices available in the City centre”, and “due to the lack of availability in the City centre and SA1, current activity in Swansea is more focussed on the out-of-town market as opposed to the City centre which is unlike the majority of UK markets where the city centre dominates”.

This shortage of large high-quality spaces is further highlighted by previous speculative enquiries received by the Council, such as one for circa 25,000 sq ft of grade A office space, however there is nothing in the city centre of this size or quality. The empty office space in Swansea is therefore often a result of the existing offices not meeting changing occupier requirements, rather than a lack of demand.

Prior to the pandemic there was a gap in the supply of commercial floor space in the city centre. The Local Development Plan Growth Assessment (under the City Deal Growth Scenario) indicates a need for approximately 516,668 sq ft/48,000sqm of office floor space. Additionally, as we emerge from the pandemic, many office workplaces will require additional flexible office space to facilitate social distancing.

The new developments such as 71-72 Kingsway will deliver a wide range of meeting and collaboration facilities and flexible workspace. The new offices will provide environments that promote well-being through maximising natural light, ventilation and air quality and safeguard occupiers using ‘no-touch’ technology, selection of anti-viral materials and well-designed circulation routes and large floors plates to enable effective social distancing. Flexibility and adaptability are core design principles of the proposed office developments; thus, the buildings can respond to changing market demands and ways of working.

Attracting people to live and work in the city centre is crucial to Swansea’s economic recovery post Covid-19 and its long-term sustainability as a vibrant and diverse destination. The delivery of office space that meets occupiers’ requirements is foundational in attracting businesses to Swansea and retaining existing business and talent.

The commercial strategy for 71/72 The Kingsway has been developed in consultation with local stakeholders and Swansea’s Universities to meet their needs for new floor space and conference & events space. It will also act as a catalyst for new private sector led development and refurbishment of further properties in the city centre to create a new business offer in Swansea City Centre.

The building will incorporate a proportion of flexible workspace (coworking & serviced offices) to attract small and growing companies (c. 23% NIA), which will sit alongside

more traditional leased space on the upper floors (51%). This combination of highly flexible and managed space in the lower floors, alongside larger space on a traditional leased basis will help transform the occupier profile away from support centres toward the tech focussed, high growth businesses Swansea is hoping to attract.

Discussions are taking place with a potential operator for the flex space and Heads of Terms are due to be agreed (Oct 2022).

JLL and Avison Young have been appointed to act as joint marketing agents and a marketing brochure has been agreed.

Further work is being carried out on the management of the building to establish likely service charge costs.

### **Evidence of demand and key sectors targeted for Innovation Matrix / Innovation Precinct**

The Innovation Matrix and Innovation Precinct will together deliver 8,589 sq m Gross Internal Area (GIA) of new incubation business space to address the shortage of suitable accommodation available to micro businesses and SMEs in the region and respond to the significant demand from this sector which at present is not being captured. The original ideas for both facilities were developed from the University's current activities working with both small to medium sized R&D companies and developing and mentoring its own graduates to startup businesses.

Regarding the Innovation Matrix, the objective is to create an interactive, co-located environment where micro businesses and start-ups can flourish in a supportive incubation environment, with high-levels of curation, common infrastructure and support services all new businesses will need to access. Innovation Matrix will offer a number of bespoke facilities including a co-working community hub, i-Lab innovation workspaces, graduate start-up studios, a Makerspace (flexible workshops), together with meeting and project rooms, a café/kitchen and a small coffee/retail outlet.

The intended type of occupiers for the Innovation Matrix are start-up or micro companies who by definition would be in the very early stages of their development. Therefore, many of the eventual occupiers may not be in existence at the present time or would be highly unlikely to appear on any estate agent demand list due to their individual space requirement which would be insignificant.

However, the University is extremely confident of the level of demand that Innovation Matrix would attract because it is already working with and mentoring a high number of start-ups. The University has the highest level of recorded graduate start-ups in Wales - on average c.95 new graduate start-ups each year with 234 such companies surviving 3 years or more and in total currently 420 active firms. The University is ranked third in the UK amongst HE Institutions for the creation of graduate start-up businesses. It has a dedicated department for developing entrepreneurialism - the International Institute for Creative Entrepreneurial Development and offers entrepreneurship as a module to all students. It operates a number of collaborations with businesses, one example being the MSc in Trading and Financial Markets degree it runs in conjunction with OSTC, the leading Proprietary Trading company based in the Technium 2 building in SA1.

Therefore, as many of the companies expected to locate in Innovation Matrix will be graduate start-ups from within the University's own student intake benefitting from the



proximity and access to both University and private sector partners' support it is confident there is more than sufficient demand to justify the levels of floor-space proposed in the Innovation Matrix.

With regard to demand for the Innovation Matrix, the University is the owner of the two Technium buildings in SA1, Swansea. These buildings are both fully occupied by a range of technology companies with a significant waiting list of companies seeking expansion space or investing new into the Swansea Bay region. The University is already working in research partnerships with several of its existing Technium tenants.

The University has demand from 7 existing occupiers of its Technium buildings in SA1 totaling c.4,500 sq m. In the strictest of confidence these companies are Lumishore, Quicklink, Sureview, Yamago, S8080, New Directions and Zeal. All of these requirements come from the growth of existing businesses who wish to remain in the region and for whom no suitable alternative floor-space exists. The University's commercial services team also have 22 active discussions with commercial partners discussing a range of potential development opportunities.

In addition, the University is considering co-locating its Centre for Advanced Batch Manufacturing (CBM), currently located in the Ethos building in SA1, with the Innovation Precinct. CBM is an industry focused advanced research, new product development, and batch manufacturing facility delivered via an experienced development team, utilising state-of-the-art technology platform's which includes 3D printing, scanning and low volume manufacturing. CBM has grown considerably and has now exceeded the capability of its existing facilities. This would provide a key, advanced technology-based sector leader supporting the targeted sectors of the programme and seeking to address the innovation, productivity and skills deficit, identified by Welsh and UK Governments as inhibitors to sustainability and growth. The Centre would provide critical development support and opportunities both to the occupiers of Innovation Matrix /Innovation Precinct/Digital Village and to the region as a whole. The Centre would also attract major potential investors, contributing significantly to creating a holistic infrastructure to underpin long-term economic sustainability in the region, and beyond.

The SMEs that will be accommodated in both Innovation Matrix and Innovation Precinct will be selected to fully align with the strategic vision of both the University and the Digital District as a whole, with technology and digital industry sectors being brought into the development as a priority together with the engineering, advance manufacturing, professional services and creative sectors.

### **Lack of Private Sector Led Commercial Development in the City Centre**

Despite there being unmet local demand, there is currently no private sector led office floor space being developed in Swansea City Centre. Private sector commercial property developers will not currently commit to developing projects in Swansea due to the high-risk level, low rents and poor environment, and consequently new floor space will not be created without significant public sector intervention. Swansea Council advertised two city centre sites as redevelopment opportunities, but no private sector developers were willing to invest financially in either scheme. This has been compounded by Covid-19 with private sector unlikely to invest, without significant grant support, until rents grow, and the economy recovers from Covid-19.

Public sector intervention for the provision of commercial accommodation for high growth potential SMEs is therefore required now more than ever to support the recovery

of the economy and support existing businesses after Covid-19 due to a lack of development viability and a poor environment in Swansea City Centre, on the basis of both economic market failure and financial market failure.

Economic market failure is evidenced by the loss of SME's to London or nearby cities such as Cardiff or Bristol, alongside statistics such as the fact that 76% of businesses in the City Region failed to recruit in the last quarter due to a lack of skilled workforce (Harry Lloyd-Davis, South Wales Chamber of Commerce).

Financial market failure i.e. access to finance, is demonstrated by the inability for the private sector to invest currently due to the lack of development viability and subsequently the inability to fund development. Office rental levels need to be in excess of £20 per sq ft. at a minimum to ensure that development is viable. If development does not breach a sufficient viability threshold, say 15%-20% profit on cost, neither private sector developers, investors or funders will commence development without either gap funding from an alternative source at acceptable interest rates, for example the public sector, or a significant de-risking of the scheme in question (for example achieving a material pre-let, which is very rarely realised in the SME business market).

Commercial space will not be constructed by the private sector unless the public sector intervenes.

This can be evidenced by both looking at current rental evidence in the city centre and also recent developer propositions to the Council. There is limited quality office stock in Swansea City Centre and prime headline rents have remained unchanged since 2012 at £13.50 per Sq ft., therefore this is clear evidence that viable office development would not be supported.

Cushman & Wakefield has advised that the value of the completed Digital Village office development would only be £10 sq. ft. compared with the development cost for the buildings of circa £25sq. ft. and there would be no incentive for private developers to deliver this space without the availability of significant gap funding. Alongside this, recent commercial development proposals to the Council, such as Hacer Development's plans for the former Woolworths building on Oxford Street for mixed-use development, have been put forward however stating that the delivery of their project requires grant aid from the public sector due to a lack of viability.

The improvement of office accommodation provision, through providing quality, flexible office accommodation is required in order to reverse this market failure. This needs to meet the requirements of modern business needs, with an initial focus on provision for grow on space for small businesses and start-ups. Improving the supply of good quality office stock will have a catalytic effect and improve demand for space in the city centre, subsequently improving values. This will then create an attractive and viable environment for private sector development and investment, which will hopefully enable further quality schemes of scale to come forward and break the 'vicious circle'. Alongside opening up investment opportunities and raising confidence in development opportunities, the improved image of the area can serve to attract businesses and therefore employees who bring with them both skills required by businesses, and also spending power.

The low rental values and associated project viability issues in Swansea are a consequence of a number of factors:

- The establishment of Swansea Enterprise Zone in the 1980s with its capital allowances led to significant investment and the creation of a considerable volume of office floor-space in the lower Swansea Valley (outside the City Centre), much of which is now outdated, that has depressed rental values in the City:
- The local economy is dominated by low value economic activities, as evidenced by the low productivity levels compared to the rest of the UK. As such, any occupier demand has tended to be for lower skilled, lower value employment, which has meant that rental levels which could afford to be paid, and needed to be paid, have been low, and not at a level sufficient to achieve a viable project.
- Swansea's status as a second-tier regional city also impacts on project viability, as the private sector considers investment in Swansea to be riskier than a similar investment in a primary regional city with greater critical mass of services and users.

These factors have created a 'vicious circle' of ongoing lack of viability, which will only be 'broken' by a scheme of sufficient scale that is based on 'skilled employment', and in emerging/growth business areas. This has been compounded by the current economy due to Covid-19.

We believe the Digital District proposal can support economic recovery from Covid-19 and work towards these requirements. It would also act as a catalyst to redefine Swansea as an established/accepted office location in those employment areas seen to be growth sectors for the future. It would create momentum to attract other occupiers to join those established by the Digital Village, and the 'vicious circle' would be broken i.e.:

- Greater demand from similar emerging/growth occupiers;
- Occupiers expand, and become more profitable, and hence over time can afford to pay higher rent;
- Other occupiers are attracted to the location, as they see it as an established business environment, and want to work with/ for those companies investing there;
- Demand increases and rental values rise further;
- This all feeds in to enhanced views of future demand and rental growth prospects, which improves investment yields, which in turn increases value again.

Immediate intervention is needed as there is evidence of unmet demand for commercial floor space amongst technology-based businesses at present, which is constraining business growth and leading to the loss of businesses from Swansea. This issue will become more pronounced as digital connectivity in the region improves, catalysing business growth.

### **Inadequate Leisure Offer and Lack of Events Space**

Additionally, the city centre needs immediate investment to create the wider environment and cutting-edge digital technology and connectivity needed to retain and attract businesses and skilled labour. The retail and leisure offer is currently failing and the city centre is underperforming as a regional centre. Retail developments are now intrinsically linked to leisure, to provide the wider offer that consumers are looking for. Swansea has a base leisure offer in Wind Street. However, the city needs to deliver an overall commercial leisure offer, across all 'sub sectors of leisure', and link this to both an improved retail offer and a significant entertainment offer, to provide both residents and visitors with the quality and extent of such 'holistic' uses which are now considered essential for a successful, vibrant and viable city. These uses all need to be incorporated

within a physical environment of real quality to meet the expectations of businesses and consumers.

Both technology-based businesses and the University have highlighted a need for a digitally enabled conference and events space in the City Centre. Swansea University have identified a need for conference space for medical technology conferences as there is currently no space of sufficient size in the region. Recent discussions with Tech companies identified the need for a digitally enabled conference, exhibition and events space for 700 people plus a display floor (which does not exist in Swansea) so they are able to bring international technology conferences to the city.

Events and seminars are fundamental to the day-to-day business of tech industries, and the ability to bring serious investors and entrepreneurs to talk in a top-class digital environment will give Swansea's technology-based businesses a major advantage. Tech businesses run major international events, such as the world-renowned South by Southwest in Austin, Texas which brings together interactive media, film and music conferences and festivals which has a significant impact on the local economy. Having a digital arena would enable Swansea to host international technology conferences and events, and raise the profile of the City, Region and Country.

To widen the leisure/ entertainment offer in Swansea, and meet the demand for conference and events space, Rivington Land identified a requirement for an arena in Swansea. This has an overall cost far greater than its associated capital value, and hence couldn't be developed without public sector support. Once developed, an arena's overall benefit to the city will be very significant, as a key attractor, and 'anchor occupier', and this should feed in to enhanced demand, and hence rental value and investment yields, for commercial leisure occupiers, and indeed other city centre uses. It also creates a need for a hotel, to meet the requirements of business and entertainment tourism linked to the Arena.

## 2.8 Potential business scope and key service requirements

This section describes the potential scope for the programme in relation to the above business needs and any changes since submission of the OBC.

| Service Requirements | Business Scope and Key Service Requirements  |
|----------------------|--|
| Core                 | <ul style="list-style-type: none"> <li>• Creates new floorspace for start-ups and microbusinesses</li> <li>• Creates grow on space for local businesses</li> <li>• Provides events space to meet the needs of local businesses</li> <li>• Supports the growth of higher added value activities</li> <li>• Is located within the City Centre/ SA1 Swansea Waterfront Area to contribute to the regeneration of Swansea City Centre</li> <li>• Actively managed/ curated to provide support to growing businesses</li> </ul> |
| Desirable            | <ul style="list-style-type: none"> <li>• Arena to provide dedicated large-scale events space</li> </ul>  |

|          |   |
|----------|---|
|          | <ul style="list-style-type: none"> <li>• Access to academic expertise for growing businesses</li> </ul> |
| Optional | <ul style="list-style-type: none"> <li>• Enhanced retail and leisure offer</li> </ul>                   |

## 2.9 Main benefits criteria

This section describes the main outcomes and benefits associated with the implementation of the potential scope in relation to business needs.

Satisfying the potential scope for this investment will deliver the following high-level strategic and operational benefits. By investment objectives these are as follows:

Table 2: investment objectives and benefits (overleaf)

| Investment Objectives  | Main benefits criteria by stakeholder group   |
|--|---|
| <p>Investment objective 1: To create incubation and co-working areas for start-ups and micro businesses, with high levels of curation and access to University expertise to maximise survival rates.</p> | <p><b>Start-ups/ Microbusinesses</b></p> <p><u>Quantitative</u></p> <ul style="list-style-type: none"> <li>• <i>Increased availability of fit-for-purpose commercial floorspace</i></li> <li>• <i>Increased number of employees</i></li> </ul> <p><u>Qualitative</u></p> <ul style="list-style-type: none"> <li>• <i>More supportive, conducive environment where start-up technology businesses can thrive</i></li> <li>• <i>Enables small businesses to develop efficiencies and specialisms, become more competitive and strengthen their market position</i></li> </ul> <p><b>University</b></p> <p><u>Cash releasing (£s)</u></p> <ul style="list-style-type: none"> <li>• <i>Net income</i></li> </ul> <p><u>Non cash releasing (£s)</u></p> <ul style="list-style-type: none"> <li>• <i>Contribute to increase in local GVA and employment opportunities</i></li> </ul> <p><u>Quantitative</u></p> <ul style="list-style-type: none"> <li>• <i>Training and apprenticeship opportunities created</i></li> <li>• <i>Increase in number of graduate start-ups</i></li> </ul> |

|  |   |
|--|---|
| <p>Investment objective 2:<br/>To create 115,000 sq ft of flexible and affordable accommodation in the city centre to support the growth of technology based businesses (and other higher added value activities) by 2023.</p> | <p><b>Technology Based Businesses</b></p> <p><u>Quantitative</u></p> <ul style="list-style-type: none"> <li>• <i>Increased availability of fit-for-purpose commercial floorspace</i></li> <li>• <i>Increased number of employees</i></li> </ul> <p><u>Qualitative</u></p> <ul style="list-style-type: none"> <li>• <i>More supportive, conducive environment for technology-based businesses to grow</i></li> <li>• <i>Co-location of high value businesses and highly skilled people which facilitates innovation, commercialisation of activities and knowledge exchange</i></li> </ul> <p><b>Swansea Council</b></p> <p><u>Cash releasing (£s)</u></p> <ul style="list-style-type: none"> <li>• <i>Net income</i></li> </ul> <p><u>Non cash releasing (£s)</u></p> <ul style="list-style-type: none"> <li>• <i>Contribute to increase in local GVA and employment opportunities</i></li> </ul> <p><u>Quantitative</u></p> <ul style="list-style-type: none"> <li>• <i>Creation of training and apprenticeship opportunities</i></li> </ul> <p><u>Qualitative</u></p> <ul style="list-style-type: none"> <li>• <i>Raise the profile of Swansea City Centre as a business location</i></li> <li>• <i>Catalyst for private sector investment</i></li> </ul> |
|--|---|

|  |   |
|--|---|
| <p>Investment objective 3: To create the vibrant environment, leisure and lifestyle offer (including events space) in the city centre by 2022 that attracts and retains technology-based businesses and skilled workers for the benefit of the wider region.</p> | <p><b>Technology Based Businesses</b></p> <p><u>Quantitative</u></p> <ul style="list-style-type: none"> <li>• <i>Availability of events space and conference facilities</i></li> </ul> <p><u>Qualitative</u></p> <ul style="list-style-type: none"> <li>• <i>More attractive environment &amp; leisure offer to attract and retain skilled employees</i></li> </ul> <p><b>Swansea Council</b></p> <p><u>Cash releasing (£s)</u></p> <ul style="list-style-type: none"> <li>• <i>Net Income</i></li> </ul> <p><u>Non cash releasing (£s)</u></p> <ul style="list-style-type: none"> <li>• <i>Contribute to increase in local GVA and employment opportunities</i></li> </ul> <p><u>Quantitative</u></p> <ul style="list-style-type: none"> <li>• <i>Creation of training and apprenticeship opportunities</i></li> </ul> <p><u>Qualitative</u></p> <ul style="list-style-type: none"> <li>• <i>Improvements to leisure offer</i></li> <li>• <i>Raise the profile of Swansea City Centre as a business location</i></li> <li>• <i>Catalyst for private sector investment</i></li> </ul> |
|--|---|

### **Other benefits for delivery of the whole arena project for Swansea**

The City Deal with the Arena is a significant public sector intervention to help redress the market failure within key sectors of the Welsh, regional and local economy and will help support the City's recovery after Covid-19. The Arena project is not 'the prize' for Swansea, it starts to drive footfall and increase city centre spend but the fundamental benefit is the catalytic effect on private sector investment into further schemes to deliver the next stages of regeneration.

The UK wide PR for the City Deal and especially the Swansea projects have raised the understanding and profile of the Arena project which has already stimulated UK and international interest in Swansea evidenced by the response to the phase 2 launch through DIT at Mipim and the PIN notice issued to market test the appetite of private sector partners to invest in the next stages of regenerating Swansea. Urban Splash have now been appointed by Swansea Council as a long-term development partner for the next phases of regeneration for Swansea. Urban Splash have confirmed that the only reason they bid for Swansea is because they could see the Arena project being delivered through the City Deal and the ambition of the council.

Alongside two expanding Universities and noting the recent introduction of 660 student beds in the city centre in the last 4 years with a further 1,860 now under construction, the Kingsway public realm project, Wind Street public realm project and Digital Village, Castle Square and Civic Centre redevelopment are



transforming the centre of the city. There are also the 'Copperworks', 'Skyline' and the Dragon Energy Island that are progressing.

This amalgam of regeneration projects, especially when promoted nationally is putting Swansea firmly on the map of places where people and companies want to consider as a place to invest and locate.

Swansea Central Phase 1 in particular will generate an increase in visitors to the city (refer to ATG Business Plan in Section 2.8) who will, however arriving, be met with a city that is transforming itself into a very modern place.

Event days in particular, will see an increase in footfall and so expenditure. The 'evening' economy will be improved, with not just extended hours of business for retail and particularly A3, but family dining and the Hotel with the aim of boosting 'tourism'.

The coastal park which has been developed will add a further 'USP' to the scheme. It will support the Arena – providing additional outdoor event spaces, whilst adding to the overall attractiveness of the scheme and providing vital inner-city green space to support city-living and working. It will provide local residents such as Victoria Quay with such space as does not currently exist.

With Phase 2 potentially including an office Hub and up to 200 further residential units, the park provides the platform for this to be delivered. The park and the green walls to the car park support the Councils commitment to GI and meeting the aims of the Future Generations Act. Making the city centre a nicer place, and once again - changing perceptions.

The scheme is designed to be an 'enabler' for the Phase 2 scheme. The arena will generate significant footfall and demand for further F&B and leisure uses. Phase 1 will demolish Llys Dewi Sant and St David's carpark to create a cleared site for phase 2 to progress as quickly as possible. A MSCP will be built adjacent to the phase 2 site. This is in addition to highways works and service diversions assist in preparing the way for Phase 2.

Entertainment venues such as the Bonus Arena, Hull; the Echo Arena, Liverpool and the First Direct Arena, Leeds along with examples that are further afield, such as Petco Park in San Diego and Staples Centre, Los Angeles among other venues in the USA, have been credited as the catalysts for regeneration projects in their cities, attracting investment including new hotels, bars and restaurants, revitalising their surrounding neighbourhood's/ districts and reshaping public perception.

Once developed, an arena's overall benefit to the city should be significant, as a key attractor, and 'anchor occupier'. This should generate occupier demand, and consequently rental value and investment yields, for commercial leisure occupiers and other city centre uses, particularly in the role of 'catalyst'. It also creates a need for hotels and restaurants, to meet the requirements of business and entertainment tourism linked to the Arena.

The Swansea Arena will provide a unique regional offer that has the potential to act as a catalyst for regeneration in the city and region.

## **2.10 Main risks**

The main business and service risks (design, build and operational over the lifespan of the scheme) associated with the scope for this programme are shown below, together with their counter measures.

As the scheme combines three distinct projects, a full risk tracker has been completed for each individual element to ensure that the specific risks for each are identified. The risks shown below are the main risk that are common to the projects. As elements of the programme have moved into delivery and operational phases, the likelihood and impact of the risks listed has diminished.

**Table 3: main risks and counter measures (overleaf)**

| Main Risk  | Counter Measures   |
|--|--|
| The commercial floor space and other facilities do not meet the needs of start-ups and tech-based businesses | Swansea Council and the University have extensive experience in stakeholder management in terms of requirements and have consulted with members of the targeted industries to establish needs. The programme will continue to liaise with members of the industry to ensure that the evolving programme delivers on key requirements at every stage, and will continuously monitor and proactively engage with the industry to ensure that needs are appropriately met in the operational phase on an ongoing basis  |
| Funding not secured – without public sector funding the proposals would not be implemented                   | The programme funding scheme has been intentionally developed to provide a robust and secure funding mechanism for both the University and Swansea Council. The programme will work closely with the Swansea Bay City Deal to secure required grant funding and adequate time and resource has been allocated to develop a successful bid.   |
| Insufficient internal capacity to programme manage and deliver the developments                              | Both Swansea Council and the University have put in place an identified team to deliver the programme. This team has extensive experience in terms of project management and has adequate capacity to deliver the programme. The needs of the programme will be continuously and proactively appraised and, if necessary, additional resource and skills will be obtained.   |
| Unexpected rise in construction costs  | The arena and 71/72 projects have both procured contractors and fixed price construction projects have been secured. The programme is working extensively with third party experts to constantly refine project costs and to ensure that the possibility of sudden rises in construction costs is minimised and that build quality and finishes will be as specified. The programme has adequate and reasonable contingency built into the funding scheme to mitigate unexpected rises on the Arena and 71/72 Kingsway the council worked extensively during procurement to develop a shared-risk basis with the principal contractor. |
| Delays in construction and delivery programme  | Funding secured through City Deal and delivery using recognised project management tools will enable the developments to be delivered on time and help realise the current (and future additional) private sector interest in securing occupancy in the Digital District. The programme will also proactively monitor construction progress and will work extensively with the principal contractor to minimise any disruption to the programme.   |

|   |   |
|---|---|
| <p>Unable to secure tenants to occupy the buildings</p>   | <p>Both Swansea Council and the University has extensive experience in working with partners to deliver the widest possible benefits to the scheme. The programme is proactively engaging with potential occupiers to secure tenants and ensure maximal occupancy. This is coupled with market research indicating that there is sufficient demand for the projects, as well as extensive early interest indications from several organisations. The programme will develop a 'curation' team closer to the operational phase to ensure that occupation rates are maximised</p> |
| <p>Project is property driven and the wider economic needs to support business creation and growth are not achieved</p> | <p>The programmes key focus is on the delivery of the wider goals of business creation, economic growth and support. In line with this focus, the schemes are being developed in consultation with a wide range of public and private sector partners to understand demand in the market. The schemes are also designed to meet the current and future needs of an innovative business community and both Swansea Council and the University will continue to work to ensure stakeholder focus on the wider benefits of the programme.</p>                                      |
| <p>Unforeseen economic / external factors</p>   | <p>Both the University and Swansea Council have a robust and proactive risk management process that will anticipate any sudden or unforeseen changes in external and economic factors. Risks will be continuously identified and monitored, and appropriate mitigation put in place to minimise any disruption to the programme through existing established governance arrangements.</p>   |
| <p>Low initial demand and/or lower than expected growth</p>   | <p>The programme is working extensively with potential tenants and occupiers to ensure that initial demand is sufficient. In addition, the curation team will be focused primarily on supporting growth within the schemes and successfully managing the success of the operational phase. Both the University and Swansea Council will also allocate sufficient resource to ensure that any period of lower-than-expected demand is successfully bridged.</p>  |
| <p>Covid-19</p>   | <p>Covid-19 has caused significant economic uncertainty however we have worked on mitigation measures to ensure the programme is still fit for purpose in a post Covid-19 world and that the projects programme impact is minimised. There is a risk of impact on outputs but again mitigation is being considered wherever possible.</p>   |

|   |   |
|---|---|
| <p>Failure to collaborate effectively with partners</p>   | <p>The programme has worked extensively and proactively with partners to develop the schemes and will continue to collaborate in an open and practical way to ensure the programme's success. Further key stakeholder engagement will be undertaken to ensure a successful relationship with partners and adequate time and resource will be provided to ensure effective collaboration where required.</p>   |
| <p>Wider regeneration scheme does not progress leading to loss of supportive infrastructure</p> | <p>The programme is proactively monitoring the progress of wider regeneration schemes within Swansea and the surrounding area to ensure their success. The supporting infrastructure for the Digital Village is being put in place through the ERDF Kingsway Digital Village: project which is fully funded and now complete . The supporting infrastructure for the Digital Square &amp; Arena (pedestrian bridge and car park) is being funded by the Council and will be delivered in parallel to the Digital Arena through a single construction contract for the whole Swansea Central Phase 1 development (which includes the Digital Square &amp; Arena).</p> <p>The programme partners will monitor these schemes and will work to develop mitigation in the case of failure, as has happened in the case of the main contractor on the Kingsway Employment Hub (Dawnus) who entered administration in March 2019. A new contractor has been appointed and works are now complete</p> |
| <p>Poor transport infrastructure (external) leads to loss of attractiveness for schemes</p>     | <p>Both Swansea Council and the University will continue to work extensively with the relevant agencies to ensure that transport infrastructure is adequate for the programme's success. Where possible, the schemes will also investigate ways that they can assist in better transport management within their individual bounds to help mitigate against this risk.</p>  |
| <p>Failure to obtain relevant approvals</p>   | <p>All approval processes for the programme will be identified and approvals will be applied for with sufficient time to prevent project timeline impacts. Both Swansea Council and the University's existing dedicated team and organisation structure will further mitigate this risk. In addition, expert advice will be sought to ensure that all required approvals are captured.</p> <p>All approvals for the Arena, Digital Village are in place and the Innovation Precinct has now secured a planning consent.</p>   |

|  |  |
|--|--|
| Failure of target markets to grow                    | All of the identified industries in the schemes are expected to grow substantially and the programme itself has been specifically designed to assist in this growth. Swansea Council and the University will work extensively with partners and tenants to ensure that this growth is managed correctly and will develop a curation team to assist in this area. |
| Issue: Hotel - Viability needs public sector support | The impact of Covid has driven down hotel values and sources of grant and loan are currently being explored.   |

## 2.11 Constraints

The programme is subject to following constraints:

- **Construction Timeline** - Construction of the Digital Arena needs to be completed by March 2022 to meet the conditions of the Legal Agreement signed with the Arena Operator (ATG), Achieved.
- **Level of available funding** – The programme will be limited by the amount of funding available. As a result, capital costs should be within funding limits to ensure the success of the programme. Achieved
- **Any conditions attached to the planning consents** – The programme will be constrained by any conditional planning consents received and must carefully work within these limits. Achieved
- **National growth in target industries** – The key outcomes of the programme are constrained by the national capacity for growth of the target industries for Digital District.
- **Local tenancy demand from targeted industries** – Whereas the programme will be engaging and delivering start-ups for tenancy within the scheme, the programme will be constrained by the local demand and appetite of the target industries for tenancy
- **The availability and timing of public funding** – In terms of scale and timing of delivery, the programme will be constrained by public funding requirements and timescales. Adequate care should be given to ensuring that public funding is delivered when required to the programme. Achieved.

## 2.12 Dependencies

The programme is subject to following dependencies that will be carefully monitored and managed throughout the lifespan of the scheme:

- Skills development, to support the new employment opportunities created, through the City Deal skills & talent initiative.
- Securing planning consent for the developments. In place for Arena, 71/72 Kingsway and Innovation Precinct.

- ATG lease requires the delivery of the new footbridge and car park (not part of City Deal project but included in wider project and construction contract). Achieved
- Ample / appropriate transport solutions to service the developments. Discussions ongoing with operators.
- University continues to generate a pipeline of graduate start ups
- Securing tenants for Digital Village and Digital Square.
- The University and the Council have the capacity and capabilities to curate/ manage the Innovation Matrix & Innovation Precinct and Digital Village.
- Future private sector investment in the City Centre is dependent on the catalytic effect of the Digital District programme. Update Sept 2021: Urban Splash appointed by the Council and other private sector developers on site catalysed by City Deal.
- Delivery of external digital infrastructure, to meet the requirements of occupiers, and to network the three developments with Swansea University and University of Wales Trinity Saint David, through the City Deal Digital Infrastructure programme. It is imperative that the right full fibre network is created to ensure it can deliver the required speeds to support the Digital District programme, plus future proofing the city. The broadband speed is fundamental for creating the right resolution and refresh rates for the proposed LED façade on the Digital Arena, and ongoing broadcast including streaming across the city centre to the region and beyond.

### **3. The Economic Case**

#### **3.1 Introduction**

The purpose of this updated economic case is to demonstrate that the recommended procurement options continue to offer better public value. The OBC identified and appraised a range of realistic and potential options and identified a preferred way forward. An economic appraisal was then undertaken of a reduced number of possible options and a preferred option chosen and subsequently approved. In accordance with Better Business Case guidance, the Economic Case consists of two main actions:

#### Part 1. Revisit the OBC options

The purpose of this action is to evidence that the preferred option remains the same as that identified at the OBC stage. Changes to the preferred option since OBC approval are documented and assessed against the other shortlist options in terms of value for money, benefits and risk. The ranking and choice of the preferred option will be confirmed.

#### Part 2. Detail the procurement process and evaluation of the Best and Final Offer (BAFO)

The purpose of this action is to evidence that the recommended service provider offers the 'most economically advantageous offer' in relation to other service providers, and that the option is offering best public value. The procurement processes undertaken to date are detailed and the chosen service provider identified.

The following procurement processes are detailed in this Section:

- Digital Square and Arena
- Digital Arena operator
- Hotel Development
- Digital Village (71-72 Kingsway)
- Innovation Matrix

The main changes in this updated Economic Case are listed below:

- Details of changes to the project elements provided since the approval of the OBC
- Updated employment impact information for Digital Village project
- Option rankings for economic, benefits and risk appraisals revisited and OBC option confirmed
- Procurement processes detailed for Digital Square and Arena (including construction contract, operator and hotel development; Digital Village construction contract)
- Confirmation of best value for public money in the selection and appointment of the service providers

### **3.2 Critical success factors**

The critical success factors (CSFs) shown within the approved OBC were as follows:

**Strategic Fit:** Strategic fit with Swansea Bay City Region Economic Regeneration Strategy and Swansea Central Area Strategic Framework

**Business Needs:** Satisfies all the Investment Objectives

**Benefits Optimisation:** Optimises job creation and GVA growth

**Potential Achievability:** Meets the requirements of tech businesses and other stakeholders in Swansea and is sustainable. CCS and UWTSD must have the management capacity, skills and vision to deliver the programme, or aware of the need to recruit assistance where necessary

**Supply Side Capability and Capacity:** Sufficient established and reputable construction firms bid for work to ensure both competition and value for money in new building delivery

**Potential Affordability:** The required capital investment can be met by combining CCS/ UWTSD own funds with other public and/ or private sector funding

**Deliverability:** Programme can be delivered within 5 years



## **Part 1 – Revisiting the OBC Options**

### **3.3 The long-listed options**

Within the OBC the preferred way forward was selected through the identification of a long-list of options for the potential scope of the scheme as follows:

| Option 1 - Do Nothing               | Option 2 - Do Minimum  | Option 3                     | Option 4                                    | Option 5                             | Option 6 - Maximum  |
|-------------------------------------|--|------------------------------|---|--------------------------------------|---|
| No interventions in the City Centre | CCS provides enabling infrastructure, and one pilot building, and relies on private sector for remaining development | New office space on Kingsway | Option 3 linked with UWTSD incubation space | Option 4 plus Digital Square & Arena | Option 5 & Swansea Central Phase 2 retail/leisure development |

A SWOT analysis on how well each option met the primary objectives and the critical success factors for the scheme was undertaken which concluded,

- Option 1 (Do nothing) – this is not a realistic option as new floor-space is needed to support the growth of tech businesses, the city centre is underperforming as an employment, retail and leisure destination and intervention is needed to arrest the decline. Option discounted.
- Option 2 (Do Minimum) – this is a low-cost option as the project sponsors would only be required to provide the enabling infrastructure for the private sector to carry out development. This is unachievable as private sector development is unviable in Swansea at this point in time, due to economic market failure and financial market failure as outlined in the strategic case. Current rental values (around £6-14 sq. ft.) are considered by the private sector to be insufficient to achieve acceptable returns on development. However, this option was included in the shortlist as a baseline for the minimum level of intervention.
- Option 3 (New office space) – New office space on the Kingsway alone would broadly meet the needs of tech businesses for grow on space in the city centre. This could also provide space for some start-up businesses although this would not necessarily be tailored specifically to their needs. There would be limited scope for any events space within the development, and no enhancement to the leisure offer created. This does not sufficiently meet all investment objectives and is therefore discounted.
- Option 4 (office & incubation space) – New office plus incubation space would support the growth of tech businesses in Swansea from start-up onwards and bring in the expertise of UWTSD to support start-ups. There is the potential for some small-scale event space within Kingsway development, but no significant revitalisation of leisure & lifestyle offer in city centre. This offers a partial solution and taken forward to the shortlist.

- Option 5 (office, incubation and digital square & arena) – This is the preferred option, offering the incubation and grow on space needed, along with large scale events space that tech businesses have requested. A new Arena and Digital Square would enhance the leisure/ lifestyle offer in Swansea. Carried forward to shortlist.
- Option 6 (Maximum) – This would create the required incubation and grow on space and significantly revitalise the leisure and retail offer in the city centre. This would be extremely challenging to achieve in the timescale and to fund, but would deliver the maximum impact. Carried forward to shortlist as the maximum option.

Table 4: long list – summary of inclusions, exclusions and possible options

| <b>Options</b>                            | <b>Finding</b>  |
|---|---|
| <b>1.0 Scoping</b>                        |   |
| 1.1 Do nothing                            | Option discounted   |
| 1.2 Minimum scope                         | Carried forward to shortlist as baseline option   |
| 1.3 Intermediate scope                    | Options 4 and 5 carried forward to shortlist  |
| 1.4 Maximum scope                         | Carried forward to shortlist  |
| <b>2.0 Service solutions</b>              |   |
| 2.1 Prepare infrastructure only           | Does not provide necessary floor-space to support company formation and growth                                |
| 2.2 Develop floor-space to meet demand    | Essential to achieving desired economic regeneration  |
| <b>3.0 Service delivery</b>               |   |
| 3.1 In house                              | Feasible (available capacity and resources)   |
| 3.2 Outsource to private sector developer | Unlikely due to market conditions and evidence, as low rental values make private sector development unviable |
| 3.3 Strategic partnership                 | Possible with financial subsidy support   |
| <b>4.0 Implementation</b>                 |   |
| 4.2 Big bang                              | Possible but likely to create over-supply in short term   |
| 4.3 Phased                                | More attractive and would allow intended occupiers to take up space as they grow.                             |
| <b>5.0 Funding</b>                        |   |
| 5.1 Private funding                       | Not feasible without high level of subsidy (and probably beyond state aid limits)                             |
| 5.2 Public funding                        | Affordable with City Deal support   |

### **Preferred way forward**

It was decided to take forward Option 2 (Do Minimum), Option 4 (Office and Incubation Space), Option 5 (office, incubation and digital square & arena) and Option 6 (Maximum)

### **3.4 Short-listed options**

The short-listed options shown within the OBC were as follows:

- option 1 – the do nothing, do minimum or status quo
- option 2 – the reference programme or outline Public Sector Comparator (PSC) based on totality of the preferred choices within each of the above categories

- option 3 – the reference programme or outline PSC (more ambitious option) based on the more ambitious possible options within each of the above categories
- option 4 – the reference programme or outline PSC (less ambitious option) based on the less ambitious options within each of the above categories.

### **Option 1 - Do minimum** (Long-List Option 2)

Scope – CCS enabling infrastructure and refurbishment of one building as a pilot scheme only followed by private sector development

Service Solution – Complete Kingsway infrastructure scheme, advertise development sites.

Service Delivery – CCS with private sector developers

Implementation – within 18 months (completion of enabling infrastructure)

Funding – public (infrastructure) & private sector (developments)

### **Option 2 - Reference programme** (Long-List Option 5)

Scope – Incubation, grow on and Digital Square and Arena

Service Solution – 100,000sq ft Digital Village, UWTSD Innovation Matrix & Innovation Precinct, 3,500 capacity Digital Arena, Digital Square and Hotel

Service Delivery – Innovation Matrix & Innovation Precinct: UWTSD, Digital Village and Digital Square & Arena: CCS (with private sector hotel development)

Implementation – Completion by 2023 – 2027 for Innovation Precinct

Funding – Public capital led, leveraging in private sector

### **Option 3 - More Ambitious** (Long-list Option 6)

Scope – Incubation, grow on, Digital Square & Arena & retail/leisure

Service Solution – Reference programme + delivery of Swansea Central Phase 2 (Retail/ Leisure units, restaurants, residential, university accommodation)

Service Delivery – Innovation Matrix & Innovation Precinct: UWTSD. Digital Village, Digital Square & Arena, Swansea Central Phase 2: CCS

Implementation – schemes completed by 2023 – 2027 for Innovation Precinct

Funding – Public capital led, leveraging in private sector

### **Option 4 - Less Ambitious** – (Long-List Option 4)

Scope – Dedicated incubation and grow on space only

Service Solution – Digital Village, UWTSD Innovation Matrix & Innovation Precinct

Service Delivery – CCS & UWTSD

Implementation – by 2027

Funding – Public finance

### **Preferred option**

The preferred and agreed option at OBC stage was to proceed with Option 2 – the Reference programme.

### **3.5 Review of Preferred Option**

The preferred option consists of the original constituent projects as outlined in the OBC namely:

- Innovation Matrix (previously named Box Village) and Innovation Precinct
- Digital Square and Arena (and including hotel development)
- Digital Village (71-72 Kingsway)

Since the approval of the OBC, there have been changes to the detail of the projects. These changes have been approved / notified through the established SBCD change process.

### **Innovation Matrix**

- A change request was approved for the Innovation Matrix scheme in June 2021 for the reallocation of £5.716m of existing City Deal funding from the Innovation Precinct to the Innovation Matrix to enable the commencement of the Innovation Matrix. The reallocation covers the change from the Box Village proposal to the Innovation Matrix proposal with a higher quality, slightly larger space that will allow for greater flexibility and use from tenants. The reallocation also covers a shortfall in project funding due to the envisaged private sector contribution not being realised. The change has no implications for the realisation of the economic benefits of the project.

### **Digital Village (71-72 Kingsway)**

- A change notification has been submitted notifying that the timescale for completion of the project has changed from the original business case date of December 2022 to October 2023. This is as a result of the need to re-issue procurement due to non compliant bids which caused a delay to the process. There is no change to the project benefits as stated in the business case as they will be realised within the City Deal timeline. Milestone completion date for Digital Arena has also changed from October 2021 to March 2022. There were no impacts to this change as the Arena opened on time and in line with scheduled events.
- An additional floor was added to the development proposal after taking market feedback into account at design phase, taking the footprint from 100,000sq ft to 115,000sq ft.
- ERDF funding of £500k has been provided to contribute towards the additional floorspace.
- Full business case costings have been confirmed post procurement. Full cost now at £48,540,125 (from original £49,648,253).
- Letting Strategy has been adjusted due to the pandemic and changing market requirements. Consultants Cushman & Wakefield have advised that they are anticipating a transition to a workplace ecosystem consisting of the office, the home and third spaces where flexible workspace can play a part. There is no impact to benefits in the business case due to this change at this point in time. As lettings progress we confirm whether the output linked to private sector fit out is deliverable.
- Risks have been updated to include covid impacts and construction price and delays. Mitigation includes design and letting strategy flexibility. The council have entered into a fixed price contract for construction and will work with the contractor to identify any savings that can be made to support delivery of the project.

An assessment of the current programme elements against the original preferred option in the OBC is shown below:

| Category         | OBC   | FBC   |
|------------------|---|---|
| Scope            | Incubation, grow on and Digital Square and Arena  | Incubation, grow on and Digital Square and Arena  |
| Service Solution | Digital Village (100,000sq ft), UWTSD Innovation Matrix (28,000 sq ft) & Innovation Precinct (64,000 sq ft), 3,500 capacity Digital Arena, Digital Square and Hotel | Digital Village (115,000sq ft), UWTSD Innovation Matrix (34,000 sq ft) & Innovation Precinct (64,600 sq ft), 3,500 capacity Digital Arena, Digital Square and Hotel |
| Service Delivery | Innovation Matrix & Innovation Precinct: UWTSD, Digital Village and Digital Square & Arena: CCS (with private sector hotel development)                             | Innovation Matrix & Innovation Precinct: UWTSD, Digital Village and Digital Square & Arena: CCS (with private sector hotel development)                             |
| Implementation   | Completion by 2023 – 2027   | Completion by 2023 – 2027   |
| Funding          | Public capital led, leveraging in private sector  | Public capital led, leveraging in private sector  |

### 3.5 Economic appraisal of short list options

The approach to the economic impact assessment within the OBC was developed in line with best practice guidance, including the HM Treasury’s Green Book (*Appraisal and Evaluation in Central Government*) and the Homes and Communities Agency’s (HCA’s) Additionality Guide. The approach has also had regard to the HM Treasury’s supplementary Green Book guidance on *Public Sector Business Cases: Using the Five Case Model* and the Department for Communities and Local Government’s (DCLG’s) appraisal guide.

The assessment of economic benefits incorporated an analysis of the expected quantifiable outputs and outcomes, including:

- temporary jobs and GVA created through the construction phase;
- new permanent employment opportunities and GVA generated through the operational phase of each project;
- broader job creation as a result of increase expenditure and economic activity in the local economy;
- attraction of new households and household expenditure;
- additional business rates income and Council Tax; and
- public sector cost savings from bringing more people into work.

In addition to the above economic benefits, the assessment also considered the wider, less easily quantifiable benefits that would be expected to be generated by each of the component projects, such as improvements to the City Centre offer and image of the local area.

The assessment sought to estimate both the gross and net additional impact of each Digital District scheme, at the Swansea and City Region level, in line with appraisal guidance. Consequently, consideration was given to who is likely to secure the benefits

generated, the level of activity that might be displaced by each scheme and the possible multiplier effects that could be realised. Assumptions were also formed as to what would be expected to happen should each scheme not go ahead (the reference case). The Arena project advancing to FBC meant that a revised Amion report on the benefits of the final scheme was commissioned in 2019.

The outcome of the assessment of economic benefits are included in Appendix ? and can be summarised in tables below:

### Innovation Matrix and Innovation Precinct

| <b>Construction phase impacts</b>                          |                |                    |              |
|--|----------------|--------------------|--------------|
|  | <b>Swansea</b> | <b>City Region</b> | <b>Wales</b> |
| Gross employment (person years)                            | 239            | 239                | 239          |
| Net additional employment (person years) – workplace based | 229            | 217                | 191          |
| Net additional employment (person years) – resident based  | 161            | 196                | 182          |
| Net additional GVA (cumulative)*                           | £10.1m         | £9.6m              | £8.4m        |

\*The net additional GVA impact is derived from the estimate of net additional workplace based employment, as GVA is a workplace based measure and therefore does not take account of where those employed live.

| <b>Operational phase impacts – employment and GVA</b>  |                |                    |              |
|--|----------------|--------------------|--------------|
|  | <b>Swansea</b> | <b>City Region</b> | <b>Wales</b> |
| Gross employment (FTE jobs)                            | 489            | 489                | 489          |
| Net additional employment (FTE jobs) – workplace based | 470            | 459                | 343          |
| Net additional employment (FTE jobs) – resident based  | 329            | 413                | 343          |
| Net additional GVA per annum*                          | £28.8m         | £28.1m             | £21.0m       |

\*The net additional GVA impact is derived from the estimate of net additional workplace based employment, as GVA is a workplace based measure and therefore does not take account of where those employed live.

| <b>Operational phase impacts – fiscal benefits</b> |                |                    |              |
|--|----------------|--------------------|--------------|
|  | <b>Swansea</b> | <b>City Region</b> | <b>Wales</b> |
| Business rates per annum                           | £0.3m          | £0.3m              | £0.3m        |
| Public sector cost savings                         | £0.3m          | £0.4m              | £0.3m        |

### Digital Village

The following tables show the estimated economic impact of the Digital Village in the local, regional and Welsh economy. The figures are based on the revised economic appraisal undertaken by Amion in 2019. Any changes to the estimates included in the approved OBC are shown in red for comparison.

**Construction Phase Impacts** - the total net additional GVA impact within the Swansea economy that would be generated during the construction phase would amount to approximately £16.0 million, with construction of the Digital Village also providing the opportunity to deliver an estimated 1,789 net additional person weeks of training targeted at the long term unemployed and economically inactive. There are no changes to the construction phase impacts from the approved OBC.

| <b>Construction phase impacts</b>                          |                |                    |              |
|--|----------------|--------------------|--------------|
|  | <b>Swansea</b> | <b>City Region</b> | <b>Wales</b> |
| Gross employment (person years)                            | 377            | 377                | 377          |
| Net additional employment (person years) – workplace based | 362            | 343                | 302          |
| Net additional employment (person years) – resident based  | 253            | 309                | 287          |
| Net additional GVA (cumulative)*                           | £16.0m         | £15.2m             | £13.4m       |

\*The net additional GVA impact is derived from the estimate of net additional workplace based employment, as GVA is a workplace based measure and therefore does not take account of where those employed live.

**Operational Phase Impacts – Employment and GVA** - the direct employment impact associated with the Kingsway Digital Village scheme has been calculated by applying a composite employment density benchmark for small business workspace, sourced from the HCA employment density guide. An allowance has also been made for businesses within the Digital Village expanding and relocating to other parts of the City Centre, freeing up space in the facility for new firms to start-up, innovate and grow. The impact of the proposal has been modelled over a 10-year period. The original OBC estimate of 534 gross FTE jobs has been increased to 603 with the additional floorspace to the development.

| <b>Operational phase impacts – employment and GVA</b>  |                   |                    |                   |
|--|-------------------|--------------------|-------------------|
|  | <b>Swansea</b>    | <b>City Region</b> | <b>Wales</b>      |
| Gross employment (FTE jobs)                            | 603<br><i>534</i> | 603<br><i>534</i>  | 603<br><i>534</i> |
| Net additional employment (FTE jobs) – workplace based | 579<br><i>512</i> | 565<br><i>500</i>  | 422<br><i>373</i> |
| Net additional employment (FTE jobs) – resident based  | 405<br><i>359</i> | 509<br><i>450</i>  | 422<br><i>373</i> |
| Net additional GVA per annum*                          | £32.6m            | £31.9m             | £23.8m            |

\*The net additional GVA impact is derived from the estimate of net additional workplace based employment, as GVA is a workplace based measure and therefore does not take account of where those employed live.

| <b>Operational phase impacts – fiscal benefits</b> |                |                    |              |
|--|----------------|--------------------|--------------|
|  | <b>Swansea</b> | <b>City Region</b> | <b>Wales</b> |
| Business rates per annum                           | £0.5m          | £0.5m              | £0.5m        |
| Public sector cost savings                         | £0.4m          | £0.5m              | £0.4m        |

Based on ratios of workforce jobs to FTE jobs derived from Experian local market data for Swansea, the number of actual gross jobs that will be created as a result of the development of the Digital Village is estimated to total 603 (full-time and part-time). Of

these, it is expected that some 579 jobs will be net additional, of which 405 will be taken-up by Swansea residents. The conversion of FTEs to actual job estimates has given regard to the sectors in which employment is expected to be created – for example, there is likely to be less part-time employment in ICT and professional service sectors than compared with retail, food and accommodation sectors.

## Digital Square and Arena

Once the Arena project design was finalised and tendered, the outputs for this element were reviewed by specialists Amion to ensure the benefits reflect accurately what is being delivered on site. The table shows the impacts for the final scheme and compared with the estimated impact presented in the 2017 OBC outputs. It is important to note that the added GVA increased significantly from £11.1m p.a. to £17.1m annually which is a significant uplift on the original assessment.

| Construction phase   |                         |                         |                         |
|--|-------------------------|-------------------------|-------------------------|
|  | Swansea                 | City Region             | Wales                   |
| Construction investment                                    | £123m<br><i>£72m</i>    | £123m<br><i>£72m</i>    | £123m<br><i>£72m</i>    |
| Gross employment (person years)                            | 1,314<br><i>831</i>     | 1,314<br><i>831</i>     | 1,314<br><i>831</i>     |
| Net additional employment (person years) – workplace based | 1,262<br><i>798</i>     | 1,196<br><i>756</i>     | 1,051<br><i>665</i>     |
| Net additional GVA (cumulative)*                           | £73.3m<br><i>£35.4m</i> | £69.5m<br><i>£33.6m</i> | £61.1m<br><i>£29.5m</i> |

| Operational phase – Employment and GVA                 |                         |                       |                        |
|--|-------------------------|-----------------------|------------------------|
|  | Swansea                 | City Region           | Wales                  |
| Gross employment (FTE jobs)                            | 620<br><i>419</i>       | 620<br><i>453</i>     | 620<br><i>488</i>      |
| Net additional employment (FTE jobs) – workplace based | 469<br><i>593</i>       | 507<br><i>365</i>     | 387<br><i>82</i>       |
| Net additional GVA per annum*                          | £17.1m<br><i>£11.9m</i> | £14.5<br><i>£9.1m</i> | £11.1m<br><i>£2.2m</i> |
| New households   | 33<br><i>0</i>          | 33<br><i>0</i>        | 33<br><i>0</i>         |
| Additional household spend retained (per annum)        | £0.334m<br><i>0</i>     | £0.401m<br><i>0</i>   | £0.601m<br><i>0</i>    |

| Operational phase impacts – fiscal benefits |                         |                         |                         |
|---|-------------------------|-------------------------|-------------------------|
|   | Swansea                 | City Region             | Wales                   |
| Business rates per annum                    | £0.279m<br><i>£0.5m</i> | £0.279m<br><i>£0.5m</i> | £0.279m<br><i>£0.5m</i> |
| Council Tax revenues per annum              | £0.035m<br><i>£0</i>    | £0.035m<br><i>£0</i>    | £0.035m<br><i>£0</i>    |

### Key Points

**Construction employment** has increased as a result of the construction costs in Phase 1 increasing from £72m to £123m. This excludes professional fees but includes a provisional sum of £20m for the hotel.

**GVA from this temporary construction employment** has also increased as a result of higher construction expenditure but also as a result of using a higher GVA per FTE ratio which was specific to construction in Swansea and sourced from Experian (Sept 2018).

**Operational employment** has increased for a number of reasons: The ATG business plan assumes 58 FTE jobs on-site compared to 33 assumed in 2017. Whilst the same multipliers



have been used, indirect and induced employment is naturally higher as a result of a higher base.

The ATG forecast for the number of visits to the arena is higher than assumed in 2017 with a slightly different mix of events. This results in greater levels of off-site visitor

For each of the impacts set out above, the sources and assumptions underlying their use is explained as follows. These assumptions have been reviewed and are unchanged from the OBC.

### **Construction jobs**

The total construction spends associated with each scheme has been used as the basis for calculating the number of temporary construction jobs generated through the proposals. Labour coefficients sourced from guidance produced by the HCA<sup>1</sup> have been being applied to the construction spend figures to derive an estimate of the gross number of person years of employment supported during the construction phase.

### **Operational jobs**

The main approach applied to estimate the number of direct operational jobs has been to use employment density benchmarks, sourced from the HCA's employment densities guide, to calculate the jobs generated through the occupation of the new commercial floor-space provided under each scheme. The use of employment densities provides an estimate of the number of full-time equivalent (FTE) jobs created. For schemes, such as the Innovation Matrix & Innovation Precinct, where estimates of direct jobs have already been calculated based on scheme specific information, this data has been reviewed and cross-checked against benchmarks to test for reasonableness.

### **Broader job creation**

As well as the direct jobs supported through the construction and operational phases of each scheme, there is also the potential for further job creation either through the attraction of visitors to Swansea and resulting 'off-site' expenditure or through enabling business growth by providing incubation space for start-up and small businesses.

For the Digital Square & Arena, which is expected to attract additional visitors to Swansea, an analysis has been undertaken of the likely number of visitors, visitor origin and spend in the local economy. The estimate of visitor expenditure has then been converted into an employment impact, based principally on analysis developed by Caledonian Economics for the Tourism Alliance and VisitBritain, which identified that an increase in tourism revenue of circa £50,000 will support one new job.

In terms of modelling the effect of business growth as the result of new start-up and incubation space in the Digital Village, Innovation Matrix & Innovation Precinct, assumptions have been applied relating to business survival and growth rates. This has been informed by ONS business demography statistics along with evaluation evidence from business innovation and incubation centres, including the research carried out by Oxford Innovation relating to its innovation centres.<sup>2</sup> In order to establish the base level of employment for both the Digital Village and Innovation Matrix Innovation Precinct, an employment density of 20 sq m per FTE job has been assumed in line with the Homes England's Employment Densities Guide. Full occupancy is not assumed until year 3 of operation for each facility. The persistence and growth of benefits have then been

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<sup>2</sup> Oxford Innovation (2014), *Business Survival and Growth Research Findings*

estimated based on ONS yearly survival rates (with an average 85% survival rate per year over the appraisal period) and an assumed rate of growth (3% per annum) once businesses move on to grow-on space.

### **Gross Value Added**

The GVA generated has been calculated either by using average GVA per FTE job figures for relevant sectors in Swansea, sourced from Experian local market forecasts, or by applying Welsh average turnover to GVA ratios from the Office for National Statistics (ONS) Annual Business Survey. The estimated GVA impact for each scheme has been calculated in terms of both a per annum figure and a cumulative total, based on estimates of persistence from evaluation evidence.

The Digital District programme is estimated to create an additional £69.1m of GVA per annum in Swansea Bay City Region once completed and will deliver an estimated 1,324 net additional full time equivalent jobs in Swansea Bay.

### **Update from Buckingham Jan 2022:**

- More than 3,200 workers inducted on Copr Bay phase one site, including Swansea Arena, since the start of construction back in 2019. More than 76.3% of the workforce has been from Wales
- Businesses in the Swansea Bay City Region have benefitted from over £34.6 million worth of work thanks to the construction of Copr Bay phase one

### **Indirect and induced multiplier effects**

Alongside directly supporting the creation of new jobs, the proposed developments will also lead to additional employment opportunities (and GVA) through supply chain expenditure (indirect effects) and employee spend on goods and services (induced effects) within Swansea and the wider City Region. In order to take into account both the indirect and induced effects associated with each scheme, a composite multiplier has been applied at the local, regional and national levels.

### **Net additional impact**

In determining the net additional impact, the key issue to be addressed is the additionality of the schemes under consideration – in other words, the extent to which activity takes place at all, on a larger scale, earlier or within a specific designated area or target group as a result of the intervention. In order to assess the additionality of the proposals, the OBC considered the following factors for each scheme:

- deadweight – outputs which would have occurred without the scheme.
- displacement – the proportion of scheme outputs accounted for by reduced outputs elsewhere in the target area. Displacement may occur in both the factor and product markets;
- leakage – the proportion of outputs that benefit those outside of the scheme's target area or group;
- multiplier effects – further economic activity associated with additional local income and local supplier purchases (as discussed above); and

The deadweight, displacement, leakage and multiplier effect assumptions for each project and the justification for the figures used are outlined below. The same assumptions have been applied for the Digital Village and Innovation Matrix and Innovation Precinct projects given the similar nature of the scheme proposals. The assumptions in the approved OBC have been reviewed and remain valid.

## Digital Square and Arena

- Deadweight – in the absence of public sector support, the proposed programme would not represent a viable opportunity for the private sector. The development of arenas typically requires significant public sector subsidy, and it is unrealistic to expect that the programme would proceed in any form without some level of funding support. Therefore, it is reasonable to conclude that deadweight would be zero, both in terms of the construction phase and operational phase.
- Displacement – there is the potential that the proposed development will lead to some displacement of construction activity. However, it is not expected that this displacement will be significant in the local area, given that the programme represents one of the major key development opportunities in the City Region and there is spare capacity in the local economy. A displacement rate of 30% for construction related employment is therefore deemed to be appropriate. For the operational phase, in adjusting for displacement, an assumption has been made to discount all visitors who live in the impact area (City Region) since in the absence of the Arena local residents might simply spend the same amount but at other existing leisure, cultural and entertainment venues. This results in a displacement rate of 42%, which is considered to be a prudent assumption as in reality the Arena is likely to help retain local tourism spend.
- Leakage – an analysis of Census origin destination data has been undertaken to determine the general level of employment leakage from within the City Region (7%). Census data in terms of distance travelled to work for the retail, food and accommodation sectors has also been reviewed. This shows that people working in these sectors tend to travel shorter distances to work than the overall average. This is to be expected given the higher proportion of part-time work in these sectors and the typically lower wage levels. For the purposes of the assessment, a leakage rate of 5% at the City Region level has therefore been applied in terms operational jobs created as a result of the Digital Square and Arena project (the majority of which will be within the retail, food and accommodation sectors). For construction phase employment, a higher leakage rate of 10% has been applied.
- Multiplier effects – in determining an appropriate multiplier, reference has been made to input-output data for Wales and additionality guidance (specifically, Homes England's Additionality Guide). In the input-output tables for Wales, published by the Welsh Economy Research Unit, a composite multiplier of 1.62 is identified for the construction sector, 1.54 for hotels, bars and restaurants, and 1.53 for the recreation sector. The Homes England Additionality Guide identifies a sub-regional composite multiplier benchmark of 1.46 for physical regeneration projects. With regard to the operational phase impacts, given the nature of activity associated with the programme, it is expected that a significant proportion of the multiplier effects will be retained within the City Region. A composite multiplier of 1.4 has therefore been applied. In terms of the construction phase, a City Region level multiplier of 1.3 has

been used, on the basis that a higher proportion of construction related supply chain expenditure will be spent outside of the City Region economy.

#### Digital Village and Innovation Matrix & Innovation Precinct

- Deadweight – as set out within the business case, Swansea suffers from a lack of project viability, linked to the low rental values of office space in the city. Current rental values of around £6-14 sq. ft. are considered by the private sector to be insufficient to achieve acceptable returns on development, making private sector led developments unviable. This means that there would be no incentive for private developers to deliver the type of space proposed without the availability of significant gap funding. Given these market conditions, it is reasonable to assume that neither the Digital Village project or the Innovation Matrix & Innovation Precinct project would proceed without the proposed City Deal investment. It is therefore again reasonable to assume zero deadweight.
- Displacement – while inevitably the proposed developments will displace some activity from other competing developments in the City Region, it is expected that the level of displacement will be low. There is a current, well recognised lack of suitable incubation and grow-on space for businesses in the City Region and demand for quality office space is currently being unmet. In addition, both the Digital Village and Innovation Matrix and Innovation Precinct projects would help to stimulate economic growth in the local and sub-regional economy and complement development elsewhere, helping to attract additional investment and businesses. On balance, a displacement rate of 25% at the City Region level is considered to be appropriate.
- Leakage – as with the Digital Square and Arena project, Census origin destination data has been analysed to determine an appropriate level of employment leakage. The overall leakage rate for the City Region is 7%, but it is recognised that the type of employment created through the Digital Village and Innovation Matrix and Innovation Precinct projects could lead to a higher proportion of jobs being taken up by non-local residents, given the higher skills requirements within the professional business service and ICT sectors. Taking these factors into account, a leakage rate of 10% has been applied to the operational phase employment impacts (construction related leakage is again assumed to be 10% at the City Region level).
- Multiplier effects – the input-output tables for Wales identify a composite multiplier of 1.37 for the professional services sector. The other relevant benchmark is again the sub-regional composite multiplier of 1.46 for physical regeneration projects, set out within the Homes England Additionality Guide. Taking into account the nature of indirect and induced activity likely to be associated with the Digital Village and Innovation Matrix and Innovation Precinct projects, a multiplier of 1.25 has been applied at the City Region level. This is considered to be a prudent assumption given the potential for spill-over effects associated with both projects and possible agglomeration benefits.

#### **Business rates**

The delivery of new commercial accommodation will result in an increase in business rates within Swansea. The analysis of business rates has been informed by benchmarks for rateable values, derived from the Valuation Office Agency website and remain valid for this version of the business case. For standard commercial uses (including retail, food and drink, office and hotel floorspace), comparable evidence has been used for existing hereditaments within Swansea. For other uses (notably the proposed arena), a wider review of existing facilities across the UK has been undertaken.

Appropriate adjustments have been applied to allow for the chargeable area (on a gross or net basis) and risk associated with reliefs and non-payments (of between 10% and 90% depending on the nature of the use). The business rates income has been calculated through applying the Uniform Business Rate for 2017/18 of 0.49.

*Please note: In accordance with Treasury Guidance, no account has been taken of additional business rates income in calculating the Cash Releasing Benefits in the attached Cost Benefit Analysis spread-sheets.*

### **Public sector cost savings**

As with the construction phase of each scheme, the jobs created through the operational phase will help to bring currently unemployed or inactive people back into employment. Estimates as to the likely extent of this impact for each scheme has been informed by an analysis of the skills profile of the jobs created, compared to those unemployed in Swansea, as well as ONS labour market flows data. The fiscal savings that will be generated by workless claimants entering work have been based on the Unit Cost Database developed by New Economy, HMT and the Public Sector Transformation Network in 2015. The savings principally relate to reduced DWP benefit payments, as well as some health care cost savings.

*Please note: Again, in accordance with Treasury Guidance, no account has been taken of public sector cost savings in calculating the Cash Releasing Benefits in the attached Cost Benefit Analysis spread-sheets.*

Table 5: main benefits

| <b>Type</b>                    | <b>Direct to Organisation(s)</b>   | <b>Indirect to Organisation(s)</b>   |
|--------------------------------|--|--|
| Quantitative (or quantifiable) | Rental Income  | -  |
| Cash releasing                 |  | Increased business rates.<br>Reductions in public sector spending                |
|                                | <b><i>The above are accounted for in the financial case appraisals</i></b>       | <b><i>The above are not accounted for in the financial case appraisals</i></b>   |
| Non-cash releasing             | Increases in local GVA and employment opportunities for citizens.                | Increases in GVA and job creation.   |
|                                | <b><i>All of the above are accounted for in the economic case appraisals</i></b> | <b><i>All of the above are accounted for in the economic case appraisals</i></b> |

|                                   |   |   |
|-----------------------------------|---|---|
| Qualitative (or non-quantifiable) | More supportive , conducive environment for business, improved leisure offer, raise profile as a business location, catalyst for private sector investment. | Enables small businesses to develop efficiencies and specialisms. |
|                                   | <b>Subject to weighting and scoring – see below</b>   | <b>Subject to weighting and scoring – see below</b>               |

### 3.5.3 Estimating costs

The estimated programme costs in the approved OBC and the current costs are provided in the tables below.

#### Digital District estimated cost profile – approved OBC

|                    | 2017/18<br>£      | 2018/19<br>£      | 2019/20<br>£      | 2020/21<br>£      | 2021/22<br>£      | TOTAL<br>£         |
|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| City Deal input    | 5,625,845         | 9,332,185         | 15,714,777        | 14,602,423        | 4,724,769         | 50,000,000         |
| Private Sector     | 237,735           | 3,497,883         | 13,267,948        | 19,838,941        | 3,128,491         | 39,970,999         |
| Public Sector      | 11,860,667        | 16,812,312        | 29,640,452        | 23,465,847        | 2,923,007         | 84,702,285         |
| <b>Total Costs</b> | <b>17,724,247</b> | <b>29,642,381</b> | <b>58,623,179</b> | <b>57,907,213</b> | <b>10,776,270</b> | <b>174,673,284</b> |

#### Digital District current cost profile

|                             | Year 1<br>2018/19<br>(£m) | Year 2<br>2019/20<br>(£m) | Year 3<br>2020/21<br>(£m) | Year 4<br>2021/22<br>(£m) | Year 5<br>2022/23<br>(£m) | Year 6<br>2023/24<br>(£m) | Year 7<br>2024/25<br>(£m) | Year 8<br>2025/26<br>(£m) | Year 9<br>2026/27<br>(£m) | Year 10<br>2027/28<br>(£m) | Total<br>(£m)   |
|-----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|----------------------------|-----------------|
| <b>Expenditure</b>          |                           |                           |                           |                           |                           |                           |                           |                           |                           |                            |                 |
| Capital                     | £ 6.03                    | £ 10.04                   | £ 31.82                   | £ 19.27                   | £ 15.91                   | £ 39.03                   | £ 21.54                   | £ 20.32                   | £ 5.95                    | £ 1.25                     | £ 171.15        |
| Revenue                     | £ -                       | £ -                       | £ -                       | £ -                       | £ -                       | £ -                       | £ -                       | £ -                       | £ -                       | £ -                        | £ -             |
| <b>Total</b>                | <b>£ 6.03</b>             | <b>£ 10.04</b>            | <b>£ 31.82</b>            | <b>£ 19.27</b>            | <b>£ 15.91</b>            | <b>£ 39.03</b>            | <b>£ 21.54</b>            | <b>£ 20.32</b>            | <b>£ 5.95</b>             | <b>£ 1.25</b>              | <b>£ 171.15</b> |
| <b>Funding</b>              |                           |                           |                           |                           |                           |                           |                           |                           |                           |                            |                 |
| Swansea Bay City Deal Grant | £ -                       | £ -                       | £ 11.43                   | £ 11.42                   | £ 4.57                    | £ 9.52                    | £ 8.82                    | £ 4.24                    | £ -                       | £ -                        | £ 50.00         |
| Public Sector               | £ 6.03                    | £ 10.04                   | £ 20.37                   | £ 7.85                    | £ 11.34                   | £ 20.93                   | £ 2.89                    | £ 1.80                    | £ -                       | £ -                        | £ 81.25         |
| Private Sector              | £ -                       | £ -                       | £ 0.02                    | £ -                       | £ -                       | £ 8.58                    | £ 9.83                    | £ 14.29                   | £ 5.95                    | £ 1.25                     | £ 39.90         |
| <b>Total</b>                | <b>£ 6.03</b>             | <b>£ 10.04</b>            | <b>£ 31.82</b>            | <b>£ 19.27</b>            | <b>£ 15.91</b>            | <b>£ 39.03</b>            | <b>£ 21.54</b>            | <b>£ 20.32</b>            | <b>£ 5.95</b>             | <b>£ 1.25</b>              | <b>£ 171.15</b> |

#### Description, sources and assumptions

The capital costs associated with the OBC Preferred Option were provided by external cost consultants based on the project construction designs and using market costings drawn from recent construction project pricing. The 'attributable' costs falling to the public sector were based on advice from external specialist property consultants who have estimated the anticipated private sector investment that could be leveraged based on the capital value of the projects on completion.

These latest cost information for the current version of the business case includes actual costs for the Digital Square and Arena project and latest cost estimates for Digital Village which is currently in delivery.

Innovation Matrix/Precinct do not have any costs at present.

Further detailed financial information on each project element is contained within the Financial Case.

### 3.5.4 Net present cost findings

Cost Benefit Analysis appraisals over a 15 year period for were undertaken for each shortlist option within the OBC and are attached at Appendix C. There has been no further update of the cost benefit analysis with this current business case as the assumptions underlying the costs and benefits for each of the shortlist options have not deviated significantly from the original appraisal.

In the CBA spreadsheet as presented in the OBC, 'construction jobs created' and 'construction benefits' rows are populated with the net construction jobs and construction phase GVA figures for Swansea Bay City Region from the Economic Impact Assessment of Swansea City Centre Regeneration Programme (Appendix B).

The 'other jobs created' and 'other jobs benefits' are populated with the operational phase net additional employment and GVA figures for Swansea Bay City Region from the Economic Impact Assessment Report. The operational employment and GVA impacts associated with the Digital Square and Arena project are expected to be realised in 2022.

The operational benefits of the Digital Village project are forecast to begin in 2023 and then be spread over the appraisal period, due to the ongoing start-up and growth of new firms. A similar profile has been modelled for the Innovation Matrix and Innovation Precinct project, although the Innovation Matrix element is expected to be complete a couple of years earlier, with the operational benefits starting to be generated in 2024. As outlined above, the economic impact assessment has taken account of displacement, and therefore all job totals are the new jobs that will be created in Swansea Bay City Region as a result of these three schemes.

The short-listed options have been risk-adjusted to account for the cost of risk retained (in £s) by the public sector under each option. The following table summarises the key results of the economic appraisals for each option. Revenue costs have been shown as a single net revenue figure as Cash Releasing Benefits. In addition to the individual construction cost contingencies already included in the Capital figure for each scheme, an allowance for optimism bias of 10% of all costs has also been made for each short-listed option to account for those risks not reflected. The extent of optimism bias has been derived through consideration of the level of remaining risk and potential for mitigation – with reference made to the upper bound optimism bias for 'standard building projects' in supplementary guidance to the HM Treasury's Green Book.'

Table 6: key results of the economic appraisals for each option (All Public Sector Costs) over a 15-year appraisal period

|   | Undiscounted (£)  | Net Present Cost (Value) (£) |
|---|-------------------|------------------------------|
| <b>Option 1 – Do Minimum</b>              |                   |                              |
| Capital                                   | 12,723,000        | 12,500,347                   |
| Revenue (Inc. in Cash Releasing Benefits) | -                 | -                            |
| Risk retained                             |                   |                              |
| Optimism bias (10%)                       | 1,273,000         | 1,250,035                    |
| <b>Total costs</b>                        | <b>13,996,000</b> | <b>13,750,382</b>            |

|  |                     |                                 |
|--|---------------------|---------------------------------|
| <b>Less</b> cash releasing benefits          | 0                   | 0                               |
| Costs net cash savings                       | <b>13,996,000</b>   | <b>13,750,382</b>               |
| Non-cash releasing benefits                  | 81,594,140          | 62,863,701                      |
| <b>Total</b>                                 | <b>67,598,140</b>   | <b>49,113,319</b>               |
|  | Undiscounted<br>(£) | Net Present Cost<br>(Value) (£) |
| <b>Option 2 – Reference/Preferred</b>        |                     |                                 |
| Capital                                      | 134,702,285         | 125,793,244                     |
| Revenue (Inc. in Cash<br>Releasing Benefits) | -                   | -                               |
| Risk retained<br>Optimism bias (10%)         | 13,470,229          | 12,579,325                      |
| Total costs                                  | 148,172,514         | 138,372,569                     |
| <b>Less</b> cash releasing benefits          | 12,126,460          | 8,758,877                       |
| Costs net cash savings                       | <b>136,046,054</b>  | <b>129,613,692</b>              |
| Non-cash releasing benefits                  | 728,234,896         | 537,122,618                     |
| <b>Total</b>                                 | <b>592,188,842</b>  | <b>407,508,926</b>              |
|  | Undiscounted<br>(£) | Net Present Cost<br>(Value) (£) |
| <b>Option 3 – More Ambitious</b>             |                     |                                 |
| Capital                                      | 241,402,284         | 225,436,239                     |
| Revenue (Inc. in Cash<br>Releasing Benefits) | -                   | -                               |
| Risk retained<br>Optimism bias (10%)         | 24,140,228          | 22,543,624                      |
| Total costs                                  | 265,542,512         | 247,979,863                     |
| <b>Less</b> cash releasing benefits          | 43,426,584          | 31,802,036                      |
| Costs net cash savings                       | <b>222,115,928</b>  | <b>216,177,827</b>              |
| Non-cash releasing benefits                  | 1,005,134,895       | 747,049,318                     |
| <b>Total</b>                                 | <b>783,018,967</b>  | <b>530,871,491</b>              |
|  | Undiscounted<br>(£) | Net Present Cost<br>(Value) (£) |
| <b>Option 4 – Less Ambitious</b>             |                     |                                 |
| Capital                                      | 66,414,812          | 62,225,462                      |
| Revenue (Inc. in Cash<br>Releasing Benefits) | -                   | -                               |
| Risk retained<br>Optimism bias (10%)         | 6,641,481           | 6,222,546                       |
| Total costs                                  | 73,056,293          | 68,448,008                      |
| <b>Less</b> cash releasing benefits          | 12,031,536          | 8,701,800                       |
| Costs net cash savings                       | <b>61,024,757</b>   | <b>59,746,208</b>               |
| Non-cash releasing benefits                  | 585,086,038         | 424,379,906                     |
| <b>Total</b>                                 | <b>524,061,281</b>  | <b>364,633,699</b>              |



### 3.5.5 Option ranking

The option ranking of the shortlist options are summarised and in Table 7 below. As the assumptions underlying the costs and benefits for each of the shortlist options have not deviated significantly from the original appraisal then the rankings remain the same as detailed in the OBC with Option 2 being confirmed as the approved option.

Table 7: Summary of results

| Option   | Description         | Ranking  |              |                  |                       |                       |
|----------|---------------------|----------|--------------|------------------|-----------------------|-----------------------|
|          |                     | NPV (£s) | Cash benefit | Non cash benefit | Cost net cash savings | Costs net all savings |
| <b>1</b> | Do Minimum          | <b>4</b> | 4            | 4                | 1                     | <b>1</b>              |
| <b>2</b> | Reference Programme | <b>2</b> | 2            | 2                | 3                     | <b>3</b>              |
| <b>3</b> | More Ambitious      | <b>1</b> | 1            | 1                | 4                     | <b>4</b>              |
| <b>4</b> | Less Ambitious      | <b>3</b> | 3            | 3                | 2                     | <b>2</b>              |

### 3.5.6 Option appraisal conclusions

Option 3, the more ambitious option, has the highest net present value, and is the high cost/ high benefit option. However the high capital cost of this scheme is unaffordable, and it is undeliverable due to the challenging conditions within the retail and leisure market at the current time. The additional benefits accruing from this option are insufficient to justify the higher level of risk associated with it.

Whilst option 1, do minimum, is the lowest cost option the benefits delivered are very limited and it will not generate the step change in the city centre, and local economy, that is desired.

Option 2, the reference programme is a higher cost/ higher benefit option than option 3, the less ambitious scheme. The additional cost of option 2 is affordable, and the higher benefits that accrue from option 2 are considered to be worth paying for. In addition to the GVA benefits highlighted in the CBA, a further non-market benefit can be attributed to the Digital Arena proposals. DCMS research has shown that there is a wellbeing benefit to those attending cultural events, estimated to be approximately £47 per visit in addition to any price paid to participate such as an entrance fee. It is forecast that the Arena could attract approximately 213,000 visits each year to concerts and other shows. This would equate to a total wellbeing value per annum of around £10 million.

Moreover, the Arena proposals form a key component of the wider city centre regeneration programme. Once developed, it will act as a key attractor and anchor occupier and this should feed into enhanced demand, and hence rental value and investment yields, for commercial, retail and leisure occupiers, which will make it viable to lever in investment from the private sector for the Phase 2 retail and leisure scheme.

### 3.6 Qualitative benefits appraisal

The qualitative benefits associated with each of the short-listed options have been appraised in the OBC using the methodology outlined below. The methodology, assumptions and scoring have been revisited in this updated businesses case. There are no changes to the scoring or ranking of the options

#### 3.6.1 Methodology

The qualitative benefits appraisal was undertaken by:

1. identifying the benefits criteria relating to each of investment objectives
2. weighting the relative importance (in %s) of each benefit criterion in relation to each investment objective
3. scoring each of the short-listed options against the benefit criteria on a scale of 0 to 9
4. deriving a weighted benefits score for each option.

#### 3.6.2 Qualitative benefits criteria

The benefits criteria were weighted equally for each of the updated investment objectives, as all three investment objectives are considered to be of equal importance in addressing the business needs as outlined in the strategic case.

Table 8: qualitative benefits criteria

| Investment Objectives   | Qualitative Benefits   | Weight |
|---|--|--------|
| To create incubation and co-working areas for start-ups and micro businesses, with high levels of curation and access to University expertise to maximise survival rates.                   | <p>More supportive, conducive environment where start up technology based businesses can thrive.</p> <p>Enables small businesses to develop greater efficiencies and specialisms, become more competitive and strengthen their market positions.</p>   | 33.3%  |
| To create 115,000 sq ft of flexible and affordable accommodation in the city centre to support the growth of technology based businesses (and other higher added value activities) by 2023. | <p>More supportive, conducive environment for technology-based businesses to grow</p> <p>Co-location of high value businesses and highly skilled people which facilitates innovation, commercialisation of activities and knowledge exchange</p> <p>Raises the profile of Swansea City Centre as a business location</p> <p>Catalyst for private sector investment</p> | 33.3%  |
| To create the vibrant environment, leisure and lifestyle offer (including events space) in the city   | <p>More attractive environment and leisure offer to attract and retain skilled workers</p> <p>Improvements to the leisure offer</p>  | 33.3%  |

| Investment Objectives   | Qualitative Benefits  | Weight |
|---|---|--------|
| centre by 2021 that attracts and retains technology-based businesses and skilled workers for the benefit of the wider region. | <p>Raises the profile of Swansea City Centre as a business location</p> <p>Catalyst for private sector investment</p> |        |

### 3.6.3 Qualitative benefits scoring

Benefits scores were allocated on a range of 0-9 for each option and agreed by discussion by the workshop participants to confirm that the scores were fair and reasonable.

### 3.6.4 Analysis of key results

The results of the benefits appraisal are shown in the table that follows.

Table 9: benefits appraisal results

| Benefit Criteria and Weight   | Option – Do Minimum |      | Option 2 – Preferred Reference |      | Option 3 – More Ambitious |      | Option 4 – Less Ambitious |      |
|---|---------------------|------|--------------------------------|------|---------------------------|------|---------------------------|------|
|   | R                   | W    | R                              | W    | R                         | W    | R                         | W    |
| Raw (R) weighted (W) scores   |                     |      |                                |      |                           |      |                           |      |
| To create incubation and co-working areas for start-ups and micro businesses, with high levels of curation and access to University expertise to maximise survival rates.                   | 1                   | 0.33 | 8                              | 2.64 | 8                         | 2.64 | 6                         | 1.98 |
| To create 115,000 sq ft of flexible and affordable accommodation in the city centre to support the growth of technology based businesses (and other higher added value activities) by 2023. | 2                   | 0.66 | 8                              | 2.64 | 8                         | 2.64 | 7                         | 2.31 |
| To create the vibrant environment, leisure and lifestyle offer (including events space) in the city centre by 2022 that   | 1.5                 | 0.50 | 8                              | 2.64 | 8                         | 2.64 | 3.5                       | 1.16 |

|   |          |      |          |      |          |      |          |      |
|---|----------|------|----------|------|----------|------|----------|------|
| attracts and retains technology based businesses and skilled workers for the benefit of the wider region. |          |      |          |      |          |      |          |      |
| <b>Total</b>  | 4.5      | 1.49 | 24       | 7.92 | 24       | 7.92 | 16.5     | 5.45 |
| <b>Rank</b>   | <b>4</b> |      | <b>1</b> |      | <b>1</b> |      | <b>3</b> |      |

The key considerations that influenced the scores achieved by the various options were as follows:

✓ **option 1 – Do Minimum**

This option ranks 4<sup>th</sup>. It would provide very little of the benefits available from the other 3 Options and would fail to achieve any of the Investment Objectives.

✓ **option 2 – Preferred Option**

This option ranks 1<sup>st</sup> equal. It would achieve all of the Investment Objectives and could be delivered in a reasonable timescale using land and resources entirely within the control of the programme sponsors.

✓ **option 3 – More Ambitious**

This option ranks 1<sup>st</sup> equal. It would achieve all of the Investment Objectives and potentially greater overall financial return than the Preferred Option. However overall this is cancelled out by the unaffordable levels of funding required and demand risk associated with achieving the necessary higher levels of occupation.

✓ **option 4 – Less Ambitious**

This option ranks 3<sup>rd</sup>. It would only achieve two of the Investment Objectives and therefore achieve significantly less benefits.

### 3.7 Risk appraisal – unquantifiables

*Note: all the quantifiable risks should be measured (in £s) and included in the cost of risk retained for each option. There should be little need for the use of optimism bias at this stage.*

*All risks should be accounted for in the attached risk register.*

*The assessment of the non-financial risks should be recorded as shown below.*

A workshop was held at the UWTSD SA1 Marketing Suite, Swansea on 31<sup>st</sup> July 2017 to evaluate the risks associated with each option.

#### 3.7.1 Methodology

Risk appraisal was undertaken for the approved OBC and involved the following distinct elements:

- identifying all the possible business and service risks associated with each option
- assessing the impact and probability for each option
- calculating a risk score.

### 3.7.2 Risk scores

The workshop assigned the risk scores shown in the following table on the basis of participants' judgements and assessments of previous procurements. A more detailed assessment of the individual risks is shown in the risk register.

The range of scales used to quantify risk for both impact and probability was as follows:

- ✓ low equals 1
- ✓ medium equals 3
- ✓ high equals 5.

Table 10: summary of the risk appraisal results

| Summary of Risk Appraisal Results (Pr = probability)   | Risk category no. | Impact | Option 1 Do Minimum |       | Option 2 – Preferred Option Reference |       | Option 3 – More Ambitious |       | Option 4 – Less Ambitious |       |
|--|-------------------|--------|---------------------|-------|---------------------------------------|-------|---------------------------|-------|---------------------------|-------|
|  |                   |        | Pr.                 | Tot.  | Pr.                                   | Tot.  | Pr.                       | Tot.  | Pr.                       | Tot.  |
| Facilities don't meet the needs of start-ups and tech based businesses                                 | 1                 | 3      | 4                   | 12    | 1.5                                   | 4.5   | 1.5                       | 4.5   | 2                         | 6     |
| Funding not secured  | 2                 | 5      | 4                   | 20    | 3                                     | 15    | 5                         | 25    | 3                         | 15    |
| Planning Consents  | 3                 | 5      | 2                   | 10    | 1                                     | 5     | 2                         | 10    | 1                         | 5     |
| Insufficient internal capacity to project manage and deliver the developments                          | 4                 | 4      | 1.5                 | 6     | 2.5                                   | 10    | 4                         | 16    | 2.5                       | 10    |
| Digital technology available   | 5                 | 4      | 2.5                 | 10    | 2                                     | 8     | 2                         | 8     | 2                         | 8     |
| Adequate Transport Access  | 6                 | 4      | 3                   | 12    | 3                                     | 12    | 3                         | 12    | 3                         | 12    |
| Timing – if projects are not delivered in the appropriate timescales then occupiers could go elsewhere | 7                 | 3      | 4.5                 | 13.5  | 2                                     | 6     | 4                         | 12    | 2.5                       | 7.5   |
| Unable to secure tenants to occupy the buildings   | 8                 | 4      | 3.5                 | 14    | 2.5                                   | 10    | 3.5                       | 14    | 2.5                       | 10    |
| Adequate support facilities for businesses   | 9                 | 2      | 4                   | 8     | 3                                     | 6     | 3                         | 6     | 3                         | 6     |
| Adequate new start-ups   | 10                | 4      | 3                   | 12    | 3                                     | 12    | 3                         | 12    | 3                         | 12    |
| Engaged Community  | 11                | 2      | 4                   | 8     | 3                                     | 6     | 3                         | 6     | 3                         | 6     |
| Businesses get involved  | 12                | 4      | 3.5                 | 14    | 3                                     | 12    | 3                         | 12    | 3                         | 12    |
| <b>Total</b>   |                   |        |                     | 139.5 |                                       | 106.5 |                           | 137.5 |                           | 109.5 |
| <b>Rank</b>  |                   |        |                     | 4     |                                       | 1     |                           | 3     |                           | 2     |

## Results

The key considerations that influenced the scores achieved by the various options were as follows:

✓ **option 1 – Do Minimum**

This option ranks 4<sup>th</sup>. It would provide much fewer cash and wider benefits than any of the other 3 options. Because of commercial viability the risk is extremely high that the private sector un-aided would not deliver either the commercial floor-space or hands-on curation support required to achieve the benefits achievable for the other 3 Options.

✓ **option 2 – Preferred Option**

This option ranks 1<sup>st</sup>. It is most likely to achieve the Investment Objectives at acceptable levels of risk. This Option would ensure that the necessary commercial floor-space to achieve the Investment Objectives was created together with the dedicated support that could be provided by the programme sponsors.

✓ **option 3 – More Ambitious**

This option ranks 3<sup>rd</sup> and at marginally less risk than the Do Minimum Option. Despite the larger cash and GVA benefits this Option could provide, this could only be achieved at unacceptable levels of risk due to the extremely large capital investment required and the demand and delivery risks associated with it.

✓ **option 4 – Less Ambitious**

This option ranks 2<sup>nd</sup> and scored very close to the Preferred Option. Whilst this Option would result in a lower cost exposure than the Preferred Option, the exclusion of the Digital Square and Arena elements would fail to address the third Investment Objective at all.

The scoring of the risk appraisal has been revisited in this updated businesses case and there are no changes to the option rankings from the approved OBC.

### 3.8 The preferred option – selected supplier

The results of investment appraisal are unchanged from the approved OBC and are as follows:

Table 11: summary of overall results

| <b>Evaluation Results</b> | <b>Option 1<br/>Do<br/>Minimum</b> | <b>Option 2<br/>Preferred<br/>Reference</b> | <b>Option 3<br/>More<br/>Ambitious</b> | <b>Option 4<br/>Less<br/>Ambitious</b> |
|---------------------------|------------------------------------|---|--|--|
| Economic appraisals       | 4                                  | 2   | 1                                      | 3                                      |
| Benefits appraisal        | 4                                  | 1   | 1                                      | 3                                      |
| Risk appraisal            | 4                                  | 1   | 3                                      | 2                                      |
| <b>Overall Ranking</b>    | <b>4</b>                           | <b>1</b>                                    | <b>2</b>                               | <b>3</b>                               |

Conclusions:

### Option 1 – Do Minimum

This option ranks 4<sup>th</sup> overall, and whilst the lowest cost option is unlikely to achieve any impact in delivering the Investment Objectives. Delivery of the required floor-space would be entirely dependent on the private sector deciding to undertake development which is highly unlikely at current viability levels.

### Option 2 – Reference Programme/Preferred Option

This option ranks 1<sup>st</sup> overall, as it is ranked first in the Benefits and Risk appraisals and second in the Economic appraisal. It remains the Preferred Option. It can be expected to achieve all of the Investment Objectives at lower cost and risk than the More Ambitious Option.

### Option 3 – More Ambitious

This option ranks 2<sup>nd</sup> overall. Whilst it could achieve all the Investment Objectives and potentially achieve significantly more net benefits than Option 2, it involves very significantly higher cost and risk than the Preferred Option. The additional £100M+ of capital cost is unaffordable at the present time and the demand risk involved for such a large scheme is considered unacceptable. Alongside this increased cost and risk is the issue of city centre capacity to cope with such a significant amount of development all being undertaken at the same time, in terms of infrastructure capacity and maintaining a functioning city centre for both residents and visitors. In terms of resourcing there may also be issues surrounding the procurement of quality contractors and professional teams to deliver such a number of projects. The Council has been advised by Rivington Land and Cushman & Wakefield to follow a phased approach to the whole Swansea Central Retail & Leisure scheme with Phase 1 being the Digital Square & Arena - which is deliverable subject to funding and an Arena operator being selected - and then follow this with the Phase 2 retail/ leisure scheme. Undertaking a phased approach (rather than completion of both Swansea Central phases 1 & 2 by 2021 as is being considered under this more ambitious option), would provide the opportunity to lever in investment from the private sector for the Phase 2 retail & leisure scheme as a later phase of development, with the initial phases (i.e. the reference programme) acting as a catalyst to drive values of future phases.

The scale of physical improvements needed to create the overall sense of environment required by these occupiers reinforces the need for initial public sector support to make it viable. However, the critical mass of the reference programme should mean that it will quickly generate additional commercial occupier demand, and at rents which should ensure that development by the private sector is viable. Once developed, the overall benefit of the Arena to the city will be very significant as a key attractor and 'anchor' occupier, and this should feed in to enhanced demand, and hence rental value and investment yields for commercial, retail and leisure occupiers alongside other city centre uses.

As a result of this, Swansea Central Phase 2 (retail & leisure scheme) will now follow on as a later phase of development after the Digital District programme. This decision has since been validated by the current challenging conditions in the retail market which is making it increasingly difficult to deliver traditional retail led schemes.

### Option 4 – Less Ambitious

This option ranks 3<sup>rd</sup> overall. Whilst achieving many of the objectives for growing and retaining start-ups and SME's within the region, it would completely fail to address the 3<sup>rd</sup> Investment Objective of creating a vibrant environment, leisure and lifestyle offer (including events space) in the city centre. Consequently, whilst this Option requires less

capital investment than the Preferred Option, it would not achieve all of the required outcomes.

### 3.9 Sensitivity analysis

The methods used in the approved OBC were:

- a) 'switching values'
- b) scenario planning/ analysis ('what if ') by altering the values of the 'uncertain' costs and benefits to observe the effect on the overall ranking of options.

#### 3.9.1 Results of switching values

Table 12 shows the values (in %s) at which the preferred option would change in the overall ranking of options.

Table 12: changes (%) required to equate with the preferred option

| <b>Change in Costs (%)</b>  | <b>Option 1</b> | <b>Option 2 Preferred Option</b> | <b>Option 3 More Ambitious</b> | <b>Option 4 Less Ambitious</b> |
|-----------------------------|-----------------|----------------------------------|--------------------------------|--------------------------------|
| Capital costs               | 1058.68%        | 0                                | -55.80%                        | 202.82%                        |
| Current costs               | -               | -                                | -                              | -                              |
| Total costs                 | 1058.68%        | 0                                | -55.80%                        | 202.82%                        |
| Cash releasing benefits     | -               | 0                                | -71.99%                        | 1.41%                          |
| Non cash-releasing benefits | -               | -                                | -                              | -                              |
| NPV/C                       | 835.39%         | 0                                | -30.05%                        | 11.69%                         |

#### 3.9.2 Key observations

The assessment of switching values shows that the economic benefits under the alternative options would have to increase considerably, compared to the preferred option, in order to change the overall ranking of options. The magnitude of change required is such that Option 2 can be identified as the preferred option with a high degree of confidence. The current information indicates that there has been no significant change in the relative costs and benefits of the options and there is no change to the overall ranking of the options.

#### 3.9.3 Results of scenario planning

The table below summarises the results associated with increasing costs and the time taken to deliver the programme benefits, as well reducing overall benefits, as set out within the Cost Benefit Analysis at Appendix C. The variances made to costs, timings and benefits are as follows:

- ✓ 20% increase in costs
- ✓ 1-year delay in benefits



- ✓ 40% reduction in benefits

Table 13: summary of results from scenario planning (All Public Sector Costs)

| NET PRESENT VALUE<br>(15-YEAR<br>APPRAISAL) | OPTION 1    | OPTION 2     | OPTION 3     | OPTION 4     |
|---|-------------|--------------|--------------|--------------|
| <b>BASE</b>                                 | £49,113,319 | £407,508,927 | £530,871,490 | £364,633,699 |
| Increasing costs by 20%                     | £46,363,242 | £379,834,413 | £481,275,518 | £350,944,097 |
| 1-year delay in benefits                    | £45,469,694 | £364,816,560 | £473,317,647 | £327,494,252 |
| Reducing benefits by 40%                    | £23,967,838 | £189,156,329 | £219,330,949 | £191,401,016 |

### 3.9.4 Key observations

The results of scenario planning demonstrate the Preferred Option 2 retains similar proportionate increased benefits over the Less Ambitious Option 4 under all scenarios except when benefits are reduced by 40%. Whilst the More Ambitious Option 3 has potentially greater returns than the Preferred Option, this difference decreases rapidly as costs increase and benefits are decreased, confirming the high-risk analysis of this Option.

### 3.10 Preferred option

The Preferred Option remains Option 2 as this is most likely to achieve the Investment Objectives and was ranked first in the benefits and risk appraisals and second in the economic appraisal. Whilst the More Ambitious Option scored highest in the economic appraisal in terms of financial benefits, the additional costs (£106M) are not currently affordable and the demand and delivery risks associated with this Option have resulted in it being discounted.

### 3.11 Economic Impact of Preferred Option at UK Level

In order to be compliant with the Green Book, additional analysis was undertaken by Amion Consulting to assess the economic impact of the preferred option at the UK level, focusing on productivity impacts. In line with the Green Book, the national level wage premium analysis excludes multiplier effects.

In order to take into account, the productivity impacts associated with the proposed City deal developments, an assessment has been undertaken of the GVA uplift that will be generated (not the total GVA impact). This has been based on an analysis of the employment impact associated with each project and, specifically, the type of jobs created, with reference made to Welsh Government Priority Sector Statistics to determine how the GVA per job (productivity) compares to the average for Wales.

The employment impact associated with the City Deal developments can broadly be separated into three sectors: financial and professional services, ICT and retail/tourism. The GVA uplift analysis has focused on the number of jobs created within the financial

and professional services sector and the ICT sector only – the jobs created within the retail and tourism sectors will be important locally and indirectly support wider productivity growth but have been excluded for the purposes of this assessment.

According to Welsh Government Priority Sector Statistics, the average GVA per person in employment estimates for the financial and professional and ICT sectors and the overall average for Wales are as follows:

- Financial and professional services – £93,000
- ICT – £84,700
- Wales average – £38,200

The GVA uplift (the difference between the sector GVA per person in employment and Wales average) has been applied to the estimates of employment created in each sector as a result of the City Deal developments. This has then been adjusted to reflect the productivity differential between Wales as a whole and Swansea (using ONS sub-regional productivity data).

Overall, once each project is complete and the employment effects fully realised, the productivity impact is estimated to be approximately £49 million per annum. Based on the profile of employment creation for each project and assuming the benefits persist over the 15-year period, the cumulatively productivity benefit would amount to £344 million (discounted at 3.5%). This compares to the estimated £537 million of non-cash releasing (local GVA) benefits set out within the Full Business Case.

As identified in Appendix B, by enabling high value businesses, along with highly qualified people, to cluster together, collaborate with each other as well as with academia, innovate and commercialise activity, the City Deal proposals will enhance the productivity benefits associated with each project. The creation of such an environment will help businesses to develop greater efficiencies and specialisms, become more competitive and strengthen their market positions.

It is also important to note that in addition to the productivity benefits associated with the City Deal proposals, there will be a range of other 'Green Book compliant' benefits generated through the implementation of each project. For example, there will be important distributional benefits from the creation of accessible employment opportunities for local residents and the attraction of new investment to the City Region. A key goal of the UK Government is to help rebalance activity from London and the Southeast, with a clear focus on redistributing growth. The City Deal proposals form an important component of strategies to ensure growth within the UK is inclusive.

The Green Book also highlights the need to consider the potential wellbeing benefits and other non-market impacts that could be generated as a result of a given intervention. In relation to the City Deal proposals this would include the amenity benefits associated with redeveloping parts of the City Centre, which have suffered from under-investment, along with the social value attached to bringing people back into employment.

A further non-market benefit can be attributed to the Digital Arena proposals. DCMS research has shown that there is a wellbeing benefit to those attending cultural events, estimated to be approximately £47 per visit in addition to any price paid to participate such as an entrance fee. It is forecast that the Arena could attract approximately 213,000 visits each year to concerts and other shows. This would equate to a total wellbeing value per annum of around £10 million.

## **Part 2 - Procurement process and evaluation of the Best and Final Offer (BAFO)**

### **3.12 Procurement Process**

This updated version of the business case details the procurement strategy, route and evaluation criteria that were in the procurement processes for the follow project elements:

- Digital Square and Arena
- Digital Arena operator
- Hotel Developer
- Digital Village (71-72 Kingsway)
- Innovation Matrix

It is recognised that Better Business Case guidance requires that an economic appraisal is undertaken for the potential service providers. This has not been carried out as there have been several procurements undertaken for the individual project elements that have been subject to specific evaluation and assessment criteria to identify the service provider offering best use of public money in delivery.

### **3.13 Digital Square & Arena Procurement**

#### **Construction Partner Procurement**

The procurement of a construction partner for the Digital Square and Arena was undertaken by Swansea Council in accordance with the OJEU compliant process outlined in the approved OBC. Under the OJEU process, a competitive dialogue procurement exercise has been undertaken by Swansea Council which followed the following process.

A procurement strategy report was prepared by the Council's project manager (28<sup>th</sup> February 2017) and by the Council which recommended a Two Stage Design and Build procurement approach.

A Pre-Qualification process was issued on 12<sup>th</sup> December 2017 based on the advice of AECOM and Rivington, 9 Pre-Qualification Questionnaires were received, and these were assessed to shortlist 5 parties, reducing the number of tenderers from nine to five and subsequently reduced to three that met all the ITT criteria, financial checks and capacity availability requirements, namely:

- Bouygues (UK) Limited
- Buckingham Group Contracting Limited
- Willmott Dixon Construction Limited

The ITT was issued on 22<sup>nd</sup> March 2018 based on based on the Stage 2 design information (reflecting the Value Engineering 3 design and scope). Tenders were returned on 18<sup>th</sup> May 2018.

Tenderers were required to submit bona fide tenders on the following criteria:

- Fixed lump sum for Pre-Construction Services Agreement (PCSA), including design fees
- Fixed lump sum for the Construction Stage Preliminaries, including design fees
- A fixed percentage for Overheads and Profit
- A fixed percentage for Risk on sub-contract tendered / untendered packages
- A fixed programme for the Phase 1 works
- Technical, construction, design and management proposals
- Priced cost plan for the measured works (non-binding at Stage 1)

As part of the ITT, tenderers were able to submit two alternatives for design teams (Option 1 and Option 2). Option 1 was for novation of the client's architect, landscape architect and structural engineer whereas Option 2 allowed the contractor to provide any alternative they felt would benefit the project.

Following the submission of the tenders, a tender clarification process was carried out which involved clarification meetings and tender query and responses whereby all contractors were provided the same information to ensure transparency and conducted in a way that did not put any tenderer at a disadvantage.

To ensure the team were complying with OJEU process rules, the Council's procurement and legal expertise was sought throughout. Tenderers were contacted via the eTender Wales portal (managed by the Council) and clarification meetings were attended by the Council, minutes and submitted to the Council to confirm what was discussed.

Any issues that could potentially affect the award criteria or could potentially change the original tender requirements were discussed and a final strategy was agreed before progressing. This was the case regarding contract conditions, whereby a revised contract amendment document was agreed with the Council and issued to all tenderers to ensure fair competition. Upon review, to avoid any confusion on this point, the Council's procurement officer produced a detailed note that was uploaded to the portal.

All three tenderers confirmed a preference for Option 2 (with Bouygues declining to tender Option 1 altogether) citing the benefits of their existing design team relationships and proposed design team experience as benefits to the project, particularly in a demanding programme. Buckingham and Willmott Dixon also included elements of novation within their Option 2 which meant Option 1 was not significantly different from the contractor's own proposals. For these reasons Option 1 was discounted by the panel.

The Tender Evaluation Panel convened on 16<sup>th</sup> July 2018 to undertake an initial scoring session, which was subject to further clarification responses from the tenderers. Once all final clarifications were received, a final scoring session was held to update the initial scoring (30<sup>th</sup> July 2018).

The table below shows the final results of the scoring against the tender award criteria, which was set at:

- Commercial 40%

- Technical 60%

| Section                             | Maximum Score |              |                |              |
|-------------------------------------|---------------|--------------|----------------|--------------|
|                                     | Bouygues      | Buckingham   | Willmott Dixon | Dixon        |
| Commercial Scores                   | 40            | 26.96        | 32.79          | 29.38        |
| Technical Scores                    | 60            | 48.80        | 46.40          | 46.00        |
| <b>Total Score</b>                  | <b>100</b>    | <b>75.76</b> | <b>79.19</b>   | <b>75.38</b> |
| <b>Ranking</b>                      |               | <b>2</b>     | <b>1</b>       | <b>3</b>     |
| Variance (vs 1 <sup>st</sup> Place) |               | -3.43        | -              | -3.81        |

Buckingham Group achieved the highest overall score based on the award criteria and is the Most Economically Advantageous Tender (MEAT) submission.

Commercially, Buckingham Group's submission following clarifications is the most competitive for fixed lump sum tender items. Buckingham's figure was lower than Willmott Dixon by **£3.2m** and **£6.9m** lower than Bouygues. With regards to the overheads and profit margin to be applied to the construction stage preliminaries and measured works, whilst Buckingham has the highest percentage of 7.8% compared to Willmott Dixon (6.9%) and Bouygues (5.25%), they would still achieve the lowest overall total cost by **£3.5m** against Willmott Dixon and **£4.7m** against Bouygues

Scoring was based on normalised tender submissions where the final commercial amounts were adjusted based on clarification responses and where design fees were excluded (deemed to be funded by the employer)

If normalisation was excluded, Buckingham would lead by approximately 3.62% from Willmott Dixon and 6.16% from Bouygues, however that would not be a like-for-like comparison.

The table below provides the overall summary of the commercial submissions and normalised tenders.

| Item PTE | Bouygues   |            | Buckingham |            | Willmott Dixon |            |
|----------|------------|------------|------------|------------|----------------|------------|
|          | Submission | Normalised | Submission | Normalised | Submission     | Normalised |

### 1<sup>st</sup> Stage Tender – Fixed Lump Sums

|              |            |           |            |           |           |           |            |
|--------------|------------|-----------|------------|-----------|-----------|-----------|------------|
| PCSA Total   | 2,692,800  | 2,552,585 | 3,070,854  | 1,377,588 | 2,913,824 | 848,219   | 2,072,794  |
| Construction | 13,386,046 | 13,680,49 | 15,547,123 | 7,206,016 | 8,767,166 | 11,116,37 | 12,850,570 |
| OH&P (%)     | 5.00%      | 5.25%     | 5.25%      | 7.80%     | 7.80%     | 6.90%     | 6.90%      |

### 2<sup>nd</sup> Stage Tender – To be fixed during 2<sup>nd</sup> Stage

|                          |                   |                  |                   |                  |                   |                  |                   |
|--------------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|
| Measured Works           | 83,406,000        | 74,280,07        | 79,639,023        | 59,664,69        | 73,400,296        | 74,264,89        | 86,683,779        |
| OH&P (£)                 | 4,839,602         | 4,617,930        | 4,997,273         | 5,215,916        | 6,409,062         | 5,891,30         | 6,867,870         |
| Risk                     | Excluded          | N/A              | N/A               | N/A              | N/A               | N/A              | N/A               |
| <b>Indicative Total*</b> | <b>104,324,44</b> | <b>95,131,07</b> | <b>103,254,27</b> | <b>73,464,21</b> | <b>91,490,348</b> | <b>92,120,79</b> | <b>108,475,01</b> |

\*Indicative Total Subject to 2<sup>nd</sup> Stage

The following summarises the Commercial Scoring results evaluated as per the ITT methodology:

| Section  | Maximum   | Bouygues     | Buckingham   | Wilmot Dixon |
|--|-----------|--------------|--------------|--------------|
| <b>Commercial Scoring</b>                        |           |              |              |              |
| Pre-Construction Services                        | 12        | 8.10         | 8.54         | 12.00        |
| Preliminaries / General Conditions / Design Fees | 16        | 9.02         | 16.00        | 10.92        |
| Overheads and Profit                             | 4         | 4.00         | 2.69         | 3.04         |
| Construction Risk / Design                       | 2         | 0.00         | 2.00         | 0.00         |
| Cost Plan Pricing                                | 6         | 5.84         | 3.56         | 3.42         |
| <b>Commercial Scoring Total</b>                  | <b>40</b> | <b>26.96</b> | <b>32.79</b> | <b>29.38</b> |

The following summarises the Technical Scoring results as evaluated by the tender scoring panel:

| Section                                      | Maximum   | Bouygues     | Buckingham   | Wilmot Dixon |
|--|-----------|--------------|--------------|--------------|
| <b>Technical Scoring</b>                     |           |              |              |              |
| Management Structure and                     | 12        | 9.60         | 9.60         | 9.60         |
| Design Management / Contractor's Design Team | 10        | 7.60         | 6.80         | 6.00         |
| Programme & Phasing                          | 12        | 9.60         | 10.80        | 9.60         |
| Construction Methodology and                 | 12        | 9.60         | 9.60         | 9.60         |
| Risk Management / Health and                 | 6         | 6.00         | 4.80         | 4.80         |
| Local Engagement (BBM)                       | 4         | 3.20         | 2.40         | 3.20         |
| Sustainability                               | 4         | 3.20         | 2.40         | 3.20         |
| <b>Technical Scoring Total</b>               | <b>60</b> | <b>48.80</b> | <b>46.40</b> | <b>46.00</b> |

All three tenderers produced very good technical responses and are reflected in the overall scores above which indicate a spread variance of 2.80%.

### Bouygues

Overall the team structure appears suitable however there was some concern regarding continuity of Bouygues staff between PCSA and construction stage. The Bouygues personnel also lacked specific venue experience.

Bouygues' proposed design team was felt to have limited venue experience and there was little information provided on the actual individuals that would be working on the project. The extent of involvement of the Boyes Rees Managing Director was also unclear.

Bouygues submitted the longest programme at 106 weeks.

Bouygues approach to risk management, sustainability and BBM was strong and well considered.

### Buckingham

The Buckingham team structure was also suitable and has strong senior management who it was felt would manage the project effectively and the company has good

experience of venues and in particular Bristol Arena. It was confirmed that their Senior Management would remain closely involved in the project. However there were some concerns over how they would integrate their proposed teams and existing consultants.

Buckingham's proposed design team consisting of AFL / ACME was considered to have a good balance between retaining current team experience and the specialist knowledge of AFL on venue buildings. AFL is the architect on Hull venue and also has other similar type of buildings experience. In addition Buckingham's proposal to bring in another structural engineer who has good and specific experience in car park design (Hill Cannon) was considered beneficial.

Buckingham had the shortest construction programme (79 weeks) which on review was felt achievable. Buckingham's approach to risk management was strong, however lacked detail on BBM and sustainability.

### Willmott Dixon

The Willmott Dixon team structure was very good. There was some concern regarding the lack of continuity of the PCSA lead into the construction period as well as integration of design teams.

The Willmott Dixon design team (consisting of Stride Treglown and Keppie) raised some concern as Stride Treglown lead architect put forward did not have any venue building experience. It was not clear how this would work with Keppie, who do have some venue building experience but are based in Scotland and how they would service the project from there.

Willmott Dixon submitted the second shortest construction programme with 102 weeks.

Willmott Dixon's approach to risk management, sustainability and BBM was strong and well considered.

### Conclusion

Technically, Buckingham Group's submission had the strongest team, with venue experience, the shortest deliverable programme (subject to a Pre-Start enabling works package) and experienced design team to deliver the project.

Although they were the lowest scoring, this was only by a margin of 2.53% and was largely due to their BBM and Sustainability tender submissions, which were average.

With regards to the contract conditions, Buckingham's bid accepts all the proposed terms. Willmott Dixon confirmed they would not accept clause 1.18 (amendments to relevant events) thereby putting themselves in a non-compliant tender position. Subsequent to this Willmott Dixon withdrew from the tender process (3<sup>rd</sup> August 2018). Bouygues similarly refused to accept a number of JCT contract clause amendments, which the Council have confirmed would be unacceptable.

As contract conditions do not form part of the tender assessment criteria, both parties have still been included within this document for comparison within this scoring document. However, in line with the Council clarification note (Appendix 11.10.iv), the Council experts have noted that both Bouygues and Willmott Dixon are non-compliant.

Based on the tenders evaluated by the Tender Evaluation Panel, Buckingham Group

achieved the highest score against the award criteria and were selected. The building contract was entered into between the Council and Buckingham on 26 November 2019.

### **Arena Operator Procurement**

Swansea council was advised on the arena initial business case and operator procurement by specialist arena advisers IPW. The Council was seeking to transfer the operation risk of the Arena to a third-party operator. IPW recommended a competitive dialogue procurement process to select an operator. This procurement process was outlined in the approved OBC.

The Council's objectives for the procurement process and Operator Agreement are to:

- secure an Arena operator with the experience and track record to deliver quality management and operation of the Swansea Arena
- maximise the level of risk transfer from the Council to the operating partner
- maximise the operational sustainability of the Arena and any form of payment/guarantees to the Council for the Arena
- ensure that the Arena will achieve a varied and balanced programme of events that will appeal to the public
- complement and support the efforts of existing and planned future facilities and partners in delivering a quality destination in Swansea
- promote activity and vibrancy in and around the Arena
- offers innovative approaches in so far that they meet the Council's requirements.

Following an initial Pre-Qualification Stage, the Council invited four bidders to participate in a single-stage Competitive Dialogue process for the operation of the Arena.

- AEG Presents (AEG)
- Ambassador Theatre Group Limited (ATG)
- HQ Theatres & Hospitality (HQ)
- The National Exhibition Centre Limited (NEC)

HQ withdrew from the procurement process prior to the first dialogue meeting. AEG participated in the majority of the dialogue stage of the process, withdrawing towards the end of the dialogue stage. This left two bidders who were invited to submit final tenders, ATG and NEC.

Throughout the dialogue process, the Council's bid team has discussed bidder's operational, financial, commercial, legal and technical proposals in detail and bidders have shared their proposals at regular intervals.

The Final Tenders were assessed against evaluation criteria and a Preferred Bidder ATG and a Reserve NEC were identified.



The council entered into an Agreement for Lease with ATG and the 30-year lease to operate the building was granted on completion of the construction contract in October 2021.

### **Hotel Procurement – COMMERCIALY AND BUSINESS SENSITIVE**

The hotel forms part of the Digital Square & Arena and was identified in the OBC as being private sector funded. The Council appointed hotel specialists Jones Lang LaSalle (JLL) to secure a hotel developer and operator. The initial marketing exercise generated interest from hotel developers and operators, but the private sector would only fund a 3\* hotel. With the support of Visit Wales to provide gap funding to raise the standard to a 4\* hotel, the opportunity was re-marketed.

The Hotel was marketed on the basis of a simple land sale. JLL have comprehensively covered the hotel development market. Coverage has been via the Official Journal of the European Union PIN notices, issued by Swansea Council, and two separate brochure marketing exercises undertaken by JLL to the identified target hotel operator, brand and site purchase database. Feedback from the hotel development market as a result of the above marketing process was consistently that the hotel site sale would deliver nominal or zero land value.

Following the culmination of the above marketing process, in July 2019, four parties submitted proposals for the site. All four parties were shortlisted and JLL approached them to request final bids on the basis of a sale of the site together with the opportunity of potential grant funding from Visit Wales. The parties approached were as follows;

- Vastint
- Legacy Hotels
- Cairn Hotels
- Bricks Capital

The documents provided to these parties comprised the key proposed transaction terms and the Final Stage Tender Response Proforma, which set out the scoring criteria on a number of measures in addition to site price and hotel brand and was to be the basis upon which “best consideration” would be assessed. Electronic links to additional files comprising site plans and site specification documents were provided to all bidders shortly thereafter.

Bids were received from all four parties in September 2019. The bid from Bricks Capital was received after the deadline, on 20 September.

Following receipt of the final stage bids the offers received were reviewed and it was determined that further clarification was required in respect of the bids from Vastint, Cairn Hotels and Legacy Hotels/Percor Capital. The bid from Bricks Capital was deemed non-compliant as it was received after the bid deadline.

A meeting (“the clarification meeting”) was arranged at Swansea City Council’s offices to take place on 25 October 2019. In advance of the meeting the three remaining parties were each sent a letter setting out points of required clarification specifically in respect of their bids. All parties were issued parameters ‘plans’ information in pdf and CAD format. These were issued for the bidders to show how their proposal conformed to the outline permission (in plan terms).

On 25 October, representatives of Swansea City Council (Huw Mowbray and Lee Richards), Rivington Land (David Lewis and Spencer Winter) and JLL (Graham Craggs) met with and received presentations from Vastint, Cairn Hotels and Percor Capital/Legacy Hotels. A summary of the three final bidders' responses against each of the scoring criteria, setting out both their initial responses and feedback following the clarification meeting is attached hereto.

A overview of each of the final bidders is provided below:

***Vastint Hospitality*** are a wholly owned subsidiary of Interogo Holding AG, a substantial international investor and are the owner of IKEA. Group turnover is in the order €40 billion and the closing value of cash accounts in 2018 was EUR 1.7 billion.

Vastint Hospitality are a long-term investor and developer of hospitality real estate with a multinational remit. In the last 5 years Vastint Hospitality have acquired in excess of 50 hotel sites principally for development of the Moxy Hotel by Marriott brand but also for Marriott Courtyard. Approximately a third of these are open and trading, a third in construction and a third in planning or pre-construction phases. **Cairn Hotel Group** are a family-owned hospitality business that started in the 1950s and acquired its first hotel in the 1970s. The group owns and operates 33 hotels throughout the UK. These hotels range from unbranded properties to Hilton and IHG branded hotels and their portfolio includes the recently refurbished 4\* St Georges Hotel on Regent Street London (now branded as the first Treehouse Hotel in Europe). Their accounts show EBITDA of £16,138,000 in 2018 up from £11,245,000 in 2017. In the 2018 accounts, turnover was reported as £94 million and net asset value as £150 million with a loan to value ratio of 45%.

**Percor Capital** is a full-service property company with experience in development, investment and asset management of commercial property. The company is run by its shareholders and Directors, Jean-Pierre Permutt and Robert Corlett who have personal experience in high value commercial property transactions. Percor recently completed the redevelopment of a site in Dundee, Scotland to provide a four-star 102 key Hotel Indigo and an 85 key Staybridge Suites (aparthotel). Accounts provided for the company CSAM Limited show a small operating loss in 2018. Percor's operating partner is Legacy Hotels. Legacy, who were formed in 2005 are an experienced hotel developer and manager and one of the UK's leading third-party management companies operating a diverse portfolio of 20 branded and unbranded assets and having a pipeline of a further 5 hotels.

### **Scoring and Recommendation**

Following the clarification meeting the three bids were each scored according to the circulated tender response proforma by Rivington Land and JLL, with Swansea City Council as observer.

Whilst Vastint scored particularly well in relation to their track record and corporate financial strength, Cairn Hotels' are also a well-respected and established hospitality business with a strong balance sheet.

Cairn's financial offer was considered stronger with stated overage provisions, and they also provided a superior bid in relation to hotel design.

Notably, taking account of Swansea City Council's ambition to achieve the best quality hotel possible, Cairn also scored well in respect of Hotel Brand, Facilities and Operation.

Following the clarification meeting it was understood that Percor/Legacy's bid was predicated on the basis of an alternative funding structure, namely an income strip, which following consideration, was determined to be unacceptable to the Council. It was understood from Percor that, in the event their alternative bid 4 was not acceptable, they would withdraw. Percors' bid was scored on the basis of their offer received on 19 September.

On the basis of the scoring above and particularly having regard to Swansea City Council's quality aspirations, the recommendation was for the Council to proceed with the offer received from Cairn Hotels.

Whilst Cairn's bid is conditional upon Visit Wales grant funding it is clear from their bid and clarification that they have engaged with Visit Wales and have a clear understanding of the parameters of any potential funding. Notwithstanding that all bids received culminated in nil pricing attached to the land, this is in line with our advice. It follows an extensive marketing campaign which led to the tender criteria and these final bids and in the light of that JLL consider that the Cairn offer reflects the best consideration for the site.

Cairns were appointed as preferred developer. During work up of the scheme, Covid and Lockdowns had a major impact on the hotel sector. There is therefore requirement for £8m grant and loan to enable the project to proceed as currently private sector funding for hotel schemes is not available. This is due to the cost of build being significantly higher than the day one value of the asset when it opens for business.

### **3.14 Digital Village (71-72 Kingsway) Procurement**

The procurement of a construction partner for the Digital Village (71-72 Kingsway) was undertaken by Swansea Council through the South West Wales Regional Construction Framework (SWWRCF) in accordance with the process outlined in the approved OBC.

Following an initial procurement exercise during the summer/autumn 2020, all returned tenders were deemed to be non-compliant with the Council's Contract Procedure Rules (CPR) and contract award could not be made due to the clarifications contained within each submission. These were predominantly in relation to the Contract terms and conditions. As well as this, all tenders returned were all over the pre-tender estimate. As there was an issue of non-compliance, the CPRs and Public Contract Regulations 2015 state that a new tendering exercise needed to be undertaken.

Due to all the tender returns in the first stage coming in over the pre-tender estimate, the design team took the opportunity to undertake a Value Engineering exercise prior to the tender being reissued.

Subsequently tenders were re-issued December 2020. Following the issue of Tender 2, one of the contractors withdrew from the tender process, with the other four contractors on the SWWRCF confirming their intention to submit a return. On receipt of the returned tenders, as part of the evaluation process, they were checked, and passed for compliance with the Contract Procurement Rules.

Further to undertaking a quality evaluation initially, in accordance with the published evaluation process methodology, the commercial envelope was opened, and a number of clarifications were sought from bidders. On completion of the clarification process, it was concluded that all four contractors who submitted a return was deemed to be compliant.

Following a detailed tender evaluation process, a preferred contractor was identified to construct the project for:

- Option (A) - the value of £33,689,962 to construct 71 / 72 The Kingsway and undertake a refurbishment of the former Barclays Bank, subject to the published terms and conditions.

The contract award to Bouygues UK was ratified in May 2021 Cabinet. The Cabinet also approved the project Business Plan (informed by Cushman and Wakefield) and full

project funding. This highlighted the prospective recommended anchor tenants/flex space operator subject to T&Cs being agreed once commencement on site is achieved. Swansea Council and Bouygues UK exchanged contracts and works commenced in November 2021 for August 2023 completion.

It should be noted that a sum of £1.1m for the refurbishment of the former Barclays Bank at 69/70 The Kingsway is included as a Provisional Sum, with the intention to issue the contractor with the full design package for pricing. Subject to costs being within budget it is proposed that these works will be instructed as a Compensation Event, should this action be instructed.

In addition, the project sum for 71/72 should include for:

- an additional construction contingency of £3.4m to be set aside by Swansea Council for any post contract changes or issues encountered on site, given the scale and complexity of the project;
- a sum of £1.4m be set aside as an incentive for occupation for fit-out as highlighted in Section 2, table 1 of the 71-72 Business Case.
- in addition to the existing £2.4m commitment on professional fees through to delivery, there is a requirement for an additional sum of £611k to be set-aside to cover design fees and supervision fees arising from re-procurement actions, value engineering and addition of an extra floor, increasing the overall professional fee cost to circa £3,195,000.
- capitalisation of staff costs of £432k are included.

It should be noted that the Hacer Development has had approval to commence works in an adjacent site adjacent to 71 / 72 The Kingsway since the bids were submitted. The contractor's Option B submission included for a sum of £500k to be set-aside for a shared compound areas with Hacer, however that potential risk cost has been partially-mitigated by the identification of an additional site for the preferred contractor. In this respect, whilst this risk should be noted in progressing Option A (which does not contain this provision),

The Digital Village enabling infrastructure works (reconfiguration of highways and public realm) is being funded through the ERDF Kingsway Digital Village: Employment Hub project, which received ERDF approval in November 2017. The procurement process was completed in March 2018, with Dawnus appointed as the main contractor and construction work commencing in April 2018. After Dawnus entered administration in March 2019, the Council employed completed replacement contractor and works have now completed.

### **3.15 Innovation Matrix & Innovation Precinct Procurement**

Details of procurement process for the Innovation Matrix is being finalized and will be added to the FBC once completed and signed off.

### **3.16 Summary and Conclusions**

This updated Economic Case has demonstrated that the preferred option in the approved OBC remains valid. Changes to the specific elements of the preferred option

have been detailed and economic, benefits and risk appraisals have been revisited and the option rankings confirmed.

The procurement processes for the individual projects have been detailed and the selection of each of the preferred service providers offering best public value for money demonstrated.

## 4. THE COMMERCIAL CASE

### 4.1 Introduction

In developing the FBC, the commercial case dimension has been revisited and updated to reflect the negotiated deals and their financial consequences over the lifespan of the contracts and services. This section sets out the negotiated arrangements for the following project elements:

- The construction and operation of a 3,500 capacity Digital Arena in Swansea City Centre with podium level public realm, commercial units in the public realm, a cutting-edge Digital Square around the arena, and a new hotel, to revitalise the environment, leisure and lifestyle offer in the city centre and provide events space for tech businesses.
- The construction and operation of a new Digital Village on the Kingsway in Swansea City Centre that will provide 115,000 sq. ft. of new office accommodation for growing technology-based businesses.
- The construction of a 34,000 sq. ft. Innovation Matrix and 64,600sq ft. Innovation Precinct at University of Wales Trinity Saint David Swansea Waterfront development to provide incubation space and co-working areas for start-ups and small businesses.

The main changes in this updated Commercial Case are listed below:

- Updated details of required service outputs
- Updated delivery status and timelines for all project elements
- Details of allocation of risk across construction and operational contracts
- Confirmation of agreed and proposed payment arrangements
- Key contractual arrangements, including social benefit outputs

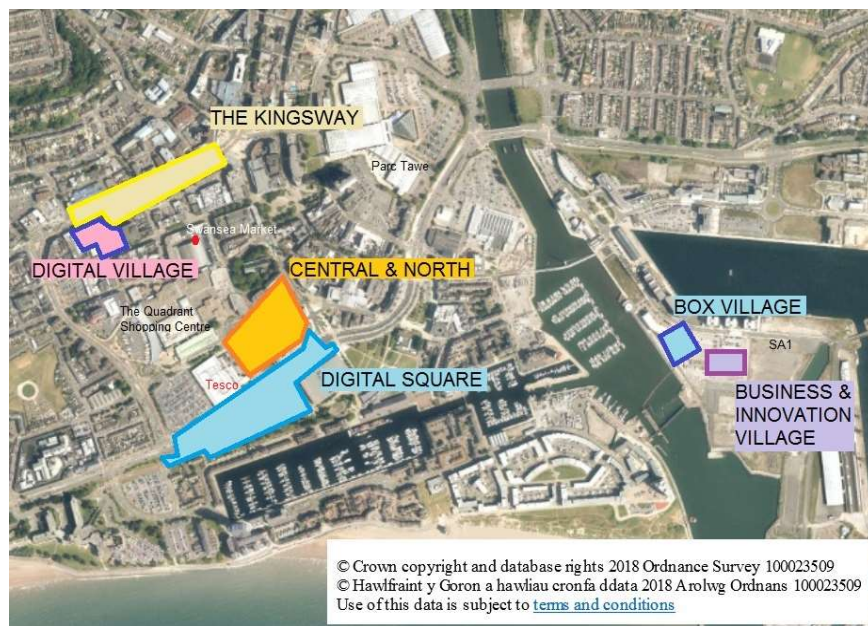
There is significant demand identified from occupiers for incubation and grow-on, tech related office space in Swansea (even after Covid-19) but at present private sector commercial property developers will not commit to developing projects in Swansea due to the lack of viability caused by low rental levels, high risk level and poor environment, and therefore these projects will stagnate and not proceed without significant public sector intervention.

Similarly, the Arena has an overall cost far higher than its associated capital value, and hence wouldn't be developed by the private sector. The only feasible option therefore to address this impasse is for the programme sponsors to undertake direct delivery of all three schemes. The business plan has been reviewed by Cushman & Wakefield as a critical friend to confirm the viability of the schemes, and the validity of the commercial assumptions.

The programme sponsors are already in possession of the required landholdings to deliver the three schemes. Planning consent was obtained for the Digital Square and

Arena, as part of the wider Swansea Central scheme, and for the Digital Village. A full planning application has been worked up for Innovation Matrix, and was submitted in Q2 2022.

Image 1: location of the Digital District schemes:



## 4.2 SBCD Procurement Principles

The Swansea Bay City Deal Procurement Principles have been put in place for project teams that are developing and delivering projects as part of the Swansea Bay City Deal. The Principles set out how the SBCD expects project teams to take a fresh look at the way works, goods and services are specified and procured so that the maximum economic, social and environmental benefit to the region can be achieved from the process. The Principles look beyond the initial construction phase and also apply to the operational service of the assets when built. The programme has and will align with these principles in the procurement of each of the project elements.

## 4.3 Service Streams and Outputs

### Digital Square & Arena

The Digital Arena will provide a 3,500-capacity high tech facility that would be capable of holding major digital events, including worldwide computer gaming competitions and other digital and data driven events, alongside more traditional live theatre and concert events. The arena will be located within a new cutting-edge Digital Square on the South side of Oystermouth Road in Swansea City Centre to create a distinctive and unique destination. The Digital Arena will provide the digitally enabled conference and events space required by Swansea's tech businesses and Universities and help revitalise the environment and leisure offer of Swansea city centre to attract and retain people and businesses in the City Centre. A hotel will also form part of the development, to meet the requirements of business and entertainment tourism linked to the Arena.

IPW, specialist Arena advisers, undertook a full feasibility study on the Arena, including analysis of competitors, which concluded that there is a gap in the market for this type



of facility in Swansea. Market testing with arena operators through the procurement process for an operator concluded that 3,500 capacity was the optimum size for the arena in Swansea.

The Arena has been designed to accommodate a wide range of event types and sizes and includes the following key modes and facilities:

- 3,500 capacity mode for a seated and standing entertainment event
- 2,200 capacity mode for a fully seated entertainment or large business event
- 750 capacity auditorium for medium conferences and business events
- c1,450sqm of exhibition space on the arena event floor
- additional complementary exhibition space available on concourses
- a variety of meeting rooms including: 8 x 25-person capacity (with capability to combine 3 to form 75-person capacity), 1 x 50-person capacity and 1 x 200 capacity
- further potential to utilise other spaces, such as green room, production rooms and crew spaces
- foyer space and foyer café.

Given its mix of facilities, the Arena will be capable of hosting small, medium and large-scale events through its combination of meeting rooms, ancillary spaces, exhibition areas and auditorium options. It will also be capable of accommodating both formal and informal meetings and networking usage, which will be particularly suitable for local tech companies, for example through the use of the foyer café.

A critical and attractive feature for local tech companies will be the digital capabilities of the Arena spaces, including dense WIFI coverage and innovative digital features. The digital infrastructure will make it a natural home for digital innovation and creative thinking. The Arena will have a digitalised façade – the first of its kind in the UK, which will advertise shows, concerts, exhibitions and other events.

The Digital Square & Arena sits within the wider Swansea Central Phase 1 scheme which comprises in total:

- Digital Square & Arena – part of the City Deal Digital District programme and will be delivered by Swansea Council
- Hotel development to support the Arena – forms part of the city deal project and will be delivered by the private sector
- 354 space multi storey car park on the South side of Oystermouth Road with a coastal park on the roof – excluded from the city deal project, will be funded and delivered by Swansea Council
- Wide attractive pedestrian bridge over Oystermouth Road - excluded from the city deal project, will be funded and delivered by Swansea Council.
- 640 space multi storey car park with 33 DQR compliant residential units with a retail unit on the Ground floor on the North side of Oystermouth Road, this is excluded from the city deal project and will be funded and delivered by Swansea Council.

With the exception of the hotel, all elements above will be delivered by Swansea Council as a single programme of work (Swansea Central Phase 1) over the same time period. A single construction contract has been awarded for the whole of the Swansea Central Phase 1 scheme.

## 4.4 Delivery Timescales

### Digital Square & Arena

The Digital Square and Arena project is now completed and the facility is fully operational. The contractor Buckingham produced a detailed programme for the works and whilst there were some delays due to Covid-19, these were minimised, the construction site remained open and works progressed. The Council signed an Agreement for Lease with the selected operator Ambassador Theatre Group in January 2018 with the 30 year lease agreement signed in October 2021. The original procurement process for the hotel development was completed in May 2018. Discussions are currently progressing with Visit Wales over the funding of proposal.

The project was undertaken to the following timescales:

|  | <u>Finish Dates</u> |
|--|---------------------|
| Outline planning consent granted                     | June 17             |
| End of Design Stage 2                                | Nov 17              |
| Arena Operator Contract Signed (Agreement for Lease) | Jan 18              |
| Hotel procurement                                    | May 18              |
| Contractor Procurement                               | July 18             |
| Arena Operator Lease Agreement                       | Oct 21              |
| Construction complete                                | Jan 22              |
| Arena Opening (phased)                               | Mar 22              |

### Digital Village

The Digital Village project has been procured and is currently underway. The project is programmed for delivery to the following timescales with completion scheduled for October 2023:

|                                   | <u>Finish Dates</u> |
|-----------------------------------|---------------------|
| Detailed Design                   | Aug 20              |
| Planning Submission               | Mar 20              |
| Tender and Contractor Procurement | May 21              |
| Enabling infrastructure works     | Sep 21              |
| Construction                      | Jul 23              |
| Fit Out                           | Aug 23              |
| Completion and Occupation         | Oct 23              |

### Innovation Matrix

|                                   | <u>Finish Dates</u> |
|-----------------------------------|---------------------|
| Planning Submission               | Q2 22               |
| Detailed Design                   | July 22             |
| Tender and Contractor Procurement | July 22             |
| Construction                      | TBA                 |
| Construction Completion           | Nov 23              |
| Completion and Occupation         | Dec 23              |

Innovation Precinct

Planning Submission  
Detailed Design  
Tender and Contractor Procurement  
Construction  
Construction Completion  
Completion and Occupation

Finish Dates

Mar 23  
June 23  
Oct 23  
Sept 24  
Oct 25  
Dec 25

Image: Digital Arena, viewed from pedestrian bridge over Oystermouth Road



Image of construction Digital Square June 2020

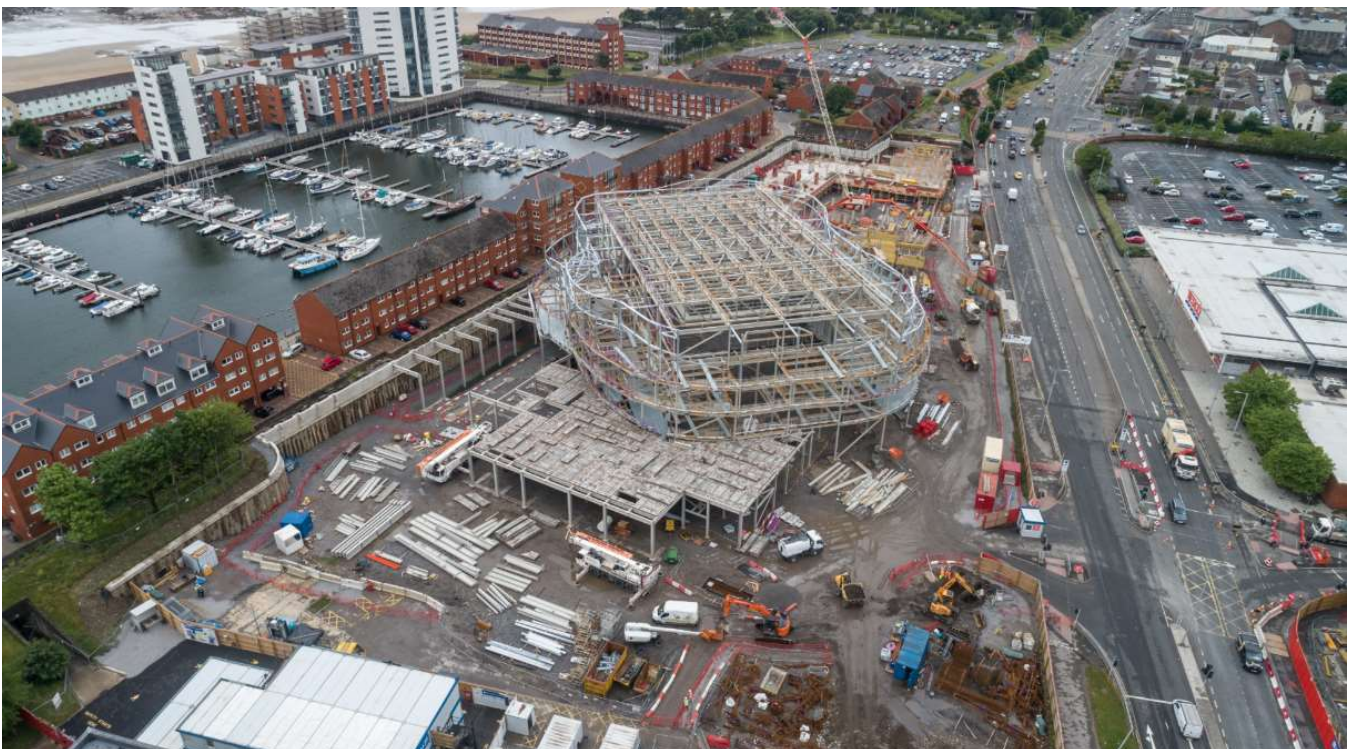


Image of completed Digital Square March 2022



Image of construction 71-72 Kingsway



#### 4.5 Allocation of Risk

The general principle applied to the allocation of risk for each of the projects is that risk is passed to 'the party best able to manage them', subject to value for money.

The principal financial risks retained by the programme sponsors are construction cost increases and failure to secure sufficient lettings to achieve the projected net rental income.

##### Digital Square and Arena

Swansea Council procured the contractor on the basis of a fixed price.

Under the SEWSCAP framework, appointed contractors are required to take account of and actively participate in environmental, social and economic impacts to delivery within the community and surrounding areas.

The operator lease agreement was finalised in October 2021 with ATG imposes obligations to maintain and insure the Digital Arena for the duration of the 30 year lease. Main terms of the lease are:

- Term of the lease – 30 year lease, commencing 25<sup>th</sup> February 2022
- Tenant responsibilities for insuring and repairing
- Joint Operations Management Plan
- Profit Sharing arrangements
- Option for Tenant to extend and renew the lease

The council is responsible for the LED facade

There are no break clauses for the Hotel as the investment is coming from the Private Sector.

### Digital Village

Swansea Council procured the contractor on the basis of a fixed price. Contractual allocation of risk. For construction contract.

The Digital Village office occupiers will be required to pay a service charge towards maintenance and repairs.

To minimise the lettings risk the programme sponsors have in place dedicated in-house teams to actively promote and work with intended occupiers both to secure lettings and understand the level of demand in the commercial market. This team is supported by external property letting specialists.

The Digital Village will be let on a mix of tenancies to create a mix of occupiers with the larger occupiers on longer tenancies and the smaller businesses on shorter tenancies. To date our commercial advisors have been Cushman & Wakefield, however more recently JLL and Avison & Young have also been appointed to join the team to assist with marketing and letting the building

The business case originally set out that the Council would look to secure a proportion (c50%) of pre-let space in the Digital Village before committing to build. The recent Covid-19 pandemic has changed the way businesses have looked at the way they secure and occupy property and in the current market occupiers are not looking more than 12 months ahead and therefore won't commit to leasing space until a scheme has started on site.

The Council's advisers, Cushman & Wakefield advised that Swansea Council must be prepared to start construction on site speculatively without a pre-let. Once on site the building is well positioned to capture the returning office demand in a post pandemic world, a preferred operator has been identified together with a prospective tenant, however all have indicated a need to start on site prior to agreeing any deal terms. Once on site, it would then be realistic to target a conditional arrangement with these preferred operators in principle to start building the community and a future agreement to operate the space. The Council therefore needed to commit to the build to give

confidence and any lettings should not be to the detriment of the wider ambitions for the building.

Another reason for not pre-letting too soon, is that C&W are anticipating a transition to a workplace ecosystem consisting of the office, the home and third spaces where flexible workspace can play a part. Occupiers are now looking for flexibility in their office agreements, and the Kingsway is set to offer the most flexible high-quality space in Swansea.

A report was taken to cabinet to appoint a contractor and reported the current letting market position relating to the Covid impacts, tenant responses to marketing and associated risks. Cabinet decided to proceed to build on a speculative basis.

Covid-19 is likely to impact risk transfer on the Digital Village in that the expected level of private sector fit out as the expectation post covid-19 is that tenants will expect a fully fitted out space, this will impact the anticipated private sector input into that project.

### Innovation Matrix and Precinct

Details are to be provided by UWTSD once details once the contract has been agreed.

Overall allocation of service risks in the design, build and operational phases of the programme will be as follows. These are unchanged from the risk allocation within the approved OBC.

Table 14: Risk transfer matrix

| Risk Category                         | Potential allocation |         |        |
|---------------------------------------|----------------------|---------|--------|
|                                       | Public               | Private | Shared |
| 1. Design risk                        |                      |         | X      |
| 2. Construction and development risk  |                      |         | X      |
| 3. Transition and implementation risk |                      |         | X      |
| 4. Availability and performance risk  |                      |         | X      |
| 5. Operating risk                     |                      |         | X      |
| 6. Variability of revenue risks       |                      |         | X      |
| 7. Termination risks                  | X                    |         |        |
| 8. Technology and obsolescence risks  |                      |         | X      |
| 9. Control risks                      |                      |         | X      |
| 10. Residual value risks              | X                    |         |        |
| 11. Financing risks                   | X                    |         |        |
| 12. Legislative risks                 | X                    |         |        |
| 13. Other programme risks             | X                    |         |        |

## 4.6 Payment Arrangements

The payment mechanism agreed with the service provider with respect to the proposed products and services is as follows:

### Digital Square & Arena

Payment is authorised when the payment process has been followed. The contractor makes a claim on a monthly basis under JCT contract terms which is analysed by the SC professional team.

An OJEU process was run to secure an operator for the arena. The process secured Ambassador Theatre Group on a 30-year lease with responsibility for repairing and operating the arena. Through the OJEU process a rental level of £50k p.a. was bid plus a ticket sales addition plus a profit share above an agreed threshold.

The hotel procurement established a nil capital value for the hotel site on the basis that a 4\* hotel is not currently viable. A WG Visit Wales grant application is being progressed by the appointed developer together with loan requirements

### Digital Village

Payment is authorised when the payment process has been followed. The contractor makes a claim on a monthly basis under JCT contract terms which is analysed by the SC professional team.

The Digital Village will have lease terms and rental levels as recommended by office letting agents in order to secure best consideration.

In order to retain and uphold the vision of the scheme, waiting until closer to PC of the building before entering into firm commitments from a curated mix of smaller tenants will better deliver on this objective and provide the transformative scheme that Swansea needs;

Under current market conditions, the chance of identifying a 'non-contact centre' single occupier for floor plates of 14,000 sq. ft will be limited when compared to the sub 3,000 sq. ft occupier market. A floor plate offering maximum flexibility is likely to provide the best chance of securing occupiers nearer PC of the building - any restrictions on the type of B1 office user permitted to occupy the building will result in extended timescales to achieve full occupancy.

71/72 The Kingsway will be a prominently located best in class office building in Swansea City centre and there are good prospects for getting part of the space committed prior to practical completion. There is currently an encouraging level of occupier demand from indigenous businesses who are well established in Swansea and many of those organisations have lease expires in their existing dated secondary office accommodation. The time is right for many of these businesses to upgrade their accommodation and to relocate to the new prime location of 71/72 Kingsway;

A range of possible scenarios for leasing may be possible that will be shaped by the current market conditions and operator and tenant interest.

### **Lettings Rental Revenue**

- **Flex Tenant** –This will be on c. 23% of the NIA and be operated under a management agreement by the preferred flexible workspace operator. The return is not secured and is based on anticipated revenues (after costs) of running a flexible workspace operation delivering just under a market rent. This return could fluctuate.

- **Traditional Office Tenants** - for a new build high specification office building in Swansea City centre, it is anticipated marketing the office accommodation on a traditional lease basis with a rental range of between £15.00 to £17.00 per sq. ft, with a view to push the Swansea headline rental zone upwards as demand increases and the vacancy in the building diminishes. We have therefore attributed £16.50 per sq. ft. to the traditional accommodation and applied between 9 – 24 months void and rent-free period to each tenant letting.
- **Retail Tenant** – assumed achievable market rent of £15.00 per sq. ft to the retail accommodation and a void/rent free period of between 9 – 15 months for each unit.
- **Shared Lettable Accommodation** – rent for these areas similar to the flex office model, after costs in the region of £12.50 per sq. ft. However, the more attractive/premium areas will generate a higher return and assume a net receivable rent per annum of £16.50 per sq. ft for the Lounge/Meeting Room and £17.50 per sq. ft for the bar.

The above assumptions generate a rental revenue stream for the building when fully occupied of £1,287,208 per annum which equates to £14.78 per sq. ft against a 87,080 sq. ft NIA.

#### Innovation Matrix & Innovation Precinct :

UWTSD will make payments with respect to the proposed products and services in line with the appropriate provisions contained within the NEC 3 form of Contract. This contract is very much seen as “collaborative contract” and as such the payment terms reflect this.

#### **4.7 Contractual Arrangements**

The programme sponsors are acting as direct developers for all elements except the hotel (which forms part of the Digital Square & Arena), proceeding with the developments on land in their existing ownership.

Procurement of building contractors and appropriate design and cost consultants is being managed by the programme sponsors.

#### Digital Square and Arena

The construction services for the arena were procured through a full OJEU Procurement. The council selected Buckingham as the main building contractor. The Council entered into an NEC Pre Contract Services Agreement (PCSA) with Buckingham to finalise scheme design and provide a detailed fix price for building phase 1 for Cabinet to consider. There was a two stage process where the contractor Buckingham took their design to stage 4, and at which point the price was agreed and fixed with the council. The building contract was entered into between the Council and Buckingham on 26 November 2019.

Following a competitive dialogue process for the OJEU compliant procurement of an operator for the Arena, the Agreement for Lease was signed with Ambassador Theatre Group in January 2018 and a 30 year lease agreement signed in October 2021. The lease is subject to the Landlord & Tenant Acts and therefore subject to potential



renewal.

The Hotel is to be disposed on a 250-year lease to Cairns the developer/operator. Heads of Terms are being finalized. The bid from Cairns is conditional upon Visit Wales grant funding. Discussions are currently progressing with Visit Wales.

### Digital Village

For the Digital Village (71-72 Kingsway), tenders were issued to contractors included within Lot 6 of the Southwest Wales Regional Contractors Framework (SWWRCF). The contract award to Bouygues UK was ratified in May 2021 Cabinet. There was a two stage process NEC contract where the price was agreed and fixed with the council The Cabinet also approved the project Business Plan (informed by Cushman and Wakefield) and full project funding. This highlighted the prospective recommended anchor tenants/flex space operator subject to T&Cs being agreed once commencement on site is achieved. Swansea Council and Bouygues UK exchanged contracts and works commenced in November 2021 for August 2023 completion. The Digital Village will be let on tenancies recommended by letting agents, with the larger occupiers likely to be on longer tenancies than the smaller businesses, as advised by Cushman & Wakefield.

The contract value is £33,689,962 to construct 71 / 72 The Kingsway and undertake a refurbishment of the former Barclays Bank, subject to the published terms and conditions. It should be noted that the project sum includes for:

- a sum of £1.1m for the refurbishment of the former Barclays Bank at 69/70 The Kingsway is included as a Provisional Sum, with the intention to issue the contractor with the full design package for pricing. Subject to costs being within budget it is proposed that these works will be instructed as a Compensation Event, should this action be instructed.
- an additional construction contingency of £3.4m to be set aside by Swansea Council for any post contract changes or issues encountered on site, given the scale and complexity of the project;
- a sum of £1.4m be set aside as an incentive for occupation for fit-out as highlighted in Section 2, table 1 of the 71-72 Business Case.
- in addition to the existing £2.4m commitment on professional fees through to delivery, there is a requirement for an additional sum of £611k to be set-aside to cover design fees and supervision fees arising from re-procurement actions, value engineering and addition of an extra floor, increasing the overall professional fee cost to circa £3,195,000
- capitalisation of staff costs of £432k are included.

The Digital Village enabling infrastructure works (reconfiguration of highways and public realm) is being funded through the ERDF Kingsway Digital Village: Employment Hub project, which received ERDF approval in November 2017. The procurement process was completed in March 2018, with Dawnus appointed as the main contractor and construction work commencing in April 2018. After Dawnus entered administration in March 2019, the Council employed completed replacement contractor and works are now nearing completion.

### Innovation Matrix & Innovation Precinct

A multi-disciplinary consultancy team has been appointed via an OJEU process to develop the designs to RIBA Stage 3 for the Innovation Matrix.

Prior to the commencement of RIBA Stage 4 (and in accordance with ECI principles), tenders will then be invited, as part of a 2-stage process, under the terms and conditions of either the SEWSCAP or SWWRCF Framework Agreements. The contract will be procured from the either SEWSCAP or SWWRCF frameworks which (as well as being supported by Welsh Government) are incredibly robust procurement vehicles and have been used successfully on over £1billion of projects in South Wales.

For University of Wales Trinity Saint David, the construction works will be carried out in accordance with the NEC 3 Engineering and Construction Contract, 2005 edition, Main Option Clause A, Priced Contract with Activity Schedule and will include all standard contract clauses.

#### **4.8 Social Benefit clauses**

Swansea Council and University of Wales Trinity Saint David are committed to maximising Community Benefits as part of their Procurement Strategy for all major contracts. The Council's award winning Beyond Bricks & Mortar approach is being implemented across all three developments. Social benefit clauses have and will be included in legal agreements with developers and contractors, committing the successful contractors to undertake measures that will benefit the community, such as:

- Targeted recruitment and training – giving consideration to the long term unemployed and disadvantaged in our communities when recruiting for new job and training opportunities.
- Supply Chain initiatives – enabling local service suppliers and small and medium enterprises (SMEs) to bid for sub-contract and service supply opportunities, for example by holding Meet The Buyer events;
- Contributions to Education – working with schools and colleges, providing short term work experience, mentoring, career talks etc.;
- Community Initiatives – contributing to community facilities, events, engagement, volunteering, or other services to support community groups.

The Community Benefits process will be managed by the Council's Beyond Bricks & Mortar Team.

#### Digital Square and Arena

The procurement process to appoint a main contractor included a requirement to comply with the Councils beyond Bricks and mortar policy, which looks to include community benefits into all suitable contracts, in particular focussing on targeted recruitment and training (TR&T), a provision of training weeks for local people from disadvantaged groups and encourages the use of local sub-contractors.

The following community benefits under the construction contract with Buckingham were agreed:

- 4325 person weeks of TR&T which will include opportunities for new apprentices, new trainees, jobs for new entrants i.e. the unemployed, economically inactive and NEETs, work tasters and work experience placements.
- A requirement to undertake meaningful engagement with the local suppliers and businesses in the region through Meet the Buyer events and through visibility, where possible, of subcontract opportunities for new suppliers to bid for
- Also, a requirement to provide contributions to education in the form of school engagement, STEM activities and wider community initiatives and community engagement.

The following benefits have been achieved through the delivery of the contract:

### Digital Village

The construction of the Digital Village will provide the opportunity to deliver an estimated 1,789 net additional person weeks of training targeted at the long term unemployed and economically inactive.

### Innovation Matrix and Precinct

Further information on the Social Benefit approach will be provided by UWTSD once details are agreed.

## **4.9 Personnel implications (including TUPE)**

TUPE – the Transfer of Undertakings (Protection of Employment) Regulations 1981 – will not apply to this investment because provision of services will be undertaken directly by staff of the Council and the University with support from external advisors where appropriate.

## **4.10 Accountancy Treatment**

The assets underpinning delivery of service for Digital Village and Digital Square & Arena will be on the balance sheet of Swansea Council.

The assets underpinning delivery of service for Innovation Matrix & Innovation Precinct will be on the balance sheet of the University Group. The buildings will be capitalised and held as a fixed asset either on the University balance sheet or on the balance sheet of a wholly owned subsidiary company.

The programme sponsors will input the match funding indicated in the submission from their own resources and it is intended at this stage these will be treated as an on-balance sheet transaction for accountancy purposes. The Council and the University will own and manage the completed assets and retain revenue income from the activities. To achieve the potential regeneration outcomes identified it is paramount the programme sponsors are able to provide dedicated business support and control the letting policy for the projects to ensure the accommodation remains available for SME and start-up businesses within the targeted sectors.

Following completion of the developments, the programme sponsors may seek to recover some or all of their financial investment through outright disposal or sale and leaseback from private sector organisations subject to this representing good value for money.

## **5.0 The Financial Case**

### **Introduction**

**5.1** The purpose of this section is to set out the financial implications of the contracted solutions and to confirm that the projects and overall programme remain affordable.

The main changes in this updated Financial Case are listed below:

- Updated programme level investment and funding breakdown showing total programme budget at £171.15m
- Updated project level investment and funding breakdowns
- Updated programme level income and expenditure forecast
- Details on City Deal funding flow from Governments to Accountable Body and Lead Authority
- Confirmation of financial monitoring and evaluation arrangements
- Confirmation of accountant treatment of financial transactions

### **5.2 Swansea Waterfront Infrastructure Investment Summary**

The Swansea waterfront programme is split in to following three distinct capital components and funded through a combination of City Deal, public sector and private sector funding.

- The construction and operation of a 3,500 capacity Digital Arena in Swansea City Centre with podium level public realm, commercial units in the public realm, a cutting-edge Digital Square around the arena, and a new hotel
- The construction and operation of a new Digital Village on the Kingsway in Swansea City Centre that will provide 115,000 sq. ft. of new office accommodation for growing technology-based businesses.
- The construction of a 34,000 sq. ft. Innovation Matrix and 64,600sq ft. Innovation Precinct at University of Wales Trinity Saint David Swansea Waterfront development to provide incubation space and co-working areas for start-ups and small businesses.

The financial information shown includes the procured construction costs and associated project costs and fees in the development and delivery of each project element. The current investment breakdown presented in Table 5.1. below is based on forecasted investment as of 30 June 2022:

| <b>Expenditure</b>          | <b>Year 1</b>  | <b>Year 2</b>  | <b>Year 3</b>  | <b>Year 4</b>  | <b>Year 5</b>  | <b>Year 6</b>  | <b>Year 7</b>  | <b>Year 8</b>  | <b>Year 9</b>  | <b>Year 10</b> | <b>Total</b>    |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
|                             | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b> | <b>2023/24</b> | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b> | <b>2027/28</b> |                 |
|                             | <b>(£m)</b>    | <b>(£m)</b>    | <b>(£m)</b>    | <b>(£m)</b>    | <b>(£m)</b>    | <b>(£m)</b>    | <b>(£m)</b>    | <b>(£m)</b>    | <b>(£m)</b>    | <b>(£m)</b>    | <b>(£m)</b>     |
| Capital                     | £ 6.03         | £ 10.04        | £ 31.82        | £ 19.27        | £ 15.91        | £ 39.03        | £ 21.54        | £ 20.32        | £ 5.95         | £ 1.25         | £ 171.15        |
| Revenue                     | £ -            | £ -            | £ -            | £ -            | £ -            | £ -            | £ -            | £ -            | £ -            | £ -            | £ -             |
| <b>Total</b>                | <b>£ 6.03</b>  | <b>£ 10.04</b> | <b>£ 31.82</b> | <b>£ 19.27</b> | <b>£ 15.91</b> | <b>£ 39.03</b> | <b>£ 21.54</b> | <b>£ 20.32</b> | <b>£ 5.95</b>  | <b>£ 1.25</b>  | <b>£ 171.15</b> |
| <b>Funding</b>              |                |                |                |                |                |                |                |                |                |                |                 |
| Swansea Bay City Deal Grant | £ -            | £ -            | £ 11.43        | £ 11.42        | £ 4.57         | £ 9.52         | £ 8.82         | £ 4.24         | £ -            | £ -            | £ 50.00         |
| Public Sector               | £ 6.03         | £ 10.04        | £ 20.37        | £ 7.85         | £ 11.34        | £ 20.93        | £ 2.89         | £ 1.80         | £ -            | £ -            | £ 81.25         |
| Private Sector              | £ -            | £ -            | £ 0.02         | £ -            | £ -            | £ 8.58         | £ 9.83         | £ 14.29        | £ 5.95         | £ 1.25         | £ 39.90         |
| <b>Total</b>                | <b>£ 6.03</b>  | <b>£ 10.04</b> | <b>£ 31.82</b> | <b>£ 19.27</b> | <b>£ 15.91</b> | <b>£ 39.03</b> | <b>£ 21.54</b> | <b>£ 20.32</b> | <b>£ 5.95</b>  | <b>£ 1.25</b>  | <b>£ 171.15</b> |

Table 5.1. Swansea Waterfront Investment Breakdown

These figures are the current financial investment forecast which the Swansea Waterfront Programme is currently projecting over its 10-year term and are set within the original SBCD Heads of Terms. Funding elements are subject to change as the Programme evolves. On the successful approval of the Programme business case the Accountable body will release Government funding up to the value of the agreed Programme allocation.

It is the aim of the SBCD that all projects 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 from both the UK and Welsh Governments over a 15-year period.

The overall investment composition comprises of three following investment components:

- The **City Deal investment** component consists of the government grants awarded by UK and Welsh government totalling £50m. City Deal Grant is awarded to projects of the fifteen-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 specific Welsh Government and UK government grant funding. 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 Authority on behalf of others if they so agree. The decisions as to whether borrowing on behalf of the programme shall be carried out by one Authority on behalf of the others and the proportions shall be determined by the Authorities as a matter reserved to the Authorities.
- **Private sector** investment includes regional investment from local and national private sector partners.

The OBC investment breakdown is shown below. The breakdown demonstrates that the current capital costs are within the original budget for the programme.

| Expenditure                 | Year 0        | Year 1        | Year 2        | Year 3        | Year 4        | Year 5       | Year 6       | Total          |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|----------------|
|                             | 2017/18       | 2018/19       | 2019/20       | 2020/21       | 2021/22       | 2022/23      | 2023/24      |                |
|                             | (£m)          | (£m)          | (£m)          | (£m)          | (£m)          | (£m)         | (£m)         |                |
| Capital                     | £17.72        | £29.64        | £58.62        | £57.91        | £10.78        | £0.00        | £0.00        | £174.67        |
| Revenue                     | £0.00         | £0.00         | £0.00         | £0.00         | £0.00         | £0.00        | £0.00        | £0.00          |
| <b>Total</b>                | <b>£17.72</b> | <b>£29.64</b> | <b>£58.62</b> | <b>£57.91</b> | <b>£10.78</b> | <b>£0.00</b> | <b>£0.00</b> | <b>£174.67</b> |
| Funding                     |               |               |               |               |               |              |              |                |
| Swansea Bay City Deal Grant | £5.63         | £9.33         | £15.72        | £14.60        | £4.73         | £0.00        | £0.00        | £50.00         |
| Public Sector               | £11.86        | £16.81        | £29.64        | £23.47        | £2.92         | £0.00        | £0.00        | £84.70         |
| Private Sector              | £0.24         | £3.50         | £13.27        | £19.84        | £3.13         | £0.00        | £0.00        | £39.97         |
| <b>Total</b>                | <b>£17.73</b> | <b>£29.64</b> | <b>£58.62</b> | <b>£57.91</b> | <b>£10.78</b> | <b>£0.00</b> | <b>£0.00</b> | <b>£174.67</b> |

Table 4.2. Swansea Waterfront Original Business Case budget

Table 5.3 below shows the project level funding breakdown and is compared with the OBC project funding breakdown in Table 5.4:

| Project           | Swansea Bay City Deal Grant | Public Sector | Private Sector | Total         |
|-------------------|-----------------------------|---------------|----------------|---------------|
| Innovation Matrix | 13.44                       | 11.07         | 8.90           | 33.41         |
| Digital Village   | 13.71                       | 29.83         | 5.00           | 48.54         |
| Digital Square    | 22.85                       | 40.36         | 26.00          | 89.20         |
| <b>Total</b>      | <b>50.00</b>                | <b>81.25</b>  | <b>39.90</b>   | <b>171.15</b> |

Table 5.3. Swansea Waterfront Project Investment Breakdown

| Project           | Swansea Bay City Deal Grant | Public Sector | Private Sector | Total         |
|-------------------|-----------------------------|---------------|----------------|---------------|
| Innovation Matrix | 13.44                       | 8.32          | 8.90           | 30.66         |
| Digital Village   | 13.71                       | 30.95         | 5.00           | 49.66         |
| Digital Square    | 22.85                       | 45.44         | 26.07          | 94.36         |
| <b>Total</b>      | <b>50.00</b>                | <b>84.70</b>  | <b>39.97</b>   | <b>174.67</b> |

Digital Square is currently demonstrating an underinvestment of £7m against budget due to the reappropriation of costs across the whole Copr Bay site. Work on final costs is being undertaken and will be reported on in line with the amended programme being agreed with the contractor

A summary of the funding for each of the project elements is shown below with the OBC figure shown in blue:

#### Digital Square and Arena

| Funding                            | £                 | £                 |
|------------------------------------|-------------------|-------------------|
| City Deal                          | 22,848,000        | 22,849,000        |
| City and County of Swansea Council | 40,355,265        | 45,438,000        |
| Hotel Developer                    | 25,000,000        | 25,071,000        |
| Industry Service Provider          | 1,000,000         | 1,000,000         |
| <b>Total</b>                       | <b>89,203,265</b> | <b>94,358,000</b> |

The Swansea Council match funding contribution was approved by Cabinet in October 2019 and is formally included in the Council's capital programme and the Council's contribution to the project will be met through borrowing.

Private sector investment is comprised of:

- £1m investment in fit out of Digital Arena by ATG, the arena operator. This is legally committed through the ATG legal agreement.
- £17m for development of hotel adjacent to Digital Arena: to be provided by private sector developer. Discussions are ongoing with Visit Wales regarding the remaining funding required for this project to proceed.

### Digital Village

| Funding                            | £                 | £                 |
|------------------------------------|-------------------|-------------------|
| City Deal                          | 13,711,000        | 13,710,000        |
| City and County of Swansea Council | 29,329,125        | 30,948,000        |
| WEFO                               | 500,000           |                   |
| Industry Service Provider - DA     | 5,000,000         | 5,000,000         |
| <b>Total</b>                       | <b>48,540,125</b> | <b>49,658,000</b> |

Swansea Council match funding contribution was approved by Cabinet in May 2021

- Full business case costings have been confirmed post procurement. Full cost now at £48,540,125 (from original £49,648,253).
- ERDF funding of £500k has been provided to contribute towards the additional floorspace.

### Innovation Matrix and Precinct

| Funding                          | £                 | £                 |
|----------------------------------|-------------------|-------------------|
| City Deal                        | 13,441,000        | 13,441,000        |
| UWTSD                            | 8,315,558         | 8,315,000         |
| Financial Investment institution | 8,900,000         | 8,900,000         |
| Funding tbc                      | 2,752,443         | -                 |
| <b>Total</b>                     | <b>33,409,001</b> | <b>30,657,000</b> |

## 5.3 Revenue Considerations

### Digital Square and Arena

Annual net revenue streams to be received from the Digital Square project annually are set out below,

| Item              | Income          |
|-------------------|-----------------|
| Arena rent        | £50,000         |
| Arena Ticketing*  | £46,000         |
| Arena Louges      | £41,700         |
| Commercialisation | £10,000         |
| <b>TOTAL</b>      | <b>£147,700</b> |

\* = Estimate

By Cabinet of October 2019 Swansea Council authorised the budget to be added to the capital programme to complete the Digital Square scheme plus the non city deal elements detailed above.

## 71-72 Kingsway (Digital Village)

Our projected total rental revenue for the fully let building is shown within the appraisal as £1,287,208 per annum, however this rental projection is likely to fluctuate given the uncertain nature of the Swansea office market and moreover the flexible nature in which the Council are looking to offer the building. Under the assumptions that the market reacts to the building's availability in the manner in which we anticipate, we believe it will take circa.2 years for the building to reach its optimum revenue generation.

### Innovation Matrix / Precinct

Details of projected rental revenue to be provided by UWTSD once they are available.

## 5.4 Swansea Waterfront Income and Expenditure Summary

The UK and Welsh Government capital grant contribution to the Swansea Waterfront Programme is awarded over a fifteen-year period and currently forecasted at £50m. With the approval of the OBC by UK and Welsh Government, funding is being released from the portfolio up to a maximum of the agreed grant allocation.

An inherent temporary funding gap is recognised with the funding being released to the Programme over a fifteen-year period. City and County of Swansea as the Programme Lead Authority in partnership with UWTSD are responsible for managing the operational cashflows in respect of the projects, with both organisations contributing to its delivery.

They are also therefore subsequently accountable for managing inherent risks and any funding gaps recognised.

The Programme expenditure profile is presented in Figure 5.5 and Table 5.6 below

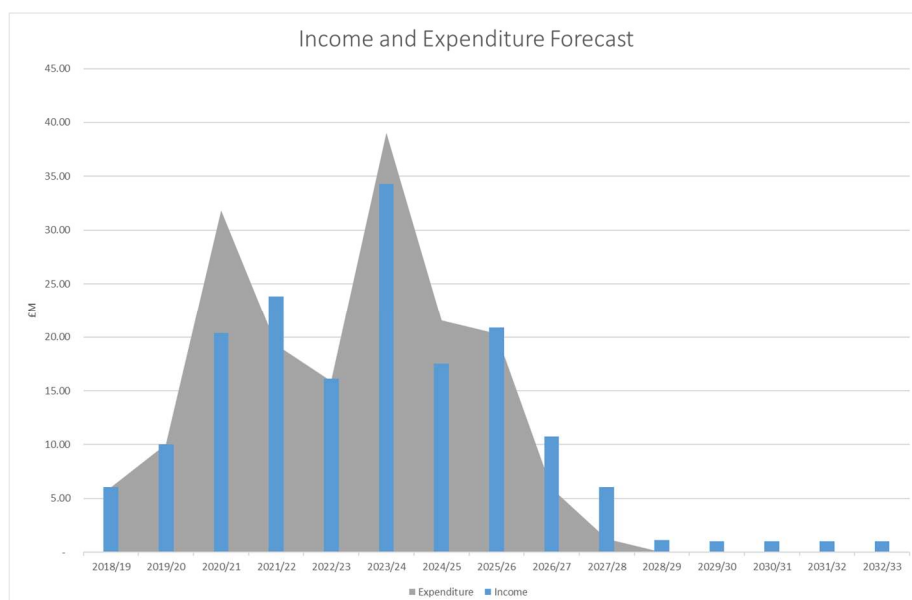


Figure 5.5 Income and Expenditure Forecast



## Income and Expenditure Forecast

| <u>Expenditure</u>  | <u>Year 1</u>  | <u>Year 2</u>  | <u>Year 3</u>  | <u>Year 4</u>  | <u>Year 5</u>  | <u>Year 6</u>  | <u>Year 7</u>  | <u>Year 8</u>  |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                     | <u>2018/19</u> | <u>2019/20</u> | <u>2020/21</u> | <u>2021/22</u> | <u>2022/23</u> | <u>2023/24</u> | <u>2024/25</u> | <u>2025/26</u> |
| Capital Expenditure | 6.03           | 10.04          | 31.82          | 19.27          | 15.91          | 39.03          | 21.54          | 20.32          |
| Revenue Expenditure | -              | -              | -              | -              | -              | -              | -              | -              |
| <b>Total</b>        |                |                | <b>31.82</b>   | <b>19.27</b>   | <b>15.91</b>   | <b>39.03</b>   | <b>21.54</b>   | <b>20.32</b>   |
| <b>Funding</b>      |                |                |                |                |                |                |                |                |
| City Deal           | -              | -              | -              | 15.99          | 4.79           | 4.79           | 4.79           | 4.79           |
| Public Sector       | 6.03           | 10.04          | 20.37          | 7.85           | 11.34          | 20.93          | 2.89           | 1.80           |
| Private Sector      | -              | -              | 0.02           | -              | -              | 8.58           | 9.83           | 14.29          |
| <b>Total</b>        | <b>6.03</b>    | <b>10.04</b>   | <b>20.39</b>   | <b>23.84</b>   | <b>16.13</b>   | <b>34.29</b>   | <b>17.51</b>   | <b>20.87</b>   |

| <u>Expenditure</u>  | <u>Year 9</u>  | <u>Year 10</u> | <u>Year 11</u> | <u>Year 12</u> | <u>Year 13</u> | <u>Year 14</u> | <u>Year 15</u> | <u>Total</u>  |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|
|                     | <u>2026/27</u> | <u>2027/28</u> | <u>2028/29</u> | <u>2029/30</u> | <u>2030/31</u> | <u>2031/32</u> | <u>2032/33</u> |               |
| Capital Expenditure | 5.95           | 1.25           | -              | -              | -              | -              | -              | 171.15        |
| Revenue Expenditure | -              | -              | -              | -              | -              | -              | -              | -             |
| <b>Total</b>        | <b>5.95</b>    | <b>1.25</b>    | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>155.08</b> |
| <b>Funding</b>      |                |                |                |                |                |                |                |               |
| City Deal           | 4.79           | 4.79           | 1.12           | 1.04           | 1.04           | 1.04           | 1.04           | 50.00         |
| Public Sector       | -              | -              | -              | -              | -              | -              | -              | 81.25         |
| Private Sector      | 5.95           | 1.25           | -              | -              | -              | -              | -              | 39.90         |
| <b>Total</b>        | <b>10.73</b>   | <b>6.04</b>    | <b>1.12</b>    | <b>1.04</b>    | <b>1.04</b>    | <b>1.04</b>    | <b>1.04</b>    | <b>171.15</b> |

Table 5.6 Programme Income and Expenditure Forecast

## 5.5 City Deal Funding

The release of funds from the Accountable Body to the City and County of Swansea as lead Authority will follow funding route illustrated in Figure 4.2. below:

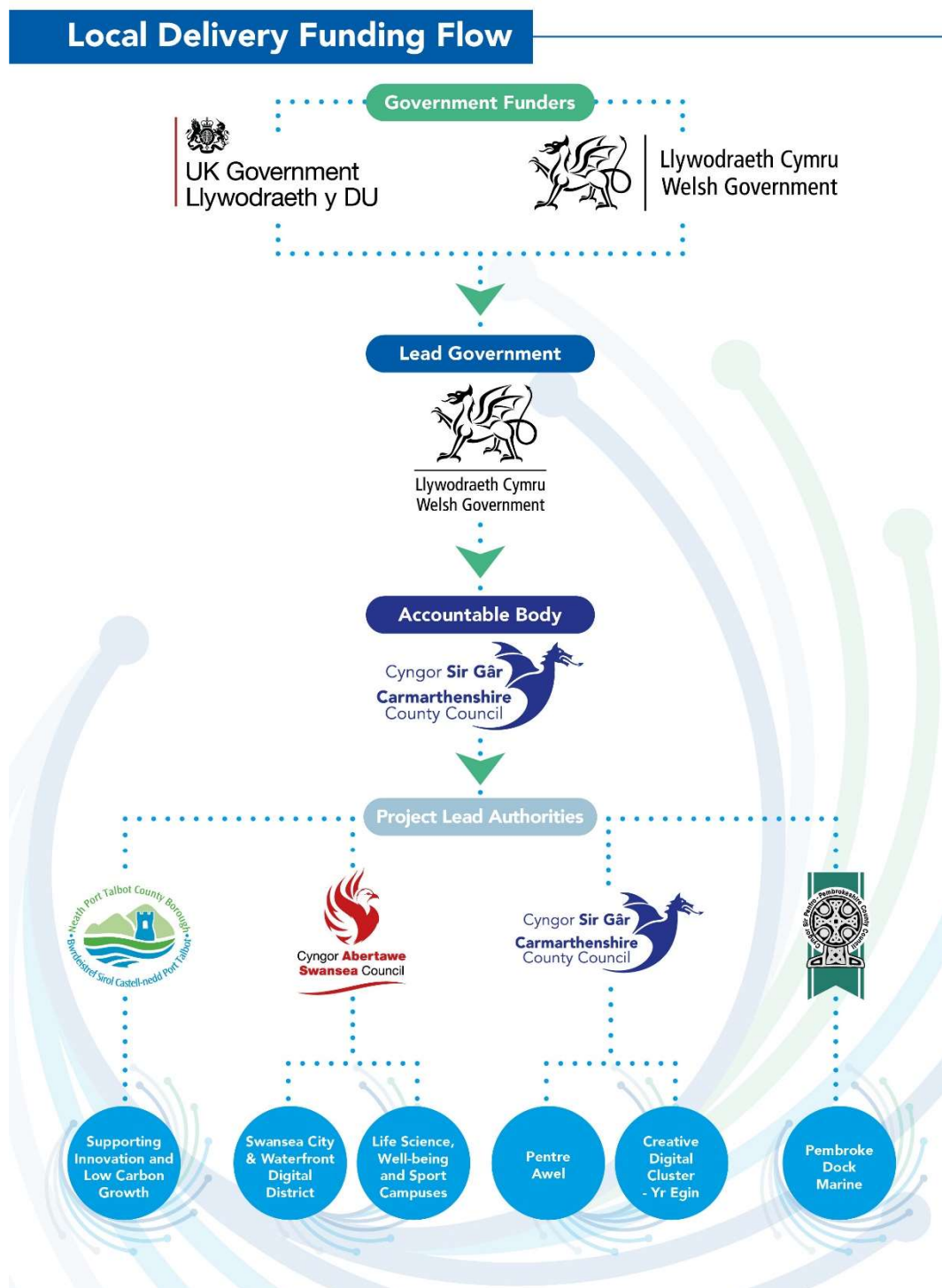


Figure 4.2. City Deal Funding Flow

### Borrowing

The Joint Committee is responsible for overseeing the proportion of each Council's responsibility for borrowing to provide funding for regional Projects. The capital

borrowing (in respect of the Government funded element) for the City Deal Projects will be re-paid by identified Government funds (UK & Welsh Government) over the 15-year period with the UK Government element now being paid over a 10-year timeframe.

The exact level of borrowing and the structure and terms of the borrowing is yet to be confirmed at this point in time, however it will be calculated based on the amount required per relevant local authority and will be in line with the individual local authority's internal requirements. This is being determined by the four Section 151 Officers of the four regional local authorities. 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 local authority for approval before submission to the Joint Committee. These full business cases will include the detailed funding proposals and requirements of the local authority.

**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.

**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.

## **5.6 Monitoring and Evaluation**

The City Deal portfolio finances will be monitored through the SBCD Programme 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 Officer working group. This working group will, in collaboration with the Welsh Government and the SBCD Portfolio Management Office, agree the financial monitoring process which will be:

- In line with overall reporting processes for the City Deal
- Based on best practice principles and guidance on project monitoring contained within the Green Book

Regular monitoring will also be undertaken through the specific programme level governance arrangements.

The monitoring process will allow for the control of project cost variations and visibility of variations at a portfolio level.

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.

## **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 Programmes and 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 Programme operates a risk register and issues log, specifically including any financial risks identified. These risks will be monitored and updated with mitigating control actions through the Programme board as a standing item and then regularly presented to the City Deal Programme Board and Joint Committee, through the Portfolio Management Office.

### Financial Issues, Dependencies and Interdependencies

The Programme board will maintain a log of any financial issues, dependencies and interdependencies at both programme 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 Board, Economic Strategy Board and Joint Committee for approval. Regular updates on financial issues, dependencies and interdependencies will also be provided to the Programme Board and Joint Committee via the Portfolio Management Office 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 Programme Lead Authority and Programme board gain 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 as appropriate to the Programme Lead Authority will undertake an independent review and report findings to the Portfolio Lead Authority and Programme Board. 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 the Project lead authority and Project board. In addition, the Internal Audit Unit undertakes fraud investigation and proactive fraud detection work.

#### Assurance - External Regulators

Audit Wales as External Auditor to the Project Lead Authority 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.

### **5.7 Accounting Treatment of Programme Transactions**

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

All income and expenditure is accounted for within the financial statements of the Project Lead Authority.

#### **Revenue Requirement**

The Welsh Government has acknowledged that revenue funding will be required to support the delivery of projects within the City Deal portfolio. The revenue requirements by projects 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**

Assets generated through the life of the programme will be accounted of and held on the balance sheet of the Local authority in which constituent area the asset is completed or the partner in which the asset is generated. Local authorities will account for assets inline with the relevant legislation and accounting standards. Partners will account for the assets inline with their own industry standard or accounting policies adopted.

#### **Value Added Tax**

Value Added Tax (VAT) is included where appropriate within the forecasts and estimates demonstrated. For objectives 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.

**Financial sign off is provided by Cabinet and the Council Chief Finance officer in the Nov 2019 Cabinet report**

## **6. 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 programme 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 business case reflects the development of significant elements of the programme to FBC status and includes the following changes:

- Updated SBCD governance structure and information
- Monitoring and reporting arrangements
- Updated project plan timeframes
- Updated arrangements for change management, benefit realisation and risk management
- Detailing of change management requests / notifications
- External assurance arrangements for the programme

### **6.1 Introduction**

The Management Case provides the Regeneration Project Board, SBCD Portfolio Management Office and Joint Committee with the reassurance and confidence that the capability and capacity to govern and deliver the project 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 will be achieved by establishing and operating capacity and capability to implement and manage robust governance and approvals utilising the project management practices and principles. The project will be periodically reviewed by the PoMO and external assurance reviews to assess and improve its governance, assurance, and communications arrangements. This will ensure that the ambition of the programme is aligned to delivery. These arrangements will also ensure that progress and deliverables are communicated effectively and transparently, while demonstrating value for money.

## **6.2 Project management arrangements**

Swansea Council have project managed the Digital Square & Arena using the Council's accredited Light Touch Programme & Project Management Methodology, which follows the principles of PRINCE2. This methodology is also being used for the delivery of the Digital Village. Project governance, reporting hierarchy, roles and responsibilities are established.

The Council is adhering to its established processes of reporting and corporate procedure rules in the engagement of contractors or works. Delivery Teams are in place for each scheme and team members are ensuring review of the overall aims and objectives. Team members review and discuss the various Project Highlight Reports and scrutinise the reported decisions required, risks and issues being reported by the project managers and work stream leads, in order to deliver a concise, coordinated monthly report to the Regeneration Project Board, and each organisation's internal reporting structures.

In order to retain the monthly reporting the delivery teams ensure the collation of the following key documents which will assist the day-to-day running of a successful programme;

- Programme Plan/Timeline.
- Risk, Issue, Actions, Dependencies (RAID) Tracker
- Benefits Tracker
- Stakeholder and communication plan.
- Financial monitoring plan.

Delivery of the Beyond Bricks and Mortar – Community Benefits is led by the Council's existing Beyond Bricks and Mortar team.

University of Wales Trinity Saint David will manage the projects in accordance with PRINCE 2 methodology.

The project governance will be set out, and agreed reporting hierarchy, roles and responsibilities will be clear. The University has clear processes of reporting and corporate procedure rules to be considered prior to engaging contractors or works. An internal project board will be in place and team members will ensure review of the overall aims and objectives. Team members will review and discuss the various Project Highlight Reports and scrutinise the reported decisions required, risks and issues being reported by the project managers and workstream leads, in order to

deliver a concise, coordinated report to the City Deal Programme (Portfolio) Board. As part of this, the project team will ensure that the following key documents are delivered on a timely basis for the project, supporting the overall success of the scheme.

- Programme Plan/Timeline.
- Risk, Issue, Actions, Dependencies (RAID) Tracker
- Benefits Tracker
- Stakeholder and communication plan.
- Financial monitoring plan.

### 6.3 Governance and delivery structures

#### 6.3.1 SBCD Governance Structure

Governance and delivery structures have been established with terms of reference to provide accountability, responsibility, oversight, management and monitoring of the programme and the wider SBCD.

The SBCD established a legal governance document - the Joint Committee Agreement (JCA) - in May 2018. 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 projects funded under the SBCD. The management processes and procedures outlined in the JCA include financial cash flow, project approval, risk management and progress updates. The overarching SBCD governance and delivery structure, as outlined below is operational with established Terms of Reference, membership/post holders, and plans and processes in place to govern and deliver the SBCD portfolio.





The table below summarises the key elements of SBCD governance and delivery structure, which includes committees, boards and key roles.

| <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 Boards / 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<br>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.<br>The Chair is accountable to the Joint Committee.  | Chris Foxall   | Ad-hoc Basis         | Joint Committee      |
| 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<br>Wendy Walters<br><br>Leader<br>Cllr<br>Darren Price | -                    | Joint Committee      |

### 6.3.2 Programme Governance Structure

The reporting organisation and the reporting structure for the programme are as follows:

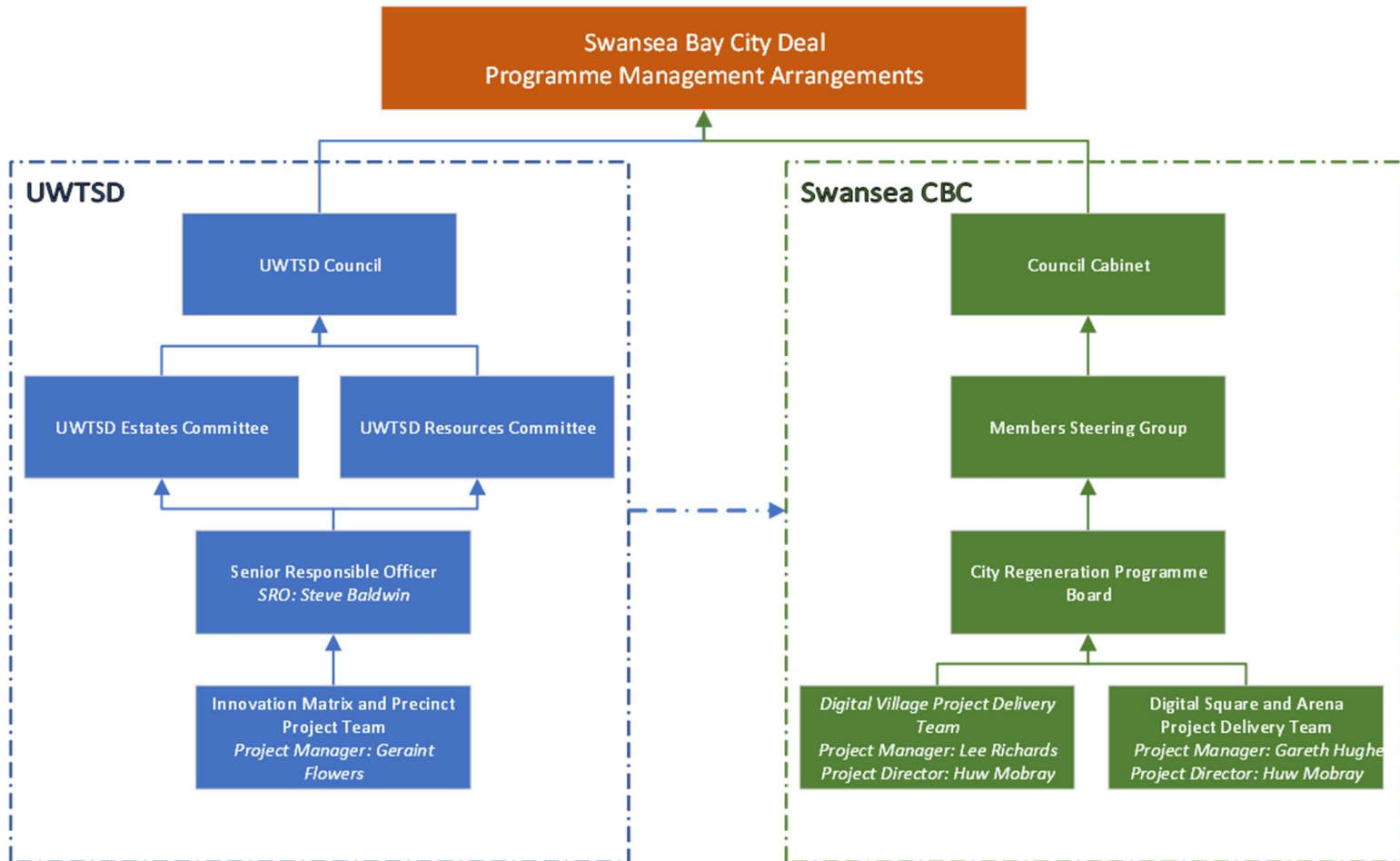
The Delivery Teams include subject matter experts with the necessary skills and expertise, and also the end user and other stakeholders to ensure that the programme is fit for purpose and able to deliver the commercial and events space that is required to support technology based businesses in Swansea.

The schemes will also be monitored through the internal governance processes of UWTSD and Swansea Council.

The Swansea Waterfront Digital District programme forms part of the Council's wider City Centre Regeneration Programme and report monthly to the City Regeneration Programme Board, which is an officer group chaired by the Director of Place, which in turn reports to the Members Steering Group, chaired by the Leader of the Council, on a monthly basis. Reports (on projects and financial requirements) are presented to the

Council Cabinet as and when required. In addition the programme provides monthly updates to the Council’s Development & Regeneration Scrutiny Performance Panel.

A governance chart outlining the arrangements is set out below:



The Regeneration Project Board is the authority that provides overall direction to and management of the Digital District Project. Specifically, the Board will manage the commitment of personnel, money and equipment to complete the aims and objectives of the Digital Arena and Digital Village project in line with the strategic aims of City Deal Programme. The UWTSD projects have their own governance structure and feed milestones and decisions into the Regeneration Board.

Project Management reporting to the Regeneration Project Board will be conducted on a monthly cycle on the basis of exception to allow the Project Board to determine progress over the term of the project against the key milestones as outlined in the project plan.

The Regeneration Project Board are responsible for:

- approval of all major plans
- approval of all deviations from agreed tolerances
- arbitration on any conflicts that cannot be resolved at programme level
- taking ownership of major risks and issues
- approval and sign off of key project documentation
- approving and funding key changes

| <b>Role/ Responsibility</b>                             | <b>Name</b>     |
|---|-----------------|
| Senior Responsible Owner                                | Martin Nicholls |
| Digital District Project Director – Swansea Council     | Huw Mowbray     |
| Digital District Project Director – UWTSD               | Steve Baldwin   |
| Innovation Precinct & Innovation Matrix Project Manager | Geraint Flowers |
| Digital Village Project Manager                         | Gareth Hughes   |
| Digital Square & Arena Project Manager                  | Lee Richards    |

## 6.4 Programme Plan

This project plan milestones have been updated and are set out in the following table.

Table 16: Programme plan

| <b>Milestone Activity – Innovation Matrix</b> | <b>Date</b>  |
|---|--------------|
| Planning Submission                           | Q2 2022      |
| Detailed Design                               | July 2022    |
| Tender and Contractor Procurement             | July 2022    |
| Construction                                  | TBA          |
| Construction Completion                       | Nov 2023     |
| Completion and Occupation (from)              | Nov/Dec-2023 |

| <b>Milestone Activity - Innovation Precinct</b> | <b>Date</b> |
|---|-------------|
| Planning Submission                             | Mar-23      |
| Detailed Design                                 | Jun-23      |
| Tender and Contractor Procurement               | Oct 23      |
| Construction                                    | Sept 24     |
| Fit Out   | Oct 25      |
| Completion and Occupation                       | Dec 25      |

| <b>Milestone Activity – Digital Village</b>               | <b>Date</b> |
|---|-------------|
| Procurement of Architectural Advisors                     | Dec-17      |
| Design Review   | Mar-18      |
| Recommendations to Programme Board on Preferred Design(s) | Apr-18      |
| Detailed Design and Pre-Planning Application Discussions  | Jan - 21    |
| Planning Application Submission                           | Mar - 20    |
| Tender Document Issued                                    | Feb - 21    |
| Contractor Procurement & Award                            | May- 21     |
| Construction  | Jul - 23    |
| Fit Out   | Aug- 23     |
| Completion and Occupation                                 | Oct - 23    |

| <b>Milestone Activity – Digital Square &amp; Arena</b> | <b>Date</b>       |
|--|-------------------|
| Outline planning consent granted                       | June 2017         |
| Selection of Arena operator                            | June 2017         |
| Hotel procurement                                      | July 17 – May 18  |
| Design Stage 2 approval                                | Nov 17            |
| Design Stage 3 development                             | Nov 17 – May 18   |
| Agreement signed with Arena operator (ATG)             | Jan 18            |
| Stage 3 Cost Plan                                      | April 18 – May 18 |

| <b>Milestone Activity – Digital Square &amp; Arena</b> | <b>Date</b>      |
|--|------------------|
| Contractor procurement                                 | Oct 17 – July 18 |
| Construction - advanced enabling works                 | Aug 18 – Nov 18  |
| Design Development Stage 4                             | May19 – Oct 19   |
| Swansea Council Cabinet Report - approval to proceed   | Oct 18           |
| Construction – main build                              | Nov 19 – Jan 22  |
| Arena Opening/ Events Programme commences              | Mar 22           |

## 6.5 Use of special advisers

Special advisers have been used in a timely and cost-effective manner in accordance with the Treasury Guidance: Use of Special Advisers. Details are set out in the table below:

Table 17: special advisers

| <b>Specialist Area</b> | <b>Adviser</b>  |
|------------------------|---|
| Financial              | Cushman & Wakefield, Marloes Consulting   |
| Technical              | Rivington Land, ACME Architects, IPW, The Urbanists, Aecom, Cooke and Arkwright |
| Procurement and legal  | Swansea Council, Blake Morgan, DFF, Geldards Law, Eversheds, Acuity Legal       |
| Business assurance     | Swansea Council, UWTSD  |
| Economic Appraisal     | Amion   |

## 6.6 Monitoring and Reporting Arrangements

The programme Monitoring and Evaluation processes replicates those set out in the SBCD Monitoring and Evaluation Plan. The plan is targeted at Programme / Project SROs, the Portfolio Management Office and SBCD Programme / Project teams. For this programme, the SRO will ensure that the programme 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 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 include:

- Monthly highlight reports
- Quarterly monitoring reports
- Annual reports
- Benefits realisation plan – continually updated and reported quarterly
- Integrated Assurance and Approval Plan (IAAP)

- Covid-19 Impact Assessment
- Construction Costs Impact Assessment
- Financial Monitoring
- Milestone evaluations as agreed with the Portfolio Management Office

Monitoring and Evaluation requires a periodic assessment of programme implementation and performance activities and the evaluation of their results in terms of relevance, effectiveness, and impact. Monitoring and Evaluation activities will provide all levels of the governance structure with information on the progress and impact made towards achieving the programme'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.

## **6.7 Arrangements for change management**

Any changes during the development and delivery of the programme will be referred through the Digital District programme management structure and integrated with the SBCD Change Control procedure.

The approach will consider several aspects of change that impact on programme scope, delivery and benefits as set out in this business cases, and specifically where a change is likely to affect at least one of the following categories:

- the total cost / financials
- the completion of delivery of output(s) / key milestones
- the quality outlined
- the benefits outlined
- the GVA, jobs created or inward investment

Any variance - positive or negative – will be subject to the agreed change control process to ensure that any change does not have a detrimental impact to the successful delivery of the programme.

The following change requests / notifications have been processed through the SBCD change process:

### **Innovation Matrix**

- A change request was approved for the Innovation Matrix scheme in June 2021 for the reallocation of £5.716m of existing City Deal funding from the Innovation Precinct to the Innovation Matrix to enable the commencement of the Innovation Matrix. The reallocation covers the change from the Box Village proposal to the Innovation Matrix proposal with a higher quality, slightly larger space that will allow for greater flexibility and use from tenants. The reallocation also covers a shortfall in project funding due to the envisaged private sector contribution not being realised. The change has no implications for the realisation of the economic benefits of the project.

### **Digital Village (71-72 Kingsway)**

- A change notification has been submitted notifying that the timescale for completion of the project has changed from the original business case date of December 2022 to October 2023. This is as a result of the need to re-issue procurement due to non compliant bids which caused a delay to the process. There is no change to the project benefits as stated in the business case as they will be realised within the City Deal timeline. Milestone completion date for Digital Arena has also changed from October 2021 to March 2022. There were no impacts to this change as the Arena opened on time and in line with scheduled events.
- An additional floor was added to the development proposal after taking market feedback into account at design phase, taking the footprint from 100,000sq ft to 115,000sq ft.
- ERDF funding of £500k has been provided to contribute towards the additional floorspace.
- Full business case costings have been confirmed post procurement. Full cost now at £48,540,125 (from original £49,648,253).
- Letting Strategy has been adjusted due to the pandemic and changing market requirements. Consultants Cushman & Wakefield have advised that they are anticipating a transition to a workplace ecosystem consisting of the office, the home and third spaces where flexible workspace can play a part. There is no impact to benefits in the business case due to this change at this point in time. As lettings progress we confirm whether the output linked to private sector fit out is deliverable.
- Risks have been updated to include covid impacts and construction price and delays. Mitigation includes design and letting strategy flexibility. The council have entered into a fixed price contract for construction and will work with the contractor to identify any savings that can be made to support delivery of the project.

A copy of the change requests / notifications is attached at Appendix I

## **6.8 Arrangements for benefits realisation**

The programme governance protocols being applied have incorporated core work streams which enable the programme team to clearly identify and track programme benefits regularly in line with the investment objectives detailed in the programme business case. A “whole team” approach will be adopted to ensure that benefit management is monitored through the life of the programme. In applying this approach benefits will be discussed on a regular basis at delivery team level and barriers in performance that impact on benefits realisation will be raised to the Project Board for decision.



The benefits management process will assess and review all outcomes resulting in change that were achieved as part of the activities undertaken by the programme. Benefit progress will be reported at least quarterly to the Portfolio Management Office.

The building contractors on each scheme will be required to develop a range of community benefits which they expect to appreciate through the term of the programme and which will be monitored and managed by the Council's Beyond Bricks & Mortar team on an ongoing basis. Based on current scheme costs and build timescales it is estimated that the three Digital District schemes will generate 3,266 training weeks for economically inactive and unemployed individuals, along with supply chain initiatives, contributions to education and community initiatives.

A copy of the programme benefits register is attached at Appendix F. This sets out who is responsible for the delivery of specific benefits and how and when they will be delivered. The benefits register will be monitored by the Project Board, and internal Swansea Council and UWTSD governance arrangements, to ensure all benefits are delivered.

## **6.9 Arrangements for risk management**

The key programme risks and associated countermeasures are outlined in Section 2.10 of the business case. Risks ownership has been allocated to the party best placed to manage a given risk.

Each Project Manager is responsible for proactively managing risks and issues by means of the Delivery Risk Register. The process of managing risks will take place throughout the entire life cycle of the project and potentially after closure if there are outstanding risks requiring ownership outside the project. During the construction phase, regular meetings will take place with contractors to identify any emerging risks to cost and timescales and mitigation actions taken as appropriate.

The risk register will be used to record all identified risks and is therefore a vital tool in the conception, procurement and delivery of the programme. It will record any uncertainty that could jeopardise the programme and strategies for minimising their impact.

The identification of risk will be reviewed in tandem with the activities in the programme plans – contingency plans will be agreed through the identification and mitigation of a risk and will continuously be reviewed throughout the life of the programme and escalated and monitored closely. The risk register will be monitored at all Project Board meetings so that any risks affecting programme outcomes can be identified and addressed.

The Programme Risk Register is included in Appendix G.

## **6.10 Arrangements for contract management**

Each of programme partners has existing and robust contract management processes in place and each has experience of implementing good contract management practices, particularly on contracts that carry higher risk, value and duration. The contracts for the Innovation Matrix and Innovation Precinct will be managed by University of Wales Trinity Saint David using the NEC Suite of contracts. The contracts for Digital Village and Digital Square & Arena are managed by Swansea Council using JCT contracts.

### **6.11 Programme assurance arrangements**

The programme's assurance processes will integrate with the SBCD Portfolio assurance framework to ensure that the planning, coordination and provision of assurance activities and approval points are understood and are proportionate to levels of cost and risk. The programme has developed an Integrated Assurance and Approval Plan (IAAP), which is regularly reviewed and reported on through the governance arrangements. This plan includes a schedule of Gateway reviews at key milestones or decision points. A Project Assessment Review will be undertaken for the Digital Square and Arena and Digital Village elements in November 2022. Arrangements are also being made for a review of the Innovation Matrix and Precinct elements.

The programme IAAP is attached at Appendix H

### **6.12 Arrangements for post programme evaluation**

The arrangements for post implementation review (PIR) and programme evaluation review (PER) have been established in accordance with best practice and are as follows:

#### *6.12.1 Post implementation review (PIR)*

The Post Implementation Review (PIR) is an essential component of the benefits management process. It checks whether benefits, including those set out in the business case have been achieved and identifies opportunities for further improvement.

Post programme completion, the University and Council project teams will continue to monitor the performance and achievement of outcomes as part of the on-going management of the programme. The new developments will need time in use before the achievements of some of the expected benefits can be measured. As such, on completion of the developments, a plan will be agreed on when and how the PIR will be undertaken. It will be the responsibility of the Project Directors/ SRO to ensure that a PIR is completed. The Project Board will agree this report.

#### *6.12.2 Project evaluation review (PER)*

This review appraises how well the programme was managed and whether or not it delivered to expectations. It will be timed to take place one year after completion of the developments. The Project Board will agree this report.

In addition, a Post Occupancy Evaluation (POE) will be carried out one year after building occupation, to gain building performance feedback.

### **6.13 Contingency plans**

Contingency arrangements were made for the Digital Square and Arena and Digital Village projects including: Planning Consent for the Digital Square secured which allowed for a range of uses and sizes of development which could have been released by dealing with conditions to provide flexibility. The OJEU procurement for the Arena operator was won by ATG however as a fall back the under bidder was retained.

Pre-letting of the Digital Village was originally envisaged with tenants signed before a start on site was made.

For Innovation Matrix and Innovation Precinct, UWTSD would look to alternative existing University owned space in the SA1 area to provide a solution that would be significantly reduced in scope and would not deliver the same level of benefits.

## **Appendices**

Appendix A: Letters of Support

Appendix B: Economic Impact Assessment of Swansea City Centre Regeneration Programme, Amion Consulting (August 2017)

Appendix C: Cost Benefit Analysis

Appendix D – Amion updated Digital Square report.

Appendix E: Digital District Net Income Streams

Appendix F: Programme Benefits Register

Appendix G: Project Risk Registers

Appendix H: Programme IAAP

Appendix I: Change Requests / Notifications



## Programme/Project Assessment Review (PAR)

|                                 |  |
|---------------------------------|--|
| <b>Programme/project Title:</b> | <b>[Insert programme/project name]</b> |
| <b>IAH ID number:</b>           | <b>AH/010/69</b>                       |

|   |   |
|---|---|
| <b>Version number:</b>                                  | V1.0 final  |
| <b>Senior Responsible Owner (SRO)</b>                   | Martin Nicholls                                   |
| <b>Date of issue to SRO:</b>                            | 17 <sup>th</sup> November 2022                    |
| <b>Department/Organisation of the programme/Project</b> | Swansea Bay City Deal, City and County of Swansea |
| <b>Programme/Project Director (or equivalent)</b>       | Huw Mowbray                                       |
| <b>Business Case stage reached:</b>                     | Full Business Case (FBC) or equivalent            |
| <b>Review dates:</b>                                    | 15/11/2022 – 17/11/2022                           |
| <b>Review Team Leader:</b>                              | Julie Palmer                                      |
| <b>Review Team Member(s):</b>                           | Amanda Williams<br>Neil Bradshaw                  |
| <b>Departmental Representative:</b>                     | n/a   |
| <b>Previous Review:</b>                                 | n/a   |
| <b>Security Classification</b>                          | Official  |

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[Please remember to click on “update table” once the report is completed to ensure that the contents table above is accurate]

### About this report

This report is an evidence-based snapshot of the programme’s/project's status at the time of the review. It reflects the views of the independent review team, based on information evaluated over the review period, and is delivered to the SRO immediately at the conclusion of the review.

This assurance review was arranged and managed by:

Welsh Government Integrated Assurance Hub (IAH)  
Cathays Park 2  
Cathays  
Cardiff  
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# **1. Executive Summary**

This Project Assessment Review (PAR) focused on the Terms of Reference as agreed by the SRO and Project team.

The Swansea City and Waterfront Digital District projects will deliver:

- The construction and operation of a 3,500 capacity Digital Arena in Swansea City Centre with podium level public realm, commercial units in the public realm, a cutting-edge Digital Square around the arena, and a new hotel, to revitalise the environment, leisure and lifestyle offer in the city centre and provide events space for tech businesses.
- The construction and operation of a new Digital Village on the Kingsway in Swansea City Centre that will provide 115,000 sq. ft. of new office accommodation for growing technology-based businesses.
- The construction of a 34,000 sq. ft. Innovation Matrix and 64,600sq ft. Innovation Precinct at University of Wales Trinity Saint David Swansea Waterfront development to provide incubation space and co-working areas for start-ups and small businesses.

The Terms of Reference directed the Review Team (RT) to focus on the first two; the Digital Arena which has been delivered and has been in operation since April 2022, and the Digital Village on the Kingsway (71/72 Kingsway) which is under construction and due to complete by November 2023.

The Outline Business Case (OBC) was approved in 2017 and secured approval to invest £174.2m, including £50m of City Deal funding ambitious and transformational projects in the city. The OBC stated that developments will facilitate the growth of higher added value activities (particularly tech businesses) in Swansea, for the benefit of the wider Swansea Bay City Region. Benefits included 1,281 jobs, £39.9m of private sector investment and contribute Gross Value Added of £669.8m to the Regional Economy. The Full Business Case (FBC) associated with this project is updated to reflect the most up to date information and figures, any changes are approved by both Swansea City Council (SCC) and the Swansea Bay City Deal (SBCD) Portfolio Office, with UK and Welsh Government being sighted.

The Review Team found that the Waterfront Project is delivering successfully, with the objectives and long-term impact on the city widely understood and supported. There is evidence of effective teamwork and strong stakeholder relationships across all aspects of the Project. Governance is effective and there is a clear route for reporting and decision making. The RT was impressed by the level of capability, enthusiasm, and knowledge across all interviewees.

The Digital Arena delivered successfully in March 2022, despite a very challenging construction phase because of COVID restrictions and following Brexit. The Arena is a major success for Swansea, and without fail, all interviewees celebrated its arrival and more importantly its role as a catalyst for further regeneration and investment. The consensus is that is bringing a new confidence to the Region by demonstrating that Swansea can deliver against its ambition.

71/72 Kingsway in under construction, due to complete in late 2023. The main contractor, Bouygues signed a Fixed Price contract and construction commenced in November 2021. The RT were made aware of some challenges already being raised due to cost increases (budget overspend, impact on quality as two examples), but were encouraged by the level of discussions taking place with the contractors and with the level of on-site monitoring in place to ensure that quality was not compromised.

The RT heard from private investors/developers who have chosen to work with Swansea as they recognise the ambition and ability to deliver. There are a variety of schemes, at different

stages of maturity, with plans to develop residential and office accommodation, along with leisure/lifestyle projects to fulfil the ambition of encouraging city centre regeneration.

## **2. Delivery Confidence Assessment (DCA)**

|  |                    |
|--|--------------------|
| <b>Delivery Confidence Assessment:</b>   | <b>Amber Green</b> |
| <p><b>Evidence from documentation, interviewees and a site visit enabled the Review Team to give an overall assessment for the two elements of the Waterfront Project of Amber Green - Successful delivery appears probable. However, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.</b></p> <p>The report details the findings, and the assessment is based on:</p> <ul style="list-style-type: none"> <li>• The Digital Arena has delivered successfully, providing a multi-purpose centre, attracting a variety of events, including music, theatre and comedy acts, conferences, and ceremonies.</li> <li>• To date over 100,000 visitors have attended events, with evidence of repeat bookers and a positive customer experience. The Arena has been well received by the Acts, and diary bookings are considerable throughout 2023.</li> <li>• Being able to secure Ambassador Theatre Group (ATG) early in the design and remaining involved throughout. The team are getting to grips with a multi-purpose venue and ways of working.</li> <li>• Securing a 30-year Operating Lease with ATG for the Arena. The car park, access lifts and walkways, and coastal park remain the responsibility of Swansea Council. Whilst there are monthly meetings between both parties, consideration needs to be given to joint operating arrangements to manage the interface between responsibilities.</li> <li>• As a new venue, there are obvious teething problems, not least the ongoing work with the contractor (Buckingham) to work through construction defects, and the delay in letting some commercial units, these are in hand. There were early Lift access and car-parking barriers issues affecting customer experience.</li> <li>• It is too early to assess the long-term benefits as detailed in the business case, but early indications are positive. Benefits Plans remain high level, and more attention to identifying measures and ways of tracking is advisable.</li> <li>• 71/72 Kingsway construction is progressing to plan, with a fixed price contract secured with an experienced contractor – Bouygues, although there are already stresses on the overall budget, dialogue remains positive and open at this stage but will need to be carefully managed.</li> <li>• There is an effective Project Management team in place, along with an experienced team of designers and supervisors (quality control).</li> <li>• Early discussions are progressing with a service Provider to manage the lower floors.</li> <li>• Discussions have commenced with letting Agencies, with a view to market the premises and secure long-term and suitable tenants, no documents were available as this was in early stages.</li> <li>• There is no single integrated plan showing all activities associated with 71/72 Kingsway (construction, marketing and fit out, etc) to define the critical path and assist with monitoring progress.</li> <li>• Risks relate to Economic climate, supply chain and increasing material costs, changing work patterns meaning demand for office space is low, these are well understood, but will need constant monitoring.</li> </ul> |                    |



**The Delivery Confidence assessment RAG status should use the definitions below:**

| <b>RAG</b>         | <b>Criteria Description</b>   |
|--------------------|---|
| <b>Green</b>       | Successful delivery of the project/programme to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery.  |
| <b>Amber/Green</b> | Successful delivery appears probable. However, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.   |
| <b>Amber</b>       | Successful delivery appears feasible but significant issues already exist requiring management attention. These appear resolvable at this stage and, if addressed promptly, should not present a cost/schedule overrun.                                 |
| <b>Amber/Red</b>   | Successful delivery of the project/programme is in doubt with major risks or issues apparent in a number of key areas. Urgent action is needed to ensure these are addressed, and establish whether resolution is feasible.                             |
| <b>Red</b>         | Successful delivery of the project/programme appears to be unachievable. There are major issues which, at this stage, do not appear to be manageable or resolvable. The project/programme may need re-base lining and/or overall viability re-assessed. |

### **3. Summary of report recommendations**

The Review Team makes the following recommendations which are prioritised using the definitions below:

| <b>Ref. No.</b> | <b>Recommendation</b>   | <b>Urgency (C/E/R)</b> | <b>Target date for completion</b> | <b>Classification (Please enter the categorisation number from the list provided here)</b> |
|-----------------|---|------------------------|-----------------------------------|--|
| 1.              | <b>Introduce a formal meeting between SCC and UWTSD, as part of Governance, thus ensuring that any joint dependencies, opportunities, risks and plans are understood and appropriately managed.</b> | E- Essential           | First meeting in January.         | 1.1 Governance Structures and Process  |
| 2.              | <b>Review the 71/72 Kingsway Risk and Issues Log on a regular basis to ensure that risks and issues are captured and actively managed to form a key part of the</b>                                 | E- Essential           | Within 3 months                   | 9.1 Risk Framework and Processes   |

| Ref. No. | Recommendation  | Urgency<br>(C/E/R) | Target date<br>for<br>completion | Classification<br>(Please enter the<br>categorisation number from<br>the list provided here) |
|----------|---|--------------------|----------------------------------|--|
|          | monitoring and control governance.  |                    |                                  |  |
| 3.       | <b>Develop and maintain an integrated critical path plan for 71/72 Kingsway to ensure all key activities and milestones are identified and visible. Use this plan to identify and manage dependencies and impacts, and pinch points as work progresses.</b> | E- Essential       | With 3 months                    | 3.1 Planning   |
| 4.       | <b>Expand the Benefits Delivery framework associated with the Arena to identify qualitative benefits and detail measures and tracking arrangements.</b>   | R - Recommended    | In line with next FBC update.    | 6. Benefits Management and Realisation   |
| 5.       | <b>Undertake an Arena Lessons Learnt workshop, involving all stakeholders, to capture learning from construction, implementation/hand over and live running phases.</b>   | R - Recommended    | In line with FBC update.         | 11.2 Lessons Learnt  |
| 6.       | <b>Commission an independent review of the market demand for Grade A office accommodation of the type being proposed for 71/72 Kingsway within the context of the predicted national economic forecast.</b>   | E- Essential       | Within 3 months.                 | 8.3 Business Case  |

**Critical (Do Now)** – To increase the likelihood of a successful outcome it is of the greatest importance that the programme/project should take action immediately

**Essential (Do By)** – To increase the likelihood of a successful outcome the programme/ project should take action in the near future.

**Recommended** – The programme/project should benefit from the uptake of this recommendation.

#### **4. Areas of good practice and lessons learnt**

- Quality of political and officer leadership demonstrated.
- Successful delivery of Swansea Arena, raising the profile of Swansea as a city that can deliver ambitious projects.
- Regeneration Strategy vision, along with Council support to decide to build the Swansea Digital Arena COPR Bay, and surrounding area (COPR Bay) as a catalyst to further investment and regeneration activity for Swansea.
- Seeking lessons from existing Arena venues ahead of final design, as well as procuring the ATG at an early enough stage to influence design and operating mode.
- Negotiating Fixed Price contracts on both the Arena and 71/72 Kingsway
- Being open to work with private sector investors, encouraging ambitious plans to build and regenerate key parts of Swansea
- Good governance for Arena and 71/72 Kingsway, involving partners, Programme Boards, Steering Groups, Cabinet meetings, SBCD Portfolio Board. Evidence of effective working relationships at all levels.
- Community Benefits approach – Beyond Bricks and Mortar team in City and County of Swansea have been very active across all Projects from the procurement stage through to delivery. They have ensured that the community benefit principles are fully embedded in both schemes:
  - Local supply chain
  - Targeted recruitment, training to industrial standards
  - engaging with Employability network providing ‘Ready for Construction’ courses to maximise the potential of individuals in the schemes.
  - Community Initiatives and Education

The Beyond Bricks and Mortar team were successful in the Social Value category at both the Welsh and UK GO Awards (Procurement)

#### **5. Areas of concern**

- Challenges faced during the construction of the Digital Arena led to defects and has resulted in delays to the opening of one of the car parks and occupation of retail units. Whilst these are currently being resolved with the main contractor, it is important to ensure that 71/72 Kingsway does not compromise quality at any stage.
- The current Economic climate is recognised as a significant risk, although potential impact and mitigation is not captured in the risk register.
- The need to find high quality tenants for 71/72 Kingsway, some concern that this may prove challenging during the current economic climate and changing working practices. Attention must be paid to ongoing mitigation and options to minimise the impact.
- Lack of an integrated plan for 71/72 Kingsway, potentially impacting ability to track progress, identify dependencies and the critical path.
- Lack of obvious join up between the 3 elements of the Business case. There are two distinct leading offices - Swansea Council and University of Wales Trinity St. David’s (UWSTD), and both report into SBCD. Would a single project board aid identification of key dependencies and delivery of the shared outcomes?

## **6. Acknowledgement**

The Review Team would like to thank Martin Nicholls, the SRO, and all interviewees for their support and openness which contributed to the Review Team's understanding of the Project and the outcome of this Review. Special thanks to Elizabeth Morris for providing the documentation, arranging the interviews and being there for us during the Review period. The RT also appreciated the Arena tour which aided understanding.

## **7. Comments from the SRO**

The PAR gateway review was well timed to assess the recent delivery of the Arena and the current construction phase of 71-72 Kingsway. We have welcomed this independent review and outcomes and will be taking the recommendations forward into the current phases of the Swansea Waterfront City Deal projects.

I agree with the recommendation to formalise the governance between UWTSD and Swansea Council ensuring that any joint dependencies, opportunities, risks and plans are understood and appropriately managed.

We also welcome the recognition of the good practise that has been undertaken by Swansea Council whilst delivering the Swansea City Deal projects.

I do feel that the findings for the Arena align more closely with the definition of a Green rating, being delivered to time, scope and within budget. However I appreciate that the Terms of Reference covered benefits delivered, but note that the benefits to date (specifically jobs and private investment generated) are on track with where we should be at this time in the delivery phase.

I fully accept the overall rating of amber/Green

Thank you to the review team for the timely, thorough and helpful review that will help us shape the next steps in delivery of Arena benefits, and through construction and delivery of 71-72 Kingsway.

## **8. Summary of the Programme/Project as provided by the Project Team**

### **Background and context:**

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 Swansea Bay City Deal (SBCD) is part of the SBCR strategy and portfolio. It is 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.

Swansea City and Waterfront Digital District programme was approved in 2017 and secured approval to invest £174.2m, including £50m of City Deal funding in a number of ambitious and transformational projects in the city. These developments will facilitate the growth of higher added value activities (particularly tech businesses) in Swansea, for the benefit of the wider Swansea Bay City Region.

Swansea is a key engine of growth for Swansea Bay City Region, producing 40% of regional Gross Value Added (GVA). It has significant innovation assets, with two expanding universities and a growing capability across key sectors linked to university expertise and Swansea Techhub. However, there are currently fundamental issues with: a lack of suitable

incubation and grow-on space for businesses; a poor-quality city centre environment, commercial, leisure and lifestyle offer; low rental values (making private sector development unviable) and; business start-ups and graduates being lost to the city. These issues need to be addressed for the city and region to prosper.

The Swansea City and Waterfront Digital District projects will deliver:

- The construction and operation of a 3,500 capacity Digital Arena in Swansea City Centre with podium level public realm, commercial units in the public realm, a cutting-edge Digital Square around the arena, and a new hotel, to revitalise the environment, leisure and lifestyle offer in the city centre and provide events space for tech businesses.
- The construction and operation of a new Digital Village on the Kingsway in Swansea City Centre that will provide 115,000 sq. ft. of new office accommodation for growing technology-based businesses.
- The construction of a 34,000 sq. ft. Innovation Matrix and 64,600sq ft. Innovation Precinct at University of Wales Trinity Saint David Swansea Waterfront development to provide incubation space and co-working areas for start-ups and small businesses.

Together these three complementary schemes will combine to future proof the city and create a strong and vibrant digital city that will be economic engine of the wider City Region. The Digital Arena project has provided a 3,500 capacity high tech facility that is capable of holding major digital events, including worldwide computer gaming competitions and other digital and data driven events, alongside more traditional live theatre and concert events. The arena will be located within a new cutting-edge Digital Square in Swansea City Centre to create a distinctive and unique destination. The Digital Arena will provide the digitally enabled conference and events space required by Swansea's tech businesses and Universities and help revitalise the environment and leisure offer of Swansea city centre to attract and retain people and businesses in the City Centre. A hotel will also form part of the development, to meet the requirements of business and entertainment tourism linked to the Arena. Construction works for the Digital Square & Arena.

The Digital Village, located on the Kingsway in Swansea City Centre, will be delivered by Swansea Council to provide low cost, flexible offices within a high quality commercial environment with high speed broadband. It will accommodate Swansea's growing technology businesses and ICT focused businesses expanding from Swansea University and UWTSD incubation facilities and will be actively managed to support the businesses located within it. The Digital Village will act as a catalyst for new private sector led development and refurbishment of further properties on the Kingsway to create a new Central Business District in Swansea City Centre. Construction commenced November 2021.

The Box Village and Innovation Precinct will be delivered by the University of Wales Trinity Saint David, as part of its new 23 acre campus at SA1 Swansea Waterfront. The Box Village is an incubator hub offering workspaces with shared services that will provide a nurturing environment for start-ups, with access to university expertise, mentors and investors. Once a business has exceeded the space requirements provided by the Box Village it could then be accommodated in the Innovation Precinct, which will be a fully integrated shared space that brings together the academic support of the University with the business innovation of SMEs. The Box Village will start on site in 2021 and Innovation Precinct will commence 2023.

**Aims and objectives:**

- Investment Objective: To create 115,000 sq ft of flexible and affordable accommodation in the city centre to support the growth of technology-based businesses (and other higher added value activities) by 2023
  - Outcomes to include: To create 500 net FTE jobs and act as a catalyst for new private sector led development and refurbishment of further properties on the Kingsway to create a new Central Business District in Swansea City Centre.
- Investment Objective: To create the vibrant environment, leisure and lifestyle offer (including events space) in the city centre by 2022 that attracts and retains technology-based businesses and skilled workers for the benefit of the wider region.
  - Outcomes to include: To create 450 net FTE jobs and provide a 3,500 capacity high tech facility that will be capable of holding major digital events, including worldwide computer gaming competitions and other digital and data driven events, alongside more traditional live theatre and concert events

The Swansea City and Waterfront Digital District projects align to the following local, regional, Welsh Government and UK Government strategies

**Local:**

- The well-being objectives of Swansea Council, as set out in the Corporate Plan 2017-22, in particular “Transforming our Economy & Infrastructure
- University of Wales Trinity Saint David Transformation Strategy
- Swansea Central Area Regeneration Framework (SCARF), .

**Regional:**

- Swansea Bay City Region Economic Regeneration Strategy
- The South West Wales Regional Economic Delivery Plan 2022-2030 updates and re-focusses the SBCR Economic Regeneration Strategy
- Regional Economic Framework 2021 (REF) for South West Wales

**Wales:**

- Wellbeing of Future Generations (Wales) Act 2015
- Welsh Government’s Prosperity for All strategy
- Welsh Government’s Economic Action Plan

**UK:**

- UK Industrial Strategy.2017
- Build Back Better: Our plan for growth 2021
- Levelling Up White Paper 2022
- Digital Strategy 2017

**Key Milestones:**

| Milestone  | Date (dd/mm/yy) |
|--|-----------------|
| <b>Digital Arena Milestones</b>                      |                 |
| Outline planning consent granted                     | June 2017       |
| End of Design Stage 2                                | Nov 2017        |
| Arena Operator Contract Signed (Agreement for Lease) | Jan 2018        |
| Hotel Procurement                                    | May 2018        |
| Contractor Procurement                               | July 2018       |
| Arena Operator Lease Agreement                       | Oct 2021        |
| Construction complete                                | Jan 2022        |
| Arena Opening  | Mar 2022        |

| Milestone  | Date (dd/mm/yy) |
|--|-----------------|
| <b>Digital Arena Milestones</b>                    |                 |
|  |                 |
| <b>Digital Village (71-72 Kingsway) Milestones</b> |                 |
| Detailed Design Stage 2                            | Aug 20          |
| Planning Submission                                | Mar 20          |
| Tender and Contractor Procurement                  | May 21          |
| Enabling infrastructure works                      | Sept 21         |
| Construction completed                             | Oct 23          |
| Completion and Fit Out                             | May 24          |

## **9. Terms of Reference of the Review**

Swansea Arena (70% weighted) and 71/72 Kingsway (30% weighted) Project Assurance Review (November 2022).

The Project Assurance Review (PAR) will provide assurance to the SRO, the region and to the UK and Welsh Governments (the funding sponsors) that the Swansea Arena (delivered) and 71/72 Kingsway (in construction) Projects are meeting expectations as set out in the Programme Business case.

9.1 Has the Council's intervention (for both Swansea Arena and 71/72 Kingsway given the market confidence to invest in Swansea?

9.2 Early assessment of the impact on city centre regeneration (Arena <12 months opened)?

9.3 Is Governance appropriate with controls and measures in place to manage and mitigate project risks, milestones, and deliverables?

9.4 Completeness and quality of Full Business Case.

9.5 For Swansea Arena (70%):

- Has the Project delivered against its objectives?
- Is benefit realisation on track against the planned benefits?
- How effective is the operational management (ATG)?
- Effectiveness of ongoing contract management and support and maintenance
- Ongoing stakeholder engagement, marketing, and communication plans.

9.6 For 71/72 Kingsway (30%):

- Assess whether the Business Case justification for the project is on track
- Confirm that there is still a business need for the investment. How is this assured?
- Assess progress against plans, is the project on track and how is this evidenced and assured?
- Ongoing stakeholder engagement, marketing, and communications plan.



## **10. Detailed Review Team findings in line with TORs**

### **10.1 Impact of Council's Intervention on market confidence to invest in Swansea (for both Arena and 71/72 Kingsway)**

City and County of Swansea (SCC) have developed an ambitious strategy for the regeneration of Swansea. As part of that strategy, they have sought support through the Regional Swansea Bay City Deal to develop an events Arena and high quality office accommodation, at 71/72 Kingsway, as part of the Swansea City and Waterfront Digital District programme.

The programme aims to support the creation of Swansea as a dynamic regional centre facilitating high quality employment within a vibrant and sustainable (work, leisure and living) environment. The programme also aims to make Swansea an attractive and viable place for private sector investment to further drive the city's regeneration.

Although it is early days, the stakeholders interviewed shared their opinion that the Council's intervention is having an impact on market confidence. In support of this opinion, the RT noted:

- SCC have entered a 20-year partnership with Urban Splash to progress a number of development opportunities across the city centre
- The development of the former Woolworths building by a local developer to provide a mixed development sustainable building based upon a "biophilic" concept designed in partnership with Swansea University.
- Several other developers have acquired interests, are progressing plans, in developing other brown field sites within the city centre.
- Footfall within the city centre has increased (the RT was told that hospitality industry in the vicinity of the Arena has increased by 200% since 2019 but were not provided with numerical data).
- Hotels and other guest accommodation are fully booked during events, with recognition of the need for additional quality accommodation.

This appeared to be based upon two key factors:

Firstly, the RT heard a consistent theme of support and admiration for the vision, ambition, and leadership (both political and officer) of SCC strategy for the regeneration of Swansea city centre. Interviewees from all stakeholder groups shared this opinion. The RT heard comments such as "remarkable", "wow" and "keep doing what you're doing".

From the evidence provided this strategy appears to be built upon the objectives of providing high quality, innovative and sustainable developments to create a digital community and maximising the natural resources of the Bay.

Secondly, in delivering the Arena and commencing 71/72 Kingsway the SCC had provided tangible evidence of their ability to deliver. The RT heard that this had moved the business and public perception from a Council with lots of plans to one who can actually deliver. The RT were told that the council used to be known as the "Artist Impression Authority" and that many stakeholders were sceptical that the strategy was just another "grand plan" that would never become reality. SCC had proved them wrong and their confidence to support and invest had grown.

Swansea was recently shortlisted for the Estates gazette awards, being one of 4 cities, this also helps to raise the profile of Swansea as a place to invest. The mix of ambition, innovative thinking, availability of funding and support measures from WG has helped to drive the private sector interest, recognising that public sector and grant funding will continue to be vital to the long-term regeneration plans.

## **10.2 Early Assessment of the impact on City Centre Regeneration (Arena <12 months after opening).**

The RT observed that Regeneration was a key theme throughout the documentation and in the interviews. There is widespread recognition that the Digital Arena, and the other developments making up COPR bay are a key enabler for the Swansea region regeneration. These have demonstrated that Swansea can deliver against an ambitious vision.

There are effective forums – Development Advisory Group, as one example, chaired by the Leader of Swansea Council, highlighting that the Regeneration Strategy and Agenda is seen as critical to the future prosperity of Swansea and its Region.

The RT heard that the rate of shop closures has reduced, and major brands (M&S, Primark) are committed to the centre and refurbishing and considering potentially expanding their floorspace. Footfall has improved from 2021 but remains below pre-Covid levels.

Swansea has other ongoing regeneration projects – City centre library and Hub in the old BHS building, Albert Hall, Palace theatre with the latter two are already securing tenants.

Whilst there is a long list of positive activity, there is also a need to agree how the benefits of these initiatives are identified and measured (Qualitative) in enough detail to demonstrate the wider impacts and successes, and to enable benefit realisation tracking. Agreeing the measures, potentially in the form of Critical Success Factors (CSFs) and capturing the associated data will help confirm that the funding (both Grant, public and private) is also achieving the benefits associated with improving quality of life through regeneration.

**See recommendation 4 under Governance.**

## **10.3 Governance Review**

There was evidence of appropriate Governance in place at all levels in line with that documented within the FBC and associated Terms of Reference documentations during the Review. The RT were provided with high level reporting dashboards which focused on key matters for discussion and resolution where appropriate, the concept of a “deep dive” in a particular area on a rotation basis was considered good practice. Scrutiny takes place at the Bi-monthly Regeneration Scrutiny Board.

As referenced within the Exec Summary and FBC section of this report, the FBC includes 3 projects, 2 of which are considered as part of this Review. SCC and UWTSO are subject to their own project management arrangements, but report into the SBCD Portfolio Board. The RT heard that whilst informal discussions take place on a regular basis between both teams it would be beneficial to introduce a more formal arrangement at project level to ensure opportunities and dependencies are not lost between SCC and UWSTD, and to understand impacts on FBC outcomes particularly where changes are required.

**Recommendation 1: Introduce a formal meeting between SCC and UWTSD, as part of Governance, thus ensuring that any joint dependencies, opportunities, risks and plans are understood and appropriately managed.**

The RT had sight of a risk register for 71/72 Kingsway and heard consistently that risks are discussed as standard as part of governance. Risks are well understood, appear to be actively managed and inform the Dashboards. The RT viewed that the Risk Register appeared to be more of a high-level log rather than being the document to actively manage the Project. There was more of a reliance on informal processes. The issue log had no entries, and full use of this could also enhance the monitoring and control process.

The RT recommend that greater attention is paid to active risk and issue management along with regular risk identification, and mitigation/action updates for 71/72 Kingsway to ensure focus in this area.

**Recommendation 2: Review the 71/72 Kingsway Risk and Issues Log on a regular basis to ensure that risks and issues are captured and actively managed to form a key part of the monitoring and control governance.**

The RT were provided with BYUK and Gleeds' reports for 71/72 Kingsway, both of which included construction delivery plans in Microsoft Project format. Whilst encouraging to see the level of detail for the construction element there were no plans provided that integrated all project activity to show a critical path plan to achieving the project objectives. The RT would expect to see a plan with all key activity e.g. marketing, leasing plans, hand over, fit out etc.

**Recommendation 3: Develop and maintain an integrated critical path plan for 71/72 Kingsway to ensure all key activities and milestones are identified and visible. Use this plan to identify and manage dependencies and impacts, and pinch points as work progresses.**

## 10.4 Full Business Case

As detailed in Section 8 of this Report (provided by the Project Team), the Outline Business Case (OBC) was approved in 2017 and secured approval to invest £174.2m, including £50m of City Deal funding. The OBC stated that developments will facilitate the growth of higher added value activities (particularly tech businesses) in Swansea, for the benefit of the wider Swansea Bay City Region. Benefits included 1,281 jobs, £39.9m of private sector investment and contribute Gross Value Added of £669.8m to the Regional Economy. The Full Business Case (FBC) associated with this project is updated to reflect the most up to date information and figures, any changes are approved by both Swansea City Council (SCC) and the Swansea Bay City Deal (SBCD) Portfolio Office, with UK and Welsh Government being sighted.

Box Village and Innovation precinct are being delivered by University of Wales UWTSD, and the Digital Village and Digital Square & Arena by SCC.

Having secured UK and WG approval of the OBC the FBC did not require formal approval by the SBCD, WG or UK Government (UKGOV). This is delegated to SCC (and UWTSD) unless there are significant changes. The FBC is considered to be a dynamic and "live" document that will ultimately reflect the final proposals. The RT noted that quarterly reports are provided to the SBCD Portfolio Board and there is an annual review with WG and UKGOV, this was considered good practice.

## 10.5 Swansea Arena (70%)

The FBC sets out the objective as “Development of a Digital Square and Arena by 2021 to revitalise the city centre to create the vibrant environment, leisure and lifestyle offer (including events space) that attracts and retains tech businesses and skilled works for the benefit of the wider region”.

The Arena construction is complete, with the Arena opening to the public in March 2022. The 3,500 seat Arena is managed by ATG who have been involved in all stages of the design and build following an early OJEU process to procure a 30-year operating lease.

The RT recognise the positive impact the delivery of the Arena is having on the City, with a tangible demonstration of the City’s ability to deliver against plans, boosting confidence not only locally but to private investors who are starting to see Swansea as somewhere “open for business”. The Arena has been designed to accommodate a wide range of event types. The mix of facilities enables the Arena to host small, medium and large-scale events though its combination of meeting rooms, ancillary spaces and exhibition areas and auditorium options. The RT were given a tour of the Arena which was a great help.

The project took time to look at similar venues during the early stages and took on board feedback from potential operators including ATG during the OJEU process which influenced increasing the final capacity of the Arena to 3.5k. The project also embraced expert views on acoustic specifications and some design features.

In the 6 months since opening ATG have delivered a range of events – graduations, music, theatre, comedy, conferences, exhibitions etc. attracting “big names” and performances with ticket sales reaching exceeding 130k. The Arena and its staff have received positive feedback, from customers and event/production companies with return bookings being made well into the next year and beyond. As previously stated, the Arena has provided a much needed boost to Swansea, feedback from some of those interviewed described the project as “remarkable”, delivering on the “enjoyment vision for the city”, “bold, brave and exciting” and “catalytic for other projects”.

The construction phase carried out by Buckingham (fixed price contract) was not without challenge, particularly as the phase coincided with Brexit and Covid. There were build quality issues with defects remaining at the point of hand over. Whilst these did not adversely impact the main Arena, they have resulted in a delay in completing a major car park and delayed occupancy of retail units on the approach ramp and use of one of the car parks. On a positive note, The RT heard that these defects are being worked through and are subject to completion at cost to the contractor with regular meetings to discuss.

An important aspect of the Arena development was the creation of opportunities for local companies and residents during the development phase and at the operational stage. The RT were sighted on the Community Benefits report highlighting what was achieved and encouraged by the fact that the Beyond Bricks and Mortar team, added further value by working collaboratively with Employability and contractors to create a course “prepare to work in construction” providing appropriate training for suitable candidates enabling a pipeline ready to start as construction roles arose. This approach is also being taken with 71/72 Kingsway. In addition, from an operational perspective the majority of ATG employees at the Arena are from the locality.

The RT were sighted on the benefits tracker for the project which includes a range of quantitative measures e.g., targets for jobs and GVA increases, targets for event numbers, etc. The RT were made aware that quantitative benefits profiles are in place with arrangements for tracking and monitoring key benefits of this project through formal governance. Maturity is expected at the 3-year stage, therefore, too early to assess at this point.

In terms of qualitative benefits, whilst there were consistent views of the wider positive impact the Arena project is having on Swansea there was no evidence that these have been identified and documented in any measurable format (potentially as CSFs) or have mechanisms to measure and track in place. The RT recommend that qualitative benefits are identified and documented with defined measures and mechanisms to track.

**Recommendation 4: Expand the Benefits Delivery framework associated with the Arena to identify qualitative benefits and detail measures and tracking arrangements.**

As a multi-purpose building learning is still very much in progress about its functions and facilities, and teething problems are apparent. The RT understand that there was no operational transition plan which may have enabled earlier identification and resolution of obstacles that have needed to be overcome whilst in operation. The RT learnt that whilst ATG are accountable for the operational management of the Arena impacts from other surrounding facilities managed by SCC, (the Car Park and Coastal Park area) can negatively impact on customer experience and reputation. A more integrated approach to managing the 3 elements may help to better anticipate potential challenges.

Monthly meetings take place between ATG and SCC to ensure good communication and collaboration on event co-ordination across other attractions. This forum facilitates management of capacity, carparking, accommodation, travel plans, security etc for all Swansea venues and provides opportunity for shared marketing, joint planning and staff opportunities.

There is evidence of Lessons being Learned by all parties and recommend running a workshop to ensure that these are shared, discussed and noted for the benefit of all parties, and for future Projects. This would be both a celebration of the success and a note of things that could be done differently.

**Recommendation 5: Undertake an Arena Lessons Learnt workshop, involving all stakeholders, to capture learning from construction, implementation/handover and initial live running phases.**

## 10.6 71/72 Kingsway (30%)

The Digital Village, located on the Kingsway in Swansea City Centre is intended to provide low cost, flexible offices within a high-quality commercial environment with high-speed broadband. Its target market is to accommodate Swansea's growing technology and ICT focused businesses expanding from Swansea University and UWTSD incubation facilities and will be actively managed to support the businesses located within it. The Digital Village will act as a catalyst for new private sector led development and refurbishment of further properties on the Kingsway to create a new Central Business District in Swansea City Centre. Construction commenced November 2021 and is currently planned to be completed by October 2023 with a phased occupation from May 2024.

The RT were provided with evidence that the business justification for the project remains valid. Reports have been commissioned from independent advisors that confirm the potential market demand. The RT noted that the original design had been adapted to reflect the changing nature of office-based work post Covid, this is good practice. The adopted design creates an increase in flexible accommodation to support "hybrid" working patterns.

However, the RT were concerned that, from the evidence provided, there appeared to be no systematic analysis of the impact of the predicted downturn in the economy on the market demand in at least the short (to medium) term. From the evidence submitted the project has made provision for a 12-18 month void period post-handover of the shell and core. Should this period be extended this is likely to have an impact on the current financial assumptions and there was concern in some quarters that there was a risk the development could be perceived as a "white elephant".

The Project would benefit from reviewing the previous assessment of market demand within the context of the predicted national economic forecast.

### **Recommendation 6: Commission an independent review of the market demand for Grade A office accommodation of the type being proposed for 71/72 Kingsway within the context of the predicted national economic forecast.**

The RT noted that Bouygues UK have been appointed as Supply Chain Partner (SCP) on a design and build basis under the NEC Option A (fixed price) contract. Work commenced on site November 2021 and is due to complete October 2023 (9 week delay from the original contract completion date). There appears to be robust structures and processes for the management and scrutiny of the construction contract. The RT were provided evidence of monthly reporting to the project team and the expected suite of programme, risk and change/financial management tools.

As previously stated in this Report, whilst the construction programme was well defined and subject to robust contractual arrangements, there is no overarching programme that brought together the interdependent elements of construction, marketing, fit out and occupation. The RT could not see the critical path that would lead to tenant occupation. This is essential to ensure successful project delivery and mitigation of the financial and reputational risks. **See recommendation 3.**

The RT heard concerns that, given the current level of inflation within the construction industry, the fixed price contractual agreement may have a perverse impact on the outcome of the project. As margins tightened there is a risk that the SCP will seek opportunities to reduce cost, with a potential consequential impact on quality, and maximise income, through an aggressive commercial approach.

The RT were encouraged to hear that SCC recognised this risk and were seeking a flexible approach to optimise the balance between cost, benefit, and risk. There was

wider understanding of this risk within the SBCD and an acknowledgement of the potential negative impact on the region. The RT advise that SCC continue to monitor this risk and seek flexible solutions subject to the appropriate tests of business justification and scrutiny.

The RT were provided with evidence of a Joint Agents Marketing Report setting out a strategy for the leasing and marketing of the development together with a separate analysis of the Swansea office market. Whilst it was noted that plans were well advanced to secure an operator for the serviced/flexi space, there appeared to be less clarity with respect to the plan, and key milestones, for letting the remainder of the building.

Communication and engagement to date appeared to be reactive and this may in part be due to the lack of an overarching project plan. Given the financial and reputational risks of an extended void period, as outlined previously, the RT are of the opinion that this aspect of the project needs to be strengthened.

The RT noted the aspirations of ensuring a quality building targeting technology and ICT focused businesses and were re-assured that SCC had some budgetary flexibility to mitigate the risks outlined in this section.

## **11. Next assurance review**

The RT recommend a Gate 4 (Readiness for Service) for 71/72 Kingsway, at an appropriate point, potentially 3 months prior to planned completion.

In terms of further reviews for the overall business case, the RT recommends a discussion with the SBCD Portfolio Office to identify the appropriateness and timing to be able to get the best out of a Project Assessment Review, this could cover all elements of the FBC.

## ANNEX A - List of Interviewees

The following stakeholders were interviewed during the review:

| Name                       | Organisation and role                                  |
|----------------------------|--|
| Martin Nicholls            | Interim CEO of City and County of Swansea and SRO      |
| Huw Mowbray                | Programme Manager for Swansea Arena and 71/72 Kingsway |
| Chris Foxall               | Chair of Economic Strategy Board                       |
| Lee Wyndham                | Council Officer – Project Social benefits              |
| Cllr Rob Stewart           | Leader of Swansea Cabinet                              |
| Helen Davies               | Welsh Government – City Deal Portfolio                 |
| Greg Jones                 | Swansea Council Communication and Marketing            |
| Keith Powles               | ATG  |
| Lara Kaple-Harding         | ATG  |
| Mark Latham                | Urban Splash, Director of Regeneration                 |
| Ian Watkins and Alex Jones | Gleed (Project Management – 71/72 Kingsway)            |
| Carwyn Davies              | Local Private Sector Developer                         |
| Jon Burns                  | City Deal – Portfolio Director                         |
| Ben Smith                  | CFO Swansea Council                                    |
| Russell Greenslade         | BID – Impact of City Deals Projects                    |
| Gareth Ashman              | UK Government - City Deal Board                        |



Swansea City &  
Waterfront Digital  
District  
PAR Action Plan



Cyngor **Abertawe**  
**Swansea** Council



Prifysgol Cymru  
Y Drindod Dewi Sant  
University of Wales  
Trinity Saint David



**Bargaen Ddinesig**  
BAE ABERTAWA  
SWANSEA BAY  
**City Deal**

# Gateway Recommendations

| Recommendation   | Priority        | Actions                      | Target Date |
|--|-----------------|------------------------------|-------------|
| Introduce a formal meeting between SCC and UWTSD, as part of Governance, thus ensuring that any joint dependencies, opportunities, risks and plans are understood and appropriately managed.   | E-Essential     | First meeting in January     | Feb-23      |
| Review the 71/72 Kingsway Risk and Issues Log on a regular basis to ensure that risks and issues are captured and actively managed to form a key part of the monitoring and control governance.  | E-Essential     | Witihn 3 months              | Mar-23      |
| Develop and maintain an integrated critical path plan for 71/72 Kingsway to ensure all key activities and milestones are identified and visible. Use this plan to identify and manage dependencies and impacts, and pinch points as work progresses. | E-Essential     | Witihn 3 months              | Mar-23      |
| Expand the Benefits Delivery framework associated with the Arena to identify qualitative benefits and detail measures and tracking arrangements.   | R - Recommended | In line with next FBC update | Nov-23      |
| Undertake an Arena Lessons Learnt workshop, involving all stakeholders, to capture learning from construction, implementation/handover and live running phases.  | R - Recommended | In line with next FBC update | Nov-23      |
| Commission an independent review of the market demand for Grade A office accommodation of the type being proposed for 71/72 Kingsway within the context of the predicted national economic forecast  | E-Essential     | Witihn 3 months              | Mar-24      |

# Swansea City & Waterfront Digital District



Cyngor **Abertawe**  
**Swansea** Council



Prifysgol Cymru  
Y Drindod Dewi Sant  
University of Wales  
Trinity Saint David



**Bargaen Ddinesig**  
BAE ABERTAWA  
SWANSEA BAY  
**City Deal**

# Waterfront City Deal Projects

## Digital Square and Arena

- Development of a Digital Square and Arena as part of a wider scheme to revitalise the city centre to create the vibrant environment, leisure and lifestyle offer (including events space) that attracts and retains tech businesses and skilled workers, acts as a catalyst for future schemes for the benefit of the wider region.
- Hotel to be delivered by the private sector.



## 71-71 Kingsway (Digital Village)

- Creation of 115,000 sq ft of flexible and affordable office accommodation to support the growth of tech businesses and other higher value added activities by 2023, through the development of a new **Digital Village** (71-72 Kingsway) in the City Centre.

## Innovation Matrix and Innovation Precinct

- Creation of a 34,000 sq ft. Innovation Matrix and 64,600sq ft. Innovation Precinct at University of Wales Trinity Saint David to provide incubation space and co-working areas for start-ups and small businesses.



# Digital Square & Arena



## • Programme:

- Outline planning consent granted June 2017
- Arena Operator Contract signed Jan 2018
- Construction began Nov 19 and completed Jan 2022
- Arena Opened (phased from) Mar 2022

• Hotel to be delivered by the private sector. Application to WG (TTL Scheme) for top-up funding submitted to support the development of the Hotel. Delivery reports being progressed and finance discussions continue

## • Delivered:

- 3,500 capacity mode for a seated and standing entertainment events
- 2,400 capacity mode for a fully seated entertainment or large business events
- 750 capacity auditorium for medium conferences and business events
- c1,450sqm of exhibition space on the arena event floor
- additional complementary exhibition space available on concourses
- a variety of meeting rooms including: 8 x 25-person capacity (with capability to combine 3 to form 75-person capacity), 1 x 50-person capacity and 1 x 200 capacity
- further potential to utilise other spaces, such as green room, production rooms and crew spaces plus foyer space and foyer café
- 1.1 acre Coastal park and F&B unit
- Over 8,000 Targeted recruitment and training weeks as part of the BBM program.
- Over 145,000 tickets sold to date and over 55 performance events held.

# 71-72 Kingsway (Digital Village)

- **Achieved to date:**

- Project at FBC and received full funding at cabinet May 2021
- Procurement Contractor Bouygues appointed
- Planning permission for the mixed-use building was granted on 4th June 2020
- Procurement exercise completed and contractor (Bouygues) appointed May 2021
- Enabling infrastructure works completed Sept 2021 and construction began onsite Nov 2021.
- Programme is on track to completed October 2023 with fit out and opening May 2024
- BBM agreed and implemented by Bouygues
- Letting Strategy agents appointed, and marketing commenced.
- Business Case is being updated to reflect achieving full business case.
- **Next Steps:**
- Construction programme continues
- Discussions ongoing with potential flex tenants.



# Innovation Matrix and Innovation Precinct

## Programme:

### Innovation Matrix

- RIBA Stage 3 complete
- Initial tenant/partner engagement commenced

## Next Steps

### Innovation Matrix:

- Tender and Contractor Procurement June 2022
- Construction Start July 2022
- Construction complete July 2023 with Occupation Oct 2023

### Innovation Precinct

- Planning Submission March 2025
- Tender and Contractor Procurement June 2025
- Construction Start Dec 2025
- Construction Completion Oct 2027 with Occupation Dec 2027



# Risks and mitigation

## Unexpected rise in construction costs:

- For both Digital Arena and 71-72 Kingsway, the Council has entered into fixed price contracts for construction.
- Covid – Impacting internal and contractor resource:
- *The project will follow all government guidelines around Covid safety and continually monitor individual project resource.*

## New hybrid working models –creates occupier inertia and market uncertainty preventing pre-lets before construction and/or early commitments from occupiers:

- *Deliver a Grade A spec office, that is flexible and futureproofed to meet the needs of future occupiers*

## Private Sector Funding:

- *Funding secured through City Deal and delivery using recognised project management tools will enable the developments to be delivered on time and help realise the current (and future additional) private sector interest in securing occupancy in the Digital District.*

## Unforeseen economic / external factors:

- *Risks will be continually assessed and monitored.*

## Private sector fit out risk – 71-72 Kingsway

- *Discussions ongoing with private sector and investigating funding options*





# Business Case Updates

- The Swansea Digital Waterfront business case was first produced in 2017 and was updated previously in June 2020.
- The business case has now been updated to reflect the significant progress made on projects since the last business plan. The Digital Arena & 71-72 Kingsway projects are now at Full Business Case.

## November 2022 Updates:

- Milestone Date changes
- 71-72 Kingsway Additional Floor – from 100,00sq ft to 115,000sq ft.
- 71-72 Kingsway updated project costings from £49.6m in original BC to £48.5m.
- 71-72 Kingsway updated procurement details and letting strategy.
- Updated Risks and Issues.

## Milestone Updates

|                                  | June 2021 BC | Nov 2022 BC |
|----------------------------------|--------------|-------------|
| Innovation Matrix                |              |             |
| Planning Submission              | Sep-20       | Q2 2022     |
| Detailed Design                  | Dec-21       | Jul-22      |
| Procurement                      | Mar-21       | Jul-22      |
| Construction Completion          | Jun-22       | Nov-23      |
| Completion and Occupation        | Sep-22       | Nov/Dec-23  |
| Innovation Precinct              |              |             |
| Planning Submission              | Q2 2022      | Q2 2023     |
| Detailed Design                  | Q3 2022      | Q2 2023     |
| Procurement                      | Q4 2022      | Q4 2023     |
| Construction Completion          | Q4 2024      | Q3 2025     |
| Completion and Occupation        | Q2 2025      | Q4 2025     |
| Digital Village                  |              |             |
| Detailed Design                  | Aug-20       | Aug-20      |
| Planning Submission              | Mar-20       | Mar-20      |
| Procurement                      | Jun-20       | May-21      |
| Construction                     | Jan-21       | Jun-23      |
| Completion and Occupation        | Dec-22       | Oct-23      |
| Fit Out                          | Nov-22       | May-24      |
| Digital Square & Arena           |              |             |
| Outline planning consent granted | Jun-17       | Jun-17      |
| End of Design Stage 2            | Nov-17       | Nov-17      |
| Arena Operator Contract signed   | Jan-18       | Jan-18      |
| Hotel procurement                | May-19       | May-19      |
| Contractor Procurement           | Jul-19       | Jul-19      |
| Construction complete            | Oct-21       | Jan-22      |
| Arena Opening (phased from)      | Oct-21       | Mar-22      |

# PAR Gateway Review – November 2022

- A (PAR) Gateway review was held on the Digital Arena and 71-72 Kingsway in November 2022.
- This review was undertaken by independent reviewers and facilitated through the WG Assurance Hub.
- Evidence from documentation, interviewees and a site visit enabled the Review Team to give an overall assessment for the two elements of the Waterfront Project of Amber Green.

The Digital Arena has delivered successfully, providing a multi-purpose centre, attracting a variety of events, including music, theatre and comedy acts, conferences, and ceremonies.

71/72 Kingsway construction is progressing to plan, with a fixed price contract secured with an experienced contractor – Bouygues, although there are already stresses on the overall budget, dialogue remains positive and open at this stage but will need to be carefully managed.

Risks relate to Economic climate, supply chain and increasing material costs, changing work patterns meaning demand for office space is low, these are well understood, but will need constant monitoring

It is too early to assess the long-term benefits as detailed in the business case, but early indications are positive. Benefits Plans remain high level, and more attention to identifying measures and ways of tracking is advisable.

There is no single integrated plan showing all activities associated with 71/72 Kingsway (construction, marketing and fit out, etc) to define the critical path and assist with monitoring progress.

There is an effective Project Management team in place, along with an experienced team of designers and supervisors (quality control).

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# Gateway Recommendations

| Recommendation   | Priority        | Actions                      | Target Date |
|--|-----------------|------------------------------|-------------|
| Introduce a formal meeting between SCC and UWTSD, as part of Governance, thus ensuring that any joint dependencies, opportunities, risks and plans are understood and appropriately managed.   | E-Essential     | First meeting in January     | Feb-23      |
| Review the 71/72 Kingsway Risk and Issues Log on a regular basis to ensure that risks and issues are captured and actively managed to form a key part of the monitoring and control governance.  | E-Essential     | Withn 3 months               | Mar-23      |
| Develop and maintain an integrated critical path plan for 71/72 Kingsway to ensure all key activities and milestones are identified and visible. Use this plan to identify and manage dependencies and impacts, and pinch points as work progresses. | E-Essential     | Withn 3 months               | Mar-23      |
| Expand the Benefits Delivery framework associated with the Arena to identify qualitative benefits and detail measures and tracking arrangements.   | R - Recommended | In line with next FBC update | Nov-23      |
| Undertake an Arena Lessons Learnt workshop, involving all stakeholders, to capture learning from construction, implementation/handover and live running phases.  | R - Recommended | In line with next FBC update | Nov-23      |
| Commission an independent review of the market demand for Grade A office accommodation of the type being proposed for 71/72 Kingsway within the context of the predicted national economic forecast  | E-Essential     | Within 3 months              | Mar-24      |

# Agenda Item 9



Swansea Bay City Region Joint Committee - 2 February 2023

## Supporting Innovation and Low Carbon Growth Progress Update

|                          |   |
|--------------------------|---|
| <b>Purpose:</b>          | To inform Joint Committee of the progress made and status of the SBCD Supporting Innovation and Low Carbon Growth Programme |
| <b>Policy Framework:</b> | Swansea Bay City Deal Region Joint Committee Agreement  |
| <b>Report Author:</b>    | Dr Brett Suddell (SILCG Programme Manager)  |
| <b>Finance Officer:</b>  | Chris Moore (SBCR S151 Officer)   |
| <b>Legal Officer:</b>    | Tracey Meredith (SBCR Monitoring Officer)   |
| <b>FOR INFORMATION</b>   |   |

### 1. Introduction

Programme vision: **to deliver low carbon, sustainable and inclusive economic growth for the region.**

The Supporting Innovation and Low Carbon Growth programme aims to deliver sustainable jobs and growth in the Swansea Bay City Region by creating the right environment for innovation and new technologies to support the creation of a decarbonised and innovative economy.

The programme's Investment Objectives include:

1. To build resilience, diversify and grow the regional economy
2. To support innovation and new product development in science, technology and manufacturing sectors - strengthening industry, academia and government collaboration
3. To support innovation to influence a shift in the use of high CO<sub>2</sub> energy usage to low CO<sub>2</sub> energy usage in economic activities (industry, commercial buildings and transport)
4. To demonstrate the link between GHGs from economic activities and air quality improvements in the targeted area.

The £57.7m programme funds the following seven interlinked projects:



- Bay Technology Centre
- South Wales Industrial Transition from Carbon Hub (SWITCH)
- Hydrogen Stimulus Project
- Air Quality Monitoring Project
- Low Emission Vehicle Charging Routemap
- Advanced Manufacturing Production Facility (AMPF), including open access equipment for industry
- Property Development Fund

## **2. SILCG Programme Status**

### **Business Case**

The SILCG programme underwent a Peer Review in January / February 2020, a Gateway Review Project Assessment Review (PAR) in June 2020, followed by a Gateway Review Critical Friend Review (CFR) in October 2020. An internal audit was also undertaken in October/November 2022.

### **Governance**

- The SILCG Programme Governance is fully established and functioning. The governance structure ensures robust, effective decision making and accountability.
- A SILCG Programme Board has been fully established. Membership of the Board comprises senior representation from the Programme's key partners with the opportunity to co-opt representation from additional key stakeholders as and when required. Terms of reference are in place, agreed upon and reviewed monthly.
- A Senior Responsible Officer for the Programme is in place.
- The Programme Risk Register is fully operational and scrutinised regularly by the SILCG Programme Board.
- The Programme has a comprehensive Integrated Assurance and Approval Plan (IAAP) and Risk Potential Assurance (RPA) Matrix in place which follows regional and national formats and requirements. Both the IAAP and RPA are regularly reviewed in consultation with the City Deal PoMO.

### **Funding**

- The SILCG Programme Business Case was approved in August 2021
- The primary funding agreement for the SILCG Programme has been signed under seal.

## **3. SILCG Programme Delivery Summary**

The seven interlinked projects are at various stages of delivery.

1. Bay Technology Centre (BTC) – completed



- Construction complete and handed over to Neath Port Talbot Council July 2022
- First commercial energy positive building in Wales (according to contractors)
- Won three prestigious awards to date, which includes:
  - i. Net Zero Award in this year's Constructing Excellence Wales (CEW) Awards (June 2022)
  - ii. Sustainability Award in the Insider Wales Property Awards (June 2022)
  - iii. Commercial Property Project of the Year, British Construction Industry Awards 2022, presented at the Grosvenor House Hotel, London (October 2022)



- Two tenants currently in place, pipeline of interested parties being progressed.



## 2. South Wales Industrial Transition from Carbon Hub (SWITCH )

- Two stage Design & Build tender issued via South West Wales Regional Contractors Framework 16<sup>th</sup> September, deadline for responses 25<sup>th</sup> November 2022
- Open day organised in October 2022 at Swansea University (SU) to view new building technologies and legacy equipment
- 3 excellent tenders received which have been assessed, announcement due soon once Heads of Terms is signed by SU
- Heads of Terms created and currently with SU for approval

## 3. Hydrogen Stimulus Programme

- Funding Agreement being reviewed by University of South Wales
- Preparatory works undertaken

## 4. Air Quality Monitoring Project

- Air Quality Data Analyst and Scientific Officer in place
- Ricardo undertaken review of Year 1 data
- Presentation given to interested parties

## 5. Low Emission Vehicle Route Map

- Development of the Infrastructure Strategy and Delivery Plan specification consulting with various external stakeholders

## 6. Advanced Manufacturing Production Facility

- Regular meetings with Industry Wales to support pre market engagement activities to develop the scope aligned to the needs of industry and engage potential operators. The pre-market engagement will engage with industry, FE and HE, Schools etc.

## 7. Property Development Fund

- Expression of Interest stage - 14 applications received (heavily oversubscribed) – 13 invited through to Stage 1 formal application process
- Stage 1 deadline 9 applications received
- Stage 1 applications currently being reviewed
- Invitation to Stage 2 to be issued in February

## InnovateUK Launchpad

NPTCBC is leading on a recent InnovateUK submission to identify interested parties around an innovation cluster entitled N0W SWITCH (Net Zero Wales Sustainable Wales Innovation to Transition from Carbon Hub) a consortium of SW Wales Local Authorities, Net Zero Industry Wales and Welsh Universities. InnovateUK plan to establish 10 launchpads across the UK with two already established in the Tees Valley area and Liverpool region. Each launchpad will have £7.5M funding to distribute in future funding calls. Decision was expected on 5<sup>th</sup> December however, this has been delayed by InnovateUK.

## NPTCBC Internal Audit of SILCG Programme

During October and November 2022 the SILCG Programme was subject to an internal audit. This involved a series of interviews and analysis of programme documentation, claims, governance, procurement etc. The outcome from the audit published on 15<sup>th</sup> November was the project demonstrated '**Substantial Assurance**' which is the highest rating available, which is rarely given. The whole team is very proud of this achievement.

## Forward Plan

- Additional tenants to be secured for BTC
- Signing HoT between Neath Port Talbot and Swansea University and appointment of contractors
- Signing Hydrogen Funding Agreement and purchase of specialist equipment
- EV - Early 2023 focus will turn to progressing the regional LZEV Infrastructure Strategy and Delivery Plan ensuring alignment to all other existing activity across the region
- AQMP activities to continue with additional sensors deployed
- Pre-market engagement stakeholder event for AMPF
- Assessment of PDF Stage 1 applications, invitations to Stage 2 to be issued

## 4. SILCG Programme Risks

The SILCG Programme has a comprehensive risk register which is used to identify, record, monitor and mitigate against all Programme and individual Project risks. There are currently 15 live risks being managed across the Programme, of which the following 2 are classified as red:

| Title                     | Risk description  | Control actions   |
|---------------------------|---|---|
| TAN 15 Revised Flood Maps | Revised TAN 15 flood maps could potentially affect SWITCH, AMPF, and any PDF projects.    | Potential impact is currently being assessed and will need to be closely monitored.   |
| Increasing capital costs  | Further funding could be required i.e unforeseen costs, changing requirements, COVID etc. | <ol style="list-style-type: none"> <li>1. Effective programme management / budget monitoring</li> <li>2. Capital costs around construction - if build costs increase could impact on fittings which could impact on outputs.</li> </ol> |

## 5. Financial Implications

Risks will be managed through monitoring and evaluation at both Project and Programme level and reported, via the Swansea Bay City Deal's Programme Management Office, to the Joint Committee, where appropriate.

Specific Programme financial risks are outlined within the strategic case component of the SILCG Business Case.

The procedures around the management of City Deal funding are detailed within the Joint Committee Agreement.

## 6. Legal Implications

There are no additional legal implications associated with the report.

**Background Papers:** None

### **Appendices:**

Appendix A - SILCG Update





# Supporting Innovation & Low Carbon Growth (SILCG) Programme

Dr Brett C Suddell, Programme Manager  
Lisa Willis, Strategic Funding Programmes Manager  
Nicola Pearce, SRO

2<sup>nd</sup> February 2023  
SBCD Joint Committee



# SILCG Introduction



- £57.7m programme of 7 interlinked projects:
  - Bay Technology Centre
  - South Wales Industrial Transition from Carbon Hub (SWITCH) with Swansea University (delivery partner)
  - Advanced Manufacturing Production Facility (AMPF)
  - Property Development Fund (PDF)
  - Low Emission Vehicle (LEV) Charging Infrastructure
  - Air Quality Monitoring Project (AQMP)
  - Hydrogen Stimulus Programme with USW
- SILCG Programme Business Case approved in August 2021
- Programme Manager appointed March 2022



# Bay Technology Centre



- Construction completed Jan 2022



- Handover to NPT in July 2022



- First commercial energy positive building in Wales
- Won three prestigious awards to date, including:



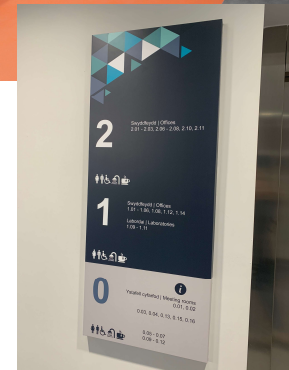
- Net Zero Award in 2022 Constructing Excellence Wales (CEW) Awards (June 2022)
- Sustainability Award in the Insider Wales Property Awards (June 2022)
- Commercial Property Project of the Year, British Construction Industry Awards 2022, presented at the Grosvenor House Hotel, London (October 2022)

- Two tenants currently on site, tenancies in development for pipeline of interested parties

- View BTC promotional videos here:

- <https://bit.ly/3wksdGV> (English)
- <https://bit.ly/3Pj46Ry> (Welsh)







- £20M (£16M construction, £4M for specialist equipment)
- Two stage Design & Build tender issued via South West Wales Regional Contractors Framework 16<sup>th</sup> September.
- Contractor open day organised in October 2022 at Swansea University to view new building technologies and legacy equipment – valued by prospective contractors
- Three excellent tenders scored and announcement due soon
- Heads of Terms (HoT) developed and currently with SU for approval
- Once HoT signed, successful contractor will be informed/announced



# SILCG Projects



- Decarbonisation Theme (£3M allocated to projects)
- Hydrogen Stimulus Programme
  - Funding Agreement being reviewed by University of South Wales
  - Preparatory works undertaken
- Air Quality Monitoring Project
  - Air Quality Data Analyst and Scientific Officer in place
  - Ricardo undertaken review of Year 1 data
  - Presentation given to key stakeholders on 28/10
- Low Emission Vehicle Route Map
  - Development of the Infrastructure Strategy and Delivery Plan specification consulting with various external stakeholders



# SILCG Projects



- Industrial Futures Theme (£27M)
- **Advanced Manufacturing Production Facility**
  - £17.2M construction and equipment
  - Regular meetings with Industry Wales to support pre market engagement activities to develop the scope aligned to the needs of industry and engage potential operators
- **Property Development Fund**
  - Expression of Interest stage
  - 14 applications received (heavily oversubscribed) – 13 invited through to Stage 1 formal application process
  - 9 stage 1 applications received, currently being assessed
  - Invitation to stage 2 to be issued in February



# SILCG Programme - Assurance



- During October and November 2022 the SILCG Programme was subject to a NPT council internal audit. This involved a series of interviews and analysis of programme documentation, claims, governance, procurement etc.
- Conducted by NPT Audit Manager
- The outcome from the audit published on 15<sup>th</sup> November 2022 was the project demonstrated '**Substantial Assurance**' which is the highest rating available, which is rarely given. The whole team is very proud of this achievement.
- External reviews to date/ planned:
  - External peer review in January / February 2020
  - Gateway Review Project Assessment Review (PAR) in June 2020
  - Gateway Review Critical Friend Review (CFR) in October 2020.
  - Internal audit Oct/Nov 2022
  - Programme PAR planned for end of 2023





# InnovateUK Launchpad



- NPTCBC is lead local authority on a recent InnovateUK submission to identify interested parties around an innovation cluster entitled ***NOW SWITCH (Net Zero Wales Sustainable Welsh Innovation to Transition from Carbon Hub)*** a consortium of SW Wales Local Authorities, Net Zero Industry Wales and Welsh Universities.
- InnovateUK plan to establish 10 launchpads across the UK with two already established in the Tees Valley area and Liverpool region. Each launchpad will have £7.5M funding to distribute in future funding calls created in consultation with InnovateUK and for region to apply to only.
- Decision was due 5<sup>th</sup> December, outcome still awaited



# Forward Plan



- Additional tenants to be secured for BTC
- Signing HoT between Neath Port Talbot and Swansea University and appointment of contractors
- Signing Hydrogen Funding Agreement and purchase of specialist equipment
- LEV - Early 2023 focus will turn to progressing the regional LZEV Infrastructure Strategy and Delivery Plan ensuring alignment to all other existing activity across the region
- AQMP activities to continue with additional sensors deployed
- Pre-market engagement stakeholder event for AMPF facilitated by Industry Wales, scoping of facility, progress tender specification
- Assessment of PDF Stage 1 applications, invitations to Stage 2 to be issued



# Thank you for listening

# Agenda Item 10



Swansea Bay City Region Joint Committee - 2 February 2023

## Assessment of Increasing Construction Costs

|                          |  |
|--------------------------|--|
| <b>Purpose:</b>          | To update the Joint Committee on inflationary and construction cost increases that are impacting projects within the portfolio and mitigating actions being taken to address them as described in Appendix A |
| <b>Policy Framework:</b> | Swansea Bay City Deal  |
| <b>Report Author:</b>    | Peter Austin (Business Engagement Manager)   |
| <b>Finance Officer:</b>  | Chris Moore, Section 151 Officer, SBCD   |
| <b>Legal Officer:</b>    | Tracey Meredith, Monitoring Officer, SBCD  |
| <b>For Information</b>   |  |

### 1. Introduction

- 1.1. This report is an update on the earlier version presented to Programme (Portfolio) Board in September 2022.
- 1.2. It details the potential effects of mitigating actions currently planned or being taken to address the inflationary and construction cost increases impacting programmes and projects within the Portfolio.
- 1.3. Changes to the document are shown in the Document Control section of the report cover.

### 2. Background

- 2.1. At its meeting held on September 27th, 2022, Programme (Portfolio) Board received a report detailing the extent and likely effect of inflationary pressures and rising construction costs being experienced by the SBCD Programmes and Projects, with a current estimated funding gap of £31.2m across the Portfolio.
- 2.2. The Board instructed the PoMO to monitor the financial situation and undertake an assessment of mitigating actions being proposed by Project Leads.

### 3. Assessment

- 3.1. Information has been provided by all of the 7 projects being monitored and is detailed in the updated report.
- 3.2. The report contains updates from the GLEEDS Autumn Report 2022 which demonstrates the change in material costs from February to August 2022, and forecasts a 4.5% inflation rate for Wales in 2023

| Commodity   | % increase Feb 20 – May 22 | % increase Feb 22 – May 22 | % increase Feb22 – Aug 22 |
|---|----------------------------|----------------------------|---------------------------|
| Cement  | 16                         | 3.7                        | <b>9.4</b>                |
| Ready mix concrete  | 16.7                       | 6.2                        | <b>9</b>                  |
| Pre-cast concrete products – Pipes, tubes etc                     | 39                         | 8.7                        | <b>10.3</b>               |
| Pre-cast concrete products – Blocks, bricks, tiles and flagstones | 28.2                       | 7.2                        | <b>7.7</b>                |
| Imported planed or sawn wood                                      | 65.2                       | 16.5                       | <b>0.5</b>                |
| Imported plywood  | 90.6                       | 13.3                       | <b>5.7</b>                |
| Fabricated structural steel                                       | 134.7                      | 35.1                       | <b>20.3</b>               |
| Flexible pipes and fittings                                       | 23.5                       | 6.8                        | <b>8.1</b>                |
| Insulating materials thermal or accoustic                         | 24                         | 6.8                        | <b>18.4</b>               |
| Paint- non-aqueous  | 33.1                       | 6.3                        | <b>16.4</b>               |

- 3.3. Due to the staged nature of programme and project maturity within the portfolio, project teams will be in different positions when assessing the likely impact of inflation and construction costs. For example, within the Swansea Waterfront programme, the 71/72 Kingsway element is being delivered according to a fixed-price contract, with the contractor now expecting to manage a potential £2-3m increase in costs. However, Campuses is still in the design stage where cost increases and inflation can be factored into the design process from the outset. Other projects are somewhere in between.
- 3.4. Although there are a number of mitigating options available to project leads, the common approaches to address the funding shortfall are to:
- Seek more funding
  - Revisit the construction brief
  - Open dialogue with contractors.
- 3.5. Currently, sources of extra funding to support existing project delivery are not clear. One potential purpose of this appraisal is to raise the matter with UK Government and Welsh Government as City Deal sponsors to seek advice.
- 3.6. Altering the specification and reducing floorspace may affect the projects' ability to achieve its intended targets; this may be attracting tenants and thus achieving rental income, being able to deliver jobs or being fit for original intended purpose.

- 3.7. Those projects that are in early procurement stages are assessing the procurement pathways available. Entering into dialogue with contractors to manage any cost issues is recommended as best practice by industry bodies.
- 3.8. The [GLEEDS Autumn report](#) for 2022 indicates that commodity prices remain volatile although supply may have improved. Continuing rises in energy costs appear to be negating any potential reduction of material prices.
- 3.9. The PoMO continues to monitor the impact of inflation, cost and effect of mitigating actions. Any changes will be recorded via the change notification process with any significant change being managed via the change request procedure.
- 3.10. A Construction Costs/Community Benefits sub-group has been formed to allow programmes and projects to share best practice and discuss lessons learned. This sub-group will report to the PoMO and Project Leads group and Programme (Portfolio) Board.
- 3.11. It is intended that the table showing potential mitigations and their consequences will be converged with the Construction Impact assessment for reporting purposes going forward.
- 3.12. This report has been produced for consideration by SBCD Programme (Portfolio) board and Joint Committee
- 3.13. The Joint Committee are required to assess and agree that the funding gap, mitigations and impact are appropriate and share the report as at Appendix A with key stakeholders including both Governments for discussion.
- 3.14. In November 2022 the Programme (Portfolio) Board resolved that the in-house Governance structures within each Local Authority should be made aware of the potential over spend/issues and the PoMO will continue to appraise Programme Board of the current situation through Monthly and Quarterly Monitoring. Programme Board was to continue to review all new and updated information as provided and continue to review mitigations and potential courses of action to resolve any funding gaps that are confirmed and/or do not have a resolution at a project/programme level.

#### **4. Financial Implications**

- 4.1. Currently there is an estimated projected £31m increase in construction contracts throughout the portfolio as a result of inflation and increased construction costs.
- 4.2. Details of mitigating actions are outlined within the report.
- 4.3. Project Leads need to consider the implication of these actions and how additional funding could be accessed. Expenditure on an individual project should not be committed until funding is secured.

#### **5. Legal implications**

- 5.1. There are no legal implications.

## **6. Alignment to the Well-being of Future Generations (Wales) Act 2015**

- 6.1. The SBCD Portfolio and its constituent programmes / projects are closely aligned to the Well-being of Future Generations (Wales) Act 2015 and the seven well-being goals for Wales. These alignments are outlined in a Portfolio Business Case for the SBCD, as well as in individual programme / project business cases

**Background Papers:** None

**Appendices:**

Appendix A: SBCD Assessment of Increasing Construction Costs

# Swansea Bay City Deal

## Assessment of Increasing construction costs

November 2022



|   |  |
|---|--|
| <b>Document Control</b>   |  |
| Note: this document may not be valid anymore.<br>Please check for the latest approved version of the document |  |
| <b>Date:</b>  | 24/11/22 – updated for JC 19/01/23   |
| <b>Version:</b>   | V6.0   |
| <b>Changes</b>  | 1.1, 1.2, 1.4, 1.5, 1.6, 2.4, 3.10, 3.11, 3.12, 3.18, 4.2, 4.6, 4.9,<br>4.10, 4.11, 4.12, 4.13, 4.14, 4.16, 6.5, 7.2, 7.4<br><br>For JC 1.7, 7.5 |
| <b>Author:</b>  | Peter Austin/ Phil Ryder   |
| <b>Owner:</b>   | Portfolio Board  |



## Swansea Bay City Deal

### Assessment of increased construction costs and the effect on Portfolio delivery

#### 1. Summary

- 1.1. This report is an update of the original compiled in September 2022, which contained details on the inflationary pressures, uncertainty and volatility of construction industry costs. This uncertainty led to the PoMO undertaking an assessment based on a mix of actual and forecast costs to try and establish the likely impact of construction cost increases upon the infrastructure elements of the SBCD Portfolio.
- 1.2. Information available from various sources outlined within the report that the SBCD Portfolio has a funding gap of up to £31.2m relating to imminent and future construction activity. This update confirms that still to be the case. Noting, market indications suggest that future construction costs will continue to rise.
- 1.3. The funding gap is based on £397m of planned construction contracts. There is a further circa £250m of planned construction contracts to be awarded across the future zones and phases of the two Life Science and Wellbeing Schemes (Pentre Awel and Campuses). However, any funding gap associated with these future phases has not yet been assessed and included within the report as it is approximately 3 years away from delivery and any assessment now would likely be extremely different to the end outcomes.
- 1.4. This updated report is a point-in-time assessment which confirms that the original estimates of increased cost remain valid and adds an appraisal of the likely effect of any mitigating actions on the Portfolio deliverables.
- 1.5. Although there are a number of mitigating options available to project leads, the common approaches to address the funding shortfall are to:
  - a) Seek more funding
  - b) Revisit the construction brief
  - c) Open dialogue with contractors
- 1.6. Market reports continue to illustrate high and volatile material costs and the importance of client/contractor negotiations when agreeing specifications and terms
- 1.7. In November 2022 the Programme (Portfolio) board resolved that the in-house Governance structure within each Local Authority to be made aware of the potential over spend/issues and the PoMO will continue to appraise Programme Board of current situation through Monthly and Quarterly Monitoring. Programme board to continue to review all new and updated information as provided and continue to review mitigations and potential course of action to resolve any funding gaps that are confirmed and/or do not have a resolution at a project/programme level.

#### 2. Purpose

- 2.1. Following the meeting of Programme Board on 19th July 2022 where a Construction Impact Assessment summary report was presented, the PoMO was tasked with an initial assessment of the potential effect of increased construction costs and to determine the magnitude of any funding gap in relation to the investment required to deliver the Programmes and Projects of the SBCD Portfolio. This is a red risk across the Portfolio and is subject to monthly monitoring.
- 2.2. The report to Programme Board noted that there were a concerning number of Red or Amber risks reported from within the portfolio (5 of 9 headline Programmes and Projects had returned the following information):

| Risks | Impact Field | Scope | Targets | Time | Reputation | Stakeholder/ Partnerships | Proj. Costs | Procurement | Resources |
|-------|--------------|-------|---------|------|------------|---------------------------|-------------|-------------|-----------|
| Red   |              | 3     | 0       | 10   | 0          | 0                         | 4           | 0           | 0         |
| Amber |              | 12    | 21      | 13   | 22         | 11                        | 28          | 18          | 2         |
| Green |              | 29    | 23      | 21   | 22         | 33                        | 12          | 26          | 42        |

2.3. The summary found that there are currently 3 areas of high concern and 4 areas of medium concern:

| High concern  | Medium concern   |
|---|--|
| <ul style="list-style-type: none"> <li>• Scope</li> <li>• Time</li> <li>• Project. costs</li> </ul> | <ul style="list-style-type: none"> <li>• Delivery of targets</li> <li>• Potential reputational damage</li> <li>• Project costs</li> <li>• Procurement</li> </ul> |

2.4. Subsequently the PoMO was asked to monitor the financial shortfall and to produce an appraisal of the effect of any mitigating actions being proposed by the programmes and projects

### 3. Background

3.1. Several unprecedented international situations- Brexit, COVID-19 and the war in the Ukraine have occurred which, amongst other factors, have put significant pressure on the construction industry supply chain resulting in increased costs and longer lead times for the delivery of required services.

3.2. The combined effect of these situations is complex and wide ranging but culminates in the increase of construction project costs and delays in delivery schedules.

3.3. The ‘Summer 2022 Market Review’ issued by Arcadis, global leaders in sustainable design, engineering, and consultancy solutions for natural and built assets, illustrates the main issues and summarised and reviewed by Infrastructure Intelligence, here:

3.4. Tender price inflation will be between 8% and 10% this year, depending on the project.

3.5. The Ukraine war has added a further 3-5% to the costs of most construction projects. Higher, ranging from 5 to 8% for projects with a greater exposure to the steel market; and that -

3.6. ‘Latest BEIS data tracking inflation for a basket of materials is showing prices up by 25% in a year, the highest level of inflation seen so far in this cycle. However, a closer analysis of the BEIS data shows that there is potential for further upward price pressure for energy intensive products including cement and concrete products, plastic pipes and insulating products’ adding that ‘The cost of energy has a disproportionate effect on the construction industry supply chain.’

3.7. The Civil Engineering Contractors Association (CECA) supported by the Builders Merchants Federation and the Construction Products Association, also reported in July 2022 that:

“Average inflation for products and materials so far this year has been around 23%; with more significant price increases in energy intensive products such as insulation, cement, concrete and many steel products. Further price increases for those products are anticipated in the second half of the year owing to rising energy prices and input costs.”

3.8. [“Buckling Up, GLEEDS Summer 2022 UK Market Report:”](#) adds:

“As the world emerged from the COVID-19 pandemic, 2021 saw significant price escalation. Issues such as increased demand reduced production during lockdowns and raised raw material costs caused price surges. By the end of the year, it appeared that material prices were starting to settle. However, significant cost escalation has been seen as a consequence of Russia’s invasion of Ukraine.

3.9. There has been a 12.1% increase in the ‘All Work’ Construction Materials Price Index between February 22 and May 22.”

3.10. Data from ONS/BEIS indicates the following increases between February 2020 and May 2022 and increases between February and May 2022 and then February 2022 to August 2022:

| Commodity  | % increase Feb 20 – May 22 | % increase Feb 22 – May 22 | % increase Feb22 – Aug 22 |
|--|----------------------------|----------------------------|---------------------------|
| Cement   | 16                         | 3.7                        | 9.4                       |
| Ready mix concrete   | 16.7                       | 6.2                        | 9                         |
| Pre-cast concrete products – pipes tubes etc                       | 39                         | 8.7                        | 10.3                      |
| Pre-cast concrete products – Blocks, bricks , tiles and flagstones | 28.2                       | 7.2                        | 7.7                       |
| Imported planed or sawn wood                                       | 65.2                       | 16.5                       | 0.5                       |
| Imported plywood   | 90.6                       | 13.3                       | 5.7                       |
| Fabricated structural steel  | 134.7                      | 35.1                       | 20.3                      |
| Flexible pipes and fittings  | 23.5                       | 6.8                        | 8.1                       |
| Insulating materials thermal or accoustic                          | 24                         | 6.8                        | 18.4                      |
| Paint- non-aqueous   | 33.1                       | 6.3                        | 16.4                      |

- 3.11. The table shows, in all examples, a significant % of cost increases relating to various construction materials has occurred in the four months from Feb 22 – August 22.
- 3.12. The [Gleeds Autumn report](#) for 2022 indicates that commodity prices remain volatile although supply may have improved. Continuing rises in energy costs appear to be negating any potential reduction of material prices.
- 3.13. Further to this, according to BCIS data, since May 22 it is estimated that average costs of construction materials and services will have increased from Quarter 1 by a further 2.8% at the end of Quarter 2 2022 (end of August).
- 3.14. The removal of the red diesel tax rebate in April 2022 will also have a direct effect on contractor's costs. Industry predicts an average increase of [73% on fuel bills alone](#). An indirect effect of this is concern for site safety with theft of white diesel becoming a potential issue leading to a possible increase in site security costs.
- 3.15. As a result of the above issues, delays in delivery are being experienced as high prices lead to difficulties in reaching terms that are acceptable to clients, contractors and funders. Fixed-cost contracts being issued by clients and Tier 1 contractors are becoming less palatable to the supply chain with some contractors declining to tender on unfavourable or high-risk contract terms.
- 3.16. Further issues being reported by the construction sector are skills shortages and an inability to recruit key skilled staff which affect construction delivery in some areas.
- 3.17. Acknowledging the importance and consequences of increased project costs, in October 2021 Welsh Government issued Welsh Procurement Policy Note WPPN 09/21: Sourcing building materials for construction projects in Wales<sup>1</sup>, which provides advice to public sector bodies in Wales on how to manage market pressures affecting the availability and affordability of building materials.
- 3.18. WPPN09/21 contains a section covering Actions required by contracting authorities including managing delays due to material supply issues and managing the impact of volatile material prices for existing and future construction works and maintenance contracts.
- 3.19. It should be noted that WPPN09/21 was issued prior to the Ukraine war which is the trigger for much of the current uncertainty and cost increase across many sectors.

#### 4. Looking forward

- 4.1. Reviews from professional cost consultants anticipate forecasted inflation for construction in Wales will range from 4%-5% per annum, compounded over the next two years.
- 4.2. The Gleeds Autumn review for 2022 predicts a 4.5% level of inflation for project costs in Wales during 2023
- 4.3. Arcadis however anticipated a lower effect of 2-3% for 2023 with a potential to return to 4-5% in 2024 as cost of living rises and a potential recession take effect.
- 4.4. Generally, it is forecasted that prices are unlikely to fall significantly, even if supply issues are eased. The mid to long term view for recovery is reasonably optimistic with a plentiful pipeline of work. This is tempered by uncertainty of future recession caused by the cost-of-living crisis and unprecedented energy prices affecting consumers and industry alike.
- 4.5. Whatever the forecasters view the immediate future to hold, the overall picture can, at best, be described as uncertain. Contractors tied into fixed price contracts prior to the recent price surges are most at risk as they deliver contracts that were costed some time ago. Those currently tendering or in contract negotiations have more flexibility to find solutions as they are aware of the volatile market conditions and can negotiate accordingly.
- 4.6. Large construction companies with enough capacity to absorb some costs will do whatever they can to weather the storm within fixed-price contracts, but it seems inevitable that much of the risk will be passed along the sub-contract chain. This in turn puts strain on smaller contractors and their supply chains which may be less robust, having only just recovered from the fallout of the COVID-19 pandemic.
- 4.7. WPPN 09/21 advises that actions should seek to avoid the wholesale transfer of risk along the supply chain which could mean that SMEs are saddled with the risk
- 4.8. More collaboration between clients and contractors is required to find agreeable solutions and this seems to be a trend that is increasing. Innovative approaches to procurement, alternative material use, and more localised sourcing are increasing as options to combat prolonged supply issues.
- 4.9. From a Portfolio perspective, the red and amber concerns will be continually monitored and over time as any issues arise along with associated change requirements, change notifications and change requests will be submitted to the PoMO and reported/escalated accordingly to stakeholders as per the SBCD change procedures.
- 4.10. Due to the staged nature of programme and project maturity within the portfolio, project teams will be in different positions when assessing the likely impact of inflation and construction costs. For example, within the Swansea Waterfront programme, the 71/72 Kingsway element is being delivered according to a fixed-price contract, with the contractor now expecting to manage a potential £2-3m increase in costs. However, Campuses are still in the design stage where cost increases and inflation can be factored into the design process from the outset. Other projects are somewhere in between.
- 4.11. Although there are a number of mitigating options available to project leads, the common approaches to address the funding shortfall are to:
  - a) Seek more funding
  - b) Revisit the construction brief
  - c) Open dialogue with contractors
- 4.12. Currently, sources of extra funding to support existing project delivery are not clear. One potential purpose of this appraisal is to raise the matter with UK Government and Welsh Government as City Deal sponsors to seek advice.

- 4.13. Altering the specification and reducing floorspace may affect the projects' ability to achieve its intended targets; that may be attracting tenants and thus achieving rental income, being able to deliver jobs or being fit for original intended purpose.
- 4.14. Those projects that are in early procurement stages are assessing the procurement pathways available and are entering into dialogue with contractors to manage any cost issues as far as is practical.
- 4.15. The PoMO continues to monitor the impact of inflation, cost and effect of mitigating actions. Any changes will be recorded via the change notification process with any significant change being managed via the change request procedure.
- 4.16. A Construction Costs/Community Benefits sub-group has been formed to allow programmes and project to share best practice and discuss lessons learned. This sub-group will report to the PoMO and Project Leads meeting and Programme (Portfolio) Board.

## **5. Assumptions**

- 5.1. Current estimates (Aug 2022) have been provided by projects, these have been identified where current tender prices have been provided. Cost inflationary estimates have been used where projects are pretender.
- 5.2. Inflation rates have been applied to demonstrate projected estimation figures. Building Cost Information Service ([bcis.co.uk](https://www.bcis.co.uk)) indices were used to calculate projected estimations for future years (2023/24 – 3.2%, 2024/25 – 3.9%). These indices are industry specific and were deemed most appropriate to apply.
- 5.3. Inflationary rates are estimated and where Building Cost Information Service indices have been used these by their nature do not account for volatile or unexpected adjustments.
- 5.4. All forecasting within this report is only current on the day of writing, given the uncertainty and volatility previously discussed all future construction costs will vary from the forecast below and may potentially increase further prior to contract award or during delivery.
- 5.5. HAPS and Skills and Talent have been omitted from assessment due to the specific nature of their delivery.

## **6. Portfolio Review**

- 6.1. Currently the portfolio is demonstrating a £31m increase in construction costs. These costs are then expected to be managed by Local Authorities and Lead partners, cost of which are outside the original budget allocations
- 6.2. The current estimation (August/November 2022) has been derived using actual costs, current tender pricing and cost estimation. These are based on actual and anticipated delivery timelines i.e. build of infrastructure.
- 6.3. Future projections have been derived utilising Building Cost Information Service indices.
- 6.4. Future zones/phases in respect of the life science projects (Pentre Awel and Campuses) have been omitted as SBCD funding is not directly utilised to develop these and due to their nature, a reliable estimate is unobtainable at present.
- 6.5. The following tables describe the current situation (August-November 2022) and any mitigations with potential consequences

| <u>Programme/Project</u>  | <u>Construction Estimate (Per BC) (£)</u> | <u>Current Estimation (Aug 2022)(£)</u> | <u>Variance (£)</u> | <u>Development Position</u> |
|---|---|---|---------------------|-----------------------------|
| <b><u>SILGC</u></b>   |   |   |                     |                             |
| Bay Technology Centre   | 8,500,000                                 | 8,883,000                               | - 383,000           | Delivered                   |
| SWITCH  | 15,000,000                                | 17,564,046                              | - 2,564,046         | Estimated                   |
| Advanced Manufacturing  | 17,200,000                                | 21,595,189                              | - 4,395,189         | Estimated                   |
|   | <b>40,700,000</b>                         | <b>48,042,235</b>                       | <b>- 7,342,235</b>  |                             |
| <b><u>Pentre Awel</u></b>   | <b>79,000,000</b>                         | <b>86,000,000</b>                       | <b>- 7,000,000</b>  | <b>Procured</b>             |
| <b><u>Yr Egin</u></b>   |   |   |                     |                             |
| Phase 1   | 14,868,348                                | 14,868,348                              | -                   | Delivered                   |
| Phase 2   | 10,301,653                                | 12,956,872                              | - 2,655,219         | Estimated                   |
|   | <b>25,170,001</b>                         | <b>27,825,220</b>                       | <b>- 2,655,219</b>  |                             |
| <b><u>Swansea Waterfront - Innovation Matrix/DLF &amp; Precinct</u></b> |   |   |                     |                             |
| Innovation Matrix/DLF   | 13,232,099                                | 15,984,542                              | - 2,752,443         | Estimated                   |
| Innovation Precinct   | 17,424,458                                | 21,092,933                              | - 3,668,475         | Estimated                   |
|   | <b>30,656,557</b>                         | <b>37,077,475</b>                       | <b>- 6,420,918</b>  |                             |
| <b><u>Campuses</u></b>  |   |   |                     |                             |
| ILS Innovation Centre - Singleton                                       | 12,790,000                                | 14,451,217                              | - 1,661,217         | Estimated                   |
| ILS Innovation Centre - Morriston                                       | 2,210,000                                 | 2,497,300                               | - 287,300           | Estimated                   |
|   | <b>15,000,000</b>                         | <b>16,948,517</b>                       | <b>- 1,948,517</b>  |                             |
| <b><u>PDM</u></b>   |   |   |                     |                             |
| Pembroke Dock Infrastructure  | 41,593,611                                | 45,879,000                              | - 4,285,389         | Estimated                   |
|   | <b>41,593,611</b>                         | <b>45,879,000</b>                       | <b>- 4,285,389</b>  |                             |
| <b><u>Digital Infrastructuionre</u></b>                                 | <b>20,500,000</b>                         | <b>22,097,114</b>                       | <b>- 1,597,114</b>  | <b>Estimated</b>            |
| <b>Net Total</b>  | <b>252,620,169</b>                        | <b>283,869,561</b>                      | <b>- 31,249,392</b> |                             |
| <b><u>Swansea Waterfront - Arena &amp; Digital Village</u></b>          |   |   |                     |                             |
| Digital Arena   | 95,045,842                                | 89,203,265                              | 5,842,577           | Delivered                   |
| Digital Village   | 49,648,253                                | 48,540,125                              | 1,108,128           | Procured                    |
| <b>Total</b>  | <b>397,314,264</b>                        | <b>421,612,952</b>                      | <b>- 24,298,688</b> |                             |

| Programme / Project   | Shortfall                | Mitigating Actions   | Action status                                    | Likely Impact of Mitigation   |
|---|--------------------------|--|--|---|
| Campuses  | £1,948,517               | <ul style="list-style-type: none"> <li>Explore further funding opportunities</li> <li>Reduction of scope i.e. smaller footprint</li> </ul>   | Potential<br>Potential                           | Significant decrease on scope could affect available office space and associated income   |
| Swansea Waterfront<br>a) Digital District & Digital Village | £3m (est. between £2-3m) | <ul style="list-style-type: none"> <li>Fixed price contracts with tier 1 contractor</li> </ul>   | Actual   | Possible impact on the subcontractors working on this scheme, many of which will be local firms.  |
| Swansea Waterfront<br>b) Innovation Matrix and Precinct     | £6,420,918               | <ul style="list-style-type: none"> <li>Value engineer project delivery model.</li> <li>Assess viability of alternative funding sources.</li> <li>Reduce volume of infrastructure.</li> <li>Potential change of delivery mechanism for Innovation Precinct to better suit the economic/market environment as well as to take advantage of any partnership opportunities.</li> </ul>             | Actual<br>Actual<br>Potential<br>Potential       | <ul style="list-style-type: none"> <li>Change to refurbishment (rather than new build) model for Innovation Precinct (likely).</li> <li>Potential reduction in current benefits projections</li> <li>Change in funding arrangements and amounts for both projects.</li> <li>Collaborative approach likely to be developed with key private/public sector partners.</li> </ul>   |
| Yr Egin 2<br>Page 205                                       | £2,655,219               | <ul style="list-style-type: none"> <li>Value engineer infrastructure</li> <li>Secure further funding</li> <li>Reduce volume of infrastructure</li> <li>Change phase 2 to align to current regional demands.</li> </ul>   | Potential<br>Potential<br>Potential<br>Potential | <ul style="list-style-type: none"> <li>Change of delivery model, potentially leading to lower capital spend.</li> <li>Potential change to overall project outcomes and benefits through reduced volume of infrastructure.</li> </ul>  |
| Pentre Awel   | £7m                      | <ul style="list-style-type: none"> <li>Value engineering exercise undertaken.</li> <li>Changes to materiality and some omissions undertaken.</li> <li>Reduction of building area by 750 sqm.</li> <li>Local authority to invest further capital into the project.</li> <li>Increased use of digital and remote delivery for education and training, health and research/innovation.</li> </ul> | Actual<br>Actual<br>Actual<br>Actual<br>Actual   | <p>Manageable and appropriate changes to the building design and associated infrastructure.</p> <p>Within the City Deal demise:</p> <ul style="list-style-type: none"> <li>Reduced space to deliver education, skills and training activities</li> <li>Some reduction in business area. Mitigatable via Zone 3 business expansion centre</li> <li>Removed conferencing facility</li> </ul> <p>Research, health and innovation spaces have been maintained</p> |

|                        |            |   |   |  |
|------------------------|------------|---|---|--|
| SILCG                  | £7,342,235 | <ul style="list-style-type: none"> <li>Review accordingly and see what can be delivered at current rates within the previously agreed budget potentially doing less for more (cost).</li> <li>Look to obtain further funding.</li> <li>For SWITCH, the overall budget for the project is £20M split into £15M build and £5M for specialist equipment. If projected build costs are &gt;£15M then there is a £1M buffer available from the specialist equipment budget to utilise to offset cost increases</li> </ul>  | <p>Potential</p> <p>Potential</p> <p>Potential</p>      | <p>Nil response in relation to previously highlighted AMPF shortfall of circa £4.395m</p> <p>Nil response in relation to BTC shortfall £383k</p> <p>Less funds available for specialist equipment (SWITCH)</p> |
| Digital Infrastructure | £1,597,114 | <ul style="list-style-type: none"> <li>Continue to monitor the situation and engage with fibre and mobile industry to better understand the situation.</li> <li>Continue to work with the private sector, encouraging and facilitating their investment in our region. Helping to ensure the private sector goes as far as possible with their investment.</li> <li>Seek to secure more public funding towards the regions needs and ambitions for fibre and mobile infrastructure.</li> <li>If necessary, reduce our delivery scope to fit the budget i.e. less infrastructure deployed for the funding we have available.</li> </ul> <p>Still relatively confident we will deliver on the key investment objectives of the programme.</p> | <p>Actual</p> <p>Actual</p> <p>Actual</p> <p>Actual</p> | To be confirmed  |



|     |            |   |   |   |
|-----|------------|---|---|---|
| PDM | £4,285,389 | <ul style="list-style-type: none"> <li>• Competitive tenders and further review of Best and Final with additional scrutiny.</li> <li>• Innovation in designs to deliver outcomes and outputs at less cost which has removed an additional £10m from the current estimate above. I.E without this the forecast would have been circa £55m.</li> <li>• Innovative trading and phasing within overall programme to deliver the individual phased outputs and outcomes.</li> <li>• Additional funding sought with WEFO and secured partial help.</li> </ul> | <p>Actual</p> <p>Actual</p> <p>Actual</p> <p>Actual</p> | <p>The 4 bullet points get us to the Outputs as defined within the Final business case and on track to get to the outcomes.</p> <p>The potential Shortfall is still circa £4.3m as above and we are reviewing future phases over 2023 to see where we can apply more of the points to potentially close this gap.</p> |
|-----|------------|---|---|---|

## 7. Conclusion/recommendations

- 7.1. The funding gap identified is based on inflationary pressures and rising construction costs with a current estimated funding gap of £31.2m. This gap is based from the anticipated or actual difference in costs from approved outline business case to date (Aug-2022).
- 7.2. The Gleeds Autumn review recommends that “As the challenging backdrop persists, it remains important to make projects attractive to the supply chain to obtain the best prices. Mitigation measures seen include:
- Proactive negotiation with preferred main contractor/subcontractors/suppliers to work through risks and issues
  - De-risking of projects as much as possible through surveys and enabling packages
  - Phasing/splitting of large projects to reduce risk via shorter programme length
  - Early orders to secure materials/products to protect the programme and to obtain cost certainty
  - Booking of key resources/teams to secure the best for the project
  - Use of fluctuation clauses, prime cost (PC) sums, provisional sums, index linking of material supply costs, etc.
  - Increased understanding of pipeline and financial standing
  - Consideration of alternatives in case of sourcing difficulties
  - Being open to different suppliers to ensure competition.

While value management is always important, it is particularly so at a time when budgets are under pressure. Regular reviews should be undertaken to look for opportunities and to ensure the best use of available resources.”

- 7.3. This report has been produced for consideration by SBCD Programme (Portfolio) board.
- 7.4. The Programme (Portfolio) board are now required to assess and agree that the funding gap, mitigations and impact are appropriate and share the report with key stakeholders including both Governments for discussion.
- 7.5. In November 2022 the Programme (Portfolio) board resolved that the in-house Governance structure within each Local Authority to be made aware of the potential over spend/issues and the PoMO will continue to appraise Programme Board of current situation through Monthly and Quarterly Monitoring. Programme board to continue to review all new and updated information as provided and continue to review mitigations and potential course of action to resolve any funding gaps that are confirmed and/or do not have a resolution at a project/programme level.



Swansea Bay City Region Joint Committee - 2 February 2023

## Swansea Bay City Deal Financial Monitoring 2022/23 - Provisional Outturn Position Quarter 3

|                           |  |
|---------------------------|--|
| <b>Purpose:</b>           | To provide Joint Committee with an update on the latest financial position of the Swansea Bay City Region.   |
| <b>Policy Framework:</b>  | Swansea Bay City Deal  |
| <b>Consultation:</b>      | Accountable Body   |
| <b>Recommendation(s):</b> | It is recommended that Joint Committee:<br><br>1) Review and approve the financial monitoring update report. |
| <b>Report Author:</b>     | Chris Moore  |
| <b>Finance Officer:</b>   | Chris Moore, Section 151 Officer, SBCD   |
| <b>Legal Officer:</b>     | Tracey Meredith, Monitoring Officer, SBCD  |

### 1. Introduction

This report details the forecasted year end outturn position of the Joint Committee and the Portfolio Investment Fund. The Financial Monitoring Report presents the City Deal Accounts in a detailed format, in line with Carmarthenshire County Council's financial management system.

### 2. Joint Committee – Estimated Forecast Outturn Position

#### 2.1. Supplementary Information

The outturn position includes 'Top Slice' of Government Grants in terms of income. On drawdown of government grants, 1.5% of this will be utilised to support the PoMO and the direct administration functions of the Portfolio. Any contribution from Government grants utilised within the financial year will be transferred to a ring-fenced reserve at year end, for utilisation in future years.

A detailed breakdown of the Joint Committee financial outturn position is included in Appendix A.

## **2.2. Joint Committee and Accountable Body**

The Joint Committee and Accountable Body expenditure forecast is estimated at £1,065k. This is in respect of democratic support, support of the portfolio monitoring officer and legal fees in respect of the funding agreements. Internal audit has been forecasted and has recently been undertaken. The Accountable Body expenditure is attributable to service provision by the Portfolio Section 151 Officer to the Swansea Bay City Deal and the annual external audit review by Audit Wales.

The accrued interest in residual cash balances is invested in line with Carmarthenshire County Council's approved Treasury Management Strategy. Any interest accrued on such cash balances is dispersed back to projects on an appropriate apportionment methodology (JC – 11 June 2020). The accounting management of this has been amended to clearly demonstrate the interest accrued and paid out. The accrued interest for 2022-23 is estimated at £900k.

## **2.3. Joint Scrutiny Committee**

The Joint Scrutiny Committee expenditure consists of democratic services and related costs, provided by Neath Port Talbot County Borough Council. This has been forecasted at £21k.

## **2.4. Portfolio Management Office (PoMO)**

For the period ended 31<sup>st</sup> March 2023 the expenditure is estimated at £649k. The PoMO staffing cost is estimated at £501k which includes the 2022-23 pay adjustment. There is an underspend of £50k against budget, this is due to all posts being budgeted at the top of grade, savings due to in year temporary staffing vacancies and a small recharge in respect of the Finance Manager for work outside the SBCD.

Rents and service charges in respect of office space total £23k, fees including consultancy and gateway reviews have been forecast at £26k and conferences, marketing and advertising estimated at £39k including the annual event. ICT costs has been forecasted at £11k which includes project management software purchased and associated training. Central Recharges of £26k has been included being the contribution to Carmarthenshire County Council as the host Authority's costs for supporting the PoMO. These include payroll, Pensions, Creditors, Debtors, Human Resources support, Information Technology Support, financial systems support, Chief executive administration support, employee support and all necessary insurances.

## **2.5. Provision for Unwinding**

This is an annual provision for the unwinding of the PMO at the end of its five-year operational requirement. Currently the total estimate is £152k, however it is demonstrated as 3/5<sup>th</sup> of an adjusted appointment (£99k) within the financial monitoring due to an accounting policy treatment.

## 2.6. Income

Total income for the year demonstrates £1,749k. This consists of partner contributions (£50k per partner) £400k, anticipated drawdown of 'Top Slice' of £449k from the dispersed grant awards and estimated interest derived from cash balances £900k.

## 2.7. Financial Monitoring - Statement of Balances

The prior year (2021/2) balance carried forward in reserve demonstrates £220k. Currently the estimated year end position of the City Deal accounts demonstrates a deficit of £84k, this is due to a timing effect attached to the grant dispersed to projects/programmes within the year. This results in an anticipated reserve of £137k at year end.

## 3. Portfolio Investment Fund – Forecast Outturn Position

### Provisional Portfolio Investment Outturn Position

The overall estimated investment position is demonstrated at £1.248bn (Quarter 2 2022/23 - £1.248bn) over the fifteen-year life of the portfolio. The revised budget (Quarter 1 2022/23) comprised of a total investment of £1.246bn, currently the City Deal is presenting a small over investment against the revised budget of £2m. At the time of reporting, up to date figures were not available for Pembroke Dock Marine, Pentre Awel and Supporting Innovation and Low Carbon Growth.

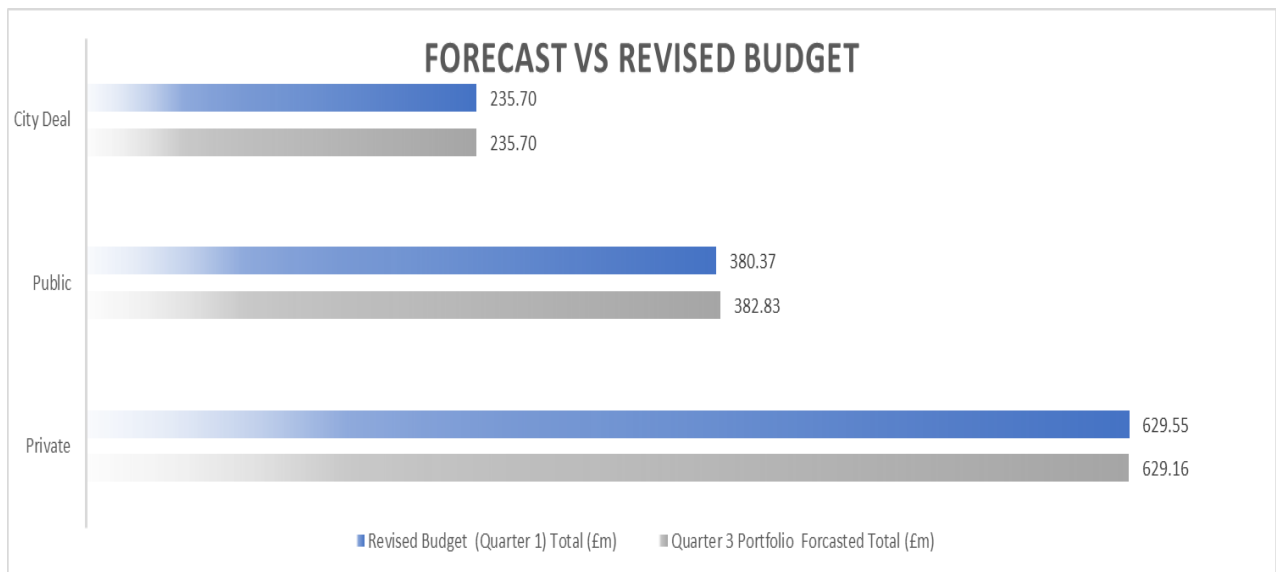
Details of significant variances are outlined below:

Swansea Arena is currently demonstrating an underinvestment of £4m against budget due to the reappropriation of costs across the whole Copr Bay site. Work on final costs is still being undertaken and will be reported on in Quarter 4 in line with the amended programme being agreed with the contractor. The innovation matrix is currently demonstrating an over investment of £2m, which will be reviewed during quarter 4. A business case revision is currently being undertaken with a review of financials included.

Pentre Awel has commenced construction and is demonstrating £6m over investment against budget. Work is estimated to be completed during Autumn 2024.

| Prior Quarter Portfolio Forcasted Total (£m) | Investment Component | Revised Budget (Quarter 1) Total (£m) | Quarter 3 Portfolio Forcasted Total (£m) | Variance (£m) | Variance |
|--|----------------------|---------------------------------------|--|---------------|----------|
| 235.70                                       | City Deal            | 235.70                                | 235.70                                   | 0.00          | 0.00%    |
| 382.83                                       | Public               | 380.37                                | 382.83                                   | 2.46          | 0.65%    |
| 629.61                                       | Private              | 629.55                                | 629.16                                   | 0.39          | -0.06%   |
| 1,248.14                                     | Grand Total          | 1,245.61                              | 1,247.69                                 | 2.08          | 0.17%    |

| Prior Quarter Programme/Project Forecast Total (£m) | Programme/Projects                          | Quarter 3 Forecast        |                               |                                |                              | Revised Budget (Quarter 1) Total (£m) | Variance (£m) | Variance (%) |
|---|---|---------------------------|-------------------------------|--------------------------------|------------------------------|---------------------------------------|---------------|--------------|
|   |   | City Deal Investment (£m) | Public Sector Investment (£m) | Private Sector Investment (£m) | Programme/Project Total (£m) |                                       |               |              |
| 55.00   | Digital Infrastructure                      | 25.00                     | 13.50                         | 16.50                          | 55.00                        | 55.00                                 | -             | 0.00%        |
| 505.50  | Homes as Power Stations                     | 15.00                     | 114.60                        | 375.90                         | 505.50                       | 505.50                                | -             | 0.00%        |
| 135.59  | LS&WB Campuses                              | 15.00                     | 58.58                         | 62.01                          | 135.59                       | 134.95                                | 0.64          | 0.47%        |
| 60.47   | Pembroke Dock Marine                        | 28.00                     | 16.35                         | 16.12                          | 60.47                        | 60.53                                 | -             | -0.10%       |
| 206.18  | Pentre Awel                                 | 40.00                     | 57.99                         | 108.19                         | 206.18                       | 200.48                                | 5.69          | 2.84%        |
| 30.00   | Skills & Talent                             | 10.00                     | 16.00                         | 3.55                           | 29.55                        | 30.00                                 | -             | -1.50%       |
| 59.08   | Supporting Innovation and Low Carbon Growth | 47.70                     | 5.88                          | 5.50                           | 59.08                        | 58.70                                 | 0.38          | 0.65%        |
| 171.15  | Swansea Waterfront                          | 50.00                     | 81.25                         | 39.90                          | 171.15                       | 175.28                                | -             | -2.36%       |
| 25.17   | Yr Egin                                     | 5.00                      | 18.67                         | 1.50                           | 25.17                        | 25.17                                 | -             | 0.00%        |
| <b>1,248.14</b>                                     | <b>Grand Total</b>                          | <b>235.70</b>             | <b>382.83</b>                 | <b>629.16</b>                  | <b>1,247.69</b>              | <b>1,245.61</b>                       | <b>2.08</b>   | <b>0.17%</b> |



## Provisional Annual Investment Forecast 2022/23

The forecast estimated investment for the financial year ended 31<sup>st</sup> March 2023 is demonstrated at £82m. The annual investment forecast is currently demonstrating an annual under-investment of £85m, in respect of the following:

The PDM project is continuing to review spend profiles on their public and private sector investment which could potentially affect the current year estimates. Currently the forecast was based on quarter four estimates, with a small slippage into the current financial year causing a slight over-investment. This is not expected to have an impact on the total investment.

Swansea Waterfront is demonstrating an in-year underinvestment due to accelerated City Deal spend in the previous year in respect of the arena, slippage in respect of private sector investment (including the hotel development) and slippage in project delivery in respect of the Innovation Matrix. This this is not expected to have an impact on the total investment for the programme.

Pentre Awel's annual investment profile was estimated as at quarter 3, currently construction enabling works have commenced and will be completed as at Autumn 2024. Whilst slippage has occurred this financial year due to small spend in the preliminary stages, this will accelerate over the remaining 17-month period of construction. This is not expected to have an impact on the total investment for the project.

The Skills and Talent project is demonstrating slippage in delivery within the year. The project has currently awarded funding to six successful school, further and higher education pilot projects and will review the funding mechanism in the new year. This this is not expected to have an impact on the total investment for the project.

The SWITCH project is currently demonstrating slippage due to the delay of construction procurement and tendering, caused particularly by the COVID-19 pandemic but also as this project involves a close working relationship and agreement with the delivery partner namely Swansea University. Unfortunately, the Swansea University Project Manager left recently and there is ongoing dialogue with the new interim PM to agree on building requirements and specifications which caused the process to be drawn out over an extended period of 18 months. This is not expected to have an impact on the total investment for the project.

Digital infrastructure is currently demonstrating slippage within its rural project due to a "pause and review" which has been instigated for up to 3 months on the rural in-fill procurement, which has a planned spend of £6 million on Superfast broadband. This is due to an ongoing Open Market Review (OMR) being conducted by the Welsh Government and UK Government. The time will be spent liaising with Welsh and UK Governments on the outcome of the OMR, assessing the data and trying to better understand how far known private and public sector interventions are likely to go. This will support decision making with regards to whether investment is required and if so where investment should be directed from a commercial perspective. This will help to mitigate the risk of premises receiving double subsidy. It will also help to ensure we spend our funding in the most cost-effective way with maximum impact. There is anticipated capital slippage on connected places due to complications and delays associated to our regional collaborative procurement and slippage on Next Generation Wireless due to the capacity of the programme and its partners to deliver within this financial year. We will continue to update the regions Digital Infrastructure board on the evolving situation with future decisions brought back for discussion and authorisation. This this is not expected to have an impact on the total investment for the project.

| Portfolio Summary            |  |                    |  |                |                      |                       |                   |
|------------------------------|--|--------------------|--|----------------|----------------------|-----------------------|-------------------|
| Prior Quarter Forecast Total | Description  | Revised Budget     | Quarter 3 Provisional Outturn Position |                |                      |                       | Variance          |
|                              |  |                    | Actuals (to Date)                      | Commitments    | Forecast Commitments | Total Annual Forecast |                   |
| (£)                          |  | (£)                | (£)                                    | (£)            | (£)                  | (£)                   | (£)               |
|                              | <b>City Deal Investment</b>                                    |                    |  |                |                      |                       |                   |
| 33,387,394                   | Capital  | 77,556,688         | 5,924,032                              | -              | 30,653,362           | 36,577,394            | 40,979,294        |
| 2,124,427                    | Revenue Expenditure (where capital receipts directive applied) | 3,389,281          | 407,676                                | 102,088        | 1,439,632            | 1,949,396             | 1,439,885         |
| <b>35,511,821</b>            | <b>City Deal Total</b>   | <b>80,945,969</b>  | <b>6,331,708</b>                       | <b>102,088</b> | <b>32,092,993</b>    | <b>38,526,789</b>     | <b>42,419,179</b> |
|                              | <b>Public Sector Investment</b>                                |                    |  |                |                      |                       |                   |
| 27,421,104                   | Capital  | 32,206,441         | 7,264,224                              | 383,000        | 19,773,880           | 27,421,104            | 4,785,337         |
| 2,761,798                    | Revenue  | 5,840,485          | -                                      | -              | 2,751,798            | 2,751,798             | 3,088,687         |
| <b>30,182,902</b>            | <b>Public Sector Total</b>                                     | <b>38,046,926</b>  | <b>7,264,224</b>                       | <b>383,000</b> | <b>22,525,678</b>    | <b>30,172,902</b>     | <b>7,874,024</b>  |
|                              | <b>Private Sector Investment</b>                               |                    |  |                |                      |                       |                   |
| 12,660,110                   | Capital  | 46,920,379         | -                                      | -              | 12,660,110           | 12,660,110            | 34,260,269        |
| 1,306,650                    | Revenue  | 1,306,650          | 187,312                                | 25,000         | 644,338              | 856,650               | 450,000           |
| <b>13,966,760</b>            | <b>Private Sector Total</b>                                    | <b>48,227,029</b>  | <b>187,312</b>                         | <b>25,000</b>  | <b>13,304,448</b>    | <b>13,516,760</b>     | <b>34,710,269</b> |
|                              | <b>Project Total</b>   |                    |  |                |                      |                       |                   |
| 73,468,608                   | Capital  | 156,683,508        | 13,188,256                             | 383,000        | 63,087,352           | 76,658,608            | 80,024,900        |
| 6,192,875                    | Revenue  | 10,536,415         | 594,988                                | 127,088        | 4,835,768            | 5,557,844             | 4,978,572         |
| <b>79,661,483</b>            | <b>Project Total</b>   | <b>167,219,924</b> | <b>13,783,244</b>                      | <b>510,088</b> | <b>67,923,120</b>    | <b>82,216,452</b>     | <b>85,003,472</b> |

| Annual Programme Investment Breakdown 2022/23 (Estimated) |   |                    |  |                |                      |                       |                   |
|---|---|--------------------|--|----------------|----------------------|-----------------------|-------------------|
| Prior Quarter Forecast Total                              | Description                                 | Revised Budget     | Quarter 3 Provisional Outturn Position |                |                      |                       | Variance          |
|   |   |                    | Actuals (to Date)                      | Commitments    | Forecast Commitments | Total Annual Forecast |                   |
| (£)   |   | (£)                | (£)                                    | (£)            | (£)                  | (£)                   | (£)               |
| 9,506,208   | Digital Infrastructure                      | 17,602,392         | 229,312                                | 102,088        | 9,335,584            | 9,666,984             | 7,935,408         |
| 7,465,000   | Homes as Power Stations                     | 7,465,000          | -                                      | -              | 5,162,000            | 5,162,000             | 2,303,000         |
| 187,312   | LS&WB Campuses                              | 5,377,312          | 187,312                                | -              | 5,190,000            | 5,377,312             | -                 |
| 30,659,565  | Pembroke Dock Marine                        | 28,525,579         | -                                      | -              | 30,659,565           | 30,659,565            | 2,133,986         |
| 10,546,738  | Pentre Awel                                 | 58,067,866         | 1,860,368                              | -              | 8,659,739            | 10,520,107            | 47,547,759        |
| 841,821   | Skills & Talent                             | 5,366,667          | 42,028                                 | 25,000         | 308,617              | 375,645               | 4,991,022         |
| 4,545,702   | Supporting Innovation and Low Carbon Growth | 11,769,275         | -                                      | 383,000        | 4,162,702            | 4,545,702             | 7,223,573         |
| 15,909,137  | Swansea Waterfront*                         | 33,045,833         | 11,464,224                             | -              | 4,444,913            | 15,909,137            | 17,136,696        |
| -   | Yr Egin                                     | -                  | -                                      | -              | -                    | -                     | -                 |
| <b>79,661,483</b>   | <b>Total</b>                                | <b>167,219,924</b> | <b>13,783,244</b>                      | <b>510,088</b> | <b>67,923,120</b>    | <b>82,216,452</b>     | <b>85,003,472</b> |

\*budget as per business case

## Capital and Revenue Apportionment

There is currently an estimated revenue requirement of £62m (5%) to deliver the city deal projects. This will be supported through the use of the Local Authorities flexible capital receipts directive, and alternative public and private sector commitment. The revenue requirement demonstrates a small change compared with the prior period (Quarter 2 2022/23 - £63m), this is as a result of some small fluctuation across several projects.

### Capital/Revenue Summary (Estimated)

| Investment Component | Capital Forecast (£m) | Revenue Forecast (£m) | Total Forecast (£m) | Revenue Proportion |
|----------------------|-----------------------|-----------------------|---------------------|--------------------|
| City Deal            | 214.97                | 20.73                 | 235.70              | 8.80%              |
| Public               | 353.75                | 29.07                 | 382.83              | 7.59%              |
| Private              | 616.74                | 12.43                 | 629.16              | 1.98%              |
| <b>Grand Total</b>   | <b>1,185.46</b>       | <b>62.23</b>          | <b>1,247.69</b>     | <b>4.99%</b>       |

## 4. Financial Implications

The forecasted Joint Committee year end out-turn position (as at 31<sup>st</sup> March 2023) indicates a deficit of £84k, which will be supported by the Swansea Bay City Deal ring-fenced reserve at the year end. Expenditure is forecasted at £1,833k, which is offset by income through partner contributions of £400k and the 'Top Slice' of dispersed Government grants of £449k and interest income of £900k.

The business cases of all nine SBCD Portfolio programmes and projects have now been formally approved, a revised budget was compiled in quarter one for the portfolio demonstrating £1.246billion. The estimated portfolio forecasted investment position (as at 31<sup>st</sup> March 2023) demonstrates over investment against the revised budget of £2m. Currently the portfolio is presenting a total investment over the



fifteen-year life span of the Swansea Bay City Region Deal of £1.248billion. This is subject to fluctuation over the life span of the project and will be monitored quarterly through financial templates and through the Portfolio risk register.


## **5. Legal Implications**

There are no legal implications associated with this report.

**Background Papers:** None

**Appendices:**

Appendix A – Provisional Outturn Position.

|  |                        | <b>Joint Committee - Provisional Outturn Position</b><br><b>Financial Year 2022/23</b><br><i>as at 30th November 2022</i> |                                 |                  |
|---|------------------------|---|---------------------------------|------------------|
| Description   | Actuals<br>2021/22 (£) | Agreed Budget<br>2022/23 (£)  | Forecast Outturn<br>2022/23 (£) | Variance (£)     |
| <b>Joint Committee and Accountable Body</b>                                       |                        |   |                                 |                  |
| Room Hire   | -                      | 1,910   | 1,910                           | -                |
| Subsistence & Meeting Expenses  | -                      | 3,496   | -                               | 3,496            |
| Travel  | -                      | -   | -                               | -                |
| Democratic Services - CCS   | 27,483                 | 26,605  | 26,605                          | -                |
| Monitoring Officer & Legal Services   | 35,659                 | 36,640  | 36,640                          | -                |
| External Legal Advisory Fees  | -                      | 25,000  | -                               | 25,000           |
| Internal Audit Support  | 18,924                 | 21,115  | 21,115                          | -                |
| Staff Recruitment Expenses  | -                      | -   | -                               | -                |
| External Audit Fees   | 14,971                 | 25,000  | 21,830                          | 3,170            |
| Section 151 Officer   | 55,329                 | 56,435  | 56,435                          | -                |
| Interest paid out to projects   | 39,575                 | -   | 900,000                         | (900,000)        |
| <b>Joint Committee and Accountable Body Total</b>                                 | <b>191,942</b>         | <b>196,201</b>  | <b>1,064,535</b>                | <b>(868,334)</b> |
| <b>Joint Scrutiny Committee</b>   |                        |   |                                 |                  |
| Subsistence & Meeting Expenses  | -                      | 7,012   | -                               | 7,012            |
| Travel  | -                      | 1,248   | -                               | 1,248            |
| Democratic Services - NPT   | 21,332                 | 21,226  | 21,226                          | -                |
| <b>Joint Scrutiny Committee Total</b>   | <b>21,332</b>          | <b>29,487</b>   | <b>21,226</b>                   | <b>8,261</b>     |
| <b>Portfolio Management Office</b>  |                        |   |                                 |                  |
| Recharges - Employee Costs (direct)   | 461,842                | 552,056   | 501,401                         | 50,654           |
| Staff Recruitment Expenses  | -                      | -   | -                               | 0                |
| Training of Staff   | 1,220                  | 26,530  | 5,000                           | 21,530           |
| Response Maintenance  | -                      | -   | -                               | 0                |
| Rents (The Beacon)  | 14,889                 | 16,270  | 16,270                          | 0                |
| Rates (The Beacon)  | 6,688                  | 7,184   | 7,184                           | 0                |
| Public Transport - Staff  | -                      | 2,081   | 520                             | 1,561            |
| Staff Travelling Expenses   | 76                     | 16,646  | 4,162                           | 12,485           |
| Admin, Office & Operational Consumables   | -                      | 2,601   | 2,000                           | 601              |
| Furniture   | -                      | 1,000   | 500                             | 500              |
| Fees (including Gateway Reviews)  | 29,557                 | 26,010  | 26,010                          | 0                |
| ICT Computer Hardware & Software  | 43                     | 2,500   | 10,500                          | (8,000)          |
| Subsistence & Meetings Expenses   | 10                     | 8,323   | 3,000                           | 5,323            |
| Conferences, Marketing & Advertising  | 17,151                 | 78,030  | 39,015                          | 39,015           |
| Projects & Activities Expenditure   | -                      | 14,566  | -                               | 14,566           |
| Translation/Interpret Services  | 3,317                  | 10,404  | 5,202                           | 5,202            |
| Printing & Copying  | 84                     | 4,682   | 2,341                           | 2,341            |
| Photocopying Recharge   | -                      | -   | -                               | 0                |
| Central Recharge  | -                      | -   | 25,512                          | (25,512)         |
| <b>Portfolio Management Office Total</b>  | <b>534,876</b>         | <b>768,883</b>  | <b>648,617</b>                  | <b>120,266</b>   |
| <b>Provision for Unwinding of PMO</b>   |                        |   |                                 |                  |
| Redundancies  | -                      | 37,674  | 98,631                          | (60,957)         |
| <b>Provision for Unwinding Total</b>  | <b>-</b>               | <b>37,674</b>   | <b>98,631</b>                   | <b>(60,957)</b>  |
| <b>Total Expenditure</b>  | <b>748,149</b>         | <b>1,032,245</b>  | <b>1,833,009</b>                | <b>(800,764)</b> |
| <b>Funding Contributions</b>  |                        |   |                                 |                  |
| Welsh Government - Revenue Grant  | -                      | -   | -                               | -                |
| SBCD Grant Revenue Contribution   | (314,119)              | (723,000)   | (449,196)                       | (273,804)        |
| Partner Contributions   | (400,000)              | (400,000)   | 400,000                         | -                |
| Interest Income   | (39,575)               | -   | (900,000)                       | 900,000          |
| <b>Total Income</b>   | <b>(753,694)</b>       | <b>(1,123,000)</b>  | <b>(1,749,196)</b>              | <b>626,196</b>   |
| <b>Provision of Service - (Surplus) / Deficit</b>                                 | <b>(5,545)</b>         | <b>(90,755)</b>   | <b>83,813</b>                   | <b>(174,568)</b> |
| <b>Movement to Reserves</b>   |                        |   |                                 |                  |
| <b>Description</b>  |                        | <b>2021/22 (£)</b>  | <b>2022/23</b>                  |                  |
| Balance Brought Forward from previous year - (Surplus) / Deficit                  |                        | (214,816)   | (220,361)                       |                  |
| Net Provision of Service - (Surplus) / Deficit                                    |                        | (5,545)   | 83,813                          |                  |
| <b>Balance Carry Forward - (Surplus) / Deficit</b>                                |                        | <b>(220,361)</b>  | <b>(136,548)</b>                |                  |

# Agenda Item 12



Swansea Bay City Region Joint Committee - 2 February 2023

## Swansea Bay City Deal Quarterly Monitoring Report

|                           |   |
|---------------------------|---|
| <b>Purpose:</b>           | To inform Joint Committee of the SBCD Quarterly Monitoring Report for both the SBCD Portfolio and its constituent programmes / projects |
| <b>Policy Framework:</b>  | Swansea Bay City Deal (SBCD)<br>Joint Committee Agreement (JCA)   |
| <b>Recommendation(s):</b> | It is recommended that Joint Committee:   |
| 1)                        | Notes the Quarterly Monitoring Report for the SBCD Portfolio and its constituent programmes / projects                                  |
| <b>Report Author:</b>     | Amanda Halfhide (SBCD Senior Portfolio Support Officer)   |
| <b>Finance Officer:</b>   | Chris Moore (SBCD S151 Officer)   |
| <b>Legal Officer:</b>     | Tracey Meredith (SBCD Monitoring Officer)   |

### 1. Introduction

- 1.1 SBCD Quarterly Monitoring Report for the SBCD Portfolio and its constituent projects provides Joint Committee with a summary of key activity for the last 3 months and current quarter planned activity.

### 2. Background

#### 2.1 Annex A: Dashboard Quarterly Monitoring

| Item | Theme                          | Update   | Annex |
|------|--------------------------------|--|-------|
| 1.   | Programme / Project RAG Status | HAPS Resource remains Red however overall status moved from Red to Amber as moving in the right direction. Skills Resource moved from Amber to Green and Finance has moved from Green to Amber. Waterfront Resource has moved from Amber to Green, Finance has moved from Red to Amber | A / B |
| 2.   | Portfolio Delivery Timeline    | Remains on track   | -     |

|     |                             |   |     |
|-----|-----------------------------|---|-----|
| 3.  | Portfolio Risk Register     | Moved from 6 Red Risks to 7 due to a new risk being raised  | C   |
| 4.  | Issues Log                  | Portfolio Issues Log now includes a RAG status to show severity of Issue  | D   |
| 5.  | Benefits Realisation        | No change from last Quarter   | E   |
| 6.  | Financial Management        | More detailed information can be sought in the Quarterly Financial Monitoring Report  | -   |
| 7.  | Change Management           | Nothing raised this quarter   | -   |
| 8.  | Assurance & Audit Reviews   | Audit Action Plan will be included as part of the quarterly update. IAAP includes details of Programme / Project Assurance arrangements for Gateway Reviews Summary of changes this quarter shown below | A   |
| 9.  | Communications & Engagement | Agenda Item added   | A/B |
| 10. | Procurement Pipeline        | Minimal change. Updates shown in table 1 of cover report  | A   |

## 2.2 Annex B: The SBCD Quarterly Monitoring Report is made up of 2 levels with several components

- Portfolio
  - Communications and Marketing
- Programmes / Project
  - Scorecard with status summary
  - Previous quarter achievements and current quarter planned activities

## 2.3 Annex C: Portfolio Risk Register (Red Risks)

The Swansea Bay City Deal portfolio risk register captures and monitors key portfolio level risks to the delivery of the City Deal and achievement of its aims and objectives.

## 2.4 Appendix D: Portfolio Issues Log (Red Issues)

The Swansea Bay City Deal portfolio issues log captures and monitors key portfolio level issues to the delivery of the City Deal and achievement of its aims and objectives.

RAG status now added to the Issues Log to show level of severity.

## 2.5 Appendix E: Benefits Realisation

The SBCD Benefits Register captures the annualisation of Portfolio benefits for Investment, GVA and Jobs that will be delivered up to 2032/33

## 2.6 Appendix F: Construction Impact Assessment

The purpose of the combined risk/issues assessment and impact assessment is to

highlight and quantify the specific risks/issues currently being experienced throughout the construction industry. SBCD Programme Board and Joint Committee have requested that all programmes and projects assess their current status and ongoing monitoring with regards the potential impact these construction challenges will have on the successful delivery of the portfolio and the constituent programmes and projects

### **3. Financial Implications**

3.1 There are no financial implications associated with this report. Portfolio financial monitoring will be reported separately through the Accountable Body.

### **4. Legal Implications**

4.1 There are no legal implications associated with this report.

### **5. Alignment to the Well-being of Future Generations (Wales) Act 2015**

5.1 The SBCD Portfolio and its constituent projects are closely aligned to the Well-being of Future Generations (Wales) Act 2015 and the seven well-being goals for Wales. These alignments are outlined in a Portfolio Business Case for the SBCD, as well as in individual project business cases.

**Background Papers:** None

#### **Appendices:**

Appendix A: Dashboard Quarterly Monitoring  
Appendix B: SBCD Quarterly Monitoring Report  
Appendix C: Portfolio Risk Register  
Appendix D: Portfolio Issues Log  
Appendix E: Benefits Realisation  
Appendix F: Construction Impact Assessment

# Swansea Bay City Deal Progress/Reporting Dashboard

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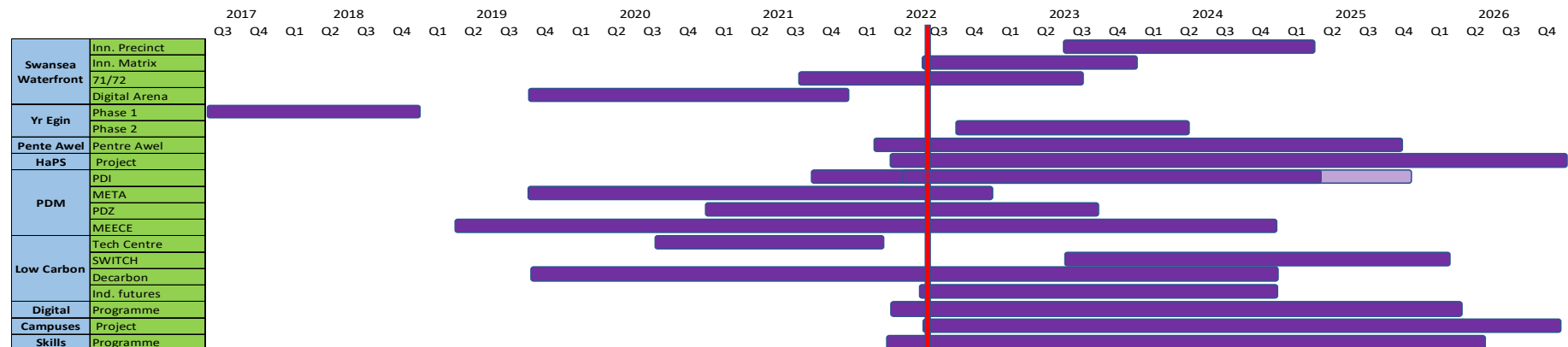


|                    |                   |
|--------------------|-------------------|
| <b>Drafted by:</b> | <b>Phil Ryder</b> |
| <b>Date:</b>       | <b>13/01/2023</b> |

# 1. Project/Programme RAG status

| Project/Programme                         | Delivery | Scope  | Staffing Resource | Finance | Stakeholder Engagement | RAG Status |
|---|----------|--------|-------------------|---------|------------------------|------------|
| Pentre Awel                               | Green    | Green  | Green             | Yellow  | Green                  | Green      |
| Campuses                                  | Yellow   | Green  | Green             | Yellow  | Green                  | Yellow     |
| Waterfront & Digital District             | Yellow   | Green  | Green             | Red     | Green                  | Yellow     |
| Yr Egin                                   | Green    | Yellow | Green             | Yellow  | Green                  | Yellow     |
| Digital Infrastructure                    | Yellow   | Yellow | Yellow            | Yellow  | Yellow                 | Yellow     |
| Skills and Talent                         | Green    | Green  | Green             | Yellow  | Green                  | Green      |
| Pembroke Dock Marine                      | Yellow   | Yellow | Yellow            | Yellow  | Yellow                 | Yellow     |
| Supporting Innovation & Low Carbon Growth | Yellow   | Green  | Green             | Green   | Green                  | Green      |
| Homes as Power Stations                   | Yellow   | Green  | Red               | Yellow  | Yellow                 | Yellow     |

# 2. Portfolio Delivery Timeline



**Key**

Delivery Period

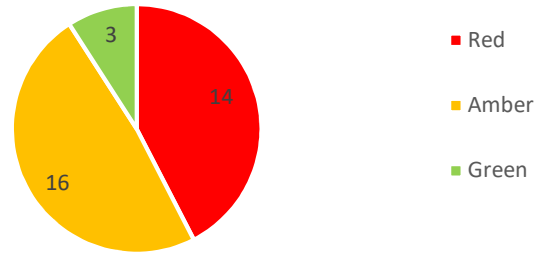
Current date Line

Please note these quarters are calendar quarters

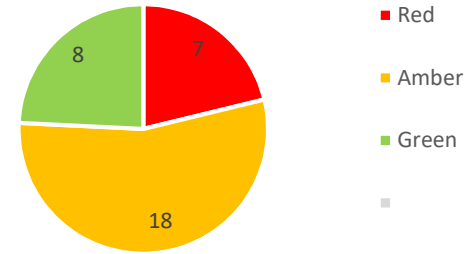
### 3. Portfolio Risk & Issue Management

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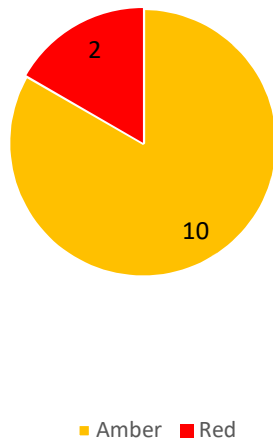
Original Risk Rating



Mitigated Risk Rating



Open Issues





#### 4. Risk Management – Rising Amber Risks

| REF. | Title              | Description   | Current Control Actions   | Previous Score | Residual Probability | Residual Impact | Residual Rank |
|------|--------------------|---|---|----------------|----------------------|-----------------|---------------|
| 41   | In Year Underspend | Early indications from financial reporting across Q1 and Q2 2022-2023 indicate a likely underspend for the current FY | 15/12/22<br>PoMO met with all SRO's to highlight level of in year underspend with a request to confirm remaining forecasted spend for Q3 and Q4. SRO's also requested to better forecast future years spend aligned to updated Business Cases. PoMO have appraised UKG and WG officers of in year underspend. | 12             | 5                    | 4               | 16            |

## 5. Risk Management – Top Red Risks

| REF. | Title   | Description   | Current Control Actions   | Residual Probability | Residual Impact | Residual Rank |
|------|---|---|---|----------------------|-----------------|---------------|
| 26   | Private sector funding contribution/s not realised in line with business case projections.  | Risk that private sector funding is not realised as per portfolio business case projections that will impact on the deliverability of outputs and outcomes of the SBCD.   | 15/12/22<br>A paper reviewing the sources and profiles of private sector contribution is being prepared for Programme Board Q3  | 4                    | 4               | 16            |
| 31   | Increase in cost of construction.   | Risk that cost of construction may increase impacting on budgets set out in Programme / Project Businesses resulting in an overspend.   | 15/12/22<br>Construction Cost Assessment report v3.0 submitted to Programme Board. Lead delivery organisations to monitor and report on a monthly basis. Continue to work with PM's to ensure all change is documented through the change process. Construction & Community Benefits sub group in place which provides a forum for on going discussion. | 5                    | 3               | 15            |
| 33   | Welsh Government 2021 update of Technical Advice Note (TAN) 15 development risk of flooding and coastal erosion and associated flood planning maps. | Proposed updates to the TAN and maps have recategorised the vulnerability of certain developments, increased the extent of the flood maps and the ability of land owners and local authorities to potentially achieve planning permission and ultimately develop land affected by the 2021 updates.   | 15/12/22<br>No further update. Update requested from the regional WLGA representative, awaiting response.   | 4                    | 4               | 16            |
| 43   | Slippage in delivery of programmes / projects against key milestones  | As all City Deal Business Cases have now been approved the risk that City Deal doesn't achieve the outcomes intended within the timescales agree due to slippage in delivery of programme against key milestones resulting in borrowing and recouperation not accurately reflecting spend. Has been re-assessed following the closing of Risk ID SBCD013. | 15/12/22<br>Slippage is aligned to spend as per Risk ID 041. PoMO met with SRO's to discuss and confirm current project plans and mitigations against slippage. Recommended action from a Gateway Assurance Review at a programme level has highlighted the need for programmes and projects to ensure they have complete and robust delivery plans.    | 4                    | 4               | 16            |
| 47   | Prog/Proj delivering all outputs and outcomes within the business case  | Lack of alignment between Project/Programme Business Case deliverables and funding agreement outputs, outcomes and impact leads to potential confusion and non-delivery of anticipated benefits, resulting in the portfolio not achieving its objectives.   | 15/12/22<br>Benefits profiles for Portfolio level benefits have been agreed with all programmes / projects. On going engagement to ensure major project level benefits are agreed, forecasted and reported at appropriate times.  | 3                    | 5               | 15            |

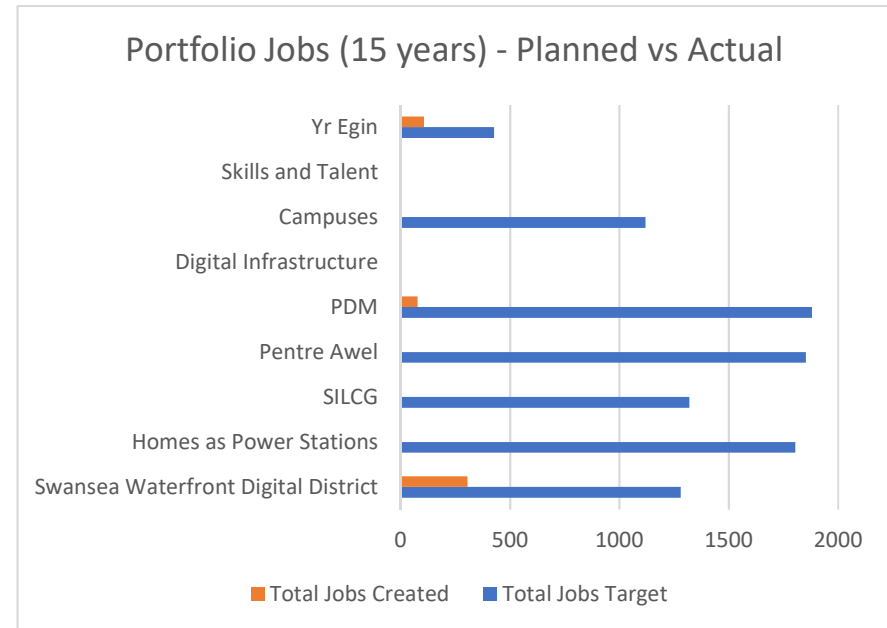
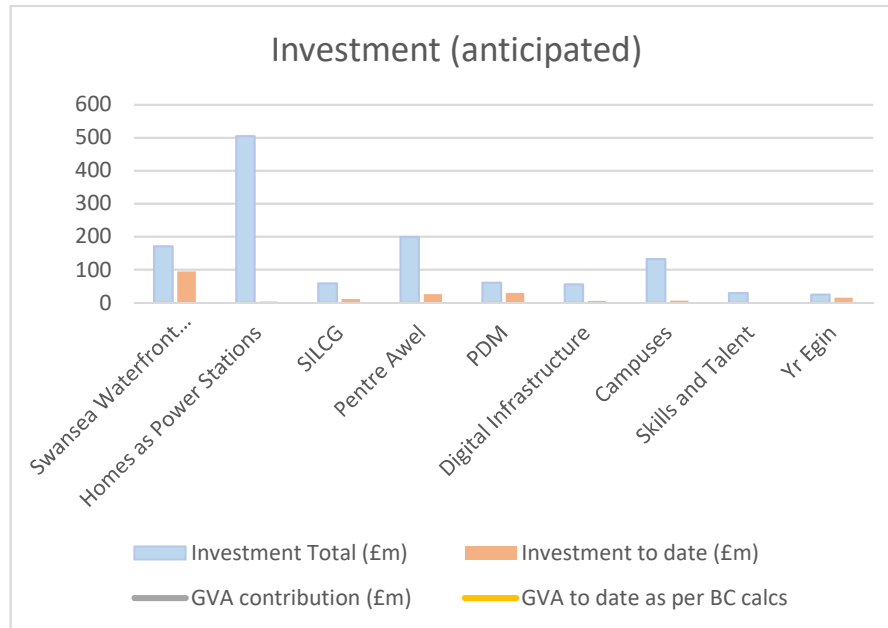
|    |  |   |  |   |   |    |
|----|--|---|--|---|---|----|
| 50 | Pressure on construction industry to meet demand of City Deal and other public sector procurements | Construction Industry reporting issues across supply chains especially recruitment and response to tender calls due to inflationary pressures and market volatility. Particularly regarding the amount of contracts likely to be issued over the next year. | 15/12/22<br>Construction & Community Benefits sub group formed. Construction Impact Assessment being monitored on a monthly basis . Programmes and Projects being encouraged to use change notification process to advise of any slippage or other issues. | 3 | 5 | 15 |
|----|--|---|--|---|---|----|

## 6. Issues Management – Red Issues

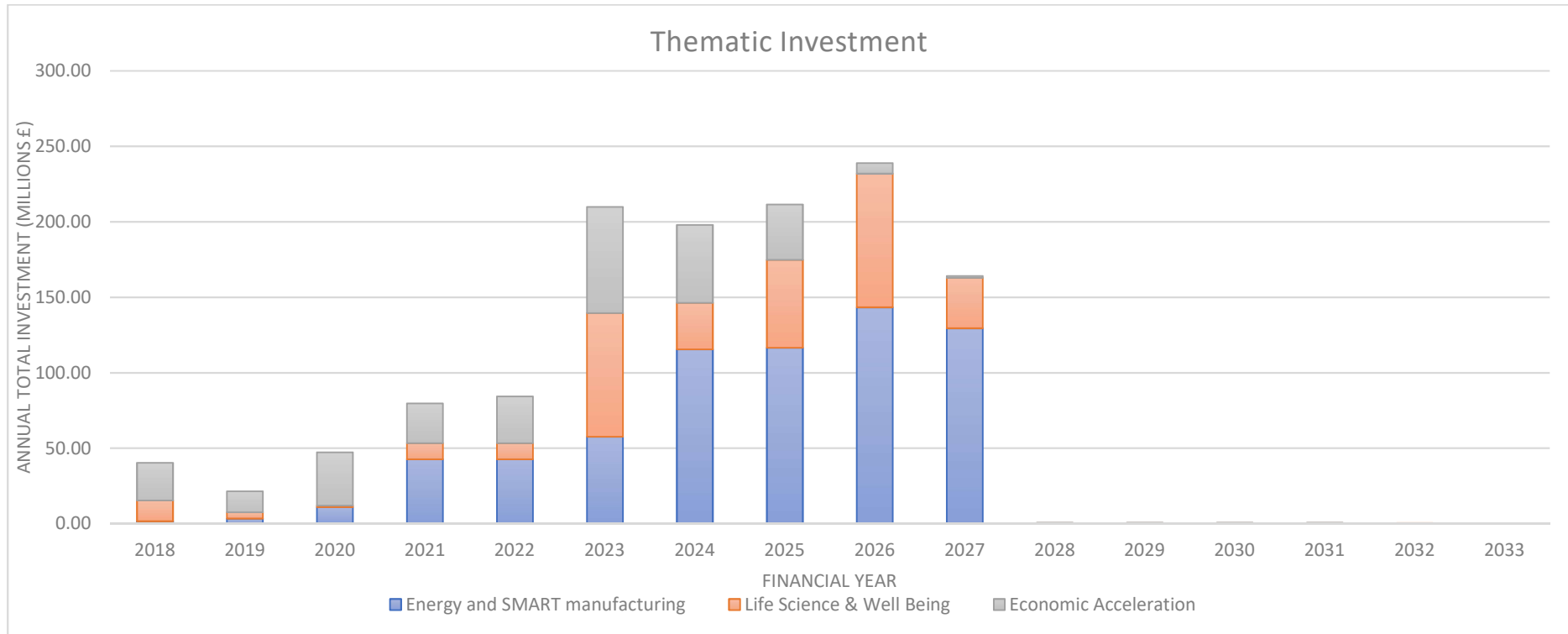
| REF. | Title   | Potential Impact  | Current Update   | Priority |
|------|---|---|--|----------|
| 22   | Measuring of GVA at a programme and Project level.    | One if the HoT requirements is GVA contribution, whilst the Portfolio will deliver uplifts in GVA it's quantification method is still unknown and as a result the PoMO are unable to report GVA as a holistic Portfolio Metric. | 30/09/22<br>Paper submitted to the WCGIB on 13th June and accepted in principle. Further consultation required and currently with DLUC for decision. In the interim, UK / WG City Deal contacts have accepted that we will not report quarterly on GVA.<br>19/12/22<br>On going. Awaiting formal response.   | Red      |
| 25   | Delay in funding agreements being approved and signed | Impacts on disbursement of grant. Delay to delivery of projects. Knock on effect with ability to recruit. Potentially impacting on benefits realisation.  | 30/09/22<br>8 out of 9 programmes / projects have now committed to the primary funding agreements Campuses currently being worked on with legal officers / partners with a view of being entered imminently. Secondary agreements currently being developed for Campuses, HAPS, Skills & Talent and Digital Infrastructure between Lead Authority and Lead Deliverer.<br><br>19/12/22<br>Digital Infrastructure current status of secondary funding agreement is that it's been to legal colleagues and is now being finalised ready for signatory | Red      |

## 7. Benefits Realisation

| Project/Programme                   | Total Investment Target (£m) | Total Investment to date (£m) | Total Jobs Target | Total Jobs Created |
|-------------------------------------|------------------------------|-------------------------------|-------------------|--------------------|
| Swansea Waterfront Digital District | 171.54                       | 94.12                         | 1281              | 306                |
| Homes as Power Stations             | 505.50                       | 3.73                          | 1804              | 5                  |
| SILCG                               | 58.70                        | 10.88                         | 1320              | 1                  |
| Pentre Awel                         | 199.19                       | 25.18                         | 1853              | 2                  |
| PDM                                 | 60.47                        | 29.56                         | 1881              | 77                 |
| Digital Infrastructure              | 55.30                        | 5.32                          | 0                 | 6                  |
| Campuses                            | 131.98                       | 5.88                          | 1120              | 2                  |
| Skills and Talent                   | 30.00                        | 0.60                          | 0                 | 2                  |
| Yr Egin                             | 25.17                        | 14.87                         | 427               | 107                |
|                                     | 1237.85                      | 190.13                        | 9686              | 524                |
| <b>% of target</b>                  |                              | <b>15.36%</b>                 |                   | <b>5.41%</b>       |



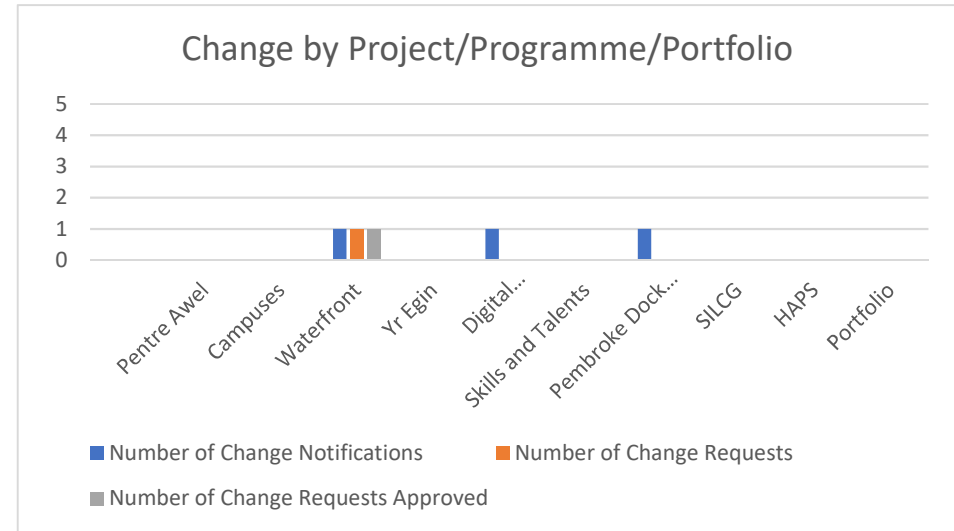
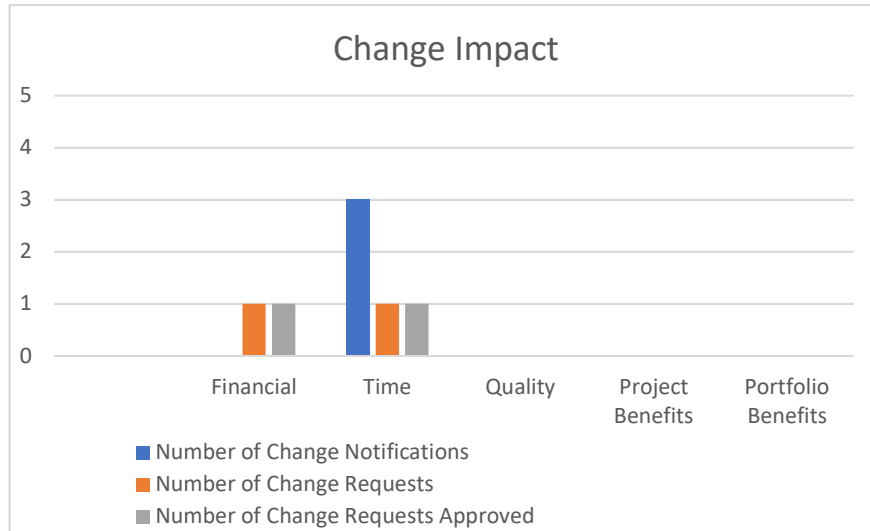
## 8. Financial Management



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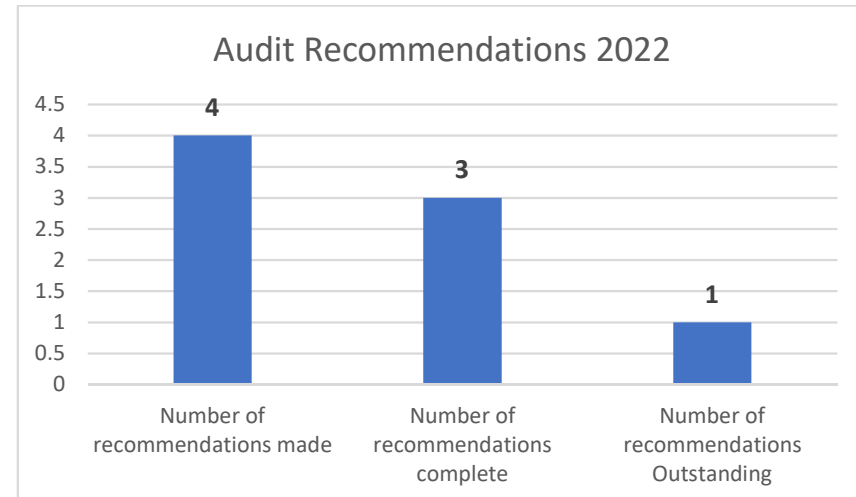
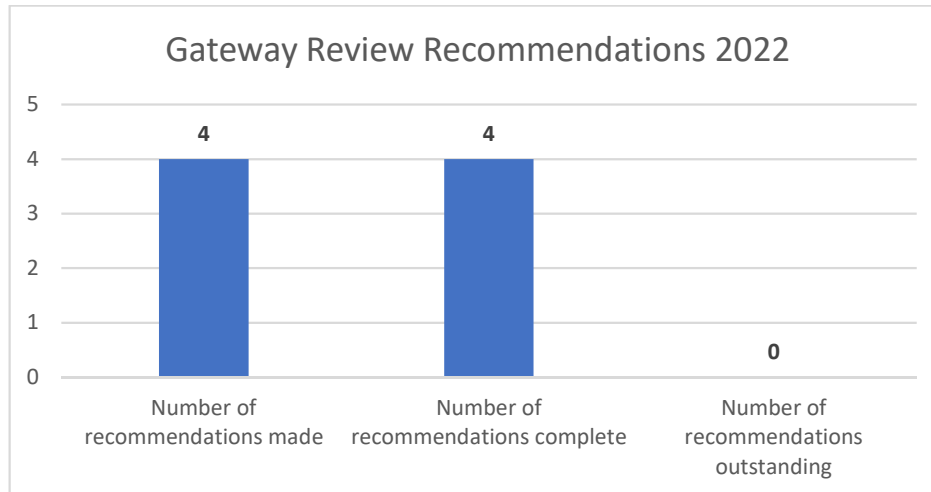
|                             | 2018 | 2019 | 2020 | 2021 | 2022   | 2023  | 2024 | 2025  | 2026  | 2027  | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 |
|-----------------------------|------|------|------|------|--------|-------|------|-------|-------|-------|------|------|------|------|------|------|
| Difference since Q4 2021-22 | 0.00 | 0.00 | 0.00 | 0.00 | -87.70 | 33.11 | 1.58 | -5.80 | 40.53 | 17.24 | 0.54 | 0.55 | 0.56 | 0.67 | 0.48 | 0.00 |

## 9. Change Management

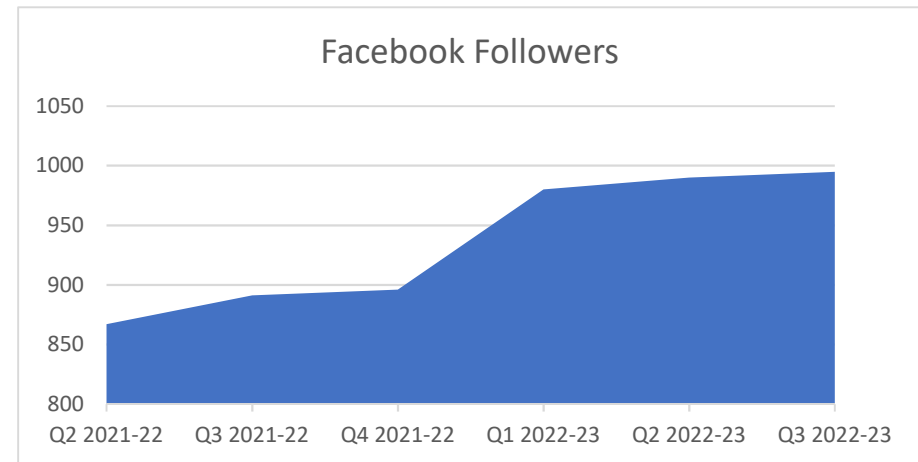
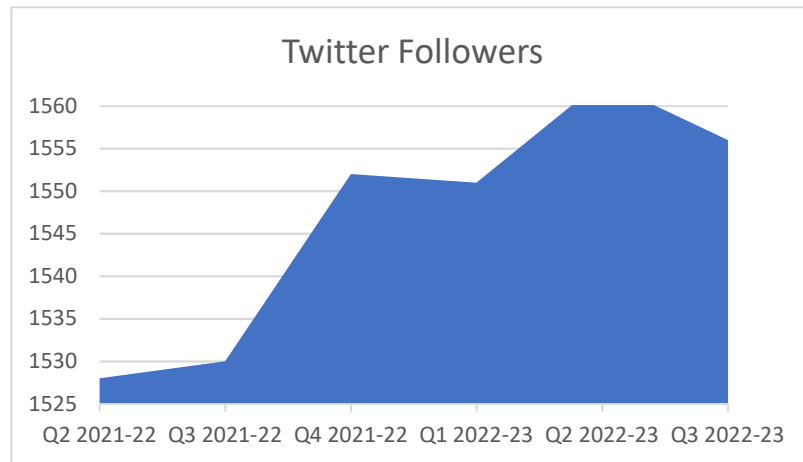
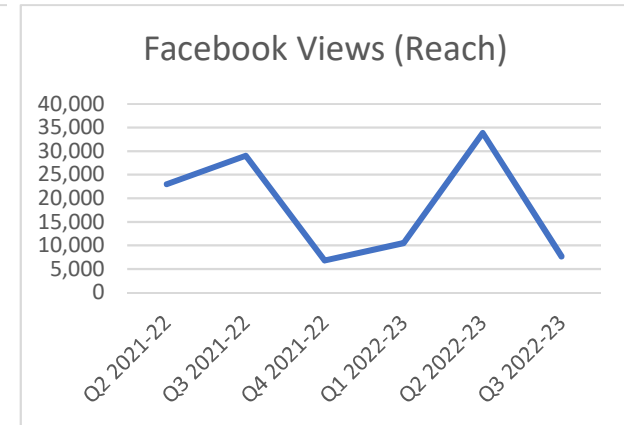
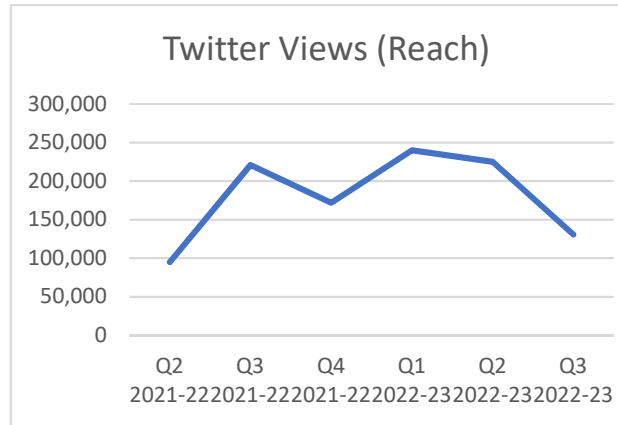
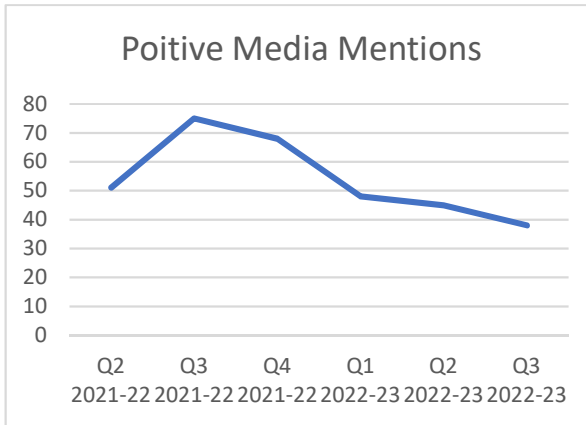


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## 10. Assurance & Audit Reviews



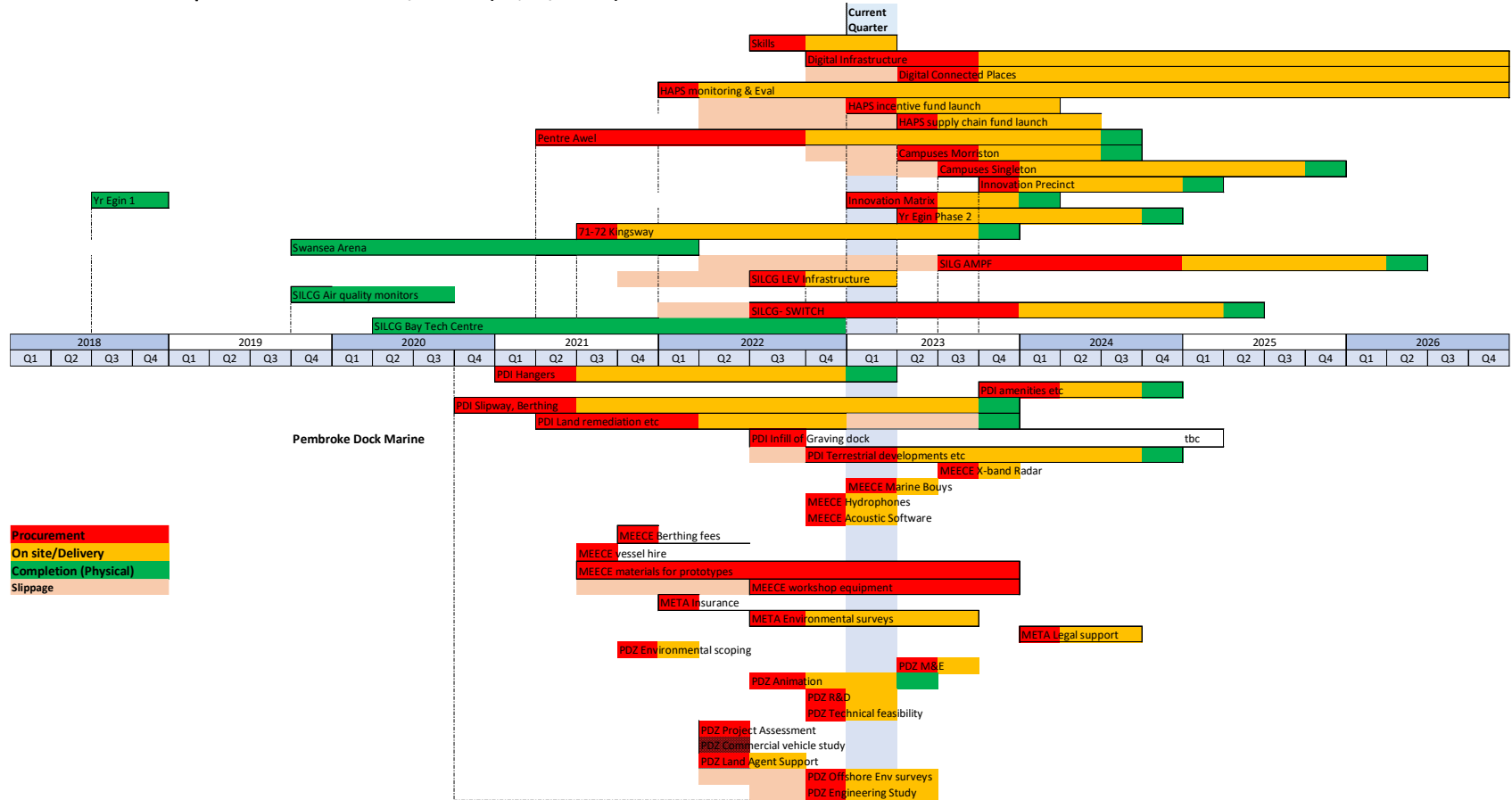
## 11. Communications and Engagement



# 12. Procurement Pipeline

Below is a pictorial representation of key procurement activity across the Programmes and Projects making up the Portfolio.

SBCD Procurement Pipeline Version 4: 14/10 2022 (Q3, 22/23 F.Y.)



- Movement from previous quarter
- same as previous
- same as previous slight adjustment within programme
- Slipped by 2 quarters end date remains same
- same as previous
- Again moved right by one quarter
- Again moved right by two quarters
- Nil response 06-01-23
- On site and completion moved right
- same as previous
- same as previous
- Now confirmed
- No Change
- same as previous
- Now open and in delivery
- same as previous
- same as previous
- same as previous
- same as previous
- Same as previous
- Same as previous
- Same as previous
- Same as previous
- Same as previous
- Same as previous
- Same as previous
- new this quarter
- new this quarter
- new this quarter
- new this quarter
- Same as previous
- Same as previous
- Same as previous
- Same as previous
- Same as previous
- Same as previous
- Same as previous
- Same as previous
- In development
- new this quarter
- new this quarter
- new this quarter Awaiting award
- In development
- Same as previous
- Now dropped due to change of approach
- Same as previous
- Contract value increases. Completion date added
- Contract value increases. Completion date added



### 13. Future inclusions

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There are several additional aspects of reporting that the PoMO will look to include in coming iterations, initially, these will include:

- Resource (people) management – this is the resources required by each deliverer, identified within the respective business cases to deliver the SBCD schemes and the current levels of staffing against this commitment.
- Further breakdowns of financials as recently requested at JC.
- Quarterly updates on forecasted benefits, do the actual vs planed show progress being ahead, behind or as forecast.
- LinkedIn reach/stats
- Visits and Event info

# **Swansea Bay City Deal Portfolio Quarterly Monitoring Report Quarter 3 (October - December 2022)**

| Programme / Project Scorecard              |  |          |       |                   |         |                        |                  |
|--|--|----------|-------|-------------------|---------|------------------------|------------------|
| Prog / Proj                                | Status Update  | Delivery | Scope | Staffing Resource | Finance | Stakeholder Engagement | Overall (change) |
| Digital Infrastructure                     | Programme team are currently undertaking a benefits realisation exercise to quantify the impact of the programme to date on connectivity of the region. It is anticipated this will show positive progress against programme deliverables. Over half of the staffing resources for the programme have been successfully recruited with remaining posts currently either out to advert or due to be issued early in 2023. Stakeholders within UK and Welsh Government are fully engaged, working closely with the programme to ensure national, regional local connectivity projects are aligned. Telecoms providers have shown active interest in the programmes schemes and regional stakeholders remain fully committed to and engaged with the programme. However competing demands and growing pressures within the public sector mean capacity to deliver at an organisational level is increasingly challenging. |          |       |                   |         |                        | ↔                |
| Pembroke Dock Marine                       | Remains Amber. Cost increase has been included in Program Board papers. MHPA have concluded discussions with WEFO and are further along contract process. Given the uncertainty, there is still potential for cost uncertainty to impact project / program deliverables but will be updated and managed through project / program governance.  |          |       |                   |         |                        | ↔                |
| Pentre Awel                                | <u>Delivery</u> – Unchanged from Green following the RMA & SAB approval over the summer period, discharge of pre-commencement conditions and completion of Stage 4a design. <u>Finance</u> - risk at amber. Contract offer submitted by BYUK which was challenged and commercial reduction achieved along with open procurement on selected works packages. Lease agreements with proposed tenants for Zone 1 progressing. Risks relating to build costs, inflation & materials being managed by Bouygues and Gleeds.  |          |       |                   |         |                        | ↔                |
| Yr Egin<br>Page 233                        | Increasing economic uncertainty and Covid implications impacting on levels and nature of demand. Following Phase 1 Lessons Learned exercise, an updated Creative Sector demand analysis has identified a significant change in the type of target companies (by financial size) and nature of provision required (bespoke support services rather than leased floorspace). Internal team putting in place process to identify required revisions to scheme to meet requirements of industry post-COVID. Project team now moving forward with Change Identification Notice for Egin Phase 2   |          |       |                   |         |                        | ↔                |
| Campuses                                   | Delays with the funding agreement have started to affect the timeline of the project. Work is currently being carried out to define an appropriate formal change request. Scope of the project remains unchanged as per the Business case however particular focus is on the affordability of the Phase 1 Singleton development and Morrision Management Centre. Mitigating actions formulated and pending project board approval. Delivery and finance amber due to funding agreement not being signed. Funding agreement meeting taken place between, city deal, Swansea Uni and Swansea Council. SU taking paper to internal finance and strategy board for reasonable endeavours sign off this month.  |          |       |                   |         |                        | ↔                |
| Homes As Power Stations                    | HAPS Technical Co-ordinator appointed, commenced role Oct 22. Supply Chain first phase of work will commence with the support of OPUS BS Ltd. Business Case review commenced to ensure project realisation is up to date in view of economic changes. AAP Complete - Amber rating  |          |       | ↑                 |         |                        | ↔                |
| Supporting Innovation & Low Carbon Growth  | NPTCBC Internal audit undertaken October/November – result ' <b>Substantial Assurance</b> ' highest achievable rating. Multiple projects in delivery namely BTC, SWITCH, AQMP, LEV,PDF. Programme implementation and delivery plan live. SILCG Programme Board meets quarterly. PAR planning underway. Delivery Amber due to pandemic delays etc but also learning from BTC construction has informed a revised timeline for construction. Lessons learned from BTC construction has helped inform future projects   |          |       |                   |         |                        | ↔                |
| Skills & Talent                            | Full project team now recruited and in post. Change to amber in financial due to underspend through programme slippage. Due to the nature of the programme and pilot projects in the pipeline this is not of particular concern at this stage.   |          |       | ↓                 | ↑       |                        | ↔                |
| Swansea City & Waterfront Digital District | Swansea Waterfront Business Case completed and change notifications submitted to PoMO team for January Programme Board sign off. Gateway Review completed on the Digital Arena and Digital Village projects with Amber/Green rating. Discussions ongoing between Swansea Council & UWTSO about the delivery of the Innovation Precinct. Trinity projects - funding on red  |          |       |                   | ↑       |                        | ↔                |

|                |  |                         |            |
|----------------|--|-------------------------|------------|
| <b>Title</b>   | Portfolio Management Office (Communications & Marketing) | <b>Reporting Period</b> | Q3 2022/23 |
| <b>Officer</b> | Heidi Harries (SBCD Communications & Marketing Officer)  |                         |            |

**Key achievements**

- 38 positive mentions in local, regional, national and specialist media. Previous quarter was 45, therefore down by 7 mentions. This included coverage on Wales Online, Western Mail the South Wales Evening Post, Wales Business Insider, Business News Wales, Wales 247, Inside Media, and specialist publications. Topics covered include, Step forward for £30 Skills project, Arena generates jobs and visitors for the City, Yr Egin holds first International Media Festival, Bay Technology Centre wins another award, META test space expanded, Five additional pilot projects approved.
- Twitter posts - From 1<sup>st</sup> October to 31<sup>th</sup> December 'reach' was 131k – this is the number of people that saw the posts, engaged, clicked on, re-tweeted, commented or liked. Number of followers is 1,556.
- Facebook posts - From 1<sup>st</sup> October to 31<sup>th</sup> December 'reach' was 7,648k – this is the number of people that saw the posts, engaged, clicked on, re-tweeted, commented or liked. Number of followers is 995.
- Update the Portfolio Communications and Marketing plan, for approval by Programme Board in February.
- Finalised the key milestones log for projects and programme activity until the end of the Financial Year.
- Evaluated the 4theRegion event proposal and the Marine Energy Wales event proposal.
- Represented the City Deal in the Welsh Business Show and Welsh Construction Show, Ministry of Furniture open day, Pembrokeshire Council Careers Event and RLSP Skills Launch Event.
- Completed the Welsh Growth Deal Annual Review with the Communications Officers from the other Welsh growth deals.
- Press Release on the five newly approved Skills & Talent pilot projects.
- Social posts on various events the City Deal has attended, 71/72 Kingsway construction video, Swansea Arena visitor numbers, HAPS Monitoring and Evaluation Contract, Yr Egin International Media Festival, new staff members, job opportunities, S4C Birthday, Awards projects have won.
- Attendance in ongoing Marketing and Communications subgroup meetings with the Pembroke Dock Marie project and Pentre Awel project.

**Key Activities planned**

- Prepare the SBCD Annual Report for 2022.
- Design and print a SBCD leaflet
- Attend the Carmarthenshire Careers Fair and the 4theRegion Event.
- Plan regional City Deal events like the Showcase Event.
- Attend a Marketing and Communications subgroup meeting for projects where possible.
- Prepare a UK Government and Welsh Government potential visit plan
- Press Releases on new tenants at The Bay Technology Centre and the Awards the City Deal projects have won.
- Ministerial visit for Pentre Awel
- Continued updates on the website and social media.

|                |   |                         |            |
|----------------|---|-------------------------|------------|
| <b>Title</b>   | Portfolio Management Office (Business Engagement) | <b>Reporting Period</b> | Q3 2022/23 |
| <b>Officer</b> | Peter Austin (SBCD Business Engagement Manager)   |                         |            |

**Key achievements over the last 3 months**

**Support Programmes and Projects**

Ongoing business engagement support for programmes and projects this quarter includes:

- Skills and Talent Initiative pilot projects and attendance at a Careers Wales schools' event at Pembroke College.
- Supporting Pentre Awel with attendance at the community benefits steering group.
- Supporting HAPS with contracts and supply chain

The first Project Leads' Construction Sub group meeting was held in October Chaired by Business Engagement Manager.

Planning regional showcase events and other event attendance including a review of marketing material for younger audiences and general public consumption

**Support stakeholder groups**

Support activities this quarter include ongoing attendance at Circular Economy (CEC) and Princes Trust Digital Skills Pathway steering group meetings. Liaison with Business Wales / Antur Cymru re supply chains and business opportunities arising from WG programs and SBCD activity.

Facilitating discussions between Net Zero Industry Wales and regional LAs, assisted NPTCBC with Innovate UK Launchpads bid. Meetings have been held with Kelly Marsh from WG Inward Investment Team and with Cathy Martin Growing Mid Wales. The PoMO supported the RLSP at their skills plan launch event at Swansesa.Com Stadium in December.

**Business Engagement**

Engagement activities this quarter include, attending:

- The South West Wales Regional Contractors Framework meet the buyer event at Parc y Scarlets,
- The SA1 Business Club showcase event Dylan Thomas Centre Swansea,
- The Insider Media Property Lunch.
- The Welsh Business Show and Welsh Construction Show.

Several meetings this quarter with businesses:

- Premier Modular, a private sector enquiry looking to expand activity in the region;
- Choose2Reuse Llanelli in support of Cwmpass;
- Wood Knowledge Wales re better involvement with SBCD projects
- Tetrattech and Prestigious Recruitment also looking to take advantage of opportunities from SBCD.
- Several meetings with Waymaker / Pure Energy Wales Renewables Ltd. Private sector inward investment enquiry supporting Barry Hale CCC and WG.

**Economic Strategy Board**

Activities include the ongoing Secretariat role for ESB and coordinating ESB meetings with Chair. This quarter focussed on facilitating the nomination process for ESB Chair and Vice-Chair.

ESB met in October receiving reports from Jane Lewis on progress with the Skills and Talent pilot projects and from Luke Millward on the regional EARTH project.

Planning future work programme for Board, next meeting to be held in Pembroke Dock on 1<sup>st</sup> March and liaising with CJC team re role of external advisors.

**Other Activity**

Other activity this quarter included arranging letters of support for the Celtic Freeports bid, finalising reports for Programme Board: Construction Cost Impact / Carbon Reduction Impact of portfolio / Private sector investment report.

Meeting Technology Wales re support for Wales Tech Week 2023.

Meeting 4theRegion re supporting the Swansea City Centre Conference 2023

**Ongoing Activity**

- Monitoring Portfolio procurement pipeline
- Responding to enquiries received via the City Deal email inbox
- Managing SBCD LinkedIn account
- Support Comms & Marketing officer in promotion of SBCD

**Key Activities planned**

- Continue to support stakeholders, programmes and projects.
- Continue to engage with businesses
- Continue support for ESB, noting next meeting scheduled for February '23
- Planning attendance at shows and events during 2023 inc MEW showcase and Swansea City Conference during March
- Supporting Comms & Marketing officer in promotion of SBCD via social media and website revisions and creating new portfolio promotional materials.

|                              |   |                                 |              |
|------------------------------|---|---------------------------------|--------------|
| <b>Project Title</b>         | <b>Digital Infrastructure Programme</b> | <b>Programme / Project Lead</b> | Gareth Jones |
| <b>Local Authority Lead</b>  | Carmarthenshire County Council          |                                 |              |
| <b>Project Delivery Lead</b> | Carmarthenshire County Council          | <b>Reporting Period</b>         | Q3 2022/23   |
| <b>SRO</b>                   | Jason Jones                             |                                 |              |

| <b>Budget</b>  |        |
|--|--------|
| <b>Total Budget</b>  | £55m   |
| <b>City Deal</b>   | £25m   |
| <b>Public</b>  | £13.5m |
| <b>Private</b>   | £16.5m |
| <b>Description</b>   |        |
| <p>To significantly improve digital connectivity throughout the City Region for the benefit of businesses and residents, also helping to attract inward investment. The project is made of up of three Project workstreams:</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> |        |

| <b>Key achievements</b>  |
|--|
| <ul style="list-style-type: none"> <li>• Commissioned independent benefits realisation exercise to quantify programme impact to date. Due for completion by end Q4 2022/23.</li> <li>• Finalised draft Regional Digital Portfolio of Opportunities</li> <li>• Reviewed and mapped newly released OMR PR data on plans for commercial fibre build to end of 2025 and assessed implications for the region</li> <li>• Established baseline of benefits measures for the programme</li> <li>• Approved additional £100k funding allocation to the Regional Digital Innovation Network enabling the project to expand its scope and therefore impact</li> <li>• Successfully recruited four resources into local authorities with the remaining posts either out to advert or due to be launched in early 2023.</li> <li>• Identified opportunities for 5G investment at key City Deal and other strategic sites across the region</li> <li>• Awareness raising session delivered to regional stakeholders on ongoing investment in rural mobile infrastructure across the region by the Shared Rural Network</li> </ul> |

| <b>Key Activities planned</b>   |
|---|
| <ul style="list-style-type: none"> <li>• Complete recruitment of local resources to support local delivery of programme</li> <li>• Recruitment of co-ordinator to central DI Team</li> <li>• Signatory of collaboration agreements between LA partners</li> <li>• Launch Digital Portfolio of Opportunities pending Board approval in January 2023</li> <li>• Supporting Local Authorities with ongoing Digital Infrastructure interventions and investment.</li> <li>• Programme risk mitigation ongoing.</li> <li>• Market engagement with operators and suppliers ongoing.</li> <li>• Additional lobbying for, facilitating, and supporting of private sector investment.</li> <li>• Collate performance figures for benefits measures identified for the programme</li> <li>• Hold launch event for Regional Digital Innovation Network in partnership with regional partners and Welsh Government</li> </ul> |

| Outputs  |
|--|
| <ul style="list-style-type: none"> <li>- More public sector assets with gigabit capable FFTP connections</li> <li>- Increased, future proofed DUCT / asset infrastructure</li> <li>- Regional Innovation Network established</li> <li>- 5G Testbed(s) deployed</li> <li>- More mobile infrastructure</li> <li>- Community based interventions delivered</li> </ul> |

|                              |                              |                                 |               |
|------------------------------|------------------------------|---------------------------------|---------------|
| <b>Project Title</b>         | <b>Pembroke Dock Marine</b>  | <b>Programme / Project Lead</b> | Steve Edwards |
| <b>Local Authority Lead</b>  | Pembrokeshire County Council |                                 |               |
| <b>Project Delivery Lead</b> | Milford Haven Port Authority | <b>Reporting Period</b>         | Q3 2022/23    |
| <b>SRO</b>                   | Steven Jones                 |                                 |               |

| Budget   |         |
|--|---------|
| <b>Total Budget</b>  | £60.47m |
| <b>City Deal</b>   | £28m    |
| <b>Public</b>  | £16.35m |
| <b>Private</b>   | £16.12m |
| Description  |         |
| <p>This programme will place Pembrokeshire at the heart of UK and global zero carbon, marine and offshore 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. Project 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> |         |

**Key achievements (Overall Objective ID shown in brackets)**

|   |
|---|
| <p><b>PDI update</b></p> <ul style="list-style-type: none"> <li>• Continued close monitoring of projected costs due to inflation/global supply issues following COVID and the current war in Ukraine.</li> <li>• Submission of LBC change for slipway flank walls submitted, awaiting sign off from PCC Historical Conservation Officer and CADW.</li> <li>• Temporary stank in place.</li> <li>• 1/3rd existing slipway demolished with testing of material underway prior to reuse in timberpond or removal from site for treatment.</li> <li>• 12 of 77 slab pours complete for east side new slipway.</li> <li>• Jack up barge and piling rig in position, piling commenced. Delay to start due to bad weather however piling is not on the critical path with lost time expected to be reduced by double shifting.</li> <li>• M&amp;E works to T Head structure commenced.</li> <li>• Drainage works to timber pond 75% complete.</li> </ul> |
|---|

- Services diversions underway.
- Timberpond infill underway – currently approx 50% complete
- Slipway extension works commenced.
- Workboat pontoons gangways/stairs placed and in manufacture.
- Notifications to stakeholders/tenants impacted by works regularly updated.
- Lot 2 (land remediation – clearance, levelling, concrete) clearance of spoil piles and reduction of levels across site underway. Demolition of existing buildings complete.
- Hangar Annexes: Annex 1 roof is now complete, Crittal screen in place, glazing throughout and walls lined ready for plaster. Externally Annex 1 is ready for the Sto render system to begin. Annex 2 & 3 have had the scaffolding stripped ready for the application of lime render (currently awaiting a warmer weather window). Internally walls and ceilings are lined in annex 2, glazing units installed and M & E continues in annex 3. Annex 4's kitchen has been installed, 2nd fix carpentry throughout and the start of final floor finishes. External landscaping of annex has started, including install of EV charging points.

#### PDZ update

- Market update has been issued (Links available until Feb 2023)
- Part 1 – Sets out the project against its original deliverables and the market influences that have occurred in the last 18 months
- Part 2 – sets out the key considerations and how CSP are seeking to maintain the ability of this project to support the emerging FLOW / Low Carbon sector as well as how the industry will be able to benefit from the activities being progressed.
- Future Opportunity is being market tested before for release next quarter helping to align eligible activity with market activity and inward investment.
- Grid application finalised for submission, pre-application meetings held.
- Animation and Land Agent procurements awarded and work has commenced looking at onshore cable routes in Pembrokeshire and Carmarthenshire.
- Technical Concept Design final report fully delivered.
- Environmental Specialist procured (Marine Space) to provide support in creating ITT scope for the offshore surveys.
- Published circa £3m of ITT on Sell2 Wales for offshore surveys and Pre-feed technical design.
- Environmental scoping comments received from NRW through the Discretionary Advice Service.
- Final scoping report targeting next funding period.

#### META update

- META attend International WaTERS Workshop. The workshop aims to bring together representatives from existing and planned wave and tidal test facilities worldwide to share knowledge, build connections and collaborations for the future. (IP5a, IP5b)
- Ocean Energy Europe Conference 2022, The PDM project was used as a case study in the presentation to showcase the capabilities and facilities. (OP16, OP11)
- Introduction to Sixth Form Evening & Higher Level Careers Fair (OP13, OP14, OP12)
- META deployment documents approved by NRW (IP5a, IP5b)
- MEECE buoy re-deployed at Dale Roads (IP5a, IP5b)
- META marine license variation granted (IP5a, IP5b)
- META benthic survey work ongoing (IP5a, IP5b)
- MEECE tidal anchor project completed at META (IP5a, IP5b)

#### MEECE update

- Successfully re-deployed our Research Buoy at the Dale Roads META test site, the Intelligent Moorings system as well as the Hexigone and Grafmarine panels have been installed and will be tested for the next 4 months.
- Attendance at Future Energy Wales
- Attended networking event hosted by Falck Renewables and BlueFloat in Cardiff.
- STEM activities with EESW, Pembrokeshire College and Welsh Valleys Engineering Project
- Attendance Floating Offshore Wind, Renewables UK, 12<sup>th</sup> & 13<sup>th</sup> October in Aberdeen.
- Attendance at International Conference on Ocean Energy, Ocean Energy System, 18<sup>th</sup> – 20<sup>th</sup> October 2022, San Sebastian, Spain, also presented a poster.
- Attendance at Energy Industries Council – The Celtic Sea Floating into a new Era



- Completed the procurement process and issued a PO for an X-Band RADAR system which we will install in the Haven Waterway. This will be a key asset in our legacy operation, and will allow us to build expertise in short term weather window assessment for offshore operations and other novel uses for X-Band radar technology.
- Completed the procurement processes for a range of underwater noise measurement hardware and modelling software. These assets will underpin development of subsea noise expertise for MEECE going forward.
- Completed a first round of wind tunnel measurements at Swansea university as part of our Vortex Generator project, which seeks to prove that innovative vortex generators attached to wind turbine blades can improve annual energy production on large turbines by up to 5%. Future work will involve live testing on OREC's 7MW turbine at Levenmouth in Scotland.

**Key Activities planned**

**PDI**

- Lot 1:
  - Continue demolition of slipways and construction new slab for east side
  - Complete piling for workboat pontoons
  - Complete M&E works to T Head structure
  - Commence demolition T Head structure
  - Complete fabrication of T Head gang/walkaways and associated fabrication items
  - Continue filling timber pond
  - Complete timber pond drainage diversions
- Lot 2
  - Continue removal of spoil piles, place hardcore., commence ductwork install.
- Hangar annexes
  - Change over from old to new switchgear
  - Completion of Annex 4 and handover
  - Lime render Annex 2 & 3
  - External drainage and landscaping of Annex 3

**PDZ**

- Complaint Release, Evaluation and Selection of Preferred Supplier for:
  - Offshore Survey ITT (£2.7m - £3.3m)
  - Pre Feed Technical Design (upto £600k)
- Draft Compliant ITT for the following procurements
  - Onshore Survey Procurement (draft ITT ready for issue).
  - Monitoring & Evaluation Review
- Submit scoping report and receive formal opinion from NRW and other statutory consultees
- Kick off and commence Delivery of R&D Review with successful contractor
- Formal Submission of Grid application and return of offer from National Grid ESO
- Achieve 95% confidence in the budget/schedule (Feb 23)
- Update and Agree Revised Short Term Outputs with WEFO and Business Case Addendum in format for SBCE.
- Identification of landowners regarding all routes & introductory letters to be sent out introducing CSP and the Project.
- Future Opportunity document and memorandum of understanding to be openly offered to potential collaborators on a fair, open and transparent basis.
- Agree Business Case Addendums with all funders.

**META**

- Deployment of RRES project at Warrior Way
- Progress MEECE seaweed project at Dale Roads
- Plan Marine Energy Wales conference 2023

**MEECE**

- Attendance at Marine Energy Wales Annual Conference 21st – 22nd March 2023, Swansea Arena
- Exploration of potential sites for installation of our X-Band radar system on the Haven shoreline.

- Continued support for the Celtic Sea Supply chain Cluster Board and activities.
- Support for and attendance at Haven Waterway Future Energy Cluster Senedd Event

|                              |                                |                                 |                |
|------------------------------|--------------------------------|---------------------------------|----------------|
| <b>Project Title</b>         | <b>Pentre Awel</b>             | <b>Programme / Project Lead</b> | Sharon Burford |
| <b>Local Authority Lead</b>  | Carmarthenshire County Council |                                 |                |
| <b>Project Delivery Lead</b> | Carmarthenshire County Council | <b>Reporting Period</b>         | Q3 2022/23     |
| <b>SRO</b>                   | Chris Moore                    |                                 |                |

| <b>Budget</b>       |          |
|---------------------|----------|
| <b>Total Budget</b> | £199.19m |
| <b>City Deal</b>    | £40m     |
| <b>Public</b>       | £51      |
| <b>Private</b>      | £108.19  |

**Description**

Proposed for an 83-acre site at Delta Lakes in Llanelli, Pentre Awel will be the first development of its kind in Wales. The project will include the co-location of academic, public, business and health facilities to boost employment, education, leisure provision, health research and delivery, and skills and training.

City Deal will provide the requisite investment for business incubation and acceleration facilities, laboratory space, testbed capabilities, a well-being skills centre, clinical research centre and a clinical delivery centre to deliver multi-disciplinary care closer to home. The design for Zone 1 will create an ‘ecosystem’ by facilitating joint working across traditional boundaries, integrating education and training programmes within a clinical setting and fostering interface between health and leisure for the benefit of population health.

Pentre Awel will include state-of-the-art leisure centre funded by Carmarthenshire County Council.

A network of integrated care and rehabilitation facilities will also be provided on site to enable the testing and piloting of life science technologies aimed at enhancing independent and assisted living.

Assisted living accommodation will also feature, along with a nursing home, expansion space for businesses, elements of both open market and social and affordable housing, and a hotel.

**Key achievements in Q3 2022/23**

**Project development**

Zone 1 construction update:

Bouygues have now gone to the market for all works packages and a price presented to the Authority for the construction of Zone 1. This was challenged and a package of measures including an agreement for a commercial reduction and open procurement developed. This position was taken to Cabinet on the 9<sup>th</sup> January and approved, this will now go to Full Council on the 25<sup>th</sup> January. Subject to Full Council agreement, CCC will enter into contract with BYUK early February.

- Commencement of enabling works in October 2022, comprising site strip, providing new drainage and piling mat
- Bouygues Community Benefits continue to be delivered including - Girls Believe Academy delivered to Ysgol Bryngwyn year 7 girls and Coedcae School girls and boys from year 7 during Oct 22 & Nov 22. Session to promote wider STEM careers and the construction industry. 1054 (July 22- Nov 22) Pupil Interactions delivered
- TR&T deliverables agreed with BYUK – a minimum of 4,680 person weeks of targeted recruitment and training will be delivered by BYUK

Project Update:

- Lease agreements for Hywel Dda Clinical Delivery and Swansea University Health and are Academy nearing completion. Further discussions underway on the lease for Hywel Dda Clinical Research and TriTech

- Capital Planning underway with Hywel Dda Health Board – this will cover Hydrotherapy and Audiology, and fit out of research areas
- Agreement continued with Cardiff University to develop the Business and Innovation areas
- Business case under development with UWTSO
- Research and Innovation workshop held this has set the parameters for the development of the research and innovation development on site.
- First research project under way – partnership with a local pharmacy and the Scarlets. Pilot for future working protocols.
- Outdoor spaces working group is developing a list of options for outdoor activities and initiatives at Pentre Awel based around four key themes: leisure and recreation, education and development, environment and health and community.
- EST mapping exercise completed – baseline of current course/programme provision across the region in relevant subject areas
- Catering options developed linked to the Corporate Healthy Eating Strategy to include impact on local businesses
- Communications strategy developed
- Pentre Awel brand guidelines updated – 1) Pentre Awel logo now refers to Llanelli, Carmarthenshire and Wales following feedback from local businesses; 2) two-stage brand promotion strategy adopted
- Research and engagement work has been undertaken between Cardiff University and Ysgol Penrhos pupils and parents to explore the use/navigation of local areas – ‘making space for nature’. A subsequent report and action plan has been produced which evidences the value of the Green Open Space. These findings will be reflected within the outdoor spaces group.

**Key Activities planned Q4 2022/23**

- Progress through CCC Governance process and enter into NEC 3 construction contract with BYUK - Progress from pre construction to construction phase for Zone 1
- Sign tenancy agreements with Hywel Dda UHB and Swansea University for their areas within the Zone 1 building
- Complete EST mapping exercise in partnership with RLSP Skills & Talent – using the baseline of current course information to identify gaps in skills and consequent mapping against opening and steady state operation.
- Complete and sign off Welsh Language Action Plan and Impact Assessment
- Community open evening / meet the contractor and groundbreaking events proposed March 2023 – Secretary of State for Wales to be in attendance
- Complete research and innovation pathway detailing entry and referral points to optimise development opportunities.
- Develop the health capital bid with Hywel Dda UHB, including potential for Business Justification Case
- Finalise whole site operating model. This describes the operating context for Pentre Awel and maps within the Authority structure.
- Confirm the details business case for all Teach and Treat options.
- Complete RIBA Stage 2 design for zone 3 assisted living and the construction strategy
- Progress scoping/modelling work for Zone 2.

|                              |   |                                 |                 |
|------------------------------|---|---------------------------------|-----------------|
| <b>Project Title</b>         | <b>Yr Egin - Creative Digital Cluster</b> | <b>Programme / Project Lead</b> | Geraint Flowers |
| <b>Local Authority Lead</b>  | Carmarthenshire County Council            |                                 |                 |
| <b>Project Delivery Lead</b> | University of Wales Trinity Saint David   | <b>Reporting Period</b>         | Q3 2022/23      |
| <b>SRO</b>                   | Prof. Medwin Hughes (Vice Chancellor)     |                                 |                 |

|                     |         |
|---------------------|---------|
| <b>Budget</b>       |         |
| <b>Total Budget</b> | £25.17m |

|   |         |
|---|---------|
| <b>City Deal</b>  | £5m     |
| <b>Public</b>   | £18.67m |
| <b>Private</b>  | £1.5m   |
| <b>Description</b>  |         |
| <p>To support and further develop the region’s creative industry sector and Welsh language culture, led by University of Wales Trinity Saint David campus in Carmarthen. Phase 1 was completed in September 2018 and 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> </ul> <p>Facilitating engagement between businesses and students as well as accommodating dynamic growth of the creative and digital industries within Carmarthenshire and SW Wales.</p> |         |

|   |  |
|---|--|
| <b>Key achievements</b>   |  |
| <b>Project Development</b>  |  |
| <ul style="list-style-type: none"> <li>University internal team has met and is in the process of developing a new delivery strategy for Egin Phase 2</li> <li>Egin Phase 2 envisioned to be</li> </ul>  |  |
| <b>Key Activities planned</b>   |  |
| <ul style="list-style-type: none"> <li>University continues to refine scope to accommodate new requirements from industry.</li> <li>Project team has now undertaken Change Identification Notice process to formalise changes to the Egin Phase 2 project and is working in conjunction with PoMo to develop new scheme.</li> <li>University now undertaking formal internal process in conjunction with INSPIRE to establish new project requirements in light of anticipated industry needs going forward.</li> <li>Expected delivery methodology to likely change to preserve BCR due to inflationary pressures</li> <li></li> </ul> |  |

|                              |                              |                                 |              |
|------------------------------|------------------------------|---------------------------------|--------------|
| <b>Project Title</b>         | <b>SBCD Campuses Project</b> | <b>Programme / Project Lead</b> | Clare Henson |
| <b>Local Authority Lead</b>  | City and County of Swansea   |                                 |              |
| <b>Project Delivery Lead</b> | Swansea University           | <b>Reporting Period</b>         | Q3 2022/23   |
| <b>SRO</b>                   | Keith Lloyd                  |                                 |              |

|                     |          |
|---------------------|----------|
| <b>Budget</b>       |          |
| <b>Total Budget</b> | £130.44m |
| <b>City Deal</b>    | £15.00m  |
| <b>Public</b>       | £58.01m  |
| <b>Private</b>      | £57.43m  |
| <b>Description</b>  |          |

The project harnesses unique capabilities and the thriving life science ecosystem in the Swansea Bay City Region to establish an international centre for innovation in life science, wellbeing and sport, supporting preventative interventions in healthcare and medicine and driving the growth of a globally significant Sports Tech industry. The project will deliver R&D, trials and testing facilities, enabling co-location of research and industry alongside clinical infrastructure and investment opportunities. An emphasis on digital and data-driven innovation at the intersection of life sciences, health, wellbeing and sport is a key differentiator for this project within the South Wales health and life sciences sector.

**Key achievements**

- Approval granted by Welsh and U.K. Governments.
- Project delivery board appointments made.
- All Gateway review recommendations have been addressed, 8 currently completed and 3 ongoing actions.
- Communication and relationship manager appointment (Richard Lancaster)
- Ministerial visit completed by M.P. David T.C. Davies to mark project approval.
- Ministerial visit by Vaughan Gethin
- Project Manager appointed (Clare Henson)
- Business Development and Communications Manager appointed (Alex Evans)
- Project support officer appointed (Sara Merrells)
- Draft funding agreement received and currently under review.
- Sketty lane - Further BCIS assessment to provide quick indication of cost increase undertaken.
- Sketty Lane –3 consultancy services to support project. Architect -led multidisciplinary design team, project management, cost management tendered. Review and evaluation conducted, waiting formal appointment.
- Morriston management Centre procurement on hold until- signing of funding agreement
- Morriston Management centre design brief signed off.

**Key Activities planned**

- Formal change request submitted.
- Funding agreement completed
- Singleton phase 1 design agreed.
- Procurement stage starts for “Morriston management centre”, Design team appointments made

|                              |  |                                 |                |
|------------------------------|--|---------------------------------|----------------|
| <b>Project Title</b>         | Homes as Power Stations (HAPS)           | <b>Programme / Project Lead</b> | Oonagh Gavigan |
| <b>Local Authority Lead</b>  | Neath Port Talbot County Borough Council |                                 |                |
| <b>Project Delivery Lead</b> | Neath Port Talbot County Borough Council | <b>Reporting Period</b>         | Q3 2022/23     |
| <b>SRO</b>                   | Nicola Pearce                            |                                 |                |

| <b>Budget</b>       |         |
|---------------------|---------|
| <b>Total Budget</b> | £505.5m |
| <b>City Deal</b>    | £15m    |
| <b>Public</b>       | £114.6m |
| <b>Private</b>      | £375.9m |

| Description   |
|---|
| <p>HAPS is a regional pioneering project to facilitate the adoption of houses with energy efficient design and renewable technologies in both new build and existing housing stock in the public, RSL and private sector across the City Region. The project will support the implementation of renewable technology by facilitating collaboration across the region and creating a platform to share lessons learned. The Technical Monitoring and Evaluating contract will provide data and the ability to realise many of the projects benefits. HAPS will support a regional supply chain of proven technology to enable the wider benefits associated with the project.</p> <p>The project will:</p> <ul style="list-style-type: none"> <li>• Facilitate the take up of renewable technologies and energy efficient design in new build and existing housing stock</li> <li>• Support a regional supply chain of proven technologies.</li> <li>• Establish an open access knowledge sharing hub to share the project findings with all sectors across the region and wider</li> <li>• Tackle fuel poverty</li> <li>• Further decarbonise the regional economy</li> <li>• Improve residents’ health and well-being</li> </ul> |

| Key achievements  |
|---|
| <p><b>Project Development</b></p> <ul style="list-style-type: none"> <li>• Primary Funding Agreement in place (Between CCC and NPTCBC)</li> <li>• Inter Authority and Third Party Funding agreements in final draft</li> <li>• Project underwent a Peer Assessment Review (PAR) in July 22 – Amber/Red rating</li> <li>• Subsequent Assurance of Action Plan review (AAP) in Nov 22 – Amber rating</li> <li>• Staff – HAPS Technical Co-ordinator commenced role October 22.</li> <li>• Technical Monitoring &amp; Evaluation contract awarded (£1m).</li> <li>• Ongoing discussions with stakeholders to formulate the Financial Incentives Fund criteria.</li> <li>• Project Board agreed consultancy support for initial Supply Chain work, consultant appointed.</li> </ul> |

| Key Activities planned  |
|---|
| <p><b>Project Development</b></p> <ul style="list-style-type: none"> <li>• Promote a pre-call notification in readiness to launching the Financial Incentives Fund</li> <li>• Continue to work closely with UK &amp; Welsh Government to ensure the Optimised Retrofit Programme and ECO 4 Flex opportunities are maximised alongside HAPS funding.</li> <li>• Commence Business Case Update – Economic Case to be reviewed initially</li> <li>• Progress an event plan to baseline what we know about housing developments and lessons learned in readiness to launch the Financial Incentives Fund.</li> <li>• Work with Supply Chain consultant on preparing and planning initial phase of work.</li> <li>• Continue to plan stakeholder engagement and communication</li> <li>• Seek input from Technical Advisory group on ‘Scoping and Scoring’ criteria for funds</li> <li>• Update Business Case – Economic Case section</li> <li>• Continue liaison with Skills and Talent program to ensure opportunities to address skills shortages are addressed.</li> </ul> |

| Outputs  |
|--|
| <p><b>Project Outcomes</b></p> <ul style="list-style-type: none"> <li>• Facilitate the adoption of renewable technologies in 10,300 properties</li> <li>• Develop a regional supply chain of HAPS related renewable technologies</li> <li>• Technical Monitoring and Evaluation - determine the efficacy and impacts of renewable technologies on new build and existing housing stock</li> <li>• Establish knowledge sharing hub for all sectors</li> </ul> <p><b>Project Outputs</b></p> <ul style="list-style-type: none"> <li>• Reduction in energy use as a result of the additional technologies funded by HAPS for new build and retrofit homes,</li> </ul> |

New build = £564 per home Retrofit = £758 per home by 2033

- Reduction in greenhouse gas (GHG) emissions as a result of reduction in energy use, New build = £71 per home Retrofit = £99 per home by 2033

|                              |  |                                 |               |
|------------------------------|--|---------------------------------|---------------|
|                              | <b>Supporting Innovation and Low Carbon Growth</b> |                                 |               |
| <b>Local Authority Lead</b>  | Neath Port Talbot County Borough Council           | <b>Programme / Project Lead</b> | Brett Suddell |
| <b>Project Delivery Lead</b> | Neath Port Talbot County Borough Council           | <b>Reporting Period</b>         | Q3 2022/23    |
| <b>SRO</b>                   | Nicola Pearce                                      |                                 |               |

| <b>Budget</b>   |         |
|---|---------|
| <b>Total Budget</b>   | £58.7 m |
| <b>City Deal</b>  | £47.7 m |
| <b>Public</b>   | £5.5 m  |
| <b>Private</b>  | £5.5 m  |
| <b>Description</b>  |         |
| <p>The Supporting Innovation and Low Carbon Growth (SILCG) programme has been developed to deliver sustainable growth and job creation in the Swansea Bay City Region, with a targeted focus on the Port Talbot Waterfront Enterprise Zone area. It aims to create the right environment for a decarbonised and innovative economy.</p> <p>The programme will support the green industrial revolution and will be delivered in partnership with industry, academia and government.</p> <p>The Programme of interlinked projects comprises:</p> <ul style="list-style-type: none"> <li>• Bay Technology Centre</li> <li>• South Wales Industrial Transition from Carbon Hub (SWITCH) with Swansea University</li> <li>• Hydrogen Stimulus Project with University of South Wales</li> <li>• Air Quality Monitoring Project</li> <li>• Low Emission Vehicle Charging Infrastructure</li> <li>• Advanced Manufacturing Production Facility</li> <li>• Property Development Fund</li> </ul> |         |

| <b>Key achievements</b>  |
|--|
| <p><b>Project Development</b></p> <ul style="list-style-type: none"> <li>• NPTCBC Internal audit undertaken October/November – result ‘<b>Substantial Assurance</b>’ highest achievable rating and rarely awarded</li> <li>• Met to discuss regional events with SBCD</li> <li>• Attended 4 day Better Business Case foundation course start of October</li> <li>• Attended first SBCD construction sub group meeting</li> <li>• Presented to SBCD Programme Board in November</li> <li>• NPTCBC is lead local authority on a recent InnovateUK submission to identify interested parties around an innovation cluster entitled <i>NOW SWITCH (Net Zero Wales Sustainable Welsh Innovation to Transition from Carbon Hub) a</i></li> </ul> |

consortium of SW Wales Local Authorities, Net Zero Industry Wales and Welsh Universities. Decision was expected on 5/12 but this has now been deferred to 2023.

#### Bay Technology Centre

- Final evaluation report completed by Wavehill
- Developed tenant criteria form to ensure tenants meet WEFO criteria
- Recorded a promotional video for BTC

#### SWITCH

- Open day on 19<sup>th</sup> October at SU Bay campus and SAMI (Singleton Campus) for prospective contractors to see facilities and equipment to gain better understanding of requirements. Good attendance and potential contractors found the event useful.
- HoT reviewed by Swansea University
- 3 Contractor submissions reviewed jointly by NPTCBC and one SU rep started in December to be completed in January

#### Advanced Manufacturing Production Facility

- Met with Industry Wales twice to discuss strategy moving forward with AMPF
- Land purchase by WG now complete (December)

#### Property Development Fund

- Heavily oversubscribed at EoI stage requesting £12.5M in grants only £4.5M available
- Stage 1 deadline extended (at request of companies) to 13<sup>th</sup> January – expect approx.50% of EoI applications to be submitted to stage 1
- Review panel met to decide timeline for reviewing applications individually and then as a panel

#### Hydrogen Stimulus Project

- Funding agreement between NPT and USW finalised
- Preparatory works undertaken
- Procurement of electrolyser equipment process commenced

#### Air Quality Monitoring Project

- Air Quality Data Analyst and Scientific Officer in place
- Ricardo undertaken review of Year 1 data
- Appointment of Ricardo consultants for Year 2 activities
- Meeting with Vortex, NPT, NRW and WG on 28/10
- Presentation of project results to WG

#### Low Emission Vehicle Charging Infrastructure

- Developed and released consultant tender to advise on EV strategy for NPTCBC
- Following an evaluation exercise consultancy support has been procured from Arcadis to deliver NPT ZEVIS (Zero Emission Vehicle Infrastructure Strategy).
- Direct appointment of Arcadis via professional services contract/framework – contract awarded 7/11 with expected completion of 12 weeks (Feb 2023).

#### Key Activities planned next Quarter

##### Project Development

- Introduce new SILCG Programme Board format at March's PB meeting
- Present to joint committee at February's meeting
- WG PAR review to take place in May 2023 with pre-PAR online discussion on 24/04 and pre-PAR workshop (in person) on 2/05 prior to PAR w/c 15<sup>th</sup> May for 5 full days

#### Bay Technology Centre



- Further tenants to be signed up
- Continued promotion to attract tenants

**SWITCH**

- Sign Heads of Terms and lease documentation prior to appointing contractor
- Assessment completion of 3 subcontractor submissions

**Advanced Manufacturing Production Facility**

- Establish ToR for working group
- Working group to meet to discuss requirements with involvement of UK/WG, academia and industry input
- Pre-market engagement event with end users/operators
- Presentations from key UK centres of excellence to programme board (March) to help inform decision making process

**Property Development Fund**

- Stage 1 deadline extended to 13<sup>th</sup> January at request of companies
- PDF review panel will meet end of January to shortlist
- Companies will be informed end of Jan whether or not invited to stage 2

**Hydrogen Stimulus Project**

- Funding agreement between NPT and USW to be signed off

**Air Quality Monitoring Project**

- Additional sensors to be deployed in line with Ricardo Year 1 assessment
- Continued data gathering

**Low Emission Vehicle Charging Infrastructure**

- Early 2023 focus will turn to progressing the regional LZEV Infrastructure Strategy and Delivery Plan ensuring alignment to all other existing activity across the region
- Complete NPT strategy via Arcadis (Feb 2023)
- Identify/Progress NPT public facing fast track programme (March 2023)
- Arrange EV workshop to carry out mapping and gap analysis exercise (March 2023)

**Outputs**

| Project component                          | Expected Outputs  |
|--|---|
| Technology Centre                          | Construction of an energy positive hybrid commercial building (2500 m2) completed   |
| SWITCH                                     | Specialised open access facility created to enhance applied research for steel & metals industry (4000 m2)                |
|  | Provision of specialised equipment to enhance research for steel & metals industry  |
| Hydrogen Stimulus Project                  | Increase the capacity for hydrogen production at the Hydrogen Centre at Baglan Energy Park                                |
| Air Quality Monitoring Project             | Procurement & installation of 70 sensors in and around the Port Talbot Air Quality Management Area (AQMA)                 |
| LEV Charging Infrastructure                | Regional strategy for LEV charging  |
| Advanced Manufacturing Production Facility | Specialist hybrid facility providing a range of industrial / production units with pilot line and office space. (4000 m2) |

|                           |  |
|---------------------------|--|
|                           | Provision of open access specialist equipment advised by industry with academia input                                |
| Property Development Fund | Property Development Fund targeted on the Port Talbot Waterfront Enterprise Zone (expected premises created 6000 m2) |

| Project Title         | Skills and Talent                              | Programme / Project Lead | Samantha Cutlan |
|-----------------------|--|--------------------------|-----------------|
| Local Authority Lead  | Carmarthenshire County Council                 |                          |                 |
| Project Delivery Lead | South West Wales Regional & Skills Partnership | Reporting Period         | Q3 2022/23      |
| SRO                   | Barry Liles                                    |                          |                 |

| Budget  |      |
|---|------|
| Total Budget  | £30m |
| City Deal   | £10m |
| Public  | £16m |
| Private   | £4m  |
| Description   |      |
| To develop a sustainable pipeline of regional talent to benefit from the high-value jobs City Deal 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 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. |      |

| Key achievements   |
|--|
| <b>Business Case Development</b> <ul style="list-style-type: none"> <li>6 Pilot project applications have now been approved by RLSP board</li> <li>Remainder of 3 Skills team members now recruited and in post.</li> </ul>  |
| Key Activities planned   |
| <ul style="list-style-type: none"> <li>Receive and review further pilot project applications.</li> <li>Second Gateway Review January 2023</li> <li>Barometer being revisited and updated.</li> <li>Claims process set up, and first claim cycle due to commence shortly.</li> <li>Marketing strategy completed, with a view of increased marketing activity and website updates to raise awareness of Programme and stimulate further pilot applications.</li> </ul> |

| Outputs  |
|--|
| <ul style="list-style-type: none"> <li>Create 14,000 individuals with increased level of skills within 10 years</li> <li>Create at least 3000 new apprenticeship opportunities, to include level 3 to Degree apprenticeships.</li> <li>Create Centre of Excellence for specific sectors.</li> <li>2,200 additional skills</li> <li>20 new course frameworks updated/created</li> <li>2 Centres of excellence</li> <li>Create a clear career pathway through school, FE, HE and apprenticeship and into the world of work.</li> </ul> |

|                              |  |                                 |             |
|------------------------------|--|---------------------------------|-------------|
| <b>Project Title</b>         | Swansea City & Waterfront Digital District | <b>Programme / Project Lead</b> | Huw Mowbray |
| <b>Local Authority Lead</b>  | Swansea Council                            |                                 |             |
| <b>Project Delivery Lead</b> | Swansea Council                            | <b>Reporting Period</b>         | Q3 2022/23  |
| <b>SRO</b>                   | Martin Nicholls                            |                                 |             |

|                     |          |
|---------------------|----------|
| <b>Budget</b>       |          |
| <b>Total Budget</b> | £175.35m |
| <b>City Deal</b>    | £50m     |
| <b>Public</b>       | £85.38m  |
| <b>Private</b>      | £39.97m  |

|  |  |
|--|--|
| <b>Description</b>   |  |
| <ul style="list-style-type: none"> <li>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 project includes:</li> <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>Innovation Matrix development at the University of Wales Trinity Saint David’s new Swansea waterfront campus to enable start-up company support and growth</li> </ul> |  |

|   |  |
|---|--|
| <b>Key achievements</b>   |  |
| <b>Digital Arena</b>  |  |
| <ul style="list-style-type: none"> <li>Arena open and 145,000 tickets have been sold to date. SC project team continuing with final snagging works.</li> <li>Swansea Council Beyond Bricks and Mortar team working with Buckingham on final community benefit data.</li> <li>Hotel: Consultants JLL reported the offer from Cairns which is the best reasonable obtainable in the market. Funding support discussions ongoing with WG.</li> </ul>   |  |
| <b>71/72 Kingsway:</b>  |  |
| <ul style="list-style-type: none"> <li>Base slab levels completed. Programme ontrack for completion October 2023.</li> <li>BYUK citing inflationary pressures Discussions ongoing to consider cost implications and discuss alternative design proposals. (Reviewing design whilst maintaining quality and maintenance).</li> <li>Commercials – Flex tenant HoT's advanced/final location in building agreed</li> <li>Lettings Strategy - planned Building Management Strategy/Service Charge in progress.</li> <li>Innovation Matrix planning approval was received on 5<sup>th</sup> July 2022. Stage 4 design is substantially complete.</li> <li>The University now estimates that the Innovation Matrix Project is approx. £1,995,000 over the current agreed budget. This viability gap is the direct result of global inflationary factors that have prompted unprecedented cost pressures far beyond industry BCIS inflationary estimates made in previous budget iterations.</li> <li>The University Estates Committee has now discussed the IM viability gap in detail in detail and has determined that 1) the project process will be paused while consideration is given to how the viability gap may be bridged, 2) that the Innovation business model will be reviewed and updated to fully inform any decision on overall viability, 3) that alternative funding streams will be sought to reduce the viability gap</li> <li>The outcome of these discussions will be taken to University Council on 24<sup>th</sup> November for a final decision on the future of the project.</li> </ul> |  |
| <b>Innovation Matrix</b>  |  |
| <ul style="list-style-type: none"> <li>Innovation Matrix planning approval was received on 5<sup>th</sup> July 2022. Stage 4 design is substantially complete.</li> <li>The University now estimates that the Innovation Matrix Project is approx. £1,995,000 over the current agreed budget. This viability gap is the direct result of global inflationary factors that have prompted unprecedented cost pressures far beyond industry BCIS inflationary estimates made in previous budget iterations.</li> </ul>   |  |

- The University Estates Committee met and after a process of attempting to secure other funding, has now agreed to fund the additional cost requirements on the Innovation Matrix project. This now means that the Innovation Matrix project can proceed but the University wishes to know the outcome of the ongoing discussions between SBCD and Government with regards to additional resource that would help to lessen the impact this has on University finances.

**Innovation Precinct**

- The University has now drafted the first stage of the Change Request Notification for Innovation Precinct, which seeks to change the delivery method of the project into a refurbishment of an existing building within Swansea City Centre.
- The University has undertaken significant private sector engagement to assess the viability of private sector partnership to deliver the Innovation Precinct project.

**Key Activities planned**

**Arena**

- Continue to explore Hotel delivery options.

**71/72 Kingsway**

- Construction continues on programme.
- Further detailed letting/operator discussions continue for 71/72 The Kingsway
- Digital connectivity currently being explored.

**Innovation Matrix**

- Identification of additional sources of funding to cover the cost increase identified above
- Innovation Matrix project can now proceed with construction. University wishes to know outcome of additional funding discussions between SBCD and Government.

**Innovation Precinct**

- Following ongoing discussions with Swansea Council, the project is likely to be subject to a change request notification later in the year
- Continued dialogue with Swansea Council and potential private sector developer to assess options and feasibility for refurbishment of existing building within Swansea City Centre.

**Outputs**

Physical delivery of arena (circa 80,000 square feet with a 3,500-capacity), along with digital square is on track.

Physical delivery of 71/72 The Kingsway, which will comprise circa 115,000 square feet of office space.

Discussions on-going with UWTSO about their element of the project (Innovation Matrix).

Caveat: Covid 19 could have an impact on jobs and GVA.

ANNEX 1

| RAG Status |  |
|------------|--|
| R          | <p><i>Major problems identified which mean the programme / project is unlikely to deliver the agreed scope to the required standard on time or on budget, or to deliver the expected benefits.</i></p> <p><i>Remedial plans are not proving effective.</i></p> <p><b>Escalate to programme / project sponsor for support to resolve.</b></p> |
| A          | <p><i>Some problems identified which may put the programme / project's scope, time, cost, and/or benefits at risk. Remedial plans are in place and are being monitored to ensure that risk is mitigated.</i></p> <p><b>Highlight to programme / project sponsor for visibility and awareness.</b></p>  |
| G          | <p><i>Programme / Project is proceeding according to plan. Risks/issues are being managed within the programme / project.</i></p> <p><b>No need to escalate to next level.</b></p>   |

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# Appendix C

| Risk Theme  | Risk / Opportunity | Ref     | Title   | Date Raised | Category  | Owner            | Risk Description  | Inherent Probability | Inherent Impact | Inherent Rank | Original Control Actions  | Review Update/Control Actions  | Residual Probability | Residual Impact | Residual Rank | Reported Change | Next Review Date |
|-------------|--------------------|---------|---|-------------|-----------|------------------|---|----------------------|-----------------|---------------|---|--|----------------------|-----------------|---------------|-----------------|------------------|
| Financial   | Risk               | SBCD026 | Private sector funding contribution/s not realised in line with business case projections   | Mar-18      | C3        | Delivery Lead    | Risk that private sector funding is not realised as per portfolio business case projections that will impact on the deliverability of outputs and outcomes with specific connection to jobs target of the SBCD  | 5                    | 5               | 25            | Projects required to complete full five case business model including robust financial detail and commercial case identifying and confirming sources of income.   | <p>05/04/22</p> <p>The Portfolio is on track to realise the Private Sector funding however it is acknowledged that the timescales have slipped marginally due to macroeconomic events, Business Case development and approval process.</p> <p>21/06/22</p> <p>As previous. Further update TBC</p> <p>12/10/22</p> <p>New reporting template developed to be updated quarterly which combines the latest financial scenario with supporting narrative from programmes / projects. Plan to submit to November Programme Board once robust.</p> <p>15/12/22</p> <p>A paper reviewing the sources and profiles of private sector contribution is being prepared for Programme Board Q3</p>   | 4                    | 4               | 16            | ↔               | Apr-23           |
| Financial   | Risk               | SBCD031 | Increase in cost of construction  | 01/07/21    | C3 C6     | All              | Risk that cost of construction may increase impacting on budgets set out in Programme / Project Businesses resulting in an overspend  | 5                    | 3               | 15            | The PoMO will work closely with programme / project leads to identify potential impact and determine whether it is managed locally or whether intervention at Portfolio level is required.  | <p>21/06/22</p> <p>Construction Impact Assessment being reviewed on a monthly basis at the request of Programme (Portfolio) Board. Any change is being presented at the meeting.</p> <p>12/10/22</p> <p>Programme Board requested a Construction Cost Assessment report in July 2022, direction from Programme Board September 2022 was to go back to all programme / project leads to detail their mitigation and current status. Monthly Construction Impact monitoring will continue to be reported at Programme Board.</p> <p>15/12/22</p> <p>Construction Cost Assessment report v3.0 submitted to Programme Board. Lead delivery organisations to monitor and report on a monthly basis. Continue to work with PMs to ensure all change is documented through the change process. Construction &amp; Community Benefits sub group in place which provides a forum for on going discussion.</p>   | 5                    | 3               | 15            | ↔               | Apr-23           |
| Operational | Risk               | SBCD033 | Welsh Government 2021 update of Technical Advice Note (TAN) 15 development risk of flooding and coastal erosion and associated flood planning maps. | 11/10/21    | C2 C6     | Accountable Body | Proposed updates to the TAN and maps have re-categorised the vulnerability of certain developments, increased the extent of the flood maps and the ability of land owners and local authorities to potentially achieve planning permission and ultimately develop land affected by the 2021 updates.  | 4                    | 4               | 16            | <p>Welsh Government are monitoring effectiveness of Planning Policy Wales (PPW) and Technical Advice Note (TAN) 15 through a notification direction and sustainable development indicators.</p> <p>Coordinated challenge (Lead by WLGA) to Welsh Government to ensure the updating of TAN 15 does not have a negative impact on regeneration activity. Carry out additional Environmental Impact Assessments (EIA) Consultation with Lead Local Flood Authority and planning authorities Flood Map for planning embedded</p> <p>Strategic Flood Consequences Assessment (SFCA) to be undertaken to provide the evidence to inform policies and site selection processes for all strategic and local development plans.</p> <p>Flood consequences Assessment (FCA) to be carried out to assess the risk of development in a flood risk area.</p> <p>Progress as planned across the portfolio, being cautious that future planning applications might be affected and raise any concerns as early as possible</p> <p>Programmes and Projects to review the potential impact of the updated TAN and provide a statement indicating whether or not they believe their schemes could be affected and any other measures they are taking on top of those listed here.</p> | <p>24/06/22</p> <p>SBCD Programme (Portfolio) Board identified there is still a potential impact associated with TAN 15. It has been agreed that the PoMO will escalate this to Joint Committee following the elections with the intention that the Local Authority Leaders will pick up the conflicting information in relation to the implementation of the proposed changes with the WLGA. The PoMO have engaged with Programmes / Projects to determine potential areas that are affected by the new maps</p> <p>Technical Advisory Note has been updated 10th March 2022. PoMO to engage with Cllr Stewart and Wendy Walters to gain clarity on latest position. To be raised at the next Programme / Project Leads meeting to enquire whether this still poses an issue locally and what plans are in place.</p> <p>12/10/22</p> <p>No further update. Update requested from the regional WLGA representative, awaiting response.</p> <p>15/12/22</p> <p>Awaiting response</p> | 4                    | 4               | 16            | ↔               | Apr-23           |
| Financial   | Risk               | SBCD041 | In Year Underspend  | 08/12/21    | C3 C6     | Accountable Body | Having undertaken a reprofiling and baselining exercise across the Portfolio, there is a risk of an in year underspend of circa 10% of the portfolio value, however this has no effect on the overall investment of the Portfolio or the wider benefits and deliverables.   | 4                    | 3               | 12            | Review of investment components and timelines has been completed in conjunction with the Programme / Project Leads. These reviews have resulted in a more realistic investment forecast which will allow for Quarterly and Annual review and scrutiny to ensure continued progress towards this profile. This is the first reprofiling exercise that's been undertaken following the approval of all project/programme business cases and will be actively managed going forward to business case updates and the change management strategy.   | <p>21/06/22</p> <p>Budget has been reprofiled. UKG &amp; WG are content. On going monitoring.</p> <p>12/10/22</p> <p>Portfolio demonstrating underspend due to slippage in programme / project delivery, this will be highlighted to Programme Board through financial monitoring.</p> <p>15/12/22</p> <p>PoMO met with all SRO's to highlight level of in year underspend with a request to confirm remaining forecasted spend for Q3 and Q4. SRO's also requested to better forecast future years spend aligned to updated Business Cases. PoMO have appraised UKG and WG officers of in year underspend.</p>  | 5                    | 4               | 20            | ↑ (4.3)         | Apr-23           |
| Delivery    | Risk               | SBCD043 | Slippage in delivery of programmes / projects against key milestones  | Mar-22      | C6 C11    | JC               | As all City Deal Business Cases have now been approved the risk that City Deal doesn't achieve the outcomes intended within the timescales agree due to slippage in delivery of programme against key milestones resulting in borrowing and recuperation not accurately reflecting spend. Has been re-assessed following the closing of Risk ID SBCD013.  | 4                    | 4               | 16            | <p>Due to numerous factors, there has been some slippage in the original forecast investment, there will likely be some delays in delivery across the Portfolio for various reasons, including, COVID restrictions, Poelponments in business case submissions and approvals and other factors such as resource and material availability may need to be monitored and mitigated as infrastructure elements move further into delivery. The portfolio level benefits have now been forecast for the remaining duration of the portfolio, however regular review will be required in order to ensure risks do not become issues and appropriate mitigation measures are adopted by the programmes and projects to meet the delivery commitments of the wider portfolio. PoMO are now monitoring the Procurement Pipeline</p>  | <p>24/06/22</p> <p>Agreement by Programme Board and Joint Committee of Governance documentation going forward to report progress and provide challenge on future slippage. Financial monitoring is now focused on delivery investment and will continue to monitor going forward with any significant variance managed through the change management process.</p> <p>12/10/22</p> <p>Escalated to SEC151 Officer. Report to be drafted and presented to the Governance Boards. Risk escalated to an Issue and now moved to the Issues Log.</p> <p>15/12/22</p> <p>Slippage is aligned to spend as per Risk ID 041. PoMO met with SRO's to discuss and confirm current project plans and mitigations against slippage. Recommended action from a Gateway Assurance Review at a programme level has highlighted the need for programmes and projects to ensure they have complete and robust delivery plans.</p>   | 4                    | 4               | 16            | ↔               | Apr-23           |
| Delivery    | Risk               | SBCD047 | Prog/Proj delivering all outputs and outcomes within the business case  | Jun-22      | C11 C6    | Delivery Lead    | Risk that programmes and projects will not deliver elements of the business case resulting in depleted benefits being delivered. Currently funding agreements ensure that programmes and projects are committed to the delivery of business case objectives through the delivery of the outputs, however some of the business cases rely on the outcomes in order to realise the benefits within them. It is a risk if both outputs and outcomes are not delivered upon, however if an output or outcome is not attempted then the organisation will have failed to use best endeavours | 3                    | 5               | 15            | Discussions have taken place with CCOS legal. Finance Manager is reviewing all funding agreement documentation and CCOS legal will support any amendments/updates required in order to ensure alignment between BC and funding agreements.  | <p>12/10/22</p> <p>The Risk of non delivery of agreed outputs / outcomes will remain until final delivery and sign off of the projects. Mitigations linking to several other issues are in place such as business cases updates, formalising funding agreements, assurance/audit reviews, changes procedures, monitoring and reporting, accelerated delivery. All of these mitigations will allow for agreement of any changes to the current agreed deliverables.</p> <p>15/12/22</p> <p>Benefits profiles for Portfolio level benefits have been agreed with all programmes / projects. On going engagement to ensure major project level benefits are agreed, forecasted and reported at appropriate times.</p>   | 3                    | 5               | 15            | ↔               | Apr-23           |
| Operational | Risk               | SBCD050 | Pressure on construction industry to meet demand of City Deal and other public sector procurements  | Dec-22      | PoMO / PB | PoMO / PB        | Construction industry reporting issues across supply chains especially recruitment and response to tender calls due to inflationary pressures and market volatility. Particularly regarding the amount of contracts likely to be issued over the next year.   | 3                    | 5               | 15            | Continued application of procurement principles and construction frameworks to ensure most appropriately positioned contractors are responding to tenders.  | <p>15/12/22</p> <p>Construction &amp; Community Benefits sub group formed. Construction Impact Assessment being monitored on a monthly basis. Programmes and Projects being encouraged to use change notification process to advise of any slippage or other issues.</p>   | 3                    | 5               | 15            | ↔               | Apr-23           |
| Operational | Risk               | SBCD051 | Inability for co-opted members to send deputies to SBCD Programme Board / Joint Committee   | Dec-22      | JC        | JC               | Risk of non representation from partner organisations at SBCD Programme Board and Joint Committee due to inability to send deputies   | 4                    | 2               | 8             | PoMO to draft a paper for submission to Programme Board / Joint Committee to agree Membership, Co-optees and suitable delegates when members / co-optees are unable to attend.  | <p>15/12/22</p> <p>PoMO to request Programme Board approval for the creation of a list of nominated delegates.</p>   | 4                    | 2               | 8             | ↔               | Apr-23           |

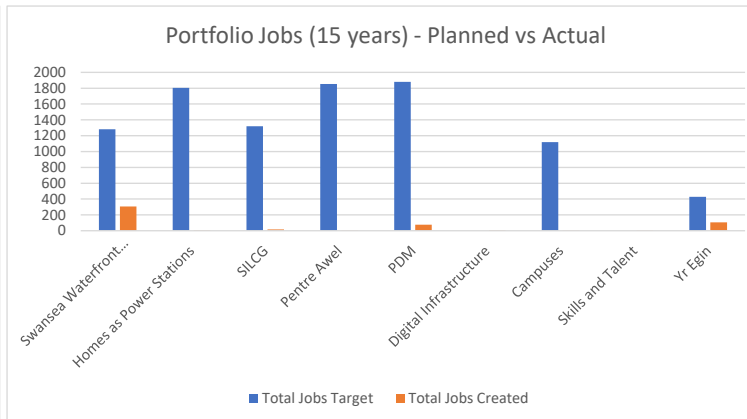
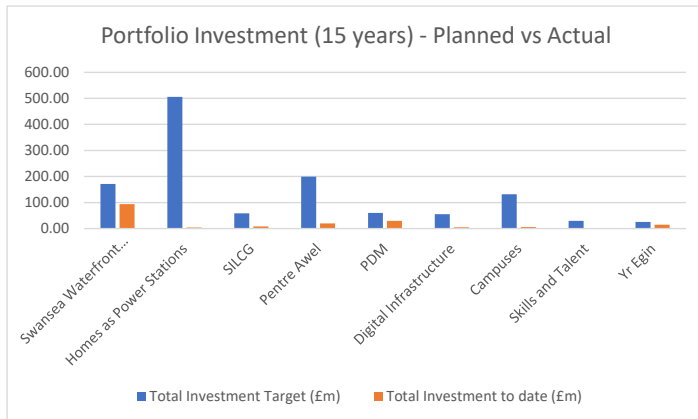
| Programme / Project Name                 |                         | SBCD Portfolio Management Office |        |          |   |              |                          |  |   |  |  |
|--|-------------------------|----------------------------------|--------|----------|---|--------------|--------------------------|--|---|--|--|
| Director / Programme / Project Lead Name |                         | Jonathan Burnes                  |        |          |   |              |                          |  |   |  |  |
| Last Updated                             |                         | Dec-22                           |        |          |   |              |                          |  |   |  |  |
| ID                                       | Risk ID (if applicable) | Date Identified                  | Status | Priority | Issue Description   | Owner        | Escalation Needed (Y/N)? | Impact   | Original Action   | Follow-on actions & Final Resolution   |  |
| SBCD022                                  |                         | 16/02/22                         | Open   | Red ↔    | Measuring of GVA at a programme and Project level - The PoMO has confirmed that currently GVA cannot be measured as an indicator. This is due to the nature of GVA and it being a Macro measure i.e. regional, an accurate measure at a micro level e.g. proj. or prog. is not achievable | W/UKG & PoMO | N                        | One if the HoT requirements is GVA contribution, whilst the Portfolio will deliver uplifts in GVA it's quantification method is still unknown            | UKG/WG have been tasked with confirming with their economists how this can be calculated. If this is not an achievable metric, they are tasked with determining a suitable metric (if required) | <p>29/06/22<br/>Proposal submitted to Programme (Portfolio) Board 31st May and WCGIB 13th June for consideration. Awaiting feedback from UKG &amp;WG ahead of resubmission to Programme (Portfolio) Board to consider.</p> <p>30/09/22<br/>Paper submitted to the WCGIB on 13th June and accepted in principle. Further consultation required and currently with DLUC for decision. In the interim, UK / WG City Deal contacts have accepted that we will not report quarterly on GVA.</p> <p>19/12/22<br/>On going. Awaiting formal response.</p>   |  |
| SBCD025                                  |                         | 14/02/22                         | Open   | Red ↑    | Delay in funding agreements being approved  | Finance      | N                        | Impacts on disbursement of grant. Delay to delivery of projects. Knock on effect with ability to recruit. Potentially impacting on benefits realisation. | Ongoing liaison with legal officers and programmes/projects   | <p>29/06/22<br/>7 out of the 9 programmes / projects have been approved. 2 in the final stage of approval.</p> <p>30/09/22<br/>8 out of 9 programmes / projects have now committed to the primary funding agreements Campuses currently being worked on with legal officers / partners with a view of being entered imminently. Secondary agreements currently being developed for Campuses, HAPS, Skills &amp; Talent and Digital Infrastructure between Lead Authority and Lead Deliverer.</p> <p>19/12/22<br/>Digital Infrastructure current status of secondary funding agreement is that it's been to legal colleagues and is now being finalised ready for signatory</p> |  |

| Heading                                      | Description   |
|--|---|
| <b>Benefit / Dis-benefit Description</b>     | A detailed description of the benefit. Clearly mention what the benefit is about. It is important to ensure that the description is unambiguous and easily understandable, especially if its a unquantifiable benefit. Tangible benefits can be easily quantified. Dis-benefits are the outcomes of business change that are unwanted or consequences or which have a negative impact on stakeholders or areas of the business. |
| <b>ID</b>                                    | Unique ID in this register.   |
| <b>Benefit Owner</b>                         | The beneficial owner is responsible for ensuring the portfolio / programme / project ( <i>delete as appropriate</i> ) gets support, and all the steps are taken to make sure the benefit remains on track. The owner should also be accountable for putting all the measures after the realisation of the benefit. Benefits Owners are identified and agreed by the SRO and Programme / Project Board.                          |
| <b>Measurement</b>                           | The unit of measure, e.g. FTEs, % reduction, number of applications. A description of how measurement will be undertaken, including the source of information (e.g. management information system, survey, sampling) and the frequency of measurement. This should be linked with the Benefits Realisation Targets/Timeline.  |
| <b>Target Date</b>                           | This is the date or time by which it is expected that the benefit will be realised and provide value to the business. The date must be picked after careful thought as once the date is published, all the stakeholders will expect that the dates be met.  |
| <b>Benefit Type</b>                          | This field indicates if the type of benefit is tangible or intangible. Typically programmes / projects have both kinds of benefits, and it is important to differentiate so the tangible can be quantified.   |
| <b>Realisation Phase</b>                     | The phase of the programme / project during which the benefits are planned to be realised   |
| <b>Status</b>                                | Indicates if the benefit is on track to be achieved.  |
| <b>Planned and Actual Benefit</b>            | Benefits values that were planned and were actually achieved.   |
| <b>Year Time Value</b>                       | (what benefits will be delivered (over the 1-15 yr period).   |
| <b>Evidence of Benefit</b>                   | What evidence is available to show how the benefit will be / has been achieved.   |
| <b>Benefit Review (Reporting of Benefit)</b> | Use this section to provide details on how you intend to review your benefits as the programme/project progresses. This should include the regularity of review, e.g. every 6 months/at every stage boundary, etc, as well as plans for close and review of the programme/project and hand over to BAU  |



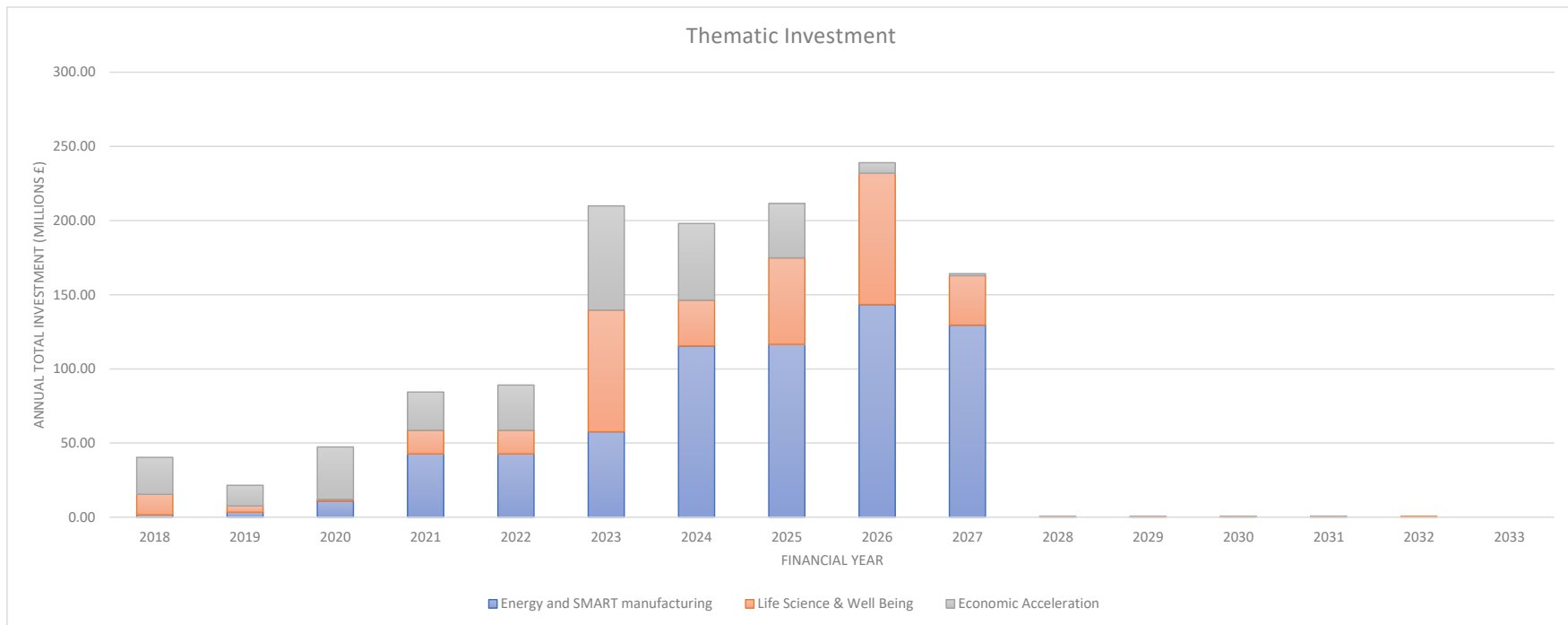
| Project/Programme                   | Total Investment Target (£m) | Total Investment to date (£m) | Total Jobs Target | Total Jobs Created | Business Case Status   | Project Stage           | Stage Commencement | Stage Completion |
|-------------------------------------|------------------------------|-------------------------------|-------------------|--------------------|--|-------------------------|--------------------|------------------|
| Swansea Waterfront Digital District | 171.54                       | 94.12                         | 1281              | 306                | Approved - FBC   | Partial Delivery (2/4)  | Oct-19             | Q4-2027          |
| Homes as Power Stations             | 505.50                       | 3.74                          | 1804              | 5                  | Approved - OBC   | Pre-procurement         | Jul-21             | Q1-2022          |
| SILCG                               | 58.70                        | 8.60                          | 1320              | 17                 | Approved - OBC   | Partial Delivery (2/7)  | Nov-20             | Q4-2025          |
| Pentre Awel                         | 199.19                       | 19.91                         | 1853              | 2                  | Approved - OBC   | Pre-construction        | Oct-21             | Q1-2022          |
| PDM                                 | 60.47                        | 29.56                         | 1881              | 77                 | Approved - OBC   | Partial Delivery (1/4)  | Sep-21             | Q1-2024          |
| Digital Infrastructure              | 55.30                        | 5.32                          | 0                 | 6                  | Approved - OBC   | Pre-procurement         | Mar-21             | Q2-2022          |
| Campuses                            | 131.98                       | 5.88                          | 1120              | 2                  | OBC regionally approved  | Pre-approval            | Jul-21             | Q1-2022          |
| Skills and Talent                   | 30.00                        | 0.36                          | 0                 | 2                  | Submitted - OBC  | Pre-approval            | Jul-21             | Q4-2021          |
| Yr Egin                             | 25.17                        | 14.87                         | 427               | 107                | Approved - FBC   | Partial Operation (1/2) | Sep-18             | Q4-2023          |
|                                     | <b>1237.85</b>               | <b>182.35</b>                 | <b>9686</b>       | <b>524</b>         | N.B There are also in excess of 100 Part Time jobs which have been created by the Arena since opening, after 12 months of operations these will be reviewed to determine an appropriate FTE allocation |                         |                    |                  |
|                                     |                              | <b>14.73%</b>                 |                   | <b>5.41%</b>       |  |                         |                    |                  |

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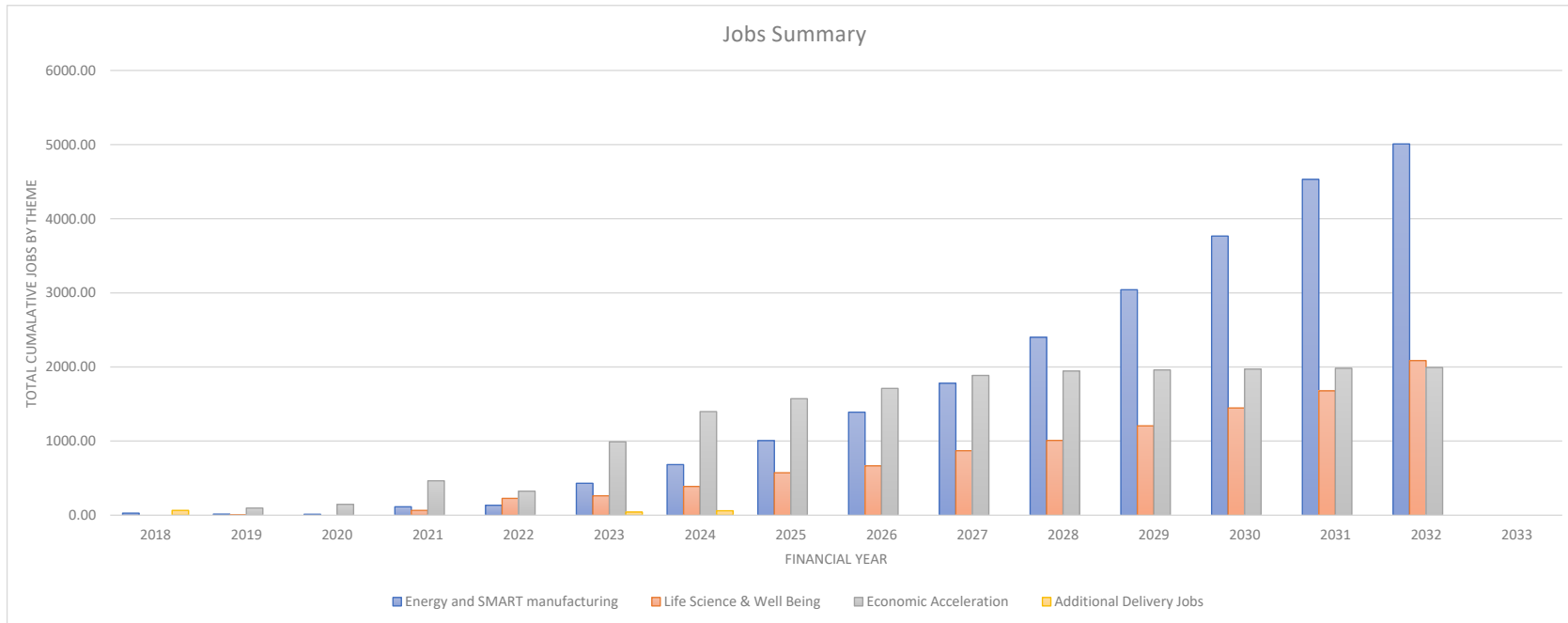


|                                       | 2018         | 2019         | 2020         | 2021         | 2022         | 2023         | 2024          | 2025          | 2026          | 2027          | 2028        | 2029        | 2030        | 2031        | 2032        | 2033        |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Energy and SMART manufacturing</b> | <b>1.64</b>  | <b>3.39</b>  | <b>10.92</b> | <b>42.67</b> | <b>42.67</b> | <b>57.59</b> | <b>115.46</b> | <b>116.53</b> | <b>143.37</b> | <b>129.50</b> | <b>0.00</b> | <b>0.00</b> | <b>0.00</b> | <b>0.00</b> | <b>0.00</b> | <b>0.00</b> |
| (SILCG)                               | 0.00         | 0.00         | 3.00         | 4.54         | 4.54         | 26.88        | 14.49         | 4.56          | 0.00          | 0.00          | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        |
| (PDM)                                 | 1.64         | 3.39         | 7.92         | 30.66        | 30.66        | 15.59        | 2.10          | 0.80          | 0.00          | 0.00          | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        |
| (HaPS)                                | 0.00         | 0.00         | 0.00         | 7.47         | 7.47         | 15.12        | 98.87         | 111.17        | 143.37        | 129.50        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        |
| <b>Life Science &amp; Well Being</b>  | <b>13.76</b> | <b>4.22</b>  | <b>1.09</b>  | <b>15.93</b> | <b>15.93</b> | <b>82.03</b> | <b>30.82</b>  | <b>58.33</b>  | <b>88.55</b>  | <b>33.36</b>  | <b>0.44</b> | <b>0.45</b> | <b>0.46</b> | <b>0.47</b> | <b>0.48</b> | <b>0.00</b> |
| (Pentre Awel)                         | 13.76        | 3.87         | 0.65         | 10.55        | 10.55        | 73.17        | 24.28         | 33.42         | 30.70         | 0.00          | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        |
| (Campuses)                            | 0.00         | 0.35         | 0.44         | 5.38         | 5.38         | 8.87         | 6.54          | 24.91         | 57.85         | 33.36         | 0.44        | 0.45        | 0.46        | 0.47        | 0.48        | 0.00        |
| <b>Economic Acceleration</b>          | <b>24.93</b> | <b>13.91</b> | <b>35.36</b> | <b>25.79</b> | <b>30.51</b> | <b>70.27</b> | <b>51.72</b>  | <b>36.63</b>  | <b>7.08</b>   | <b>1.35</b>   | <b>0.10</b> | <b>0.10</b> | <b>0.10</b> | <b>0.20</b> | <b>0.00</b> | <b>0.00</b> |
| (Digital)                             | 0.22         | 0.06         | 0.09         | 9.51         | 9.51         | 17.55        | 18.55         | 7.79          | 1.03          | 0.00          | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        |
| (Skills)                              | 0.00         | 0.00         | 0.02         | 0.38         | 0.38         | 8.96         | 11.59         | 8.41          | 0.00          | 0.00          | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        |
| (Yr Egin)                             | 14.87        | 0.00         | 0.00         | 0.00         | 4.72         | 4.73         | 0.05          | 0.10          | 0.10          | 0.10          | 0.10        | 0.10        | 0.10        | 0.20        | 0.00        | 0.00        |
| (Swansea waterfront)                  | 9.84         | 13.85        | 35.24        | 15.91        | 15.91        | 39.03        | 21.54         | 20.32         | 5.95          | 1.25          | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        |
|                                       | 2018         | 2019         | 2020         | 2021         | 2022         | 2023         | 2024          | 2025          | 2026          | 2027          | 2028        | 2029        | 2030        | 2031        | 2032        | 2033        |
| Difference since Q4 2021-22           | 0.00         | 0.00         | 0.00         | 0.00         | -67.70       | 33.11        | 1.58          | -5.80         | 40.53         | 17.24         | 0.54        | 0.55        | 0.56        | 0.67        | 0.48        | 0.00        |



Variance shown is difference from Q2 2021-22 original baselined annualised benefits - Blue = increase in yearly investment Red = reduction in yearly investment

|                                       | 2018         | 2019         | 2020          | 2021          | 2022          | 2023          | 2024           | 2025           | 2026           | 2027           | 2028           | 2029           | 2030           | 2031           | 2032           | 2033        |
|---------------------------------------|--------------|--------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-------------|
| <b>Energy and SMART manufacturing</b> | <b>28.00</b> | <b>15.00</b> | <b>13.00</b>  | <b>114.00</b> | <b>134.00</b> | <b>431.00</b> | <b>683.00</b>  | <b>1006.00</b> | <b>1390.00</b> | <b>1780.00</b> | <b>2400.00</b> | <b>3042.00</b> | <b>3766.00</b> | <b>4531.00</b> | <b>5009.00</b> | <b>0.00</b> |
| (SILCG)                               | 0.00         | 1.00         | 0.00          | 17.00         | 37.00         | 68.00         | 120.00         | 223.00         | 367.00         | 517.00         | 697.00         | 900.00         | 1110.00        | 1360.00        | 1321.00        | 0.00        |
| (PDM)                                 | 28.00        | 14.00        | 13.00         | 70.00         | 70.00         | 297.00        | 447.00         | 597.00         | 747.00         | 897.00         | 1049.00        | 1200.00        | 1426.00        | 1652.00        | 1881.00        | 0.00        |
| (HaPS)                                | 0.00         | 0.00         | 0.00          | 27.00         | 27.00         | 66.00         | 116.00         | 186.00         | 276.00         | 366.00         | 654.00         | 942.00         | 1230.00        | 1519.00        | 1807.00        | 0.00        |
| <b>Life Science &amp; Well Being</b>  | <b>0.00</b>  | <b>2.00</b>  | <b>0.00</b>   | <b>65.00</b>  | <b>227.00</b> | <b>262.00</b> | <b>388.00</b>  | <b>573.00</b>  | <b>666.00</b>  | <b>870.00</b>  | <b>1009.00</b> | <b>1206.00</b> | <b>1447.00</b> | <b>1678.00</b> | <b>2086.00</b> | <b>0.00</b> |
| (Pentre Awel)                         | 0.00         | 1.00         | 0.00          | 10.00         | 172.00        | 203.00        | 254.00         | 349.00         | 362.00         | 466.00         | 555.00         | 662.00         | 787.00         | 918.00         | 1036.00        | 0.00        |
| (Campuses)                            | 0.00         | 1.00         | 0.00          | 55.00         | 55.00         | 59.00         | 134.00         | 224.00         | 304.00         | 404.00         | 454.00         | 544.00         | 660.00         | 760.00         | 1050.00        | 0.00        |
| <b>Economic Acceleration</b>          | <b>0.00</b>  | <b>97.00</b> | <b>146.00</b> | <b>464.00</b> | <b>324.00</b> | <b>990.00</b> | <b>1398.00</b> | <b>1572.00</b> | <b>1711.00</b> | <b>1886.00</b> | <b>1945.00</b> | <b>1960.00</b> | <b>1971.00</b> | <b>1982.00</b> | <b>1993.00</b> | <b>0.00</b> |
| (Digital)                             | 0.00         | 1.00         | 0.00          | 0.00          | 0.00          | 3.00          | 3.00           | 3.00           | 3.00           | 3.00           | 3.00           | 3.00           | 3.00           | 3.00           | 3.00           | 0.00        |
| (Skills)                              | 0.00         | 1.00         | 0.00          | 0.00          | 0.00          | 2.00          | 2.00           | 2.00           | 2.00           | 2.00           | 2.00           | 2.00           | 2.00           | 2.00           | 2.00           | 0.00        |
| (Yr Egin)                             | 0.00         | 95.00        | 6.00          | 5.00          | 5.00          | 117.00        | 124.00         | 219.00         | 219.00         | 294.00         | 353.00         | 368.00         | 379.00         | 390.00         | 401.00         | 0.00        |
| (Swansea waterfront)                  | 0.00         | 0.00         | 140.00        | 459.00        | 319.00        | 868.00        | 1269.00        | 1348.00        | 1487.00        | 1587.00        | 1587.00        | 1587.00        | 1587.00        | 1587.00        | 1587.00        | 0.00        |
| <b>Additional Delivery Jobs</b>       | <b>65.00</b> | <b>0.00</b>  | <b>0.00</b>   | <b>0.00</b>   | <b>0.00</b>   | <b>42.00</b>  | <b>60.00</b>   | <b>0.00</b>    | <b>0.00</b>    | <b>0.00</b>    | <b>0.00</b>    | <b>0.00</b>    | <b>0.00</b>    | <b>0.00</b>    | <b>0.00</b>    | <b>0.00</b> |
| (Other)                               | 0.00         | 0.00         | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00        |
| (Other)                               | 0.00         | 0.00         | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00        |
| (Yr Egin)                             | 65.00        | 0.00         | 0.00          | 0.00          | 0.00          | 42.00         | 60.00          | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00        |







Swansea Bay City Deal Benefits Recording Register

[Download](#)

| ID     | Project/ Programme Title | Benefit / Dis-benefit Description  | Quantifiable | Benefit Owner | Measurement | Benefit Type | Status   | Realised on Plan | Realisation Date | Original BC Target | Current Benefit Target | Reason for difference in Orig/Current | Actual Benefit | Year Time Value (2017 Baseline) |      |       |            |                       |       |       |       |                        |  |  |                         |  |  |                         | End of Reporting Period |
|--------|--------------------------|------------------------------------|--------------|---------------|-------------|--------------|----------|------------------|------------------|--------------------|------------------------|---------------------------------------|----------------|---------------------------------|------|-------|------------|-----------------------|-------|-------|-------|------------------------|--|--|-------------------------|--|--|-------------------------|-------------------------|
|        |                          |                                    |              |               |             |              |          |                  |                  |                    |                        |                                       |                | 2018-2021 (Years 1-3)           |      |       | Cumulative | 2022-2026 (Years 4-8) |       |       |       | 2026-2027 (Years 9-10) |  |  | 2028-2030 (Years 12-13) |  |  | 2031-2035 (Years 14-18) |                         |
|        |                          |                                    | Yr 1         | Yr 2          | Yr 3        | To date      | Yr 4 Q1  | Yr 4 Q2          | Yr 4 Q3          | Yr 4 Q4            | Yr 5                   | Yr 6                                  | Yr 7           | Yr 8                            | Yr 9 | Yr 10 |            | Yr 11                 | Yr 12 | Yr 13 | Yr 14 | Yr 15                  |  |  |                         |  |  |                         |                         |
| PA 001 | Pembro Aest              | Create community health hub        | Yes          | CCC           | AC3         |              | On Track | Delivery         |                  | 12615.00           |                        |                                       |                |                                 |      |       |            |                       |       |       |       |                        |  |  |                         |  |  |                         |                         |
| PA 002 | Pembro Aest              | New Businesses created             | Yes          | CCC           | Nr          |              | On Track | Delivery         |                  | 00.00              |                        |                                       |                |                                 |      |       |            |                       |       |       |       |                        |  |  |                         |  |  |                         |                         |
| PA 003 | Pembro Aest              | New Learning opportunities created | Yes          | CCC           | Nr          |              | On Track | Delivery         |                  | 00.00              |                        |                                       |                |                                 |      |       |            |                       |       |       |       |                        |  |  |                         |  |  |                         |                         |
| Total  |                          |                                    |              |               |             |              |          |                  |                  |                    |                        |                                       |                |                                 |      |       |            |                       |       |       |       |                        |  |  |                         |  |  |                         |                         |

Reason for no update - Q3 2021.22: Due to Whole site funding approval to confirm optimal finance option for CCC to deliver other Zones the wider project benefits will be annualised following this activity in order to ensure realistic delivery timelines are given.





Swansea Bay City Deal Benefits Recording Register

| ID      | Project/ Programme Title | Benefit / Dis-benefit Description                 | Quantifiable | Benefit Owner | Measurement | Benefit Type | Status   | Realisation in Phase | Realisation Date | Original BC Target | Current Benefit Target | Reason for difference in Orig/Current | Actual Benefits | Year Time Value (2017 baseline) |      |      |         |                            |         |         |         |                             |      |      |      |                              |      |      |  | Total of 16 |
|---------|--------------------------|---|--------------|---------------|-------------|--------------|----------|----------------------|------------------|--------------------|------------------------|---------------------------------------|-----------------|---------------------------------|------|------|---------|----------------------------|---------|---------|---------|-----------------------------|------|------|------|------------------------------|------|------|--|-------------|
|         |                          |   |              |               |             |              |          |                      |                  |                    |                        |                                       |                 | 2018 - 2021<br>(Years 1-4)      |      |      |         | 2025 - 2027<br>(Years 5-8) |         |         |         | 2028 - 2030<br>(Years 9-12) |      |      |      | 2031 - 2033<br>(Years 13-15) |      |      |  |             |
|         |                          |   |              |               |             |              |          |                      |                  |                    |                        |                                       |                 | T1                              | T2   | T3   | T4      | T5                         | T6      | T7      | T8      | T9                          | T10  | T11  | T12  | T13                          | T14  | T15  |  |             |
| SLCG001 | SLCG                     | Floor space created                               | Yes          | NPT           | M2          |              | On Track | Delivery             |                  | 18000.00           | 18000.00               |                                       |                 | 0.00                            | 0.00 | 0.00 | 8000.00 | 0.00                       | 2000.00 | 6000.00 | 6000.00 | 0.00                        | 0.00 | 0.00 | 0.00 | 0.00                         | 0.00 | 0.00 |  |             |
| SLCG002 | SLCG                     | Private sector investment                         | Yes          | NPT           | £           |              | On Track | Delivery             |                  | £5.5m              | £5.5m                  |                                       |                 | 0.00                            | 0.00 | 0.00 | 0.00    | 0.00                       | £1.5m   | £2.0m   | £2.0m   | 0.00                        | 0.00 | 0.00 | 0.00 | 0.00                         | 0.00 | 0.00 |  |             |
| SLCG003 | SLCG                     | Reduction in energy from high Co2 to low Co2 tech | Yes          | NPT           |             |              | On Track | Delivery             |                  |                    |                        |                                       |                 | 0.00                            | 0.00 | 0.00 | 0.00    | 0.00                       | 0.00    | 0.00    | 0.00    | 0.00                        | 0.00 | 0.00 | 0.00 | 0.00                         | 0.00 | 0.00 |  |             |

Reason for no update - Q3 2021-22 - SLCG lead is currently progressing resource appointments for the management team that will be responsible for delivering H&P, once these appointments have been finalised the delivery team will be able to annualise the wider Proj. and Programme benefits











Swansea Bay City Deal Benefits Recording Register

| ID    | Project/Programme Title | Benefit / DfE-benefit Description  | Quantifiable | Benefit Owner | Measurement | Benefit Type | Status   | Realisation Date | Original BC Target | Current Benefit Target | Reason for difference in Orig/current | Actual Benefit | Year Time Value (2017 baseline) |      |      |            |                       |         |         |                         |          |          |                         |          |          |       |       | Price of Benefit |
|-------|-------------------------|--|--------------|---------------|-------------|--------------|----------|------------------|--------------------|------------------------|---------------------------------------|----------------|---------------------------------|------|------|------------|-----------------------|---------|---------|-------------------------|----------|----------|-------------------------|----------|----------|-------|-------|------------------|
|       |                         |  |              |               |             |              |          |                  |                    |                        |                                       |                | 2018-2021 (Years 1-3)           |      |      | Cumulative | 2025-2027 (Years 7-9) |         |         | 2028-2030 (Years 10-12) |          |          | 2031-2033 (Years 13-15) |          |          |       |       |                  |
|       |                         |  |              |               |             |              |          |                  |                    |                        |                                       |                | Yr 1                            | Yr 2 | Yr 3 |            | Yr 4                  | Yr 5    | Yr 6    | Yr 7                    | Yr 8     | Yr 9     | Yr 10                   | Yr 11    | Yr 12    | Yr 13 | Yr 14 |                  |
| ST001 | Skills and Talent       | To directly deliver at least 2,000 additional skills support the development of around 14,000 individuals with higher skills (Level 2+) within 10 years. |              |               |             | On Track     | Delivery |                  | 2,000.00           | 2,000.00               |                                       |                | 0.00                            | 0.00 | 0.00 | 0.00       | 425.00                | 625.00  | 800.00  | 1,000.00                | 1,100.00 | 1,400.00 | 1,600.00                | 2,000.00 | 2,000.00 | 0.00  | 0.00  |                  |
| ST002 | Skills and Talent       | Create 3000 apprentice opportunities   |              |               |             | On Track     | Delivery |                  | 14,000.00          | 14,000.00              |                                       |                | 0.00                            | 0.00 | 0.00 | 0.00       | 1000.00               | 3000.00 | 5000.00 | 7000.00                 | 9000.00  | 10000.00 | 12000.00                | 14000.00 | 0.00     | 0.00  | 0.00  | 0.00             |
| ST003 | Skills and Talent       | Develop and deliver 20 new and updated course frameworks to meet the needs of the projects and employers across the region.                              |              |               |             | On Track     | Delivery |                  | 3,000.00           | 3,000.00               |                                       |                | 0.00                            | 0.00 | 0.00 | 0.00       | 77.00                 | 150.00  | 800.00  | 2000.00                 | 3000.00  | 0.00     | 0.00                    | 0.00     | 0.00     | 0.00  | 0.00  | 0.00             |
| Total |                         |  |              |               |             |              |          |                  | 20.00              | 20.00                  |                                       |                | 0.00                            | 0.00 | 0.00 | 0.00       | 10.00                 | 15.00   | 18.00   | 20.00                   | 0.00     | 0.00     | 0.00                    | 0.00     | 0.00     | 0.00  | 0.00  |                  |

Reason for no update - Q3 2021-22 - The Skills and Talent management team have confirmed that the annualisation of benefits will be achievable following the completion of the skills barometer activity. This is due to complete in Feb 2022



# Swansea Bay City Deal

## Construction impact assessment summary report



|                |              |
|----------------|--------------|
| <b>Date</b>    | January 2023 |
| <b>Version</b> | V5.0         |

## **Construction Impact Assessment Summary Report**

### **1.0 Introduction**

The purpose of the combined risk/issues assessment and impact assessment is to highlight and quantify the specific risks/issues currently being experienced throughout the construction industry. SBCD Programme Board and Joint Committee have requested that all programmes and projects assess their current status and ongoing monitoring with regards the potential impact these construction challenges will have on the successful delivery of the portfolio and the constituent programmes and projects.

### **2.0 Returns**

As of 14<sup>th</sup> October 2022 following multiple discussions and requests for completion of the SBCD construction impact assessment, below is the status of returns.

| <b>Programme/Project</b> | <b>Status of Return</b>  |
|--------------------------|--|
| Swansea Waterfront       | Complete   |
| Swansea Campuses         | Complete   |
| SILCG                    | No Update  |
| Skills and Talent        | Nil return – not currently a direct issue  |
| Yr Egin Phase 2          | Nil return – current review of delivery strategy and strategic alignment will complete within next few months once strategy complete and approved. |
| Pentre Awel              | Complete   |
| PDM                      | Complete   |
| Digital infrastructure   | Nil return – on-going BC updates will complete within next few months once BC updates complete.  |
| HaPs                     | Nil return   |

### **3.0 Construction impact assessment (CIA) Requirements**

The CIA has been developed with 9 key questions listed below, whilst providing projects the opportunity to highlight specific risks or issues under question 10:

|   |  | <b>Identify as Risk or Issue</b> |
|---|--|----------------------------------|
|   | <b><u>People</u></b>   |                                  |
| 1 | Decreased available labour and/or suitable subcontractors and suppliers                            |                                  |
| 2 | main contractor delivery/management team - skills and capacity issues in terms of project delivery |                                  |
|   | <b><u>Materials</u></b>  |                                  |
| 3 | Lack of availability of construction materials   |                                  |
| 4 | Quality of materials (due to lack of stock of preferred option)                                    |                                  |
|   | <b><u>Finance</u></b>  |                                  |

|    |  |  |
|----|--|--|
| 5  | Rising construction costs results in exceeding/increasing programme / project budget   |  |
| 6  | Contractor / subcontractor / supplier going bankrupt/experiencing financial difficulty   |  |
|    | <b><u>Timelines</u></b>  |  |
| 7  | Delays in project programme due to traditional infrastructure project factors such as ground/weather/construction site issues etc.                     |  |
| 8  | delay in obtaining relevant construction related / operational approvals   |  |
|    | <b><u>Policy/political</u></b>   |  |
| 9  | revised industry/governmental statutory & mandatory requirements - including technological/policy/political advancements since initial planning phases |  |
|    | <b><u>Other</u></b>  |  |
| 10 | Please highlight any other risks/issues in relation to construction not highlighted above  |  |

These questions are scored across 8 fields of potential impact of low/medium/high (probability x impact). The fields of impact are:

| Scope and key objectives | Targets | Timescales | Reputation if project fails to deliver | Stakeholders/ partnerships commitment | Project costs | Procurement | Staff resourcing |
|--------------------------|---------|------------|--|---------------------------------------|---------------|-------------|------------------|
|--------------------------|---------|------------|--|---------------------------------------|---------------|-------------|------------------|

Once completed the author must then identify mitigations that are/will be put in place along with any resource requirements in enacting these mitigations.

#### **4.0 Summary of Risks identified in returns**

| Risks        | Impact Field | Scope     | Targets   | Time      | Reputation | Stakeholder/ Partnerships | Proj. Costs | Procurement | Resources |
|--------------|--------------|-----------|-----------|-----------|------------|---------------------------|-------------|-------------|-----------|
| <b>Red</b>   |              | <b>1</b>  | <b>0</b>  | <b>6</b>  | <b>0</b>   | <b>0</b>                  | <b>6</b>    | <b>0</b>    | <b>0</b>  |
| <b>Amber</b> |              | <b>11</b> | <b>19</b> | <b>15</b> | <b>22</b>  | <b>12</b>                 | <b>22</b>   | <b>17</b>   | <b>2</b>  |
| <b>Green</b> |              | <b>27</b> | <b>20</b> | <b>18</b> | <b>17</b>  | <b>27</b>                 | <b>11</b>   | <b>22</b>   | <b>37</b> |

#### **5.0 Quantification of impact**

Once known the impact of these risks becoming issues will likely result in a change, the CIA has been developed so that all quantification links to the 5 categories of change derived in the SBCD change procedures, namely:

- Financial/costs
- Timescales
- Quality
- Programme and/or project benefits are impacted
- Portfolio benefits are impacted



## **6.0 Summary/status**

### **Areas of High concern**

There are currently 3 areas of high concern, these being:

- Scope
- Time
- Proj. costs

All of these areas will be continually monitored and over time as any issues arise along with associated change requirements, change notifications and change requests will be submitted to the PoMO and reported/escalated accordingly to stakeholders as per the SBCD change procedures.

### **Areas of Medium concern**

There are currently 3 areas of medium concern, these being:

- Delivery of targets
- Potential reputational damage
- Proj. costs

As projects and programmes develop, all areas of concern will continually be monitored through the construction impact assessment, in order to ensure that all change is reported, recorded, escalated and approved appropriately, any mitigations required are implemented and the overall success of outcomes, outputs and impacts are not affected.

In addition to the construction impact assessment, the PoMO have now also undertaken an assessment of the potential funding gap for the Portfolio. This was as a direct request of Programme (Portfolio) Board from July 2022. As a result, the PoMO have identified a forecast funding gap of around £31m. In future iterations of the construction impact assessment and funding gap assessment the PoMO will link both assessments and ensure that all actual funding gaps are accurately reported once known.

# Agenda Item 13



Swansea Bay City Region Joint Committee - 2 February 2023

## Portfolio Carbon Reduction Assessment Report

|                          |   |
|--------------------------|---|
| <b>Purpose:</b>          | To assess the contributions to regional carbon reduction targets made by the SBCD programmes and Projects             |
| <b>Policy Framework:</b> | Welsh Government Net Zero Wales Carbon Budget 2 (2021 to 2025). National, Regional and Local Net Carbon Zero policies |
| <b>Report Authors:</b>   | Peter Austin SBCD Business Engagement Manager<br>Phil Ryder Portfolio Manager<br>Jonathan Burnes Portfolio Director   |
| <b>Finance Officer:</b>  | Chris Moore, Section 151 Officer, SBCD  |
| <b>Legal Officer:</b>    | Tracey Meredith, Monitoring Officer, SBCD   |
| <b>For Information</b>   |   |

### 1. Introduction

Attached at Appendix A is a report assessing the contribution to regional carbon reduction on SBCD projects. The report was developed at the request of the SBCD Programme Board in July 2022 to determine the level of SBCD Portfolio contribution toward carbon reduction for South West Wales.

### 2. Background

The PoMO has co-ordinated an initial assessment by reviewing project and programme business cases and engaging with the project teams to assess what activities being delivered align and contribute to the Welsh Government requirements and guidance, the four Local Authority decarbonisation ambitions and other lead deliverer targets.

In summary, the SBCD portfolio helps to address and support the grand challenge of carbon reduction with the long term aim of achieving Wales's Net Carbon Zero target by 2050.

As acknowledged in the Welsh Government Net Zero Wales Carbon Budget 2 (2021 to 2025), the SBCD Portfolio contains some significant contributions to existing and future national and regional Carbon reduction targets. However, as the SBCD was first established in 2017 with all nine headline business cases approved by December 2021 by both Governments, there is no specific decarbonisation investment objective set at a Portfolio level.

In accordance with local and national policy, each Lead Delivery Organisation will ensure that facilities are procured, built, and operated in compliance with the requirements set out in relevant policies and strategies.

Direct contribution is made via all projects that build SBCD infrastructure by achieving BREEAM excellent as a minimum standard.

Significant contribution to support the decarbonisation agenda will also be through the delivery of three energy related projects, upskilling of our workforce through the Skills and Talent Programme and enhancement of our digital connectivity through the regional Digital Infrastructure Programme.

The SBCD Portfolio places the region at the forefront of Energy and Smart Manufacturing innovation as part of the drive towards a low carbon economy and will contribute by:

- i. Creating an estimated 80k+ m2 of floorspace with a minimum of BREEAM excellent by 2026
- ii. Creating at least 5,000 jobs across the renewables and energy sectors
- iii. Create at least £620m GVA
- iv. Attract at least £630m of total investment
- v. Estimated to provide at least 6,000 skills and talent opportunities for the energy and , decarbonisation sectors
- vi. Create a regional centre of excellence in the renewable energy sector
- vii. Grow 2 supply chains in the installation, manufacturing and operations of blue and green technologies through PDM And HAPS
- viii. Enhance digital connectivity through full fibre, 5G and Internet of Things (IoT) to future proof the digital economy across the region

### **3. Financial Implications**

There are no financial implications with this report.

Any additional costs incurred to meet the net carbon zero requirements and guidance is the responsibly of individual lead delivery organisations and partners to identify sources of funding to achieve decarbonisation targets.

### **4. Legal Implications**

There are no associated legal implications to this report.

**Background Papers:** None

**Appendices:**

Appendix A - Carbon Reduction Assessment of the SBCD Portfolio October 2022

# Carbon Reduction Assessment of the SBCD Portfolio October 2022



|                         |  |
|-------------------------|--|
| <b>Document Control</b> |  |
| <b>Date:</b>            | October 2022                             |
| <b>Version:</b>         | CONSULTATION DRAFT 2                     |
| <b>Authors:</b>         | Peter Austin, Phil Ryder, Jonathan Burns |

### 1. Executive Summary

- 1.1. SBCD portfolio helps to address and support the grand challenge of carbon reduction with the long term aim of achieving Wales's Net Carbon Zero target by 2050.
- 1.2. As acknowledged in the Welsh Government Net Zero Wales Carbon Budget 2 (2021 to 2025), the SBCD Portfolio contains some significant contributions to existing and future national and regional Carbon reduction targets.
- 1.3. As the SBCD was first established in 2017 with all nine headline business cases approved by December 2021 by both Governments, there is no specific decarbonisation investment objective set at a Portfolio level.
- 1.4. In accordance with local and national policy, each Lead Delivery Organisation will ensure that facilities are procured, built, and operated in compliance with the requirements set out in relevant policies and strategies.
- 1.5. Direct contribution is made via all projects that build SBCD infrastructure by achieving BREEAM excellent as a minimum standard. Significant contribution to support the decarbonisation agenda will also be through the delivery of three energy related projects, upskilling of our workforce through the Skills and Talent Programme and enhancement of our digital connectivity through the regional Digital Infrastructure Programme.
- 1.6. The SBCD Portfolio places the region at the forefront of Energy and Smart Manufacturing innovation as part of the drive towards a low carbon economy and will contribute by:
  - i. Creating an estimated 80k+ m<sup>2</sup> of floorspace with a minimum of BREEAM excellent by 2026
  - ii. Creating at least 5,000 jobs across the renewables and energy sectors
  - iii. Create at least £620m GVA
  - iv. Attract at least £630m of total investment
  - v. Estimated to provide at least 6,000 skills and talent opportunities for the energy and , decarbonisation sectors
  - vi. Create a regional centre of excellence in the renewable energy sector
  - vii. Grow 2 supply chains in the installation, manufacturing and operations of blue and green technologies through PDM And HAPS
  - viii. Enhance digital connectivity through full fibre, 5G and Internet of Things (IoT) to future proof the digital economy across the region
- 1.7. The three energy related initiatives, Homes as Power Stations (HAPS), Pembroke Dock Marine (PDM) and Supporting Innovation and Low Carbon Growth, all have set projects and targets to support the reduction of carbon emissions. They will catalyse this through infrastructure, technology, manufacturing, business growth and supply chains, research and development and future skills development. Project Specific contributions include:

**HAPS:** The potential for a Homes as Power Stations blueprint that can be rolled out across the region and wider, providing less reliance on carbon fuelled alternatives resulting in:

- 10,300 homes fitted with renewable technology
- 10,417 + KWh energy saving
- 19,000+ CO2 reduction per year

**PDM:** The work being done by the Pembroke Dock Marine partners to secure a sustainable renewable energy source for South West Wales and beyond achieving a 1,000 MW contribution to decarbonisation targets and will make a significant contribution to achieving the Welsh Government's target of 70% of electricity consumed in Wales from Welsh renewable sources by 2030

**Supporting Innovation and Low Carbon Growth:** including, the Bay Technology Centre - the first commercial energy positive building in Wales, the decarbonisation of steel production and the shift to low carbon transport, providing a total of 18,500 sqm BREEAM excellent floorspace.

- 1.8 In summary the SBCD Portfolio will make a significant contribution towards the region's carbon reduction aspirations, albeit indirectly in most cases. More directly, Pembroke Dock Marine will make a significant contribution to achieving the Welsh Government's target of 70% of electricity consumed in Wales from Welsh renewable sources by 2030, and HAPS will create a sustainable housing blueprint that can be rolled out across Wales guiding a long-term reduction in domestic carbon reliance.
- 1.9 The primary assumption throughout this review is that all SBCD capital build projects have been costed to achieve BREEAM Excellent at minimum and that the projects remain to be viable noting that costs of any requirements over and above those originally factored in to the Business Cases may need to be funded from other sources.

### 2. Purpose

- 2.1. This document was developed at the request of the SBCD Programme Board in July 2022 to determine the level of SBCD Portfolio contribution toward carbon reduction for South West Wales. The PoMO co-ordinated an initial assessment by reviewing project and programme business cases and engaging with the project teams which align to the Welsh Government requirements and guidance, the four Local Authority decarbonisation ambitions and other lead deliverer targets.

### 3. Background

- 3.1. **The Environment (Wales) Act 2016** placed a duty on Welsh Ministers to set targets for reducing greenhouse gas emissions and to set carbon budgets.
- 3.2. During the same period, **The Well-being of Future Generations (Wales) Act 2015** was introduced which places a duty on each public body to carry out sustainable development. The five ways of working set out in the Act aim to help bodies work together better, avoid repeating past mistakes and tackle long term challenges.
- 3.3. The Welsh Government published the first statutory Low Carbon Delivery Plan, **Prosperity for All: A Low Carbon Wales**, and declared a climate emergency in April 2019, closely followed by Local Authorities developing their approaches to net carbon zero with stated targets for 2030.
- 3.4. In March 2021, the Welsh Government set new legal targets for a 63% carbon reduction by 2030, 89% by 2040, and 100% by 2050.
- 3.5. In October 2021, the Welsh Government published their second emissions reduction plan, **The Net Zero Wales Carbon Budget 2**. This sets out specific policies for the public sector, including a target for decarbonisation plans to be in place by March 2023, targets relating to buildings, vehicles and procurement, and development of a new health and social care decarbonisation plan.
- 3.6. **The Net Zero Wales Carbon Budget 2** says of the Swansea Bay City Deal:  
"Swansea Bay City Deal has pledged to work together significantly contribute to the Swansea Bay City Region Economic Regeneration Strategy 2013 to 2030. Key projects are delivering outputs aligned to the decarbonisation agenda focusing on energy savings, tackling fuel poverty and carbon reduction. SBCD will respond directly to improve energy efficiency and the transition to a net zero carbon economy, enabling more businesses to become carbon light or free. Specific actions include:
  - 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.

- Improving the energy efficiency of our homes – Homes as Power Stations Programmes (HAPS) will deliver the rollout of innovative energy efficiency homes throughout the Region
  - Accelerate the shift to low carbon transport – directly through the Supporting Innovation and Low Carbon Growth Programme”
- 3.7. The budget also states that “By 2025 all new City and Growth Deals will have carbon reduction at their core and will contain carbon reduction outputs as key metrics for monitoring and evaluation.” Noting the SBCD was established in 2017 and is therefore not classified as a new City and Growth Deal i.e. 2021 onwards, and had already established its Portfolio projects and programmes, along with key investment objectives.
- 3.8. Regionally, **the South West Wales Economic Delivery Plan 2022-2030** states that the region needs to focus on several distinctive economic strengths and assets as a platform for future growth including extensive energy infrastructure and low carbon energy generation potential.
- 3.9. The plan seeks to establish the SBCR as a diverse and low carbon economy and international centre for renewable energy production and conservation. To retain and develop the regional strategic role in energy into green growth and to secure further investment to unlock the full potential of supply chain development.
- 3.10. It also highlights that the region needs to respond to transformational needs that will impact on the economy, its resilience, sustainability and growth including the decarbonisation policy imperative at a national, regional and local level which creates a requirement to seek and develop opportunities for innovation and technology development, as well as a need for adaptation to support industrial resilience.
- 3.11. The decarbonisation need for the region will be undertaken through:
- the delivery of the region’s low carbon projects at scale
  - decarbonising the industrial base
  - decarbonising the wider economy (including housing stock and transportation)
- 3.12. Within its focus on the energy sector, the plan aims 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
- 3.13. For construction projects, the Welsh Government requires that most new buildings promoted or supported by them, or their sponsored bodies, must meet their Sustainable Building Standards. This includes projects procured directly and indirectly. All SBCD new built infrastructure will achieve BREEAM (Building Research Establishment Environmental Assessment Method) Excellent rating as a minimum requirement. See Appendix 2.
- 3.14. To support the Welsh public sector in addressing Net Carbon Zero via procurement, in September 2021 Welsh Government issued the **Welsh Procurement Policy Note WPPN 06/21: Decarbonisation through procurement - Taking account of Carbon Reduction Plans**, last updated in March 2022. WPPN 06/21 adopts the UK Procurement Policy Note 06/21, providing further information specifically to Welsh public sector contracting authorities to help them meet the 2030 target for a net zero public sector in Wales.
- 3.15. In December 2021 Welsh Government also issued **Welsh Procurement Policy Note WPPN 12/21: Decarbonisation through procurement - Addressing CO<sub>2</sub>e in supply chain**, which advises the Welsh public sector on the actions that can be taken to address CO<sub>2</sub>e emissions in supply chains for purchased goods and services to help them meet the 2030 target for a net zero public sector. This was also updated in March 2022.

**4. Portfolio review**

- 4.1. The PoMO undertook an initial review of the programme and project Business Cases as submitted to UK Government and Welsh Government for approval.
- 4.2. It was noted that most of the SBCD Business Cases were in an advanced development stage prior to the 2019 declaration, and a significant number were approved or already in the approval process prior to the announcement of the Net Zero Pathway in March 2021.
- 4.3. As a result, many of the Business Cases have been written without fully integrated Net Carbon Zero targets, although most of the programmes and projects do have carbon reducing elements and synergies to Welsh Government and Local Authority carbon reduction plans, in the main these are secondary outcomes of the schemes and not fundamental outputs.
- 4.4. All Business Cases reference The Well-being of Future Generations (Wales) Act 2015 and acknowledge the requirements therein.
- 4.5. Noting the above, other existing and subsequent, local and national policies will affect how projects are delivered in real time, especially concerning design, construction and procurement.
- 4.6. The key outputs that directly contribute to carbon reduction are summarised in the table below

|   |  |
|---|--|
| Digital Infrastructure                      | Roll out of regional high speed full fibre and mobile broadband, 5G and IOT enabling more low carbon initiatives to be implemented   |
| Skills & Talent                             | Future skills development including a total of 2,200 additional skills, 14,000 people upskilled, 3,000 new apprenticeship opportunities<br>3 Centres of Excellence with a potential for two focused on decarbonisation and renewable energy  |
| Home as Power Stations                      | 10,300 homes fitted with renewable technology<br>10,417 + KWh energy saving<br>19,000+ CO2 reduction per year  |
| Swansea Waterfront                          | Kingsway - 10,684 sqm BREEAM excellent floorspace<br>Innovation Matrix - 2,200 sqm of BREEAM: Excellent floor space  |
| Yr Egin                                     | 363.4 sqm BREEAM excellent floorspace phase 1  |
| Pentre Awel                                 | 50,000 sqm BREEAM excellent floorspace   |
| Campuses                                    | 2,700 sqm BREEAM excellent floorspace shared between two locations   |
| Supporting Innovation and Low Carbon Growth | Total 18,500 sqm BREEAM excellent floorspace<br>Creation of Bay Technology Centre – first commercial energy positive building in Wales<br>1,320 jobs created working in the low carbon sector<br>SWITCH (South Wales industrial transition from Carbon Hub) -industrial research facility helping industry to decarbonise<br>Advanced Manufacturing Production Facility with apprenticeship opportunities<br>Local electric vehicle charging infrastructure to reduce vehicle emissions across the county<br>Increase in Hydrogen production from renewable resources (using excess energy from the BTC) |
| Pembroke Dock Marine                        | PDM will make a significant contribution to achieving the Welsh Government’s target of 70% of electricity consumed in Wales from Welsh renewable sources by 2030 and will establish a world-class centre for marine engineering with an immediate focus on low carbon energy leading to 1,000 MW contribution to decarbonisation targets   |

Further detail can be found in the table at Appendix 1



### 5. Policy implications

- 5.1. The Net Zero Wales Carbon Budget 2 (2021 to 2025) contains policies and proposals across all ministerial portfolios which are, or will be, incumbent on Local Authorities and Public Bodies to deliver.
- 5.2. This will require SBCD Lead Delivery Organisations (LDO's) to be aware of their responsibilities and to assess how these may affect future delivery of the Programme and Project outputs within the SBCD Portfolio.
- 5.3. Lead Delivery Organisations will need to consider how, within their own Net Carbon Zero plans, the requirements apply for any new design or build yet to be procured and delivered. This is not without cost and is currently being assessed by Welsh Government under the Sustainable Communities for Learning (formerly 21st Century Schools) programme where the transition from BREEAM Excellent to Net Carbon Zero is estimated to add £375/m<sup>2</sup> in 2022 rising to £405/m<sup>2</sup> in 2024.
- 5.4. It should be noted that there is no indication yet that this requirement is being applied to the SBCD by Welsh Government however this does not detract from the legal obligations as outlined in the Wellbeing of Future Generations Act nor Planning Policy Wales (currently addition 11) objectives
- 5.5. With the exception of HAPS and PDM, most of the assets being delivered by the SBCD Portfolio will remain within the Local Authority/Public Sector estate and will thus be managed accordingly within the requirements of the Net Zero Wales Carbon Budget 2 and the owning organisations' Net Carbon Zero plans.
- 5.6. The primary assumptions throughout this review are that:
  - a) Capital build projects have been costed to achieve BREEAM Excellent at minimum and that any requirements over and above those originally factored in to the Business Cases may need to source extra funding.
  - b) Those elements of the Portfolio yet to be designed and procured remain cost effective to deliver.

**6. Links to resources, policies and guidance**

The Well Being of Future Generations (Wales) Act 2015

<https://www.futuregenerations.wales/about-us/future-generations-act/>

Net Zero Wales Carbon Budget 2 (2021 to 2025)

<https://gov.wales/net-zero-wales-carbon-budget-2-2021-2025>

Planning Policy Wales, Addition 11

[https://gov.wales/sites/default/files/publications/2021-02/planning-policy-wales-edition-11\\_0.pdf](https://gov.wales/sites/default/files/publications/2021-02/planning-policy-wales-edition-11_0.pdf)

The Low carbon delivery plan

<https://gov.wales/low-carbon-delivery-plan>

Welsh Procurement Policy Note WPPN 06/21: Decarbonisation through procurement - Taking account of Carbon Reduction Plans

<https://gov.wales/wppn-06-21-decarbonisation-through-procurement-taking-account-of-carbon-reduction-plans>

Welsh Procurement Policy Note WPPN 12/21: Decarbonisation through procurement - Addressing CO2e in supply chain

<https://gov.wales/wppn-12-21-decarbonisation-through-procurement-html>

Sustainable Communities for Learning Guidance see annex 9 and 16a

<https://gov.wales/sustainable-communities-learning-business-case-guidance>

## Carbon Reduction Assessment of activities contained within the SBCD Portfolio

### APPENDIX 1 Project Net Carbon Zero Contributions

Below is an initial summary of the key carbon reduction contributions contained within the SBCD Portfolio noting that some programmes and projects are more advanced than others and some have more focus in the carbon reduction sector and hence have more clarity of potential carbon reducing achievements

|                                    |  |                                    |  |               |
|------------------------------------|--|------------------------------------|--|---------------|
| <b>HAPS</b>                        | <b>10,300 homes fitted with renewable tech</b>   |                                    |  |               |
|                                    | <b>10,417 + KWh energy saving</b>  |                                    |  |               |
|                                    | <b>19,000+ CO2 reduction per year</b>  |                                    |  |               |
|                                    | The key assumptions adopted from the case studies undertaken by the Cardiff University are shown in Table 4 along with the key values adopted for a new build or retrofit, occurring in 2020. The total value is the sum of the value of each type of fuel saving plus the income from producing electricity. For example, for new build the total value in 2020 per home is: the value of gas saving (£149) plus value of electricity saving (£337) plus income from electricity production (£641) = £1,127 x 50% = £564. |                                    |  |               |
|                                    | <b>Table 2.4: Energy Saving Value/house HAPS Project Test-bed Homes</b>  |                                    |  |               |
|                                    | <b>New Build (per house)</b>   |                                    | <b>Retrofit (per house)</b>  |               |
|                                    | Technologies adopted include:<br>Mechanical Ventilation with Heat Recovery (MVHR)<br>Air Source Heat Pump (ASHP)<br>Solar PhotoVoltaics and Batteries  |                                    | Technologies adopted include:<br>Mechanical Ventilation with Heat Recovery (MVHR)<br>Ground Source Heat Pump (GSHP)<br>Solar PhotoVoltaics and Batteries |               |
|                                    |  |                                    |  |               |
|                                    | Energy saving gas  | 8249 kWh/year                      | Energy saving oil  | 9737 kWh/year |
|                                    | LRVC gas (2020)  | 1.81p/kWh                          | LRVC oil (2020)  | 4p /kWh       |
|                                    | Value saving gas   | £149                               | Value saving oil   | £393          |
|                                    |  |                                    |  |               |
|                                    | Energy saving electricity  | 3230 kWh/Year                      | Energy saving electricity kWh  | 680           |
|                                    | LRVC electricity (2020)  | 10.42p/kWh                         | LRVC electricity (2020)  | 10.42p/kWh    |
| Value saving electricity           | £337   | Value saving electricity           | £71  |               |
|                                    |  |                                    |  |               |
| Income from electricity production | £641   | Income from electricity production | £1051  |               |
|                                    |  |                                    |  |               |
| Cost adjustment factor             | 50%  | Cost adjustment factor             | 50%  |               |
|                                    |  |                                    |  |               |

## Carbon Reduction Assessment of activities contained within the SBCD Portfolio

|                             |             |                             |             |
|-----------------------------|-------------|-----------------------------|-------------|
| Total value per home (2020) | <b>£564</b> | Total value per home (2020) | <b>£758</b> |
|-----------------------------|-------------|-----------------------------|-------------|

Note: this table refers to 2020 for ease of presentation, all values incorporated into the CBA are adapted for the number of new builds and retrofits over time, as well as changes in LRVC

\*converted from LRVC price/litre to kWh using 10.122 as per Supplementary Guidance

**Table 2.5: Reduction in Greenhouse Gases, HAPS Project Test-bed Homes**

| New Build (per house)       |            | Retrofit (per house)        |            |
|-----------------------------|------------|-----------------------------|------------|
| Non-traded CO2 reduction    | 1179 CO2   | Non-traded CO2 reduction    | 2068 CO2   |
| Non-traded carbon price     | £69/tCO2   | Non-traded carbon price     | £69/tCO2   |
| Non-traded value            | £81        | Non-traded value            | £144       |
| Traded CO2 reduction        | 4366 CO2   | Traded CO2 reduction        | 2501 CO2   |
| Traded carbon price         | £14/tCO2   | Traded carbon price         | £14/tCO2   |
| Traded carbon value         | £61        | Traded carbon value         | £53        |
| Cost adjustment factor      | 50%        | Cost adjustment factor      | 50%        |
| Total value per home (2020) | <b>£71</b> | Total value per home (2020) | <b>£99</b> |

**Table 2.6: Fuel Poor Households in Swansea Bay City Region, 2018**

| Local authority area | Total households | Fuel poor households | Fuel poor % |
|----------------------|------------------|----------------------|-------------|
| Pembrokeshire        | 51,761           | 12,083               | 23%         |
| Carmarthenshire      | 76,771           | 18,934               | 24%         |
| Swansea              | 100,787          | 24,394               | 24%         |
| Neath Port Talbot    | 58,780           | 14,450               | 24%         |
| Regional Total       | <b>288,099</b>   | <b>69,861</b>        | <b>24%</b>  |
| All Wales            | <b>1,265,000</b> | <b>291,000</b>       | <b>23%</b>  |

**Note: updated figures from Welsh Government stats released in April 22 highlighted the Wales figure for fuel poverty to now be 45%.**

|               |   |
|---------------|---|
| <b>Skills</b> | Future skills development including <ul style="list-style-type: none"> <li>• 2,200 additional skills</li> </ul> |
|---------------|---|

**Carbon Reduction Assessment of activities contained within the SBCD Portfolio**

|                |   |
|----------------|---|
|                | <ul style="list-style-type: none"> <li>• 14,000 people upskilled</li> <li>• 3,000 new apprenticeship opportunities</li> <li>• 3 Centres of Excellence with a potential for two focused on decarbonisation and renewable energy</li> </ul> <p>Over the longer term the Skills and Talent Initiative will be assessing future skills needs in a Zero Carbon future, providing the right skills for future needs. An early pilot project already in place focuses on the renewable energy sector and it is reasonable to assume that this may be the start of a renewables centre of excellence being developed.</p>   |
| <b>Digital</b> | <p>Roll out of regional high speed full fibre and mobile broadband, 5G and IOT enabling more low carbon initiatives to develop. Advanced Digital Infrastructure enables many other social benefits, in relation to carbon reduction. These are linked to travel reductions, more access to remote working and other potential long term requirements such as reutilising existing infrastructure, alternative services and potentially reducing future construction activity giving a reduction in carbon footprint, over a longer period of time</p>   |
| <b>Yr Egin</b> | <p><b>363.4 sqm BREEAM excellent floorspace phase 1</b></p> <p>Yr. Egin 1 provides 40,000 sq ft for Welsh Media company S4C and the University's new media faculty and offices, was constructed prior to the announcement of a climate emergency. However, the building has a large amount of energy efficient design achieving a BREEAM excellent rating for sustainability as per WG guidelines.</p> <p>Examples of what has been incorporated within the design areas follows:</p> <ul style="list-style-type: none"> <li>• Ie PVs, Cycle provisions, public transport management plan, passive building management etc</li> </ul>   |
| <b>PDM</b>     | <p><b>1,000 MW contribution to decarbonisation targets</b></p> <p>The programme will establish a world-class centre for marine engineering with an immediate focus on low carbon energy<br/>Pembroke Dock Marine provides the support structure for the growth of an industry that targets the generation of decarbonised energy</p> <ul style="list-style-type: none"> <li>• Directly contribute to UK and Welsh decarbonisation targets by enabling industry to upscale devices efficiently to harness 1GW of marine derived energy.</li> <li>• Align with UK aims to establish a decarbonised energy generating industry in order to meet 2050 net zero emissions targets.</li> </ul> <p>PDM elements will play a critical part in bringing down the current cost of marine derived energy to a more acceptable level to become comparable with other decarbonised energies such as nuclear.</p> <p>PDM will make a significant contribution to achieving the Welsh Government’s target of 70% of electricity consumed in Wales from Welsh renewable sources by 2030,<br/>In terms of securing the economic benefits of the transition to a low-carbon economy, research<sup>29</sup> indicates that an installed capacity of 60MW, 300MW and 1GW in Wales alone would return £72m, £303m and £840m of GVA. Additionally, 60MW, 300MW and 1GW of</p> |

**Carbon Reduction Assessment of activities contained within the SBCD Portfolio**

|   | <p>installed capacity is expected to create, 2,030, 8,510 and 23,760-person years of employment respectively across the manufacturing and energy, construction and maintenance, distribution, transport and communications and professional and public services sectors.</p> <p>Marine energy technologies have the potential to displace coal and natural gas generation on the grid and to reduce CO2 emissions permanently by at least 1MtCO2 per year after 2030 and at least 4MtCO2 per year after 2040</p> <p>Cost Reduction<br/>Tidal stream has potential to reach LCOE of £150 per MWh by 100MW installed, reducing to £90 per MWh by 1GW and £80 per MWh by 2GW. Further reductions are possible with additional focus on innovation and continued reductions in cost of capital towards levels coming through in offshore wind.</p> <table border="1" data-bbox="371 624 1400 735"> <thead> <tr> <th colspan="4">Environmental benefits (discounted, 2018 price)</th> </tr> <tr> <th></th> <th>Option 2</th> <th>Option 3</th> <th>Option 4</th> </tr> </thead> <tbody> <tr> <td>Carbon Dioxide (CO2) savings</td> <td>£8.2 million</td> <td>£2.5 million</td> <td>£8.2 million</td> </tr> </tbody> </table>   | Environmental benefits (discounted, 2018 price) |              |  |  |  | Option 2 | Option 3 | Option 4 | Carbon Dioxide (CO2) savings | £8.2 million | £2.5 million | £8.2 million |
|---|---|---|--------------|--|--|--|----------|----------|----------|------------------------------|--------------|--------------|--------------|
| Environmental benefits (discounted, 2018 price) |   |   |              |  |  |  |          |          |          |                              |              |              |              |
|   | Option 2  | Option 3  | Option 4     |  |  |  |          |          |          |                              |              |              |              |
| Carbon Dioxide (CO2) savings                    | £8.2 million  | £2.5 million                                    | £8.2 million |  |  |  |          |          |          |                              |              |              |              |
| <p><b>Swansea Waterfront</b></p>                | <p><b>Total: 12,884 sqm BREEAM excellent floorspace</b></p> <p>The programme includes low carbon strategies will be at the heart of the design and build of the new developments, to cut energy use and contribute to a low carbon economy in Wales. Including use of Solar panels providing a % of required energy use, , LED lighting and has achieved a 64% materials in construction procured from Wales</p> <p><b>71/72 Kingsway</b> Floor area: 10,684 sqm, BREEAM: Excellent projected and will be operationally carbon zero. 71/72 Kingsway includes some innovative features to ensure its operationally carbon zero rating. The new development will include a green roof terrace, solar panels on top of the building, trees on each level, underfloor heating and heat recovery systems to minimise energy use with a rainwater capture feature, helping with water supply to plants and trees in and around the building. Glazing throughout the development will allow natural light into the building, further reducing energy consumption. The new pedestrian link between The Kingsway and Oxford Street the development is providing will be lined with greenery and flora. The building is situated on an active travel route, minutes from the city’s main bus and rail stations. Recent improvements on The Kingsway have facilitated Swansea’s push for more carbon neutral ways of travelling, providing wide walkways and cycleways leading off the development. There will also be a bus stop immediately outside the building.</p> <p><b>Innovation Matrix</b> Floor area 2,200m2 of BREEAM: Excellent high-quality floor space which complements the University’s existing IQ and Y Fforwm buildings, in the heart of UWTSU’s Innovation Quarter. With aspirations to achieve net carbon zero, RIBA 2030 climate challenge applying intelligent building systems and having a “cradle-to-grave” construction strategy.</p> |   |              |  |  |  |          |          |          |                              |              |              |              |

|                           |  |
|---------------------------|--|
| <p><b>Pentre Awel</b></p> | <p><b>50,000 sqm BREEAM excellent floorspace</b></p> <p>Pentre Awel Zone 1 will include a significant amount of carbon reducing technologies:</p> <ol style="list-style-type: none"> <li>1. The building is on target to achieving a BREEAM Excellent rating. With respect to Energy credits and (in particular Ene01 which focusses on the building performance for energy efficiency and carbon emissions reduction) the building is currently achieving between 4-6 credits (to be verified by the BREEAM Assessor) which is in excess of the mandatory minimum for the targeted Excellent rating.</li> <li>2. Fabric First Approach</li> </ol> <p>Throughout the design process the design team has endeavoured to minimise the building energy demand through passive design, supplying energy effectively and utilising renewable energy measures. To complement the fabric first approach in minimising energy demand the building is targeting a construction air permeability of 3 m3 /h.m2 at 50 Pa. This is a significant reduction compared to the regulatory minimum performance of 10 m3 /h.m2 at 50 Pa, which will benefit the scheme in reducing primary energy demand</p> <ol style="list-style-type: none"> <li>3. Mechanical and electrical design considerations             <ul style="list-style-type: none"> <li>• Natural daylight to be utilised wherever practical to reduce the energy use associated with electrical lighting.</li> <li>• Reduced direct solar gain to reduce the need for comfort cooling or air conditioning.</li> <li>• Daylight to be balanced against solar gain.</li> <li>• Solar control glazing will be used on all facades.</li> <li>• High efficiency lighting system (LED) will be provided with presence and absence detection controls, provision of manual control still an option where room function requires this.</li> <li>• High efficiency lighting system (LED) at the perimeter of the building will be provided with daylight linked dimming controls.</li> <li>• Natural ventilation will be utilised whenever possible to reduce the energy use associated with mechanical ventilation and cooling (operation and acoustic dependent)</li> </ul> </li> <li>4. Air Source Heat Pumps</li> </ol> <p>The energy strategy incorporates Air Source Heat Pumps (ASHP) as the primary source of heating provision for the whole building. The design has developed to allow the ASHPs to deliver the bulk of the heating demand and to deliver the base load of the building. There will be times of the year when the ASHPs will be supplemented with heat top up from alternative gas boilers, however, The heating system design has been optimised to maximise the heat input from the ASHP.</p> <ol style="list-style-type: none"> <li>5. Ventilation</li> </ol> <p>The building is provided with multiple forms of ventilation generally comprising of either natural or mechanical ventilation proposals. The use of natural ventilation has been provided wherever possible to minimise the use of energy intensive form of ventilation</p> <ol style="list-style-type: none"> <li>6. Rainwater harvesting</li> </ol> <p>Rainwater harvesting is provided to offset the water demand of the building</p> <ol style="list-style-type: none"> <li>7. Photovoltaic (PV) panels</li> </ol> |
|---------------------------|--|

**Carbon Reduction Assessment of activities contained within the SBCD Portfolio**

|                     |  |
|---------------------|--|
|                     | <p>PV panels are provided at roof level of the building to provide an onsite electric generation source. The overall area of PV panels has been optimised to deliver the energy savings that contribute to the compliance aspects (energy demand and carbon emissions – Approved Document L2A) and also the credits achieved under BREEAM Ene01. The extent of PV allocation comprises of circa 1250m<sup>2</sup> panel area which aims to deliver 150 kW peak electricity generation and offset incoming grid derived electricity by some 176,000 kWh per annum</p> <p>8. Electrical Vehicle (EV) charging<br/>Up to 10% of the total parking provision within the Zone 1 development will be served by EV charging. 33 spaces in total (29 standard spaces, 4 accessible spaces)</p> <p>9. Future proof design and heat network<br/>The first phase of development at Pentre Awel has been progressed with a focus upon dedicated heat generation being delivered from within the confines of the Zone 1 energy centre. Carmarthenshire County Council (CCC) does, however, have a desire to maximise future opportunities through the development of adjacent Zones and, as such, the Zone 1 scheme has been designed to be capable of accepting district heating mains (linked to adjacent energy/heat provision) when available and developed in greater detail as part of the wider site development. To enable this to happen the primary heating circulation, within the Zone 1 energy centre, features capped connections to the distribution pipework that are capable of being connected to an adjacent heat network. This will allow for future flexibility with an opportunity to deliver additional project benefits</p> <p>10. Construction Related Activities/On site operations<br/>There will be a number of construction related objectives and measures to deliver during site operations. Primarily these will be focused upon –</p> <ul style="list-style-type: none"> <li>• Minimising carbon miles - and emissions on site</li> <li>• Minimising carbon miles – and emissions from delivery of materials</li> <li>• Maximising the use of recycled and reasonably sources materials</li> <li>• Appropriately mitigating site waste</li> <li>• Reducing and monitoring embodies carbon within the building</li> <li>• Waste management, protecting and enhancing the biodiversity and ecology at Pentre Awel</li> </ul> <p>Pentre Awel was one of the first projects in the UK to be awarded 100% funding from the Department for Business, Energy and Industrial Strategy to undertake a heat network feasibility study that will explore options for low carbon heat and energy recovery. This will support Carmarthenshire County Council’s efforts to become a net zero carbon local authority by 2030.</p> |
| <p><b>SILCG</b></p> | <p><b>Total 28,500 sqm BREEAM excellent floorspace</b><br/><b>Bay Technology Centre</b> – 18,500sqm state of the art building of modern office and Laboratory space being the first commercial energy positive building in Wales. The innovative design and use of materials will provide a sustainable building that is energy positive with excess energy being used to generate hydrogen within the site. Innovative use of materials includes specialist photovoltaic panels made to look like cladding, and a ‘thermal mass’ of exposed precast floor slabs that can store and transfer heat from the building providing a cost effective heating solution. Winner of Net Zero Award in the 2022 Constructing Excellence Wales (CEW) Awards.</p>  |



**Carbon Reduction Assessment of activities contained within the SBCD Portfolio**

|                 |  |
|-----------------|--|
|                 | <p>1,320 jobs created working in the low carbon sector</p> <p><b>SWITCH</b> – A proposed 4,000 m2 BREEAM excellent specialised industrial research facility created to enhance applied research for steel &amp; metals industry - helping industry to decarbonise</p> <p><b>Advanced Manufacturing Facility</b> – A proposed 6,000 m2 Specialist hybrid facility providing a range of industrial / production units with pilot line and office space with apprenticeship opportunities.</p> <p>Air Quality Monitoring – monitoring levels of air pollution and informing necessary change.</p> <p>The programme also includes supplying Local electric vehicle charging infrastructure to reduce vehicle emissions across the county and a hydrogen stimulus project increasing Hydrogen production from renewable resources (excess energy from the BTC).</p> |
| <b>Campuses</b> | <p><b>2,700 sqm BREEAM excellent floorspace</b></p> <p>2000m2 of research and innovation for Sports Tech and Med Tech development serving as the gateway to the future sports village.</p> <p>700m2 Institute of Life Science innovation at Morriston Hospital co-locating commercial and academic collaboration alongside clinical R&amp;D</p>  |
|                 |  |

### APPENDIX 2 – BREEAM

In May 2009 the Welsh Assembly Government published a Ministerial Interim Planning Policy Statement (01/2009) Planning for Sustainable Buildings. This set out an expectation for most new developments seeking planning permission to achieve a minimum sustainable building standard. This was consolidated into section 4.11 of Planning Policy Wales. This was amended in October 2010 when changes were made to England and Wales Building Regulations Part L2A which introduced more stringent requirements for carbon emissions for both residential and non-residential dwellings. In July 2011, BRE introduced an updated BREEAM3 Scheme Document for New Construction (SD 5073), which describes the new environmental performance standard against which new, non-domestic buildings in the UK can be assessed, rated and certified.

BREEAM (Building Research Establishment Environmental Assessment Method) provides a holistic sustainability assessment framework measuring sustainable value in a series of categories and validating its performance with third party certification.

For non-residential developments, a BREEAM rating or an equivalent quality assured scheme may be required based on building floor area:

| Building floor area         | Policy requirement  |
|-----------------------------|---|
| <=250 m <sup>2</sup>        | Exempt  |
| 251 to 1,000 m <sup>2</sup> | No BREEAM required. Part L+10%* required (10% improvement over the Target Emission Rate (TER) for current Part L of the Building Regulations) |
| 1001 to 2000 m <sup>2</sup> | BREEAM 'Very Good' with 'Excellent' for Energy Credits (ENE01)  |
| 2001+m <sup>2</sup>         | BREEAM 'Excellent'  |

There are exceptions to the BREEAM requirement, some of which may affect projects within the Portfolio e.g. the Campuses refurbishment at Morriston and PDM hangar annexes refurbishment (not exhaustive as other criteria apply):

- all buildings with a floor space of 250m<sup>2</sup> and under
- all extensions, alterations, refurbishments and change of use of existing buildings
- where Welsh Government provides less than £1,000,000 of financial aid