

Swansea Bay City Deal

Programme Business Case



Document Control Note: this document may not be valid anymore. Please check for the latest approved version of the document	
Date:	17/06/2020
Version:	V1.1 Consultation Draft Update
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Document Change Record

Version	Date	Author	Summary of change	Approved
V1.0	27/05/2020	PA/GJ/RA	V1.0 PB Consultation Draft	JB
V1.1	20/06/2020	PA	<p>V1.1 Consultation Draft Update. Includes updates from consultation:</p> <ul style="list-style-type: none"> • Realigned order of cases. • Updates to Strategic Case: Strategic overview, strategic alignment, governance, investment objectives, risks, dependencies and constraints. New summary section added. • Updates to Economic Case: Historic background to CSFs and long & shortlist assessment. Some changes to table contents • Updates to Financial case: numerical justification • Updates to Management case: SRO appointment, risk management and use of specialist advisors 	

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EXECUTIVE SUMMARY

The Swansea Bay City Deal gives a once-in-a-generation opportunity to provide the critical intervention that's needed to improve people's lives in all communities throughout the Swansea Bay City Region.

The City Deal will achieve this through significant investment in a programme of transformational projects focused on emerging growth sectors including life sciences, energy, smart manufacturing and economic acceleration.

It will provide the means by which the region can harness and accelerate the potential of its unique combination of assets. This, in turn, will allow the region to realise a step change in economic innovation that will enable significant economic growth.

In February 2016, following thorough cross-regional consultation, the 'Internet Coast' City Deal proposal was agreed by the Swansea Bay City Region Board. The proposal featured several assessed projects that were selected from a longer list of 19 projects.

It was subsequently supported by the Chancellor of the Exchequer, who announced in his March 2016 budget that he was opening discussions with the region's Board. In the Autumn statement of 2016, the Chancellor recommitted the government's support for a City Deal for the Swansea Bay City Region.

Since the early 1990s, the Swansea Bay City Region's Gross Value Added (GVA) has fallen considerably below the UK average, which has impacted on people's opportunities and aspirations.

The City Deal will address this decline through the creation of thousands of high-value jobs for people local to the region, while also helping leave a sustainable long-term legacy for generations to come. Through an unprecedented programme of public and private sector investment, the City Deal will turbocharge the regional economy, raise the City Region's profile and help attract further inward investment for the benefit of regional residents and businesses.

The City Deal programme will be supported by world class digital connectivity, along with a skills and talent initiative that will put education and training pathways in place for regional people to access the employment opportunities being created. This will boost the region's knowledge economy by helping retain young talent, while also acting as a catalyst for further investment and economic growth.

Utilising the Treasury Green Book Programme Business Case approach, the overarching Programme Business Case outlines the strategic, economic, commercial, financial and management cases for the City Deal.

Borne out of the challenges and opportunities identified in the Swansea Bay City Region Economic Regeneration Strategy (2013 to 2030), the City Deal is closely aligned to a number of local, regional, national and UK-wide policies and strategies aimed at tackling persistent challenges including poverty, economic inactivity, digital connectivity and decarbonisation. Examples of synergies include the City Deal's close alignment to the Well-Being of Future Generations Act (Wales) 2015 and the UK Government's Industrial Strategy.

The strategic case of this document outlines these alignments and many others, while setting the scene for the City Deal's justification and scope.

SMART (Specific, Measurable, Realistic and Timebound) City Deal critical success factors are included in the economic case, as well as the process that led to the selection of projects forming part

of the programme. Along with overall programme outputs, the economic impact of the City Deal's identified key themes has been calculated, with analysis also provided on further project benefits including return on investment, the number of businesses to be supported, carbon reduction targets and the number of skills and training opportunities to be supported.

The importance of the regional and foundational economies is at the heart of the City Deal programme. As such, detail is provided in the commercial case of this document on a series of City Deal procurement principles which are aimed at ensuring that the regional supply chain and local businesses have the opportunity to achieve maximum benefit from the investment programme. Community benefit clauses will also be championed throughout the programme as a further conduit to realising the objective of long-term economic change.

In the financial case of this Programme Business Case, a City Deal investment breakdown is provided, along with a programme financial overview, a programme financial analysis, and details on the City Deal funding flow. Grant funding profile information is also provided, as well as detail on the management of financial risk.

Details on how City Deal programme risks will be captured and mitigated run throughout this Programme Business Case, along with information on how financial benefits and other outputs will be measured and evaluated.

This is especially the case in the Management Case which also documents the extent of City Deal partnership working and the governance and assurance arrangements which are in place. These arrangements are being continually improved, with expert private sector input to the programme being provided by an Economic Strategy Board of regional business leaders. An Integrated Assurance and Approval Plan (IAAP) is also being developed to provide further programme assurance, along with Office of Government Commerce (OGC) Gateway reviews and other assurance activities for both the City Deal programme and its constituent projects. This builds on work which has already taken place, including a City Deal Implementation Plan, a Risk Register and an Issues Log that are being regularly monitored and updated.

As with many major and complex programmes of its kind, the Swansea Bay City Deal has evolved since inception. This is reflected in the replacement of three initial project proposals due to be led by a local authority partner with one project interlinked by four individual components which combine to meet an emerging growth sector identified as key to enhancing regional economic prosperity. This programme change is highlighted throughout this Programme Business Case, along with its justification and objectives.

The Programme Business Case also considers the external environmental context in which it operates, including Covid-19 and the economic uncertainty posed by the UK's impending departure from the European Union. Regional stakeholders view the City Deal as the catalyst to improve the lives of people living in or visiting the region, while providing the appropriate scale of intervention needed to help accelerate regional economic recovery. This will become even more impactful when dealing with the consequences of Covid-19 and Brexit.

THE STRATEGIC CASE

1.1 Strategic Context

The Swansea Bay City Region is made up of the four local authority areas of Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea, with a combined population of more than 685,000 people. The City Region – which covers the South West Wales area - was launched in July 2013, with support from the Welsh Government.

Its creation 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 formal establishment of the Swansea Bay City Region built upon existing partnership working throughout South West Wales between regional local authorities, universities, health boards and other organisations.

The Swansea Bay City Region benefits from several extensive assets which provide unique opportunities for economic growth, including:

- Natural resources and infrastructure
- Urban hubs
- A growing knowledge economy
- Globally recognised science-based facilities
- Distinguished universities with expertise in research and development
- Strong manufacturing traditions
- A skilled, diverse and resourceful workforce
- Considerable commuting flows across the area

The strategic context for the Swansea Bay City Deal is outlined in the Swansea Bay City Region Economic Regeneration Strategy 2013 – 2030, which represents an ambitious strategic framework to support South West Wales and its future economic development. The document sets out that framework, which is intended to stimulate and shape the work of all our stakeholders as we come together behind a common vision to enhance the long-term prospects of our City Region's economy, businesses and communities.

It is an unambiguous strategy for economic success, designed to accelerate our growth so that we can reduce the gap with the performance of the rest of the UK in wealth creation terms. Despite the strategy bringing much-needed certainty and assurance to our development thinking, given the speed of change evident within an increasingly globalised world economy, it is vital that the strategy has in-built responsiveness and flexibility at its core, so that it can be delivered in a dynamic fashion, while responding quickly and assertively to breaking market, technology and policy opportunities.

It is a forward leaning strategy that pro-actively charts a better economic future for the City Region and its citizens. It connects and articulates our complex economic, social and environmental needs at the City Region level, whilst also recognising that wider policy thinking at the level of Wales, the UK and EU will also impact greatly on the City Region's future direction.

The framework has been designed to support the City Region's development over the next two decades. As such, it is intended to provide clarity, consistency and focus in terms of our collective action over that period, as well as setting out an innovative and stretching approach to tackling the structural challenges that are holding back our economy.

The framework comprises five complementary **Strategic Aims** that will be tackled in a balanced and comprehensive manner, while recognising that some of these will need to be progressed and

sequenced intelligently. It also contains four **Cross-Cutting Themes**, which are designed to convey the behavioural style in which we will deliver our strategy.

Reflecting this, the Strategic Framework presented in the following figure highlights what the evidence and stakeholder engagement work has identified as the most important strategic issues for our future socio-economic growth and development.

By 2030, South West Wales will be a confident, ambitious & connected City Region, recognised internationally for its emerging Knowledge and Innovation economy

The Productivity Imperative

Rationale

- GVA in the City Region has been consistently below that of the UK & Wales over the past two decades.
- In 2010, GVA per employee in the City Region was 77% of the UK level. In 1990, it was 90% of the UK level.

Objectives

- Change the sectoral mix of the City Region economy, with a clear shift towards higher value sectors
- Change the occupational mix of the City Region economy, through a shift towards higher level occupations
- Reduce the GVA per employee deficit to 90% of the UK by 2030



Cross-Cutting Theme 1: Thinking & Delivering Together for Regional Success

Cross-Cutting Theme 2: Quality & Intelligence-driven Leadership & Action

Cross-Cutting Theme 3: Being, & Acting, Connected

Cross-Cutting Theme 4: Understanding Sustainable Growth

Strategic context continued

The opportunity to develop a case for a City Deal brought together the regional authorities as described in cross-cutting theme (CCT) 1 of the strategy. Using the regional intelligence informed a direction of travel as per CCT2. Delivering in accordance with CCTs 3 and 4 led to the production of the **Swansea Bay City Region: City Deal - The Internet Coast 2016** proposal upon which this business case is based.

The proposal identifies that a future-proofed digital infrastructure will provide the transformative foundations for interventions in the City Deal which, when combined, create a paradigm shift in the design, development and application of technology within key sectors across the region. These interventions will centre on:

The Internet of Economic Acceleration - To deliver a coherent and integrated economic development strategy for the region that incorporates the identification of demand for and potential delivery of a next generation digital infrastructure and the creation of a digital district in Swansea and its hinterland. In addition, supporting the growth in the creative industries within the region through optimising the benefits of S4C's relocation, providing a recognised, world leading supportive environment for technology businesses and start-ups; and the development of the skills required to support growth.

The Internet of Life Science & Well-Being - To build on the existing regional assets through the expansion of research and innovation infrastructure and the piloting of a digitally integrated healthcare environment.

The Internet of Energy - To place the region at the forefront of energy innovation in the areas of sustainable house building to address fuel poverty, and the creation of a centre of excellence to develop and exploit aspects of marine and other energy.

Smart Manufacturing - To support the critically important regional manufacturing economy through aligning digital assets and research and development provision under Industry 4.0 principles to improve products, services and processes. In addition, developing a leading-edge innovation capability to support R&D within the steel industry in Wales and elsewhere in the UK.

The proposal requires that the UK Government and Welsh Government commit to providing £241 million of capital funding to support this City Deal, with £115.6 million being contributed by the UK Government and £125.4 million by the Welsh Government, reflecting the balance of reserved and devolved areas of spending in the proposed projects. The Governments will provide the funding over a 15-year period. Funding will be released following the agreement of full business cases for the projects within the proposal.

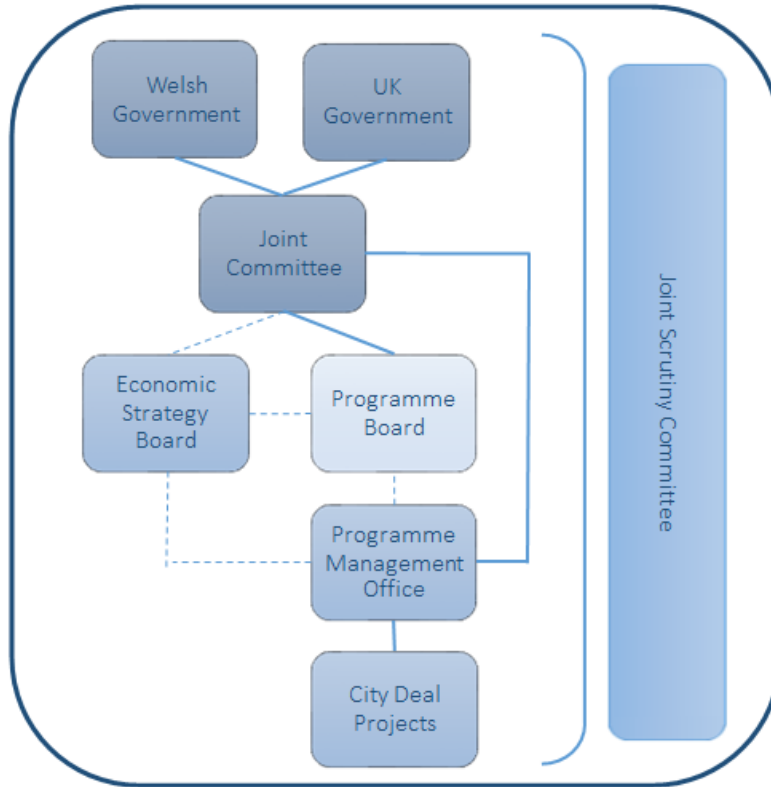
That proposal was approved by the UK Government and Welsh Government and the four local authorities when the agreed Heads of Terms document was signed by Prime Minister Theresa May and First Minister Carwyn Jones, the Secretary for State for Wales, the Cabinet Secretary for Finance and Local Government, and the four Local Authority Leaders

1.2 Organisational overview

The Swansea Bay City Deal is a partnership comprising of the four local authorities of Swansea, Carmarthenshire, Pembrokeshire and Neath Port Talbot, along with Swansea University, the University of Wales Trinity Saint David and the Hywel Dda and Swansea Bay University Health Boards.

A new delivery mechanism was required to satisfy the conditions of the City Deal. The organisational structure of the City Deal is overseen by the Joint Committee which comprises of the political leaders of the four local authorities that are delivering the Deal. The Joint Committee is supported by 1) A Programme Board comprising of senior officers from the major stakeholders and 2) a private sector Economic Strategy Board.

The governance committees are supported by a regional Programme Management Office. The organisational structure can be seen in the diagram below.



The roles and responsibilities of the governance committees are explored further in the Management Case.

1.3 Alignment with relevant strategies

Extensive work has taken place alongside a multitude of stakeholders to ensure the City Deal aligns with local, regional, national and UK-wide policies and strategies.

This has helped avoid duplication through a co-ordinated approach that will help realise shared goals throughout the Swansea Bay City Region and beyond.

Further detail on several of these alignments, which are summarised below, is available in *Appendix One* of this Programme Business Case. The alignment of individual projects with local, regional, national and UK-wide policies and strategies is included in their respective full business cases.

1.3.1. Local and Regional Policy Context

Swansea Bay City Region Economic Regeneration Strategy 2013 to 2030

Led by the former Swansea Bay City Region Partnership Board, the region developed the Swansea Bay City Region Economic Regeneration Strategy 2013 to 2030, which identifies key priorities for economic growth. This strategy underpins the broader regeneration strategies of the partner authorities.

The Swansea Bay City Deal is therefore fundamentally aligned to the region's broader ambitions for economic regeneration. The strategy contains five Strategic Aims (SAs) outlined below with the City Deal fit shown in the following table:

Strategic Aims of the Swansea Bay City Region Economic Regeneration Strategy	
SA1 Business Growth, Retention & Specialisation	The City Deal is based on industry-led propositions for each sector. It supports indigenous and external businesses to establish and grow in the region through providing innovative, next generation infrastructure and opportunities to develop, test and commercialise products.
SA2 Skilled & Ambitious	Working with all levels of skills providers from schools through to employers, the City Deal will ensure current and future generations are equipped with the skills to fulfil the high value opportunities for training and employment across City Deal sectors.
SA3 Maximising Job Creation for all	The City Deal will create thousands of high-value jobs in highly specialised, progressive industries with modern techniques and infrastructure.
SA4 Knowledge Economy & Innovation	Building on existing research and development successes within the region, the City Deal will further enhance the region's knowledge economy through utilising digitalisation and next generation technologies to enable progression of research and development to commercial application and delivery.
SA5 Distinctive Places and Competitive Infrastructure	The City Deal will create a globally competitive region across the sectors of economic acceleration, smart manufacturing, energy, and life science and well-being. It will deliver a sustainable, next generation infrastructure of inter-related innovative industry and digital networks. This will establish the region as an attractive proposition for inward investment, while developing indigenous and external businesses in the identified sectors. A skilled workforce will be trained in sectors pertinent to the investment programme.

The City Deal is also closely aligned to:

- The Regional Employment and Skills Plan (2019) developed by the South West and Mid Wales Regional Learning and Skills Partnership
- Swansea Council's Swansea Central Area Regeneration Framework
- Neath Port Talbot Council's Decarbonisation and Renewable Energy Strategy
- Carmarthenshire County Council's Transformation Strategy (2015 to 2030)
- Pembrokeshire County Council's Strategic Regeneration Framework

1.3.2. Welsh Policy Context

There are three clear examples in Wales of strategic legislation against which the City Deal demonstrates clear alignment:

1. The Taking Wales Forward programme for Government (2016 to 2021)
2. The Prosperity for All national strategy which supports it
3. The Well-Being of Future Generations (WBFG) Act 2015

The City Deal's inclusion of housing and economic acceleration projects also aligns to the Welsh Government's Vibrant and Viable Places regeneration framework of 2013.

1.3.3 The Taking Wales Forward programme for Government (2016 to 2021)

The City Deal's objective to drive long-term economic improvement and growth across a range of industry sectors is aligned to all the Taking Wales Forward strategic priorities, with specific City Deal projects having greater alignment to individual aspects of the programme. The skills and talent aspect of the City Deal, for example, is fundamentally aligned to the Taking Wales Forward priority of creating an ambitious and learning Wales.

Taking Wales Forward Priority	Swansea Bay City Deal Alignment
Prosperous and Secure	The Swansea Bay City Deal is focused on developing a prosperous and resilient economy for the region which creates sustainable industry, investment and opportunities which improve economic performance through creating more high-value jobs and increased GVA output. The City Deal programme will support indigenous businesses to prosper and attract inward investment to secure prosperity for all, while also addressing social prosperity through improving housing and addressing environmental issues relating to energy production and efficiency.
Healthy and Active	The City Deal strand of life science and well-being is focused on linking research, innovation and application to accelerate the productivity and impact of the sector. It will also provide opportunities and services which will directly improve well-being for citizens and communities through the provision of dedicated, inter-connected life science and well-being facilities. In addition, the creation of jobs, opportunities and economic prosperity through the City Deal as a whole will have positive impacts on the mental and physical well-being of the region's residents and communities.
Ambitious and Learning	Pivotal to the City Deal is ensuring that current and future generations of local people benefit from the opportunities resulting from the City Deal programme. The City Deal is underpinned by a skills and talent initiative which will ensure appropriate learning, training and skills is delivered from regional education providers to enable high-value employment in key identified sectors.
United and Connected	In focusing on improving digital connectivity and infrastructure, the City Deal will help connect and unite the region's communities and industries to maximise opportunities and economic growth. This focus also provides opportunities to better connect the region through innovative transport, planning and housing solutions.

1.3.4 The Prosperity for All national strategy

The Swansea Bay City Deal will contribute to the actions set out in the Prosperity for All national strategy which emphasises the commitments of Taking Wales Forward, while outlining how they will be delivered in a more joined up way that cuts across traditional boundaries, both inside and outside government.

As well as identifying actions to positively deliver against the individual themes of Taking Wales Forward, the Prosperity for All strategy also highlights a number of cross-cutting themes (early years, housing, social care, mental health, and skills and employment) which have the greatest potential contribution to long-term prosperity and well-being.

The City Deal significantly aligns with these cross-cutting themes, given the programme and cross-project focus on issues such as skills and talent, well-being and energy efficiency.

Like the Swansea Bay City Deal, Prosperity for All also embraces the five ways of working under the Well-Being of Future Generations (WBFGE) Act 2015 in outlining how it will work to achieve its actions and ambitions.

1.3.5 The Well-being of Future Generations Act (2015)

As a 15-year programme which provides an opportunity to address persistent challenges such as climate change, poverty, inequality, jobs and skills in a transformational and preventative way, the City Deal is in keeping with the approach and ambitions of the Well-being of Future Generations Act (WCFG).

In being underpinned by a collaborative and forward focused approach, the WCFG Act's five ways of working are inherent to developing and delivering the City Deal. The City Deal is an opportunity for the four local authorities, two local health boards, two universities and the private sector to demonstrate how the five ways of working can be used effectively to ensure major public investment programmes are delivered with long-term, sustainable impacts for current and future generations.

Given the breadth of the Swansea Bay City Deal programme, it also has a significant impact across the seven well-being goals for Wales:

A Prosperous Wales	The Swansea Bay City Deal will improve the GVA of the region, helping close the economic gap with other parts of the UK. It will create thousands of direct jobs, with the skills and talent initiative ensuring current and future workforces have the necessary skills to fulfil opportunities offered. The City Deal will provide an attractive, innovative and sustainable base for existing and new businesses to prosper, while generating further job opportunities for local people. In addition, a focus on well-being will improve prosperity for all at an individual and community level.
A Resilient Wales	In focusing on next generation technologies to diversify and grow existing regional industry assets, the City Deal will future proof these sectors. Through the use of digital technologies, the City Deal will create a responsive industry ecosystem that will be flexible to the demands of businesses and the labour market. Given the on-going impact of Covid-19 and the economic uncertainty posed by Brexit, the City Deal's digital focus will create more resilient communities. City Deal projects will also address issues such as fuel poverty and climate change via focus on zero carbon solutions.
A Healthier Wales	A focus on life science and well-being will generate new technologies, applications and service delivery models which will maximise the physical and mental well-being of residents and communities. This will increase knowledge and understanding of key life science and well-being challenges affecting the region's population and beyond, while developing effective next generation solutions that can be tested in real time. The impact of Covid-19 has heightened the importance of accelerating the development of this key sector, building on the outstanding life science research and clinical work already being carried out in the region.
A More Equal Wales	The Swansea Bay City Deal will put the region back on an equal footing with the rest of the UK in terms of GVA output, while ensuring it's globally competitive in the growth sectors identified. In focusing on economic growth, job generation, skills development, infrastructure and well-being, the City Deal provides equal opportunities for the businesses, residents and communities of the region to flourish.
A Wales of Cohesive Communities	Through enhanced digital infrastructure, the Swansea Bay City Deal will ensure communities and businesses are better connected than ever before. Establishing next generation, sustainable industry with high-value jobs and considerable economic impact will create viable and vibrant communities which attract inward investment. Digital connectivity has been at the heart of business and community resilience throughout Covid-19. Enhanced digital infrastructure provides the opportunity to further boost this resilience, while developing even more cohesive communities.
A Wales of Vibrant Culture & Thriving Welsh Language	The Swansea Bay City Deal will use digital technologies to accelerate and diversify creative industries which promote Welsh culture, language and heritage, making these assets more widely accessible to citizens within and beyond the region. The Yr Egin City Deal project highlighted in the economic case of this Programme Business Case is already delivering against this objective.
A Globally Responsible Wales	The Swansea Bay City Deal will put the identified regional growth industries at the forefront of next generation production and services. Through the City Deal, these industries will develop knowledge and commercial products which provide solutions to some of the most pressing issues of our time, including fuel poverty, climate change and energy production, storage and supply. These issues not only affect our region but are

	globally significant as well, so innovative solutions of this kind will be transferrable across the UK and the world.
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The City Deal's Regional Programme Management Office has been in discussions with the Office of the Future Generations Commissioner to explore from the outset how the constituent projects can use the Act as a framework at the design stage of projects. This approach will then ensure the contribution of each project towards the Act's seven Goals, while improving the Five Ways of Working during project development.

1.3.6 UK Policy Context

UK Industrial Strategy – Building a Britain Fit for the Future (2017)

At a UK level the City Deal is aligned to the Industrial Strategy, which outlines a long-term approach to improving living standards and economic prosperity.

The City Deal reflects the Industrial Strategy's ambitions to build on existing strengths and extend excellence into the future through closing gaps in productivity, while ensuring existing businesses evolve and grow in competitive modern markets. These ambitions are not only reflected in the City Deal programme, but also by smart manufacturing elements of the programme.

Swansea Bay City Deal alignment with the 10 pillars of the UK Industrial Strategy	
<p>Investing in science, research and innovation We must become a more innovative economy and do more to commercialise our world leading science base to drive growth across the UK.</p>	All City Deal programme projects are based upon peer-reviewed evidence of excellence in science, research, and innovation - many of which have RCUK funding and work within the Innovate UK Catapult Network.
<p>Developing skills We must help people and businesses to thrive by: ensuring everyone has the basic skills needed in a modern economy; building a new system of technical education to benefit the half of young people who do not go to university; boosting STEM skills, digital skills and numeracy; and by raising skill levels in lagging areas.</p>	Led by the South West and Mid Wales Regional Learning and Skills Partnership (RLSP), the City Deal's Skills and Talent initiative reflects the public and private partnership designed to address all of these points.
<p>Upgrading infrastructure We must upgrade our standards of performance on digital, energy, transport, water and flood defense infrastructure, and better align central government infrastructure investment with local growth priorities.</p>	The Digital Infrastructure and Homes as Power Stations City Deal projects align with this objective. The Joint Committee will also have responsibility for ensuring that the regional transport strategy both aligns with and supports the plan.
<p>Supporting businesses to start and grow We must ensure that businesses across the UK can access the finance and management skills they need to grow; and we must create the right conditions for companies to invest for the long term.</p>	The region has a strong track record of establishing new enterprises, while recognising that more work needs to be done to help grow these businesses. City Deal themes including greatly enhanced digital connectivity are intended to address this issue.
<p>Improving procurement We must use strategic government procurement to drive innovation and enable the development of UK supply chains</p>	The City Deal programme and its portfolio of projects have identified public sector procurement as an opportunity for fueling indigenous business growth and supporting the related supply chains. A series of City Deal procurement principles are also being developed.
<p>Encouraging trade and inward investment Government policy can help boost productivity and growth across our economy, including by</p>	The City Deal has generated a flow of opportunity to the region not seen previously, including conversations with major companies regarding location of regional

increasing competition and helping to bring new ways of doing things to the UK.	innovation hubs, research centres, test beds and manufacturing. The City Deal has also given the City Region opportunities to be showcased at international events for the business and investment community.
Delivering affordable energy and clean growth We need to keep costs down for businesses, and secure the economic benefits of the transition to a low-carbon economy.	A number of City Deal projects focus on decarbonisation and energy efficiency. This will drive development of low carbon energy solutions for users, ranging from residential through to major industry.
Cultivating world-leading sectors We must build on our areas of competitive advantage, and help new sectors to flourish, in many cases challenging existing institutions and incumbents.	From the outset, the City Deal plan has been built upon four guiding principles: excellence, differentiation, national impact and sustainability. For example, the locally based SPECIFIC project has been identified by UK Government as the potential catalyst for a billion pound industry based on recognised research excellence and UK industrial strengths.
Driving growth across the whole country We will create a framework to build on the particular strengths of different places and address factors that hold places back – whether it is investing in key infrastructure projects to encourage growth, increasing skill levels, or backing local innovation strengths.	The City Deal programme asks Government to back demonstrable evidence-based regional excellence in science and innovation that will have UK national impact. The life science and energy themed projects are among many that have potential for rollout across the UK. Also embedded within the City Deal is the development of skills to enable higher productivity.
Creating the right institutions to bring together sectors and places We will consider the best structures to support people, industries and places. In some places and sectors there may be missing institutions which we could create, or existing ones we could strengthen, be they local civic or educational institutions, trade associations or financial networks.	The region has already established its hugely successful Institute of Life Science at the heart of a regional innovation ecosystem, with the life science & well-being strands of the City Deal set to build on this strength.

1.3.7 Meeting Regional, Wales and UK-wide carbon emission targets

The Swansea Bay City Deal's energy theme – and several of its constituent projects – meet the decarbonisation agendas of the UK Government and the Welsh Government.

The City Deal will contribute to:

- The Environment (Wales) Act 2016, which requires the Welsh Government to reduce emissions of greenhouse gases in Wales by at least 80% by the year 2050
- The Welsh Government's Towards Zero Waste strategy
- The 'Prosperity for All: A Low Carbon Wales' plan published in March 2019
- The UK Government's 2050 net zero target, which was recommended by the Committee on Climate Change
- The UK Government's Clean Growth strategy

The 15-year programme of the City Deal also aligns to the Re-energising Wales project led by the Institute of Welsh Affairs, which sets out a plan for Wales to move to 100% renewable energy by 2035.

Over the last 12 months, all four local authorities throughout the City Region have also declared climate change emergencies, further emphasising the importance of growing the regional green economy.

1.3.8 Alignment with Regional, Wales and UK-wide digital strategies

Through its digital infrastructure focus, the City Deal will contribute to several regional, Wales and UK-wide digital strategies. These include – but are not restricted to:

- Regional public sector digital transformation strategies
- The Welsh Government’s Digital First and Delivering Digital Inclusion strategies

At a UK level, the City Deal’s digital theme aligns to:

- The Department for Culture, Media and Sport’s UK Digital Strategy
- The UK Government’s 5G strategy
- The UK Government’s Building Digital UK (BDUK) plan to deliver broadband networks to the nation. This features a commitment to digitally connect the final 20% of the hardest to reach premises in the UK, which includes parts of the Swansea Bay City Region

The City Deal’s digital strand also stands to potentially benefit from a number of Wales and UK-wide digital funding streams to be made available in the near future.

1.4 SMART Investment Objectives

The City Deal is a high-level strategic programme that involves Swansea Bay City Region local authorities, universities and health boards working in partnership with the UK Government, the Welsh Government and the private sector to deliver a programme of interventions that will enable economic growth and high-quality employment opportunities over 15 years.

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

The SMART (Specific, Measurable, Achievable, Realistic and Time-Bound) City Deal Investment Objectives are:

Category	Ref	Description
Financial	CDIO-1	To draw down £241m of government funding - £115.6m from UK Government and £125.4m from Welsh Government
	CDIO-2	To achieve £396m of local authority and other public sector funding to support the above
	CDIO-3	To attract £637m of private sector funding across all interventions
Non-Financial	CDIO-4	To create over 9,000 jobs
	CDIO-5	To contribute to increasing GVA by £1.8 billion
	CDIO-6	To deliver 9 specific interventions to achieve the above

By 2035 achievement of these investment objectives will successfully deliver a programme of interventions that will :

- Transform the regional economy
- Establish and maintain an effective and aligned skills base
- Create, prove and commercialise new technologies and ideas
- Develop a region with globally competitive next generation digital infrastructure
- Establish the region as a centre of excellence across identified key sectors
- Act as a catalyst for further investment

The specific interventions are listed below.

<i>Internet of Economic Acceleration</i>	Swansea Waterfront
	Yr Egin
	Skills & Talent*
	Digital Infrastructure*
<i>Internet of Life Science & Well-being</i>	LS&WB Village
	LS&WB Campuses
<i>Internet of Energy</i>	Homes as Power Stations
	Pembroke Dock Marine
<i>Smart Manufacturing</i>	Supporting Innovation and Low Carbon Growth

The objectives, which both align to and support the Swansea Bay City Region Economic Regeneration Strategy 2013 to 2030, also complement a number of projects in South West Wales which have similar goals to generate employment, support innovation and boost economic well-being.

These projects include on-going or planned town and city centre regeneration in all four regional local authority areas, along with other strategies aimed at tackling regional challenges including economic inactivity, digital and transport connectivity, decarbonisation, poverty and the development of skills.

A meeting of regeneration/economic development directors of all four regional local authorities takes place quarterly to ensure these projects and strategies are aligned, while supporting and complementing Swansea Bay City Deal interventions and the work of other partners.

This has helped develop an exemplar for partnership working that will benefit all residents and businesses throughout the City Region in coming years.

1.5 The case for change

1.5.1 Existing arrangements

Over the last 30 years, the Swansea Bay City Region's Gross Value Added (GVA) has fallen considerably below the UK average, which has impacted on high-value job opportunities and economic and social well-being.

Although this can be attributed to a combination of external factors, it's also the case that the regional public and private sectors were often working in isolation of one-another before the creation of the Swansea Bay City Region.

Collegiate working is essential if the region is to arrest this economic decline by tackling the service gap.

Reliance on public sector employment and traditional primary industries, which are increasingly under threat from automation and international competition, also puts the region at risk of falling even further behind the UK average in coming years without intervention. In addition, increasingly low levels of

productivity, coupled with high economic inactivity and poor health, threatens the life satisfaction and well-being of the region's population.

A business as usual approach will lead to further regional economic and social decline, with the intervention being proposed by the City Deal programme providing a trajectory for regional change.

This is now especially the case, given the on-going economic impact of Covid-19, along with the economic uncertainty posed by the UK's impending departure from the European Union.

1.5.2 Spending objectives

Through partnership working between the regional public and private sectors with the UK Government and the Welsh Government, the City Deal provides a once in a generation opportunity to harness and accelerate the potential of the region's unique combination of assets to enable considerable economic growth.

As outlined in the Economic case of this Programme Business Case, the City Deal will contribute significantly to regional, national and UK-wide GVA. Further benefits such as indirect GVA uplift and regional land value uplift will also be realised.

The combination of these economic interventions will close the gap between regional and UK average productivity levels, helping recover much of the region's lost GVA over the course of the 15-year City Deal programme.

The City Deal's objectives will be SMART (Specific, Measurable, Attainable, Relevant and Time-based), while leading to a more efficient, vibrant and resilient regional economy that benefits from a skilled, effective workforce.

1.5.3 Current and future business needs

Helping inform the Swansea Bay City Region Economic Regeneration Strategy 2013 to 2030, a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis was carried out.

Based on socio-economic data, this identified a number of key challenges facing the region, including too few businesses, poor existing business growth, a major skills deficit, and high levels of employment and economic inactivity compared to other parts of the UK. It was also found that the quality of regional infrastructure – both physical and digital - wasn't meeting the demands of modern businesses and communities.

Other findings included the Swansea Bay City Region lagging behind other parts of the UK in terms of the sectoral and occupational mix of its economy, which is currently largely driven by low value sectors and jobs.

The analysis also found, however, a number of significant regional opportunities including the potential further growth of emerging high-value sectors like energy, life sciences and well-being, advanced manufacturing and economic acceleration.

This is why work was undertaken to develop a City Deal programme based on accelerating economic prosperity through enhancing the global growth potential of these existing assets and industries, while improving the underpinning skills and infrastructure they need to thrive.

Aligned to the needs and aspirations of the region and its communities, City Deal intervention will:

- Accelerate the development of the regional circular and foundational economies
- Support existing supply chain businesses

- Develop world class clusters for identified sectors, helping further develop expertise and investment opportunities
- Focus on the development of the blue and green economies to place the City Region at the forefront of global innovation
- Provide businesses in urban and rural communities with the digital infrastructure they need to thrive in the digital age
- Align skills and training at school, college and university level to best meet the needs of employers in identified sectors
- Facilitate enterprise and entrepreneurship

City Deal intervention will also:

- Act as a catalyst for further economic growth, helping benefit businesses both now and in future
- Develop better links between world class academic research and development with employers
- Help retain talent by creating a region with high-value employment opportunities for our young people
- Enable the Swansea Bay City Region to be more competitive on the UK and global stages, which will attract further economic growth
- Equip Swansea city centre with the facilities and infrastructure needed to be a key economic driver of the City Region as a whole

1.6 Scope and service requirements

The service requirements of the Swansea Bay City Deal will be delivered by a number of organisations working in partnership with the private sector and both the UK Government and Welsh Government.

These organisations include Carmarthenshire Council, Neath Port Talbot Council, Pembrokeshire Council, Swansea Council, Swansea University, the University of Wales Trinity Saint David, Swansea Bay University Health Board and Hywel Dda University Health Board.

The programme's scope is based on the key identified themes of energy, life science and well-being, smart manufacturing and economic acceleration, supported by world class digital infrastructure along with skills and training pathways for regional residents.

These themes were identified by the Swansea Bay City Region's Economic Regeneration Strategy 2013 to 2030, helping inform the 'Internet Coast' City Deal proposal agreed by the Swansea Bay City Region Board. More detail on these identified themes is provided below.

1.6.1 Energy

Supply, safety of supply and cost of energy are global challenges, with climate change and energy security driving new forms of energy generation and conservation.

Unlike most other parts of the UK, however, the Swansea Bay City Region has a significant and diverse energy asset base, both in terms of conventional and renewable energy production and storage.

The City Deal will create a unique environment for innovation through its focus on zero carbon marine energy technology and generation, with the opportunity to lead the world in this sector.

Energy efficiency and sustainability are at the heart of the City Deal programme, which will benefit regional businesses and residents.

The City Deal will also help shape future energy supply and demand in the region, while addressing social issues like affordable housing and fuel poverty, which are particularly prevalent in the region's rural communities.

1.6.2 Life-Science and Well-Being

The increased prevalence of chronic diseases and rapidly rising mental health issues, coupled with an ageing population and financial pressures in the health sector, means there's now an increasing demand for innovative approaches to addressing the health needs of the population. In addition, as our understanding of human biology grows, so too does the complexity of the science which supports it. This science has unleashed vast amounts of data, which require improvements in processing, analysis, visualisation and distribution to make it useful to researchers, technology developers, healthcare professionals and end users.

The Swansea Bay City Region already has a growing, world class life sciences sector with major collaborations between the two regional universities, commercial healthcare system developers and the two regional health boards.

The City Deal will build on this collaboration by creating a living laboratory via a digitally connected network of life science and well-being developments. This regional life science and well-being ecosystem will deliver a range of specialist services to improve well-being, while delivering economic and social benefits for all.

1.6.3 Economic Acceleration

Economic acceleration underpins the development and ambitions of each of the City Deal industry sectors and the programme as a whole, but it's also an industry sector in its own right.

Talent, industry and capital can operate from anywhere in a competitive global economy, with business attraction far more likely to places with the strongest innovation infrastructure. Providing the necessary infrastructure – physical, virtual, and intellectual – to create conditions for innovation and for businesses to develop, relocate, invest and grow in the region is essential to the success of the City Deal.

1.6.4 Smart Manufacturing

The Swansea Bay City Region has a strong history of manufacturing which, in line with all traditional manufacturing models, is increasingly under threat from automation and global competition.

The region must diversify and expand its manufacturing base to establish itself as a competitive base for smart manufacturing companies. Through adopting the Industry 4.0 approach, which combines advanced manufacturing and state-of-the-art digital capability, the City Deal will provide unique opportunities to achieve this diversification.

Local industry is at the forefront of the development and implementation of this new manufacturing age. There is also increased integration between the region's renowned research and development capabilities and industry, which has already led to the development of new product/service opportunities. Through aligning current developments with the innovation capability offered by the City Deal, this will give the region a competitive advantage.

1.6.5 Digital connectivity

Digital infrastructure is a significant location driver for many firms, so faster connectivity alongside greater capacity is key to spurring innovation and economic growth.

Based on this premise, the City Deal will create a region connected internally and to the wider world with hyper fast, high-capacity digital connections which will attract inward investment, while creating markets and customers for new and existing businesses across the region in key identified growth sectors. Physical and virtual infrastructure developments will also be complemented by focused development of the region's knowledge infrastructure to ensure current and future workforces have the necessary skills required to deliver both the ambitions and legacy of the City Deal.

The City Deal aligns the planned regional digital transformation with current and future market opportunities in these key growth sectors.

The necessity of high-quality digital infrastructure, as well its growing importance to the life science sector, has been heightened throughout the on-going Covid-19 emergency. Improved connectivity will benefit businesses in all the region's communities, helping strengthen resilience and well-being.

1.6.6 The development of skills

Research shows the Swansea Bay City Region suffers not only from a skills gap but also from a 'brain drain' because of the amount of indigenous young talent migrating elsewhere in the UK to find high-value work.

The development of regional skills is essential to arrest this decline. Underpinning the City Deal programme as a whole, a skills and talent initiative will provide a pipeline of highly skilled, work ready regional residents to access the high-value jobs the City Deal will generate in identified growth sectors. Not only benefiting residents and businesses, this will also ensure the long-term legacy of the City Deal throughout the programme and beyond, while boosting the regional knowledge economy.

1.7 Main benefits and risks

The broad nature of the Swansea Bay City Deal programme means there are a number of associated high-level benefits and risks.

1.7.1 Benefits

Benefits include a significant boost to regional GVA and the thousands of high-value jobs to be created – both of which are outlined in more detail in the economic case of this Programme Business Case. Other financial benefits include an emphasis on the regional economy, which will support existing supply chains and other regional businesses during the construction phase of City Deal projects and beyond. The City Deal's focus on energy efficiency and carbon reduction will also accelerate the development of the region's blue and green economies, helping contribute to Wales and UK-wide decarbonisation targets.

As well as financial benefits, the City Deal programme of interventions will also provide socio-economic benefits that:

- Tackle fuel poverty
- Improve people's health and well-being
- Create more resilient business communities
- Benefit rural communities and the tourism sector through enhanced digital connectivity

- Boost the knowledge economy by helping retain young talent to pursue their work and life goals within the region
- Tackle the regional skills gap
- Increase the number of people accessing skills and training for employment in identified growth sectors
- Act as a catalyst for further investment
- Assist the region in realising its sustainability goals

This is detailed further in the economic case on a project by project basis. A City Deal programme level benefits register is under development, with benefits registers also forming part of the full business case of each constituent project.

1.7.2 Risks

Risks can be separated into 3 categories:

1. Business - These risks remain with the organisation (100%), cannot be transferred by the organisation, and include political and reputational risks.
2. Service - These risks fall within the design, build, financing and operational phases of the programme, and may be shared with the others from outside of the organisation.
3. External - These risks affect all society and are not connected directly with the proposal. They are inherently unpredictable and random in nature. They include technological disruption, legislation, general inflation and catastrophic risks.

Category	Risk
Business	Partner/partners withdrawing from the programme Partner /partners' loose commitment Failure to achieve public sector contributions Failure to realise programme and constituent project objectives Programme delays – governance and administration Identified projects no longer being fit for purpose A business as usual approach which carries the risk of further regional economic decline,
Service	Funding delay from Governments Inability to secure private sector commitment to projects Procurement and delivery delays
External	A change of government at either the UK Government or Welsh Government A cluttered policy landscape at local government, Welsh Government and UK Government level which reduces the impact of City Deal intervention The effects of the Brexit agreement The effects of the Covid-19 pandemic

The level of partnership working between the regional public and private sectors with both Governments to deliver the City Deal programme is also unprecedented, with each partner needing to maintain commitment to the City Deal to deliver programme outputs.

The risks associated with the City Deal are captured at both a programme and project level through detailed risk registers, which also include counter measures for action, avoidance and mitigation.

Programme risks are identified in more detail in the economic case of this Programme Business Case.

1.8 Constraints and dependencies

This business case acknowledges that there will be constraints and dependencies at project delivery level. However for this case the focus is on the programme level.

Key constraints:

- Fixed term funding agreements: Five-year delivery and spend vs 15-year repayment process
- The lifespan of the programme, with each project needing to deliver targeted outputs over a 15-year term
- Affordability for each project over the programme life span, with limits on capital and revenue spend

Key dependencies.

- Continued Government support for City Deals
- Continued local authority support for the City Deal and regional working
- The ability of the project sponsors to deliver the projects on time, to specification and within budget
- The ability to have a flexible approach to the programme outputs in line with required outcomes

1.9 Summary of Strategic Case

The investment objectives within the strategic case are summarised as follows:

Spending objective CDIO-1	To draw down £241m of government funding - £115.6m from UK Govt and £125.4m from Welsh Govt.
Existing arrangement	Low regional productivity and GVA. A series of national competitive funding opportunities with no regional coherence in delivery thus losing the opportunity for overall regional growth and economic impact.
Business need	To develop a vibrant regional economy via a clear and defined vehicle for regional economic and social growth without the need for competitive bidding.
Potential scope and services	An agreed programme of interventions within a pre-determined regional working framework.
Potential benefits	Achievement of economic and social benefits across the region.
Potential risks	Partner/partners withdrawing from the programme Partner /partners' loose commitment Funding delay from Governments A change of either the UK Government or Welsh Government The effects of the Brexit agreement The effects of the Covid-19 pandemic
Potential constraints	The lifespan of the programme, with each project needing to deliver targeted outputs over a 15-year term. Affordability for each project over the programme life span, with limits on capital and revenue spend

Potential dependencies	Continued Government support for City Deals Continued local authority support for the City Deal and regional working The ability of the project sponsors to deliver the projects on time, to specification and within budget
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Spending objective CDIO-2	To achieve £396m of local authority and other public sector funding to support the above
Existing arrangement	Low regional productivity and GVA. A series of national competitive funding opportunities with no regional coherence in delivery thus losing the opportunity for overall regional growth and economic impact.
Business need	To develop a vibrant regional economy via a clear and defined vehicle for regional economic and social growth without the need for competitive bidding.
Potential scope and services	An agreed programme of interventions within a pre-determined regional working framework.
Potential benefits	Achievement of economic and social benefits across the region.
Potential risks	Partner/partners withdrawing from the programme Partner /partners' loose commitment Funding delay from Governments Failure to achieve public sector contributions Failure to realise programme and constituent project objectives Programme delays – governance and administration Identified projects no longer being fit for purpose Procurement and delivery delays A cluttered policy landscape at local government, Welsh Government and UK Government level which reduces the impact of City Deal intervention The effects of the Brexit agreement The effects of the Covid-19 pandemic
Potential constraints	The lifespan of the programme, with each project needing to deliver targeted outputs over a 15-year term. The lifespan of the programme, with each project needing to deliver targeted outputs over a 15-year term Affordability for each project over the programme lifespan, with limits on capital and revenue spend
Potential dependencies	Continued Government support for City Deals Continued local authority support for the City Deal and regional working The ability of the project sponsors to deliver the projects on time, to specification and within budget The ability to have a flexible approach to the programme outputs in line with required outcomes .

Spending objective CDIO-3	To attract £637m of private sector funding across all interventions
Existing arrangement	The lack of a focused regional approach to inward investment and an inconsistent vision across the region. An unattractive investment reputation.
Business need	A more focused and aggressive approach to inward investment. A consistent message that return on investment is good within the region
Potential scope and services	An agreed programme of interventions within a pre-determined regional working framework. An effective forward facing communication of good practice and reward.
Potential benefits	A more attractive inward investment landscape that grabs the attention of commercial investors and sponsors
Potential risks	<ul style="list-style-type: none"> Partner /partners' loose commitment Failure to achieve public sector contributions Failure to realise programme and constituent project objectives Programme delays – governance and administration Identified projects no longer being fit for purpose A business as usual approach which carries the risk of further regional economic decline Inability to secure private sector commitment to projects Procurement and delivery delays The effects of the Brexit agreement The effects of the Covid-19 pandemic
Potential constraints	Affordability for each project over the programme lifespan, with limits on capital and revenue spend
Potential dependencies	<ul style="list-style-type: none"> Continued Government support for City Deals Continued local authority support for the City Deal and regional working The ability of the project sponsors to deliver the projects on time, to specification and within budget The ability to have a flexible approach to the programme outputs in line with required outcomes

Spending objective CDIO-4	To create over 9,000 jobs
Existing arrangement	Low regional productivity and GVA
Business need	To develop a vibrant regional economy via a clear and defined vehicle for regional economic and social growth
Potential scope and services	An agreed programme of interventions within a pre-determined regional working framework
Potential benefits	A more vibrant regional economy with opportunities for residents to remain in the region with good, well-paid jobs and career growth opportunities

Potential risks	<p>Partner/partners withdrawing from the programme</p> <p>Partner /partners 'loose commitment</p> <p>Funding delay from Governments</p> <p>Failure to achieve public sector contributions</p> <p>Failure to realise programme and constituent project objectives</p> <p>Programme delays – governance and administration</p> <p>Identified projects no longer being fit for purpose</p> <p>Procurement and delivery delays</p> <p>A cluttered policy landscape at local government, Welsh Government and UK Government level which reduces the impact of City Deal intervention</p> <p>The effects of the Brexit agreement</p> <p>The effects of the Covid-19 pandemic</p>
Potential constraints	<p>Continued Government support for City Deals</p> <p>Continued local authority support for the City Deal and regional working</p> <p>The ability of the project sponsors to deliver the projects on time, to specification and within budget</p> <p>The ability to have a flexible approach to the programme outputs in line with required outcomes</p>
Potential dependencies	<p>The ability of the project sponsors to deliver the projects on time, to specification and within budget</p> <p>The ability to have a flexible approach to the programme outputs in line with required outcomes.</p>

Spending objective CDIO-5	To contribute to increasing GVA by £1.8 billion.
Existing arrangement	Low regional productivity and GVA. A series of national competitive funding opportunities with no regional coherence in delivery thus losing the opportunity for overall regional growth and economic impact
Business need	To develop a vibrant regional economy via a clear and defined vehicle for regional economic and social growth without the need for competitive bidding.
Potential scope and services	An agreed programme of interventions within a predetermined regional working framework.
Potential benefits	Achievement of GVA growth target leading to a more vibrant regional economy with opportunities for residents to remain in region with good well paid jobs and career growth opportunities. .
Potential risks	<p>Partner/partners withdrawing from the programme</p> <p>Partner /partners' loose commitment</p> <p>Failure to achieve public sector contributions</p> <p>Failure to realise programme and constituent project objectives</p> <p>Programme delays – governance and administration</p> <p>Identified projects no longer being fit for purpose</p> <p>A business as usual approach which carries the risk of further regional economic decline</p> <p>Funding delay from Governments</p> <p>Inability to secure private sector commitment to projects</p>

	<p>Procurement and delivery delays</p> <p>A change of government at either the UK Government or Welsh Government</p> <p>A cluttered policy landscape at local government, Welsh Government and UK Government level which reduces the impact of City Deal intervention</p> <p>The effects of the Brexit agreement</p> <p>The effects of the Covid-19 pandemic</p>
Potential constraints	<p>The lifespan of the programme, with each project needing to deliver targeted outputs over a 15-year term.</p> <p>Affordability for each project over the programme lifespan, with limits on capital and revenue spend</p>
Potential dependencies	<p>Continued Government support for City Deals</p> <p>Continued local authority support for the City Deal and regional working</p> <p>The ability of the project sponsors to deliver the projects on time, to specification and within budget</p> <p>The ability to have a flexible approach to the programme outputs in line with required outcomes</p>

Spending objective CDIO-6	To deliver 9 specific interventions to achieve the above
Existing arrangement	No legally compliant governance structure in place to deliver a City Deal
Business need	<p>The necessary legally compliant governance structure needs to be in place to allow the City Deal to be delivered</p> <p>Each project needs to complete its business case for approval by Government</p> <p>A central coordinating resource needs to be in place</p>
Potential scope and services	Each project sponsor is required to put in place design and delivery resources to develop a robust and compliant business case in line with WG requirements. The sponsor then needs to ensure that the project can be delivered on time, to specification and within budget.
Potential benefits	Achievement of overall programme outcomes. A more vibrant regional economy with opportunities for residents to remain in the region with good, well-paid jobs and career growth opportunities
Potential risks	<p>Partner/partners withdrawing from the programme</p> <p>Partner /partners' loose commitment</p> <p>Failure to achieve public sector contributions</p> <p>Failure to realise programme and constituent project objectives</p> <p>Programme delays – governance and administration</p> <p>Identified projects no longer being fit for purpose</p> <p>A business as usual approach which carries the risk of further regional economic decline,</p> <p>Funding delay from Governments</p> <p>Inability to secure private sector commitment to projects</p> <p>Procurement and delivery delays</p> <p>A change of government at either the UK Government or Welsh Government</p>

	<p>A cluttered policy landscape at local government, Welsh Government and UK Government level which reduces the impact of City Deal intervention</p> <p>The effects of the Brexit agreement</p> <p>The effects of the Covid-19 pandemic</p>
Potential constraints	<p>Fixed term funding agreements: the five-year delivery and spend vs 15-year repayment process.</p> <p>The lifespan of the programme, with each project needing to deliver targeted outputs over a 15-year term.</p> <p>Affordability for each project over the programme lifespan, with limits on capital and revenue spend.</p>
Potential dependencies	<p>Continued Government support for City Deals</p> <p>Continued local authority support for the City Deal and regional working</p> <p>The ability of the project sponsors to deliver the projects on time, to specification and within budget</p> <p>The ability to have a flexible approach to the programme outputs in line with required outcomes</p>

2.0 Update: 2019/2020 Covid-19 and Brexit

The Swansea Bay City Deal will accelerate the region's post Covid-19 economic recovery through interventions such as digital connectivity improvements, supply chain support and the continued development of identified sectors, including life sciences.

Without this strategic intervention, many existing regional businesses will struggle to flourish, while opportunities for new businesses and inward investment will be limited.

The uncertain economic impact of Brexit on the Swansea Bay City Region also needs to be considered, with details of the UK Government's Shared Prosperity Fund yet to be announced. This serves to further heighten the importance of the City Deal's strategic intervention for the benefit of regional businesses and residents.

Section 2

THE ECONOMIC CASE

2.1 Critical Success Factors (CSFs)

As described in the Strategic Case, the strategic objectives of the Swansea Bay City Region and the economic constraints and opportunities facing the region have been identified in the Swansea Bay City Region Regeneration Strategy 2013 to 2030.

The strategy shows that the region has a global reputation for research and development and a recognised industrial status within the sectors of energy, life science and well-being, manufacturing and economic acceleration. Any programme of interventions will therefore focus on transforming these key growth industrial sectors.

To realise the ambitions within the above strategy, the four local authorities, along with other major stakeholders, will work collaboratively to deliver components of a programme of interventions.

The SBCR City Deal Oversight Board agreed at its meeting of 10th October 2016 that a working group would be set up comprising representation from the four local authorities, two universities and two health boards to review the first phase of City Deal projects.

The following people attended the working group meeting:

Steven Phillips	Neath Port Talbot CBC
Phil Roberts	CC Swansea
Mark James	Carmarthenshire CC
Ian Westley	Pembrokeshire CC
Marc Clement	Swansea University
Jane Davidson	UWTSD
Hamish Laing	ABMU
Arthur Emyr	Swansea Bay City Region
Lisa Willis	Neath Port Talbot CBC / SBCR
Sylvia Griffiths	Neath Port Talbot CBC / SBCR

The Oversight Board agreed that the following criteria would be used to review and prioritise City Deal projects:

- Regional spread
- Job creation & skills readiness
- GVA impact
- Private sector engagement and investment
- Impact on UK plc - exportability of commercial ideas
- Readiness, albeit in the context of a 5-year deal

2.2 Long-listed Options and Preferred Way Forward

Aligned to the high-level City Deal objectives and the high growth potential of the identified existing regional sectors, the regional partners agreed that if the aspirations of the Swansea Bay City Region Regeneration Strategy 2013 to 2030 were to be achieved, business as usual was not an option. It

was also agreed that a 'do minimum' approach would fail to unlock regional potential. The preferred option was to undertake a regional call for significant projects that met the aspirations of the strategy across the four local authority areas and deliver them as a programme of interventions which, when delivered in concert, would have a greater impact than the sum of the individual parts..

The SBCR City Deal Oversight Board agreed that Tuesday 11th October 2016 at 6pm would be the deadline for the submission of business cases to be considered in the City Deal project prioritisation exercise.

A long list of 19 potential projects was identified for consideration by the City Region as follows.

Project	Lead Organisation
Buildings as Power Stations	Swansea University
ARCH Campuses (Phase 1)	City & County of Swansea / Swansea University / Health Boards
CENGS revenue	City Region Team
and SBCR CENGS Technology Centre capital	City Region Team
The Internet Coast-Digital Infrastructure & Test Beds	City Region Team
Swansea City Digital District	City and County of Swansea
Distributed Generation Cluster Hub Dulais Valley	Neath Port Talbot CBC
Distributed Generation Cluster Hub Milford Haven	Milford Haven Port Authority
ECSIP	Swansea University
Factory of the Future	Swansea University
Innovation System	City and County of Swansea
Delivering Innovative Smart Low Carbon Homes	Local Authorities
Pembroke Marine	Milford Haven Port Authority
Swansea Waterfront	University of Wales Trinity Saint David
Skills and Talent	Regional Learning Partnership
Establishment of a Steel Science Centre for UK Primary Steelmaking and Strip Steel Production	Excalibur Steel UK Ltd
Health & Well Being Villages Phase 1	Swansea University / Health Boards Carmarthenshire CC
Sustain	Swansea University
Yr Egin	University of Wales Trinity Saint David

The working group met on Friday 14th October 2016 and reviewed the projects against the agreed criteria (see section 2.1 above). The aim of the working group was to review the projects and make recommendations for which projects should proceed.

The working group agreed to categorise the projects under the following three headings:

- 1) Supported
- 2) Supported for either second phase City Deal or alternative funding sources
- 3) Not supported

The working group made the following recommendations

H&WB Villages Phase 1 (ARCH / CC Carmarthenshire)

Following a discussion about the 3 H&WB Villages Phase 1: Llanelli, Neath and Swansea, it was considered that the Machynys Village proposal was well developed and had secured private sector match funding, and therefore fitted the criteria to be included in the Phase 1 City Deal proposal and that the Neath and Swansea village developments would be included in the Phase 2 City Deal proposal once they were further developed.

Recommendation: The working group agreed to recommend support for the Machynys development proposal with a £40m City Deal ask (reduced from £85m), and for the Neath and Swansea village developments to be included in the next phase of the City Deal.

Yr Egin (UWTSD)

The working group agreed that phase 2 would be supported on condition that phase 1 is delivered, which requires clarity regarding the Welsh Government's position in relation to phase 1. The group also advised UWTSD to enter into discussion and real dialogue with key individuals and organisations with an interest in the creative industries sector in the region.

Recommendation: The working group agreed to recommend support for Yr Egin subject to the successful delivery of phase 1 and real dialogue with the creative industries sector across the region with a £5m City Deal ask.

Skills and Talent (RLSP)

The working group agreed that the business case needed significant additional work in light of an agreed City Deal project prioritisation exercise to identify those skills needed to deliver the City Deal projects. The group discussed presenting skills as an overarching theme rather than a project.

Recommendation: The working group agreed to recommend support in principle for the Skills and Talent proposal subject to the above, with a maximum £10m City Deal ask and further development of specific skills interventions.

ARCH Campuses (Phase 1) (ARCH)

The working group discussed deliverability and possible sequencing of Morriston and Singleton campuses, and it was recognised that these are linked developments to deliver full benefit. There was a discussion about alternative funding for Singleton through European funding, for example.

Recommendation: The working group agreed to recommend support for Morriston campus with a £15m City Deal ask initially, and to support Singleton when funding is available in a future phase.

CENGS and SBCR CENGS Technology Centre (City Deal Team)

The working group requested clarity on areas of the business case including ownership / governance, IP, licences and State Aid. The group discussed complementarity with the Swansea Waterfront development and the Factory of the Future project.

Recommendation: The working group agreed to recommend support for the CENGS proposal subject to clarity on the above with a £20m City Deal ask and £3m City Deal ask for the building.

Factory of the Future (SU)

The working group concluded that this project would need to complement the CENGS proposal and should focus on engineering and manufacturing products that are not software driven, as opposed to software driven applications and services. This is to ensure complementarity.

Recommendation: The working group agreed to recommend support for the Factory of the Future project subject to the above with a £10m City Deal ask.

Swansea City Digital District (CC Swansea) / Swansea Waterfront (UWTSD)

The working group considered the two proposals together, and it was agreed that the projects would be revised into a combined bid. The working group advised the projects to review the funding profile.

Recommendation: The working group agreed to recommend support for the combined Swansea Digital District project subject to re-profiling with a combined £50m City Deal ask.

Pembroke Marine (MHPA)

The working group agreed on the strengths of this proposal but did consider the financial ask.

Recommendation: The working group agreed to recommend support for the Pembroke Marine project with a £25m City Deal ask.

Dulais Distributed Generation Cluster Hub (NPTCBC) / Milford Haven Smart Grid

The working group recognised these to be strong business cases with significant private sector leverage, however the group considered alternative funding sources to support this proposal such as EU funding opportunities under ERDF Priority 1 or Priority 3.

Recommendation: The working group agreed to recommend support for the Distributed Generation Cluster Hubs, but to seek alternative funding, such as European funding and not City Deal funding in the first instance.

Delivering Innovative Smart Low Carbon Homes (Local Authorities) / Buildings as Power Stations (SU)

The working group agreed to discuss the two proposals at the same time because the same bid was presented twice with two different lead organisations. The working group agreed that one business case should be progressed, linked to low carbon homes rather than buildings as power stations per se in order to address fuel poverty. The working group agreed that the 4 local authorities and Swansea University would meet again to develop a joint proposal and also explore ERDF Priority 3 funding to support the funding package.

Recommendation: The working group agreed to recommend support for a local authority consortium-led new build and retrofit housing proposal supported by Swansea University and SPECIFIC with a £15m ask.

The Internet Coast - Digital Infrastructure and Test Beds (City Deal Team)

The working group discussed the need for digital infrastructure as an enabling mechanism and core element to deliver the internet coast vision. The group agreed that the proposal needs to be developed and defined further with a focus on rural and urban areas.

Recommendation: The working group agreed to recommend support for the Digital Infrastructure and Test Beds proposal. The proposal should focus on rural as well as urban areas and prioritise links to all City Deal projects. It was agreed to recommend a £25m first phase City Deal ask.

Establishment of a Steel Science Centre for UK Primary Steelmaking and Strip Steel Production (Excalibur Steel UK Ltd) / Sustain (SU)+

The working group agreed to discuss the two business cases at the same time and agreed on the need for a project linked to steel.

Recommendation: The working group agreed to recommend support for the Excalibur-led proposal supported by Swansea University and all regional partners (without nominating a private sector lead) with a £20m City Deal ask.

Innovation System (CC Swansea)

The working group did not initially fully understand the nature of the proposal. The group discussed the potential synergy with CENGs and the need for a City Deal core team. The group agreed that this proposal would need to be discussed as part of the City Deal governance arrangements.

Recommendation: The working group agreed to recommend that this proposal is discussed as part of the City Deal governance arrangements.

ECSIP (SU)

The working group agreed to consider support for this this project in a future phase.

The workshop agreed the following regional breakdown – summarised by the number of projects and the City Deal ask for each.

Local Authority area	Project - Number	City Deal Ask - £m
Neath Port Talbot	Steel Science	20
	CENGs	23
	Factory of the Future	10
Total	3	53
Swansea	H&WB Campus	15
	Swansea Digital District	50
	Total	2
Carmarthenshire	H&WB Villages	40
	Yr Egin	5
	Total	2
Pembrokeshire	Pembroke Marine	25
	Total	1
Regional projects	Skills	10
	Digital Infrastructure / Test beds	25
	Smart Low Carbon Homes	15
	Total	3
Summary total	11 projects	£238m total CD ask

The working group agreed that a revised GVA analysis will be carried out by Swansea University once the projects have been prioritised and business cases revised in line with the recommendations.

2.3 Short-listed options including Business as Usual, Do Minimum and the Preferred Option

The 11 shortlisted projects are summarised below within four thematic areas:

Project Name	Project Lead Sponsor
Economic Acceleration	
Digital Infrastructure	Carmarthenshire County Council
Swansea City & Waterfront Digital District	City & County of Swansea / UWTSO
Creative Digital Cluster – Yr Egin	Carmarthenshire CC / UWTSO
Centre of Excellence Next Generation Digital Services (CENGSS)	Neath Port Talbot CBC
Skills & Talent Initiative	Carmarthenshire County Council
Life Science and Well-Being	
Life Science & Well-Being Village	Carmarthenshire County Council
Life Science & Well-Being Campuses	City & County of Swansea / Swansea University / Health Boards
Energy	
Homes as Power Stations	Neath Port Talbot CBC
Pembroke Dock Marine	Pembrokeshire Council
Smart Manufacturing	
ASTUTE Factory of the Future	Neath Port Talbot CBC / Swansea University
Steel Science	Neath Port Talbot CBC / Swansea University

2.4 Benefits appraisal

An external economic analysis, led by a team of specialist economists at Swansea University, assessed the short-listed projects against the first two criteria success factors of impact on regional and UK GVA, and job creation and skills readiness. The 'Internet Coast' phase one City Deal Proposal Impact Appraisal (20th October 2016) demonstrated that taken together the proposals are projected to provide in excess of 9,465 gross direct jobs and a regional GVA contribution of circa £1.8bn.

A summary of the expected jobs and GVA potential is demonstrated in the following table:

Theme / Project	GVA (£m) 15 years	Net Jobs 15 years
Internet of Economic Acceleration		
Swansea City & Waterfront Digital District	318	1323
Creative Digital Cluster - Yr Egin	89.5	203
Centre of Excellence in Next Generation Digital Services	154	500
Internet of Life Science & Well-being		
Life Science & Well-being Campuses	153	1120
Life Science & Well-being Village	467	1853
Internet of Energy		
Homes as Power Stations	251	1804
Pembroke Dock Marine	126	595
Smart Manufacturing		

Factory of the Future	140	1402
Steel Science Centre	95	665
TOTALS	1795	9465

Although each City Deal project contributes to the programme's strategic objectives, their impact must not be viewed in isolation but rather as a collective that will generate overall economic growth in the region. The GVA output of the City Deal will therefore be measured and monitored on a programme basis, alongside additional programme level impact measures.

Overall the City Deal will contribute significantly to regional and consequently Welsh and UK GVA. As well as the above identified potential it will also add wider economic benefits such as potential land uplift value in excess of £60 million over 15 years.

Adding £173 million per annum to the regional economy equates to 5% of the current GVA gap between regional and UK productivity levels, therefore recovering 70% of the region's lost GVA over the 15-year City Deal programme.

This projected impact represents a return of £10 for every £1 of government funding invested in the City Deal programme, which demonstrates value for money and significant economic growth benefits for the identified industry sectors, the region, Wales and the UK.

This demonstrates how the unique nature of a City Deal, with all major stakeholders working in partnership, provides a much greater benefit than business as usual with each stakeholder operating independently – the whole being greater than the sum of its parts.

2.4.1 Projected Economic impact of identified themes

There are several interdependencies and synergies that link the projects within the programme and strengthen the themed approach:

Interdependencies

- The SBCD Skills and Talent Initiative Project & The Internet Coast
- The Internet of Economic Acceleration and its Constituent Projects
- The Internet of Economic Acceleration and the Internet of Energy
- The Internet of Economic Acceleration and the Internet of Life Science and Well-being
- The Internet of Economic Acceleration and Smart Manufacturing

Synergies

- Energy and Life Science & Wellbeing
- Energy and Smart Manufacturing
- SMART Manufacturing and Life Science & Well-Being

These are explored in more detail in *Appendix 1*.

The themed approach to regional working within a City Deal scenario will provide the following benefits:

Energy

The City Deal's energy sector projects are projected to deliver 2,399 gross direct jobs, resulting in £377million GVA, together with wider economic benefits of £343million over the 15-year programme period. These wider benefits are the result of impacts such as:

- Reduced greenhouse gas emissions and fossil fuel dependence
- Uplift in housing value
- Reductions in fuel poverty with consequent benefits for residents and the NHS

- Improved regional and UK energy security

Life Science and Well-Being

The life science and well-being sector projects delivered as part of the City Deal are projected to deliver 2,973 gross direct jobs, resulting in £620 million GVA. The projects will also realise wider economic benefits in excess of £77million alongside significant benefits for the general well-being of regional residents and communities. These broader social benefits will in turn generate economic impacts for the region, given the widely accredited connection between improved health and improved wealth. These wider benefits are the result of impacts and activities such as:

- Commercial and residential assets which address current market failure
- Reconfiguration of services and concentration of specialist services
- Creating export opportunities for specialist services, medical devices and high-value life science and well-being goods

Economic Acceleration

The economic acceleration projects delivered through the City Deal are projected to deliver 2,026 gross direct jobs, resulting in £563 million GVA, alongside additional economic benefits of more than £623 million over 15 years. These wider benefits will be generated by impacts such as:

- Significant construction activity and supply chain development
- Enhanced rateable values
- Increased tourism and cultural engagement

Economic Impact of Skills and Talent

The development and success of the City Deal programme and its ongoing legacy is crucially underpinned by the creation, retention and attraction of a skilled and talented workforce. All projects will therefore work with an integrated skills and talent initiative to ensure that the current and future regional workforce is equipped with the knowledge and skills necessary to fulfil the sector specific needs and opportunities presented by the City Deal programme. Ensuring the regional workforce is able to fulfil the high-value job opportunities created through the City Deal programme will help to reduce migration of young people from the region. This will positively impact on the region's GVA and economic performance as well as improve health and well-being of residents through enhancing their opportunities to prosper.

Economic Impact of Digital Infrastructure

The opportunity to accelerate economic performance across the growth sectors which constitute the City Deal through use of digital technologies is a fundamental aspect of the programme. Therefore, as with the skills and talent initiative, each project will work with a dedicated digital infrastructure project to identify opportunities presented by next generation technologies to enhance the economic impact and performance of their sectors.

The value of anticipated improvements to digital infrastructure in the City Region has a potential impact of £31.5 million GVA uplift per annum or a cumulative impact of £225 million over 15 years. Based on average GVA / worker this equates to 780 gross additional jobs across the wider Swansea Bay City Region economy, in addition to those created through City Deal projects. If realised, these additional jobs would result in an additional £563 million GVA impact for the region over the 15-year period. Improvements to digital infrastructure will also have significant benefits for the health, wealth and well-being of residents and communities through improving access to services, while reducing isolation and loneliness.

2.4.2 NPV and additional benefits

When combining the calculations within each business case, delivery of the projects within the City Deal will generate NPV as shown in the table below:

Theme	NPV (£)	
<i>Internet of Economic Acceleration</i>		
Swansea Waterfront	407,508,926	
Yr Egin	150,022,312	
Skills & Talent*	0	
Digital Infrastructure*	0	
Total		557,531,238
<i>Internet of Life Science & Well-being</i>		
LS&WB Village	118,400,000	
LS&WB Campuses	32,351,722	
Total		32,351,722
<i>Internet of Energy</i>		
Homes as Power Stations	105,633,820	
Pembroke Dock Marine	42,700,000	
Total		148,333,820
<i>Smart Manufacturing</i>		
Supporting Innovation and Low Carbon Growth	144,778,281	
Total		144,778,281
Programme Total		882,995,061

* Project currently in outline business case stage, and as such no detailed economic appraisal has been undertaken to review the Net Present Value .

Over and above the jobs and GVA benefits, the proposed projects within the City Deal have identified additional benefits within their own business case.

A summary of these is shown below.

Life Science and Well-being development			
Measure	Definition	Unit	15-year target
NPV	Return on investment	GBP	£118.4m £64m economic regeneration £40m health outcomes improvement £14.4m health system benefits
Life science businesses created	Number of new life science businesses		50
Life science businesses accelerated	Number of life science businesses helped to expand		30
Skills development programmes and pathways created	Skills development programmes for the life science, health and care, business growth and inception, and hospitality sectors		60
Community group participation	Number of community groups planned to use facilities at the development		50
Population health improvements	Measurable contribution to health board strategic objectives – obesity, diabetes, risk taking behaviour, cardiovascular and dementia reduction targets, reduction in GP visits		See note
Not in education, employment or training	Reduction in the number of young people within the NEET category in the adjacent Community First area		3%
City Deal, public sector and private sector contribution	Breakdown per contribution to the project	GBP	SBCD - £40 million Public sector - £51 million Private sector - £108.5 million

Homes as Power Stations			
Measure	Definition	Unit	15-year target
NPV	Return on investment	GBP	£106 million
New homes	New homes featuring renewable technology		3,300 within 5 years
Retrofit	Retrofit of existing properties with renewable technology		7,000 within 5 years
Carbon reduction	Predicted annual CO2 reduction, assuming 100% rollout for new build	Tons	9,165
	Predicted annual CO2 reduction, assuming 100% rollout for retrofit	Tons	9,933
City Deal, public sector and private sector contribution	Breakdown per contribution to the project	GBP	SBCD - £15 million Public sector - £114.6 million Private sector – £375.9 million

Swansea City and Waterfront Digital District			
Measure	Definition	Unit	15-year target
NPV	Return on investment		£407.51 million
Skills	Number of skills and training opportunities created		Over 8,000 training weeks
Box village and innovation precinct	Development at UWTSD SA1 to provide incubation and co-working spaces for start-ups and small businesses	Sq.ft	Box village – 28,000 Innovation Precinct – 64,600
Digital village	Facility to support tech and digitally focussed businesses		100,000
Digital indoor arena	3,500 capacity indoor arena and space to accommodate digital square and other attractions		438,091
City Deal, public sector and private sector contribution	Breakdown per contribution to the project	GBP	SBCD - £50 million Public sector - £81.16 million Private sector – £39.97 million

Skills and Talent			
Measure	Definition	Unit	15-year target
Upskilling	Better skilled workforce through the delivery of higher-level skills (level 4 and above)		500 people
Pathways	New skills pathways developed across all sectors in the region		25 new courses
Apprenticeships	Increased opportunities for apprenticeships and specifically in specialist sectors		500 placements
Unemployment	Reduced unemployment and supported work opportunities for NEETs (People who are not in employment, education or training)		15% reduction in regional unemployment and NEETs
City Deal, public sector and private sector contribution	Breakdown per contribution to the project	GBP	SBCD - £10 million Public sector - £16 million Private sector – £4 million

Yr Egin			
Measure	Definition	Unit	15-year target
NPV	Return on investment		£150.02 million
Skills	Number of skills and training opportunities created		150
Yr Egin phase one	Phase one of the development at UWTSD in Carmarthen	Sq.m	3,912
Yr Egin phase two	Phase two of the development at UWTSD in Carmarthen	Sq.m	4,250
Creative cluster	The number of businesses forming of both Yr Egin phases		25
City Deal, public sector and private sector contribution	Breakdown per contribution to the project	GBP	SBCD - £5 million Public sector - £15.23 million Private sector – £4.85 million

Digital infrastructure			
Measure	Definition	Unit	15-year target
City Deal, public sector and private sector contribution	Breakdown per contribution to the project	GBP	SBCD - £25 million Private sector – £30 million

Pembroke Dock Marine			
Measure	Definition	Unit	15-year target
Environmental	Environmental benefit in terms of CO2 saving	GBP	£8.2 million
Decarbonisation	Contribution to Welsh and UK decarbonisation targets	MW	1,000
Inward investment	Inward investment between years 5 and 15 of full project operation	GBP	£300 million
City Deal, public sector and private sector contribution	Breakdown per contribution to the project	GBP	SBCD - £28 million Public sector - £19.02 million Private sector – £13.45 million

Life Science and Well-being Campuses			
Measure	Definition	Unit	15-year target
NPV	Return on investment	GBP	£32.35 million
City Deal, public sector and private sector contribution	Breakdown per contribution to the project	GBP	SBCD - £15 million Public sector - £20 million Private sector – £10 million

Bespoke to each project where construction is a component, additional community benefits will be achieved via the initial procurement process. This will include:

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

Further details can be found in the commercial case of this Programme Business Case.

2.5 Risk assessment

The City Deal is a broad programme with complex risks and dependencies. The on-going risks will be monitored and managed as part of the City Deal's overall risk management arrangements.

As described in the UK and Welsh Government Guide to developing the Programme Business Case, risks fall into three main categories:

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

Business-related risks for the City Deal programme are summarised in the table below, along with mitigating control actions. A distillation of risks across the delivery areas of the programme can be found in the Programme Risk Register.

Service-related risks will be managed by the City Deal projects, who will maintain, manage and monitor their own risks in line with guidance from the Green Book and the City Region's Accountable Body and Regional Programme Management Office. Any significant risks that may affect programme deliverables will be escalated to the Regional Programme Management Office and managed via the regional governance structure.

External Risks are also covered in the table below.

Business Risks

Business Risk Description	Risk Assessment	Control Actions
UK & Welsh Governments do not approve a City Deal for the region	Low	Ongoing dialogue between the region and government indicates that this is unlikely. In the Autumn statement 2016 the Chancellor recommitted the governments support for a City Deal for the Swansea Bay City Region.
Delay in overall programme delivery	Medium	Working with multiple stakeholders requires efficient management. Potential trigger points will be identified through programme monitoring and highlighted to the Joint Committee through the Programme Board.
Decisions made by Programme Board (or other City Deal group) compromise delivery.	Medium	Accountable Officers to attend Programme Board and feedback relevant decisions to Regional Office.
Delay in submission / approval of individual City Deal project business cases	Medium	Continual engagement with project leads to progress robust business cases. Iterative informal assessment process on draft business cases with Welsh and UK Government to ensure swift approval of final business cases. Establish robust regional assessment process with clear structures and responsibilities.
City Deal project fails to meet outputs	Medium	Work with projects to implement mitigating actions to avoid project failing. If project fails prior to approval of business case, Regional Office will work with the project to identify reasons for failure and any potential mitigating action or, if irreconcilable, work through the agreed structure for identifying new project(s) for the City Deal.
Programme management funding partner withdraws from the agreement	Low	Develop memorandum of understanding with funding partners outside of local authorities and therefore the Joint Working Agreement.
Individual local authority partner withdraws from the agreement	Low	Joint Working Agreement for the Joint Committee to be signed up to by all local authority partners. Joint Working Agreement for the Joint Committee to outline provisions for such a scenario.
Welsh Government or UK Government do not provide City Deal grant	Low	Maintain regular communication with UK and Welsh Governments. Ensure grant terms and conditions between governments and the Region are fit for purpose.

External Risks

External Risk Description	Risk Assessment	Control Actions
Unforeseen external political or physical circumstances affect programme delivery	High	Beyond the control of programme stakeholders. Relevant controls will be put in place should the need arise.

External Risks Update May 2020

In 2016 a referendum was held to decide whether the UK should remain in the European Union or not. The outcome was a vote to leave, which triggered a three-year period of uncertainty and negotiation. The leaving date was originally set for 29 March 2019 but stalemate within UK Government that resulted in a change of leadership delayed any agreement. Eventually a date to trigger the UK leaving the EU was agreed for 31st January 2020, with the terms of leaving to be agreed during a transition period ending on December 31st 2020.

In December 2019 the Chinese Government issued a statement about the identification of a new and particularly aggressive form of Coronavirus. During January, February and March 2020 the virus, resulting in a disease now known as Covid-19, spread from Asia to Europe and the USA leading the World Health Organisation to declare a global pandemic on 11th March 2020. The recommended course of action to prevent further spreading of the virus was the imposition of stringent restrictions on public movement and a closure of non-essential businesses and services within the affected areas. This and the resulting financial mitigation measures put in place to support health services and those not able to work has had a major impact on national economies across the world.

At the time of writing, May 2020, the effects of Covid-19 and the Brexit situation are unknown and difficult to mitigate. This situation will be closely monitored over the coming months.

The City Deal's Regional Programme Management Office has implemented a Covid-19 impact assessment, which all City Deal projects have populated and are actively managing. This will be reported through the City Deal's management and governance structures.

2.6 - Project changes 2019

Following the City Deal reviews in late 2018/early 2019 a recommendation was made that the City Deal should be managed as a portfolio, as opposed to as a set of pre-determined and immutable projects.

With the above flexibility being approved and as a response to the climate change emergency declared by the Welsh Government in April 2019, a revised programme of projects entitled Supporting Innovation and Low Carbon Growth was approved by Neath Port Talbot County Borough Council's Cabinet in July 2019.

The new proposal replaces some of the projects originally put forward – the Centre of Excellence in Next Generation Services (CENGs), Factory of the Future and Steel Science. The latter, however, remains in the portfolio in a revised form.

Programme monitoring (as at May 2020) indicates that the total programme remains on target due to some projects projecting over delivery on original targets

The differences from the original expected outcomes also include enhanced GVA and jobs from the now completed Yr Egin development, a revised forecast from Pembroke Dock Marine and a revised forecast from the Swansea City and Waterfront Digital District projects.

The table below reflects the overall revised headline outcomes as at May 2020:

PROJECT NAME	IMPACT	
	GVA £m	Net Jobs
	15 years	15 years
Internet of Economic Acceleration		
Swansea City & Waterfront Digital District	669.8	1,323
Creative Digital Cluster - Yr Egin	89.5	427
Digital infrastructure	318	
Internet of Life Science & Well-being		
Life Science & Well-being Campuses	153	1,120
Life Science & Well-being Village	467	1,853
Internet of Energy and Smart Manufacturing		
Homes as Power Stations	251	1,804
Pembroke Dock Marine	343.3	1,881
Supporting Innovation and Low Carbon Growth	93	1,320
TOTALS	2,605.17	9,279

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

1. Swansea Bay Technology Centre

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

The new £58.7 million project has been developed to deliver co-ordinated sustainable growth and job creation in the region, with a targeted focus on the Port Talbot Harbourside area. The expected benefits of the new proposal are:

- GVA contribution of £6.2 million a year once all projects are operational.
- The creation of 446 new, high value added jobs
- Generate a GVA impact of £93 million over 15 years
- A 15-year Net Present Value (NPV) of £145 million

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

The Supporting Innovation and Low Carbon Growth proposal offers several associated benefits as shown in the table below:

Supporting Innovation and Low Carbon Growth			
Measure	Definition	Unit	15-year target
NPV	Return on investment	GBP	£145 million
Swansea Bay Technology Centre	Three-storey facility in response to well-evidenced demand for high-quality, flexible business premises.	Sq.m	2,500
National Steel Innovation Centre	Facility for the development of innovative steel products and processes.	Sq.m	6,000
Other office spaces	Flexible office spaces, laboratory spaces and production units to support start-up companies and indigenous companies at the Port Talbot Waterfront Enterprise Zone.	Sq.m	10,000
City Deal, public sector and private sector contribution	Breakdown per contribution to the project	GBP	SBCD - £47.7m Public sector - £6m Private sector - £5m

Interdependencies and Synergies

Changes in the interdependencies and synergies as a result of the new project are explained in *Appendix 1*.

Section 3

THE COMMERCIAL CASE

3.1 - Procurement strategy and route

This case outlines the programme directive for City Deal procurement and how this can best secure long-term value during the operational phase of the programme.

The City Deal Regional PMO fulfils a management role for the City Deal programme. As such it does not directly deliver or manage projects itself.

As outlined in the Economic Case, the City Deal will consist of a portfolio of projects sponsored by the Local Authorities in partnership with other stakeholders. Each project within the City Deal programme will be responsible for conducting their own procurement exercises in line with the lead authority's organisational policies and procedures.

Projects will comply with the European Public Contracts Directive 2014/24/EU and the Public Contracts Regulations 2015, which require all contracts over certain thresholds to be advertised in the Official Journal of the European Union (OJEU). The European Public Procurement thresholds are revised every two years. These can be found on the UK government website:

<https://www.gov.uk/government/publications/procurement-policy-note-new-thresholds-2020>

In 2012 the Welsh Government issued the Wales Procurement Policy Statement, which sets out the principles by which it expects public sector procurement to be delivered in Wales. This statement was reviewed and updated in 2015 and underpins its expectations from the public sector when undertaking procurement.

Projects will be expected to meet the requirements of this policy statement which seeks to open procurement contracts up to more innovative solutions to ensure that the money that goes into procurement is spent in a way that stimulates development. The rules aim cut red tape for companies bidding and make it easier for small and medium-sized firms to participate.

3.2 - City Deal Procurement Principles

Aligned to the Wales Procurement Policy Statement, the City Deal has a supplementary set of procurement principles that aim to encourage project teams to consider wider benefits that can be achieved from procurement. These principles link procurement activities with UK and Welsh Government policy and best practice, especially with meeting the objectives of the Well Being of Future Generations (Wales) Act 2015. The principles also draw on the need for Net Zero Carbon and Carbon Offset contributions to be considered as part of the scoring for procurement exercises.

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

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

Very large (in cost) procurements should be broken down into smaller lots so that regional companies are not excluded from the process. Where this is not possible - for economies of scale or risk, for example, Tier 1 contractors should be contractually obliged to undertake the lotting process.

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

3.3 - Community Benefits

The City Deal is committed to raising prosperity levels and spreading prosperity across the region through creating an economic environment that provides opportunities to address key issues such as poverty, economic inactivity and social exclusion.

All partners are committed to ensuring the impact and benefits of the City Deal are fully realised, while promoting sustainable development through all policies, strategies and services to maximise value for money.

Through demonstrating effective use of procurement, the City Deal will show how strategies designed to tackle environmental, economic and social challenges can address demand-side issues by working in partnership with private sector providers and investors.

The use of Community Benefit clauses as a core requirement will be used to bring added value and ensure the long-term benefits realisation that are integral to this plan for economic change. Examples of clauses that may be used in community benefit contracts include:

- Supply chain opportunities
To include the creation of opportunities for small to medium sized enterprises (SMEs) to bid for work through the supply chain or via the provision of mentoring schemes, advice and/or support to new companies or SMEs in the area. Tier 1 contractors will be contractually obliged to undertake effective meet the buyer events as early market engagement.
- Targeted recruitment and training clauses
To offer opportunities to specific groups such as the economically inactive or young people who are not in education, employment or training (NEETs). It may also include offering work experience placements for local schools, colleges and/or universities, or utilising apprenticeships during the contract period. Projects will work in collaboration with the Skills and Talent initiative to ensure maximum benefits are achieved and retained within the region.
- Contributions to education
Particularly focused on engaging with school age children, this may involve offering opportunities such as site visits or delivering related information sessions in local schools.
- Community initiatives
Demonstrating active participation in the community through volunteering days in local communities, sponsoring community initiatives or engaging with local community groups to maintain project/programme communication.

3.4 - Service requirements, Outputs and Risk allocation

Overarching programme business risk will be managed by the Regional PMO within the Governance structure of the City Deal programme.

The identification of service requirements, outputs and risk allocation will be managed by the individual project sponsors according to their situation and standing orders.

Each purchasing authority will have its own internal structure and process for procurement and risk apportionment. The detail on how each sponsor manages its business, service and external risk will be provided in individual project business cases.

Projects will also be required to provide regular updates on procurement activities to the Regional Office; this will include and assessment of risks, outputs and an update on progress against timelines etc.

Project teams will be required to report their community benefit outputs via the Welsh Government Community Benefits Toolkit, and a copy of this will be sent to the Regional Office on an annual basis.

Projects teams will work with the Regional PMO to promote major procurement exercises and any Meet the Buyer or local supply chain initiatives.

The City Deal's Regional Programme Management Office has implemented a Covid-19 impact assessment, which all City Deal projects have populated and are actively managing. This will be reported through the City Deal's management and governance structures.

3.5 - Charging mechanisms

As previously explained the City Deal Regional PMO fulfils a management role for the City Deal programme. As such it does not directly deliver or manage projects itself.

Each project will undertake its own assessment of the appropriate charge mechanisms for pre-delivery, design and build phases and whether to apply a fixed price / cost mechanism or to use payment on delivery of agreed outputs/targets.

To protect the supply chain and ensure fair and prompt payment, projects will be required to put in place Project Bank Accounts (PBAs) for all significant procurements.

In line with Welsh Government policy, all project procurements with a value of £2m or more and lasting longer than 6 months must consider putting in place a Project Bank Account. Note, other criteria also apply, see WG guidance here <http://bit.ly/38E7C3h> for more details.

3.6 - Key contractual arrangements

As previously explained the City Deal Regional PMO fulfils a management role for the City Deal programme. As such it does not directly issue contracts.

Each project will undertake its own assessment of the appropriate form of contracts to use relevant to its own organisational requirements.

In addition to the standard form of contract chosen several supplementary requirements will be placed on project teams as outlined in the Programme Procurement Principles.

Industry has told us that effective communication and early market engagement is imperative. Contractors and the wider supply chain need to have advance notification of future tender opportunities. Early notification and supply chain engagement is a key part of this. Where City Deal funding is part of the package, all contracts must be published on the Sell2Wales platform and linked to the City Deal project page at the earliest opportunity.

The City Deal project page on Sell2Wales will promote all City Deal procurement opportunities under one banner. This includes those where Frameworks are to be used. Doing so will help to provide consistent and clear communications to the wider supply chain.

For opportunities to be promoted well in advance, projects will be required to provide the Regional PMO with a definitive procurement plan and timeline at the earliest opportunity.

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

The Welsh Government 'Ethical Employment in Supply Chains' Code of Practice was published in 2017. The Government expects all public sector bodies to sign up to the code and the wider public sector supply chain to adopt it. Tier1 contractors should be made aware of and encouraged to sign up to the code.

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

3.7 - Personnel implications

Programme level

The Swansea Bay City Deal will have key administrative roles shared between the four partner Local Authorities. It has been agreed that Carmarthenshire County Council will undertake the role of the Accountable body for the programme.

The Accountable body for the programme will ensure that by mutual agreement with the other three Authorities, a regional office is put in place with the capacity to manage the governance, assurance and decision-making mechanisms along with the day to day duties required to service the programme. This includes senior financial, legal and monitoring personnel and a Senior Responsible Owner (SRO) for the programme. See the Management Case for further details.

Project Level

Project sponsors will be required to ensure that key personnel and resources are in place to deliver their projects accordingly.

Projects will establish internal lines of communication to include internal stakeholders. These include project managers, procurement teams, community benefits teams, legal and financial assistance and marketing. Other departments should be included as required.

Matters of concern should be recorded and escalated to the Regional PMO at the earliest opportunity. Any significant business issues will be managed by the Regional PMO via the City Deal governance process. Significant service issues will be addressed by the client organisation supported by the Regional PMO where appropriate.

3.8 - Accountancy treatment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Assets constructed or held as part of a project delivered within the programme will be disclosed and held on the Balance Sheet within the Project Lead Authority responsible for the delivery of such project.

Assets constructed or held as part of a regional project within the programme will be proportioned accordingly or reside within the balance sheet of the Project Authority Lead in which constituency such asset resides.

The Joint Committee will hold no such physical asset as categorised above within its legal remit.

3.9 – Project changes 2019

A revised project has been submitted to the programme by Neath Port Talbot CBC. The Commercial case remains unaffected by this addition.

Section 4

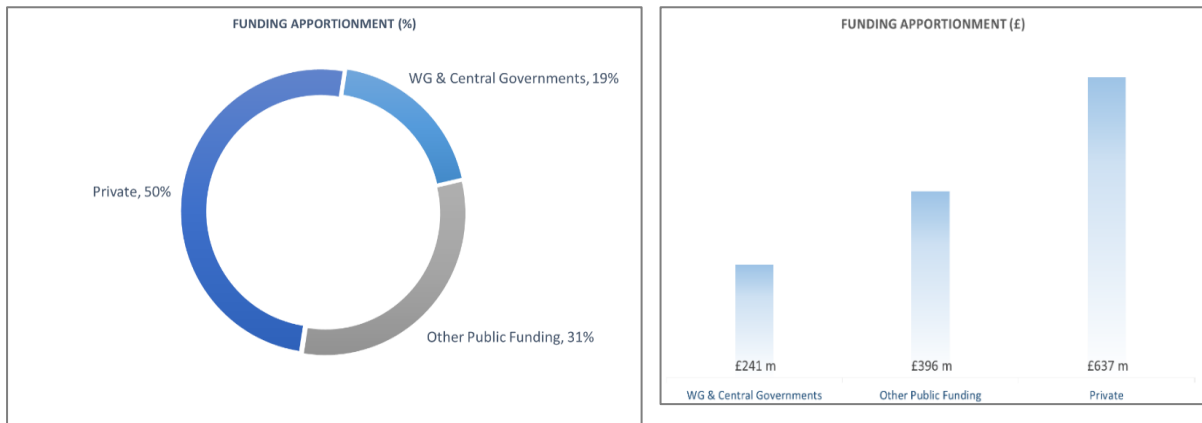
THE FINANCIAL CASE

4.1 Swansea Bay City Deal Investment

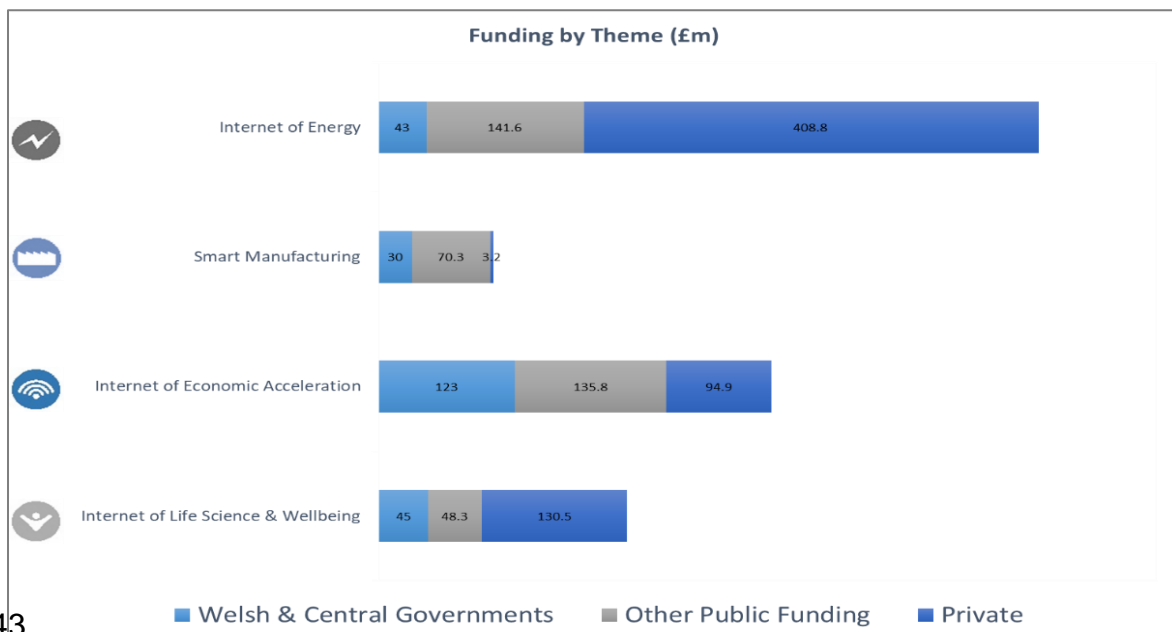
The Swansea Bay City Deal programme is fabricated through three forms of funding components, which will combine to generate a £1.3 billion investment in the Swansea Bay City Region.

The total investment package is made up of £241 million UK and Welsh Government funding, £396 million other public sector investment, and £637 million from the private sector.

The Heads of Terms set out the commitment from both the Welsh Government and UK Government to support the City Deal with an investment totalling £241 million. On the approval of successful business cases, funding will be released by the Welsh Government on behalf of both Governments to the Accountable Body.



Investment is categorised under four demand-led themes, with each designed to stimulate economic growth and increase GVA in the region. Investment in these areas is shown below.



4.2 Swansea Bay City Deal Investment Breakdown

The Swansea Bay City Deal partnership, through the 'Internet Coast' publication and subsequent discussions with the Welsh and UK Governments, has developed a clear strategy which has been underpinned by identified interventions to deliver widespread and sustainable economic growth across the region. These interventions, subject to the submission and approval of detailed business cases for the 11 identified projects by the Welsh and UK Governments, along with the agreement of necessary governance arrangement and delivery models, make up the City Deal. This represents a 15-year, £1.3 billion commitment to the region.

Breakdown of Programme Investment

(Based on Original HoT Baseline Figures)

<u>Project</u>	<u>WG & Central Government Funding (£)</u>	<u>Other Public Funding (£)</u>	<u>Private Funding (£)</u>	<u>Total</u>
City and County of Swansea				
Swansea District & Waterfront Digital District	50.00	94.30	23.90	168.20
Life Science & Well Being Campus	15.00	20.00	10.00	45.00
Sub Total	65.00	114.30	33.90	213.20
Neath Port Talbot County Borough Council				
Centre of Excellence next generation (CENGs)	23.00	5.50	27.00	55.50
Factory of the Future	10.00	10.30	3.20	23.50
Steel Science Innovation Centre	20.00	60.00	-	80.00
Sub Total	53.00	75.80	30.20	159.00
Carmarthenshire County Council				
Yr Egin	5.00	16.30	3.00	24.30
Life Science and Well being Village	40.00	32.00	127.50	199.50
Sub Total	45.00	48.30	130.50	223.80
Pembrokeshire County Council				
Pembroke Doc Marine	28.00	22.40	25.90	76.30
Sub Total	28.00	22.40	25.90	76.30
Regional Projects				
Homes as PowerStation's*	15.00	119.20	382.90	517.10
Skills and talent initiative**	10.00	16.00	4.00	30.00
Digital infrastructure**	25.00	-	30.00	55.00
Sub Total	50.00	135.20	416.90	602.10
TOTAL	241.00	396.00	637.40	1,274.40

*Lead Authority - Neath Port Talbot County Borough Council

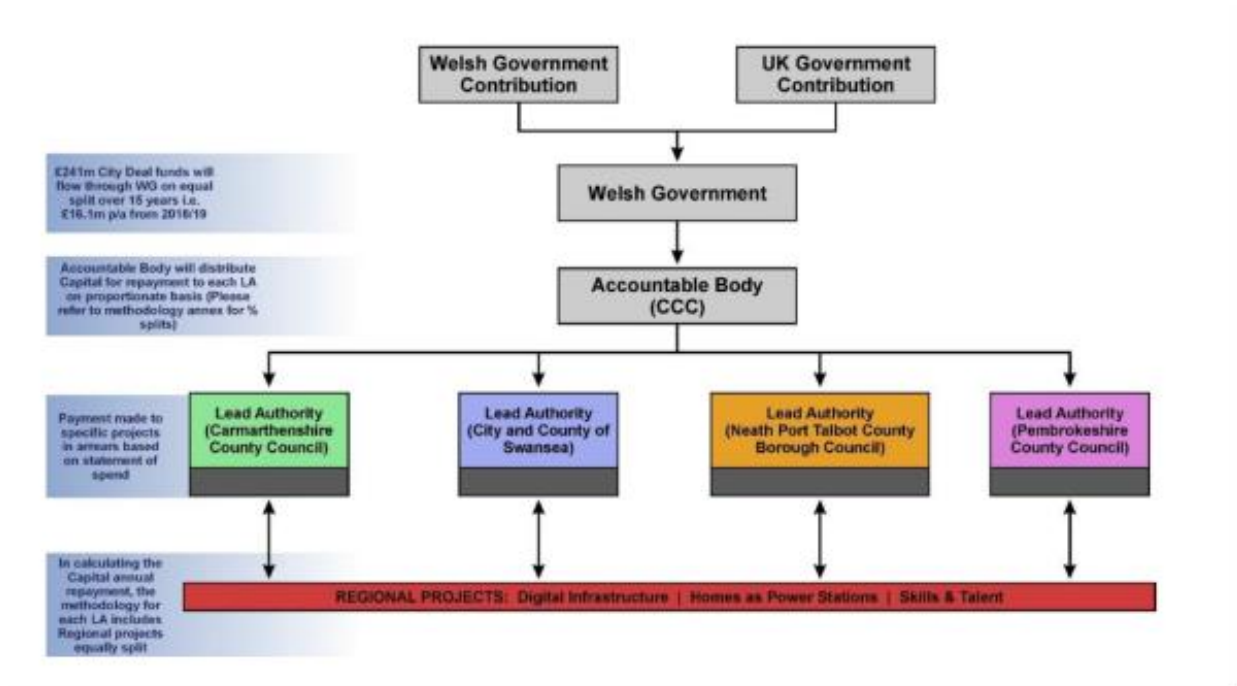
**Lead Authority - Carmarthenshire County Council

While these figures are the original financial forecast on which the City Deal funding structure was formed and agreed, funding elements are subject to change as the programme evolves. On the successful approval of business cases the Accountable body will release Government funding to projects up to the value of the agreed project allocation.

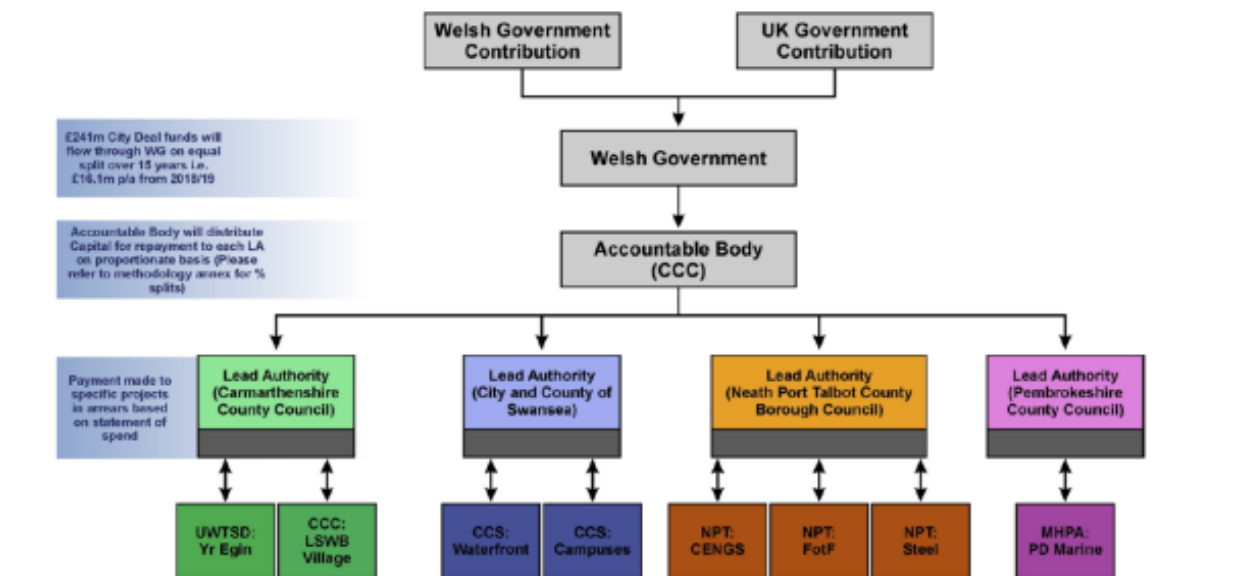
4.3 City Deal Flow of Funding

The release of funds from the Accountable Body will follow one of two funding routes. This is determined on a project basis, depending on whether funding is being released to a regional project or a Local Authority project. The flow of funding is demonstrated below.

Regional Projects



Local Authority Projects



4.4 Programme Financial Overview

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

Private sector investment is fundamental to the overall success of the City Deal. There is a requirement for each City Deal project to have in place from the outset a credible and robust financial profile. All letters confirming both private and public sector match funding are to be in place for the project prior to City Deal funding being approved, confirming amount and timing as set out in the project's approved financial profile. The Project Authority Lead and Project Delivery Lead are to put in place effective project monitoring processes. Funding agreements will be signed at the outset between Project Authority Leads and Project Delivery Leads, setting out funding conditions.

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

As set out in the Joint Committee Agreement, making decisions on borrowing and on finding other sources of funding other than Government funding for projects is a matter reserved to the regional Councils. Each Council shall be responsible for borrowing or providing other funding for projects located in its area. If a project is located in the areas of more than one Council, each of the Councils in whose area the project is located may agree that borrowing or providing other funding should be shared between all of the Councils in whose areas the project is located equally, or in proportions agreed by all of the Councils in whose areas the project is located.

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

4.4.1 Regional Projects

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.

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 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.

4.4.2 Project Revisions

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

But to better meet the needs of residents and businesses, a new programme of City Deal projects was approved by Neath Port Talbot Council's Cabinet in July, 2019.

The Supporting Innovation and Low Carbon Growth programme has been developed to deliver sustainable growth and job creation in the region, with a targeted focus on the Port Talbot Harbourside area. The programme aims to create the right environment for innovation and new technologies, while contributing to the decarbonisation agenda of the local and regional economies.

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

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

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

Supporting Innovation and Low Carbon Growth was approved by the City Deal's Joint Committee in January 2020 for submission to the UK Government and Welsh Government for consideration.

The effect of the project revision has reduced investment in the programme by £98 million, with investment now residing at £1.154 billion. This is down from the original heads of terms investment of £1.274 billion.

This reprofile of investment has been included within the financial analysis section of this business case.

Supporting Innovation and Low Carbon Growth			
Investment Component	Baseline Total (£)	Original Baseline Total (April 19) (£)	Variance (£)
City Deal	47.70	53.00	-5.30
Public	7.70	75.80	-68.10
Private	6.11	30.20	-24.09
TOTAL	61.51	159.00	-97.49

4.5 Joint Committee Financial Overview

The financial structure of the programme has been split into two distinct delivery areas - the Joint Committee and the Programme Investment Fund.

4.5.1 Joint Committee

The Joint Committee has ultimate responsibility and accountability for decisions taken and delivery of the Programme. As such, the need for revenue funding to support the Joint Committee and administration functions has been recognised. This was acknowledged by all partners, which led to agreement for an amalgamation of funding consisting of partner contributions (£50k per partner) and applying a 'top slice' to Government grants of 1.5%.

The above has subsequently concluded in an annual budget of £1,123 million over the five-year construction period.

4.5.2 Programme Investment Fund Portfolio

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

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

4.5.3 Government Grant 'Top Slice'

Annually, up to 1.5% of the Programme 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 Programme. This is referred to as 'Top Slice' of Government Grants.

4.5.4 Retention of National Non-Domestic Rates

The Welsh Government has agreed in principle (as per below) that 50% of the additional net yield generated through City Deal developments can be retained by the region to support revenue costs associated with the programme. This has been acknowledged by the Lead Authorities within the Joint Committee Agreement (JCA - 29th April 2018).

On April 11, 2018, the Welsh Government said it intends to initiate arrangements to allow the region to retain 50% of the additional net yield in Non-Domestic rates generated by the 11 projects which are to be delivered by the Deal.

Upon formal confirmation from the Welsh Government, the Joint Committee will formally agree a distribution basis to the region.

4.5.5 Financial Instruments

It is recognised that throughout the lifecycle of the City Deal Programme, cash balances will arise through cashflow movements as and when projects become live, and actual expenditure is incurred.

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

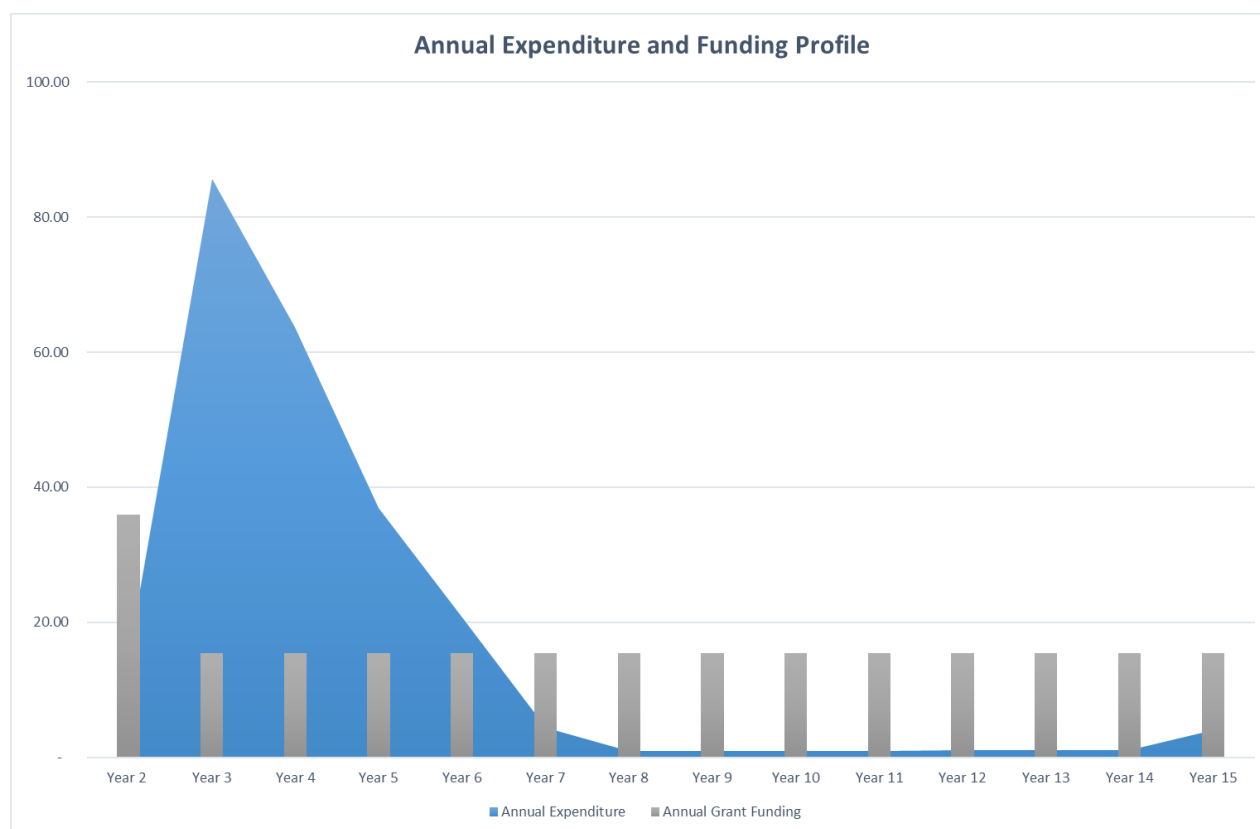
Carmarthenshire Council carries out its treasury management activities in accordance with the Prudential Code of Practice first developed for public services in 2002 by the Chartered Institute of Public Finance and Accountancy (CIPFA). This Code was last revised in 2017. The Council also carries out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

4.6 Swansea Bay City Deal Grant Funding Profile

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

The City Deal grant encompasses £241 million of capital grant awarded over a fifteen-year period. The Programme will disperse funding to the regional Project Lead Authorities to support the projects on which the grant funding was awarded. Funding will only be released from the Programme on the successful approval of business cases by both UK and Welsh Government.

With the funding being released to the programme over a fifteen-year period an inherent temporary funding gap is recognised. Each Project Lead Authority is responsible for managing the cashflows in respect of the projects in which they hold responsibility for delivery, and subsequently are accountable for managing inherent risks and the funding gaps recognised. Each Local Authority shall be responsible for borrowing to provide funding or securing funding for projects in its own area.



4.7 Monitoring and Evaluation

The total City Deal programme expenditure covering all projects is within the £1.3 billion funding package.

The City Deal programme finances will be monitored through the Programme Board and Joint Committee, with the Economic Strategy Board also making recommendations on possible additional funding opportunities or alternative programme expenditure. Regular reports will also be presented by the Accountable Body to the Directors of Finance and Regional 151 Officer working group. The working group will, in collaboration with the Welsh Government and Programme 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.

The monitoring process will allow for the control of project cost variations and visibility of variations at a programme level.

4.7.1 Monitoring Requirements

The Project Authority Lead shall 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 with achieving 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 managing of the programme. These will detail the actual spend to the period, with forecast outturn over the duration of the programme (15 years).

Project Lead Authorities are also obligated to support the Accountable body with any progress update reporting as required by the Welsh and UK Governments.

4.8 Programme Financial Analysis

4.8.1 Programme Expenditure Forecast

The below table demonstrates the estimated forecasted spend of the City Deal programme cumulatively over the 15-year grant period, as at 31st March 2020. This forecast position excludes all transactions in respect of the Joint Committee's operational activities.

Cumulative Programme Expenditure Forecast (Estimated)

<u>Expenditure Allocation</u>	<u>Cashflow</u>	<u>HoT (Original)</u>	<u>Variance</u>
City Deal Expenditure	235.70	241.00	- 5.30
Public Sector Expenditure	328.47	396.00	- 67.53
Private Sector Expenditure	588.87	637.40	- 48.53
Total	1,153.04	1,274.40	- 121.36

4.8.2 Programme Forecasted Annual Expenditure Profile

The below table demonstrates the estimated annual expenditure profile of the programme over the 15-year grant period, as at 31st March 2020. This forecast position excludes all transactions in respect of the Joint Committee's operational activities.

Annual Programme Expenditure Forecast (Estimated)


Expenditure Allocation	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
City Deal Expenditure	0.27	1.13	15.05	68.56	56.57	49.26	23.74	8.96	1.93
Public Sector Expenditure	19.07	6.51	65.66	48.96	45.86	49.47	44.69	48.25	-
Private Sector Expenditure	-	0.80	8.43	40.21	86.57	122.13	158.62	168.61	3.50
Total	19.34	8.44	89.14	157.73	189.00	220.87	227.05	225.82	5.43

* On 28th March 2019 the Joint Committee approved retrospective claiming of eligible defrayed expenditure for the SBCD back to 20th March 2017.

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	
0.96	0.98	1.00	1.03	1.06	1.08	4.11	235.70
-	-	-	-	-	-	-	328.47
-	-	-	-	-	-	-	588.87
0.96	0.98	1.00	1.03	1.06	1.08	4.11	1,153.04


4.8.3 Cumulative Project Expenditure Forecast (Estimated)

A summary of estimated forecast project expenditure for the City Deal projects within the programme is demonstrated below. These figures represent the estimated cumulative expenditure of each project and are provided by the Project Lead Authorities. As the projects are at different stages in their development, project and programme costs will be reviewed quarterly and updated where appropriate.

 Programme Financial Summary <i>as at 31st March 2020</i>				
Projects	Investment Component	Baseline Total (£)	Original Baseline Total (April 19) (£)	Variance (£)
Swansea Waterfront	City Deal	50.00	50.00	0.00
	Public	81.15	94.30	-13.15
	Private	39.97	23.90	16.07
	TOTAL	171.12	168.20	2.92
LS&WB Campuses	City Deal	15.00	15.00	0.00
	Public	20.00	20.00	0.00
	Private	10.00	10.00	0.00
	TOTAL	45.00	45.00	0.00
Supporting Innovation a	City Deal	47.70	53.00	-5.30
	Public	7.70	75.80	-68.10
	Private	6.11	30.20	-24.09
	TOTAL	61.51	159.00	-97.49
Homes as Power Station	City Deal	15.00	15.00	0.00
	Public	114.60	119.20	-4.60
	Private	375.90	382.90	-7.00
	TOTAL	505.50	517.10	-11.60
LS&WB Village	City Deal	40.00	40.00	0.00
	Public	51.00	32.00	19.00
	Private	108.19	127.50	-19.31
	TOTAL	199.19	199.50	-0.31
Yr Egin	City Deal	5.00	5.00	0.00
	Public	20.17	16.30	3.87
	Private	-	3.00	-3.00
	TOTAL	25.17	24.30	0.87
Skills & Talent	City Deal	10.00	10.00	0.00
	Public	16.00	16.00	0.00
	Private	4.00	4.00	0.00
	TOTAL	30.00	30.00	0.00
Digital Infrastructure	City Deal	25.00	25.00	0.00
	Public	-	-	0.00
	Private	30.00	30.00	0.00
	TOTAL	55.00	55.00	0.00
Pembroke Dock Marine	City Deal	28.00	28.00	0.00
	Public	17.85	22.40	-4.55
	Private	14.70	25.90	-11.20
	TOTAL	60.55	76.30	-15.75
Programme Total	City Deal TOTAL	235.70	241.00	-5.30
	Public TOTAL	328.47	396.00	-67.54
	Private TOTAL	588.87	637.40	-48.53
	Programme TOTAL	1,153.04	1,274.40	-121.37

4.8.4. Capital and Revenue Expenditure Forecast (Estimate)

A summary of estimated capital and revenue expenditure forecast for the City Deal projects within the programme is demonstrated below. These figures represent the estimated cumulative expenditure split between the capital and revenue spend of each project. As the projects are at different stages in their development, project and programme costs will be reviewed quarterly and updated where appropriate.

 Capital and Revenue Forecast Summary <i>as at 31st January 2020</i>				
Projects	Investment Element	Capital Expenditure	Revenue Expenditure	Baseline Total (£)
Swansea Waterfront	City Deal	50.00	0	50.00
	Public	81.15	0	81.15
	Private	39.97	0	39.97
	TOTAL	171.12	0	171.12
LS&WB Campuses	City Deal	15.00	0	15.00
	Public	20.00	0	20.00
	Private	10.00	0	10.00
	TOTAL	45.00	0	45.00
Supporting Innovation and Low Carbon Growth	City Deal	47.70	0	47.70
	Public	4.5	3.2	7.70
	Private	6.11	0	6.11
	TOTAL	58.31	3.20	61.51
Homes as Power Stations	City Deal	15.00	0	15.00
	Public	114.60	0	114.60
	Private	375.90	0	375.90
	TOTAL	505.50	0	505.50
LS&WB Village	City Deal	40.00	0	40.00
	Public	51.00	0	51.00
	Private	108.19	0	108.19
	TOTAL	199.19	0	199.19
Yr Egin	City Deal	5.00	0	5.00
	Public	20.17	0	20.17
	Private	-	0	-
	TOTAL	25.17	0	25.17
Skills & Talent	City Deal	10.00	0	10.00
	Public	0	16.00	16.00
	Private	0	4.00	4.00
	TOTAL	10.00	20.00	30.00
Digital Infrastructure	City Deal	25.00	0	25.00
	Public	0	0	-
	Private	22.00	8.00	30.00
	TOTAL	47.00	8.00	55.00
Pembroke Dock Marine	City Deal	28.00	0	28.00
	Public	7.00	10.85	17.85
	Private	8.68	6.01	14.70
	TOTAL	43.68	16.87	60.55
Programme Total	City Deal TOTAL	235.70	0	235.70
	Public TOTAL	298.42	30.05	328.47
	Private TOTAL	570.85	18.01	588.87
	Programme TOTAL	1,104.97	48.07	1,153.04

4.9 Accounting Treatment of Programme Transactions

4.9.1 Accounting for Income and Expenditure

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

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

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

4.9.2 Revenue Requirement

It has been recognised by the Joint Committee and by both Governments that an element of revenue funding is required to support the central services employed to deliver the City Deal Programme. Revenue income to support the programme has been agreed as an amalgamation of partner contributions (£50k per partner) and "Top Slice" of Government grants (1.5%). All operational expenditure will be funded by partnership contributions, with any surpluses transferred to a ring-fenced reserve.

The Welsh Government has acknowledged that revenue funding will be required to support the delivery of projects within the City Deal programme. The revenue requirement 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 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.

4.9.3 Balance Sheet Accounting

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year, are classified as Property, Plant and Equipment.

Assets constructed or held as part of a project delivered within the programme will be disclosed and held on the Balance Sheet within the Project Lead Authority responsible for the delivery of such projects.

Assets constructed or held as part of a regional project within the programme will be proportioned accordingly or will reside within the balance sheet of the Project Authority Lead in whose constituency such assets reside.

The Joint Committee will hold no such physical asset as categorised above within its legal remit.

Current assets held by the Joint Committee will be accounted for accordingly under the relevant International Accounting Standard, in line with The Code of Practice on Local Authority Accounting in the UK. Currently only such assets classified as current assets are held by the Joint Committee, which is accounted for within the financial statements of Carmarthenshire County Council, ring-fenced to the Swansea Bay City Deal Programme.

4.9.4 Financial Instruments

Financial instruments held by the Joint Committee consist of the cash and cash equivalents as stated in schedule 11. Cash and Cash Equivalents.

It is recognised that throughout the lifecycle of the City Deal Programme, cash balances will arise through cashflow movements as and when projects become live and actual expenditure is incurred.

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

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

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

4.9.5 Net Present Value

Net present value (NPV) is the difference between the present value of cash inflows and the present value of cash outflows over a period of time. All costs and funding streams have been demonstrated at their gross value, and therefore have not been discounted to their present value.

4.10 Financial Risk Management and Assurance

4.10.1 Financial Risks

The programme financial risks are monitored and managed as part of the City Deal's overall risk management arrangements. The City Deal projects maintain, manage and monitor their own risks in line with guidance from the Green Book and the City Region's Accountable Body and Regional Programme Management Office. The Joint Committees operates a programme risk register and issues log, specifically including financial risks identified.

These risks will be monitored and updated with mitigating control actions through the Section 151 officers' group as a standing item and then regularly presented to the Programme Board and Joint Committee.

4.10.2 Financial Issues, Dependencies and Interdependencies

The regional Section 151 Officer Working Group will develop and maintain a log of any financial issues, dependencies and interdependencies at both a 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 Accountable Officer as appropriate.

4.10.3 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 on which the Joint Committee gains assurance. Internal Audit are required to undertake their work in accordance with the standards as set out in the Public Sector Internal Audit Standards (PSIAS) established in 2013 are the agreed professional standards for Internal Audit in Local Government.

As required by the Standards, the Head of Internal Audit (Pembrokeshire County Council) prepares an annual report for consideration by the Joint Committee. The format of the Annual Report complies with the requirements of the Code of Practice.

The Strategic and Annual Audit Plans are approved by Joint Committee annually and regular reports are made to the Joint Committee throughout the year on progress and any significant weaknesses identified.

In addition to the planned work, the Internal Audit Unit undertakes fraud investigation and proactive fraud detection work.

4.10.4 Assurance - External Regulators

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

Section 5

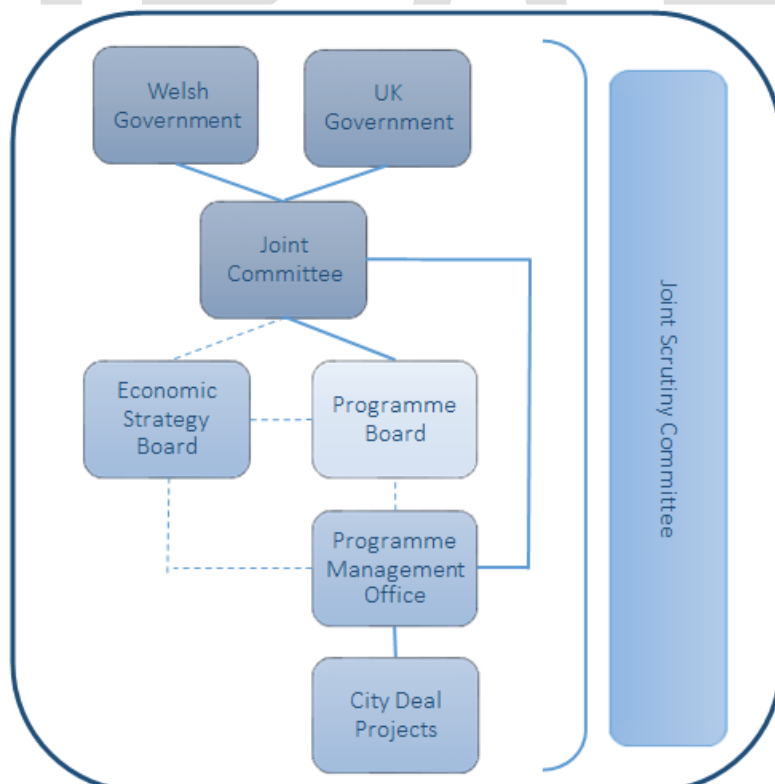
THE MANAGEMENT CASE

5.1 Programme Management Governance Arrangements

The Swansea Bay City Deal programme is continuously reviewing and improving its governance and assurance arrangements. This is to maximise the success of the programme and its constituent projects by translating the regional ambitions and targets into reality whilst ensuring performance is based on aspects of risk, time and resource management. These arrangements also ensure that the programme progress and deliverables are communicated, transparent and provide value for money to the region and people of Wales.

The City Deal's governance structure, as outlined below, is supported by a regional Joint Scrutiny Committee, which provides test and challenge to decision-makers.

Terms of reference and operating frameworks have been adopted for all City Deal governance groups, ensuring planning and execution are aligned to the delivery of objectives and benefits.



5.1.1 Joint Committee

The Joint Committee comprises of the four Local Authority Leaders of Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea. The Joint Committee will be chaired by a Local Authority Leader and is currently chaired by the Leader of Swansea Council.

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

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

The first formal meeting of Joint Committee took place on August 31, 2018, when each of the four local authorities signed the Joint Committee Agreement (JCA) – a legal document that sets out how the councils will work together.

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

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

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

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

- Reviewing performance of the Chair of the Economic Strategy Board on an annual basis
- Agreeing the annual costs budget
- Consideration of project business cases, based on recommendations from Programme Board and the Economic Strategy Board
- Determining whether to approve the submission of projects to the UK and Welsh Governments for approval/the release of government funds

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

5.1.2 Joint Committee Agreement

All four Swansea Bay City Region local authorities have signed the Joint Committee Agreement (JCA) in 2018, which is a legal document that outlines the principles of City Deal arrangements.

Under the terms of the JCA, the four regional local authorities will work in partnership to discharge their obligations to one another, the Welsh Government and the UK Government to promote and facilitate projects funded under the Swansea Bay City Deal. This, in turn, will help boost economic well-being throughout the City Region as a whole.

By documenting the respective rights and obligations of City Deal local authority partners, the JCA has enabled the establishment of the Joint Committee.

5.1.3 Programme Board

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

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

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

The Programme Board has four distinct roles:

- Preparing recommendations on the Swansea Bay City Deal programme:
 - Ensuring that all schemes are developed in accordance with the agreed package
 - Analysing each City Deal project's financial viability, deliverability and risk
 - Overseeing the production of business cases.
- Advising on the strategic direction of the Economic Strategy Board

- Overseeing performance and delivery of projects by reviewing progress against agreed milestones, focusing on delivery and financial risks, and identifying any necessary remedial action
- Working on a regional basis to improve public services, especially in the areas of economic development, transport, planning, strategic land use, housing, energy and regeneration

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

5.1.4 Economic Strategy Board

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

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

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

The Economic Strategy Board meets monthly in advance of Joint Committee, or when necessary to deal with business as agreed by the Chair of the Economic Strategy Board.

Key activities of the Economic Strategy Board include:

- Submitting strategic objectives for the Swansea Bay City Region
- Assessing the individual project business cases against the strategic aims and objectives of the City Deal
- Making recommendations to the Joint Committee on whether the project business cases should proceed
- Considering implications of a proposed withdrawal or change of project local authority lead
- Considering any proposal for a new project
- Providing recommendations to the Joint Committee on whether the new project proposed should replace the project to be withdrawn
- Determining the process for selecting new projects or reallocating funding
- Monitoring progress of the City Deal's delivery

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

5.1.5 Joint Scrutiny Committee

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

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

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

The Joint Scrutiny Committee shall be required to:

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

5.1.6 Accountable Body

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

The role of the Accountable Body is to:

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

5.1.7 Regional Programme Management Office

Reporting directly to the Joint Committee and Swansea Bay City Deal Senior Responsible Owner (SRO), the Regional Programme Management Office plays a co-ordinating and supporting role. It is responsible for the day to day management of matters relating to the Joint Committee and the Swansea Bay City Deal.

Key activities of the Regional Programme Management Office include:

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

5.1.8 Programme Management Arrangements

The process and procedures for management of specific aspects of the City Deal such as financial cash flow, project approval and reporting are outlined in the Joint Committee Agreement (JCA).

Progress on the annual Implementation Plan referred to below will be reported to Joint Committee on a quarterly basis and reviewed annually. Implementation Plan progress updates will also be reported to the UK Government and Welsh Government.

5.1.9 Implementation Plan

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

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

The Joint Committee will review the Implementation Plan once a year, with the first review to take place no later than 12 months after the approval of the Implementation Plan. Reviews in later years will take place no later than one year after the previous review.

The City Deal's Implementation Plan – approved by Joint Committee in January 2020, is a live, evolving document.

5.2 Project management governance arrangements

Each Swansea Bay City Deal project has its own governance structure and management arrangements to oversee their development and delivery, which are outlined in their individual outline or full business case.

Programme level governance arrangements are also in place that each project will be expected to implement and provide updates on.

These include, but are not limited to:

- Risk and issue management
- Monitoring and evaluation
- Benefits realisation
- Community Benefits
- Change control
- Dependencies and interdependencies
- Escalation and reporting structures
- Financial control and contingency management

5.2.1 Project approval process and flow of funds

On completion of a final draft business case and following approval from the respective regional/project authority lead, business cases for each of the City Deal projects will undergo assessment by the Regional Programme Management Office before being considered by the respective City Deal governance structures. After approval by the Joint Committee, the project business case will undergo an external Stage Gate review before progressing to the UK Government and Welsh Government for Ministerial approval.

The flow of funds for the City Deal programme is set out in the financial case of this Programme Business Case.

5.3 Use of specialist advisors

The City Deal's Economic Strategy Board (ESB) is made up of private sector representatives from sectors including energy, finance, life sciences, manufacturing, housing and economic acceleration.

While also applying private sector rigour to the assessment of City Deal project business cases, the ESB makes recommendations to the Joint Committee for consideration.

Additional specialist advisors were appointed in 2020 to broaden the representation of further key sectors including skills and micro business. Their appointment – as with all ESB members – followed an open recruitment exercise process. All ESB members and specialist advisors are unpaid for their City Deal work.

The Regional PMO will utilise the services of paid specialist advisors where appropriate. This may be, but not exclusively, to receive advice on matters of best practice, to obtain guidance on specific or specialist matters or to advise on business case development and programme management.

Specialist advisors will be used to undertake the external assurance reviews required for business case approval.

5.4 Risk management arrangements

The City Deal is a broad programme with complex risks and dependencies. The on-going risks will be monitored and managed as part of the City Deal's overall risk management arrangements.

As described in the UK and Welsh Government Guide to developing the Programme Business Case, risks fall into three main categories:

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

Business-related risks for the City Deal programme are summarised in the Economic Case, along with mitigating control actions. A distillation of risks across the delivery areas of the programme can be found in the Programme Risk Register.

Service-related risks will be managed by the City Deal projects, who will maintain, manage and monitor their own risks in line with guidance from the Green Book and the City Region's Accountable Body and Regional Programme Management Office. Any significant risks that may affect programme deliverables will be escalated to the Regional Programme Management Office and managed via the regional governance structure.

External Risks are also covered in the Economic Case.

The Swansea Bay City Deal Programme Risk Register logs risks at programme level, including business, organisational and external risks. The risk register is updated periodically and reported to Programme Board. The register details the description, owner, consequence and review update, accompanied by a scoring based on probability and impact for each risk.

Key business risks captured in a programme risk register include SBCD partner withdrawal, delays to project approval and funding draw down and programme delivery delays.

Following Programme Board review, the programme risk register and programme issues log, are considered by Joint Committee on a quarterly basis. These documents are also

considered by Joint Scrutiny Committee at each of its meetings, which take place once every two months.

The City Deal's Regional Programme Management Office has implemented a Covid-19 impact assessment, which all City Deal projects have populated and are actively managing. This will be reported through the City Deal's management and governance structures.

5.5 Benefits realisation arrangements

The Swansea Bay City Deal headline benefits are £1.8 billion boost to regional GVA and the creation of over 9,000 high-value jobs.

The focus on the regional economy across the SBCD projects will also support regional supply chain businesses, with the City Deal's energy theme due to further accelerate the growth of the region's blue and green economies, helping meet regional, Wales and UK-wide decarbonisation targets.

As well as financial benefits, the City Deal will also lead to societal benefits. These include tackling fuel poverty, improving people's health and well-being, and creating more resilient communities and businesses.

The benefits realisation plan is made up from the constituent projects, where they are required to develop and submit a benefits register as part of the business case submission. The approach to monitoring and evaluating the programme benefits features in the Programme's Monitoring and Evaluation Plan and are regularly reported at project and programme level at the Programme Board and Joint Committee governance groups.

Monitoring and evaluating the programme performance and impact will improve informed decision making and planning and risk management in order to deliver the widest possible benefits to the region and value for money. It will also create a culture of learning from doing and sharing.

The Programme SRO will oversee the vision, objectives and project governance arrangements, including the benefits realisation of the programme.

5.6 Post implementation and evaluation arrangements

The Swansea Bay City Deal deliverables are aligned to SMART (specific, measurable, achievable, realistic and timebound) objectives. These will aid with the post evaluation at both project and programme level.

The objectives will be detailed in the tools adopted in the Monitoring and Evaluation Plan at both a programme and individual project level. Periodic reports and evaluations will be undertaken both at key project and programme milestones and at the end of the implementation stage. External stage gate reviews will form part of this process, along with regional reviews and assessments.

5.7 Contingency arrangements and plans

The City Deal's Joint Committee Agreement outlines contingency arrangements for a number of scenarios. The scenarios identified include the withdrawal of a project from the City Deal programme, the change of a project local authority lead, and the withdrawal of a partner from the City Deal programme. All of which will be managed via the programme and project risk register and reported accordingly.

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

5.8 2019/2020 update

An internal and independent external review were commissioned in December 2018 for the Swansea Bay City Deal.

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

The City Deal's Joint Committee has agreed to implement all recommendations arising from the reviews that Welsh Government documented in an Award funding letter with specific terms and conditions in October 2019, which include:

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

5.9 Progress in meeting all review recommendations

Overseen by the City Deal's Joint Committee, major progress has been made in meeting all recommendations arising from both reviews.

This progress includes roles and functions having already been redistributed as below to ensure a more equitable balance across the City Deal partnership:

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

Carmarthenshire Council will continue as the Accountable Body.

Having started in post in March 2020, the City Deal's Programme Director is also establishing a City Deal Programme Management Office (PMO). A draft Programme Management Office structure is now in place, which is due for consideration at Joint Committee in coming months.

5.9.1 Integrated Assurance and Approval Plan (IAAP)

Other progress in meeting the requirements of the reviews includes the on-going development of an Integrated Assurance and Approval Plan, with the City Deal's Regional Programme Management Office working closely alongside the Welsh Government's Assurance Hub.

This plan will ensure the planning, coordination and provision of assurance activities and approval points throughout the City Deal programme, proportionate to levels of project cost and risk. As well as a programme level IAAP, constituent projects will also feed into the overall plan. The IAAP is a live document that will be kept updated and actioned throughout the lifecycle of the City Deal programme.

5.9.2 Senior Responsible Owner (SRO)

A City Deal Senior Responsible Owner (SRO) has been appointed by the City Deal's Joint Committee. The Chair of the Programme Board will assume the role of SRO and will ultimately oversee programme delivery ensuring that the correct governance arrangements are in place to deliver and manage any risks and issues.

5.9.3 OGC Gateway Reviews and further assurance

OGC (Office of Government Commerce) Gateway Reviews will be carried out at both a City Deal programme (Gate 0) and project level (Gates 1-5) where appropriate, to examine specific points in their lifecycles. This will assure successful progression and overall delivery, while supporting the SRO in the successful discharge of their duties.

These reviews are among a suite of assurance activities the City Deal's Programme Management Office will organise, with the best course of action determined by the maturity of the programme or the stage of a constituent project's development or delivery.

Other assurance activities will include project validation reviews and project assessment reviews.

5.10 Brexit and Covid-19

The City Deal's Joint Committee Agreement will be kept under review by all City Region local authority partners, in the context of the UK withdrawing from the European Union and any changes in law that may consequently apply to parties.

The City Deal's Regional Programme Management Office has implemented a Covid-19 impact assessment, which all City Deal projects have populated and are actively managing. This will be reported through the City Deal's management and governance structures.

Appendix 1 - Interdependencies and Synergies across the Portfolio

Interdependencies

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

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

The Skills and Talent Initiative will be instrumental in determining the skills needs of the other projects in the portfolio and, in turn, will support regional education providers to deliver the skills solutions required. There will be opportunities for the transferability of skills between projects and therefore across the region, creating a thriving talent base.

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

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

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

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

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

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

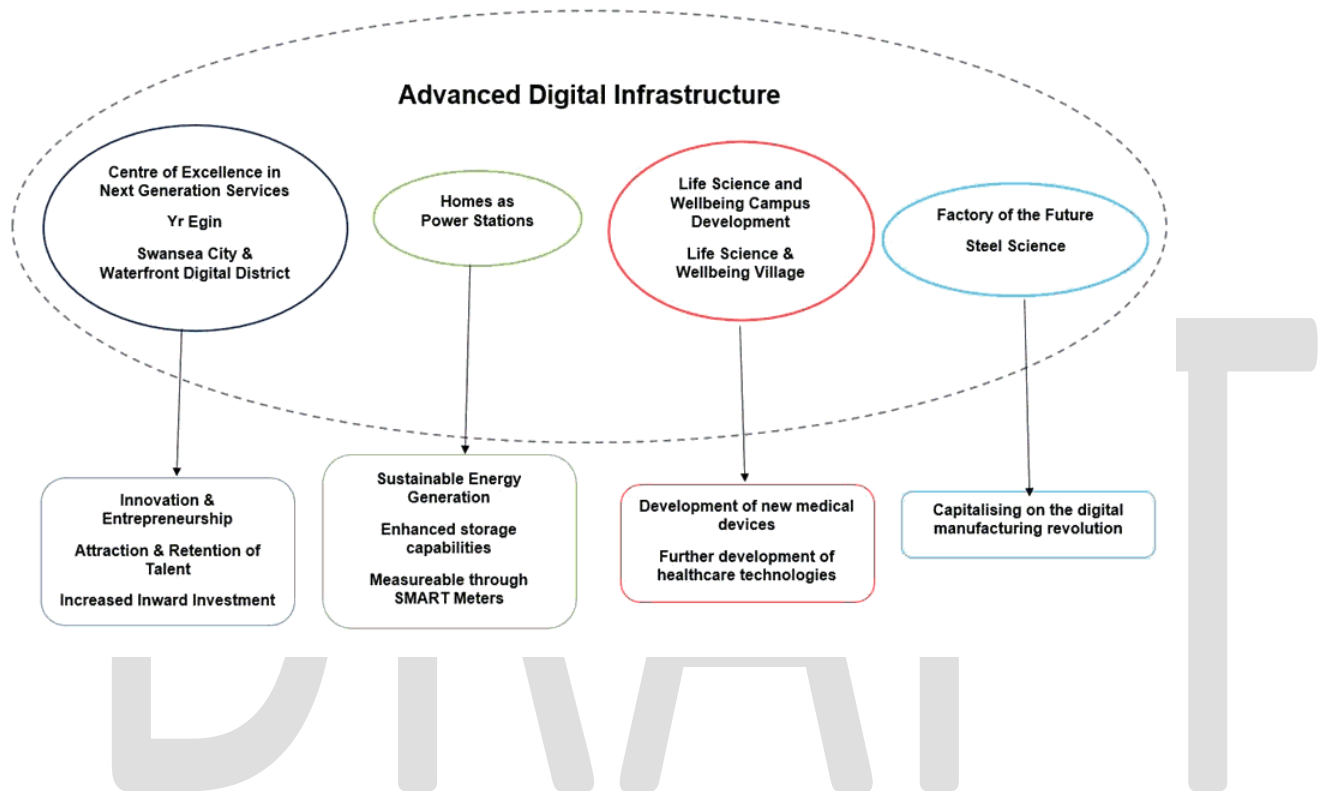
An innovative digital infrastructure is particularly pertinent for the Homes as Power Stations project. Imperative to the proposal is the utilisation of the internet to create innovative and sustainable energy generation. Combined with storage and efficiency, this will be supported by the use of smart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

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

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

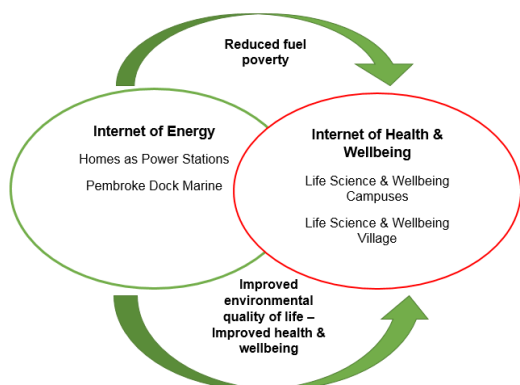
Interdependence 5 - The Internet of Economic Acceleration and Smart Manufacturing

Manufacturing elements of the Homes as Power Stations, Factory of the Future and Steel Science projects are reliant on the use of next generation technologies. These technologies – which will further advance and emerge in coming years - include cyber-physical systems, the internet of things, cloud computing and cognitive computing. These are all elements that require a strong digital infrastructure to capitalise on continual advancements in digital manufacturing.



Synergies

Synergy 1 - Energy and Life Science & Wellbeing



The economic well-being of Wales has been historically reliant on the strength of heavy industry and traditional manufacturing. But with the gradual decline of these industries in recent decades, far greater emphasis is now placed on fostering economic growth, development and social inclusion, while ensuring natural assets continue to provide resources on which our well-being relies.

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

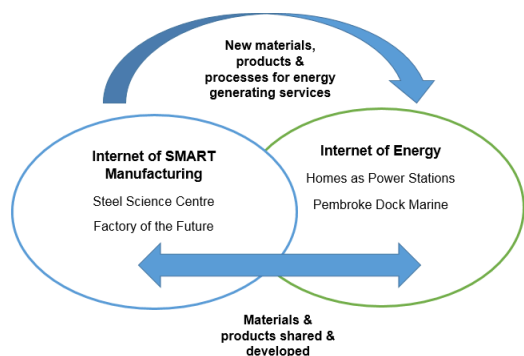
The environmental and resource productivity of the economy is strongly linked to Homes as Power Stations, Pembroke Dock Marine and the decarbonisation elements of the Supporting Innovation and Low Carbon Growth programme, with all aiming to produce and promote sustainable energy.

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

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

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

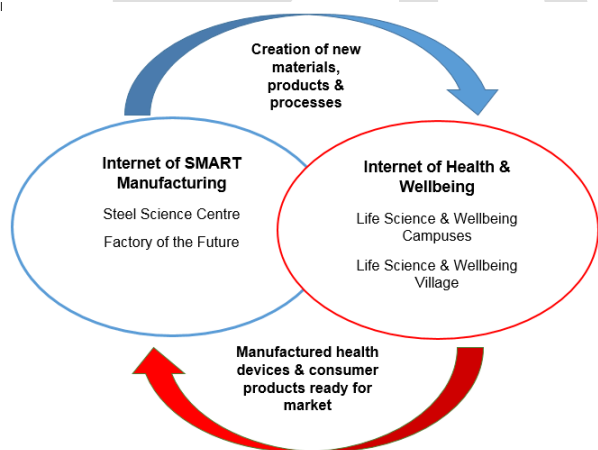
Synergy 2 - Energy and Smart Manufacturing



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

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

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



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

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

The Steel Science Centre will create new materials, products and processes, many of which will have applications in life science & well-being. This will provide the opportunity to shape the development of

intelligent sterile environments, supporting disruptive technologies for telehealth like smart wearables and intelligent dressings.

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

Revised Interdependencies and synergies

The introduction of the Supporting Innovation and Low Carbon Growth project has amended some of the above interdependencies and synergies as explained below.

Advanced, innovative digital infrastructure will also accelerate the delivery and evaluation of marine energy solutions forming part of the Pembroke Dock Marine project, while also assisting the decarbonisation elements of Neath Port Talbot's Supporting Innovation and Low Carbon Growth programme, which includes real-time air quality modelling and monitoring as well as enhanced charging infrastructure for electric vehicles.

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

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

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

The programme's focus on decarbonisation and improving air quality will lead to environmental benefits in Neath Port Talbot and beyond that will boost the health and well-being of contemporary residents and generations to come. Also forming part of the programme is a drive to encourage greater uptake of electric vehicles, which will lead to environmental benefits throughout the region and elsewhere. This will place South West Wales at the heart of global innovation as an example of best practice for embracing this kind of technology as a conduit to environmental improvements.

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