



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
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Swansea Bay City Deal

Digital District Project Change Request Summary

July 2021

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Overview

- Box Village has now become the new 'Innovation Matrix', a significantly higher quality space that will allow for greater flexibility and use for tenants in line with the University strategy to co-locate key commercial partners and research centres within a new purpose built facility. The synergies between the partners will drive a new wave of innovation and growth.
- The University secured a private sector partner to deliver a minimum of £1.9m of private sector investment for Innovation Matrix as part of a wider agreement on strategic funding package for the SA1 area. The funding is contractually secured. However there are currently some challenges in ensuring that the private sector partner are delivering on their commitment and as a result there is likely to be a significant delay in the funding reaching the University, which means that an alternative model needs to be enabled which will allow the Innovation Matrix to proceed on the planned timescales. The University has assessed the anticipated delay as between 3 to 5 years to resolve commercial opportunities with the existing private sector partner. The University believes that the most effective risk mitigation strategy is to defer the planned £1.9m of private sector investment to the Innovation Precinct project, which will not be delivered for c. 3 years to allow time for the private sector funding issue to be resolved.
- As a result of these two points and with VAT implications as the University will be delivering the project directly, Innovation Matrix will have an anticipated funding gap of £5.716m.
- To rectify this, the University proposes to reallocate £5.716m of City Deal Funding from the Innovation Precinct project to the new Innovation Matrix.

This change request is not a request for additional funding. It is a reallocation of funding between the two schemes, and the total level of funding from all sources (as well as the total cost of the programme as a whole) will remain the same. All economic benefits originally outlined in the business case will at least be achieved or more likely improved upon.

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Reallocation of Funding

2016 Profile

| Project | Original Box Village and Digital Literacy Facility | Innovation Precinct | Total |
|--------------------|--|-----------------------|-----------------------|
| City Deal Funding | £2,351,512.00 | £11,094,768.00 | £13,446,280.00 |
| Private Funding | £1,900,000.00 | £7,000,000.00 | £8,900,000.00 |
| University Funding | £5,164,410.00 | £3,145,867.00 | £8,310,277.00 |
| Total | £9,415,922.00 | £21,240,635.00 | £30,656,557.00 |

2021 Profile

| Project | Innovation Matrix and Digital Literacy Facility | Innovation Precinct | Total |
|--------------------|---|-----------------------|-----------------------|
| City Deal Funding | £8,067,688.93 | £5,378,591.07 | £13,446,280.00 |
| Private Funding | £- | £8,900,000.00 | £8,900,000.00 |
| University Funding | £5,164,410.00 | £3,145,867.00 | £8,310,277.00 |
| Total | £13,232,098.93 | £17,424,458.07 | £30,656,557.00 |

Note: The University is working in conjunction with City and County of Swansea to further develop the concept of a refurbishment delivery methodology for Innovation Precinct, which will reduce the amount of required funding sufficiently to satisfy the change in total cost above. The University is also currently undertaking an exercise with Carter Jonas to establish the viability of securing £8.9m of private sector investment for Innovation Precinct. This will effectively de-risk private sector investment for the scheme and will allow the University to provide greater reassurance for the delivery of private sector funding overall.

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Risks of Non-Approval of Recommended Change

The University has assessed the anticipated delay as between 3 to 5 years to resolve commercial opportunities with the existing private sector partner.

This would result in the following impacts to key project metrics:

| Measure | 1 Year Delay | 2 Year Delay | 3 Year Delay | 5 Year Delay |
|---------------------|-----------------|------------------|------------------|------------------|
| Operational GVA | -£7.908m | -£15.816m | -£23.724m | -£39.540m |
| Project Cost* | £13.894m | £14.588m | £15.318m | £16.888m |
| Total Impact | -£8.570m | -£17.172m | -£25.810m | -£43.196m |

* Inflation only, BCIS 5 Year Forecast

Additional impacts would also include:

- Delay of job creation and 15yr target, knock on effects to wider GVA Delay and/or reduction in growth of SMEs in the region
- Inability to contribute to policy objectives, such as COVID recovery

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Innovation Precinct

Note: The changes to Innovation Precinct will be formally addressed in the upcoming Innovation Precinct Change Request. As a result, the information below is for information purposes in the context of Innovation Matrix.

- The changes to the Innovation Matrix and wider developments since the original Business Case will necessitate a change to the delivery strategy for the Innovation Precinct. The University's revised approach will satisfy both the requirements of changes to funding and the ongoing commitment to achieving the benefits and targets for the scheme.
- The University is progressing in partnership with City and County of Swansea to identify a c. 6,000m² building in Swansea City Centre, which will then be procured and refurbished, becoming a revised Innovation Precinct. By doing so, the University will be able to fulfil all of its benefits and targets and will deliver enhanced value for money.
- To ensure that Innovation Precinct in this new form will be able to satisfy the increased requirement for £1.9m of private sector investment, the University has commissioned Carter Jonas to study the viability of private sector funding. Whilst the finalised report is awaited, early indications are this level of additional funding is achievable. In addition to its existing funding commitment of £3.15M, the University will also consider providing an appropriate level of rental underwrite to secure the additional private sector investment if required.
- The University is fully committed to realising the Innovation Precinct project and will ensure that all benefits and targets are achieved as previously agreed. Whilst at this stage it is too early to begin detailed design etc., the University will ensure that the project is fully resourced and will ensure that all appropriate Gateway Reviews are conducted.

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