Innovation Matrix Impact of Non-Approval

Box Village and Innovation Matrix

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.

Quantifiable Impacts

Given that the SBCD has a 15 year appraisal period, the impact of non-approval can be demonstrated through the loss of GVA for every year of delay to the project. In addition, the project would also suffer from increasing construction costs which can be measured against the BCIS funding forecast.

It should be noted that as the other benefits (including jobs created) would have already maximised within the 15 year appraisal period, under the conditions of the scenarios above, these benefits would still be delivered under the maximum five year delay.

From this, the University has calculated the estimated GVA and increase in project costs in the table below:

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

Qualitative Impacts

In addition to the above, the University has identified several (non-exhaustive) qualitative impacts that any delay would have for the project:

- Reduction in growth of SMEs in the area
- Potential knock-on effects to wider tertiary job creation
- Failure to provide further opportunities for growth in Swansea
- Inability to deliver on COVID recovery policy objectives
- Inability to deliver on wider innovation strategy objectives
- Reputational loss to University/SBCD
- Loss of tenants already in engagement
- Impact on deliverability of Innovation Precinct
- Impacts on overall objectives of the Digital District programme
- Potential failure of deliverability of Innovation Matrix

Summary

Non-approval of the Change Request would certainly create severe impacts for both the deliverability and benefits of the Innovation Matrix project. Given the nature of cost increases in the construction industry currently, the University is expecting project costs to rapidly grow for any year on year delay. Whilst these are shown above, in reality it is highly likely that these cost increases would rapidly overwhelm contingency and available funding making the project unaffordable and thus undeliverable. Should the change request not be approved, it is highly likely that the timeline for Innovation Precinct will also move back by c. 3 – 5 years.

In combination with these increased costs, the significant impacts to overall project GVA would result in a substantial drop in BCR for the scheme which would have knock-on effects to the overall BCR for the Swansea Bay City Deal as a whole. In combination with the qualitative impacts shown above, it becomes clear that any delay to the Innovation Matrix would significantly affect the deliverability and benefits delivered by the scheme.