

SWANSEA BAY CITY REGION JOINT SCRUTINY COMMITTEE

DATE 28th February 2023

Swansea City & Waterfront Digital District Update

RECOMMENDATIONS/KEY DECISIONS

To inform Joint Scrutiny Committee of:

1. The progress made and status of the SBCD Swansea City and Waterfront Digital District programme.
2. The development of the updated programme business case as at Appendix A
3. The outcome of the recent PAR Gateway Review as at Appendix B and Action Plan as at Appendix C

REASONS

1. Programme Overview

- 1.1 The Swansea City and Waterfront Digital District programme is made up of three elements:
 - Creation of a 34,000 sq ft. **Innovation Matrix** and 64,600sq ft. **Innovation Precinct** at University of Wales Trinity Saint David to provide incubation space and co-working areas for start-ups and small businesses. The project is being delivered by University of Wales Trinity Saint David
 - Creation of 115,000 sq ft of flexible and affordable office accommodation to support the growth of tech businesses and other higher value added activities, through the development of a new **Digital Village** (71-72 Kingsway) in the City Centre. The project is being delivered by University of Wales Trinity Saint David
 - Development of a **Digital Square and Arena** by as part of a wider scheme to revitalise the city centre to create the vibrant environment, leisure and lifestyle offer (including events space) that attracts and retains tech businesses and skilled workers, acts as a catalyst for future schemes for the benefit of the wider region. The project is being delivered by University of Wales Trinity Saint David
- 1.2 Swansea is a key engine of growth for Swansea Bay City Region, producing 40% of regional Gross Value Added (GVA). It has significant innovation assets, with two expanding universities and a growing capability across key sectors linked to university expertise and Swansea Techhub.
- 1.3 However, the City Deal Business Case identified fundamental issues with:

- a lack of suitable incubation and grow-on space for businesses;
- a poor-quality city centre environment, commercial, leisure and lifestyle offer;
- low rental values (making private sector development unviable); business start-ups and graduates being lost to the city.

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

2. Programme Outcomes

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

3.1 Digital Arena

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

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

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

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

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

3.2 Digital Village (71-72 Kingsway)

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

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

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

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

3.3 Innovation Matrix and Innovation Precinct

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

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

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

3. Business Case Development

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

4.2 Swansea Council have now undertaken a further update of the business case to incorporate the procurement of the Digital Village and other relevant changes, reflective of the progress made on the programme. The update has been prepared using the agreed standards and format for business cases, as set out in the Green Book Supplementary Guidance 5 Case Model and Better Business Case guidance. The update revisits each of the five dimensions of the business case to demonstrate the strategic alignment, case for change, value for money, viability, affordability and delivery arrangements for the programme. A further update will be undertaken when procurement details are available for the Innovation Matrix and Precinct projects.

4.3 The update has been undertaken in discussion with the SBCD PoMO and in accordance with the approved SBCD guidance for business case development.

4.4 The updated business case is attached for information and a summary of the key changes is included at the beginning of each of the following 5 business case sections.

- the **strategic case** section. This sets out the case for change, together with the supporting investment objectives for the scheme. Updated information on strategic alignment, refined investment objectives and updated risks and dependencies
- the **economic case** section. This demonstrates that the organisation has selected the most economically advantageous offer, which best meets the existing and future needs of the service and optimises value for money (VFM). The economic case has been updated with the procurement information for Digital Village, Digital Square and Arena, with Innovation Matrix information to follow, demonstrating the VFM for the chosen option and confirming the updated costs, benefits and risks, confirming the procurement strategy, route and evaluation criteria that were followed and demonstrating that the option offering best public value has been chosen.
- the **commercial case** section. This sets out the content of the proposed deal. The commercial case has been updated with the choice of service providers, negotiated deals and the contractual arrangements for the procurements.
- the **financial case** section, which confirms funding arrangements, affordability and the effect on the balance sheet of the organisation. This section has been updated with the current cost and funding details to demonstrate the affordability of each of the project elements.
- the **management case** section which details the plans for the successful delivery of the scheme to cost, time and quality. The management case has been updated with further detail on the delivery and management arrangements for the programme including current governance arrangements, benefit realisation, monitoring and reporting, change and programme assurance.

4.5 The key milestones for the delivery of the programme are shown below:

Innovation Matrix

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

Innovation Precinct

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

Digital Village (71-72 Kingsway)

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

Digital Square and Arena

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

4. Gateway Review

5.1 A PAR (Project Assessment Review) was undertaken for the elements of the programme being delivered by Swansea Council on 15th-17th November 2022. The review was led by an external consultant appointed by the Welsh Government Integrated Assurance Hub and consisted of two days of stakeholder conversations and a formal written report on the outcome of the review.

5.2 The review was based around specific terms of reference provided by the Senior Responsible Owner for the programme as follows:

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

1. *Has the Council's intervention (for both Swansea Arena and 71/72 Kingsway given the market confidence to invest in Swansea)?*
2. *Early assessment of the impact on city centre regeneration (Arena <12 months opened)?*
3. *Is Governance appropriate with controls and measures in place to manage and mitigate project risks, milestones, and deliverables?*
4. *Completeness and quality of Full Business Case.*

For Swansea Arena (70%):

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

For 71/72 Kingsway (30%):

10. *Assess whether the Business Case justification for the project is on track*

- 11. *Confirm that there is still a business need for the investment. How is this assured?*
 - 12. *Assess progress against plans, is the project on track and how is this evidenced and assured?*
 - 13. *Ongoing stakeholder engagement, marketing, and communications plan.*
- 5.2 The review returned an Amber / Green Delivery Confidence Assessment (DCA) rating, defined as follows:
- Successful delivery appears probable. However, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.*
- 5.3 The review report included six recommendations which will be addressed by the programme team within the timescales indicated in the review report.
- 5.4 A copy of the review report is attached for information together with an action plan to address the review recommendations.

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