

Swansea Bay City Deal Portfolio Business Case

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EXECUTIVE SUMMARY

The Swansea Bay City Deal (SBCD) Portfolio Business Case provides an overview of the rationale and collaborative approach taken by the Swansea Bay City Region (SBCR) key stakeholders to successfully deliver a portfolio of nine prioritised projects, identified in March 2017 and later reviewed in 2019. The purpose of the business case is to enable key stakeholders to understand, influence and shape the portfolio, while assisting decision-making through evidence and the identification of risks and issues, validating the portfolio's continuing viability and providing a basis to monitor and evaluate the portfolio.

The Portfolio is in full delivery with all nine of the headline programmes and projects now approved both regionally and by Governments. The portfolio is delivering in challenging economic conditions following the impact of Brexit and the Covid-19 pandemic and then more recently with the war in the Ukraine which, amongst other factors, have put significant pressure on the construction industry supply chain resulting in increased costs and longer lead times for the delivery of required services. The combined effect of these situations is complex and wide ranging but culminates in the increase of inflationary pressures with resultant construction project costs and delays in delivery schedules. The current cost of living crisis and the surge in energy costs have emerged from these situations. The need for investment in economic infrastructure is increasingly important albeit extremely challenging. The economy will also be impacted by the planned closure of the TATA Steel arc furnaces and the expected loss of around 2,800 jobs together with the impact on businesses and jobs in the supply chain.

This is the fifth iteration of the Portfolio Business Case which incorporates the recommendations of both the Gateway 0 Review held in July 2023 and updates on the latest status, impacts, financing and management of the portfolio and its constituent programmes and projects. The purpose of each business case section and the main changes incorporated into this latest version are highlighted below.

Strategic Case

Demonstration of alignment to relevant strategies and policy. Case for change demonstrating the need and potential scope of the proposal.

- Updated and rationalised information on the strategic alignment of the portfolio, programmes and projects with the inclusion of the WG Strategic Equality Plan and updated information on regional Levelling Up / SPF funding initiatives and South West Wales CJC Corporate Plan. Programme and project level alignment updated in Appendix 1.1
- Case for Change section includes the updated position in relation to GVA. GVA will continue to be used as an investment objective for the portfolio although the SBCD will not be required to monitor and attribute GVA to the portfolio interventions. Alternative SMART economic impact metrics will be agreed and utilised through the Evaluation Framework.
- Existing arrangements section updated with the recent TATA Steel announcement of pending job losses during 2024.
- Risk section updated with the current red risks and issues to the successful delivery of the Portfolio

Economic Case

Identify the proposal that delivers best public value to society, including wider social and environmental effects.

- Inclusion of the National Net Zero Skills Centre of Excellence as part of the Supporting Innovation and Low Carbon Growth programme
- Inclusion of business case updates to Pembroke Dock Marine and Digital Infrastructure programme
- Updated position on the measurement of GVA and the proposed arrangements for the measurement of economic impact in the evaluation of project interventions
- Inclusion of current jobs created information in Section 2.7

Commercial Case

Demonstrate that the preferred option will result in a viable procurement and a well-structured Deal between the public sector and its service providers.

- Updated procurement policy alignment section
- Procurement Update section detailing key procurements to date and forthcoming procurements with accompanying Appendix 3.1 showing the procurement pipeline
- Inclusion of Construction Impact Assessment in Appendix 3.2 identifying a funding gap of £42.9m to date. Mitigations have reduced the gap with a residual funding gap of £11.6m
- Case study on community benefits being delivered through the Pentre Awel
- Current register of programme and project community benefits

Financial Case

Demonstrate the affordability and funding of the preferred option, including the support of stakeholders and customers.

- Updated funding and investment information including breakdown of private and public sector investment and breakdown of funding per theme and project of the SBCD. Investment is now demonstrated at £1.282bn from £1.253bn in previous business case (original heads of terms £1.274bn)
- Updated income, expenditure and cashflow forecasts
- Inclusion of the previously unallocated £5.3m City Deal funding to the National Net Zero Skills Centre of Excellence
- Updated information on grant drawdown and dissemination with £123m City Deal funds receipted to date. To date £54.7m has been dispersed from the city deal to programmes and projects
- Reprofile of portfolio budget to show a current forecast slippage of £19.1m in the 2023-24 financial year from the previous approved budget with no reported effect on total outputs, investment or benefits of the Portfolio
- Information on the financial variances for Pentre Awel, Swansea Waterfront, Digital Infrastructure and Pembroke Dock Marine projects

Management Case

Demonstrate that robust arrangements are in place for the delivery, monitoring and evaluation of the scheme.

- Updated monitoring and evaluation information including dashboard presentation and current information for risks, issues, benefits and financial monitoring for Q3 2023/24
- Current project status and associated investment
- Governance section updated with chair for Joint Scrutiny Committee and political lead for the Accountable Body
- Current position regarding Project Management tooling for the portfolio
- SBCD Evaluation Framework proposals incorporated and details on benefits realisation development
- Current status of Gateway Reviews for the portfolio and its constituent programmes and projects
- Updated information relating to internal audit and Wales Audit Office processes
- Updated Communications, Marketing and Engagement Implementation Plan
- Proposed Change thresholds to manage and approve significant changes to current or approved business cases
- Current Business Case status and project stage summary across programmes and projects
- Current information relating to SROs and project leads
- Updated Portfolio delivery roadmap for all programmes and projects

Appendices

Appendices have been reviewed and rationalised with only updated or new documentation included. A list of archived Appendices has been provided and documents are available on request.

Strategic Case

Strategic Context

The SBCD has a current portfolio investment of £1.282bn, funded by the UK Government, the Welsh Government, public sector bodies and industry. This investment will improve regional infrastructure in high value sectors, attract inward investment from businesses and create good job opportunities.

The SBCD aligns closely with the priorities of the UK and Welsh Governments in relation to economic development. It is directly aligned to the UK Government's Industrial Strategy and the Welsh Government's Prosperity for All (2017) strategy and Well-being of Future Generations (Wales) Act 2015. The SBCD also aligns with, and contributes to, the move towards decarbonisation and net zero; a priority of Welsh and UK Governments. This alignment is cascaded down to a regional level, where the SBCD is part of the Swansea Bay City Region Economic Regeneration Strategy 2013 to 2030, which aims to advance regional socio-economic growth. It also aligns with the South West Wales Regional Delivery Plan 2022-2030 which has updated the Economic Regeneration Strategy and the recently published Welsh Government Regional Economic Framework for South West Wales.

Case for Change

Although employment growth in the Swansea Bay City Region has increased considerably since the 1990s, the case for change is underpinned by the fact that employment is in lower value sectors and occupations. There were over 30,000 fewer manufacturing jobs in 2010 than in 1990, which has significantly contributed to the major productivity gap that has emerged between the SBCR and the UK. Productivity in the SBCR has also fallen below the Welsh average level for the past 15 years. The mix of sectors in the regional economy is geared towards lower value sectors compared to the rest of the UK and therefore underperforms in employing those in occupational groups aligned to higher wages. In addition, the nature of the jobs within these sectors is generally of a lower value than elsewhere.

The region relies too heavily on the GVA produced by public sector activities such as health, education and public administration, as well as lower paid jobs in sectors including agriculture, tourism and the foundational economy. The productivity gap between the City Region and the rest of the UK is forecast to remain below average if targeted and collective action is not taken through a City Deal portfolio. The economic analysis undertaken in the development of the South West Wales Regional Delivery Plan confirms that although progress has been made, these features of the regional economy still persist.

The Investment Objectives for the SBCD Portfolio are:

1. Jobs - To create over 9,000 skilled jobs aligned to economic acceleration, energy, life sciences and smart manufacturing across the region within 15 years (2017-33).
2. GVA - To contribute £1.8-2.4 billion GVA to the Swansea Bay City Region by 2033 and contribute to the region achieving 90% of UK productivity levels by 2033.
3. Investment - To deliver a total investment in the region of £1.15-1.3 billion in the South West Wales Regional economy by 2033.

Potential Scope

Supporting high value sectors and addressing long-term barriers to growth is at the heart of the Swansea Bay City Deal. Key business needs have been identified across these high value sectors. Thematically, the SBCR will prioritise broad strategic themes to help tackle its structural challenges

and reduce the economic performance gap between the SBCR and the rest of the UK. These themes are:

- Economic Acceleration
- Life Science & Well-Being
- Energy and Smart Manufacturing

These areas have productivity and GVA potential for growth and are aligned to creating high technology and higher value jobs through start-ups and the attraction of inward investment from larger businesses. They are also areas of focus whereby the region has begun to build foundations to advance through R&D, infrastructure, natural resources, skills and complementary investments.

Key Benefits, Risks, Dependencies, Constraints

<p>Benefits</p> <ul style="list-style-type: none"> • Greater employment opportunities • Strengthened talent retention, attraction and entrepreneurialism • A healthier, greener and more diverse economy through more productive, efficient and profitable companies • More disposable income and spend within the region • Improvements to health and social well-being • Improved supply chains 	<p>Risks (Current Red Risks)</p> <ul style="list-style-type: none"> • Slippage in delivery of programmes / projects against key milestones • Programmes/Projects delivering all outputs and outcomes within the business case • Increase in cost of construction • Welsh Government 2021 update of Technical Advice Note (TAN) 15 development risk of flooding and coastal erosion and associated flood planning maps • In year financial slippage • Pressure on construction industry to meet demand of City Deal and other public sector procurements
<p>Constraints</p> <ul style="list-style-type: none"> • Total funding package: Portfolio budget based on the fixed funding agreement between the region and the Welsh and UK Governments • Capital Funding: Portfolio budget being largely capital investment • Term of the City Deal: The timeframe for the delivery of the Portfolio cannot exceed the term of the City Deal set at 15 years • Resources: Resources available to establish and implement the portfolio and associated programmes and projects • State Aid: Growth Deal projects must comply with relevant State Aid rules 	<p>Dependencies</p> <ul style="list-style-type: none"> • Drawdown of Funding: Annual drawdown of City Deal funding from WG/UKG • Borrowing requirement for lead organisations • Private Sector Engagement: The City Deal cannot be successfully delivered without the engagement of and collaboration with the private sector • Public Sector Engagement: The SBCD requires the commitment of all primary stakeholders to deliver the Deal • Public Sector Delivery: The SBCD requires primary stakeholders to progress the wider economic regeneration plans relating to City Deal funding • Statutory Consents and Planning Approval

Economic Case

Critical Success Factors

The original Critical Success Factors (CSFs) have been aligned with Green Book guidance:

No.	Critical Success Factor	Requirements	Chosen CSF's for Portfolio
1	Strategic Fit and business needs	<ul style="list-style-type: none"> Meets the agreed spending objectives, related business needs and service requirements; and Provides holistic fit and synergy with other strategies, programmes and projects 	Regional Spread GVA impact Impact on UK plc Job Creation
2	Potential Value for money	<ul style="list-style-type: none"> Optimises social value (social, economic and environmental) in terms of the potential costs, benefits and risks 	Consideration that the overall benefits are greater than the individual parts
3	Potential achievability	<ul style="list-style-type: none"> Is likely to be delivered, given the organisation's ability to respond to the changes required, and Matches the level of available skills required for successful delivery 	Skills readiness Readiness in 5-year context
4	Supply side capacity and capability	<ul style="list-style-type: none"> Matches the ability of potential suppliers to deliver the required services Is likely to be attractive to the supply side 	Private sector engagement Readiness in 5-year context
5	Potential affordability	<ul style="list-style-type: none"> Can be funded from available sources of finance Aligns with sourcing constraints 	Private sector investment Readiness including affordability within programme

Table i.i. Critical Success Factors

Option Selection

Following a process of development and review, a shortlist of nine programmes / projects were agreed to be taken forward under the SBCD portfolio. These are summarised below:

Economic Acceleration	Swansea City & Waterfront Digital District	<p>To boost Swansea city centre's economic well-being at the heart of the City Region's economy, while retaining local tech, digital and entrepreneurial talent. This programme includes:</p> <ul style="list-style-type: none"> A digitally enabled indoor arena in the city centre for concerts, exhibitions, conferences and other events A 'digital village' development in the city centre to accommodate the city's growing tech and digital business sector A 'Innovation Matrix' and the wider 'innovation precinct' development at the University of Wales Trinity Saint David's new Swansea waterfront campus to enable start-up company support and growth
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	Yr Egin	To support and further develop the region’s creative industry sector and Welsh language culture. The two-phased programme in Carmarthen, led by the University of Wales Trinity Saint David, features: <ul style="list-style-type: none"> • National creative sector anchor tenants • World class office space for local and regional creative sector SMEs, with opportunities for expansion • Facilities for the community and business networking • Facilitation of engagement between businesses and students
	Digital Infrastructure	To significantly improve digital connectivity throughout the City Region for the benefit of businesses and residents, also helping to attract inward investment. The programme is made of up of three themes: <ul style="list-style-type: none"> • Connected places • Rural connectivity • Next generation wireless (5G and IOT networks)
	Skills and Talent	To develop a sustainable pipeline of regional talent to benefit from the high-value jobs City Deal projects/programmes will generate in growth sectors for the region. This includes the potential to develop skills through courses and training and apprenticeship opportunities aligned to City Deal projects and regional priorities, as well as a partnership approach involving schools, universities, businesses and training providers across the region to identify need and resolve skills development gaps.
Life Science & Well-being	SBCD Campuses Project	To develop digital health and platform technologies and clinical innovation to help prevent ill-health, develop better treatments and improve patient care. Advanced research and development facilities will be created, building on the success of the Institute of Life Sciences at Swansea University and expanding on regional expertise in sport and exercise science. This project will be located at Morriston Hospital and Swansea University’s Singleton Campus.
	Pentre Awel	Previously named the Life Science & Well-being Village, this development will comprise research, business incubation and development facilities co-located alongside clinical delivery and research. The development will include education, skills and training facilities focussed on health and care in partnership with both further and higher education providers. Zone One will also include a state-of-the-art leisure and aquatics centre. Adjacent zones of the development will see further business expansion space created alongside a wide range of assisted living accommodation and associated test bed opportunities. This project will benefit from and further develop regional expertise in life sciences, while providing training and high-value job opportunities for local people.
Energy and Smart Manufacturing	Homes as Power Stations	A co-ordinated project across the City Region, Homes as Power Stations will see energy-saving technologies introduced to thousands of homes as part of a smart, low carbon new-build and retrofit programme. The project will: <ul style="list-style-type: none"> • Tackle fuel poverty • Further decarbonise the regional economy • Improve residents’ health and well-being • Reduce burden on regional health and social services • Benefit regional supply chain businesses

		<ul style="list-style-type: none"> Potentially develop a UK-wide industry in the City Region, with global export opportunities
	Pembroke Dock Marine	<p>This programme will place Pembrokeshire at the heart of UK and global zero carbon, marine and off-shore energy innovation, building on the expertise of a marine energy cluster in Pembroke Dock. Facilities will be provided for marine energy innovators to build, test and commercialise their technologies. Programme features include:</p> <ul style="list-style-type: none"> Pembroke Dock Infrastructure (PDI) improvements A Marine Energy Engineering Centre of Excellence (MEECE) Marine Energy Test Area (META) developments The Pembrokeshire Demonstration Zone (PDZ)
	Supporting Innovation and Low Carbon Growth (SILCG)	<p>This programme will help further decarbonise the regional economy, while safeguarding the regional steel industry and providing high-quality space for the innovation, ICT and research and development sectors. The programme includes the following projects:</p> <ul style="list-style-type: none"> SWITCH - A purpose-built facility and specialist equipment to support the steel and metals industry and supply chain Electric vehicle infrastructure and mapping Real-time air quality modelling Hydrogen production to power hydrogen vehicles Cutting-edge business spaces to meet evidenced demand including a Technology Centre, Advanced Manufacturing Production Unit and Property Development Fund National Net Zero Skills Centre of Excellence (NNZCoE - this project was added to the SILCG programme in December 2023 following the submission of an OBC and approval of a Change Request by the Region and Governments. The project will be co-located at the Advanced Manufacturing Production Unit.

Table i.ii Programme and Project Summary

Economic Appraisal

The SBCD will deliver a portfolio of projects and programmes that are most likely to offer best value for money and maximum social and economic value to the SBCR. The SBCD portfolio is estimated to generate a Net Present Social Value (NPSV) of £1,114.3 million from a public sector cost of £462.22 million. Eight of the nine programmes and projects have undertaken a robust options assessment and detailed economic appraisal of impact. An extract of the summary economic appraisal is shown below:

Appraisal Category		SBCD Portfolio	Yr Egin	Swansea Waterfront	PDM	HAPS	SI&LCG	Pentre Awel	Campuses	Digital	Skills
A	Net Present Social Value (£m)	1,114.27	150.02	407.51	87.2	16.63	44.7	63.86	18.8	319.2	6.35
B	Public sector cost (£m)	462.22	21.8	138.37	42.7	14.67	127.4	39.11	14.15	38.5	25.52
C	Appropriate BCR	-	3.7	3.95	2.63	2.5	1.6	2.63	2.33	1.5-11	1.4

Table i.iii. Economic Appraisal Summary Extract

The overall impact of the portfolio in terms of GVA and net jobs over the timeframe of the City Deal is shown below:

Programme / Project	15-year Impact	
	GVA £m	Net Jobs
Economic Acceleration		
Swansea City & Waterfront Digital District	669.8	1,281
Yr Egin	89.5	427
Digital infrastructure	318.8	-
Skills and Talent Initiative	-	-
Life Science & Well-being		
SBCD Campuses Project	150.0	1,120
Pentre Awel (Life Science & Well-being Village)	467.0	1,853
Energy and Smart Manufacturing		
Homes as Power Stations	251	1,804
Pembroke Dock Marine	343.4	1,881
Supporting Innovation and Low Carbon Growth	93	1,320
SBCD Portfolio total	2,382.5	9,686

Table i.iv Programme and Project Impact Deliverables

In addition to the above strategic benefits, each project/programme has identified further benefits within their business cases, and a range of benefits that cannot be quantified or monetised in a robust fashion, but which are still a significant consideration in the value for money case for the programmes.

Commercial Case

Procurement Strategy and Principles

The SBCD will not undertake any procurements in relation to the delivery of the portfolio and will not own any assets as a result of the delivery activities. The procurement of SBCD programmes and projects are led by the lead delivery organisation, who may be a local authority, university, health board or private/third sector organisation. These lead delivery organisations are responsible for conducting their own procurement exercises in line with their own organisational policies and procedures. The SBCD will provide the principles, guidance and cohesion for the portfolio procurement as a whole. It will also facilitate engagement and promotion with the private sector and between stakeholders across the portfolio with the aim of maximising private sector investment and benefits to the regional economy.

With all the SBCD projects and programmes approved and moving into delivery, there has been considerable construction and procurement activity since the last iteration of the business case with the following projects scheduled for completion during 2024.

- Pentre Awel Zone 1 Q4 2024,
- 71/72 Kingsway Q1 2024,
- Innovation Matrix Q2 2024
- Pembroke Dock Infrastructure - including the completion of the Hangar Annexes, lay down space and slipway.

Procurement to the value of **£361.5m** has been undertaken across the portfolio to date with **£141.4m** in the immediate procurement pipeline including major procurements for HAPS, Campuses, Swansea Waterfront (Innovation Precinct and Hotel) and Digital Infrastructure. Further major procurements will also be programmed for Pentre Awel Zones 2,3 and 4 and the Campuses Phase 2 developments.

The SBCD's Joint Committee approved a supplementary set of procurement principles in November 2020 that aim to encourage project/programme teams to consider wider benefits that can be achieved through procurement.

The 5 Procurement Principles have been addressed as follows:

1. Be Innovative
2. Have an open, fair and legally compliant procurement process
3. Maximise Community Benefits from each contract
4. Use Ethical Employment Practices
5. Promote the City Deal

The PoMO will work across the portfolio to apply these procurement principles and ensure maximum benefit to the region through procurement.

Community Benefits

The use of Community Benefit clauses as a core requirement will bring added value and ensure long-term benefits realisation. Clauses that may be used in community benefit contracts include:

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

The Financial Case

Financial Overview

The SBCD has an anticipated total capital expenditure of up to £1.282 billion, of which £241 million is derived from the City Deal with the remainder provided by public and private sector partners. The capital expenditure requirements are provided in the financial case, based on the latest available project/programme business cases and aggregated up to provide the portfolio estimates. The Financial Case details any significant variances in programme / project budgets and demonstrates that the SBCD portfolio remains affordable.

No revenue funding is provided through the City Deal for the delivery of the projects/programmes or the operational running costs of the projects, once completed.

Operational revenue requirements for the projects/programmes once the capital expenditure is completed is the responsibility of the project sponsor for every project.

During 2023/24, the remaining £5.3m of City Deal funding was allocated, via the Change Control process, to the National Net Zero Centre of Excellence, part of the Supporting Innovation and Low Carbon Growth programme.

Investment Breakdown

The current portfolio investment breakdown is presented below:

Programme/Project	Investment (£m)			
	City Deal	Public	Private	Total
Swansea City & Waterfront Digital District	49.84	91.04	39.66	180.54
Yr Egin	5.00	18.67	1.50	25.17
Digital Infrastructure	25.00	18.25	27.06	70.31
Skills and Talent	10.00	16.00	4.00	30.00
SBCD Campuses Project	15.00	58.58	62.11	135.69
Pentre Awel (Life Science & Well-being Village)	40.00	58.30	108.19	206.48
Homes as Power Stations	15.00	114.6	375.9	505.50
Pembroke Dock Marine	28.07	19.32	17.09	64.47
Supporting Innovation and Low Carbon Growth	53.09	5.50	5.5	64.09
TOTALS	241.00	400.27	641.00	1,282.27

Table v. Portfolio Investment Breakdown

Flow of Funding

A formal process is in place for the monitoring, management and allocation of City Deal funding over the timeframe of the portfolio. Funding agreements are being finalised with the leads for the constituent programmes and projects to ensure that public funds are allocated appropriately and linked to the outputs, outcomes and impacts of each programme / project. Effective monitoring and financial control procedures are in place at each level of the portfolio to ensure accountable and transparent management of funds.

The Management Case

Governance Arrangements

The SBCD governance and assurance arrangements have continued to advance with all governance committees established and fully operational. A SBCD Senior Responsible Owner (SRO) was appointed in June 2020 and the Portfolio Director having started in post in March 2020. The establishment of the Portfolio Management Office (PoMO) was completed by November 2020.

The SBCD governance structure is shown below:



All nine of the headline programmes and projects have been approved through the regional and Government approval processes and the SBCD Portfolio is now in full delivery.

The table below shows a high-level view of the status of the Portfolio and its 35 constituent projects within the headline projects and programmes.

	No. Project/programme components	%	Value (£)
Initiated	36	100	£1.282bn
Planned	36	100	£1.282bn
Planned (pre-del.)	14	38.9	£0.721bn
Delivery (build/dev)	19	52.8	£0.438bn
Completion > Operation & Monitoring	3	8.3	£0.123bn

Table vi. Project/programme Delivery Status

P3M Principles

The SBCD will be managed as a portfolio, strategically owned by the Joint Committee and operationally managed by the Programme (Portfolio) Board. This approach will provide oversight and flexibility in the methodologies that the diverse set of programmes and projects will utilise to manage their development and delivery.

Robust governance and approvals of the SBCD will be through its people, structures, strategies and processes - all based on Portfolio, Programme and Project Management (P3M) practices and principles. Formal P3M software has now been adopted to facilitate the effective monitoring and reporting of portfolio, programme and project activity.

The following key procedures, plans and strategies are in place to effectively manage the portfolio:

- Monitoring and Evaluation Plan
- Integrated Assurance and Approval Plan
- Risk Management Strategy
- Financial Monitoring
- Communications and Marketing Plan
- Change Control Procedure

During 2024/25, the PoMO has worked with programme and project teams through a Monitoring and Evaluation Task and Finish Group to develop a draft Evaluation Framework for the portfolio. The purpose of the Framework is to ensure the coordination, management and resourcing of the evaluation arrangements for the Swansea Bay City Deal Portfolio and its constituent programmes, projects and workstreams. This Framework is currently being finalised and will be presented to SBCD governance groups in Q1 2024/25.

The PoMO has also worked with programme and project teams to develop change control thresholds to ensure clarity and robustness in the change process for the portfolio.

Assurance

The SBCD underwent a Gateway 0 external review during July 2023, where it was given an Amber / Green Delivery Confidence Assessment with four recommendations which are being actioned through the PoMO. The PoMO is implementing the Gateway Assurance Framework for the SBCD which incorporates assurance arrangements for the Portfolio, the nine headline programmes and projects and the many constituent projects and workstreams.

The PoMO will also oversee the SBCD portfolio delivery where all nine projects/programmes will provide monitoring and evaluation updates aligned to the planned timescales, budgets, resources and deliverables set out in their business cases.

Programme and Project Status

A process for the development and approval of businesses cases to Full Business Case status has been agreed. The current status of business case development and approval for each of the programmes and projects is shown below reflecting the move of the portfolio to full delivery. The PoMO will continue to facilitate and monitor the continued development of business cases and the delivery of each programme and project to the agreed timescales.

Project / Programme name	Component	Status	SOC	OBC	FBC	Gateway DCA
Swansea City & Waterfront Digital District	Arena & Digital Square	Delivery				Amber Green (Sep 2023)
	Digital Village / Kingsway					
	Innovation Matrix					
	Innovation Precinct					
Creative Digital Cluster - Yr Egin	Phase 1	Delivery				Green (Nov 2021)
	Phase 2					
Digital Infrastructure	Connected places	Delivery				Amber/Green (Nov 2023)
	Rural connectivity					
	Next generation wireless					
Skills and Talent		Delivery				Green (Jan 2023)
SBCD Campuses Project	Singleton	Delivery				Amber/Green (Aug 2021)
	Morrison					
Pentre Awel	Zone 1 (Business, education skills and training, clinical delivery and research.)	Delivery				Amber (Sept 2020)
Homes as Power Stations		Delivery				Amber (Nov 2022)
Pembroke Dock Marine	Pembroke Dock Infrastructure (PDI)	Delivery				Amber /Green (Sep 23)
	Marine Energy Engineering Centre of Excellence (MEECE)					
	Marine Energy Test Area (META)					
	Pembrokeshire Demonstration Zone (PDZ)					
Supporting Innovation and Low Carbon Growth	Swansea Bay Technology Centre	Delivery				Amber (June 20)
	SWITCH					
	AMPF					
	Air Quality Monitoring					
	Hydrogen Stimulus Project					
	LEV Charging Infrastructure					
	Property Development Fund					
SBCD Portfolio	All projects above	Delivery				Gate 0 Review Amber/Green (July 23)

Table v.ii. Programme and Business Case Status

Document Change Record

Version	Date	Author	Summary of key changes	Approved
V1.0	12/08/20	Jon Burnes	This is the first iteration of the SBCD Portfolio Business Case. This document combines the content SBCD Programme Business Case and Implementation Plan and incorporates WG requirements and consultancy support and feedback from Joe Flanagan in June 2020.	Wendy Walters & Rob Stewart
V1.1	19/08/20	Jon Burnes	Informal feedback received from WG to update the portfolio business case and appendices with details on project level economic and financial appraisals, further detail on the financial expenditure profiles at portfolio and project level and project delivery roadmap.	Wendy Walters & Rob Stewart
V1.2	27/08/20	Jon Burnes	Submitted to the WCGIB for the AOR approval process	Wendy Walters & Rob Stewart
V2.0	23/02/21	Jon Burnes / Ian Williams	Updated PoBC submitted to the SBCD Governance board members as consultation prior to regional sign off	Wendy Walters & Rob Stewart
V2.1	11/03/21	Jon Burnes / Ian Williams	Final PoBC signed off by SBCD Governance board members	Wendy Walters & Rob Stewart
V3.0	13/01/22	Jon Burnes / Ian Williams	Draft update for consultation and feedback from Project Leads and SROs	Wendy Walters & Rob Stewart
V3.1	18/02/22	Jon Burnes / Ian Williams	Updated PoBC submitted to the SBCD Governance board members	Wendy Walters & Rob Stewart
V3.1a	30/06/22		Updated with UKG feedback comments	
V4.1	09/03/23	Jon Burnes / Ian Williams	Updated PoBC submitted to the SBCD Governance board members	Wendy Walters & Rob Stewart
V5.1	15/03/24	Jon Burnes / Ian Williams	Updated PoBC submitted to the SBCD Governance board members	Wendy Walters & Rob Stewart

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Archived Appendices (Available on request)

Portfolio & Project Investment Objectives

SBCD Carbo Reduction Alignment

Membership of the SBCR Board and Working Group

Long List Options Appraisal

Economic and Financial Project Index

SBCD Procurement Principles

Construction and Community Benefits Sub-group Terms of Reference

Monitoring and Evaluation Plan

WCGIB development and delivery flowcharts

Business Case Development Process

SBCD Assurance Framework

SBCD Portfolio Risk Management Strategy

SBCD Portfolio Risk Register

SBCD Change Control Procedure

1. THE STRATEGIC CASE

Introduction

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

The Strategic Context: Explains the background to City and Growth Deals, setting out the Swansea Bay City Region and Deal, its membership, and a review of the relevant strategies and policies to demonstrate strategic fit at UK, Wales and regional levels.

Case for Change: Demonstrates the rationale for the Swansea Bay City Deal and its constituent programmes and projects. This includes details on the relevant socio-economic issues and market failures, the consequent baselined spending objectives for the City Deal, and the main benefits, risks, constraints and dependencies.

The Strategic Case includes the following main changes:

- Updated and rationalised information on the strategic alignment of the portfolio, programmes and projects with the inclusion of the WG Strategic Equality Plan and updated information on regional Levelling Up / SPF funding initiatives and South West Wales CJC Corporate Plan. Programme and project level alignment updated in Appendix 1.1a and 1.1b
- Case for Change section includes the updated position in relation to GVA. GVA will continue to be used as an investment objective for the portfolio although the SBCD will not be required to monitor and attribute GVA to the portfolio interventions. Alternative SMART economic impact metrics will be agreed and utilised through the Evaluation Framework.
- Existing arrangements section updated with the recent TATA Steel announcement of pending job losses during 2024.
- Risk section updated with the current red risks and issues to the successful delivery of the Portfolio

The Strategic Context

1.1. City and Growth Deals

The purpose of City and Growth Deals is to support cities and regions to deliver responsive and flexible local strategies. These deals are now commonplace in both the UK and devolved governments and give more power and flexibility to regions and cities in terms of employment and skills, infrastructure, business engagement and support, housing, transport and investments. Regions and cities have used these powers to achieve a number of investment objectives, such as providing support to the unemployed, providing training relevant to local need, and supporting a low carbon economy.

The UK Government (UKG) opened negotiations with the Welsh Government (WG) in 2016 over a City Deal for the Swansea Bay City Region (SBCR). The Swansea Bay City Deal (SBCD) was agreed between the UKG, the WG and the four Swansea Bay City Region local authorities in March 2017. The **original heads of terms** included funding commitments of £241m from UKG and WG, and £396m from the

four regional local authorities (Carmarthenshire, Pembrokeshire, Swansea and Neath Port Talbot) and other public sector bodies, with an anticipated £637m from private sector investment. Combined, this would deliver over 9,000 gross direct jobs and contribute £1.8bn of Gross Value Added (GVA) to the regional economy with investment and benefits spread across the region.

1.2. Organisational overview

The Swansea Bay City Region spans across four local authority areas with a combined population of approximately 698,000 people. The City Region published an economic regeneration strategy in 2013 with a common vision to enhance the long-term prospects of the region’s economy, businesses and communities. The strategy co-ordinates collective action and identifies routes and initiatives to respond to the structural challenges that are holding back the SBCR economy. This strategy has now been updated with information from the South West Wales Regional Economic Delivery Plan that sets out the ambitions to develop a resilient, broad based and sustainable economy to 2030.

The creation of the SBCR in July 2013 was based on evidence that shows City Regions of more than 500,000 people are in a better combined position than individual local authority areas to stimulate economic growth through attracting investment and generating high-value job opportunities. The population has grown by just over 1.1% (7,651) over the last five years and is expected to grow by a further 1.1% (7,850) over the next five years from 2020.

The SBCD is part of the SBCR strategy and portfolio. It’s a partnership of eight regional organisations made up of local authorities, universities and health boards that aims to accelerate economic and social advancement through regional infrastructure and investment funds. The SBCD partners are:

- Carmarthenshire County Council
- City and County of Swansea Council
- Neath Port Talbot Council
- Pembrokeshire County Council
- Swansea University
- University of Wales Trinity Saint David
- Hywel Dda University Health Board
- Swansea Bay University Health Board

Carmarthenshire County Council is the SBCD Accountable Body. Representatives from each of the eight partner organisations are members of the SBCD Joint Committee and Programme (Portfolio) Board, which are the two formal governance groups that report to the regional stakeholders, UKG and WG. Regional advisers from the business community form the basis for the SBCD Economic Strategy Board, with each board and committee supported by the SBCD Portfolio Management Office (PoMO).

Each SBCD programme / project is led by one of the four regional local authorities, as summarised below in Table 1.1., with each flowing into and supported by the SBCD PoMO. Of the nine headline projects, three are regional projects being delivered across South West Wales – Skills and Talent, Digital Infrastructure and Homes as Power Stations. The remaining headline projects are placed based but with a regional impact.

Lead Organisation	Programme / Project	Strategic theme
Carmarthenshire County Council	Yr Egin	Economic Acceleration
	Skills & Talent	Economic Acceleration
	Digital Infrastructure	Economic Acceleration
	Pentre Awel (LS &WB Village)	Life Science & Well-being
City and County of Swansea Council	Swansea Waterfront	Economic Acceleration
	Campuses Project	Life Science & Well-being

Neath Port Talbot Council	Homes as Power Stations	Energy & Smart Manufacturing
	Supporting Innovation and Low Carbon Growth	Energy & Smart Manufacturing
Pembrokeshire County Council	Pembroke Dock Marine	Energy & Smart Manufacturing

Table 1.1. SBCD portfolio with lead organisation

Each local authority has a successful track record in the development, management and delivery of major programmes and projects related to economic development and regeneration.

1.3. Policy and strategy alignment

The City and Growth Deals fall out of the UKG Industrial Strategy and Welsh Government policy on regional development. From this, the SBCD portfolio strongly aligns to UK, Welsh and regional policies, strategies and targets relating to economic development. The primary aim of this is to create high quality jobs and increase the earning power of people through investment in skills, industries, and infrastructure. Appendix 1.1a presents further detail of the policy alignment at thematic, programme and project level within the individual business cases of the SBCD portfolio. Across the portfolio, the SBCD has demonstrated alignment with 34 UK, 45 Welsh and 9 key Regional level policies / strategies together with a range of local strategies and plans. The summary of the key alignments to the SBCD at a portfolio level are summarised below with an appraisal of the direct and indirect contributions to these policies and strategies contained in Appendix 1.1b.

UK Level
Levelling Up White Paper 2022
Growth Plan 2022
UKG Net Zero Strategy: Build Back Greener 2021
UKG Clean Growth Strategy 2020
Wales Level
The Well-being of Future Generations (Wales) Act 2015
Prosperity for All: The National Strategy and Economic Action Plan (2017)
Wales Innovates: creating a stronger, fairer, greener Wales
Strategic Equality Plan 2020-24
Regional Level
Swansea Bay City Region Economic Regeneration Strategy 2013 to 2030
South West Wales Regional Economic Delivery Plan 2022-2030
Regional Economic Framework for South West Wales 2021
South West Wales CJC Corporate Plan 2023-28
South West Wales Energy Strategy 2022
Local Level
LA Plans and Strategies relating to e.g. Economic development, Regeneration, Skills and Employability, Digital Transformation, Decarbonisation, Well-being plans, Local Development
Health Board Clinical Services Plans and Integrated Medium Term/Annual Plans
University Strategic Plans

Table 1.2. Policy alignment to the SBCD

1.4. Alignment to existing initiatives

The SBCD Portfolio has been developed within the landscape of a range of public sector initiatives, with the delivery of its programmes and projects benefitting from and adding value to these actions.

Regional Learning and Skills Partnership (RLSP)

The RLSP is a long-established, multi-sector partnership focusing on skills investment and the economic regeneration of the area through the development of a skilled workforce. The RLSP has a long-standing reputation of regional collaborative working with key partners in the region and working with Welsh Government to influence policy on the delivery of skills training in the region. The work of the partnership includes promoting and championing a strategic overview of skills provision to ensure that it meets regional needs and maximises economic opportunities. Central to the activity of the RLSP is the analysis of local labour market intelligence to identify and inform skills and curriculum provision, helping to bridge the gap between education and regeneration in the hope of creating a strong and vibrant economy underpinned by innovation, growth and a capable workforce. RLSP also acts as the regional governance board for the Skills and Talent programme.

A Regional Collaboration for Health (ARCH)

The ARCH partnership operates across the Swansea Bay City Region, encompassing the reach of two local health boards and Swansea University and covering a population size of approximately 1 million people. ARCH brings together expertise and experience from across the three partner organisations and wider stakeholders to tackle health, wealth and well-being challenges within the region through collaborative project-driven approaches to four themes of Skills & Workforce, Research, Enterprise & Innovation, Service Transformation and Well-being. Several projects exist within each of the themes and there is cross fertilisation and shared learning amongst them. Each theme is represented across all partner organisations and engages with wider stakeholders from across the Life Science and Well-being Sector and other sectors as appropriate, including strong clinical and allied health professional engagement. ARCH is a partner on the Campuses and project, participating in their governance boards.

Transforming Towns

A £90 million programme launched in 2020 by the Welsh Government, which is focused on measures to increase footfall by making sure the public sector locates services in town centre locations. This includes tackling empty buildings and land to help bring them back into use, and green town centres. The programme supports major city and town centre regeneration programmes across the region, generating investment, creating jobs, improving the environment and promoting healthy and vibrant town centres.

Levelling Up and the Shared Prosperity Fund

The 2020 UK Government Treasury spending review announced a £4.8 billion Levelling Up Fund for capital investment in local infrastructure across the UK. Three rounds have now been announced with a focus on transport projects, town centre and high street regeneration, and cultural investment.

- Round 1 - £121m was announced for 10 projects across Wales, including 3 within the SBCR. The Community Renewal Fund (CRF) was also launched, which will pilot new programmes that invest in people, boost skills and support local business.
- Round 2 - 11 projects were approved for Wales totalling £208m with £37.8m awarded for 2 projects within South West Wales.

- Round 3 – 7 projects allocated £111m across Wales with £52m awarded for 4 projects in South West Wales.

The Shared Prosperity Fund is the main source of UK Government funding replacing the European Regional Development Fund and European Social Fund. In December 2022, the UK Government approved a regional investment plan for Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea, helping unlock Shared Prosperity Fund money that has been earmarked for the region totalling £132m.

Regional Transportation Programmes

The City Deal Portfolio will complement and add value to the regional and local transportation initiatives being developed and delivered in the area, including Local Transport Plans and Active Travel initiatives. The development of a high quality, integrated, affordable and efficient transportation infrastructure is crucial to maximising the benefits and impacts of the Portfolio through enhanced accessibility both to and within the region. The Swansea Bay and West Wales Metro Programme will enhance rail and bus provision across the 4 local authority areas of South West Wales and will include

- Rail Services and infrastructure enhancement
- Strategic Bus services and infrastructure enhancement
- Strategic integration of bus and rail services
- Active travel measures & interfaces at stations

These major improvements will reduce journey times and frequency, improve customer experience, improve accessibility and accelerate urban regeneration and site development throughout the SBCR.

Freeport Programme in Wales

The Freeport Programme is an initiative being delivered as a partnership by the UK Government and Welsh Government. Aimed at encouraging economic activity, freeports are zones designated by the UK Government as areas with little or no tax. The Freeport Programme has the potential to help Wales compete for global investment and trade, creating thousands of new jobs and putting coastal communities on the path to long-term growth and prosperity. A Celtic Freeport bid led by Neath Port Talbot Council and Pembrokeshire Council in partnership with the ports of Milford Haven and Port Talbot was submitted to governments. In March 2023 the UK Government and Welsh Government announced that two Welsh freeports are to be created with the Celtic Freeport bid for Milford Haven and Port Talbot successful, alongside the Anglesey Freeport. The Freeports were chosen to exploit renewable energy opportunities and are expected to contribute to UK net-zero ambitions. The Celtic Freeport is anticipated to create 16,000 jobs and £5.5bn of new inward investment based on Green Energy.

Digital Connectivity

There are several public and private sector initiatives that seek to improve digital connectivity across Wales and the UK. The SBCD Digital Infrastructure programme will complement and add value to these initiatives, helping to increase digital connectivity across the region.

- **Public Sector** – Public sector investment totalling some £6.75m for 2021-22 and £4.79m 2022-23 for was made throughout the region through the following initiatives:
 - Swansea Bay City Deal (both capital and revenue investment)
 - Connected Places - Local Full Fibre Networks Programme (LFFN) and Rural Gigabit Connectivity Programme (RGC) or connected via other Local Authority funding
 - Access Broadband Cymru Voucher Scheme (ABC)
 - UKG / WG Gigabit Vouchers

- Superfast Cymru
- Mobile Connectivity Programs e.g. Emergency Services Network (ESN) and Shared Rural Network (SRN)
- Other public sector digital programmes - e.g. LoRaWAN projects
- **Private Sector** – During 2021-22 financial year a total of £21.8m of private sector investment has been made within the region through private sector infrastructure suppliers.

The Case for Change

1.5. Case for change

The SBCD members and partners spanning across the public, private and not-for-profit sectors have worked together to identify and scope the portfolio of nine programmes and projects. These were borne from key partners being part of a long-established approach to regional working across the SBCR. All programmes and projects align to the strategic investment objectives outlined below and were agreed by the SBCD consortium and UK and Welsh Governments in 2017, which have since been updated to provide further clarity. The governance arrangements and portfolio developments have helped to evolve and enhance a cultural change towards collaboration across the SBCR, which is set to continue to advance as the portfolio matures into delivery.

The case for change is based on the following aims:

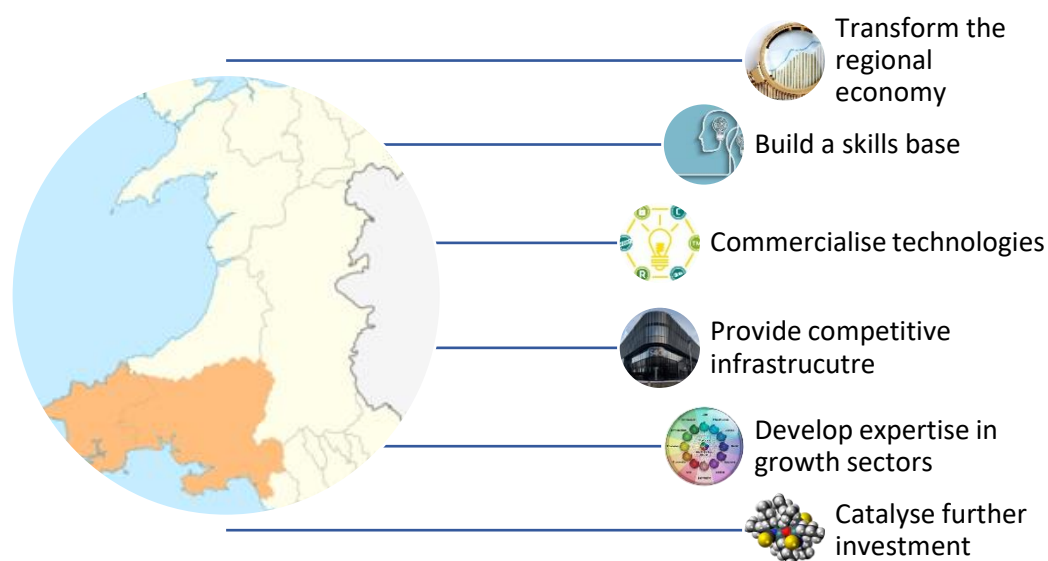


Figure 1.1 Regional aims

1.6. Investment Objectives

The portfolio investment objectives describe the targeted outcomes for the portfolio 2017-2033. To realise the ambitions of the region, and to help achieve the aspirations of the Swansea Bay City Region Economic Regeneration Strategy, regional stakeholders have pledged to work together to achieve the following three SBCD strategic investment objectives:

1. **Jobs** - To create over 9,000 skilled jobs aligned to economic acceleration, energy, life sciences and smart manufacturing across the region within 15 years (2017-33).

2. GVA - To contribute £1.8-2.4 billion GVA to the Swansea Bay City Region by 2033 and contribute to the region achieving 90% of UK productivity levels by 2033.
3. Investment - To deliver a total investment in the region of £1.15-1.3 billion in the South West Wales Regional economy by 2033.

The investment objectives will directly support the strategic of the Swansea Bay City Region (SBCR) outlined within the SBCR Economic Regeneration Strategy 2013-2030 and the Ambitions and Missions for the regional economy as identified in the South West Wales Economic Delivery Plan 2022-2030.

GVA Update

Following discussions by the PoMO with both Governments and specialist advisors, a paper was submitted to Governments detailing the difficulties in measuring and attributing GVA at a project level. Confirmation has been received from Governments of the following:

1. The impediments to using GVA measurement for quarterly and annual monitoring are acknowledged and there is no Government requirement to directly track and associate GVA with the SBCD portfolio.
2. The use of alternative and appropriate SMART, economic metrics are advised.
3. The PoMO are advised to track regional GVA through published ONS data.
4. The calculation of GVA contribution remains valid within the economic appraisal at business case level to demonstrate the rationale for intervention and the estimated impact on programmes and projects

In response to this, the PoMO are working with all the project and programme teams to devise a suite of economic impact indicators that can be measured and attributed to the portfolio interventions. These indicators will form part of the SBCD Evaluation Framework that will be presented to Programme Board and Joint Committee. As detailed in the Framework, each project and programme will undertake formal evaluations of the impact of the delivery and operation of their interventions at agreed points in time. Portfolio evaluations will also be undertaken, utilising the project level evaluation information. These measurements will provide a quantifiable evidence base for the impact of the portfolio at stages within its delivery and also at the end of the City Deal timeframe in 2033.

GVA will still remain a Investment Objective of the SBCD and based on the estimated economic impact of the project and programme interventions as detailed in the economic appraisals for each of the headline business cases.

Carbon Reduction Agenda

It is also recognised that since the inception of the Swansea Bay City Deal there has been significant progress in the decarbonisation agenda particularly in relation to the emphasis on meeting net zero obligations and wider environmental ambitions at a national, regional and local level. As the SBCD was first established in 2017 with all nine headline business cases approved by December 2021 by both Governments, there is no specific decarbonisation investment objective set at a Portfolio level. However, the SBCD Portfolio responds to this agenda across its programmes and projects and will contribute to net zero goals wherever possible.

A point-in-time carbon reduction assessment of activities contained within the SBCD portfolio has been undertaken by the PoMO and reported through the SBCD Joint Committee. The assessment demonstrates the significant contribution that the portfolio is making towards government net zero agendas and commitments. Direct contribution is made via all projects that build SBCD infrastructure

by achieving BREEAM excellent as a minimum standard. Significant contribution to support the decarbonisation agenda will also be through the delivery of three energy related projects, upskilling of the workforce through the Skills and Talent Programme and enhancement of the digital connectivity through the regional Digital Infrastructure Programme.

The SBCD Portfolio places the region at the forefront of Energy and Smart Manufacturing innovation as part of the drive towards a low carbon economy. The headline contribution of the SBCD to carbon reduction are listed below with the full assessment available within the archived Appendices.

- i. Creating an estimated 80k+ m2 of floorspace with a minimum of BREEAM excellent by 2026
- ii. Creating at least 5,000 jobs across the renewables and energy sectors
- iii. Create at least £620m GVA
- iv. Attract at least £630m of total investment
- v. Estimated to provide at least 6,000 skills and talent opportunities for the energy and, decarbonisation sectors
- vi. Create a regional centre of excellence in the renewable energy sector
- vii. Grow 2 supply chains in the installation, manufacturing and operations of blue and green technologies through PDM And HAPS
- viii. Enhance digital connectivity through full fibre, 5G and Internet of Things (IoT) to future proof the digital economy across the region

1.7. Existing arrangements

The SBCR is a large and diverse City Region, containing both urban and rural places with distinctive though inter-connected economies, communities, natural resources and infrastructure. The SBCR is a major driver for the Welsh economy with a resident population of 698,000, supporting regional employment of 322,000 jobs and 23,800 businesses. These businesses and organisations include a mix of many small to medium sized enterprises and national and global organisations such as Tata Steel, Valero and the DVLA, along with high-quality universities with international reputations and links that deliver activities which support teaching, skills, education, research and innovation.

Economic development within the SBCR is headed up by the regional economic development/regeneration directors of the four local authorities, who in turn engage with many local, regional and national stakeholders and sponsors to identify, prioritise and deliver regional economic development initiatives. This co-ordinated, evidence-based and consultative approach led to the creation of the Swansea Bay City Region Economic Regeneration Strategy 2013-2030.

In March 2021, regulations creating four Corporate Joint Committees (CJCs) in Wales as mechanisms for the regional collaboration between local government were made.

The Welsh Government believes that CJCs have a role to play in bringing coherence to regional governance by integrating decision making with the goal to build on existing regional arrangements wherever possible. The wider purpose is to share resources and ensure all local priorities and requirements can be complemented by regional action, ensuring a sense of consistency, harmony and resilience permeates regional public investment, planning and accountability.

The South West Wales CJC is now operational and will exercise the following functions as specified in the regulations:

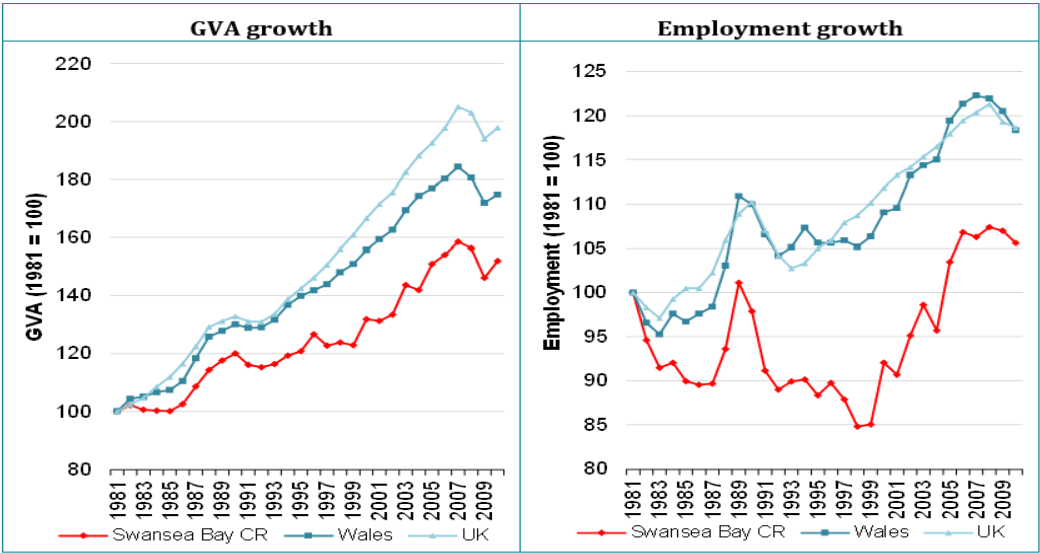
- strategic development planning
- regional transport planning
- economic wellbeing powers

The CJC is being supported by the Regional Regeneration Directors in the fulfilment of its duties with respect to economic development. A draft South Wales CJC Corporate Plan 2023-28 has been produced that identifies 3 wellbeing objectives. The SBCD portfolio contributes directly to the first well-being objective of the CJC through the delivery of its programmes and projects in the context of the Regional Economic Delivery Plan and through its contribution to the Regional Energy Strategy.

The region has benefited from significant investment in the past decade, including Swansea University’s new £450m Science and Innovation Bay Campus, UWTSU £60m IQ campus, city and town centre regeneration, a portfolio of incubation centres across the region, major improvements to the A40 in Pembrokeshire, and the Harbour Way Project that links Port Talbot and the Docks to the M4.

The update to the economic context of SBCR Economic Regeneration Strategy in 2016 undertook an analysis of the regional economy which was used as the basis for the establishment of the City Deal initiative. It highlighted that economic performance had been resilient but there remained a persistent productivity gap, and wide variations in productivity within South West Wales. The economy is diverse with key sectors being manufacturing, energy and tourism as well as public sector jobs. Areas of strength and opportunity were identified, particularly in Healthcare, Education, Innovation, Research and Development, Manufacturing, Energy production, Technology, Media and Leisure and Well-being.

Regional GVA performance against the UK average has declined with the move away from the traditionally strong manufacturing traditions of the region since 1981 as show in Figure 1.2. below. The SBCR generated GVA of £10.5bn in 2015, which accounted for 20% of Wales’ GVA. The GVA per employee in the Region was £34,300 in 2015 (at 2011 prices), which was 74% of the UK average.



Source: SQW analysis of Cambridge Econometrics data, 2016

Figure 1.2. GVA and employment growth (1981-2010) for the SBCR, Wales and UK

Employment growth had increased considerably since the 1990s, although employment was largely in the lower value sectors and occupations - often in parts of education, health, and the wider public sector. For example, there were over 30,000 fewer manufacturing jobs in 2010 than in 1990, which

significantly contributed to the major productivity gap that has emerged between the SBCR and the rest of the UK.

Productivity in the SBCR had also fallen below the all-Wales level for the past 15 years, as shown in Figure 1.3. below. The mix of sectors in the SBCR economy being geared towards lower value sectors compared to the rest of the UK and therefore underperforms in employing those in occupational groups aligned to higher wages. Also, the nature of the jobs within these sectors is generally of a lower value than elsewhere. The region relies too heavily on the GVA produced by public sector activities such as health, education and public administration. The productivity gap between the City Region and the rest of the UK is forecast to remain below average if targeted and collective action is not taken through a City Deal portfolio and other regional activity.

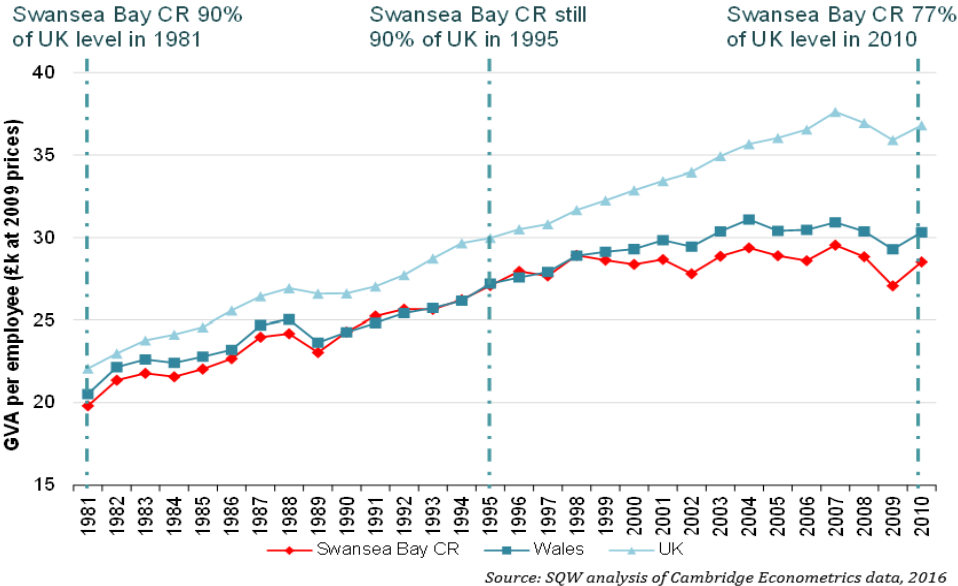


Figure 1.3. Productivity for the SBCR, Wales and UK (1981-2010)

The region is characterised by an ageing population, with retirement risk being classed as high. The average number of people aged over 55 for an area of the region’s size is 241,117; whereas there are 276,439 in the SBCR. In some instances, this can adversely affect labour force growth, change patterns of savings and expenditure and increase pressure on public social expenditures.¹

In 2021, the South West Wales local authorities, working closely with the Welsh Government, commissioned consultants to revisit the SBCR Economic Regeneration Strategy. The South West Wales Regional Economic Delivery Plan presents an analysis of recent economic performance across the region and provides a strategic approach to unlock the region’s potential and ensure that economic growth is resilient, sustainable and inclusive.

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

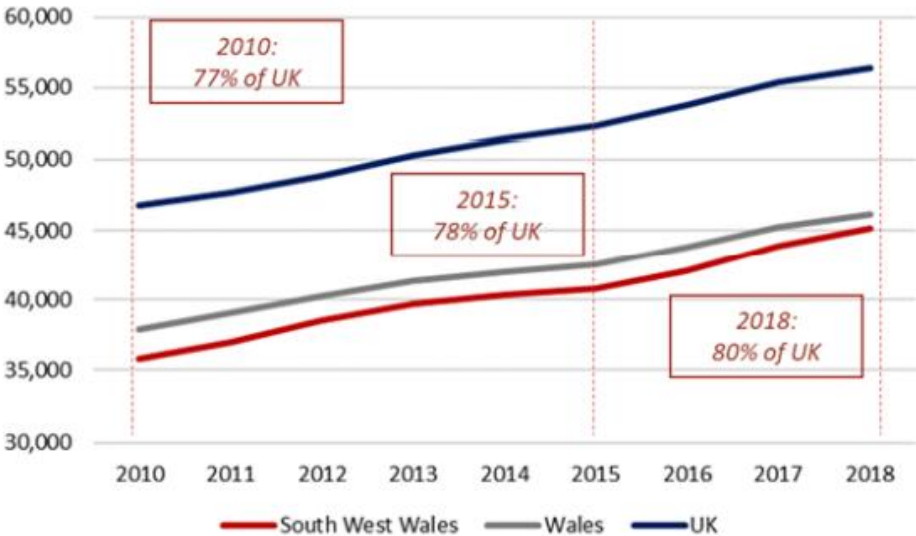
There have been steady improvements in the economic activity rate over the past 15 years at a faster pace than in the rest of the UK. However, South West Wales’ economic activity rate still falls behind

¹ World Employment and Social Outlook – Trends 2018 (Kuhn) <https://onlinelibrary.wiley.com/doi/pdf/10.1002/wow3.127>

the UK average (and slightly behind the Wales average). If the gap between the 2019 regional economic activity rate (73.8%) and the UK rate (78.9%) could be bridged, it would bring an additional 21,000 people back into the labour market.

The analysis also highlighted that there still remained a large and persistent productivity gap with the UK overall and structural weaknesses in the economy. Economic output (measured in gross value added (GVA)) was around £13 billion in 2018, equivalent to 21% of total Welsh output. The region’s GVA increased by around £630 million in 2013-18 (representing growth of about 5% over the period). Within this overall expansion, some sectors grew strongly: combined, wholesale and retail; warehousing; real estate; information and communications; and health and care contributed an additional £689 million to GVA. But some sectors contracted over the period, with the metals, electrical products and machinery sector reducing its output by around £322 million. This suggests a continuing process of adjustment within the economy, which is also reflected in employment growth (and a strengthening share of employment) in hospitality, health, distribution and administrative activities. Nevertheless, manufacturing is of fundamental importance to the regional economy, accounting for 13.6% of total output (and over 25% of output in Neath Port Talbot).

Productivity (the amount of GVA generated for every filled job) was around £45,100 in South West Wales in 2018. The gap with the rest of the UK has narrowed slightly over time. But it is still substantial: in 2018, productivity was around 80% of the UK level as shown in Figure 1.4 below.



ONS, Subregional productivity: labour productivity by local authority district and labour productivity by UK NUTS2 and NUTS3 subregions, 2010-18

Figure 1.4. Productivity for the SBCR, Wales and UK (2010-2018)

The following features of the regional economy were also highlighted:

- Skills - there has been a steady improvement in qualification levels: in 2019, 35% of the working age population was qualified to NVQ4+, compared with 22% in 2004, and the proportion with no qualifications halved over the same period (partly as new entrants to the labour market

gradually replace those who leave). But in relative terms, there is still a gap with the rest of the UK, and substantial variation across the region

- Connectivity - here has been transformational progress in the delivery of digital connectivity since the 2014 Regeneration Strategy. Commercial investment and public support through Superfast Cymru and successor programmes have increased access to superfast broadband to over 90% of premises. However, beyond Superfast, there is still a significant rural/ urban digital divide, with ultrafast penetration in Pembrokeshire among the lowest in the UK
- Business - the size of the region's business base grew in the years leading up to the start of the pandemic. In 2020, there were around 23,800 active enterprises in South West Wales, a number that had steadily increased over the preceding five years – and survival rates keep pace with the rest of Wales and the UK. But the region's 'enterprise density' (the number of enterprises relative to the working age population) and the start-up rate remain lower than in the rest of the UK
- Sites and premises – the region benefits from some substantial sites for industrial expansion, including the large strategic site at Baglan Energy Park, future phases of the Cross Hands development in Carmarthenshire, and key sites at Felindre and Fabian Way in Swansea and the Haven Waterway. However, there is a widely-recognised gap between demand and supply for industrial sites and premises, as low rents (and in some cases high remediation and infrastructure costs on ex-industrial land) make viability challenging, especially west of Swansea. The evidence is that this acts as a brake on business expansion, both to new investors and to existing local businesses seeking 'grow-on' space
- Carbon Emissions - regional carbon emissions are much higher than the Wales and UK average. These mostly reflect the role of the huge Tata works at Port Talbot, an industrial installation of national significance that remains reliant on coal inputs.

The SBCR's existing situation demonstrates through quantified economic evidence that the region is underperforming economically and failing to reach its full potential.

It also needs to be recognised that over the last 2 years, several unprecedented international situations; Brexit, COVID-19 and the war in the Ukraine have occurred which, amongst other factors, have put significant pressure on the construction industry supply chain resulting in increased costs and longer lead times for the delivery of required services. The combined effect of these situations is complex and wide ranging but culminates in the increase of inflationary pressures with resultant construction project costs and delays in delivery schedules. The current cost of living crisis and the surge in energy costs have emerged from these situations over the last 12 months. These adverse economic conditions have resulted in a difficult operating environment for businesses across many sectors and the region's residents. The need for investment in economic infrastructure is increasingly important albeit extremely challenging.

The regional economy will also experience the impact of the consequences of the recent TATA Steel announcement of the closure of the two blast furnaces at their site in Port Talbot and their replacement with an electric arc furnace, reducing carbon emissions. The decision will result in the loss of around 2,800 jobs during 2024, together with an unquantified impact on jobs within the local supply chain.

1.8. Business need

The 2016 economic analysis forecast that the productivity gap between the SBCR and the rest of the UK will remain unless action is taken. Unaltered, by 2030, GVA per worker in the SBCR is forecast to be £43,200 (2011 prices), compared with £59,100 in the UK. That's just 73% of the UK total. If the SBCR does not act to drive productivity improvements, it will continue to perform at about three-quarters of its true economic potential. By 2030, employment is expected to build to 331,000 - an increase of 8% on 2015 figures as depicted in Figure 1.5. below:

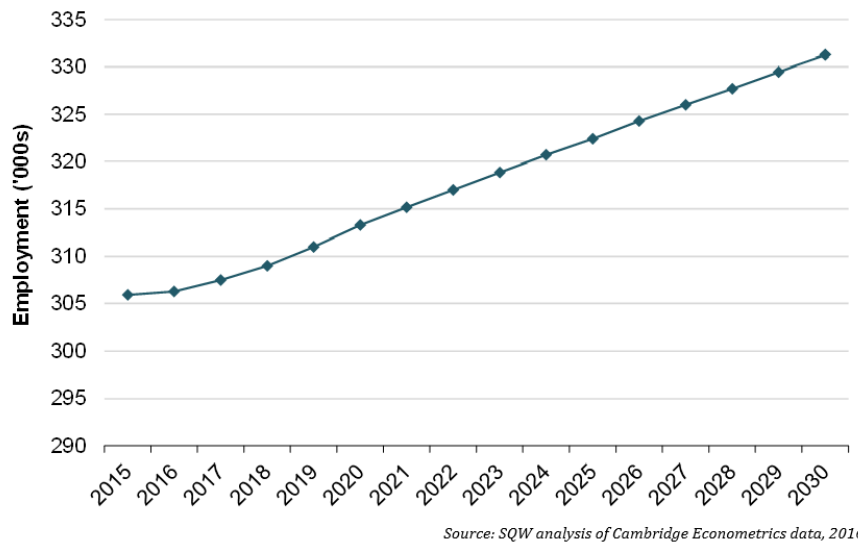


Figure 1.5. Employment forecast for the SBCR (2015-2030)

The SBCR and SBCD need to focus on the expanding and adjusting sectors to realise potential growth in GVA and employment to sustain and create new employment, whilst driving productivity growth. Even though complex, the scale of opportunity is significant and is needed for the region. If the SBCR achieves its growth predictions to 2030, and over that period returns to 90% of the UK's productivity level, then the region would be an £18bn economy as shown in Table 1.3. below:

	2020 (£bn)	2030 (£bn)
Current trajectory	11.6	14.3
At Wales level of productivity	12.5	15.5
At 90% of UK level of productivity	14.1	17.6
At UK level of productivity	15.7	19.6

Table 1.3. Indicative scale of the SBCR economy based on productivity forecasts

(Source: SQW analysis of Cambridge Econometrics forecasts, 2016)

Based on the evidence presented in a report by SQW (2016) on economic context analysis, it follows that the SBCR:

- Has too few businesses and is not growing its business base quickly enough
- Does not have enough people with high level qualifications and too many people with none
- Needs to address the productivity gap as it is fundamental to raising the prosperity and quality of life for the SBCR
- Needs to create new and sustain existing employment
- Suffers from economic inactivity, which remains too high
- Has relied on imports to meet demand in the high value sectors, with little self-sufficiency in these areas and tradable activity

- Does not have physical infrastructure that's keeping pace with the needs of growing businesses or our communities. Broadband capacity and digital connectivity are improving, but not quickly enough. Much of our commercial and retail property is low quality and attracts low rents
- Has a regional capital (Swansea city centre) which is underperforming and needs to deliver a commercial, residential and leisure offer to match the ambitions of innovative proposals
- Needs to deliver a step change in the performance of its rural and visitor economies if the region as an integrated whole is to achieve its long-term aims

The evidence base behind the South West Wales Economic Delivery Plan 2022-2030 confirms that, although progress has been made, the needs listed above still remain within the regional economy. The Plan states that the region needs to focus on the following distinctive economic strengths and assets as a platform for future growth:

- Nationally and internationally significant university research assets
- Extensive energy infrastructure and low carbon energy generation potential
- The scope for growth within the business community
- Environmental quality and distinctive 'sense of place'

It also highlights that the region needs to respond to the following transformational needs that will impact on the economy, its resilience, sustainability and growth:

Decarbonisation - the decarbonisation policy imperative at a national, regional and local level creates a requirement to seek and develop opportunities for innovation and technology development, as well as a need for adaptation to support industrial resilience. The decarbonisation need for the region will be undertaken through:

- the delivery of the region's low carbon projects at scale
- decarbonising the industrial base
- decarbonising the wider economy (including housing stock and transportation)

Digital transformation – Digitalisation refers to the transformation of the economy through increased use of data and the development of digital technologies such as artificial intelligence, machine learning and robotics. It will be a major catalyst for structural change in the economy and a facilitator for growth across sectors and businesses. There is a need to address the following impacts:

- Effects on industry - facilitating the application of digital technologies to realise efficiency, productivity and competitive benefits across sectors
- Impacts on the labour market - the need to keep pace with the changing demand for skills and the shift in working practices
- Impacts on services – overcoming connectivity barriers and realising benefits of remote access to services e.g. health and care

Demographic change - South West Wales has a growing population. However, the 'working age' population has fallen slightly over the past decade. The gradual ageing of the population is also a long-term trend. Key needs for economic intervention to consider include:

- Changing working lives - the concept of 'working age' is becoming increasingly fluid, as people work for longer, and more flexibly
- Changes in service demand – there has been strong growth in employment and output associated with health and social care, as demand increases from an ageing population. Changing demographics will support changes in wider demand for goods and services

- Changing communities – some communities are becoming increasingly aged through immigration of older people and the outmigration of younger people. Retaining and attracting younger people will be achieved through generating economic activity, and providing relevant skills with support community resilience and sustainability

To overcome these identified needs and issues and deliver high-quality jobs, increase GVA and achieve higher productivity levels, the SBCR will need to work regionally with all key stakeholders, particularly businesses, and with the UK and Welsh Governments to:

- Establish projects that provide key infrastructure to develop and connect technologies in high-value sectors aligned to the four strategic themes, in partnership with the private sector, to the benefit of the UK, Welsh and regional economies
- Leverage funding to invest in our skills base and workforce, building upon comprehensive existing partnerships between businesses and the higher and further education sector
- Establish an Investment Fund within projects to promote regional competitiveness, building upon the infrastructure expenditure (above) through fiscal and non-fiscal interventions
- Work with universities and the private sector to apply Research & Development (R&D) practices to start-up ventures, grow and attract inward investment and generate an ecosystem of regional supply chains and export the IP, knowledge and skills base generated regionally on a global platform
- Further establish Swansea as a vibrant regional capital and integrate further with its economic hinterland and ‘travel to work’ catchment area to a much greater extent
- Use enhanced digital networks as a catalyst for driving improved performance and competitiveness in the rural and visitor economies
- Align other expenditure in key areas, such as transport connectivity, housing and education, to complement and reinforce the SBCD
- Establish the SBCR as a diverse and low carbon economy and international centre for renewable energy production and conservation. To retain and develop the regional strategic role in energy into green growth and to secure further investment to unlock the full potential of supply chain development

1.9. Potential scope

To overcome this identified need and realise the regional potential, intervention is required to develop initiatives which create the required infrastructure, attract inward investment from businesses, create good job opportunities in growing and targeted high value sectors, and generate closer partnership working across the region. In doing so the portfolio will respond to the economic performance gap through increased productivity and GVA. The recent economic analysis as part of the South West Wales Economic Development Plan confirms that this approach remains valid and necessary for the future growth and sustainability of the regional economy.

Supporting high value sectors and addressing long-term barriers to growth is at the heart of the Swansea Bay City Deal. Key business needs have been identified across these high value sectors. Thematically, the SBCD will prioritise four broad strategic themes to help tackle its structural challenges and reduce the economic performance gap between the SBCR and the rest of the UK. These themes are:

- **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 next generation digital infrastructure, along with the creation of a digital district in Swansea and its

hinterland. In addition, growth in the region’s creative industry sector will be supported by optimising the benefits of Welsh language broadcaster S4C’s relocation to Carmarthen. A world-leading supportive environment for technology businesses and start-ups will also be created, as well as the development of the skills required to support this economic growth. All activities will be underpinned by a regional skills development programme.

- **Life Science & Well-Being** - To build on existing regional assets through the expansion of research and innovation infrastructure and the piloting of a digitally integrated healthcare environment through a network of health science ‘medi-parks’, wellness centres and other assets. Building on a new digital architecture, we will transform the delivery of health and social care in the region and contribute to the advancement of genomic medicine in analytics and diagnostics in the UK via network-based solutions.
- **Energy and Smart Manufacturing** - To place the region at the forefront of energy innovation in the areas of sustainable house building to address fuel poverty, while creating a centre of excellence to develop and exploit aspects of marine and other sustainable energy. This will exploit the multi-billion pound asset base in renewable and conventional energy production and the testing and commercialisation of integrated Future Energy Systems for commercial and domestic use. The SBCD portfolio will also contribute directly to the drive towards decarbonisation of the economy and the green industrial revolution including skills for green jobs. In terms of Smart Manufacturing, the portfolio will 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 across Wales and elsewhere in the UK.

These areas have productivity and GVA potential for growth and are aligned to creating high technology jobs through start-ups and the attraction of inward investment from larger businesses. They are also areas of focus whereby the region has begun to build foundations to advance through R&D, infrastructure, natural resources, skills and complementary investments.

The updated Skills Barometer Research and Report published in January 2023 identifies the anticipated growth areas throughout the region in the next 10 years. The highlighted sectors in the table below are the ones most aligned to the priority sectors identified for focus by the Swansea Bay City Deal. The jobs created above the baseline growth in these priority sectors is 12,000 in the period 2022-32.

Industry	Total jobs 2020	Job growth 2022-32 (Absolute)		Job growth (p.a.)	
		Baseline growth	High growth	High growth 2022-32	Actual change 2015-2020
Agriculture, forestry & fishing	4,250	-700	-425	-1.0%	-1.6%
Mining, quarrying & utilities	4,650	-600	-372	-0.8%	-1.3%
Manufacturing	26,000	0	+1,300	0.5%	0.0%
Construction	14,250	+1,500	+1,710	1.2%	1.1%
Motor trades	5,350	-1,700	+107	0.2%	-3.2%
Wholesale	6,750	+500	+270	0.4%	0.7%

Retail	25,000	-8,000	0	0.0%	-3.2%
Transport & storage	10,750	+3,000	+430	0.4%	2.8%
Accommodation & food services	23,000	+4,000	+2,990	1.3%	1.7%
Information & communication	4,100	+1,500	+1,968	4.8%	3.7%
Financial & insurance	5,950	+300	+357	0.6%	0.5%
Property	3,600	+1,000	+540	1.5%	2.8%
Professional, scientific & technical	10,750	0	+2,688	2.5%	0.0%
Business administration & support services	17,750	+5,500	+5,148	2.9%	3.1%
Public administration & defence	25,000	+7,000	+3,750	1.5%	2.8%
Education	25,500	0	+510	0.2%	0.0%
Health	47,000	+4,000	+4,700	1.0%	0.9%
Arts, entertainment, recreation & other services	10,000	-5,500	+1,100	1.1%	-5.5%
Total	269,000	+12,000	+26,770	1.0%	0.4%

Table 1.4. SWW anticipated job growth by sector *(Source: Skills Barometer 2023)*

This shows the potential of the SBCD priority sectors for the creation of new employment opportunities over the next 10 years.

The SBCD portfolio will address these and other priorities for the region as part of the wider implementation of the Swansea Bay City Region Economic Regeneration Strategy and the Regional Economic Delivery Plan, along with the combined aim of tackling regional challenges including economic inactivity, poor digital and transport connectivity, decarbonisation, poverty and the development of skills. The SBCD recognises that it will not resolve the economic challenges of the region alone or in isolation but will act in a collaborative and complementary manner to with partner organisations and initiatives to maximise impact and meet the vision, aims and objectives of the regional economic strategies. To support this broader work, the directors of regeneration/economic development for the four regional local authorities meet regularly to ensure oversight of the strategy and the progression of change in the region. Overall strategic direction will be provided through the Corporate Joint Committee.

1.10. Benefits

The intended beneficiaries are those people who experience better standards of living and wellbeing higher real incomes or improved access to products, services and opportunities through the delivery of the programmes and projects. These beneficiaries include a wide-ranging array of private business owners and companies, regional communities and residents, and public and third sector organisations whose value-added is expected to increase through the development and implementation of SBCD programmes and projects.

The SBCD's approach is pan-region with the aim of stimulating growth and investment (both public and private sector) by providing a framework for the future development needs of the region. Providing a collaborative approach between partners to enhance the outlook and prospectus of the region, Governments have committed funding to support investment in infrastructure and service designed to support local demands under the four key themes. The main benefits will be realised as the portfolio investment objectives relating the jobs, investment and GVA are achieved.

The main direct benefits that will deliver the greatest proportion of the portfolio value are:

- Greater employment opportunities
- Strengthened talent retention, attraction and entrepreneurialism
- A healthier, greener and more diverse economy through more productive, efficient and profitable companies

Associated with these are the following indirect benefits:

- Better collaborative regional working
- More disposable income and spend within the region
- Improvements to health and social well-being
- Improved supply chains
- Increased property values

Each of the projects and programmes are currently refining their benefits information and are working with the PoMO to ensure that robust and effective benefit realisation is undertaken across the portfolio. Further details on the benefits management and realisation process established for the portfolio can be found within the Management Case and Portfolio benefits register.

The table below sets out baseline indicators which can be used to help gauge the impact of the SBCD on the regional ambition and the regional benefits delivered through various growth initiatives throughout the Swansea Bay City Region. These indicators will be regularly assessed and updated during the delivery of the portfolio. It is important to note that the SBCD is only one contributor to these indicators with other actions and external factors influencing these over time. The majority of the benefits will be achieved following construction of the infrastructure associated with the projects programmes within the portfolio and therefore towards the latter end of the City Deal timeframe. There will also there will be an inherent and expected 'benefits lag' coming through into regional indicators due to the delivery timescales of the SBCD projects.

Baseline for Strategic Outcomes and Indicators	2017	2018
Growth in Regional prosperity		
GVA growth (GVA £m)	13,085	13,606
South West Wales GVA against UK Index = 100	67.3	68.0
GVA growth across South West Wales (From year prior)	+2.45%	+4.0%
Creation of Better-Quality Jobs		
Employment Levels	313,300	307,200
Employment Growth	+4.30%	-2.00%
Employment/Economic inactivity in SWW (16-64, excluding students)	20.8%	22.1%
A more Skilled Workforce in the region		
Increase in proportion of the population with qualifications (NQF 4)	34.25%	35.63%
Total apprenticeships (Level 2 – 4) as a proportion of total employment	14,025	13,625
Increase in apprenticeships 16- 24 as a proportion of total employment	5,560	5,245
Improvements in Standards of Living across the Region		
Reduce the proportion of workless households	19.35%	20.78%
Income deprivation (percentage of population)	16.5%	Not Available
Gross disposable household income (£)	+2.4%	+4.4%

Table 1.5. Baseline indicators (Source: Various ONS source data, 2020)

1.11. Risks and Issues

The delivery and operational environment of the City Deal has become more challenging over the last 3 years from the combined effects of the Covid-19 pandemic, Brexit, the war in Ukraine and the resulting energy and cost of living crisis. One of the main impacts for the portfolio has been the significant pressure on the construction industry supply chain resulting in increased costs and longer lead times for the delivery of required services. These factors have been reflected in the identification and mitigation of portfolio risks and issues as the programmes and projects have moved into delivery.

The portfolio has an established Risk Management Strategy and is regularly monitoring and reporting on risk across the portfolio through its governance boards at all levels of the portfolio.

The identification and assessment of risks to the successful delivery of the Portfolio are aligned to the UK and Welsh Government Guidance, where 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 portfolio and may be shared between the public and private sectors
External	External systemic risks affect all society and are unpredictable and random in nature

Portfolio risks are closely monitored and mitigated through the established processes and also at a programme and project level. The portfolio has 6 current red risks identified which are shown below.

Business	<ul style="list-style-type: none"> No current Red risks
Service	<ul style="list-style-type: none"> Slippage in delivery of programmes / projects against key milestones Programmes / projects delivering all outputs and outcomes within the business case Increase in cost of construction Welsh Government 2021 update of Technical Advice Note (TAN) 15 development risk of flooding and coastal erosion and associated flood planning maps In year financial slippage
External	<ul style="list-style-type: none"> No current Red risks

The portfolio has 1 current red issue that is being monitored and mitigated for. This issue is due to be removed with the recent signing of the Campuses funding agreement.

Business	<ul style="list-style-type: none"> Delay in funding agreements being approved and signed
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Further details of the SBCD risk and issue management arrangements and identified risks can be found in section 5.8 of the Management Case.

1.12. Constraints

There are a number of constraints placed on the delivery of the SBCD, notably:

- Total funding package: Portfolio budget based on the fixed funding agreement between the region and Welsh and UK Governments
- Capital Funding: Portfolio budget being largely capital investment
- Term of the City Deal: The timeframe for the delivery of the Portfolio cannot exceed the term of the City Deal set at 15 years
- Resources: Resources available to establish and implement the portfolio and associated programmes and projects
- State Aid / Subsidy Control: Growth Deal projects must comply with relevant State Aid / Subsidy control rules

1.13. Dependencies

The following dependencies need to be in place for the delivery of the SBCD:

- Drawdown of Funding: Continued commitment from Welsh and UK Governments on the agreed City Deal funding drawdown profile which is aligned to SBCD investment profile
- Private Sector Engagement: The City Deal cannot be successfully delivered without the engagement of and collaboration with the private sector
- Public Sector Engagement: The SBCD requires the commitment of all primary stakeholders to deliver the Deal
- Public Sector Delivery: The SBCD requires primary stakeholders to progress the wider economic regeneration plans relating to City Deal funding
- Statutory Consents and Planning Approval: Several the City Deal projects will require statutory consents and planning approval

Even though the portfolio works towards common strategic Investment Objectives and the impact of the portfolio depends on the combined delivery of the programmes and projects, there are no interdependencies at portfolio level. The interdependencies that do exist will be at project/programme level and dealt with accordingly by the project/programme teams.

Regional stakeholder interdependencies may also exist and these will be identified and managed through stakeholder management and the SBCD governance committees to identify risks and opportunities relating to synergistic regional projects outside of the remit of SBCD that may impact the SBCD portfolio.

2. THE ECONOMIC CASE

2.1. Introduction

The Economic Case describes how the options for the potential scope of the Swansea Bay City Deal, set out in the Strategic Case, were developed and appraised. It details the overall social value that the Portfolio will deliver during its timeframe, taking into account economic, social and wider benefits that will accrue.

This updated Economic Case includes the following changes:

- Inclusion of the National Net Zero Skills Centre of Excellence as part of the Supporting Innovation and Low Carbon Growth programme
- Inclusion of business case updates to Pembroke Dock Marine and Digital Infrastructure programme
- Updated position on the measurement of GVA and the proposed arrangements for the measurement of economic impact in the evaluation of project interventions
- Inclusion of current jobs created information in Section 2.7

The SBCD will deliver a portfolio of programmes and projects that are most likely to offer best value for money and maximum social and economic value to the SBCR. The SBCD portfolio is estimated to generate a Net Present Social Value (NPSV) of £1,114.27 million from a public sector cost of £462.22 million. These figures are detailed below in the economic appraisal section and are derived from SBCD programmes and projects as of March 2024. These estimates for the portfolio are subject to change as business cases become more mature and develop into full business cases for the entire portfolio.

The region began the process to identify and prioritise projects in 2015/16, moving from a long to a short list of projects via an appraisal process. At this time, the region was not required to strictly follow and respond to the Green Book guidance. Since inception, all projects and the portfolio have become better aligned to ensure that the nine shortlisted projects/programmes meet the SBCD investment objectives set out in the Strategic Case.

A timeline of the development of the Portfolio and the key milestones is shown in Figure 2.1 below:

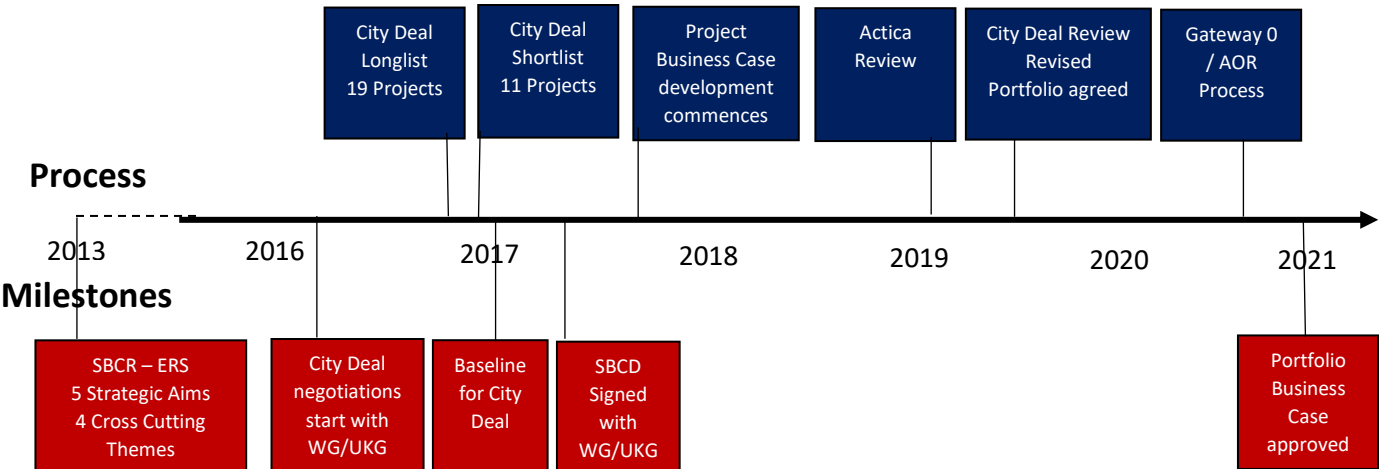


Figure 2.1. SBCD Portfolio Timeline

The nine shortlisted SBCD project/programmes are summarised in Table 2.1. below:

Economic Acceleration	Swansea City & Waterfront Digital District	To boost Swansea city centre’s economic well-being at the heart of the City Region’s economy, while retaining local tech, digital and entrepreneurial talent. This programme includes: <ul style="list-style-type: none"> • A digitally enabled indoor arena in the city centre for concerts, exhibitions, conferences and other events • A ‘digital village’ development in the city centre to accommodate the city’s growing tech and digital business sector • A ‘Innovation Matrix’ and the wider ‘innovation precinct’ development at the University of Wales Trinity Saint David’s new Swansea waterfront campus to enable start-up company support and growth
	Yr Egin	To support and further develop the region’s creative industry sector and Welsh language culture. The two-phased programme in Carmarthen, led by the University of Wales Trinity Saint David, features: <ul style="list-style-type: none"> • National creative sector anchor tenants • World class office space for local and regional creative sector SMEs, with opportunities for expansion • Facilities for the community and business networking • Facilitation of engagement between businesses and students
	Digital Infrastructure	To significantly improve digital connectivity throughout the City Region for the benefit of businesses and residents, also helping to attract inward investment. The programme is made of up of three themes: <ul style="list-style-type: none"> • Connected places • Rural connectivity • Next generation wireless (5G and IOT networks)
	Skills and Talent	To develop a sustainable pipeline of regional talent to benefit from the high-value jobs City Deal projects/programmes will generate in growth sectors for the region. This includes the potential to develop skills through courses and training and apprenticeship opportunities aligned to City Deal projects and regional priorities, as well as a partnership approach involving schools, universities, businesses and training providers across the region to identify need and resolve skills development gaps.
Life Science & Well-being	SBCD Campuses Project	To develop digital health and platform technologies and clinical innovation to help prevent ill-health, develop better treatments and improve patient care. Advanced research and development facilities will be created, building on the success of the Institute of Life Sciences at Swansea University and expanding on regional expertise in sport and exercise science. This project will be located at Morrison Hospital and Swansea University’s Singleton Campus.
	Pentre Awel	Previously named the Life Science & Well-being Village, this development will comprise research, business incubation and development facilities co-located alongside clinical delivery and research. The development will include education, skills and training facilities focussed on health and care in partnership with both further and higher education providers. Zone One

		will also include a state-of-the-art leisure and aquatics centre. Adjacent zones of the development will see further business expansion space created alongside a wide range of assisted living accommodation and associated test bed opportunities. This project will benefit from and further develop regional expertise in life sciences, while providing training and high-value job opportunities for local people.
Energy and Smart Manufacturing	Homes as Power Stations	A co-ordinated project across the City Region, Homes as Power Stations will see energy-saving technologies introduced to thousands of homes as part of a smart, low carbon new-build and retrofit programme. The project will: <ul style="list-style-type: none"> • Tackle fuel poverty • Further decarbonise the regional economy • Improve residents' health and well-being • Reduce burden on regional health and social services • Benefit regional supply chain businesses • Potentially develop a UK-wide industry in the City Region, with global export opportunities
	Pembroke Dock Marine	This programme will place Pembrokeshire at the heart of UK and global zero carbon, marine and off-shore energy innovation, building on the expertise of a marine energy cluster in Pembroke Dock. Facilities will be provided for marine energy innovators to build, test and commercialise their technologies. Programme features include: <ul style="list-style-type: none"> • Pembroke Dock Infrastructure (PDI) improvements • A Marine Energy Engineering Centre of Excellence (MEECE) • Marine Energy Test Area (META) developments • The Pembrokeshire Demonstration Zone (PDZ)
	Supporting Innovation and Low Carbon Growth (SILCG)	This programme will help further decarbonise the regional economy, while safeguarding the regional steel industry and providing high-quality space for the innovation, ICT and research and development sectors. The programme includes the following projects: <ul style="list-style-type: none"> • SWITCH - A purpose-built facility and specialist equipment to support the steel and metals industry and supply chain • Electric vehicle infrastructure and mapping • Real-time air quality modelling • Hydrogen production to power hydrogen vehicles • Cutting-edge business spaces to meet evidenced demand including a Technology Centre, Advanced Manufacturing Production Unit and Property Development Fund • National Net Zero Skills Centre of Excellence (NNZCoE) - this project was added to the SILCG programme in December 2023 following the submission of an OBC and approval of a Change Request by the Region and Governments. The project will be co-located at the Advanced Manufacturing Production Facility.

Table 2.1. SBCD Project Summaries

The preferred way forward and project selection

2.2. Preferred way forward

To realise the ambitions within the Swansea Bay City Region Economic Regeneration Strategy 2013 to 2030, the four local authorities and other key stakeholders worked collaboratively as the SBCR Board. The Board was initially led by Sir Terry Matthews, supported by the four local authority Leaders and senior representatives from health boards, universities and the private sector.

During the development of the Swansea Bay City Region Economic Regeneration Strategy, the regional partners agreed to discount the business as usual and 'do minimum' options as they would fail to realise the economic ambition for the region. The preferred option was to proceed with establishing a Growth/City Deal programme to deliver a set of prioritised projects that would realise the potential scope set out in the strategic case by creating infrastructure, inward investment and job opportunities.

The SBCR Board agreed on the 10th October 2016 to establish an oversight working group with representation from the four local authorities, two universities and two health boards. The purpose was to review a long list of City Deal projects.

2.3. Critical Success Factors (CSFs)

The SBCR oversight working group defined the portfolio CSFs, which have since been aligned to the current Green Book as shown below:

Table 2.2. Critical Success Factors

2.4. Long-listed Options and Preferred Way Forward

The submission of 19 project proposals were received by the SBCR Board at 6pm on Tuesday 11th October 2016. The oversight working group conducted a prioritisation process by reviewing the projects against the CSFs and categorised them as:

- Supported
- Supported for either second phase City Deal or alternative funding sources
- Not supported

	Project title	Lead Organisation	Brief description	Outcome
1	Buildings as Power Stations	Swansea University	A programme of regional low carbon homes development and retrofit with supply chain development. Combine as one project	Supported
2	Innovative Smart Low Carbon Homes	Local Authorities		
3	ARCH Campuses (Phase 1)	City & County of Swansea /Swansea University / Health Boards	The extension of Institute of Life Sciences facilities at the Morriston and Singleton campuses	Supported

4	(CENGs) revenue	City Region Team	Centre of Excellence in Next Generation Services. Combine as one project. CENGs revenue and SBCR CENGs Technology Centre capital	Supported
5	SBCR CENGs Technology Centre	City Region Team		
6	Digital Infrastructure & Test Beds	City Region Team	Digital Infrastructure upgrades & test beds following the themes of Rural, Transport Corridor and Connected City	Supported
7	Swansea City Digital District	City and County of Swansea	Combine as one project. Arena, new offices and public realm development as part of a wider City Centre regeneration programme including the development of a box village and innovation precinct in SA1	Supported
8	Swansea Waterfront	University of Wales Trinity Saint David		
9	Distributed Generation Cluster Hub - Dulais Valley	Neath Port Talbot CBC	Creation of a Dulais Valley Smart Energy Network and a Smart energy network in Milford Haven, Pembrokeshire. Combine as one project	Supported for alternative funding sources
10	Distributed Generation Cluster Hub - Milford Haven	Milford Haven Port Authority		
11	Energy Conversion and Storage Innovation Platform (ECSIP)	Swansea University	Future-proofing new energy generation and storage with carbon reduction	Not supported
12	Factory of the Future	Swansea University	State of the art prototyping facility for Industry 4.0 growth	Supported
13	Innovation System	City and County of Swansea	Creation of The Innovation System that will provide an integrated regional approach to supporting enterprise and innovation, with sector-specific efforts targeting each internet theme	Not supported
14	Pembroke Dock Marine	Milford Haven Port Authority	Expansion of off-shore renewable energy infrastructure and test areas	Supported
15	Skills and Talent	Regional Learning Partnership	Regional skills and talent growth focused facilities	Supported
16	Steel Science Centre for UK Primary Steelmaking	Excalibur Steel UK Ltd	Combine as one project. Establishment of a Steel Science Centre for UK Primary Steelmaking and Strip Steel Production	Supported
17	Sustain	Swansea University		
18	Health & Well Being Village Phase 1	Swansea University/ Health Boards Carmarthenshire CC	New build Community Well-being Hub as catalyst to wider development	Supported
19	Yr Egin	University of Wales Trinity Saint David	New build creative hub with national anchor tenant	Supported

Table 2.3. Long list project options

Below is a summary of the decisions made for the 19 long-listed projects, of which 11 were supported by the oversight working group:

- **Seven projects approved:** Projects subject to no change or revised budgets were 3, 6, 12, 14, 15, 18 and 19.
- **Four projects are the accumulation of 8 projects:** Several of the submitted proposals were deemed more impactful if combined as a result of their scope and synergies. The Board unanimously agreed to combine eight of the projects into the following four projects:
 - Projects 1 & 2 as they were similar in concept
 - Projects 4 & 5 were both focused on the Centre of Excellence for Next Generation Services (CENGS), with one being revenue based and the other capital based
 - Projects 7 & 8 formed part of a wider vision for the region with similar outcomes
 - Projects 16 & 17 both focussed on supporting the steel industry
- **Two projects signposted to a second phase or alternative funding:** The Board agreed that projects 9 and 10 were worthy projects to take forward, but they did not fully meet the City Deal requirements. It was agreed that they would be supported for either a second phase City Deal or for alternative funding sources.
- **Two projects not supported:** 11 and 13 were not supported as they were not aligned.

2.5. Short-listed options

The 11 shortlisted projects with project lead authorities are summarised in Table 2.4. below:

Economic Acceleration	Swansea City & Waterfront Digital District	C&C of Swansea/UWTSD
	Yr Egin	Carmarthenshire CC/UWTSD
	Digital infrastructure	Carmarthenshire County Council
	Skills and Talent Initiative	Carmarthenshire County Council
	Centre of Excellence Next Generation Digital Services (since withdrawn)	Neath Port Talbot CBC
Life Science & Well-being	SBCD Campuses Project	C&C of Swansea/ Swansea University/ Health Boards
	Pentre Awel (LS&WB Village)	Carmarthenshire County Council
Energy	Homes as Power Stations	Neath Port Talbot CBC
	Pembroke Dock Marine	Pembrokeshire Council
Smart Manufacturing	Factory of the Future (since withdrawn)	Neath Port Talbot CBC/Swansea University
	Steel Science (merged with Supporting Innovation and Low Carbon Growth)	Neath Port Talbot CBC/Swansea University

Table 2.4. Long list project options

Changes were made to the shortlisted options following the SBCD review in late 2018 and early 2019. The external review undertaken by Actica recommended that the SBCD should be managed as a portfolio, rather than as a set of pre-determined and immutable projects.

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 for inclusion in the City Deal portfolio by Neath Port Talbot County Borough Council's Cabinet in July 2019. This was subsequently approved by the City Deal Joint Committee.

The new project met the original CFSs and subsumed relevant parts of the Centre of Excellence in Next Generation Services (CENGs) and Steel Science projects. Factory of the Future was also no longer supported as one of the prioritised projects. This led to the SBCD portfolio comprising of the nine shortlisted projects as detailed in Table 2.1. above.

2.6. Phased approach and desirability

Commencing in 2017, the SBCD portfolio has a 15-year funding and delivery profile, which was established when the Heads of Terms agreement was signed. The model is a focused period of construction funded by Local Authority borrowing and stakeholder contributions followed by implementation, benefits realisation and repayment by the UK Government and the Welsh Government.

Phase	Term	Delivery
1	Short-term (0-5 years)	Initial investment with focused spend on construction and project development
2	Medium-term (5-10 years)	Implementation, operational, benefits realisation and repayment
3	Long-term (10-15 years)	Operational, benefits realisation and repayment

The SBCD portfolio will be periodically assessed through internal and external reviews to ensure that the portfolio and project desirability is valid and viable. As of March 2024, the desirability categories for each project and its components are deemed core/essential by the SBCD. This is summarised in Table 2.5. below:

Project / Programme name	Years 0 - 5	Years 5 - 10	Years 10 - 15
Swansea City & Waterfront Digital District: <ul style="list-style-type: none"> Arena & Digital Square Digital Village Innovation Matrix / Innovation Precinct 	Core/essential	Core/essential	Core/essential
Yr Egin, Creative Digital Cluster: <ul style="list-style-type: none"> Phase 1 Phase 2 	Core/essential	Core/essential	Core/essential
Digital Infrastructure: <ul style="list-style-type: none"> Connected places Rural connectivity Next generation wireless 	Core/essential	Core/essential	Core/essential
Skills and Talent Initiative	Core/essential	Core/essential	Core/essential
SBCD Campuses Project: <ul style="list-style-type: none"> Singleton Morrison 	Core/essential	Core/essential	Core/essential
Pentre Awel (Life Science & Well-being Village): <ul style="list-style-type: none"> Phase 1 (Business, education skills and training, clinical delivery and research.) 	Core/essential	Core/essential	Core/essential
Homes as Power Stations	Core/essential	Core/essential	Core/essential
Pembroke Dock Marine: <ul style="list-style-type: none"> Pembroke Dock Infrastructure (PDI) 	Core/essential	Core/essential	Core/essential

<ul style="list-style-type: none"> • Marine Energy Engineering Centre of Excellence (MEECE) • Marine Energy Test Area (META) • Pembrokeshire Demonstration Zone (PDZ) 			
Supporting Innovation and Low Carbon Growth <ul style="list-style-type: none"> • Swansea Bay Technology Centre • SWITCH building • Hydrogen Stimulus project • Air Quality Monitoring project • Low Emission Vehicle Charging Infrastructure • Advanced Manufacturing Production Facility (also incorporating NNZCoE) • Property Development Fund 	Core/essential	Core/essential	Core/essential

Table 2.5. Portfolio Desirability Categories

2.7. Economic appraisal

Each SBCD project business case contains economic appraisals to determine the expected costs and benefits for the chosen options for each project. The current economic appraisal status and summary for each SBCD project/programme is summarised in Table 2.6. and 2.7. below.

Project/programme	Business Case Status	Economic appraisal date
Yr Egin	Approved regionally and by WG / UKG	July 2018
Swansea Waterfront	Approved regionally and by WG / UKG	Sept 2019 (Revisited Nov 2022)
Pembroke Dock Marine	Approved regionally and by WG / UKG	Sept 2019 (Revisited Sep 2023)
Homes as Power Stations	Approved regionally and by WG / UKG	May 2021
Supporting Innovation and Low Carbon Growth	Approved regionally and by WG / UKG NNZSCoE change request approved	May 2021 December 2023
Pentre Awel	Approved regionally and by WG / UKG	April 2020
SBCD Campuses Project	Approved regionally and by WG / UKG	June 2021
Digital Infrastructure	Approved regionally and by WG / UKG	Aug 2020
Skills and Talent	Approved regionally and by WG / UKG	June 2021

Table 2.6. Business Case and Economic Appraisal Status

The development of each project/programme business case will result in the economic appraisal for the SBCD portfolio changing once the appraisals have been updated.

During 2023/24, business case updates have been undertaken for Pembroke Dock Marine (to FBC stage) and Digital Infrastructure. These updates have not affected the approved economic appraisal

information for the projects. The economic appraisal undertaken for the NNZCoE OBC will be incorporated into an updated SILCG programme business case in 2024.

		SBCD Portfolio	Yr Egin	Swansea Waterfront	PDM	HAPS	SI&LCG	Pentre Awel	Campuses	Digital	Skills
A	Net Present Social Value (£m)	1,114.27	150.02	407.51	87.2	16.63	44.7	63.86	18.8	319.2	6.35
B	Public sector cost (£m)	462.22	21.8	138.37	42.7	14.67	127.4	39.11	14.15	38.5	25.52
C	Appropriate BCR	-	3.7	3.95	2.63	2.5	1.6	2.63	2.33	1.5-11	1.4
	Significant unmonetizable costs/benefits		- skills and training opps - new business floorspace - new businesses	- skills and training opps - new business / leisure floorspace - new business start ups	- contribution to decarbon - new floorspace and infrastructure	- homes benefitting from renewable tech - Energy savings - CO2 reduction	- new infrastructure - new enterprises supported - innovation / new patents	- skills and training opps - life science programmes - new business floorspace - R&D	- skills and training opps - life science programmes - new business, R&D, floorspace	- rural community schemes - connectivity improvements - new infrastructure	- increase in higher skills - new apprenticeships - increase in STEM subjects
E	Significant unquantifiable factors		- improved start up opps - improved academic facilities - promotion of Welsh lang	- improved leisure facilities - improved profile - enhanced innovation ecosystem	- innovation in marine/energy - attraction of new investment - people / skills retention	- proof of concept / mainstreaming - reduction in fuel poverty - health and wellbeing - regional supply chain	- future reduction in carbon - job retention in steel industry and related enterprise - centre of excellence	- integrated approach to health care - health and wellbeing	- integrated approach to life science / wellbeing - health and wellbeing	- accelerate 5G - commercial investment - connectivity wellbeing - rural development	- new employment opportunities - people retention - benefits to wider regional initiatives
F	Risk costs by type and residual optimism bias	-	10%	10%	10%	10%	10%	20%	20%	-	20%
G	Switching values (for the preferred option only)	-	86%	-30.5%	-62%	81%	61%	-	-37% benefit reduction	-	-13.33
H	Time horizon and reason	15-year appraisal period for the portfolio. All infrastructure projects will have a residual value at the end of this term.									
I	Preferred option	-	Option 4	Option 2	Option 2	Option 4	Blended	Option E	Option D	Blended	Option 3
J	Date of appraisal	-	July 2018	Nov 2018 Orig. Sept 2019 Rev.	Sept 2019	Aug 2020 Orig. May 2021 Rev.	Jan 2021 Orig. May 2021 Rev. NNZSCoE Dec23	Nov 2018 Orig. April 2020 Rev.	Sept 2020 Orig. Jun 2021 Rev.	Aug 2020	Jun 2021
K	Appraised by	-	Amion	Amion	Amion	Value People	Value People	Swansea University	Swansea University	Cube	DS Consulting

Table 2.7. Portfolio Summary Appraisal

The initial analysis and assessment for the Gross Value Added (GVA) and jobs created targets were undertaken by a team of specialist economists at Swansea University, who assessed the short-listed projects. Since then, each project/programme has undertaken a more in-depth analysis of these two indicators as part of their economic appraisal of shortlisted options.

The original SBCD heads of terms estimated the creation of £1.8bn GVA and 9,000 skilled jobs. The current estimates show a 32% increase in GVA and 8% increase in jobs created across the SBCD portfolio and are summarised at project and portfolio levels in Table 2.8. below:

Project theme/name	15-year Impact	
	GVA £m	Net Jobs
Economic Acceleration		
Swansea City & Waterfront Digital District	669.8	1,281
Yr Egin	89.5	427
Digital infrastructure	318.8	-
Skills and Talent Initiative	-	-
Life Science & Well-being		
SBCD Campuses Project	150.0	1,120
Pentre Awel (Life Science & Well-being Village)	467.0	1,853
Energy and Smart Manufacturing		
Homes as Power Stations	251	1,804
Pembroke Dock Marine	343.4	1,881
*Supporting Innovation and Low Carbon Growth	93	1,320
SBCD Portfolio total	2,382.5	9,686

Table 2.8. SBCD Portfolio Impact Deliverables overarching

* estimated GVA figures to be updated following completion of a revised SILCG Programme Business Case to include the National Net Zero Centre of Excellence.

The GVA objective was set in agreement with both Governments at the outset of the Deal in 2017. Due to the stated difficulties in measuring GVA at a project level, the decision was taken, in agreement with Governments that there would be no requirement to monitor GVA to the portfolio interventions. The current headline GVA figure has been derived from the individual economic appraisals in each of the 9 headline business cases of the City Deal as an assessment of economic impact. They remain a valid headline objective as estimated economic impact following the successful delivery of the various projects and programmes. As business cases are further developed, revised economic appraisal information will be potentially utilised to estimate overall GVA impact.

The PoMO are working with all the project and programme teams to devise a suite of economic impact indicators that can be measured and attributed to the portfolio interventions. These indicators will form part of the SBCD Evaluation Framework that will be presented to Programme Board and Joint Committee shortly and will be available for scrutiny. Each project and programme will undertake formal evaluations of the impact of the delivery and operation of their interventions at agreed points in time. Portfolio evaluations will also be undertaken, utilising the project level evaluation information. These measurements will provide a quantifiable evidence base for the impact of the portfolio at stages within its delivery and at the end of the City Deal timeframe in 2033.

It should be noted that the Skills and Talent project, although not contributing directly to regional GVA and jobs, will play a crucial role in the attainment of the impacts detailed for the individual programmes and projects.

In addition to the above strategic benefits, each project has identified further benefits within their business cases, which will be reviewed and revised on a regular basis. 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

Jobs update:

The total estimated job creation remains at 9,686. To date 567 jobs have been created across the programmes and projects of the SBCD representing 6.3% of the total target. The main job creation will occur following successful completion of the infrastructure projects and are therefore expected to be realised during the latter years of the portfolio timescales.

2.8. Summary

The appraisal contained in the Economic Case has demonstrated the scale of the economic and social value that the delivery of the Portfolio will achieve. The chosen way forward represents a coherent, balanced and achievable portfolio that will meet the Critical Success Factors and will deliver real and lasting benefits to the region. The impacts of the Portfolio will contribute directly to the achievement of the Portfolio Investment Objectives and to the strategic aims of the economic strategy for the City Region, generating new jobs and investment and contributing to increased GVA and productivity within the regional economy. The appraisal information will continue to be updated and refined as programmes and projects are progressed. The evaluation of projects and programmes will be used to produce economic impact metrics to update this business case.

3. THE COMMERCIAL CASE

The purpose of the Commercial Case is to provide the overarching principles, objectives and arrangements for the procurement of the programmes and projects within the portfolio. The SBCD will aim to continue to secure social value through the delivery of its constituent programmes and projects, maximising benefits to the region through procurement.

This updated version of the Commercial Case includes the following changes:

- Updated procurement policy alignment section
- Procurement Update section detailing key procurements to date and forthcoming procurements with accompanying Appendix 3.1 showing the procurement pipeline
- Inclusion of Construction Impact Assessment in Appendix 3.2 identifying a funding gap of £42.9m to date. Mitigations have reduced the gap with a residual funding gap of £11.6m
- Case study on community benefits being delivered through the Pentre Awel
- Current register of programme and project community benefits

3.1 Procurement strategy and route

SBCD programmes and projects are led by a lead delivery organisation, which may be a local authority, university, health board or private/third sector organisation. These lead delivery organisations are responsible for conducting their own procurement exercises in line with their own organisational policies and procedures.

Public sector led procurement requires the procuring bodies to comply with the following:

- Public Contracts Regulations 2015 and the Public Procurement (Amendment etc) (EU Exit) Regulations 2020
- Welsh Procurement Policy Statement 2021
- The Welsh Government Welsh Procurement Policy Note WPPN 0320 which provides the Welsh public sector contracting authorities an update on public procurement, and on the use of Sell2Wales and the new UK e-notification service Find a Tender after the end of the EU Transition Period.

<https://gov.wales/wppn-0320-post-eu-transition-public-procurement-including-find-tender-service-fts-html>

In 2012, the Welsh Government issued the Wales Procurement Policy Statement which was subsequently reviewed and updated in 2021. The statement sets out the principles by which it expects public sector procurement to be delivered in Wales. 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 to minimise bureaucracy for companies bidding and to make it easier for small and medium-sized firms to participate.

EU funded projects

Welsh Government has stated that there will be no change in the existing arrangements for current EU funded projects. For previously approved projects that are receiving funding, all existing EU rules

and regulations will continue to apply. The way that projects are managed will not change. This includes:

- submitting and payment of claims
- verification checks
- retention of records

As such, SBCD projects in receipt of EU funding will need to be aware of any conditions within the European Public Contracts Directive 2014/24/EU that relate to procurement.

Any new procurements for WEFO funded programmes after the end of the transition period must continue to be advertised on OJEU/TED. See Welsh Government Welsh Procurement Policy Note WPPN 0320 referenced above for more information.

This iteration of the SBCD Commercial Case maintains the status quo as far as procurement regulation and guidance stands. However, it should be noted that progress is being made on two items of legislation which may affect any SBCD procurements scheduled for 2025 onwards:

UK Government is implementing **The Procurement Bill 2022-23** which became law as Royal Assent was given to the Procurement Bill on 26 October 2023, however the Bill, which will reform the way public sector procurement is delivered post EU throughout the UK, except for Scotland, is not expected to be in force until late October 2024 earliest.

The Welsh Government **The Social Partnership and Public Procurement (Wales) Act 2023** received Royal Assent on 24 May 2023. Part 3 of which places new socially responsible procurement duties on a range of public bodies in Wales. The Part 3 provisions will not be commenced until late 2024/early 2025 at the earliest. This Bill will impose a statutory duty on certain public bodies to consider socially responsible public procurement and to set objectives in relation to well-being goals which those bodies must meet when carrying out procurement, and to publish a procurement strategy.

The effects of the above will be considered in the next update of the SBCD Business Case.

3.2 City Deal Procurement Principles

Aligned to the Wales Procurement Policy Statement, the SBCD's Joint Committee approved a supplementary set of procurement principles in November 2020 that aim to encourage project/programme teams to consider wider benefits that can be achieved through 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 procurement exercises.

The principles have been drafted in collaboration with industry, as well as 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/programme 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.

High value procurements should be broken down into smaller lots so that regional companies are not excluded from the process. Where this is not possible due to economies of scale or risk, for example, then Tier 1 contractors should be contractually obliged to undertake the lotting process where existing frameworks allow.

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 3.7 – Key contractual arrangements below).

Projects/programmes will be encouraged to work across the portfolio where possible to consider economies of scale where collaborative bidding and purchasing will offer benefit.

Application of Procurement Principles

The following examples demonstrate how the SBCD projects and programmes are meeting the requirements of the procurement principles:

1. **Be Innovative;** Projects are seeking ways of achieving the best outcome from procurement, for example, the award-winning Bay Technology Centre procurement tasked the successful contractor with optimizing the efficiency of the facility, resulting in an innovative approach to construction that ultimately created the first energy positive commercial building in Wales. This approach will be reproduced for the forthcoming elements of SILCG. The Pentre Awel procurement process placed a high level of focus on quality over price, requiring the successful contractor to deliver a higher level of Community benefit and social value from the contract award.
2. **Have an open, fair and legally compliant procurement process;** where appropriate procurements are using existing frameworks and/or Sell2Wales to promote and award contracts. Pentre Awel and SILGC have had advanced engagement with contractors to inform them of forthcoming opportunities and special requirements that will need to be addressed. All significant procurements are being broken down into smaller packages that enable regionally based contractors the opportunity to tender. The SBCD Procurement Pipeline (see 3.3) is publicly available on the SBCD website.
3. **Maximise Community Benefits from each contract;** The achievement of community benefits via procurement is a high priority for SBCD programmes and projects. Swansea Waterfront is overseen by Swansea Council's Beyond Bricks and Mortar team who work with contractors to ensure that the appropriate level of benefit is required, and delivered, via the Council's procurements. This approach ensures that contractors remain on track with agreed targets for Targeted Recruitment and Training, local supply chain inclusion and educational engagement. The Pentre Awel project has created a Community Benefits steering group which assists the contractor with delivery of, and monitors progress against, agreed targets. Meet the buyer events are arranged to inform local supply chain of the tendering opportunities arising from contract awards. These are designed to be as effective as possible using high profile venues and effective promotion via SBCD stakeholders including Business Wales
4. **Use Ethical Employment Practices;** Programmes and Projects are applying project bank accounts where appropriate to ensure fair payment across the supply chains.
5. **Promote the City Deal;** The PoMO ensure that the SBCD is being promoted in procurement releases, any promotional literature issued by projects and their contractors and that SBCD funding is acknowledged on site hoardings. Examples of this include site Hoardings for Swansea Waterfront, Pentre Awel, and PDM, ITTs on Sell2Wales by PDM etc. and Meet the Buyer notices.

3.3 Procurement Update

With all the SBCD projects and programmes approved and moving into delivery, there has been considerable construction and procurement activity since the last iteration of the business case with the following projects scheduled for completion during 2024.

- Pentre Awel Zone 1 Q4 2024,
- 71/72 Kingsway Q1 2024,
- Innovation Matrix Q2 2024
- Pembroke Dock Infrastructure - including the completion of the Hangar Annexes, lay down space and slipway.

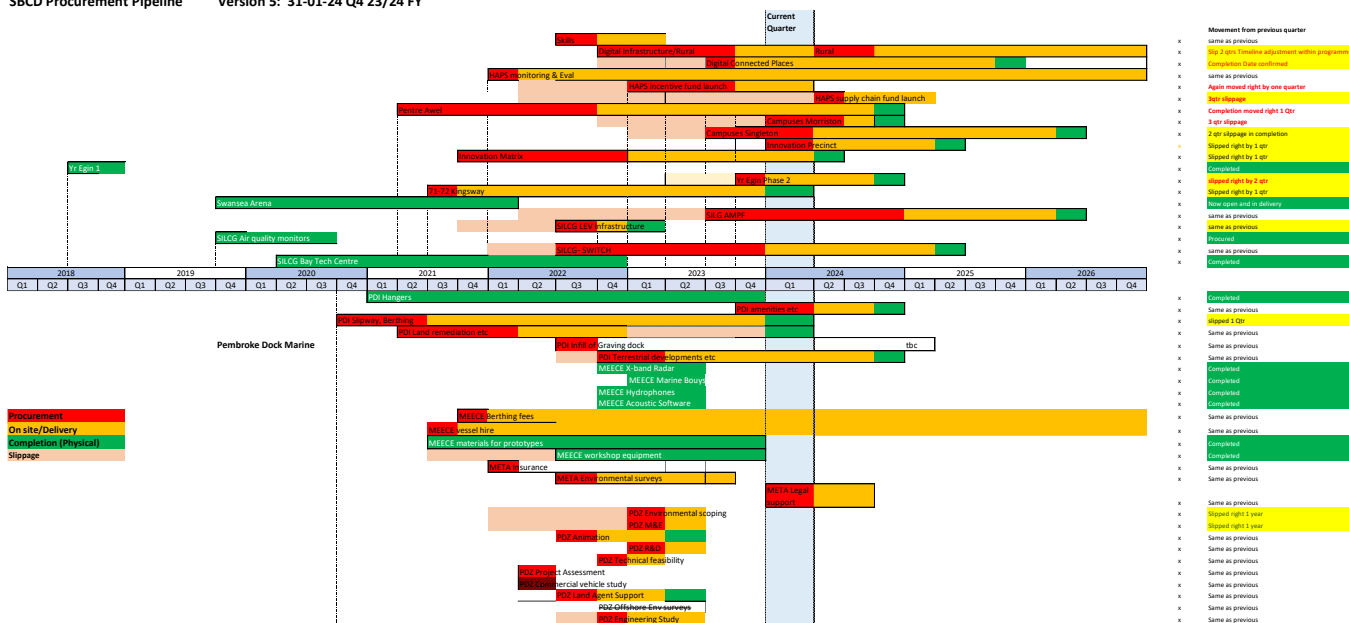
Procurement to the value of **£361.5m** has been undertaken across the portfolio to date with **£141.4m** in the immediate procurement pipeline including major procurements for HAPS, Campuses, Swansea Waterfront (Innovation Precinct and Hotel) and Digital Infrastructure. Further major procurements will also be programmed for Pentre Awel Zones 2,3 and 4 and the Campuses Phase 2 developments.

The PoMO has developed a register of planned procurement showing the pipeline, timescale and route to procurement of the individual projects to assist potential contractors in identifying and accessing tender opportunities. The pipeline template is included in Appendix 3.1 and is updated on a quarterly basis in consultation with the programme/project leads.

The regular monitoring of the Procurement Pipeline tracks any project change or slippage in procurement, time on site and completion date.

An illustrative representation of the current procurement pipeline is shown below (Q3 2023-24)

SBCD Procurement Pipeline Version 5: 31-01-24 Q4 23/24 FY



The current economic environment of high inflation, materials and energy costs has made procurements challenging, with inflationary pressures on capital budgets and extended timescales/slippage in the formulation, negotiation and delivery of contracts.

The PoMO, working with programme and project teams, introduced a Construction Impact Assessment (CIA) for the portfolio towards the end of 2021 which identifies and quantifies the widespread risks and issues affecting the construction industry.

In addition to this, the PoMO produced a report on the assessment of increased construction costs and their effect on portfolio delivery. This report, now combined with the CIA, identifies a gross gap of **£42.9m** to date, relating to past, imminent and future construction activity. The mitigation actions being employed by the programmes and projects are also included. These mitigating actions have reduced the shortfall, with an **£11.6m** residual impact over the 2023/24 financial year.

The assessment is updated quarterly and since its inception many projects have identified key risks to their construction activity identified within the summary report and have devised robust mitigation measures to counteract any risk to delivery.

A copy of the assessment is included at Appendix 3.2.

The PoMO has established a Construction and Community Benefits Sub-group that reports to Programme Board, and which meets quarterly to share lessons learned and best practice in the procurement, construction, social value and related skills areas.

3.4 Community Benefits

The use of Community Benefit clauses as a core requirement will bring added value and ensure long-term benefits realisation. Clauses that may be used in community benefit contracts include:

- Supply chain opportunities: Creating opportunities for Small to Medium Enterprises (SMEs) to bid for work through the supply chain. Tier 1 contractors will be contractually obliged to undertake effective 'Meet the Buyer' events as early market engagement
- Targeted recruitment and training clauses: Providing opportunities to specific groups such as the economically inactive or young people who are Not in Education, Employment or Training (NEETs). Work experience placements will be offered to pupils and students in local schools, colleges and universities, along with apprenticeship opportunities for local people during contract periods. Projects/programmes 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 schoolchildren, this may involve offering opportunities such as site visits or delivering related information sessions
- 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 SBCD communication

Project/programme teams will be required to:

- Provide the PoMO with details of community benefits clauses either included in procurement contracts or agreed with suppliers following appointment
- Provide quarterly updates to the PoMO on the progress made on the delivery of community benefits
- Continual engagement with the PoMO on planned community benefit activity to promote good news stories and identify opportunities for support
- Formally report their community benefit outputs via the Welsh Government Community Benefits Toolkit, or another agreed platform, and provide a copy of this to the SBCD PoMO on an annual basis

The PoMO maintains a Community Benefits Register that tracks Community Benefits requirements against delivery with the current version attached at Appendix 3.3.

Highlight achievements to date include at least seven well attended 'meet the buyer' events, with over 45 regionally-based and 40 plus Wales-based businesses receiving contract awards including micro, SME and large companies.

At least 136 apprenticeships have been delivered with a wide variety of community and school engagements being undertaken within the localities of development. For example, Bouygues UK, as lead contractor for Pentre Awel, have achieved the following to date, during delivery of Zone 1, which is not due for completion until Q4 2024:

Person weeks training	961 person weeks
New entrant jobs created	21
Apprentice/Shared Apprentices	20
Graduate	4
Traineeship/JGW+	12
Work Experience (in education)	8
Work Experience (not in education)	0
Monthly 'Employment Hubs'	5 Employment Hubs held onsite.
Employment & Skills Group	7 Meetings held.
Community Newsletter	5 issued to date:
Community Ambassadors	5 Community Ambassadors recruited.
Community events	Meet the Contractor event @ Morfa Social Club March 2023.
Meet the Buyer Events	2 held: <ul style="list-style-type: none"> • Parc y Scarlets on 30/03/22. 125 suppliers engaged, around two thirds based in the SBCD region. 50 Carmarthenshire businesses, of which nearly 30 are Llanelli-based. • Virtual MtB event (1:1s) held 13th June 2023, promoted via Sell2Wales. 14 businesses registered.
Resident surgeries	2 Community Surgeries held: 06/06/23; 05/09/23
Social enterprises	Thrive Women's Aid undertaking the cleaning works on-site and providing mobile catering service.
School Engagement - Pupil Interactions	584
School Engagement - Hours Donated (200)	85.5
School Ambassadors Programme	Over 60 student ambassadors recruited from local primary and secondary schools.
21st Century Skills Project funded via City Deal Skills & Talent.	12-week project undertaken. 5 Llanelli Schools participated: Brynwgwyn, Coedcae, Ysgol Pen Rhos, St John Lloyd and Ysgol y Strade
Outdoor engagement	2 hours Litter Pick with The Wallich Wellbeing group.
Zero Waste / Litter Picking	Pentre Awel registered as a litter free zone
BYUK Believe Academy	350 learners engaged in Bouygues Believe Academy.
Special Educational Needs / Additional Learning Needs	Heol Goffa ambassador and STEM Tetrahedron session (11/05/2023).

3.5 Service requirements, Outputs and Risk allocation

Portfolio business risk will be managed by the SBCD PoMO within the established governance structure, as detailed in the Management Case. The identification of service requirements, outputs

and risk allocation will be managed by the individual project/programme sponsors according to their situation and standing orders. Each project lead 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/programme business cases. Projects/programmes will also be required to provide regular updates on procurement activities to the SBCD PoMO. This will include the assessment of risks, progress and deliverables. Project/programme teams will work with the SBCD PoMO to promote major procurement exercises and any 'Meet the Buyer' or local supply chain events.

3.6 Charging mechanisms

Each programme/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, programmes/projects will be required to put in place Project Bank Accounts (PBAs) for all significant procurements. This requirement is in line with Welsh Government policy whereby all Welsh Government funded procurements with a value of £2m or more and lasting longer than 6 months must consider doing this. Note: Other criteria will also apply - see [Welsh Government guidance](https://gov.wales/wppn-0321-project-bank-accounts-policy-html) at <https://gov.wales/wppn-0321-project-bank-accounts-policy-html> (updated April 2023) for more details.

3.7 Key contractual arrangements

Each programme/project will undertake its own contract assessment processes aligned to its own organisational requirements. In addition to the standard form of contract chosen, several supplementary requirements will be placed on programme/project teams as outlined in the Portfolio Procurement Principles

Industry has told us that effective communication and early market engagement is critical. 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.

The use of Community Benefit clauses within SBCD 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 (2017) states that the Government expects all public sector bodies to sign up to the code and the wider public sector supply chain to adopt it. Tier 1 contractors should be made aware of this and encouraged to sign up to the code.

Programmes/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.

3.8 Personnel implications

Portfolio level - The SBCD has administrative support roles shared between the four partner Local Authorities, with Carmarthenshire County Council as the Accountable body role for the portfolio. A SBCD PoMO has been established with the capacity to manage the governance, assurance and decision-making mechanisms of the portfolio, along with the day-to-day duties required to service the portfolio. This includes senior financial, legal and monitoring personnel and a Senior Responsible Owner (SRO) for the portfolio. See the Management Case for further details.

Programme/Project Level - Sponsors will be required to ensure that key personnel and resources are in place to deliver their programmes/projects accordingly. Programmes/Projects will establish internal lines of communications to include internal stakeholders. These include programme/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 SBCD PoMO at the earliest opportunity. Any significant business issues will be managed by the SBCD PoMO via its governance process. Significant service issues will be addressed by the client organisation supported by the PoMO where appropriate.

3.9 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 programme/project delivered within the portfolio will be disclosed and held on the Balance Sheet within the lead organisation responsible for the delivery of such programme/project. Assets constructed or held as part of a regional project or programme within the portfolio will be proportioned accordingly or reside within the balance sheet of the Lead Authority in which the asset resides. The Joint Committee will hold no such physical asset as categorised above within its legal remit.

3.10 Updating Business Cases

In line with Better Business Case guidance and standard programme / project management principles, programmes and projects within the SBCD portfolio are required to update their business cases from Outline Business Case to Full Business Case status as and when procurement activities have been completed to ensure compliance with process. An update for the Swansea City and Waterfront Digital District was completed in November 2022 which detailed the procurement process and outcomes for the Arena and 71-72 Kingsway projects. Further business case updates will be undertaken over the coming months.

4. THE FINANCIAL CASE

The purpose of the Financial Case is to demonstrate the affordability and funding of the portfolio, including the support of stakeholders. The Financial Case provides detail on the amount, timing and source of financial investments to ensure the fundability of the programmes and projects. The Case also details the impact upon the balance sheet, income and expenditure and accountancy arrangements of the SBCD.

This Financial Case includes the following changes as of Q3 2023-24:

- Updated funding and investment information including breakdown of private and public sector investment and breakdown of funding per theme and project of the SBCD. Investment is now demonstrated at £1.282bn from £1.253bn in previous business case (original heads of terms £1.274bn)
- Updated income, expenditure and cashflow forecasts
- Inclusion of the previously unallocated £5.3m City Deal funding to the National Net Zero Skills Centre of Excellence
- Updated information on grant drawdown and dissemination with £123m City Deal funds received to date. To date £54.7m has been dispersed from the city deal to programmes and projects
- Reprofile of portfolio budget to show a current forecast slippage of £19.1m in the 2023-24 financial year from the previous approved budget with no reported effect on total outputs, investment or benefits of the Portfolio
- Information on the financial variances for Pentre Awel, Swansea Waterfront, Digital Infrastructure and Pembroke Dock Marine projects

4.1. Swansea Bay City Deal Investment Summary

The SBCD portfolio Heads of Terms signed on 17th March 2017 demonstrated an anticipated investment of £1.3 billion for the Swansea Bay City Region. On the approval of all nine businesses cases this budget has now been revised to establish a portfolio working budget. The budget revision shows a variance of +£7.87m (0.6%) against the original Heads of terms demonstrated below:

	<u>WG & Central</u> <u>Government Funding</u> <u>(£m)</u>	<u>Other Public Funding</u> <u>(£m)</u>	<u>Private Funding</u> <u>(£m)</u>	<u>Total (£m)</u>
Original Heads of Terms	241.00	396.00	637.40	1,274.40
Working Budget (as per business cases)	241.00	400.27	641.00	1,282.27
Variance	0.00	4.27	3.60	7.87

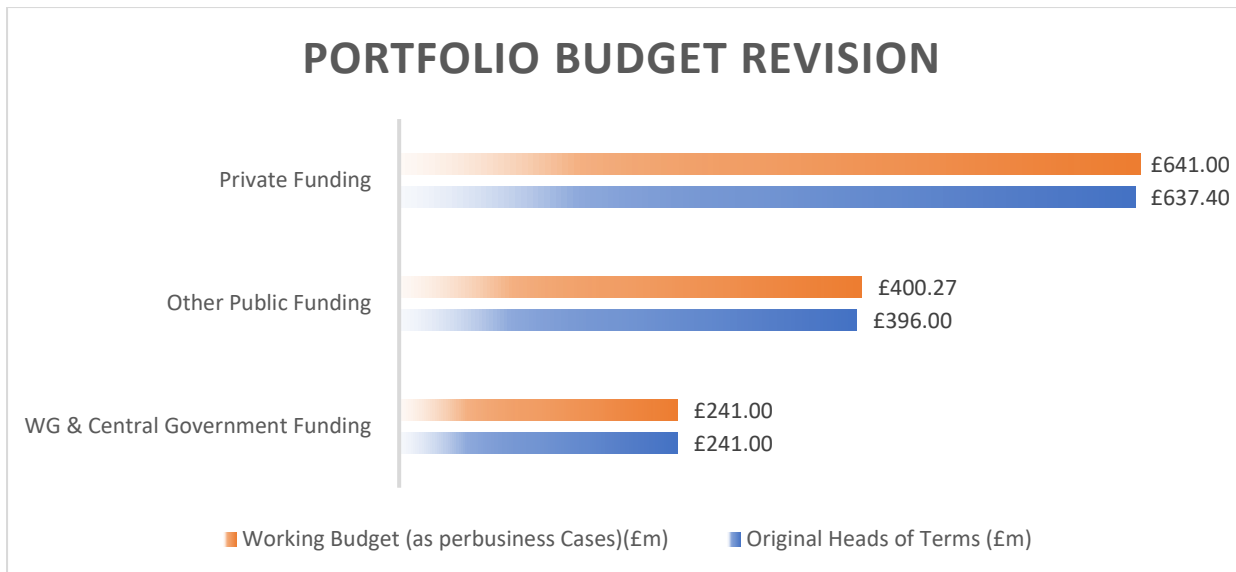


Table 4.1 and Figure 4.1. Funding Apportionment

Investment is categorised under three themes, with each designed to stimulate economic growth, increase GVA and increase the number of high-level skilled jobs in the region. Investment in these areas is summarised in Figure 4.2. below:

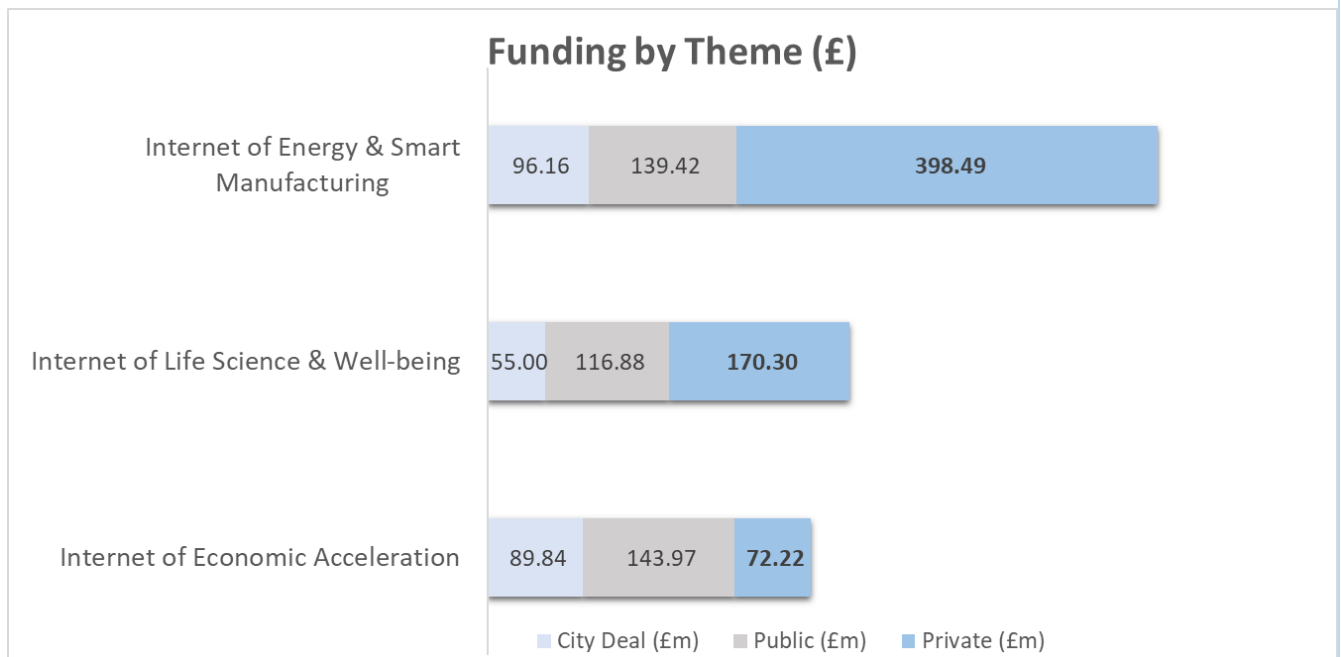


Figure 4.2. Funding by Theme

4.2. Updated Swansea Bay City Deal Investment Summary

The SBCD 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 nine identified

projects/programmes by the Welsh and UK Governments, along with the agreement of necessary governance arrangement and delivery models, make up the SBCD.

The current portfolio investment breakdown presented in Table 4.2. below is based on forecasted investment as of 31st December 2023:

Theme	City Deal (£m)	Public (£m)	Private (£m)	Total (£m)	Revised Baseline Budget 2022-23 Total (£m)	Variance (£m)
Internet of Economic Acceleration						
Swansea Waterfront	49.84	91.04	39.66	180.54	177.71	2.83
Yr Egin	5.00	18.67	1.50	25.17	25.17	0.00
Skills & Talent	10.00	16.00	4.00	30.00	30.00	0.00
Digital Infrastructure	25.00	18.25	27.06	70.31	55.00	15.31
Total	89.84	143.97	72.22	306.03	287.88	18.14
Internet of Life Science & Well-being						
Pentre Awel	40.00	58.30	108.19	206.48	200.48	6.00
LS&WB Campuses	15.00	58.58	62.11	135.69	134.95	0.74
Total	55.00	116.88	170.30	342.18	335.43	6.74
Internet of Energy						
Homes as Power Stations	15.00	114.60	375.90	505.50	505.50	0.00
Pembroke Dock Marine	28.07	19.32	17.09	64.47	60.47	4.00
Total	43.07	133.92	392.99	569.97	565.97	4.00
Smart Manufacturing						
Supporting Innovation and Low Carbon Growth	53.09	5.50	5.50	64.09	63.62	0.47
Total	53.09	5.50	5.50	64.09	63.62	0.47
Portfolio Total	241.00	400.27	641.00	1,282.27	1,252.91	29.36

Table 4.2. Portfolio Investment Breakdown

These figures are the current financial investment forecast which the SBCD is currently projecting over its 15-year term and is exceeding the approved working budget (£29.36m). Funding elements are subject to change as the portfolio evolves. All business cases have been successfully approved and on implementation of funding agreements, Government funding will be released to projects/programmes up to the value of the agreed project allocation by the Accountable Body.

It is the aim of the SBCD that all projects/programmes will be delivered in a ten-year period in order to maximise the full benefits realisation of the operational schemes during the lifetime of SBCD funding, which is to be released to the SBCR from both the UK and Welsh Governments within a 15-year period.

The overall investment composition comprises of the three following investment components:

- The **City Deal investment** component consists of the government grants awarded by the UK and Welsh Governments, totalling £241m (UKG £115.6m and WG £125.4). The previously unallocated £5.3m has now been formally allocated to the National Net Zero Skills Centre of Excellence as part of the Advanced Manufacturing Production Unit within the SILCG Programme. City Deal Grant is awarded to projects over a 15-year term up to a maximum of the allocated value.
- **Public sector** investment consists of investment from local authorities and other public funded and public service organisations. Public sector investment will also consist of match-funded WEFO grant funding. The public sector investment package will differ from project to project as to its composition. The majority of public sector investment will be provided through Local Authority borrowing. Each Local Authority shall be responsible for borrowing to provide funding or otherwise securing funding for projects located in its own area.
Local Authorities may agree that borrowing for a Regional Project should be made by all the Authorities equally or in proportions agreed, or that borrowing should be carried out by one Local Authority on behalf of others if they so agree. Decisions on whether borrowing for any project shall be carried out by one regional Local Authority on behalf of the others – as well as the proportions - shall be determined by the Local Authorities as a matter reserved to them.

- **Private sector** investment includes regional investment from local and national private sector partners. An initial review of private sector contributions was undertaken in September 2022 which review found that most programmes and projects remained reasonably confident that they could achieve the level of private sector contribution outlined in their individual business cases. The process is again being undertaken in Quarter 4 of 2023/24 and will be reported through SBCD governance boards and stakeholders.

Project Budget Revisions

Pentre Awel Project

Following the tender and procurement process for Pentre Awel, the project budget has been revised to take account of higher than anticipated construction costs for the Zone 1 element.

The budget for the project is now £206.48m, an increase of £6m. Additional funding has been secured through the local authority lead to ensure the affordability of the project.

Swansea Waterfront

The Swansea Waterfront project is demonstrating an overinvestment of £5.26m with the total budget now at £182.98m. The overspend relates to the Arena project and will be absorbed by the local authority.

Digital Infrastructure

Digital Infrastructure is demonstrating £15.8m over investment against budget mainly due to additional private sector funding levered by the project.

Pembroke Dock Marine

PDM is demonstrating an over investment of £4m. The PDI project is now demonstrating a total investment of £48m project (increased from £41.5m at Approval), the majority of which has come from WEFO (increase from circa £7m to £12m) and the balance from private sources.

4.3. Swansea Bay City Deal Income and Expenditure Summary

The UK Government and Welsh Government capital grant contribution to the SBCD is awarded over a 15-year period. It is currently forecasted at the full allocation of £241m with the previously unallocated £5.3m of City Deal now formally allocated to the National Net Zero Skills Centre of Excellence within the SILCG Programme. This allocation was undertaken following the development of an Outline Business Case and a change request submitted by Neath Port Talbot Council to the Region and Governments for the additional project.

The portfolio 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 portfolio on the successful approval of business cases by both the UK and Welsh Governments, up to a maximum of the agreed grant allocation.

An inherent temporary funding gap is recognised, with the funding being released to the portfolio over a 15-year period. Each Project Lead Authority is responsible for managing the cashflows in respect of the projects in which they hold responsibly for delivery. They are also therefore subsequently 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.

The portfolio expenditure profile is presented in Table 4.3 below:

Portfolio Annual Investment Forecast

Investment Component	Cumulative Actuals	Actuals	Actuals	Forecast	Forecast	Forecast	Forecast
	(20th Mar 2017 to 31st Mar 2022)	Year 5 2022-23	Year 6 2023-24	Year 7 2024-25	Year 8 2025-26	Year 9 2026-27	Year 10 2027-28
Capital/Revenue Investment	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
Capital Investment	134.67	84.70	136.04	247.68	211.47	245.96	163.68
Revenue Investment	6.05	4.39	7.71	12.99	13.16	10.84	0.62
Total	140.72	89.09	143.75	260.67	224.63	256.80	164.31
Funding							
City Deal Investment	37.84	24.22	61.67	75.12	31.32	10.63	0.20
Public Sector Investment	86.04	53.18	64.02	69.96	53.69	56.92	16.47
Private Sector Investment	16.83	11.69	18.06	115.60	139.63	189.24	147.64
Total	140.72	89.09	143.75	260.67	224.63	256.80	164.31

Investment Component	Forecast	Forecast	Forecast	Forecast	Forecast	Total
	Year 11 2028-29	Year 12 2029-30	Year 13 2030-31	Year 14 2031-32	Year 15 2032-33	
Capital/Revenue Investment	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
Capital Investment	-	-	-	-	-	1,224.20
Revenue Investment	0.44	0.45	0.46	0.47	0.48	58.07
Total	0.44	0.45	0.46	0.47	0.48	1,282.27
Funding						
City Deal Investment	-	-	-	-	-	241.00
Public Sector Investment	-	-	-	-	-	400.27
Private Sector Investment	0.44	0.45	0.46	0.47	0.48	641.00
Total	0.44	0.45	0.46	0.47	0.48	1,282.27

Table 4.3. Portfolio Annual Investment Forecast

Public and Private Investment Breakdown

A breakdown of public and private sector investment is shown in Table 4.4 below.

Description	Public	Private
Formally Committed	£ 327.44	£ 33.34
Final Approval	£ -	£ -
Advanced Engagement	£ -	£ 114.67
Early Engagement	£ 72.83	£ 492.99
Total	£ 400.27	£ 641.00

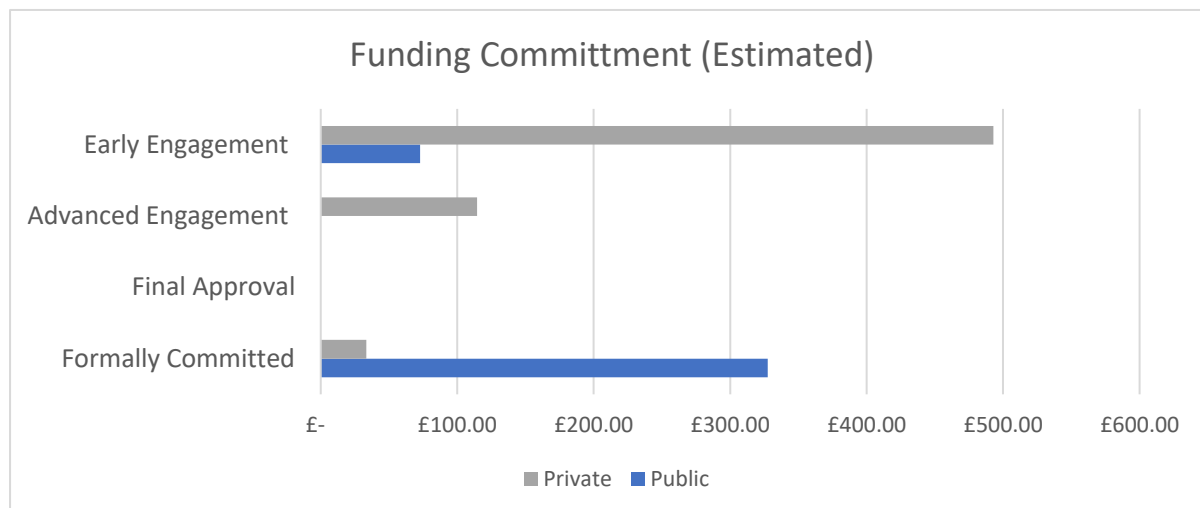


Table 4.4. Public and Private Investment Breakdown

The public and private investment breakdown demonstrate the current level of commitment within the SBCD portfolio.

The funding status has been dissected in to four distinct categories outlining the status at which the commitment is engaged. These categories are demonstrated below:

Formally Committed – this represents the investment proportion confirmed to support the portfolio.

Final Approval - this represents the investment proportion engaged at a conclusive level, prior to formally committing.

Advanced Engagement - this represents the investment proportion engaged at an outline level, with details in a progressive stage of discussion.

Early Engagement - this represents the investment proportion that are currently at a stage of initial discussions.

Portfolio Cashflow (Estimated)

Grant Payment Profile - to City Deal Projects	Cumulative Actuals (20th Mar 2017 to 31st Mar 2021)	Actuals Year 4 2021-22	Actuals Year 5 2022-23	Current Year Forecast Year 6 2023-24	Forecast Year 7 2024-25	Forecast Year 8 2025-26	Forecast Year 9 2026-27
Programme/Project	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
Total Grant Expenditure	19.84	18.00	24.32	61.42	75.12	31.21	10.89
Grant Receipt Profile	54.00	23.09	23.09	23.09	23.09	23.09	23.09
Net Cumulative Total - Surplus/(Deficit)	34.16	39.25	38.01	-0.32	-52.35	-60.48	-48.28

Grant Payment Profile - to City Deal Projects	Forecast Year 10 2027-28	Forecast Year 11 2028-29	Forecast Year 12 2029-30	Forecast Year 13 2030-31	Forecast Year 14 2031-32	Forecast Year 15 2032-33	Total
Programme/Project	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
Total Grant Expenditure	0.20	0.00	0.00	0.00	0.00	0.00	241.00
Grant Receipt Profile	23.09	5.41	5.00	5.00	5.00	5.00	241.00
Net Cumulative Total - Surplus/(Deficit)	-25.40	5.41	5.00	5.00	5.00	5.00	0.00

Table 4.5 Portfolio Cashflow

Both UK and Welsh Governments have agreed to frontload the City Deal Grant award to support the Lead Authorities with managing the funding requirements of the portfolio programmes and projects.

This has increased the grant award to £18m in the first three years, further increasing the award to an estimated £23.09m to year ten, with the balance over the remaining years. This significantly eases the borrowing requirement on the portfolio and as such the financial pressures attached to associated borrowing costs. The frontloading equates to an estimated £38m with an estimated saving of between £2m-£4m in interest costs. However, the revised investment profiles now anticipate a cumulative negative cashflow between years 7 to 10, however further project slippage could negate this. The Accountable Body has recently received notification of a further acceleration of UK Government funding within the 10 year timeframe which will further help alleviate financial pressures.

The SBCD has received £123m from Governments to date.

To date £54.7m has been dispersed from the City Deal.

Investment Reprofile

During quarter 2 2023, the portfolio re-profiled the approved investment budget to more accurately align to project delivery timescales. The forecast budget has been further revised with Q3 information, indicating a forecast slippage of £19.1m. This figure is likely to increase by the end of 2023-24. A further re-profiling exercise will be undertaken in the 2024-25 financial year to accurately reflect delivery and expenditure going forward. The current delay in profiled expenditure has not affected the outputs, total investment or benefits of the Portfolio. The reprofiled budget is shown below in Table 4.6.

Revised Profile (£)	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
Programme/Project	Year 0 2017-18	Year 1 2018-19	Year 2 2019-20	Year 3 2020-21	Year 4 2021-22	Year 5 2022-23	Year 6 2023-24	Year 7 2024-25	Year 8 2025-26	Year 9 2026-27	Year 10 2027-28	Year 11 2028-29	Year 12 2029-30	Year 13 2030-31	Year 14 2031-32	Year 15 2032-33	Year 15 2032-33	Year 15 2032-33	Total
Previous Baseline Budget (Q3 2022-23)	27,723,352	8,187,038	19,671,260	44,106,114	59,021,246	160,704,791	187,117,357	181,327,777	193,181,478	205,802,083	163,855,848	435,114	446,969	459,209	471,844	484,886	484,886	484,886	1,252,996,366
Revised Baseline Budget (Q2 2023-24)	29,146,763	6,492,642	15,192,607	37,810,691	52,145,471	51,232,780	162,822,373	260,346,098	227,309,047	270,439,807	164,105,848	435,114	446,969	459,209	471,844	484,886	484,886	484,886	1,279,342,148
Forecast Outturn (Q3 2023-24)	29,146,763	6,492,642	15,192,607	37,810,691	52,073,809	89,089,003	143,753,630	260,672,561	224,634,934	256,796,707	164,305,848	435,114	446,969	459,209	471,844	484,886	484,886	484,886	1,282,267,217
Variance (Q3 2023-24 / Q2 2023-24)	-	-	-	-	-	71,661	37,856,223	- 19,068,743	326,464	- 2,674,113	- 13,643,100	200,000	-	-	-	-	-	-	2,925,069

Revised Profile (%)	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
Programme/Project	Year 0 2017-18	Year 1 2018-19	Year 2 2019-20	Year 3 2020-21	Year 4 2021-22	Year 5 2022-23	Year 6 2023-24	Year 7 2024-25	Year 8 2025-26	Year 9 2026-27	Year 10 2027-28	Year 11 2028-29	Year 12 2029-30	Year 13 2030-31	Year 14 2031-32	Year 15 2032-33	Year 15 2032-33	Year 15 2032-33	Total
Percentage of Delivery (Q3 2022-23)	2.21%	0.65%	1.57%	3.52%	4.71%	12.83%	14.93%	14.47%	15.42%	16.42%	13.08%	0.03%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	100.00%
Anticipated Delivery (Q2 2023-24)	2.28%	0.51%	1.19%	2.96%	4.08%	4.00%	12.73%	20.35%	17.77%	21.14%	12.83%	0.03%	0.03%	0.04%	0.04%	0.04%	0.04%	0.04%	100.00%
Anticipated Delivery (Q3 2023-24)	2.27%	0.51%	1.18%	2.95%	4.06%	6.95%	11.21%	20.33%	17.52%	20.03%	12.81%	0.03%	0.03%	0.04%	0.04%	0.04%	0.04%	0.04%	100.00%
Variance (Q3 2023-24 / Q2 2023-24)	-0.01%	0.00%	0.00%	-0.01%	-0.01%	2.94%	-1.52%	-0.02%	-0.25%	-1.11%	-0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

	Years 0-6	Years 7-10	Balance
Average Slippage %	0.20%	-0.16%	-0.35%
Average Years	0.04		

Table 4.6 Portfolio Budget Re-profile Q3 2023-24

4.4. 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-by-project basis, depending on whether funding is being released to a regional project or a Local Authority project. The flow of funding is shown in Figures 4.4. and 4.5. below:

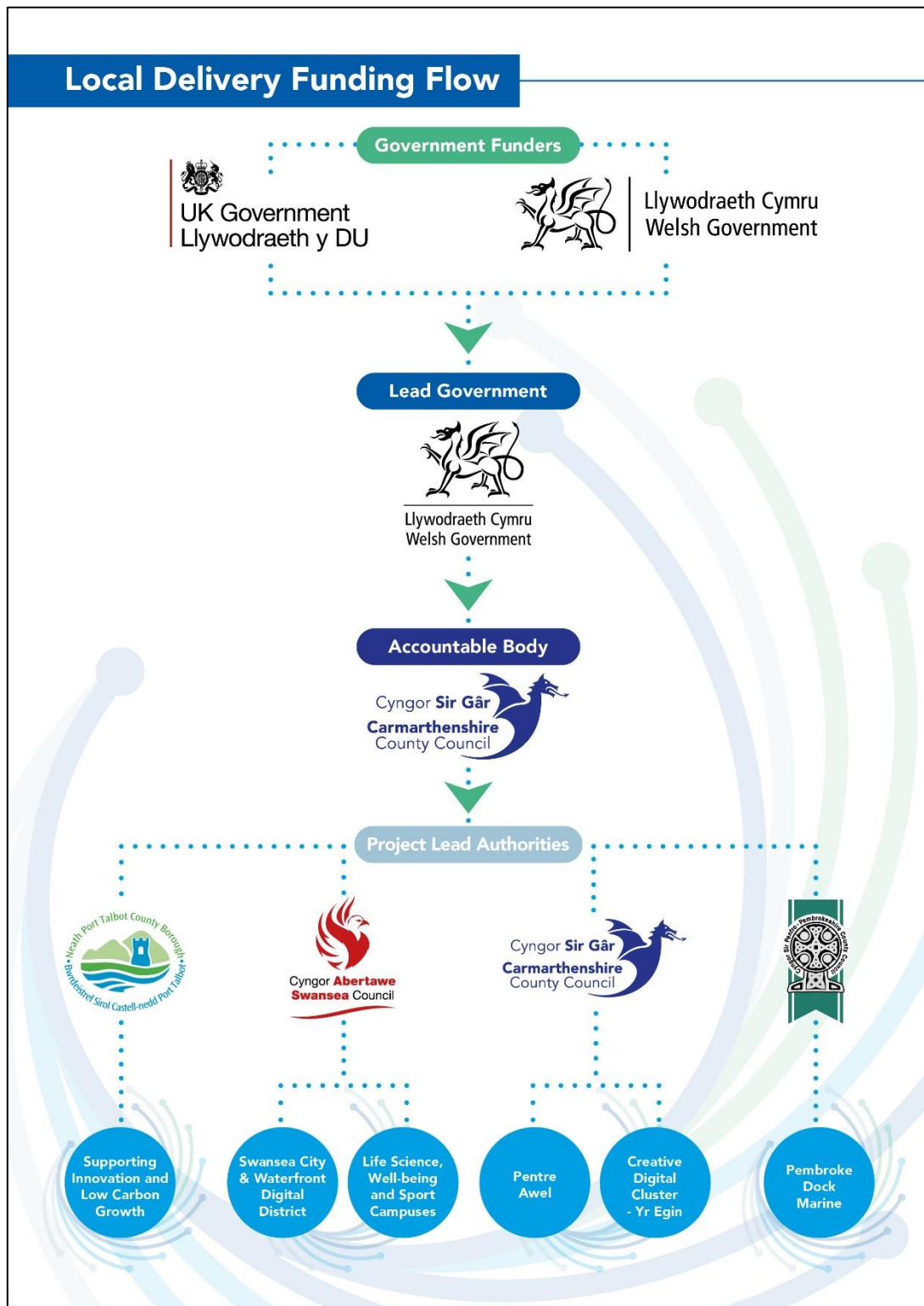


Figure 4.6. Funding Flow for Local Delivery Projects

Regional Delivery Funding Flow

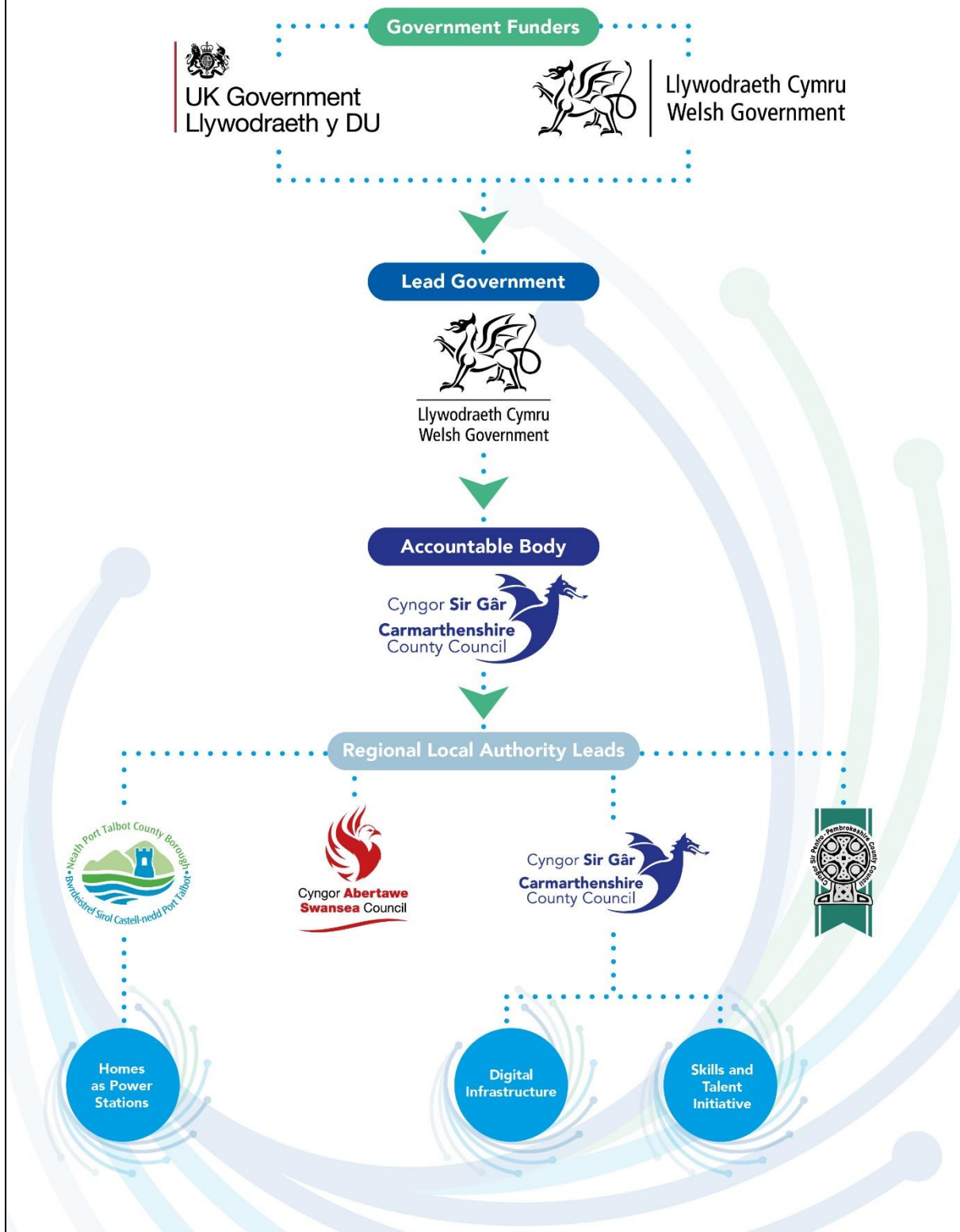


Figure 4.7. Funding Flow for Regional Projects

4.5. Portfolio Financial Overview

The Joint Committee has ultimate responsibility and accountability for decisions taken in relation to the SBCD. It is the role of Programme (Portfolio) 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/programme to have in place from the outset a credible and robust financial profile. Letters confirming both private and public sector funding contributions are to be in place for the project prior to SBCD funding being approved where possible, confirming the amount and timing as set out in the project's approved financial profile. Existing projects where necessary will obtain and detail funding commitments when approved. The Project Authority Lead and Project Delivery Lead are to put in place effective financial and project monitoring processes, which will involve quarterly returns from Project Lead Authorities detailing funding and spend updates, with associated commentary on fluctuation. Financial risks are detailed at project/programme level and managed through the Portfolio Risk Register. 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 the 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 (Portfolio) 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 securing other sources of funding other than Government funding for projects is a matter reserved for the Local Authorities associated with the SBCR. Each Local Authority (LA) 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 Local Authority, each of the Local Authorities may agree that borrowing or providing other funding should be shared between all of the LAs equally, or in agreed proportions by all of the LAs in whose areas the project is located.

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

Regional Projects

The Joint Committee is responsible for overseeing the proportion of each Local Authority's responsibility for borrowing to provide funding for regional projects. The capital borrowing in respect of the Government funded elements of 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 are yet to be confirmed at this point in time, although it will be calculated based on the amount required per relevant Local Authority and will be in line with the individual LA's internal requirements. This is being determined by the four Section 151 Officers of the four regional LAs. All borrowing will be agreed based on the principles of the Prudential Code and Treasury Management Policy and Strategy for each Local Authority. When further details of the investments required for each project are known, a full business case appraisal for each individual project will be completed and submitted to the relevant LA for

approval before submission to the Joint Committee. These full business cases will include the detailed funding proposals and requirements of the Local Authority.

4.6. Joint Committee Financial Overview,

The financial structure of the portfolio has been split into two distinct delivery areas:

- **Joint Committee** - The Joint Committee has ultimate responsibility and accountability for decisions taken and delivery of the Portfolio. 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 per annum which has now ended) and applying a 'top slice' to Government grants of 1.5%. The above has subsequently resulted in an annual operating budget of £2.492 million per annum over a five-year period. The 'Top Slice' agreement results in a small funding gap for projects which will be supported through Project Delivery Lead Organisations and partner commitments.
- **Portfolio Investment Fund** - The Portfolio Investment Fund is overseen and upheld by the Accountable Body, which administers the receipt and distribution of SBCD grants on behalf of the Portfolio. The Accountable Body is accountable to the Joint Committee and manages the investment pool in line with Carmarthenshire County Council's Treasury Strategy Policy.

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

To support the two financial delivery areas, the following has been approved by the Joint Committee:

- **Government Grant 'Top Slice'** - Annually, up to 1.5% of the Portfolio Investment Fund, specifically the government grants awarded, will be earmarked to support the Joint Committee and central administration functions required to support the delivery of the Portfolio. This is referred to as 'Top Slice' of Government Grants.
- **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 SBCD developments can be retained by the region to support revenue costs associated with the portfolio. This has been acknowledged by the Lead Authorities within the Joint Committee Agreement (JCA - 29th April 2018). On April 11th 2018, the Welsh Government stated that it intends to initiate arrangements to allow the region to retain 50% of the additional net yield in Non-Domestic rates generated by the nine projects/programmes which are to be delivered by the SBCD. There continues to be ongoing dialogue with WG to establish the detail required and formalise a mechanism in respect of how the amount to be retained is to be administered.
- **Interest on Investments** - It is recognised that throughout the lifecycle of the City Deal portfolio, cash balances will arise through cashflow movements as and when projects become live and actual expenditure is incurred. Cash balances held by the Joint Committee will be

invested through Carmarthenshire County Council as the Accountable Body. Income generated from cash investments will be ring-fenced and redistributed direct to projects based on the allocation outlined within the original Heads of Terms.

- **Borrowing** - The Joint Committee is responsible for overseeing the proportion of each Council's responsibility for borrowing to provide funding for regional Programmes. The capital borrowing (in respect of the Government funded element) for the City Deal Programmes will be re-paid by identified Government funds (UK & Welsh Government) over the 15-year period.

4.7. Monitoring and Evaluation

The total City Deal portfolio expenditure covering all projects/programmes has been reprofiled to an anticipated £1.282 billion funding package. The City Deal portfolio finances will be monitored through the Programme (Portfolio) Board and Joint Committee, with the Economic Strategy Board also making recommendations on possible additional funding opportunities or alternative portfolio expenditure. Regular reports will also be presented by the Accountable Body to the regional Local Authority Directors of Finance and Regional Section 151 Officers' working group.

The monitoring process will allow for the control of project cost variations and visibility of variations at a portfolio level. The financial monitoring template has been developed and will be reported quarterly to Welsh Government.

The monitoring requirements of the Portfolio will require the project authority lead to submit a claim for project funding to the Accountable Body at a frequency to be determined by the Accountable Body. The claim shall include a progress report on the project. The progress report shall include an assessment of risks associated with the project and details of progress against the agreed outputs. After the parties have agreed in accordance with clause 6.7 of the funding agreement that the project has achieved practical completion, the project authority lead shall not be required to submit claims for project funding. Thereafter, the project authority lead shall complete annual monitoring returns in a form to be specified by the Accountable Body prior to the Accountable Body releasing any project funding to which the project authority lead is entitled. The annual monitoring forms will include an obligation to report on the progress in achieving the agreed outputs. The Accountable Body reserves the right to impose additional monitoring requirements at a frequency and for such period as it considers reasonable in all the circumstances.

In addition to the above monitoring requirement the Accountable Body will require quarterly financial updates on project spend to support the cashflow management of the portfolio. These will detail the actual spend to the period, with forecast outturn over the 15-year duration of the portfolio.

Project lead authorities are also obligated to support the Accountable Body with any progress update reporting as required by the Welsh and UK Governments.

4.8. Accounting Treatment of Portfolio Transactions

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 lead organisation responsible for the delivery of a programme/project 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 portfolio and 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).

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 Portfolio. Revenue income to support the portfolio has been agreed as an amalgamation of partner contributions (£50k per partner) and a 'Top Slice' of Government grants (1.5%), with any in-year surpluses transferred to a ring-fenced reserve and managed by Carmarthenshire County Council as the Accountable Body.

The Welsh Government has acknowledged that revenue funding will be required to support the delivery of projects/programmes within the City Deal portfolio. The revenue requirements by projects/programmes of the City Deal are to be managed locally by the Project Lead Authorities. The Welsh Government recognises that the four Local Authorities will need to manage their capital funding to enable revenue expenditure to be supported. To achieve this through the use of the Local Authorities' capital receipts, Local Authorities will reference to the latest direction from Welsh Government Ministers on the use of capital receipts. This was issued under section 15(1) (a) of the Local Government Act 2003, along with accompanying guidance. Specific revenue funding will be detailed within project business cases and funded through partner investment.

Balance Sheet Accounting

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. These consist of cash/cash equivalents and debtor balances. See section 3.7 in the Commercial Case for more information.

Financial Instruments

Financial instruments held by the Joint Committee consist of only cash and cash equivalents. It is recognised that throughout the lifecycle of the City Deal Portfolio, cash balances will arise through cashflow movements as and when projects become live and actual expenditure is incurred.

Portfolio 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 is ring-fenced to the City Deal portfolio. 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 County 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.

The revised Code identifies three key principles:

1. The Council should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.
2. The Council's policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their Council. The Council's appetite for risk should form part of its annual strategy and should ensure that priority is given to security and liquidity when investing funds.
3. The Council should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible Councils to employ in support of their business and service objectives; and that within the context of effective risk management, the Council's treasury management policies and practices should reflect this.

The Council's Director of Corporate Services maintains a counterparty list in compliance with the criteria listed below and revises the criteria and submits them to Council for approval as necessary. This criteria is separate to that which approves Specified and Non-Specified investments as it selects which counterparties the Council will approve rather than defining what its investments are. The rating criteria use the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by all three agencies and two meet the Council's criteria, and the other does not, the institution will fall outside the lending criteria.

Investment Counterparty Selection Criteria

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. To meet this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, the criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections.
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

Furthermore, to support projects with cashflow pressures, the Joint Committee agreed to afford lending of any cash surpluses held within the Portfolio (JC - 29 Oct 2019) to Lead Authorities. This lending will attribute a charge of 0.25% above the Bank of England base rate and will be offered on a 12-month term as portfolio cashflows determine. This portfolio lending option is advantageous to Local Authorities as it allows for reduced borrowing at no detriment to the portfolio or its partners.

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

Value Added Tax

Value Added Tax (VAT) is included where appropriate within the forecasts and estimates demonstrated. For projects delivered by local authorities, VAT is excluded from forecasts and estimates under the application of Section 33 of the VAT Act 1994. This Act refunds to (mainly) local government bodies the VAT attributable to their non-business activities and exempt business activities, providing it is considered an insignificant proportion of the total tax they have incurred. Projects or components of projects that are delivered by parties, other than that of local authorities, are subjected to VAT in the manner as regulated by the industry or sector in which they operate, except where regulatory standards dictate a specific treatment or application. Project business cases will identify and detail the application of VAT and include within forecasts and estimates as appropriate.

4.9. Financial Risk Management and Assurance

Financial Risks

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

Financial Issues, Dependencies and Interdependencies

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 (Portfolio) Board, Economic Strategy Board and Joint Committee for approval. Regular updates on financial issues, dependencies and interdependencies will also be provided to the Programme (Portfolio) Board and Joint Committee via the PoMO/SRO as appropriate.

Assurance - Internal Audit

The review of the effectiveness of the system of Internal Control and Governance arrangements is informed by the work of the Internal Auditors, from which the Joint Committee gains assurance. Internal Audit is required to undertake their work in accordance with the 1.5 standards as set out in the Public Sector Internal Audit Standards (PSIAS) established in 2013, which are the agreed professional standards for Internal Audit in Local Government.

As required by these Standards, the Head of Internal Audit (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 annually by Joint Committee and regular reports are presented to the Joint Committee throughout the year on progress and any significant weaknesses identified. In addition, the Internal Audit Unit undertakes fraud investigation and pro-active fraud detection work.

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 include the legality of financial transactions, financial standing, systems of Internal Financial Control and standards of financial conduct and fraud and corruption.

Anti-Fraud and Anti-Corruption Strategy

In line with internal audit requirement, an Anti-fraud and anti-corruption strategy was developed and implemented. This detailed the expectation on officers, members and stakeholders in regard to conduct and reporting. The strategy outlines the Joint Committees zero tolerance approach to fraud and corruption, and the preventative measures taken to safeguard SBCD assets. In the event of fraud or corruption being identified, clear reporting lines and responsibilities are outlined, with the Joint Committees responsibility should appropriate support be required in the event of an investigation.

5. MANAGEMENT CASE

The purpose of the Management Case is to demonstrate that robust arrangements are in place for the delivery, monitoring and evaluation of the portfolio and that delivery is being managed in accordance with best practice, subjected to independent assurance and that the necessary arrangements are in place for change management, benefits realisation and risk management.

This updated version of the Management Case includes the following changes:

- Updated monitoring and evaluation information including dashboard presentation and current information for risks, issues, benefits and financial monitoring for Q3 2023/24
- Current project status and associated investment
- Governance section updated with chair for Joint Scrutiny Committee and political lead for the Accountable Body
- Current position regarding Project Management tooling for the portfolio
- Summary of SBCD Evaluation Framework proposals included and details on benefits realisation development
- Current status of Gateway Reviews for the portfolio and its constituent programmes and projects
- Updated information relating to internal audit and Wales Audit Office processes
- Updated Communications, Marketing and Engagement Implementation Plan
- Proposed Change thresholds to manage and approve significant changes to current or approved business cases
- Current Business Case status and project stage summary across programmes and projects
- Current information relating to SROs and project leads
- Updated Portfolio delivery roadmap for all programmes and projects

5.1 Introduction

The SBCD management case provides the SBCD Joint Committee and other key stakeholders with confidence that the capability and capacity to govern and deliver the portfolio at pace is in place, and that they and other governance and delivery structures receive information in a timely and transparent manner to help them make informed decisions and monitor progress. This has been achieved by establishing and operating capacity and capability to implement and manage robust governance and approvals through people, structures, strategies and processes based around Portfolio, Programme and Project Management (P3M) practices and principles. Having these arrangements in place to consider how the SBCD manages business cases, organisation, quality, plans, risk, change and progress will overcome challenges by reducing complexity or increasing portfolio success, and in doing so will require regular revisits to the strategic, economic, commercial and financial cases, and analysis of the SBCD.

The SBCD is a portfolio, strategically owned by the Joint Committee and operationally managed by the Programme (Portfolio) Board. This approach provides oversight and flexibility in the methodologies that the diverse set of programmes and projects utilise to manage their development and delivery. More specifically, the portfolio oversees the SBCD delivery where all nine headline programmes/projects provide monitoring and evaluation updates aligned to the planned timescales, budgets, resources and deliverables set out in their business cases and the Portfolio monitoring and evaluation plan.

The SBCD portfolio underwent a fourth annual Gateway 0 external review during July 2023. The review returned a third consecutive Amber/Green Delivery Confidence Assessment with four recommendations having been received and actioned. An Action Plan demonstrating progress made with the recommendations is attached in Appendix 5.1. Progress made on the Action Plan is reported with the quarterly monitoring report for the portfolio through SBCD governance arrangements. All recommendations have now been actioned.

The SBCD portfolio is fully in delivery with all programmes and projects approved regionally and by Welsh and UK Governments. The table below shows a high-level view of the status of the Portfolio and its 35 constituent projects.

	No. Project/programme components	%	Value (£)
Initiated	36	100	£1.282bn
Planned	36	100	£1.282bn
Planned (pre-del.)	14	38.9	£0.721bn
Delivery (build/dev)	19	52.8	£0.438bn
Completion > Operation & Monitoring	3	8.3	£0.123bn

Table 5.1. Summary of Project Status and associated investment

The portfolio will continue to be periodically reviewed by the PoMO and external stage gate reviews to assess and improve its governance, assurance and communications arrangements where possible. This will ensure that the ambition of the portfolio and its associated programmes / projects are aligned in delivery and realised. These arrangements will also ensure that progress and deliverables are communicated effectively through transparency, while demonstrating value for money to the region and people of Wales.

Governance Arrangements

5.2 Governance and Delivery Structures

The SBCD established a legal governance document - the Joint Committee Agreement (JCA) - in May 2018, which was updated in December 2019. Leading to the establishment of the SBCD Joint Committee, this document outlines the principles, rights and obligations of City Deal arrangements. Under the terms of the JCA, the four regional local authorities and co-opted delivery partners have pledged to work in partnership to discharge their obligations to one another, and to the Welsh Government and the UK Government, to promote and facilitate programmes / projects funded under the SBCD. The management processes and procedures outlined in the JCA include financial cash flow, programme / project approval, risk management and progress updates.

The SBCD governance and delivery structure, as outlined below in Figure 5.1., is fully operational with established Terms of Reference, membership/post holders, and plans and processes in place to govern and deliver the SBCD portfolio.



Figure 5.1 SBCD Governance Structure

Table 5.1. below summarises the key elements of the SBCD governance and delivery structure which includes committees, boards and key roles

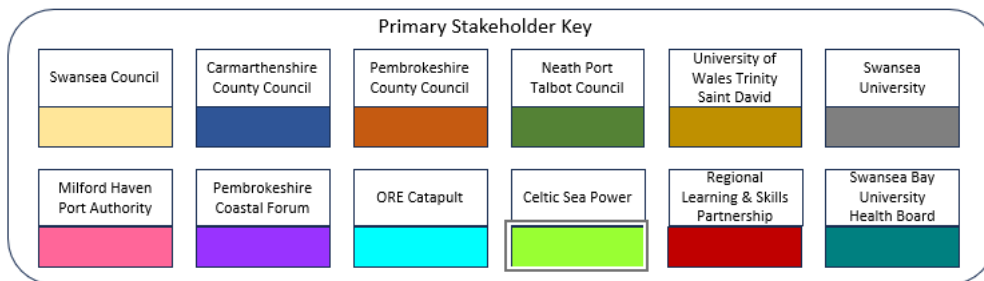
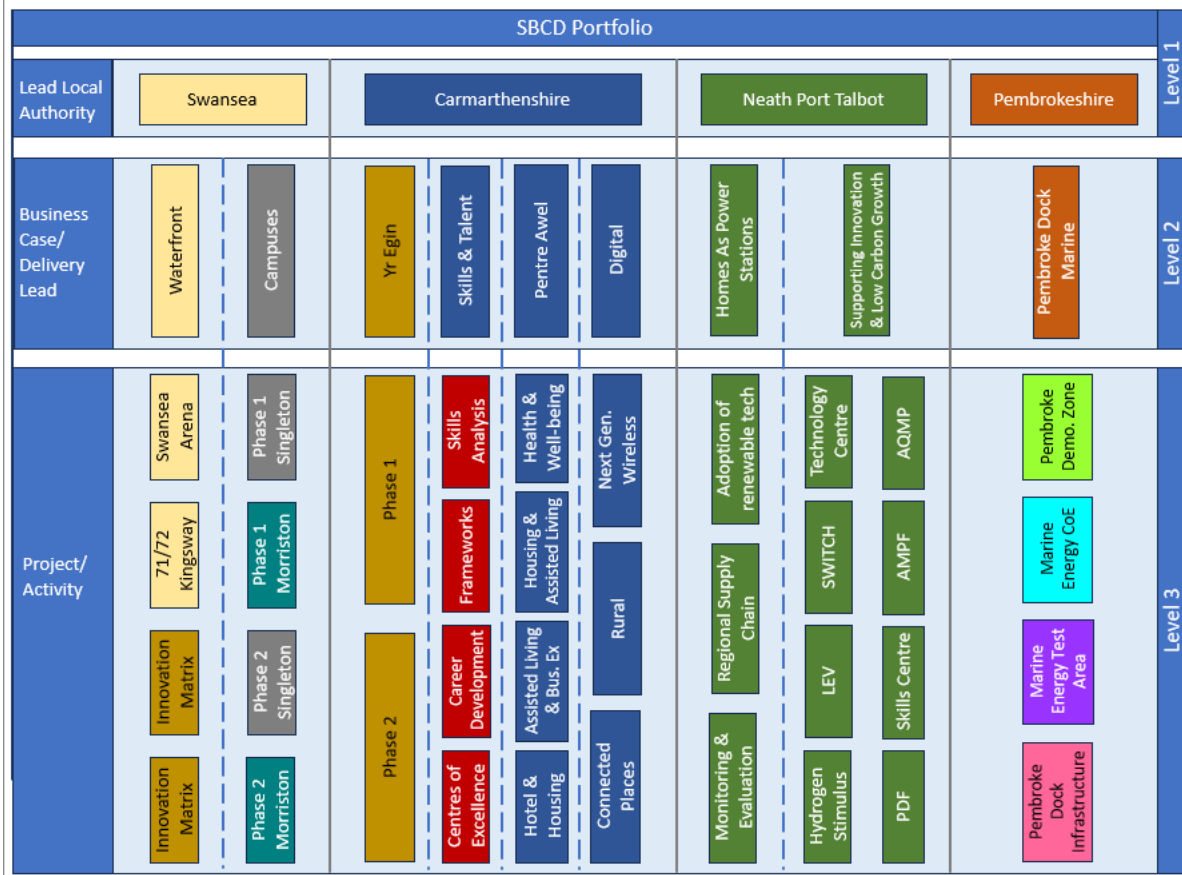
Governance entity	Purpose	Owner/ Lead	Meets	Reports to
Joint Committee	Executive board with overall responsibility for scrutiny and business case approvals. It holds the Programme (Portfolio) Board and PoMO to account. Comprises of the four Local Authority Leaders of Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea.	Cllr Rob Stewart	Bi-monthly	WG/UKG
Programme (Portfolio) Board	Oversees the operations of the SBCD. Responsible for reviewing business case developments and portfolio progress. Consists of the head of paid service of each of the eight primary partners for the SBCD, and is chaired by the SBCD Senior Responsible Owner.	Wendy Walters	Monthly	Joint Committee
Senior Responsible Owner	Appointed by the Joint Committee, the SRO is also the chairperson of the Programme (Portfolio) Board to champion the SBCD and drive its successful implementation by overseeing portfolio delivery and ensuring that appropriate governance arrangements are in place. The SRO holds the Portfolio Director to account.	Wendy Walters	-	Joint Committee
Portfolio Director	Responsible for delivering the Portfolio Business Case and Project Development Roadmap.	Jonathan Burnes	-	Joint Committee and SRO
Programme / Project managers	Experienced individuals who manage the development of the programme / project Business Cases and implement the	PM for each City	Monthly	Project / Programme Boards /

	Assurance and Approval plan and project plan. Also works with the Portfolio Director and PoMO to apply the Portfolio Development Roadmap. Depending on the size and complexity of the programme / project the Programme / Project Manager will run the Programme / Project Team and manage external advisers.	Deal project		SRO and SBCD Portfolio Director
Portfolio Management Office	Responsible for the day-to-day management of matters relating to the Joint Committee and the SBCD.	SRO Wendy Walters	Weekly team meetings	Joint Committee /SRO
Economic Strategy Board	Private sector advisory body which acts as the voice of business. Provides strategic direction for the City Deal through advice to the Joint Committee on matters relating to the City Region. The Chair is accountable to the Joint Committee.	Chris Foxall	Quarterly (or as required)	Joint Committee
Joint Scrutiny Committee	Provides advice, challenge and support to the Joint Committee for the SBCD Portfolio and associated cross-cutting regional projects/programmes. The full terms and reference for the Joint Scrutiny Committee are set out in the Joint Committee Agreement.	Cllr Tim Bowen (Deputy Chair)	Bi-monthly	Joint Committee
Accountable Body	Carmarthenshire County Council is the Accountable Body responsible for discharging City Deal obligations for the four Local Authorities including financial and staffing matters, for example. The Accountable body is the primary interface for the City Deal with the Welsh Government and the UK Government.	CEO Wendy Walters Leader Cllr Darren Price	-	Joint Committee

Table 5.2. SBCD Governance and Delivery Structure Overview

The individual Programme and Project Managers also report to their designated Boards and through their organisational governance processes, using the Programme (Portfolio) Board as the mechanism for formally reporting to the Portfolio.

The composition of each of the headline projects and programmes is shown in Figure 5.2 below. During 2023-24, a further project within the SILCG Programme was added. The National Net Zero Skills Centre of Excellence was approved by SBCD Joint Committee and Governments in December 2023.



This diagram provides a pictorial representation of who is responsible for the overarching governance and delivery aspects of the Swansea Bay City Deal Portfolio, Programmes, and Projects.

Further collaborations and delivery partners will be involved and themselves have cascaded accountability and responsibility as detailed in funding agreements or memorandums of understanding. Where appropriate, details of these arrangements can be provided at an individual programme, project or workstream level on request.

Figure 5.2 SBCD Headline and Component Projects

5.3 Portfolio Management Office (PoMO) and Senior Responsible Owner (SRO)

The SBCD PoMO structure (illustrated below in Figure 5.3) is led by the Portfolio Director, who reports to the Portfolio SRO. The SRO role is fulfilled by the Chair of the Programme (Portfolio) Board. See Table 5.1.

The PoMO functions are based on P3M (Portfolio, Programme and Project) development and delivery, which includes aspects of assurance, risk and issue management, benefits and value, communications and stakeholder engagement, information management, finance, resource management, reporting and administration. The PoMO Manager role is currently vacant subject to Joint Committee budget review.

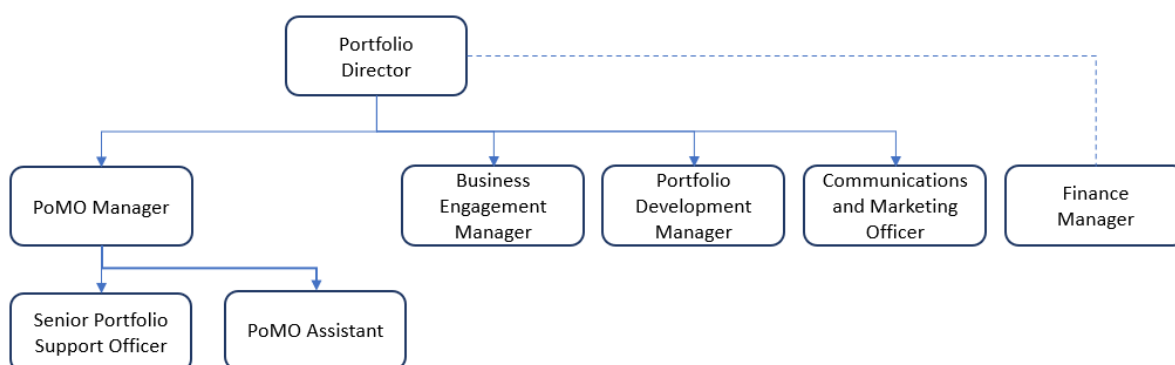


Figure 5.3 Portfolio Management Office (PoMO) Structure

In addition to these roles, all SBCD Programme / Project Leads report into the SBCD PoMO and will be consulted and required to help shape and engage the governance and assurance arrangements and reporting for the portfolio.

Local Authorities provide support services for the operation of the SBCD governance arrangements, as detailed in Table 5.3 below:

Support Service	Purpose	Provider
Financial	Financial leadership and advice from the SBCD host Authority	Section 151 Officer, Carmarthenshire County Council
Legal and Democratic	Legal service support for the JCA and support for the Joint Committee	Monitoring Officer and Head of Democratic Services, City and County of Swansea Council
Internal Audit	Periodic internal audit on the SBCD operations	Pembrokeshire County Council
Joint Scrutiny	Regional test and challenge from Elected Members of the four Local Authorities	Neath Port Talbot County Borough Council

Table 5.3 SBCD Support Services

As the programmes and projects move into the delivery phases of their respective schemes and workflows, many have formalised their governance arrangements and implemented local or regional programme and project boards as part of their governance, reporting and decision-making arrangements. The PoMO has representation on these boards, providing support and guidance from a Portfolio perspective, but also providing the capacity to seek clarity and escalate on behalf of the respective board in a more proactive manner.

5.4 Use of specialist advisors

The PoMO will utilise the services of specialist advisors where appropriate for the development of the Portfolio Business Case and to assist in the delivery of the Portfolio. Table 5.3. below summarises the use of specialist advisors to date that have helped inform and shape the SBCD Portfolio Business Case:

Focus area	Purpose	Timeframe	Provider
Assurance	Assurance Framework and Integrated Assurance and Approval Plan (IAAP)	On-going	Facilitated by the Welsh Government Integrated Assurance Hub
Assurance	Gateway 0 review	July 2022	External review team provided through the WG Integrated Assurance Hub
Business case	Better Business Case awareness training	2017	Joe Flanagan and Joseph Lowe, Consultants
Business case	Portfolio business case workshops	July 2020	Joe Flanagan, Consultant
Business case	Business Case Reviewer Masterclass	May 2021	HM Treasury
Economic Analysis	Swansea Bay City Region Economic Context which fed into the Strategic case, case for change	2013 2016	SQW for Regional Economic Strategy 2013-30
Economic Analysis	To determine the investment objective indicators for the SBCD portfolio (GVA, Jobs created and inward investment)	2015	Swansea University, School of Management, Gareth Davies

Table 5.4 SBCD Specialist Advisers

In addition, the SBCR Economic Strategy Board (ESB) is made up of business 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 programme / project business cases, the ESB makes recommendations to the Joint Committee for consideration. New members were appointed as specialist advisors in 2020 to broaden the representation of further sectors including skills and micro businesses. All ESB member appointments used an open recruitment process and all members are unpaid for their SBCD contributions.

5.5 P3M Methods & Tooling

The SBCD portfolio utilises several methodologies to deliver the nine programmes and projects. The SBCD will apply project, programme and portfolio management (P3M) methods, procedures, techniques and competence to achieve its objectives. This will ensure the co-ordinated delivery of required objectives to stakeholders in a planned and controlled manner, while governing and managing the processes that deliver the objectives effectively and efficiently. This has been established through the introduction and continued development of consistent systems, procedures and processes, whilst optimising the co-ordination and allocation of limited resources.

The two primary methodologies adopted across the SBCD are Managing Successful Programmes (MSP) and PRINCE2 (Projects in Controlled Environments). The latter is a project management standard widely used for infrastructure projects, such as many of those within the SBCD portfolio. The Programme/Project Management teams will be responsible for the day-to-day running of their programmes/projects and will be competent in seven aspects of delivery:

- Scope management
- Schedule management
- Finance management
- Risk management
- Stakeholder management
- Resource management
- Change management

There are many similarities between managing projects and programmes. With programmes being made up of multiple projects and/or phases, the latter is used to accommodate different degrees of complexity of scope and can differ in terms of co-ordination, managing interdependencies, transformational change, and benefits management.

The PoMO trialed a Project Management tool in 2023/24 with all project teams involved in the process. The aim was to have a single system with all Portfolio, project and programme information that was able to produce report, including dashboards to help inform SBCD governance of current status, progress and planned activity across the Portfolio.

Having used and populated the PM tooling system, the feedback from the PM teams was that the software didn't suit their needs and it was a difficult system to develop and navigate. The PoMO made the decision to minimise spend reducing licences, so that PoMO staff can still use the system at Portfolio level. Subsequently, the PoMO has been working with UKG to embed an alternative Microsoft PowerBI solution. It is hoped that this more affordable solution will better suit the needs of the SBCD and associated management information and dashboard reports.

5.6 Monitoring and Evaluation arrangements for performance and benefits

The SBCD Monitoring and Evaluation (M&E) Plan, has been established to provide structure and sets out the expectations for the SBCD programme / project teams when undertaking and reporting programme / project monitoring and evaluation. The plan is targeted at Programme / Project SROs, the PoMO and SBCD Programme / Project delivery teams. The Programme / Project SRO is responsible for ensuring that the programme / project team makes appropriate arrangements to collate, monitor and communicate project milestones, deliverables and benefits realisation, meeting the requirements outlined within the SBCD M&E Plan. The M&E Plan aligns to the revised HM Treasury Green and Magenta books and the UK Government's Project Delivery Guidance.

The M&E plan applies at portfolio and programme / project level where a two-way cascade of outputs and outcomes is required to understand performance and impact of the SBCD portfolio. The tools and templates used to monitor and evaluate activity are summarised in the table below, along with their frequency:

Document	Frequency
1. Highlight report	Monthly
2. Monitoring report	Quarterly
3. Annual report	Annually

4. Benefits realisation plan	Continually updated, reported quarterly as part of the monitoring report and reported annually through a dedicated benefits realisation report.
5. Milestone evaluations (mid-term and final evaluations) these evaluations will also incorporate economic impact assessments where appropriate	Years 1-7, 8-12 and a final evaluation at the end of the portfolio timeframe

Table 5.5 M&E Tools and Templates

The M&E Plan framework summarised in the diagram below was approved by the SBCD Joint Committee in July 2020 and has been updated for the previous version of the business case.

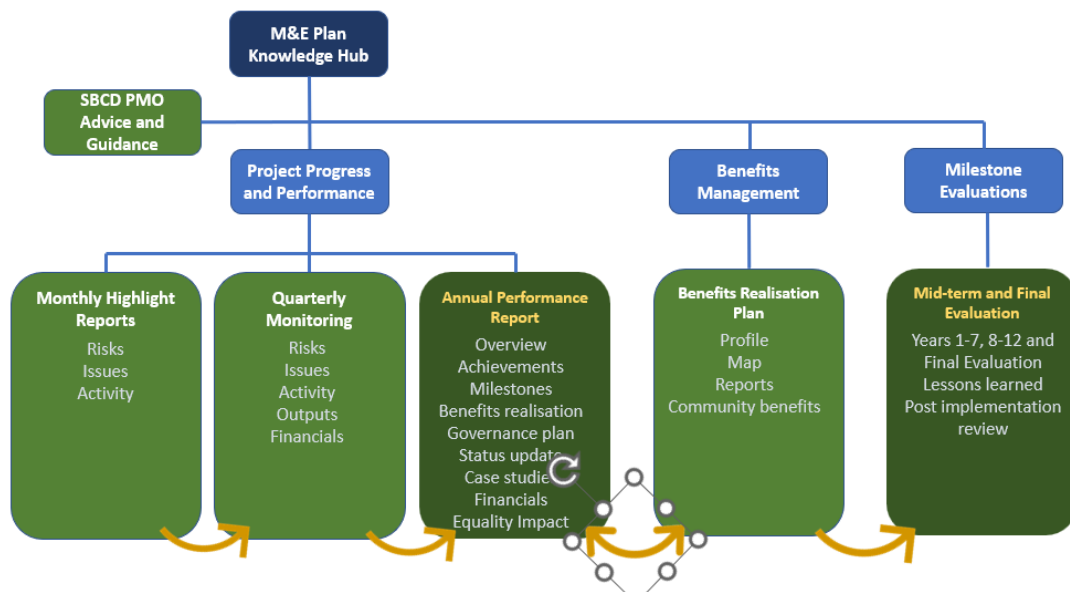


Figure 5.4 M&E Plan Framework

The M&E Plan considers two primary components. Firstly, Progress and Performance, which is a periodic assessment of programme / project delivery, implementation and performance activities; and secondly, Programme Benefits Realisation/Evaluation, which is the evaluation of their results in terms of relevance, effectiveness, and impact. The M&E Plan provides the SBCD governance structures, namely the Joint Committee, Programme (Portfolio) Board, Economic Strategy Board and Joint Scrutiny Committee, with information on the progress and impact made towards achieving the portfolio’s milestones, outputs and outcomes. This information will be shared with the Welsh and UK Governments through periodic updates, reports and reviews, while also being made available to the public on an annual basis. The quarterly portfolio monitoring and quarterly financial monitoring (Appendix 5.2a, 5.2b) includes portfolio communications, RAG rating and summary status, key achievements, key planned activities, key risks and issues, output deliverables, IAAP, construction impact assessment, benefits realisation summary and financial monitoring.

The benefits management will assess and review the outcomes that result in change that were achieved as part of the activities undertaken by the SBCD. The milestones to review benefits will be agreed at programme / project level to ensure that benefits are realistically and meaningfully measured, but as a minimum an annual update will be reported. These will be aligned to the IAAP and external stage gate review process. Work has taken place throughout 2023/24 to further develop

benefit realisation and reporting across the portfolio. Specifically, the PoMO have worked with programme / project teams to refine the individual benefits registers, profiles and maps.

Programmes and projects and their delivery partners will also be required to use the Welsh Government Community Benefits Toolkit to capture the full range of Community Benefits outcomes achieved through procurement and will form part of the annual performance review and reported on a quarterly basis for projects / programmes in delivery.

SBCD Evaluation Framework

The PoMO has worked with programme and project teams through a Monitoring and Evaluation Task and Finish Group to develop a draft Evaluation Framework for the portfolio. The purpose of the Framework is to ensure the coordination, management and resourcing of the evaluation arrangements for the Swansea Bay City Deal Portfolio and its constituent programmes, projects and workstreams. The framework provides clarity for programme and project Senior Responsible Owners (SROs) and their teams, Welsh and UK governments and partner organisations on the evaluation arrangements that will apply across the SBCD Portfolio. It also provides a framework that meets the requirements and expectations of both governments and the SBCD Joint Committee for the monitoring, evidencing and reporting of the committed benefits and impacts of the portfolio and the drawdown of City Deal funds. The draft Framework incorporates an evaluation schedule providing detail on the evaluation arrangements for the portfolio overall and each of the constituent projects and programmes. The Framework will be incorporated into an updated Monitoring and Evaluation plan during 2024/25. The Framework is currently being finalised and will be reported through SBCD governance groups in Q1 2024/25.

5.7 Assurance process and approvals

Working closely with the Welsh Government’s Integrated Assurance Hub, the SBCD PoMO has established a Portfolio Integrated Assurance and Approval Plan (IAAP), as detailed to ensure that the planning, coordination and provision of assurance activities and approval points throughout the City Deal portfolio are proportionate to levels of cost and risk. All SBCD Programmes / Projects have also established an IAAP, which are live documents and are regularly updated and shared with the appropriate governance structures at programme / project and portfolio levels. Portfolio and programme / project level IAAPs will be updated monthly by programme / project teams and reported through the SBCD governance on a quarterly basis. The portfolio IAAP and a summary schedule of the assurance reviews for the projects and programmes is contained in Appendix 5.3a and 5.3b.

Approvals

All SBCD Outline Business Cases have gone through the established process outlined below for the development and approval of the nine SBCD programmes and projects.

	Process	Owner
1.	PM submits Business Case to PoMO	PM
2.	SBCD PoMO reviews business case	SBCD PoMO
3.	SBCD PoMO feedback session	SBCD PoMO/PM/SRO
4.	Business case amendments incorporated	PM
5.	Business case and associated documents shared with ESB members	SBCD PoMO
6.	ESB test and challenge meeting	ESB, SBCD PoMO, PM, SRO
7.	Business case amended with ESB feedback	PM

8.	Business case shared with Programme (Portfolio) Board	SBCD PoMO
9.	Lead organisation(s) Executive Board approval	PM/SRO
10.	Programme (Portfolio) Board presentation to decide whether to take forward to Joint Committee	SBCD PoMO/PM/SRO
11.	Programme / Project presented for Joint Committee regional approval	SBCD PoMO/JC/PM/SRO
12.	External stage gate review (Risk Potential Assessment, 3-day review and recommendation report)	SBCD PoMO/WG/PM/SRO
13.	Business case and recommendation report sent to WG/UKG for approval	SBCD PoMO/WG
14.	WG/UKG review and approval process	WG/UKG

Table 5.6 Business Case Approvals Process

The process is largely sequential, however timings of the assessment points were flexible in the process depending on circumstances, but this was agreed with the PoMO and the respective approvers.

With all OBCs approved and the Portfolio now in full delivery, it is essential that business cases are regularly updated with current information. Full Business Cases (FBCs) will be developed where appropriate to include updated information on procurement as each of the project elements reach this stage. Other areas of the business case will also be updated to ensure that the project remains aligned to policy, meets existing needs and is value for money, affordable and deliverable. The SBCD has guidance for project teams and an agreed process in place for the development of business cases. FBCs will be approved by the lead deliverer/authority and reported through the City Deal regional governance and shared with Governments for information only unless there is a change request that needs regional and / or Governments' approval.

Assurance

The SBCD Portfolio has been subject to several assurance reviews throughout its development and undertakes regular and planned audit and assurance reviews. The recommendations from the WG Accounting Officers review 2020, Gateway 0 reviews in 2020 and 2021, the Actica Consulting external review 2019 and Pembrokeshire Council internal governance review 2019 were successfully completed.

Over the last 12 months, an internal audit undertaken by Pembrokeshire Council in 2023 reported a Substantial (Green) assurance finding with 5 recommendations relating to enhanced financial monitoring, change control process, monitoring of potential cost increases, early presentation of draft budgets and improvements to the grant claims process. The Gateway 0 Review in July 2023 reported an Amber / Green Delivery Confidence Assessment with 4 recommendations to the Portfolio SRO to ensure that the portfolio is positioned for effective management and delivery. These recommendations related to communications regarding strategic intent, benefits management, governance (in terms of the alignment with the CJC) and maximising value from dependencies and opportunities, particularly in relation to the private sector.

A performance audit has also been undertaken by the Wales Audit Office during 2023/24. This audit has now been concluded and the report with recommendations will be shared with Joint Committee in April 2024.

As detailed in the IAAP and in line with Green Book and Better Business Case guidance, the SBCD Portfolio and programmes / projects are subject to OGC (Office of Government Commerce) Gateway

Reviews. The SBCD uses the relevant Gateway Assurance product that is appropriate and proportionate to assure successful progression and overall delivery, while supporting the Portfolio and Programme / Project SROs in the successful discharge of their duties.

Stage Gate reviews are instigated and led by the Portfolio or Programme / Project SRO and progressed through the Risk Potential Assessment (RPA) process. All Welsh Government sponsored Programmes and Projects are mandated by Welsh Government Permanent Secretary to complete an RPA form for review/appraisal by the Office of Project Delivery.

All Gateway Assurance reviews are completed on behalf of the SRO. The SRO is the main recipient of a Gateway Assurance report, although the PoMO should agree and include a distribution list for the Gateway report for wider circulation if using in conjunction with an approval process. Detail on the headline portfolio, programme and project reviews are contained in Table 5.6 below.

There is a recognition that appropriate, workable and proportionate assurance needs to be established and undertaken for the projects and workstreams contained within the nine headline programmes and projects. The PoMO, with the agreement of Programme (Portfolio) Board and working in partnership with the Welsh Government Assurance Hub, have developed a SBCD Assurance Framework which will ensure assurance coverage throughout the Portfolio. The framework provides clarity for programme and project SROs and their teams, Welsh and UK governments and partner organisations on the assurance arrangements that will apply to the SBCD Portfolio. It also provides a framework that meets the requirements and expectations of both governments for the external assurance of the portfolio.

This Framework describes the assurance arrangements for each level of the SBCD Portfolio together with details on the management and operation of assurance reviews. The arrangements for across all levels of the portfolio is summarised in the table below:

Level	Assurance Arrangements
Level 1- Portfolio (1)	Gateway 0 – annual review
Level 2 – Headline Programmes and Projects (9)	Gateway 0 / Gateways 1-5 / PARs – periodic reviews with the option of undertaking Gateway 1-5 to incorporate key decision points of component projects and workstreams
Level 3 – Projects and Workstreams (35)	Gateway 1-5 / PARs for high risk / value projects to be undertaken at agreed decision points based on an assessment of the Risk Potential Assessment (RPA) form for the headline programme / project

Table 5.7 Assurance Arrangements

The implementation of the assurance arrangements will be overseen by a joint SBCD / WG / UKG Panel which has met several times during 2023/24.

Table 5.8 below shows the current status of assurance reviews across the portfolio.

Portfolio / Programme / Project	Stage	Next Review Date	Current DCA Rating
Portfolio	Gateway 0	July 2024	Amber / Green
Campuses	PAR	Jan 2025	Amber / Green
Skills & Talent	Gateway 0	Jan 2025	Green
Digital Infrastructure	Gateway 0	TBC	Amber / Green
Pentre <u>Awel</u>	PAR	TBC	Amber
Supporting Innovation & Low Carbon Growth	PAR	Nov 2024	Amber
Homes As Power Stations	PAR	Sep 2024	Amber
Pembroke Dock Marine	PAR	TBC	Amber / Green
<u>Yr Egin</u> Phase 2	Gateway 1/2	Dec 2024	Green
Swansea Waterfront & Digital District	PAR	TBC	Amber/ Green

Table 5.8 Gateway Review Status

5.8 Risk and issue management arrangements

Risk is defined as the uncertainty of outcome, whether positive **opportunity** or negative **threat**, of actions and events. The risk must be assessed in respect of the combination of the likelihood of something happening, and the impact which arises if it does actually happen. Risks that have occurred, or will do so imminently, are no longer risks, but are known as **issues**. They are no longer risks because the uncertainty about whether they will occur has been removed.

A SBCD Portfolio Risk Management Strategy was developed in, 2020 and is aligned to HMT Green Book supplementary guidance: The Orange Book. The strategy defines the risk appetite and tolerance of the SBCD, as well as principles of the strategy, along with a documented process for identifying, assessing, addressing and measuring risk and issues. The risk management strategy is led from the top of the SBCD and is embedded in standard practices and processes of the SBCD governance arrangements.

The purpose of the Risk Management Strategy is to provide a systematic and effective method by which risks can be consistently managed throughout the SBCD Portfolio. This will:

- Inform stakeholders how risks will be identified, assessed, addressed and managed
- Provide a common strategy and understanding of portfolio management that will enhance the capability, willingness and understanding of appropriate governance and assurance, thereby increasing the likelihood of successful delivery of the SBCD aligned to the regional ambitions
- Detail the key roles and responsibilities of groups and individuals associated with the SBCD with respect to programme management
- Signpost to additional resource, support and training
- Provide standard definitions and language to underpin the risk management process
- Implement an approach that follows best practice

The PoMO risk management approach is based on P3M (Portfolio, Programme and Project) and HM Treasury Orange Book best practices.



Figure 5.5 SBCD Risk Management Approach

The SBCD currently has a portfolio risk and opportunities register and regularly reports on prioritised risks through its governance structures. The risk register is sub-divided into the themes of development, implementation, operational and financial. Each risk or opportunity provides details of the description, owner, consequence and a review update, accompanied by a scoring based on probability and impact for each risk. The identification and assessment of risks in the risk register are aligned to the UK and Welsh Government Guidance, where risks and opportunities fall into three main categories:

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

Business-related risks and opportunities that can affect the scope, time and cost at portfolio level are summarised as follows:

- Displacement as a result of competing with other regions across Wales
- Funding from Welsh and UK Governments
- Inward investment from private sector
- Quality human capital within the region
- Political changes at Regional, UK and Welsh Government levels

Service-related risks and opportunities will be managed by each of the City Deal programmes and projects, who will maintain, manage and monitor their own risk and opportunity registers in line with guidance from the Green Book and the PoMO governance arrangements. Any significant risks or opportunities that may affect portfolio deliverables will be escalated to the PoMO and reported and managed/exploited via the regional governance structure.

External Risks and Opportunities: Although not within the control of the portfolio, external risks and opportunities are significant to portfolio delivery, regional betterment and are therefore monitored and acted on accordingly. Key business risks captured in a SBCD Portfolio Risk Register and SBCD construction impact assessment (Appendix 5.4 and Appendix 3.2) include delays to programme and project delivery, shortfall in private sector investment forecasts availability and cost of construction materials and resources, consequences of changes to Natural Resource Wales TAN 15 flood risk management criteria, achievement of targets, and in year slippage of investment.

The Portfolio Risk Register is considered by Programme (Portfolio) Board and Joint Committee on a quarterly basis. This document is also considered by Joint Scrutiny Committee.

The Portfolio Risk Register is an important tool that forms an integral part of the SBCD Portfolio Risk Management Strategy and helps the PoMO document risks, track risks and address them through preventative controls and corrective measures. This is reported through SBCD governance groups on a quarterly basis.

Throughout 2023 the challenges across the Construction Industry in relation to cost, material availability and resource availability have persisted although not escalated. The Construction Impact Assessment continues to be reported as part of the Quarterly reporting requirements. The Construction Impact assessment sets out to review, record, report, monitor, escalate and mitigate the potential challenges faced in the delivery of the Infrastructure elements of the Portfolio. This will continue to be reported monthly in order to understand any changes in the Construction landscape and provide a proactive approach to any risks identified through this assessment.

The Swansea Bay City Deal Portfolio Issues Log captures and monitors key portfolio issues that could impact the success of SBCD aims and objectives. When responding to issues, a definitive action is needed in order to resolve the issue, this differs from a risk, threat or opportunity, because its occurrence is no longer subject to uncertainty and is having an impact of the respective Programme, Project or the Portfolio. However, the information that needs to be recorded for the issue remains the same as that for a risk, as does the way it is managed through identification and implementation of control actions, and monitoring and review to determine if what mitigation actions are required.

The SBCD Issues Log is updated quarterly and reported on by exception through the Governance structure via the Quarterly Monitoring Report.

5.9 Stakeholder Management and Engagement

SBCD stakeholders broadly fall into two categories:

Primary stakeholders: Organisations involved in portfolio/programme/project development, delivery, monitoring and evaluation. This includes the UK Government and Welsh Government, the four SBCR local authorities, the two regional health boards and both Swansea University and the University of Wales Trinity Saint David. The primary stakeholders are managed and engaged with via the governance and reporting structures outlined in this Management Case.

The four local authorities form the Joint Committee and have regional control of the SBCD with the other four primary stakeholders having separate letters of engagement creating agreement of a collaborative approach to the successful delivery of the SBCD between all eight primary stakeholders.

Each of the other primary stakeholders has co-opted membership of Joint Committee allowing for full visibility and collaboration across the delivery partners.

Secondary stakeholders: This category includes, among others, communities of interest in business, construction, education, local politics, residents and the media. The secondary stakeholder group may interact with the SBCD in different capacities at different times.

The established Communications, Marketing & Engagement Implementation Plan has been updated in Q4 2023-24 (Appendix 5.5a) and will be used as the tool to co-ordinate engagement with all stakeholders and to disseminate information to communities of interest. Also included in Appendix 5.5b is the draft SBCD Protocols and Guidance for communications and promotions.

The Communications, Marketing & Engagement Implementation Plan is a live, evolving document, which forms the basis for content for the SBCD's social media platforms and website. The plan and framework include key SBCD messaging, helping inform content that is regularly distributed to the local, regional, national and specialist media, and to regional businesses, regional business networks, primary stakeholders and other groups.

This approach continues to ensure that positive media coverage is generated, with both the business engagement manager and communications officer acting as an interface between the media and businesses with senior SBCD officers and Joint Committee members. The SBCD Business Engagement Manager and Communications and Marketing officer provide updates through the SBCD governance boards.

5.10 Change Management Strategy

The SBCD Change Control Procedure was approved through the SBCD governance process in February 2021. Recognising that all projects, programmes and portfolio are subject to change, the SBCD Change Control process is vital to ensure the appropriateness of key changes and report them through the correct SBCD and host organisations' governance arrangements. This is aligned to good practice including the Association of Project Management, which defines Change Control as *"the process through which all requests to change the approved baseline of a project, programme or portfolio are captured, evaluated and then approved, rejected or deferred."* It is owned and updated by the Programme (Portfolio) Board and will be used to highlight relevant changes at project, programme and portfolio level.

The process considers several aspects of change that impact on scope, delivery and benefits which are detailed in the business cases of the associated portfolio, programmes or projects, where a change is likely to affect at least one of the following categories:

- Impact the total cost / financials
- Impact the completion of delivery of output(s) / key milestones
- Impact the quality outlined within the business case for the specified Programme / Project
- Impact the benefits outlined within the business case for the specified Programme / Project
- Impact the GVA, jobs created or inward investment

Any change, positive or negative, resulting in a variance in these considerations must follow the agreed change control process. The change categorisation is currently set as a minor or major change with the latter encompassing any of the above criteria, with the view to established evidenced based threshold limits as programmes and projects present change and move through delivery.

Following the approval of the change process the PoMO will worked with Programme / Project leads to implement Change Control across the Portfolio for the aspects outlined in the Business Cases in order to ensure that any change does not have a detrimental impact to the successful delivery of the programmes / projects.

This was successfully achieved in the Summer of 2021 and since then the PoMO has received and recorded numerous change notifications and requests and continued work with Programme and Project leads and SROs has been undertaken to obtain appropriate levels of reporting for Project change.

During 2023/24, the change control process was utilised to approve the Outline Business Case for the National Net Zero Centre of Excellence project, enhancing the Supporting Innovation and Low Carbon Growth programme and allocating the previously unallocated £5.3m of City Deal funding.

An active change log is included in the quarterly reporting to SBCD governance groups.

On recommendation from the recent internal audit, the PoMO, in consultation with project teams, has proposed the introduction of the following draft change thresholds. These require Joint Committee approval before embedding in practice and will be used to manage and approve significant changes to current or approved business cases in terms of:

- 1) Cost, time, quality, benefits, Portfolio objectives, as aligned in the impact table below
- 2) Variation to project delivery which could include introduction of a new or termination of existing project, or enhancement/reduction to existing project defined in the business case

The proposed thresholds for change are shown below:

1.	Financial/Cost	<ul style="list-style-type: none"> • Variation* in cost by +- £1m; or • 10% variation* to project element cost
2.	Time	<ul style="list-style-type: none"> • 3 months
3.	Quality	<ul style="list-style-type: none"> • Change to scope i.e. fabrication, location or purpose of delivery, sustainability (BRE AAM status) • Variation to project constraints*
4.	Benefits	<ul style="list-style-type: none"> • Removal or additional of a planned benefit • 10% variation*
5.	Portfolio objectives	<ul style="list-style-type: none"> • 10% variation*

Table 5.9 Proposed Change Thresholds

** Variation should incorporate changes that are either absolute at a point in time or incremental over a period of time*

5.11 Contingency arrangements and plans

The City Deal’s Joint Committee Agreement outlines contingency arrangements for several scenarios. The scenarios identified include the withdrawal of a programme / project from the City Deal portfolio, the change of a project local authority lead, and the withdrawal of a partner from the City Deal portfolio. All these scenarios and contingency arrangements will be managed via the portfolio and programme / project risk registers and issue logs and reported accordingly. Risk management is not the same as contingency planning. Risk management is about identifying, assessing, avoiding, mitigating, transferring, sharing and accepting risk; while a contingency plan is about developing steps to take when an actual issue occurs.

The PoMO will establish contingency plans at a programme / project level to develop steps to take when an issue occurs.

When a Risk has undergone all mitigation and the situation becomes certain, the occurrence becomes an issue. The PoMO adopts the following process to ensure the issue is managed appropriately.

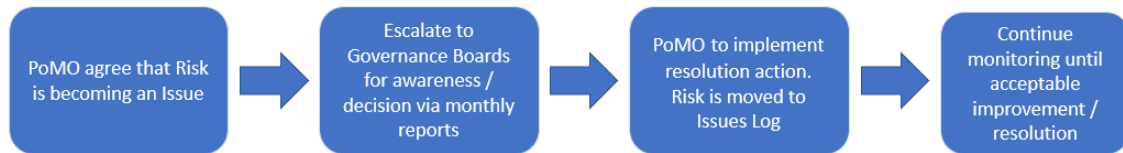


Figure 5.6 Moving a Risk to an Issue

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

The PoMO will ensure that contingency arrangements are considered and in place at a programme and project level to manage potential scenarios in the development, delivery and operational phases of the individual schemes.

5.12 Portfolio status and key milestones

Table 5.10 provides the status of the nine programme / project business cases for the SBCD portfolio with the current Gateway Review Delivery Confidence Assessment rating, Lead Authority, Programme / Project Lead and Senior Responsible Owner. All business cases have now been approved and are in delivery.

Table 5.10 details a high-level summary of programme / project activity and milestones including the project lifecycle phases of business case development, approvals, procurement, delivery and operational phases.

The PoMO have established a Joint Committee forward work programme, as detailed in Appendix 5.6, covering specific SBCD Portfolio activity that Joint Committee are planning to consider in 2024/25. This also provides an overview of items that have been achieved over the last 12 months.

Figure 5.7 below shows the current timeline for the delivery of the programmes and projects.

Project Ownership and Business Case Status Summary – Table 5.10

Project Ownership and Business Case Status Summary – Table 5.10						Business Case Status			
Project / Programme name	Component	Anticipated Investment (£m)	Lead Authority	SRO	Project Lead	Status	SOC	OBC	FBC
Swansea City & Waterfront Digital District	Arena & Digital Square	89.2	Swansea	Martin Nicholls	Lee Richards	Complete			
	71 / 72 Kingsway	48.5				Delivery			
	Innovation Matrix	17.4				Delivery			
	Innovation Precinct	13.2				Pre-del.			
Creative Digital Cluster - Yr Egin	Phase 1	14.9	Carmarthen	Ian Walsh	Geraint Flowers	Complete			
	Phase 2	10.3				Pre-del.			
Digital Infrastructure	Connected places	20.5	Carmarthen	Jason Jones	Vacant (PoC Dija Oliver)	Delivery			
	Rural connectivity	23.0				Delivery			
	Next gen. wireless	11.5				Delivery			
Skills and Talent	Skills Analysis	30.0	Carmarthen	Andrew Cornish	Samantha Cutlan	Delivery			
	Career Development					Delivery			
	Frameworks					Delivery			
	CoE's					Pre-del.			
SBCD Campuses	Singleton Ph 1	17.4	Swansea	Keith Lloyd	Clare Henson	Pre-del.			
	Singleton Ph 2	65.9				Pre-del.			
	Morrison Ph 1	2.8				Pre-del.			
	Morrison Ph 2	49.0				Pre-del.			
Pentre Awel	Health & Wellbeing	92.0	Carmarthen	Chris Moore	Alex Williams	Delivery			
	Housing & Asst. Lvg.	19.0				Pre-del.			
	Asst. Lvg & Bus. Ex.	53.1				Pre-del.			
	Hotel & Housing	36.1				Pre-del.			
Homes as Power Stations	Adopt Green Tech	120.4	Neath Port Talbot	Nicola Pearce	Oonagh Gavigan	Pre-del.			
	Monitor & Eval. Prog.	2.25				Delivery			
	Reg. Supply chain	382.9				Pre-del.			
Pembroke Dock Marine	PDI	41.2	Pembrokeshire	Rachel Moxey	Steven Edwards	Delivery			
	MEECE	11.2				Delivery			
	META	2.7				Delivery			
	PDZ	5.0				Delivery			
Supporting Innovation and Low Carbon Growth	Swansea Bay Tech. Cnt	8.9	Neath Port Talbot	Nicola Pearce	Brett Suddell	Complete			
	SWITCH	20.0				Pre-del.			
	AMPF	17.2				Pre-del			
	Air Quality Monitoring	0.5				Delivery			
	Hydrogen stimulus Proj	2.0				Pre-del			
	LEV Charging Infra.	0.5				Pre-del			
	Property Dev. Fund	10.0				Delivery			
SBCD Portfolio	All projects above		Carmarthen	Wendy Walters	Jonathan Burnes	Delivery			

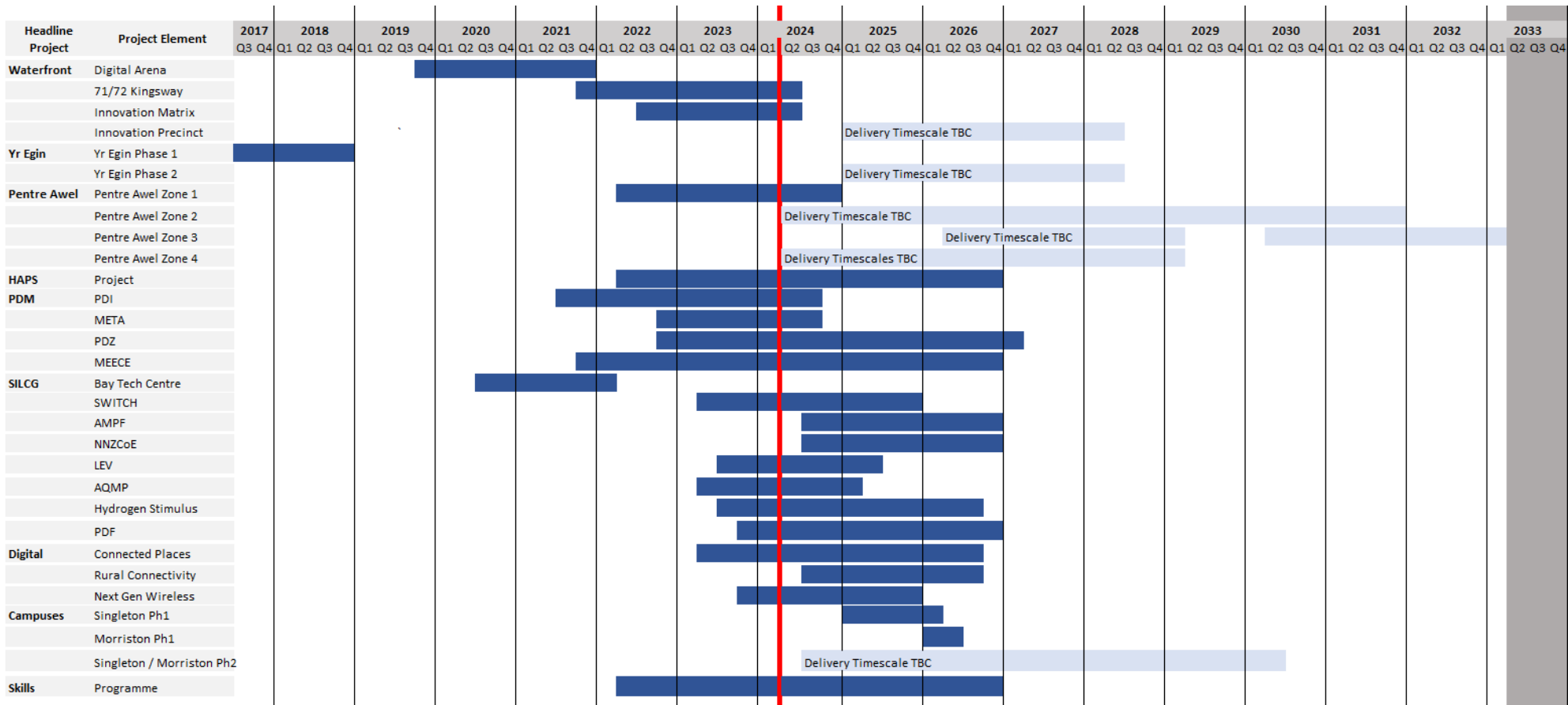


Figure 5.7 Portfolio Delivery Roadmap