

18 MAY 2020

CCR PRIORITIES FOR ADDRESSING ECONOMIC IMPACT OF COVID-19 AND BEYOND

REPORT OF CCR CITY DEAL DIRECTOR

AGENDA ITEM 8

Reason for this Report

1. To seek Cabinet approval of a set of new priorities emerging in response to COVID-19 and the ensuing economic fallout. To seek endorsement of Cabinet to convert the ten priorities into a clear, concise and reader/user friendly addendum to both the Regional Industrial and Economic Growth Plan and the Investment and Intervention Framework. This will act as a guide to set out the ways in which CCR is best able to make a help mitigate some of the worse effects on the economy and businesses in the region as a result of the crisis and its ongoing impact. The document is not a fixed strategy – it is a set of priorities that can be updated and iterated continually as shifts and changes occur and the situation continues to evolve.
2. Cabinet approval is also sought to submit the document in its current form into the urgent Inquiry into the Welsh Economy and COVID-19 on 15 May 2020 convened by the Welsh Affairs Select Committee. It is also means CCR has a response to hand in the light of news that Counsel General has appointed a Taskforce to inform the post-COVID future for Wales.

Background

3. The economic fallout of COVID-19 is already dramatic and serious. However, the situation is a quickly evolving one. It is highly unlikely that we will see the UK economy simply ‘snap back’ – but equally must try and strike a balance in CCR avoiding knee-jerk reactions, focussing on our 20 year outlook and working in real-time. The independent Office of Budget Responsibility published a report in April 2020 that forecast a 35% drop in GDP for Q2 of 2020 with incremental improvements expected over the remaining quarters. At this time, it is early to predict how things will play out with any certainty and it is the firm view of the CCR Economic Growth Partnership that CCR should keep an open mind; monitor the situation closely and rather than prepare solely for bleak scenarios, prepare to keep adjusting and adapting.

4. There is also a clear view that the Industrial and Economic Growth Plan stands the test of COVID with its focus on sectors and building clusters around Med-tech, compound semi-conductors, Data/ AI, infrastructure, fin-tech and energy – which is anything must be now be accelerated.
5. The challenge therefore is not so much about preparing for fixed scenarios of whole-scale long-term change, but a scenario of constant rapid adaptation and being clear about the kind of positive legacy, post COVID-19, that CCR could achieve. For example, new working patterns, framing public policy and societal challenges, reframing the way we view key foundational occupations and focusing on the unevenness of impact – both in terms of effects across places in the CCR and across economic sectors, organisations and occupations.
6. In recent weeks, CCR has devoted time to building the intelligence & data, informing criteria and priorities for government; helping navigate businesses through frameworks and programmes and ensuring they are able to optimise support available, as well as planning for next steps as the economy emerges from hibernation. Within this, new scheme proposals are also being brought forward in direct response to COVID.
7. In consultation with the Regional Economic Growth Partnership and wider stakeholders, it is recommended that CCR should seek to:
 - keep out of the short-term crowded immediate ‘funding’ response space;
 - stick with the plan – strategic and focussed on industries of future balanced with an approach to building local wealth;
 - adjust and adapt programmes to ensure they are fit for purpose;
 - deploy relevant financial tools and solutions where there is proven viable company or proposal to assist with business resilience moving forward;
 - accelerate cluster support and in particular, Med-tech innovation and R&D intensity which will re-grow the economy in sustainable ways;
 - take opportunities to create a positive public sector-led post-COVID legacy.
8. To do this, a clear set of priorities has been established under the headings of ‘Account Management Plus’; ‘Response and Resilience’ and ‘Recovery and Re-emergence’. The priorities are all framed and set out in the attached document ‘Priorities for Addressing Economic Impact of COVID-19 and beyond’. These include starting with basics such as reframing the business intelligence base, kicking the tyres on existing schemes to ensure they are fit for a changing future; assisting start-ups; introducing structured funds and stabilising businesses through offerings such as convertible equity as well as support for priority sectors and medium sized businesses. This is attached at Appendix 1.
9. This document is a key reference point and shows how CCR is adapting. It is not a strategy or fixed in any way. CCR has an adopted Industrial and Economic Growth Plan and a clear Investment Framework. This set of priorities works with these and will be updated, refined and iterated as things shift and evolve.

Reasons for Recommendations

10. This approach is necessary for the following reasons:
 - demonstrates the ability to pivot and adapt and have a clear 'offer' and approach in light of volatility;
 - acts as a guide to partners and those wishing to work with CCR setting out what's important and how it can be best achieved;
 - is at hand to demonstrate to both UK and Wales Governments that we have a thoughtful approach and are prepared;
 - can be submitted to the Welsh Affairs Select Committee Inquiry into the impact of COVID-19 on the Wales economy – which is said to be one of the worse affected areas of the UK;
 - can be used to inform and guide input into the Taskforce convened by Welsh Government's Counsel General for post-COVID recovery;
 - can be used as basis to secure any future funds into the regions resulting from the Chancellor's recent statement that the best way out of the future slump is to re-boot economies through the different regions of the UK.

Financial Implications

11. Regional Cabinet approved the Annual Business Plan for 2020/21 in December 2019. This report refers to potentially bringing forward new proposals in direct response to COVID 19 . The report indicates that this may include deploying financial tools and solutions such as structured funds, loans, convertible equity. Consideration should be given to whether financial support proposed is classified as capital or revenue expenditure to ensure that the financial and budgetary implications can be considered at an early stage. Robust due diligence will need to be undertaken as part of business case development to ensure risks are clearly communicated and understood by Regional Cabinet. Potential financial issues should be considered at the very early stages of the IIF framework, to ensure key issues are identified and considered in the development of proposals being recommended.
12. Business cases need to be clear on the options considered, proposed delivery mechanisms and how risks, such as state aid, the legal powers to offer support and enter into financial transactions, financial risks, and security in place will be managed.
13. HM Treasury funding is paid to the Accountable Body on behalf of the ten Cardiff Capital Region City Deal (CCRCD) constituent councils. The funding must be used solely to support the objectives of CCRCD through the implementation of projects and schemes agreed by the Regional Cabinet and in accordance with arrangements set out in its Joint Working Agreement, Wider Investment Fund, Assurance Framework, and the JWA Business Plan. Where proposals are brought forward, the financial implications will need to consider existing commitments and affordability as part of regular monitoring reports and updates to the annual business plan.

14. In this regard it is important that the provisions of the Investment and Intervention Framework (IIF) continue to be robustly followed, as this is a key requirement of the City Deal Funding Terms & Conditions. This is important to demonstrate good governance, whilst ensuring the risk of non-compliance with Funding Terms & Conditions is minimised. Business cases should be developed in line with HM Treasury Green Book (5 Case Model), although, clauses 3.5 (Appraisal Framework) and 3.7 (Business Case Development), make an important reference the concept of 'proportionality' depending on factors such as project value, complexity.
15. Where any steps in the business case process are fastracked, or not deemed relevant in bringing forward proposals for Cabinet to approve, the risks of undertaking such a approach need to be communicated clearly as part of the decision making process.

Legal Implications

16. In approving the recommendations in this report, Regional Cabinet must comply with its's duties under the Well-being of Future Generations (Wales) Act 2015, and the Equality Act 2010, as set out below.
17. There are no other legal implications other than those already set out within the report.

Well-being of Future Generations

18. In developing the Plan and in considering its endorsement regard should be had, amongst other matters, to:
 - a) the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards;
 - b) public sector duties under the Equalities Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties Councils must in making decisions have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. Protected characteristics are: a. age; b. gender reassignment; c. sex; d. race – including ethnic or national origin, colour or nationality; e. disability; f. pregnancy and maternity; g. marriage and civil partnership; h. sexual orientation; i. religion or belief – including lack of belief, and;
 - c) the Well-being of Future Generations (Wales) Act 2015. The Well-being of Future Generations (Wales) Act 2015 ('the Act') is about improving the social, economic, environmental and cultural well-being of Wales. The Act places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales - a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language and is globally responsible. In discharging their respective duties under the Act,

each public body listed in the Act (which includes the Councils comprising the CCRCD) must set and published wellbeing objectives. These objectives will show how each public body will work to achieve the vision for Wales set out in the national wellbeing goals. When exercising its functions, the Regional Cabinet should consider how the proposed decision will contribute towards meeting the wellbeing objectives set by each Council and in so doing achieve the national wellbeing goals. The wellbeing duty also requires the Councils to act in accordance with a 'sustainable development principle'. This principle requires the Councils to act in a way which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

Put simply, this means that Regional Cabinet must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, Regional Cabinet must:

- look to the long term;
- focus on prevention by understanding the root causes of problems;
- deliver an integrated approach to achieving the 7 national well-being goals;
- work in collaboration with others to find shared sustainable solutions;
- involve people from all sections of the community in the decisions which affect them.

19. Regional Cabinet must be satisfied that the proposed decision accords with the principles above. To assist Regional Cabinet to consider the duties under the Act in respect of the decision sought, an assessment has been undertaken, which is attached at Appendix 2.

RECOMMENDATION

20. It is recommended that the Cardiff Capital Region Regional Cabinet:
- a) approves the document 'Priorities for Addressing Economic Impact of COVID-19 and beyond' which is contained at Appendix 1 and the development of a user friendly version to form an addendum (which will be iterated as required) to the Economic and Industrial Growth Plan and Investment and Intervention Framework; and,
 - b) approves submission of the document to the Welsh Affairs Select Committee Inquiry into the economic impact of COVID-19 on the Welsh economy.

Kellie Beirne
Director, Cardiff Capital Region City Deal
18 May 2020

Appendices

- Appendix 1 CCR Priorities for Addressing the Economic Impact of COVID-19 and Beyond
- Appendix 2 Well-being of Future Generations Assessment

SUMMARY – CCR PRIORITIES FOR RESPONDING TO COVID-19 & BEYOND

- The economic fallout of COVID-19 is dramatic and horrible. However things are changing and evolving all of the time and whilst the economy will not ‘snap back’ – we must keep an open mind, avoid knee jerk reactions & work in real-time
- The things we have previously prioritised still stick and in fact the focus on priority sectors such as med-tech, fin-tech, cyber, energy AI/Data, infrastructure and compound semis all have heightened relevance
- The challenge is not so much about preparing for a fixed view of whole-scale and long-term change but the ability to adapt and adjust and be clear about the kind of legacy, this crisis might enable CCR to achieve
- For example – working patterns, public policy challenges, re-framing how we value ‘key’ occupations and focusing on the unevenness of impact across places and economic sectors in CCR
- CCR has devoted time to building the intelligence & data, informing criteria and priorities for government; helping navigate businesses through frameworks and programmes and ensuring businesses optimise support available, as well as planning for next steps as the economy emerges from hibernation. Within this, new scheme proposals are also being brought forward in direct response to COVID.
- In terms of future priorities, CCR should therefore:
 - stay away from short-term crowded response space;
 - stick with the plan – long-term, strategic and focussed on industries of future and balance with local foundational growth;
 - ensure it can adjust and adapt programmes & future-proof;
 - deploy relevant financial tools and solutions where there is proven viable company or proposal;
 - support med-tech innovation and innovation-readiness and R&D;
 - take opportunities to create a positive public sector-led post-COVID legacy.

CCR response contains 10 priorities to frame future focus under 3 headings:

1. Account Management:
 - Building business intel base and helping businesses navigate options/opportunities.
 - Preparing for what next.
 - Kicking tyres of existing programmes to adjust and adapt to new normal.
2. Response and Resilience:
 - Support for new businesses – assistance for start-ups.
 - Structured funds: SME Co-investment Fund; Evergreen Premises Fund and Investment Readiness.
 - Challenge Fund Programme to re-build local wealth post COVID.
 - Med-tech open call for innovation.
 - Stabilising key businesses through different products – convertible equity, IP shares, guarantees and security and potential match for Future Ready Fund.
3. Recovery and Re-emergence:
 - Forging forward with support programmes for industrial scale priority clusters
 - Support for medium sized businesses

INTRODUCTION

It was only 9 March but feels like a lifetime ago CCR Cabinet last sat to approve Homes for all the Region, Graduate Scheme, Metro Central and kick-starting life sciences and digital activity. So great is the difference now to the world that was, the first iteration of this report cast a bleak outlook for the economy. The outlook is still dramatic and horrible. However this is an evolving space. What is a priority one day, isn't so much the next. Schemes, initiatives and new flexibilities are being introduced all of the time. Economic forecasts, whilst still predicting large-scale recession, show that the 'V' shape revival could still occur over time and, the full year arithmetic on GDP projections, whilst clearly radically different to anything pre-COVID, may not be as intensely bad as first thought.

This is not to say the economy will just 'snap back'. It won't. But the challenge in such a period of volatility and uncertainty is keeping an open mind, avoiding quick structural reactions and working in 'real time'. In the long-term, things may not change as much as we might expect and it certainly seems that priorities such as infrastructure, data, cyber, compound semis, energy and med-tech will have heightened relevance. The future priorities set out below are not so much about preparing for whole-scale long-term change. But they do provoke the question: **can** we change – and for the better? Never waste a crisis. What added impetus can CCR in its 20 year outlook give to patterns of working and to re-setting public policy challenges and issues? How can we re-frame how we view and value certain occupations and focus on the unevenness of economic impact across communities and sectors of the economy?

THE CHALLENGE

COVID-19 is having profound impacts on the global economy. In April the independent Office of Budget Responsibility published a report forecasting a steep 35% drop in GDP for Q2 2020 with incremental improvements thereafter. The scale of government's response by way of fiscal stimulus is unprecedented and the package of mass market measures, undeniably generous. Nevertheless there are gaps and companies of all sizes and operating scales are falling between the cracks. Liquidity has improved with Quantitative Easing, extension of financial support schemes and in Wales, the £500m economic resilience fund. However, challenges remain in getting money to eligible and viable businesses quickly enough.

The response of local public sector organisations has been exceptional - both in dealing with civil contingencies deployment and a public health crisis. In addition, many CCR Councils were getting rate relief/business grants out the door within days. In terms of the cost of this however, public sector liabilities are rising; and, bond markets will find it increasingly difficult to digest the scale of government debt issuance needed in short time to fund extra spending.

The pandemic will continue to affect households for a sustained period of time – no longer judged in just weeks or months. The response to date has focussed mainly on the medical/public health emergency with a secondary emphasis on the economy. However, the psychological/ societal impacts will also need to be explored.

In global economic terms, supply chains and thus, business order books are being impacted. Signs now suggest that China is recovering faster from COVID-19 which could mean the Chinese economy strengthens its position in trade wars with the USA which could see the shift in the centre of the global economy.

There is a growing focus on the state taking equity shares and provision of security. Feedback from medium/larger businesses shows that whilst access to commercial finance is holding – the need to sensitise future strategies in volatile trading settings highlights risk for even the strongest businesses. This impacts covenant strength and thus, cost of borrowing.

Behaviour in the banking sector has also been variable. From tardy responses to imposition of Personal Guarantees against the CBILS and through to again, recurrence of the security/guarantee challenge – questions are raised about the ability of financial institutions (some of which were themselves ‘saved’ by the state during the 2007/08 financial crisis) to respond.

The position of Universities is also critical. The reliance on overseas students is being seriously undermined by COVID-19. For the upcoming academic year 20/21, there are major viability challenges with calls for government intervention not to mention the impact on innovation and science – one of the positives of the pandemic – and not just in terms of finding a vaccine, but in data mapping genomics features, rapid sanitisation and agile manufacturing of devices and diagnostics. This has consequences for the 2.4% R&D target by 2027.

For CCR, this means:

- Responding in a way which is considered/complementary to stimulus packages. The immediate response space is crowded. We must stick in large part to the plan, albeit, accelerating it and in line with the 20 year outlook, show preparedness for ‘what next’.
- Catalysing & backing innovation readiness. COVID-19 is fuelling the next wave of innovation – particularly in the digital, med-tech, e-commerce, remote working, supply chains and data and AI. Firms are already showing signs of the ability and agility to capitalise on these underlying and disruptive changes.
- Deploying different financial tools and solutions where due diligence requires them and where there is a viable company or proposition to support.
- Continue to support priority clusters given evidence shows sectors like compound semis, med-tech, fin-tech, AI, infrastructure & energy are key to re-building economies.
- Taking opportunities to do things differently. Countries are setting out plans for new economic manifestos post-COVID. From Universal Basic Income in Spain to Holland’s plan to transform agriculture to boost food security – there is a will for a different post-COVID legacy. This is not about accepting ‘change/ no change’ as an inevitability – it is about deciding *what* CCR wants to change through public sector leadership.

All this suggests that CCR’s approach should be structured through three main phases:

1. **Ph 1/ Early Response ‘Account Management Plus’** – co-ordinating information; signposting and directing; building a rich economic intelligence base and influencing. This includes highlighting gaps and helping to broker solutions as well as kicking the tyres of existing programmes to assess continued relevance and need for adaptation.
2. **Ph 2/ Stabilising and Building Resilience** – supporting survivability of key businesses and firms through new approaches and financial levers that respond to evidenced challenges; acceleration of plans for more targeted structural support (SME Co-investment Fund; Strategic Premises Fund and an Investor Readiness Programme); establishment of a Challenge Fund and specific focussed support around the Med-tech innovation opportunity. This latter is critical. Even though we have a fairly well developed sector in the region around devices and diagnostics specifically, over 60% of tools are still coming from China.
- **Ph 3/ Preparing for Recovery and Re-emergence** – developing an approach to economic re-growth and revival. This should back our priority clusters as evidenced ‘industries of the future’ capable of having a transformative impact. This will require more tailored packages of support and a long-term approach to access to finance.

What we’ve found so far

In March CCR commissioned a Business Survey. Over 700 responses were received with scores more coming through company insights and leveraging networks with industry bodies:

- 98% businesses confirmed they'd be affected by COVID-19 – with declining customer base, cash-flow and loss of income being main concerns along with worker welfare
- Eligibility and how to access support. A finance function is now always a given
- Dissatisfaction with the CBILS scheme and banking behaviour/ procedures
- Beyond access to quick funding – medium/long-term bespoke patient finance is critical
- Challenges around securitisation and collateral
- Speed of implementation and measures implemented as a comprehensive package
- Support for sole traders and self-employed
- Innovation needed to extend practices like Invoice Discounting
- Support for business diversification and in particular, e-commerce/ digital businesses
- Need for LAs to run 'keeping in touch' sessions and a need for webinars for SMEs
- Giving thought to 'what next' – the current schemes merely give a holding position
- Support needed around growing active cluster of med-tech businesses many of which have gone out of their way to innovate & solutions-focussed
- Tailored packages of support needed for medium and larger enterprises. When key vulnerabilities show, the ripple effects work down through supply chains
- Disproportionate impact of the rate relief thresholds and the £500k imposition and affects for hoteliers, retail and larger supermarkets

What we've done

We have developed and shared with UK & Welsh Governments influential advice notes and guides. The first was Business Support Schemes Overview; the second Gaps in provision and the third Business Support Expectations v Reality. (Gambit). Additional actions include:

- Ongoing engagement across all ten LAs, WG, Business Wales, Chief Regional Officers and WLGA to share early communication and strive for consistency
- Focussed engagement with Innovate UK and UKRI on new challenge & open calls
- Developed one co-ordinated comms campaign across LAs to help businesses maximise support available
- Engaged with Chambers of Commerce, CBI, IoD, British Business Bank, Wales Government and Wales Office to share intelligence and co-ordinate key messages
- Over 20 articles published via Business News Wales portal & LinkedIn
- Developed our own COVID-19 section on the CCR website
- Developed FAQs and handy links which have been updated daily
- Continued communications on key schemes and programmes
- Media focus on R&D and science and innovation showcasing Medtech
- A series of podcasts and 121 interviews on the above subjects
- Continued to originate and develop schemes, accelerating timescales and impacts through 2 Investment Panels

Forward Focus

Phase 1 - Account Management, Business Intelligence & Influencing

The economy is evolving and currently, contracting at a rapid rate. The immediate assistance 'rescue & bail-out' space is a crowded and often frustrating one. Access, eligibility and the differing criteria for each of the schemes can present barriers to entry.

PRIORITY 1 – Helping to navigate CCR must continue to play a vital role in helping businesses navigate this landscape; interpret guidelines and highlight gaps so that governments are able to flex/refine their offering. We will do this through continuation of the communications strategy for signposting and coordinating; updates to the 'Expectations v

Reality' piece; support to governments and British Business Bank on implementation and ensuring that businesses have the information needed to fully capitalise on what's on offer.

PRIORITY 2 – Evidencing what next We will use this initial phase to gather the evidence and build analytical capability provided by the School of Economic Geography at Cardiff University and through work on the data dashboard; bringing on board the KESS data PhD studentships and continuing thought-leading publications. This will enable us to pick out the trends and see the priorities – for example – the unevenness of economic impact with aviation, tourism, non-food retail and leisure closed down for an extended period whilst healthcare facing industries, equipment and consumables are seeing massive upsurges.

This phase will help us move beyond directing others to 'funding' to informing medium term issues around patient access to finance. Using data to guide development of more bespoke support will also help mitigate the social risks emanating from economic contraction. This will be key in CCR given the already well established link between poverty, poor health and limited life chances. There will be a pivotal role for the revised Business Council to play here.

PRIORITY 3 – Kicking the tyres AA and other experts have reported on transit changes post-Coronavirus, predicting a permanent reduction in demand for travel due to the take-up of remote working and big gains made in improved air quality. Some commentators are arguing that more policy emphasis/public expenditure should go on digital infrastructure rather than road infrastructure. Maintaining a focus on public transport will be key given the potential for a better balance across home, office and local working.

Early discussion with WG suggests that all transport related forecasts should be re-run and it has been recommended that a joint piece of work is carried out via the Regional Transport Authority to inform a shared position on future transport investment in the region. There is a real opportunity to think about how this might lead to a more differentiated strategy for CCR striving for better ratios than the current 80:10:10 of car use, public transport & active travel.

For the Graduate Scheme – the emphasis at this time is on maintenance and working with those companies that have participated to sustain relationships and interest (Through the Looking Glass series). Demand has fallen drastically for the scheme in most areas, however there are signs of new interest in others (health/ med-tech). It is likely though the focus will need to pivot into a broader reskilling/ HE/ FE support programme that mirrors shifts seen as some sectors become redundant whilst others grow and require talent and capacity.

Work on the housing fund to test assumptions and see it in the context of lower risk thresholds (SME Finance Fund in particular) has demonstrated it can still work – albeit perhaps with a slower start and through portfolio-led approaches that mitigate the now more prevalent risks.

Increased levels of entrepreneurship, growth and productivity will be vital in the region recovering from the COVID 19 lockdown. Programmes such as full fibre connectivity, 5G and Data /AI need acceleration given reliance upon them as core infrastructure. A meeting with the DCMS Digital Minister in March has resulted in a request for CCR to share its digital ambitions. It is further that advanced manufacturing, fin-tech, compound semiconductors and life sciences will be fundamental to CCR's long-term endeavours.

Phase 2 - Response and Resilience

Easing lockdown at the relevant points will need careful judgement of when the health imperatives give way to economic concerns. CCR has to be in the space of what happens post-exit from economic hibernation and mitigating macro-economic fallout.

PRIORITY 4 – Supporting new businesses. Ensuring that entrepreneurs are supported through the process of starting up and developing a business is vital to ensure that the region recovers, especially as new businesses create the majority of the jobs in an economy. Entrepreneurs need access to expertise, knowledge, seed capital and to a supportive community but the COVID 19 lockdown has seen many start-ups unable to access support. Such funding provision would be an ideal fit for Shared Prosperity Funds.

Traditional models of business support may no longer be applicable. Instead, there can be different solutions driven through online provision that will create a more supportive environment to increase the number of start-ups, improve their survival rate and ensure more companies grow. Key interventions to strengthen the environment for entrepreneurship will include more co-working spaces in all parts of CCR, strong local networks of entrepreneurs to ensure mentorship support and an interactive online business support programme.

PRIORITY 5 - Developing more structured funding support. It is time to accelerate ambitions for establishment of a first wave of key targeted funds with which to mitigate some of the worse effects on businesses. A second phase of funds could see CCR looking to Shared Prosperity Funds for further support on a range of programmes.

- The first priority is to develop a **SME Co-investment Fund** as a key part of an entrepreneurship, growth and productivity plan for the region. Dialogue is progressing with prospective investment partners regarding capitalisation. In light of the need for more medium-term tailored access to finance, this will operate in the scale-up space, promote priority sectors and create more structured support systems beyond the fund to encompass entrepreneurship support. The potential size of the fund will be upward of £50m, with at least a requirement of £25m of CCR (subject to business case) & will provide equity into commercially viable businesses.
- Aligned to this, is **Investment Readiness** support that facilitates access to finance and focuses on raising the quality of deal-flow. Often investment proposals take longer than we'd like to 'pull through' because even though they are interesting – the proposer cannot explain its impact; simply describe the business model and succinctly articulate the investment proposition. This would also work as an active investment leverage tool.
- CBRE has been commissioned to develop a **Strategic Premises Fund** drawing on the evidence and research done by JLL (for CCR) and SQW (for WG). Whilst again, demand impacts on office accommodation in a 'business as usual' scenario will adapt, the emphasis here is more about a distinguished strategy, linked to likely changes in travel to work; alignment to priority sectors/ cluster strategic sites and flexible working. In particular, increasing the number of new businesses located outside of the two main cities is vital in ensuring a more entrepreneurial region.

PRIORITY 6 – Establishing a Re-building Local Economies Challenge Programme

There is a real opportunity for public bodies to build a positive legacy post-COVID. The measures, behaviours and adaptations now in place as we continue to lockdown should not be temporary crisis responses. Organisations, services and people everywhere have moved quickly beyond comfort zones. We have re-connected with what matters and perhaps more importantly, one another. Changed operating models, new collaborations and recognition of digital/ data as a core resilience pillar have all featured – and must continue to do so.

The programme would work through selecting a 2 or 3 challenges to form the focus on individual challenge funds. The idea is these would aim to build new thinking, services, ways

of working and potentially products, that contribute to new momentum and the 'new normal' in a post-COVID world.

The core principle is about putting innovation capability and skills in alongside the changes and challenges so that learning and value is *applied* and can continue to spread, scale and develop. This is as opposed to a reversion to 'business as usual' – when the worse of the pandemic is over. There is a real danger that when the healthcare imperatives give way to more long-term economic concerns, we will reach for what we know and not stick with what we have learned. The proposed programme will therefore involve:

1. An innovation skills and capacity building element aligned with InFuSe – our bid under the WEFO P5 Building Institutional Capacity Programme
2. Investment to support the development of new innovations through a SBRI style programme considering challenges such as healthy ageing, decarbonisation, foundational economy renewal, digital democracy and future mobility/ better jobs closer to home
3. A unique blended partnership across CCR, Cardiff University, Nesta/ Y-Lab and Alacrity (the emergent Public Services Testbed) and potentially, colleagues within WG Innovation and the SBRI Centre of Excellence
4. A funding programme that is made up of £10m CCR, £4m WEFO and contributions from challenge owner partners as progress is made through the programme and further leveraged investment through potential first or end customer commitments. There is also potential to 'match' SBRI run through WG and SBRI Centre of Excellence and achieve further leverage.

PRIORITY 7 – Accelerating CCR Med-tech Cluster through supporting Med-tech innovation. There is a moment in time to capture the full benefits of a Med-tech Cluster in CCR. Intelligence suggests that it is our second most mature economic prospect with a strong supply chain, good anchor companies, international market reach and represents about 6-7% of GVA output for the region totalling some £1.5bn annually. Despite having all of the ingredients of a 'cluster' – it is estimated that more than 60% of the devices and diagnostics in the region are imported from China.

CCR has received a high level of contacts and proposals from Med-tech and diversifying manufacturing companies. CCR Cabinet recently approved the Devices and Diagnostics Strategic Framework and the first stage due diligence of a Life Sciences Park – both of which support the EOI to UKRI for a Med-tech Cluster. A massive response has been seen from businesses diversifying their manufacturing base to medical tech and tools and there are many more strategic opportunities to build upon. Emphasising and reinforcing the importance of this sector through the CCR Investment Framework is an important signal to growing the maturity of this sector and play to unique advantages around: 3D printing of devices for on the job deployment, data mapping for prediction/prevention, alternative materials for face shields filtration methods, non-medical viable manufacture of oxygen & clean room pop-up space.

PRIORITY 8 – Stabilising key businesses. This is about responding quickly to the needs of businesses in our priority clusters that are starting to fall between the cracks and alleviating more specific challenges that will help viable businesses achieve the sustainability/continuity needed to be able to think about growth and inward investment again. Beyond provision of 'funding' – this is about access to bespoke patient capital.

There are key 'ways CCR could help' in this phase of building resilience. The overwhelming feedback from businesses, financial and legal advisors – as well as government – has been:

- Payment holidays & rental breaks & easing cash flow burdens

- Consider equity buy ins – which can be diluted over time or transferred into debt as company balance sheets improve (convertible equity)
- Consider the important role that could be played by guarantees, collateral support, asset-backed security to bridge gaps and help mitigate the prospect of risk where more stringent banking requirements apply
- Potential to match complementary initiatives such as the Future Ready Fund
- Considering shares of IP and know-how
- Re-set some of the metrics – some of the financial performance metrics commonly used will have limited use in this new environment. Increased collaboration to identify key transparent achievable KPIs will be vitally important and must be progressed with Wales and UK Govts, as well as a new approach to Risk Management.
- Greater emphasis could be placed on EBITDA (or equivalent) ratings to assess debt capacity and EBITDA(c) concept to assess core company stability
- Greater role for CCR and indeed other City Deals in this phase. The way and pace of working must change. In this period of re-emergence – it will timely to think about the establishment of a CCR Development Agency and ways to enhance democratic legitimacy at the same time as utilising new levers and opportunities.

Phase 3 - Recovery and Re-emergence.

PRIORITY 9 – BUILDING LONG-TERM INDUSTRIAL CLUSTERS The focus is identified ambitions to build viable and resilient industrial clusters in which connections, collaboration and competition enable the eco-system to thrive. Our evidence base for supporting Data/ AI, infrastructure, Compound semis, Cyber, Med-tech and Fin-tech is robust. The diligence regarding potential for future growth is continually updated and early indications show, if anything will need acceleration in a post-COVID world. They also offer potential to address challenges such the disruptive impact of automation, ageing society and energy.

For re-emergence, seed funds will be needed to catalyse the creation of formal cluster bodies, with some prioritisation given to how funds and investment can be deployed in support of their inward investment and FDI opportunities and alongside funds such as Strength in Places. Reinforcing clusters through the blueprint of skills, marketing, building connections, collaborative R&D and key strategic sites, will be critical.

In addition to this, the renewal of the foundational economy in ways which connect into future challenges and opportunities and making food, farming, retail and tourism adaptive and resilient in the light of disruptive forces of AI and machine learning –so jobs are enhanced not displaced or replaced – will be crucial. This could also help channel future government 'recovery' funds as well a more focussed approach for Shared Prosperity Funds and emergent ambitions for the Western Gateway.

PRIORITY 10 – IMPROVING THE PRODUCTIVITY OF MEDIUM SIZED FIRMS In terms of improving the competitiveness of the CCR as the region emerges from COVID-19, one of the more focused approaches would be to target the medium sized firm sector (approximately 1300 firms across the region) that currently employs between 50 and 249 staff. This group of firms has a lower performance than its UK equivalent both in terms of turnover per enterprise. This underperformance could be addressed through the development of focused interventions such as greater networking opportunities between CEOs, sharing of best practice and access to a high-level executive education programme. This could result in considerable impact on both employment and wealth creation within CCR. If this group of medium-sized businesses were performing at the same level as UK equivalents, annual turnover could be in region of £10 billion with an additional 52,000 jobs.

Future Generations Assessment






Name of the Officer completing the evaluation: Kellie Beirne Phone no: 07826 919286 E-mail: kellie.beirne@cardiff.gov.uk	Please give a brief description of the aims of the proposal Responding to the Covid-19 economic fallout and beyond
Proposal: Covid-19 and beyond – CCR priorities	Date Future Generations Evaluation form completed: 18 May 2020

1. Does your proposal deliver any of the well-being goals below? Please explain the impact (positive and negative) you expect, together with suggestions of how to mitigate negative impacts or better contribute to the goal.

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
A prosperous Wales Efficient use of resources, skilled, educated people, generates wealth, provides jobs	There is no proposal – it is a priorities document that sets the context for future proposals and projects. However it does provide a backdrop for maximizing prosperity in a changed economic situation.	The current approach of CCR has been reviewed comprehensively to ensure we can be optimally effective at this time of crisis as well as when the fallout hits most hard
A resilient Wales Maintain and enhance biodiversity and ecosystems that support resilience and can adapt to change (e.g. climate change)	The new set of priorities is aimed at optimizing economic vitality and charting a course through downturn in line with 20 year strategy.	Resilience is referenced as the key goal and actions such as support for start ups; new types of funding and models etc all seek to make a contribution to this.

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
A healthier Wales People's physical and mental wellbeing is maximized and health impacts are understood	The new priorities emerge directly in response to Covid and sustainability challenges and opportunities	Discrete proposals that will emerge from this framework will make more of a direct impact upon this
A Wales of cohesive communities Communities are attractive, viable, safe and well connected	The new priority set is about creating the conditions needed to balance investments, take into account place and the way in which we value certain sectors and occupations	
A globally responsible Wales Taking account of impact on global well-being when considering local social, economic and environmental wellbeing	The proposal shows how the CCR can lead the way in pioneering new solutions and showing the foresight to get ahead.	
A Wales of vibrant culture and thriving Welsh language Culture, heritage and Welsh language are promoted and protected. People are encouraged to do sport, art and recreation	N/A	
A more equal Wales People can fulfil their potential no matter what their background or circumstances	The new priority set is about levelling across the region and ensuring a balance across interventions that will support the wider region and those which will be locally specific.	

2. How has your proposal embedded and prioritized the sustainable governance principles in its development?

Sustainable Development Principle	Does your proposal demonstrate you have met this principle? If yes, describe how. If not explain why.	Are there any additional actions to be taken to mitigate any negative impacts or better contribute to positive impacts?
 <p>Long Term</p> <p>Balancing short term need with long term and planning for the future</p>	<p>The proposal is about balancing short term account management with building resilience and planning for the long-ter,</p>	<p>This will be under constant review.</p>
 <p>Collaboration</p> <p>Working together with other partners to deliver objectives</p>	<p>The report sets out the different partners and sectors engaged in this work</p>	
 <p>Involvement</p> <p>Involving those with an interest and seeking their views</p>	<p>The report sets out the different partners and sectors engaged in this work – and has engaged widely with REGP, business partners, HEI and others</p>	
 <p>Prevention</p> <p>Putting resources into preventing problems occurring or getting worse</p>	<p>The focus of this is around providing economic support and resilience emasures which will support the economy as it comes out of economic hibernation.</p>	
 <p>Integration</p> <p>Considering impact on all wellbeing goals together and on other bodies</p>	<p>This report helps chart a course for CCR as the healthcare imperative sof Covid give way to economic concerns.</p>	

3. Are your proposals going to affect any people or groups of people with protected characteristics? Please explain the impact, the evidence you have used and any action you are taking below.

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Age	This is not a proposal but a new and emergent priority set	None arising at this time.	Monitoring data and evidence required as part of ongoing evaluation and project management.
Disability	As above	As above	
Gender reassignment	As above	As above	
Marriage or civil partnership	As above	As above	
Pregnancy or maternity	As above		
Race	As above		
Religion or Belief	As above		
Sex	As above		
Sexual Orientation	As above		
Welsh Language	As above		

4. Safeguarding & Corporate Parenting. Are your proposals going to affect either of these responsibilities?

	Describe any positive impacts your proposal has on safeguarding and corporate parenting	Describe any negative impacts your proposal has on safeguarding and corporate parenting	What will you do/ have you done to mitigate any negative impacts or better contribute to positive impacts?
Safeguarding	Not directly relevant –however, building the future economy should have a profoundly positive impact on ability to safeguard the future of our residents		
Corporate Parenting	Not directly relevant – however building strength in the economy should create opportunities for all of the young people entrusted in our care and makes a direct contribution to wellbeing.		

5. What evidence and data has informed the development of your proposal?

- Economic evidence data and insight
- Business survey
- Government and ONS data
- CBILS data
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6. SUMMARY: As a result of completing this form, what are the main positive and negative impacts of your proposal, how have they informed/changed the development of the proposal so far and what will you be doing in future?

As above, the main implications will be in the delivery of this work.

7. MONITORING: The impacts of this proposal will need to be monitored and reviewed. Please specify the date at which you will evaluate the impact, and where you will report the results of the review.

The impacts of this proposal will be evaluated on:	Quarterly via the IIF reports to Cabinet and quarterly performance monitoring.
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