



15 MARCH 2021

**SELF-EVALUATION OF INVESTMENT AND INTERVENTION
FRAMEWORK (INCLUDING AUDIT WALES INVESTMENT AND
INTERVENTION FRAMEWORK REVIEW)**

REPORT OF CARDIFF CAPITAL REGION DIRECTOR

AGENDA ITEM 10

Reason for Report

1. To set out the outcomes, findings and recommendations of the self-assessment review of the Investment and Intervention Framework (IIF) and to present the findings of commensurate external audit work by Audit Wales on the same. To provide an overview of the next steps and refinements and evolution needed as the IIF moves into its next phase of operation.

Background

2. The IIF was approved by Regional Cabinet and launched in June 2019. The first meeting of the newly convened Investment Panel, as established under the Framework, was in October 2019. Following the first full year of operation of this new and different way of giving practical effect to the Assurance Framework, a self-assessment review of progress was undertaken. The review brief was endorsed by Investment Panel and approved by Regional Cabinet in October 2020.
3. At the same time, Audit Wales undertook their annual audit work to assess if a sample of investments were appropriately considered in line with the process set out in the Investment and Intervention Framework. This work was carried out via attendance at Investment Panel meetings, review of key documentation and an end-to-end assessment of two separate investment propositions.
4. With the Gateway Review process recently completed, there is a natural inflection point in the programme. At this juncture, c£148M of 'approved schemes' are underway with £250M of matched funds and over £2BN of projected private sector leverage. As a result, the first phase of delivery through the IIF over a relatively short period has yielded the first discrete phase

of City Deal projects. This has been a period of intense activity, learning and development and has provided a sound basis upon which to carry out real self-reflection and deep self-assessment. There has been no 'right' or 'wrong' way to do and deliver because this is the first time this has been done and so benchmarks and parameters are being developed on the journey. This first phase of investment proposals need continual attention, ongoing delivery support and strong execution. They bring with them, a further set of requirements around monitoring and evaluation and reporting against targets; governance changes and progression and the need for supplementary policies and frameworks such as a Risk Policy and Responsible Investing. As such, this report should be read in conjunction with the work going on in these areas, which runs coterminously with the IIF review and its forward evolution and development.

Key principles and process

5. The IIF has pioneered a new way of working and introduces a progressive approach to the process of investment appraisal. Based upon a robust evidence base and an Economic and Industrial Growth Plan co-created with business stakeholders, it builds on a number of key principles:
 - evergreen/ ROI-approach but as part of a wider portfolio;
 - three funding priorities – Innovation, Infrastructure and Challenge;
 - public sector as a co-investor versus a funder;
 - values of risk and reward;
 - public sector as a vehicle to convene around big challenges and to create and stimulate new markets;
 - a funding strategy that is part public sector-led and initiated –in order that every part of the region receives direct benefit - with the remainder of the WIF being market led and guided by the best options that can demonstrably impact the region; and,
 - clusters and eco-systems – a 'narrow but deep' approach focused on driving clear comparative advantage.

6. The intention for the first period of operation, was to take a semi-structured approach to the process of seeking open interest from the market. Whilst this effected a clear framework, investment rules and parameters, a funnel process assisted by SIFT questionnaire and reliance on the Green Book Five Stage Business Case model, it also gave space for an exploratory/ discovery-led approach. This was important in getting a feel for the ideas and proposals that exist. The process of self-reflection has sometimes been challenging – although of significant benefit. This is not because being critical friends has been tough, but because the process is new, things have been learned through doing and the path only made clear by walking it. The results however are important because not only do they inform future steps and allow application of lessons learnt, they begin to inform and establish the outcomes-measures to guide further development.

7. The process for the deep dive assessment has involved:
 - Capturing insights from key stakeholders involved in the process
 - Discussion at Investment Panel meetings

- Individual contributions and assessments – written and one-to-one discussions
 - Insights from the CCR professional advisory team
 - Colleague workshops
 - Embedding the outputs of internal audit and the Audit Wales work
8. The self-evaluation process captures three main outputs: a series of findings that will constitute an implementation plan, outcomes statements for future deployment of the Wider Investment Fund and the Audit Wales review. The report is attached at Appendix 1 – IIF Review Report.

Key Findings

9. The feedback in general was encouraging and points to a platform that is capable of being continually developed and built-upon. Whilst the process is off to a good start, there is no room for complacency or standing still and must be open to continuous learning and improvement. The findings in full are set out in the IIF Review Report at Appendix 1. Key themes and topics included:
- focus on transformational programmes of activity and potential to achieve higher policy goals;
 - opportunity for increased self-origination of proposals, shifting from picking winners to picking the willing;
 - clear strategic context for investment – aggregation of proposals, thematic calls, targeted communications and sub-funds – all necessary to achieving a balanced portfolio;
 - setting aside funds for ‘match’ and leverage purposes e.g. ULEV;
 - setting aside funds for seed funding and ‘catalyst’ purposes for e.g. in the case of clusters, skills and energy work;
 - ROI balance vis a vis ability to impact core targets of jobs, growth and leverage;
 - formalising a strategic risk appetite for investment development and delivery through a comprehensive Risk Policy;
 - formalising a Responsible Investing Policy;
 - connections into wider business support and specifically, ‘early-stage’ businesses;
 - provision of dashboard information and greater reliance on data-driven systems;
 - process efficiency, optimising resources and procedural alignment;
 - succession planning for Investment Panel;
 - optimising local authority partner involvement;
 - further evolving governance structures;
 - robust system of programme monitoring and highlight reports;
 - re-double efforts on proportionate business case development
 - development of wellbeing metrics;
 - tying much of the above into an overarching investment strategy that will provide greater interpretation to the IIF.

Audit Wales IIF Review

10. The commensurate Audit Wales Review of the IIF is attached at appendix 2. The findings broadly indicate that the introduction of the IIF, based on following

the progression of two discrete investments, has seen proposals advance in accordance with the IIF process and were subject to appropriate scrutiny and debate. Minor matters for improvement have been highlighted and incorporated into the wider review work. These also resonate with the self-evaluation work and help bring about greater clarity and focus in relation to next steps and the development and delivery of the Implementation Plan. The Audit Wales work has been timely and value-adding in this context and has helped reaffirm and reinforce the focus of the Implementation Plan – into which the review findings and recommendations will be embedded. Overall, it is positive to note that the introduction of the IIF is bringing greater rigour to the investment planning and development process. The challenge moving forward is to build upon this, continually learn, develop and ensure there is adaptability and resilience in the face of change and evolution.

Next Steps

11. The lessons learnt combined with the Audit Wales findings will now be developed into a comprehensive Implementation Plan. Coupled with new outcome statements guiding more consistent interpretation of the investment fund, for key principles and values associated with Connected, Competitive, Resilient and Inclusion, there is high confidence that future progress will be robust, evidence-based and grounded in the reality of both the market and policy environment.
12. Investment Panel will oversee delivery of the Implementation Plan with exceptional reporting through regular IIF reports to Regional Cabinet. In addition, separate reports are currently being brought forward to Cabinet on Risk Policy, Responsible Investing and Governance and Programme Monitoring. It should be noted that delivery of certain aspects of the implementation plan will need to be congruent with development of Corporate Joint Committees given the wider freedoms and flexibilities permitted that will align with the direction of the review.
13. Finally, it should be noted that overwhelmingly, the value added of the approach and the introduction of the Investment Panel, has been underlined. This continues to be contingent on the goodwill of the ten panel members who give of large portions of their time freely – ongoing. Without them and their commitment, the process would be manifestly diminished and added to all of the above actions is the need to continue to develop, nurture and value stakeholders and develop clear succession and continuity routes for Investment Panel.

Reason for Recommendations

14. The report and attached reviews reflect separate but complementary work to inform the further development of the Investment and Intervention Framework, which although has proven to be effective to date, must be continually we shaped and improved in order to work optimally and deliver the best outcomes for the region.

Financial Implications

15. Where additional costs or resources are required in implementing agreed actions arising from the implementation plan, these will need to be considered as part of the CCRCDC budget.
16. The Investment and Intervention Framework is an essential governance mechanism that ensures use and access to funds have been through agreed criteria and processes align to the aims and objectives of the Cardiff Capital Region City Deal. This includes the requirement to produce business cases in line with the funding requirements set out by HMT and Welsh Government as well as best practice. The framework and process of periodic review of the framework is a key element of assurance that City Deal funding terms and conditions are observed and the risk of costs proving to be abortive at a later stage are minimised.

Legal Implications

17. Regional Cabinet are being asked to note and endorse the IIF self-evaluation review and the Audit Wales IIF Review and the Implementation Plan. There are no legal implications for this report.

Well-being of Future Generations (Wales) Act 2015

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 CCRCDC) 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 3.

Equality Act 2010

20. In considering this matter, regard should be had, amongst other matters, to the Councils' duties under the Equality Act 2010. Pursuant to these legal duties the Regional Cabinet 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:

- age;
- gender reassignment;
- sex;
- race – including ethnic or national origin, colour or nationality;
- disability;
- pregnancy and maternity;
- marriage and civil partnership;
- sexual orientation;
- religion or belief – including lack of belief.

Recommendations

21. It is recommended that Regional Cabinet:

- a) notes and endorses the IIF self-evaluation review; and, the Audit Wales IIF Review and notes the proposed Implementation Plan as a means of adapting the approach and providing high levels of future assurance;
- b) notes the wider context and developments needed to complement the review findings and implementation and receipt of commensurate and future reports on Risk, Responsible Investing, Programme Monitoring and Governance.

Kellie Beirne
Director, Cardiff Capital Region
15 March 2021

Appendices

- Appendix 1 Investment and Intervention Framework Self-evaluation and Review
- Appendix 2 Audit Wales CCRC Investment and Intervention Framework
Review Letter
- Appendix 3 Well-being of Future Generations Assessment

Investment and Intervention Framework – self-evaluation and review (February 2021)

1. Introduction

This purpose of this paper is to capture and distil the inputs from investment panel members and other stakeholders as part of the Investment and Intervention Review. Section 2 provides background and context, section 3 summarises the process undertaken, and the subsequent sections take us forwards through the reflections process we have now completed, the resultant outcome statements (interpretation and definition of success), and ultimately on to the implementation plan to enact on the proposed enhancements to the management and delivery of the Investment and Intervention Framework.

The key points to consider for progress, are the reflections, the outcome statements and the implementation plan.

2. Background and context

The Investment and Intervention Framework was approved by Regional Cabinet in June 2019 and enacted over the following three months, becoming operational in October 2019. Following the first year of operation, the Investment Panel supported by the Office of the Cardiff Capital Region has undertaken an internal process of self-evaluation and review. The scope of the review was endorsed by Investment Panel at its meeting on 8th September 2020, and noted by Regional Cabinet at its meeting on 19 October 2020 and is attached as appendix 1.

At the same time, Audit Wales has performed a review of the IIF and tested its fitness for purpose, as the focus of its audit work in 2020/21. The findings broadly indicate that the introduction of the IIF, based on following the progression of two discrete investments progressed in accordance with the IIF process and were subject to appropriate scrutiny and debate. Minor matters for improvement have been highlighted and incorporated into this review. Application of the IIF is seen as bringing greater rigor to the investment planning and development process. The Audit Wales letter is attached at appendix 2.

By way of context it should be noted the IIF has been running for a relatively short period of time. It brings with it, a different and non-transactional, non-traditional approach to the process of investment appraisal – the process itself being based upon the co-developed Industrial Growth Plan and the co-created Investment and Intervention Framework. This has seen the convening of the Investment Panel and a new hierarchy and order to the process of investment development, assessment and appraisal. Key principles are:

- Evergreen principles but as part of a wider portfolio approach;
- Three funding priorities – Innovation, infrastructure and challenge;
- Public sector as a co-investor versus a funder;
- Values of risk and reward;
- Public sector as a vehicle to convene around big challenges and to create and stimulate new markets;
- A funding strategy that is part public sector-led and initiative (albeit subject to the same investment processes and rules) so that every part of the region receives direct benefit, with the remainder of the WIF being market led and guided by the best options that can demonstrably impact the region;
- Clusters and eco-systems – a ‘narrow but deep’ approach focused on driving clear comparative advantage.

The intention for the first period of operation was to leave the fund open and semi-structured, to ensure the opportunity to get a feel for ‘what was out there’. This discovery phase was important in establishing what works, what doesn’t, learning lessons and bringing cohesion and co-ordination to future process. This was important as the arrangements are

different - but necessarily so given the task at hand to shift the productivity of one of the most relatively unproductive regions of the UK. This has made the process of self-reflection challenging because we have learned through doing. Some of the things experienced could have only been learnt 'on the job' and the path has in essence only been made, through walking. What has resulted however, are important lessons and benchmarks that can be embedded to guide and continuously improve future performance.

3. Process

The process of undertaking the review has involved:

- Capturing and synthesising the insights gained over the first 12 months from project sponsors, investment panel members, Regional Cabinet, professional advisors to the CCR, and from staff at the Office of the CCR;
- Discussion at Investment Panel meetings;
- Individual contributions from Investment Panel members via written submissions and/or one-to-one discussions;
- Insights gained from the pool of professional advisors supporting the implementation of the Investment and Intervention Framework;
- Internal workshop with key colleagues in the Office of the CCR and the Accountable Body; and
- Capturing the outputs of our internal audit process and Audit Wales.

This process was undertaken during October to December 2020.

The main focus was on capturing reflections of the first year of operation with a clear aim of reflecting on the purpose, aims, objectives and desired outcomes from the portfolio of investments; and ensuring that an efficient and simple, but robust, process of operation is in place.

Two main outputs are captured by the self-evaluation and review process: a series of reflections to build into future implementation, and a series of outcome statements for the Investment and Intervention Fund. These are supported by an action plan for implementing improvements and enhancements to the current operation.

This paper summarizes the outputs derived so far, and goes on to describe the next steps. It is important to agree the Outcome Statements to allow advancement to the next stages as these will be a cornerstone of the Investment Strategy for the Investment and Intervention Fund. Used effectively the articulation of outcomes will ensure clarity of purpose both internally and to the wider regional community. This in turn will help engender the building of better understanding, trust and the improved engagement required to stimulate impactful proposals.

The paper is now structured around:

- Summary of the reflections and lessons learnt
- Articulation of the outcome statements
- Establishing a forward implementation plan

4. Summary of reflections and lessons learnt

The overriding feedback was one of optimism – first year of operation had been effective with a number of projects successfully being considered, interrogated and approved for investment by Regional Cabinet, alongside a number of decisive decisions to not progress with projects that were considered to be unviable and/or out of scope. In the spirit of self-evaluation to enhance and improve process and outcomes the following summarizes the key findings:

- a. **Transformative:** our investments should be clearly aimed at transformative endeavors as distinct from transactional. Investments should be made into proposals, which do not simply allow more of the same but make a distinct paradigm change in scale, innovation, enablement etc. This is important in creating an environment that did not previously exist and in ensuring that there are not lots of 'one-off' projects – but contributions to higher level policy goals. At times, it is noted that more could be done to link strategic thinking and stated priorities to business case development to do better at 'telling the story':

Do more of:

- *Ensuring narrative connects back to clear strategic priorities and evidence base in business case development*
- *Take opportunity offered by revised 'Greenbook' to reinforce strategic case given its importance to overall case for investment*
- *Self-origination of good proposals and branching out to fill gaps experience married with a fast developing policy agenda has started to highlight in the region*

Do less of:

- *Time taken to originate deal-flow on projects that manifestly don't fit criteria. We have done this as its important projects get signposted to the right place – even if they do not fit CCR criteria. However, there is an issue about finding a balance and using small resources as wisely as possible. Getting a feel for credible and viable projects is something we have learned over time and can now be better applied*

- b. **Option appraisal and aggregation:** proposals should be considered in a wider and more strategic context, and not necessarily as standalone / transactional proposals. This is difficult with an open fund where there isn't necessarily a thematic approach, even though investment priorities and clusters have been identified. Again, learning has been invaluable to next steps.

Do more of:

- *Establishing dedicated sub-funds in order to allow for smaller applications, thematic alignments, professional fund management and overall management of a portfolio approach that relates to core objectives. This is now being addressed through development of specific sub-funds – SME Finance Fund and Strategic Premises Fund and developmental work on an Innovation Investment Fund.*

Do less of:

- *The process applied to relatively small investments is intense and can be time-consuming and not as nimble as could be the case. The approach to dedicated sub-funds will remove a lot of extraneous process, whilst maintaining tighter governance and apply professional fund management expertise.*

- c. **Proactive v Reactive:** with experience we should consider a proactive approach to eliciting proposals. This could be managed by way of a 'call to action' communications programme once the outcome statements and fund portfolio is clarified. Some of this will be developed by the CCR Office as strategic policy priorities grow in a post-Brexit and post-Covid world – energy, transport and levelling-up as key examples and where there is a case for public sector leadership and intervention. Some can be accomplished by strategic calls and thematic challenges.

Do more of:

- *Strategic or thematic ‘calls’ and a commensurate targeted communications plan*
- *Set aside small funds for ‘matching’ available funds for example LEV monies, hydrogen and so on – as has been evidenced by success of ULEV and taxi strategies through Metro Plus*
- *Consider giving structured ‘seasons’ to the investment process to enable management of in-flows and out-flows, and targeting and optimization of in-house resources*

Points 3.1 – 3.3 can be summarized as CCR playing a stronger role in origination of future project proposals / a stronger partnership role with prospective applicants, whilst maintaining an ‘open door’ for investment proposals to be bought forwards for consideration. Crucially it will be important to develop a coherent portfolio of projects that the region can look back upon as a coherent portfolio that can be built upon - rather than a series of individual projects.

- d. **Strategic v financial considerations of proposals:** the balance between financial and strategic needs ongoing care and attention to derive appropriate balance. The funding strategy for CCR has to be uppermost in such situations. The approach is to ensure all areas benefit from core infrastructure – digital, housing, transport and sites. Some of this activity will yield ROI, but much of it won’t. So long as the CCR targets are the first consideration – GVA, jobs and growth and economic inclusion – this is appropriate. Wherever possible however and with more focused innovation-led growth – ROI should be a further goal – albeit not the guiding goal. ROI is important to build resilience, shift from historic grant structures and create the conditions for reinvestment, scale and impact. By itself however, it will not guide the most meaningful of outcomes. Explicit consideration should be given to setting ‘portfolio targets’ to help balance this need; and target a proportion of seed/enabling funding to create wider important conditions. This must be developed against the context of the emerging CCR Risk policy – setting a clear risk appetite and thresholds for the IIF process.

Do more of:

- *Explicitly identifying portfolio fund targets across ROI and enabling investments to achieve a balanced effect*
- *Focus down on leverage ratios in order to demonstrate the co-investment and investment partnering principles*
- *Scenario planning for investments that may fail to return in the way planned due to unforeseen risks*
- *Establish CCR Risk Policy – work which is developing with external advisors and experts and nearing completion*

Do less of:

- *Assessment purely by ROI at stage 1 – albeit this has been significantly mitigated given the parameters established through the SIFT and the leadership of Investment Panel*

- e. **Risk appetite:** investments should be neither as a ‘last resort’ nor as an ‘easy option’, rather as an alternative of delivering strategically important investments where there is no other feasible or appropriate route. CCR won’t always be a lender of last resort and neither should it be given the vision emerging for Public Services as co-investors and conveners around some of the biggest societal challenges of the day.

Do more of:

- *Clearly set parameters around risk tolerances and thresholds and ensure case is considered carefully on its merits*
- *Consider risks in the round. There are strategic and programme level risks which are distinctive – but complementary*

Do less of:

- *Risks assessments based solely on doing and engaging in investment activity and ensure assessments of risks of ‘not doing’ and costs of failure by omission*

- f. **Scale / minimum value:** any investment strategy should consider minimum value investments. A simple parameter to be introduced to align with the fund portfolio stage. This will be helped significantly by the ‘cluster framework’ and the development of sub-funds which will bring structure and coherence to the portfolio approach.

Do more of:

- *Planning for portfolio approach*
- *Creation of dedicated sub-funds that can help create scale and impact through aggregation*
- *Development of strategic approach or framework for Cluster creation*

Do less of:

- *Ideally, and as things progress, small scale investments such as Cool Plasma and Pharmatelligence would be channeled through purpose-structured funds such as the Innovation Investment Fund*

- g. **Responsible investing:** any investments should be responsible investments taking into account wider social, environmental, cultural considerations. Whilst a balance will need to be struck with the diversity of industries in the region; consideration of ‘build back better principles’ and cognisance of the climate crisis and maximum efforts to uphold the vision of the Energy Strategy, should be made at all times.

Do more of:

- *Development and approval by Regional Cabinet of an Responsible Investment Policy*
- *Embed climate crisis goals – as set out in the vision of the Energy Strategy into the SIFT process in the same way as wellbeing goals have been incorporated*

Do less of:

- *Agreeing single investment without reference to core requirements for example – CCR Graduate scheme and ensuring we embed social clause provision*

- h. **Business Support and the ‘early stages’:** a clear understanding that the role of the City Deal is not to provide direct business support, but a feeling that through the Business Council we should be championing the needs of business and influencing future business support programmes. From an Investment Fund perspective, respondents who contributed to the review, welcomed dialogue about which stage businesses/ investments City Deal funds should be for. Whilst acknowledging earlier stage businesses and propositions will be inherently more risky and unpredictable to some degree - they are an important factor in developing clusters and creating an environment which encourages innovative behaviors and the ‘eco-system’ effect. This could be considered in the development of the building blocks and funding portfolio and

gap analysis stage. If it is determined that this is not an area that the Investment Fund does not wish to support in the future then we should be clear and unambiguous.

Do more of:

- *Work towards development of an Investment Strategy for the overarching WIF, setting out such tolerances and parameters and acknowledging that the individual sub-funds will have their own investment strategies. This needs to tie into the overall approach.*

Do less of:

- *Assessing each application / submission as they arrive and have a more structured and coherent approach to establishing parameters upfront through a clear Investment Strategy*
- i. **Dashboard information:** fuller macro information should be sourced, aligned to the outcome/metrics and fund portfolio for decision making. Such data should support and align to the earlier referenced points of i) risk, ii) transformative impact, iii) strategic investments as distinct from primarily financial returns. This could be built upon more comprehensively overtime to consider further value added outcomes – social clauses/ community benefit and net zero goals etc. This would help to establish more of a ‘balanced score-card’ approach to the data-insight process.

Do more of:

- *Process evolution and establishment of more sophisticated back office procedures – this will however be contingent on greater resource than is currently available and must tie in with plans for the proposed City Deal office resourcing structure and the appointment of a small Investment team*
- j. **Process efficiency:** the process of evaluating and approving investments could and should evolve to be more expeditious and proportionate. Specifically the burden of time, resource, reiteration, repetition and delay should be reduced whilst maintaining compliance. Consolidation must be a feature of the forward programme. Whilst the approach to governance is robust – sometimes an investment proposal will go multiple times to Cabinet briefings, REGP, Programme Board, Investment Panel and where thematically relevant to RTA and CSC Foundry Board. The levels of duplication are high and the value-add is seen by participants to be low. Greater consideration must be given to alternative ways of sharing information, refining processes and making best use of governance structures. The Accountable Body will have a key part to play in this and balancing assurance with the need to be proportionate.

Do more of:

- *Ensure new, additional and existing governance arrangements, are coherent, connected and proportionate*
- *Establish a portal where all information can be held and accessed by decision makers and key individuals in the process*
- *Ensure new Programme Monitoring and Highlight Report arrangements are open accessible – but equally consolidate key data ensuring the key issues and risks can be easily identified with effective routes for escalation on an exceptional basis*
- *Emphasizing and reinforcing the role of the Accountable Body in assurance processes*

Do less of:

- *Multiple replicated meetings – especially when alternative means of scrutiny and assurance can be applied. They must pass the ‘value add’ test*

k. Succession Planning at Investment Panel: the Investment Panel provides healthy debate and challenge to the business case development process and is a key part of the project evaluation/investment appraisal process. Consideration should be given to how we maintain the healthy dynamic of the Investment Panel by developing a succession and rotation plan of membership and chairmanship.

Do more of:

- *Succession and continuity planning for Investment Panel in line with REGP approaches*
- *Utilizing diverse talents of REGP and member specialisms to provide expert advice when required*

l. Optimising Local Authority partner involvement: Local Authorities must be integral in the proposal origination process and consequential delivery. The City Deal will not deliver for – but with LAs and the role of local initiation, programme development and business support must be supported to come to the fore. The approach must be one of partnership and the mantra one of ‘what you make of it’.

Do more of:

- *RBC to play full role in connecting with local business groups and fora to establish the ‘hub and spoke’ approach*
- *LAs evidencing local pipeline and opportunities to assist in the self-origination endeavor*

Do less of:

- *Detachment. As wider regional structures develop and new funds and programmes emerge – it will be more important than before that region runs concurrent with local and there is a shared approach and common purpose to leveraging maximum investment into the region*
- *0 returns from Innovate UK – more must be done to up the ante on UK Govt level investment – particularly in innovation-led growth and high value opportunities*

m. Proportionate Business case development: it is challenging to strike the right balance in developing business cases that are proportionate to the investment ask and specific contextual requirements. The business case process ‘greenbook’ is well-suited to infrastructure development – but less so to innovation and challenge led development – where the variable, inputs and outputs are inherently different. New flexibilities in the greenbook accounting process must be maximized to ensure business case developments, reflect the scope and scale of work to be done.

Do more of:

- *Local Partnership supported ‘real-time’ work on proportionate business case development*
- *Learning lessons of others and seeking wider engagement on how such issues are managed in other regions and investment funds*
- *Tidying-up. The Audit Wales report, although reporting only minor shortcomings in administration, nonetheless underline the need for initiation documentation to in order*

Do less of:

- *One size fits all business case development*

- n. **New framework for Programme Monitoring and ‘Highlight Reports’** – given the first phase of approved investments are now in train, it is important that a comprehensive set of arrangements are in place to monitor and evaluate success. To date, this has included the Quarterly Performance Reports; logic models, the Annual Governance Statement, Internal and External Audit and the external Gateway Review process (National Evaluation Framework). This is a lot of dense information and whilst it provides an overview of wider progress and benefits realisation; it doesn’t always allow the reader/ assessor to put their hands on ‘real-time’ monitoring and evaluation information. Therefore a new framework for Programme Monitoring will be developed for 2021/22. This will involve portfolio lead scrutiny and reporting and dedicated highlight reports to Regional Cabinet.

Do more of:

- *Systematize and embed processes for Highlight Reports*
- *Establish a clear system of reporting and escalation*
- *Link with newly emerging governance environment*

- o. **Evolving Governance framework for the IIF** - the governance for City Deal is growing, becoming more involved and complex. No longer limited to core sub-committees and partnerships, additional reporting and structures are required around and the Strategic Premises Fund. Not only will this lead to a high volume (12+) of groups and bodies to co-ordinate – there needs to be synergies, checks-balances and a clear sequence and hierarchy of decision making. Legal and professional advice will be needed to ensure all functions are executed in line with JWA. This will be doubly important as the City Deal evolves into a Corporate Joint Committee environment, wherein, additional structures and regulatory frameworks must be adhered to. In addition, having ongoing checks and tests around Disclosure of Interests, up-to-date and functional Terms of Reference and observing the Nolan principles of Public Life must be consistently grounded in all aspects of evolving governance.

Do more of:

- *Resource provision. Recruit and appoint a dedicated Governance lead to elevate status and importance of good governance*
- *Establish new processes with Cabinet endorsement, ensuring they are clear and understood by all*
- *Continue to embed work around Declarations of Interest with support of Accountable Body and LA Monitoring officers and Audit Wales Report (2019)*
- *Diversity review of partnerships to ensure optimal representation and that equality and diversity issues are central and understood as adding value and richness to the process*

Do less of:

- *Managing within existing resources – the scope and significance and complexity of governance is now such that a dedicated focus is necessary.*

- 3.16 **Wellbeing metrics** – a common theme was the ‘GVA v wellbeing’ tension that is sometimes felt across a programme guided by productivity-growth measures but applied in a Welsh wellbeing context. Whilst it is understood the two are not mutually exclusive, there is a clear need to develop the lens through which outcomes and impact is measured.

Do more of:

- *Exploring alternative wellbeing measures to provide broader interpretation to effective and sustainable economic development*
- *Wider reporting on wellbeing impact – albeit understanding this is part of a longer-term journey the Welsh public policy landscape is investigating*

These reflections captured will now inform future activity and be incorporated into the forward implementation plan outlined in section 5 of the paper. This Implementation Plan will be an ongoing exercise, since much of the above needs to happen through a further process of evolution and not a 'check box' style of application. It is important to remember these are live processes and learning will continue to be on the job. The Implementation plan will therefore be a dynamic document and will be applied in a real-time environment. The Implementation Plan progress will report to the Investment Panel.

5. Outcome Statements

The Outcome Statements for the CCR Investment and Intervention Fund are being proposed based on the reflections gained during this self-evaluation and review process as a means of guiding important future principles. They will become the cornerstone of the proposed investment strategy for the Fund that will build on, and complement, the current Industrial and Economic Plan, the Covid-19 response plan, and the Investment and Intervention Fund Framework document.

When considering the outcome statements aligned to the Industrial and Economic Plan framework themes of *Competitive, Connected and Resilience* it was evident that there was broad consensus on the first two, and a diverse set of interpretations on the theme of *Resilience*.

Competitive and Connected as presented (Appendix 3) were strongly resonant and evoked broadly the same interpretations and no significant direct amendments were suggested. However, there were some helpful comments and important key guiding words - transformative, inclusive, risk appetite, scale, responsive/reactive amongst others. These do not directly alter the outcome "statements" as such, but are important influencing factors in the delivery and investment decisions. These are captured in section 3 above and will be built into the investment strategy and wider development and implementation plan.

Resilient as articulated (Appendix 3) drew a number of different (but arguably, compatible) interpretations. For some, resilience means 'inclusion' of the whole region, particularly the less economically competitive areas. For others the term means 'protection from threat' e.g. recession impact, global conditions, political uncertainty, renewable energy factors. In essence the 'future prepared and readiness' of the region. Another distinct but complementary view was that resilience should mean the 'full utilisation of all the regions assets'. Thus viewing the less competitive areas as under utilisation of assets.

As such resilience was viewed both as cross cutting theme for all investments and as an outcome (or outcomes) in its' own right. To best accommodate these views and reflect these interpretations of resilience it is suggested that it is subdivided into two:

- Inclusion – an outcome which would ensure that the entire region (locations, people and assets) see a narrowing of any differentiation (employment, wealth, services, connectivity etc.) across the region
- Resilience against outside threat and withstanding shocks - an outcome which would see the region future proofed against identified and defined threats

It is further suggested and as above, the net-zero agenda is firmly embedded within such definitions and becomes an important marker for future development as a core indicator of wellbeing.

The following articulation of the set of outcomes are presented as a complete articulation of success for the region. These outcomes largely encompass a reasonable and achievable scope for investment, which if realised would be considered success.

They represent the ‘what’ the CCR is trying to achieve and the rationale as to why the CCR should invest in these areas.

Competitive: Our priority clusters will be internationally respected as leading edge, supported by a strong and active economic and innovation ecosystem, and are enabled and motivated to grow.

Connected: Our region will be connected, without technical or cost barrier, to enable full use of our human, physical and data assets and potential.

Inclusion: Our region will promote, practice and invest in means of closing the economic and social disparities between our places and communities.

Resilience: Our region will be one which identifies and recognises all economic, technology and social threats – a region which designs and “builds in” measures and activities to mitigate against the impact of these threats.

Renewable: Our region will be one which prioritises, values, rewards and invests in companies, technologies and communities to achieve our net zero ambition by 2050.

6. Establishing a forward implementation plan

The following high-level plan articulate the process and next steps that we propose undertaking in a methodical and sequential manner to take forwards the key findings of the review. The outcome of the following steps will be an investment strategy together with a series of supporting processes.

The following table highlights the major activity and timeline.

Activity	By When
Agree Outcome Statements	15 th April 2021
Agree Responsible Investing Policy	15 th March 2021
Develop a succession and rotation plan for Investment Panel	April 2021
Finalize new Highlight Reports and Programme Monitoring Report	April 2021
Finalize the updated Risk Strategy and Policy	May/June 2021
Finalize and agree Investment Strategy: build on the outcome statements and their characteristics to derive a set of strategic building blocks	July 2021
Refine operational processes and procedures to ensure efficiency in the process of project appraisal and business case development	July 2021
Enact a communication and engagement plan	July 2021 onwards

7. Recommendations

To:

- i.) Note the report and the summary of findings including key lessons learnt which will translate into an Implementation Plan
- ii.) Approve the outcome statements as they represent the 'what' the CCR is trying to achieve and the rationale as to why the CCR should invest in these areas.
- iii.) Approve the Responsible Investing Policy
- iv.) Approve to receive a further Investment Strategy for consideration at the July 2021 meeting

Appendices

Appendix 1 – Scope of self-evaluation and review

Appendix 2 – Audit Wales IIF Review

Appendix 3 – Outcome Statements

CCR Investment and Intervention Framework Review

After 12 months experience and lessons learned of operating the Investment and Intervention Fund to deliver the vision and goals set out for the Cardiff Capital Region (CCR) in the Industrial and Economic plan, it is recommended, and following good practice, to reflect and review what's working well; identify areas where enhancements could be made; and implemented such changes across the end-to-end process flow of the Investment and Intervention Framework.

From informal feedback from participants in the Investment and Intervention Framework – project sponsors, Investment Panel members, Regional Cabinet, employees of CCR, and professional advisors to the CCR team – there is a strong view that the current processes, mechanisms and indeed the structure of the funding could be enhanced to realise three key benefits:

- i) Clarity of the purpose, aims, objectives and desired outcomes of the portfolio of investments;
- ii) Simplified process easing the burden on CCR resource, making it more expedient and efficient; and
- iii) Improved funding mechanisms to be more targeted and aligned toward an outcome-based philosophy of the CCR City Deal.

Scope

To make these adjustments in an impactful and sustainable manner, we propose undertaking an end-to-end review. The following is proposed as the scope for the review:

- Analyse and distill the lessons learned thoroughly over the last 12 months;
- Gain clarity through refinement of the vision and goals of CCR to establish a supporting set of tangible and relatable of outcome statements, to satisfy both CCR and be meaningful to the target audience of project sponsors;
- Translate the outcome statements into tangible building blocks, components and deliverables;
- Design a portfolio of funding mechanisms tailored to delivering against these with clear a investment and risk strategy;
- Test and sanity check the proposals;
- Design implementation plan and execute

Timeline

To be complete by end of November 2020, to allow Regional Cabinet to consider at its December 2020 meeting.

It is proposed that the review would be led by [.....] supported by the Investment Panel members and CCR Team. It is proposed that the first meeting of the Task and Finish Group is organised for late September, with the weekly meetings until the end of October. A wider workshop with Regional Cabinet, REGP and Programme Board for early November, with a final meeting of the Task and Finish Group to sign off the report in late November.

The report will address all of the points identified in the scope and will include an action plan for implementation of any changes/enhancements recommended.

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Dear Kellie

Audit Wales' Investment and Intervention Framework review

As part of our 2020 audit, we recently completed our review of the Investment and Intervention Framework (IIF). The purpose of our work was to assess if investments were appropriately considered in line with the process set out in the IIF. We looked at the progression of two investments through the IIF:

- a retrospective review of the Housing Investment Fund, which was approved by Regional Cabinet in March 2020.
- a real-time observation of the Pharmatelligence investment as it was considered through the stages of the IIF from April to November 2020.

We met with you recently to provide some high-level verbal feedback on our findings, and to reflect on your own review of the IIF, one year on since it was established. From our discussion, it was clear that there were some common findings from the two reviews. We are grateful to the Office of the Cardiff Capital Region City Deal (CCRCD) for facilitating access to information.

The IIF was developed by the CCRCD's Regional Economic Growth Partnership (REGP) together with the Regional Joint Cabinet. It was approved by the Joint Cabinet in June 2019. The IIF is designed to ensure that applications for investment of the £495m Wider Investment Fund are considered rigorously, are consistent with the CCRCD's priorities as set out in its Industrial and Economic Plan, and will yield a positive return on investment. The IIF sets out three investment priorities: infrastructure, innovation and challenge. It includes a number of stages to assess the suitability of the potential investments. These include an initial sift undertaken by the Office of the CCRCD, and consideration by the Investment Panel and the REGP. The decision whether to proceed with an investment ultimately lies with the Regional Cabinet, but the process maximises

the expertise and experience of the commercial and private sector. The Investment Panel, which involves a mix of private sector representatives and representatives from the councils, has a key role in the process.

In terms of our review of the two investments, we found that they progressed in accordance with the IIF process and were subject to appropriate scrutiny and debate. We identified some minor matters for improvement. Our findings relating to the two investments we reviewed are set out below.

Housing Investment Fund

The Housing Investment Fund required funding of £30m from the CCRC and progressed from the sift proposal stage in October 2019 to the approval by Regional Cabinet in March 2020.

We identified the following strengths:

- Overall, the investment went through the framework in accordance with the IIF process. Although we didn't observe any meetings there is evidence of appropriate challenge as it progressed through the IIF;
- Our review of the paperwork was high level, but the level of information provided to each forum was proportionate overall;
- Even though Programme Board isn't officially part of the investment framework process, they had sight of the KPMG presentation before the Full Business Case went to Regional Cabinet.

We identified the following areas for development:

- There were no minutes of the 2 October 2019 Investment Panel meeting, although there is a recommendation log, and an attendance list to show the meeting was quorate;
- There is a statement that is factually incorrect in the covering report to Regional Cabinet on 9 March 2020. The statement is 'Investment Panel met on 28 February 2020 and considered the draft FBC {Full Business Case} and Technical Annexes comprehensively'. On 28 February 2020 Investment Panel were given a presentation by KPMG, as opposed to the draft Full Business Case.

Pharmatelligence

An equity investment of £2m was agreed for Healthcare Evaluation Associates (trading as Pharmatelligence). The investment progressed from the sift proposal stage in April 2020 to approval by Regional Cabinet in November 2020.

We identified the following strengths:

- The investment went through the framework in accordance with the IIF process.
- It was positive that the weaknesses in due diligence were challenged by the Investment Panel at the 13 October 2020 meeting. Another Investment Panel was convened on 3 November 2020, and the Panel was satisfied with the further work that had been done in the interim.
- Officers recognised they'd learned a lot with this investment;
- The presentation to Regional Cabinet on 16 November 2020 was detailed, and Regional Cabinet had a robust discussion on the merits of investing and how the investment fitted with the strategic aims of the CCRCD, before they voted in favour of the investment proceeding.

We identified the following areas for development:

- Following our observation of the Investment Panel meeting on 8 September 2020, and subsequent consideration of the Terms of Reference of the Investment Panel, we noted that the meeting had not been quorate. We understood that this had occurred due to the unprecedented demands on Chief Executives' time during the pandemic. Fortunately, we were able to discuss the matter with you ahead of the Regional Cabinet meeting on 14 September 2020, and the matter was handled appropriately at that meeting as Regional Cabinet deferred considering Investment Panel's recommendations from the 8 September 2020 pending reappraisal by them at their next meeting. We note the subsequent amendment that has been made to the Investment Panel Terms of Reference to allow that in exceptional circumstances written comments will be acceptable from panel members to make the meeting quorate.

In terms of the IIF more generally, we found that:

- Application of the IIF has helped to bring in greater rigour to investment selection.
- The IIF process is available on the CCRCD website and provides a clear overview of how this will work and the ambitions of the CCRCD.
- We have observed good debate and challenge of investments at Investment Panel meetings. We have seen that applications have been turned down or further information requested to try to ensure that those that proceed to the next stage will benefit the region and meet the CCR's overriding objectives.
- The process maximises the expertise and experience of the commercial and private sector particularly through the Investment Panel.
- Application of the IIF is not a strict 'yes/no' process. We have observed that the process can be iterative and officers of the Office of the CCRCD have explained that it has worked with prospective applicants to evolve and refine investments. This was evident with the Pharmatelligence investment.
- Officers have also provided feedback to those applicants who aren't successful.

- We note that through Academi Wales, the Office of the CCRC is working with Cardiff University to run workshops to support organisations who are interested in applying to the Challenge Fund.

Our review identified some potential areas for development or consideration, which we have discussed briefly with the Office of the CCRC:

- Whilst the Terms of Reference of the REGP is clear that it has a role to play within the IIF, at present its role is the penultimate stage prior to Regional Cabinet's final decision. Given it is Investment Panel who are making recommendations to Regional Cabinet as to whether to proceed with an investment or not, you may wish to consider whether REGP's role would be more beneficial at an earlier stage of the IIF, particularly given the REGP's role is 'Providing review and challenge to City Deal Investment Fund decisions – interfacing with the Investment Panel which has been convened to provide advice and guidance to Cabinet on the Investment Framework' (as set out in the revised Terms of Reference of the REGP approved at Regional Cabinet in October 2020).
- You may wish to consider the merits of developing a high-level tracker, briefly setting out where further information was requested by a particular forum before it proceeds to the next stage of the IIF. An example of this would be where the Investment Panel requested further actions to be taken at the 13 October 2020 relating to the Pharmatelligence investment before they were in a position to recommend to Regional Cabinet that the investment should proceed. A high-level tracker would provide a simple means for the Panel to be satisfied that any outstanding actions have been addressed, and such a written record would further enhance the transparency of the process.
- We are aware that the pipeline of investments is increasing, and this is requiring considerable time from staff from the Office of the CCRC to manage. The CCRC has not yet been able to recruit an Investment Manager. As investments are approved, the skills and experience required will shift more towards programme management and monitoring to oversee that investments are on track to deliver as planned and to keep Regional Cabinet updated on this.

I hope you find this useful but would be happy to discuss further. Thank you for your cooperation with this work.

We will be in touch again to further discuss what the focus of our 2021-22 performance audit work may be.

Yours sincerely

Sara-Jane Byrne
Audit Manager

What does a successful competitive region look like?

Outcome Statement

Our priority clusters will be internationally respected as leading edge, supported by a strong and active economic and innovation ecosystem, and are enabled and motivated to grow.

Characteristics

Each cluster would be recognised as successful when we can evidence all of the following characteristics:

- An evidenced cluster vision and road map - ongoing data availability, collation and analysis
- Recognised and definitive lead capability/organisation
- Strong, understandable and recognised brand
- Strong inward investment and trade propositions
- Clearly established and efficient pathways/support for innovation to commercialisation
- Supportive and coordinated programme for start-ups, scale-ups, and pre-revenue endeavours
- Significant interaction and collaboration activity between cluster stakeholders
- Fit-for-purpose skills and education programme
- Indigenous and aligned R&D support and capacity capability
- Definitive R&D funding proposition plan
- Political support/endorsement
- Stakeholder engagement plan

Measures/metrics

To measure performance and track progress to the desired outcome, we propose the following metrics:

- Inward investment levels aligned to our clusters
- International trade activity
- Commercialisation activity (£/products) of Universities R&D
- Start-up activity and volume
- Scale-up businesses making it to the FTSE 250
- Employment by number, type and salary
- Leveraged external funding aligned to clusters

What does a successful connected region look like?

Outcome Statement

Our region will be connected, without technical or cost barrier, to enable full use of our human, physical and data assets and potential.

Characteristics

A successfully connected region would be recognised when the following characteristics are evident:

- Affordable digital infrastructure available to “all” businesses and citizens
- Digital infrastructure that is technologically “leading edge”
- Digital infrastructure that is reliable and safe
- Digital network fully exploited by all public sector organisations including publicly owned organisations e.g. Cardiff Airport, NHS, DVLA (exploitation plans)
- Digital network test bed capability for innovation (with a plan, focus and funding)
- People able to move quickly, safely and affordably throughout the entire region, for employment, care and tourism.
- A region with a renowned Transport test bed capability for innovation (with a plan, focus and funding)
- Public transport system built on clean energy principles with opportunity and access for indigenous business for R&D
- A supporting and aligned transport cluster.
- Direct links internationally and nationally for trade, inward investment and collaboration
- Stakeholder strategy and plan to align activities of public and private institutions - Health, Universities & Colleges, social enterprises, trade bodies etc

Measures

- Gigabit level connectivity throughout the region (% access)
- Direct Tier one transatlantic link from the region
- Public Sector Digital Data Assets available
- Cyber crimes reported/data breaches
- Travel times, new connections/hubs
- Green Energy use cases in public transport
- University R&D energy innovations “adopted” by CCR public transport

What does an inclusive region look like?

Outcome Statement

Our region will promote, practice and invest in means of closing the economic and social disparities between our places and communities.

Characteristics

A successfully connected region would be recognised when the following characteristics are evident:

- A region which prioritises projects and activities to be sited across the whole region, in particular the less economically competitive areas to stimulate sustained employment
- A region which focuses on improving assets which have been excluded by geography and history
- A regional continuous learning plan - which values and encourages continuous learning for all, and ensures accessible options for continuous and ubiquitous learning in all forms
- A region whose businesses value and rewards , all learning and knowledge, academic and practical, and not just qualification
- A region which enables all of its' people to move affordably, quickly and safely between "all" locations in the region with a maximum of two connections within a time frame of 1 hour.

Measures

- No of projects sited in, or targeted at, the less economically competitive areas of the region
- No of citizens partaking in learning and development/training programmes
- Employment levels and % of citizens earning at least the Real Living Wage
- Reduction in disparity metrics between Authorities (e.g. UK Competitive Index)

What does a resilient region look like?

Outcome Statement

Our region will be one which identifies and recognises all economic, technology and social threats – a region which designs and “builds in” measures and activities to mitigate against the impact of these threats.

Characteristics

- A Region with an Innovation strategy/action plan focussed on threats and opportunities to our economy
- A region with an observatory, and horizon scanning capability which continually monitors threat and opportunity levels
- A region which prioritises investments in future ready technologies, business models and research
- A region with priority clusters with a diverse business portfolio
- A region which affords our citizens the accessible and affordable resources to learn and train for future and changing needs
- A region which educates and informs our citizens and organisations of future threats ahead of impact - social, health, economic and security
- A region with a clear and trusted leadership function
- A region which has a comprehensive contingency strategy and action plan

Measures

- Innovation metrics
- Establishment of observatory
- ...

What does a net zero region look like?

Outcome Statement

Our region will be one which prioritises, values, rewards and invests in companies, technologies and communities to achieve our net zero ambition by 2050.

Characteristics

TO be developed via the CCR Energy Strategy Implementation Group, but could include (illustrative only):

- A regional Net Zero Action Plan developed and communicated with progress communicated annually
- Carbon neutral / Net Zero policies adopted by all public sector organisations in the region
- Public Transport being net zero
- Maximise the use of the natural resources available within the region to achieve our ambitions

Measures

To be developed via the CCR Energy Strategy, but could include (illustrative only):

- % of vehicles driven in the CCR by 2035 running on green technologies (electric, hydrogen, ammonia etc.)
- Move to low carbon heating systems (new builds from 202x and retro fit scheme)
- Decarbonisation of the electricity network
- To generate equivalent of 50% of total energy consumption in 2035 from regional renewable sources

Investment and Intervention Framework – self-evaluation and review (February 2021)

1. Background and context

The Investment and Intervention Framework was approved by Regional Cabinet in June 2019 and enacted over the following three months, becoming operational in October 2019. Following the first year of operation, the Investment Panel supported by the Office of the Cardiff Capital Region has undertaken an internal process of self-evaluation and review. The scope of the review was endorsed by Investment Panel at its meeting on 8th September 2020, and noted by Regional Cabinet at its meeting on 19 October 2020 and is attached as appendix 1.

At the same time, Audit Wales has performed a review of the IIF based assessing sample interventions and whether that were appropriately considered in line with the process set out in the Investment and Intervention Framework. The findings broadly indicate that the introduction of the IIF, based on following the progression of two discrete investments progressed in accordance with the IIF process and were subject to appropriate scrutiny and debate. Minor matters for improvement have been highlighted and incorporated into this review. Application of the IIF is seen as bringing greater rigour to the investment planning and development process. The Audit Wales letter is attached at appendix 2.

By way of context, it should be noted the IIF has been running for a relatively short period of time. It brings with it, a different and non-transactional, non-traditional approach to the process of investment appraisal – the process itself being based upon the co-developed Industrial Growth Plan and the co-created Investment and Intervention Framework. This has seen the convening of the Investment Panel and a new hierarchy and order to the process of investment development, assessment and appraisal. Key principles are:

- Evergreen principles but as part of a wider portfolio approach
- Three funding priorities – Innovation, infrastructure and challenge
- Public sector as a co-investor versus a funder
- Values of risk and reward
- Public sector as a vehicle to convene around big challenges and to create and stimulate new markets
- A funding strategy that is part public sector-led and initiative (albeit subject to the same investment processes and rules) so that every part of the region receives direct benefit, with the remainder of the WIF being market led and guided by the best options that can demonstrably impact the region
- Clusters and eco-systems – a ‘narrow but deep’ approach focused on driving clear comparative advantage

The intention for the first period of operation was to leave the fund open and semi-structured, to ensure the opportunity to get a feel for ‘what was out there’. This discovery phase was important in establishing what works, what doesn’t, learning lessons and bringing cohesion and co-ordination to future process. This was important as the arrangements are different - but necessarily so given the task at hand to shift the productivity of one of the most relatively unproductive regions of the UK. This has made the process of self-reflection challenging because we have learned through doing. Some of the things experienced could have only been learnt ‘on the job’ and the path has in essence only been made, through walking. What has resulted however, are important lessons and benchmarks that can be embedded to guide and continuously improve future performance.

2. Process

The process of undertaking the review has involved:

- Capturing and synthesising the insights gained over the first 12 months from project sponsors, investment panel members, Regional Cabinet, professional advisors to the CCR, and from staff at the Office of the CCR;
- Discussion at Investment Panel meetings;
- Individual contributions from Investment Panel members via written submissions and/or one-to-one discussions;
- Insights gained from the pool of professional advisors supporting the implementation of the Investment and Intervention Framework;
- Internal workshop with key colleagues in the Office of the CCR and the Accountable Body; and
- Capturing the outputs of our internal audit process and Audit Wales.

This process was undertaken during October to December 2020.

The main focus was on capturing reflections of the first year of operation with a clear aim of reflecting on the purpose, aims, objectives and desired outcomes from the portfolio of investments; and ensuring that an efficient and simple, but robust, process of operation is in place.

Two main outputs are captured by the self-evaluation and review process: a series of reflections to build into future implementation, and a series of outcome statements for the Investment and Intervention Fund. These are supported by an action plan for implementing improvements and enhancements to the current operation.

This paper summarizes the outputs derived so far, and goes on to describe the next steps. It is important to agree the Outcome Statements to allow advancement to the next stages as these will be a cornerstone of the Investment Strategy for the Investment and Intervention Fund. Used effectively the articulation of outcomes will ensure clarity of purpose both internally and to the wider regional community. This in turn will help engender the building of better understanding, trust and the improved engagement required to stimulate impactful proposals.

The paper is now structured around:

- Summary of the reflections and lessons learnt
- Articulation of the outcome statements
- Establishing a forward implementation plan

3. Summary of reflections

The overriding feedback was one of optimism – first year of operation had been effective with a number of projects successfully being considered, interrogated and approved for investment by Regional Cabinet, alongside a number of decisive decisions to not progress with projects that were considered to be unviable and/or out of scope. In the spirit of self-evaluation to enhance and improve process and outcomes the following summarizes the key findings:

- 3.1 **Transformative:** our investments should be clearly aimed at transformative endeavors as distinct from transactional. Investments should be made into proposals, which do not simply allow more of the same but make a distinct paradigm change in scale, innovation, enablement etc. This is important in creating an environment that did not previously exist and in ensuring that there are not lots of ‘one-off’ projects – but contributions to higher level policy goals. At times, it is noted that more could be done to link strategic thinking and stated priorities to business case development to do better at ‘telling the story’:

Do more of:

- *Ensuring narrative connects back to clear strategic priorities and evidence base in business case development*
- *Take opportunity offered by revised 'Green Book' to reinforce strategic case given its importance to overall case for investment*
- *Self-origination of good proposals and branching out to fill gaps experience married with a fast developing policy agenda has started to highlight in the region*

Do less of:

- *Time taken to originate deal-flow on projects that manifestly do not fit criteria. We have done this as its important projects get signposted to the right place – even if they do not fit CCR criteria. However, there is an issue about finding a balance and using small resources as wisely as possible. Getting a feel for credible and viable projects is something we have learned over time and can now be better applied*

3.2 Option appraisal and aggregation: proposals should be considered in a wider and more strategic context, and not necessarily as standalone / transactional proposals. This is difficult with an open fund where there is not necessarily a thematic approach, even though investment priorities and clusters have been identified. Again, learning has been invaluable to next steps.

Do more of:

- *Establishing dedicated sub-funds in order to allow for smaller applications, thematic alignments, professional fund management and overall management of a portfolio approach that relates to core objectives. This is now being addressed through development of specific sub-funds – SME Finance Fund and Strategic Premises Fund and developmental work on an Innovation Investment Fund.*

Do less of:

- *The process applied to relatively small investments is intense and can be time-consuming and not as nimble as could be the case. The approach to dedicated sub-funds will remove a lot of extraneous process, whilst maintaining tighter governance and apply professional fund management expertise.*

3.3 Proactive v Reactive: with experience we should consider a proactive approach to eliciting proposals. This could be managed by way of a 'call to action' communications programme once the outcome statements and fund portfolio is clarified. Some of this will be developed by the CCR Office as strategic policy priorities grow in a post-Brexit and post-COVID world – energy, transport and levelling-up as key examples and where there is a case for public sector leadership and intervention. Some can be accomplished by strategic calls and thematic challenges.

Do more of:

- *Strategic or thematic 'calls' and a commensurate targeted communications plan*
- *Set aside small funds for 'matching' available funds for example LEV monies, hydrogen and so on – as has been evidenced by success of ULEV and taxi strategies through Metro Plus*
- *Consider giving structured 'seasons' to the investment process to enable management of in-flows and out-flows, and targeting and optimization of in-house resources*

Points 3.1 – 3.3 can be summarized as CCR playing a stronger role in origination of future project proposals / a stronger partnership role with prospective applicants, whilst maintaining an 'open door' for investment proposals to be bought forwards for consideration. Crucially it will be important to develop a coherent portfolio of projects that the region can look back upon as a coherent portfolio that can be built upon - rather than a series of individual projects.

- 3.4 **Strategic v financial considerations of proposals:** the balance between financial and strategic needs ongoing care and attention to derive appropriate balance. The funding strategy for CCR has to be uppermost in such situations. The approach is to ensure all areas benefit from core infrastructure – digital, housing, transport and sites. Some of this activity will yield ROI, but much of it will not. So long as the CCR targets are the first consideration – GVA, jobs and growth and economic inclusion – this is appropriate. Wherever possible however and with more focused innovation-led growth – ROI should be a further goal – albeit not the guiding goal. ROI is important to build resilience, shift from historic grant structures and create the conditions for reinvestment, scale and impact. By itself however, it will not guide the most meaningful of outcomes. Explicit consideration should be given to setting 'portfolio targets' to help balance this need; and target a proportion of seed/enabling funding to create wider important conditions. This must be developed against the context of the emerging CCR Risk policy – setting a clear risk appetite and thresholds for the IIF process.

Do more of:

- *Explicitly identifying portfolio fund targets across ROI and enabling investments to achieve a balanced effect*
- *Focus down on leverage ratios in order to demonstrate the co-investment and investment partnering principles*
- *Scenario planning for investments that may fail to return in the way planned due to unforeseen risks*
- *Establish CCR Risk Policy – work which is developing with external advisors and experts and nearing completion*

Do less of:

- *Assessment purely by ROI at stage 1 – albeit this has been significantly mitigated given the parameters established through the SIFT and the leadership of Investment Panel*

- 3.5 **Risk appetite:** investments should be neither as a 'last resort' nor as an 'easy option', rather as an alternative of delivering strategically important investments where there is no other feasible or appropriate route. CCR will not always be a lender of last resort and neither should it be given the vision emerging for Public Services as co-investors and conveners around some of the biggest societal challenges of the day.

Do more of:

- *Clearly set parameters around risk tolerances and thresholds and ensure case is considered carefully on its merits*
- *Consider risks in the round. There are strategic and programme level risks which are distinctive – but complementary*

Do less of:

- *Risks assessments based solely on doing and engaging in investment activity and ensure assessments of risks of 'not doing' and costs of failure by omission are also considered*

3.6 **Scale / minimum value:** any investment strategy should consider minimum value investments. A simple parameter to be introduced to align with the fund portfolio stage. This will be helped significantly by the 'cluster framework' and the development of sub-funds which will bring structure and coherence to the portfolio approach.

Do more of:

- *Planning for portfolio approach*
- *Creation of dedicated sub-funds that can help create scale and impact through aggregation*
- *Development of strategic approach or framework for Cluster creation*

Do less of:

- *Ideally, and as things progress, small scale investments such as Plasma and Pharma would be channeled through purpose-structured funds such as the Innovation Investment Fund*

3.7 **Responsible investing:** any investments should be responsible investments taking into account wider social, environmental, cultural considerations. Whilst a balance will need to be struck with the diversity of industries in the region; consideration of 'build back better principles' and cognisance of the climate crisis and maximum efforts to uphold the vision of the Energy Strategy, should be made at all times.

Do more of:

- *Development and approval by Regional Cabinet of an Responsible Investment Policy*
- *Embed climate crisis goals – as set out in the vision of the Energy Strategy into the SIFT process in the same wellbeing goals have been incorporated*

Do less of:

- *Agreeing single investment without reference to core requirements for example – CCR Graduate scheme and ensuring we embed social clause provision*

3.8 **Business Support and the 'early stages':** a clear understanding that the role of the City Deal is not to provide direct business support, but a feeling that through the Business Council we should be championing the needs of business and influencing future business support programmes. From an Investment Fund perspective, respondents who contributed to the review, welcomed dialogue about which stage businesses/ investments City Deal funds should be for. Whilst acknowledging earlier stage businesses and propositions will be inherently more risky and unpredictable to some degree - they are an important factor in developing clusters and creating an environment which encourages innovative behaviors and the 'eco-system' effect. This could be considered in the development of the building blocks and funding portfolio and gap analysis stage. If it is determined that this is not an area that the Investment Fund does not wish to support in the future then we should be clear and unambiguous.

Do more of:

- *Work towards development of an Investment Strategy for the overarching WIF, setting out such tolerances and parameters and acknowledging that the individual sub-funds will have their own investment strategies. This needs to tie into the overall approach.*

Do less of:

- *Assessing each applications/ submissions as they arrive and have a more structured and coherent approach to establishing parameters upfront through a clear Investment Strategy*

3.9 **Dashboard information:** fuller macro information should be sourced, aligned to the outcome/metrics and fund portfolio for decision making. Such data should support and align to the earlier referenced points of i) risk, ii) transformative impact, iii) strategic investments as distinct from primarily financial returns. This could be built upon more comprehensively overtime to consider further value added outcomes – social clauses/ community benefit and net zero goals etc. This would help to establish more of a 'balanced score-card' approach to the data-insight process.

Do more of:

- *Process evolution and establishment of more sophisticated back office procedures – this will however be contingent on greater resource than is currently available and must tie in with plans for the proposed City Deal office resourcing structure and the appointment of a small Investment team*

3.10 **Process efficiency:** the process of evaluating and approving investments could and should evolve to be more expeditious and proportionate. Specifically the burden of time, resource, reiteration, repetition and delay should be reduced whilst maintaining compliance. Consolidation must be a feature of the forward programme. Whilst the approach to governance is robust – sometimes an investment proposal will go multiple times to Cabinet briefings, REGP Investment Panel and where thematically relevant to consultation with Programme Board, RTA and CSC Foundry Board. The levels of duplication are high and the value-add is seen by participants to be low. Greater consideration must be given to alternative ways of sharing information, refining processes and making best use of governance structures. The Accountable Body will have a key part to play in this and balancing assurance with the need to be proportionate.

Do more of:

- *Ensure new, additional and existing governance arrangements, are coherent, connected and proportionate*
- *Establish a portal where all information can be held and accessed by decision makers and key individuals in the process*
- *Ensure new Programme Monitoring and Highlight Report arrangements are open accessible – but equally consolidate key data ensuring the key issues and risks can be easily identified with effective routes for escalation on an exceptional basis*
- *Emphasizing and reinforcing the role of the Accountable Body in assurance processes*

Do less of:

- *Multiple replicated meetings – especially when alternative means of scrutiny and assurance can be applied. They must pass the 'value add' test*

3.11 **Succession Planning at Investment Panel:** the Investment Panel provides healthy debate and challenge to the business case development process and is a key part of the project evaluation/investment appraisal process. Consideration should be given to how we maintain the healthy dynamic of the Investment Panel by developing a succession and rotation plan of membership and chairmanship.

Do more of:

- *Succession and continuity planning for Investment Panel in line with REGP approaches*
- *Utilizing diverse talents of REGP and member specialisms to provide expert advice when required*

3.12 Optimising Local Authority partner involvement: Local Authorities must be integral in the proposal origination process and consequential delivery. The City Deal will not deliver for – but with LAs and the role of local initiation, programme development and business support must be supported to come to the fore. The approach must be one of partnership and the mantra one of ‘what you make of it’.

Do more of:

- *RBC to play full role in connecting with local business groups and fora to establish the ‘hub and spoke’ approach*
- *LAs evidencing local pipeline and opportunities to assist in the self-origination endeavor*

Do less of:

- *Detachment. As wider regional structures develop and new funds and programmes emerge – it will be more important than before that region runs concurrent with local and there is a shared approach and common purpose to leveraging maximum investment into the region*
- *0 returns from Innovate UK – more must be done to up the ante on UK Government level investment – particularly in innovation-led growth and high value opportunities*

3.13 Proportionate Business case development: it is challenging to strike the right balance in developing business cases that are proportionate to the investment ask and specific contextual requirements. The business case process ‘Green Book’ is well suited to infrastructure development – but less so to innovation and challenge led development – where the variable, inputs and outputs are inherently different. New flexibilities in the Green Book accounting process must be maximized to ensure business case developments reflect the scope and scale of work to be done.

Do more of:

- *Local Partnership to undertake ‘real-time’ work on proportionate business case development*
- *Learning lessons of others and seeking wider engagement on how such issues are managed in other regions and investment funds*
- *Tidying-up. The Audit Wales report, although reporting only minor shortcomings in administration, nonetheless underline the need for initiation documentation to in order*

Do less of:

- *One size fits all business case development*

3.14 New framework for Programme Monitoring and ‘Highlight Reports’ – given the first phase of approved investments are now in train, it is important that a comprehensive set of arrangements are in place to monitor and evaluate success. To date, this has included the Quarterly Performance Reports; logic models, the Annual Governance Statement, Internal and External Audit and the external Gateway Review process (National Evaluation Framework). This is a lot of dense information and whilst it provides an overview of wider progress and benefits realisation; it does not always allow the reader/ assessor to put their hands on ‘real-time’ monitoring and evaluation

information. Therefore, a new framework for Programme Monitoring will be developed for 2021/22. This will involve portfolio lead scrutiny and reporting and dedicated highlight reports to Regional Cabinet.

Do more of:

- *Systematize and embed processes for Highlight Reports*
- *Establish a clear system of reporting and escalation*
- *Link with newly emerging governance environment*

3.15 Evolving Governance framework for the IIF - the governance for City Deal is growing, becoming more involved and complex. No longer limited to core sub-committees and partnerships, additional reporting and structures are required around and the Strategic Premises Fund. Not only will this lead to a high volume (12+) of groups and bodies to co-ordinate – there needs to be synergies, checks-balances and a clear sequence and hierarchy of decision making. Legal and professional advice will be needed to ensure all functions are executed in line with JWA. This will be doubly important as the City Deal evolves into a Corporate Joint Committee environment, wherein, additional structures and regulatory frameworks must be adhered to. In addition, having ongoing checks and tests around Disclosure of Interests, up-to-date and functional Terms of Reference and observing the Nolan principles of Public Life must be consistently grounded in all aspects of evolving governance.

Do more of:

- *Resource provision. Recruit and appoint a dedicated Governance lead to elevate status and importance of good governance*
- *Establish new processes with Cabinet endorsement, ensuring they are clear and understood by all*
- *Continue to embed work around Declarations of Interest with support of Accountable Body and LA Monitoring officers and Audit Wales Report (2019)*
- *Diversity review of partnerships to ensure optimal representation and that equality and diversity issues are central and understood as adding value and richness to the process*

Do less of:

- *Managing within existing resources – the scope and significance and complexity of governance is now such that a dedicated focus is necessary.*

3.17 Wellbeing metrics – a common theme was the ‘GVA v wellbeing’ tension that is sometimes felt across a programme guided by productivity-growth measures but applied in a Welsh wellbeing context. Whilst it is understood the two are not mutually exclusive, there is a clear need to develop the lens through which outcomes and impact is measured.

Do more of:

- *Exploring alternative wellbeing measures to provide broader interpretation to effective and sustainable economic development*
- *Wider reporting on wellbeing impact – albeit understanding this is part of a longer-term journey the Welsh public policy landscape is investigating*

These reflections captured will now inform future activity and be incorporated into the forward implementation plan outlined in section 5 of the paper. This Implementation Plan will be an ongoing exercise, since much of the above needs to happen through a further process of evolution and not a ‘check box’ style of application. It is important to remember these are live processes and learning will continue to be on the job. The Implementation plan will therefore be a dynamic document and will be applied in a real-time environment. The Implementation Plan progress will report to the Investment Panel.

4. Outcome Statements

The Outcome Statements for the CCR Investment and Intervention Fund are being proposed based on the reflections gained during this self-evaluation and review process as a means of guiding important future principles. They will become the cornerstone of the proposed investment strategy for the Fund that will build on, and complement, the current Industrial and Economic Plan, the COVID-19 response plan, and the Investment and Intervention Fund Framework document.

When considering the outcome statements aligned to the Industrial and Economic Plan framework themes of *Competitive, Connected and Resilience* it was evident that there was broad consensus on the first two, and a diverse set of interpretations on the theme of *Resilience*.

Competitive and Connected as presented (Appendix 2) were strongly resonant and evoked broadly the same interpretations and no significant direct amendments were suggested. However, there were some helpful comments and important key guiding words - transformative, inclusive, risk appetite, scale, responsive/reactive amongst others. These do not directly alter the outcome "statements" as such, but are important influencing factors in the delivery and investment decisions. These are captured in section 3 above and will be built into the investment strategy and wider development and implementation plan.

Resilient as articulated (Appendix 2) drew a number of different (but arguably, compatible) interpretations. For some, resilience means 'inclusion' of the whole region, particularly the less economically competitive areas. For others the term means 'protection from threat' e.g. recession impact, global conditions, political uncertainty, renewable energy factors. In essence the 'future prepared and readiness' of the region. Another distinct but complementary view was that resilience should mean the 'full utilisation of all the regions assets'. Thus viewing the less competitive areas as under utilisation of assets.

As such resilience was viewed both as cross cutting theme for all investments and as an outcome (or outcomes) in its' own right. To best accommodate these views and reflect these interpretations of resilience it is suggested that it is subdivided into two:

- Inclusion – an outcome which would ensure that the entire region (locations, people and assets) see a narrowing of any differentiation (employment, wealth, services, connectivity etc.) across the region
- Resilience against outside threat and withstanding shocks - an outcome which would see the region future proofed against identified and defined threats

It is further suggested and as above, the net-zero agenda is firmly embedded within such definitions and becomes an important marker for future development as a core indicator of wellbeing.

The following articulation of the set of outcomes are presented as a complete articulation of success for the region. These outcomes largely encompass a reasonable and achievable scope for investment, which if realised would be considered success.

They represent the 'what' the CCR is trying to achieve and the rationale as to why the CCR should invest in these areas.

Competitive: Our priority clusters will be internationally respected as leading edge, supported by a strong and active economic and innovation ecosystem, and are enabled and motivated to grow.

Connected: Our region will be connected, without technical or cost barrier, to enable full use of our human, physical and data assets and potential.

Inclusion: Our region will promote and practice means of closing the economic and social disparities between our places and communities.

Resilience: Our region will be one which identifies and recognises all economic, technology and social threats – a region which designs and “builds in” measures and activities to mitigate against the impact of these threats.

Renewable: Our region will be one which prioritises, values, rewards and invests in companies, technologies and communities to achieve our net zero ambition by 2050.

5. Establishing a forward implementation plan

The following high-level plan articulate the process and next steps that we propose undertaking in a methodical and sequential manner to take forwards the key findings of the review. The outcome of the following steps will be an investment strategy together with a series of supporting processes.

The following table highlights the major activity and timeline.

Activity	By When
Agree Outcome Statements	15 th April 2021
Agree Responsible Investing Policy	15 th March 2021
Develop a succession and rotation plan for Investment Panel	April 2021
Finalize the updated Risk Strategy and Policy	May/June 2021
Finalize new Highlight Reports and Programme Monitoring Report	April 2021
Finalize and agree Investment Strategy: build on the outcome statements and their characteristics to derive a set of strategic building blocks	July 2021
Refine operational processes and procedures to ensure efficiency in the process of project appraisal and business case development	July 2021
Enact a communication and engagement plan	July 2021 onwards

6. Recommendations

To:

- i.) Note the report and the summary of findings including key lessons learnt which will translate into an Implementation Plan
- ii.) Approve the outcome statements as they represent the ‘what’ the CCR is trying to achieve and the rationale as to why the CCR should invest in these areas.
- iii.) Approve the Responsible Investing Policy
- iv.) Approve to receive a further Investment Strategy for consideration at the July 2021 meeting

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Reference: 2172A2020-21

Date issued: 16 December 2020

Dear Kellie

Audit Wales' Investment and Intervention Framework review

As part of our 2020 audit, we recently completed our review of the Investment and Intervention Framework (IIF). The purpose of our work was to assess if investments were appropriately considered in line with the process set out in the IIF. We looked at the progression of two investments through the IIF:

- a retrospective review of the Housing Investment Fund, which was approved by Regional Cabinet in March 2020.
- a real-time observation of the Pharmatelligence investment as it was considered through the stages of the IIF from April to November 2020.

We met with you recently to provide some high-level verbal feedback on our findings, and to reflect on your own review of the IIF, one year on since it was established. From our discussion, it was clear that there were some common findings from the two reviews. We are grateful to the Office of the Cardiff Capital Region City Deal (CCRCD) for facilitating access to information.

The IIF was developed by the CCRCD's Regional Economic Growth Partnership (REGP) together with the Regional Joint Cabinet. It was approved by the Joint Cabinet in June 2019. The IIF is designed to ensure that applications for investment of the £495m Wider Investment Fund are considered rigorously, are consistent with the CCRCD's priorities as set out in its Industrial and Economic Plan, and will yield a positive return on investment. The IIF sets out three investment priorities: infrastructure, innovation and challenge. It includes a number of stages to assess the suitability of the potential investments. These include an initial sift undertaken by the Office of the CCRCD, and consideration by the Investment Panel and the REGP. The decision whether to proceed with an investment ultimately lies with the Regional Cabinet, but the process maximises

the expertise and experience of the commercial and private sector. The Investment Panel, which involves a mix of private sector representatives and representatives from the councils, has a key role in the process.

In terms of our review of the two investments, we found that they progressed in accordance with the IIF process and were subject to appropriate scrutiny and debate. We identified some minor matters for improvement. Our findings relating to the two investments we reviewed are set out below.

Housing Investment Fund

The Housing Investment Fund required funding of £30m from the CCRC and progressed from the sift proposal stage in October 2019 to the approval by Regional Cabinet in March 2020.

We identified the following strengths:

- Overall, the investment went through the framework in accordance with the IIF process. Although we didn't observe any meetings there is evidence of appropriate challenge as it progressed through the IIF;
- Our review of the paperwork was high level, but the level of information provided to each forum was proportionate overall;
- Even though Programme Board isn't officially part of the investment framework process, they had sight of the KPMG presentation before the Full Business Case went to Regional Cabinet.

We identified the following areas for development:

- There were no minutes of the 2 October 2019 Investment Panel meeting, although there is a recommendation log, and an attendance list to show the meeting was quorate;
- There is a statement that is factually incorrect in the covering report to Regional Cabinet on 9 March 2020. The statement is 'Investment Panel met on 28 February 2020 and considered the draft FBC {Full Business Case} and Technical Annexes comprehensively'. On 28 February 2020 Investment Panel were given a presentation by KPMG, as opposed to the draft Full Business Case.

Pharmatelligence

An equity investment of £2m was agreed for Healthcare Evaluation Associates (trading as Pharmatelligence). The investment progressed from the sift proposal stage in April 2020 to approval by Regional Cabinet in November 2020.

We identified the following strengths:

- The investment went through the framework in accordance with the IIF process.
- It was positive that the weaknesses in due diligence were challenged by the Investment Panel at the 13 October 2020 meeting. Another Investment Panel was convened on 3 November 2020, and the Panel was satisfied with the further work that had been done in the interim.
- Officers recognised they'd learned a lot with this investment;
- The presentation to Regional Cabinet on 16 November 2020 was detailed, and Regional Cabinet had a robust discussion on the merits of investing and how the investment fitted with the strategic aims of the CCRCD, before they voted in favour of the investment proceeding.

We identified the following areas for development:

- Following our observation of the Investment Panel meeting on 8 September 2020, and subsequent consideration of the Terms of Reference of the Investment Panel, we noted that the meeting had not been quorate. We understood that this had occurred due to the unprecedented demands on Chief Executives' time during the pandemic. Fortunately, we were able to discuss the matter with you ahead of the Regional Cabinet meeting on 14 September 2020, and the matter was handled appropriately at that meeting as Regional Cabinet deferred considering Investment Panel's recommendations from the 8 September 2020 pending reappraisal by them at their next meeting. We note the subsequent amendment that has been made to the Investment Panel Terms of Reference to allow that in exceptional circumstances written comments will be acceptable from panel members to make the meeting quorate.

In terms of the IIF more generally, we found that:

- Application of the IIF has helped to bring in greater rigour to investment selection.
- The IIF process is available on the CCRCD website and provides a clear overview of how this will work and the ambitions of the CCRCD.
- We have observed good debate and challenge of investments at Investment Panel meetings. We have seen that applications have been turned down or further information requested to try to ensure that those that proceed to the next stage will benefit the region and meet the CCR's overriding objectives.
- The process maximises the expertise and experience of the commercial and private sector particularly through the Investment Panel.
- Application of the IIF is not a strict 'yes/no' process. We have observed that the process can be iterative and officers of the Office of the CCRCD have explained that it has worked with prospective applicants to evolve and refine investments. This was evident with the Pharmatelligence investment.
- Officers have also provided feedback to those applicants who aren't successful.

- We note that through Academi Wales, the Office of the CCRC is working with Cardiff University to run workshops to support organisations who are interested in applying to the Challenge Fund.

Our review identified some potential areas for development or consideration, which we have discussed briefly with the Office of the CCRC:

- Whilst the Terms of Reference of the REGP is clear that it has a role to play within the IIF, at present its role is the penultimate stage prior to Regional Cabinet's final decision. Given it is Investment Panel who are making recommendations to Regional Cabinet as to whether to proceed with an investment or not, you may wish to consider whether REGP's role would be more beneficial at an earlier stage of the IIF, particularly given the REGP's role is 'Providing review and challenge to City Deal Investment Fund decisions – interfacing with the Investment Panel which has been convened to provide advice and guidance to Cabinet on the Investment Framework' (as set out in the revised Terms of Reference of the REGP approved at Regional Cabinet in October 2020).
- You may wish to consider the merits of developing a high-level tracker, briefly setting out where further information was requested by a particular forum before it proceeds to the next stage of the IIF. An example of this would be where the Investment Panel requested further actions to be taken at the 13 October 2020 relating to the Pharmatelligence investment before they were in a position to recommend to Regional Cabinet that the investment should proceed. A high-level tracker would provide a simple means for the Panel to be satisfied that any outstanding actions have been addressed, and such a written record would further enhance the transparency of the process.
- We are aware that the pipeline of investments is increasing, and this is requiring considerable time from staff from the Office of the CCRC to manage. The CCRC has not yet been able to recruit an Investment Manager. As investments are approved, the skills and experience required will shift more towards programme management and monitoring to oversee that investments are on track to deliver as planned and to keep Regional Cabinet updated on this.

I hope you find this useful but would be happy to discuss further. Thank you for your cooperation with this work.

We will be in touch again to further discuss what the focus of our 2021-22 performance audit work may be.

Yours sincerely

Sara-Jane Byrne
Audit Manager

Future Generations Assessment Evaluation

(includes Equalities and Sustainability Impact Assessments)

<p>Name of the Officer completing the evaluation:</p> <p>Kellie Beirne</p> <p>Phone no: 07826 919286 E-mail: kellie.beirne@cardiff.gov.uk</p>	<p>Please give a brief description of the aims of the proposal: to set out the findings and recommendations of the IIF review and AW report on compliance with the IIF</p>
<p>Proposal: CCR – IIF Review and Self-Evaluation – including Audit Wales report</p>	<p>Date Future Generations Evaluation form completed: 15 March 2021</p>

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?
<p>A prosperous Wales Efficient use of resources, skilled, educated people, generates wealth, provides jobs</p>	<p>The work relates to an appraisal of the effectiveness of the investment framework and strategy which is a pre-cursor to deployment of the investment fund and economic benefit.</p>	<p>The self-evaluation is a tool for self-reflection and building self-awareness – the future challenge will be in sustaining this approach to focus on continued valuable learning and insight.</p>
<p>A resilient Wales Maintain and enhance biodiversity and ecosystems that support resilience and can adapt to change (e.g. climate change)</p>	<p>The IIF sets up the City Deal to deliver most effectively against its objectives for a Connected, Competitive, Resilient and Inclusive (CCRI) region. It is therefore key that it operates optimally.</p>	<p>Outcomes statements are a key output of the work and now define and give meaning to the kinds of results we expect to see which will help deliver a CCR and I region. This sets a baseline and a backdrop for future interventions.</p>

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?
<p>A healthier Wales People’s physical and mental wellbeing is maximized and health impacts are understood</p>	<p>Inclusion is a core theme of the approach and balancing a focus on levelling up the region with other regions in the UK to ensure CCR accesses all of the opportunities available to it – thus supporting not just sectors and industries but communities and people.</p>	<p>Wellbeing metrics and introducing alternative ways of measuring success are one of the key recommendations of the paper.</p>
<p>A Wales of cohesive communities Communities are attractive, viable, safe and well connected</p>	<p>The investment criteria and approach is key to ensuring ‘no place gets left behind’.</p>	<p>There is a clear recommendation to further this through the production of an Investment Strategy for the WIF that makes clear the approach to realizing distributed and inclusive growth.</p>
<p>A globally responsible Wales Taking account of impact on global well-being when considering local social, economic and environmental wellbeing</p>	<p>The principles look outward and focus on the FDI and international opportunities, which will be particularly important post-EU exit.</p>	<p>The IIF is the regions’ Investment Strategy and the principles and values by which CCR will do business. This in itself could constitute a global advantage for the region – clarity, focus and being clear about where we seek comparative advantage.</p>
<p>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</p>	<p>The framework is able building a Connected, Competitive, Inclusive and Resilient ‘uniquely Welsh’ region. Many of the proposals it will give rise to – especially around sectors such as Creative will help embed the Welsh language and culture.</p>	
<p>A more equal Wales People can fulfil their potential no matter what their background or circumstances</p>	<p>The approach focuses on economic inclusion, levelling-up and a mission-driven approach capable of not just tackling economic problems – but societal ones too.</p>	

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 IIF guides a 20 year programme. It will not stand still and thus, self-evaluation is a tool to help manage a constant state of transition and evolution.</p>	<p>The work will need to be constantly adapted and updated in order to remain relevant and fit for an evolving future.</p>
 <p>Collaboration</p> <p>Working together with other partners to deliver objectives</p>	<p>The IIF is endorsed by all 10 Councils and is aimed at a collaborative not competitive approach. The review was steered by Investment Panel and consulted upon/reported to PB, REGP, RBC and wider partners.</p>	<p>The fund is an open and competitive one and so clarity about the objectives through a published Investment Strategy will be key.</p>
 <p>Involvement</p> <p>Involving those with an interest and seeking their views</p>	<p>The work has been informed by a wide range of views and perspectives with regard to expert evidence and data.</p>	<p>As programmes and scheme proposals gets worked up, engagement and communication plans – that ensure those who know best shape proposals, will need to accompany advancement of projects.</p>
 <p>Prevention</p> <p>Putting resources into preventing problems occurring or getting worse</p>	<p>The mission-driven/ challenge-led approach embedded will be a key means of experimenting in the prevention space</p>	<p>This will need to be ramped up as part of the work set out under the auspices of the prospectus and will also involve exploitation of the INFUSE programme. There is also a key recommendation in the report about CCR's role in stronger origination based on the problems we seek to solve.</p>
 <p>Integration</p> <p>Considering impact on all wellbeing goals together and on other bodies</p>	<p>Outcome focused reporting and accountability will be key to this. Work done on the Investment Framework on outcome statement on Competitive, Connected and Resilient will underpin this.</p>	<p>Wellbeing metrics will be key to informing future work.</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	Not relevant in this context since the principles, approach and ways of working apply to all prospective interests and stakeholders	The IIF and WIF is an open flexible and collaborative fund. It is open to all and the best ideas that are scored in accordance with established and published criteria will be taken forward WFG, green economy and sustainability are core principles and measures.	A full ESG agenda and diversity and inclusion reviews into partnerships and groups will help ensure this agenda is embedding in ways of working and the culture that is created.
Disability	As above	As above	As above.
Gender reassignment	As above	As above	As above.
Marriage or civil partnership	As above	As above	As above.
Pregnancy or maternity	As above	As above	As above.
Race	As above	As above	As above.
Religion or Belief	As above	As above	As above.
Sex	As above	As above	As above.
Sexual Orientation	As above	As above	As above.
Welsh Language	As above	As above	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		This is dependent upon the brief for regional education consortia and whether or not, it is intended to be grouped within CJsCs.
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?

As above.

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 ongoing work of Investment Panel and REGP.
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