



CCR  
**STRATEGIC  
BUSINESS PLAN**  
2021-2026



## Foreword by Cllr Anthony Hunt, Chair of CCR Regional Cabinet

It's not the strongest that survives – it's those best able to adapt, as the famous Darwinian statement goes. If the last four years and the relentless pace of change brought about by Brexit, geo-political uncertainty, climate change and COVID-19, has taught us anything, it is that constant evolution is our best tool in meeting the economic and societal challenges now upon us.

Such challenges – as tough as they are – provide an opportunity to reinforce why the CCR continues to be important and re-articulate our goals. We want to help create prosperity in the region – but in ways which are inclusive and wellbeing-led. Whilst governed by targets of job creation, leverage and GVA uplift, we know that hitting targets in isolation can miss the point. Therefore, our motivations for macro-economic growth are community-level ones too as we see the potential to narrow the divides that have riven our region and create genuinely shared prosperity.

Any opportunity to look forward is also an opportunity to reflect on achievements. From growing our data-insight credentials to working with partners to co-develop an Industrial Growth Plan and Investment Framework; shifting from start-up to scale-up; and, developing our City Deal as a catalyst for a City Region-approach – we are dictating the pace and intensity of activity. Through a distributed leadership network, we are convening around grand challenges and shaping the changes we want to see. This maturity in partnership and strong sense of consensual leadership, means CCR Cabinet remains aligned, allied and attuned to the significant potential we have started to realise but have yet to properly fulfil.

As a long-term endeavour, City Deal continues to provide a framework to realise our ambitions – but we are evolving further still. The potential for new forms of regional economic governance through CJsCs and the opportunity to build our own institutional capacity for economic regeneration – all enables CCR to emerge as a **pioneer region**. As a multi-partner City Deal, our aim is to ensure CCR is positioned to take advantage of all the funds available to it – R&D, Shared Prosperity, UK Industrial Strategy to name but a few - and this must extend to new future European and global partnerships too. In the spirit of levelling-up, we must play our part in supporting Welsh and UK Governments and effecting regional governance structures that will be key to sustainable economic recovery.

So the forward strategy is a significant one. We will continue to support industrial-scale clusters that are supported by good infrastructure. We will grow R&D intensity; focus on ROI, co-investment and optimising fiscal levers; and, will become increasingly mission-driven. Moreover, we will combine this with evolving the very structures needed to strengthen long-term regional governance, engagement and investment. The strategic business plan for 2021-2026 starts us on this next segment of the journey that will see CCR emerge as a major, permanent and long-term construct that continues to enjoy the confidence of 10 local authorities, Wales and UK Governments and acts as the key attractor for economic SE Wales.

## **Purpose of 5-year Strategic Business Plan**

The CCR City Deal Heads of Terms signed in March 2017 requires the production of a five-year Strategic Business Plan that adheres to the principles and provisions set out in the Joint Working Agreement (JWA). This is important in:

- presenting our understanding of what is required to achieve long-term aims;
- distilling this into a 5-year timeframe;
- Providing high-level detail on the activities likely to benefit from Wider Investment Fund (WIF) monies;
- providing high-level detail on prospective WIF expenditure over the period; and
- contributing to the ongoing development of the Industrial and Economic Growth Plan which has recently been adapted for COVID-19 and will play a key role in future regional economic frameworks.

Beyond the compliance focus and, in view of the prevailing UK-economic recession wrought by COVID-19 and the dynamic public policy backdrop, it is important that the Strategic Business Plan as a 'transition document' also takes the opportunity to further:

- set out the economic issues and challenges associated with Brexit;
- ready itself for new international trade, partnership and research agreements;
- set a clear direction on R&D given the principles set in the UK Government R&D Roadmap and 'place-based 'levelling-up' commitments;
- develop thinking around infrastructure investment and addressing the issue of sustainable funding for transport schemes;
- focus on becoming more mission-driven as a route to driving new knowledge, leveraging the public sector balance sheet and procuring innovation;
- set the roadmap for becoming a 'pioneer' City Region in relation to regional economic governance, shaping and informing a CJC for the CCR; the potential for institutional capacity development through a regional development entity; and, playing a central role in regional public investment; and,
- set the context for a 20 year City Region Plan which will integrate all of the above and develop the outlook for strategic regional development in the CCR.

In view of the timing of this Strategic Business Plan, CCR has a unique opportunity to contribute to shaping a new economy that works for all parts of the CCR and to develop the economic ambitions and progressive social policies for a positive legacy.

## **Looking Back – the last four years ...**

### *Building Solid Foundations*

In the four years since the inception of City Deal, solid foundations have been built as well as the kind of partnerships, network and collateral that will shape and inform the next stage of the journey. In summary, these include:

- development of a rich seam of data and insight such as the Analysis of Priority Sectors, 'State of the Region' and publications such as Connected,

Competitive and Resilient. These are the backbone of quality assessments, provide a rich evidence base and inform decision-making;

- production of an integrated and fact-based Regional Economic Growth Plan – co-developed with business, HE, FE and community sector stakeholders and adapted for COVID-19. This has built leadership capacity and shared purpose;
- creation of a robust Investment and Intervention Framework as a tool for assessing investment submissions to the WIF and focussed on the principles of ROI and optimisation of leverage and co-investment;
- a delivery pipeline of circa £140M of schemes in delivery (as at October 2020 and inclusive of Metro Central which is at FBC but is ‘spending’ and the CSC project as approved by UKRI) with c£210M in match and c£1.5bn leverage and a further £150M in the immediate pipeline;
- a clear approach to public-led interventions which serve the whole region combined with more targeted private-led projects and cluster-focus;
- creation and implementation of a solid and effective governance framework, at the centre of which sits Regional Cabinet – bonded and mature with WIF decision-making acting as a key incentive to distributed leadership;
- positioning our voice, reach and influence to make an impact on the big policy issues of the day and developing our thought leadership role through opinion forming and a wide-ranging communications and prospecting strategy;
- restructuring the ‘team’ – building new capacity, capability, networks and collateral for the next segment of growth and scale-up;
- developing a complementary balance of local business and political leadership;
- transforming capability with Investment Panel, supported by a raft of strategic partnerships such as the Regional Economic Growth Partnership, Business Council, Regional Transport Authority, CSC Foundry Limited, Regional Skills Partnership and Programme Board;
- shifting towards mission-driven thinking and challenge-led problem-solving;
- expansion of international reach – MIPIM, contribution to Wales in the World, Wales in London and initiatives such as the Western Gateway; and,
- articulation of current operating model constraints and the opportunity to transition to a City Region-driven approach

### *National Evaluation Panel Final Report and Gateway 1*

At the time of writing, a draft final report has been issued by National Evaluation Panel leads SQW. This sets out that overall, CCR City Deal is delivering on its aims and in respect of the CS Foundry – this investment is having a catalytic effect and must now look forward to delivery of the successful Strength in Places Fund supported cluster model – CS Connected.

Capacity building and partnership development are also highlighted as strong. Leverage potential has been shored up and the programme has high levels of engagement and is taking stakeholders on the journey.

Importantly, the approach CCR has pioneered in respect of industrial-scale clusters and ‘priority sectors’ is reflected. CCR has highlighted five priority clusters it will

develop and support as a means of driving up long-term R&D intensity, contributing to the UK Government target of 2.4% of national spend on R&D by 2027 and thus, 'crowding in' additional private and HEI R&D funding as a result. This is seen as a 'productivity-led' approach – as opposed to quick wins or time limited interventions which do not always have the features to support long-term resilient growth.

Productivity growth has been modest in the first four years of City Deal, but it is recognised that the approach adopted is a long-term one and whilst growth has been predominantly employment-driven, with patience and perseverance this long-term structural effect could be seen.

In all, the foundations are well established and the potential clearly exists to now pivot from a City Deal-led – to a comprehensive and holistic City Region.

The Gateway Review process, commencing with submission of the National Evaluation Panel Final Report and CCR's own Complementary Reports, will begin in November 2020 with 'challenge sessions' scheduled with MHCLG's City and Local Growth Unit Team in February 2021.

### **Looking Forward – the context impacting the next five years**

To understand our forward objectives, it is critical to consider the policy drivers, influences and factors that are likely to feature and that we can reasonably foresee as having bearing on CCR activities and priorities.

#### *Economic Context*

At the time of writing, Wales and indeed the UK is in the grip of a second wave of COVID-19 with national lockdown measures in effect in Wales. It is difficult to achieve a timely cut of data at regional level, but based on assessments of historic relationships between regional and national growth rates, one study (McIntyre 2020), shows Welsh GDP fell by 2.5% in the first quarter of 2020 with a worsening impact forecast in the second quarter – the period in which the UK as a whole officially fell into recession. Given the efforts underway to mitigate the second wave of COVID-19, there will be no autumn budget only a one-year CSR. The Office of Budget Responsibility however does provide projections for 2020, which, illustrate potential for Welsh GDP to fall by 13% in 2020 and not return to pre-pandemic levels until 2022.

ONS indicators paint a 'real-time' picture of impact. From late March, large parts of the Welsh economy were effectively mothballed – with over 1/5 of Welsh businesses closed for business in the first few weeks of April. It is likely that some 228,000 employees in Wales were employed in sectors shut down by lockdown measures – amounting to 16% of the working population. Workers under the age of 25 appear to be disproportionately impacted – given work in shutdown sectors – usually hospitality, tourism, recreation and leisure. Female employees are especially impacted with 18% of female workers in shutdown/key worker sectors compared to 14% of male workers. Working patterns are also changing significantly with around 45% of workers now 'always' working from home.

Whilst it is hard to predict with any certainty the longer-term impact of the full economic effects of the crisis – the already evident asymmetric impact of COVID-19 is likely to

exacerbate existing inequalities. In addition, the pattern of home and local working; impacts on high streets and foundational sectors are already visible. The job of work for CCR must reach beyond avoiding the 'scarring' effects on the economy to how it helps the economy to adapt to the structural and sectoral changes brought about by the pandemic and the potential for a positive legacy. This will also be affected by Brexit as well as policies related to the UK Government's 'levelling up' agenda.

### *Build Back Better*

For economic recovery from COVID-19 to be durable and resilient, a return to 'business as usual' and environmentally destructive investment patterns and activities must be avoided. Unchecked, climate change is set to cause far more deleterious damage to society and economies than those caused by COVID-19. This means doing more than getting economies and livelihoods back on their feet. Recovery policies also need to trigger investment and behavioural changes that will reduce the likelihood of future shocks, increasing society's resilience to them when they do occur. Central to this approach is wellbeing, place and inclusivity. Building upon the experimental approach to the local wealth building challenge-fund as a response to COVID-impact on local foundational economies will be key to this; as we will be optimising investment in innovation-led growth and R&D intensity, all alongside alignment with long-term emission reductions goals, factoring in resilience to climate impacts, accessibility-mobility systems and increasing security in supply chains.

### *Public Policy Context*

The public policy space around regional economic governance is dynamic. The UK is hurtling towards January 2021 – whereupon we exit the European Union. As yet, there is no deal for a successor trade agreement with the EU. For Wales in particular, this is a critical point given our 'net beneficiary' status. The UK Government's pledge to establishing a successor fund (Shared Prosperity Fund) is set to go live in April 2021. Concurrently in Wales, OECD has reviewed Regional Economic Governance and made a series of recommendations regarding future regional frameworks. These include establishing national-regional governance arrangements; an Office for Regional Development within WG and regional development agencies. Aligned with consultation on Regional Investment Wales and oversight of future external funding arrangements, the final piece of this particular puzzle, is also under development. Corporate Joint Committees (CJCs) are proposed to be on the Welsh legislature in 2021 based on promoting public service collaboration on City and Growth Deal geographies. It is clear however, that proposed CJCs will not be functional in readiness for the Shared Prosperity Fund and so transitional arrangements are being developed. CCR works across Wales and Whitehall policy objectives for the economy and can utilise its partnerships and structures – as well as experience of working in a multi-layer governance environment - to enact effective regional public investment.

With the workings of the UK Government now focussed on the Internal Markets Bill and the Devolution White Paper – it is critical that City Deal positions as an enabler to both governments and ensures the region and indeed Wales as a whole – is not denied access to all of the funds available to it.

## *R&D and the 'missing £4bn'*

The Science, Research and Innovation triumvirate is significant to CCR – given the reliance of Universities on EU funds for R&D investments. The recently published UK Government R&D Roadmap and commitment for £22bn of investment by 2025/6 to enable achievement of the 2.4% of national spend R&D target and, the recent ARPA consultation, must be a clarion call about the potential beyond Shared Prosperity Fund. A recent review by Nesta highlights that Wales loses out to the tune of £600- 400M annually on public investment for R&D. R&D must work better for CCR, through: demonstrating all R&D strengths and unlocking potential of all places; developing our clusters programme and Strength in Places Fund proposals; connecting the SME base to the research base; using our collective strength and positions on UKRI boards to lobby for a place based approach.

## **Five for Five – 5 priorities for the next 5 years**

There are five key priority areas that will be the hallmarks of the next stage of CCR evolution. Whilst these wider priorities see CCR evolve beyond City Deal – the priority areas are still strongly aligned to and in keeping with core City Deal objectives. Moreover, they will complement and optimise delivery of the programme and create a robust platform to develop compatible initiatives that can scale the impact and outcomes of City Deal. One of the most powerful demonstrations of the impact of City Deal will be its role in catalysing a wider, more holistic and far-reaching City Region agenda – a clear goal for the next 5 years.

The five priority areas set out below are intentionally high-level and over-lapping. This is a positive sign because it starts to indicate the strength of the eco-system that is starting to form and which must be leveraged and maximised over the next period.

### **1) *Build Back Better – playing our part in economic restructuring & building resilience***

Economic analysis hints at some of the potentially devastating impacts that lie ahead. The ravaging effects of downturn and likely shifts in the labour market, will be profound. Doing the same old things better will not be anywhere near enough in both mitigating impact and harnessing the potential to build back better. Some of the behaviour changes thrust upon society in lockdown, can be built upon: home and local working, buying local, lowering vehicle use, localisation of supply chains and business diversification. An opportunity exists to support economic restructuring and to place a greater emphasis on building a new structures that will better serve growth and sustainability needs. CCR will support this through:

- **Delivering on the COVID-19 10 Point Priority-Set.** This includes, setting up specific funds to support changing business needs – cluster, premises, challenge fund for local wealth building/foundational economy and supporting the needs of Medium Sized Companies.

- **Future Skills Hub.** This will include building on the Graduate scheme to address ‘brain drain’ and aligning with executive education programme and targeted backing for industries of the future through shared apprenticeship schemes and ‘thematic’ variations on the software academy model. This work will be critical in support for re-skilling and for those whose jobs are deemed ‘unviable’ under the new Coronavirus wage support scheme.
- **Strategic Premises.** A new fund will help with those economies that have traded effectively and grown through COVID-19 – med-tech, fin-tech and cyber – and for which huge potential exists to localise and re-localise supply chains, anchoring significant companies and their expansion plans, in the region. In addition given the growth of the remote working economy, there is an opportunity for local co-working spaces that can simultaneously encourage LA partners to have a presence in town centres, revitalising high streets and stimulating local entrepreneurship.
- **ESG and Ethical Investment.** Given the uneven impact of the COVID-19 effect on the economy and disproportionate impact on different groups, gender and age ranges – CCR will develop a policy position attached to the Investment Framework for ESG and Ethics.
- **Place-based.** Continuing to ensure a balance in the programme across those public sector-led initiatives that support all places – transport, digital, challenge funds, housing fund – and those that are more private-sector driven and targeted will be critical to ensuring City Deal works for all of the region.
- **Climate crisis and decarbonisation.** CCR will adopt its first Energy Plan – co-developed with the Welsh Government Energy Service. As well as projects, challenge funds and demonstrators for new technologies such as EV and hydrogen, behavioural change will be key. This will focus on ensuring wider project alignment with emissions-reduction goals, resilience to climate impact and increasing circularity of supply chains. Accessibility-based mobility systems and decentralised electricity systems will also feature as goals.

## 2) ***Becoming a City Region – strengthening regional economic governance***

There is an opportunity to position a strengthened regional economic governance system with CCR City Deal at the heart. As a construct of three layers of government – UK, Wales and Local Governments – CCR has unique experience of regional public investment which can be leveraged for wider good. This is important in ensuring that the CCR is able to access all of the funds, investment and opportunities available to it and this will be achieved through:

- **Shaping and owning CCR CJC.** Given the maturity and stability of the current CCR Cabinet Committee, coupled with its ambitions to become a

testbed region, a clear opportunity exists to shape, inform and propose a tailored solution in CCR. This will build upon current practice, partnerships, governance frameworks and investment strategies and demonstrate a strengthened model of regional economic governance and public investment. CJs are expected to begin operation in September 2021. Developing, engaging and executing such a shift will be a significant early priority for CCR to deliver upon, ensuring City Deal remains a core delivery priority and central to achievement of wider aims.

- **Become a Testbed Region through creating new institutional capacity.** Aligned to the above, the OECD Report to Welsh Government on Regional Economic Governance, makes a number of recommendations that are complementary to the enactment of CJs. These include WG establishing an Office for Regional Development and supporting new regional structures such as LA-led and owned market-facing agencies such as Regional Development Entities. We will build on the case already made for such a structure to evolve our practices and build new institutional capacity where it can make most difference locally and regionally.
- **Play our part in delivering Regional Investment for Wales.** We recognise the timing gap between enactment of CJs and Brexit and, in particular, activation of new arrangements for the Shared Prosperity Fund. We will therefore work with UK and Welsh Government to play our part in both transitional and permanent arrangements – leveraging partnerships, aligning funds, investments and higher level policy goals, as well as experience of working in a multi-tier governance environment.
- **Cementing commitment through Regional Economic Framework.** CCR is one region and to align the interests of ambitions of multiple stakeholders it is important we contribute to wider frameworks that provide a sense of shared purpose and collective endeavour so that all partners understand their contribution and fit.
- **Developing policy and economic insight partnership.** CCR must invest in cementing current arrangements for provision of data insights, economic intelligence and impact assessments. These are all key to quality evaluation and evidence-based decision-making. The big issues of the day such as clean growth, post-pandemic recovery, levelling-up and inter-regional constructs such as Western Gateway – all require strong and compelling perspectives.
- **Engaging in international partnerships.** At the time of writing, continued UK membership of Horizon Europe is known. Should an association agreement not be possible, there is new scope to establish international research partnerships, that will drive new forms of Inward and Foreign Direct Investment and support research collaboration, CCR must play a key role in shaping this for the region and ensuring research excellence converts to economic outcomes.

### 3) ***Scale-up - delivering the WIF 'peak' programme through building capacity, support and credentials***

Delivery of Wider Investment Fund programmes and priorities is the core function of City Deal. Given the first few years have largely been spent 'starting-up' – much of which has been investment in regional development – the pipeline has quickly developed and with 8 projects now at contractual completion and in delivery, there is a task to 'scale up'. This relates to both quality management and implementation of live projects and continuing to bring new projects through the Investment Framework. To do this most effectively, we will:

- **Successfully deliver portfolio of approved projects.** At the time of writing, CCR has the following projects with approved FBCs and 'in delivery'. These are: CSC Foundry, Metro Plus, OBC-FBC work on Metro Central, Homes for all the Region, the Local Wealth Building Challenge Fund, the Graduate Scheme and Plasma Technology project. The core focus has to be on quality delivery, which requires ongoing monitoring, evaluation and reporting through frameworks established such as Logic Models, Highlight Reports and quarterly reports to Regional Cabinet. Establishing effective new governance structures will go hand in hand with this. Analysis of benefits realisation will form a key part of this work and enable CCR to gauge and demonstrate the contribution to core targets and higher level policy goals.
- **Develop and deliver immediate pipeline.** At the time of writing, CCR has the following projects at OBC and moving into FBC stages: Pharma Data Technology, Outdoor Adventure Project, Strategic Premises Fund, Life Sciences Park Project, the SME Finance Fund (Housing), the SIPF Front of House Project and the Innovation Investment Fund. In addition to this, there are a number of other projects at early stages of Strategic Outline Case – examples of which include a Full Fibre to the Premise Project and battery technology development Project AMP, as well as cluster development projects for Fintech, Creative Industries and Cyber Wales – the latter for which are in the Strength in Places Fund final business plan preparation at this time. All of these projects and wider programmes of activity are likely to be deliberated on and where approved by Regional Cabinet – in delivery over the five year period.
- **Stimulate pipeline and develop deal flow.** Given the open and competitive nature of the Wider Investment Fund and the emphasis on an 'evergreen'/ recyclable approach via balanced portfolios of projects, there will be a need to plan for ongoing utilisation and optimisation of the fund. Stimulating new proposals and continuing the split of public-led interventions that serve the whole region, alongside more targeted private-led projects which align with markets and demand, will continue to be important to both City Deal and City Region development.
- **Develop leverage opportunities.** One of the key City Deal targets is to generate £4bn of private leverage. To date, approved projects have the

potential of achieving up to £1.5bn of leverage. Projects now coming to the fore such as Strength in Places, bring new public and private leverage through sources such as the UKRI Strength in Places Fund. CCR will continue to leverage both public funds (through increasing the application rate to UK Government/ further HEI collaboration) and will build the partnerships and R&D intensity to continue generating successively high levels of private leverage.

- **Undertake the self-evaluation of the Investment and Intervention Framework.** The IIF has been operation for just over a year. The IIF sets out the assessment process for the WIF and gives practical effect to the CCR Assurance Framework. It sets out the way CCR does its business – but not in a ‘business as usual’ way. The Framework has spawned the Investment Panel – a subset of both the Regional Economic Growth Partnership and Programme Board. Investment Panel is an advisory board and makes recommendations to Regional Cabinet. It will be important the along with internal and external audit, scrutiny and continued self-assessment – the review findings, lessons learnt and adaptations to investment strategy – are applied in real-time.
- **Partnerships and Governance.** The continued evolution of partnership structures will be key as CCR makes the transition to new forms of regional economic governance and builds new types of institutional capacity. The current governance structure is dense and consolidations and simplifications must be made to improve overall programme effectiveness as the journey to CJsCs begin. Succession and continuity planning will also be key to this.

#### 4) ***Make the CCR Case for Levelling-up – developing a place-based investment prospectus***

‘Levelling-up’ is a major policy commitment of UK Government. Given the regional disparities in the UK around productivity, high concentration on the golden triangle, differentials in R&D output and the prospect of COVID-19 exacerbating existing inequalities – a major opportunity exists to set out what ‘levelling-up’ means for CCR. With the prospect of place-based funding settlements to tackle innovation inequalities, the unevenness of infrastructure investment and a place lens applied to research investment, it is more critical than ever, than CCR has a coherent, clear and comprehensive approach to defining its set of asks and offers to level up prosperity in the CCR. We will do this through:

- **Developing and publication of a Levelling-up Prospectus.** Reference is widely made to the ‘ongoing spending review’ – which reflects the volatility of the current economic and fiscal landscapes. Notwithstanding this, it is known that ‘shovel ready’ projects that will support post-COVID recovery are sought. In addition, a further £22bn has been committed to enable achievement of the 2.4% R&D target. As such, CCR will be ready to demonstrate a comprehensive set of ‘asks’ and ‘offers’ through an

Investment Prospectus for place that will set out, in an evidence based way, the prospects of CCR to contribute to both Wales and UK Plc.

- **Defining infrastructure policy position and investment requirements.** Via the Regional Transport Authority, we will set out a clear policy position and investment requirements in respect of transport, will enable governments to clearly understand the infrastructure projects best placed to support economic growth, local wealth creation and productivity uplifts. This position will focus on rail, bus and active travel in particular and will further highlight the significant opportunity around decarbonisation of transport systems and prospects for accessibility-led future mobility.
- **Becoming more mission-driven and challenge-led.** Challenge-based investment not only increases public investment in R&D, but evidence shows ‘crowds in’ private and HEI investment that, though more traditional means of funding, wouldn’t be achieved. Building on the success of the challenge fund for Local Wealth Building and the high success rate of SBRI in Wales, we will continue to launch and deliver challenge funds that offer new solutions to the big challenges of the day – climate, mobility, ageing and data and AI.
- **Leveraging the data and digital credentials of the region.** Large tracts of UKG data are stored in the CCR through non-departmental entities such as ONS, IPO, Companies House and DWP. Curation and optimisation of this data, particularly related to solving economic and societal problems and becoming more resilient in the face of ‘shocks’, is a key area of opportunity. We will highlight and develop this opportunity through engagement in the Data National Accelerator work and through thematic development of ‘software academy’ related skills initiatives.

## 5) ***Developing Economic Clusters and innovation-led growth***

CCR levels of public R&D investment are below 1% with Cardiff nearing 1.1%. The UKG has set a target for 2.4% of national spend to be invested in R&D by 2027. A Nesta report has highlighted that Wales loses out to the tune of between £400-600M per annum on R&D investment. CCR possesses innovation strengths – but evidence shows these successively fail to convert to ‘innovation outcomes’. This is because we do not have the structural conditions and systems in place to support eco-systemic growth. This is crucial because innovation-led growth provides the best prospects for high-order jobs and strong productivity. Additionally, with the COVID-19 focus highlighting the necessity of creativity and innovation - the time is right to set out a strategy and approach to contribute to the R&D Roadmap for the UK. We will do this through:

- **Establishing the CCR Clusters Framework.** This will set out the evidence base, identified priority clusters and map the stage each cluster or prospective cluster is at, on the maturity continuum and Technology Readiness Levels. The framework will guide innovation investment, highlight R&D capability and gaps and bring the range of FE, HE, business and public sector partners together – around the right conditions. This will

also help grow our pipeline of SIPF proposals and connect with our place based funding resources for research and development into cluster growth.

- **Create the CCR Innovation Investment Fund.** The fund, which is currently in business case development, will be of the order of £100M (inclusive of co-investment) and will support the clusters framework as well as other innovative proposals aligned to grand challenges. This will support innovation intensity and public investment, will have the effect of leveraging in private and research investment – heightening the region’s credentials in this crucial regard.
- **Making CCR the ‘go to’ place for challenge-led development.** Better answers need better questions. Better questions rely upon fresh thinking, perspectives and a willingness to explore the ‘unknown unknowns’. Related to section 4 above and the focus on driving forward challenges and missions, CCR will build the unique knowledge, capability and credentials in the region, for technical operation of challenge funds through bringing together academic experts, business partners and challenge advisors.
- **Engage closely in the Western Gateway partnership.** The Western Gateway geography spans both the South West of England, taking in the whole of the CCR and reaching Swansea. The area is home to share sectoral strengths, shared connections across infrastructure and transport and importantly, encompasses a number of ports, which sit aloft the second highest tidal range in the world. We will engage as partners in this development, promoting our shared geography and its unique strengths to the world and collaborating on projects of shared economic interest and importance.
- **Engage in new international trade relationships and research arrangements.** Post-Brexit, developing relationships around new trade relationships and new forms of international and inter-regional co-operation will be of vital importance. New ‘trade bridges’ through Cardiff Airport, new trade relations and potentially, new international research partnerships, will be formed. Through developing a regional approach to Foreign Direct Investment and Inward Investment, building on the back of the ‘Invest in CCR’ brand already developed for stages such as MIPIM, will ensure we are first amongst the new wave of partnerships to be formed.
- **Support foundational economy renewal.** The foundational economy and tradeable economy are not opposing dimensions. They interface and connect and the ‘ripple effects’ if harnessed comprehensively, create significant supplier impacts and networks. The foundational economy is also evolving. Retail, high streets, care and hospitality are rapidly adapting, through COVID-19, to adopt knowledge economy technologies and practices and thus, the scope to apply a R&D lens is great. We will continue to support a challenge-led approach to local wealth building and support necessary experimental collaboration in this space.

## **Governance and the Investment Framework**

### *Good Governance*

The CCR City Deal Governance Framework, as established in the JWA centres on:

- Joint Cabinet Committee/Regional Cabinet – democratically elected members/leaders of 10 partner local authorities. Regional Cabinet are the chief decision makers and the body charged with making decisions in relation to WIF activity. Regional Cabinet is supported in this process by:
  - Regional Economic Growth Partnership & Programme Board – which are both charged with assisting in the assessment of WIF proposals;  
> *Investment Panel subset of REGP and PB providing advice to Cabinet for and on behalf of the two groups;*
  - Regional Transport Authority – formal Regional Cabinet sub-committee charged with transport strategy and advice to Regional Cabinet on transport matters;
  - CSC Foundry Board – formal Regional Cabinet sub-committee established as a CLS Special Purpose Vehicle to own and manage CSC Foundry Ltd and report to Cabinet on the annual business plan and accounts for the company;
  - Regional Skills Partnership – although not established formally as a partnership within the JWA, the RSP is a significant regional body and currently works under the jurisdiction of Newport City Council, on behalf of the region.

The governance and partnership framework operates as an integrated whole. The introduction of Investment Panel, whilst not a feature of the JWA demonstrates the evolution of governance. It was established as part of the IIF and brings together 5 members of REGP, with 5 members of PB, to advice and make recommendations to Cabinet on investment decisions through the WIF. The Investment Panel is an advisory panel and offers a high level of expertise, focus, diligence and rigour. Cabinet does not have to have regard to its findings and advice and is always presented with the full information and diligence on which to draw conclusions and make decisions in an unfettered capacity.

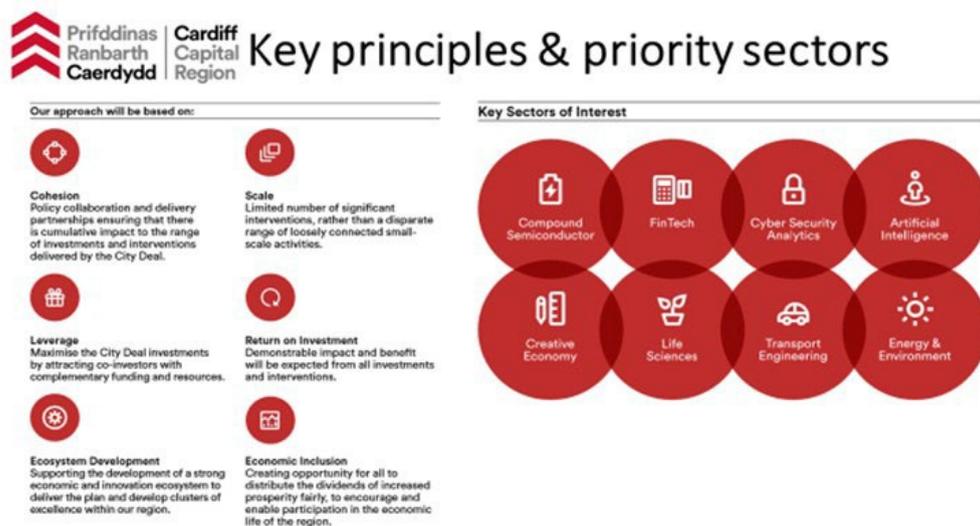
This maturing of the governance frameworks and development of a distributed model of leadership emphasises the confidence of Regional Cabinet to be strategic, steer the ship and promote networked collaboration – empowering the experts to provide advice and insights on matters of detail that will be important to informed and inclusive decision-making.

### *The Investment and Intervention Framework (IIF)*

The Investment and Intervention Framework is now in place and has been operational for just over 12 months. This give practical effect to the Assurance Framework and sets out a comprehensive assessment process for WIF considerations, assessments

and evaluations. It draws on the priorities identified in the Industrial and Economic Growth Plan (Fig 1) and sets out the approach, stages, sequences and criteria applied – all aligned with the HMT 5-Stage Business Case model. In relation to key principles, the Investment Framework aims for the WIF to be ‘evergreen’ through a balanced and proportionate portfolio approach – meaning that where possible and appropriate funds are recycled through repayable finance or equity structures. This emphasises the importance of investment leverage and consistently seeking high levels of co-investment. This is in line with the priority around self-sufficiency and using the WIF as a catalyst for further investment and opportunity – living off the interest and not simply spending down the capital.

Fig 1 – Extract from Economic and Industrial Growth Plan



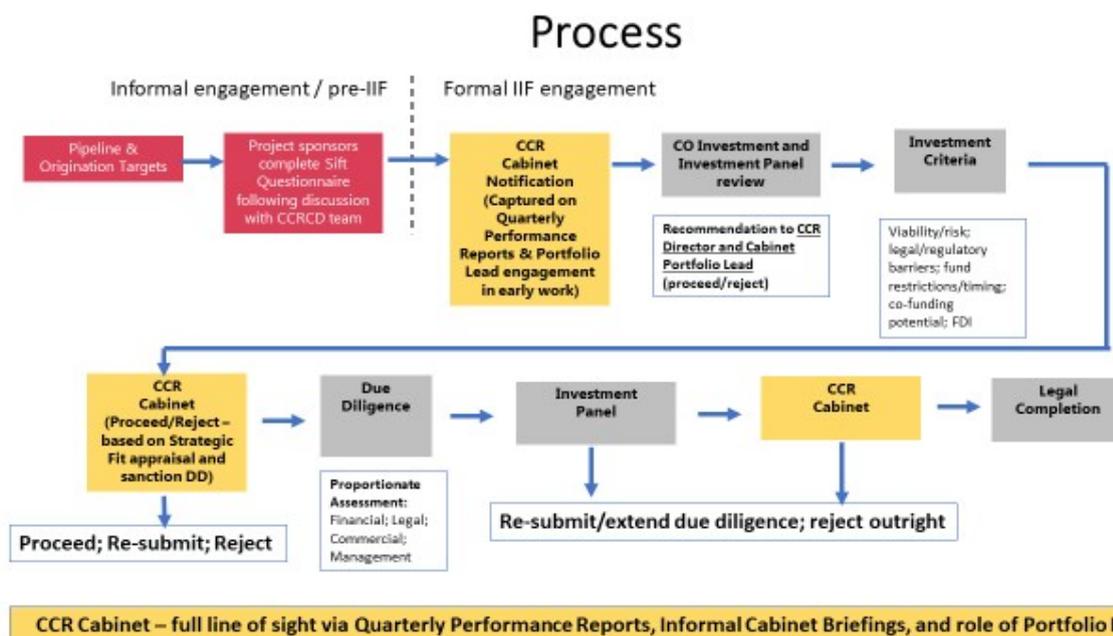
The IIF also gives effect to three funding priorities (Fig 2): Infrastructure, Investment and Challenge. Each category has its own requirements and criteria and allows for more tailored assessments to be made and based upon the type and scope of the proposed investment.

Fig 2 – Extract from Investment and Intervention Framework

Investment Priority	CCR Targets	ROI	Audience	% Investment (Indicative)	Indicative Range	Investment	Leverage
<b>Innovation</b> Unique IP/Market Leadership	Jobs, growth and investment leverage	Direct	<ul style="list-style-type: none"> <li>Private sector led</li> <li>R&amp;D Organisations</li> <li>HE</li> <li>FDI</li> </ul>	10-30%	£15-£50m	Repayable Instruments	<b>Enhance Productivity and Economic Inclusion</b>  <b>Reduce Economic Growth Inhibitors</b>  <b>Address Industrial Challenges and Place Based Disparities</b>
<b>Infrastructure</b> Foundations to enable private sector success and Civic Benefit	Leverage, jobs and indirect growth, address economic disparities	Indirect	<ul style="list-style-type: none"> <li>Public Sector led</li> <li>Public-private schemes</li> <li>FE &amp; HE (skills)</li> </ul>	10-50%	£10-£50m	Repayable through fiscal levers, income streams, gain share, other socio-economic benefits	
<b>Challenge</b> Competitive, aligned to CCR Priorities	New market creation, shaping places, IP Commercialisation, Addressing identified regional challenges and priorities	Enhanced	<ul style="list-style-type: none"> <li>Innovation intensive businesses</li> <li>HE/FE</li> <li>Social Enterprise</li> <li>Foundational Economy</li> </ul>	10-50%	£2-£10m	Repayable and/or risk investment returns	

Applicants to the WIF – both public and private in order that there is absolute parity of access - must adhere to the criteria and requirements and complete a SIFT questionnaire which enables them to access the assessment process. The SIFT process evolves with the application’s development and maturation and on the basis of ongoing diligence, progresses through iterative stages of the five-case model, with clear stage-posts around advice, recommendations and decision-making (Fig 3).

Fig 3 – Flow-diagram for IIF



### Evaluation and Monitoring

The portfolio and programme-level approach to project selection, assessment and delivery described above is important, because it shows how CCR initiatives and proposals are connected into delivery of higher-level policy goals. This is distinct to an approach which favours lots of one-off projects – and will be key to the kind of fundamental progress that needs to be made.

In addition, now that the CCR is posed to move rapidly from ‘start-up’ to ‘scale-up’ – ensuring the appropriate systems for monitoring, evaluation and risk profiling are in place, will be critical. Whilst some of these will be applied externally, a focus on i) effective internal systems and controls and ii) a programme of ongoing self-evaluation, will be effective tools in holding the programme to proper account. To do this we have established a number of frameworks and mechanisms and these will continue to be developed, monitored for compliance and rigorously challenged through the following:

Mechanism	Frequency	Lens
Project Highlight Reports	Monthly monitoring	Reported as part of Quarterly Performance Reports to Cabinet

<b>Mechanism</b>	<b>Frequency</b>	<b>Lens</b>
Logic Models for all 'approved projects'	Quarterly monitoring and review – as required by National Evaluation Panel	Reported as part of Quarterly Performance Reports to Cabinet – also submitted to UKG and WG
Contracts/ MoUs – in place with fund recipients and monitored as part of the above	Sequenced as part of the above	Sequenced as part of the above
Thematic boards and sub-committees that have specific roles – i.e. CSC Foundry Board and RTA	Quarterly meetings	Reported as part of quarterly performance
CCR Office-led mechanisms via the new Programmes and Assurance team	Quarterly meetings and challenge sessions	Reported as part of quarterly performance
Internal Audit	Annual audit	Proposals for improvement reported as part of quarterly performance
External Audit	Annual thematic audit as well as audit of accounts procedures	Reported separately to Cabinet
Gateway review	Ongoing review with five yearly intervals conducted by the National Evaluation Panel	All reports reported separately to Cabinet.  Gateway review separate process and commences in February 2021.
Risk Policy and Register	Ongoing review in line with performance reporting	Reported as part of quarterly performance
CCR Scrutiny Committee	Quarterly interspersed with special meetings	Annual report to be presented to Cabinet
Local Partnerships	On a project-by-project basis	Project lens – internal assurance

### **Metrics and measures**

CCRCDC is governed by three main targets – or *programme minima*. These are:

- 5% GVA growth
- 25,000 high-order jobs
- £4BN leverage

In recognition of the clear need for CCRCDC to work for the whole of the region, on production of the Investment Framework, a fourth local objective was added:

- Demonstration of economic inclusion

Given the opportunity to begin demonstrating 'pioneer region' credentials and pivoting the City Deal into a wider mechanism for the City Region, the partnership established with academic partners around economic intelligence and insights will enable develop of wider indicators and measures that encompass:

- Deep dives into the UK Competitive Index and assimilation of data at regional scale
- Wellbeing metrics

- A data dashboard for the CCR

## WIF Budget and Investment Strategy

### Introduction – ‘The City Deal’

The City Deal outlines the joint commitments made by the ten local authorities of the Cardiff Capital Region, the UK Government and the Welsh Government to unlock £1.2bn of investment to increase the performance of the city-region economy.

As its core proposition the City Deal provides funding to support investment in projects to stimulate economic growth: £734m is allocated to Metro, which is being delivered by Welsh Government, with the balance (£495m) being made available as the City Deal ‘Wider Investment Fund’.

### Wider Investment Fund (WIF) – Funding Streams

**HMT Contribution:** UK Government grant of £375m paid over 20 years period and consists of £50m revenue grant (years 1-5) and £325m capital grant from years 6-20. Expenditure incurred in advance of receiving UK Government grant will require ‘temporary borrowing’ by the ten local authority partners and is referred to as the ‘Cost of Carry’.

**Council Contribution:** CCRC Local Authority Partnership capital contribution of £120m. This will be drawn down as projects are approved and the Wider Investment Fund’s (WIF’s) overall funding requirements begin to crystallise. Council Contributions represent 24.2% of the WIF’s overall funding stream.

### WIF Indicative Expenditure Profile

Actual / Indicative Investment Expenditure		Ann. £m	Cum. £m
Year 1	2016/17	0.0	0.0
Year 2	2017/18	24.8	24.8
Year 3	2018/19	12.6	37.5
Year 4	2019/20	0.7	38.2
Year 5	2020/21	10.5	48.7
Sub-Total Years 1-5		18/19 - 22/23	48.7
Year 6	2021/22	53.2	101.9
Year 7	2022/23	98.4	200.3
Year 8	2023/24	128.3	328.6
Year 9	2024/25	82.0	410.6
Year 10	2025/26	38.0	448.7
Sub-Total Years 6-10		21/22 - 25/26	400.0
Years 11-20	23/24 - 26/27	46.3	495.0

Actual / Indicative Investment Expenditure		Ann. £m	Cum. £m
<b>Total</b>	<b>16/17 - 35/36</b>	<b>495.0</b>	<b>495.0</b>

### WIF Indicative Programme and Updated Affordability Envelope

This is the second JWA Business Plan to be prepared and reflects a move from the first few years from 'start up' into delivery and 'scale up' as well as an aim for the WIF to be 'evergreen' with the priority around self-sufficiency and using the WIF as a catalyst for further investment and opportunity.

A revised programme of investment has been modelled based on actual approvals to date, supplemented by projected spend profiles in relation to capital and revenue projects in the Investment & Intervention Framework Pipeline along with a range of other financial and technical assumptions, such as interest rates etc. Expenditure assumptions have been brought forward to meet the aspirations of Regional Cabinet and the Business Plan set out above. This indicates a requirement to bring forward Council Contributions and cost of carry. However, updated modelling indicates that the 'whole life cost' of the Wider Investment Fund to the CCRC Local Authorities remains within the 'Affordability Envelope' previously agreed as part of the Joint Working Agreement at £210.8 million.

The Joint Working Agreement defines this whole life cost as the partnership's 'Updated Affordability Envelope'.

Wider Investment Fund	£m
HMT Contribution (Grant)	375.0
Council Contribution (LA Capital)	120.0
Assumed Repayment Term	25 years
Assumed Interest Rate	2.8%
HMT Grant 'Cost of Carry' *	42.0
LA £120m 'Cost of Capital' **	163.7
Current Indicative Headroom	5.1
<b>Affordability Envelope</b>	<b>210.8</b>

\* Cost of Carry refers to the interest costs associated with up-front borrowing of the HMT Contribution (Grant) ahead of receipt over 25 years

\*\* Cost of Capital refers to Principal and Interest cost associated with borrowing the Council Contribution by the local authorities over 25 years

### Council Contributions

The Joint Working Agreement outlines that Council Contributions will be based on 'population' fixed at point in time. The agreed model is based on the 2015 ONS population data as the baseline for sharing costs throughout the 'whole life' of the Wider Investment Fund.

Agreed Council Contributions % Rates

<b>Local Authority Partner</b>	<b>Council Contribution</b>
Blaenau Gwent	4.6%
Bridgend	9.4%
Caerphilly	12.0%
Cardiff	23.7%
Merthyr Tydfil	3.9%
Monmouthshire	6.1%
Newport	9.8%
Rhondda Cynon Taff	15.8%
Torfaen	6.1%
Vale of Glamorgan	8.5%
<b>Total</b>	<b>100%</b>

**Cardiff Capital Region City Deal Wider Investment Fund – Indicative Investment Programme**

	Sub Total Yrs 1-5 £m	Yr 6 2021/22 £m	Yr 7 2022/23 £m	Yr 8 2023/24 £m	Yr 9 2024/25 £m	Yr 10 2025/26 £m	Sub Total Yrs 6-10 £m	Yrs 11-20 26/27 - 35/36 £m	Total Yrs 1-20 £m
<b>Programme Expenditure</b>									
Revenue	7.95	4.82	4.67	4.60	4.13	4.33	22.57	19.48	50.00
Capital	40.72	48.43	93.70	123.74	77.85	33.70	377.41	26.87	445.00
<b>Total Investment</b>	<b>48.67</b>	<b>53.25</b>	<b>98.37</b>	<b>128.34</b>	<b>81.98</b>	<b>38.04</b>	<b>399.98</b>	<b>46.35</b>	<b>495.00</b>
<b>Funded by</b>									
HMT Revenue Contribution	(7.95)	(4.82)	(4.67)	(4.60)	(4.13)	(4.33)	(22.57)	(19.48)	(50.00)
HMT Capital Contribution	0.00	(22.00)	(22.00)	(22.00)	(22.00)	(22.00)	(110.00)	(215.00)	(325.00)
<b>Total HMT Contribution</b>	<b>(7.95)</b>	<b>(26.82)</b>	<b>(26.67)</b>	<b>(26.60)</b>	<b>(26.13)</b>	<b>(26.33)</b>	<b>(132.57)</b>	<b>(234.48)</b>	<b>(375.00)</b>
Council Contribution	(40.72)	(26.43)	(52.85)	0.00	0.00	0.00	(79.28)	0.00	(120.00)
Partner Authority Cost of Carry	0.00	0.00	(18.85)	(101.74)	(55.85)	(11.70)	(188.13)	188.13	(0.00)
<b>Total Funding</b>	<b>(48.67)</b>	<b>(53.25)</b>	<b>(98.37)</b>	<b>(128.34)</b>	<b>(81.98)</b>	<b>(38.04)</b>	<b>(399.98)</b>	<b>(46.35)</b>	<b>(495.00)</b>
<b>Total Revenue Implications</b>									
	Sub Total Yrs 1-5 £m	Yr 6 2021/22 £m	Yr 7 2022/23 £m	Yr 8 2023/24 £m	Yr 9 2024/25 £m	Yr 10 2025/26 £m	Sub Total Yrs 6-10 £m	Yrs 11-32 26/27 - 47/48 £m	Total Yrs 1-20 £m
Total Revenue Implications	7.03	3.01	5.38	9.85	11.89	12.70	42.82	155.84	205.69

## Keeping the Model Live

Expenditure profiles and performance against the plan will be considered as part of the Annual Business Planning process, with a view to tracking performance and impact on the Affordability Envelope.

Regional Cabinet will continue to receive regular revenue and capital monitoring reports throughout each year advising on matters such as: Approved Budget, Actual Position To-Date, Commitments and Projected Out-turn. These reports will be supplemented by the appropriate Project Performance Reports, advising on all aspects of the Wider Investment Fund.

A number of mitigations will continue to be considered in order to mitigate any risk to the Affordability Envelope. Such actions include requesting the bringing forward of HMT grant from future years, ensuring security for investments deemed to be evergreen where feasible to do so and review of assumptions such as the interest rate assumed for modelling purposes.

## HMT Contribution - Funding Terms & Conditions

The funding is paid to the Accountable Body on behalf of the ten CCRCD local authorities and must be used solely to support the objectives of CCRCD through the implementation of projects and schemes agreed by the Regional Cabinet and in accordance with arrangements set out in its Joint Working Agreement, Wider Investment Fund, Assurance Framework, and the JWA Business Plan.

An outcome based Gateway Review of CCRCD led by HM Treasury is being undertaken in 2020/21. Funding for 2021/22 and beyond is conditional on CCRCD successfully passing this Gateway Review.

It has been confirmed that in any year, where funds have been committed and/or there is a clear intention to spend, carry forward of funding to future years will be permitted. Carry forward in respect of this year (2020-21), will also be permitted providing that the Gateway Review is passed.