

14 MARCH 2022

SEEDING A NORTHERN VALLEYS FUND

REPORT OF CARDIFF CAPITAL REGION DIRECTOR

AGENDA ITEM 6

Appendix 1 to this report is exempt from publication because it contains information of the kind described in paragraphs 14 (information relating to the financial or business affairs of any particular person) and 21 (public interest test) of parts 4 and 5 of Schedule 12A to the Local Government Act 1972 and in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Reasons for this Report

1. To set out a proposal to ring-fence c£30M of Wider Investment Fund monies for the initial establishment of a Northern Valleys Seed Fund, in order to set in motion an early commitment against which the following can be realised:
 - a full business case to support the creation of such a Fund;
 - seed investment to begin scoping early project development work and to inform the potential of the Fund;
 - potential co-investment from Welsh Government; and
 - potential to secure continuity and future funds through UK-wide investment funds such as Shared Prosperity and Levelling-up.

2. To inform Regional Cabinet of work that has recently been undertaken by the Valleys Regional Park to shape and inform a future governance and delivery model, in order to consider future fit and alignment with CCR / the SEW Corporate Joint Committee.

Background

3. Cardiff Capital Region (CCR) along with the six Local Authority partners (Blaenau Gwent, Merthyr Tydfil, Rhondda Cynon Taf, Caerphilly, Torfaen and Bridgend) have been working with Welsh Government to develop a case for an investment fund to drive targeted results in the Northern Valleys sub-region. The Northern Valleys represents a significant element of the geographical footprint of the Cardiff Capital Region City Deal and remains a priority for both the CCR and Welsh Government. The area has been a significant net-beneficiary of EU funds

over the last 25 years and with recent important developments such as the dualling of the A465 and pre-existing programmes like Tech Valleys and the legacy of achievements of the Valleys Taskforce – there is a good base upon which to build.

4. The proposals developed to date across all partners have focussed upon interventions on industrial sites, premises, housing, digital infrastructure, skills and talent and tourism. A theme of supporting net zero has been proposed to run through all aspects of the programme. In particular, the fund proposal has been conceived to specifically address the viability challenges of the Northern Valleys market and seek to leverage long-term continuity investment from a range of external sources. It was further proposed that a single governance structure was developed to oversee delivery that would sit as part of the CCR Corporate Joint Committee with the establishment of a sub-committee with clear lines of accountability and a relevant advisory group and reporting into the Welsh Government Minister for the Economy – as required.
5. Welsh Government has already committed to the proposition with joint work with CCR to examine the feasibility of a first set of interventions around strategic premises – to seek to leverage the benefits of the new Heads of Valleys Road (A465). This has enabled early validation work to take place to identify and develop plans for key strategic sites.
6. The approach taken is important because it doesn't seek to build or replicate another programme for the Northern Valleys. The benefits of the proposed programme stem from the focus on a fund, that will be continually leveraged, built upon co-investment principles and targeted as a long-term continuity tool in building resilience and sustainability for the area.
7. However, with changes to the deployment of successor EU-funds in Wales such as the Levelling-up and Shared Prosperity Funds and the production of local investment plans to inform the latter – it is important that further concrete steps are taken in quick time to ready the Northern Valleys to take a strategic and joined-up approach. The criticality of this is underscored by publication of the recent UK Competitiveness Index 2021, which shows that two of the Northern Valleys Authorities remain at the bottom of the UK-wide index with other areas continuing to lag toward the bottom of the index. Demonstrating a decisive approach to inclusive growth and more judicious distribution of wealth and investment, will be critical to efforts to disrupt this pattern.

Work to Date

8. A draft original proposal paper has been drawn up by CCR and the 6 LA partners that feature within the Northern Valleys and is enclosed at exempt Appendix 1. This sets out a range of thematic interventions that will have a focus on improving productivity and competitiveness of the tradeable economy, investing in the everyday foundational economy and, importantly, how both these aspects intersect and complement one another. The document has status only as a discussion paper – as work continues – however it does serve as a guide for the kind of ambition that can be realised. It will focus on six areas for intervention reflecting the specific challenges and opportunities of the northern valleys, including industrial sites and premises, housing, digital infrastructure, skills

programme, cluster development, and tourism. Rather than attempt to address the ambition for a Zero Carbon Wales separately, supporting business and the communities in responding to the climate change challenge will be cross cutting and integral to all elements of delivery activity.

9. Whilst this proposal articulates the Welsh public sector intervention necessary, an integral element of the initiative will be to leverage further investment from other sources (public and private) to support full delivery of the ambitions of the initiative. It is proposed that an interim governance structure is utilised, building on the approach taken by the Tech Valleys programme where partners contribute officer time to delivery. This will be overseen by the six local authority chief executives, Chief Regional Officer at Welsh Government, and the Director of the Cardiff Capital Region. This will provide oversight of delivery during its early development and delivery phases, with the view to evolving this into a more formal, unified structure via a sub-committee of the Cardiff Capital Region Corporate Joint Committee.
10. In terms of funding the initiative, subject to business case and when fully formed, the £30M commitment from CCR should be matched by a significant contribution from Welsh Government and should then seek to leverage at least a further £150M in private co-investment and additional public and private leverage through business partnerships and sources such as the Shared Prosperity Fund.
11. The level of investment and intervention proposed in the paper, could deliver the following outcomes:
 - supporting cutting-edge digital and physical infrastructure that supports a greener economy by enhancing our connectivity and community cohesion;
 - promote, practice and invest in targeted means of closing the economic and social disparities ensuring a fairer economy, forging resilient communities with a strong sense of belonging, enabling our citizens to fulfil their potential through a changing 21st century;
 - provide better jobs closer to home, raising skills levels, tackling poverty and helping businesses to not only bounce back post-pandemic and post-EU exit but to innovate and evolve so that they thrive and prosper;
 - raising aspirations amongst our communities and providing the means for young people to feel confident to plan, create and secure their futures in the northern valleys;
 - make a positive contribution towards Zero Carbon Wales, enabling businesses to respond to the decarbonisation challenge.
12. Tracking progress towards the delivery of these outcomes will be achieved by monitoring progress against the following output measures/KPIs. These are indicative only in the proposal paper and would be subject to testing and validation through the business case process and subject to securing at least an initial fund of £90M to leverage c£150M of additional external investment:
 - hundreds of thousands of square feet of new industrial space;
 - up to 350 participants involved in training programmes aligned with business needs (actual KPI to be finalised prior to programme commencement);
 - c1,500 supported with entrepreneurship / business starts programme.

- up to 20,000 premises (industrial and residential) connected to better broadband;
- up to 3,000 homes being built / bought back into use;
- c10% increase in tourism figures;
- between 10-12 inward investment projects aligned to economic clusters priorities/specialisation;
- 2,500 jobs created and safeguarded (direct, indirect and induced);
- over the longer-term up to £500m additional investment leveraged to the northern valleys based on the activity of the Fund and dependent upon the long-term nature and support of the programme.

Making Progress

13. In order to demonstrate a state of readiness in respect of the above opportunity and kick-start the creation of the proposed Fund, it is recommended that CCR signals intent to commit, through 'ringfencing' £30M of the Wider Investment Fund. This commitment is made subject to business case development and subject to the rigours of the Investment and Intervention Framework. However, in making the commitment, it provides confidence to the local authorities, Welsh Government and other partners and provides a strong basis upon which to start shaping propositions under the priority headings. There is no direct commitment involved at this stage – other than to indicate broad direction of travel.
14. This is in line with the intent of CCR as supported by REGP and Programme and the self-evaluation review of the Investment Framework, to do more to 'self-originate' proposals. It is also in line with the desire to continue to develop a range of 'impact' sub-funds which are developed and managed within the Wider Investment Funds and can be targeted at delivering a range of interventions and impacts. Examples of these already include the Housing Investment Fund, the Challenge Fund and the Strategic Premises Fund – with the Innovation Investment Fund process set to also conclude shortly. A paper detailing the early proposals around the Northern Valleys Seed Fund has been considered by Investment Panel, REGP and Programme Board in recent months.
15. It is further proposed that in order to create the capability and capacity to begin developing early proposals to both inform and allow 'testing' of the parallel business case and examine the feasibility of the interventions which are likely to be most effective, a sum of £1M is made available in 2022/23. This will help catalyse project development in the six local authority areas and will 'match' £800k already committed by Welsh Government to the process of assessing the viability of sites for strategic premises. The reason this is proposed to be set at the £1M level is to allow for the inclusion of the Northern Bridgend Valleys. This funding is proposed to come from the CCR Project Development Fund and will be managed by CCR across the priority themes and a simple process will be developed to facilitate draw down in line with priority project areas that meet criteria to be established by the CCR office in collaboration with Welsh Government and local authorities.
16. Governance and delivery mechanisms would be considered through an options appraisal process in the business case development period. This would focus specifically on an investment strategy and process aligned to the Investment and Intervention Fund – but differentiated on the basis of the problems to be solved

in the Northern Valleys and as such the adjustments to investment frameworks needed to support this.

17. It should be further noted that whilst the Fund could help to facilitate capital property development, investment in people, R&D and SMEs with innovation potential must be considered as critical priorities. Evidence demonstrates that low public sector R&D intensity results in low private sector investment in R&D and leads to relatively stagnant levels of productivity. It is clear that linked to the clusters theme in the original proposal paper, this has to be a core area of focus.
18. In relation to the people development and talent attraction, concepts such as Assured Skills Academies offering short course and rapid upskilling – across sectors – could be quickly mobilised and include all FE colleges and HE providers right across this area of the region.
19. This whole process should be seen as one of creating momentum. The Northern Valleys has experienced significant deindustrialisation over the past 50 years, from a former legacy of coalmining and metals production. Productivity performance is generally weak in most sectors, in particular, services. Whilst the net effect of the CCR Investment and Intervention Framework will be key to making progress – Metro Plus; Sites Fund, Housing Investment Fund; ULEV; Challenge Fund and specific investments such as Zipworld – seeding the Northern Valleys Seed Fund can help create a more comprehensive approach to long-term and targeted investment in the area. Key impacts of the fund, in the long-term will seek to:
 - bring about new strategic premises and business locations;
 - reverse low levels of growth aspiration in SMEs;
 - address relatively low levels of skills attainment;
 - Improve low levels of both public and private R&D investment;
 - leverage further public and private investment to take a long-term continuity approach to business investment and SME growth;
 - support public transport infrastructure and make more of cultural heritage and tourism potential.

Valleys Regional Park

20. The Valleys Regional Park continues to operate as a Welsh Government supported programme, linked to the governance of the CCR through the Executive Board and its hosting via Bridgend County Borough Council. Given programme funding will soon reduce, requiring changes and adaptation to the current operating model, work has been undertaken to inform structural changes that will enhance and improve the delivery model and governance and ensure it is on a secure footing to work towards a more sustainable funding model.
21. This work, which has closely involved all LA partners and the Executive Board and Advisory Committee has considered a future shaped around thematic missions which would drive a more focussed purpose. This could allow for the expansion of the Valleys Regional Park 'principles' into other areas of the region and opportunities such as a National Nature Service; developmental programmes around food security; alignment with green growth and net zero initiatives; and

higher levels of interaction with the business community and national funding agencies in order to develop a long-term sustainable investment plan.

22. Whilst the work has yet to fully conclude and formally report, there is an opportunity for CCR to begin thinking about the future of the Valleys Regional Park in the context of the above and the evolution to the Corporate Joint Committee. It is therefore proposed that the CCR Chair and Director, Leader and Chief Executive of Bridgend CBC, begin discussions with Welsh Government to examine potential for inclusion within the CJC environment as progress is made on the transition process.

Reasons for Recommendations

23. This report sets out a rationale for seeding initial efforts to develop a Northern Valleys Seed Fund, signalling intent and confidence and a clear direction of travel in supporting this important area of the region.

Financial Implications

24. This report recommends the ring fencing of £30 million of Wider Investment Fund resources towards a proposed Northern Valleys Seed Fund. This will be subject to a full business case to be developed and brought to a future Regional Cabinet.
25. In addition, funding of £1 million is requested for 2022/23 from the CCR Project Development Fund in relation to developing the full business case for the fund.
26. If approved, the CCR financial contribution to specific projects and any ongoing support can be met from sums set aside in the approved Annual Business Plans for 2021/22 and 2022/23.
27. It needs to be recognised that expenditure may be undertaken on development of proposals and business cases, which do not result in a recommendation to progress. Such costs will need to be managed within existing resources.

Legal Implications

28. Although members are being asked to ring fence £30 million of the Wider Investment Fund, any decisions made to invest this money into the Northern Valleys Seed Fund will need to be subject to a full business case. Further financial and legal advice will be required at this stage.
29. There are no other legal implications in this report.

Well-being of Future Generations (Wales) Act 2015

30. 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 CCRC) 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.

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

Equality Act 2010

32. 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

33. It is recommended that the Cardiff Capital Region Joint Cabinet:

- (1) endorses the proposal in this report to ringfence c£30M of the Wider Investment Fund to speed the development and deployment of a Northern Valleys Seed Fund – subject to business case and the requirements of the Investment and Intervention Framework.
- (2) approves the award of £1M from the CCR Project Development Fund in 2022/23 to invest in the capacity required to test the viability and validity of certain proposals, under priority headings and in order to shape, inform and test the business case; and,
- (3) endorses moves to engage Welsh Government in dialogue about the future development of the Valleys Regional Park and its potential fit and contribution to CJC objectives.

Rhys Thomas, Chief Operating Officer
Kellie Beirne, Director
Cardiff Capital Region
14 March 2022

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EXEMPT Appendix 1 Original draft proposal paper – Northern Valleys Fund
 Appendix 2 Well-being of Future Generations Assessment

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 ringfence WIF monies to seed the Northern Valleys Seed Fund</p>
<p>Proposal: Northern Valleys Seed Fund</p>	<p>Date Future Generations Evaluation form completed: 14 March 2022</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 developing a place based targeted approach to intervention in the northern valleys</p>	<p>Develop an initial SOC to create the theory of change and economic assessment on which to base intervention</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 projects potentially delivered through such a fund will have regard to nature and biodiverse ecosystems and the theme of Net Zero will run throughout development and execution of the Fund</p>	<p>Responsible investing principles to be established as part of the business case</p>
<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.</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?
A Wales of cohesive communities Communities are attractive, viable, safe and well connected	The joint approach is key to ensuring 'no place gets left behind' and focusing on addressing socio-economic barriers in a place-based way.	The risks and issues will be examined via the business case development process
A globally responsible Wales Taking account of impact on global well-being when considering local social, economic and environmental wellbeing	The principles look outward and focus on the FDI and international opportunities, which will be particularly important post-EU exit.	
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	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.	Growing the focus on tourism, heritage and culture will be a core part and strand of this work
A more equal Wales People can fulfil their potential no matter what their background or circumstances	The approach focuses on economic inclusion, levelling-up and a mission-driven approach capable of not just tackling economic problems – but societal ones too.	

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?
 Balancing short term need with long term and planning for the future <small>Long Term</small>	The proposal for a seed fund speaks to a long-term approach.	The work will need to be constantly adapted and updated in order to remain relevant and fit for an evolving future; in addition, the fund will seek to catalyse co-investment and private leverage as it matures and develops

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>Working together with other partners to deliver objectives</p> <p>Collaboration</p>	<p>The proposal will need to be endorsed by all ten LAs and is aimed at a collaborative not competitive approach and consulted upon/reported to PB, REGP, RBC and wider partners.</p>	
 <p>Involving those with an interest and seeking their views</p> <p>Involvement</p>	<p>To feature in the ongoing programme of work and as individual projects require.</p>	
 <p>Putting resources into preventing problems occurring or getting worse</p> <p>Prevention</p>	<p>This recognizes key data sources such as the UK Competitiveness Index</p>	<p>Need to build on data sources and other points of economic intelligence.</p>
 <p>Considering impact on all wellbeing goals together and on other bodies</p> <p>Integration</p>	<p>Outcome focused reporting and accountability will be key to this. Work done for CCR to revise 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	<p>Not relevant in this context since the principles, approach and ways of working apply to all prospective interests and stakeholders. The Fund is targeted at a place-based level and as projects are considered and developed. Assessments against protected characteristics will be made.</p>		<p>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.</p>
Disability	As above	As above	As above.

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?
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:

Q1 2022/23