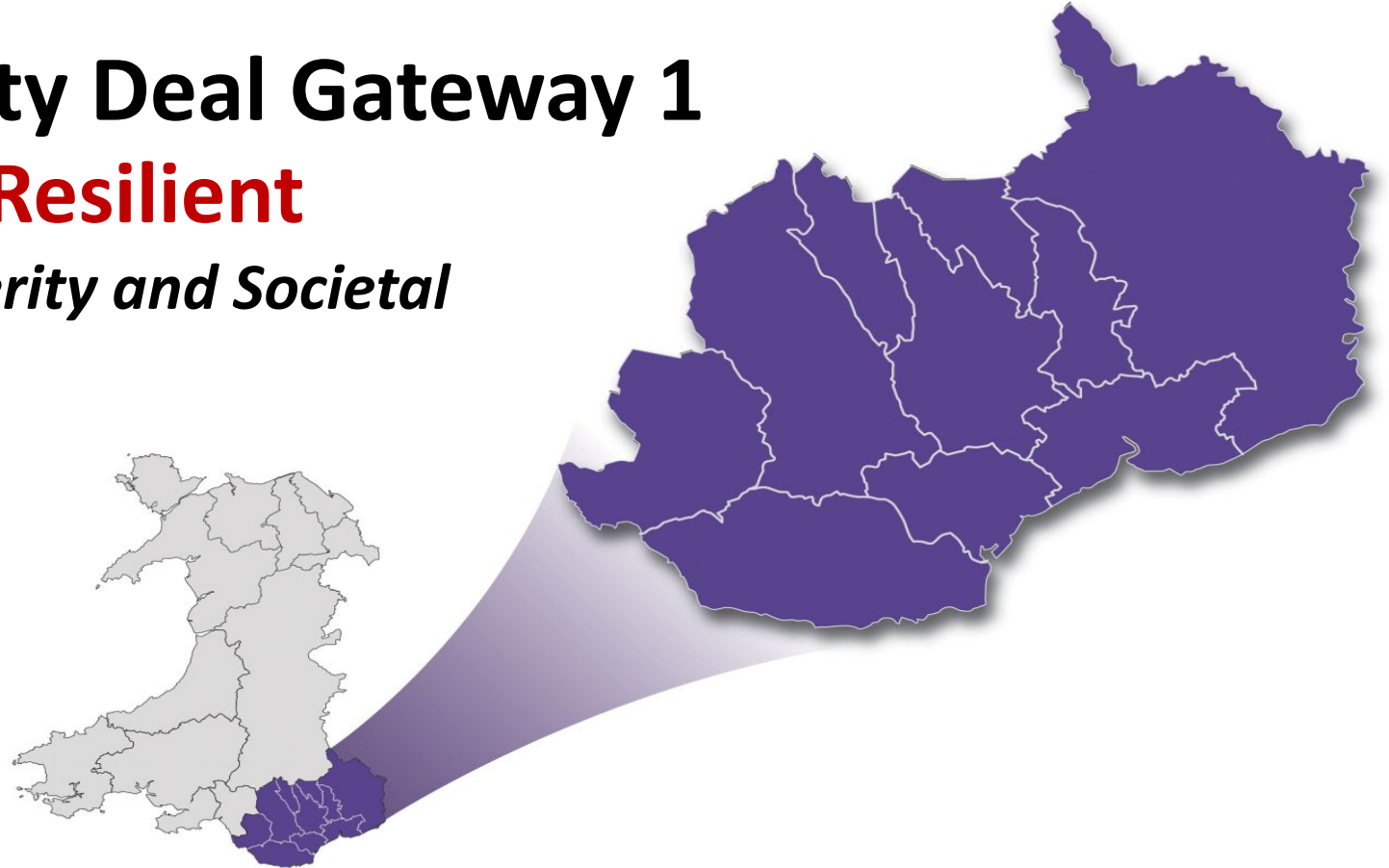


# Cardiff Capital Region City Deal Gateway 1

**Connected, Competitive, Resilient**

*Achieving Shared Economic Prosperity and Societal Benefit*

**20 January 2021**



# Agenda

## Topic

### INTRODUCTION

- Executive Summary
- A bit about Cardiff Capital Region
- Purpose and Approach

### PART 1: LOOKING BACK ON WHAT HAS BEEN ACHIEVED

- Solid Foundations and Governance
- Investment Fund snapshot
- Projects currently approved and in delivery
- Future pipeline

### PART 2: LOOKING FORWARD TO WHAT'S NEXT

- Building a Region – Pioneer CCR
- 5 Year Strategic Business Plan
- Levelling-up

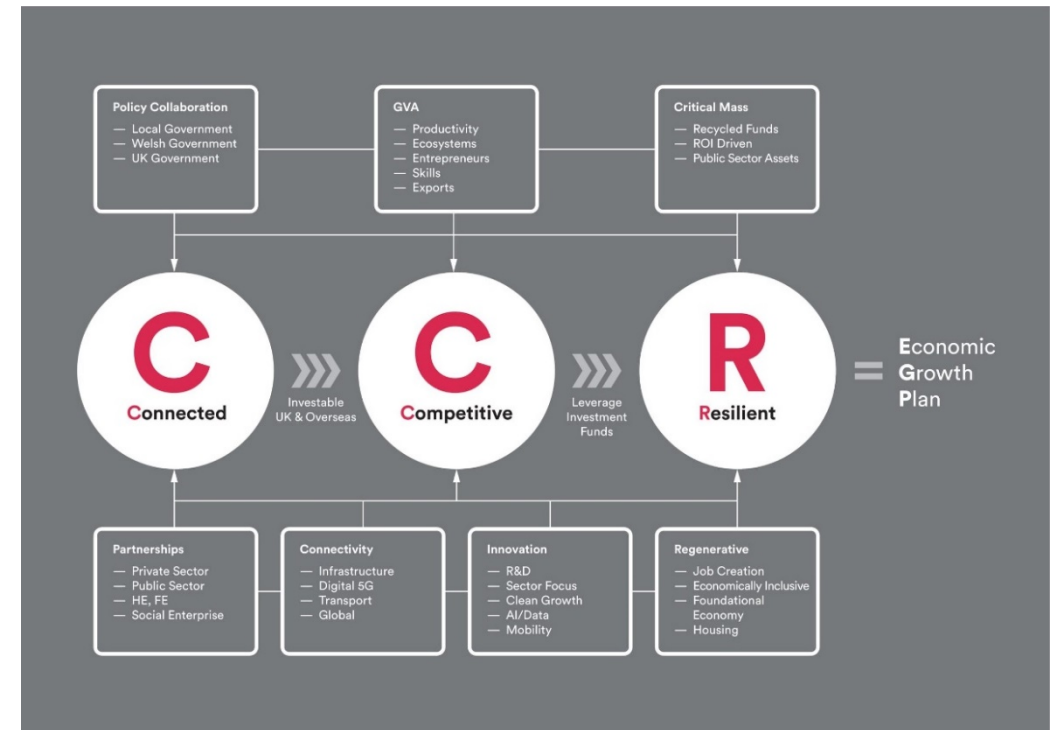
### PART 3: AREAS FOR FUTURE SUPPORT

# INTRODUCTION



# Final Report – Gateway 1 Evaluation

- Good understanding of CCR & future challenges & opportunities
- Strong statements on CS Project and future prospects – cluster, supply chains & skills
- Positive commentary on good political leadership & the distinctiveness of a flexible WIF-led approach
- Positive commentary on richness of partnership – REGP model commended as well as enhancements such as Investment Panel
- Business engagement structures
- Not a traditional approach – ROI, risk-reward – an investment fund approach
- Recognises growing pipeline and capacity needed to deliver
- Clusters, eco-systems and approach to Research and Innovation – long-term approach to building productive capacity





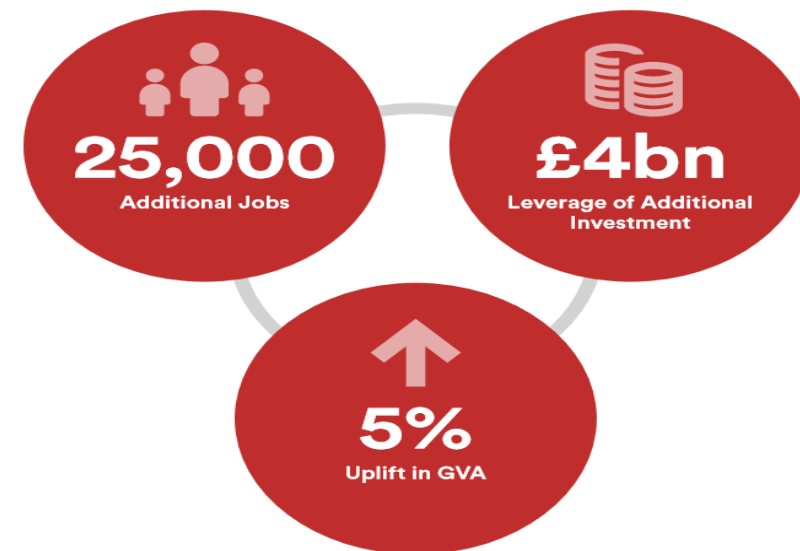
# CCR City Deal delivery structure

- £1.229Bn fund over 20 years
- £734M – Metro Scheme, delivered by Welsh Government via Transport for Wales
- £495M – Wider Investment Fund, delivered by the 10 local authorities via Regional Cabinet and Office of the CCR City Deal

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## Core Objectives of the Cardiff Capital Region City Deal

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# A bit about CCR...

- Joint Committee structure supported by an Accountable Body
- Multi-partner, multi-layer governance – 10 LAs, UKG and WG
- Region's population c1.5M & represents over 50% total Welsh output
- Some of most and least prosperous areas of Wales exist cheek by jowl
- Valleys, rural areas with 2 cities including the Capital
- Wider Investment Fund – flexible, open & competitive fund
- Approved in March 2017. Operational 4 years in March 2021





# Executive Summary – looking back, looking forward...

- Developed rich seam of data/ insights/ evidence to inform quality assessments & decisions
- Co-created a rich, fact-based Industrial & Economic Growth Plan, adapted for Covid-19
- Co-developed an Investment & Intervention Framework to robustly assess proposals
- Developed strong deal-flow and an investment pipeline
- Approved £148M of investments, matched by c.£250M funds with projected leverage >£2BN, creating an initial c.2,445 jobs (plus Metro Central projection of an additional c.22,000 jobs – direct & indirect – based on DfT OBC (subject to further validation))
- Extended voice, reach & influence – underpinned by solid governance
- Built new capability, capacity and collateral for onward journey
- New mechanisms local leadership & business leadership – Investment Panel, Economic Growth Partnership & Business Council
- Embraced challenge and mission-driven thinking
- International outlook – MIPIM, Wales in London, Western Gateway, Global Welsh...
- Evolving from City Deal to a pioneer City Region with plans for Regional Development Entity

# CCR - Connected, Competitive, Resilient

We have strong sense of core purpose.

- CCR City Deal 3 layers of Govt. & £1.229Bn to achieve our goals
- But it is not about hitting targets that miss “the point”... Economic growth = quality of life, opportunity, societal impact
- Inclusive growth key priority
- R&D / Infrastructure key to support agglomeration/spillovers but must be balanced with focus on foundational economy, public sector and civic innovation
- Economic ambitions must match progressive social policies = generalised prosperity







# Our approach

- Challenges:

- Past marred by dependency
- Lacking resilience and ability to withstand shocks
- Major beneficiaries EU funds
- Job numbers and service-led economy
- Lacking competitiveness
- Relative low-growth / productivity
- Unequal before Covid-19, economic downturn and EU-exit

- Opportunities:

- City Deal catalyst for new approach
- New ends and new means
- Live off interest not capital
- Balance local political and industrial leadership
- Play long game – clusters and ‘eco-systems’ to impact productivity
- Higher level policy goals – no more ‘one-off’ projects
- City Deal that balances investment across all of region, with targeting to allow right projects to grow in right places

# PART 1

LOOKING BACK ON WHAT HAS BEEN ACHIEVED

# Solid Foundations

## Data, Process, Frameworks and Collaboration.

- State of the Region – strengths & sectors & priorities
- Business-led Industrial & Economic Plan – adapted for Covid-19
- Investment **& Intervention** Framework
- Eco-systems and clusters – compound semi, fin-tech, cyber, creative and med-tech
- Three funding priorities
- Evergreen, co-investment & leverage
- Challenges & Missions
- Regional Cabinet & Investment Panel work in concert. Lead not do
- Start-up. Now scale-up.





# Effective Governance and Partnership Engagement

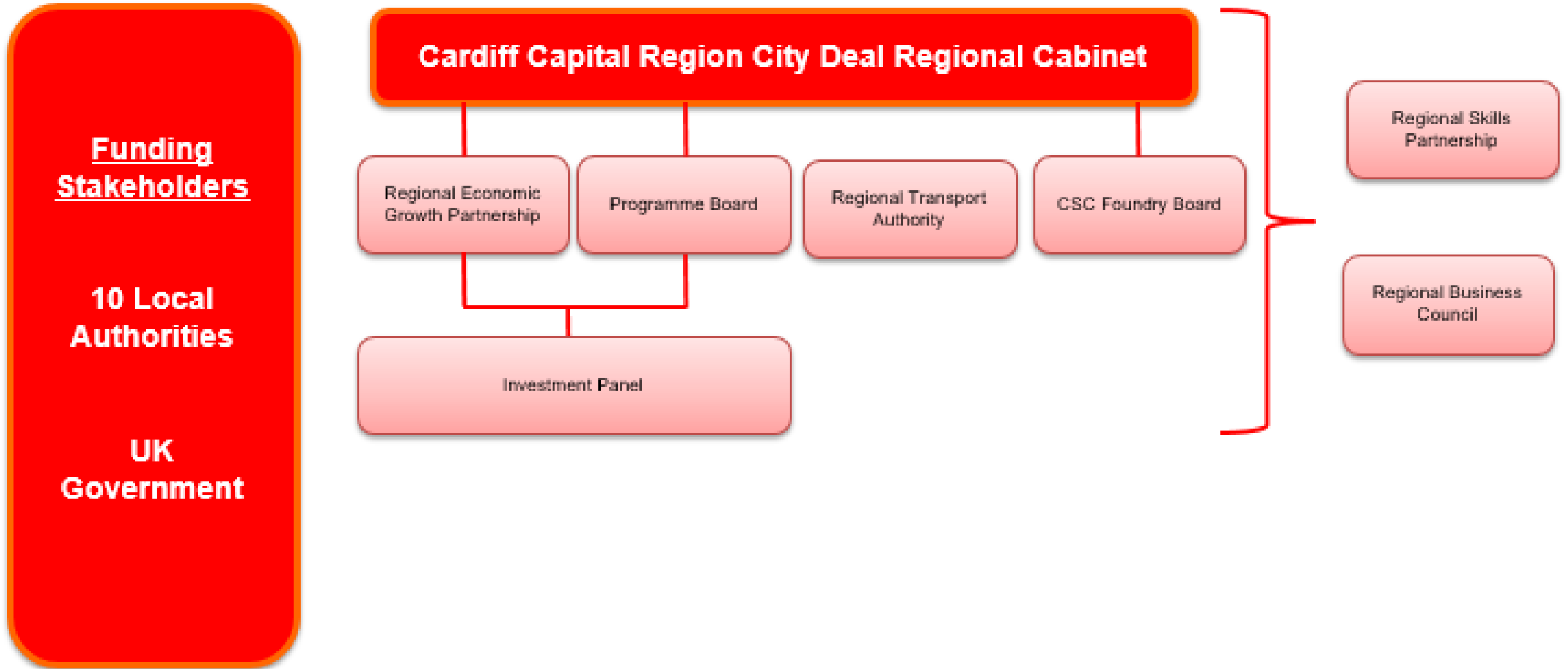
**We have transformed working practices and speed of decision making.**

- Chair, Cllr Anthony Hunt
- Two vice chairs covering Business Innovation & Economic Strategy
- All leaders have portfolio leadership role
- Regional Cabinet – distributed leadership model
- Come together to make decisions in best interests of region – consensus and maturity
- Regional Boards show strong balance of business and local leadership
- Regional Economic Growth Partnership - pro-bono expert support and resources
- Beyond City Deal - Strategic Development Plan, Valleys Regional Park, Skills for Region





# Governance and Partnership Structures





# Investment and Intervention Fund

- Public sector not just a ‘funder’ ‘de-risker’ or ‘trouble-shooter’
- Shaping future & convener for big industrial/ societal challenges
- IIF enacts ‘evergreen’ WIF (through portfolio approach)
- Risk-reward
- Co-investor
- Shaping & creating new markets
- Recycling surpluses
- New JVs and legal structures such as CSC Foundry Ltd

✓ **20 projects with ‘status’ in the CCR Investment Fund\***

✓ **Total Investment request of c.£376M**

✓ **Projected investment leverage of c.£2.7Bn**

✓ **Projected jobs created of c.26,745\*\***

*\* Projects in the pipeline – not approved projects. Some projects will drop off. Illustrative only. ‘Portfolio’ on track regarding targets. Capacity remains for new ideas and new proposals.*

*\*\*inc. Metro Central direct and indirect job projections*



# Approved Projects to date...

Approved	CCR £M	Match £M	Projected Leverage (TBC) £M	Forecast Total	Date
CSC Foundry Ltd	38.55	6.00	375.00	419.55	May and July 2017
Metro Plus	15.00	35.00	TBC	50.00	February 2019
Metro Central* (1 <sup>st</sup> phase)	40.00	145.00	1,000.00	1,185.00	March 2020
Homes for all the Region* (Housing Viability Fund)	31.60	15.00	750.00	796.60	March 2020
Graduate Scheme	1.54	0.00	10.77	12.31	March 2020
Creo - Plasma Technology	2.06	0.00	10.00	12.06	May 2020
Challenge Fund	10.00	6.00	3.00	19.00	October 2020
CS Connected (SIPF)* (approved through UKRI)	3.30	40.4	300.00	343.7	October 2020
Pharmatelligence	2.00	0.00	TBC	2.00	November 2020
Zip World - Tower	4.40	3.00	TBC	7.40	December 2020



# Immediate Pipeline...

Project	Date
SIPF Wave 2 Cyber Wales and West and Creative Capital Region	2021
Strategic Premises Fund	March 2021
Innovation Investment Fund	2021
Fintech Wales	2021
Life Sciences Park	2021
<b>Total</b>	2021

**Early projections of investment value - c£145M direct funds with similar levels of match funds and leverage estimates of over £1BN**





# Wider investment pipeline

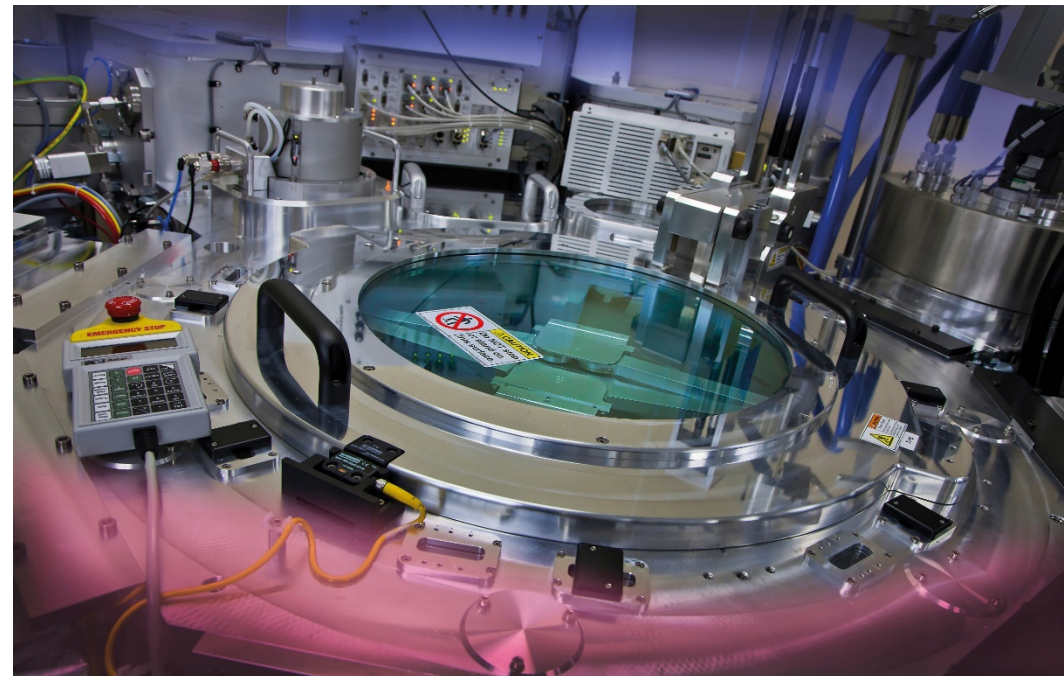
- Digital – Full fibre to premise proposal
- Rural connectivity
- Cyber Masters (blueprint for Cluster skills development)
- Shared Apprenticeships
- Digital clinical innovation – Strength in Places Wave 3
- Energy Demonstrators





# Wider Impact of Investment CS Foundry Project and Cluster

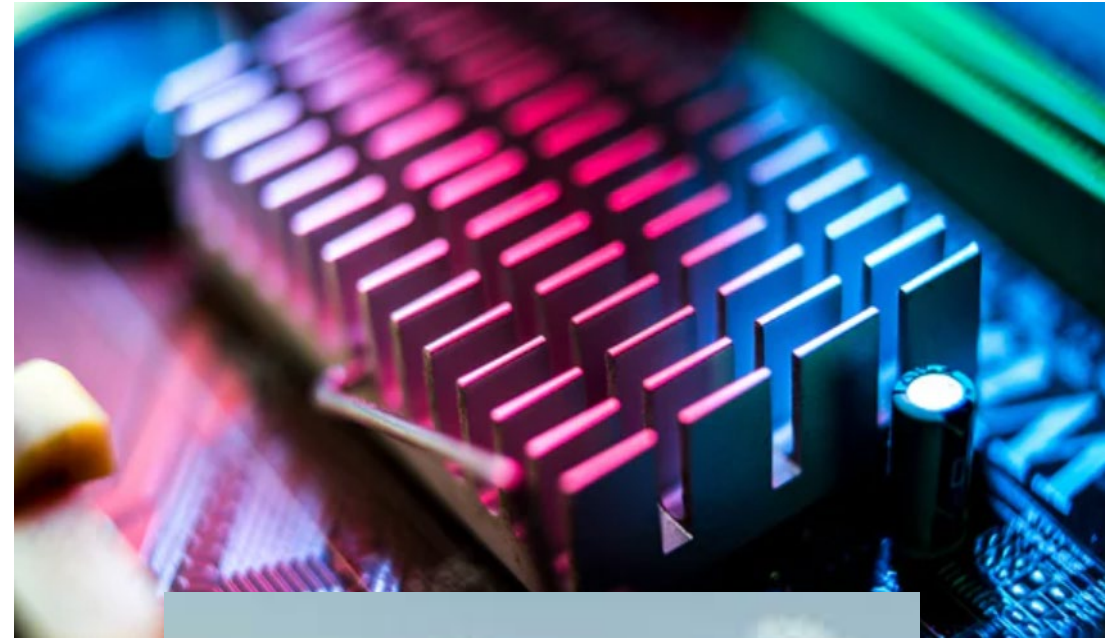
- £38.55M investment in state of art Newport mega-Foundry
- Necessary to support expansion of AIM-listed IQE Plc
- High-end production of VCSEL wafers to OEM
- Aim to create 550 jobs and safeguard 450
- Involved CCR:
  - Acquiring building from WG
  - Kit out with clean-rooms to allow IQE to invest £375M in fit out with VCSEL reactor tools
  - Managed via a Development Agreement for Lease
  - 11 year term, but with stair-cased rent and Option to Purchase
  - Established CSC Foundry Ltd – a Company Limited by Shares and owned by all 10 Councils
- Intervened where market couldn't
- But on clear risk-reward basis
- Need for quick action...
- ...to retain company, build prospects for Cluster and anchor sovereign technological capability in UK





## CS Foundry – progress to date

- 87% complete but sector is growing & whether they will need remainder of loan to be seen
- 110 high-value jobs created (95% within CCR)
- 545 jobs safeguarded v target of 450
- Analysis by Cardiff Uni estimates 956 indirect and induced jobs (as of Dec 2019)
- £50M invested in CSA Catapult (70 jobs) co-located in Foundry





# CS Connected – the wider cluster

- Builds upon CCR investment & wider investment to date of £500-550M by partners in the region (UKRI, HEI, Industry & WG)
- Partners: CCR, WG, IQE, Cardiff Uni, Swansea Uni, SPTS, Newport Wafer Fab, Microchip, CSC, CS Institute & CSA Catapult
- Awarded Wave 1 Strength in Places Fund £42M (£25.4M SIPF grant):
  - Skills
  - Inward Investment ‘front of house’ (£3.5M CCR)
  - Cluster body
  - Collaborative R&D
- Projected 1161 additional jobs to add to 1400 that exist in region
- Estimated £140M additional GVA impact per annum
- Further expansion plan at Imperial Park



Delivering economic impact

### Strength in Places Fund

The Strength in Places Fund will bring together research organisations, business, and local leadership to drive significant economic impact, job creation, and regional growth.

UK Research and Innovation

#StrengthinPlaces





# Extending Voice, Reach and Influence

- Policy & thought leadership role is strong
- International work is growing
- Global Welsh – global city hubs
- Manufacturing Wales
- Western Gateway
- Ministerial advice & policy support at WG and UKG levels
- 5 reps from CCR on UKRI Funding Councils
- Forefront of debates of the day – CJs, levelling-up, post-Covid recovery and green economy
- Building footprint, potential and blueprint for a City Region





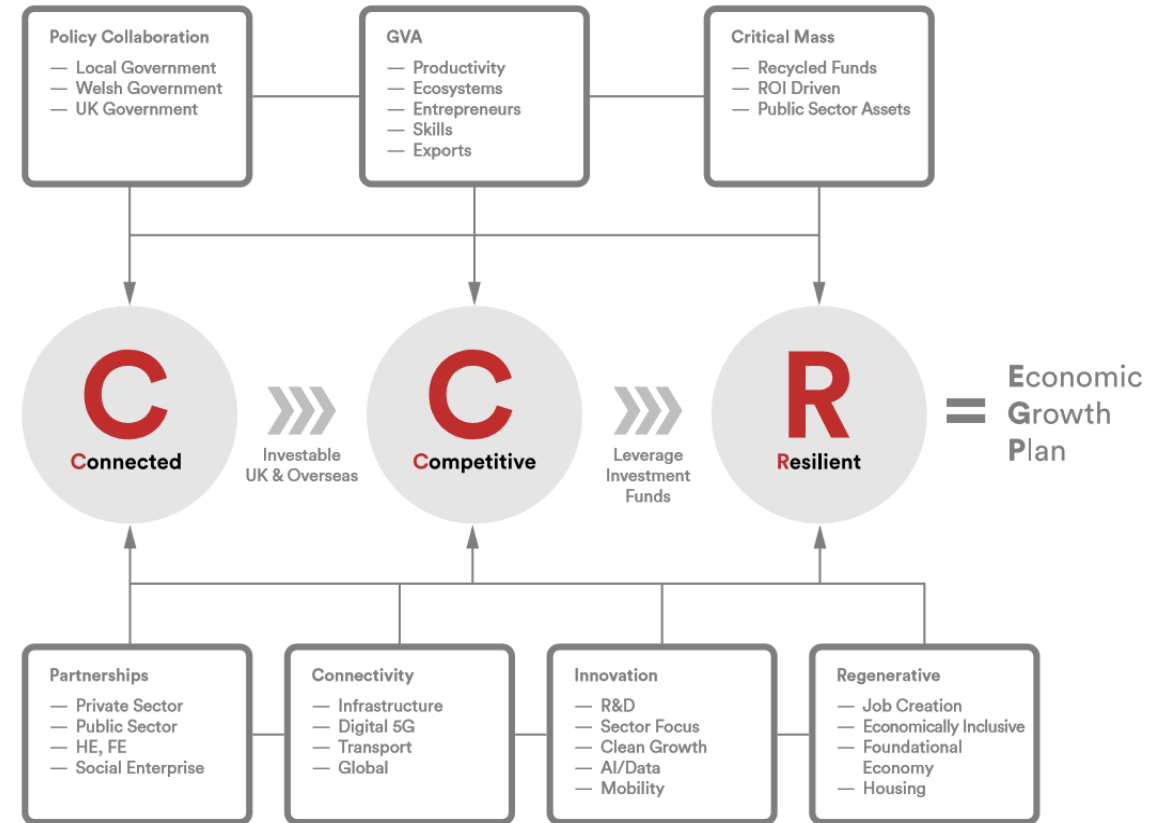
# Why Act as a Region?

Because **T**ogether **E**veryone **A**chieves **M**ore



- CCR emerged as key attractor for ‘Economic South East Wales’
- OECD work aligns with thinking
- Structures, governance and processes are ready for regional development
- Big issues of day need a regional voice
- Levelling-up, UK R&D Roadmap £33Bn, place-based funding settlements, Shared Prosperity Fund and Western Gateway
- Complexity will be watchword - we have shown we can work competently in multi-layer and multi-partner governance environment
- Working well with WG regional team and OSSW

Cardiff Capital Region: Connected, Competitive and Resilient



Our Investment Fund and Framework is open to all good ideas and prospects that advance pan regional growth and prosperity

# PART 2

LOOKING FORWARD TO WHAT'S NEXT



# CCR – City Deal delivery.....a stepping stone

## City Deal priorities

- Ensure successful delivery and benefits realisation of approved projects
- Work on projects in the immediate pipeline through to legal completion – c.£145M in 2021/22 (see above)
- Further deliver programmes and projects aligned to the Industrial and Economic Growth plan and Covid-19 response plan – fully commit the Wider Investment Fund by 2026/27
- This would be a partial view only.....its about building a regional approach to economic development in the Cardiff Capital Region....





# CCR – Building a Region

## Context

- Opportunity to support WG in ambitions for a national framework for regional development policy through building upon our experiences of regional public investment.
- About how we transition from a single investment programme (City Deal) to a full-scale model of regional public investment (City Region).
- Detailed consideration about how we best work with Wales and UK Governments since the agenda is bigger than any one institution or nation.
- Continuing our relationship with Europe and strengthening our relationship with UKRI – which is so central to our Research & Innovation capabilities – is critical to this.
- Multi-level governance environment - we cannot afford to deny ourselves access to any the resources available to Wales – optimise around Shared Prosperity Fund, 'levelling-up', UKRI/ R&D investment, Horizon.

## Our Offer

Three main tenets:

- **Regional frameworks, structures and delivery models** that are live, effective and operational. Co-designed with business, academia and local partners
- **Thematic delivery programmes** – in keeping with OECD recommendations – highlighting the potential to bring together currently disparate funds to optimise alignment and leverage potential
- **Science, Research and Innovation** – urgent given reliance of HEIs in particular on EU funds for R&D, the recent UK Govt R&D Roadmap and commitment for £33Bn of investment by 2027 (2.4% of national spend on R&D), the missing £4Bn (Nesta work), and the recent ARPA consultation, must be a clarion call to Wales

This is only the start – building the institutional capacity for a City Region (beyond a City Deal) and we are ready to work in concert with WG to play a national role in catalysing innovation and inclusive development in Wales.



# Regional Public Investment

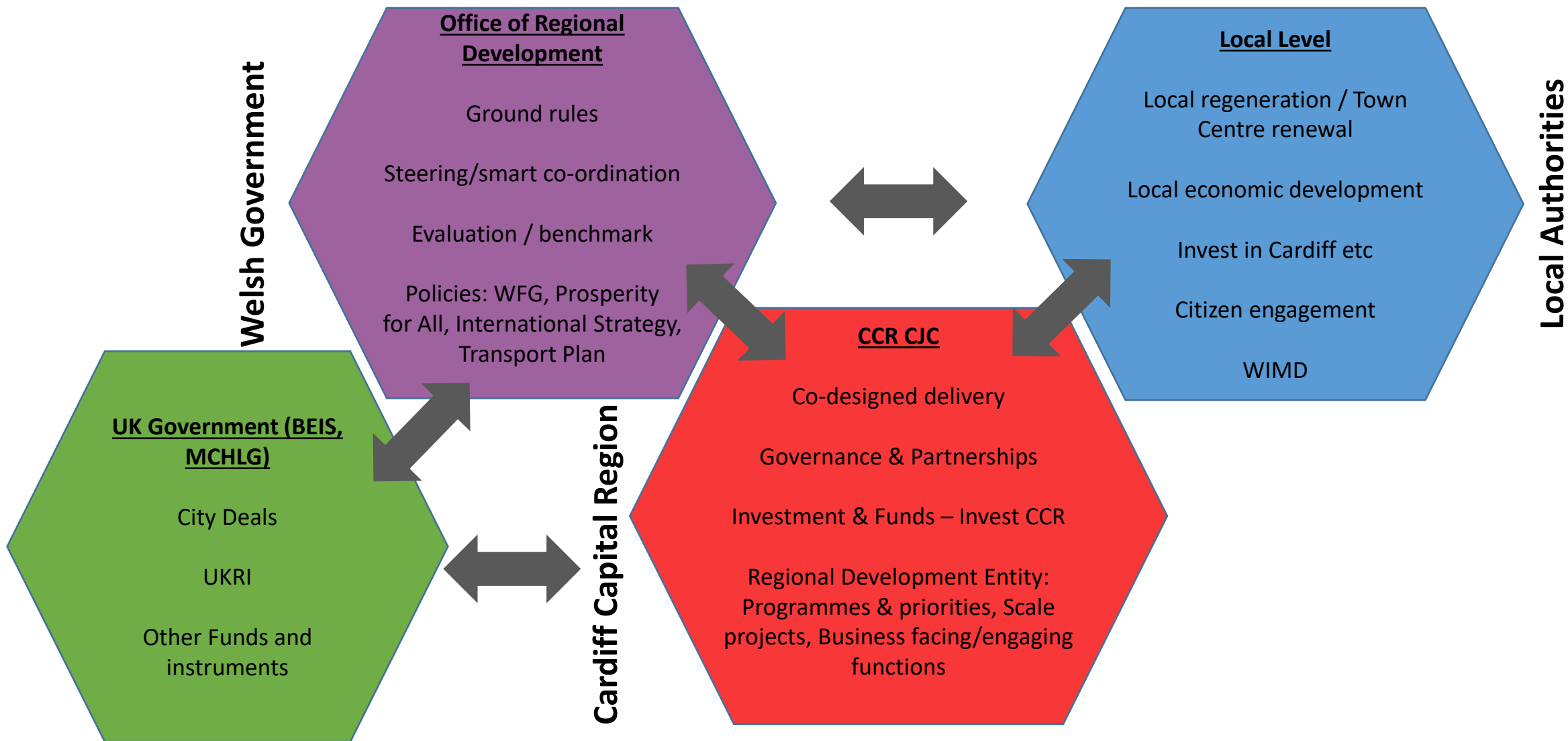
- CJs could enable our already maturing model to: optimise structures, develop and host new funds & programmes & deliver greater impact
- Remove barriers/ blockages
- Examples:
  - Enhanced CPO powers
  - Tax levying powers
  - CCR balance sheet
  - Fiscal levers & incentives
  - Regional planning powers
- Prospectus for Evolution and Delivery – 5 year Strategic Business Plan and Levelling-up Investment Prospectus





# Multi-level: positive-sum game

## Think Local...Act Regionally...Wales Wins





# The 5 year Strategic Business Plan 2021-2026

5 priorities for next 5 years as we evolve, transition & deliver...

1. Build Back Better – our part in economic restructuring and building resilience
2. Becoming a City Region – strengthening regional economic governance
3. Scaling-up – delivering the CCRCO WIF ‘peak’ programme
4. Making case for CCR ‘levelling-up’
5. Developing industrial clusters & innovation-led growth



five for five



# Levelling-up - a plan for place-based prosperity

- CCR 'levelling-up' priorities:
  - Foundational investments – infrastructure, housing, energy, transport, digital & connectivity improvements e.g. chronic underfunding in rail
  - Targeted sector investments – Clusters CS, Med-tech, Insure-tech, Cyber, Data/AI & role of public sector-foundational economy
  - Bigger bets – transformation-scale projects
    - £ investment through existing mechanisms – Innovation Fund, SME Finance Fund, Housing Fund, Premises Fund
    - Skills support that targets viable economies
    - Fiscal incentives and levers, re-location of UK Govt depts., challenge-driven approaches and R&D settlement for region





# Levelling-up – bigger bets

- Frontier of new and nascent economies. Ideas/opportunities:
  - Cardiff Business District
  - M4 Innovation Corridor
  - Valleys Adventure Tourism
  - Pontypridd Strategic Hub
  - Severnside – Estuary, Tidal Bar, Freeport & Western Gateway
  - Hydrogen Demonstrators
  - Newport – Data City



# PART 3

## AREAS FOR FUTURE SUPPORT



# CCR Industrial and Economic Plan - Covid-19 Addendum

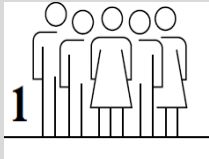
## 10 Priority Areas of Focus

### Phase 1 Reaction

#### Planning Horizons

##### Resolve

*Determination of the scale, pace and actions required*



##### Resilience

*Navigating new competitive landscapers, balancing economic and social sustainability*



#### 10 Priority Areas

##### 1. Helping CCR businesses navigate the funding support packages available and surfacing gaps in provision.

This will include:

- identifying and distributing all relevant information through our communication channels.
- Undertaking occasional pulse surveys for feedback on accessibility and adequacy and raising awareness of arising issues with all relevant institutions and bodies.

##### 2. Building a strong evidence base to enable ongoing assessment of Regional Economic Health

This will include:

- Utilising the analytical capability of the School of Economic Geography at Cardiff University to create a regional data dashboard of Key Performance Indicators.
- Obtaining regular feedback from our Economic Growth Partnership, Business Council Regional Skills Partnership and other stakeholder groups to surface issues and opportunities and maintain a proactive programme of CCR Thought Leadership publications.

##### 3. Reviewing all current City Deal initiatives to ensure they align with CCR economic and social imperatives in a post Covid world.

This will include:

- Reviewing the assumptions underpinning our proposed Housing Fund programme to ensure the scheme continues to be viable for all parties especially SME Developer participation.
- Accelerating our Digital Infrastructure programmes on full fibre connectivity and 5G.

##### 4. Ensuring entrepreneurs and new start-ups get the support they need.

This will include:

- Facilitating access to expertise including mentor programmes and networking groups
- Unlocking routes to obtaining seed capital and influencing the potential creation of a bespoke shared prosperity funding programme

##### 5. Establishing a new “Re-building Local Economies Challenge Programme” to capitalise on the levels of business innovation and ingenuity seen throughout the crisis period.

This will include:

- Agreeing 2 or 3 challenges (such as healthy ageing, foundational economy renewal, future mobility, decarbonisation etc.) to form the focus for the new individual challenge funds.
- Providing new funding pots with contributions from CCR, challenge owners and other funding partners to progress the agreed challenges.

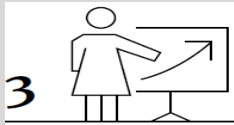
# CCR Industrial and Economic Plan - Covid-19 Addendum

## Phase 2 Adaption

### Planning Horizons

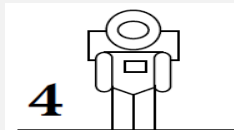
#### Return

*Reactivating supply chains, restoring operational health*



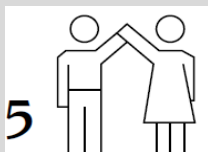
#### Re-imagination

*Catalysing opportunities to leverage new thinking, technologies, business models*



#### Reform

*Reshaping, restructuring, reacting to the implications of post-covid changes in policies and regulations on competition and trading.*



### 10 Priority Areas

#### 6. Developing new, targeted funding interventions and new investment application support mechanisms.

This will include:

- Working with Investment partners to create an SME Co-investment Fund to assist with scaling up businesses in our priority sectors.
- Putting in place an “Investor Readiness” capability to assist businesses in the preparation of their investment proposition. This will increase both the quality of submissions and the pace of throughput and decision making.

#### 7. Supporting key businesses in the CCR priority clusters to increase their resilience and capacity for growth through increased flexibility on lending/investments

This will include:

- Consideration of alternative funding mechanisms such as convertible equities.
- Encouraging greater flexibility in ways of assessing debt capacity alongside potential revision of key performance metrics to better align with the current economic scenarios. Increased use of guarantees and asset backed securities.

#### 8. Increasing our overall competitiveness and wealth creation as a region through improving the financial performance of our medium sized businesses.

This will include:

- Consideration of focused interventions such as facilitating greater networking opportunities between CEOs, for the sharing of best practice advice and guidance.
- Creation of and provision of access to high-level executive education programmes

#### 9. Accelerating the development of our Med-tech Cluster through encouraging and supporting investment opportunities in Med-tech innovation.

This will include:

- Reinforcing the messaging that we are open to receiving Med-tech innovation investment proposals into our pipeline.
- Prioritising funding decisions on opportunities that allow us to build upon the strategic opportunities for the sector and the region presented by the scale of businesses diversifying their manufacturing bases to accommodate the production of medical tools and equipment.

#### 10. Expediting the creation of resilient industrial clusters with thriving regional eco systems.

This will include:

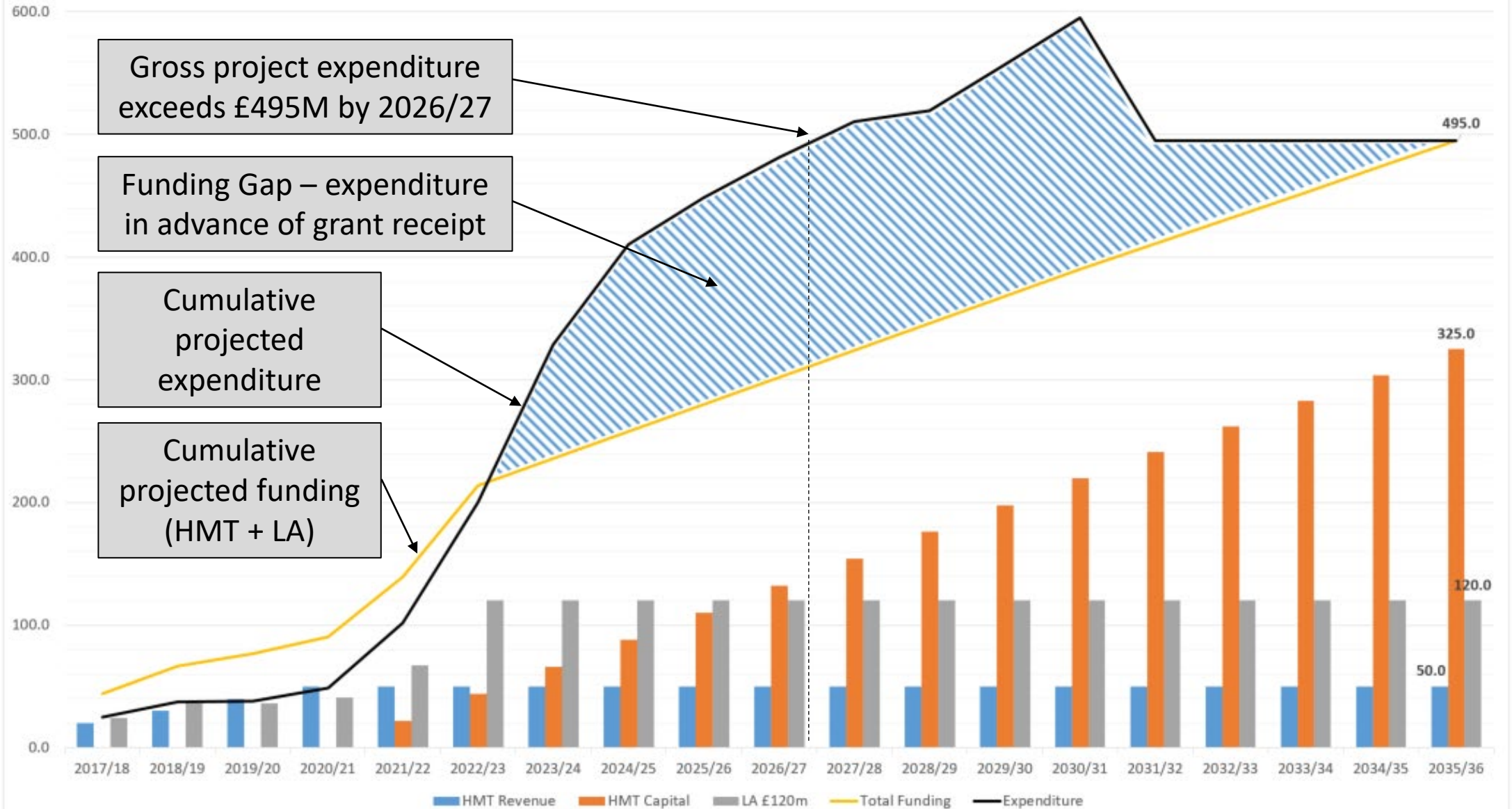
- Creation of formal cluster bodies in the priority sectors.
- Prioritised investment support to compliment strategic cluster company inward investment activities.



# Govt support required going forward

- GVA & Wellbeing
- Fiscal levers and incentives
- Support for building regional institutional capacity - more than a City Deal
  - Our governance & approach endorsed by 3 layers of Govt. We work in complex multi-partner environment. We are building model regional public investment model
- Devolution of Rail
- R&D settlement – Place Strategy & new Innovation Strategy
- Skills to move outside of annualised cycle

Cumulative Projected Expenditure and Funding (£m)





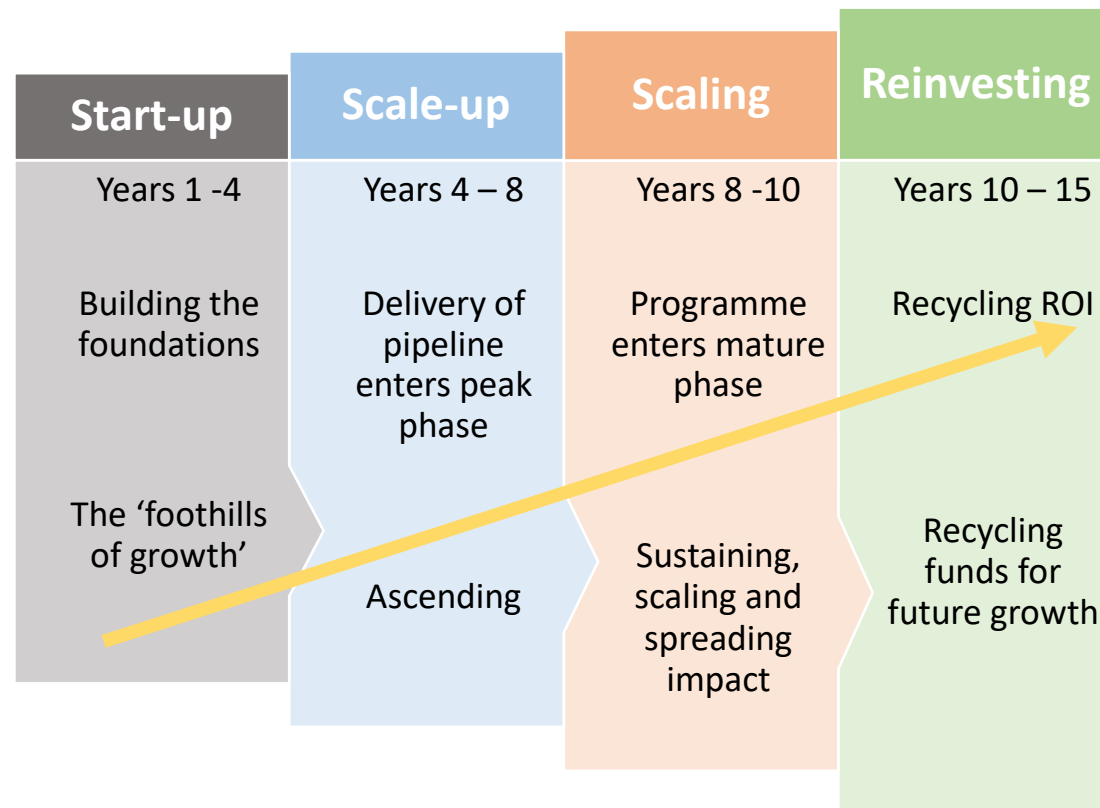
# In Conclusion.....

**We have built firm foundations, we have solid plans for the next stage of our journey and we have effective local and business leadership.**

- Good evidence, good strategy, good investment framework = good delivery progress
- Complementary balance of local political and industrial leadership
- Big external investment awards shows we can compete with other UK regions – but more to do
- Evergreen ROI focus – paying dividends. Deal-flow is strong and growing productive capacity is the end game
- City Deal evolving to City Region with clear prospectus for change and evolution
- But fundamentally – dots all over the CCR map. Covid-19 exacerbating existing inequalities. Our job is to close the gaps. No place gets left behind

***‘Economic growth accompanied by worsening social outcomes is not success. It is failure’ – Jacinda Ahern***

**But our Journey has only just begun..**



**We are confident that we have the right leadership in place and the right plans in progress. We take confidence from our progress to date and are 100% committed to making a success of this programme.**