



**9 OCTOBER 2023**

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## **INVESTMENT ZONES & BUILDING REGIONAL CAPACITY FOR INNOVATION INVESTMENT**

### **REPORT OF CARDIFF CAPITAL REGION DIRECTOR**

#### **AGENDA ITEM: 8**

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##### **Reason for this Report**

1. To set out background information and policy context in relation to a regional approach to preparing a submission for the forthcoming round of Investment Zones.
2. To establish some of the key considerations and formalise the approach of the Cardiff Capital Region (CCR) in developing a sufficient state of readiness.
3. To support this, in line with the commitments made in the Regional Economic and Industrial Plan, to assess, develop and enhance institutional capability for innovation in the CCR via convening a small group of stakeholders to begin scoping the landscape. This will seek to focus on the wider opportunities on the innovation horizon – in the UK and beyond – and will help ensure the CCR and its key research and private sector partners, adopt a comprehensive, coherent and strategic approach to innovation readiness.

##### **Background & Policy Context**

4. In March 2023 the UK Government (UKG) launched a refocussed programme of Investment Zones (IZs) that aim to catalyse 12 high potential, knowledge-intensive growth clusters across the UK regions. UKG has to date, designated ten prospective Investment Zone Regions (East Midlands, Greater Manchester, Liverpool City Region, Northeast, South Yorks, Tees Valley, West Midlands, West Yorks and Glasgow/Northeast Scotland), with a further two to be developed in Northern Ireland and Wales. It is anticipated that each of the 12 regions will drive growth of at least one of the UK's 'key future sectors' on the basis of demonstrating three main characteristics:
  - evidence of an existing strength aligned to national economic priorities (Green Industries, Digital Technologies, Creative Sector, Life Sciences and Advanced Manufacturing);
  - presence of a research institution with strong research credentials;

- strong local leadership and capacity (Combined Mayoral Authority's and City Deals).
5. Successful regions are deemed to have sufficient scale and critical mass along with the wider research-excellent capability and the knowledge concentrations to support levelling-up and boosting productivity, quality of life and growth.
  6. As well as direct funding to use across the chosen cluster(s) (capital and revenue flexible spend of c£35M), tax incentives and fiscal levers are also on offer, covering a maximum of 600 hectares across up to three different sites, all over a period of five years. In addition, a designated business rate retention area is available with a maximum of 600 hectares and across two different sites, for a period of 25 years.
  7. Funds can be invested to create packages of measures and incentives, including Research and Innovation grants; skills projects; business rates reliefs; accelerated development initiatives; NI reliefs; business rate retention; and site readiness activities.
  8. The selection criteria for successful bids states that places must demonstrate economic potential, innovation potential and a 'levelling-up need' – alongside clearly evidenced sectoral specialisms, research pedigree and regional leadership. A key requirement is the demonstration of purposeful partnerships at regional scale – bringing together research excellent universities, business and industrial leaders and the public sector.
  9. In relation to the development of propositions, the process for England involved partnership focussed on ensuring propositions are designed in a way that delivers value for money, ensures accountability to local stakeholders, and rooted in partnership. It is anticipated a similar methodology will apply to Wales.
  10. Proposals are based upon the principles of co-development allowing flexibility and autonomy to select best mix of interventions, partnership driven that are genuinely strategic and align with government and investment policy and have devolved delivery building on UK Gov's wider devolution and simplification of funding agendas. This is set against a core of agreed gateway stages of development (vision setting; sector and economic geography; governance structures; interventions; and delivery model) that are rooted in the evidence of what constitutes successful, sustainable clusters and strong local innovation ecosystems.
  11. To support shape propositions, a place level logic model has been produced that sets out a framework for developing Investment Zones:
    - current state of target cluster and setting out constraints or unrealised opportunities at selected geographic locations;
      - human capital – for example, skills available and the local labour market;

- physical capital – for example, access to appropriate specialist premises, transport infrastructure and need for new plant and equipment;
  - intangible capital – for example, opportunities to develop new technologies, equipment, processor or supply chains;
  - financial capital – for example, availability of foreign direct investment (FDI), bank finance, private equity finance.
- place inputs, such as funding and other resources that can support delivery;
  - place activities being delivered in selected geographic locations – that is, Investment Zone interventions alongside non-Investment Zone interventions;
  - place suggested outputs within the five-year timeframe;
  - longer-term place outcomes around the capitals;
  - place outcomes (impact);
    - boost productivity in the FEA;
    - increased real earnings for high and low skilled workers within the FEA;
    - Increased internationally competitiveness of companies within the cluster;
    - internationally demanded new technologies.

## **CCR Alignment & Approach**

12. The collaborative working and progress exhibited by CCR and the evidenced growth in regional competitiveness (UKCI 2023), alongside the transition to a standalone legal entity in the form of the Corporate Joint Committee, leaves CCR well placed to make a strong submission that meets all of the criteria set out.
13. The policy directly targets innovation led growth, providing flexible spend alongside fiscal incentives that will stimulate private investment and drive productivity. At its core, a regional opportunity for:
  - a catalytic industry investment to stimulate and leverage further investment in ‘investment-ready’ propositions;
  - connecting innovation across the region through investing in infrastructure (connectivity), innovation, and talent;
  - enabling innovation-led growth, which is tightly aligned with CCR’s Regional Economic and Industrial Plan, to prioritise investment into future industries; build on current industrial strengths; and increase capacity to deliver a more connected, competitive, and resilient region.
14. CCR has a unique and proven ability to bring forward regional propositions. In recent years, the approach to developing regional-scale priority sectors has accelerated with securing two Strength in Places programmes for compound semiconductors and the media industry, alongside co-investments with Welsh Government on Cyber Innovation Hub and Fintech Wales.
15. In addition, enhancements to the CCR eco-system (such as, the new £50M Innovation Investment Fund; the £50M Strategic Premises Fund; and a wider portfolio of investments in infrastructure, innovation and skills) equip CCR to demonstrate the growing potential of the region. Indeed, with the ‘lift and shift’ to

CJC that presents an enhanced set of levers, freedoms and flexibilities and the potential of evergreen funds to be recycled into a secondary investment fund, CCR has a compelling narrative to pitch into the Investment Zone process.

16. In recent times, CCR has a track record of supporting partners secure and deliver vibrant innovation led programmes and activities in the region, such as UK Shared Prosperity Funds (UKSPF) and UK Research & Innovation (UKRI) funded Impact Accelerators and a spoke of the Hartree Digital Innovation Centre. Alongside this, CCR investments in transport infrastructure have catalysed further public infrastructure investment such as Cardiff Crossrail. These all exhibit the potential to utilise CCR funds as leverage for new opportunities that can extend our reach and impact in the region and beyond.
17. In relation to the themes and pitch of an Investment Zone submission, potential exists around working at the interface of the set of priority sectors – particularly around the digital and data-led opportunity and in a way which optimises the advantages of existing innovation and infrastructure investments.
18. This could help drive a contemporary form of industrial policy that focuses on research translation and promotes, supports and maximises the impact of a small number of connected and highly powerful technologies.
19. The key objective has to be about maintaining focus on that which can be deliverable within the timeframes and in line with the criteria set out. As such, it makes sense to build upon the existing CCR investment platform, linked to other investments made through levelling-up and R&I funds, in order to demonstrate additionality, leverage and multiplier effects.
20. A decision is expected imminently on the process for developing an Investment Zone in Wales, and CCR has been engaged in discussion with UKG & WG on the process. It is unclear at this stage if SE Wales will be chosen for the development of an Investment Zone, but CCR is conducting preparatory research around potential propositions.

### **Building Wider Innovation Capability**

21. Whilst Investment Zones themselves clearly present a significant and timely opportunity for CCR to build on its innovation and impact – they have to be seen as part of a wider and more strategic ambition-set. One off projects and programmes present clear opportunities – however integrating them within a customised infrastructure of linked opportunities and aligned objectives, will help achieve more long-term, sustainable and impactful outcomes for the region.
22. A recent analysis of the ‘Innovation Horizon’ in the UK identifies a significant number of opportunities for CCR, not least around Innovation Accelerators, Innovation Districts, programmes such as UK Research Partnership Investment Fund (UKRPiF) and a range of new innovation competitions and opportunities that are starting to emerge from the new UKRI Strategy. Aligned to this, there are wider external investment opportunities; international knowledge exchange potential; and a multiplicity of international collaboration prospects to explore.

23. To realise all of this and ensure the CCR has a clear plan to target both tactical opportunity and more strategic long-term prospects – it is critical that thought is given to building institutional capacity for innovation.
24. The Regional Economic and Industrial Plan approved by Regional Cabinet in April 2023, makes clear the importance of regional innovation capability and suggests bringing together a small group of thought leaders to progress the concept of a Regional Innovation Board.
25. It is recommended that whilst the group needs to be formed with a broader focus but given the imminent arrival of the Investment Zones bidding process, that this should be a priority. It is envisaged that the portfolio holder for Research and Innovation will play a pivotal role in this and an update provided to Regional Cabinet in due course.

### **Reasons for Recommendations**

26. The reasons for the recommendations in this report are:
  - to set out key principles for a regional approach to building a case for a CCR-based Investment Zone;
  - to reinforce the need for convening a small group to begin the process of scoping the role and remit of a Regional Innovation Board. It should be noted that this has key synergies with the findings of the early review work on the Challenge Fund, which also identifies an opportunity to increase regional innovation capability and for which resource has been identified.

### **Financial Implications**

27. This report does not identify any additional financial implications. It sets out the background to and key principles in the development of a CCR based regional Investment Zone.
28. Any funding implications arising as a result of progress in this regard will be the subject of future reports to Regional Cabinet.

### **Legal Implications**

29. The report sets out proposals for further work to be carried out to develop proposals for the various projects referred to.
30. When developing proposals for individual projects, the provisions of the Joint Working Agreement in relation to the delivery of the Cardiff Capital Region City Deal ('the JWA').
31. In addition, the following should be considered generally as part of any proposals: By way of example only, consideration will need to be given to;
  - a) the legal powers available to the Councils and the Regional Cabinet to provide the various forms of investment proposed;

- b) the governance arrangements that should be put in place to administer the Funds (how and by whom decisions will be taken to award grants, loans, provide guarantees etc. at varying financial thresholds);
- c) the terms and conditions that should be attached to the various proposed funding arrangements and
- d) consideration of any planning law issues, state aid/subsidy control and procurement law implications.

### **Well-being of Future Generations (Wales) Act 2015**

32. In considering this matter 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 religion or belief, and.
- c) the Well-Being of Future Generations (Wales) Act 2015. The Well-Being of Future Generations (Wales) Act 2015 ('the Act') is about improving the social, economic, environmental and cultural well-being of Wales. The Act places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales - a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language and is globally responsible. In discharging their respective duties under the Act, each public body listed in the Act (which includes the Councils comprising the CCRCD) must set and published wellbeing objectives. These objectives will show how each public body will work to achieve the vision for Wales set out in the national wellbeing goals. When exercising its functions, the Regional Cabinet should consider how the proposed decision will contribute towards meeting the wellbeing objectives set by each Council and in so doing achieve the national wellbeing goals. The wellbeing duty also requires the Councils to act in accordance with a 'sustainable development principle'. This principle requires the Councils to act in a way which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

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

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

33. 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.

## **RECOMMENDATIONS**

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

- (1) notes and endorses the key principles outlined above in respect of building a strong sense of readiness for delivering a regional approach to Investment Zones, including the convening of a small group to scope potential for the Innovation Board – as set out in the Regional Economic and Industrial Plan.

**Kellie Beirne**  
**Director**  
**Cardiff Capital Region**  
**9 October 2023**

### **Appendices**

Appendix 1 Investment Zone Guidance

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1142995/Investment\\_Zone\\_Policy\\_Prospectus.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1142995/Investment_Zone_Policy_Prospectus.pdf)

Appendix 2 Well-Being of Future Generations Assessment

# Future Generations Assessment Evaluation

(includes Equalities and Sustainability Impact Assessments)

<b>Name of the Officer completing the evaluation:</b>  <b>Kellie Beirne</b>  <b>Phone no:</b> 07826 919286 <b>E-mail:</b> kellie.beirne@cardiff.gov.uk	<b>Please give a brief description of the aims of the proposal</b>  Setting out the key considerations and proposed CCR approach to UK Gov Investment Zone policy alongside building regional capacity to attract more innovation investment.
<b>Proposal: Investment Zones &amp; Building Regional Capacity for Innovation Investment</b>	<b>Date Future Generations Evaluation form completed:</b>  9 October 2023






**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?
<b>A prosperous Wales</b> Efficient use of resources, skilled, educated people, generates wealth, provides jobs	The report proposes key considerations and formalize CCR approach in developing a sufficient state of readiness for developing an Investment Zone proposition.	Proposal relates to supporting the region develop proposals to bring investment into the region to support the growth economy.
<b>A resilient Wales</b> Maintain and enhance biodiversity and ecosystems that support resilience and can adapt to change (e.g. climate change)	A key theme running through Investment Zone policy is a net zero agenda, it is expected proposals will deliver sustainability.	Increase awareness of existing investments in sustainability and bring forward propositions that further support.



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?
<b>A healthier Wales</b> People's physical and mental wellbeing is maximized and health impacts are understood	N/A – albeit supporting economic prosperity and clean growth opportunities for people to reach their potential is at the heart of this proposal.	N/A
<b>A Wales of cohesive communities</b> Communities are attractive, viable, safe and well connected	Connectivity is a key theme with investment zone propositions required to support scheme that connect local workforce with strategic employment sites.	Any approach will consider connectivity at the heart of its proposal, engaging with stakeholders to ensure existing plans are considered and brought forward if applicable.
<b>A globally responsible Wales</b> Taking account of impact on global well-being when considering local social, economic and environmental wellbeing	Investment zones support develop internationally recognised clusters and therefore value that is wider than local.	Our approach will support establish critical mass and showcase CCR as investment-ready, across the value chain.
<b>A Wales of vibrant culture and thriving Welsh language</b> Culture, heritage and Welsh language are promoted and protected. People are encouraged to do sport, art and recreation	Promoting distinctive culture will be key part of offer.	.
<b>A more equal Wales</b> People can fulfil their potential no matter what their background or circumstances	This proposal is key to elevating Wales' credentials on a world stage and creating more economic, energy-related and social opportunities for citizens.	ESG focus, ED&I and macro risk of climate change and climate reporting.

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

Sustainable Development Principle	Does your proposal demonstrate you have met this principle? If yes, describe how. If not explain why.	Are there any additional actions to be taken to mitigate any negative impacts or better contribute to positive impacts?
 <p>Long Term</p> <p>Balancing short term need with long term and planning for the future</p>	<p>Proposals will forward ambitions to improve the short-term and long-term value of our regional innovation eco-system. Investment will support bring forward short-term incentives that can accrue longer term value through various fiscal levers.</p>	
 <p>Collaboration</p> <p>Working together with other partners to deliver objectives</p>	<p>CCR approach will be to include key stakeholders and actors. A co-operation approach is required within policy context.</p>	
 <p>Involvement</p> <p>Involving those with an interest and seeking their views</p>	<p>Co-design and partnerships are integral for developing an investment zone proposition, it will involve local government, education and industry to put forward a sustainable, economically advantageous position.</p>	
 <p>Prevention</p> <p>Putting resources into preventing problems occurring or getting worse</p>	<p>Developing a sustainable proposition and building capacity for innovation will require resources from a range of key stakeholders. These will be commitments to a common goal/vision.</p>	
 <p>Integration</p> <p>Considering impact on all wellbeing goals together and on other bodies</p>	<p>At it's core, building innovation capacity in the region will disperse economic wellbeing, follow ESG and require net zero ambition.</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.

<b>Protected Characteristics</b>	<b>Describe any positive impacts your proposal has on the protected characteristic</b>	<b>Describe any negative impacts your proposal has on the protected characteristic</b>	<b>What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?</b>
Age	The proposal is to develop regional innovation and an approach to investment zone policy that will have its own duties and commitments as per protected characteristics. CCR's role will ensure this is supported optimally and frameworks around Risk, Responsible Investing and EDI will be front and centre of this.	None arising at this time.	As the partnership develops and decisions are made regarding prospective funds, projects and partnerships – CCR will work to ensure its own aims and values are embedded as part of core processes.
Disability	As above	As above	
Gender reassignment	As above	As above	
Marriage or civil partnership	As above	As above	
Pregnancy or maternity	As above		
Race	As above		
Religion or Belief	As above		
Sex	As above .		.
Sexual Orientation	As above		

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?
Welsh Language	As above	Not at this time but the situation will be kept under review.	

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

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

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

**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?**

*The main positives are to do with a more professional approach to risk and embedding key principles of ED&I, ESG and sustainability. This will be an ongoing approach but it is clear that as the city deal transitions into a city region – the approach needs to flex and develop to be fit for future requirements.*

**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.**

<b>The impacts of this proposal will be evaluated on:</b>	<b>Via Quaterly reporting and any subsequent investment zone and innovation investment updates</b>
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