



10 JUNE 2019

**LOCAL EVALUATION PLAN FOR THE CARDIFF CAPITAL REGION &
BASELINE REPORT FOR FIRST EVALUATION OF THE WIDER
INVESTMENT**

REPORT OF CCR CITY DEAL DIRECTOR

AGENDA ITEM: 13

Reason for this Report

1. The report is in two parts:
 - Under the auspices of the National Evaluation Framework (noted and endorsed by Cabinet in September 2018), this report firstly presents the proposed Locality Evaluation Plan for the Cardiff Capital Region (CCR) Wider Investment Fund. This evaluation will be undertaken and finalised in December 2021 in time for the Gateway Review in 2021. The plan, co-developed by the National Evaluation Panel and CCR, sets out the logic model for evaluating the only fully approved and operational project to date (Compound Semiconductor) and a range of other overarching evaluation activities with the intention to add and further supplement, as other projects are developed.
 - The second part of the report sets out the Baseline Report for the first evaluation of the Wider Investment Fund. This is the first major output of the evaluation work undertaken by the National Evaluation Panel that implements the approach set out in the aforementioned locality evaluation plan.
2. Both reports are significant in that they will inform the structure, processes and first wave of evidence to be presented to the Gateway Review. It is important that the early outcomes in particular, are acknowledged and understood, in order to further develop and reinforce the activities and interventions necessary – right across CCR structures and partners – as the City Deal journey progresses. The report further provides information in relation to the timing of the evaluation work and Gateway Review and the total cost of the work in order to inform budgetary preparations.

Background

Locality Evaluation Plan for CCR

3. The National Evaluation Panel (NEP) has been convened to evaluate the impact of locally-appraised interventions on economic growth. Their remit is to provide evidence to the five-year Gateway reviews associated with the Investment Funds. The CCR, as a recipient of Investment Funds in the second round of the programme (City Deal approved in 2016/17), is a cohort 2 participant. The focus of the work is on impact not process or governance and in the case of CCR, the remit is not the City Deal in full - only on aspects of activity wholly resourced by the Fund i.e. the Wider Investment Fund of £495m, meaning that the £734m allocated to the Metro is NOT included within the assessment. The NEP is the Government's appointed consortium and is led by SQW.
4. Appendix 1 contains the Locality Evaluation Plan co-developed between the City Deal office and SQW. It is an evolving document and although currently focussed on the Compound Semiconductor project and a range of overarching evaluation activities – the intention is to add and supplement it as further projects are established.
5. The Locality Evaluation Plan structure and content and the 'logic model' presented relates wholly to the Compound Semiconductor Project but allows for re-visitation as further interventions are agreed. These interventions will be those set to be funded by CCR before 2020. This ongoing process of evaluation will be undertaken in close conjunction with CCR, in particular around data input, monitoring, involvement of participants and the input of Wales Government. In summary, the key elements of the evaluation plan include:
 - Impact and progress evaluation of the Compound Semiconductor project
 - An overarching strategic level evaluation
 - Contextual economic forecasting
 - Three consecutive rounds of reporting
6. The full methodology is set out within the report. It is important that this is now synched with the new Annual Business Plan and the new quarterly performance monitoring and reporting. This will ensure that evaluation processes, data development and analysis and ongoing review are complementary and connected. The City Deal Office has procured the necessary expertise to ensure this can now be undertaken.
7. In addition to the CSC project, the Locality Evaluation Plan also focuses on complementary work-streams at both strategy and project-level. These include: capacity development and partnerships evaluation; and, contextual economic forecasting. This relates to the strength in collaborative arrangements, particularly around business engagement and how the economy at the time the City Deal was approved was expected to develop, in order to develop a 'baseline' projection with which to gauge future progress.
8. The plan anticipates the work contained will be undertaken and finalised by December 2020, in time for the Gateway Review of the Wider Investment Fund before the end of March 2021. The costs of all aspects of the work around the

Compound Semiconductor project evaluation, baseline report and capacity and partnerships development are reported as totalling £217,524.

9. The document at Appendix 2 is the Baseline Report - for the first evaluation of the CCR Wider Investment Fund to be undertaken and finalised by 2020 (and to inform the Gateway Review before the end of March 2021). This report marks the first output of the evaluation work of the National Evaluation Panel in implementing the approach agreed in the Locality Evaluation Plan – as referenced above.

CCR Baseline Report

10. The Baseline Report, the research for which completed at the start of 2019, does the following:
 - Confirms the scope of the evaluation work
 - Presents the economic forecasts for CCR
 - Establishes the status of the Compound Semiconductor project as at the end of 2018
 - Presents evidence around capacity development and partnerships
11. The evidence presented draws on the monitoring data and actual outputs of the Compound Semiconductor project; consultation with the Compound Semiconductor Cluster; 12 senior stakeholder interviews and 31 survey replies from partners; and, an economic forecast developed by Cambridge Econometrics. There are key references in the report to the industry-led Economic and Industrial Growth Plan; the new principles introduced for an 'evergreen' fund; the importance of the Investment and Intervention Framework and the already agreed five year JWA Business Plan and to the Compound Semiconductor Project.
12. The contextual economic forecast is set out in pages 9-15 of Appendix 2. Key messages include:
 - GVA growth in CCR has underperformed the UK as a whole and over the forecast period, the pattern is expected to continue. Ahead of the first Gateway Review it was forecast to rise by 1.5% from 2013-19 – lower than the UK overall
 - Employment growth over the period 1990-2013 was just under 0.4% - slightly lower than the UK at 0.5%. The number of jobs in CCR was forecast to rise from 645k in 2013 to 691k in 2019 and 705k in 2025
 - Both through the historical period (1990-2013) and the forecast period (2012-2025) productivity growth in CCR is, and was expected to be, behind the growth of the UK overall
13. In respect of the Compound Semiconductor project key messages include (Page 18 of Appendix 2):
 - The project is well underway, albeit spend to date is slightly lower than projected – but this is starting to change

- The project is bigger than the Foundry and is about the potential for the Cluster
 - Job creation is underway and to date, targets are exceeded
 - Clarification is needed on jobs safeguarded
14. In terms of capacity building and partnerships, stakeholder feedback key messages include (Page 18 onwards of Appendix 2):
- General view that CCR City Deal and the Wider Investment Fund HAS had a positive impact on local economic development capacity
 - Design of the Wider Investment Fund is important in driving demand, better evidence and decision making
 - Scope exists for further engagement - particularly with businesses. Engagement with civic society is also referenced
 - There is a sense the story is positive but it not widely promoted
 - It remains *‘early days for the Wider Investment Fund: partnership and capacity has grown as a result, but as one consultee pointed out, the Compound Semiconductor project is just the first investment in what will need to develop as a wider transformational programme’*.
15. Timeframes for the remainder of the work are set out in the report. However it is expected that this pattern of ongoing review and monitoring will remain a constant.

Risks and Opportunities

16. The Baseline Report is an independent report that has been informed by an objective review of the evidence and data available, as well as stakeholder views and partnership perspectives. It poses a number of risks, challenges and opportunities. These are:
- Project pipeline development – whilst it is recognised that City Deal is relatively new off the blocks; it is also acknowledged that there is a short window of opportunity in which to mobilise a delivery pipeline. Since the completion of the report, CCR has been notified of the Strength in Places seed award on the Compound Semiconductor Cluster; the case for Metro Plus has been approved, the Graduate Scheme is underway and work has started on the Housing Investment Fund. With the ‘three funds’ soon to be operational, subject to approval by Cabinet of the Investment Framework – this will see the pipeline develop – key to providing confidence that change is underway. This will feed forward into the next phase of review. It is clear however that creating the conditions to accelerate in line with priorities, will be key.
 - The new Investment and Intervention Framework sets expectation that some of the issues expressed by stakeholders around process, clarity and governance can be more effectively addressed. Again, this will be borne out in future delivery – and underlines the need for robust and honest ongoing evaluation. These outcomes will be captured in the next phase of the formal evaluation process.
 - The issue around the Compound Semiconductor project, regarding full capture of targets and progress – in the ways now required for the logic

model - will be addressed through formal recording through the new Quarterly Performance Monitoring Report processes.

- Moreover, with a new Annual Business Plan and digitised and consolidated means of quarterly performance tracking, the City Deal Office will ensure that all actions stemming from the Baseline Report, over which we have influence and direction, will be captured and appropriate plans put in place.
- One example of this is the point raised in the report about potential for further business engagement. Working with the Regional Business Council, the City Deal Office will support the development of a robust business plan that can effectively target the issues highlighted in the report.

Reasons for Recommendations

17. The reasons for the recommendations are:

- The Locality Evaluation Framework provides a benchmark against which to measure the effects and impact of local interventions.
- Now that the first Baseline Report has been received, the relevant work can be undertaken to align performance monitoring and reporting and ensuring the focus is on the areas for improvement that CCR can influence and address.
- Regional cabinet, partnerships and other stakeholders will very quickly become involved in the process of establishing baseline information, offering views, perspectives and insights on outcomes and progress. It is important that there is a strong understanding of the significance of this work ongoing and the part they have to play
- The cost associated with this work up until Gateway Review is significant and it is important that Regional Cabinet understands what it is involved and the value added.

Financial Implications

18. This report notes that costs associated with work leading towards the Gateway Review are significant and that it is important that Regional Cabinet understand what it is involved and the value added. It is also important to note that funding for 2021/22 and beyond is conditional on CCRCD successfully passing this Gateway Review, whilst any unspent funding up to this time may be subject to repayment if Gateway Review is not passed.
19. Cardiff Capital Region's share of developing the National Evaluation Framework via Transport for Greater Manchester has been fully budgeted for, via resources set aside from the City Deal Office's allocation of the Joint Committee Revenue Budget. To date, costs of £28,744 have been incurred with a balance of £1,778 to be charged in 2019/20.
20. The total cost of SQW's work over the period from 2018/19 to 2020/21 is £217,524, of which, £27,751 has been charged to date. The 2019/20 Joint Committee Revenue Budget approved by Regional Cabinet at its meeting of 18th February 2019 contains an amount of £72,810 for this purpose, while the Joint Committee Revenue Budget Final Out-Turn and Proposal to Create Earmarked 'Reserves' report being considered at Regional Cabinet's 10th June 2019

meeting seeks approval to carry forward unspent sums from the approved 2018/19 budget to cover costs which have slipped into 2019/20.

21. The Medium Term Financial Plan drawn-up to support Regional Cabinet's annual budget planning process includes further sums, to meet the cost of SQW's work over the whole period.

Legal Implications

22. In the Joint Working Agreement in relation to the delivery of the Cardiff Capital Region City Deal ("the JWA") the Councils acknowledged and agreed that the funding provided by HMT (£375,000 000) is subject (amongst other things) to satisfying the five yearly Gateway Reviews by HMT. This report sets out the work done to date in terms of developing the review process and future steps required. At risk of stating the obvious, it is very important that appropriate steps are put in place as satisfying the Gateway Review presents a key risk to the City Deal, given the implications for the HMT funding.
23. 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 Equality 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 and in so doing achieve the national well-being goals.

The well-being 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 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.

Regional Cabinet must be satisfied that the proposed decision accords with the principles above. To assist Regional Cabinet to consider the duties under the Act in respect of the decision sought, an assessment has been undertaken, which is attached at Appendix 3.

RECOMMENDATIONS

23. Regional Cabinet is asked to:

1. Note and endorse the co-produced Locality Evaluation Plan for the Cardiff Capital Region – as a means of guiding the process of evaluating the impact of interventions on local economic growth
2. Note the first Baseline Report and support the City Deal Director in addressing the issues which require improvement around business and civic engagement, synchronising performance report and marketing and communications – all of which are set out in the Annual Business Plan – but will now need reinforcement and strengthening.
3. Note the cost implications and budget provisions made as set out in financial implications above. In 2019/20 and for which provision has been made in the Wider Investment Fund in 2019.20.

Kellie Beirne
Director, Cardiff Capital Region City Deal
10 June 2019

Appendix 1 Locality Evaluation Report
Appendix 2 CCR Baseline Report
Appendix 3 Wellbeing of Future Generations Assessment

Independent Evaluation of Local Growth Interventions

Evaluation Plan for the Cardiff Capital
Region

2018

SQW

Contents

1. Introduction	1
2. Background to the Compound Semiconductor Cluster project	4
3. Approach to evaluating the Compound Semiconductor Cluster project.....	8
4. Complementary workstreams.....	16
5. Central tasks to be delivered across all Localities.....	22
6. Costs	24
7. Implementation plan	27
Annex A: Risks	A-1

Contact: Christopher Wilkinson Tel: 0161 475 2103 email: cwilkinson@sqw.co.uk

Approved by: Jonathan Cook Date: 26/10/2018
Director

1. Introduction

- 1.1 This document sets out the Evaluation Plan for the Cardiff Capital Region Investment Fund, to be undertaken and finalised by December 2020 in time for the first Gateway Review of the Investment Fund in 2021. The plan has been developed by the National Evaluation Panel¹ in partnership with relevant officers in the Cardiff Capital Region. The plan is an evolving document: it currently includes the evaluation of the single project approved to date (the Compound Semiconductor Cluster project), a range of overarching evaluation activities on the Investment Fund, and central tasks for the National Evaluation Panel; and the intention is to add further evaluative research as additional projects are approved.

Evaluation Background

- 1.2 As established in the National Framework, the purpose of the National Evaluation Panel is to evaluate the impact of the locally-appraised interventions on economic growth: the locally-appraised interventions are the Investment Funds in each Locality that are part of devolution/growth/city deals. The focus of the National Evaluation Panel is evaluating the impact of activities supported by the Investment Fund – or the progress in delivery where it is too early for impact to be established – and not the processes of decision-making and delivery mechanisms of the Investment Fund, the policy of devolution or the wider devolution/growth/city deals of which the Investment Funds are a part.

Overview of the Investment Fund

- 1.3 The Investment Fund covered by the evaluation of Local Growth Interventions is part of the Cardiff Capital Region City Deal. The Investment Fund is a 20-year, £495m fund that began in 2016/17. The interventions that the Fund will focus on are, in the main, yet to be determined, but look set to include interventions across a variety of areas, including in skills, transport, digital and strategic sites. These are complementary interventions intended, as a whole, to deliver substantial positive economic outcomes for the Cardiff Capital Region.

Parameters for consideration within the evaluation

- 1.4 The purpose of the National Panel is to evaluate the Investment Funds to inform the first Gateway Review in 2021. The focus of the evaluation will therefore be on interventions that have been approved formally, and where Investment Fund expenditure will be incurred (potentially in full) within the first Gateway Review period.
- By ‘within the first Gateway Review period’, we mean expenditure that commenced at least 12 months in advance of the evaluation reporting requirement for the Gateway Review in December 2020, i.e. expenditure before December 2019. This is to allow sufficient time for evidence on progress of delivery to emerge, to inform the evaluation in the Locality.

¹ The SQW-led consortium appointed to evaluate the Investment Funds for the first Gateway Review

- Interventions that are approved within the first Gateway Review period, but where no expenditure is planned prior to December 2019, will *not* be covered by the evaluation i.e. they are not within scope.
 - By ‘expenditure’ we mean any form of expenditure from the Investment Fund monies on an intervention *after* the formal project/programme approval stage. This includes preparation/design/planning work for capital and revenue interventions that is incurred following project approval, but does *not* include pre-approval expenditure, for example on appraisals or business case development. Where the Investment Fund is matched to other sources of finance – be this public or private – the expenditure will be considered in scope only where Investment Fund monies have been expended.
- 1.5 One intervention is known and meets these criteria at present, namely the investment in the Compound Semiconductor Cluster. Other interventions may be ultimately in scope of the evaluation, but are not currently known. They will be added to the Evaluation Plan as details emerge.

Evaluation Plan structure

- 1.6 This Evaluation Plan has been developed based on discussions between the National Evaluation Panel and officers from the Locality, starting in late 2017 on the background and logic of the Compound Semiconductor Cluster project – the sole focus of this iteration of the Evaluation Plan – and continuing over the summer of 2018 to consider the specifics of evaluation methods. The plan was developed on the basis of a co-production approach to ensure full buy-in and commitment to the evaluation work by the Locality. It will be revisited if additional interventions are agreed and are set to be funded by the Locality before 2020. The Evaluation Plan contains several elements:
- the scope of the interventions – at this stage consisting of the Compound Semiconductor Cluster project
 - the approach to evaluating the Compound Semiconductor Cluster project, in relation to both progress and impacts
 - the approach to the complementary evaluation workstreams in the Cardiff Capital Region covering the evaluation of capacity development and partnership working, and contextual economic forecasting
 - the costs associated with the approach to evaluation in the Locality, including the costs associated with the on-going management and delivery of the National Evaluation Panel that are relevant for the Cardiff Capital Region
 - an implementation plan, setting out the integrated timetable for evaluation.
- 1.7 The evaluation will be undertaken in close cooperation with the Cardiff Capital Region Team, in particular to access monitoring data, agree and warm up research participants, and discuss draft outputs. The evaluation team will also engage with Welsh Government as part of the study process.

Summary of key elements of the evaluation plan

- **Impact and progress evaluation of the Compound Semiconductor Cluster project**, using a theory-based approach. This will use a 'contribution analysis' to assess the extent to which the intervention has brought about effects on IQE, other businesses and the wider sector. This will be completed through:
 - consultations with IQE and other firms in the sector in the Cardiff Capital Region, wider stakeholders and intervention leads
 - reviewing monitoring data and interviewing project managers responsible for delivering the intervention to evaluate progress in implementation.
- **Strategic-level evaluation** to assess capacity development and partnership working through an online survey (baseline and follow-up), strategic-level consultations, and a case study on the strategic effects of one of the Investment Fund's interventions (to be agreed with the Cardiff Capital Region Investment Fund team).
- **Contextual economic forecasting** to provide narrative on an original baseline projection and an updated outturn on how the economy has developed in practice.
- **Three rounds of reporting**: a baseline report by March 2019, a one-year out report at the end of 2019, and the final report at the end of 2020.

2. Background to the Compound Semiconductor Cluster project

- 2.1 This Section sets out the detail of the Compound Semiconductor Cluster project, including a logic model, which comprises a set of outputs and outcomes, and a theory of change as to how the intended benefits are expected to be brought about.

Logic Model Approach

- 2.2 In evaluating publicly-funded interventions it is good practice to develop a 'logic model' which articulates explicitly the relationship between inputs, activities, outputs and outcomes:
- inputs are the resources used by the intervention, including the Investment Fund resource
 - activities are those tasks undertaken in delivering the intervention
 - outputs are the readily measurable results of those activities
 - outcomes are the changes in behaviour and performance attributable to the intervention, including for the direct beneficiaries of the intervention, and wider parties affected.
- 2.3 Logic models are useful devices to inform evaluation, because they encourage thinking about the steps required for an intervention to have its desired effects, and the nature of effects that can be covered in evaluation. Therefore, to be effective, a logic model should represent the causal theory about why and how an intervention might work over time, that is the 'theory of change'.
- 2.4 The National Evaluation Framework developed a set of headline logic models for each of the 13 Primary Intervention Areas. This provided an initial framework and starting-point for the development of tailored Locality logic models, and included the expected range of activities, outputs and outcomes that may be delivered/generated through the Investment Funds.

Compound Semiconductor Cluster

- 2.5 The outline logic models from the National Evaluation Framework have been used as the initial basis for the Compound Semiconductor Cluster logic model, drawing on those that reflect the purpose of the scheme. On this basis, the intervention is regarded to be a hybrid between two logic model types: 4A, Sites and premises for enterprise and innovation; and 4C, Science & R&D capacity. The logic model contains the following components:
- a narrative 'theory of change' that articulates how the Investment Fund intervention will be delivered, and how and why it is expected to generate benefits
 - an overview of the scale of inputs covered by the intervention included within the logic model from the Investment Fund and any other sources

- the activities, outputs and outcomes that are expected to be delivered/generated by the intervention
- the expected timescales for the inputs, activities, outputs and outcomes; for inputs and activities, this includes the information on when expenditure/activities are planned to be delivered, with 'best estimates' on the subsequent timescales for the realisation of outputs and outcomes.

2.6 Two notes are worth making in how the logic model has been put together and how it is intended to be used:

- The activities, outputs and outcomes have been informed by the National Evaluation Framework, and the wording of these seeks to generate consistency with other Localities. In some cases, the measures/metrics have been tailored to reflect local circumstances/existing monitoring practice, in which case they are identified by including (LT) after the measure/metric (i.e. Locality Tailored); and in other cases there are wholly new measures/metrics, not included in the National Evaluation Framework, which are identified by including (LS) after the measure/metric (i.e. Locality Specific).
- The best measure of whether the interventions within the logic model have been successful is whether they have achieved, and potentially exceeded their intended outcomes; outputs, on the other hand, are a means of monitoring progress against expected delivery, rather than targets to be surpassed. In evidencing the achievements of the project, it is expected that there will be a mix of monitoring data (especially for outputs and certain directly measurable outcomes) and wider evidence including primary research with relevant businesses (especially for outcomes).

Logic model title	Compound Semiconductor Cluster
Logic model type	Hybrid 4A: Sites and premises for enterprise and innovation and 4C: Science & R&D capacity
Interventions / projects covered by logic model	Compound Semiconductor Project

Theory of change

Investment Fund monies will be used to support the development of a compound semiconductor cluster in South Wales, centred on the former LG site between Cardiff and Newport. Monies will be used specifically to redevelop the facility to modern standards, including a clean room facility for the production of compound semiconductors, which is anticipated to leverage substantial private investment, by a single tenant (IQE), of £375m to kit out the factory. A Special Purpose Vehicle (SPV) has been set up as the site owner, and it will receive rental income for 11 years at which point IQE has an option to acquire the site. Through this arrangement, the expectation is that the Investment Fund monies would be repaid.

It is expected that the facility, and IQE's location in South Wales, will act as anchor in the region for high end compound semiconductor production. The investment is expected to complement other investments in the compound semiconductor sector locally, including ERDF funding for Cardiff University's Institute for Compound Semiconductors. The long-term intention is to create a cluster at the forefront of R&D in this technology area, and at the forefront of production of compound semiconductors, although this would rely on non-Investment Fund activities (unless additional Investment Fund monies are committed to other projects to develop the cluster).

Key assumptions underlying the ToC: site's tenant could not have found alternative space locally, and would have moved production overseas without the intervention; retention and expansion of firm's production in Wales results in jobs safeguarded and created as expected; the modernised factory and clean room facility is attractive as a property resulting in enhanced value; the development of this facility and its primary lessee is an essential component in the development of the cluster resulting, alongside other interventions, in helping current semiconductor firms in south Wales to move up the value chain, and attracting other new companies and activities.

Other factors: complementary activities, e.g. of Cardiff University and the Compound Semiconductor Applications Catapult; market demand for compound semiconductors and the continuing growth of the sector; and development of the necessary skills.

Inputs	Activities	Outputs	Outcomes
<p><u>Investment Fund inputs</u></p> <ul style="list-style-type: none"> £38.4m <p><u>Other inputs (including staffing and in-kind)</u></p> <ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Construction activities in relation to development of a clean room facility for the production of compound semiconductors at the former LG site between Cardiff and Newport Establishment of a Special Purpose Vehicle for the site 	<ul style="list-style-type: none"> Ha land acquired (LS) Ha land assembled for commercial development Commercial floor space developed (5,900 sq m) Construction years of employment No. of learners enrolling/completing course (i.e. apprentices in construction) (LT) 	<p>Theme-specific outcomes</p> <ul style="list-style-type: none"> Private sector leverage up to the value of £375m for kit out of the facility (LS) Secure a £50m investment from the Compound Semiconductor Catapult (LS) Increase in premises with access to connectivity infrastructure (one) Positive property market sentiment survey Uplifted commercial sale value (£6m) Land value uplift Floorspace occupied by firms at the facility Growth in employment of business located in the facility by number of employees

- Direct creation of new jobs at the site (501) – achieved over time
 - Safeguarding jobs (156 at head lessee company, 550 jobs at wafer fabrication plant)
 - Growth in turnover of business located in the facility
 - Improved business survival rate of business located in the facility
 - Increased expenditure on business R&D (tenant + subsequently in wider sector)
 - Increase in exports (tenant + subsequently in wider sector)
 - New/improved processes adopted (tenant + subsequently in wider sector)
 - New/improved products entering the market (tenant + subsequently in wider sector)
 - Intellectual Property (IP) registered (e.g. patents) within the cluster
 - Improved attractiveness as a location for inward investment
- Broader outcomes**
- Return on investment up to the value of £33,108,000 (LS)
 - Indirect and induced jobs of 1,088 (LS)
 - Enhancement of local innovation ecosystems
 - Increase in the number of businesses that are innovation active (i.e. in the wider compound semi-conductor sector)
 - Improved productivity of firms in the cluster, i.e. in terms of GVA per worker

Expected timescales for inputs / activities / delivery of outputs and outcomes

<p><u>Investment Fund inputs</u></p> <ul style="list-style-type: none"> • 2017-18 <p><u>Other inputs (including staffing and in-kind)</u></p> <ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • 2017-18 	<ul style="list-style-type: none"> • Achieved on completion of the project and tenant moving into the facility. • Project delivery, including site occupation, phased so outputs achieved incrementally over time 	<ul style="list-style-type: none"> • Impacts to be realised over time. Some will be realised on or soon after completion of the project e.g. investment leveraged, improved attractiveness of the site, development of floorspace. • Others will be realised as the principal beneficiary develops its business • Yet others will take longer, e.g. development of the ecosystem and outcomes relating to the wider sector.
---	---	---	--

Relationship to other interventions

Other Investment Fund logic models:

- Unknown at this stage – further interventions (and logic models) to be confirmed

Other non-Investment Fund activities:

- Wider development of the Compound Semiconductor sector in Cardiff e.g. EU funding for Cardiff University's Institute for Compound Semiconductors

3. Approach to evaluating the Compound Semiconductor Cluster project

- 3.1 This Section sets out the approach to evaluating the Compound Semiconductor Cluster project, in relation to both progress in undertaking the intervention and impacts resulting from it.

Impact Evaluation

Coverage

- 3.2 The paragraphs below set out in more detail the approach to **impact and progress evaluation for the Compound Semiconductor Cluster project**. This comprises:
- the **method** including setting out:
 - an overview of the approach
 - how the counterfactual will be identified
 - the alignment of the method to the National Evaluation Framework (and the explanation for any variance)
 - other potential methods that were considered for the evaluation, and why these were not progressed
 - the **data requirements** for the method covering primary evidence, monitoring information, and secondary data; this includes requirements at different points in the evaluation including at the baseline stage
 - the **timing** of the impact evaluation research for the intervention over the period up to and including the Gateway Review report in December 2020, including identifying the key tasks that will be required.

Method

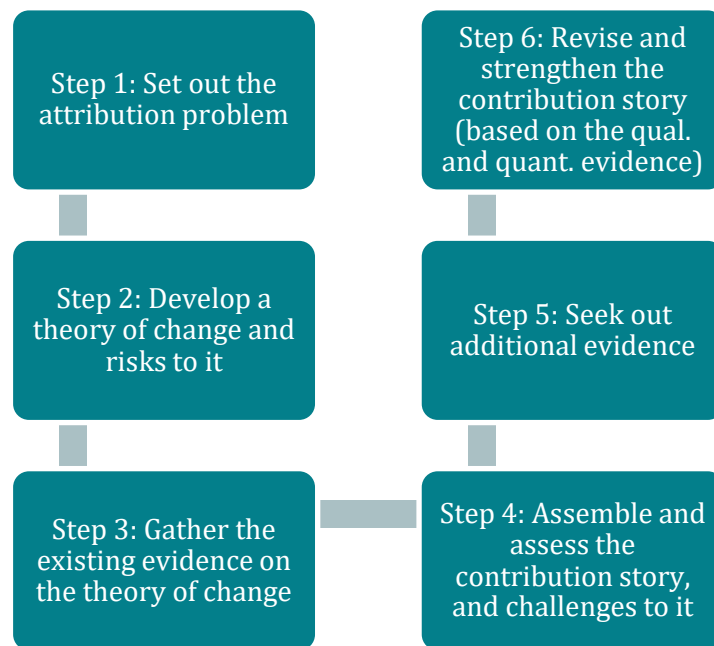
Overall approach

- 3.3 The impact assessment for the Compound Semiconductor Cluster project will be based on a **theory-based evaluation, using mixed methods and contribution analysis, consistent with the National Evaluation Framework**. This approach reflects that the intervention is focused primarily on securing the presence of a specific company within the Cardiff Capital Region, and the fact that this company will consider various factors in whether to stay and expand in the Cardiff Capital Region, not just the investment from the Investment Fund in the manufacturing facility.
- 3.4 Rather than a ‘pre’ and ‘post’ approach and considering “*what would have happened in the absence of the intervention?*”, contribution analysis examines a different research question.

Specifically: “is there evidence that the intervention played an important role in bringing about the outcomes?”. By addressing this second question, it ought to be possible to build a ‘narrative account’ of cause and effect.

- 3.5 The contribution analysis approach seeks to allow the evaluator to build up evidence to assess the contribution made by the intervention to the outcomes in question, while also identifying the other factors which may have plausibly contributed to it (e.g. market opportunities, business strategy, regulations, other interventions). This provides a ‘contribution story’ about the influence that the intervention itself (instead of other factors) has made to observed outcomes. The process is based on a six-step method to gather evidence and develop the ‘contribution story’, summarised in Figure 3-1.

Figure 3-1: Six steps of contribution analysis



Source: Mayne, 2008, *Contribution Analysis: An Approach to Exploring Cause and Effect*, ILAC Brief 16

- 3.6 A large number of outcomes are identified in the logic model for the intervention in Section 2. These can be grouped into four themes that help to shape the evaluation approach:

- Benefits directly relating to IQE, the company expected to occupy the facility, such as supporting their expansion/innovation
- Benefits to the wider compound semiconductor sector in the Cardiff Capital Region, such as increased innovation activity/supply chain opportunities
- Land and property related benefits in the area, including land value uplift
- Financial outcomes, in particular repayment of Investment Fund monies (to be recycled) through rental income.

- 3.7 The focus of this impact evaluation is on those outcomes that may be evidenced before the Gateway Review and those that are most closely related to the theory of change and objectives for the intervention, namely to support the retention and growth of IQE, and develop the

wider compound semiconductor cluster. Whilst all were considered for the evaluation, outcomes were excluded on the basis of the following:

- For some outcomes identified in the logic model, e.g. improved productivity and Return on Investment, it will almost certainly be too early to undertake a robust assessment, because they are likely to need a longer timeframe to be realised fully.
- Other outcomes are not core to what the project is principally seeking to achieve – including the land value uplift and other land and property-related impacts. Whilst assessing these outcomes could be undertaken, it is not considered to be proportionate (e.g. a land value uplift assessment could cost circa £25k to complete robustly, i.e. incorporating comparator sites).

3.8 Therefore, the impact evaluation will focus on the following outcomes:

- **Benefits directly relating to IQE:** private sector leverage up to the value of £375m for kit out of the facility; increase in premises with access to connectivity infrastructure; floorspace occupied by the firm in the facility; growth in employment of IQE at the facility (in terms of number of employees); growth in turnover of IQE at the facility; improved business survival prospects of IQE; increased expenditure on business R&D; increase in exports; new/improved processes adopted; new/improved products entering the market; and IP registered.
- **Benefits to the wider compound semiconductor sector in the Cardiff Capital Region:** secure a £50m investment from the Compound Semiconductor Catapult; increased expenditure on business R&D; increase in exports; new/improved processes adopted; new/improved products entering the market; IP registered; enhancement of local innovation ecosystem; and increase in the number of businesses that are innovation active..

3.9 The approach to assessing the benefits varies by outcome. The approaches are set out below, showing the different sources of evidence.

Consultations with IQE

3.10 In the case of the retention and development of IQE, this will be based on in-depth discussions with representatives of IQE covering the decision-making process to remain in the Cardiff area, the alternatives that were considered and ruled out, and the extent to which the Investment Fund contribution to the facility was necessary to make this happen. It will be important to understand the impact on IQE directly.

3.11 As well as measuring these benefits, a key evaluation question is the extent to which the company would have proceeded with this investment, stayed within the Cardiff area, and subsequently grown without the Investment Fund monies to develop the facility.

3.12 It is not possible to define an explicit counterfactual, because the unit of analysis is a single company, and so the counterfactual will need to be implicit in the alternatives that were considered. Therefore, a theory-based approach will be adopted, testing the logic (i.e. how far expected benefits have been realised) and testing the contribution of the Investment Fund to this logic relative to other factors, and the extent of deadweight. This will inform a narrative

account of the effects of the intervention in relation to IQE specifically. Where possible, and reflecting any potential issues around commercial confidentiality, we will seek to quantify the benefits associated with IQE.

Consultations with other compound semiconductor businesses in the Cardiff Capital Region

- 3.13 The approach to evaluating the development of the wider sector will also adopt a similar theory-based approach that tests the logic and the contribution of the Investment Fund (through the retention and development of IQE) relative to other factors.
- 3.14 We expect that the role of the Investment Fund relative to other factors for these businesses will be more complicated; the decision-making processes will be subject to other issues, with the link to the Investment Fund monies less clear, and there is the potential for both positive and negative effects (e.g. displacement). We will set out a range of potential contributing factors and seek views on the importance of these, alongside the retention and development of IQE, thereby seeking to address issues of ‘attribution bias’. In understanding the effects on the wider sector, it will also be important to understand any displacement resulting from the investment. Whereas the benefits associated with IQE directly may be quantifiable, we expect the effects on the wider sector to be a mix of quantitative and qualitative (e.g. sentiment) evidence.

Consultations with intervention leads and wider stakeholders

- 3.15 Consultations will also be undertaken with intervention leads and wider stakeholders. In terms of the intervention leads this will include members of the Special Purpose Vehicle (SPV) set up to deliver the project, including the project management team responsible for delivering it, and representatives of the Cardiff Capital Region. Wider stakeholders will include representatives of the sector, or organisations with substantial interest in compound semiconductors e.g. the Compound Semiconductor Catapult and Cardiff University.
- 3.16 The purpose of these consultations will be to gain an understanding of how the scheme has progressed, its effects, and also how it sits alongside other developments. By obtaining these wider views, we will gain further perspectives on the contribution of the scheme to achieving positive outcomes for the wider sector and the innovation ecosystem.

Data and documents on the compound semiconductor sector in the region

- 3.17 Complementing this, and still part of the theory-based approach, we will use available data and documents to compare the growth and development of the compound semiconductor cluster in the Cardiff Capital Region to other areas since the Investment Fund decision to back the facility and set up the SPV (SPV announced in mid-2017).
- 3.18 We will draw on Knowledge Transfer Network (KTN) work on the compound semiconductor sector. It will be possible to ascertain a baseline position for 2017, and may also be possible to update this analysis in 2020, if data on the sector are updated at that point. If the data are not updated, we will consult with the KTN, and draw on our interview with the Compound Semiconductor Catapult, to get a sense of how the sector has changed in Cardiff compared to elsewhere across the UK.

- 3.19 A control group will not be established due to the challenges in identifying suitable firms to include in the group. However, the other areas for which data exist could act as comparators, providing useful contextual data on the sector across the UK with which to compare the Cardiff Capital Region, e.g. whether the number of firms in the sector has increased faster in the Cardiff Capital Region than the rest of the UK between the start of the intervention and the Gateway Review.
- 3.20 Any data that can be provided by partners within the Cardiff Capital Region will also be used to contextualise the sector in the region e.g. data from the Compound Semiconductor Catapult or directly from firms in the sector (e.g. as part of the planned consultations).

Data requirements

- 3.21 The data requirements for the evaluation approach for the Compound Semiconductor Cluster intervention are summarised in Table 3-1. Further details on the specific metrics required to be monitored by the Locality to inform the evaluation of the intervention will be agreed early on in the evaluation.

Table 3-1: Data requirements for the proposed evaluation approach for the Compound Semiconductor Cluster intervention

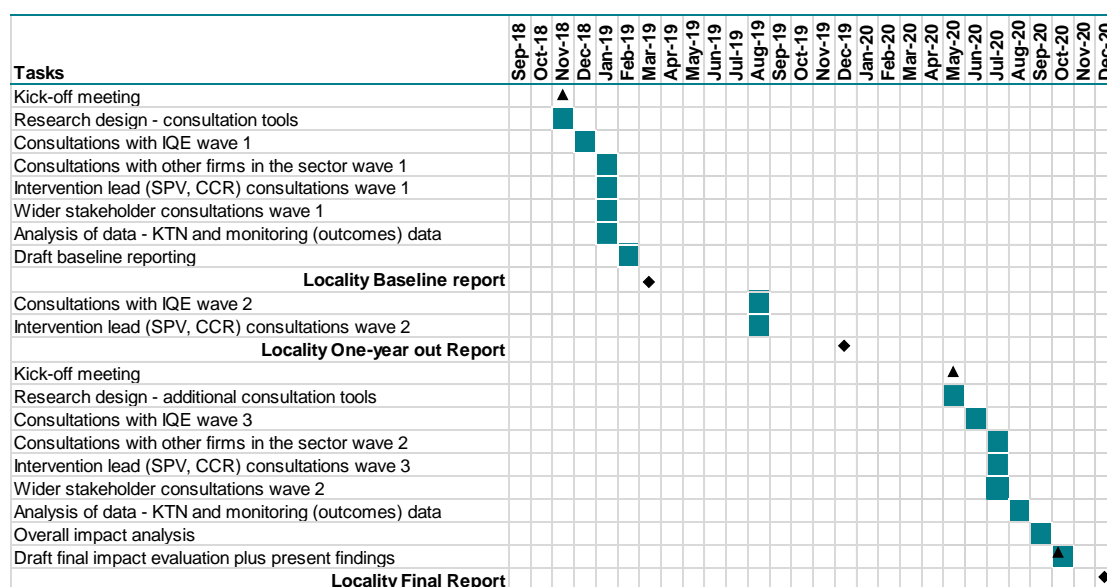
Source of evidence	Direct effects relating to IQE	Effects to the wider sector
Primary evidence	<ul style="list-style-type: none"> • Consultations with IQE (x3), to understand quantitative (where possible) and qualitative effects of the scheme on the firm and to judge the additionality/ contribution of the intervention. • The consultations with IQE will be undertaken at the baseline, one year out and final report stages. 	<ul style="list-style-type: none"> • Consultations with firms in the sector in the Cardiff Capital Region (x15), as well as partners and wider stakeholders (x6), to understand the effects on the wider sector, including potential displacement. • These will be undertaken at the baseline and final report stages.
Monitoring data and information	<ul style="list-style-type: none"> • Information on progress in completing the intervention and IQE/others taking space, in particular: <ul style="list-style-type: none"> ➢ Ha land acquired and assembled ➢ Floorspace completed ➢ Any employment of apprentices in construction ➢ Number of jobs on site – created and safeguarded. <p>[Note: these data to be provided by Cardiff Capital Region as part of monitoring data]</p>	<ul style="list-style-type: none"> • None.
Secondary data	<ul style="list-style-type: none"> • None. 	<ul style="list-style-type: none"> • Data from the KTN on the number of firms in the sector in the UK. If updated, this would provide contextual analysis on growth in the sector. • This analysis would be completed for the baseline report and, if available, for the one year out and final reports too.

Source: National Evaluation Panel

Timing

- 3.22 The timing of the evaluation for the Compound Semiconductor Cluster intervention and the key tasks to be delivered is set out in Figure 3-2. For context, the timetable includes the fixed milestones for the overall evaluation of the Investment Fund in the Cardiff Capital Region, including the one-year out and final reports that will draw on the evidence from the intervention-level impact evaluation.

Figure 3-2: Timetable for the evaluation of the Compound Semiconductor Cluster intervention



Source: National Evaluation Panel

Progress evaluation

- 3.23 The progress evaluation for the Compound Semiconductor Cluster project will seek to answer five key progress evaluation questions. The questions, source(s) of evidence, and relevance for the different stages of the evaluation, are set out in **Error! Reference source not found..** The baseline report will focus on setting out planned expenditure/outputs etc, although where activity is underway this will also be included. The sources of evidence will be monitoring data and documents, and interviews with those involved in the delivery of the intervention and the Investment Fund (discussed in more detail below).

Table 3-2: Progress evaluation questions and source(s) of evidence

Progress evaluation question	Baseline report	One-year out report	Final report
Q1: Is expenditure on budget?	✓	✓	✓
Q2: Have agreed delivery milestones been met?	✓	✓	✓
Q3: Have anticipated outputs been delivered, and (where relevant) how does this compare to planned outputs at this stage in terms of scale/nature?		✓	✓
Q4: Have intermediate outcomes been delivered, and (where relevant) how does this compare to planned outcomes at this stage in terms of scale/nature?		✓	✓
Q5: Does the project remain on course to deliver against its original objectives?	✓	✓	✓

3.24 The following work will be delivered in advance of each reporting stage (i.e. at three points in the evaluation, before ahead of baseline, one year out and final reports):

- monitoring data (including expenditure and outputs) and documents will be provided to the Evaluation Panel by the Cardiff Capital Region team in electronic format using the template provided; we will expect that the data provided will include:
 - planned expenditure by quarter
 - actual expenditure by quarter
 - planned outputs by year
 - actual outputs by year
 - planned intermediate outcomes by year (where captured in monitoring data)
 - actual intermediate outcomes by year (where captured in monitoring data)
- the evaluation team will then populate a report template using this data and return this to the ‘intervention lead’
- a consultation with each ‘intervention lead’ will be undertaken face-to-face where possible, using a consistent research tool (and drawing on the monitoring data) across the Localities and interventions for each stage of the progress evaluation; this may be done alongside the consultation with the intervention lead that is focused on the impacts to date
- consultations with representatives from the Cardiff Capital Region to provide evidence for the progress evaluation.

3.25 This annual progress evaluation activity will be complemented by a ‘mid-year review’ of monitoring data, held between annual reporting stages. This ‘mid-year review’ will involve the Locality providing monitoring data to the Evaluation Panel (as set out above), followed by a telephone discussion(s) with a relevant lead at the Locality responsible for the collation of the monitoring data and completion of the monitoring template. The purpose will be to identify any issues/gaps in the data and the reasons for this, to ensure any actions are taken in advance of the annual wave of research.

3.26 Two important points are noted regarding the monitoring process:

- At both the annual and mid-year reporting stages, the Evaluation Panel will liaise with a single relevant lead at the Locality responsible for the collation of the monitoring data and completion of the monitoring template, not with individual intervention leads. Any gaps/issues in the monitoring data identified will be reported to the monitoring lead who will be responsible for subsequent engagement with those delivering/managing each intervention.
- The Evaluation Panel is not responsible for verification/audit of the monitoring information provided by the Cardiff Capital Region (including financial information and reported outputs). The role of the Evaluation Panel will be to check the coverage

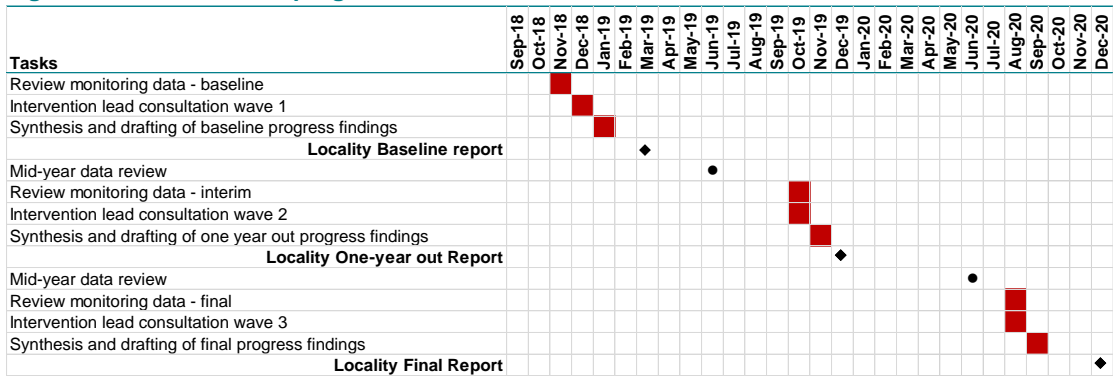
of the data provided and identify any gaps/uncertainties in the material. Localities are responsible for ensuring that the data provided is accurate. Note that this does not include any data collected by the National Evaluation Panel as part of the impact evaluation; the National Evaluation Panel will be responsible for ensuring the quality of that data.

- 3.27 The progress evaluation activity will also be undertaken for any other interventions that are funded by the Investment Fund ahead of 2020.

Timing

- 3.28 The timetable for the progress evaluation of the Compound Semiconductor Project is set out in Figure 3-3. Any other interventions that are funded before 2020 would slot into the same timeframe, from the point at which they are added to the evaluation.

Figure 3-3: Timetable for progress evaluation



Source: National Evaluation Panel

4. Complementary workstreams

- 4.1 The National Evaluation Framework identified two complementary workstreams to be delivered in each of the Localities as part of the evaluation of the Investment Fund: Capacity Development and Partnership Evaluation; and Contextual Economic Forecasting. This section sets out what this will involve in the Cardiff Capital Region.
- 4.2 The purpose of the complementary workstreams is as follows:
- **Capacity Development and Partnership Evaluation:** to provide qualitative evidence for the first Gateway Review on the effects of the Investment Funds on local capacity development and partnership working, complementing the evidence from the impact and progress evaluation activity. This is expected to be particularly important for the first Gateway Review, where quantitative benefits may not yet have been realised or realised fully, and where expenditure/activity is on-going or recently completed.
 - **Contextual Economic Forecasting:** to provide context for assessing the effects of the interventions. This will involve identifying headline economic trends before, and at the time interventions were selected, indicating how the economy in the Cardiff Capital Region was expected to develop and revising these data at the point of the Gateway Review to understand what has actually happened. This insight will be used as part of a narrative around what has been achieved against expectations, and the wider economic factors that may have influenced this performance.
- 4.3 To reiterate, as with the rest of the evaluation, the focus of these complementary workstreams is on the 20-year, £495m fund – what we refer to as ‘the Investment Fund’ – that began in 2016/17. Neither the wider City Deal nor any other funding streams are in scope of any of the evaluation activity.

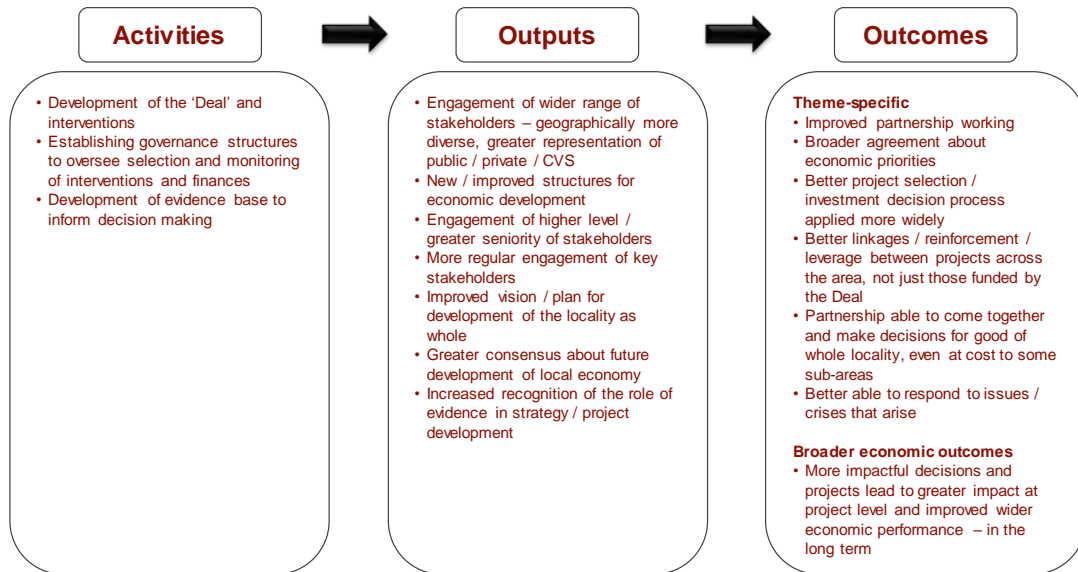
Capacity Development and Partnership Evaluation

- 4.4 The Capacity Development and Partnership Evaluation will involve research activities at two-levels:
- **Strategic level** involving an online partner survey, and in-depth ‘strategic’ consultations with senior stakeholders across the area
 - **Project level**, at this stage in relation to the only named project – the Compound Semiconductor Cluster project – but with others potentially added if they are funded before 2020. This will involve in-depth ‘project’ consultations with sponsors and partners of the Compound Semiconductor Cluster project, and a case study on the Compound Semiconductor Cluster project focused on capacity development and partnership outcomes.

Strategic level

- 4.5 The strategic level research is focused on gathering evidence on how the Investment Fund as a whole has led to changes in the behaviours, perspectives, and decisions of actors across the economic development landscape in the Locality.
- 4.6 The type of activities, and the nature of the benefits – in terms of outputs and outcomes – that will be the focus of this research were identified in the National Evaluation Framework, and are summarised at Figure 4-1.

Figure 4-1: Framework for assessing strategic impact



Source: National Evaluation Framework, May 2017

Online partner survey

- 4.7 The online partner survey will involve the circulation of a brief survey to a range of individuals – identified by the officers working on behalf of the Locality – involved in the local economic development of the Cardiff Capital Region.
- 4.8 The research will involve annual waves of research:
- a 'baseline survey' in late 2018 to inform the baseline report
 - an 'interim survey' in autumn 2019 to inform the one-year out report
 - a 'final survey' in autumn 2020 to inform the final report.
- 4.9 The survey will be distributed using Smart Survey, with responses provided anonymously. As far as practical, the survey will be circulated to the same cohort over the three years in order to track changing perceptions on the strategic effects of the Investment Fund activity.

In-depth 'strategic' consultations

- 4.10 The in-depth 'strategic' consultations will engage senior stakeholders across the area to gather qualitative evidence on the observed effects of the Investment Fund on local economic development activity and partnership working. The focus will be on senior-level stakeholders

(e.g. Chief Executive, Leader etc.) able to look ‘across’ the interventions supported by the Investment Fund, and not those involved in the delivery of individual interventions.

4.11 The research will involve annual consultations:

- baseline consultations in late 2018 to inform the baseline report
- interim consultations in autumn 2019 to inform the one-year out report
- final consultations in autumn 2020 to inform the final report.

4.12 Each wave will include consultations with up to 15 senior-level stakeholders, completed face-to-face where possible.

Intervention level

4.13 The intervention level research is focused on how the development and delivery of individual interventions has led to changes in the behaviours, perspectives and decisions of actors across the economic development landscape in the Locality. In the National Evaluation Framework, these are referred to as “intervention-up” benefits, as they arise from the intervention up to the strategic level, rather than the strategic driving the project.

4.14 An example might include where the intervention has brought partners together to develop and implement it, and as a result these partners:

- are working together on other things
- have adopted a wider view of the Locality’s economic development
- have created new partnerships with wider stakeholders
- have demonstrated to others in their organisations the benefits of doing so.

4.15 We have currently allowed for one of these intervention case studies. The subject of the case study is to be agreed with Cardiff Capital Region. This could be the Compound Semiconductor Cluster project, though it may make sense to select another project given that the CSC project is already the main focus of much of the impact evaluation.

In-depth ‘intervention’ consultations

4.16 A consultation will be completed with the intervention manager for the intervention(s), focused on these intervention-up benefits. The consultation will be undertaken to inform the final report in December 2020, and will be undertaken face-to-face if possible.

4.17 The in-depth consultation for the Capacity Development and Partnership Evaluation workstream is separate to the ‘consultations with intervention leads’ as part of the impact and progress evaluation activity discussed in Section 3, and will cover different issues.

Intervention case studies

4.18 Lead contacts in the Cardiff Capital Region will be asked at the one-year out report to identify the intervention to be the focus of more detailed case-study research on project-up benefits.

The case study will involve six to eight in-depth interviews (mix of telephone and face-to-face) with project partners and stakeholders (and draw on the project manager consultations). The case study will be undertaken to inform the final report in December 2020. More than one case study could be undertaken if required.

Contextual Economic Forecasting

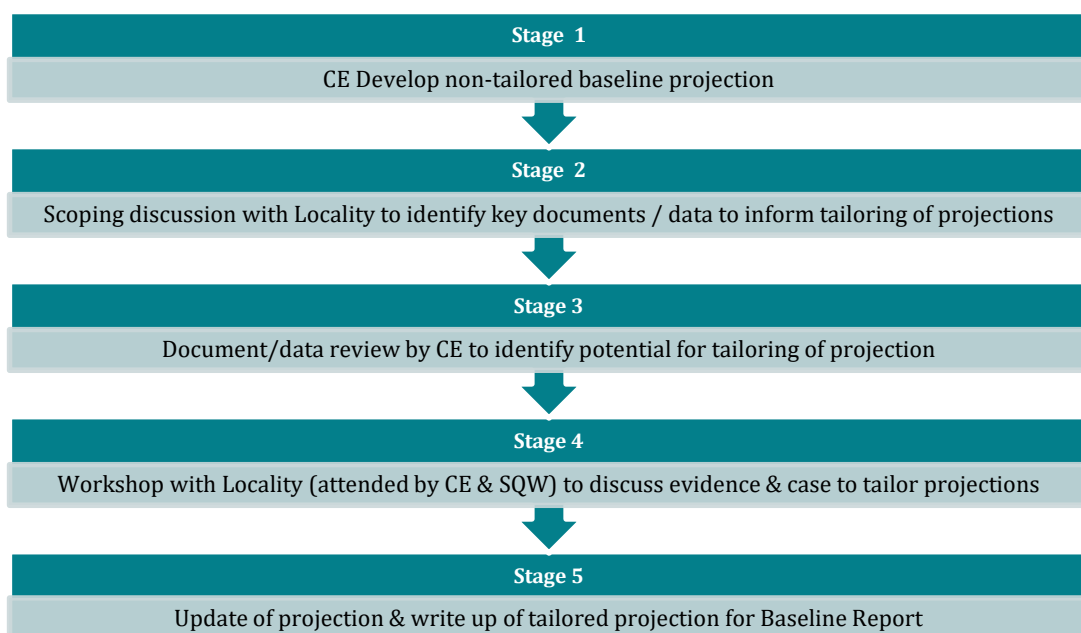
Purpose and context

- 4.19 The purpose of the Contextual Economic Forecasting will be to provide the context for how the economy in the Cardiff Capital Region was expected to develop at the time the Investment Fund was approved, via a 'baseline projection' in terms of employment, GVA and productivity. This will then be compared to actual outturns at the point of the first Gateway Review, to contextualise the findings from the impact and wider evaluation work.
- 4.20 The baseline projection will go out to Years 5 and 10 after the Investment Fund approval, which corresponds to 2020/21 and 2025/26. They will be developed at the level of the Locality as a whole (i.e. not for individual Local Authority Districts).
- 4.21 Because the Investment Funds are underway, a current/up-to-date projection cannot be used because this would incorporate economic and policy contexts/circumstances which were not known at the time the Investment Fund was approved. Therefore, an earlier projection is required, dating back to the period when the Investment Fund was being finalised, and which will therefore be consistent with policy makers' expectations of the wider macro environment at that point.
- 4.22 Panel members Cambridge Econometrics (CE) have maintained and developed a highly disaggregated database of employment and GVA data by industry (12 broad sectors or a more detailed 45 sectors) from 1981 for all unitary authorities and local authority districts (UALADs) in Great Britain. CE can provide an older vintage of their projections for the relevant geographies of interest (made up of UALADs), which will reflect the data and knowledge that were available at the time the growth plans were developed.
- 4.23 CE's projections are baseline economic projections based on historical growth in the Locality relative to the region or UK (depending on which area it has the strongest relationship with), on an industry-by-industry basis. They assume that those relationships continue into the future. Thus, if an industry in the local area outperformed the industry in the region (or UK) as a whole in the past, then it will be assumed to do so in the future. Similarly, if it underperformed the region (or UK) in the past then it will be assumed to underperform the region (or UK) in the future.
- 4.24 The projections further assume that economic growth in the local area is not constrained by supply-side factors, such as population and the supply of labour i.e. they are based on the assumption that there will be a sufficient supply of labour (either locally or through commuting) with the right skills to fill the jobs that are demanded. If, in reality, the labour supply is not there to meet projected growth in employment, growth could be slower.

Approach

- 4.25 The local area projections produced by CE are part of a top-down process, beginning with macro assumptions and forecasts for the UK and regions. The baseline projections will therefore not take account of specific growth plans or major interventions that were in place at the time the Investment Fund was approved, but which may reasonably be expected to influence economic growth over the period to the first Gateway Review.
- 4.26 The process for the approach to develop locally-tailored projections is summarised in Figure 4-2. First, CE will provide the baseline projection as was produced in 2016/17 to be consistent with the date of approval of the Investment Fund, and expectations of growth at that point. This will cover employment, GVA and productivity by CE's 12 broad sectors, and overall.
- 4.27 The National Evaluation Panel will then engage with the Locality to tailor the local area projections to reflect local circumstances and insight, and input to any ex-post adjustments to provide a better and more realistic view of the prospects as they looked at the time of the Investment Fund approval (e.g. an uplift of x% / x jobs in GVA / employment in a particular sector over a particular time period). This will include a desk-based review of documents/data and a workshop with the Locality (and CE and relevant SQW Locality Lead) to discuss the baseline projections and rationale for modifications to tailor this to local circumstances.
- 4.28 This will be developed within a version of CE's well-established Local Economy Forecasting Model (LEFM) calibrated to the Locality economy. There are a number of assumptions in the model that can be changed to take account of local information in order to create an alternative set of projections, for example, industry prospects (GVA and productivity, from which employment will then be calculated), and population.
- 4.29 The findings of the tailored projection will then be written-up for inclusion in the Baseline Report.

Figure 4-2: Approach to development of tailored baseline projections



Source: SQW/CE

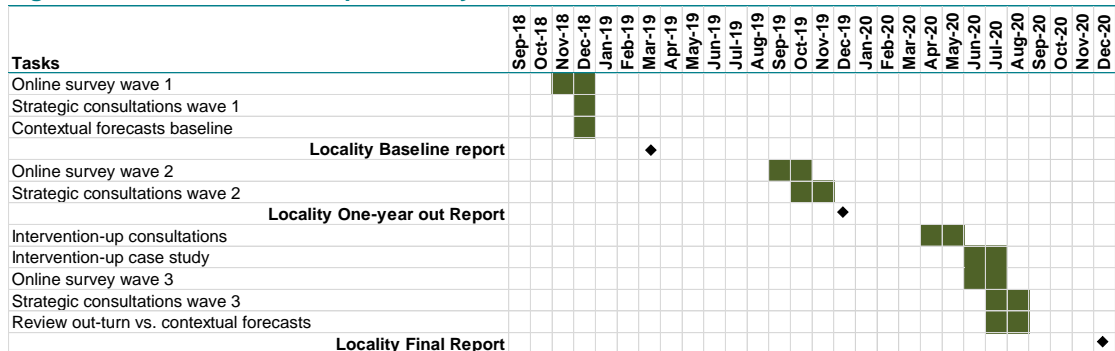
4.30 The Local Authority Districts that will be included in the Locality definition used for the projections are:

- Blaenau Gwent
- Bridgend / Pen-y-bont ar Ogwr
- Caerphilly / Caerffili
- Cardiff / Caerdydd
- Merthyr Tydfil / Merthyr Tudful
- Monmouthshire / Sir Fynwy
- Newport / Casnewydd
- Rhondda Cynon Taf
- Torfaen
- Vale of Glamorgan / Bro Morgannwg

Timing

4.31 The timing for the complementary workstreams is set out in Figure 4-3

Figure 4-3: Timetable for complementary workstreams



Source: National Evaluation Panel

5. Central tasks to be delivered across all Localities

- 5.1 In addition to the delivery of the work strands outlined above there are a series of tasks that will be delivered centrally. The core elements and assumptions are described in the following sections.

Central oversight of quality

- 5.2 Central oversight **to ensure consistency of approach and quality** across the Localities, including input from our Academic Panel. The Consortium Director and Manager will be key in ensuring the overall consistency and quality of each Locality report. The baseline and one year out reports will be reviewed by either the Consortium Director or Manager. The Gateway Review report will be reviewed by both the Consortium Director and Manager in recognition of the its importance.
- 5.3 The Academic Panel will also review the One Year Out and Gateway Review reports. They will:
- **Operate as a group, with shared responsibility and inputs:** individual members of the Group will not be 'assigned' to specific Localities, rather the Academic Group will agree responsibility for the peer review of material internally, **with at least two academics reviewing material for each Locality.**
 - **Operate from 'within' the Consortium, and provide comments/feedback to enhance and improve the quality of the evaluation research:** practically, peer review inputs will be made (and actions taken in response) *prior* to reports being shared with the Localities/Government.
 - **Provide comments and feedback by, and on behalf of, the Academic Group collectively:** any content in reports related to the work of the Academic Group will *not* be attributed to specific members of the Academic Group.
- 5.4 In delivering the work, the Academic Group **will meet the approach to conflict of interest set out in the National Evaluation Framework.** Specifically:
- Members of the Academic Group will not peer review reports of Localities where their host university is based or where they have been involved in developing any aspect of the Deal (of which the Investment Fund is a part).

Design and delivery of common elements

- 5.5 The complementary workstreams, in particular the contextual forecasting and capacity development surveys and consultations, will be common across all areas. By delivering them centrally we have been able to **generate economies of scale** in design and delivery. In addition, the central team will operate to generate scale economies across the work through developing:

- Core **research tools** which can be tailored for local areas (or where due to timing this is not possible then recognising where material developed for a cohort 1 area could, for example be re-purposed for a cohort 2 area)
- A series of **reporting templates**, which will help ensure consistency of approach and presentation across Localities. While it is not the intention to compare findings across Localities, having them set out in the same structure will assist in reassuring Localities that all material has been presented in the same format.
- A set of **analytical tools and methods**, which will ensure that the analysis completed is consistent across Localities. While each evaluation research method will be tailored to the specific context of the interventions, where possible standard analytical approaches will be used to maximise economies e.g. for qualitative analysis on case study evaded the same software tools (MAXQDA) will be used with coding frameworks developed in a consistent format, for quantitative analysis consistent evidence sources and methods will be used (e.g. to identify GVA from turnover or employment effects).

Communications

5.6 A core role of the central team is ensuring **good communications across the team and with wider stakeholders**. This will be important in ensuring consistency of approach and generate problem solving within the team; and in keeping CLGU and others informed about progress. We have assumed therefore that we will:

- Hold an internal team call once a month
- Have 8 keep in touch calls with CLGU each year, roughly following the pattern to date
- Have 2 National Steering Group meetings per year
- Continue to liaise with the What Works Centre
- Hold an annual learning event to feedback from across the evaluation team to support development in the Localities.

6. Costs

- 6.1 This section sets out the costs of the evaluation. Note all costs are presented in £sterling, exclusive of VAT. These costs may change if/when further interventions come in scope of the evaluation.

Evaluation of the Compound Semiconductor Cluster project

- 6.2 The costs for the delivery of the **impact and progress evaluation** of the Compound Semiconductor Cluster project set out in Section 3 are summarised in Table 6-1. The costs are based on the agreed fee rates for the National Evaluation Panel, plus estimates of costs of any telephone/face-to-face surveys, purchase of data (e.g. business databases, property market data), and other costs where relevant.

Table 6-1: Costs for impact evaluation (£)

Tasks	Costs (£)
Impact	
Interviews	10,640
Data analysis	14,889
Research design	6,510
Meetings	2,266
Reporting	10,484
<i>Sub-total costs</i>	<i>44,789</i>
Progress – <i>Note that the costs presented here include time that would generate scale benefits as new interventions are approved and become subject to progress evaluation. This is particularly the case for tasks relating to template preparation and collating monitoring data, and analysis, synthesis and drafting to inform reports.</i>	
Collation of monitoring data & populate template	7,047
Consultation with project leads	1,556
Consultation with central representatives	2,457
Mid-year monitoring reviews	4,423
Analysis, synthesis and drafting to inform reports	17,487
<i>Sub-total costs</i>	<i>32,970</i>
Total costs	77,758

Source: National Evaluation Panel

Complementary workstreams

- 6.3 The costs for the delivery of **complementary workstreams** set out in Section 4 are summarised in Table 6-2.

Table 6-2: Costs for complementary workstreams

Tasks	Costs (£)
Strategic-level: online survey	6,555
Strategic-level: consultations	16,956
Project-level: consultations	568
Project-level: case study x1	3,625
Contextual economic forecasting	10,965
Total	38,669

Source: National Evaluation Panel

Reporting and engagement

- 6.4 The impact evaluation, progress evaluation and complementary workstreams will generate the evidence for integrated Locality-level reports across the evaluation period. Reports will include: a baseline report, a one-year out report, and a final report. The National Evaluation Panel has also budgeted to meet with the Locality on a quarterly basis over the evaluation period, attended by the Locality Director and Manager. This may also include sessions with Welsh Government.
- 6.5 The costs associated with the production of the reports and meetings is set out in Table 6-3.

Table 6-3: Costs for reporting

Tasks	Costs (£)
Reporting x3 (baseline, one-year out and final reports)	27,558
Meetings (x8) and liaison	21,570
Prepare and deliver presentation on final report	3,236
Total	52,364

Source: National Evaluation Panel

Central tasks

- 6.6 The costs of the central tasks (described in section 5) are set out in Table 6-4.

Table 6-4: Costs for reporting

Tasks	Costs (£)
Central oversight of quality	6,527
Design and delivery of common elements (research tools, analytical tools, report templates, central inputs to analytical frameworks)	10,003
Communications (internal team liaison and calls, calls with CLGU, National Steering Group meetings, liaison with the What Works Centre, and annual learning events)	21,812
Academic Group inputs	10,391
Total	48,734

Source: National Evaluation Panel

Summary of costs

- 6.7 A summary of the costs for the evaluation in the Cardiff Capital Region for the first Gateway Review is set out in Table 6-5 below. Note that these costs include a range of tasks to cover overall data collation, analysis and reporting at the level of the Investment Fund. As further interventions are approved, therefore, many of the costs will remain unchanged, with additional costs incorporated for any further work agreed in relation to impact evaluation, and progress evaluation data collection.

Table 6-5: Summary costs

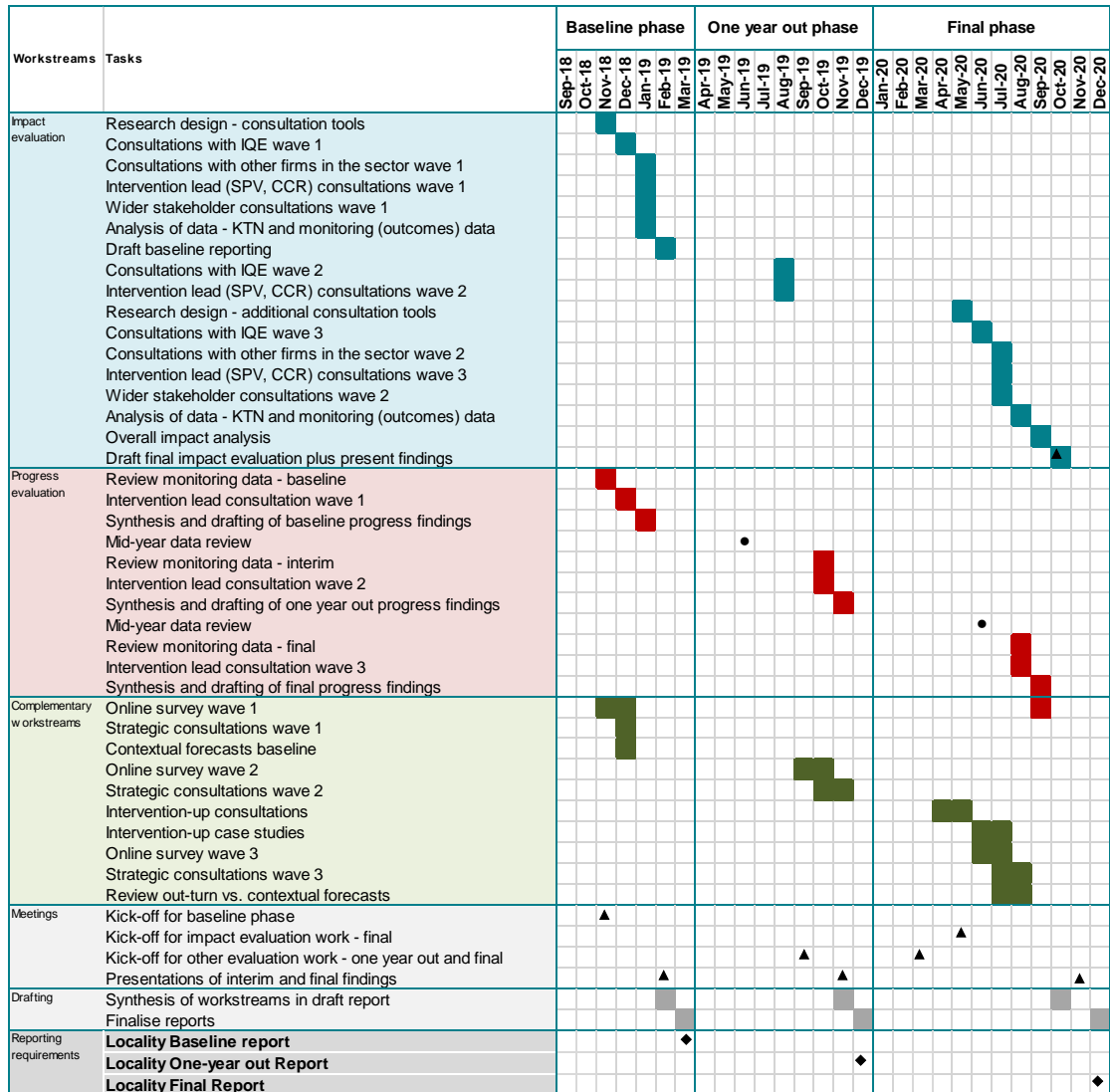
Research strand	Costs (£)
Impact evaluation of the Compound Semiconductor Cluster project	44,789
Progress evaluation (Compound Semiconductor Cluster project only at this stage, with others expected to be added – with further costs to be agreed)	32,970
Complementary workstreams	38,669
Reporting and engagement	52,364
Central tasks	48,734
Total	217,524

Source: National Evaluation Panel

7. Implementation plan

7.1 The figure below provides an integrated profile of the evaluation research in the Cardiff Capital Region.

Figure 7-1: Overall implementation plan for the evaluation



Source: National Evaluation Panel

Reporting and sign-off

7.2 As summarised in Figure 7-1, the reporting milestones are as follows:

- a draft Locality baseline report in February 2019, and a final Locality baseline report in March 2019
- a draft Locality one-year out report in November 2019, and a final Locality one-year out report in December 2019

- a draft Locality final report in October 2020, and a final Locality final report in December 2020

7.3 The review, sign-off and circulation process is as follows:

- for the **baseline** and **one-year out reports**, the draft report will be shared with the Locality for review and comment; a final version (taking into account the comments), will then be sent to the Locality for sign-off, and CLGU (on behalf of central Government) for information
- for the **final report**, the draft report will be shared with the Locality and CLGU for review and comment; a final version (taking into account the comments), will then be sent to the Locality for sign-off, and CLGU (on behalf of central Government) for endorsement
 - when CLGU are content that their comments have been taken into account, they will provide an 'endorsement' in writing of the final report, endorsing that the report is considered a "robust piece of evidence that will help inform Ministerial decision-making", *not* endorsing its content or findings specifically.

Annex A: Risks

Common risks across Localities

Risk	Likelihood / Impact	Mitigating actions
Common across Localities		
Poor quality monitoring data from Localities	M/H	<p>The Locality Plans build in a six-monthly review of monitoring data. This is to enable issues to be identified at an early stage and so addressed in advance of the final report to inform the Gateway Review.</p> <p>NEP will not be verifying monitoring data but will review it for consistency against our consultations with project managers and previous sets of data.</p> <p>It is possible that data changes over time due to shifts in definition. We should be sighted on this through the review process set out above and because the data definitions are being taken from wider definitions areas use to report on their Growth Funds.</p>
Localities delay providing monitoring data in time for the final report to inform the Gateway Review	M/M	<p>We will agree dates with Localities when data should be supplied, well in advance of the key date.</p> <p>The six-monthly process set out above should mean that if there are delays with the final set of data then the final report to inform the Gateway Review could be written using the older data. This would not be ideal.</p>
Report contents do not match client needs	L/ H	<p>The report would build from the outline in the National Framework.</p> <p>Standard templates will be developed to ensure consistency of reporting across all Localities.</p> <p>We would agree the templates and key headings with the client.</p>
Change in projects in scope	H/M	<p>It is possible that some of the projects identified in the Plans for impact evaluation will slip and so no longer be suitable. It is also possible, although probably less likely, that new projects are approved and come in to scope. Such changes would be picked up through the six monthly catch up meeting in each Locality.</p> <p>After the one year out point, no new projects would be included. The thinking being that there would be insufficient time for them to begin and have an impact that could be evaluated in the time remaining.</p>
Localities delay signing off reports	M/H	<p>This could occur due to governance structures or where a Locality is concerned that the report does not present favourable findings. To address these possibilities we will agree with each Locality key dates around their schedule of meetings on which:</p> <ul style="list-style-type: none"> • Reports will be made available to them • Comments are expected back. <p>Each Locality will also be provided with a note of comments received on the draft report, including comments from the academic panel, and how we have responded to those comments.</p>

Risk	Likelihood / Impact	Mitigating actions
Low response rates from participants	M/ H	We would work through project managers to develop the most appropriate way to encourage survey responses, e.g. not just that a reminder should be sent but who should send this.
Loss of electronic data in transfer from project to SQW	L/ M	We would develop a protocol for the transfer of data. This is likely to include files being sent with password protection, and the password being telephoned through.
IT failure	L/ M	SQW systems are fully backed up with data held in two offsite data centres. In the event of failure we can switch to the secondary centre and systems and files be restored.
Unexpected unavailability of team members	L/ M	Staff have confirmed availability to undertake the work in the required timescales. In a team member becomes unavailable through sickness etc., we can identify other experienced SQW researchers with similar experience drawing from our range of 40 employees and using our internal time booking software.

Source: National Evaluation Panel

Locality specific risks

Risk	Likelihood / Impact	Mitigating actions
Changes in evaluation representatives in the Cardiff Capital Region	M / M	SQW and the Cardiff Capital Region will work together to ensure a smooth handover – especially in terms of knowledge and understanding of the context and approach for the evaluation.
Limited evaluation evidence if further interventions are not funded ahead of 2020	L / M	The evaluation is already set to focus on the Compound Semiconductor Cluster project in particular. Even without any other interventions to evaluate, the evaluation should have sufficient evidence (if the Compound Semiconductor Cluster proceeds as expected, and alongside evidence from the complementary workstreams) to present a robust evidence base for the Gateway Review.

Impact evaluation risks

Risk	Likelihood / Impact	Mitigating actions
Lack of engagement by IQE	M / H	Cardiff Capital Region and SQW to work together to ensure that IQE understand the importance of the evaluation, are available for consultations when needed, and are responsive to other requests e.g. in relation to data to support the evaluation.
Changes in staff members at IQE	M / M	SQW and the Cardiff Capital Region will work with IQE to ensure that new staff understand the role of the evaluation. Speaking to IQE at the baseline stage will ensure that people involved at the early stage are able to provide evaluation evidence, even if subsequent phases of the work are with newer staff members.

Risk	Likelihood / Impact	Mitigating actions
Low response rate from the wider sector	M / H	Cardiff Capital Region to 'warm up' contacts ahead of SQW approaching firms for consultations, making it clear what the evaluation is for and the importance of their contribution to this. Also, engagement will be limited to the baseline and final reporting stages, to avoid consultation fatigue.
KTN data not updated	M / L	SQW will consult with KTN to clarify if/when new data will be available. If it looks unlikely to be updated a consultation will be undertaken with KTN, in addition to the consultation planned anyway with the Compound Semiconductor Catapult, to get their perspective on the growth of the sector qualitatively.
Difficult in identifying appropriate industrial estates to compare the site against	L / M	SQW will work with sub-contractors Savills to identify appropriate industrial estates along the M4 corridor for comparison purposes. If this proves difficult, a wider geography will be considered in order to complete the task.
Delays in the Compound Semiconductor Cluster project being delivered and IQE occupying the facility	L / H	Cardiff Capital Region will keep SQW informed of progress with the project and any potential delays. It is apparent at the time of writing that the project has proceeded as expected, with this therefore unlikely to be an issue.

Independent Evaluation of Local Growth Interventions

Baseline Report for the Cardiff Capital
Region Wider Investment Fund

May 2019

1. Introduction

- 1.1 This is the Baseline Report for the first evaluation of the **Cardiff Capital Region (CCR) Wider Investment Fund**, to be undertaken and finalised by December 2020 to inform the first Gateway Review of the fund. The first Gateway Review will be completed by Government by the end of March 2021.
- 1.2 This Baseline Report is the first output of the evaluation work of the National Evaluation Panel¹, implementing the approach agreed with partners in the CCR in the Locality Evaluation Plan agreed in January 2019, following review by the Locality and CLGU on behalf of Central Government. The approach to the evaluation in the CCR builds on the National Evaluation Framework approved by the Steering Group² of the National Evaluation Panel in August 2017. This Baseline Report:
- confirms the **scope of the evaluation work** in Cardiff Capital Region, how this is being implemented practically and the work completed to date
 - presents **economic forecasts for the CCR** to contextualise how local economic performance may have influenced the impact of the Investment Fund. These will be reviewed in the final report and compared to actual economic performance
 - establishes the status of one project being delivered using funding from the Wider Investment Fund and ‘in scope’ for impact and progress evaluation; this is the **Compound Semiconductor Cluster project** and the Baseline Report sets out its status at the end of 2018 in terms of expenditure, delivery, and outputs/outcomes, and how this compares to expectations at this point
 - presents the evidence from the baseline research on the **capacity development and partnership** workstream, based on primary research with local partners and stakeholders across the CCR.
- 1.3 The research for the Baseline Report was completed in early 2019. This was around three years into the first five-year Gateway Review period for the Wider Investment Fund – so the evidence is not formally at a baseline position (i.e. before activity has commenced).
- 1.4 However, the research has sought (where relevant) to characterise conditions as they were (or are considered to have been) at the baseline position before or at the start of delivery in 2016/17, for example via consultations and use of data that was available at that point. The report also sets out the position at the point at which the *evaluation activity* commenced formally in late 2018 in the CCR, the earliest point possible following the formal launch of the National Evaluation Panel in 2017 and the development of the national evaluation frameworks and CCR-specific evaluation plans.

¹ The SQW-led consortium appointed to evaluate the Investment Funds for the first Gateway Review

² The Steering Group comprises representatives from the 11 participating Localities: Glasgow Capital Region; Greater Cambridge Greater Manchester; Leeds Capital Region; Liverpool Capital Region; Tees Valley; Cambridgeshire and Peterborough; Cardiff Capital Region; Sheffield Capital Region; West Midlands; West of England,

Evidence base

1.5 The Baseline Report draws on the following evidence:

- monitoring data on planned and actual expenditure, and planned and actual outputs and outcomes provided by the CCR for the Compound Semiconductor project
- consultation with the Compound Semiconductor Cluster project
- consultations with 12 senior-level stakeholders, and 31 responses to an online survey, for the capacity development and partnership workstream
- economic forecasts developed by Cambridge Econometrics as part of the National Evaluation Panel, informed by contextual feedback from local partners at a workshop.

Structure

1.6 The report is structured as follows:

- Section 2: The City Deal and the Wider Investment Fund
- Section 3: Contextual economic forecasting
- Section 4: Delivery progress
- Section 5: Local capacity and partnership baseline
- Section 6: Delivery plan

1.7 Five Annexes are provided:

- Annex A: Detailed logic model for the Compound Semiconductor Cluster project
- Annex B: Online survey results
- Annex C: Consultees
- Annex D: Risk matrix

2. The City Deal and the Wider Investment Fund

The Cardiff Capital Region City Deal...

- 2.1 The Cardiff Capital Region City Deal was agreed between the ten CCR local authorities³, the UK Government and the Welsh Government in March 2016. At the core of the Deal is the creation of a 20-year, £1.2 billion **Investment Fund**, consisting of:
- £500 million from the UK Government
 - £500 million from the Welsh Government (provided over the first seven years of the Deal, from 2016/17 to 2022/23)
 - a minimum of £120 million from the ten local authorities
 - “over £100 million” from the European Regional Development Fund.
- 2.2 Over the lifetime of the Deal, local partners anticipate that the Investment Fund will “unlock significant growth” in the Capital Region, helping to leverage an additional £4 billion in private sector investment, and delivering up to 25,000 new jobs. Of the £1.229 billion within the Investment Fund:
- £734 million is ‘pre-allocated’ to the development of the **South Wales Metro**, including the electrification of the Valley Lines and the delivery of wider connectivity across the region (this element is outside the scope of this evaluation)
 - the remaining £495 million is allocated to a **Wider Investment Fund**, which is the subject of this evaluation, and is described in greater detail below.
- 2.3 Alongside the Investment Fund, the City Deal commits local partners to developing “*stronger and more effective leadership across the CCR, enabling the ten local authority leaders to join up decision making, pool resources and work more effectively with local businesses*”. In governance terms, the decision-making body for the City Deal is a joint committee consisting of the Leaders of each of the ten participating local authorities (referred to as the ‘**CCR Cabinet**’). This is supported by a wider Economic Growth Partnership (chaired by the private sector) and three further advisory bodies, focused on transport, skills and business leadership⁴.
- 2.4 In March 2019, CCR’s Economic Growth Partnership approved an **Industrial and Economic Plan**, which contains three investment priorities, focused on infrastructure (including the Metro), innovation and ‘challenges’. Linked with these priorities, work is underway to establish an **Investment and Intervention Framework** underpinned by the principles of co-investment with other private and public sources and an ‘evergreen’ approach to fund management⁵:

³ Blaenau Gwent, Bridgend, Caerphilly, Cardiff, Merthyr Tydfil, Monmouthshire, Newport, Rhondda Cynon Taf, Torfaen, and the Vale of Glamorgan

⁴ These are the CCR Skills Partnership, the CCR Business Council and the CCR Transport Authority

⁵ CCR (2019), *Cardiff Capital Region: Industrial and Economic Plan*, p.7

The emerging Investment and Intervention Framework: Key principles

Within the three investment priorities set out in the *Industrial and Economic Plan*, it is envisaged that:

- **innovation** investments will “focus on opportunities where there is considerable competitive strength”, with the aim of establishing an evergreen investment fund and contributing to employment growth, investment leverage and GVA uplift
- **infrastructure** investments will focus on infrastructure projects where the public sector creates the conditions for growth – with an indirect return on investment
- **challenge** investments will focus on securing the solutions for challenges faced by the region, which may be commercial or within the ‘foundational economy’ (such as the health and care sector)

Source: CCR (2019), *Industrial and Economic Plan*

... the Wider Investment Fund

- 2.5 Within this context, the £495 million **Wider Investment Fund** supports the CCR’s non-Metro investments and will operate for 20 years from 2016/17. Within the original heads of terms agreed in 2016, a range of potential types of intervention were highlighted, with prioritisation the responsibility of the CCR Cabinet. These included additional transport schemes, investment to unlock housing and employment sites, and the development of R&D facilities. The heads of terms also specifically stated that CCR “*will prioritise interventions that support the development of an internationally competitive compound semiconductor cluster*”, linked with investments at Cardiff University and the UK Government’s new Catapult facility in Cardiff.
- 2.6 In 2018, the CCR adopted a five-year **Strategic Business Plan** for the WIF. This contains details of a series of ‘emerging opportunities’, including additional transport schemes, skills investments and a Housing Infrastructure Fund: to date, two approvals have been made for the use of the WIF:
- A **3% top slice** (£742,500) was allocated to fund programme development and support the activities of a number of regional bodies.
 - The **Compound Semiconductor Cluster** project was supported with £38.4 million of Wider Investment Fund money. This is the only WIF project that has incurred spend to date and is ‘in scope’ for this evaluation. The project is described in greater detail below. Section 5 sets out the extent to which it is on track to spend and deliver outcomes and outputs as expected.
- 2.7 In addition, ‘in principle’ support has been agreed for a £40 million investment in the **Metro Central development** in Cardiff city centre, which will deliver a new transport interchange. This has yet to be fully agreed, however, and no expenditure is anticipated before the Gateway Review. At the time of writing (in March 2019) there was also an open call for projects seeking WIF investment.

... and the Compound Semiconductor Cluster project

The project

- 2.8 The Compound Semiconductor Cluster project is the only WIF investment project fully approved to date. It involves the use of the Wider Investment Fund to contribute to the costs of a compound semiconductor foundry in Newport. This is intended to secure substantial commercial investment in manufacturing and development, and to support the development of a wider 'cluster' in South Wales, linked with academic expertise at Cardiff University and a concentration of related firms.
- 2.9 In summary, the project involves an agreement between the City Deal partners and **IQE plc**, a large commercial manufacturer of advanced semiconductor wafers, which is headquartered in Cardiff and has operations in a number of countries. The CCR Cabinet agreed in 2017 to purchase a site (the former P&T Building at Imperial Park, Newport) and invest, alongside IQE, in cleanroom facilities and other equipment and fittings in the building. The building will then be leased to IQE for a period of 11 years, with an option to purchase at the end. To deliver the project, the Cabinet also agreed to establish a Special Purpose Vehicle (SPV) to acquire the P&T Building on behalf of the ten local authorities and manage the lease.
- 2.10 In May 2017, the CCR Cabinet approved investment from the WIF of **£37.9 million** in the foundry itself, along with a further £500k towards the programme budget for the SPV in its first two years (i.e. a total funding contribution of **£38.4 million**)⁶. This will contribute to a total cost (including investment from IQE) of £413 million.

Project rationale

- 2.11 The strategic case for investment is based around three sets of issues:

Industrial development and path dependency

- 2.12 While the WIF intervention is a specific 'deal' with an individual company, the investment is intended to be "the catalyst for the creation of an internationally significant and competitive compound semiconductor cluster"⁷. There is already a concentration of relevant activity in Cardiff Capital Region (outside of Investment Fund support), including: Cardiff University's Institute for Compound Semiconductors; the Compound Semiconductor Applications Catapult (based in Cardiff Bay, but due to relocate to the new IQE site in due course); and the Compound Semiconductors Prototyping Centre (a joint venture between Cardiff University and IQE). The relationship between Cardiff University and IQE is well-established, which (prior to the approval of the WIF investment) had together invested around £1.3 million in developing the design plans for the foundry.
- 2.13 In addition, South Wales has a substantial base of microelectronics companies that could form part of a compound semiconductor supply chain (such as Newport Wafer Fab Ltd and Microsemi). Several end-user 'anchor' companies have been identified within the South Wales manufacturing base. The proposition is that, by retaining and developing IQE, the industry within the region will develop from R&D and prototyping into manufacturing at scale, with

⁶ CCR Joint Cabinet (May 2017), Compound Semiconductor Project Proposal

⁷ CCR Joint Cabinet (May 2017), Compound Semiconductor Project Proposal

the opportunity to develop stronger networks, knowledge links and partnerships, thereby driving the long-term development of the cluster.

Property market issues and access to facilities

- 2.14 The immediate driver for IQE's investment need is related to its expansion. The firm has grown through organic growth and acquisition and had (at the time of the approval of the WIF investment) secured a major contract with a consumer electronics firm. This required an expansion in production capacity: while this was accommodated in the short term at IQE's existing plants in Cardiff and the US, longer term expansion required new investment.
- 2.15 There were advantages to IQE in expanding in South Wales (given existing links to Cardiff University and the local supply chain). However, lower cost expansion options were available at the firm's sites in the US and Singapore, and the business case for the project demonstrated that the cost of developing a new facility in South Wales was unviable.
- 2.16 In the absence of intervention (in the form of a manufacturing facility), there was a risk that IQE would otherwise locate production overseas. The provision of an appropriate facility in the City Region therefore sought to address a shortfall in the availability of specialist property on viable terms and aimed to enable IQE to develop manufacturing capacity locally.
- 2.17 From a 'supply' perspective, the specific building that is the location of the new foundry has a complex history. Originally, it was developed in the 1990s to support a previous inward investor (LG), but has proved challenging to repurpose to effective commercial use. The project therefore aims to make effective economic use of an existing site that has received historic investment.

Financial return

- 2.18 Finally, the acquisition and development of the property by the Special Purpose Vehicle established by the City Deal will provide a rental income. The property could also be sold to IQE, and the structure of the deal is designed to incentivise the option to purchase. The rental income and potential capital receipt would therefore be recycled back into the Wider Investment Fund. This contributes to the ambition of City Deal partners to operate a sustainable 'evergreen' fund. It could also contribute to a new way of working with the private sector, characterised by co-investment and shared return, rather than by grant assistance.

Evaluation approach

- 2.19 The approach to evaluation of the Compound Semiconductor Cluster project is set out in detail in the Evaluation Plan. In summary:
- A **logic model** has been developed setting out the 'theory of change' and the link between inputs, outputs and outcomes. This is presented in Annex A
 - The **impact assessment** for the Compound Semiconductor Cluster project will be based on a theory-based evaluation, using mixed methods and contribution analysis, consistent with the National Evaluation Framework. The main sources of evidence to be used in the impact assessment are:

- consultations with IQE
 - consultations with the intervention lead organisations (the Special Purpose Vehicle set up to deliver the project, and the CCR City Deal team)
 - consultations with firms in the sector/associated sectors in the CCR
 - consultations with wider stakeholders
 - data and documents pertaining to the compound semiconductor cluster
- The Compound Semiconductor Cluster project is also subject to **progress evaluation**, providing evidence on expenditure against budget, whether delivery milestones have been met, whether anticipated outputs and intermediate outcomes have been delivered, and whether the project has delivered, or remains on course to deliver, against its original objectives. An initial review of progress is set out in the next chapter.

3. Contextual Economic Forecasting

Purpose and context

- 3.1 As part of the overall evaluation, baseline econometric forecasts have been developed, and are set out in this section. They will be revisited for the Final Evaluation. The work was undertaken by Cambridge Econometrics (CE), a member of the SQW-led National Evaluation Panel.
- 3.2 Because the Wider Investment Fund is underway, a current/up-to-date projection cannot be used, because this would incorporate economic and policy contexts and circumstances, which were not known at the time the Fund was approved. Therefore, we have developed an earlier projection, dating back to the period when the Fund was being finalised, and which will be consistent with policy makers' expectations of the wider macro environment at that point in time. This provides, therefore, an overview of the contextual economic picture for the WIF when it was approved.

Modelling process

- 3.3 CE has maintained and developed a highly disaggregated database of employment and GVA projections by industry (12 broad sectors or a more detailed 45 sectors) from 1981 for all unitary authorities and local authority districts in Great Britain. The baseline economic projections are based on historical growth in the CCR relative to Wales or the UK (depending on which area it has the strongest relationship with), on an industry-by-industry basis. They assume that those relationships continue into the future. Thus, if an industry in the local area outperformed the industry in Wales (or UK) as a whole in the past, then it will be assumed to do so in the future. Similarly, if it underperformed Wales (or UK) in the past then it will be assumed to underperform Wales (or UK) in the future.
- 3.4 The projections further assume that economic growth in the CCR is not constrained by supply-side factors, such as population and the supply of labour, i.e. they are based on the assumption that there will be a sufficient supply of labour (either locally or through commuting) with the right skills to fill the jobs that are demanded. If, in reality, the labour supply is not there to meet projected growth in employment, growth could be slower.
- 3.5 These local area projections are produced as part of a top-down process, beginning with macro assumptions and forecasts for the UK and Wales. The baseline projections will therefore not take account of specific growth plans or major interventions that were in place at the time the Investment Fund was approved, but which may reasonably be expected to influence economic growth over the period to the first Gateway Review.

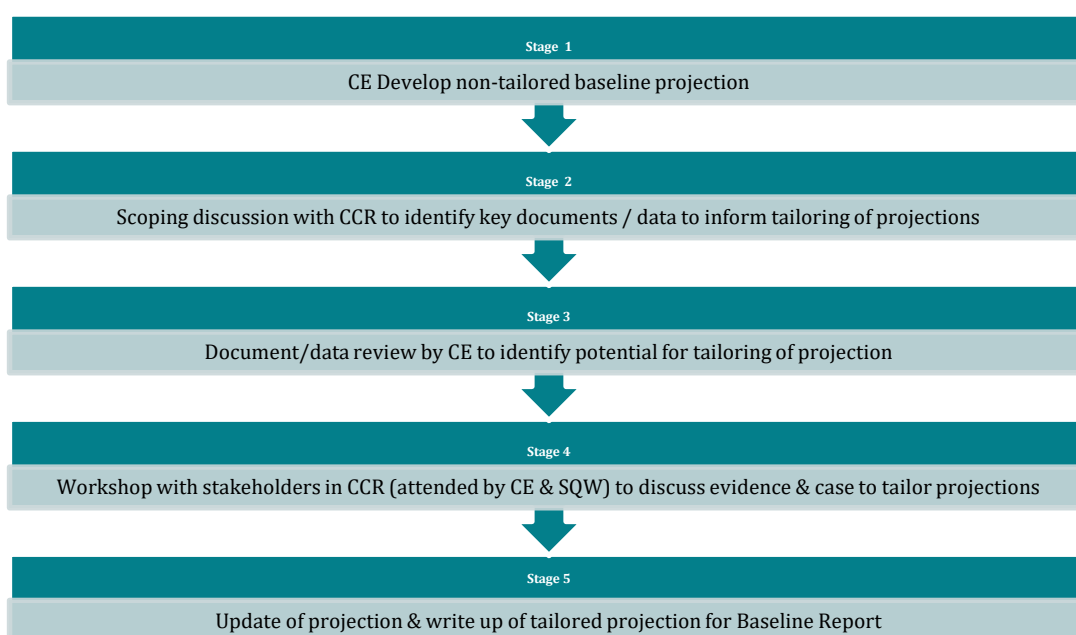
Tailoring the forecasts

- 3.6 The process for the approach to develop locally-tailored projections is summarised in Figure 3.1. First, CE provided the baseline employment and GVA projections by 12 broad sectors as was produced in August 2015 to be consistent with the date of approval of the Investment Fund, and expectations of growth at that point. In August 2015, the latest actual data available

was for 2013, and so ‘actuals’ cover the period from 1990-2013 and projections from 2013 onwards.

- 3.7 CE and SQW then engaged with the CCR to tailor the local area projections to reflect local circumstances and insight, and to contribute to any ex-post adjustments. This included a desk-based review of documents and data and a workshop with stakeholders in the CCR (with CE and SQW), in order to provide a better and more realistic view of the prospects as they looked at the time of the Investment Fund approval.
- 3.8 To inform the tailoring of the CCR projection, the following information was sought from CCR:
- data (including projections/forecasts) that set out expected changes in the sectoral performance of the CCR that had been developed and were available in August 2015, covering both GVA and employment
 - information on major plans or developments that were in the planning system and were expected to start (or had recently started) delivery in August 2015. This covered those plans/developments that could reasonably be expected to influence economic performance at the level of the CCR (e.g. new business parks, large-scale city-centre mixed-use schemes)
 - information about major closures or downsizing that were known about in 2015 and were expected to happen in the next couple of years
 - CCR-level economic strategies and plans that were developed and ‘live’ in August 2015 that set out expectations for, and sought to influence, growth and sectoral economic performance.
- 3.9 The tailored baseline was developed within a version of CE’s Local Economy Forecasting Model (LEFM) calibrated to the CCR economy, which incorporated GVA and employment adjustments to the non-tailored baseline as agreed by CCR.

Figure 3-1: Approach to development of tailored baseline projections



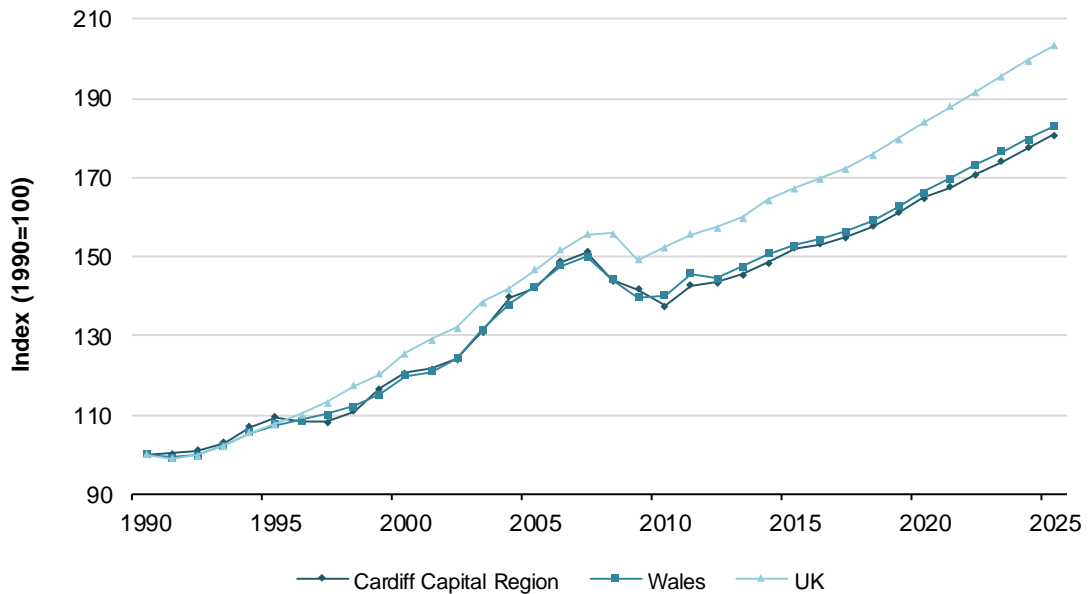
Source: SQW/CE

Baseline forecasts

Value added (GVA)

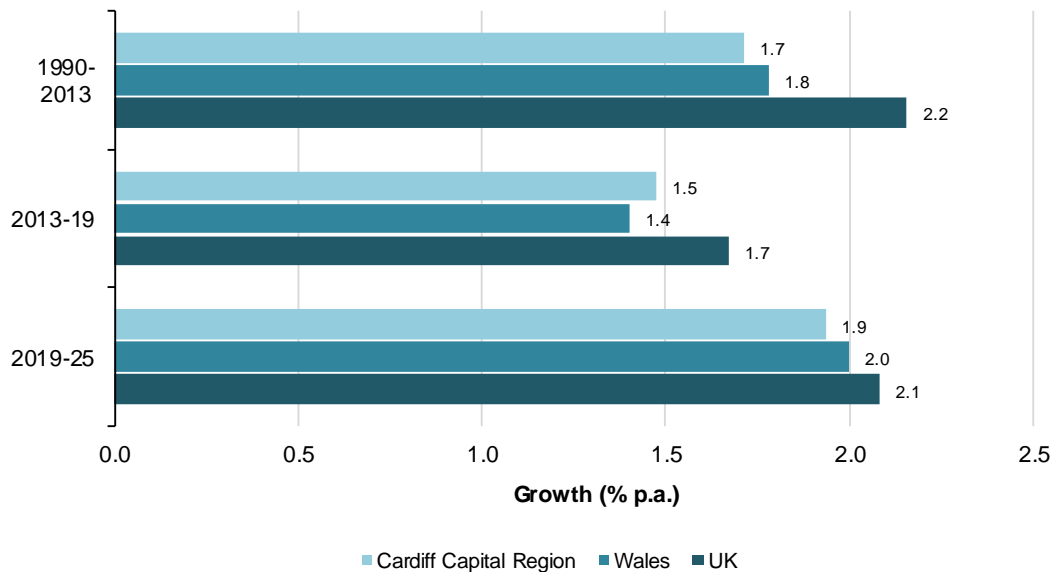
- 3.10 **Since the 1990s, the CCR has underperformed relative to the UK as a whole in GVA terms.** Historically, GVA growth in the CCR was slower than the UK average (2.2% p.a.)⁸. This was expected to continue, with the gap between the CCR and the rest of the UK widening.

Figure 3-2: Trends in GVA growth in the CCR, Wales and the UK



Source: Cambridge Econometrics

Figure 3-3: GVA growth in the CCR, Wales and the UK



Source: Cambridge Econometrics

⁸ Given that the CCR accounts for around 50% of total Welsh output, on most indicators, the region tracks the Wales average.

3.11 In the **short-to-medium term** (2013-19), strong growth was expected in three sectors: Construction; Transport & Storage; and Accommodation and Food Services. Growth in **Accommodation and Food Services** represented a continuation of past trends. Growth in other sectors were in contrast with past trends:

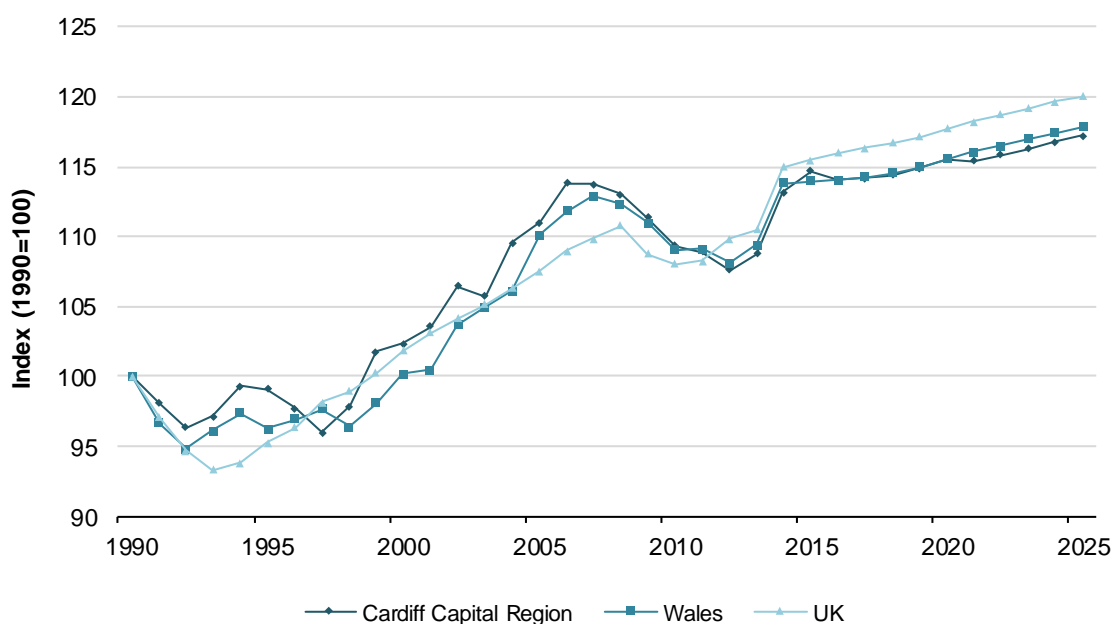
- The **Construction** sector was expected to grow by 3.8% p.a. (compared with a decline of 0.1% p.a. over the 1990-2013 period). It was anticipated that this change would be driven by significant new commercial and residential development schemes, particularly in Cardiff.
- The **Transport & Storage** sector was expected to grow by 2.4% p.a. (compared with historic growth of 1.2% p.a. in 1990-2013).

3.12 In the **long term** (2019-25), Construction, Transport, Distribution & Storage, and Accommodation and Food Services were expected to slow down slightly compared to the short-to-medium term. On the other hand, Government Services and Information and Communication were projected to have stronger growth over this period at around 2.2% p.a. and 2.0% p.a. respectively.

Employment

3.13 Despite significant job losses in heavy industry in the 1980s and early 1990s, total employment in the CCR continued to grow by 0.4% p.a. between 1990 and 2013. As with the rest of the UK, this was largely fuelled by growth in the services sector: employment in Financial and Business Services and Government Services grew by 1.8% p.a. and 1.6% p.a. respectively.

Figure 3-4: Trends in employment growth in the CCR, Wales and the UK

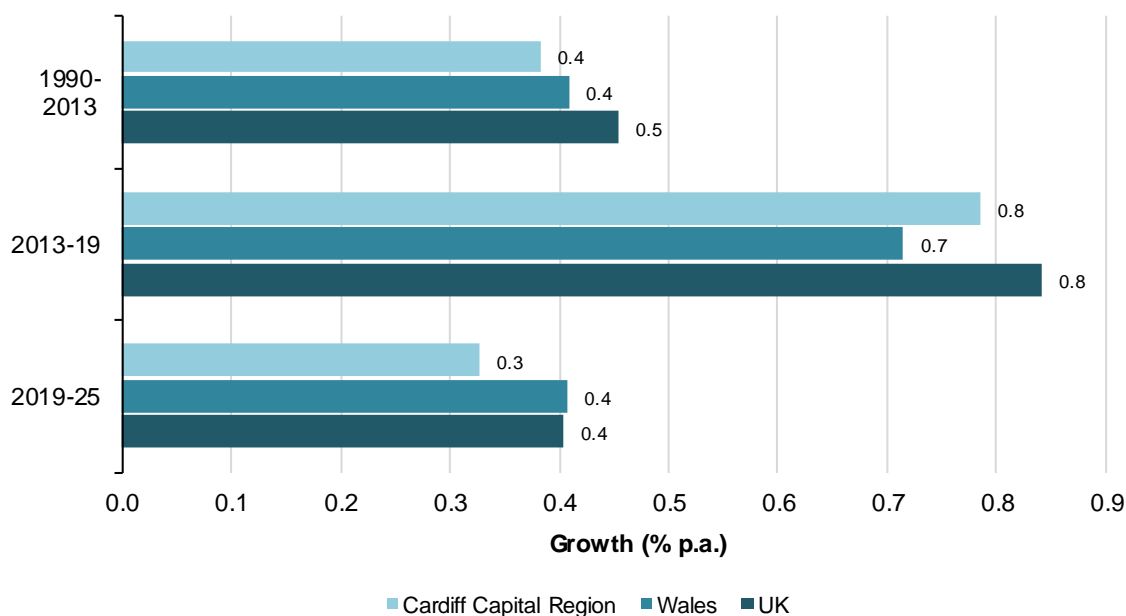


Source: Cambridge Econometrics

3.14 Looking ahead, the baseline projections suggested a pick-up from historical trends in all three geographies. Employment growth in the CCR in the short-to-medium term was expected to

accelerate to 0.8% p.a. over 2013-19, before slowing down to 0.3% p.a. over 2019-25, broadly in line with Wales and the UK.

Figure 3-5: Employment growth in the CCR, Wales and the UK



Source: Cambridge Econometrics

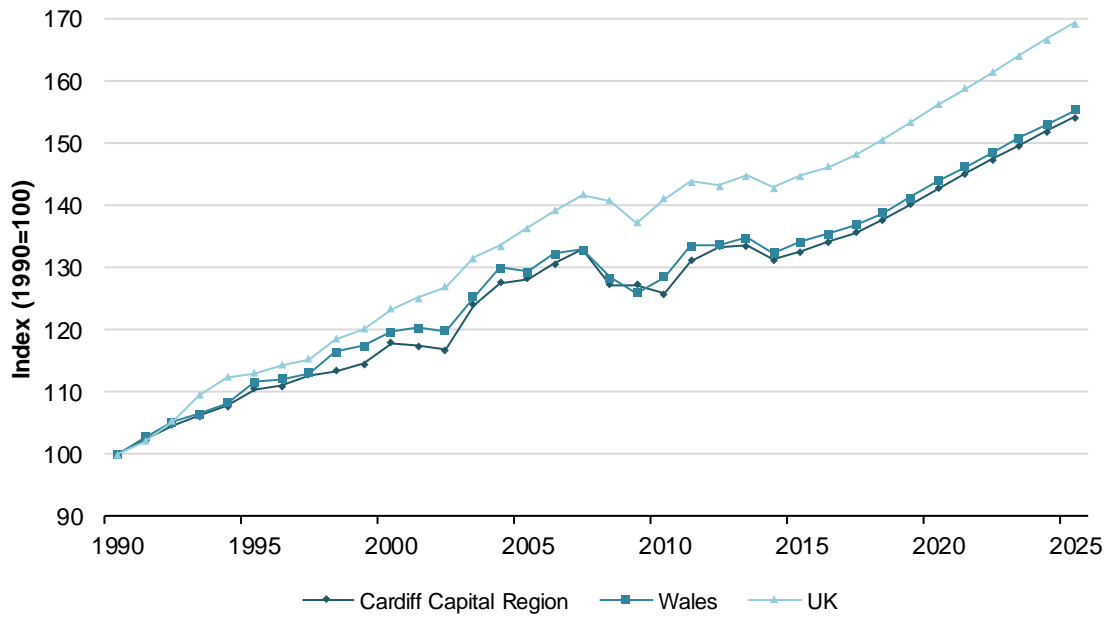
3.15 Sectorally, there was a mixed picture in terms of employment projections, partly reflecting the differential sectoral impact of technology change. In particular:

- while Construction was expected to show strong employment growth over the short-to-medium term (2013-19), which aligns with the projected growth in GVA in the sector, there was expected to be a noticeable slowdown in the longer term
- employment growth was also expected to slow in Information and Communications, despite GVA growth
- in contrast, employment growth in Electricity, Gas and Water, and in Accommodation and Food Services was expected to accelerate after 2019

Productivity (GVA per job)

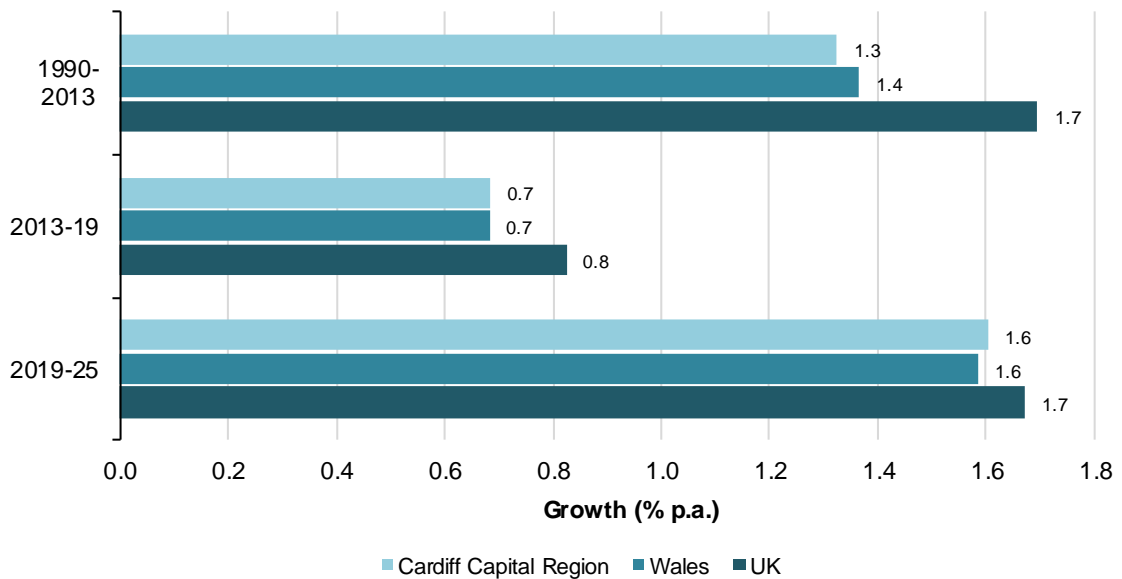
3.16 As with GVA growth, productivity growth in the CCR over 1990-2013 was similar to that for Wales, but slower than the UK as a whole (see Figure 3-6), with **average GVA per job in the CCR being £5,600 lower than the UK average** and £2,800 higher than the Wales average in 2013. By 2025, GVA per job was expected to be £7,200 lower than the UK average. Figure 3-6 illustrates a slight widening of the gap between CCR and the UK.

Figure 3-6: Trends in productivity growth in the CCR, Wales and the UK



Source: Cambridge Econometrics

Figure 3-7: Productivity growth in the CCR, Wales and the UK



Source: Cambridge Econometrics

3.17 Historically, productivity growth in the CCR was driven by Manufacturing, Transport & Storage, and Financial & Business Services. **Productivity in Manufacturing was projected to continue growing rapidly at around 1.9% p.a. over 2013-25** supported by increasing technological progress. In comparison, productivity growth in Transport & Storage and in Financial and Business Services over the same period was projected to be low (0.3%-0.8% p.a.). Productivity growth in Distribution, which accounts for almost 15% of the CCR's total workforce, was expected to be strong (1.8% p.a. over 2013-25).

Key messages at the baseline stage

- 3.18 Historically, the CCR has experienced slower GVA, employment and productivity growth than the rest of the UK. From a starting point *before* the Wider Investment Fund, this shortfall relative to the UK average was forecast to continue, albeit within the context of growth overall:
- Historically, **GVA** growth in the CCR underperformed the UK as a whole. Over the forecast period, this pattern is expected to continue, with growth higher in the UK than the CCR. GVA was forecast to rise from £26.0bn in 2013, to £28.8bn in 2019, and £32.3bn in 2025.
 - Ahead of the first Gateway Review, **GVA growth was forecast to rise by 1.5% p.a. from 2013-2019**. This compares unfavourably with growth in the UK overall (1.7%). Growth was expected to be highest in percentage terms in Construction, Transport & storage and Accommodation and food services.
 - Looking at the longer term, **growth was forecast to increase to 1.9% p.a. from 2019-2025**, although lower than in the UK overall (2.1%).
 - **Employment** growth in the CCR over the 1990-2013 period was just under 0.4% p.a., slightly lower than the UK overall (0.5% p.a.). Growth was expected to be stronger going forward, albeit less so than GVA growth. The number of jobs in the CCR was forecast to rise from 654k in 2013, to 691k in 2019, and 705k in 2025.
 - Ahead of the first Gateway Review, **employment was expected to grow by just under 0.8% p.a. from 2013-2019**, slightly lower than the UK overall (around 0.85% p.a.). In percentage terms, strong employment growth was expected in Construction and Transport & storage.
 - In the longer term, **employment growth was forecast to slow between 2019-2025** (just over 0.3% p.a.), slightly below the growth rates for the UK overall (both 0.4% p.a.).
 - **Through both the historical period (1990-2013) and the forecast period (2013-2025), productivity growth across the CCR is, and was expected to be, behind the growth for the UK overall.** Each area was expected to see substantially slower productivity growth between 2013-2019 than was the case from 1990-2013, but in all cases the 2019-2025 period was expected to see growth returning to closer to the historical trend. GVA per job in the CCR was £39.7k in 2013 and was forecast to rise to £41.7k by 2019 and £45.9k by 2025.
- 3.19 These contextual forecasts indicate how the CCR's economy was *expected* to develop at the time the Investment Fund was approved in 2016. This will then be compared to actual outturns at the point of the first Gateway Review, to contextualise the findings from the impact and wider evaluation work.

4. Delivery progress

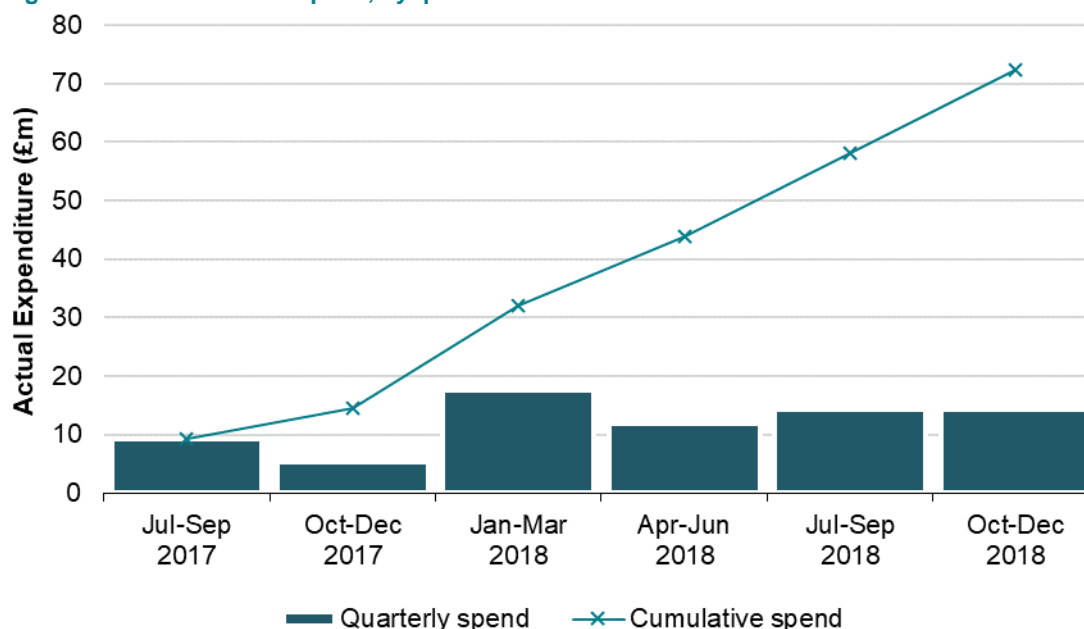
Intervention status

- 4.1 As set out earlier, the evaluation so far covers one intervention supported by the Cardiff Capital Region Wider Investment Fund: the **Compound Semiconductor Cluster** project. Delivery of the project is ongoing.
- 4.2 Any other interventions that are funded by the Investment Fund by the end of 2019 will be in scope of evaluation (although none are anticipated at this stage). These would be covered in the Final Report, and if they are brought forward early enough, may feature in the One Year Out Report later in 2019.

Expenditure

- 4.3 Data on expected and actual expenditure has been provided to the National Evaluation Panel by the CCR. Planned expenditure (as set out in the original business case) was £412.9m, consisting of £37.9m from the Wider Investment Fund, and £375m in private funding from IQE.
- 4.4 The pattern of spend over time is set out in Figure 4-1. Total project spend to the end of December 2018 totalled £72.4m (with spend of £14.2m between October and December 2018).

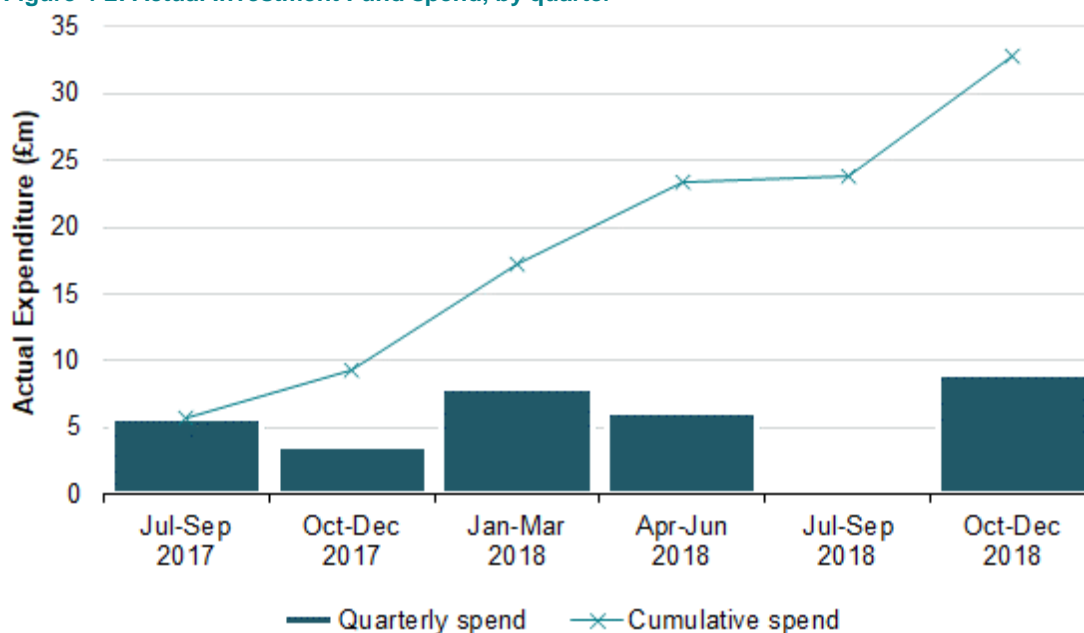
Figure 4-1: Overall actual spend, by quarter



Source: SQW analysis of monitoring data provided by CCR

- 4.5 The pattern of Wider Investment Fund spend is set out in Figure 4-2. Total WIF spend to date is £32.9m, 45% of total project spend⁹. The remaining £39.5m of spend on the Compound Semiconductor Cluster project relates to investment by IQE to equip the facility.

Figure 4-2: Actual Investment Fund spend, by quarter



Source: SQW analysis of monitoring data provided by CCR

- 4.6 Summary data on planned and actual expenditure, for the Compound Semiconductor Cluster project, is set out in Table 4-1. As shown, at the point of contracting the work, the full Investment Fund expenditure for the project was expected to be spent by the end of December 2018. However, £5m of Investment Fund monies were unspent as of December 2018.

Table 4-1: Planned and actual expenditure for the Compound Semiconductor Cluster project

Planned expenditure	
WIF planned expenditure – total	£37.9 m
WIF planned expenditure to end December 2018	£37.9 m
WIF planned expenditure to end December 2018 as % of total	100%
Actual expenditure	
Actual WIF expenditure to end December 2018	£32.9 m
Actual WIF expenditure to end December 2018 as % of total	86.7%
Variance	
Variance between planned and actual WIF expenditure to end December 2018 (planned <u>minus</u> actual)	£5.0 m
Variance as % of planned WIF expenditure to end December 2018	13.3%

Source: CCR monitoring workbook (completed by CCR)

⁹ This includes payments to IQE as well as direct costs for dilapidations.

Activity, outputs and intermediate outcomes

- 4.7 Data on expected and actual outputs (and in some cases intermediate outcomes) have been provided to the National Evaluation Panel by the CCR for the Compound Semiconductor Cluster project. Drawing on this data and consultation with the project manager in the Cardiff City Deal team, the box below provides an overview of the key messages at this Baseline Report stage on the progress in activity, and the resulting outputs and intermediate outcomes for the Compound Semiconductor Cluster project.

Compound Semiconductor Cluster project

Activity

Activity to date has involved:

- the establishment of the Special Purpose Vehicle to progress the acquisition of the former P&T building
- conclusion of the lease with IQE
- capital works to develop the building into cleanrooms and other facilities for occupation as a compound semiconductor foundry

Outputs/outcomes

Several different outputs were expected to result from the Compound Semiconductor Cluster project, some as direct outputs of the project, and others as direct outputs resulting from IQE taking occupancy of the facility. By the end of September 2018:

- As expected, 4.52 hectares of land had been assembled and acquired for development
- 4,425 sq m of floorspace had been developed, considerably more than the 1,966 sq m that was expected by the end of September 2018. This additional delivery was due to IQE developing the space differently from the way originally envisaged: IQE have lifted all maintenance space onto a mezzanine and all ventilation onto a second floor, essentially creating twice as much space as the CCR expected, by adding a floor above every clean room.
- 42 new jobs had been created on-site, compared with 38 expected by the end of September 2018.
- 156 jobs had been safeguarded within IQE. This is marginally higher than the 150 that were expected to be safeguarded in total.
- 470 jobs had been safeguarded within Newport Wafer Fab Ltd. This is below the 550 safeguarded jobs that were expected by the end of September 2018. In practice, it is thought that the full number of jobs has been safeguarded, but the CCR has not yet been given data from IQE to confirm around 70 ancillary posts as having been safeguarded.
- 3 apprentices worked 42.5 hour weeks for 17 months, and 2 worked 42.5 hour weeks for five months. There are no apprentices on site currently, due to the temporary hiatus on developing new clean rooms (as mentioned above).

Further outputs are expected before the One Year Out and Final Reports.

The main outcome evidenced through monitoring data relates to the floorspace occupied by IQE. At the end of September, IQE occupied 1,475 sq m of floorspace (ahead of planned occupancy of 983 sq m, and reflecting the additional floorspace that has been delivered – as highlighted above).

Key messages at the baseline stage

- 4.8 The key messages at the baseline stage on delivery progress are as follows:
- **Delivery of the Compound Semiconductor Cluster project is well underway.** At the end of 2018, WIF spend (and project spend overall) was somewhat behind profile,

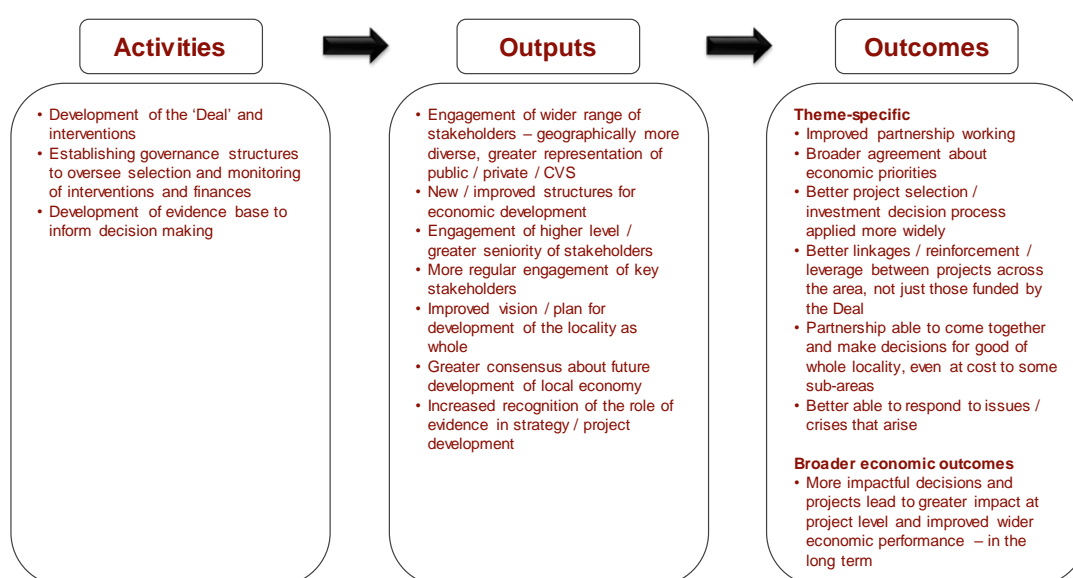
although it is anticipated that this will be made up. In consultation, it was noted that the original budget profile reflected the 'fastest pace' at which IQE was likely to expand, and that the CCR had always intended to adopt a flexible approach to delivery, within the context of an investment that would ultimately make a return to the Investment Fund.

- **Floorspace outputs (and, consequently, floorspace occupancy outcomes) have been greater than planned** so far, due to the way in which the layout of the foundry has been designed.
- To date, **job creation has been slightly ahead of that originally anticipated**. However, some stakeholders noted in consultation that while the direct job outputs were welcome, the core economic rationale for the project is not direct job creation, but the longer-term contribution that the project will make to the development of the regional semiconductor industry.
- There are some gaps in data (relating to safeguarded jobs outputs that need to be reported by third parties): these will need to be reviewed at later stages of reporting.

5. Local capacity and partnership baseline

- 5.1 The National Evaluation Framework indicated that the evaluation for the Gateway Review of the Investment Funds would include an assessment of the effects of each fund (i.e. the Wider Investment Fund in the CCR) on local capacity development and partnership working, to complement the evidence from the impact and progress evaluation activity. This is expected to be particularly important for the first Gateway Review, where quantitative benefits may not yet have been realised (or fully realised) and where expenditure/activity is on-going or recently completed, yet where a strong partnership and local capacity should increase confidence about future delivery.
- 5.2 The type of activities, and the nature of the benefits – in terms of outputs and outcomes – that are the focus of this research were identified in the National Evaluation Framework, and are summarised at Figure 5-1.

Figure 5-1: Local capacity development and partnership working logic model



Source: SQW

- 5.3 The final evaluation report will consider the extent to which the outputs and outcomes identified in the logic model have been realised, with the initial research for this report in late 2018 and early 2019 used to identify a baseline on perspectives on capacity development and partnership working, and any evidence that the outputs and outcomes have emerged at this stage (to be updated in the final report for late-2020). This has involved:
- an **online survey** of stakeholders to gather quantitative data on perceptions on local capacity and partnership working both at the time of the approval of the Cardiff Capital Region City Deal in 2016 and any observed effects of the Investment Fund at this point

- in-depth **qualitative consultations** with senior stakeholders to probe on in more depth on the contribution of the Investment Fund to capacity development and partnership.

Evidence from the online partner survey

- 5.4 The paragraphs below provide an overview of the key messages and findings from the online survey; the full (anonymised results) are set out in Annex B.

Respondent characteristics

- 5.5 The online survey was completed by 31 respondents in the CCR (a response rate of 39% based on the 79 stakeholders who were sent the survey), of which four were only partial responses.¹⁰ All of the respondents were people who would be expected to have a good knowledge of the strategic economic context: 16 represented industry, ten respondents were from local authorities, and the remainder were from universities (three), chambers of commerce (one), and other public bodies (one).

- **Almost half of the respondents, 15 individuals, reported that they were involved in the governance and oversight of developing and delivering the £495m Wider Investment Fund, and/or the interventions it supports.** A further nine respondents were ‘interested stakeholders’. Six respondents were directly involved in the implementation (i.e. the management, delivery) of the Investment Fund and/or projects supported by the Fund. One respondent was involved in contributing match funding to interventions being developed for and/or supported by the Fund.
- **Nearly all respondents, 29 individuals, said that they had some awareness of the interventions being developed for and/or supported by the Fund.** Eleven respondents indicated that they were fully aware of all of the interventions supported and details about them; seven were aware of the breadth; and 11 had an in-depth awareness of some of the interventions. Two respondents reported that they were unaware of any interventions.
- **Almost a third of the respondents, 10 individuals, were fully aware of the progress of all the interventions sponsored by the Investment Fund.** Eighteen respondents had some awareness of the progress of some interventions, but not all. One respondent was unaware of any intervention progress to date, and two respondents did not answer the question.
- **Most of the respondents, 22 individuals, had been involved in economic development in the CCR in 2016 or earlier.**

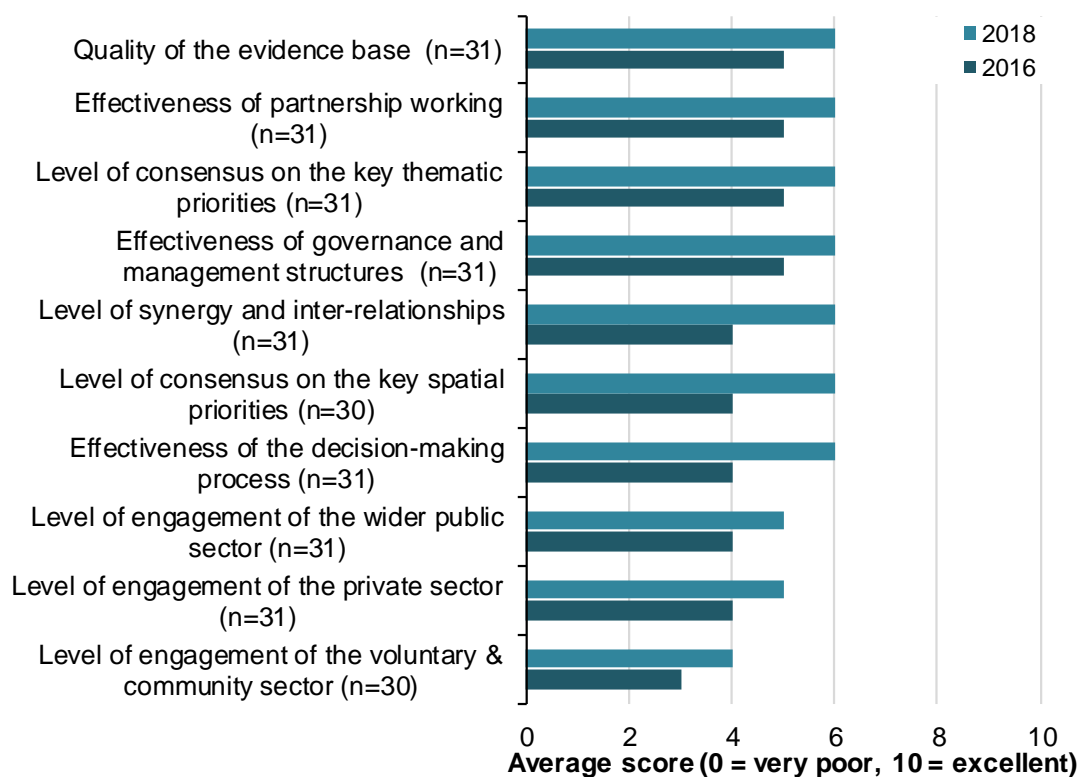
Perspectives on local economic development capacity ...

- 5.6 Respondents were asked to provide their perspectives on the performance of the area on a range of factors associated with local capacity both when the Cardiff Capital Region City Deal

¹⁰ Three individuals completed eight questions out of 13, and one individual completed ten questions.

and the £495m Wider Investment Fund was agreed in 2016 as the baseline point¹¹, and currently (late-2018). The results are shown in Figure 5-2.

Figure 5-2: Average scores for different aspects of local economic development capacity in the Cardiff Capital Region in 2016 and 2018



Source: SQW analysis of LGI Cardiff Capital Region survey

- 5.7 **The average score for all indicators has improved over the two-year period.** The biggest change in scores was in terms of the “level of synergy and inter-relationships between key economic development projects”, “level of consensus on the key spatial priorities for economic development strategy and activity”, and the “effectiveness of the decision-making process for economic development interventions”, all which increased from four to six from 2016 to late-2018.
- 5.8 The survey responses suggest that the picture is improving across all of the categories. However, it is evident that there is scope for further improvement in the future, particularly in relation to levels of engagement.

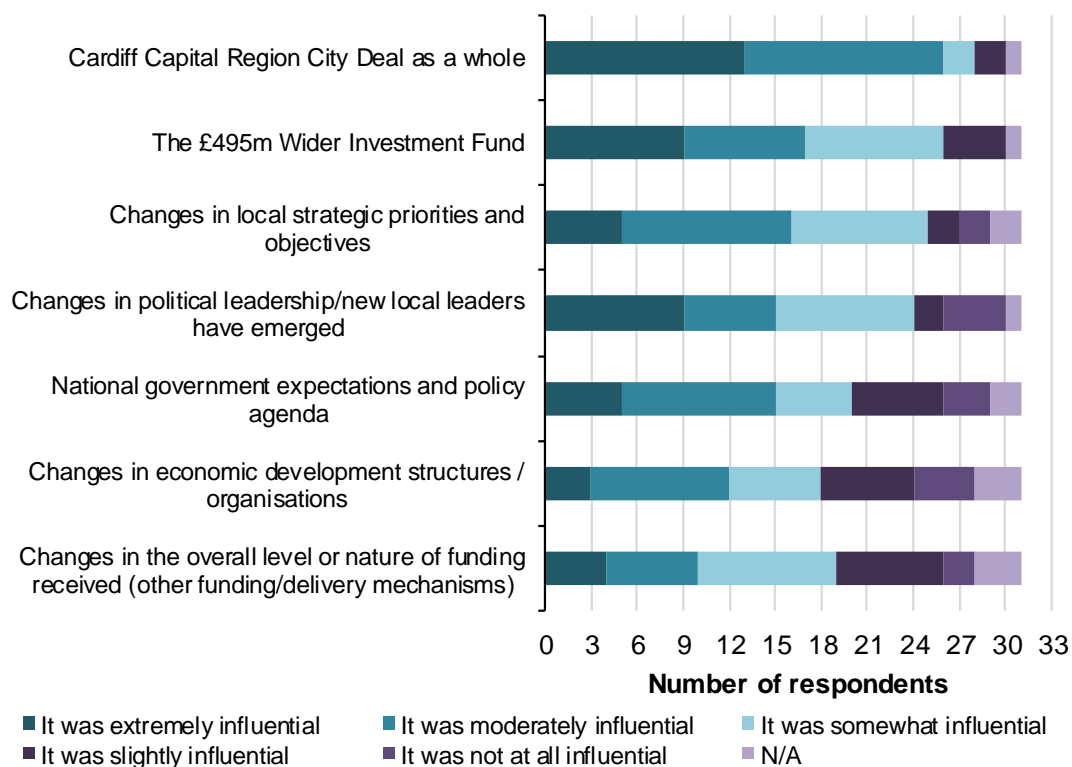
... and factors influencing changes

- 5.9 Respondents were asked about how different factors had influenced the changes in local economic development capacity (Figure 5-3). Of the 31 respondents: 26 stated that the Cardiff Capital Region City Deal as a whole has been either moderately or extremely influential; and **17 reported that the £495m Wider Investment Fund has been either moderately or extremely influential in driving changes.**

¹¹ If the respondent was not around at that point, they were asked to consider the time they first became involved in economic development in the area. This was the case for nine respondents who reported their first involvement in economic development in Cardiff Capital Region in 2017 or later.

- 5.10 Other factors cited as influencing the changes from 2016 to late-2018 included engagement with other bodies outside Wales, the Welsh Government, and increased engagement from the private sector. One respondent commented that the “new programme director was the catalyst for a refocus of the programme against wider strategic objectives and funding opportunities.”

Figure 5-3: Factors influencing change in local economic deployment capacity



Source: SQW analysis of LGI Cardiff Capital Region survey (n=31)

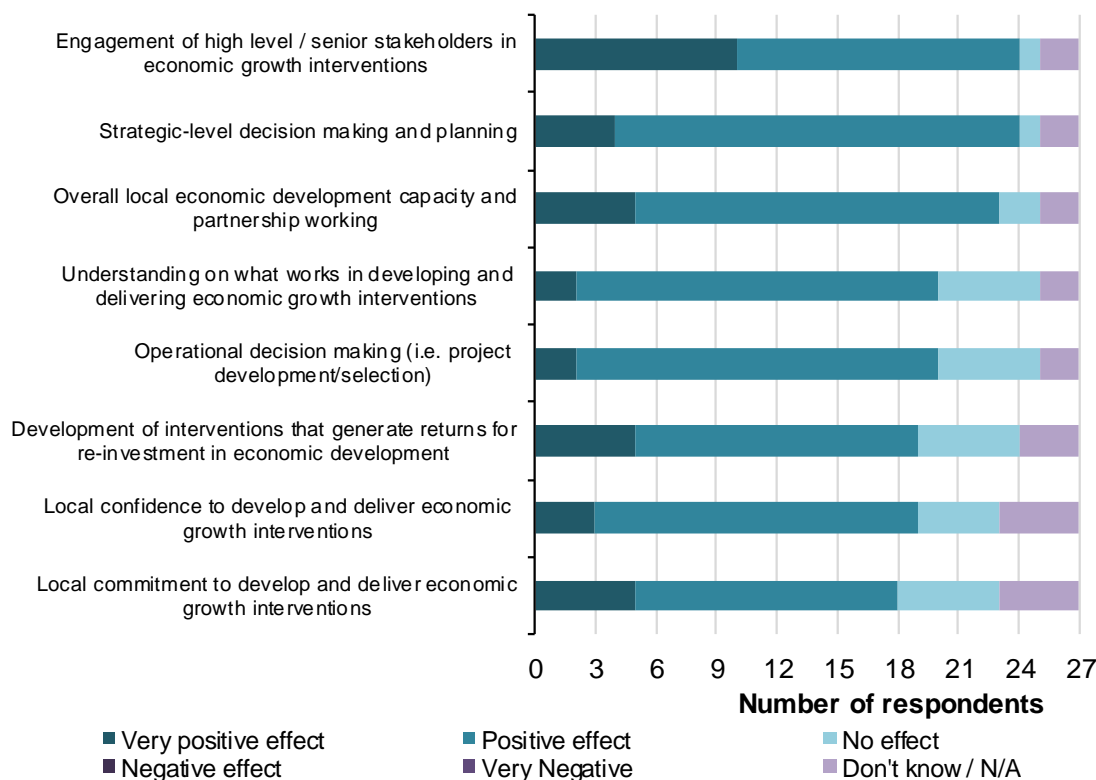
- 5.11 Several examples were provided in terms of how the £495m Wider Investment Fund has influenced local economic development capacity. These included increased collaboration between sectors, local authorities and the Welsh Government. Very few negative influences on economic development capacity were cited, but one respondent noted it was taking too long to identify projects to support, whilst another felt that the Fund was too process-driven, which had limited impacts to date.
- 5.12 When asked for wider influences on economic development capacity, respondents highlighted increased/improved collaboration, including through the wider City Deal. However, some respondents noted that a lack of consensus and joined up approach were negative influences on economic development capacity, suggesting there is room for improvement here. The other negative influence on economic development capacity noted by respondents related to funding cuts for local authorities.

Other effects of the Investment Fund

- 5.13 Respondents were asked specifically about the effects of the Investment Fund on various elements of local economic development capacity (Figure 5-4). Almost 80%, 24 individuals, of the 31 respondents stated that the Fund has had a positive or very positive effect on the engagement of high-level stakeholders in economic growth interventions, and strategic-level decision making and planning. There was similarly positive feedback from 23 individuals on

overall local economic development capacity and partnership working. No respondents identified any negative effects from the Investment Fund on any of the elements of economic development capacity set out below.

Figure 5-4: What effect do you believe that the development and delivery of the £495m Wider Investment Fund has had to date on the following in Cardiff Capital Region ...



Source: SQW analysis of LGI Cardiff Capital Region survey (n=27)

5.14 Respondents were also asked to identify whether they observed any other direct effects of the development and delivery of the Investment Fund on other local economic development capacity conditions at this point, either positive or negative. A small number of respondents noted positive effects on economic development capacity:

- *“It’s early days for the fund but there is a buzz in the air and people are starting to think of the region as an economic growth area”.*
- *“Helping to focus on deliverable projects, concentrating on collaboration and cross-Council activities”.*
- *“The proposals now being brought forward by the Director will create that regional capacity and will have a positive impact on our ability to deliver interventions at a regional level to meet the CCR objectives”.*

5.15 **No respondents identified negative effects on economic development capacity as a result of the Fund, but a few did identify ways in which the Fund could be better delivered.** Three respondents noted that more should be achieved in relation to promotion of the Fund, two noted a need to be clearer about how the whole region will benefit from the Fund, two noted the need to engage small businesses more, and one noted that the partnership environment does not encourage honest reflection.

Evidence from the in-depth 'strategic' consultations

- 5.16 In-depth qualitative consultations were completed with 12 stakeholders involved in local economic development. The consultations were framed around the logic model set out in Figure 5-1, and the relative influence of the Wider Investment Fund and other factors in delivering against these outputs and outcomes at this Baseline Report stage. The consultations also sought to gather qualitative evidence on any expected 'cumulative' effects of the activity delivered across the Investment Fund, and alignment with other key economic development interventions and agendas in the area. The key findings are set out below.

Capacity development

- 5.17 Several consultees noted that some of the most significant benefits of the Wider Investment Fund have been in **engagement and partnership development**. This was particularly cited in relation to a **shared agenda across the ten local authorities**, with consultees noting that the structures put in place to support the City Deal (including the Regional Cabinet) have enabled stronger joint working and collaboration. It was acknowledged that in principle this *could* have happened without the Wider Investment Fund (although the previous history of joint regional working was patchy). However, the WIF was seen as a 'galvanising' force, as follows:

- The 'investment fund' approach offers **an opportunity to "do things differently"**, in contrast to a traditional model of grant allocation. This was particularly cited with reference to the potential to take a fresh approach to investment in innovation and technology in support of longer-term economic growth, as well as (and alongside) a more conventional 'supply side' approach to infrastructure delivery (*"it's not just about infrastructure and it's not all about grant"*).
- Linked with this, **the fact that all the local authorities have a financial stake in the WIF, and will benefit from returns to the Fund, has helped local authority leaders to support investments in other parts of the region**. The local authority leaders and chief executives with whom we consulted all noted their support for the CSC project, recognising it as a new way to fund interventions and seeing the potential for wider regional benefits that may be focussed outside of their own areas. This was cited as representing an important *"change in mindset"* and a *"big cultural change."*
- **The successful delivery (to date) of the CSC project itself had demonstrated what could be achieved**, providing *practical* evidence of joint working. Some consultees noted that some partners had been sceptical at the outset, but the effectiveness of the work to date had helped to bring partners together and support consensus building.

- 5.18 However, **while consultees considered that the WIF had helped to drive greater consensus across the partners, it was recognised that it remains 'early days'**, reflected in the gradual progress towards additional project selection. One consultee commented that *"the process grinds a bit"*, and that keeping partners on board could be challenging. Nevertheless, several related positives were identified through the consultations:

- It was noted that **a more collaborative approach across the ten authorities had been maintained despite several changes of leadership** within the local authorities. The governance structures that have been put in place were seen as helpful in this regard, particularly the operation of the CCR Regional Cabinet and the allocation of lead thematic roles to individual leaders and chief executives. Some consultees provided examples of ways in which improved inter-authority collaboration had led to increased joint working beyond the WIF and City Deal. For example, recent direct engagement between two of the Valleys authorities and UK Government ministers in support of measures to improve connectivity was seen as resulting from the preceding work on the City Deal.
- There was evidence of **greater sharing of expertise across the local authorities**. Within the operation of the WIF, Monmouthshire had led much of the work on the structuring of the CSC investment deal, reflecting experience that the authority has in this area; outside the CSC project, Cardiff has provided support to Blaenau Gwent in property-related regeneration.
- There was a view that **the Wider Investment Fund has helped to drive a stronger use of evidence in decision-making**, reinforced by the fact that the local authorities have a greater (collective and financial) stake in the outcome.

5.19 Consultees considered that there has also been **more regular and higher calibre engagement with the private sector**, particularly via the Regional Economic Growth Partnership (the 'owner' of the *Industrial and Economic Plan*) and the Business Council. Nevertheless, it was noted that the overall group of people involved in decision-making remains relatively narrow, with limited involvement from wider civic society. More broadly, it was generally acknowledged (reflecting some of the comments made in the online survey) that **there is still work to be done in engaging with the wider business community and the general public** about the work and benefits of the City Deal and the Wider Investment Fund. This reflects the responses to the online survey, highlighted above.

Anticipated cumulative effects and alignment

Cumulative effects

5.20 As recognised in the National Evaluation Framework, although there is no 'programme' approach in the implementation of the Investment Funds, the delivery of interventions when taken together may generate impacts greater than would be the case if they had been delivered individually. The evaluation is not seeking to quantify these effects, as a wide range of non-Investment Fund activity will also influence the impacts, and interventions will be delivered over different time-scales. However, at this baseline research stage, consultations with strategic stakeholders sought to identify in qualitative terms if any 'cumulative effects' are anticipated and how they will be realised. Whether any of these effects have in practice been realised will be considered (qualitatively) in the final report.

5.21 Consultees noted that **the Wider Investment is intended to have a cumulative impact greater than the sum of its individual interventions – although as there has so far been only one investment approved, no cumulative effects can yet be observed or even theorised as yet**. Stakeholders especially cited the intention to operate the WIF as an

evergreen fund which would ‘mandate’ all investments to contribute to the City Deal’s overall private sector leverage target as well as ensuring discipline in project selection and management. Consultees also noted that the development of the investment strategy remained at an early stage, although the new *Industrial and Economic Plan* was important in setting a ‘direction of travel’.

Alignment

- 5.22 The strategic consultations also considered the alignment of the Investment Fund align with other key economic development interventions and agendas in the area, and any benefits expected or realised from this alignment.
- 5.23 Consultees noted that **the initial investment in the CSC aligns with a longer-term strategy of supporting the growth of the compound semiconductor industry in South Wales**, reflected in previous investment by Cardiff University and the establishment of the Compound Semiconductor Applications Catapult. This formed an important part of the strategic rationale for the project in the first place, and was explicitly set out in the original City Deal. The second (although not yet approved) investment in the Central Station redevelopment in Cardiff aligns with Cardiff’s broader strategy for city centre development and with the development of the Metro.
- 5.24 Consultees also highlighted the way in which the CSC project has sought to drive change in regional partners’ approach to economic development. As well as the adoption of the ‘fund management’ approach outlined above, this relates to **partners’ wider approach to investment and risk beyond the Wider Investment Fund itself**. For example, since the CSC project was approved, Monmouthshire County Council has established its own £50 million investment fund, which aims to support projects that will deliver economic and social benefit alongside a financial return to the Council.

Key messages at the baseline stage

- 5.25 The key messages at the baseline stage on local capacity and partnership working are as follows:
- **There is a general view that the Wider Investment Fund (and the City Deal more broadly) have had a positive impact on local economic development capacity.** In particular, it appears to have improved partnership working and collaboration: while only one WIF investment has been fully approved to date, the process of determining and implementing this appears to have been important in building confidence in progressing future deals.
 - **The design of the Wider Investment Fund appears to be important in driving demand for better evidence and ‘discipline’ in funding decisions**, particularly given that all the authorities have a financial stake. There should be valuable learning from the first investment to inform the structuring of future interventions, and there is some evidence that this has also informed the local authorities’ other activities.

- **There is scope for further engagement with partners in the wider business community and among the community sector and public.** There is widespread recognition that while the 'story' is positive so far, it is not widely known about.
- Linked with this, **it remains 'early days' for the Wider Investment Fund:** partnership and capacity has grown as a result, but as one consultee pointed out, the CSC project is just the first investment in what will need to develop as a wider transformational programme.

6. Delivery plan

Reporting schedule

6.1 The remaining reporting milestones are as follows:

- a draft Locality one-year out report in November 2019, and a final Locality one-year out report in December 2019
- a draft Locality final report in October 2020, and a final Locality final report in December 2020

6.2 The review, sign-off and circulation process is as follows:

- For the one-year out report, the draft report will be shared with the Locality for review and comment; a final version (taking into account the comments) will then be sent to the Locality for sign-off, and CLGU (on behalf of UK Government) for information.
- For the final report, the draft report will be shared with the Locality and CLGU for review and comment; a final version (taking into account the comments) will then be sent to the Locality for sign-off, and CLGU (on behalf of UK Government) for endorsement. When CLGU is content that its comments have been taken into account, it will provide an 'endorsement' in writing of the final report, endorsing that the report is considered a "robust piece of evidence that will help inform Ministerial decision-making", not endorsing its content or findings specifically.

Ongoing evaluation activity

Monitoring

6.3 CCR will continue to collect monitoring data to inform the One Year Out Report, and subsequently the Final Report.

Impact evaluation

6.4 For the One Year Out report, a second wave of consultations with IQE and the intervention lead organisations will be completed. These will be completed later in 2019. These will then be repeated again in 2020, alongside a second wave of the consultations with firms in the sector/associated sectors and wider stakeholder consultations and a second review of data and documents.

Progress evaluation

6.5 In terms of progress evaluation, a mid-year data review will be undertaken in June 2019, followed by a 'fuller' review of monitoring data in the autumn. Project managers have been consulted for the baseline report, and these will be repeated in autumn, for an updated narrative account of progress. All three of these tasks – the mid-year data review, a 'fuller'

monitoring data analysis and consultations – will be repeated again in 2020 ahead of the Final Report.

Governance

- 6.6 This Baseline Report will be considered by the CCR Regional Cabinet meeting on 10 June 2019. The One Year Out Report and Final Report will also be considered and approved by the Regional Cabinet following consideration by the CCR City Deal Programme Director.

Risks

- 6.7 A risk assessment for the evaluation is set out in Annex D: this updates the risk assessment in the Evaluation Plan. One change has been made since the Evaluation Plan:
- The likelihood of the risk of **changes to projects in scope** has been reduced to Low (from Medium) reflecting elapsed time since the Evaluation Plan and the fact that no other projects have been approved in the interim.

Annex A: Logic model

Logic model title	Compound Semiconductor Cluster		
Logic model type	Hybrid 4A: Sites and premises for enterprise and innovation and 4C: Science & R&D capacity		
Interventions / projects covered by logic model	Compound Semiconductor Project		
Theory of change			
<p>Investment Fund monies will be used to help support the early development of compound semiconductor activity in South Wales, with a long-term ambition to develop a cluster. Monies will be used specifically to redevelop a facility (a former LG site between Cardiff and Newport) to modern standards, including a clean room facility for the production of compound semiconductors, which is anticipated to leverage substantial private investment, by a single tenant (IQE), of £375m to kit out the factory. In the absence of public support, it is expected that the market would not come forward with such a facility due to its specialist nature, and that IQE may have had to look overseas to base its production. A Special Purpose Vehicle (SPV) has been set up as the site owner, and it will receive rental income for 11 years at which point IQE has an option to acquire the site. Through this arrangement, the expectation is that the Investment Fund monies would be repaid.</p> <p>It is expected that the facility, and IQE's location in South Wales, will act as an anchor in the region for high end compound semiconductor production, increasing knowledge of commercialisation, production and application (affecting existing firms in semiconductors/applications and would-be investors into the region). In some cases this will help address path-dependency issues. The investment is expected to complement other investments in the compound semiconductor sector locally, including ERDF funding for Cardiff University's Institute for Compound Semiconductors. The long-term intention is to create a cluster at the forefront of R&D in this technology area, and at the forefront of production of compound semiconductors, although this would rely on non-Investment Fund activities (unless additional Investment Fund monies are committed to other projects to develop the cluster).</p> <p>Key assumptions underlying the ToC: site's tenant could not have found alternative space locally, and would have moved production overseas without the intervention; retention and expansion of firm's production in Wales results in jobs safeguarded and created as expected; the modernised factory and clean room facility is attractive as a property resulting in enhanced value; the development of this facility and its primary lessee contributes to enhancements in capacity, networks and knowledge in the region in relation to compound semiconductors (including links between companies and with the research base); and these enhancements and links help other semiconductor firms in south Wales to move up the value chain, and start to attract other new companies and activities. In the long-term this provides, alongside other activities, for the basis of the early development of the cluster.</p> <p>Other factors: complementary activities, e.g. of Cardiff University and the Compound Semiconductor Applications Catapult; market demand for compound semiconductors and the continuing growth of the sector; and development of the necessary skills.</p>			
Inputs	Activities	Outputs	Outcomes
<p><u>Investment Fund inputs</u></p> <ul style="list-style-type: none"> £38.4m <p><u>Other inputs (including staffing and in-kind)</u></p>	<ul style="list-style-type: none"> Construction activities in relation to development of a clean room facility for the 	<ul style="list-style-type: none"> Ha land acquired (LS) Ha land assembled for commercial development Commercial floor space developed (5,900 sq m) 	<p>Theme-specific outcomes</p> <ul style="list-style-type: none"> Private sector leverage up to the value of £375m for kit out of the facility (LS) Secure a £50m investment from the Compound Semiconductor Catapult (LS) Increase in premises with access to connectivity infrastructure (one) Positive property market sentiment survey

<ul style="list-style-type: none"> None 	<p>production of compound semiconductors at the former LG site between Cardiff and Newport</p> <ul style="list-style-type: none"> Establishment of a Special Purpose Vehicle for the site 	<ul style="list-style-type: none"> Construction years of employment No. of learners enrolling/completing course (i.e. apprentices in construction) (LT) Direct creation of new jobs at the site (501) – achieved over time Safeguarding jobs (156 at head lessee company, 550 jobs at wafer fabrication plant) 	<ul style="list-style-type: none"> Uplifted commercial sale value (£6m) Land value uplift Floorspace occupied by firms at the facility Growth in employment of business located in the facility by number of employees Growth in turnover of business located in the facility Improved business survival rate of business located in the facility Increased expenditure on business R&D (tenant + subsequently in wider sector) Increase in exports (tenant + subsequently in wider sector) New/improved processes adopted (tenant + subsequently in wider sector) New/improved products entering the market (tenant + subsequently in wider sector) Intellectual Property (IP) registered (e.g. patents) within the cluster Improved attractiveness as a location for inward investment <p>Broader outcomes</p> <ul style="list-style-type: none"> Return on investment up to the value of £37.9 million (LS)¹² Indirect and induced jobs of 1,088 (LS) Enhanced local innovation ecosystems (e.g. networks, links, knowledge) Increase in the number of businesses that are innovation active (i.e. in the wider compound semi-conductor sector) Improved productivity of firms in the cluster, i.e. in terms of GVA per worker
--	--	--	--

Expected timescales for inputs / activities / delivery of outputs and outcomes			
<p><u>Investment Fund inputs</u></p> <ul style="list-style-type: none"> 2017-18 <p><u>Other inputs (incl. staffing and in-kind)</u></p> <ul style="list-style-type: none"> None 	<p>2017-18</p>	<ul style="list-style-type: none"> Achieved on completion of the project and tenant moving into the facility. Project delivery, including site occupation, phased so outputs achieved incrementally over time 	<ul style="list-style-type: none"> Impacts to be realised over time. Some will be realised on or soon after completion of the project e.g. investment leveraged, improved attractiveness of the site, development of floorspace. Others will be realised as the principal beneficiary develops its business Yet others will take longer, e.g. development of the ecosystem and outcomes relating to the wider sector.

¹² In the Evaluation Plan, the return on investment was stated in the logic model as £33,108,000. This reflects the total rent payable after 11 years. However, it is anticipated that all Investment Fund monies invested in the foundry itself will be repaid through either: a) IQE's decision to purchase the facility; b) an extended lease; or c) market sale of the building in the unlikely event that neither a sale to IQE nor an extended lease are concluded.

Relationship to other interventions

Other Investment Fund logic models: Unknown at this stage – further interventions (and logic models) to be confirmed.

Other non-Investment Fund activities: wider development of the Compound Semiconductor sector in Cardiff e.g. EU funding for Cardiff University's Institute for Compound Semiconductors

Annex B: Online survey results

- B.1 In late 2018, SQW conducted an e-survey to capture feedback from a range of stakeholders involved in economic development in the CCR on the impact of the CCR City Deal Wider Investment Fund (the £495 Wider Investment Fund). The survey closed on 14 January 2019 and in total, 31 responses were received; 4 were partial, hence the 'n' number for some questions below is 27. The full results from the survey are presented below.

Table B-1: Please identify your involvement with the £495 Wider Investment Fund. Where more than one applies, please identify the most relevant/important in relation to the £495 Wider Investment Fund.

Type of involvement with the Infrastructure Fund	Number of respondents
Involved in the governance and oversight of developing and delivering the £495m Wider Investment Fund, and/or the interventions being developed for and/or supported by the Fund	15
Involved in the implementation (i.e. project development and appraisal, management, delivery) of the £495m Wider Investment Fund and/or the interventions being developed for and/or supported by the Fund	6
Involved in contributing match funding to interventions being developed for and/or supported by the £495m Wider Investment Fund	1
Stakeholder interested in and / or influenced by the activities/outcomes of the £495m Wider Investment Fund, but not involved in its governance, funding or implementation	9

Source: SQW analysis of LGI the CCR survey (n=31)

Table B-2: How aware are you of the interventions being developed for and/or supported by the £495m Wider Investment Fund?

Level of awareness of the interventions supported	Number of respondents
Full awareness i.e. aware of all of the interventions supported and details about them	11
Breadth awareness i.e. aware of all interventions but limited view of the details of each	7
Depth awareness i.e. aware of some of the interventions supported in detail, but not all interventions	11
No awareness i.e. not aware of the interventions supported	2

Source: SQW analysis of LGI the CCR survey (n=31)

Table B-3: How aware are you of the progress of these interventions?

Level of awareness of project progress	Number of respondents
Full awareness i.e. aware of the progress of all interventions	10
Some awareness i.e. aware progress of some of the interventions, but not all	18
No awareness i.e. not aware of the progress of the interventions	1

Source: SQW analysis of LGI the CCR survey (n=29)

Table B-4: In which year did you first become involved in economic development in the CCR?

Year	Before 2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of respondents	6	0	0	1	0	6	9	5	4

Source: SQW analysis of LGI the CCR survey (n=31)

Table B-5: At this point (i.e. in 2016/when you first became involved), on a scale of 0-10 (where 0 is very poor, and 10 is excellent), how would you characterise the performance of the CCR including all its constituent districts in relation to the following ...

Category	0	1	2	3	4	5	6	7	8	9	10	Average
The effectiveness of partnership working in the delivery of economic development strategy and activity (n=31)	0	2	3	6	4	3	5	5	1	1	1	5
The effectiveness of governance and management structures in the delivery of economic development strategy and activity (n=31)	0	3	3	4	3	7	7	2	0	1	1	5
The effectiveness of the decision-making process for economic development interventions (n=31)	0	2	6	3	5	6	4	3	1	0	1	4
The level of consensus on the key spatial priorities for economic development strategy and activity (n=30)	1	1	7	2	5	5	5	2	1	0	1	4
The level of consensus on the key thematic priorities for economic development (n=31)	1	1	6	3	2	6	7	2	2	0	1	5
The quality of the evidence base underpinning economic development (n=31)	1	1	4	5	4	6	3	4	2	0	1	5
The level of synergy and inter-relationships between key economic development projects	1	4	5	3	5	8	3	1	0	0	1	4
The level of engagement of the private sector in economic development strategy and activity (n=31)	2	4	4	7	4	3	3	2	1	0	1	4
The level of engagement of the voluntary and community sector in economic development strategy and activity (n=30)	3	5	6	4	5	5	1	0	0	0	1	3
The level of engagement of the wider public sector, in economic development strategy and activity (n=31)	2	7	3	2	3	4	5	3	1	0	1	4

Source: SQW analysis of the CCR survey

Table B-6: How would you characterise the performance of the CCR now (i.e. in late-2018) on these same factors ...

Category	0	1	2	3	4	5	6	7	8	9	10	Average
The effectiveness of partnership working in the delivery of economic development strategy and activity (n=31)	0	0	1	3	3	1	7	6	6	2	2	6
The effectiveness of governance and management structures in the delivery of economic development strategy and activity (n=31)	0	0	2	2	1	5	5	10	3	1	2	6

Category	0	1	2	3	4	5	6	7	8	9	10	Average
The effectiveness of the decision-making process for economic development interventions (n=31)	0	0	2	2	4	2	8	8	1	3	1	6
The level of consensus on the key spatial priorities for economic development strategy and activity (n=30)	0	0	2	2	5	1	12	4	2	1	1	6
The level of consensus on the key thematic priorities for economic development (n=31)	0	0	1	2	4	2	10	6	3	1	2	6
The quality of the evidence base underpinning economic development (n=31)	0	0	1	4	5	4	6	3	4	3	1	6
The level of synergy and inter-relationships between key economic development projects (n=31)	0	1	0	4	4	4	9	6	1	1	1	6
The level of engagement of the private sector in economic development strategy and activity (n=31)	0	1	4	3	4	2	7	3	5	1	1	5
The level of engagement of the voluntary and community sector in economic development strategy and activity (n=30)	2	2	3	2	8	5	6	1	0	0	1	4
The level of engagement of the wider public sector, in economic development strategy and activity (n=31)	1	3	1	1	8	3	4	5	4	0	1	5

Source: SQW analysis of the CCR survey

Table B-7: If you reported any changes in local economic deployment capacity in the previous question, how influential were each of the following in driving this change? If you did not report any change for one of the below, please press N/A.

Drivers of change	It was not at all influential	It was slightly influential	It was somewhat influential	It was moderately influential	It was extremely influential	N/A
the CCR City Deal as a whole	0	2	2	13	13	1
The £495m Wider Investment Fund	0	4	9	8	9	1
Changes in the overall level or nature of funding received (other funding/delivery mechanisms)	2	7	9	6	4	3
Changes in political leadership/new local leaders have emerged	4	2	9	6	9	1
Changes in economic development structures / organisations	4	6	6	9	3	3

Drivers of change	It was not at all influential	It was slightly influential	It was somewhat influential	It was moderately influential	It was extremely influential	N/A
Changes in local strategic priorities and objectives	2	2	9	11	5	2
National government expectations and policy agenda	3	6	5	10	5	2
Other factors (please specify)	7	0	3	3	3	15

Source: SQW analysis of the CCR survey (n=31)

Table B-8: Overall, what effect do you believe that the development and delivery of the £495m Wider Investment Fund has had to date on the following in the CCR ...

	Very negative effect	Negative effect	No effect	Positive effect	Very positive effect	Don't know / N/A
Strategic-level decision making and planning	0	0	1	20	4	2
Operational decision making (i.e. project development/selection)	0	0	5	18	2	2
Local confidence to develop and deliver economic growth interventions	0	0	4	16	3	4
Local commitment to develop and deliver economic growth interventions	0	0	5	13	5	4
Understanding on what works in developing and delivering economic growth interventions	0	0	5	18	2	2
Engagement of high level / senior stakeholders in economic growth interventions	0	0	1	14	10	2
Development of interventions that generate returns for re-investment in economic development	0	0	5	14	5	3

Source: SQW analysis of the CCR survey (n=27)

Annex C: Consultees

C.1 The following stakeholders were consulted as part of this Baseline Report:

- Professor Gillian Bristow (Cardiff University)
- Neil Brierly (Currie & Brown; Chair of CCR Business Council)
- Peter Fox (Leader, Monmouthshire County Council)
- Frank Holmes (Gambit Corporate Finance LLP; Chair of Regional Economic Growth Partnership)
- Leigh Hughes (Bouygues UK; Chair of CCR Employment and Skills Board)
- Anthony Hunt (Leader, Torfaen County Borough Council)
- Paul Matthews (Chief Executive, Monmouthshire County Council)
- Wyn Meredith (IQE)
- Andrew Morgan (Leader, Rhondda Cynon Taf County Borough Council)
- Professor Kevin Morgan (Cardiff University)
- Paul Orders (Chief Executive, Cardiff Council)
- Alison Ward (Chief Executive, Torfaen County Borough Council)

Annex D: Risk Matrix

Common risks across Localities

Risk	Likelihood / Impact	Mitigating actions
Common across Localities		
Poor quality monitoring data from Localities	M/H	<p>The Locality Plans build in a six-monthly review of monitoring data. This is to enable issues to be identified at an early stage and so addressed in advance of the final report to inform the Gateway Review.</p> <p>NEP will not be verifying monitoring data but will review it for consistency against our consultations with project managers and previous sets of data.</p> <p>It is possible that data changes over time due to shifts in definition. We should be sighted on this through the review process set out above and because the data definitions are being taken from wider definitions areas use to report on their Growth Funds.</p>
Localities delay providing monitoring data in time for the final report to inform the Gateway Review	M/M	<p>We will agree dates with Localities when data should be supplied, well in advance of the key date.</p> <p>The six-monthly process set out above should mean that if there are delays with the final set of data then the final report to inform the Gateway Review could be written using the older data. This would not be ideal.</p>
Report contents do not match client needs	L/ H	<p>The report would build from the outline in the National Framework.</p> <p>Standard templates will be developed to ensure consistency of reporting across all Localities.</p> <p>We would agree the templates and key headings with the client.</p>
Change in projects in scope	L/M	<p>It is possible that some of the projects identified in the Plans for impact evaluation will slip and so no longer be suitable. It is also possible, although probably less likely, that new projects are approved and come in to scope. Such changes would be picked up through the six monthly catch up meeting in each Locality.</p> <p>After the one year out point, no new projects would be included. The thinking being that there would be insufficient time for them to begin and have an impact that could be evaluated in the time remaining.</p>
Localities delay signing off reports	M/H	<p>This could occur due to governance structures or where a Locality is concerned that the report does not present favourable findings. To address these possibilities we will agree with each Locality key dates around their schedule of meetings on which:</p> <ul style="list-style-type: none"> • Reports will be made available to them • Comments are expected back. <p>Each Locality will also be provided with a note of comments received on the draft report, including comments from the academic panel, and how we have responded to those comments.</p>

Risk	Likelihood / Impact	Mitigating actions
Low response rates from participants	M/ H	We would work through project managers to develop the most appropriate way to encourage survey responses, e.g. not just that a reminder should be sent but who should send this.
Loss of electronic data in transfer from project to SQW	L/ M	We would develop a protocol for the transfer of data. This is likely to include files being sent with password protection, and the password being telephoned through.
IT failure	L/ M	SQW systems are fully backed up with data held in two offsite data centres. In the event of failure we can switch to the secondary centre and systems and files be restored.
Unexpected unavailability of team members	L/ M	Staff have confirmed availability to undertake the work in the required timescales. In a team member becomes unavailable through sickness etc., we can identify other experienced SQW researchers with similar experience drawing from our range of 40 employees and using our internal time booking software.

Source: National Evaluation Panel

Locality specific risks

Risk	Likelihood / Impact	Mitigating actions
Changes in evaluation representatives in the CCR	M / M	SQW and the CCR will work together to ensure a smooth handover – especially in terms of knowledge and understanding of the context and approach for the evaluation.
Limited evaluation evidence if further interventions are not funded ahead of 2020	L / M	The evaluation is already set to focus on the Compound Semiconductor Cluster project in particular. Even without any other interventions to evaluate, the evaluation should have sufficient evidence (if the Compound Semiconductor Cluster proceeds as expected, and alongside evidence from the complementary workstreams) to present a robust evidence base for the Gateway Review.

Impact evaluation risks

Risk	Likelihood / Impact	Mitigating actions
Lack of engagement by IQE	M / H	The CCR and SQW to work together to ensure that IQE understand the importance of the evaluation, are available for consultations when needed, and are responsive to other requests e.g. in relation to data to support the evaluation.
Changes in staff members at IQE	M / M	SQW and the CCR will work with IQE to ensure that new staff understand the role of the evaluation. Speaking to IQE at the baseline stage will ensure that people involved at the early stage are able to provide evaluation evidence, even if subsequent phases of the work are with newer staff members.

Risk	Likelihood / Impact	Mitigating actions
Low response rate from the wider sector	M / H	the CCR to 'warm up' contacts ahead of SQW approaching firms for consultations, making it clear what the evaluation is for and the importance of their contribution to this. Also, engagement will be limited to the baseline and final reporting stages, to avoid consultation fatigue.
KTN data not updated	M / L	SQW will consult with KTN to clarify if/when new data will be available. If it looks unlikely to be updated a consultation will be undertaken with KTN, in addition to the consultation planned anyway with the Compound Semiconductor Catapult, to get their perspective on the growth of the sector qualitatively.
Difficult in identifying appropriate industrial estates to compare the site against	L / M	SQW will work with sub-contractors Savills to identify appropriate industrial estates along the M4 corridor for comparison purposes. If this proves difficult, a wider geography will be considered in order to complete the task.
Delays in the Compound Semiconductor Cluster project being delivered and IQE occupying the facility	L / H	the CCR will keep SQW informed of progress with the project and any potential delays. It is apparent at the time of writing that the project has proceeded as expected, with this therefore unlikely to be an issue.

Future Generations Assessment

<p>Name of the Officer completing the evaluation:</p> <p>Kellie Beirne</p> <p>Phone no: 07826 9219286 E-mail: kellie.beirne@cardiff.gov.uk</p>	<p>Please give a brief description of the aims of the proposal</p> <p>The report sets out the draft proposed Locality Evaluation Report for the CCR. It further sets out the baseline report (1 of 3) by SQW into progress with CCR City Deal, which will inform the Gateway Review by UK Govt in 2021.</p>
<p>Proposal: Local Evaluation Framework and Baseline Report</p>	<p>Date Future Generations Evaluation form completed: 28 May 2019</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 report describes the evaluation process. In the main the proposal relates to the work needed to prepare for review – mainly around data readiness and working with others to achieve goals. Ultimately, successfully completing the Gateway Review will see our City Deal continue to be supported and investment being aimed at priority economic interventions.</p>	<p>Ensuring there is a high state of readiness and a strong sense of self-awareness – through data capability and an awareness of the importance of place-based interventions.</p>

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
	The Baseline report further illustrates progress made to date towards the core City Deal targets.	
A resilient Wales Maintain and enhance biodiversity and ecosystems that support resilience and can adapt to change (e.g. climate change)	The proposal relates to building resilience through understanding and being able to measure and assess the impact of our interventions – some of which might have an effect on natural eco-systems	Consideration to embedding circular economy principles in relevant aspects of procurement processes
A healthier Wales People’s physical and mental wellbeing is maximized and health impacts are understood	It is possible that aspects of the assessment process – might in time extend to wellness and wellbeing indicators.	Building our own self-awareness will be a key part of the evaluation process – wellness is likely to feature strongly within this
A Wales of cohesive communities Communities are attractive, viable, safe and well connected	The Gateway Review is about understanding the rate of economic progress and how this is contributes to community resilience and viability.	Data capability, place analysis and having systems and platforms capable of answering the key questions about the scale and extent of change will inform our understandings of progress and advancements made.
A globally responsible Wales Taking account of impact on global well-being when considering local social, economic and environmental wellbeing	City Deal seeks to position our region for better economic output and global competitive advantage. This latter reflects upon economic betterment, social justice and environmental sustainability.	Further work will be needed on a proposal by proposal basis (and in conjunction with the Investment Framework) to embed wellbeing goals at the heart of economic activity, including support from the private and business sectors.
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	Our City Deal is uniquely Welsh – but pitches towards being world leading in areas of competitive strength. This enables a strong reflection on our rich culture and heritage.	

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 more equal Wales People can fulfil their potential no matter what their background or circumstances</p>	<p>City Deal is about delivering as far as possible across 10 LAs and a population of £1.5m people. It is about economic gains – but importantly how this will convert as tools for improving people’s lives.</p>	<p>Examples are offered by small countries that have proactively sought to demonstrate how economic impact translates to improved inclusion, sustainability and a kind of growth that serves a social good. These examples and best practice will be followed and integrated.</p>

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

Sustainable Development Principle	Does your proposal demonstrate you have met this principle? If yes, describe how. If not explain why.	Are there any additional actions to be taken to mitigate any negative impacts or better contribute to positive impacts?
 <p>Balancing short term need with long term and planning for the future</p> <p>Long Term</p>	<p>The report sets out the work needed in the short-term to both guide and reflect more accurately, better outcomes in the long-term</p>	<p>More work is needed around business and improved civic engagement</p>
 <p>Working together with other partners to deliver objectives</p> <p>Collaboration</p>	<p>The Economic Growth Partnership will take a lead for commissioning the data capability work – in order that approach is rightly, industry-led and ready to inform industrial strategy development</p>	<p>The Regional Business Council, is developing a plan to more comprehensively engage and interact with the wider business community</p>
 <p>Involving those with an interest and seeking their views</p> <p>Involvement</p>	<p>The report will see an approach embedding across the region and involving organizations that can help inform data capability and approach – Universities and ONS in the main</p>	<p>A communications plan will be established to ensure a more wide-ranging approach is taken to civic involvement. My perfect metro is a good example of inventive ways of building engagement.</p>

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>Putting resources into preventing problems occurring or getting worse</p> <p>Prevention</p>		
 <p>Considering impact on all wellbeing goals together and on other bodies</p> <p>Integration</p>	The proposal seeks the data competency and the evidence base to inform sound decision-making	

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	The proposal is about data and evidence and ensuring we have accurate and timely information on which to base decisions. Dimensions such as protected characteristics will be more visible and apparent as a result.	None arising at this time.	
Disability	The proposal is about data and evidence and ensuring we have accurate and timely information on which to base decisions. Dimensions such as protected characteristics will be more visible and apparent as a result.	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	The proposal is about data and evidence and ensuring we have accurate and timely information on which to base decisions. Dimensions such as protected characteristics will be more visible and apparent as a result.	As above	
Marriage or civil partnership	The proposal is about data and evidence and ensuring we have accurate and timely information on which to base decisions. Dimensions such as protected characteristics will be more visible and apparent as a result.	As above	
Pregnancy or maternity	The proposal is about data and evidence and ensuring we have accurate and timely information on which to base decisions. Dimensions such as protected characteristics will be more visible and apparent as a result.		
Race	The proposal is about data and evidence and ensuring we have accurate and timely information on which to base decisions. Dimensions such as protected characteristics will be more visible and apparent as a result.		
Religion or Belief	The proposal is about data and evidence and ensuring we have accurate and timely information on which to base decisions. Dimensions such as protected characteristics will be more visible and apparent as a result.		
Sex	The proposal is about data and evidence and ensuring we have accurate and timely information on which to base decisions. Dimensions such as protected characteristics will be more visible and apparent as a result.		

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?
Sexual Orientation	The proposal is about data and evidence and ensuring we have accurate and timely information on which to base decisions. Dimensions such as protected characteristics will be more visible and apparent as a result.		
Welsh Language	The proposal is about data and evidence and ensuring we have accurate and timely information on which to base decisions. Dimensions such as protected characteristics will be more visible and apparent as a result.	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		
Corporate Parenting	Not directly relevant		

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

- ONS data
- SQW and National Evaluation Framework
- Glasgow Evaluation Framework

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?

Establishing the data and evidence is a first step. Once set out and a process is in place – issues and challenges will become clear and can be acted upon.

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:

As each report is received through the evaluation and locality assessment phases