

Transforming the valleys: a manifesto for resilience

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The Bevan Foundation is Wales' most innovative and influential think tank. We develop lasting solutions to poverty and inequality.

Our vision is for Wales to be a nation where everyone has a decent standard of living, a healthy and fulfilled life, and a voice in the decisions that affect them.

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Summary

This paper sets out a vision for a new future in the valleys, and the steps that need to be taken in the next Welsh Parliament term and beyond to achieve it.

It outlines recommendations for the policy makers and institutions that have both the mandate and the ability to bring about the change that is owed to the valleys. It draws on the Bevan Foundation's recent work on building economic resilience in the valleys as well as our long experience over the last two decades.

In doing so it aims to be radically different from previous valleys programmes, initiatives and taskforces, which have lacked the ambition, scale and delivery capability to achieve significant change on the ground. In promising much and delivering little, past programmes have sold the valleys short.

Our paper aims to tackle the root problems facing the valleys, helping to rebuild an economic base devastated by years of economic stagnation, extraction of profits and under-investment as well as helping the area to recover from the damage caused by the Coronavirus outbreak.

We advocate a dual approach: building on the assets of the area while at the same time tackling deep structural inequalities. This is the surest way to bring about transformative change.

We recommend an eight step, ten-year action plan based on:

- **Growing jobs** – A large and persistent jobs deficit means there are not enough jobs available in the valleys. Through a valleys jobs incentive, an apprentice premium, re-location of public sector jobs, creation of co-working spaces and a plan to grow fair work in two key sectors, the next government can reduce the jobs deficit.
- **Boosting business** – Doubling the number of social enterprises, creating a valleys enterprise area, a valleys manufacturing initiative and ramped-up support for micro firms can unleash the full potential of existing and emerging businesses.
- **Harnessing procurement** – By making use of reserved contracts, strengthening the social pound, creating a public purchasing environment that supports the manufacturing base and its supply chains and a greater role for social business, the next government can make procurement work for the valleys.
- **Maximising connectivity** – By unlocking the potential of the A465 and the South Wales Metro, ensuring an affordable, comprehensive public transport offer and creating an active travel network based on valleys tunnels, the next government can create connected and accessible valleys communities.
- **Creating vibrant and resilient places** – The development of Anchor Towns, scoping a new town at the heads of the valleys, and a new vision of high streets with a mix of meanwhile, flexible and community uses can build on the vibrancy of valleys towns and villages.
- **Making the most of assets** – Better rights for communities in a Community Rights Act, a moratorium on the sale of publicly-owned assets, a Green Valleys initiative to protect, grow and enhance natural assets and a Valleys Heritage programme to join-up the vast and diverse heritage of the valleys can unleash the potential of their assets.

- **Closing the skills gap** – Investing in upskilling, supporting lifelong, community-based, flexible and accredited learning and better financial support for students in further education can help close the skills gap.
- **Delivery** – Turning vision into reality requires ringfenced resources and a mandate to focus relentlessly on improving the economic profile of the area, creating 40,000 jobs over ten years and £350m investment through capacity to deliver and a lifespan.

1. Introduction

The south Wales valleys are home to approximately 800,000 people, almost a third of the Welsh population. Every area of Wales faces challenges of some kind, but very few have experienced them to the same scale and persistence as the valleys have. To many, the valleys have become a byword for decline and deprivation – a view we do not share.

There have been some positive responses to these challenges, especially since the shocks of massive de-industrialisation. However every government programme, whether pre- or post-devolution, has lacked the vision and scale needed to turn around the valleys' fortunes. Crucially, many programmes have been based on the same economic model that damaged the valleys in the first place: the lack of ownership and control of economic assets and a race to the bottom on terms and conditions of work.

There are major long-term challenges ahead, arising from Brexit, climate change and automation. But they are not impossible to overcome. Coalfield communities in the UK and around the world have forged new paths and developed new narratives and futures. Change is possible and within reach. This paper calls for a new approach, involving a different model of the economy, an acceleration in pace and scale of activity, and clear outcomes. Without them, the level of transformation required and indeed owed to the valleys will simply not be achieved.

The coronavirus pandemic has also had a significant impact across Wales, including on the economy of the valleys. As well as closures and threats to the viability of businesses, there are also new opportunities. In particular, the appetite for more remote working (for those that can) and a new appreciation for the natural environment could provide the basis for a new and better future. The opportunities will not be realised automatically – they require public intervention and support to maximise the benefits and to ensure their fair distribution in an inclusive economy.

This paper calls for a relentless and unambiguous focus on the root causes of the challenges: a jobs deficit, the poor quality of work, lack of economic diversity, weak infrastructure and a skills gap. Action to treat the symptoms, such as renovating empty homes, may bring positive results in the short-term, but they are unlikely to deliver long-term change.

The next Welsh Government must make a new commitment to the valleys, based on three fundamental principles: economic justice, economic resilience and wellbeing. It should

- Diversify and strengthen the economic profile of the valleys
- Build on its economic and other assets
- Create an ambitious and realistic vision
- Enable properly-resourced, long-term delivery of actions.

This paper complements our other papers *Transforming Wales: How Welsh Public Services and benefits can reduce poverty and inequality* and our forthcoming paper on *Transforming the Welsh Economy*. It is part of our proposals for the priorities of a new Welsh Government following the 2021 Senedd elections.

2. Grow jobs in the valleys

More than 400,000 jobs are based in the broad valleys area¹, nearly a third of all of Wales' employment.² Despite the size of employment in the valleys at present, successive rounds of past economic change mean that there is substantial jobs deficit in relation to its population, especially in the 'core' valleys area.³ We calculate that if the core valleys area had the same jobs density as the rest of Wales, it would have around 140,000 more jobs than at present.⁴ This massive shortfall results in both below-average employment rates and high levels of outward commuting in the areas close to cities.

Increasing the number of jobs in the valleys, and especially in the core valleys area, is therefore of paramount importance. Commuting has never been a viable way of meeting jobs needs because of the time and costs to workers and because Cardiff, Newport and Swansea do not have the capacity to create jobs on the scale required. Even compared to other coalfield areas of the UK, the valleys have the additional complication of a geography of steep valley sides and mountains. This geography does not lend itself to ease of connectivity. It makes the case for more and better local jobs pronounced. The COVID-19 pandemic has made commuting even less of a solution.

With a major jobs deficit, all parts of the economy and labour market must be encouraged to retain and create quality, sustainable jobs in the valleys. This is all the more important as existing jobs may be lost in the process of adjustment to leaving the EU and the fall-out from the pandemic.

The next Welsh Government should aim to close the jobs gap by at least a third over the next decade, equating to the creation of around 4,000 jobs per year. To do this it should:

- 1. Establish a Valleys Jobs Incentive**
Offer a grant to employers, equivalent to the Employer's National Insurance contribution, to create new, permanent, decent jobs⁵ located in the 'core' valleys.
- 2. Introduce a Valleys Apprenticeship Premium**
Offer an additional incentive to employers to recruit and retain young apprentices in the valleys.
- 3. Create local co-working centres**
Harness the potential of remote working by establishing serviced co-working centres in every community with a population of more than 5,000. Use of the facilities could be recharged to employers.
- 4. Relocate more public sector jobs**
Make the valleys the default location for all new or relocating public bodies for the next five-year term.
- 5. Grow Fair Work**
Target two key sectors in the valleys (i.e. health and social care, retail and wholesale or hospitality), promoting Living wage employment incentives amongst employers e.g. subsidised accreditation fees

3. Boost business in the valleys

Today there are over 15,000 enterprises based in the valleys, although the number of businesses per 10,000 population is about half of that in Great Britain.⁶ In recent years, parts of the valleys have seen some of the highest rates of growth in start-ups and business births, demonstrating entrepreneurship, creativity and risk appetite to start new ventures.

Almost 90% of businesses in the broad valleys area are micro-business, but in many smaller communities the local business base is entirely made up of sole traders and micro-businesses.⁷ Some are not well connected to business support services, leading to missed opportunities and lost potential. Many larger firms began as individual sole traders, so gearing support to them is vital to strengthening the resilience of the valleys.

The valleys have a small but strong base of social businesses. Through their triple bottom line, they are transforming high streets, responding to gaps in the market, encouraging other upcoming social businesses and doing it all with social purpose.

Social businesses offer multiple benefits: they diversify the local economy, are rooted in the area, employ local people and are more likely to offer good terms and conditions of work. They also meet local needs or challenges with positive action. In the last economic downturn, social businesses were found to be more resilient than conventional forms of business.

The next Welsh Government should seek to build and diversify the valleys business base, building on existing strengths and helping to open up new opportunities.

- **Create a Heads of the Valleys New Enterprise Area**
Provide incentives for businesses to locate and expand in the Heads of the Valleys. Unlike an enterprise zone, this New Enterprise Area would be based on a “something for something” principle so that returns are fair and long-term.
- **Establish a Valleys Manufacturing Initiative**
Strengthen employment and facilitate adjustment to COVID-19 and Brexit by supporting new manufacturing products and processes, especially digital innovation.
- **Stimulate micro-businesses**
Grow and strengthen micro-businesses by:
 - providing seed funding to establish local chambers of trade.
 - ensure business support services reach sole traders and micro-businesses, through a hub and spoke model of provision.
 - a Valleys Start-Up programme of tailored business advice and start-up financial support for emerging entrepreneurs.
- **Double the number of social businesses**
Create 500 new, successful social businesses through:
 - investment in established social businesses with growth potential, including patient capital grants and loans suited to their development needs.
 - increased activity in the valleys initiatives by existing social enterprise agencies to develop and support prospective and emerging social businesses.

4. Harness the power of procurement

The purchase of goods and services accounts for a major circulation of money both into and out of the valleys. Almost £1bn per year is spent on procurement of goods and services by local authorities in the broad-based valleys area. The spend of public bodies such as the NHS, Welsh Government and other local anchor institutions brings this amount up further. The spend of Public Services Boards, co-ordinated and collectivised, has potential to create a critical mass of spending in the valleys economy. A proportion goes on salaries and specialist goods and services supplied on a UK or international basis (i.e. knowledge services, specialist medical equipment). However, there is scope to gear remaining procurement spend towards stimulating local and jobs and businesses.

Smarter use of procurement frameworks also has real scope to benefit the valleys. Reserved contracts help to stimulate local employment in disadvantaged communities by allowing contracts to be reserved for specific places and workers for a three-year period. Deployed at greater scale, they can support good jobs in the valleys and have been used to pilot four “better jobs closer to home” initiatives in markets where there is an anticipated pipeline of trade. The Social Services and Well-being Act also legislates a role for social enterprises and co-operatives in the provision of care and preventative services at the local level⁸. Local employment clauses in the award of large contracts funded from the public purse and increased weighting in contracts for specific social goals are levers that can drive benefit from procurement into the heart of valleys communities. The next Welsh Government should:

Secure the manufacturing base

Build on and secure valleys manufacturing by:

- reshoring essential manufacturing and prioritising the valleys as a location
- creating a public purchasing environment that supports the manufacturing base and its supply chains for the long-term

Capitalise on reserved contracts

Step up the use of reserved contracts by:

- scaling up the successes of the Better Jobs Closer to Home pilots
- increasing awareness of reserved contracts for local contracting and commissioning bodies
- creating a reserved contract strategy to expand and build sustainability into their use to ensure viability of businesses and jobs beyond contract lifecycle

Step up co-ops and social enterprises

Create an enhanced role for the sector by:

- reviewing the current role of social enterprises and co-ops in Section 16 of the Social Services and Wellbeing Act (2014) and scope to grow it further
- Set targets for the delivery of care and preventative services by the sector

Strengthen the social pound

Enhance the use of social clauses and weighting of social value by:

- build in minimum local apprenticeships and local employment opportunities for every public sector contract worth £1 million or for every contractor in receipt of multiple contracts totaling £1million
- using the National Social Value Measurement Framework for Wales, mandate minimum social value weighting standards in public sector procurement

5. Maximise connectivity

The geography of the valleys and their dispersed population means that a strong network of physical connections is fundamental to future success. New and historic travel infrastructure, including disused tunnel networks, trainlines and the networks of roads and cycle routes across the valleys offer opportunities for excellent connectivity. This connectivity helps people to access essential services, travel with ease in the places they live, widens job opportunities and increases markets for businesses and reduces costs.

The A465 Heads of the Valleys road is a key economic artery. It is also a gateway to the valleys leisure, heritage and tourism offer and to surrounding areas such as the UNESCO world heritage site, Waterfall country and the Brecon Beacons. Once completed, it offers reduced travel times and largely congestion-free journeys. To harness the benefits of this major investment, action must ensure that rather than bypass the valleys, the flow of spending power along the A465 is diverted and captured.

The South Wales Metro is another a major investment that connects the valleys and the wider region. Making the most of the metro requires stations that enhance the sense of place with signage, local information and basic essentials such as lighting, shelter and public wifi. They should meet minimum standards of accessibility and must have good onward transport connections by foot, bicycle car and bus.

Some communities in the valleys are poorly served by public transport. Not all are on a metro line, and even for those that are, it does not necessarily reflect complex travel patterns that are not just north-south. In some places, no buses run after 6 pm or on Sundays. Essential journeys such shift-based employment, visiting hospital and accessing leisure outside are therefore all but impossible for the almost 100,000 households without a vehicle⁹. The proportion of people who do not have access to a vehicle coupled with the climate emergency makes new and existing active travel routes and reliable and affordable public transport that provides cross-valley connections absolutely essential.

The next Welsh Government should:

Unlock the potential of the A465

Create a strategy for action that:

- provides a range of essential services such as service stations, accommodation, picnic areas.
- ensures ease of access and signage to and from business sites and town centres
- is a gateway to heritage, landscape and culture and the surrounding region

Make the metro work for the valleys

Ensure the metro guarantees:

- journeys with integrated, safe onward travel options for all forms of transport
- free wifi with well lit, sheltered stations
- signage and information and connection to and by the communities they are in

Create a public transport network that:

- works cross-valley and is linked to key centres of employment and public services with fast, reliable services linked to active travel routes
- has affordable fares, capped at the minimum wage rate per day
- repurposes disused tunnels for a unique active travel network and experience.

6. Create vibrant and resilient places

The towns and villages of the valleys have rich and varied characters. Some places are sub-regional centres of considerable economic activity, while others are relatively rural and isolated. Every valleys town has a unique feature or history that gives it its character. Supporting towns to develop a shared vision of who they are and what they want to be is central in the success stories of towns that have developed new paths in the face of challenges and change. Recognising the diversity of places within the valleys and building on it can contribute to wider success.

Some valleys towns are also a focal point for a wider population. They provide key public services, a range of consumer services and often serve a larger surrounding population. Designating a limited number as 'anchor towns', which have key institutions, growth potential, key public services, links to the valleys regional park, connectivity and a critical mass of population, can help to re-balance development in Wales and change the wider area's fortunes. Designating a 'new town' along the heads of the valleys corridor as part of a network of anchor towns could be a catalyst for an enhanced valleys identity, offer and new investment.

Even before COVID-19, high streets had been hard-hit by reduced spending power, changes in spending habits and decisions by retail chains. A run-down public realm is not only bad for business, it affects local pride and morale. The pandemic has compounded these challenges and requires a fundamental re-think of what high streets should do and who they are for. The Welsh Government has already provided funding for town centre improvements, but it needs to be accompanied by a vision of a new purpose for high streets. It must be one that recognises the multiple communities that help make a high street what it is, and that creative, innovative ideas for high streets fit for the next decades come from a variety of sources and people.

The next Welsh Government should:

Develop Anchor towns

- support three places across the valleys to develop practical steps and actions to become anchor towns.
- commission feasibility work on the creation of a new town along the heads of the valleys corridor.
- develop a towns strategy to foster a shared view of their future, and provide support to achieve them.

Re-imagine high streets

- roll out a programme of flexible usage for empty and underused high street buildings including meanwhile and community usage
- Impose a moratorium of out-of-town developments to help drive investment and development back into town centres
- empower local authorities to take action on empty high street land and buildings including long leases for sub lets to local organisations, businesses and initiatives to promote local presence of a diverse range of organisations on the high street.

7. Make the most of assets

The valleys are rich in assets, ranging from superb historic buildings and heritage, including being the birthplace of the industrial revolution, NHS and Welsh co-operative movement, to breathtaking landscapes and a diverse natural environment. However, other assets have been left to deteriorate or have gone, leaving communities feeling powerless to influence or stop change and feeling disconnected from the place around them. The erosion and loss of public assets over the past decades is marked. Once sold into private hands, they are unlikely to come back to public or community ownership. With radical changes affecting the valleys, there is a golden opportunity to tap into the potential of all kinds of assets and devolve power to communities. To centre their needs and preferences in the places they live and to build a narrative that connects the assets of the valleys as part of the area's unique identity.

Nearly all valleys communities were established because of the natural resources in them and with which livelihoods were intertwined. Steep valley sides, fast flowing rivers, high hills and mountaintops and vast disused mine and cave networks all offer incredible possibilities to harness for local benefit. There are excellent examples of food growing, hydro, wind, solar and ground-source heat and stewardship of land in the valleys. But there is scope to do more on a far greater scale. From reducing energy bills to stimulating local enterprise, tourism, locally produced food, energy and forestry, the scope for valleys natural resources to create self-sustaining communities is vast, yet underused.

The coronavirus pandemic also awoke a newfound appreciation for things fundamental to wellbeing; plentiful access to the outdoors and nature in the valleys and connectedness to friends, neighbours and community. On the other side of the current public health emergency, everything the valley have to offer must be revitalised, restored and allowed to reach their full potential. The next Welsh Government should:

Protect existing assets

- a moratorium on sale of public assets into private hands without robust covenants to ensure they remain of community and public benefit

Enhance community rights

Scope and enact a new Community Rights Act to ensure:

- a right to register and recognise assets of community value
- a right to bid for community assets within a sufficient timeframe
- community rights to own, manage and control and rights of first refusal
- a dedicated service to support a new approach to community rights in Wales

Re-connect natural resources

Create a Green Valleys initiative:

- a comprehensive audit of valleys natural resources and current ownership, control and use
- a Green Valleys fund for organisations and communities seeking to protect, enhance and harness the natural resources of the area for wider benefit.

Connect heritage and landscapes

Develop a valleys heritage strategy that:

- conserves and joins up existing physical heritage assets into a coherent tourist destination
- values and supports cultural assets such as male voice choirs and brass bands.

8. Close the skills gap

In the broad valleys area there are over half a million people of working age, a huge pool of talents and skills. Yet a gap persists between average skills and qualifications in the valleys and the rest of Wales. Someone in the valleys is less likely to have five good GCSEs or be qualified to Level 3 or 4¹⁰ and there is a higher proportion of people with no qualifications. Being born in a specific place should not have a bearing on the kind of outcomes someone goes on to have, and yet in the valleys it continues to do so.

The Coronavirus pandemic has shown that many workers in the region are at greater risk of job disruption and displacement. Workers facing uncertain futures need to be able to access new or different types of work quickly, including by reskilling, retraining and having clear pathway back into the labour market. Good skills are crucial for local and prospective employer confidence that jobs can be filled with suitable and appropriately-skilled workers and increases the likelihood of local workers being able to successfully compete for vacancies.

It is not only workers that can or should benefit. An inclusive, accessible and flexible learning offer opens new pathways to participation, connections and confidence, including for groups with protected characteristics¹¹. This should offer a range of flexible opportunities including online, bite-sized and community-based learning.

In many parts of the valleys, education and learning is a patchwork of providers and provision. Further education colleges have the capacity to be adult learning and skills centres, offering a wide range of learning opportunities for adults of all ages. Operating in partnership with employers especially anchor institutions and other education providers, a revitalised adult learning offer could transform the valleys. The next Welsh Government should:

Invest in Upskilling

- create a comprehensive 're-skill and re-train' offer to workers at risk of losing or having lost a job, building on the successes of the Pro-Act and Re-Act initiatives
- establish a valleys personal learning account for people with level two qualifications and below to progress to level three and beyond.
- co-ordinate design and delivery of skills with labour market demand.

Support people at all stages

- establish enhanced one-stop-shop personalized advice services for workers at every stage of working life.
- develop a valleys learning offer that puts student financial support for further education on an equal footing to higher education.

Extend lifelong and community learning

- bring together existing community and lifelong learning provision to create a Valleys Lifelong Learning scheme that is open to all.
- review the current availability and accessibility of foundation degrees.
- broaden vocational training opportunities through partnerships between Welsh Government, Further education colleges and existing and prospective local employers.
- extend flexible, bite-sized accredited learning.

9. Delivery

Prioritising investment and action in the valleys is critical to the transformative change the valleys need. Everyone living and working in the valleys has a role in helping deliver this change.

There has been a succession of valleys strategies and initiatives over generations. Yet none have been able to trigger a fundamental shift in the economic profile of the area needed. The long-term, sustained economic resilience of disadvantaged places rarely conforms to five year political cycles or to changes within government.

The need for valleys-specific actions has been recognised in the Valleys Taskforce and its secretariat within Welsh Government. However, action also requires sufficient resources, capacity to deliver and a long-term horizon sufficient to result in changes that are meaningful and tangible to valleys communities. Without ringfenced and dedicated resourcing, there is the risk of the commitment being diluted in the face of competing priorities. These risks become even greater as Wales experiences economic downturn, budgetary pressures and deals with the fallout from the pandemic.

A multi-agency development programme

Long-term, multi-agency delivery that brings together key agencies working to a strategic vision is the only credible means for delivering transformative change. It should have a clear mandate to focus on jobs, investment and skills to re-orient the economy of the valleys to be more sustainable and resilient. The programme should have powers of planning and implementation and should join up existing initiatives including the Welsh Government, City Deals, local authorities, Corporate Joint Committees and Public Services Boards. It should be resourced to deliver against ambitious but realistic targets and **outcomes that would not otherwise have been achieved**. The government should consider penalty clauses or payment by results mechanisms to drive excellence in outcomes that should include:

Outcomes

- create of 40,000 sustainable jobs in the valleys over ten years¹²
- attract £350m investment over ten years
- increase by 15% the proportion of workers in the valleys with level 3 qualifications

Delivery safeguards

- clear and effective governance and democratic accountability mechanisms
- remit to work in the heads and the hearts of the valleys
- based in the Heads of the Valleys with officers working in and with each valleys local authority and Corporate Joint Committees
- a budget for delivery linked to results
- joins up and rationalise existing initiatives in the valleys to maximise the benefit

End notes

¹ Comprising Neath Port Talbot, Bridgend, Rhondda Cynon Taf, Merthyr Tydfil, Caerphilly, Blaenau Gwent and Torfaen.

² Annual Population Survey, June 2020, via NOMIS

³ The “heads and hearts” of the valleys: e.g. from Pontypool to Blaenavon, Ystradgynlais to Maesteg to Senghennydd.

⁴ Calculated using Business Register and Employment Survey (ONS), bringing jobs density up to the Welsh average of 0.78

⁵ i.e. jobs which pay above the real Living Wage, offer guaranteed hours and which recognise trades unions.

⁶ Active Business Enterprises per 10,000 population by area and year, Stats Wales

<https://statswales.gov.wales/v/JBbY>

⁷ UK Business counts 2020

⁸ Social Services and Wellbeing Act 2014. Part 2, section 16

⁹ 2011 Census: Car or van availability, local authorities in England and Wales, ONS

¹⁰ Annual population Survey, 2019

¹¹ Equality Act 2010, 9 protected characteristics

¹² 40,000 jobs would start to help reverse the jobs deficit of over 100,000 (see note 4), which has developed over the last century and equate to 4,000 jobs per year.