

Agenda – Economy, Trade, and Rural Affairs Committee

Meeting Venue:	For further information contact:
Hybrid – Committee room 5 Ty Hywel and video Conference via Zoom	Robert Donovan Committee Clerk
Meeting date: 17 May 2023	0300 200 6565
Meeting time: 09.30	SeneddEconomy@senedd.wales

Private pre-meeting (09.15–09.30)

Public Meeting (09.30–10.35)

1 Introductions, apologies, substitutions and declarations of interest

(09.30)

2 Papers to note

(09.30)

2.1 Petition P-06-1312 To help improve water quality in the River Usk by upgrading sewage systems in the Usk valley

(Page 1)

Attached Documents:

Letter from the Chair of the Petitions Committee – 28 April 2023



2.2 Meeting of the Interministerial Group on UK–EU Relations on 20 March 2023

(Pages 2 – 3)

Attached Documents:

Letter from the Minister for Rural Affairs and North Wales, and Trefnydd to the Chair of the Legislation, Justice and Constitution Committee – 3 May 2023

2.3 Food (Wales) Bill: Updated financial information from the Scottish Government

(Pages 4 – 7)

Attached Documents:

Letter from Peter Fox MS to the Minister for Rural Affairs and North Wales, and Trefnydd – 4 May 2023

2.4 Organics regulations

(Pages 8 – 9)

Attached Documents:

Letter from the Minister for Rural Affairs and North Wales, and Trefnydd – 5 May 2023

2.5 Post–EU regional development funding: Follow up to Committee meeting on 4 May – Shared Prosperity Fund

(Page 10)

Attached Documents:

Letter from the Chair to Councillor Andrew Morgan, Leader of Rhondda Cynon Taf County Borough Council – 9 May 2023

2.6 Agriculture (Wales) Bill – Stage 3 Explanatory Memorandum update

(Pages 11 – 13)

Attached Documents:

Letter from the Minister for Rural Affairs and North Wales, and Trefnydd – 9
May 2023

2.7 Post-EU regional development funding

(Pages 14 – 15)

Attached Documents:

Letter from the Chair to the Minister for Levelling Up – UK Government – 11
May 2023

3 Post-EU regional development funding: Funding beneficiaries

(09.30–10.30)

(Pages 16 – 60)

James Scorey, Vice Principal, Cardiff and Vale College (Representing Colleges
Wales)

Kiera Marshall, Deputy Head of Policy (Wales), Federation of Small Businesses

Amanda Wilkinson, Director, Universities Wales

Matthew Brown, Director of Delivery and Development, Wales Council for
Voluntary Action

Attached Documents:

Evidence paper – Colleges Wales

Evidence paper – Federation of Small Businesses

Evidence paper – Universities Wales

Evidence paper – Wales Council for Voluntary Action

Research brief

4 Legislative Consent Memorandum: Non–Domestic Rating Bill
(10.30–10.35)

5 Motion under Standing Order 17.42(ix) to resolve to exclude the public for the remainder of the meeting
(10.35)

Private (10.35–11.00)

6 Consideration of evidence following the meeting
(10.35–10.45)

7 Legislative Consent Memorandum: Non–Domestic Rating Bill
(10.45–10.50) (Pages 61 – 69)

Attached Documents:

Legal Advice Note

8 Options for Committee visit
(10.50–11.00) (Pages 70 – 75)

Attached Documents:

Committee visit – Summer 2023

Paul Davies MS

Chair

Economy, Trade and Rural Affairs Committee

Tŷ Hywel

Cardiff Bay

CF99 1SN

Welsh Parliament

Cardiff Bay, Cardiff, CF99 1SN

Petitions@senedd.wales
senedd.wales/SeneddPetitions
0300 200 6565

28 April 2023

Dear Paul

Petition P-06-1312 To help improve water quality in the River Usk by upgrading sewage systems in the Usk valley

The Petitions Committee considered the above petition at our meeting on 13 March, alongside correspondence from the Interim Future Generations Commissioner and the Petitioner.

At the meeting members agreed to close the petition in light of your Committee's work on the broader issue of agricultural pollution, and Welsh Water's plan to upgrade the sewage systems at Brecon, Llanfoist and Usk. In closing the petition, the Committee wished to make you aware of the details of this petition.

Further information about the petition, including related correspondence, is available on our website at: <https://business.senedd.wales/mglIssueHistoryHome.aspx?Id=40306>.

If you have any queries, please contact the Committee clerking team at the e-mail address below, or on 0300 200 6454. I would be grateful if you could send your response by e-mail to the clerking team at petitions@senedd.wales.

Yours sincerely



Jack Sargeant MS

Chair

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.

Agenda Item 2.2

Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd
Minister for Rural Affairs and North Wales, and Trefnydd



Llywodraeth Cymru
Welsh Government

Huw Irranca-Davies MS
Chair
Legislation, Justice and Constitution Committee
Senedd Cymru

SeneddLJC@senedd.wales

3 May 2023

Dear Huw,

In accordance with the Inter-Institutional Relations Agreement, I can report that I attended a meeting of the Interministerial Group on UK-EU Relations on 20 March, on behalf of the Minister for Economy. I was unable to provide prior notice of the meeting as it was called at very short notice by the UK Government.

The meeting was held in preparation for the subsequent UK-EU meetings of the Withdrawal Agreement Joint Committee and the Partnership Council under the Trade & Cooperation Agreement held on 24 March. The discussions of the IMG are outlined in a Written Statement [Written Statement: Meeting of the Interministerial Group on UK-EU Relations \(3 May 2023\) | GOV.WALES](#)

We will provide a written update on the arrangements for the next meeting, which will include the date and likely agenda items, in due course.

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Gohebiaeth.Lesley.Griffiths@llyw.cymru
Correspondence.Lesley.Griffiths@gov.wales

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

I am copying this letter to the Chairs of the Culture, Communications, Welsh Language, Sport, and International Relations Committee, of the Economy Trade and Rural Affairs Committee, and to the Minister for Economy, and to the Counsel General and Minister for the Constitution.

Regards,

A handwritten signature in black ink that reads "Lesley Griffiths". The signature is written in a cursive style with a large, sweeping flourish at the end of the name.

Lesley Griffiths AS/MS
Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd
Minister for Rural Affairs and North Wales, and Trefnydd


—
Member of the Senedd for
Monmouth

Welsh Parliament
Cardiff Bay, Cardiff, CF99 1SN
Peter.fox@senedd.wales

Lesley Griffiths MS,

Minister for Rural Affairs and North Wales, and Trefnydd

Welsh Government

0300 200 7298 

@Peterfox_ms 

@PeterFox61 

Peter Fox MS 

4 May 2023

Dear Lesley,

Food (Wales) Bill: Updated financial information from the Scottish Government

I am writing to you regarding your letter to the Chair of the Finance Committee on 20 April. Thank you for copying me in to this letter.

I am grateful to you for continuing to engage with officials in the Scottish Government on the estimated costs of implementing their Good Food Nation (Scotland) Act 2022. As you rightly set out in your recent letter, some of the estimated costs for the Food (Wales) Bill set out in my Explanatory memorandum were based on assumptions using information gained from liaison with Scottish Government officials on their cost estimates for the Good Food Nation (Scotland) Bill. You will also be aware that I gave a commitment during the scrutiny of the Food (Wales) Bill that I would engage further with officials in the Scottish Government as the Food Bill progressed through the legislative process in the Senedd.

In your letter you set out increased estimated costs for the Good Food Nation (Scotland) Act that have been provided to you by Scottish Government. You go on to state that these increased costs in Scotland mean that *'the estimates quoted in the Explanatory Memorandum for the costs to the Welsh Government and public bodies in Wales of implementing the FWB, are certainly significant underestimates'*. While I am not disputing changes to estimated costs in Scotland, the statement you have made about the costs of the Food (Wales) Bill being significant underestimates is not accurate. The costs of implementing specific policy areas of the Food (Wales) Bill cannot simply be measured by comparing the figures across nations, without comparing other factors such as how the different provisions of the Bill / Act work in practice.

Welsh Government costs

As set out in the Explanatory Memorandum, and as I explained during Committee scrutiny sessions, the plan I have envisaged for the Food (Wales) Bill is that the Food Commission, once established, would take a more prominent role in terms of the formation of the National Food Strategy, than it does in Scotland. This would result in lower costs for the Welsh Government than the equivalent work in the Scottish Government.

There also seems to be some confusion in the table in your letter. The Welsh Government cost of £20,960 set out in the EM is only for work to create the National Food strategy. In your letter you seem to suggest that this cost also includes Welsh Government work to establish the Food Commission, which is not accurate.

In the year the Food Commission is set up, the costs would be significantly lower for them as a body while they are set up and staff are recruited. However, for the purposes of the RIA cost estimate for the Food Commission in the first year were not reduced, this was to enable there to be resource to carry out all that was required in year 1. We anticipated that for those year 1 costs, rather than funding being provided by the Welsh Government to the Food Commission, those costs (such as those identified in your letter) would fall on the Welsh Government, but these costs will not be additional to the estimate in the RIA.

As an example, the [annual accounts 2017-18](#) show that for the Future Generations Commissioners for Wales expenditure (per month) for the first reporting period, of 14 months, was just under two-thirds of the costs for the second year. In a similar scenario for the Food Commission, calculating two-thirds of costs for the first financial year for the range of costs given in the Explanatory Memorandum, would mean Food Commission costs would be between £250,000 and £500,000 lower in the first year. As discussed with the Finance Committee, costs for establishing and initial work of the Commission will be covered within this funding figure for year 1, but could fall on Food Commission or Welsh Government staff.

	Financial period	
	01/02/2016 to 31/03/2017	01/04/2017 to 31/03/2018
	£000	£000
Total Comprehensive Expenditure for the period	1,102	1,433
Length of period: months	14	12
Cost per month	78.7	119.4
Proportion of 2017-18 costs per month	66%	

Source: Future Generations Commissioner for Wales Annual Report 2017-18: Financial Statements page

1

Food Commission Costs

The costs of the Scottish Food Commission highlighted in your recent letter are higher than the Scottish Government's original estimate which had been provided to me (at the time of the scrutiny of the Good Food Nation (Scotland) Bill). However, as I also raised during scrutiny of my Bill, the size of the food sector in Scotland, number of public sector bodies and area are significantly larger, meaning there could naturally be a higher cost to the Food Commission in Scotland.

Notwithstanding the above, the updated Scottish cost estimates of £1.1 million per annum for the Food Commission falls just below the mid-point of the range of costs given in the RIA for the Welsh Food Commission, which we estimated could have a maximum range cost of £1.5 million per annum.

Food plans costs

The RIA for the Food (Wales) Bill clearly states that the costs included relate to the production of the Food Plans themselves and the further impact assessments will be needed when regulations are put forward. These costs are based on discussions we have had with practitioners in Wales. Discussions that we had with experts in the field in terms of implementation of food plans did suggest that, though dependent on regulations and how local authorities worked collaboratively, it would be fair to expect that there would be a need for approximately one officer per local authority to implement future food plans. However, this will be relevant to impact assessments that we suggested would be required when these regulations are made.

Again, the size of the food sector in Scotland, number of public sector bodies and area are significantly larger, meaning there could naturally be a higher cost in Scotland for the creation of local food plans.

As we move towards the Stage 1 debate for the Food Bill, I understand that there needs to be as much clarity as possible on the potential costs of the Bill. I look forward to receiving the report of the Finance Committee and responding to the Committee's recommendations ahead of the debate to help inform Senedd Members. However, I am not sure it is helpful to provide Senedd Members with updated figures, as set out in your letter, without also providing the narrative needed to be able to understand how this fits with the aims of the Food Bill and how it will be implemented.

I am copying this letter to the Chairs of Finance and ETRA committees.

Kind regards,



Peter Fox MS for Monmouth

Member-in-Charge, Food (Wales) Bill



Llywodraeth Cymru
Welsh Government

Our reference: LG/1103/23

Darren Millar MS
Temporary Chair
Economy, Trade and Rural Affairs Committee
Welsh Parliament
Cardiff Bay
CF99 1SN

5th May 2023

Dear Darren,

Thank you for your letter of 23 March, regarding organic regulations.

The Welsh Government is working with the other Governments of Great Britain to reform its organic regulations. Meanwhile, the UK Government is negotiating Great Britain's organic equivalence with the EU. The success of the negotiations with the EU is not dependent on whether the reform of organics regulations is completed beforehand.

Whilst the EU has modified its organic regulations since the UK left the EU, the UK Government is confident our domestic organics legislation, as retained following EU Exit, reaches the standards the EU consider acceptable for an equivalence arrangement to be agreed. These negotiations are likely to be completed in the Autumn of this year and, therefore, should not cause additional disruption to trade in organic products.

As organic products do not have a distinct customs code, there is no data available to accurately measure the amount or value of organic produce exported from Wales.

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Gohebiaeth.Lesley.Griffiths@llyw.cymru
Correspondence.Lesley.Griffiths@gov.wales

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

The Governments of Great Britain are planning to develop future organic regulations based on the recommendations of the Expert Group on Organic Production. While a principal objective when drafting future regulations will be to maintain equivalence with the EU and other organic standards around the world, this is unlikely to mean mirroring all EU standards. Other objectives, such as strengthening the fidelity of regulations to organic principles, will likely mean organic regulations in Great Britain differ in some respects from EU organic regulations. The complexity of reviewing and strengthening organic regulations across all sectors means the development of new standards is likely to take years rather than months.

The Welsh Government will continue to work closely with DEFRA and the Scottish Government to ensure the interests of Welsh organic producers and consumers are reflected in the development of new legislation.

Regards,

A handwritten signature in black ink that reads "Lesley Griffiths". The signature is written in a cursive style with a large, sweeping flourish at the end of the name.

Lesley Griffiths AS/MS
Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd
Minister for Rural Affairs and North Wales, and Trefnydd

Agenda Item 2.5

**Pwyllgor yr Economi,
Masnach a Materion Gwledig**

**Economy, Trade and
Rural Affairs Committee**

Senedd Cymru

Bae Caerdydd, Caerdydd, CF99 1SN
SeneddEconomi@senedd.cymru
senedd.cymru/SeneddEconomi
0300 200 6565

Welsh Parliament

Cardiff Bay, Cardiff, CF99 1SN
SeneddEconomy@senedd.wales
senedd.wales/SeneddEconomy
0300 200 6565

Councillor Andrew Morgan
Leader, Rhondda Cynon Taf
County Borough Council

9 May 2023

Dear Andrew,

You will be aware that Cllr Mark Norris gave evidence to the Economy, Trade and Rural Affairs Committee on 4 May as part of our Inquiry into post EU funding. Firstly I would like to thank Mark for his time, it proved to be a very informative session.

One of the topics that was discussed was the challenges reported by Rhondda Cynon Taf County Borough Council and the WLGA in relation to the regional delivery of the Shared Prosperity Fund. Given Cllr Norris' relative newness to his role, he suggested that you would be better placed to provide further details on this matter.

Please can you outline the challenges faced by Rhondda Cynon Taf County Borough Council and the WLGA, as well as any discussions you have had with the UK Government regarding these issues?

It would be helpful if you could respond to this letter by 19 May.

Kind regards,



Paul Davies MS
Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English.

Paul Davies, MS
Chair of the Economy, Trade and Rural Affairs Committee

Huw Irranca-Davies MS
Chair of the Legislation, Justice & Constitution Committee

Peredur Owen Griffiths MS
Chair of the Finance Committee

9 May 2023

Dear Chairs

Agriculture (Wales) Bill – Stage 3 Explanatory Memorandum update

Ahead of the Stage 3 debate on the Agriculture (Wales) Bill on 16 May. I wish to inform you I have today tabled an updated version of the Explanatory Memorandum (EM) for the Bill. Revisions have been made throughout the EM reflecting the commitments I gave in response to a number of Stage 1 Committee recommendations and to reflect the Bill as amended at Stage 2.

In addition a further update to the EM has been included with the removal of paragraph 7.874 (within the EM as introduced) as we understand it does not reflect Rentokill's current policy.

The EM will be updated to reflect the Bill as amended at Stage 3 and will also include an amendment in response to the WWF petition.

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Gohebiaeth.Lesley.Griffiths@llyw.cymru
Correspondence.Lesley.Griffiths@gov.wales

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

I thought it would be helpful to provide detail in relation to the following Committee recommendations, so you are assured these have been appropriately dealt with:

Economy, Trade and Rural Affairs Committee (ETRA)

In response to ETRA Committee recommendations 15 and 16 revisions have been made to EM Part 1.

Recommendation 15: Revisions have been made to the narrative text to indicate that there will be an expectation on Ministers to review previous SoNaRR reports if deemed necessary (see Part 1, Chapter 3, paragraph 3.89).

Recommendation 16: Further clarity, where appropriate, by way of additional examples of the varying scope of 'ancillary activities' have been provided within the updated EM (see Part 1, Chapter 3, paragraphs 3.316 to 3.318).

Finance Committee

In response to Finance Committee recommendations, revisions have been made to the narrative text of the EM Part 2 - Regulatory Impact Assessment (RIA).

Recommendation 2: We have added further information relating to the Wales Rural Development Programme elements not included in the RIA at introduction of the Bill (see Part 2, Chapter 7, Paragraphs 7.338 to 7.341).

Recommendation 4: Where possible, additional information has been included for the unquantified costs, and uses previous experience to provide a sensitivity analysis to show the potential range of costs (see Part 2, Chapter 6, Unquantified Costs and Disbenefits table).

As I stated in my response to the Committee for some of the powers being taken in the Bill it is not possible to quantify costs, for example we cannot know when a crisis might occur, and on what scale, so we cannot plan for all expected costs.

Recommendation 7: As part of the post-implementation review, additional text has been added to the 'next steps' section in order to give further clarity around quantifying the benefits arising from the Bill (see Part 2, Chapter 7, paragraphs 7.623 to 7.625).

Recommendation 8: Further details of the IT development costs have been provided (see Part 2, Chapter 7, paragraph 7.359 and table 44). These costs are estimates based on our initial assessment of options relating to the delivery of the current scheme design proposals.

Legislation, Justice and Constitution Committee (LJC)

In response to LJC Committee recommendations, revisions have been made to the EM Part 1.

Recommendation 6: A number of updates have been made to the Explanatory Memorandum as a means of explaining clearly the purpose of Parts 1, 2 and 3 of the Bill and what each is seeking to achieve (these have been made throughout Part 1, Chapter 3).

Recommendation 8: The Explanatory Memorandum has been reviewed and updated, as appropriate, to provide further clarity on the relationship between Part 1 and Part 2 of the Bill for stakeholders (see Part 1, Chapter 3, paragraph 3.39).

Stage 2 Amendments

Revisions have been made to the EM and Explanatory Notes (EN) to include all amendments made to the Bill following conclusion of Stage 2 ETRA Committee meeting held on 23 March.

SLM first objective: The EM has been updated to reflect the amendment made to the first objective. This highlights the link between the production of food and other goods in a sustainable way, and the resilience of agricultural businesses (see Part 1, Chapter 3, paragraph 3.44 and Explanatory Notes).

Power to Provide support – additional purposes: The EM and RIA have been updated to reflect the amendment made to the list under Section 8, adding in 3 new purposes for which support may be provided (see Part 1, Chapter 3, paragraph 3.102 to 3.118 and also Part 2, Chapter 7, paragraphs 7.575 to 7.622 and Explanatory Notes).

Amendment to Enforcement provisions in Sections 11, 31, 32 and 33: The EM has been updated to reflect the amendments to these sections achieving consistency in drafting throughout the Bill (see Part 1, Chapter 3 and Explanatory Notes).

Changes to the Affirmative Procedure Sections 15-18 and 22: The EM has been updated to reflect the amendments to these sections to state they are made by way of the Affirmative Procedure. The table in Chapter 5 has also been updated to reflect these amendments (see Part 1, Chapter 3 and also Chapter 5, table 5.1).

Agricultural Business definition in Section 48: The EM has been updated to reflect the amendment made to the 'meaning of Agriculture' to include agricultural businesses (See Part 1, Chapter 3, paragraph 3.315).

Schedule 3 commencement of Part 4 of Schedule 7 Agriculture Act 2020 on 13 December 2022: The ENs have been updated to reflect the now obsolete references to the relevant paragraphs.

Regards

A handwritten signature in black ink that reads "Lesley Griffiths". The signature is written in a cursive style with a large, sweeping flourish at the end of the name.

Lesley Griffiths AS/MS
Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd
Minister for Rural Affairs and North Wales, and Trefnydd

Agenda Item 2.7

**Pwyllgor yr Economi,
Masnach a Materion Gwledig**

**Economy, Trade and
Rural Affairs Committee**

Senedd Cymru

Bae Caerdydd, Caerdydd, CF99 1SN
SeneddEconomi @senedd.cymru
senedd.cymru/ SeneddEconomi
0300 200 6565

Welsh Parliament

Cardiff Bay, Cardiff, CF99 1SN
SeneddEconomy@senedd.wales
senedd.wales/ SeneddEconomy
0300 200 6565

Dehenna Davison MP
Minister for Levelling Up
2 Marsham Street
London
SW1P 4DF

11 May 2023

Post-EU Regional Development Funding

Dear Dehenna,

Thank you for your response to my colleague Darren Millar's invitation to give evidence to the Senedd's Economy, Trade and Rural Affairs Committee, as part of our inquiry into post-EU funding in Wales. I have now resumed my role as Chair of the Committee and I welcome your offer to submit written evidence to the Committee's inquiry. The clerks of the Committee will provide you with some information on the specific areas that the Committee is particularly interested in we would be very grateful to understand the UK Government's views on those areas.

Whilst the UK Government's written evidence to the inquiry is welcome, we would of course, prefer a UK Government Minister to give evidence to the Committee in person. As you are aware, the UK Government has ultimate control over the Shared Prosperity and Levelling Up Funds, and it's vital that we're able to scrutinise and ask questions of its decisions. The Committee believe that it's essential that there is an opportunity to scrutinise a UK Government Minister, preferably from the Department for Levelling Up, Housing & Communities, to ensure the effectiveness of this inquiry. Therefore, we would like to be as flexible as possible in order to accommodate you or a colleague's attendance and I'd be grateful if you could provide us with some convenient dates and times so that the Committee can consider them.

I look forward to hearing back from you in due course.

Kind regards,

A handwritten signature in black ink that reads "Paul Davies". The signature is written in a cursive style with a long horizontal stroke at the end of the name.

Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English.

Colegau Cymru Senedd Economy, Trade and Rural Affairs
Consultation Response

Post-EU Regional Development Funding

21 APRIL 2023

Senedd Economy, Trade and Rural Affairs Committee - Post-EU regional development funding

Introduction

Colegau Cymru is a post-compulsory education charity; we promote the public benefit of post-compulsory education and learning. We also convene the further education (FE) Principals' Forum, which represents Further Education colleges and FE institutions (FEIs) in Wales. Colegau Cymru also undertakes research, policy development and provides practical support to FE colleges in Wales, including on work-based learning (WBL) which is a key part of FE college activity.

1. How effective were EU Structural Funds at transforming the Welsh economy?

- 1.1.** Members reported that EU capital funds have left a strong legacy of infrastructure schemes. From a skills perspective, European funding has been a core part of the skills and apprenticeship offer in Wales, NEET reduction/intervention, employability, upskilling and reskilling, at a scale which would have been difficult to achieve without European investment. The projects FE were involved with such as 'Upskilling@Work' certainly helped offer funding for qualifications that was not always available via other sources.¹
- 1.2.** One area where it could be argued that European Structural Funds (ESF) helped transform the Welsh economy would be in its contribution to the overall apprenticeship funding pot in Wales. Apprenticeships have grown in popularity amongst young people and employers and the opportunity to use ESF to supplement the existing pot has certainly helped respond to the increased demand for apprenticeships. A significant amount of ESF money was funneled into the Apprenticeships programme, approximately £20m annually. In what is a big hole to fill – Welsh Government have allocated £18 million out of their reserves to sustain the level of overall funding for post 2023.²
- 1.3.** However, some members highlighted the level of bureaucracy involved in drawing down funds often meant that in some cases funding was not easily directed to those areas of the economy where the need was greatest, and the conditions attached to the offer were often separate to what employers actually needed. As an example, ESF funding for employer upskilling was always limited to accredited qualifications that sat on the Qualifications and Credit Framework (QCF) where employers needs were for bespoke or vendor specific qualifications. The level of detail required for evidence of eligibility and attendance in training was often considered a barrier to many employers, particularly those classed as SME.
- 1.4.** Colleges right across Wales regularly work in partnership on areas of joint interest, and as one example, colleges in South East Wales have worked together to deliver funded projects which meet the needs of the Cardiff Capital Region. Collaboration has been key to delivering the European Social Fund Upskilling@Work project and close, trusted relationships with employers have supported joint-working on projects such as the Skills Priority Programme and current Personal Learning Accounts (PLA) programme.

¹ 'Upskilling@Work' is a funded operation supported by the European Social Fund through the Welsh Government. It is part of a pan-Wales operation designed to enhance skills and increase productivity in the workplace, providing opportunities for employers to gain accredited qualifications for their workforce.

² See Welsh Government article, 'Thousands of young people in Wales helped to find work under flagship Welsh Government scheme', in FE News (2023). Find it [here](#).

- 1.5. Between 2000-06 Wales received an average of £285m per year in EU funds; 2007-13 an average of £257m; and during the last seven-year funding round of ESIF, between 2014-20, an average of £367m.³ Over the next three financial years, SPF will provide £585m to local authorities in Wales. This includes an allocation to Wales of £101m to deliver a UK adult numeracy programme called Multiply. Therefore, under core SPF and Multiply there is less than £200m per year allocated to Wales. Colegau Cymru has previously published an analysis that provides further context on the impact that European funding provides from an FE perspective.⁴

2. Whether the funding that Wales will receive to 2024-25 through the Shared Prosperity Fund and the tail-off of remaining EU Structural Funds matches the level of funding that Wales received through Structural Funds while the UK was a member of the EU and any potential Structural Funds that would have been available through the next programme.
 - 2.1. From an FE perspective, there remains significant uncertainty that access to SPF at a local level via regional investment plans will be anywhere close to the same level as with previous ESF funds. Concern exists in the sector that the significant drop in funding to pre-2000's levels, coupled with the soaring rise in inflation does mean that Wales will see a reduction in funding. Various analyses would support this position.⁵
 - 2.2. There is also a further complication here, given that previous European funding was administered centrally. Whilst there were backbone projects there was also greater opportunity for third and public sector organisations to bid for funding. However, with SPF, in some areas where partnership working has been difficult, opportunities have been heavily localised with little opportunity for sub-regional or regional to date, let alone national consistency through backbone projects.
 - 2.3. Whilst it is recognised that local authorities have worked at pace to establish new systems, engage stakeholders, and discuss ideas, it has been a hugely challenging period trying to replicate the functions traditionally held by the Welsh European Funding Office (WEFO).

3. Which elements of the two new funds have worked well so far, and which have been less effective. What lessons could be learnt for the future to maximise the impact of the funds.
 - 3.1. The sector has reported successes in engagement with, and securing funds from the Community Renewal Fund (CRF). It was intended to pilot activities in preparation to understand how SPF would be managed and delivered. This should have provided the opportunity to learn from any problems, particularly around workable timescales for the development of plans and the ability to deliver on those plans, which were again a problem when trying to pilot new types of projects (with innovation being encouraged).

³ See [The 2000-2006 Structural Funds Synthesis Report' \(2012\)](#) and; [Brexit: Replacing EU Funding in Wales \(2021\)](#)

⁴ Colegau Cymru, 'Involvement of Welsh Further Education colleges and institutions in EU funding: An overview of the financial uptake', (2017), 1 - 17 (p. 10). Find the report [here](#).

Full list of FE led projects approved under the EU structural funds programme 2014 – 2020 can be found on the Welsh Government website [here](#).

⁵ See [Welsh Government Written Statement: Loss of funding to Wales as a result of the UK Government's arrangements for replacement EU funding](#) and; The Institute of Welsh Affairs, 'Putting Businesses at the Heart of Levelling Up in Wales', (2022), [here](#).

- 3.2.** One member commented that the delay in implementing SPF is significantly reducing the impact of their Community Renewal Fund pilots. For others, it is felt that SPF has come out a year too late and will only be available to them for four terms to December 2024. Other than a continuation of local authority projects or claiming of core activities which are aligned to SPF priorities – there seems to have been very little if no tangible benefits from SPF in Year 1 (22/23) due to the delay in funding being rolled out. Opportunities for FE delivery are unlikely to commence for a further few months, as different local authorities adopt different approaches to mobilise projects.
- 3.3.** In some regions, there has been positive engagement at a local level, for example in the South East through collaborative discussions with the City Deal Office around Skills Academies, but progress has been slowed as dialogue navigates its way through different layers of government, and the need for clarity on operational specifics (which are still being determined).
- 3.4.** Engagement with local authorities has varied across Wales. A number of colleges have welcomed strong regional working, and their experiences suggest further opportunities for a number of joined-up regional and national projects would also deliver efficiency. This is particularly important for skills which are aligned to employer needs, as many employers operate across local authority boundaries and seek consistent solutions for their training needs. In the current SPF round in the Cardiff Capital Region, only 1.43% of funding has been assigned to regional projects (excluding Multiply).⁶
- 3.5.** Similarly, one member reported that a regional offer for the ‘at risk of NEET in FE’ and ‘Employer Focused Skills’ offer has been limited, and whilst the opportunity remains open it feels that a local approach is more likely in regards to the aims of these projects. A local approach is likely to result in direct grant awards and/or procured solutions by each local authority, although the extent of funding to support such projects will be dependent on the allocation and priorities of each local authority.

4. What types of intervention are being delivered through the Shared Prosperity Fund, and to what extent do these differ from Structural Funds interventions.

- 4.1.** There is some synergy between SPF and ESF programmes. However, current progress in South East Wales has resulted in a continuation of local authority led projects, some of which were funded through ESF and are getting first priority on the use of SPF, and this has diminished the opportunity for FE, HE and third sector to seek replacement funding or new funds to continue previous or deliver new projects.
- 4.2.** Where previously ESF funded programmes are winding down, the Welsh Government has been proactive in enabling some activities to continue. For example, NEET reduction and innovation funding for the current academic year, which has allowed one member to run two more skills academies, although this is only a single year solution which provides a challenge when creating project teams to deliver.
- 4.3.** Thus far, it appears there is little external activity outside of local authorities, as they look to tailor/modify previous structural fund delivery around skills and NEET prevention, and delivery in new areas piloted under CRF (Skills Academies). Anecdotal evidence suggests that in some regions, local authority projects previously funded by CRF are almost guaranteed to be renewed by SPF funding.

⁶ Please see [here](#). South East Wales Corporate Joint Committee: Shared Prosperity Fund – Principles and Regional Delivery Goals (July 2022)

4.4. There are a range of types of intervention that FE colleges have been exploring for future funding and new projects, with a view to developing proposals which respond to regional need and meet the criteria of the Shared Prosperity Fund. This has involved engaging with regional stakeholders and local authority partners to help inform the Regional Investment Plan for SPF. Below is an example of three projects that one region shared for discussion with local authority partners back in the summer of 2022:

- At Risk of NEET in FE – Designed to support young people who are ‘at risk’ and to build on the impact of the regional Inspire Achieve project.
- Employer Focused Skills – Aimed at providing a funding solution to meet the needs of priority sector employers and designed to address a gap in funding with the removal of the employer route of PLA and the end of Upskilling@Work.
- Priority Sector Skills Academies – Expansion of the pilot project delivered through CRF which provides a Welsh equivalent to the Northern Ireland Assured Skills Academy model and Skills Bootcamps in England.

There has been limited progress on all three strands to date.

5. Whether the funds are successfully identifying and supporting the communities and areas of Wales that are in greatest need, and how the geographical spread of funding compares to Structural Funds.

5.1. It is critical that SPF funds reach the areas in greatest need of support. SPF has the scope to be channelled into areas which would not have previously had access to local investment at such scale, as its flexible approach aims to represent a key shift from the previous EU system. We understand that SPF is a chance to do things differently and, in some cases, undertake different types of activity: it should not just be deemed to be continuation of ESF funding. Nevertheless, SPF will address many of the areas that ESF did support i.e. targeting of increased skills levels by focussing on those areas where employment is an issue.

5.2. There are however concerns that the methodology and legacy of EU structural fund delivery within local authorities remains. Although SPF is intended to build on existing national provision to create the optimal mix of support for each place, some members are concerned that there will be the continued bureaucracy that was associated with ESF in some areas. It remains too early to make detailed comparisons, but this should be carefully monitored as the programme progresses.

6. Whether The extent to which the processes and timescales set by the UK Government for the funds support local authorities and regions to achieve their intended outcomes.

6.1. Currently there is concern about clarity on the UK Government’s expectation of timescales, and there are significant differences in different regions. Where there are some instances of projects being funded and underway, the sense from other local authorities is that work should start from the beginning of April 2023.

- 6.2. Colegau Cymru previously called for a seamless transition to follow the end of existing projects to ensure as little disruption to learners as possible, noting that many existing projects through ESF and ERDF would continue into 2022 with the possibility of some even going to 2023.
- 6.3. Some members now find themselves in a position where significant delays have shortened the delivery window and therefore the potential impact and benefits of projects. SPF allocations at a local level are again significantly delayed with some projects mobilising at the end of Year 1 and others being procured/mobilised well into Year 2, reducing potential delivery from three years to as little as 18-months (including any closure period and evaluation activity).
- 6.4. CRF as a 12-month pilot was significantly delayed and resulted in a significant time reduction in delivery and ability to maximise impact of funding. We have previously highlighted frustrations from colleges regarding the very tight turnaround times for CRF which impacted negatively on the ability to work in partnership and pull sound collaborative plans together. Following these tight turnaround times, there have ultimately been delays in making awards to the extent that extensions are now being offered in relation to completing projects.
- 6.5. CRF was intended to be a pilot to help understand how SPF would be managed, and there should have been greater learning, especially around workable timescales for the development of plans and the ability to deliver on those plans. The funding objectives, policy and application structure of the new funding however, needed to be in place well before these dates, allowing organisations and institutions time to get together, identify projects and obtain approval prior to existing funding ending.
- 6.6. Mobilising funding over such a reduced timescale presents a major challenge, not only in the delivery but in the context of testing new approaches, and it lends itself to delivering more of the same, or claiming for central activities aligned to criteria (although we note this is difficult to disaggregate).

7. How effectively the different levels of governance in Wales are working together in relation to these funds.

- 7.1. We have held regular and useful conversations with the colleagues in the UK Government Wales Office and the Department for Levelling Up. We found that facilitating this relationship has proved useful, particularly for those members who have found communicating at a regional and local level more challenging, as it acts as a forum for colleges to share their experiences, voice concerns, and provide feedback in real time as the programme develops. In Spring 2023 we also welcomed the Welsh Local Government Association to this forum which added a useful dimension to this dialogue.
- 7.2. Due to the nature of the non-prescriptive approach set out by UK Government, about commissioning arrangements and freedoms to work within the framework, members have reported varying degrees of engagement throughout the process. From the development of and publication of Regional Investment Plans, to the current situation of commissioning arrangements where delivery is happening at a range of pace between local authorities. Ultimately, local Authority allocations of SPF have been significantly delayed which has restricted scope for regional and national working. and local authorities have faced the challenge of needing to mobilise structures to administer a funding portfolio aligned to something which would have previously been managed by WEFO.

- 7.3. We recognise the establishment of the regional working groups, however members report varying levels of concern at local authority bureaucratic processes slowing progress in project development. Anecdotally, a number of members have reported sensing increasing competition between local authorities at regional level as they seek to protect local budgets. Some members have also found it challenging to identify suitable points of contact to speak to within the local authority.
- 7.4. There are examples of best practice at regional working, such as in Carmarthen and North Wales, and these examples should be shared with regions that may not be working so well. We fully recognise that different places work better with different solutions, but we would encourage further sharing of the best methods to boost engagement between regions. When it comes to commissioning, UK Government do not expect it to remain hyper local, instead it should be regional as that is where the best practice has been.

8. The challenges and opportunities these funding streams provide for bodies such as businesses, colleges, universities and voluntary sector organisations who received Structural Funds.

- 8.1. There is an opportunity to streamline bureaucracy and deliver reactive and responsive programmes that no longer need to be aligned to seven-year national programmes. One member suggested that commissioning programmes using unit costs would help to quicken delivery and reduce bureaucracy.
- 8.2. Local authority devolved budgets should support this and allow similar programmes to run on a tailored basis effectively in different regions, allowing delivery to focus on beneficiaries and outcomes as a priority, and funding constraints as a secondary, however the appetite to commission work has been mixed.
- 8.3. There have been further opportunities for collaboration, or continued collaboration between education partners and local authorities that were not accessible, or were challenging under structural funds. There have also been opportunities around businesses and colleges (and others) having the ability to shape and influence future funding allocations and priorities, which was again more challenging under structural funds.
- 8.4. Inevitably, challenges will present themselves around timelines, funding commitments and outcomes, and whether there will be an ability to roll forward activity in future programmes (e.g. 2025-28); although a multi-year programme of more than three years should be encouraged. There is still need for greater regional and national working relationship across Wales, where activities can be joined-up to ensure a uniform approach for certain projects, particularly those which are targeted at businesses.

9. How the Multiply programme is developing across different parts of Wales, and what are the potential barriers and opportunities in relation to delivering this programme.

- 9.1. Engagement around the Multiply Scheme has been sporadic and presents a starkly different picture to the rest of the Shared Prosperity Fund. To date, there has been limited progress and these delays will inevitably have an impact on the effectiveness of the programme, number of interventions, and quality of delivery.

- 9.2. Engagement at local level has been positive but central restrictions have hugely hindered timescale, particularly with regards to uncertainty of how to procure and/or grant award such funding. FE should be central to delivery of Multiply, and it is disappointing the opportunity for some national programmes to be developed has been missed.
- 9.3. We know that there has been significant ‘under-utilised’ spend in the programme, and we have frequently discussed this issue with the Wales Office at the Department for Levelling Up, and called for an increase in the flexibility of funding to adapt programmes beyond the scope of just adult numeracy. Funding of this magnitude presents a greater opportunity but it requires national coordination to ensure it complements FE and Adult Community Learning (ACL) provision and funding in this area.
- 9.4. There is still uncertainty over how Multiply will work in practice and local authorities are pushing for further flexibility to enable funding to be utilised as part of the People and Skills priority strand to the fund. A decision is expected on this imminently but given we are approaching mid-April, colleges expect they would be fortunate to have things happening at scale by September 2023 which leaves a very short window to mobilise, deliver and evaluate by March 2025.
- 9.5. There is a concerning lack of joined up thinking in the way the Multiply programme is developing across Wales and even across regions. With each local authority area planning differently, for example some local authorities are going through procurement processes whilst others are operating grant funding projects, there is significant risk of duplication of both effort and funding. Already in one local authority, the overall budget for Multiply has been reduced by more than 20% with further funding at risk because no delivery has happened in year one.

Rachel Cable

Cyfarwyddwr Polisi a Materion Cyhoeddus | Director of Policy and Public Affairs

Rachel.Cable@colegaucymru.ac.uk

Elusen Cofrestredig | Registered Charity: 1060182 Cwmni Cofrestredig | Registered Company: 283210

Jamie Adair

Cynorthwydd Polisi a Materion Cyhoeddus | Policy and Public Affairs Assistant

Jamie.adair@colegaucymru.ac.uk

Elusen Cofrestredig | Registered Charity: 1060182 Cwmni Cofrestredig | Registered Company: 283210

Colegau Cymru
April 2023

Post-EU Regional Development Funding

Consultation Response: Economy, Trade, and Rural Affairs Committee

FSB Wales

April 2023

About FSB

FSB Wales is the authoritative voice of businesses in Wales. It campaigns for a better social, political, and economic environment in which to work and do business. With a strong grassroots structure, a Wales Policy Unit and dedicated Welsh staff to deal with Welsh institutions, media and politicians, FSB Wales makes its members' voices heard at the heart of the decision-making process.

SMEs form the overwhelming bulk of businesses in Wales. They are grounded and embedded in our communities and provide vital services and amenities, as well as jobs and prosperity. They form the foundation for local economic development and create value within our communities. However, Brexit has altered a number of funding structures for Welsh businesses and new post-EU funding streams presents a number of opportunities and challenges for SMEs with regard to business support.

How effective were EU Structural Funds at transforming the Welsh economy?

We know that during the 2014-20 funding round, Wales received more than double the amount per person in EU Structural Funds than any of the other nations and regions of the UK. In this previous round, Wales was allocated over 8 times more in EU Structural Funds than the South East of England, €2.4 billion compared to €286 million. However, in terms of the SME economy specifically, evidence from the FSB Reformed Business Funding Report found that EU funding played a particularly important role around supporting scale-up firms looking to further their aspirations for further growth. Just under a quarter, 22.9% of Welsh SMEs have received support from European funding streams, primarily signposted through Businesses Wales or wider skills and business support. FSB also found in the Reformed Business Funding Report that 26% of small businesses in Wales had at some point applied for EU funding and business support. This financial support has been used to provide skills training, research, and development, and business development support. A significant proportion of the apprenticeships budget, a key support to SMEs and wider skills development in Wales, was also funded by the EU. FSB members reported that EU funding had a net positive impact on their business and local area, with only 15% of respondents suggesting that funds had no impact or a negative impact.

To highlight a specific stream within the fund that helped support the SME economy in Wales – a £157.5 million JEREMIE fund delivered finance to small businesses between 2009 and 2015. It was the first fund of its kind in the UK and its funding came from EU Structural funds, ERDF, and Welsh Government. The fund invested in microfinance, debt, and equality finance to support small businesses. Funding that is ringfenced for smaller

businesses is particularly important of the Welsh economy where 99.4% of our enterprises are SMEs.

Members did highlight difficulties in applying for EU funding and some found that conditions attached to funding were overly restrictive. Our evidence suggests that small business engagement and signposting of available EU funding support for access to finance was not always working as effectively as it should.

However, it is also the case that the money has not had a transformative effect on the Welsh economy. In our 2022 report 'Building Businesses', we expressed the hope that changes to the structure provide an opportunity to create a less bureaucratic and better funding system that serves Wales – and SMEs in Wales' – needs. More regulatory burdens and shorter funding cycles tend to mean SMEs missing out as they have less capacity to engage. This can lead to the traditional criticism that EU funding led to 'nice shiny buildings' but not the incremental changes and support for SMEs that is needed to transform Wales' economy.

In changing the funding system, we need to learn from past mistakes and look to a focus on long-term economic development in Wales. This requires a system which is anchored and certain, brings to bear considerable central resources to regional development, provides for local knowledge and builds on institutional learning and networks already in play, builds capacity and capabilities, and on a shared mission toward economic development in Wales that sits outside short-term political agendas and electoral cycles.

Whether the funding that Wales will receive to 2024-25 through the Shared Prosperity Fund and the tail-off of remaining EU Structural Funds matches the level of funding that Wales received through Structural Funds while the UK was a member of the EU and any potential Structural Funds that would have been available through the next programme.

The total value of the Shared Prosperity Fund and whether it matches that of EU Structural Funds in Wales is dependent to an extent on how we count that support – in terms of grants whether we will count the tailing off of EU funds and whether they will be replaced post 2025, and whether UK Government will address the need for better SME access to finance also in Wales.

Developments thus far suggest a shortfall compared to the quantity of funding previously available. FSB Wales has consistently stated our belief however that Wales should continue to be in receipt of funds of an equal or similar value post-Brexit. This believe is also supported by the majority (78%) of our membership in Wales. If funds of a similar value are not being made available to Wales, the Welsh economy stands to be much worse off.

From our interaction with members, and the Shared Prosperity Fund process, it is still relatively early to judge whether our individual members and wider sectors are receiving more or less than they were under previous funds.

However, there is a concern that less funding is being fed into the Welsh economy as a whole due to the lack of an additionality clause that appear in EU Structural Funds. Under the Structural Funds process, bids can be submitted which bid for money but without being matched. If a significant number of these bids are selected this will see the displacement of investment in Welsh economy overall as an unintended consequence of the Structural Fund, even if the value of the fund matches pre-Brexit funding.

Furthermore, even if the value of the pre- and post-Brexit funds match, the geographical movement of funding may mean that funding loss will be experienced acutely in certain areas like West Wales and the Valleys. That some more deprived areas in the Community Renewal Funds are not targeted and are seen as less of a priority than relatively better off areas is a concern, particularly as Wales is among the more deprived areas of the UK.

Which elements of the two new funds have worked well so far, and which have been less effective. What lessons could be learnt for the future to maximise the impact of the funds.

While the bidding process for the Shared Prosperity Fund is allowing for good, new, innovative ideas to be considered, it is unclear in all cases whether bidders are always best-placed to deliver projects or support.

There are a number of issues with the delivery being at a local authority level only rather than via Welsh Government. There are different administration processes and awarding of funds being undertaken by different Local Authorities which provides inconsistency and uncertainty for SMEs. Depending on the outcome of the structural funds this may lead to unfairness for SMEs operating in different regions, creating a postcode lottery of businesses support.

Having delivery at the Local Authority level also creates a situation where there is little cohesion and overarching structure. Previously at Welsh Government level, regional and national projects could be supported through EU funding but due to bids being decided in separate local authorities the ability to achieve wider aims is lost. The bidding process is likely to encourage speculative applications - where bids are put in for the sake of it, to see what happens, rather than for the benefit of the wider economy and community, again creating this lack of structural use of the fund. There is also an issue arising where if a regional bid is put in, if one local authority does not approve it – this prevents it being delivered in the other local authority areas even if they wished to fund it.

There is also a loss of efficiency and economies of scale that can be otherwise be gained by delivering projects at this higher level rather than at a more localised level. FSB Wales has always made clear that the competition element, putting rivals against each other, is perhaps not the best way to get value for money. The competitive bidding process also seems to mitigate against Local Authorities working in partnership, which is something that should be encouraged to provide for scale.

The bidding process risks creating considerable duplication. As there are separate deliberation processes across different local authorities, which require significant contribution and resources from partners, this duplication puts a strain on the time and resources of experts to contribute to the process. FSB Wales are concerned that many similar applications likely to come in across Wales and that duplication in awarding these similar applications may not be the best value for money or the most efficient way of delivering these projects. For example, where sustainability or net-zero focussed initiatives provided under the Shared Prosperity Fund may clash with money already available through Development Bank of Wales Funding, or where the two together could add more value and be mutually reinforcing.

Finally, with previous EU funds we know that just over a quarter of our members had applied for funding and just under a quarter had received funding but from interaction with our members so far, there is a worry that smaller businesses are not being made aware of the new funding available. FSB Wales is concerned that raising awareness of

the post-Brexit funds has not been sufficient enough, which risks leaving many smaller businesses here in Wales unaware of potential opportunities. There appears to be a lack of awareness among small businesses that this is happening at all, with low visibility of the Shared Prosperity Fund and the Levelling Up agenda in the small business community. This also which means it is harder to get consortia between businesses and/or with higher and further education.

What types of intervention are being delivered through the Shared Prosperity Fund, and to what extent do these differ from Structural Funds interventions.

FSB currently is not able to answer this question as it is still relatively early. We do not know the full impact of the Shared Prosperity Fund yet, and there is currently uncertainty as to which projects will be delivered. Where there are larger pots of funding being secured, for overarching projects, such as schemes for decarbonisation and sustainability for example, we also don't know whether these will be going between 10 businesses (£25,000 each) or 1000 businesses (£2500 each). We also don't know what the criteria will be for smaller businesses to access these separate pots, these criteria have the ability to make the funds more or less SME friendly. The progression of allocation of funds is something that needs to be closely monitored to understand what sectors, interventions, and businesses are involved.

Whether the funds are successfully identifying and supporting the communities and areas of Wales that are in greatest need, and how the geographical spread of funding compares to Structural Funds.

As already mentioned, one of the greatest positives coming from the current post-Brexit funding is that it is open to more Local Authorities than EU Structural Funds which means authorities previously exempt by Objective One or Convergence Funding criteria, now have access to potential funding. This provides opportunity to recapitalise rural Wales that was exempt from previous funding, and the regeneration of previously exempt towns. The Shared Prosperity Fund is also likely to deliver a postcode lottery of businesses support due to deliberation being made at the local authority level. We would like to see SMEs have access to innovative and sufficient funding to fulfil their needs and ambitions regardless of where they are geographically located in Wales.

The extent to which the processes and timescales set by the UK Government for the funds support local authorities and regions to achieve their intended outcomes.

The processes and timescales set by the UK Government for these funds are not SME friendly and do not utilise a 'Think Small First Model' which understands the need for better engagement with smaller businesses and appropriate mechanisms. Without doing so these processes, as stand, cannot fully support SMEs in Wales to achieve their goals and ambitions. Post-Brexit funding streams should be learning from best practice in Wales by including a Think Small First model. This should help to ensure that SMEs are not being unfairly disadvantaged. Currently, the minimum application of £250,000 is too high a level of spend for many SMEs and excludes many from this funding. There is also a concern that the timescales are too tight for to convene and engage necessary

coalitions of partners. Short timescales are particularly challenging for SMEs as they are likely to have reduced capacity, staff, and resources, especially in areas like administration. This makes meeting these deadlines more costly and challenging for them and disincentives smaller businesses from applying for the funding streams, which prevents them reaching their goals and UK and Welsh Government from reaching wider economic ambitions and truly supporting local economies.

A 'Think Small First' Model or Principle could take a number of forms, but may include policy such as:

- Ensuring impact assessments are made for businesses of smaller size where regulation and policy will likely have a disproportionate effect and provide mitigations accordingly
- Establishing frameworks, networks, and infrastructure that allows for information sharing, innovation, diffusion, and adoption
- Providing consistent and accessible information
- Cutting contracts into small enough pieces
- Reducing regulation for small businesses with less than 50 employees
- Providing suitable and equitable access to finance for small businesses

On top of this, a 'Fairness' Test' could be used to ensure equity and justice for smaller businesses during the transition to net zero. In planning and designing regulatory and policy frameworks, and in prioritising investment the following principles should be met:

- Fairness of Ambition – matching the reality of the challenge
- Fairness of Accountability – taking a coordinated approach with coherent and accountable governance
- Fairness of Delivery
- Fairness of Opportunity – ensuring businesses of all sizes, in all sectors, across every region and nation have access
- Fairness of Cost – ensuring policies are affordable and achievable

How effectively the different levels of governance in Wales are working together in relation to these funds.

There are dangers and risks for SMEs by UK Government bypassing Welsh Government in delivery of business support, and also in UK not using institutions and structures that have worked, retain trust between actors, are regionally-based and embedded in Wales. A comprehensive OECD report has noted importance of strong institutions, regional based capacity, to ensure effective joined up business support funding that works in the long-term and outside the electoral cycle. We concur with this assessment and urge that the system is shaped to accommodate expertise, local knowledge and institutional advantages that are in place in Wales. Similarly, we have previously expressed concern that Senedd members aren't engaged in the process in the way Members of Parliament are expected to participate.

The challenges and opportunities these funding streams provide for bodies such as businesses, colleges, universities and voluntary sector organisations who received Structural Funds.

From FSB Wales' interaction with the Shared Prosperity Fund process and our members so far, the key challenge for smaller businesses is that the processes are not SME-friendly. Post-Brexit funding streams should be learning from best practice in Wales and be designed with a Think Small First model in mind to ensure that our SMEs here in Wales are not being unfairly disadvantaged. For example, in North Wales there is a

minimum application spend of £250,000.¹ This is not a realistic level of spend for many SMEs and excludes them from this funding unless local authorities or other organisations put in bids to disperse that funding further. From speaking to members and witnessing the process, the timescales are also tight. This is particularly hard for SMEs who have reduced capacity, staff, and resources – meeting these deadlines and quick turn arounds will be significantly more costly and challenging for them. It is a concern that because of these processes, local authorities, universities, and colleges will be able to apply but the disincentives for smaller businesses are significant.

There are some opportunities of these new funding streams however for smaller businesses in Wales. As mentioned already, small businesses in local authorities that were previously excluded from certain EU funding now have greater funding opportunities available to them. There is also an opportunity, at the discretion of different local authorities, to provide funding for projects and SMEs that would not have been granted under previous EU funds. Divergence between the projects selected by and approaches of different local authorities may allow them to learn from each other and to develop best practice and innovation.

How the Multiply programme is developing across different parts of Wales, and what are the potential barriers and opportunities in relation to delivering this programme.

No view.

¹ <https://www.wrexham.gov.uk/SharedProsperityFund>

Post-EU regional development funding

Consultation response to the Economy, Trade and Rural Affairs Committee

About Universities Wales

Universities Wales represents the interests of universities in Wales and is a National Council of Universities UK. Universities Wales' membership encompasses the Vice Chancellors of all the universities in Wales, and the Director of the Open University in Wales.

Our mission is to support a university education system which transforms lives through the work Welsh universities do with the people and places of Wales and the wider world.

Universities Wales welcomes the opportunity to respond to the Committee's consultation.

Executive Summary

- Universities in Wales have delivered significant benefit through collaborative, large-scale research, innovation and skills projects funded by European Structural and Investment Funds (ESIF). These have included research projects aligned with Welsh and UK Government priorities on net zero and further nationally important challenges and skills work which has enabled more people of all ages and backgrounds to access education and training.
- The funding has enabled universities to deliver benefits to businesses, including small and medium enterprises, the public sector and individuals.
- In the most recent round, Welsh universities were directly awarded over £350m in EU funds as lead partners, with total project value exceeding £500m. In addition to this, Welsh partners benefited from €51m (~£45m) in Interreg funding for multi-partnered projects.
- ESIF funding has strengthened research capacity and supported developing and attracting talent to grow the Welsh research base within Welsh universities and deliver skills for the future.
- The UK Shared Prosperity Fund does not directly replace lost ESIF funding, as its remit and delivery structure do not sufficiently map across to areas funded via ESIF to date. The UK SPF has a far wider remit than ESIF, and its delivery via

local authorities inhibits our ability to take a regional or Wales-wide strategic approach on skills and R&I.

- As a result of the loss of ESIF funding, over 1,000 highly-skilled jobs and 60 research, skills and innovation projects in Welsh universities are at risk.

Consultation response

1. How effective were EU Structural Funds at transforming the Welsh economy?

Wales has received proportionally greater investment through European Structural Funds than other parts of the UK¹. A significant proportion of these funds has been invested in research, skills and innovation activities and infrastructure that have enabled our universities to secure competitive funding, support businesses and deliver to individuals.

This investment and the springboard it has provided has brought tangible benefits to people and places across Wales. Universities were the second largest recipients of EU Structural Funds in Wales in the most recent programme, being awarded over £350m as lead partners since 2014.

A number of major infrastructure projects at our universities have been supported by Structural Funds including a world-leading brain research centre, innovation campuses and the centre for compound semiconductors.

Capacity building projects with collaborative and innovative work across a number of Welsh universities have also been supported by Structural Funds. These have included projects focused on developing sustainable energy systems, advanced manufacturing, bio sciences and agri-tech.

- **ASTUTE**: The ASTUTE 2020 (Advanced Sustainable Manufacturing Technologies) operation supports collaboration in industrial Research, Development and Innovation (RD&I) between world-class academics based in five Welsh universities and a team of technical experts and project managers and industry. Successful projects have included a collaboration with Brother Industries (BIUK) to develop printer cartridges made using recycled plastics. BIUK can now transition products currently made from virgin resins to recycled resins, creating a direct environmental impact, reducing the use of raw materials, saving energy and reducing CO2 emissions from manufacturing and landfill.
- **FLEXIS**: Led by Cardiff University, Swansea University and the University of South Wales, brings together expertise from across these universities to facilitate an affordable, sustainable, and socially acceptable transition to a low carbon future. The five-year EU-backed project will look to solve a diverse, complex and inter-dependent set of challenges, ranging from energy storage, to decarbonisation and fuel poverty.
- **BEACON** is a partnership led by Aberystwyth University, working with Bangor and Swansea Universities and the University of South Wales. The BEACON team

¹ [Allocation of EU structural funding across the UK - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

works on converting biomass and bio-industry wastes into biobased products with commercial applications, via biorefining and bio processing.

Structural Funds have also enabled universities to develop and deliver skills programmes.

- [KESS](#): Knowledge Economy Skills Scholarship (KESS) is a programme led by Bangor University on behalf of the higher education sector in Wales, funded by European Social Funds. KESS supports collaborative research projects, placing research master's and PhD students with external partners ranging from SMEs to large companies, social enterprises and public bodies.
- [Go Wales](#) provides work experience programmes for young students on higher education programmes throughout Wales.
- [Technocamps](#) provides free STEM workshops for schools and resources to support digital upskilling across Wales through partnership with all Welsh universities.

The activities and research programmes delivered by universities via ESIF have brought a wide range of tangible impacts across communities in Wales and supported Welsh Government strategic aims such as achieving net zero.

The vast majority of these interventions are now at risk.

2. **Whether the funding that Wales will receive to 2024-25 through the Shared Prosperity Fund and the tail-off of remaining EU Structural Funds matches the level of funding that Wales received through Structural Funds while the UK was a member of the EU and any potential Structural Funds that would have been available through the next programme.**

Remaining Structural Funds

According to the Welsh European Funding Office, remaining EU Structural funds to be spent by 2023 (cut off point for the 2014-2020 period) amounts to £60m² across projects led by Welsh universities. These funds relate to amounts already awarded.

Potential structural funds modelling

There are multiple factors affecting the allocation of EU Structural Funding making it difficult to calculate exactly the level that Wales could have expected to receive had the UK remained a member state of the EU.

However, CPMR modelling work has suggested that had the UK remained in the EU, it would have been entitled to approximately €13bn for the 2021-2027 period³. This is a 22% increase on the 2014-2020 allocation, due to the fact that many regions of the

² <https://committees.parliament.uk/publications/34549/documents/190166/default/>

³ <https://cpmr.org/wpdm-package/uk-allocation-for-cohesion-policy-for-post2020/?wpdmdl=20524&ind=1550570009760>

UK are falling behind the EU average in terms of regional prosperity, and there is a worsening level of regional disparity.

The share of the UK's EU Structural Funds was allocated according to levels of regional prosperity. There are three regions in Wales used to calculate funding allocation: North Wales, East Wales, and West Wales and the Valleys. For the 2014-2020 period, North Wales and West Wales and the Valleys were both categorised as 'less developed regions' (a regional GDP of less than 75% of the EU average) entitling them to a higher proportion of funding, while East Wales was a 'more developed region' (regional GDP of over 100% of the EU average).

CMPR forecasts, based on the allocation methodology published by the European Commission for the post-2020 period⁴, that had the UK remained a member of the EU, more regions across the UK would have been categorised as 'less developed regions', and notably East Wales would have been recategorised as a 'transition region', which would have meant more funding for the region, as regional GDP accounts for 75% of the allocation formula.

So while it is not possible to calculate exactly the amount of Structural Funds that Wales would have received had the UK remained part of the EU, when bearing in mind the UK received approximately €10.6bn for 2014-2020, and there are now more regions that would be classified as 'less developed' or 'transition', CPMR modelling suggests that North Wales and West Wales and the Valleys would have been entitled to over €500m each, and East Wales would have received ~€100-200m.

This is a potential €1.2bn (approximately £1bn) to which Wales could have been entitled from 2021-2027.

In addition to the above calculations, Wales would also have been eligible to apply for funding via Interreg for joint projects with e.g. Ireland, which is also ERDF funded. In the 2014-2020 funding round, Wales was involved in all three categories of Interreg – Cross Border with Ireland, Transnational Cooperation (Atlantic Area and NW Europe) and Inter-regional (Europe Wide) which delivered €51m of funding.

The objectives set out for the current structural fund programme include a greener, low carbon transition towards net zero and a more competitive, smarter Europe.⁵ The research and innovation activity delivered by Welsh universities aligns with these priorities, and could have drawn significant investment into Wales' work in these areas.

There is greater flexibility possible now for European regions to use Structural Funds in 'synergy' with other EU programmes such as Horizon Europe or Erasmus this further dimension unlocking alternative European funding opportunities has also been lost.

By comparison, Wales has received £459m across 2022-25 from the UK SPF⁶ for a far broader spectrum of interventions, which effectively remove larger- and longer-scale research and innovation activity delivered by Welsh universities from the equation. £101m of this funding is ring-fenced for the Multiply programme, meaning available funding over the three-year period is £358m, or £119m per year.

⁴ [EUR-Lex - 52018PC0375 - EN - EUR-Lex \(europa.eu\)](#)

⁵ [Inforegio - Priorities for 2021-2027 \(europa.eu\)](#)

⁶ [UKSPF allocations - GOV.UK \(www.gov.uk\)](#)

Comparison with Ireland

In the recent announcements of the European Regional Development Fund operational programmes for Ireland a strong emphasis is placed on investment in research and innovation including through investment in the new Technological Universities. The Operational Programme for the Southern, Eastern and Midland Regional Programme will have €663m funding from 2021-27 and has a major focus on building research, development and innovation capacity through investment in the Technological Universities as regional research institutions to create '[Smarter and More Competitive Regions](#)'. The Operational Programme for the Northern and Western Region has €217m funding during 2021-27 and has a focus on investing in the capacity of the new [Atlantic Technological University](#).

Pioneer

The prospectus for [Pioneer](#), the UK Government's 'plan B' in the event of non-association to Horizon Europe has been published.

Although the proposals for 'Pioneer Infrastructure' make mention of UK Government's levelling up ambitions, it's not clear whether the investment in Science Research Technology and Innovation would directly redress the loss of structural funds – including the capital funding which has been beneficial for the sector in Wales – and the role of devolved governments in the programme remains quite vague within the prospectus.

Allocation mechanisms

Beyond the actual amount of funding allocated to Wales' regions, the mechanism for allocating funding at a strategic level has also been lost. The Welsh European Funding Office (WEFO) allocated structural funds across Wales with longer-term strategic objectives in mind, using funding to drive significant research and innovation activity and skills projects in Welsh universities. Universities in Wales were the second largest recipient of ESIF in the 2014-2020 period, accessing over £350m to deliver research, innovation and skills activity that delivered benefits to the people and places of Wales.

The Welsh Government's Framework for Regional Investment⁷ included strategic objectives including enhancing effective research, development, knowledge exchange and innovation capacity.

By comparison, the distribution of the UK SPF via local authorities is leading to shorter-term, localised priority setting and funding allocation, with no strategic objective driving a higher-level focus on national investment ambitions.

This fundamental difference in funding allocation and delivery means that for Welsh universities, the UK Shared Prosperity Fund cannot legitimately be considered replacement funding for ESIF.

⁷ [*Framework for Regional Investment in Wales \(gov.wales\)](#)

3. Which elements of the two new funds have worked well so far, and which have been less effective. What lessons could be learnt for the future to maximise the impact of the funds.

In order for Welsh universities to continue to deliver benefit to the people and places of Wales, there would need to be some significant changes to the delivery of the UK Shared Prosperity Fund.

The structure of delivery via local authorities, despite the UK Shared Prosperity Fund prospectus recommending the inclusion of universities in local partnership groups, and operating through pre-existing regional geographies such as city and growth deals, is too localised to meet regional or Wales-level strategic priorities for investment in research, innovation and skills. Available grants were too small, with too tight a timescale, to allow for meaningful, strategic and joined-up bids to be developed.

A more considered, joined-up, regional or Wales-wide approach is needed to address gaps in funding arising from the withdrawal of ESIF. In our view, the Welsh Government's Framework for Regional Investment would provide a helpful structure for funding.

Timescales also need addressing. The UKSPF prospectus was released in April 2022, with a deadline for investment plans of 1 August 2022. This gave very little time for a strategic approach to delivery.

Furthermore, with funding allocated up to 2025, compared to the ESIF period of 2021-2027, there is less opportunity for investment in longer-term projects.

Universities have noted that ESIF funding processes were fairly bureaucratic, and so consideration should be given to reducing bureaucracy in allocating research and innovation funding. This is in line with the findings of the Independent Review of Research Bureaucracy led by Professor Adam Tickell⁸ (funding applications were the most cited causes of unnecessary bureaucracy based on the length and complexity of the processes) and the Independent Review of the UK's Research, Development and Innovation Organisational Landscape, led by Professor Sir Paul Nurse⁹ (which found research operations are hindered by excessive bureaucracy with too much emphasis on audit-oriented reviewing and reporting).

4. What types of intervention are being delivered through the Shared Prosperity Fund, and to what extent do these differ from Structural Funds interventions.

It is still too early say what interventions are being delivered via UK SPF funding. The investment priorities set out in the UK SPF prospectus are communities and place, supporting local business, and people and skills. These cover interventions such as investment in town centres, creating jobs, business support and local-level investment in research and development infrastructure.

⁸ [Independent Review of Research Bureaucracy: final report \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

⁹ [Independent Review of the UK's Research, Development and Innovation Organisational Landscape: final report and recommendations \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

Compared to this, the policy objectives for EU cohesion policy (informing allocation of ESIF) for 2021-2027 are:

1. a more competitive and smarter Europe
2. a greener, low carbon transitioning towards a net zero carbon economy
3. a more connected Europe by enhancing mobility
4. a more social and inclusive Europe
5. Europe closer to citizens by fostering the sustainable and integrated development of all types of territories

These policy priorities line up with Welsh Government's Programme for Government ('build a stronger, greener economy making maximum progress towards decarbonisation'; 'celebrate diversity and move to eliminate inequality in all of its forms' ¹⁰) and the Framework for Regional Investment ('our vision for regional investment is to support jobs and growth in communities right across Wales, in a way which is both inclusive and sustainable and with an emphasis on integrating investments and regional decision making')¹¹.

The types of intervention being delivered through UK SPF funds are localised and focused on short-term improvements. The type of activity historically funded via ESIF in Wales has been longer-term and of strategic priority. Universities have delivered collaborative research projects focusing on sustainable energy solutions and advanced manufacturing but cannot access replacement funding for this activity via the UK SPF as they sit outside of the fundable interventions in the prospectus.

Universities are accessing relatively small funding streams to deliver localised anchor projects such as business support and continued professional development courses.

5. Whether the funds are successfully identifying and supporting the communities and areas of Wales that are in greatest need, and how the geographical spread of funding compares to Structural Funds.

European Structural Funds are awarded on a regional basis according to regional GDP. (as outlined in further detail in response to question 2).

The UK SPF invited investment plans from local authorities, to be developed in collaboration with a 'local partnership group' including local and regional stakeholders, to 'unlock' the conditional funding allocated in the prospectus.

For Wales, the allocation was set as:

- 40% of funding is allocated on a per capita basis across Wales.
- 30% of the allocation uses the same needs-based index previously used to identify UK Community Renewal Fund priority places.
- 30% are allocated using the Welsh Index of Multiple Deprivation.

¹⁰ [Welsh Government Programme for government: update \[HTML\] | GOV.WALES](#)

¹¹ [Framework for Regional Investment in Wales \(gov.wales\)](#)

The key difference is that ESIF was allocated on a regional basis, and delivered at a strategic level across Wales, whereas the UKSPF has been allocated directly to local authorities which inhibits our ability to draw together large, long-term regional or national projects.

6. The extent to which the processes and timescales set by the UK Government for the funds support local authorities and regions to achieve their intended outcomes.

The prospectus for the UK SPF was published in April 2022, with a deadline for local investment plans to be submitted by 1 August 2022.

This is an extremely tight timescale for lead local authorities to have engaged with relevant local and regional stakeholders as suggested in the prospectus.

Universities were listed as key members of local partnership groups, however despite efforts on all fronts to work within the timescale and structure, universities across Wales have struggled to engage with the process.

As the SPF is annualised funding, there is a real risk that activity will be overly weighted towards short-term rather than long-term need.

7. How effectively the different levels of governance in Wales are working together in relation to these funds.

Despite the prospectus for the UKSPF advocating for the inclusion of universities in local partnership groups, and a focus on regional working across existing city and growth deals, anecdotal evidence suggests that engagement has been sporadic and inconsistent, often depending on pre-existing relationships existing between local authorities and universities.

Different local authorities have adopted a variety of mechanisms for engagement, communication and delivery in response to the challenging timescale and structure they have been dealt by UK Government.

Allocating funding to local authorities hinders the ability to use the funding strategically at a regional and national level, and makes it difficult to continue to fund collaborative research, innovation and skills projects led by Welsh universities to continue to deliver significant benefit to the people and places of Wales and beyond.

ESIF funding was delivered on a regional level according to national priorities by the Welsh European Funding Office. Universities Wales would advocate for a more strategic approach at a regional level formalised to the delivery of replacement funding.

8. The challenges and opportunities these funding streams provide for bodies such as businesses, colleges, universities and voluntary sector organisations who received Structural Funds.

Universities have been the second largest recipient of ESIF in Wales, delivering significant and tangible benefits to individuals, businesses and the public sector. The

greatest challenge posed to universities in the wake of ESIF funding is struggling to find like-for-like funding to continue delivering the research and skills projects set up using these funds.

The UK Shared Prosperity Fund does not provide direct replacement funding, it has a wider remit than purely research, innovation and skills, and its structure and delivery makes it significantly harder for universities to access the funding, as outlined in response to questions 6 and 7. The Community Renewal Fund operated as a precursor to the UK SPF and focused on skills, business, employment and investment in communities.

It should also be noted that UKRI cannot provide direct replacement funding for ESIF. UKRI funds research and innovation rather than regional development activity, and universities submit bids for competitive funding pots. The funding programmes delivered by UKRI are not able to provide support to retain the capacity and talent supported by ESIF.

As a result of the loss of ESIF funding, over 1,000 highly-skilled jobs in Welsh universities are at risk. We risk losing significant research talent and capacity across Wales without sufficient replacement funding, which the UK SPF does not provide. For this reason, Universities Wales has called for bridging funding from the UK Government to mitigate against the immediate cliff-edge facing research projects.¹² The ask set out was for ~£70m, roughly 6% of the overall UKSPF across the UK, to simply provide enough capacity to make longer-term strategic decisions about whether and how to continue to sustain individual research projects, rather than letting them fall off the cliff edge as ESIF comes to an end.

The limited opportunities for universities to access funding via UK SPF are largely skills-related programmes. However, mapping existing projects onto the UK SPF is challenging if not impossible, for example the very successful KESS programme supports PhD students to work with small and medium-sized businesses, and which takes at least 3.5 years¹³. UK SPF funding would not cover this period.

9. How the Multiply programme is developing across different parts of Wales, and what are the potential barriers and opportunities in relation to delivering this programme.

We are aware of a number of challenges associated with rolling out the Multiply programme in Wales as outlined by the Economy Minister in evidence to the Committee on 16 March¹⁴, however universities are not directly involved in its delivery.

There were a number of innovative skills development programmes funded by structural funds, and it is unfortunate that the focus on learning and development within the replacement funds has been through Multiply when there are other existing successful models that we are likely to lose.

¹² [Universities sound the alarm for research, innovation and skills in Wales | Universities Wales \(uniswales.ac.uk\)](https://www.uniswales.ac.uk)

¹³ [KESS 2 Knowledge Economy Skills Scholarships](#)

¹⁴ [Economy, Trade, and Rural Affairs Committee 16/03/2023 - Welsh Parliament \(senedd.wales\)](#)



Post-EU Regional Development Funding

1. Introduction

- 1.1. Wales Council for Voluntary Action (WCVA) is the national membership body for voluntary organisations in Wales. Our purpose is to enable voluntary organisations to make a bigger difference together.
- 1.2. WCVA has been involved in the design and implementation of the Structural Funds in Wales since 2000, from the development of Objective One programme documents, to the delivery of a range of operations through the successive programmes such as the Social Risk Fund, Intermediate Labour Market and Engagement Gateway, and in the 2014-2020 programme the Active Inclusion Fund, the Social Business Growth Fund and the Community Asset Development Fund.
- 1.3. WCVA was appointed as an Intermediate Body (IB), under the existing 2014-2020 programme, in recognition of its ability to effectively manage and administer competitive grants on behalf of the Welsh European Funding Office (WEFO).
- 1.4. This submission is a response to the Senedd Economy, Trade and Rural Affairs Committee's inquiry into post-EU regional development funding, and it has been informed by discussions with the Third Sector European Forum, County Voluntary Councils (CVCs) and other voluntary sector organisations with an experience in delivering European Structural Funds projects.

2. How effective were EU Structural Funds at transforming the Welsh economy?

- 2.1. The Structural Funds have had a substantial impact on the voluntary sector in Wales and subsequently on underrepresented individuals and communities that the sector supports.
- 2.2. It is estimated that under the 2000-2006 European Structural Funds programmes the voluntary sector accessed over £224 million and in the 2007-2014 funding cycle it was awarded over £105 million. Under the current

2014-2020 programmes the voluntary sector has lead operations worth over £138 million.¹

- 2.3. Voluntary sector organisations have had a significant involvement in ESF funded employability and skills programmes, such as WCVA's Active Inclusion Fund, which helped voluntary organisations support some of the most vulnerable in society on their journey towards employment. Since 2015 Active Inclusion awarded over £30 million in grant funding to more than 180 organisations, and helped over 23,000 disadvantaged people to move into or closer to employment. The Fund had a calculated 'social return on investment' of approximately £3.37 of benefit generated for every £1 spent.²
- 2.4. Over the past two decades the Structural Funds have been successfully used to stimulate the growth and development of the social business sector in Wales with the help of the European Regional Development Fund. In the current funding programme WCVA's Social Business Growth Fund and Community Asset Development Fund awarded £4.8 million across 59 social businesses which created 282 jobs.

3. Whether the funding that Wales will receive to 2024-25 through the Shared Prosperity Fund and the tail-off of remaining EU Structural Funds matches the level of funding that Wales received through Structural Funds while the UK was a member of the EU and any potential Structural Funds that would have been available through the next programme.

- 3.1. One of the biggest concerns for the voluntary sector is over the timescales of the UKSPF. The launch and distribution of funds were not well timed as they did not align with the tailing off of EU funds. This had a major impact on a large number of organisations whose projects ended before money from the UKSPF were available.
- 3.2. Although funding will match the levels of previous Structural Funds by the third year of the funding period, it needs to be noted that we are already in the second year of the UKSPF, most of which has not been distributed yet, and projects will need to finish delivery by the end of 2024 to allow time for the closure of the programme.

¹ UKRCS (2023) Two Way Street: European Structural & Investment Fund Support for the Voluntary Sector in Wales p.16 <https://wcva.cymru/wp-content/uploads/2023/03/European-Structural-Investment-Fund-Support-for-the-Voluntary-Sector-in-Wales.pdf> Accessed: 20 April 2023

² UKRCS (2022) WCVA Active Inclusion Fund Evaluation. Final Report: Executive Summary p.6. <https://wcva.cymru/wp-content/uploads/2023/01/WCVA-AIF-Evaluation-Final-Report-Executive-Summary.pdf> Accessed: 20 April 2023

3.3. It is difficult to compare the level of funding Wales receives from the UKSPF with how much it would have received from the next Structural Funds programme, due to the different funding cycles. However, an analysis from the Conference of Peripheral Maritime Regions (CPMR) estimated that the UK would have been entitled to 22% more funding for the 2021-2027 period, based on the European Commission's allocation methodology for the funds.³ This would have impacted the level of funding coming to Wales in particular, as the West Wales and the Valleys, the UK's poorest region, would have still been classed as a 'less developed' region therefore entitled to a higher level of funding.

4. Which elements of the two new funds have worked well so far, and which have been less effective. What lessons could be learnt for the future to maximise the impact of the funds.

- 4.1. Our response focuses on the Shared Prosperity Fund as this is what the voluntary sector will most likely access.
- 4.2. We are supportive of the overarching policy that underpins the UKSPF and its investment priorities. A lot of the Fund's aims align with voluntary sector activity and expertise, e.g. increasing engagement in local culture and community, increasing pay, employment and productivity, supporting economically inactive people to overcome barriers to employment, supporting those furthest from the labour market to gain skills and access work.
- 4.3. It is commendable that the UKSPF enables places to make investment decisions locally, close to the communities that these decisions have an impact on. However, the current structures and processes make regional collaboration very difficult, which is particularly challenging for larger and national organisations that operate in more than one local authority area or region. This overly localised approach has resulted in a very inconsistent funding landscape across Wales, and there seems to be very little coordination between the regions. We can see inconsistencies within the regions as well, e.g. in some areas open calls have already been announced, in others there is little to no publicly available information on how local authorities are proposing to spend the funding.
- 4.4. Certain interventions are better suited for local delivery (e.g. supporting community and neighbourhood infrastructure projects), while some

³ CPMR (2019) UK entitled to €13bn regional funding if it remains in EU <https://cpmr.org/wpdm-package/uk-allocation-for-cohesion-policy-for-post2020/?wpdmdl=20524&ind=1550570009760> Accessed: 21 April 2023

interventions are likely to be more effective when they are delivered regionally (e.g. employability and skills projects) because of the need for a strategic and operational coordination. Future funding programmes need to reflect this, building on the lessons learnt from the delivery of the Structural Funds, the Community Renewal Fund and the UKSPF, and embedding the elements that have worked well in each of these programmes.

- 4.5. We support the commitment to reduce the levels of bureaucracy and administration, however, the inconsistencies in operation between and within the four regions make the process very difficult for organisations seeking funding for projects covering more than one local authority area. Having to engage with and report to several councils require capacity which organisations don't always have or could direct elsewhere if the process was more efficient.
- 4.6. The local authorities' engagement with the voluntary sector – and more specifically with the local County Voluntary Councils (CVCs) – has been varied across Wales. We have seen some good practice in some places where the local authority is working closely with the local CVC and involve them in the decision-making. Some CVCs have been encouraged to run a 'key fund', allowing them to distribute a pot of funding to voluntary sector organisations and local communities. However, in some parts of Wales the CVCs have not been engaged at all in local discussions about the UKSPF.
- 4.7. The UK Government did very little consultation on the UKSPF before its launch. The Fund should have been developed following meaningful consultation with potential beneficiaries and those who deliver frontline services to support these people. It is essential that the voluntary (and other) sectors are involved in the development of future funding programmes post March 2025; this would ensure that the funds are distributed more effectively.
- 4.8. The European Structural Funds programmes in Wales were negotiated between the Welsh Government and the European Commission, and they have been monitored by the Programme Monitoring Committee (PMC). This has ensured that the programme reflected the strategic priorities of Wales, and through representation on the PMC the voluntary sector was able to influence the direction, spend and the management of the Funds. The UK Government has drastically changed this system by circumventing the Welsh Government and reducing its role compared to its Managing Authority status under the Structural Funds programmes. The central management of funds on a Wales level has been replaced by a fragmented system. The change in governance has also changed the role of the voluntary sector, from being an

equal partner in the design and delivery of funds, with direct representation on the PMC, to having no formal involvement in the strategic governance of the UKSPF.

- 4.9. The seven-year programme cycles of the Structural Funds enabled projects to be funded for three years and longer. Due to the delays of the rollout of the UKSPF and the short-term nature of the funding, projects will be running for 18 months or less. This is not effective and it does not provide security and stability for the planning and delivery of projects. The annual funding cycles put pressure on local authorities to spend their allocation to make sure they don't lose the funding, and having to justify the need for rolling the money over to the next financial year adds unnecessary burden on local authorities, that are already struggling with capacity.
- 4.10. One of the key challenges that the voluntary sector faces is around the timescales and the processes of the UKSPF; these concerns are addressed in point 7.

5. What types of intervention are being delivered through the Shared Prosperity Fund, and to what extent do these differ from Structural Funds interventions.

- 5.1. Although there are some differences between the UKSPF and the European Structural Funds in this respect, the type of interventions that the voluntary sector is likely to be involved in are similar. The UKSPF aims to support a range of activities where the voluntary sector has experience and expertise (e.g. community action, supporting those most marginalised in society). As the majority of the Fund has not been awarded yet, it is too early to say to what extent the funded interventions will be different, and how much of it will be delivered by the voluntary sector.
- 5.2. The lack of cross-border collaboration from the UK Government's priorities is notable. The loss of access to EU programmes such as Interreg is leaving a gap in funding, and we welcome the Welsh Government's efforts to support these activities through its Agile Cymru work.
- 5.3. The main challenge for the voluntary sector lies more in the operation and delivery of the Fund. The shift to local authority led delivery is a significant change compared to the Structural Funds. Some voluntary sector organisations have a collaborative relationship with the local authority, while others work more in isolation and need to establish and strengthen these relationships.

6. Whether the funds are successfully identifying and supporting the communities and areas of Wales that are in greatest need, and how the geographical spread of funding compares to Structural Funds.

6.1. Structural Funds allocations were determined by a region's GDP per capita.

The West Wales and the Valleys region was categorised as 'less developed' as its per capita GDP was less than 75% of the EU average, while East Wales was considered 'more developed' as its GDP per capita was more than 90% of the EU average. Based on this model, the West Wales and the Valleys (WWV) region attracted significantly more EU investment than the East Wales (EW) region.

6.2. The UKSPF uses a different allocation methodology; 40% of the Welsh allocation is distributed to areas according to population, 30% according to a need-based index and another 30% based on the Welsh Indices of Multiple Deprivation. As the Wales Fiscal Analysis highlighted⁴, funding has shifted away from the WWV region towards the EW region, and although the funding levels are still higher in WWV compared to EW, the amount is less than what WWV received from the Structural Funds. This raises questions about whether this methodology will truly be effective in supporting the places most in need. We would have liked to see a much wider consultation on the methodology used.

6.3. Voluntary sector organisations are often best placed to reach and support the most vulnerable and marginalised people and communities in our society. They deliver interventions that are tailored to the specific and often complex needs of their client groups whom mainstream services often don't reach. Over the past two decades the voluntary sector built up knowledge, capacity and expertise from delivering vital services for people with complex barriers, with the help of EU funding. Most of these projects have closed and it is currently not certain if these organisations will be able to access funding from the UKSPF in order to continue this vital support.

7. The extent to which the processes and timescales set by the UK Government for the funds support local authorities and regions to achieve their intended outcomes.

7.1. Although the UKSPF was first announced in 2017, full details of the Fund were not published until its launch in April 2022. The UK Government did not run a

⁴ Ifan, G. & Poole, E.G. (2022) Written Evidence to the Finance Committee's inquiry into Post-EU Funding Arrangements
<https://business.senedd.wales/documents/s124953/PEU%2014%20Wales%20Fiscal%20Analysis.pdf> Accessed: 20 April 2023

formal consultation on the design of the UKSPF and very little was known about the Fund until February 2022, when the Levelling Up White Paper and the UKSPF Pre-launch guidance were finally published. The majority of the first year of the funding period had to be spent on developing and approving regional investment plans and setting up local and regional structures and processes. This work should have been completed before the launch of the Fund, which would have ensured a smoother transition from EU funding to the UKSPF. A key lesson to take from this is that planning needs to start much sooner. Discussions about funding post March 2025 need to start as soon as possible, with the involvement of the voluntary and other sectors.

- 7.2. The loss of EU funding and the delayed implementation of the UKSPF led to a funding gap which has had significant implications for the voluntary sector as well as the people and communities that voluntary organisations have been supporting with the help of EU funds. The majority of these projects closed by the end of December 2022, with no funding readily available from the UKSPF to continue these activities, leaving vulnerable people without the vital support that they rely on, especially at a time when we see a significant rise in the cost of living. The funding gap has also led to a significant loss of capacity and expertise within the voluntary sector as project staff have been made redundant. The end of EU funding has severely impacted WCVA as well; the organisation has recently gone through a restructure and will lose around a third of its staff.
- 7.3. Due to the delay in the approval of the regional investment plans local authorities were not in a position to open any calls for applications before early 2023, and further funding calls in several local authority areas are yet to be announced. Although funding is confirmed until March 2025, projects need to be completed by the end of December 2024, to allow time for the closure of the programme. This means that project delivery will likely be no longer than 18 months. As a result of this, we foresee difficulties in the recruitment of project staff for short-term temporary roles. This short-term nature of the UKSPF is in sharp contrast with the multi-annual funding cycles of the Structural Funds, which provided stability and enabled projects to be funded for much longer.
- 7.4. We are sympathetic towards the local authorities, who are in a very difficult position and are working to very challenging timescales under huge pressure. As a result of the delays highlighted above, local authorities had very limited time to consult with stakeholders on the local and regional investment plans before submitting these to the UK Government. This period also coincided

with the local government elections which put further time pressure on the local authorities.

7.5. As said above, we are broadly supportive of the strategic and policy direction of the UKSPF, however, the operational implementation, especially the timescales of delivery and the current end date of the funding means that, in our view, the stated aims of the UKSPF are not achievable.

8. How effectively the different levels of governance in Wales are working together in relation to these funds.

8.1. A coherent governance structure needs to be established on a Wales level, to ensure the strategic oversight and the appropriate scrutiny of the UKSPF through a formal mechanism, and to provide a strategic forum where stakeholders from a wide range of sectors and backgrounds can share learning and best practice and discuss any issues. Such an arrangement would ensure there is consistency in the operation of the Fund across Wales, and it would foster cross-sector engagement and collaboration. In the current European Structural Funds programme in Wales the Programme Monitoring Committee (PMC) has a similar role.

8.2. There are inconsistencies in the regional and local governance as well. Each region is taking a different approach to managing the Fund, with varying level of voluntary sector involvement. While there are some good examples of collaboration between local authorities and CVCs, this does not happen everywhere in Wales. Some CVCs are not involved in any discussions or decisions about the funding at a local level, which makes it very difficult for them to engage their members in the potential opportunities through the UKSPF. One of the CVCs highlighted that although they have no involvement, some of their members are to receive funding, which suggests that there is engagement with the voluntary sector, but not necessarily with the CVC that has a wider community membership. The fund prospectus states that voluntary sector, social enterprise and civil society organisations should be involved in the Fund through representation on the local partnership groups. The County Voluntary Councils are not named in the prospectus, whereas the Third Sector Interface Groups (the CVCs' Scottish counterparts) are mentioned by name. Including the Welsh and any English and Northern Irish counterparts as well could help ensure that these local supporting bodies are not excluded from the decisions and processes.

8.3. Wales has a long history of partnership working and has a track record of collaboratively designing solutions at national, regional and local levels. This

approach needs to be embedded in the UKSPF to help foster more joined up working and collaboration. This would be particularly useful in the employment support sector for example, which is currently very complex in Wales. A variety of employability services are delivered by the Welsh Government, the DWP and the local authorities, and the fragmented implementation of the UKSPF could result in a whole range of new local interventions that are not integrated and coordinated with other existing provision.

8.4. At the Welsh Labour conference on 11 March 2023 Keir Starmer made a pledge to give control over the UK Shared Prosperity Fund back to the Welsh Government.⁵ As mentioned above, early planning is essential for a smooth transition between funding programmes, therefore the Welsh Government needs to start planning for this scenario now, to ensure they have a clear plan in place if the Labour Party wins the election.

9. The challenges and opportunities these funding streams provide for bodies such as businesses, colleges, universities and voluntary sector organisations who received Structural Funds.

9.1. Some of the biggest challenges for the voluntary sector are:

9.1.1. The delays in the implementation of the Fund. Many organisations have already lost staff, expertise and capacity following the closure of their EU funded projects which need to be built up again if they were to run UKSPF funded projects.

9.1.2. The short-term nature of the funding will likely cause difficulties for organisations to recruit project staff as they will only be able to offer very short term project based work.

9.1.3. The inconsistency in operation and delivery is particularly challenging for larger organisations that are seeking funding from multiple local authority areas and regions.

9.2. The UKSPF also provides opportunities for the sector, e.g.:

9.2.1. It will be easier to secure funding for small, community-led projects.

9.2.2. Compared to EU funding the administrative burden will be significantly less for small local projects that are delivered within one local authority area.

⁵ Keir Starmer (2023) 'A fairer, greener Wales' speech. LabourList website <https://labourlist.org/2023/03/a-fairer-greener-wales-keir-starmers-speech-to-welsh-labour-conference/> Accessed: 20 April 2023

9.2.3. The shift to a new delivery model can provide opportunities to build new relationships (e.g. with local authorities).

10. How the Multiply programme is developing across different parts of Wales, and what are the potential barriers and opportunities in relation to delivering this programme.

10.1. We continue to push for additional flexibility in how Multiply can be invested and used, however, the role and engagement of the voluntary sector in this has been limited so far.

Document is Restricted

Agenda Item 7

Document is Restricted

Agenda Item 8

Document is Restricted