Senedd Cymru
Y Pwyllgor Cyllid

Trefniadau ariannu ar ôl gadael yr UE
Ymatebion i'r ymgynghoriad

Mai 2022

Welsh Parliament
Finance Committee

Post-EU funding arrangements
Consultation responses

May 2022

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Cynnwys / Contents

*Ar gael yn Gymraeg a Saesneg / Available in English and Welsh

CODI'R GWASTAD

Briff polisi Prifysgol Caerdydd, Chwefror 2022

Trosolwg

Mae papur gwyn Llywodraeth y DU sef Codi'r Gwastad yn [1]gosod cynlluniau i leihau'r gwahaniaethau rhwng rhannau cyfoethocach a thlotach o'r DU drwy 12 "cenhadaeth" genedlaethol sydd â'r nod o leihau anghydraddoldeb yn y gymdeithas erbyn 2030. Mae'r rhain yn cynnwys targed o ran gwariant ymchwil a datblygu, gyda'r nod o gynyddu buddsoddiad cyhoeddus mewn ymchwil a datblygu y tu allan i'r 'triongl euraidd' o leiaf 40% erbyn 2030, a bydd ymrwymiad gan yr Adran Busnes, Ynni a Strategaeth Ddiwydiannol i fuddsoddi o leiaf 55% o'u cyllid ymchwil a datblygu domestig y tu allan i'r rhanbarth erbyn 2024-25.

Mae Prifysgol Caerdydd yn croesawu egwyddorion a maint yr uchelgais, ond mae'n annog Llywodraethau'r DU a Chymru i gydweithio i sicrhau bod Codi'r Gwastad yn digwydd ledled Cymru, gan ganolbwyntio ar greu swyddi hirdymor o safon uchel yn niwydiannau'r dyfodol.

Codi'r Gwastad yng Nghymru

Mae prifysgolion ymchwil-ddwys eisoes yn chwistrellu bron i £87 biliwn i economi'r DU bob blwyddyn yn sgîl eu hymchwil, eu haddysgu, eu hallforion, eu pŵer prynu lleol a gweithgareddau eraill; maen nhw hefyd yn cefnogi mwy na 260,000 o swyddi ar draws trefi a dinasoedd y DU – y rhan helaethaf y tu allan i Lundain. [2]

Rhwng 2014 a 2020, crëwyd mwy na 3,600 o swyddi newydd gan gwmnïau deillio sydd wedi'u cysylltu'n benodol â Phrifysgol Caerdydd, ar draws 1,277 o gwmnïau gweithredol a'u trosiant cyfunol yw £181m sy'n arwain at £54m o fuddsoddiadau lleol. Un cyfraniad nodedig yw bod Prifysgol Caerdydd yn bartner arweiniol yng nghlwstwr lled-ddargludyddion cyfansawdd cyntaf y byd yng Nghymru. Mae CSconnected yn helpu De Cymru i fod yn arweinydd byd-eang o ran galluogi technolegau newydd sy'n datblygu. [3]

Ac eto, o dan y ffigurau trawiadol hyn, mae perygl i Gymru ddisgyn y tu ôl i rannau eraill o'r DU oni bai bod buddsoddi parhaus yn ein seilwaith ymchwil ac arloesedd. Mae papur gwyn Llywodraeth y DU yn ymrwymo cyfanswm o £100m dros dair blynedd i dreialu tri Chyflymydd Arloesedd newydd ym ardal Manceinion Fwyaf, Gorllewin Canolbarth Lloegr, a Dinas-ranbarth Glasgow, a hwyrach y bydd y fenter hon yn cael ei datblygu ymhellach yn y dyfodol. Nid oes yr un Cyflymydd Arloesedd cyfatebol wedi'i gynllunio yng Nghymru, ac er bod buddsoddi ym Mhrifddinas-Ranbarth Caerdydd drwy'r Fargen Ddinesig a Thwf i'w groesawu, nid yw papur gwyn Codi'r Gwastad yn cynnwys yr un addewid pellach o ran buddsoddiadau.

Mae buddsoddi cyhoeddus mewn Ymchwil a Datblygu yn helpu i sbarduno buddsoddiadau sylweddol yn y sector preifat. Mae dadansoddiad Llywodraeth y DU yn dangos bod £1 ychwanegol o wariant cyhoeddus ym maes Ymchwil a Datblygu yn arwain at gynnydd o £1.36 o ran cyllid Ymchwil a Datblygu preifat dros gyfnod o ddeng mlynedd.[4] Yn ôl y data cyhoeddus diweddaraf[5,6,7], Cymru sydd â'r ail lefel isaf o wariant ar ymchwil a datblygu yn gyffredinol, y lefel isaf fesul person a'r twf arafaf ond un o ran gwariant ymchwil a datblygu preifat ymhlith gwledydd a rhanbarthau cymaradwy eraill y DU. Daeth adroddiad yn 2020 i'r casgliad bod anghydbwysedd mewn

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[1] Llywodraeth y DU (2022) Levelling Up: delivering for all parts of the UK, Llundain: Llywodraeth y DU.

[2] Russell Group (2022) Russell Group universities boosting the economy in every region of the UK, gwefan Grŵp Russell (cyrchwyd 11 Chwefror 2022).

[3] Welsh Economy Research Unit (2022) Annual Report: compound semiconductor cluster in South Wales, Cardiff: CS Connected / WERU.

[4] Economic Insight (2015) What is the relationship between public and private investment in science, research and innovation?: a report commissioned by the Department for Business, Innovation and Skill, Llundain: Llywodraeth y DU.

[5] Office for National Statistics (2020) *Gross domestic expenditure on research and development, by region: y DU*, Casnewydd: Office for National Statistics.

[6] Rhodes, C., Hutton, G. a Ward, M. (2020) *Research Briefing: research and development spending*,Llundain: Senedd y DU.

[7] Llywodraeth Cymru. (2020) *Gwariant menter busnes ymchwil a datblygu: 2019*, Caerdydd: Llywodraeth Cymru.

gwariant ymchwil a datblygu yn golygu bod Cymru'n colli allan ar £420m o fuddsoddiad ymchwil a datblygu cyhoeddus yn ogystal ag effaith luosi sylweddol yn y sector preifat.[8]

Mae prifysgolion yn bwysicach i ymchwil a datblygu yng Nghymru o'u cymharu â lefel y DU.[9,10] Yn ystod yr ugain mlynedd ddiwethaf, mae byd addysg uwch wedi goddiweddyd y sector preifat ddwywaith o ran gwariant ymchwil a datblygu (nid yw hyn wedi digwydd ar lefel y DU). Os yw Llywodraeth y DU eisiau i bolisi Codi'r Gwastad fod yn llwyddiant, mae'n rhaid defnyddio'r sector AU.

Cronfa Rhannu Ffyniant y DU

Un o'r prif ddulliau i godi'r gwastad yw Cronfa Rhannu Ffyniant y DU (UKSPF). Addawodd Maniffesto'r Ceidwadwyr yn 2019[11] y byddai UKSPF yn mynd i'r afael ag "*anghydraddoldeb ac amddifadedd ym mhob un o'r pedair gwlad*" ac "*yn rhoi arian cyfatebol sydd o leiaf yr un maint â'r cronfeydd [strwythurol yr UE] ym mhob gwlad*". Mae hwn bellach wedi cael ei ailadrodd wrth y blwch dogfennau yn San Steffan ac mewn datganiadau i'r cyfryngau.[12][13]

Cyn Brexit, roedd Cymru'n elwa'n sylweddol ar gyllid datblygu rhyngwladol yr UE. Roedd hyn yn arbennig o bwysig i brifysgolion a gafodd tua £570m o gronfeydd strwythurol Ewropeaidd ers troad y filflwydd. Yn achos Prifysgol Caerdydd, roedd y cyllid hwn yn allweddol o ran nifer o'n prif fentrau, gan gynnwys Canolfan Delweddu'r Ymennydd yn y Brifysgol sy'n adeilad o'r radd flaenaf, ein Cyflymydd Arloesedd Data sy'n cynnig arbenigedd ar ddata i gwmnïau bach, a'n cyfraniadau i glwstwr lled-ddargludyddion cyfansawdd de Cymru. Roedd y cyllid yn golygu bod modd i brifysgolion a phartneriaid ehangach gydweithio â'i gilydd, a chafodd hyn effaith gadarnhaol ar yr economi leol yn sgîl hynny.

Mae'r UKSPF yn hytrach na chronfeydd yr UE yn gyfle ac yn her. Cydnabuwyd hyn gan y Pwyllgor Materion Cymreig, a argymhellodd[14] y dylai Llywodraeth y DU weithio gyda'r llywodraethau datganoledig i gytuno ar flaenoriaethau'r UKSPF a sut y dylai weithio. Yn y cyfamser, mae'r Institute for Government wedi rhybuddio[15] y bydd dull presennol Llywodraeth y DU o ymdrin â'r UKSPF yn arwain hwyrach at ddyblygu gwaith, gan y bydd Llywodraeth y DU a Llywodraeth Cymru yn ariannu mentrau tebyg sy'n cystadlu â'i gilydd – gan gynyddu tensiynau pellach rhwng y DU a'r llywodraethau datganoledig.

Argymhellion

Mae Prifysgol Caerdydd yn argymell y dylai Llywodraeth y DU:

- Gosod fframwaith cyffredin ar gyfer cyllid datblygu rhanbarthol er mwyn pennu amodau'r cydweithio rhwng pedair llywodraeth y DU.[16]
- Peidio â gorfodi rhanbarthau na gwledydd y DU i ddewis rhwng mentrau datblygu economaidd cystadleuol (ni ddylai polisi Codi'r Gwastad olygu bod yn rhaid i brifysgolion ddewis ochr o blith Caerdydd a San Steffan).

Mae'r argymhellion ar gyfer Llywodraeth Cymru ar gael ar wahân drwy ebostio PublicAffairs@caerdydd.ac.uk

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[8] Forth, T. & Jones, R. (2020) The Missing £4 Billion: making R&D work for the whole UK, Llundain: Nesta, t7.
[9] StatsCymru (2020) Gwariant ymchwil a datblygu yng Nghymru, Caerdydd: Llywodraeth Cymru.
[10] Office for National Statistics (2020) Gwariant Ymchwil a Datblygu, Casnewydd: Office for National Statistics.
[11] Conservative Party (2019) Get Brexit Done, Unleash Britain's Potential: the Conservative & Unionist Party Manifesto 2019, Llundain: Conservative Party.
[12] *Hansard* HC Deb. *cyf.669 col.1007*, 15 Ionawr 2020.
[13] Wells, I. (2020) Brexit: Wales' EU aid replacement progress 'unacceptable', Llundain: BBC.
[14] House of Commons Welsh Affairs Committee (2020) Wales and the Shared Prosperity Fund: priorities for the replacement of EU structural funding, Llundain: Senedd y DU.
[15] Nice, A., Paun, A. a Hall, D. (2021) The UK Shared Prosperity Fund: Strengthening the union or undermining devolution?, Llundain: Institute for Government.
[16] Gallai hyn ddefnyddio'r canlynol:
- Dougan, M. *et al.* (2020) *UK Internal Market Bill, Devolution and the Union*, Caeredin: Centre on Constitutional Change.
- Institute of Welsh Affairs (2021) What does 'Levelling Up' mean for Wales?, Caerdydd: IWA.

LEVELLING UP

Cardiff University policy briefing, February 2022

Overview

The UK Government's Levelling Up white paper[17] sets out plans to reduce differences between richer and poorer parts of the UK through 12 national "missions" aimed at reducing inequalities across society by 2030. These include a target on R&D spending, aimed at increasing public investment in R&D outside the 'golden triangle' by at least 40% by 2030, with a commitment from the Department for Business, Energy & Industrial Strategy to invest at least 55% of their domestic R&D funding outside the region by 2024-25.

Cardiff University welcomes both the principles and the scale of the ambition, but is urging the UK and Welsh Governments to work together to ensure that Levelling Up happens right across Wales, with a focus on creating long-term, high-quality jobs in industries of the future.

Levelling Up for Wales

Research-intensive universities already inject nearly £87 billion into the UK economy every year through their research, teaching, exports, local buying power and other activities; they also support over 260,000 jobs across the towns and cities of the UK – the vast majority outside London. [18]

Between 2014 and 2020, more than 3,600 new jobs were created by spinouts specifically linked to Cardiff University, across 1,277 active companies with a combined turnover of £181m bringing £54m of local investment. One notable involvement is Cardiff University's status as lead partner in the world's first compound semiconductor cluster in Wales. CSconnected is positioning South Wales as a global leader in enabling new and emerging technologies. [19]

Yet beneath these impressive figures, Wales risks falling behind other parts of the UK unless there is sustained investment in our research and innovation infrastructure. The UK Government's white paper commits a total of £100m over three years to pilot three new Innovation Accelerators in Greater Manchester, the West Midlands, and the Glasgow City Region, with the potential for this initiative to be rolled out further in future. No equivalent Innovation Accelerator is planned in Wales, and although investment in the Cardiff Capital Region through the City & Growth Deal is welcome, the Levelling Up white paper contains no further promises of investment.

Public investment in R&D helps to leverage significant private sector investment. UK Government analysis indicates that an additional £1 of public spending in R&D gives rise to an increase in private R&D funding of £1.36 over a ten-year period.[20] According to the latest public data[21,22,23], Wales has the second lowest level of overall R&D spending, the lowest level per head and second-slowest growth in private R&D expenditure

[17] UK Government (2022) Levelling Up: delivering for all parts of the UK, London: UK Government
[18] Russell Group (2022) Russell Group universities boosting the economy in every region of the UK, Russell Group website (accessed 11 February 2022).
[19] Welsh Economy Research Unit (2022) Annual Report: compound semiconductor cluster in South Wales, Cardiff: CS Connected / WERU.
[20] Economic Insight (2015) What is the relationship between public and private investment in science, research and innovation?: a report commissioned by the Department for Business, Innovation and Skills, London: UK Government.
[21] Office for National Statistics (2020) *Gross domestic expenditure on research and development, by region: UK*, Newport: Office for National Statistics.
[22] Rhodes, C., Hutton, G. & Ward, M. (2020) *Research Briefing: research and development spending*, London: UK Parliament.
[23] Welsh Government. (2020) *Research and development business enterprise expenditure: 2019*, Cardiff: Welsh Government.

among comparable UK nations and regions. A 2020 report calculated that imbalances in R&D spending means that Wales is missing out on £420m on public R&D investment and a substantial private sector multiplier.[24]

Universities are more important for R&D in Wales as compared to the UK level.[25,26] In the last twenty years, higher education has twice overtaken the private sector for R&D expenditure (this has not happened at the UK level). If the UK Government is to make a success of levelling up in Wales, the HE sector must be utilised.

UK Shared Prosperity Fund

One of the primary vehicles for levelling up is the UK Shared Prosperity Fund (UKSPF). The 2019 Conservative manifesto promised[27] the UKSPF would tackle *"inequality and deprivation in each of the four nations"* and at a *"minimum match the size of [EU structural] funds in each nation"*. This has since been reiterated at the despatch box and in media statements.[28,29]

Pre-Brexit, Wales benefitted significantly from EU regional development funding. This was particularly important for universities, who received roughly £570m from European structural funds since the turn of the millennium. For Cardiff University, this funding was instrumental in several of our major initiatives, including our state-of-the-art Brain Imaging Centre, our Data Innovation Accelerator providing data expertise for small companies, and our contributions to the South Wales compound semiconductor cluster. Funding enabled co-operation between universities and wider partners, with a positive knock-on impact for the local economy.

The replacement of EU funds with a UKSPF represents both an opportunity and a challenge. This was recognised by the Welsh Affairs Committee, who recommended[30] that the UK Government should work with devolved governments to agree the priorities and operation of the UKSPF. Meanwhile, the Institute for Government has warned[31] that the UK Government's current approach to the UKSPF will risk duplication of functions, with the UK and Welsh Government funding similar initiatives that compete with one another – further increasing tensions between the UK and devolved governments.

Recommendations

Cardiff University recommends that the UK Government should:

- Underpin regional development funding with a common framework to set the terms of co-operation between the four governments of the UK.[32]
- Not force regions and nations of the UK to choose between competing economic development initiatives (levelling up should not mean universities picking sides between Cardiff and Westminster).

Recommendations for Welsh Government are available separately from PublicAffairs@cardiff.ac.uk

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[24] Forth, T. & Jones, R. (2020) The Missing £4 Billion: making R&D work for the whole UK, London: Nesta, p7.
[25] StatsWales (2020) Research & development expenditure in Wales, Cardiff: Welsh Government.
[26] Office for National Statistics (2020) Research and development expenditure, Newport: Office for National Statistics.
[27] Conservative Party (2019) Get Brexit Done, Unleash Britain's Potential: the Conservative & Unionist Party Manifesto 2019, London: Conservative Party.
[28] *Hansard* HC Deb, *vol.669 col.1007*, 15 January 2020.
[29] Wells, I. (2020) Brexit: Wales' EU aid replacement progress 'unacceptable', London: BBC.
[30] House of Commons Welsh Affairs Committee (2020) Wales and the Shared Prosperity Fund: priorities for the replacement of EU structural funding, London: UK Parliament.
[31] Nice, A., Paun, A. & Hall, D. (2021) The UK Shared Prosperity Fund: Strengthening the union or undermining devolution?, London: Institute for Government.
[32] This could usefully draw on:
- Dougan, M. *et al*. (2020) *UK Internal Market Bill, Devolution & the Union*, Edinburgh: Centre on Constitutional Change.
- Institute of Welsh Affairs (2021) What does 'Levelling Up' mean for Wales?, Cardiff: IWA.

Post-EU Funding Arrangements

This response is submitted by Wales Council for Voluntary Action (WCVA) and informed by members of the Third Sector European Forum (3-SEF). The purpose of the Forum is to monitor and support the voluntary sector's role in the design, management and implementation of the European Structural Funds programmes in Wales.

1. Progress in establishing and delivering replacement funds for EU structural funds, including;

The UK Shared Prosperity Fund

Overall, we are supportive of the policy that underpins the UKSPF and its investment priorities. The issues and challenges for the voluntary sector lie more in the risk of disconnect between the ambitions laid out in the policy and the practical governance, engagement and delivery of the Fund – including the associated timescales.

The voluntary sector is currently a key partner in the design and delivery of activity to tackle poverty and structural inequality in Wales. Under the 2014-20 European Structural Funds programmes, the sector is supporting over 45,000 people and over 900 social businesses, with an EU investment of over £113million. The sector's proximity to Wales' most disadvantaged people and communities means it's supporting those that typical, mainstream provision can't reach. For example:

- WCVA's Active Inclusion Fund is designed to help those furthest from the labour market. The organisations it funds support people who have complex barriers to employment. Since October 2015 the Active Inclusion Fund has supported 175 organisations, 475 projects and 22,150 participants and has awarded £48 million of European funds, which has levered in an additional £12 million in match funding, provided by the grant recipient organisations.

UKSPF Investment Plans will be developed over the next few months, with the window for submission opening at the end of June and closing on the 1 August. UK Government expects to assess the plans over the summer and announce approvals from October, with the first payments made shortly after. Given recent experiences with new UK Government funds (such as the Community Renewal and Community Ownership Funds), these timescales seem optimistic. The Community Renewal Fund especially has demonstrated that the uncertainties associated with new sizeable, UK-wide funds inevitably cause delays.

This is one of the sector's biggest concerns. European funded provision in Wales is rapidly tailing off. With the UKSPF not yet operational, the voluntary sector's facing a cliff edge, with the inevitable loss of capacity, expertise and infrastructure from the sector and support services for some of Wales' most in-need people and places.

For example, Change Grow Live's Achieving Change through Employment (ACE) project is in its final stage and will end in August 2022. The project has successfully supported many Black, Asian and Minority Ethnic people and migrant people into work in Wales. The organisation's presence in Wales has been predominantly supported by investment from the European Structural Funds. With the UKSPF not yet operational and no other appropriate funding programme or transitionary funding stream available, people will no longer have access to this service in Wales.

This is at a time where demand for the sector's services has grown exponentially. The unequal impact the pandemic has had on different individuals, groups and communities is set to be compounded further by the cost of living crisis. At the very time when it's critically important to get people, places and businesses back on their feet to support our social and economic recovery, funding the sector has used for the past 20 plus years is ending.

Transitional funding arrangements for voluntary sector led people and skills provision have been proposed in England and WCVA has raised the need for similar arrangements in Wales, with both the UK and Welsh Governments.

The Community Renewal Fund

The Community Renewal Fund has demonstrated some of the challenges associated with new and short-term funding programmes. Introduced as the test for the UKSPF, we hope the learning taken from this pilot fund is recognised and acted on in the development of future UK-wide funding streams.

The voluntary sector has reported issues with the bidding process, payment terms and timescales for example. Feedback obtained from a variety of voluntary organisations currently delivering CRF projects in Wales has been fed back to UK Government and local government.

2. How the funding proposed for Wales and funding received via continued UK participation in EU programmes, compares to the funding received while the UK was a member of the EU

The European Structural Funds, specifically the European Social Fund, have been used to directly address the discrimination and disadvantage experienced by some individuals and groups, such as disabled people, women and Black, Asian and Minority Ethnic people. Many of these interventions are designed and led by the voluntary sector, such as Chwarae Teg's Agile Nation 2 programme and EYST's Invest project, financed by the Active Inclusion Fund. The Levelling Up agenda and UKSPF are focused on tackling place-based, as opposed to people-centred, disadvantage and inequality.

3. The mechanisms and structures being established to administer those funds in Wales, the roles of those involved, in particular the Welsh and UK Governments, and the consequent impact on accountability arrangements

The proposal is for delivery of the UKSPF to take place across the four Welsh regional footprints, with a lead local authority appointed in each region. This could present one of the biggest challenges for the voluntary sector. As demonstrated recently by CRF delivery and the Covid-19 response, some voluntary organisations and local authorities have a positive and productive working relationship, collaborating on plans to address local need, but others operate in isolation.

The role of the regional structures, such as the City and Growth Deals and Regional Skills Partnerships is not yet clear, but with the regionality of delivery we're assuming they will have a certain degree of involvement and influence. Engagement and involvement of the voluntary sector is generally not embedded in these regional structures. Relationships with organisations leading on social justice, tackling poverty and creating a more equal society are, overall, not well developed.

Without effective engagement, led by co-productive thinking and with the inclusion of the voluntary sector, this funding is much less likely to be successfully and inclusively deployed. Communities risk not getting heard or not getting what they require most and becoming further alienated from democratic decision-making processes.

Under the European Structural Funds in Wales, the voluntary sector has been supported to engage through the partnership principle and a technical assistance service that provides capability support for the sector. A recent independent evaluation of the service praised its overwhelming success and how something similar would be needed under any future replacement programme, such as the UKSPF.

There needs to be some commonality in how the voluntary sector is engaged and represented across the regions. The investment priorities outlined within the UKSPF pre-launch guidance cannot be achieved without the voluntary sector. We want parity for the sector – an equal voice at the decision-making table.

4. The amount of legacy funding that Wales is due to receive following the UK's exit from the EU and associated with EU structural fund programmes

The UK's withdrawal from the EU has not affected the level of investment originally secured from the European programmes. It's difficult to disaggregate the level of funding received prior to and post the UK's departure from the EU, as budgets and delivery profiles for operations are approved for several years.

Further evidence

We would welcome the opportunity to contribute to the oral evidence sessions planned for the spring term.

CYNGOR SIR PENFRO

Ymateb i Ymchwiliad gan Bwyllgor Cyllid Senedd Cymru

Trefniadau Ariannu ar ôl gadael yr UE

Cyflwyniad

1. Mae Cyngor Sir Penfro yn falch o gael y cyfle i ymateb i'r ymchwiliad hwn, sy'n amlwg yn fater o ddiddordeb mawr i'r cyngor ac i'r bobl y mae'n eu gwasanaethu. Mae'r cyngor yn darparu gwasanaethau cyhoeddus i oddeutu 126,000 o bobl sy'n byw yn Sir Benfro, a llawer mwy sy'n ymweld â'n sir. Mae gwasanaethau ein cyngor wedi cael hwb gan fuddsoddiad yr UE o dros £100m ers 1996[1] ac mae hyn wedi caniatáu inni ddarparu seilwaith busnes a thwristiaeth, adfywio ffisegol, lleihau gwastraff ac ailgylchu, ynghyd â llawer o gyfleoedd addysg a hyfforddiant, a mentrau gwrthdlodi.

2. Yn ogystal â chyllid yr UE a lifodd trwy Gyngor Sir Penfro ei hun, mae Sir Benfro wedi elwa ar raglenni a phrosiectau a ariennir gan yr UE ac sy'n cael eu rhedeg gan lawer o sefydliadau eraill, gan gynnwys Llywodraeth Cymru, colegau addysg bellach, prifysgolion, y trydydd sector, a'r sector preifat. Mae enghreifftiau yn cynnwys rhaglenni cymorth busnes, prentisiaethau, marchnata twristiaeth a phrosiectau amgylcheddol. Mae Sir Benfro hefyd wedi elwa ar brosiectau trawsffiniol gydag Iwerddon a phrosiectau trawswladol ehangach, megis mentrau i wella ymateb traethlin y sir i achosion o lygredd wrth rannu ein profiad â rhanbarthau a gwledydd eraill yr UE.

3. O ystyried y lefel uchel hanesyddol hon o fuddsoddiad gan yr UE yn y sir, mae Cyngor Sir Penfro wedi bod yn bryderus y dylai'r addewid o "ddim ceiniog yn llai" o ganlyniad i Brexit gael ei wireddu'n ymarferol.

Cynnydd o ran sefydlu a darparu cronfeydd cyfnewid ar gyfer cronfeydd strwythurol yr UE, gan gynnwys Cronfa Ffyniant Gyffredin y DU, Cronfa Adnewyddu Cymunedol y DU a Chronfa Codi'r Gwastad.

4. Mae'r cynnydd o ran cyflwyno Cronfa Ffyniant Gyffredin y DU wedi bod yn rhy araf. Cyhoeddwyd y Prosbectws lai nag wythnos cyn i'r ymateb hwn gael ei ddrafftio. Mae proses ddatblygu'r Gronfa Ffyniant Gyffredin wedi bod yn aneglur o ran yr egwyddorion ymgysylltu ac ymgynghori sy'n allweddol i sylfaen gysyniadol yr agenda 'Codi'r Gwastad'.

5. Fel rhagflaenydd Cronfa Ffyniant Gyffredin y DU, roedd Cronfa Adfywio Cymunedol y DU yn syniad gwael ac i raddau helaeth mae'n anodd gweld sut y gall y 'gwersi a ddysgwyd' o'r Gronfa Adfywio Cymunedol ddylanwadu ar siâp y Gronfa Ffyniant Gyffredin, yn enwedig o ystyried bod y gwaith o weithredu'r gronfa gyntaf a'r gwaith o ddylunio'r ail wedi gorgyffwrdd. Mae'n ymddangos mai'r unig wersi a ddysgwyd yw y cydnabuwyd bod natur gystadleuol y Gronfa Adfywio Cymunedol yn gynhenid wastraffus. Mae teimlad o ryddhad bod y gofyniad hwn wedi'i ddileu o'r Gronfa Ffyniant Gyffredin. Roedd yr amserlen dynn iawn ar gyfer

[1] Dadansoddiad ar gael ar gais.

gwneud penderfyniadau ac ar gyfer gweithredu (hyd nes y caniatawyd estyniad yn ddiweddar) wedi cyfrannu at yr ymdeimlad bod y Gronfa Adfywio Cymunedol yn enghraifft o sut i beidio â rheoli rhaglen adfywio effeithiol.

6. Dylid deall nad yw Cronfa Codi'r Gwastad yn cymryd lle Cronfeydd Strwythurol yr UE. Yn hytrach, mae'n swm canlyniadol Barnett sy'n deillio o Gronfa Trefi Lloegr, ac yn lle bod ar gael i Lywodraeth Cymru, mae'n cael ei gyfeirio drwy fecanwaith bidio tuag at awdurdodau lleol Cymru.

7. Unwaith eto, mae natur gystadleuol tymor byr Cronfa Codi'r Gwastad yn mynd yn groes i ddamcaniaeth ac arferion 'adfywio da'. Nid yw'n glir beth oedd diben defnyddio ffiniau seneddol fel yr ôl troed gofodol ar gyfer cyllid Cronfa Codi'r Gwastad, o ystyried bod y rhan fwyaf o etholaethau'n torri ar draws meysydd economaidd swyddogaethol.

Y modd y mae'r cyllid arfaethedig ar gyfer Cymru a'r cyllid a gafwyd yn sgil cyfranogiad parhaus y DU yn rhaglenni'r UE, yn cymharu â'r cyllid a gafwyd tra'r oedd y DU yn aelod o'r UE.

8. Mae'r rhan fwyaf o sylwebwyr yn cytuno bod lefel y cyllid a gyhoeddwyd hyd yn hyn yn llawer is na'r hyn y byddai Cymru wedi'i dderbyn pe bai'r DU wedi aros yn aelod o'r UE. Er bod Prosbectws y Gronfa Ffyniant Gyffredin yn honni ei fod yn "targedu cyllid lle mae ei angen fwyaf" (Prosbectws y Gronfa Ffyniant Gyffredin adran 1.1), nid yw'n ymddangos bod dull targedu gofodol arbennig o gryf yng Nghymru, gyda 40% yn cael ei ddosbarthu fesul pen (Prosbectws y Gronfa Ffyniant Gyffredin adran 3.2). Bydd yn rhaid aros i weld a fydd Cronfa Codi'r Gwastad, mewn ardaloedd megis Sir Benfro a Gorllewin Cymru a'r Cymoedd, yn ymuno â'r rhestr o bolisïau, rhaglenni a mentrau sy'n cyflawni llai nag y maent yn ei addo.

9. Mae'r gyllideb ar gyfer y Gronfa Ffyniant Gyffredin yn ceisio ystyried cyllidebau Cronfeydd Strwythurol yr UE, sef y cyllid o Gronfa Datblygu Rhanbarthol Ewrop a Chronfa Gymdeithasol Ewrop. Fodd bynnag, nid yw'n cydnabod bod cymorth i fusnesau nad ydynt yn ffermydd a chymunedau mewn ardaloedd gwledig, a ddarparwyd yn flaenorol gan Gronfa Amaethyddol Ewrop ar gyfer Datblygu Gwledig, hefyd wedi'i golli o ganlyniad i adael yr UE. Croesewir y cyhoeddiadau diweddaraf am gymorth gwledig gan Lywodraeth Cymru, ond dim ond ein diwydiannau amaethyddol a choedwigaeth sy'n elwa arnynt ac nid yr economi neu'r gymdeithas wledig ehangach.

10. Nid yw'r Gronfa Ffyniant Gyffredin ychwaith yn disodli Cronfa'r Môr a Physgodfeydd Ewrop, a roddodd gymorth gwerthfawr i gymunedau pysgota a'r diwydiant pysgota yn Sir Benfro ac o gwmpas Cymru. Dylid disodli'r cronfeydd hyn hefyd.

11. Mae cyllideb y Gronfa Ffyniant Gyffredin hefyd yn llai nag y dylai fod oherwydd gwrthbwyso arian yr UE o raglenni 2014-20 a dderbyniwyd ar ôl Brexit. Esbonnir y pwynt hwn yn fanylach ym mharagraff 14.

Y mecanweithiau a’r strwythurau sy’n cael eu sefydlu i weinyddu’r cronfeydd hynny yng Nghymru, rolau’r rheini sy’n gysylltiedig, yn enwedig Llywodraethau Cymru a’r DU, a’r effaith ddilynol ar drefniadau atebolrwydd.

12. Mae'r mecanweithiau a'r strwythurau ar gyfer cyflawni'r Gronfa Ffyniant Gyffredin yn wahanol iawn i'r rhai sydd wedi parhau hyd yn hyn. Gan fod y gwaith o addasu strwythurau presennol neu sefydlu rhai newydd megis dechrau, yn dilyn cyhoeddi Prosbectws y Gronfa Ffyniant Gyffredin yr wythnos cyn ysgrifennu’r ymateb hwn, mae'n anodd gwneud sylwadau manwl iawn. Rhagwelir y gallai anawsterau godi wrth gysoni atebolrwydd a chyflawniad lleol, gyda chyrff arweiniol a chynlluniau rhanbarthol ac y gallai'r rhain atal effeithiolrwydd y rhaglen. Nid yw'r amserlen fer a ganiateir ar gyfer gweithio drwy'r materion cymhleth hyn yn syth ar ôl etholiadau llywodraeth leol, yn ffafriol i ddod o hyd i ddatrysiadau ymarferol.

Swm y cyllid etifeddol y mae disgwyl i Gymru ei gael ar ôl i’r DU adael yr UE ac sy’n gysylltiedig â rhaglenni cronfeydd strwythurol yr UE.

13. Nid yw’n glir inni beth yw ystyr “cyllid etifeddol” yn y cyd-destun hwn. Yr unig gyllid a gawn sy’n gysylltiedig â rhaglenni Cronfeydd Strwythurol yr UE yw cyllid sy’n rhan o’r rhaglenni hynny. Nid yw'n gyllid newydd nac yn gyllid a gafodd ei etifeddu yn sgil y rhaglenni hynny. Mae Cytundeb Ymadael yr UE yn nodi y caniateir i raglenni Cronfeydd Strwythurol yr UE ar gyfer 2014-2020 barhau tan eu diwedd naturiol yn 2023, fel y darperir ar ei gyfer gan reol N+3. Mae'r rheol hon yn caniatáu i gyllideb y Cronfeydd Strwythurol am flwyddyn gael ei gwario o fewn y tair blynedd nesaf. Felly mae'n rhaid gwario'r gyllideb ar gyfer 2020 erbyn 2023. Nid yw hyn yn wahanol i’r sefyllfa a fyddai wedi bodoli pe na bai’r DU wedi gadael yr UE.

14. Fodd bynnag, pe bai’r DU wedi aros yn yr UE, yn ystod y cyfnod 2021-2023, byddai Cymru (a Sir Benfro) wedi cael cyllid o raglenni Cronfeydd Strwythurol yr UE 2021-2028 yn ychwanegol at y cyllidebau o ddiwedd rhaglenni’r UE 2014-2020. Nid yw’r gorgyffwrdd hwn yn cael ei gyfrif yn nyraniadau Llywodraeth y DU o Gronfa Ffyniant Gyffredin y DU. I’r gwrthwyneb, mae Cronfa Ffyniant Gyffredin y DU wedi’i lleihau i “wrthbwyso” balans y cronfeydd o raglenni Cronfeydd Strwythurol 2014-2020. Credwn y dylid adfer y cyllid hwn, a ddylai ddod i Gymru yn gwbl briodol.

PEMBROKESHIRE COUNTY COUNCIL

Response to an Inquiry by the Welsh Parliament's Finance Committee

Post-EU Funding Arrangements

Introduction

15. Pembrokeshire County Council is pleased to have the opportunity to respond to this Inquiry, which is obviously a matter of great interest both to the Council and to the people that it serves. The Council provides public services to around 126,000 people resident in Pembrokeshire, and many more who visit our county. Our Council's services have been boosted by EU investment of over £100m since 1996[2] and this has allowed us to provide business and tourism infrastructure, physical regeneration, waste reduction and recycling, as well as many education and training opportunities, and anti-poverty initiatives.

16. In addition to the EU funding that flowed through Pembrokeshire County Council itself, the county of Pembrokeshire has benefited from EU funded programmes and projects run by many other organisations, including the Welsh Government, further education colleges, universities, the third sector, and the private sector. Examples include business support programmes, apprenticeships, tourism marketing and environmental projects. Pembrokeshire has also benefitted from cross-border projects with Ireland and wider transnational projects, such as initiatives to both improve the county's shoreline response to pollution incidents whilst sharing our experience with other EU regions and countries.

17. Given this historic high level of EU investment in the county, Pembrokeshire County Council has been anxious that the promise of "not a penny less" as a result of Brexit should be realised in practice.

Progress in establishing and delivering replacement funds for EU structural funds, including the UK Shared Prosperity Fund, the UK Community Renewal Fund and the Levelling Up Fund.

18. Progress in bringing forward the UK Shared Prosperity Fund (SPF) has been too slow. The Prospectus was published less than a week before this response was drafted. The SPF development process has been opaque in terms of the principles of engagement and consultation that are key to the conceptual underpinning of the 'Levelling-Up' agenda.

19. As a harbinger for the SPF, the UK Community Renewal Fund (CRF) was poorly conceived and to a great degree it is difficult to see how the 'learning' from the CRF can influence the shape of the SPF, particularly given the implementation of the former and design of the latter overlapped. The only learning that seems to have occurred is that it has been recognised that the competitive nature of CRF was inherently wasteful. It is with relief that this requirement has been removed from the SPF. The very tight timescale for decision making and (until a recent

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[2] Breakdown available on request.

extension) for implementation contributed to a sense that the CRF is an example of how not to manage an effective regeneration programme.

20. It should be understood that the Levelling Up Fund (LUF) is not a replacement for the EU Structural Funds. It is instead a Barnett consequential that arises from the English Towns Fund, which instead of being made available to the Welsh Government is being directed through a bidding mechanism towards Welsh local authorities.

21. Again, the short term competitive nature of LUF runs counter to the theory and practice of ‘good regeneration’. It is unclear what the purpose of using parliamentary boundaries as the spatial footprint for LUF funding was, given that most constituencies cut across functional economic areas.

How the funding proposed for Wales and funding received via continued UK participation in EU programmes, compares to the funding received while the UK was a member of the EU.

22. Most commentators agree that the level of funding announced to date is well short of what Wales would have received if the UK had remained a member of the EU. Despite the SPF Prospectus claiming that it is “targeting funding where it is needed most” (SPF Prospectus section 1.1) there does not seem to be a particularly strong spatial targeting approach in Wales, with 40% being distributed on a per capita basis (SPF Prospectus section 3.2). Whether, in areas such as Pembrokeshire and West Wales and the Valleys, ‘Levelling Up’ will join the list of policies, programmes and initiatives that deliver less than they promise we shall have to wait to see.

23. The budget for the SPF attempts to take account of the EU Structural Funds budgets, being the funding from the European Regional Development Fund and the European Social Fund. It does not however recognise that support for non-farm businesses and communities in rural areas, previously provided by the European Agricultural Fund for Rural Development has also been lost as a result of leaving the EU. The latest announcements of rural support from the Welsh Government are welcome, but benefit only our agricultural and forestry industries and not the wider rural economy or society.

24. Nor does the SPF replace the European Maritime and Fisheries Fund, which provided valuable support for fishing communities and the fishing industry in Pembrokeshire and around Wales. These funds should also be replaced.

25. The SPF budget is also less than it should be due to the offsetting of EU funds from the 2014-20 programmes received after Brexit. This point is explained in more detail in paragraph 14.

The mechanisms and structures being established to administer those funds in Wales, the roles of those involved, in particular the Welsh and UK Governments, and the consequent impact on accountability arrangements.

26. The mechanisms and structures through which the SPF will be delivered are markedly different from those that have persisted hitherto. As the work in

adapting existing structures or establishing new ones is only just beginning, following the publication of the SPF Prospectus the week before this is written, it is difficult to comment in any great detail. It is foreseen that difficulties may arise in reconciling local accountability and delivery, with regional lead bodies and plans and that these may hinder the effectiveness of the programme. The short timescale allowed during which these complex issues must be worked through in the immediate aftermath of local government elections, is not conducive to finding workable solutions.

The amount of legacy funding that Wales is due to receive following the UK's exit from the EU and associated with EU structural fund programmes.

27. It is not clear to us what is meant by "legacy funding" in this context. The only funding that we receive that is associated with the EU Structural Fund programmes is funding that is part of those programmes. It is not new funding nor a legacy of those programmes. The EU Withdrawal Agreement provides that the EU Structural Fund programmes for 2014-2020 are permitted to continue until their natural end in 2023, as provided for by the N+3 rule. This rule allows the Structural Fund budget for one year to be spent within the following three years. Thus the budget for 2020 must be spent by 2023. This is no different to the situation that would have existed had the UK not left the EU.

28. However, had the UK remained in the EU, during the period 2021-2023 Wales (and Pembrokeshire) would have received funding from the 2021-2028 EU Structural Fund programmes in addition to the budgets from the end of the 2014-2020 EU programmes. This overlap is not accounted for in the UK Government allocations of UK Shared Prosperity Fund. On the contrary, the UK Shared Prosperity Fund has been reduced to "offset" the balance of funds from the 2014-2020 Structural Fund programmes. We believe this funding, which should rightfully come to Wales, should be reinstated.

Arbenigwyr mewn Busnes
Experts in Business

27 April 2022

Peredur Owen Griffiths MS
Chair of Finance Committee
Senedd Cymru
Cardiff
CF99 1NA

Dear Mr Owen Griffiths

RE: Post-EU Funding Arrangements

I am writing to you in response to the consultation on Post-EU Funding Arrangements, which are a key part of the business support environment and is an area where we need certainty about structures, ways of working, and ensuring coordination across the system and different economic strategies to ensure we have a system that works for SMEs' long term economic development.

About FSB Wales

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.

Brexit has meant that the whole structure of EU funding is changing in the UK. Advocates noted the opportunity that this could lead to a more responsive support system that would drive local needs with less bureaucracy and ensure better joined up policy. So far, it is yet to be seen how this will happen, but we can assess development so far and point to lessons for the future, and where there are opportunities in shaping business support to better ensure these desires are met.

Recent Developments in Funding Arrangements

With the latest Prospectus on the governance of the new funding arrangements only set in the last few weeks, FSB in Wales and at UK level are currently still looking at the detail on how this will affect our members.

We welcome the clear commitment to engagement with business representatives within the system in all areas.

However, in our recent 'Building Businesses: Building Communities through Business Support in Wales' report we noted the need to ensure the coordination across different levels of government to ensure that the system does not lead to duplication, parallel systems, or not address the different responsibilities at different levels of governance. Our concern is that this if this is not done, it will lead to inefficiency and a less effective system addressing the economic development strategy in Wales. As such, we are concerned that there is no clear and

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stated role for Welsh Government or Members of the Senedd in the arrangements as currently set out which seems to work against coordinating across the reserved and devolved policy areas which together contribute to the enacting of effective economic development within our communities.

In terms of the practical experience of the funds so far such as the Community Renewal Fund, our evidence on members' experience is limited. Anecdotally we are aware of members who have tried for Community Renewal funding and not won the funds. We are also aware that for some, the short-term funding envelope of 1 budget year mitigated against projects such as local infrastructure that would have been the most useful for many businesses. Another problem we have heard is that the structure of the CRF funding means that projects' geographical spread are hyper-local and so there is little scope to involve businesses or actors from outside the local authority and the system mitigates against regional working and so in future more flexibility and incentives to work regionally would be welcome. It is welcome that the Prospectus for the Shared Prosperity Fund points specifically to the four regional footprints in Wales and the opportunities these allow. However, it is unclear where Wales-based institutions (such as Business Wales, WEFO, and Development Bank of Wales) that have substantial experience and learning that could be harnessed in a new system will fit in these arrangements in their specific Welsh setting. It is vital that institutions that have served their purpose well in terms of being central points of contact are harnessed in new arrangements, and that positive progress in business support in Wales is not lost.

Our engagement has largely been limited to sharing information on open projects with members on our lists. Many of these projects (within for example the city deals) would be based on existing brands, and so it is plausible that members would not necessarily link them to new funding arrangements, and that this would remain opaque for members. As such, underscoring and communicating new funding and new funding mechanisms is important to better engage businesses in that process. Only with new and concerted effort will we get the buy-in and contribution of businesses and business organisations outlined in the Prospectus for the Shared Prosperity Fund for example.

Given that the practical funding arrangements have been geared toward short-term projects in annual budget cycles rather than long term development, it is plausible (although not certain) that this would mitigate against projects involving small businesses, who would tend to need longer lead-in times and need to be communicated with on a long-term development basis. This is why we have recently provided concrete proposals to look at principles and governance for post-EU funding arrangements that work to that end in Wales.

FSB have always called for the quantum of funding in Wales to be equal to what has been in place previously and so current questioning and uncertainty about the quantum (at least until 2025) is disappointing. If there is to be less grant funding in place it is vital that areas such as access to low interest finance in Wales be looked at to address SME needs, or that other funding areas (e.g., decarbonisation) and procurement look to address SME interests directly. Less funding means that the way the funding is coordinated and delivered is that much more important, and the system needs to be set up to be independent of day-to-day politics, build trust and engagement and be targeted toward SME needs, and geared toward long term economic development and transition to future economic priorities.

FSB Wales's work on post-EU Business Support in Wales

Arbenigwyr mewn Busnes
Experts in Business

In terms of wider recommendations, FSB Wales have put in place what we view as the key principles and aims for successful business support in the future. We point to the wider ecosystem of business support in Wales and in the future, there will be a need to better 'knit together' the resources and funding of different layers of government. For instance, it is important that the new funding made available by the Chancellor of the Exchequer in the 'Fund for Wales' through the British Business Bank, is recognised in the wider picture of business support and sits in a complementary way alongside support from Welsh Government and local government.

Business support and regional development was a core part of EU policy in places like Wales. Relative to the rest of the UK, Wales has been in receipt of large amounts of EU funding based on regional need, which it was particularly dependent on. As such, it is unquestionably more vulnerable to changes to that system and to the delivery mechanisms built to implement that funding.

It is also true that changes to the structure provide an opportunity to create a less bureaucratic and better funding system that serves Wales and its SMEs' needs. The UK structure to replace EU funding has been uncertain for too long.

The UK Government's 'Levelling Up the United Kingdom' White Paper has provided an outline of the aims and broad principles of the approach. The detail on how this will be implemented in practice in Wales with partners remains unclear, but we welcome recent engagement by UK Government Ministers and officials as well as Andy Haldane, Head of the UK Government Levelling Up Taskforce with FSB Wales.

Ongoing uncertainty promotes inertia at the decision-making level, making things more uncertain for businesses on the ground. The situation does not encourage long-term planning or fiscal responsibility for governments, businesses, civil society actors and delivery bodies attempting to provide economic strategy and policy. Lack of clarity also risks increasing mistrust so all actors should look to be clear in putting forward details of what they wish to achieve, making it clearer how they can then work together.

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 that 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.

Findings

As noted, awareness of examples of SME interaction with post-EU funding arrangements are largely limited and anecdotal. However, FSB Wales' report, Building Businesses, explored some of the challenges and opportunities surrounding business support, informed by the views of SMEs across Wales.

Given the role that Business Wales has played and the questions of its continued existence or capacity in the post-EU funding environment, we sought to explore how the service was regarded.

In terms of recognition, 83% of respondents were aware of Business Wales. 75% of those who had not used the service were aware of its existence. This compares favourably with an FSB survey undertaken in 2018 where the recognition was 72%, indicating that the past few years have had an impact on awareness of the general support structure. Business Wales is a well-known part of the furniture for the SME sector, and this visibility is strong comparative advantage as a mechanism for development, policy levers and steering business to transition to net-zero. Of those who used the Business Wales service, 51% were satisfied and 25% dissatisfied, with the rest neutral. Encouraging sentiments were also expressed for the Development Bank of Wales (albeit with a small sample).

It is vital therefore that the core business support infrastructure, including Business Wales and Development Bank of Wales, is protected, developed, and placed on a statutory footing with core multi-year funding set out, and viewed as a key competitive advantage to Wales's economic and business development.

These findings should signal to UK Government the need to interact with established business support services more effectively in Wales.

Institutions

Unlike EU Structural funds, where Welsh Government managed the funds, the UK Government 'will work directly with local authorities on the details of the fund'. Devolved governments will 'have a role' along with local partners, but what this will entail remains unclear and the resultant political debate about this has been unhelpful. However, that UK Government have urged the engagement of local actors and business organisations is an important signal and intent which, we hope will help ensure that funding is relevant to the needs of smaller businesses.

There are dangers and risks for SMEs by UK Government bypassing Welsh Government in delivery of business support, and in 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. FSB Wales concurs with this assessment and urge that post-EU funding arrangements are shaped to accommodate the expertise, local knowledge and institutional advantages that are in place in Wales.

In evidence to the Welsh Affairs Select Committee, local authority leaders expressed the following:

- welcomed the key role for local authorities, with most local authorities likely to welcome direct funding
- noted concerns around centralisation of decision-making in London, calling for a "three-way conversation" that includes partnership working with the Welsh Government
- raised concerns around the competitive bidding process
- noted that tight timescales impacted on whether local authorities could progress priority projects that may need more time to develop, but which were more needed, noting the disadvantage smaller authorities may have in assessment and in competitive bidding generally
- noted that the system did not incentivise collaborative bidding.

It is inevitable that different governments will have different views of desired policy ambitions and priorities. This needs to be understood and acknowledged by all parties, with awareness that plural perspectives are legitimate and to be managed accordingly. The institutional architecture then needs to take this into account.

All levels of government should publicly recognise each others' legitimate interest in this agenda, and each level's relative strengths to shape an effective business support agenda and delivery. The relationship across UK and Welsh Government has been identified by many commentators as not conducive to building trust and achieving the best outcomes in their mutual interest. However, for these new steams of funding to have the confidence of the business community, Welsh and UK Government, along with local government across Wales, there will have to be a clear shared purpose and perhaps commit to the development of new structures for co-ordination and delivery.

Think Small First

The levers where a steer can be provided run across many policy areas and so also departments – and there is danger that these can be siloed within institutions and pursue different competing agendas. As such it is important that across government, there is a mainstreamed 'think small first' model that looks to suitable business support mechanisms that can contribute to the policy in question, from skills and education, research, to decarbonisation and health procurement. Post-EU funding arrangements must be no exception to this principle.

To promote a 'whole government' small business approach, FSB Wales have called for an Economic Development Bill to address this need to secure a small business perspective and economic lens from planning to regulation, tax, and reliefs through to education, skills and lifelong learning and everything in between. In the current position of significant uncertainties, an Economic Development Bill can also anchor an approach to the economy and allow Welsh Government to set out its approach in detail and in an accessible way that shows its approach to small business as an important partner to economic development in Wales. This legislation could also set out ambitions for intergovernmental collaboration, which is particularly salient in a post-EU environment.

Conclusion

The confused and uncertain landscape of future funding risks the danger of repeating some of the mistakes of EU funding – especially its early years in devolution – of money being spent in isolation with little holistic view as to the outcome and how it aligns with wider economic development and policy strategy across different governments.

Institutional space for differing views, delineating where business support fits across UK and Welsh policy programmes, appears the best solution to provide an impartial space for delivery. The OECD report has provided a significant contribution on this, albeit not taking a view on the UK Government role. Nevertheless, there is no logical reason to not simply take this view for long-term independent analysis and delivery.

Under a neutral arbiter (such as the OECD), UK and Welsh Governments should hold a summit to understand the best governance arrangements for long-term delivery of economic development through business support, with a view to providing impartial mechanisms for delivery outside day-to-day government business and interference. UK, Welsh, and local governments need to agree and have buy-in into a governance arrangement that:

- Ensures each level has input and shapes policy for strategic ends.
- Respects established statutory and legislative responsibility.

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- Provides a clear mix of local knowledge and national capacity.
- Ensures decision making on projects are made at the level that best suits addressing these tripartite needs.
- Provides regionally-based capacity, following the footprint based on the Corporate Joint Committees (CJCs) and City Deals.
- Is presided over as a statutory independent arm's length body with multi-scale government represented at the official level, accountable to the relative legislatures.
- Is backed by an independent evidence and research capability to drive, deliberate, and shape policy to each Government levels and stakeholders' needs and economic strategy, with equal buy in across each.
- Builds 'Think small first' into the system and builds all regulation, eligibility criteria and business engagement and representation into the system with this in mind.
- Promotes cross governmental working for common and clearly articulated ends.
- Links across and provides a central point of contact to all institutions and business support across Wales and UK as necessary, from Business Wales, Development Bank of Wales and the British Business Bank to universities and skills and Innovate UK and the relative Infrastructure Commissions. Mapping exercise to be made available and public.
- Recognises and utilises areas of capacity and capabilities in the legacy funding system, such as Business Wales, Development Bank of Wales, Welsh European Funding Office and utilises them to build learning and capacity across the system and particularly Local Authorities.

Outcomes matter more for business success than structures, or constitutional debates, but it is vital that structures are stable, clear, and geared toward SME success and long-term development, in order to provide for the best outcomes for SMEs and to provide an institutional norm across governments and institutions to 'think small first'.

A system that works should also be in the interest of advocates of constitutional and new arrangements following Brexit. For Brexit to be viewed as a long-term success, it is vital that funding systems are geared to allow communities and businesses to shape those systems to their needs, while taking advantage and making best use of the significant resources that UK Government can bring to bear on the issues facing our different nations and communities in the UK.

Proving that governments can work together effectively and to complement each other – including within the ambition of levelling up – will be important to the future success of businesses across the UK.

FSB Wales hope that this response is helpful in your inquiry and please do feel free to contact us if we can be of further assistance.

Yours Sincerely,

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Arbenigwyr mewn Busnes
Experts in Business

Ben Cottam

Head of Wales

Federation of Small Businesses Wales

CONWY COUNTY BOROUGH COUNCIL

Response to an Inquiry by the Welsh Parliament's Finance Committee

Post-EU Funding Arrangements

Introduction
Conwy County Borough Council welcomes the opportunity to respond to the Finance Committee's Inquiry into Post-European Funding arrangements.

Conwy County Borough Council has benefited from a number of European funded programmes over the past 20 years, including: 2000-2006 Objective 1 programme (ERDF, ESF and FIFG); 2007-2013 Convergence Programme (ERDF and ESF); 2014-2020 European Structural and Investment Funds (ERDF and ESF); the European Agricultural Fund for Rural Development (EAFRD); and the European Territorial Cooperation Programmes (ETC).

We have undertaken numerous projects utilising this funding, which has been invaluable in enabling us to deliver a varied programme of interventions for the benefit of our residents and communities. Examples include physical regeneration projects, provision of both infrastructure for our local businesses and business support, skills and employment initiatives, and support for community-led local development.

Conwy County Borough Council has also benefitted from EU funded programmes and projects which have been delivered by partner organisations, including Welsh Government, universities and further education colleges, and from the third and private sectors, many of which were pan-Wales projects, delivered locally.

None of this activity would have been possible without the opportunity to apply for EU funding, and it is imperative that this level of support can continue, on the promise of 'not a penny less' and any future effect of the loss of this quantum of funding.

Progress in establishing and delivering replacement funds for EU structural funds, including the UK Shared Prosperity Fund (SPF), the UK Community Renewal Fund (CRF), and the UK Levelling-Up Fund (LUF).
Progress in bringing forward the UK Shared Prosperity Fund (SPF) has been slow, as this was announced in the Conservative manifesto in both 2017 and 2019. Details of this programme have been released as a 'drip-feed', which is particularly unhelpful in terms of planning and project development.

Also, SPF appears contradictory in terms of utilising Constituencies to determine economic development and activity, as this falls within the borders and remit of each individual Local Authority, and not as an 'overlay' map of Constituencies, outlining a false economic boundary.

The decision to provide SPF on the basis of allocations, rather than a competitive process, is, however, welcomed.

The CRF was to act as a 'pilot' and a precursor to SPF, however, as the CRF applications were so late in being approved, necessitating an extension of time to deliver from March 2022 to June 2022, and now yet a further extension to December 2022, very little if any learning could be taken from CRF to apply to the development of SPF.

LUF Round 1 had a specific prospectus and technical information, however we suspect many Authorities (including Conwy) were not ready to submit a bid in the first round, due to the short timescale. Now that we have received the technical note for Round 2 (which again has a short timescale for submission), we find that there are significant alterations from the first round, which requires a major re-think in terms of the project scope and delivery mechanism. (This concerns shared Constituency boundaries, whereby there is no longer a need to submit joint applications and identify a lead authority, as well as a welcome uplift in the available funding). It should also be noted that LUF is not a replacement for EU ERDF funding, but is a Barnett Consequential arising from the English Towns fund.

As with all the funds, the timeline for submission of the CRF and the LUF bids is particularly challenging, as is preparing the Local Investment Plan for SPF.

The resource implications are also an issue – whilst we welcome a contribution from the funds to enable us to recruit more staff into our very much depleted teams – recruitment is a huge challenge, people are simply not applying for these roles, leaving the existing team within Conwy (3 staff members) under significant pressure. We were over-subscribed with CRF applications (31 in total, for over £7m), which necessitated detailed assessment and review, in order to reduce our overall submission to UKG to £3m. Following this, the 10 projects approved by UKG have required the issue of individual funding agreement letters, day to day projects monitoring, claims preparation, and liaising with UK Government's LUF department in the Wales Office on technical issues.

The same small team are now in the process of preparing two Levelling-up bids, along with overseeing the preparation of a Transport bid for LUF Round 2. We are also populating a Conwy-focused Local Investment Plan for SPF. This is in addition to our normal 'day job' of continuing to govern EU projects that are still delivering, and overseeing EU project closures as the number of projects gradually reduce as we move towards the end of the ESI Programme in 2023.

A further challenge is the requirement to build new relationships with the Wales Office Levelling-Up Team, and adapt to the UKG methods of working. Good working relationships had been established with the Welsh European Funding Office over the past 20 years, and we will now need to 'start again' with the Wales Office staff, whilst dealing with unfamiliar funding mechanisms and processes.

How the funding proposed for Wales and funding received via continued UK participation in EU programmes, compares to the funding received while the UK was a member of the EU

The allocations to Wales within these funding streams falls short of that previously enjoyed and which could still be available to Wales had we not left the European Union.

The SPF budget is a 3-year commitment with an increasing amount available each financial year, albeit having a reduced allocation in year 1 to take account the EU funds that are still delivering projects into 2023, whereas the ESI funds are multi-annual and are for a 10 year period.

If the UK had remained in the EU, Wales would now be receiving funding for the next 7-10 years under the new EU Funding Programmes for 2020-2027, with the highest levels of funding from the new Structural Fund Programmes. We would also be in receipt of funding from the new Common Agricultural Policy for agriculture and rural development, as well as funding from the new Maritime and Fisheries Fund and the new Territorial Cooperation Programmes. We would be able to continue to benefit from funding from the ERASMUS+ Programme for our young people and the HORIZON EUROPE Programme for our Universities. All this funding would have been additional, over and above the block grant.

The mechanisms and structures being established to administer those funds in Wales, the roles of those involved, in particular the Welsh and UK Governments, and the consequent impact on accountability arrangements.

The decision under SPF to seek a regional Local Investment Plan and allocate all the region's funding through a Lead Authority is, on the face of it, perfectly logical in terms of a policy decision, however at a practical level, this raises particular challenges. Regional and collaborative working has been a feature in recent years, due to the establishment of the North Wales Economic Ambition Board and the successful bid for Growth Deal funding, along with the introduction of a Corporate Joint Committee. To that end, a Regional 'Local' Investment Plan will be effective only in terms of the strategic, regionally-delivered priorities (Skills and Employability or Business Support, for example). However, as the main feature of SPF is 'Pride in Place', this requires bespoke, local interventions, and will be challenging to include a whole region's proposals in such a 'high-level' plan.

The proposal that a lead authority is designated for the region to accept all the region's funding (£104m in North Wales), is also a departure from previous expectations. For a Local Authority to accept the liability of receiving the region's funding to manage, then to assess and approve project applications, process payments and undertake day-to-day monitoring is a major commitment, and will require a very large team of people to administer the likely number of projects that will be approved, from the large-scale strategic projects to the very small community projects, which will all need to report to that lead authority, and we will need to go 'cap in hand' to this neighbouring authority to ask for funding that has already been allocated to us. Again, this seems contradictory, when each Local Authority is already administering CRF projects, and would be in a position to look after their 'own' projects from their 'own' allocation.

The amount of legacy funding that Wales is due to receive following the UK's exit from the EU and associated with EU structural fund programmes.

There remains a fundamental difference of opinion between the UK and Devolved Governments over whether the funding allocated via the SPF equates to what would have been received if the UK had remained in the EU.

If Wales had not left the European Union, we would have received funding from the 2021-2028 EU Structural Fund programmes in addition to the existing approved funding to deliver projects to the end of the 2013-20 EU programmes. This overlap is not accounted for in the UK Government allocations of SPF. On the contrary, the SPF has been reduced in the first year to "offset" the balance of funds from the 2013-2020 Structural Fund programmes.

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28 Ebrill 2022

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Annwyl Mr Griffiths

Ymgynghoriad: Trefniadau cyllido ar ôl i'r DU ymadael â'r UE

Mae CCAUC yn croesawu'r cyfle i ymateb i ymchwiliad y Pwyllgor Cyllid i gyllid yn dilyn ymadawiad y DU â'r UE. Daw ein hymateb o safbwynt ein rôl fel y corff cyhoeddus sy'n gweithredu rhwng Llywodraeth Cymru a darparwyr addysg uwch. Rydym yn rheoleiddio ac yn darparu cyllid ar gyfer addysgu ac ymchwil addysg uwch, ac rydym yn cymhwyso ein dylanwad a'n harbenigedd i helpu i gyflawni blaenoriaethau Llywodraeth Cymru ar gyfer addysg uwch sydd â buddion cymdeithasol ac economaidd ehangach yn ogystal.

Cefndir

Mae Cronfeydd Strwythurol a Buddsoddi Ewropeaidd a weinyddir gan Swyddfa Cyllid Ewropeaidd Cymru (WEFO) wedi bod yn ganolog i gefnogi ymchwil ac arloesi mewn prifysgolion yng Nghymru, gan danategu gweithgarwch yn amrywio o ddarpariaeth cyfalaf (adeiladau ac offer); mynediad at gyfleusterau arbenigol ac arbenigedd ar gyfer BBaChau; ymchwil gydweithredol; darparu hyfforddiant arbenigol; a phrofiad gwaith i raddedigion. Derbyniodd Cymru dros £2 biliwn o gronfeydd strwythurol ers 2000, gyda phrifysgolion yn derbyn y trydydd swm mwyaf o'r cyfanswm hwn.

Felly mae colli mynediad at y cronfeydd hyn yn arwain at ganlyniadau sylweddol i ddyfodol ymchwil ac arloesi yng Nghymru, gydag effaith ganlyniadol ar y ffyniant economaidd a'r llesiant cymdeithasol mae ymchwil ac arloesi yn hollbwysig iddynt. Mae cysylltiad â rhaglenni ariannu amrywiol yr UE wedi arwain at ymchwil sylweddol ac effaith gymdeithasol a chydweithrediadau ymchwil cryf, sefydledig. Mae angen inni adeiladu ar y llwyddiannau hyn, datblygu'r cydweithrediadau hyn ymhellach a diogelu ac ehangu ar bopeth a gyflawnwyd dros y degawdau diwethaf. Mae ein hymateb isod yn canolbwyntio ar y goblygiadau i ymchwil ac arloesi mewn prifysgolion yn sgil yr hyn sy'n hysbys ar hyn o bryd am drefniadau cyllido ar ôl i'r DU ymadael â'r UE. Rydym wedi darparu dolenni i ddogfennau eraill sy'n darparu gwybodaeth, cyd-destun a thystiolaeth ychwanegol.

Mae ein hymateb wedi'i fframio yng nghyd-destun ein hadnewyddiad a gyhoeddwyd yn ddiweddar [Ymchwil ac Arloesi: Y Weledigaeth i Gymru]. Diweddarwyd y Weledigaeth ym mis Chwefror 2022 i gydnabod y newidiadau yn yr amgylchedd allanol ers ei chyhoeddiad gwreiddiol yn 2019, gan gynnwys mwy o eglurder ynghylch lle cyllid ar gyfer ymchwil ac arloesi ym mhenderfyniadau polisi'r DU ar ôl Brexit. Mae'r Weledigaeth yn nodi nodau tymor byr, cerrig milltir tymor canolig ac uchelgeisiau tymor hir ar gyfer cynnal sylfaen ymchwil ragorol sy'n cefnogi arloesedd sy'n hybu cynhyrchiant, sy'n fyd-eang o ran persbectif, sy'n gydweithredol ac sydd ag ymdeimlad cryf o le. Mae [adroddiad blynyddol cyntaf CCAUC yn erbyn y Weledigaeth] yn amlinellu'r cynnydd a wnaed tuag at gyflawni hyn, gan gynnwys cyfres o ddangosyddion sy'n cymharu perfformiad prifysgolion yng Nghymru â gweddill y DU. Er bod cynnydd sylweddol wedi'i wneud ers 2019, mae ein hymateb i feysydd o ddiddordeb ymchwiliad y Pwyllgor isod yn amlygu heriau posibl i gynnal y momentwm hwn a chyflawniad parhaus y Weledigaeth er budd Cymru.

Cynnydd o ran sefydlu a darparu cronfeydd amnewid ar gyfer cronfeydd strwythurol yr UE, gan gynnwys Cronfa Ffyniant Gyffredin y DU; y Gronfa Adfywio Cymunedol; a'r Gronfa Ffyniant Bro

Wrth fframio ymhellach y cynnydd o ran sefydlu'r cronfeydd hyn, byddem yn nodi bod Fframwaith ar gyfer Buddsoddi Rhanbarthol yng Nghymru Llywodraeth Cymru wedi'i lansio ym mis Tachwedd 2020, i lywio'r broses o wneud penderfyniadau yn dilyn ymadawiad y DU â'r UE. Roedd [ymateb CCAUC] i'r ymgynghoriad ar y Fframwaith yn cefnogi'r syniad o gydlyniant strategol ar lefel genedlaethol y mae'r Fframwaith yn ceisio'i gyflawni. Croesawyd y ffocws ar fuddsoddi mewn datblygu sgiliau i adeiladu economi fodern gwerth uchel sy'n amrywiol a chynhwysol, ond fe wnaethom annog cydnabyddiaeth bellach o'r cyfraniad gwerthfawr mae darparwyr addysg uwch yng Nghymru yn ei wneud i weithgareddau cymunedol drwy eu ffocws cryf ar le. Fe wnaethom hefyd dynnu sylw at y ffaith y dylai sylfaen ymchwil ac arloesi gref fod yn sail i bob un o'r pedwar maes blaenoriaeth allweddol ar gyfer buddsoddi a'i bod yn hanfodol nad oedd gallu ymchwil ac arloesi, gan gynnwys adnoddau staff arbenigol, yn cael ei golli i Gymru yn ystod y cyfnod pontio i'r trefniadau ar ôl Brexit.

Mae'r papur gwyn Ffyniant Bro yn cynnwys cenhadaeth genedlaethol ar ymchwil a datblygu, sy'n ymrwymo i gynyddu buddsoddiad cyhoeddus mewn ymchwil a datblygu y tu allan i ranbarth de-ddwyrain Lloegr o leiaf 40 y cant erbyn 2030, gydag ymrwymiad gan yr Adran Strategaeth Busnes, Ynni a Diwydiant i fuddsoddi o leiaf 55 y cant o'u cyllid ymchwil a datblygu domestig y tu allan i'r rhanbarth erbyn 2024-25. Mae adrannau eraill o lywodraeth y DU hefyd wedi ymrwymo i wasgaru eu cyllid ymchwil yn ehangach ar draws y wlad. Bydd hyn yn dod â chyfleoedd ar gyfer ymchwil ac arloesi yng Nghymru.

Fodd bynnag, bydd y cronfeydd hyn yn cael eu dyrannu'n bennaf ar sail gystadleuol, ac felly mae angen i'n prifysgolion allu cystadlu'n effeithiol er mwyn sicrhau enillion sylweddol i Gymru. Bydd CCAUC yn parhau i weithio gyda'r sector addysg uwch a chydweithwyr yn Llywodraeth Cymru i gefnogi ymchwilwyr yn y cyfnod pontio hwn tuag at dirwedd ariannu wedi'i hailgyflunio, fel y gofynnwyd yn ein [llythyr cylch gwaith diweddar ar gyfer 2022-23]. Rydym yn glir bod angen i'r rhagoriaeth sydd ei hangen i sicrhau llwyddiant mewn cynlluniau grant cystadleuol gael ei hategu gan sylfaen ymchwil ac arloesi gref a chynaliadwy, wedi'i hategu gan lefelau cyson o gyllid craidd, y mae [CCAUC yn ei ddyrannu] drwy ei ffrydiau cysylltiedig ag ansawdd a Chronfa Arloesi Ymchwil Cymru.

Mewn cyferbyniad, cyfyngedig iawn yw'r cyfeiriadau a wneir gan Gronfa Ffyniant Gyffredin y DU at rôl ymchwil ac arloesi, ac addysg uwch yn fwy cyffredinol, wrth gyflawni ymrwymiad Llywodraeth y DU i gyflawni ffyniant bro ym mhob rhan o'r DU. Mae hyn yn siomedig, gan fod cyllid yr UE wedi galluogi Cymru yn flaenorol i ddatblygu partneriaethau cryf ac ystod eang o weithrediadau ymchwil rhyngwladol sydd wedi mynd i'r afael yn llwyddiannus â llawer o heriau cymdeithasol allweddol, megis newid yn yr hinsawdd, sicrwydd bwyd, lleihau carbon a hyrwyddo'r economi gylchol. At hynny, ni chafodd Cymru ei dewis ar gyfer cyflymydd arloesi newydd, a fydd yn denu buddsoddiad o £100 miliwn fel rhan o'r agenda Ffyniant Bro.

Sut mae'r cyllid a gynigir i Gymru a'r cyllid a dderbyniwyd drwy gyfranogiad parhaus y DU yn rhaglenni'r UE yn cymharu â'r cyllid a dderbyniwyd tra roedd y DU yn aelod o'r UE

Cytunwyd ar y Cytundeb Masnach a Chydweithredu rhwng yr UE a'r DU ar eu perthynas yn y dyfodol ar ddiwedd 2020. Cadarnhaodd hyn gyfranogiad y DU yn y rhan fwyaf o raglen Horizon Ewrop ond hefyd na fyddai'r DU yn cymryd rhan yn rhaglen symudedd nesaf Erasmus. Dechreuodd Horizon Ewrop, y rhaglen ymchwil ac arloesi Ewropeaidd newydd, yn swyddogol ar 1 Ionawr 2021, ond hyd yma ni chytunwyd ar gysylltiad y DU â'r rhaglen, sy'n angenrheidiol i alluogi cyfranogiad llawn. Er bod Llywodraeth y DU wedi cyhoeddi gwarant ar gyfer ceisiadau llwyddiannus a wneir i Horizon Ewrop y cytunwyd arnynt erbyn 31 Rhagfyr 2022, sy'n rhoi sicrwydd cyllid i'w groesawu, mae ymchwilwyr y DU yn canfod fwyfwy bod partneriaid Ewropeaidd yn llai parod i'w cynnwys mewn cydweithrediadau oherwydd yr ansicrwydd ynghylch safle'r DU yn y rhaglen yn y tymor hwy. Yn ogystal â'r posibilrwydd o golli incwm grant ar gyfer y DU, mae hyn yn cael effaith ehangach ar y cydberthnasau, y cydweithrediadau a'r rhwydweithiau sy'n hanfodol i ymchwil ac arloesi llwyddiannus.

Mae denu a chadw talent ymchwil ac arloesi yn hollbwysig. Mae angen dybryd i gadw'r arbenigedd sy'n gysylltiedig ar hyn o bryd â phrosiectau ymchwil ac arloesi a ariennir gan yr UE yng Nghymru a rhoi cyfle i adeiladu ar y gallu hwnnw, sicrhau ei fod yn cael ei gynnal a'i ddatblygu ymhellach. Yn flaenorol, mae rhaglenni'r UE fel y Cyngor Ymchwil Ewropeaidd a Marie Sklodowska-Curie Actions wedi galluogi ymchwilwyr rhyngwladol o'r radd flaenaf i adleoli i'r DU a chynnal eu hymchwil yn y DU. Pe na bai cysylltiad â Horizon Ewrop ac felly mynediad parhaus at y cynlluniau hyn yn cael ei gyflawni, byddai'n rhaid i unrhyw un newydd o'r DU sicrhau eu bod yn cael eu hystyried yn gyfartal â chynlluniau'r UE o ran enw da a bri, neu ni fydd y DU yn gallu denu'r ymchwilwyr gorau i wneud cais.

Mae Sêr Cymru wedi bod yn rhaglen ariannu lwyddiannus gwerth miliynau o bunnoedd sy'n cyfrannu talent wyddonol i swyddi ymchwil yng Nghymru, gan ganolbwyntio ar dri maes her: gwyddorau bywyd ac iechyd; carbon isel, ynni a'r amgylchedd; a deunyddiau a pheirianneg ddatblygedig. Mae cyllid o gronfeydd strwythurol yr UE a Horizon 2020, gydag arian cyfatebol gan brifysgolion Cymru, Llywodraeth Cymru a CCAUC ar gyfer Cadeiryddion Ymchwil, Rhwydweithiau Ymchwil Cenedlaethol ac ymchwilwyr ar ddechrau eu gyrfa i ganol eu gyrfa wedi denu talent i Gymru. Mae trafodaeth yn mynd rhagddi ynglŷn â dyfodol hirdymor y cynllun hwn.

Mae’r dyraniad gan Lywodraeth Cymru o £65 miliwn dros bum mlynedd hyd at 2027 ar gyfer cynllun symudedd Taith fel dewis amgen i Erasmus i’w groesawu’n fawr, yn enwedig y cymorth ar gyfer symudedd mewnol ac allanol i ymchwilwyr yn ogystal â myfyrwyr.

Y mecanweithiau a’r strwythurau sy’n cael eu sefydlu i weinyddu’r cronfeydd hynny yng Nghymru, rolau’r rhai sy’n gysylltiedig, yn enwedig Llywodraeth Cymru a Llywodraeth y DU, a’r effaith ddilynol ar drefniadau atebolrwydd

Yn aml gall cyfrifoldebau datganoledig dros ymchwil ac arloesi yng Nghymru a chyfrifoldeb Llywodraeth y DU i’r rhanbarthau datganoledig orgyffwrdd. Mae eglurder a chydweithrediad yn allweddol i nodi synergeddau a chyfleoedd ar gyfer cydweithio tra'n osgoi dyblygu. Rydym wedi cefnogi ymrwymiad Llywodraeth y DU yn flaenorol yn ei Map Trywydd Ymchwil a Datblygu i weithio’n agosach gyda’r gweinyddiaethau datganoledig, Ymchwil ac Arloesi yn y DU (UKRI), cyllidwyr eraill a chynrychiolwyr cyrff lleol i ddyfnhau’r berthynas rhwng cyrff cenedlaethol a datganoledig ac ardaloedd lleol er mwyn llywio’r gwaith o ddatblygu a darparu cynlluniau twf cenedlaethol, datganoledig a lleol yn well. Rydym hefyd wedi croesawu’r ymrwymiad i adolygu cydbwysedd daearyddol y rhai sy’n gwneud penderfyniadau a byrddau cynghori. Gwnaethom argymell ymgysylltu a chydweithio’n gynnar â gwledydd datganoledig mewn unrhyw strategaethau ariannu newydd a/neu ffrydiau ariannu posibl, fel y gall gwledydd fel Cymru sydd ag angen cryf i gynyddu gweithgarwch ymchwil ac arloesi fod yn rhan o lunio atebion a’u halinio â blaenoriaethau datganoledig. Mae cydnabod bod angen atebion gwahanol ar economïau lleol mewn gwahanol rannau o’r DU yn hanfodol, megis y gyfran uchel o fusnesau bach a chanolig yng Nghymru.

Gall cyfleusterau gwyddonol mawr a chanolfannau ymchwil atgyfnerthu anghydraddoldebau rhanbarthol lle mae perygl bod manteision economaidd gorlifo gwybodaeth yn lleol iawn. Mae buddsoddiad cyfalaf i greu cyfleusterau, labordai a chyfarpar o'r radd flaenaf yn denu'r ymchwilwyr mwyaf dawnus i wneud ymchwil o safon fyd-eang. Bydd yn hollbwysig felly bod y gwaith o weithredu canfyddiadau adolygiad annibynnol Syr Paul Nurse o Dirwedd Sefydliadol Ymchwil, Datblygu ac Arloesi yn cael ei ategu gan strwythur cynghori a llywodraethu sy’n adlewyrchu pob rhan o’r DU yn ddigonol.

Mae cydweithio a phartneriaeth yn ganolog i effaith cyllid yr UE ar gyfer ymchwil ac arloesi, ac i alluogi sylfaen ymchwil Cymru i gystadlu’n llwyddiannus yn nhirwedd ariannu wedi'i hailgyflunio’r DU. Yn dilyn adroddiad yr Athro Graeme Reid ar gyfer Prifysgolion Cymru, *Strength in Diversity*, mae CCAUC wedi darparu cyllid i alluogi creu Rhwydwaith Arloesi Cymru. Trwy Rwydwaith Arloesi Cymru, bydd prifysgolion yn ceisio adeiladu ar eu hamrywiaeth i greu partneriaethau gyda'i gilydd a chydag awdurdodau cyhoeddus, busnesau ac elusennau sy'n cynnig cryfder cystadleuol ychwanegol.

Mae *Gweledigaeth* CCAUC yn nodi “ymgysylltu parhaus â strwythurau Ewropeaidd a rhyngwladol, gan weithio gydag Addysg Uwch Cymru Brwsel ac addasu i’r cyd-destun ymchwil ac arloesi newidiol” fel nod parhaus allweddol. Mae Addysg Uwch Cymru Brwsel wedi hyrwyddo rhagoriaeth ymchwil Cymru, wedi cefnogi prifysgolion Cymru i gael mynediad at rwydweithiau a chyfleoedd cydweithredol yr UE, ac wedi brocera cydberthnasau rhyngwladol strategol. Mae seilwaith ‘swyddfeydd cenedlaethol/rhanbarthol' o'r fath yn amhrisiadwy o ran cefnogi cydweithredu rhyngwladol a galluogi mynediad at gyfleoedd cydweithredol rhyngwladol newydd.

Swm y cyllid etifeddol mae Cymru i fod i'w gael yn dilyn ymadawiad y DU â'r UE ac sy'n gysylltiedig â rhaglenni cronfeydd strwythurol yr UE

Nid oes gennym unrhyw sylw i'w wneud ar y pwynt hwn.

Mae ein hymateb wedi canolbwyntio ar oblygiadau ymadawiad y DU â'r UE ar gyfer ariannu ymchwil ac arloesi. Fodd bynnag, rydym hefyd yn dymuno tynnu sylw'r Pwyllgor at y ffaith bod CCAUC wedi cyhoeddi ymgynghoriad yn ddiweddar ar y trefniadau arfaethedig i CCAUC allu dyrannu cyllid i barhau i gefnogi cyflogadwyedd myfyrwyr o grwpiau a dangynrychiolir mewn addysg uwch, a ddarperir ar hyn o bryd drwy GO Wales: Cyflawni drwy Brofiad Gwaith a ariennir gan Gronfa Gymdeithasol Ewrop. Y bwriad yw y bydd y cynllun newydd hwn yn cael ei ariannu o gymorth grant CCAUC gan Lywodraeth Cymru ar raddfa o £2 miliwn y flwyddyn, yn amodol ar gyllideb gyffredinol CCAUC, a chreu'r Comisiwn ar gyfer Addysg Drydyddol ac Ymchwil.

Manylion cyswllt

Ar gyfer unrhyw ymholiadau yn ymwneud â'r ymateb hwn, gan gynnwys ceisiadau am ddata sylfaenol, cysylltwch â Harriet Barnes, Cyfarwyddwr Polisi a Chyllid, [redacted]

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Cyngor Cyllido Addysg Uwch Cymru
Higher Education Funding Council for Wales

28 April 2022

Peredur Owen Griffiths MS
Chair, Finance Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

Senedd Cymru / Welsh Parliament
Y Pwyllgor Cyllid / Finance Committee
Trefniadau ariannu ar ôl gadael yr UE / Post-EU funding arrangements
PEU 06 Cyngor Cyllido Addysg Uwch Cymru / Higher Education Funding Council for Wales

Dear Mr Griffiths

Consultation: Post-EU funding arrangements

HEFCW welcomes the opportunity to respond to the Finance Committee's inquiry into funding following the UK's exit from the EU. Our response is from the perspective of our role as the public body operating between Welsh Government and higher education providers. We regulate and provide funding for higher education teaching and research, and apply our influence and expertise to help deliver Welsh Government priorities for higher education that also have wider societal and economic benefits.

Background

European Investment and Structural Funds administered by the Wales European Funding Office (WEFO) have been central in supporting research and innovation in universities in Wales, underpinning activity ranging from capital provision (buildings and equipment); access to specialist facilities and expertise for SMEs; collaborative research; provision of specialist training; and graduate work experience. Wales received over £2bn from structural funds since 2000, with universities the third largest recipient of this total.

The loss of access to these funds therefore has significant consequences for the future of research and innovation in Wales, with a knock-on impact on the economic prosperity and social wellbeing to which research and innovation are critical. Association with various EU funding programmes has led to significant research and societal impact and strong, established research collaborations. We need to build on these successes, further develop these collaborations and protect and expand on all that has been achieved over recent decades. Our response below focuses on the implications for research and innovation in universities of what is currently known about post-EU funding arrangements. We have provided links to other documents which provide additional information, context and evidence.

Our response is framed in the context of our recently published refreshed Research and Innovation: The Vision for Wales. The Vision was updated in February 2022 to recognise the changes in the external environment since its original publication in 2019, including increasing clarity over the place of funding for research and innovation in UK post-Brexit policy decisions. The Vision sets outs short-term goals, medium-term milestones and long-term ambitions for maintaining and excellent research base that supports innovation that boosts productivity, is global in perspective, collaborative and has a strong sense of place. HEFCW's first annual report against the Vision sets out the progress that has been made towards achieving this, including a series of indicators which compare the performance of universities in Wales to the rest of the UK. While significant progress has been made since 2019, our response to the areas of interest of the Committee's inquiry below highlights potential challenges to maintaining this momentum and ongoing delivery of the Vision for the benefit of Wales.

Progress in establishing and delivering replacement funds for EU structural funds, including the UK Shared Prosperity Fund; the Community Renewal Fund; and the Levelling Up Fund

As further framing to progress in establishing these funds, we would note that the Welsh Government's Regional Investment in Wales Framework was launched in November 2020, to guide decision making following the UK's departure from the EU. HEFCW's response to the consultation on the Framework supported the idea of strategic co-ordination at a national level which the Framework seeks to achieve. We welcomed the focus on investment in skills development to build a high value modern economy which is diverse and inclusive, but encouraged further recognition of the valuable contribution higher education providers in Wales make to community-based activities through their strong focus on place. We also highlighted that a strong research and innovation base should underpin each of the four key priority areas for investment and that it was essential that research and innovation capacity, including expert staff resources, was not lost to Wales in the period of transition to post-Brexit arrangements.

The Levelling Up white paper includes a national mission on research and development (R&D), which undertakes to increase public investment in R&D outside the greater south east region of England by at least 40 per cent by 2030, with a commitment from the Department for Business, Energy and Industrial Strategy to invest at least 55 per cent of their domestic R&D funding outside the region by 2024-25. Other UK government departments have also undertaken to spread their research funding more widely across the nation. This will bring opportunities for research and innovation in Wales.

However, these funds will be allocated primarily on a competitive basis, and therefore our universities need to be able to compete effectively in order to secure a significant return for Wales. HEFCW will continue to work with the higher education sector and colleagues in Welsh Government to support researchers in this transition towards a reconfigured funding landscape, as requested in our recent remit letter for 2022-23. We are clear that the excellence needed to achieve success in competitive grant schemes needs to be underpinned by a strong and sustainable research and innovation base, supported by consistent levels of core funding, which HEFCW allocates via its QR (Quality Related) and Research Wales Innovation Fund streams.

In contrast, the UK Shared Prosperity Fund makes very limited reference to the role of research and innovation, and of higher education more generally, in delivering the UK Government's commitment to level up all parts of the UK. This is disappointing, as EU funding has previously enabled Wales to develop strong partnerships and a broad range of international research operations that have successfully addressed many key societal challenges, such as climate change, food security, carbon reduction and promoting the circular economy. Moreover, Wales was not selected for a new innovation accelerator, which are due to attract £100m investment as part of the Levelling Up agenda.

How the funding proposed for Wales and funding received via continued UK participation in EU programmes compares to the funding received while the UK was a member of the EU

The Trade and Co-operation Agreement between the EU and the UK on their future relationship was agreed at the end of 2020. This confirmed UK participation in most of the Horizon Europe programme but also that the UK would not participate in the next Erasmus mobility programme. Horizon Europe, the new European research and innovation programme, officially started on 1 January 2021, but as yet the UK's association to the programme, which is necessary to enable full participation, has not been agreed. While the UK Government has announced a guarantee for successful applications made to Horizon Europe agreed by 31 December 2022, which provides welcome security of funding, UK researchers are increasingly finding that European partners are less willing to involve them in collaborations because of the uncertainty about the UK's position in the programme in the longer term. As well as potential loss of grant income for the UK, this has a wider impact on the relationships, collaborations and networks which are crucial to successful research and innovation.

Attracting and retaining research and innovation talent is crucial. There is an urgent need to retain the expertise currently connected to EU-funded research and innovation projects in Wales and provide an opportunity to build on that capacity, ensure that it is maintained and develops further. Previously, EU programmes such as the European Research Council and Marie Sklodowska-Curie Actions have enabled international world class researchers to relocate to, and conduct their research in the UK. Should association to Horizon Europe and hence continued access to these schemes not be achieved, any UK replacement would have to ensure they are perceived on par with the EU schemes in terms of reputation and prestige, or the UK will be unable to attract the very best researchers to apply.

Sêr Cymru has been a successful multi-million pound funding programme bringing scientific talent into research posts in Wales, focussing on three challenge areas: life sciences and health; low carbon, energy and environment; and advanced engineering and materials. Funding from EU structural funds and Horizon 2020, with match funding provided by Welsh universities, Welsh Government and HEFCW for Research Chairs, National Research Networks and early to mid-career researchers has attracted talent into Wales. Discussion is ongoing regarding the long term future of this scheme.

The allocation by Welsh Government of £65m over five years to 2027 for the Taith mobility scheme as an alternative to Erasmus is very welcome, in particular the support for both inward and outward mobility for researchers as well as students.

The mechanisms and structures being established to administer those funds in Wales, the roles of those involved, in particular the Welsh and UK Governments, and the consequent impact on accountability arrangements

Devolved responsibilities for research and innovation in Wales and the UK Government's responsibility to the devolved regions can often overlap. Clarity and cooperation is key to identifying synergies and opportunities for collaboration while avoiding duplication. We have previously supported the UK Government's commitment in its R&D Roadmap to work more closely with the devolved administrations, UK Research and Innovation (UKRI), other funders and representatives of local bodies to deepen the relationships between national and devolved bodies and local areas to better inform the development and delivery of both national, devolved and local economic growth plans. We have also welcomed the commitment to review the geographical balance of decision-makers and advisory boards. We recommended early engagement and collaboration with devolved nations in any new funding strategies and/or potential funding streams, so that nations like Wales with a strong need to increase research and innovation activity can be a part of shaping solutions and align them with devolved priorities. Recognition that local economies in different parts of the UK require different solutions is vital, such as the high proportion of SMEs within Wales.

Large scientific facilities and research centres can reinforce regional inequalities where there is a risk that the economic benefits of knowledge spillover are highly localised. Capital investment to create state-of-the-art facilities, labs and equipment is a draw for the most talented researchers to carry out world-class research. It will be crucial therefore that the implementation of the findings of Sir Paul Nurse's independent review of the Research, Development and Innovation Organisational Landscape is supported by an advisory and governance structure that adequately reflects all parts of the UK.

Collaboration and partnership is central to both the impact achieved from EU funding for research and innovation, and to enabling the Welsh research base to compete successfully in the reconfigured UK funding landscape. Following Professor Graeme Reid's report for Universities Wales, *Strength in Diversity*, HEFCW has provided funding to enable the creation of the Wales Innovation Network (WIN). Through WIN, universities will seek to build on their diversity to create partnerships with each other and with public authorities, businesses and charities which offer additional competitive strength.

HEFCW's *Vision* identifies "continued engagement with European and international structures, working with Welsh Higher Education Brussels [WHEB] and adapting to the changing research and innovation context" as a key ongoing goal. WHEB has promoted Welsh research excellence, supported Welsh universities to access EU networks and collaborative opportunities, and brokered strategic international relationships. Such 'national/regional office' infrastructure is invaluable in supporting international collaborations and enabling access to new international collaborative opportunities.

The amount of legacy funding that Wales is due to receive following the UK's exit from the EU and associated with EU structural fund programmes

We have no comment to make on this point.

Our response has focused on the implications of the UK's exit from the EU for the funding of research and innovation. However, we also wish to bring to the Committee's attention that HEFCW has recently published a consultation on proposed arrangements for HEFCW to allocate funding to continue to support the employability of students from groups under-represented in higher education, currently provided through the European Social Fund (ESF) funded GO Wales: Achieve through Work Experience programme. It is intended that this new scheme will be funded from HEFCW's grant-in-aid from Welsh Government at a scale of £2m per year, subject to HEFCW's overall budget, and the creation of the Commission for Tertiary Education and Research.

Contact details

For any queries relating to this response, including requests for underpinning data, please contact Harriet Barnes, Director of Policy and Funding, [redacted]

Yours sincerely

David Blaney

Industrial Communities **Alliance** Wales

The all-party association campaigning on behalf of local authorities in the industrial areas of England, Scotland and Wales

Welsh Government Finance Committee: Post-EU Funding Arrangements Inquiry

1. The Industrial Communities Alliance is a local authority network representing former coal and steel communities with a focus on securing their economic regeneration following the collapse of the traditional employment base. Here in Wales, its membership is drawn primarily from the Valleys, and given that they have been prime beneficiaries of EU funding over many years the Alliance has a particular interest in post-EU funding arrangements. We welcome, therefore, the opportunity to contribute to the Committee's timely inquiry.

2. The Alliance's starting point is that the overall post-Brexit funding envelope should be no less than the EU's Structural Funds' allocation for 2014-2020. During this period, Wales received more per person than any other part of the UK, with average total ERDF/ESF spend approaching £375m per anum. However, the Alliance would argue that this should be substantially increased given the significant and widening prosperity gap between many parts of Wales and other regions of the UK.

3. The Westminster Government's ambitious leveling-up agenda would also suggest that a step change in funding is necessary if the strategy is to transform the economic well-being of areas such as the Valleys. However, whilst the recently published UKSPF Prospectus acknowledges that cumulative forces have widened geographical disparities in the UK over time, and that without policy action, they will continue to do so, it is not proposing any additional funding beyond matching the previous EU allocations. In short, the ambition is not matched by the level of resources necessary to bring about the economic transformation of the Valleys. In this respect, the Committee will be familiar with the fact that many parts of South Wales fall significantly short of the average prosperity and productivity levels evident in the rest of the UK.

4. As set out at Spending Review 2021 and the UKSPF Prospectus, the Government has confirmed that the UKSPF is worth £2.6 billion over the next three, years although the it will not reach the £1.5bn per anum previously allocated through the EU's Structural Funds until 2024/25. Funding across the UK in the first 2 years will be £0.4bn and £0.7bn respectively. Given the Government's manifesto's pledge that the Fund will "at a minimum match the size of EU Funds in each nation" the expectation was that Wales would receive at least £375m per anum but

this will not now be achieved until 2024/25. As result, Wales will be some £700m worse off over the period 2020-23 when compared to what it would have received from the Structural Funds. Given that on average Wales received nearly five times as much per head from EU funds, when compared to the rest of the UK, the shortfall will have a significant impact on investment plans at a time when many local economies are facing increasing pressures In the aftermath of the pandemic and Brexit.

4. Apart from the overall shortfall in funding, and the impact that this will have on regeneration activity, there are a number of other concerns arising from the announcements to date. Firstly, certainty and multi-annual programmes are central requirements for effective delivery of meaningful regeneration strategies. However, notwithstanding the overall commitment to achieving £1.5bn per anum by 2024/25, the Alliance has considerable concerns over the short timescale of the present funding and in particular the lag between commitments and spending, especially for the period beyond 2024/25. In this respect, the Government needs to address how it will ramp up spending to a 'steady state' in order to avoid the potential drop-off in spending beyond the funding committed through to 2024/25. The 2024/25 time frame is also inconsistent with the 2030 delivery horizon set out in the Levelling Up White Paper. At the very least therefore, the Government should commit to a 7 year fully funded programme based on a minimum allocation of £375m per anum for Wales.

5. On a related issue, the Alliance also has concerns that the short timescale set out in the UKSPF prospectus could be very challenging for large scale capital projects given their associated lead times and delivery profiles. As a result, the regime may favour smaller scale projects, which may not represent value for money or deliver the necessary long-term sustainable benefits. In this respect the Alliance is concerned that the experience gained from the 2021 Community Renewal Fund, which was intended to inform the design of the UKSPF, should not be used as a template for rolling out the substantive initiative. The CRF's tight application and delivery times and the dominance of revenue projects with little if any strategic fit were widely criticised and, most significantly, the bid and decision criteria were set in Westminster, effectively marginalising the Welsh Government's role in the process. This concern is considered in more detail in the context of the strategic delivery of the UKSPF.

6. A third area of concern is that the £2.6bn UKSPF envelope includes a significant allocation for the Multiply initiative, effectively top slicing approximately 20% of the available funding for a Westminster driven initiative. In Wales, this amounts to approximately £100m and it would appear to have been imposed without proper regard to existing adult numeracy initiatives in Wales and more widely the terms of the devolution settlement. As a result, there is a risk of duplication and fragmentation as well as the loss of locally determined priorities, which

happens to be one of the cornerstones of the Government's delivery strategy.

7. The Welsh Government and its local authority partners have a long history of partnership working with mutually agreed priorities. Effective and meaningful partnerships are essential for prioritising funding and ensuring that resources are targeted to those communities and areas with the greatest needs. Alliance Wales is strongly of the view that the Welsh Government is best placed to determine Wales' regional priorities working with its local authority partners and others via the appropriate regional groupings, such as the City and Regional Growth Deals, to prioritise and deliver the mutually agreed investment programmes. The proposed allocation of UKSPF funds to individual local authorities and the expectation that these will then be pooled to underpin a regional investment plan is largely consistent with this approach with one exception, namely a recognised and meaningful role for the Welsh Government.

8. Whilst the UKSPF Prospectus states that the Government wants to work with the Welsh Government (and the WLGA) to support work across the four existing regional geographies, it falls short of offering an explicit account of the nature of this relationship. In this respect, the Alliance has serious concerns over the conflicting narratives emerging from the Government on the exact role of the Welsh Government in shaping and delivering the levelling up agenda and the underlying UKSPF. In short, it would appear that the centralisation of the UKSPF and levelling up agenda in Westminster is resulting in the marginalisation of the Welsh Government in the decision making process and prioritisation of funding. It also raises serious questions with regard to scrutiny and accountability. A recent House of Commons Library Research Briefing on the UKSPF (30/3/22) leaves no doubt about the direction of travel:

   '*At several points in the design of the Shared Prosperity Fund, it has been clear that the Fund is intended to be controlled primarily by the UK Government. This means that although the devolved administrations did not technically lose any legal powers, they will no longer be formally involved in making decisions over where the funding goes. The only new powers that have been introduced in law for allocating the new funding – those in Part 6 of the United Kingdom Internal Market Act 2020 – apply to the UK Government, and not the devolved administrations*. *The Government has said that the devolved administrations "will be invited to play a role in the development and delivery of local investment plans so they will still have some influence*, *albeit informally.*'

9. Furthermore, the recent Levelling White Paper reveals that the Government will be using its recently acquired powers to spend money on devolved matters. In response to this, the Committee will be aware that Wales' Minister for Economy has stated that *"the unconstitutional*

Internal Market Act is being used to override democratic devolution by stopping decisions about Wales being taken in Wales". The Institute of Welsh Affair's echoes these sentiments, stating that '*The Levelling Up Paper cannot move beyond the ideology of parliamentary sovereignty and over-centralisation is baked into every sentence, of every paragraph, of every page.'* At the same time, the Alliance is aware that the Wales' Office is seeking a more visible role in the overall process, and there are concerns that the resulting tensions between it and the Welsh Government will undermine the delivery and effectiveness of the UKSPF and related initiatives.

10. Taking the UKSPF in the wider context of the levelling up agenda, the Alliance's overwhelming conclusion is that whilst the Government does not lack ambition, there is little evidence of its preparedness to recognise the role of the Welsh Government in delivering a shared vision, let alone making the necessary resources available over a sustained period of time for its realisation. Indeed, their remains a clear disconnect between Government's own recognition and assessment of the nature and scale of the transformation required to close the economic between Wales and other parts of the UK, and the policy response set out in the UKSPF prospectus and Levelling Up White Paper.

Peter Slater
Director
Industrial Communities Alliance Wales

28/4/2022

The Industrial Communities Alliance is the all-party association of local authorities in the industrial areas of England, Scotland and Wales. The Alliance was formed in 2007 by the merger of longer-standing associations dating back to the 1980s. Its role is to deliver funding and policies to enable economic, social and environmental renewal in the cities, towns and communities covered by its member authorities. Its local authority membership in Wales comprises: Blaenau Gwent CBC, Torfaen CBC, Caerphilly CBC, Merthyr Tydfil CBC, Neath Port Talbot CBC, Rhondda Cynon Taf CBC, Bridgend CBC, Carmarthenshire CC and Powys CC.

Royal Society of Chemistry response to the Senedd Cymru Finance Committee's inquiry on Post-EU funding arrangements

1. About the RSC

1.1 With about 50,000 members in 120 countries and a knowledge business that spans the globe, the Royal Society of Chemistry (RSC) is the UK's professional body for chemical scientists, supporting and representing our members and bringing together chemical scientists from all over the world. Our members include those working in large multinational companies and small to medium enterprises, researchers and students in universities, teachers and regulators.

1.2 We welcome the opportunity to respond to this consultation. If you have any questions or would like us to elaborate further, **please contact** policy@rsc.org.

2. Summary

2.1 This consultation response is focused on funding schemes related to research and innovation. European Structural and Investment Funds (ESIF) have provided vital support to the Welsh research and innovation landscape including chemistry research.

2.2 Our main recommendations are set out as follows:

- The UK Shared Prosperity Fund (UKSPF) must support research and innovation to secure sustainable regional growth.
- Any shortfall in research and innovation regional development funding in Wales or other UK nations and regions compared to funding levels before EU exit which is not met by UKSPF should be replaced from other funds to ensure that the UK research and innovation landscape does not suffer.
- The Welsh Government must work with the UK Government in continuing to push for association to Horizon Europe.

2.3 The sections that follow contain more detail, evidence and case studies which support our recommendations.

3. UKSPF must support research and innovation

3.1 **The UK Shared Prosperity Fund (UKSPF) must support research and innovation to secure sustainable regional growth.**

3.2 Evidence shows that using regional development funding for research and innovation supports sustainable prosperity in regional economies. It enables local businesses to harness the power of research and innovation, knowledge, and infrastructure[1]. Regional development funding will play an important role in achieving the UK Government's levelling up agenda.

3.3 European Structural and Investment Funds (ESIF), have become a unique part of the UK's regional funding landscape. ESIF have added diversity to the landscape by providing support for regions based on GDP per capita, with the least developed regions receiving the most funding. In the 2014-2020 programme, Wales is set to

[1] Royal Society of Chemistry, Chemistry's Contribution: Workforce trends and economic impact, September 2020. See https://www.rsc.org/contentassets/8122a7694dd14a4f9779cec4e9dbb0a6/workforce-full-report

receive over £2 billion from ESIF in total by the time all currently allocated funding has been received in 2023[2]. The European Regional Development Fund (ERDF), which is part of ESIF, includes the priority areas ‘research and innovation’ and ‘enhancing the competitiveness of SMEs’. ERDF has benefitted the Welsh research and innovation landscape substantially, including chemical sciences projects, researchers and SMEs.

3.4 The case study[3] below shows an example of how ERDF has supported the chemical sciences and wider science community in Wales.

Case study 1: Building science capacity in Wales

The **Sêr Cymru programme** is aimed at strengthening the capacity of Wales's leading research groups by attracting talent and providing training. It has been co-funded by Welsh Government, higher education institutions, Higher Education Funding Council for Wales, and a combination of EU funding from ERDF and Horizon 2020. The programme has generated more than £180 million in research grant income.

The Sêr Cymru programme supports research in a number of scientific areas including the chemical sciences. One example is a project that is looking at converting carbon dioxide into new compounds in a sustainable way, for which chemistry researchers at the University of South Wales received £490,000 from the Sêr Cymru programme. Carbon dioxide is a very challenging molecule to transform and achieving sustainable ways to convert it is expected to have a significant impact.

3.5 Following the publication of the UKSPF Prospectus on 13 April 2022[4], we agree with our colleagues at the Campaign for Science and Engineering (CaSE) that the prominence of R&D in the UK Government's levelling up plans is welcome[5]. However, many in the sector have raised concerns about the lack of detail on how universities can access the funds and that the size of the fund does not match what was previously received[6]. Under the new guidance, places can fund research and innovation related activities under the ‘supporting local businesses’ pillar. This implies that it will be at the places' discretion to decide how to support research and innovation, and therefore there is no guarantee that UKSPF will support research and innovation at the same level as ESIF did.

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[2] Welsh Government, EU Structural Funds programme 2014 to 2020: approved projects, last updated 25 March 2022. See https://gov.wales/eu-structural-funds-programme-2014-2020-approved-projects

[3] Case study 1 – see https://science.research.southwales.ac.uk/applied-sciences-news/chemistry-researchers-win-49k-s%C3%AAr-cymru-award/

[4] Department for Levelling up, Housing and Communities, UK Shared Prosperity Fund: prospectus, 13 April 2022. See https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/uk-shared-prosperity-fund-prospectus

[5] Campaign for Science and Engineering, CaSE reviews government's plans for UK Shared Prosperity Fund, 14 April 2022. See https://www.sciencecampaign.org.uk/news-media/case-comment/case-reviews-plans-for-uk-shared-prosperity-fund.html

[6] E.g., https://www.researchprofessional.com/0/rr/news/uk/politics/2022/4/Universities-concerned-over-latest-Shared-Prosperity-Fund-plans.html

4. Any shortfall in regional development funds must be replaced

4.1 **Any shortfall in research and innovation regional development funding in Wales or other UK nations and regions compared to funding levels before EU exit which is not met by UKSPF should be replaced from other funds to ensure that the UK research and innovation landscape does not suffer.**

4.2 In the 2014-2020 programme, 27% of the total ESIF Wales has received has been allocated to the ERDF priority areas 'research and innovation' and 'enhancing the competitiveness of SMEs', equating to an average of nearly £80 million per year[7]. It is estimated that Wales will receive an average of €125 per person per year from ERDF on activities related to research and innovation compared to the UK average of €23 per person per year by the time all currently allocated funding has been received in 2023[8]. While Wales's population represents 5% of the UK's population, it only receives around 2% (£794 million in 2019) of the overall UK expenditure on research and development[9], most of which comes from business spend. Therefore, the loss of ERDF will have a significant and disproportionate impact on future research and innovation investment for Wales if the funds are not replaced[10].

4.3 The case study below demonstrates the type of facilities and research in the chemical sciences that have been enabled by ERDF.

Case study 2: Funding for world-class facilities

One example of chemistry research supported by the ERDF is the **Cardiff Catalysis Institute (CCI)**. Catalysis enables chemical reactions to go faster with less energy and is at the heart of most industrial and biological processes: in 2015 the technology underpinned an estimated 80–90% of all products. The CCI is improving the understanding of catalysis, developing new catalytic processes with industry and promoting the use of catalysis as a sustainable technology. Infrastructure and equipment are central to the CCI's research activities, and key to its success. The new CCI Electron Microscopy Facility (CCI-EMF), a world-class facility that will mean a step change in analytical capability, not just for the CCI but for industries, institutes and businesses across Wales, in part was funded by the ERDF.

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[7] Welsh Government, EU Structural Funds programme 2014 to 2020: approved projects, last updated 25 March 2022. See https://gov.wales/eu-structural-funds-programme-2014-2020-approved-projects. £80m is calculated by filtering for the Priorities 'research and innovation' and 'SME competitiveness' and dividing by 7 years.

[8] E.g., The Royal Society, The UK Shared Prosperity Fund should help to grow research and innovation capacity across the UK, March 2021. See https://royalsociety.org/-/media/policy/Publications/2021/03-21-UK-Shared-Prosperity-Fund-explainer.pdf

[9] ONS, Gross domestic expenditure on research and development, UK: 2019, released 4 August 2021. See https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/researchanddevelopmentexpenditure/datasets/ukgrossdomesticexpenditureonresearchanddevelopmentregionaltables

[10] E.g., Welsh Government, Wales: Protecting research and innovation after EU exit, 2019. See https://gov.wales/sites/default/files/publications/2019-03/wales-protecting-research-innovation-after-eu-exit.pdf

4.4 In recent announcements, the UK Government has confirmed that the UKSPF will be allocated £2.6 billion for the three years until 2025[11]. This means that EU funding levels (approximately £1.5 billion per year) will not be matched until 2024–25. The UK Government has also indicated that the Levelling Up Fund will include some development funding, however, like UKSPF, there is little emphasis on research and innovation[12] so it seems unlikely that it will fill the shortfall.

4.5 As the Welsh research and innovation landscape benefitted substantially from ESIF and it looks like UKSPF and other regional funds will not match what was previously received, Wales stands to lose vital research and innovation funding. This loss of funding needs to be addressed to ensure Wales's research and innovation landscape does not suffer.

5. The UK must associate to Horizon Europe

5.1 **The Welsh Government must work with the UK Government in continuing to push for association to Horizon Europe.**

5.2 Science is an international endeavour and collaborative in nature. It can offer the widest benefits to society when researchers from different backgrounds, be that country, sector or discipline, come together to share knowledge and expertise. The Royal Society of Chemistry strongly advocates that association to Horizon Europe is the best outcome for the UK.

5.3 During the previous European Framework Programme, Horizon 2020, Wales participated in 430 projects and secured over £150 million in funding[13]. Of this, nearly £30 million went to SMEs. While Wales receives a smaller proportion of funds from European Framework Programmes compared to other UK nations and regions, it is still a key component in the Welsh research and innovation landscape and its benefits span much wider than funding alone, for example, see case study 1.

5.4 In February 2019, the RSC carried out a survey of our UK and international members[14]. 63% of respondents said that the factor that was most important in public research and development funding was access to collaborative networks that span

[11] Department for Levelling up, Housing and Communities, UK Shared Prosperity Fund: prospectus, 13 April 2022. See https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/uk-shared-prosperity-fund-prospectus

[12] HM Treasury, Levelling Up Fund: Prospectus, March 2021. See https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966138/Levelling_Up_prospectus.pdf

[13] European Commission, *Horizon Dashboard* – H2020 Participants. Available at: https://webgate.ec.europa.eu/dashboard/sense/app/93297a69-09fd-4ef5-889f-b83c4e21d33e/sheet/erUXRa/state/analysis (Data last loaded: 30 March 2022. Accessed: 22 April 2022).

[14] Survey performed by the RSC (February 2019) which almost 5,800 chemical scientists responded to. See https://www.rsc.org/globalassets/04-campaigning-outreach/policy/policy/royal-society-of-chemistry-briefing---what-leaving-the-eu-with-no-deal-would-mean.pdf

different countries, disciplines or sectors. The case study[15] below illustrates the intangible benefits of EU collaboration[16].

Case study 3: Enabling European collaboration

One example of chemistry research that illustrates the intangible benefits of EU collaboration is the **ALG-AD project** led by Dr Carole Llewellyn at Swansea University, funded by ERDF. In Europe, excess farm waste is increasingly being broken down through a process that produces a biogas suitable as a renewable energy source. Alongside this, the process produces a digestate by-product for which ideally uses should be identified. The ALG-AD project brings together scientists and engineers from across North West Europe to develop solutions that use algae to turn this by-product into feed for livestock. Carole told us that multidisciplinary, multi-partner collaboration is essential to the project's success and that there is no way the UK could be developing this sort of project without expertise and input of their EU partners.

[15] Case study 3 - see https://www.rsc.org/globalassets/04-campaigning-outreach/policy/international-funding-and-collaborations/rsc_alg-ad_casestudy_2018.pdf

[16] Note that the case study is an example of ERDF, rather than Horizon 2020, funding. However, it does illustrate the type of intangible benefits that come with association to the European programmes more generally.

Welsh NHS Confederation
Conffederasiwn GIG Cymru

	The Welsh NHS Confederation response to the Finance Committee consultation on the Post-EU funding arrangements.
Date:	28 April 2022

1. The Welsh NHS Confederation welcomes the opportunity to respond to the Finance Committee's consultation on post-EU funding arrangements.

2. The Welsh NHS Confederation represents the seven Local Health Boards, three NHS Trusts, Digital Health and Care Wales and Health Education and Improvement Wales (our Members). We also host NHS Wales Employers.

Introduction

3. Our members have welcomed the announcement of replacement monies for EU structural funds, recognising the benefits which the previous funds had in supporting and regenerating local communities throughout Wales. Members have expressed the potential opportunities which could result from the effective use of the replacement funds, when targeted at communities most in need. However, they have raised a number of concerns which could act as barriers for the funds achieving their stated aims in Wales.

4. The UK-wide interventions put forward by the UK Government include the UK Community Renewal Fund, The UK Community Ownership Fund, the Plan for Jobs, the Freeports programme, the UK Infrastructure Bank and the UK Shared Prosperity Fund. These all seek to complement the wider 'Levelling Up' agenda to address geographical disparities. However, the creation and delivery of these funds in relation to the devolved nations brings with it a different dimension and one which has already been the subject of much debate.

5. The need to 'level up' across the UK has featured heavily in political discussions over the last few years. With different parts of the country facing unique issues when it comes to delivering health care, it is vital that the Welsh Government work with the UK Government to ensure that the strategic priorities for NHS organisations in Wales are considered as part of the Levelling Up agenda.

The role of the NHS

6. The funds listed by the consultation (the UK Shared Prosperity Fund, the Community Renewal Fund; and the Levelling Up Fund) have stated that local authorities will be given a lead role in relation to funding, depending on the mechanism being used by each particular fund i.e bid or allocation. However, it

must be recognised that the NHS in Wales plays a key role in the post-pandemic economic and community recovery and the creation of a more equitable society, outside of the direct health response. To this end, we would strongly recommend that local authorities in their lead role should engage fully with health boards, and wider NHS partners, around the use of post-EU funding.

Economy and Regional Investment

7. Our briefing *Health, wealth and wellbeing: The NHS' role in economic and social recovery* highlights the important part the NHS plays in local economies as an anchor institution and in supporting economic recovery post-pandemic. The NHS represents a significant proportion of the foundational economy and as such has the ability to use its spending power to affect economic change. This could be harnessed through the effective use of post-EU funds, particularly the Shared Prosperity and Levelling Up Funds, whose driver is to address geographical inequalities and create prosperity across the UK.

8. It is also worth noting that the written statement from the Economy Minister, dated April 13, indicates that there will be alignment between the Shared Prosperity Fund allocations and the Welsh Government's Framework for Regional Investment. This alignment could create a consistent direction for the use of the fund and one that is underpinned by the Well Being of Future Generations Act, ensuring a holistic view is taken of population need in relation to required investment. Again, the NHS has a unique role in supporting the vision laid out in the framework in ensuring a healthy population.

9. The socio-economic role of the NHS in Wales should be recognised through consistent engagement with local health boards to inform the direction of the funding in local areas. This could allow the service to fulfil this role more effectively and play an active part in the visions set out in by the Levelling Up agenda and the Framework for Regional Investment.

Population Health

10. Tackling the wider determinants of health will be crucial for the 'Levelling Up' agenda to be a success. At a simple level, it is about addressing regional inequality, and the NHS should feature heavily in those discussions.

11. While COVID-19 has revealed and exacerbated pre-existing health inequalities, there have been many detailed and well-evidenced reports on health inequalities in recent years, including the Welsh Health Equity Status Report initiative, *Placing health equity at the heart of the COVID-19 sustainable response and recovery* (Public Health Wales and Welsh Government). These reaffirm the need for coherent, coordinated activity across all delivery partners to tackle health inequalities. Also, our Health and Wellbeing Alliance noted in its paper *Making*

the difference: tackling health inequalities in Wales, "*Tackling health inequalities is not in the gift of any one body or organisation, and while high-quality, responsive health services are an essential component, the NHS alone cannot deliver the change needed*".

12. Socio-economic disparities also have a direct impact on NHS costs, with Public Health Wales having recently found the average annual cost of health service provision was generally higher for those living in our more deprived communities. The report found that preventative action targeted at improving the health equity between advantaged and disadvantaged communities and their timely access to health services could help reduce a £322 million healthcare gap.

13. It is welcomed that the positive impacts that addressing issues within population health and wellbeing are recognised in both the Levelling Up prospectus and the Welsh Government's Regional Investment Framework. We note that addressing health disparities is a mission within the Levelling Up agenda and so these funds could represent an opportunity to create a strong cross-sector approach in the delivery of population health interventions.

Research

14. There is still ongoing uncertainty around the UK's association with Horizon Europe, due to the ongoing negotiations over the Northern Ireland Protocol. The UK Government's announcement of an extension to the 'financial safety net scheme' is welcome, however it is unclear what will happen beyond the scheme's guarantee for awards expected to be signed by the end of December 2022.

15. The NHS is a significant employer and partner in research and development, and it is important that clarity is given on the future of this relationship as it relates to the NHS' economic role. It also forms a part of the UK Government's Levelling Up agenda through the establishment of the UK as a "science superpower".

Concerns

16. Many of the concerns expressed by our members have arisen due to the position and mechanisms of the devolved administrations in the creation and delivery of the new funds. Some have expressed concern that the funding isn't going directly to the Welsh Government to make strategic decisions and enable them to use the cross-sector structures that we have established in Wales, such as Public Service Boards and Regional Partnership Boards. The delivery of the funds could also add additional complexity and possible duplication for our members, as opposed to using pre-established mechanisms already operational in Wales, and it could risk the ability for organisations to apply for funding for larger scale projects that span more than one geographical area.

17. There were also concerns that the distribution of funding could not be linked to population need and may not target those communities most affected by inequality and deprivation. With a loss of decision-making, it could make it more difficult for the Welsh Government to deliver on its own strategic aims and ambitions, with efforts potentially duplicated.

18. Despite the good intentions of these funds and the wider Levelling Up agenda, it could potentially create a much more complex landscape for our members and may not be conducive to the NHS fulfilling its role across the issues highlighted in this response.

19. Finally, our members have raised concern about the level of funding available in Wales compared to the funding received when we were part of the EU. It is clear that the size of the population relative to the land mass means that any population-based allocation, leaves Wales with a lesser share of the funding. Without this support, it would also make it difficult for the Welsh Government to deliver for all of the population on major infrastructure investment schemes with its borrowing limit of £1bn. Our members have reiterated that there must be a fair distribution of funding linked to need.

Conclusion

20. The Welsh NHS Confederation believes the post-EU funding as designed by the UK Government does represent an opportunity to help address deep-rooted inequalities in our society, if effectively used. However, consistent engagement must be undertaken with the NHS to achieve this on a local level and to fully utilise the NHS’ capabilities to address health and economic inequity.

21. There must also be alignment between the UK and Welsh Government strategies, to be achieved through substantial inter-governmental communication, to avoid complexity entering the post-EU landscape and ensure there is no duplication of efforts to address what is ultimately a positive goal and outcome.

22. Members look forward to engaging with Local Authority partners going forward and would urge the UK Government to issue guidance early (for the UK Shared Prosperity Fund) and ensure that this is clearly articulated so that time can be focussed on developing effective, value for money projects that support the overall health of the population.

Senedd Finance Committee inquiry:

Post-EU funding arrangements

1 May 2022

About ColegauCymru

ColegauCymru 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. ColegauCymru 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.

ColegauCymru welcomes the opportunity to respond to the Senedd's Finance Committee inquiry into Post-EU funding arrangements.

1. Progress in establishing and delivering replacement funds for EU structural funds, including:

- the UK Shared Prosperity Fund;
- the Community Renewal Fund; and
- the Levelling Up Fund.

1.1 The Further Education sector has raised concerns about the delay in establishing and delivering replacement funds for EU structural funds (see, for example, ColegauCymru's submission to the Welsh Government's consultation on a Framework for Regional Investment in Wales in June 2020). Since the initial announcement of the UK Shared Prosperity Fund (SPF) in 2017, details have been slow to emerge. A consultation on the SPF was at one point expected by the end of 2018.

1.2 This delay is now likely to create a distinct gap between the current EU structural funds and funds being received via the UK SPF programme, which is likely to be in late 2022/early 2023. This will make it increasingly difficult to maintain the infrastructure that has been built up within the FE sector over successive EU funding rounds to support the delivery of critical employment and skills interventions within our local communities. We anticipate this being a continued priority under the UK SPF.

1.3 The delay in replacing funding streams carries the severe risk of a negative impact on support for learners of all ages. In west Wales, for example, Cynydd, a project that works with those aged between 11 and 24 years old who are at risk of not being engaged in Employment, Education or Training (equivalent projects operate under different names in other parts of Wales - Inspire 2 Achieve in south-east Wales, TRAC in north Wales) is going to have to consider making people redundant if a solution for replacement funding cannot be found urgently.

1.4 ColegauCymru 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. 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.

1.5 Despite pre-launch guidance advising that SPF will provide £1.5 billion per year by 2024/25 and will be allocated to local areas using a formula rather than inviting competitive bids, full details on the scale and scope of funding were only published on 13th April 2022. These details confirmed proposals outlined previously to allocate funding on the basis of local investment plans whilst also indicating an intention to align funding with regional strategic geographies. However, it is still not clear exactly how these two objectives will be achieved. Should funding be allocated primarily on a local authority basis, this could result in ineffective procurement, fragmented and duplicated services, and delays in responding to need.

1.6 Funding will likely not be delivered until winter 2022, if not early 2023, and seems to be less than previously allocated. From 2014 to 2020, the UK received an average of £2bn per year in EU structural funds, whereas the SPF will provide £2.6bn over the next three years. This level of funding, and the delays in allocating it, will have a significant impact on the opportunities available to people and communities across Wales.

1.7 We understand that the 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, the 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. ESF is coming to an end so a gap in funding, with its consequences of losing skilled and experienced staff etc., seems inevitable.

1.8 Significant time needs to be invested upfront given that SPF is a different funding scheme where a widespread continuation of existing projects is not the default position. Serious consideration needs to be given to transition funding in order to avoid losing the existing infrastructure while previous interventions are reviewed/evaluated and new approaches/projects developed. Final evaluations of the effectiveness of previous interventions will take time if done thoroughly.

1.9 The Further Education sector has taken a responsible approach in relation to exit strategies for existing projects, having been well aware that preparations would need to be made. However, delays in confirming arrangements for replacement funding schemes have limited the time available to put robust plans in place.

1.10 The publication of details of the SPF in April 2022 have been valuable but ideally, much of this information would have been developed and published much earlier. Officials from UK Government in Wales office have been helpful and have met with ColegauCymru to discuss developments in this area. We have been grateful for their support.

1.11 Concerns remain that the timetable for the SPF is tight, particularly in the context of all partners needing to understand processes and how the funding is to be managed. A thorough understanding of the mechanisms for funding is needed before identification of priorities so that coherent collaborative plans can be pulled together.

1.12 In Wales (as in other parts of the UK more widely), the timing of local council elections is a particular complicating factor given the potential for overall control of councils or even just relevant portfolio owners to change. This all impacts on the ability to respond quickly and efficiently to calls for funding bids or to develop plans.

1.13 An additional factor now the specifics of the SPF have been published is important activity which appears to fall outside the scope of SPF objectives and interventions. For example, the Objective of "Reducing levels of economic inactivity through investment in bespoke intensive life and employment support tailored to local need" notes that an expected cohort will be "young people not in education, employment or training".[1] This is welcome but it is unclear whether the SPF can support intervention activities to prevent young people becoming NEET rather than waiting until they have done so.

1.14 Currently, the FE sector successfully delivers these sorts of NEET intervention/prevention activities, which are likely to be more necessary than ever post-Covid (where evidence is starting to suggest that a worrying number of learners have disengaged from education). If ineligible for SPF, these activities will either need to be funded via alternative routes or be discontinued, with the latter option putting a number of young people's future at risk.

1.15 The UK Community Renewal Fund was launched in March 2021 with the intention of funding being made available in July 2021. However, the announcement of successful projects was delayed and, as a result, successful projects only started to receive funding in January 2022. This fund was intended to "help local areas prepare for the launch of the UK Shared Prosperity Fund in 2022" and, as such, to inform the design of the later Fund, but it was explicitly meant to be distinct "in regard to design, eligibility, and duration". However, the extremely short timescales for developing project proposals largely prevented any meaningful consultation with local partners and therefore any strategic collaboration or co-creation of new projects/interventions.

1.16 Given the delays in issuing the prospectus for the UK SPF, there are concerns that a similarly tight timeframe for the development of local investment plans will have the same negative impact

[1] See: https://www.gov.uk/government/publications/uk-shared-prosperity-fund-interventions-outputs-and-indicators/interventions-list-for-wales

on partnership working and collaborative project development, with a risk that local authorities might absorb the majority of funding. The short timeframe for projects, combined with the likely gap in receiving funding under the UK SPF, has also created further difficulties in maintaining the infrastructure within colleges to deliver this community-focused provision both under CRF and, in future, under the UK SPF.

1.17 Members reported frustrations 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 then been delays in making awards to the extent that extensions are now being offered in relation to completing projects. CRF was intended to be a pilot to help understand how the SPF would be managed. There are many lessons to be learned, especially around workable timescales for development of plans and the ability to deliver on those plans.

1.18 The CRF also broke with the structural funds in its method of allocation, with its index of economic resilience attempting to cover a wider range of aspects of economic development than the EU's measure of GDP per person.

2. How the funding proposed for Wales and funding received via continued UK participation in EU programmes, compares to the funding received while the UK was a member of the EU.

2.1 The announcement of £585M for Wales over the next three years, including the allocation of £101M to deliver the UK adult numeracy programme called Multiply, is welcome.

2.2 However, there are competing narratives around how this compares to the funding received while the UK was a member of the EU. The Welsh Government Economy Minister, Vaughan Gething, has asserted that Wales is facing a loss of more than £1BN in un-replaced funding over the next three years.[2] Meanwhile, the UK Government notes that funding for the UK Shared Prosperity Fund will reach £1.5BN per year by March 2025, delivering on the UK Government's commitment to match the average spending of EU structural funds over the previous programme.[3]

2.3 In line with commitments previously made by the UK Government, it was anticipated that Wales would receive funding at least equal to previous levels of funding allocated through EU Structural Funds. However, based on allocations recently announced, it is not clear that this is the case.

[2] See: Written Statement: The UK Shared Prosperity Fund (13 April 2022) | GOV.WALES .

[3] See: https://www.gov.uk/government/news/communities-across-uk-handed-control-of-26-billion-levelling-up-funding .

2.4 The UK Government Autumn 2021 Budget and Spending Review included the funding profile for the UK Shared Prosperity Fund, showing that it would provide £0.4BN in 2022/23, £0.7BN in 2023/24, and would reach its final level of £1.5BN per year in 2024/25. £1.5 billion per year would be lower than the £2.0BN per year that the UK received on average from the EU structural funds as a whole.

2.5 The UK Government announced that the UK SPF would result in almost £600M of funding to Wales over three years. This compares with an average of £375M per year under EU Structural Funding, not taking into account the additional funding that would be received in overlapping EU Funding programme periods (i.e. as one programme is ending and another commencing).

2.6 Regardless of the comparisons between amounts of funding, the key focus must be to continue to support successful programmes that have enabled learners, including adult learners, to gain skills, upskill, and remain active in the labour market, as well as supporting individuals into employment.

3. The mechanisms and structures being established to administer those funds in Wales, the roles of those involved, in particular the Welsh and UK Governments, and the consequent impact on accountability arrangements.

3.1 ColegauCymru has some concerns about the mechanisms and structures being established to administer the funds. While the Welsh European Funding Office was often not unreasonably criticised for some of its bureaucratic practices, mechanisms for managing funds have developed over a number of years. These have, to a great extent, worked and been understood.

3.2 The UK Government have indicated that the UK SPF will be allocated mostly via local authorities. In Scotland and Wales, the aim is to allocate funding to "strategic regional areas" aligned with existing City and Growth Deals, although local authorities are still expected to play the leading role in determining local investment plans. Funding will be allocated to all areas via a formula, rather than areas competing for a share of funding.

3.3 These allocations are conditional on each area creating an investment plan, to be submitted in the summer of 2022 for UK Government approval, which will set out the measurable outcomes that the authorities are hoping to achieve. The plans are expected to take account of other funding streams, such as the Levelling Up Fund, and to indicate which investment priorities they are focusing on.

3.4 It will take time for local authorities to establish their own administrative processes and reporting structures to meet the expectations set out by the UK Government. It is essential that Local Authorities co-create a common monitoring system to reduce administrative complexity for colleges and other partners working across several counties. When designing processes for administration and reporting, the focus must be on value for money and ensuring as much of the funding as possible is spent on delivery rather than administration.

3.5 The UK Government emphasis on ensuring partners in Wales are clear that local areas should consider their UK SPF investment plans with due regard to the Framework for Regional Investment for Wales is helpful. We note that "[I]n selecting interventions and developing their UKSPF plans, places are strongly encouraged to consider alignment with relevant Welsh Government strategies and services. Areas should also develop their plans to maximise alignment and complementarity with national and local policy, and their regional economic frameworks."[4] However, there are questions over whether the need to "consider" is strong enough to really ensure that bids and plans under the UK Government SPF complement those initiatives that already exist via the Welsh Government and follow the existing regional basis, rather than that of 22 individual local authorities.

3.6 It is important to remember that this complementarity and desire to avoid duplication is part of a wider issue about the future interactions between SPF, Welsh Government-funded provision and potentially other UK Government-funded provision that operates on a national basis. For example, DWP-funded contracts operate on a pan-Wales basis.

3.7 Whilst the UK SPF Prospectus indicates a role for devolved governments in the development of investment plans, it is not clear what level of influence the Welsh Government will have, nor is it clear to what extent the Welsh Government could intervene should funding proposals conflict with existing devolved policy and delivery. The proposal for a UK-wide numeracy programme – "Multiply" – could be one such example.

3.8 There are also issues of fragmentation: in directing replacement European funds via local authorities, there is a risk that no-one has responsibility for oversight of the bigger picture and how UK Government investment and Welsh Government investment integrate, overlap, complement or duplicate. It is important to consider how the UK Government's Multiply programme, for example, can operate to complement existing provision on adult numeracy provided via Welsh Government funding, given that this is also due to be channelled via local authorities. It is essential that the Further Education sector is involved at the earliest possible stage to ensure maximum impact.

3.9 Given Wales's size, geography and history of effective delivery of employment and skills interventions at a national and regional level, the mechanisms, structures and protocols being put in place for the UK SPF pose risks in relation to duplication, competition, and also gaps in provision. There is also the potential for additional and unnecessary costs being incurred with more administration and compliance resource being established across many local authority areas, in

[4] See: https://www.gov.uk/government/publications/uk-shared-prosperity-fund-interventions-outputs-and-indicators/interventions-list-for-wales .

effect replacing what was a generally efficient and effective national resource within Welsh Government.

4. The amount of legacy funding that Wales is due to receive following the UK's exit from the EU and associated with EU structural fund programmes.

4.1 It would appear that the amount of legacy funding that Wales is due to receive following the UK's exit from the EU and associated with EU structural fund programmes is lower than anticipated. Despite the EU programme continuing to December 2023, there is still a discrepancy in the amount of money available to Wales to meet the £375m a year that was received under the ESF and ERDF structural funds.

4.2 However, again, the key focus must be to continue to support successful programmes that have enabled learners, including adult learners, to gain skills, upskill, and remain active in the labour market, as well as supporting individuals into employment.

4.3 As highlighted above, there are potentially some areas of important activity which fall outside of the scope of SPF. This would appear to be in relation to the prevention of young people becoming NEET (as opposed to interventions that work with young people who already in the NEET category). Clarity is sought here and if such activities are outside SPF, this issue will need to be considered in the context of Welsh Government budget priorities if such vital activity is to continue to operate.

5. Welsh language

The Welsh language is an important part of successful delivery of the replacement EU funds. Future skills provision and delivery under the SPF, for example, must take account of both languages and this must be considered at an early stage.

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

[redacted]

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Farmers' Union of Wales response to a Senedd Finance Committee short inquiry into funding following the UK's exit from the EU

May 2022

About the FUW

1. The Farmers' Union of Wales (FUW) was established in 1955 to exclusively represent the interests of farmers in Wales. Since 1978 the union has been formally recognised by UK Governments, and subsequently by Welsh Governments, as independently representing those interests.

2. The FUW's Vision is thriving, sustainable, family farms in Wales, while the Mission of the Union is To advance and protect Wales' family farms, both nationally and individually, in order to fulfil the Union's vision.

3. In addition to its Head Office, which has thirty full-time members of staff, the FUW Group has around 80 members of staff based in twelve regional offices around Wales providing a broad range of services for members.

4. The FUW is a democratic organisation, with policies being formulated following consultation with its twelve County Executive Committees and eleven Standing Committees.

Funding following the UK's Exit from the European Union

<u>Common Agricultural Policy funding</u>

5. The UK Government's 27th October 2021 Spending Review revealed that an average of £300 million a year would be allocated to Wales as replacement EU Common Agricultural Policy (CAP) funding over the next three financial years.

6. This is £37 million less than the budget allocated in 2019 - the year in which the Conservative Party manifesto pledged to *"guarantee the current annual [Common Agricultural Policy (CAP)] budget to farmers in every year of the next Parliament."*

7. In 2020, Wales received £137 million less than was anticipated based on that Conservative manifesto commitment.

8. Had the UK remained in the EU and Wales continued to receive the same proportion of the EU's CAP budget, the average annual Welsh allocation of CAP funding would have been around £334 million (based on previous allocations and the £0.89/€ exchange rate).

9. As such, the UK Government's budget decisions mean that Welsh agriculture and rural development will, by 2025, have received around £¼ billion less than would have been the case had the 2019 budget been fixed, as promised.

10. The FUW naturally believes that the promises made by leaders of the Brexit campaign and in the 2019 Conservative Party manifesto, to maintain CAP funding, should be honoured.

11. While the FUW has been a harsh critic of the fact that the UK Government has reneged on the 2019 Conservative Party manifesto commitment, it is notable that the UK Treasury was able to include unspent Rural Development Programme (RDP) monies in its calculations in order to justify the cut to Welsh CAP funding.

12. The FUW maintains that it was fundamentally dishonest of the UK Treasury to include unspent EU funding in calculations to defend cuts to the budget on the grounds that the total budget available equals what was available in 2019.

13. The FUW also agrees that the Welsh Government had every right to carry funding over from the 2014-2020 CAP budget, as is allowed under EU Regulations, without expecting it to be subtracted from subsequent UK Treasury allocations.

14. Notwithstanding this, it must be noted that prior to the November 2020 Spending Review a number of warnings were made that suggested the UK Treasury was likely to take such a disingenuous approach to calculating CAP replacement fund allocations, and that, as such, actions might have been taken to reduce Wales' RDP underspend and therefore the cuts referred to above.

15. The FUW believes that the cut to Wales' CAP replacement budget has been exacerbated by the decision in 2013 to annually transfer 15% of Wales' Single Payment Scheme budget to the RDP budget - 15% being the maximum proportion that can be transferred under the Pillar Transfer mechanism of the EU Regulations.

16. By contrast, other EU Member States countries announced Pillar Transfer rates of 0% at the time, while it is understood that the average Pillar Transfer rate in the EU continues to be below 5%.

17. To date, the 15% Pillar Transfer rate has resulted in Welsh farm payments being reduced by a total of circa £256 since 2014 - reductions which farmers in other EU regions were not subject to - and Welsh farmers feel much aggrieved that the Welsh Government's failure to spend funding in the pot to which this money was transferred has been used by the UK Treasury to further undermine their own incomes, and Wales' total CAP replacement budget.

Post EU CAP scheme monitoring

18. The FUW believes that, while efforts should be made to streamline the monitoring of CAP replacement spending, future regimes should be subject to levels of scrutiny that mirror the EU regime.

19. Moreover, given failings found by the Auditor General for Wales in terms of the 2014-2020 RDP - despite monitoring and scrutiny processes - the FUW believes that areas exist where scrutiny should be strengthened.

20. Those failings include the fact that *"Key aspects of the design, operation and oversight of the Welsh Government's Rural Development fund were not effective enough to ensure £53 million of grant awards would deliver value for money...between January 2016 and January 2019 the Welsh Government adopted an approach of granting funds without competition and, in some cases, without taking any alternative steps to ensure the projects would deliver value for money."* (Auditor General for Wales, June 2020)

21. Since the Auditor General published its report, the dangers of failing to have proper monitoring and scrutiny processes in place in terms of public funding have been brought into sharp focus by the revelation that almost £5 billion worth of Covid 'bounce-back' loans were effectively lost or smuggled out of the UK, while fraud investigations relating to the awarding of Personal Protection Equipment contracts are ongoing.

22. As such, the FUW believes that robust systems should be in place to scrutinise and monitor future RDP spending.

23. In this context, the FUW notes the Welsh Government's 2020 document *A Framework for Regional Investment in Wales: A proposal for Monitoring and Evaluation,* which states that *"...effective monitoring and evaluation activities play a crucial role in all policy and programme delivery…"*, and that this is also true in terms of RDP policy development and scrutiny, and identifying and quantifying beneficial investments and outcomes which might otherwise be swept aside by new frameworks.

24. The FUW maintains that many of the failings identified by the Auditor General for Wales in terms of the RDP were a direct consequence of the former Welsh Government's decision to abolish a number of EU Programme Monitoring Committees (PMCs) and place the monitoring of all EU funding under the jurisdiction of a single PMC - thereby reducing the time available for PMC members to monitor and scrutinise EU programmes.

25. As such, the FUW has consistently argued that the monitoring and scrutiny of the current and any future RDP type programmes requires an independent and dedicated PMC Committee that is provided with the information and time to function properly and take action.

26. Failure to set up such scrutiny processes for future programmes will inevitably lead to criticism and may provide a motive or excuse for the UK Government to reduce levels of funding or undermine devolution by centralising planning and decision making.

27. Moreover, while the FUW has the utmost respect for Senedd Committees and the quality and broad spectrum of work they undertake, we do not believe that a Senedd Committee would have the time or expertise to provide the level of scrutiny necessary and that can be provided by a dedicated PMC.

28. The FUW would also take this opportunity to highlight that previous RDPs were drawn up following extensive engagement with stakeholders and lengthy processes of public consultation, whereas plans relating to the future domestic RDP appear to be being or have been drawn up by the Welsh Government without such consultation.

EU Structural Funds and the Shared Prosperity Fund

29. Since the Shared Prosperity Fund (SPF) was first announced as the UK Government's replacement for EU Structural Funding in 2017, details have been slow to emerge, leading to major uncertainty for interested parties.

30. Notwithstanding this, it became clear early on that the UK Government intended to administer the SPF centrally, thereby circumventing the Welsh Government, which was previously responsible for administering Structural Funds.

31. Whilst concerns have been expressed regarding how the Welsh Government may have administered EU Structural Funds, the FUW believes that the undermining of devolution in this way is a cause for worry, both in terms of respecting the roles of the Welsh Government and Senedd, and the potential for the politicisation of funding, not least given that the Prime Minister stated in 2019 that there should be a *"strong Conservative influence"* over how replaced EU funds are spent in Wales.

32. The uncertainty relating to the replacement for EU Structural Funds has been exacerbated by delays in announcing the outcome of Community Renewal Fund (CRF) applications - the funding stream intended to bridge the gap between the end of EU Structural Funding and the introduction of the SPF - and while the announcement in November 2021 of £47 million in funding for successful Welsh CRF applications was welcome, the Welsh Government has highlighted that had UK

Government commitments been honoured, Wales would have been receiving £375 million in new money each year from January 2021.

33. As such, it would appear that the UK Government’s replacement for EU Structural Funding will fall short of the previous budget by around £750 million over the period 2021-22 to 2023-24, and the FUW shares the concerns of the WLGA and Welsh Government regarding not only this apparent cut in funding, but also the circumvention of devolved influence over how funding is allocated.

34. As such, it would appear that the funding made available by the UK Government to replace EU CAP and Structural Funds will by 2024 be £1 billion less than would have been received had the UK remained a member of the European Union.

35. In terms of the scrutiny and monitoring of the SPF, CRF and related schemes, the FUW has concerns similar to those already stated in relation to the monitoring of a future RDP; specifically, while the administration of EU Structural Funds was subject to bureaucratic processes that were sometimes problematic, this nevertheless ensured at least a degree of scrutiny, and while the UK Government has issued monitoring and evaluation guidance for CRF project deliverers, it remains to be seen whether these are sufficient to ensure value for money, and whether systems that ensure transparency and independent monitoring and scrutiny will be introduced as the schemes are developed.

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Senedd Cymru / Welsh Parliament
Y Pwyllgor Cyllid / Finance Committee
Trefniadau ariannu ar ôl gadael yr UE / Post-EU funding arrangements
PEU 12 NFU Cymru

NFU Cymru Response
Welsh Parliament Finance Committee Inquiry - Post-EU funding arrangements

1. NFU Cymru welcomes the opportunity to respond to the Welsh Parliament Finance Committee Inquiry on Post-EU funding arrangements.

2. NFU Cymru's vision is for a productive, profitable and progressive farming sector producing world renowned climate-friendly food in an environment and landscape that provides habitats for our nature to thrive. Welsh food and farming delivering economic, environmental, cultural and social benefits for all the people of Wales whilst meeting our ambition for net zero agriculture by 2040.

3. The importance of the farming industry in rural Wales cannot be overstated. Welsh farming businesses are the backbone of the Welsh rural economy and the axis around which rural communities turn. The raw ingredients produced on Welsh farms are the cornerstone of the £7.5 billion Welsh food and drink supply chain employing 229,000 people.

4. The Welsh public associate Welsh farmers, first and foremost, with providing safe, high quality and traceable food. Welsh farmers also look after 80% of the land area of Wales, maintaining and enhancing our natural environment – Wales' key asset. Farming activity supports a diverse range of species and habitats, provides a range of ecosystem services including carbon sequestration, flood alleviation; also delivering the significant backdrop – our iconic Welsh landscapes – for Wales' tourism and recreation sector worth an estimated £3 billion annually.

5. Welsh farmers are key promoters and protectors of our culture, heritage and language with the highest proportion of Welsh speakers of any sector and it has long been recognised that moves to undermine the viability of Welsh agriculture are likely to represent a significant threat to the Welsh language.

6. Overall Welsh farming makes an unparalleled contribution to the economic, environmental, social and cultural well-being of Wales as shown in the NFU Cymru Farming – Bringing Wales Together report here.

7. The Inquiry seeks views on funding following the UK's exit from the EU, specifically progress in establishing and delivering replacement funds for the EU structural funds; how the funding proposed for Wales compares to the funding received while the UK was a member of the EU; the mechanisms and structures being established to administer those funds in Wales; and, legacy funding that Wales is due to receive following the UK's exit from the EU.

Summary

NFU Cymru is absolutely committed to holding our Governments in Westminster and Cardiff Bay to account with regards to commitments made on future funding for Welsh farming. We expect this to mean the value of Pillar 1 and Pillar 2 together with monies arising as a result of the Bew Review, in total circa £375m per annum.

Since 2014, the Pillar 1 budget allocation has been subject to the deduction of funding in the form of a transfer of funds from Pillar 1 to Pillar 2. This pillar transfer continues to be applied and NFU Cymru believes that this decision should be subject to a regular review process. Given the relative importance of the RDP in Wales compared to elsewhere, we continue to seek assurances from Welsh Government that the domestic co-financing is secure for the RDP 2014-20 and that full spend will be achieved. We believe there should be a full independent review of the 2014-20 RDP to learn lessons for future policy.

Whilst significant focus has been placed on the funding lost to Wales in 2021-22 as a result of the 'netting off' methodology used by the UK Government, there has been much less focus and transparency from Welsh Government about whether it provided the corresponding domestic co-financing of £40m for the 2021-22 financial year and, if so, how this was spent.

It is deeply concerning to us that the UK Government has continued to apply the same methodology and that budgets for 2022-23 and 2023-24 are less than anticipated as a result of further 'netting off' of unspent EU funds. We observe there also appears to be a lack of clarity around the domestic co-financing over this period.

NFU Cymru has warmly welcomed Welsh Government's ongoing commitment to farming through Direct Payments (BPS). We also welcome funding for the Rural Economic and Sustainability Programme in the draft Welsh Budget. We are pleased that Welsh Government have stated that this is for farmers and land managers.

However, NFU Cymru is concerned that Welsh Government has not committed to put in place a Rural Development Advisory Board for the replacement RDP funds, in our view, this represents a further significant weakening of governance arrangements that existed previously. Moving forward, we believe the case for long term funding for rural Wales can only be made if appropriate governance structures are in place so that delivery is brigaded around a coherent plan and impact can be properly evidenced and evaluated.

8. Prior to EU exit Wales received approximately £680m in EU funds per annum[1]. This included £295m EU Structural Funds via the European Social Fund and the European Regional Development Fund; £274m to farming via Pillar 1 Direct Payments and £80m annually for the multi-annual Rural Development Programme (RDP) to which Welsh Government was required to provide an additional £40m of domestic co-financing annually.

Funding for farming in Wales

9. NFU Cymru is absolutely committed to holding our Governments in Westminster and Cardiff Bay to account with regards to commitments made on future funding for Welsh farming. We are pleased that both governments appear to recognise the strong case for supporting farmers now and in the future.

[1] Preparations for replacing EU funding for Wales (senedd.wales)

10. In line with commitments made relating to Welsh farming receiving 'not a penny less' funding following our departure from the EU, NFU Cymru expects this to mean the value of Pillar 1 and Pillar 2 together with monies arising as a result of the Bew Review, in total circa £375m per annum.

11. We identify long-term, multi-annual, ring-fenced funding is needed for Welsh farming that reflects the scale of ambition that we have set ourselves in being world leaders in the production of climate and nature friendly food. NFU Cymru is clear that farmers should be fairly rewarded for the full range of goods and services they provide including the production of high quality, affordable food for all in society.

Pillar 1 Direct Support

12. As per paragraph 8 above, funding for farming has historically been distributed in the form of the two pillars of the Common Agricultural Policy (CAP). £274m has been allocated annually to farming for Pillar 1 (direct support).

13. Since 2014, the Pillar 1 budget allocation has been subject to the deduction of funding in the form of a transfer of funds from Pillar 1 to Pillar 2. Welsh Government opted to apply the transfer at the maximum allowable rate of 15% - a decision that was not supported by industry and that was unique across Europe. The pillar transfer continues to be applied and NFU Cymru believes that this decision should be subject to a regular review process.

Rural Development Programme (RDP) 2014-2020[2]

14. As with the Structural Funds, the RDP 2014-20 was a multi-annual fund with a total projected budget of £838m (compared to £847m in the previous RDP 2007-13). The billion pound fund for rural development mooted at the time of the controversial pillar transfer was reduced by Welsh Government at the earliest opportunity through modification so that its domestic co-financing contribution could be reduced. The RDP 2014-20 was made up of EU funds of £559m (including the 15% Pillar Transfer, described above) and domestic co-financing of £279m. In line with N+3 rules, funds must be spent by the end of 2023. Based on Welsh Government published figures total spend stands at just 70% at the end of March 2022.

15. Of note is the rate of spend of domestic co-financing which has not kept pace with the rate of spend of EU funds. So far 66% of the £279m of Welsh Government co-financing has been spent, this lags the drawdown of EU funds which stands at 78%. As a result, £94m of domestic co-financing is now required to ensure total spend of the RDP by the end of 2023 in line with N+3 rules. Given the relative importance of the RDP in Wales compared to elsewhere as a result of the maximum pillar transfer, we continue to seek assurances from Welsh Government that this domestic co-financing is secure and that full spend of the RDP 2014-2020 will be achieved.

16. The implementation of the RDP (2014-2020) has long been a matter of concern to NFU Cymru. Concerns have included Welsh Government's overall level of ambition for the RDP; the slow rate of RDP implementation; the design and appropriateness of some RDP schemes and measures including the Sustainable Management and Enabling Natural Resources and Well-Being Schemes; the reluctance to innovate; the bureaucracy of the application process; the sporadic nature of the application windows; and the funding allocations to those windows.

[2] Based on Welsh Government figures published 31 March 2022

17. In our response to the Auditor General for Wales Value for Money Examination of the RDP in 2017, NFU Cymru expressed concern around the governance arrangements in place and called for more robust strategic oversight of the programme. These concerns were reiterated in a second Wales Audit investigation published in June 2020 which determined that £53m of grant funding had been allocated by Welsh Government without measures to ensure value for money, with key aspects of the design, operation, and oversight of Welsh Government controls not effective enough to secure value for money.

18. As a result of our ongoing concerns, NFU Cymru continues to call for a full independent review of the 2014-20 RDP. In the context of developing a new agricultural policy to replace the CAP in Wales, we believe it is essential that lessons are learned.

2021-22 funding settlement for farming

19. NFU Cymru welcomed the fact that the UK Government guaranteed to maintain the current annual budget to farmers in every year of the next Parliament. We understand that Welsh Government and the UK Government have agreed that £337m is the annual figure. The methodology by which this figure was determined has not been shared with stakeholders. In line with 'not a penny less', we also expect Welsh Government to provide additional domestic co-financing of £40m per annum for rural development.

20. It is important to recognise that had the UK remained within the EU, there would have been some overlap of RDP programmes as the 2014-20 programme was phased out and the replacement RDP was phased in from 2021. However, it appears that this was not reflected in the methodology used by the UK Government to determine the funding allocation to farming for 2021-22.

21. In November 2020 when the UK Government announced the funding allocation for the 2021-22 financial year the replacement funding actually provided by the UK Government was £242m, a figure that was just about sufficient to cover Pillar 1 Direct Support but some £95m less than the agreed annual figure of £337m. We understand this is because the methodology used by the UK Government 'netted off' the value of the EU unspent funds expected to be drawn down during this financial year.

22. We understand this methodology is contested by Welsh Government and the other devolved nations, but the impact of this approach and 'netting off' is understood to have been felt most severely in Wales due to the slower rate of RDP implementation during the period 2014-20 compared to Scotland and Northern Ireland.

23. It is important to note, in the period leading up to EU exit, NFU Cymru repeatedly called on Welsh Government to accelerate the implementation of the RDP to ensure not a penny was lost in the context of uncertainty brought about due to EU Exit when the outcome of negotiations could not be predicted. Had the Welsh Government implemented the RDP more expeditiously the figure 'netted off' by the UK Government in 2021-22 would have been lower. That said, it is important to acknowledge that the concept of 'netting off' did not exist previously and Welsh Government was operating entirely within the rural development regulations to implement the RDP to the end of 2023 in line with N+3 rules. Ultimately, wherever responsibility lies, it is Welsh farming and rural communities that have lost out to this valuable investment and that are poorer as a result.

24. Whilst significant focus was placed on the funding lost to Wales in 2021-22 as a result of the 'netting off', there has been much less focus and transparency from Welsh Government about whether it provided the corresponding domestic co-financing of £40m for the 2021-22 financial year and, if so, how this was spent. It is important to recognise that this sits outside

the outstanding domestic co-financing commitments relating to the 2014-20 programme described in para 14 above.

The future funding settlement

25. Moving onto the issue of future funding for farming. The UK Government autumn budget in October 2021 provided Welsh Government with funding for farmers of £900m over the next three years together with Bew Review monies of £2.6m per annum. Our understanding is the financial allocations have been confirmed as £252m in 2022-23, £315m in 2023-24 and £337m in 2024-25.

26. Given that the agreed annual figure for replacement farm funding is £337m per year, it is apparent that the UK Government continues to apply some 'netting off' reflecting EU unspent funds in 2022-23 and 2023-24.

27. Welsh Government confirmed to us that in addition to the £95m netted off in 2021-22, if the same methodology continued to be applied, they anticipated a further £50m would be netted off in 2022-23 and £15m in 2023-24 reflecting the ongoing drawdown of EU funds from the RDP 2014-20 in these years equating to a further 'netting off' of £65m.

28. However, the Autumn Budget and subsequent discussions with UK Government showed that actual netting off for 2022-23 is, in fact, £85m and for 2023-24 it is £22m – in total some £42m more than the anticipated £65m by Welsh Government. We have been led to understand that this is because Welsh Government failed to drawdown the full £95m of EU funds it projected to spend in 2021-22 so this has been carried forward and in effect 'netted off' again.

29. This is a source of significant disappointment to NFU Cymru and represents a further unacceptable loss of funding for farming and rural Wales. Throughout 2021-22 Welsh Government will have been aware of the methodology the UK Treasury was likely to apply when determining future funding for farming in the Spending Review. It is incomprehensible to us that much greater effort was not made by the Managing Authority to ensure programme delivery met the levels of spend Welsh Government had projected to avoid this scenario arising.

30. As above, we also continue to seek assurances from Welsh Government around the £40m domestic co-financing for 2022-23, 2023-24 and 2024-25 so its own commitments to 'not a penny less' are also fully realised.

31. The UK Treasury Spending Review also confirmed the Bew Review[3] monies resulting from the Intra-UK allocations convergence review equating to £2.6m per year for the next three years. NFU Cymru is clear that this is expected as a top-up to Pillar 1 Direct Payments via the Basic Payment Scheme (BPS).

Direct Payments

32. NFU Cymru has warmly welcomed Welsh Government's ongoing commitment to farming through Direct Payments (BPS). The Minister for Rural Affairs and North Wales and Trefnydd, Lesley Griffiths MS, confirmed the BPS budget for 2022 last December mirroring levels of support provided to farmers in Wales in 2020 and 2021. An announcement was made earlier in the year that the BPS would also continue in 2023 as part of the transition to future schemes and we are pleased that the draft Welsh Budget includes an indicative budget of £238m for EU Pillar 1 Direct Payments in 2022-23, 2023-24 and 2024-25. We look to the

[3] Intra-UK Allocations Review (publishing.service.gov.uk)

Minister to make an early announcement to confirm that the indicative budget will be committed to the BPS in full for 2023 and 2024.

33. We stress the BPS is crucial to maintaining the supply of safe, high quality and affordable food for all in society; also providing much needed stability to the farming industry during a period of profound change as a result of the UK leaving the EU and the ongoing Coronavirus pandemic. The tragic humanitarian crisis in Ukraine which is impacting farm input costs such as feed, fuel and fertiliser with potential consequences for food availability and affordability means that this is now more important than ever.

34. As well as providing security to farming businesses, continued direct support is also a boost for our rural economy and communities as Welsh farms provide the economic, social and cultural foundation of our rural communities.

Rural Economic and Sustainability Programme (RESP)

35. NFU Cymru notes the draft Welsh Budget[4] also includes funding for a Rural Economic & Sustainability Programme of £27.3m in 2022-23, £99.5m in 2023-24 and £148m in 2024-25; described as a 'rural development framework' in the Minister for Rural Affairs and North Wales and Trefnydd Written Statement dated 1 April 2022. We are pleased that Welsh Government have stated that this is for farmers and land managers[5].

36. Our understanding is the Rural Economic and Sustainability Programme/rural development framework is the replacement Rural Development Programme. Whilst we very much welcome Welsh Government's commitment to farming through this programme, in terms of funding, the RDP 2014-20 provided in the region of £120m per annum, including the domestic co-financing of £40m per annum, and it is clear that the budget allocations continue to fall short of this in 2022-23 and 2023-24 as they did in 2021-22.

37. We do not believe it is sufficient to point to the availability and continued draw-down of the EU RDP 2014-20 funds during this period, when it is clear, that the replacement RDP would have already started by now had we remained in the EU. We understand that the funding allocations may be the result of the 'netting off' approach used by the UK Government in the methodology for determining replacement farm funding, however, that there is a funding shortfall is an undisputable fact. There is also a lack of transparency around the levels of domestic co-financing that Welsh Government is prepared to commit to replacement rural development programmes over this period.

38. In November 2020, Welsh Government confirmed[6] that new programme documentation for the replacement rural development programme would be developed in collaboration, also considering the opinion of a 'Rural Development Advisory Board'. To our knowledge Welsh Government has not met these commitments, the Board has not been established with stakeholder engagement in programme development extremely limited as a result. During the 2014-20 programme, NFU Cymru sat on the Programme Monitoring Committee (PMC) for the EU Structural Funds which included the RDP. In the previous programme there was a dedicated PMC for the Rural Development Programme. It is disappointing that we have observed a trend of reducing levels of scrutiny over time. We are concerned that Welsh Government's failure to put in place the Rural Development Advisory Board for the replacement RDP funds, in our view, represents yet another weakening of governance arrangements at a time when all the evidence points to the need for them to be strengthened.

[4] budget-expenditure-lines-2022-2023-1.ods (live.com)
[5] ministers-written-evidence-to-senedd-scrutiny-committees-2022-2023.pdf (gov.wales)
[6] 40961 Sustainable farming and our Land (gov.wales)

39. It is also important to contrast Welsh Government's approach to replacement rural development funds with the development of past Rural Development Programmes which would have been subject to set processes of evidence gathering, needs analysis and multiple rounds of public consultation before negotiation and sign-off by the European Commission. The resulting Rural Development Programme (1000 plus pages) have clearly defined funding allocations, objectives, measures, targets and indicators as well as processes for monitoring and evaluation.

40. In line with good governance, the Welsh Government Managing Authority of the RDP (2014-2020) also committed to publish information on funding allocated, committed and spent on a monthly basis. Whilst this commitment has not been fulfilled on a regular basis through the 2014-20 programme, it is our view that, at the very minimum, similar reporting arrangements for replacement rural development funding are going to be vital going forward to aid transparency, accountability and to ensure effective monitoring given the new pressures to spend funding within a financial year or lose it.

41. Overall, it appears that EU rural development funding has not been replaced in full, falling short of the levels of funding rural Wales would have received had the UK remained in the EU. It is also the case that as EU structures governing the implementation of Rural Development Programmes have fallen away, these have not yet been replaced with equivalent or better mechanisms and structures to strategically develop and administer the replacement rural development funds in Wales. NFU Cymru believes it is possible to draw parallels between the approaches of both the UK and Welsh Governments in relation to replacement EU funding, in that, establishing appropriate mechanisms of governance and oversight around replacement funding appears not to have been prioritised by either government. NFU Cymru is clear this is an issue that must be addressed. We must have confidence that farming and rural Wales have not lost out on funding as a result of the decision to leave the EU. We also identify that the case for funding for rural Wales over the longer term can only be made if appropriate governance structures are in place so that delivery is brigaded around a coherent plan and impact can be properly evidenced and evaluated.

Wider structural funds

42. Turning briefly to the position with respect to replacement Structural Funds. It is important to recognise that EU Structural Funds were allocated on an objective assessment of need; historically that needs-based approach resulted in Wales receiving 24% of UK Structural Funding, more per person than any of the devolved nations and English regions, reflecting the gap that exists between the poorest parts of Wales and the UK average.

43. Since devolution, economic development has fallen within the competency of Welsh Government with the result that, over 20 years, it has managed and administered the delivery of EU Structural Funds in Wales via the Wales European Funding Office (WEFO).

44. With EU exit, the established approach to EU structural funding has fallen away. The UK Government has established a new policy regime set out in its recently published Levelling Up White Paper and progress has been made in establishing on the mechanisms to deliver replacement funds.

45. It is our understanding that the UK Government has committed to provide a budget allocation for the period up to 2024-25 of £2.6billion for the Shared Prosperity Fund; a further £4.8billion for the Levelling Up Fund of which £800m will be allocated to Scotland, Wales and Northern Ireland with £121m committed to ten projects in Wales in the first round; and £220m to the Community Renewal Fund of which £45m has been allocated to 160 projects in Wales.

46. Direct comparison is not straightforward and at this stage it is not possible to discern whether Wales can expect to receive replacement of EU structural funds in full and whether these funds have been targeted to where need has been identified to be greatest in line with a coherent and strategic plan.

47. We note the UK Government has committed to create a new regime to oversee its levelling up missions. It is proposed this will include establishing a statutory duty to publish an annual report analysing progress and a new external Levelling Up Advisory Council. It is important to recognise that the governance regime established by the UK Government for levelling up differs significantly from the previous EU structural funds architecture not least because the management and administration of those funds no longer falls to Welsh Government. This, together with the fact that NFU Cymru was represented on the EU Structural Funds Programme Monitoring Committee (PMC) for the 2014-2020 programmes, means that so far, the approach of the UK Government to replacement funds feels more distant and less transparent and accountable.

48. In our view the proposed Levelling Up Advisory Council should include specific Welsh and rural representation. The Annual Reporting process should also include specific reporting for Wales which scans back to 2021 to give confidence that the EU funds have been and are going to be replaced in full. Measures are needed to ensure the impact of investments made in Wales can be assessed against a coherent, evidence-led, co-produced plan. We also believe there needs to be greater emphasis on the allocation of funding based on objective assessment of need rather than a competitive approach which may not favour disadvantaged communities.

49. Through the Levelling Up White Paper, the UK Government identifies that past efforts have been insufficient - short-term, lacking scale and co-ordination and effective oversight. We are not clear of the extent to which the funding mechanisms proposed address these shortcomings given that current funding commitments are shorter term and do not match the EU multi-annual seven year funding cycles which allowed for spending over a ten year period in line with N+3 rules together with the fact that the oversight and governance structures do not yet appear to be in place.

50. Overall, with respect to the replacement EU Structural Funds, we identify there are still significant areas requiring clarification in key areas such as financing, governance, the systems of monitoring, evaluation and audit. NFU Cymru believes there should be formal consultation on future funding streams in order to ensure funds have effective strategic oversight so they can work for Wales, farming and our rural communities.

Chwarae Teg submission to the Finance Committee

Post-EU Funding Arrangements

April 2022

Introduction

Chwarae Teg is Wales' leading gender equality charity. We work to secure a fairer Wales where all women achieve and prosper, ensuring that women enjoy economic equality, are fairly represented in all walks of life and are no longer at risk of poverty, violence and exclusion.

For over a decade Chwarae Teg has received EU structural funding to support our work. Programmes such as Agile Nation 2 have delivered over £5.6 million worth of pay rises to working women in Wales, actively addressing the aim to boost productivity, pay and jobs, including in communities where they are most lagging. Agile Nation 2 contributes to closing the gender pay gap; moving women into more secure and more productive jobs and ensuring that women as well as men are able to benefit from Levelling Up.

The loss of EU funding presents a challenge and an opportunity for ourselves and the entire third sector. We welcome that the proposed new funding regime represents an acknowledgement of the need to actively transfer wealth across the United Kingdom, however, we are concerned that equality and diversity are not central to the aims of the Shared Prosperity Fund (SPF) and we could therefore see a widening gap between those who are able to benefit from economic growth and prosperity and those who cannot.

Key messages

1. There continues to be a lack of clarity over the role of the third sector in multiple areas of the SPF. To date there has been limited but useful engagement with the UK Government on a number of issues around the SPF, but these do not appear to have shaped the subsequent prospectus significantly.
2. It is unclear how the regional geographies responsible for awarding and reporting on the SPF will engage with the third sector. We know that the third sector in Wales has a track record of delivery and it is vital that local authorities and regional bodies engage pro-actively, from an early stage, with the third sector to ensure that the SPF improves people's lives and delivers value for money. This requirement of local authorities and regional bodies needs to be designed in, to ensure it happens
3. The lack of Wales-wide infrastructure for the administration and delivery of the SPF presents a particular challenge in tackling issues such as poverty and inequality in a strategic way. Although issues such as these affect different communities differently,

the lack infrastructure for Wales-wide working risks funding being awarded to ineffective interventions and needless duplication.

4. The UK Government's approach to Levelling Up is explicit in that its approach is based on 'Place', as opposed to 'People'. We are concerned that equality and diversity are not central to the aims of the SPF, and that communities of people who share common barriers to full participation in labour market and society regardless of their geography could be overlooked in a place based approach- for example women, people of colour, disabled people. In order to deliver on the goals of the SPF, it is vital that equality and diversity are central to the planning and awarding of funding since we need to ensure that that the Fund delivers for everyone and does not further entrench long-standing inequalities.

Detailed Response

1. **Progress in establishing and delivering replacement funds for EU structural funds, including; the UK Shared Prosperity Fund; the Community Renewal Fund; and the Levelling Up Fund.**

1.1. Progress in establishing schemes to replace EU structural funds has been slow and piecemeal which has made it challenging for third sector organisations such as ourselves to adopt strategies on future work and sources of funding.

1.2. We are concerned that equality and diversity have not been embedded into the UK SPF. The current prospects has a clearer focus on places rather than individuals which risks seeing the needs of disadvantaged and marginalised groups ignored.

1.3. Although we welcome the greater clarity of how the SPF will operate, and the funding which will be allocated to Wales, there is still little understanding of where or how third sector organisations can actively participate in the process of allocating funds.

1.3.1. Whilst in receipt of EU funding, it was clear how practitioners and stakeholders engaged with the process of allocating funds. Third sector organisations had a clear input on the assessment of need which would shape the Welsh Government's negotiations with the European Commission and eventual funding streams.

1.3.2. The new regime is not framed in the same way. We know that engaging with and delivering through third sector organisations is vital. Often these organisations are better placed to reach the people that interventions are designed for.

1.4. The time it has taken to establish the new funding regime has also presented a challenge in relation to the end of EU-funding. Although some funding streams have been rolled over until 2023, the ending of EU structural funding is imminent and it is not clear when the new UK funding regime will begin. There is a real risk that unless bridging funding can be awarded, major expertise in the design, delivery, management, and monitoring of externally funded projects will disappear making it harder to ensure that the SPF is value for money.

1.5. Although we welcome the UK Government's commitment to reduce administrative commitments and conditionality in respect of the SPF, there has been no indication of what reporting mechanisms will look like in practice. Organisations involved in the administration of the SPF need to know what reporting mechanisms look like as soon as possible in order to meet reporting and due diligence expectations.

1.6. Regarding the Community Renewal Fund, we welcome the UK Government's learning from using a competitive bidding process and their decision to allocate the SPF via a formula.

1.7. In order to make a success of the new funding regime, there is a need for different layers of government to prepare and work together. Specifically:

  1.7.1. The UK Government should speed-up its preparations for the SPF to ensure that the third sector is fully equipped to help support and manage the new funding regime.

  1.7.2. In future funding rounds of the SPF, the UK Government must centre equality and diversity in the funding prospectus.

  1.7.3. Bodies responsible for agreeing funding awards such as lead authorities, Corporate Joint Committees and the Regional Skills Partnerships should accept the unique contribution of the third sector by proactively engaging with third sector organisations and creating more formal mechanisms for this sort of engagement.

  1.7.4. These bodies must also ensure that all projects that they fund have clear equality and diversity goals and support work to tackle persistent and structural inequalities.

  1.7.5. Welsh Government should support the rollout of new fund by ensuring that expertise which currently exists within government and WEFO is utilised. This could include secondments to local authorities and CJCs.

2. How the funding proposed for Wales and funding received via continued UK participation in EU programmes, compares to the funding received while the UK was a member of the EU.

2.1. Comparing EU funding with the new UK-based regime is challenging at the present time since, as referenced previously, full details on how the SPF will operate in practice are still unclear.

2.2. Despite this challenge, there are two key areas in which comparisons between the two funding regimes can be drawn which are important to our organisation. The role of equality and diversity in determining funding decisions, and the role of the third sector.

2.3. First, although the three stated priorities[1] of the SPF present an opportunity to work differently, we are concerned that the fund and Levelling Up as a whole does not adequately engage with equality and diversity.

2.3.1. Equality and diversity is not clearly embedded into the purpose of the SPF. On the whole, despite an aim focused on 'People and Skills'[2], the aims of the Fund appear to be more focused on places rather than people. Although in and of itself the focus on places is not problematic, there is a risk that some communities who live in those places will be forgotten.

2.3.2. The lack of focus on equality and diversity calls into question how well the SPF will deliver equally and equitably for all. It is vital that interventions are designed so that they tackle structural inequalities and work towards ensuring that everyone benefits from any increases in productivity, pay, and improved living standards.

2.3.3. The focus on places contrasts with EU structural funding where specific funding streams were set aside for programmes which could be tailored to support skills development, the creation of new businesses and personal development.

2.3.4. We are unsure that the Multiply scheme nor the indicative outputs and outcomes provided under the UK Government's Interventions, Objectives, Outcomes and Outputs – Wales document[3] provide the same amount of scope to develop and deliver innovative programmes to tackle structural inequalities.

2.4. The apparent lack of equality and diversity in the goals of the SPF can possibly be explained by the second comparison which can be made between EU funding and the SPF - engagement with the third sector.

2.4.1. As highlighted previously in this response, there has been little substantive engagement with the third sector in Wales by UK Government about how programmes should be prioritised and what need is present in the community.

2.4.2. We know that there is a lot of expertise and experience in the third sector in Wales in both design and delivery of programmes to reach underrepresented groups. Without the input of third sector organisations from the beginning of the process, as was the case with EU funding, there is a real risk that funding will not reach the communities and individuals who would benefit from it most.

3. The mechanisms and structures being established to administer those funds in Wales, the roles of those involved, in particular the Welsh and UK Governments, and the consequent impact on accountability arrangements.

[1] UK Government, 2022 *UK Shared Prosperity Fund: prospectus* https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/uk-shared-prosperity-fund-prospectus Accessed: 14 April 2022

[2] ibid

[3] UK Government, 2022 *UK Shared Prosperity Fund: In Interventions, Objectives, Outcomes and Outputs – Wales* *https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1068877/UKSPF_Wales_outputs_and_outcomes.pdf* Accessed: 14 April 2022

3.1. The proposed structures for allocating funds is a major departure from the way EU funding was managed for an organisation such as our own.
3.2. We have multiple years of experience delivering projects at scale, working with Welsh Government and WEFO. Although these projects have been delivered in all of Wales' 22 local authorities, we have not previously had to work directly with local authorities in order to deliver these projects.
3.3. Although we are pleased to see that the proposed delivery geographies[4] for Wales align with upcoming infrastructure in respect of Corporate Joint Committees (CJCs), it is not clear how commitments around the administration of the SPF will work in practice.
3.4. The focus on regions with local authorities being grouped together presents a real challenge for working at scale. It is currently unclear how pan-Wales projects will be funded and administered since no Wales-wide infrastructure or body is proposed for administering the SPF.
3.5. The lack of a Wales-wide structure also presents a specific challenge to third sector organisations from a capacity point of view. Many organisations who have been in receipt of EU funding will now have to engage with multiple different bodies in order to receive and report on funding received from the SPF. It is highly likely that many smaller third sector organisations will struggle to engage with this new process.
3.6. To deliver on both the SPF and broader Levelling Up commitments, it is important that local authorities and regional bodies commit to actively engaging with the third sector, and funding activity that supports this to happen in a timely fashion, which recognises the limited capacity of many smaller third sector organisation.
3.7. In the administration and management of the SPF, the lead local authority within a region will be gaining a number of bureaucratic functions. There is limited information provided[5] on how local authorities will be supported to take on these new functions. There will be a clear need to have a larger and skilled workforce to administer the SPF.
3.8. We recognise the opportunities that geographical based interventions can have, however, we must also recognise the experiences of underrepresented groups and those who share characteristics and experiences. This includes for example women, ethnic minorities, disabled people and other protected characteristics.
3.9. Place-based interventions as proposed by the SPF are likely to have a limited impact on tackling persistent, national issues such as the gender pay gap, inequalities in employment and poverty. The failure to embed equality and diversity effectively into the purposes of the SPF exacerbates the risk of these groups being overlooked as projects are designed and implemented.
3.10. To ensure that the new governance structures of the SPF function in a way that works for Wales:

[4] UK Government, 2022 *Delivery geographies* *https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/delivery-geographies* Accessed: 14 April 2022
[5] UK Government, 2022 *UK Shared Prosperity Fund: prospectus* https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/uk-shared-prosperity-fund-prospectus Accessed: 14 April 2022

3.10.1. Local authorities and regional bodies must commit to engaging actively with the third sector.

3.10.2. Lead local authorities in Wales should be supported in their new SPF-related functions. There is a lot of experience and expertise in bodies such as WEFO and this should be utilised to make a success of the SPF

4. The amount of legacy funding that Wales is due to receive following the UK's exit from the EU and associated with EU structural fund programmes.

4.1. While the UK was a member of the European Union, Wales was a net beneficiary of EU funding. This funding was based on a clearly identified need.

4.2. Analysis to date suggests that Wales will be receiving less than under the previous funding regime, and while the promised investment is of course welcome, we would like to see prior commitments met, which outlined that Wales would not receive less money than under EU-funding.

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Who are we?

Our vision is for a fairer Wales where all women can achieve and prosper. Our mission is to inspire, lead and deliver gender equality in Wales.

Chwarae Teg is committed to a Wales where all women are represented, empowered and able to prosper at all levels in the economy and public life regardless of their background or social status.

Chwarae Teg is registered charity. Charity number: 1084466 – FAIRPLAY (Workforce) Ltd.

Chwarae Teg

Prifysgol Caerdydd
Cardiff University
Dadansoddi Cyllid Cymru
Wales Fiscal Analysis

Written Evidence to the Finance Committee's inquiry into Post-EU Funding Arrangements

GUTO IFAN

ED GARETH POOLE

Wales Fiscal Analysis
MAY 2022

Preface

Declaration of funding

Wales Fiscal Analysis is hosted by the Wales Governance Centre and the School of Law and Politics at Cardiff University, and funded through a partnership between Cardiff University, the Welsh Government, the Welsh Local Government Association, the Wales Council for Voluntary Action, and Solace Wales. The programme continues the work of Wales Public Services 2025 hosted by Cardiff Business School, up to August 2018.

About us

Wales Fiscal Analysis (WFA) is a research body within Cardiff University's Wales Governance Centre that undertakes authoritative and independent research into the public finances, taxation and public expenditures of Wales.

The WFA programme adds public value by commenting on the implications of fiscal events such as UK and Welsh budgets, monitoring and reporting on government expenditure and tax revenues in Wales, and publishing academic research and policy papers that investigate matters of importance to Welsh public finance, including the impact of Brexit on the Welsh budget and local services, options for tax policy, and the economics and future sustainability of health and social care services in Wales.

Working with partners in Scotland, Northern Ireland, the UK and other European countries, we also contribute to the wider UK and international debate on the fiscal dimension of devolution and decentralisation of government.

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Written Evidence to the Finance Committee's inquiry into Post-EU Funding Arrangements

03 MAY 2022

1. This written evidence submission to the Finance Committee's inquiry into Post-EU Funding Arrangements focuses on replacements to the European Union Structural and Investment Funds. It addresses two main points from the consultation's terms of reference: first, how proposed funding for Wales compares to previous EU funding; and second, legacy funding for Wales from the EU following the UK's exit from the EU.

How the funding proposed for Wales and funding received via continued UK participation in EU programmes, compares to the funding received while the UK was a member of the EU

2. During the 2014-2020 programming period, Wales was allocated over €3 billion from the European Structural and Investment Funds (see **Figure 1**). This allocation amounted to an average of **£375 million a year**, most of which came from the European Regional Development Fund (ERDF) and the European Social Fund (ESF). A smaller amount was allocated from the European Agricultural Fund for Rural Development (EAFRD).

Figure 1
Planned allocations for Wales from European Structural and Investment Funds, 2014 - 2020

	EU allocation		
	EUR (millions)	GBP (millions)	Average £M per year
European Regional Development Fund (ERDF)	1,409	1,205	172
European Social Fund (ESF)	1,008	861	123
European Agricultural Fund for Rural Development (EAFRD)	652	557	80
Total ESI	**3,069**	**2,623**	**375**

Source: European Commission (2022) ESIF 2014-2020 Finance Implementation Details. Notes : Based on a conversion rate of £1 : €1.17 (as per Welsh Government 2022)

3. The Shared Prosperity Fund (SPF) was first mentioned as a replacement for EU structural funds in the 2017 Conservative manifesto. The 'Heads of Terms' for the fund was published as part of the 2020 Spending Review, which made clear that it was **replacing only the ERDF and ESF.**[1] There was also a pledge that the total amount of funding would "ramp up" until it at

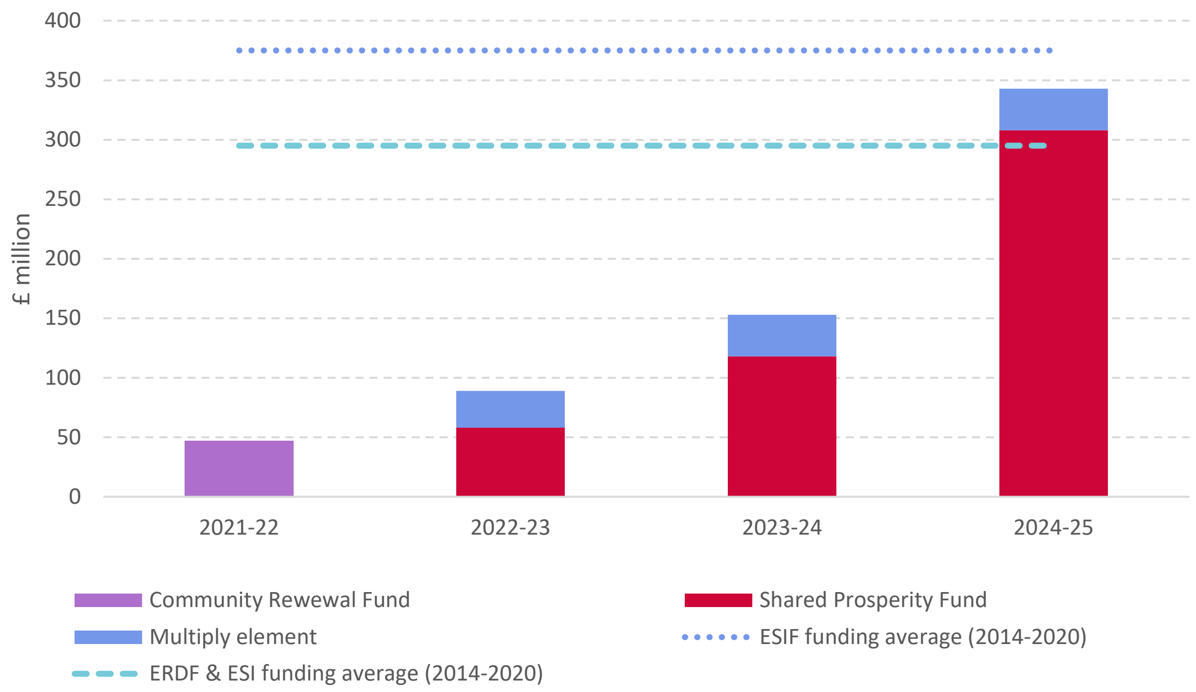
[1] HM Treasury (2020) Spending Review 2020, box 3.1

least matches "current EU receipts". In May 2021, the precursor to the SPF, the UK Community Renewal Fund was announced for 2021-22. Later, the Autumn 2021 Budget and Spending Review provided further details, such as the UK-wide funding profile for 2022-23 to 2024-25. The pre-launch guidance for the fund in February 2022 was followed by a full prospectus on 13 April 2022.[2]

4. It was announced that Wales would be receiving £585 million from the SPF over 2022-23 to 2024-25. Funding per year will increase over coming years to around £343 million by 2024-25 (**Figure 2**). Funding for Wales through the SPF will therefore broadly match the funding received through the ERDF and ESF during the 2014-2020 programming period (£295 million), after adjusting for inflation, by 2024-25. The potential shortfall in funding during intervening years will be addressed in the next section.

Figure 2

Funding allocations for Wales from Community Renewal Fund and Shared Prosperity Fund (2021-22 to 2024-25)



Source: Department for Levelling Up, Housing and Communities (2022) UK Shared Prosperity Fund: prospectus. Notes: Average ESIF and ERDF & ESI funding averages presented in nominal terms (not adjusted for inflation)

5. Of the total allocation to Wales, £101 million (£34 million per year) will need to go towards Multiply interventions, the UK government's programme to improve numeracy in the adult population.[3] Since the Multiply element has been allocated along the same lines as the overall

[2] Department for Levelling Up, Housing and Communities (2022) UK Shared Prosperity Fund: prospectus, 13 April 2022

[3] Department for Levelling Up, Housing and Communities (2022) Multiply in Scotland, Wales and Northern Ireland: Guidance.

SPF, the allocation for Wales is 5 times greater per person compared to the UK average. This large allocation will risk duplicating other existing approaches and schemes in what is a devolved area. As such, there is a strong case for the UK government to allow flexibility for some of this funding to go towards other interventions.

6. Wales was by far the largest recipient of EU funding relative to its population of the UK nations. This position has been maintained by the SPF allocation methodology – funding per person will be nearly 5 times greater than the average across the UK. The commitment to match EU funding by nation has effectively retained the 'cliff-edge' in EU funding which resulted from the much greater EU allocations that went to regions classed as 'less developed regions' (in Wales' case, the West Wales and the Valleys region).
7. While Wales' total allocation has been determined by previous allocations from the EU, SPF allocations by local authority in Wales have been allocated according to three steps: firstly, 40% according to population; 30% according to the CRF index;[4] and 30% according to Welsh Indices of Multiple Deprivation. While it is not possible to compare allocations at local authority level with previous EU funding (due to most EU-project allocations spanning more than one area), there is an apparent shift away from the West Wales and the Valleys region towards East Wales (**Figure 3**). Funding per person will remain higher overall in West Wales and the Valleys, but below levels previously received from the EU.

Figure 3

Funding allocations for Wales from Community Renewal Fund and Shared Prosperity Fund (2021-22 to 2024-25)

	Shared Prosperity Fund			ERDF & ESF (adjusted for inflation)		
	£m per year	% share	£ per person	£m per year	% share	£ per person
West Wales and the Valleys	250	73%	126	285	83%	144
East Wales	93	27%	79	58	17%	49

Source: Department for Levelling Up, Housing and Communities (2022) UK Shared Prosperity Fund Allocations; Welsh Government (2022) EU Structural Funds Programme 2014 to 2020: commitment and spend

The amount of legacy funding that Wales is due to receive following the UK's exit from the EU and associated with EU structural fund programmes

8. The EU generally allows three years after the formal end of funding programmes for remaining money to be paid out. While the transition period under the UK and EU's Withdrawal Agreement ended on 31 December 2020, some EU structural funding will continue until the end of 2023, if funding had already been committed. Any unspent funding by the end of 2023 may be returned to the EU.

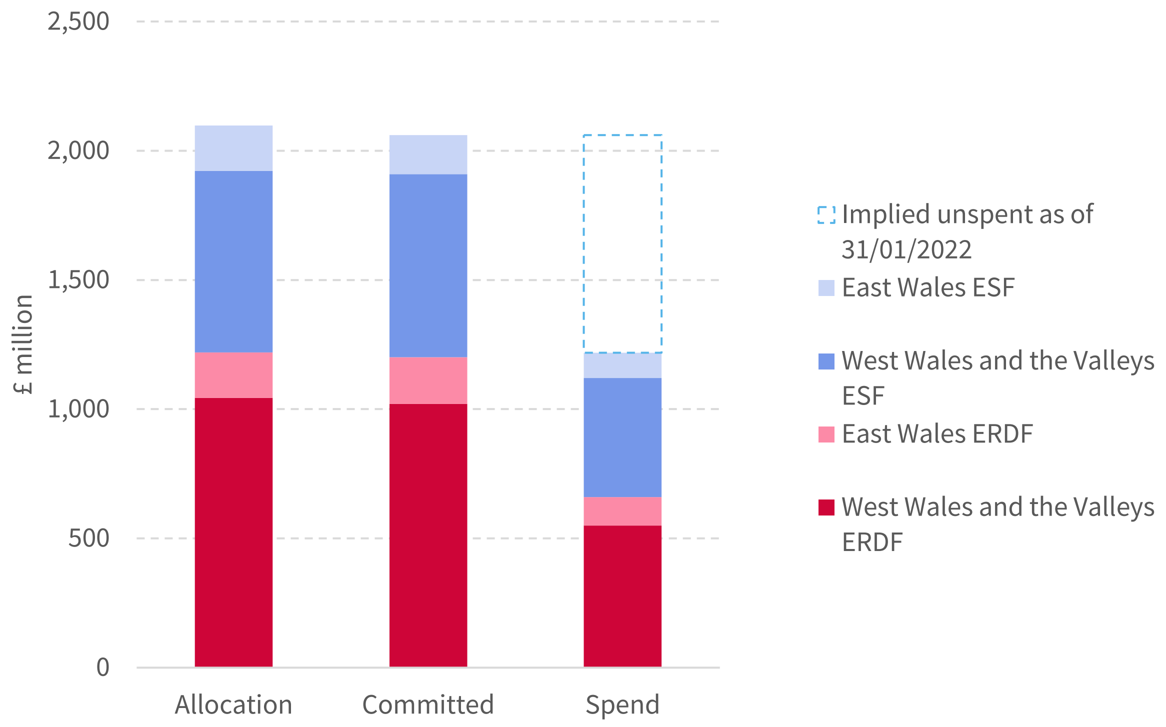
[4] This index reflected a weighted average of statistics reflecting productivity levels, household income, skills, unemployment, and population density. See: https://www.gov.uk/government/publications/uk-community-renewal-fund-prospectus/uk-community-renewal-fund-prioritisation-of-places-methodology-note

9. A key area of disagreement between the Welsh and UK governments is the extent to which the lower allocations from the SPF for years 2021-22 to 2023-24 will leave Wales worse off relative to previous EU funding levels. The slow "ramp up" of funding is intended to mirror the "tail-off" of EU funding as existing EU funding programmes come to an end.[5] However, this reasoning does not appear in the SPF prospectus or methodology note and a breakdown of expected legacy funding for Wales from the EU has not been published.[6]

10. **Figure 4** provides a breakdown of allocation, commitment, and spending of 2014-2020 EU Structural Funds by programme for Wales, as of the end of January 2022. Of the £2.1 billion allocation, 98% of the funding had been committed to approved projects. Over £1.2 billion of funding had been paid out to beneficiaries by this point. This implies that there will be a further £841 million of EU funding to be paid out before the end of 2023, if all committed funding is delivered. However, all this funding has already been committed and decided for projects and will not represent new funding for projects (applications for new funding have already closed). Furthermore, ESI funds are typically paid out to beneficiaries to compensate them for spending they have occurred, meaning there is a lag between funding being decided and being paid out.

Figure 4

Allocation, commitment, and spend of EU Structural Funds Programme 2014 to 2020, by programme



[5] Welsh Affairs Committee (2021) Oral evidence: Responsibilities of the Secretary of State for Wales, HC 96, 14 January 2021

[6] However, in evidence to the Welsh Affairs Committee, Simon Hart MP claimed the 'tail-off' in EU funding would amount to £391.7 million in 2021-22, £402.1 million in 2022-23, £258.5 million in 2023-24 and £67.9 million in 2024-25.

Source: Welsh Government (2022) EU Structural Funds Programme 2014 to 2020: commitment and spend

11. Part of the disagreement may stem from the different time horizons and how the funding will be paid out. The Welsh Government argue that, from 2021, funding recipients in Wales would have been able to apply for new funding worth up to an average of £375 million a year from the ESIF - though there would have been a substantial lag before this new funding was fully committed and paid out to projects. EU structural funding worked in seven-year cycles, with spending paid out often lagging commitments made to projects and costs incurred by beneficiaries. In contrast, the UK government will pay the SPF allocation to lead authorities at the start of the financial year, with underspends being returned at the end of the financial year.
12. In the interests of transparency and accountability, both governments should more clearly present and publish the rationale behind their claims over funding levels to Wales.

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Prifysgolion Cymru
Universities Wales

Consultation on post-EU funding arrangements

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 Finance Committee's consultation on post-EU funding arrangements.

1. **Progress in establishing and delivering replacement funds for EU structural funds, including:**

1.1. Universities have delivered significant benefit to the people and places of Wales via European structural funds. There are over 50 projects funded via European Structural Funds currently operating across Wales, led by Welsh universities, developing sustainable energy solutions, collaborating with industry and providing employment and skills for the future. In the final round of ESIF funding, 2014-2020, universities-led projects were awarded over £300m.
1.2. Regional funding has played a pivotal role in research and innovation in Wales. When Structural Funds Programmes were developed, they encompassed priority objectives relating to research and innovation, recognising the important, valuable role that research and innovation has on our regional economies. For the replacement of Structural Funds to be successful and impactful, there must be adequate recognition of the importance of R&I.
1.3. Universities have played a critical role in regional development in Wales as key organisations in the development of projects; the delivery and management of projects; in the evaluation of projects; and in the application of outcomes in terms of research, knowledge transfer, industrial collaboration, commercialisation, innovation and education more widely. Regional funding for R&I has been used as a part of a wider network of funding from a range of bodies to support strategic aims.
1.4. the UK Shared Prosperity Fund:

1.4.1. There have been positive recent developments on the UKSPF with the prospectus including a greater emphasis on research, innovation and development than was included in the pre-launch guidance.

1.4.2. It was encouraging to see a greater emphasis on a regional approach, particularly in how it could align with existing regional arrangements, and work undertaken by Welsh Government and stakeholders on the Regional Investment Framework.

1.4.3. However, the prospectus does not include a significant focus on higher level skills. A number of ESIF funded projects in Wales focused on higher level skills and the interface with innovation.

1.4.4. There continues to be concern over ESIF-funded projects at Welsh universities, with funding due to come to an end over the next year, but UKSPF funds due to be released in October at the earliest. With this level of uncertainty, universities will imminently need to make difficult decisions around ESIF-funded projects.

1.4.5. EU Structural Funds supported territorial co-operation activities such as the Ireland Wales programme, Atlantic Area, North West Europe and Europe Interreg programmes. The UKSPF does not provide any support for working collaboratively with partners elsewhere in Europe. The Ireland Wales programme supported a significant number of collaborations between Welsh universities and Irish universities and research institutions as well as involving local authorities and businesses. There is currently no funding that will support these collaborations on vital areas such as climate change and marine life sciences once the programme funding concludes.

1.5. the Community Renewal Fund; and the Levelling Up Fund.

1.5.1. From the perspective of universities these funds are of limited relevance given the nature of what they are intended to fund. The Community Renewal Fund was seen as a precursor to the UKSPF, and allocated funding to local authorities for a variety of community-based projects.

1.5.2. The Levelling-up fund is focused on transport investments, regeneration and town centre investment, and cultural investments.

1.5.3. However, the UK Government's commitment in the Levelling-up White Paper to invest at least 55% of their domestic R&D funding outside the Greater South East by 2024/5 should provide opportunities for Welsh institutions.

1.5.4. Research and innovation were prominent throughout the Levelling Up White Paper and are considered to be a key tool with which to address regional inequality and low productivity areas.

2. How the funding proposed for Wales and funding received via continued UK participation in EU programmes, compares to the funding received while the UK was a member of the EU.

2.1. Universities Wales welcomes the UK Government's commitment to funding for Horizon Europe association, and also the commitment that this funding would be used for alternative arrangements ('plan B') if the UK does not associate to Horizon Europe. Full association with Horizon Europe remains our desired outcome.

2.2. In terms of anticipated income from Horizon Europe or an alternative scheme, as this is a competitive pot it is not possibly to identify a comparison between the funding we will receive and would otherwise have received. The key aspect in relation to this programme is that we associate and that there are minimal barriers to Welsh universities' participation in Horizon Europe projects.

2.3. Welsh universities will also be unable to access funds from the EU Covid-19 recovery programme, funding which Member States (such as France and Spain) have used to boost their research and expansion of HE.

2.4. It is not possible to quantify how much new funding may have come to Wales via Erasmus+ compared to that which will be brought into Wales via Taith and the Turing scheme. However, we understand that the Taith funding is broadly comparable to the projected income that Wales would have received from the new Erasmus+ programme.

2.5. It is also worth noting that the reciprocal nature of the Taith scheme will provide for learners, educators and researchers to come to Wales, and includes funding for capacity building and collaboration which will deliver wider benefits to Wales.

3. The mechanisms and structures being established to administer those funds in Wales, the roles of those involved, in particular the Welsh and UK Governments, and the consequent impact on accountability arrangements.

3.1. In relation to the UKSPF, it is important that any structures understand the role of universities in local areas and regions in Wales, and the role they can play in delivering benefit through these funds.

3.2. Universities Wales welcomes the links with Welsh Government's Regional Investment Framework cited in the UKSPF prospectus, and the inclusion of universities on the list of stakeholders to be involved in local partnership groups.

3.3. Effective regional and national collaboration essential in delivering the maximum benefit to be derived from the UKSPF. Universities Wales welcomes the recommended inclusion of universities in local partnership groups. It is essential that UK and Welsh Government can collaborate effectively to deliver maximum benefit to Wales via the UKSPF.

4. The amount of legacy funding that Wales is due to receive following the UK's exit from the EU and associated with EU structural fund programmes.

4.1. This will be a matter best addressed by other stakeholders including the Welsh European Funding Office (WEFO)

CLlLC WLGA

WLGA

27th April 2022

Response to the Senedd Finance Committee Inquiry into Post-EU Funding Arrangements

Welsh Local Government Association - The Voice of Welsh Councils
The Welsh Local Government Association (WLGA); is a politically led cross party organisation that seeks to give local government a strong voice at a national level. The Association represents the interests of local government and promotes local democracy in Wales. The 22 councils in Wales are all members of the WLGA and the 3 fire and rescue authorities and 3 national park authorities are associate members.

We believe that the ideas that change people's lives, happen locally
Communities are at their best when they feel connected to their councils through local democracy. By championing, facilitating, and achieving these connections, we can build a vibrant local democracy that allows sustainable communities to thrive.

The main aim of the Association is to promote, protect, support and develop democratic local government and the interests of councils in Wales.

This means:
• Promoting the role and prominence of councillors and council leaders
• Ensuring maximum local discretion in legislation or statutory guidance
• Championing and securing long-term and sustainable funding for councils
• Promoting sector-led improvement
• Encouraging a vibrant local democracy, promoting greater diversity
• Supporting councils to effectively manage their workforce.

Introduction

1. WLGA welcomes the decision of the Committee to undertake an inquiry into Post-EU Funding arrangements and the opportunity to provide evidence.

2. Local Government has been a key partner in designing and delivering EU Funded Programmes for over 20 years, working with the European Commission, the Welsh Government, and key partners from the third sector, private sector and the Higher and Further Education sectors, in developing specific programmes for Wales.

3. Councils across Wales have benefited from a number of different programmes, most recently the 2014-2020 European Structural and Investment Funds (ERDF & ESF), the European Agricultural Fund for Rural Development (EAFRD), the European Maritime and Fisheries Fund (EMFF) and the European Territorial Cooperation Programmes (ETC).

4. Councils and their communities have benefited directly from the EU programmes, which have funded specific projects across a range of interventions, from regenerating their town centres, their urban, rural and coastal communities to supporting people to access employment opportunities.

5. Councils across Wales have also benefited from EU funded programmes and projects run by many other partner organisations, including the Welsh Government, further education colleges, universities, the third sector, and the private sector. Examples include business support programmes, apprenticeships, tourism marketing and environmental projects.

6. This means that councils across Wales are in a good position to maximise the opportunities from the new replacement UK Funding Programmes, building on all their experiences of designing and delivering projects with key partners from the wider public sector, third sector, the private sector and the higher and further education sectors.

7. Given this background, councils are also well placed to lead, manage and coordinate the new replacement UK Funding Programmes. They have been working collaboratively within the 4 Economic Regions of Wales for a number of years on key economic development, regeneration, skills and employment initiatives. This led to the development of the 4 City and Growth Deals, with all councils working together with both the UK and Welsh Governments to deliver key economic interventions across Wales.

Progress in establishing and delivering replacement funds for EU structural funds, including:

- the UK Shared Prosperity Fund
- the Community Renewal Fund; and
- the Levelling Up Fund

8. There is a feeling within local government that progress to date has been relatively slow in designing, developing and launching the Shared Prosperity Fund.

9. Although the WLGA, along with the local government associations of England, Scotland and Northern Ireland, have been involved discussions with the UK Government's Department for Levelling Up, Housing and Communities (DLUHC) over the last 3 years, the more meaningful engagement only took place in recent months with discussion intensifying during the last few weeks prior to the formal launch of the Fund on the 13th of April.

10. The WLGA welcomed the opportunity to input into the development of the Fund, though earlier and more detailed engagement would have been appreciated. It is also unfortunate that much of the detail emerged during the pre-election period, which meant it was particularly challenging in terms of ensuring that all council leaders were able to engage in the process.

11. As with the UK Community Renewal Fund (CRF) and the UK Levelling Up Fund (LUF) local authorities are concerned with the lack of lead in time to enable the design, development and delivery of SPF projects. The timescales are extremely challenging, without the ability to move funds between financial years. This is in stark contrast to the flexibility afforded by the multi-annual EU Funding Programmes that enabled delivery over a 10-year period.

12. We welcome very much the decision to deliver the SPF based on allocations rather than on a competitive basis as the competitive nature of both the CRF and LUF was inherently wasteful.

13. The CRF was considered as the precursor to the SPF but, as the CRF has now been extended, it isn't evident that the learning from the CRF informed the development of the SPF, apart from the decision to deliver the SPF on the basis of allocations.

14. The LUF is not strictly a replacement for the EU Structural Funds as, in Wales, it is a Barnett Consequential arising from the English Towns Fund.

15. Replacing some EU Funded Programmes with UK Funded Programmes has created new challenges for local government in Wales, Scotland and Northern Ireland. Local government in England has a longer history and experience of working with Ministers and Officials at the UK Government. Local government currently sits within the Department for Levelling Up, Housing and Communities and was previously under the Minister for Housing, Communities and Local Government). Establishing and building new relations with Ministers and officials in a Department that traditionally worked mainly with councils in England, has made it more challenging for councils across the devolved nations. Relationships have been good, though, with the UK government's officials working on SPF and these are developing.

How the funding proposed for Wales and funding received via continued UK participation in EU programmes, compares to the funding received while the UK was a member of the EU

16. The type and level of the replacement EU funding announced for Wales by the UK Government to date differs in several ways from the funding that Wales used to receive from the EU Programmes.

17. The type of funding announced for both the CRF and SPF i.e. mostly revenue, is similar to the type of funding Wales has received from the European Social Fund (ESF) for investments in skills and employment interventions. Whilst there is some capital funding within the SPF, it's very small compared to the funding Wales received from the European Regional Development Fund (ERDF) for investments in infrastructure, physical regeneration and business support. Whilst more capital funding is provided via the LUF, it's not new or replacement EU funding as it's a Barnett Consequential for Wales linked to replacement of the UK Government's Towns Fund in England.

18. It does not seem that there is any replacement EU funding for either the funding that Wales used to receive from the European Agricultural Fund for Rural Development (EAFRD), the European Maritime and Fisheries Fund (EMFF) or the European Territorial Cooperation Programmes (ETC).

19. The WLGA has argued strongly from the outset that Wales should receive at least as much in replacement EU funding as it would have received if the UK had remained in the European Union. The funding announced for Wales by the UK Government to date, for 3 financial years, falls short of the funding Wales would have received if the UK had remained in the EU. If the UK had remained in the EU, Wales would now be receiving funding for the next 7-10 years under the new EU Funding Programmes for 2020-2027, with the highest levels of funding from the new Structural Fund Programmes, funding from the new Common Agricultural Policy for agriculture and rural development, funding from the new Maritime and Fisheries Fund and the new Territorial Cooperation Programmes. Our Young People and Education institutions would continue to benefit from funding from the ERASMUS+ Programme and our Universities would continue to benefit from the HORIZON EUROPE Programme. All this funding would have been additional, over and above the block grant, and match funded by a plethora of funding streams across the public and private sector.

20. Further, the SPF budget allocation for the UK and Wales is less than it would have been as UK Government has taken account of EU Funds remaining from the 2014-2020 EU Programmes. That funding, which will continue to be received and spent up until 2023, has been 'netted off' by the UK Government in arriving at the allocation.

21. For the UK as a whole, the SPF is planned to 'ramp up' from £0.4bn this financial year to £0.7bn in 2023-24 and £1.5bn in 2024-25, Therefore instead of £4.5bn being available over three years (at £1.5bn p.a.) it will amount to £2.6bn – leaving a gap of £1.9bn. For Wales, the SPF allocations up to 2024/25 (including funds for the UK Government's 'Multiply' adult numeracy initiative) are £89m, £153m and £343m, totalling £585m). At 23% of the UK total[1] that is clearly a good share reflecting the level of need in Wales. However, compared with the funding Welsh Government has indicated Wales would have received from the EU it is £585m plus £47m from the Community Renewal Fund against a potential £1.404bn – or a difference of £772m. Moreover, a new EU programme would have given a further 7+3 years of funding certainty whereas SPF commitments currently run only up to 2024/25.

The mechanisms and structures being established to administer those funds in Wales, the roles of those involved, in particular the Welsh and UK Governments, and the consequent impact on accountability arrangements.

22. WLGA welcomes the decision of the UK Government to allocate these funds directly to councils as the democratically elected bodies, closest to the people they serve. Their community leadership role means that councils are best placed to lead, manage and coordinate the new funding streams within their local areas, working with all key partners and stakeholders within their local areas, as they know their areas best.

23. WLGA also welcomes the encouragement for councils to continue to work with their neighbouring councils and all key partners and stakeholders in the four economic regions of Wales. This approach; led, managed and coordinated by councils, mirrors our work as part of developing the *Framework for Regional Investment in Wales,* with key partners and stakeholders across Wales during the last four years. It also recognises that councils have been working together for several years in the four economic regions of Wales on key economic development, regeneration, skills and employment interventions.

24. It is unfortunate that the UK Government and Welsh Government ultimately failed to reach an agreement on the delivery of the SPF in Wales. The WLGA believes that we deliver the best outcomes when all tiers of government work collaboratively and in co-ordination. We will, however, endeavour to work with both governments to ensure that the interventions developed as part of the Investment Plans for the SPF complement and add value to similar Welsh Government funded activity. This will help to maximise the funding available and avoid some potential major gaps in provision.

[1] That is 23% of the £2.49bn total shown in the UK Government's breakdown of allocations to the four nations, rather than the full £2.6bn of the SPF.

The amount of legacy funding that Wales is due to receive following the UK's exit from the EU and associated with EU structural fund programmes.

25. It is misleading to use the term 'legacy funding' as the funding Wales was allocated under the 2014-2020 EU Programmes can continue to be spent until the end of 2023 in line with the N+3 rule. It is neither new funding nor legacy funding.

26. There remains a fundamental difference of opinion between the UK and Devolved Governments over whether the funding allocated via the SPF equates to what would have been received if the UK had remained in the EU.

27. The UK Government in effect nets-off the amounts of funding the 4 nations continue to receive under the EU arrangements. That is inevitably lower than the gross figure that would have been received under the current and new EU funded programmes.

28. The devolved governments of Wales, Scotland and Northern Ireland continue to challenge the methodology adopted by the UK Government.

29. As a result of the UK Government's methodology being applied in the same way to funding for farms, Welsh Government has stated that Wales' rural communities will be £243m worse off than if the UK had remained in the EU.

30. As explained above, the funding from the SPF for Wales has taken into account the balance of funds from the 2014-2020 EU Structural Fund programmes and is therefore less than Wales would have received if the UK had remained in the EU. The combined 'gaps' of £772m in relation to the SPF and £243m in agricultural funding result in a grand total of £1.015b, which is the shortfall figure that Welsh Government has quoted.