

Senedd Cymru
Pwyllgor yr Economi, Masnach a Materion Gwledig
Cyllid datblygu rhanbarthol wedi'r UE
RDF24
Ymateb gan: Prifysgol Caerdydd

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

Evidence from: Cardiff University



Vice-Chancellor's Office
Swyddfa'r Is-Ganghellor

Cardiff University

Main Building
Park Place
Cardiff
CF10 3AT, Wales, UK

Tel +44(0)29 2087 4835
Email v-c@cardiff.ac.uk

www.cardiff.ac.uk

Prifysgol Caerdydd

Prif Adeilad
Plas y Parc
Caerdydd
CF10 3AT, Cymru, DU

Ffôn +44(0)29 2087 4835
E-bost v-c@cardiff.ac.uk

www.caerdydd.ac.uk

Paul Davies MS
Chair
Economy, Trade, and Rural Affairs Committee
Senedd Cymru
Cardiff Bay, CF99 1NA
SeneddEconomy@senedd.wales

24 April 2023

Dear Paul,

Post-EU regional development funding

On behalf of Cardiff University, please find overleaf a response to your committee's [inquiry](#) into Post-EU regional development funding.

Cardiff University exists to create and share knowledge and to educate for the benefit of all. Our vision is to be a world-leading, educationally outstanding university, driven by creativity and curiosity, which fulfils its social, cultural and economic obligations to Cardiff, Wales, the UK and the world. By fulfilling our vision we expect to improve our standing as one of the top 100 universities in the world and the top 20 in the UK.

Cardiff University is also a key driver of economic and social prosperity in Wales. A 2018 report by London Economics found that Cardiff University contributes over £3bn to the UK economy, with the University's contribution to the Welsh economy approximately £2.2bn in 2014-15, generating £6.30 for every £1 we spend.

I hope the response is helpful to the Committee's deliberations. I would be more than happy to expand on these points to the Committee if it would be useful.

Yours sincerely,

Professor Colin Riordan
Vice-Chancellor



THE QUEEN'S
ANNIVERSARY PRIZES
FOR HIGHER AND FURTHER EDUCATION
2015



Registered Charity No. 1136855
Elusen Gofrestredig Rhif. 1136855

Economy, Trade, and Rural Affairs Committee
Post-EU regional development funding
Cardiff University response

1. Overview

- 1.1 Cardiff University provided a response to the previous consultation on [Post-EU funding arrangements](#), to the Senedd's Finance Committee, setting out our position on the UK Government white paper on Levelling Up and related matters.
- 1.2 We recommended that the UK Government should underpin regional development funding with a common framework to set out the terms of co-operation between the four governments of the UK¹ and should not force regions and nations of the UK to choose between competing economic development initiatives (i.e. levelling up should not mean universities picking sides between Cardiff and Westminster).
- 1.3 Higher education should play a significant role in shaping the delivery of post-EU regional development funds. The lack of clear guidelines and mechanisms for HEI involvement in decision-making and implementation processes create significant barriers to our ability to contribute.
- 1.4 Additional barriers to HEIs include bureaucratic procedures, limited access to information, and complex funding requirements, which can hinder their meaningful participation in shaping the delivery of these funds.
- 1.5 Policymakers and local stakeholders may lack awareness of the contributions that HEIs can make to regional development. This may result in limited engagement and collaboration between HEIs and other stakeholders in the development and implementation of regional development strategies and initiatives.

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

- 2.1 When the UK was a member of the European Union (EU), it received funds from various sources and development programmes, primarily the European regional development fund and discretionary funding, often awarded on a competitive basis. The [European Structural and Investment funds \(ESI\)](#) comprised five funds, which included the **European Regional Development Fund**, the **European Agricultural Guarantee Fund**, and the **European Social Fund**.
- 2.2 In population terms, Wales received a disproportionate share of the UK's regional development funding because it qualified as a region eligible for the investment due to its economic conditions. The areas designated as West Wales and the Valleys had an average GDP per head consistently below 75% of the EU average, making it one of the most impoverished areas in the European Union. On this basis, it qualified for the highest level of EU structural funding. Wales received £169m in EU Structural funding since the original Objective 1 funding became available 20 years ago.
- 2.3 Over the 2014-2020 EU budget period, the UK as a whole received £15 billion of EU structural and investment funding, or approximately £2.1 billion a year². Defined as a less developed region³, Wales received approximately £400 million a year of ESI

¹ 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.

² UK Government (2020). Welsh Affairs Committee: [Wales and the Shared Prosperity Fund: Priorities for the replacement of EU structural funding](#). London: UK Government.

³ Welsh Government (2017). [Regional Investment in Wales after Brexit](#). Cardiff: Welsh Government.

funds between 2014 and 2020. This was around four times the UK average on a per person basis.

- 2.4 Since 2014, Welsh universities have received about £370m in research projects from EU structural funds but, after the UK's withdrawal, support for 60 ongoing projects will end this year. Pre-Brexit, Wales benefitted significantly from EU regional development funding. This was particularly important for universities, which 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 and regional development.
- 2.5 The effectiveness of this support was contingent on factors such as the specific projects and initiatives undertaken as well as the outcomes achieved. ESF's impact on the Welsh economy should be assessed at a micro level to monitor individual investments' success, not just overall investment.
- 2.6 A report on the replacement of EU Structural Funds in Wales by the House of Commons Welsh Affairs Committee said that previous studies on the impact of the funding had been "inconclusive".⁴ However, the Committee also reported evidence of positive impacts of the funding. The report stated that individual sectors had "benefitted substantially" from EU Funding.
- 2.7 The Welsh Government has said EU funds have supported the creation of "48,000 new jobs and 13,000 new businesses" and have "improved broadband coverage, built research capacity, invested in renewable energy, and developed vital infrastructure."⁵

3. How will the funding that Wales receives from the Shared Prosperity Fund (SPF) and the tail-off of remaining EU Structural Funds compare with the level of funding that Wales received through Structural Funds while the UK was a member of the EU and any potential funding that could have been received through the next Structural Funds programme?

- 3.1 It is difficult to predict exactly how the funding of the two schemes described above will compare.
- 3.2 The UK Government has stated that Shared Prosperity Fund (SPF) will be at least equivalent to the level of funding that Wales received from ESF, though this is to be paid to each lead local authority. In South East Wales, Rhondda Cynon Taf is the lead local authority responsible for allocating the funding, primarily through the Cardiff Capital Region Deal.
- 3.3 Although the financing of the SPF is expected to be similar to ESF, it cannot fully replace the international cooperation and opportunities for the research community that were gained through partnership with the EU.
- 3.4 For the financial years 2023-24 and 2024-25, the UK Government has committed to making SPF available towards the start of the financial year, taking into account performance in the preceding year.
- 3.5 The use of an annual allocation model has been criticised for several reasons. Firstly, it is argued that this approach does not encourage innovation and this has led to a notable lack of focus on research and development (R&D).

⁴ UK Government (2021). [Welsh Affairs Committee: Wales and the Shared Prosperity Fund: Priorities for the replacement of EU structural funding](#) London: UK Government.

⁵ Welsh Government (2019) [Not a penny less - Welsh Government calls for commitment on Shared Prosperity Fund](#). Cardiff: Welsh Government.

3.6 The use of local allocations (even within a regional context) has made it more difficult for projects where impact extends beyond a local border to be considered, and provides incentives for projects where the outputs and outcomes can be monitored at a local level. The annual budgeting and time-limited period for project delivery also acts as a disincentive to establish larger programmes or schemes.

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

- 4.1 ESF has provided a number of benefits to higher education since its implementation. We have seen positive impact in relation to research and innovation where ESF enabled the sector to conduct cutting edge research, develop new technologies and drive innovation, such as Cardiff University Brain Research Imaging Centre (CUBRIC)⁶, the Institute for Compound Semiconductors⁷ and the Cardiff Catalysis Institute⁸.
- 4.2 Access to ESF enabled skills development initiatives for HEIs, providing training and education opportunities for students, researchers and staff. This enhanced skills within the higher education workforce making participants more competitive in the job market and supported regional economic growth. We have also been fortunate to attract top talent into Wales because of the availability of ESF funded skills development initiatives, such as Sêr Cymu.
- 4.3 The skills development has contributed to the growth of our local workforce and bolstered regional economic development efforts, further enriching the talent pool and fostering a vibrant research and innovation ecosystem in the region.
- 4.4 In the aftermath of Brexit, HEIs in Wales have been confronted with a predicament that threatens to hamper their ability to secure necessary funding to sustain academic activities. HEIs are no longer able to access the same level of funding as before and are facing an unprecedented level of uncertainty regarding the future association to Horizon. As a result, HEIs in Wales, and Cardiff University in particular, find themselves in a position where we are struggling to retain and attract top talent, as the lack of funding and clarity severely hampers the ability of institutions to incentivise and retain skilled staff. Immediate action is required to safeguard the future of Welsh academia and ensure it remains a vibrant hub of innovation and intellectual exchange.
- 4.5 ESF has fostered partnerships between HEIs in Wales and European partners. Cardiff University developed partnerships with over 140 institutions in 20 countries, which have facilitated knowledge exchange, joint research and international networking opportunities leading to enhanced collaboration and increased competitiveness in the global research landscape.
- 4.6 Issues arose with ESF due to a lack of coordination between different funding programmes. A number of different funding streams were available to support economic and social development in Wales: however these funds were managed separately and this led to inefficiencies. The funding has often been used to support specific projects or initiatives, which can be successful in the short term but may not have had a lasting impact on the region. This can make it more difficult to create sustainable economic growth in Wales. There has been criticism of the

⁶ Cardiff University (2022) [Cardiff University Brain Research Imaging Centre: Our Funders](#) Cardiff University Website. Cardiff.

⁷ Cardiff University (2022) [Institute for Compound Semiconductors: About Us](#). Cardiff University Website. Cardiff.

⁸ Cardiff University (2022) [Cardiff Catalysis Institute: About Us](#). Cardiff University Website. Cardiff.

bureaucracy involved in accessing ESF, with a complex and time-consuming application process.

- 4.7 The delivery model of the SPF is limiting the higher education sector's ability to benefit from funds. Rhondda Cynon Taf Council as the designated lead authority, receive the area's allocation and undertake strategic management of the fund⁹. To access the allocation, a Regional Investment Plan for South East Wales was submitted to UK Government in Summer 2022. Within the plan the core SPF is allocated across the investment priorities as follows: Communities and Place - 47% of core allocation, Supporting Local Business - 23% of core allocation and People and Skills - 30% of core allocation.
- 4.8 The Regional Investment Plan includes interventions to benefit higher education such as increasing investment in local research and development, supporting R&D grants for innovative product and service development, developing local innovation infrastructure, and implementing enterprise infrastructure. However, the current delivery of SPF makes it challenging for higher education to be recognised as a key stakeholder in the implementation process.
- 4.9 Local Authorities in the Cardiff Capital Region (CCR) are facing severe budget constraints. This creates a culture of protectionism over the SPF allocation as a means to cover not just the lost ESF, but also cuts to budgets more generally, and they are therefore prioritising projects more locally. Rhondda Cynon Taf Council, as lead authority, may not fully appreciate the longer-term benefits of working in partnership with universities, and the contribution of R&D to achieving the goals of the region may not be immediately apparent.
- 4.10 There are long term benefits of working with HEIs that are not being realised and this could hinder the overall economic growth and development of the region. Engaging with HEIs and support for R&D initiatives could unlock new opportunities for local authorities in the CCR, creating innovation and entrepreneurship, attracting investment and creating high skilled jobs. However HEIs are not being proactively engaged in the bid process nor is there a clear route for the sector to make inroads into these discussions. By embracing a more collaborative approach, the CCR can tap into the expertise of HEIs and the wider research community to build a more resilient and prosperous future for the region.

5. To what extent are the funds successfully identifying and supporting the communities and areas of Wales that are in greatest need? How does the geographical spread of the Shared Prosperity Fund and Levelling Up Fund compare to Structural Funds?

- 5.1 ESF saw Wales benefit from over €2bn of EU funds through the 2014-2020 period. As part of this, just under €805m was allocated to less developed areas through the West Wales and Valleys region which aimed to drive economic growth by investing in the following priority areas.¹⁰
- 5.2 SPF has a more equitable geographical spread because the bulk of funding is not concentrated in one area. However, there is still competition within the regions for the available funding, which may result in varying levels of support for communities and stakeholders.

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

⁹ Rhondda Cynon Taff Council (2022). [UKSPF Regional Investment Plan. Rhondda Cynon Taff](#); RCTCBC Website,

¹⁰ Welsh Government (2020) [West Wales and the Valleys European Social Fund Programme Implementation 2014-2020](#). Cardiff: Welsh Government

- 6.1 The SPF has a broadly similar range to ESF in terms of identifying and supporting communities, but as capital is mostly delivered through the Levelling Up Fund (LUF), it is more difficult to develop a capital programme.
- 6.2 The scheme's language primarily targets local interventions and governance, creating obstacles for HEIs to engage in the process. As previously stated, HEIs are not being actively encouraged to participate in the bid process and there is no clear route for the sector to contribute to these discussions. There is concern that local authorities may not recognise HEIs as a stakeholder or recognise the benefits they provide in providing skills or economic development.
- 6.3 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.¹¹
- 6.4 The scheme's timescales of (in practice) less than two years is substantially different from Structural Funds, and that in itself shapes how projects and programmes can be developed, making it difficult to achieve comparable outcomes to the ones mentioned above.
- 6.5 Primarily there is scope for support for R&D within the interventions 'Supporting Local Business' and 'People and Skills' however these are geared more towards industry than to HEIs.

7. How helpful are the processes and timescales set by the UK Government for the funds in supporting local authorities and regions to achieve their intended outcomes?

- 7.1 Funding for the programme was not confirmed for the programme until 2023, creating a delay in securing the necessary financial support. The funding is based on what the UK Government have referred to as an 'annual funding profile', meaning the amount could change on an annual basis. However, this funding arrangement has repercussions on the scheme's ability to effectively deliver projects. In particular, schemes are constrained when procurement and commissioning work are required, due to the uncertainty and limitations of the funding. This results in delays and resource constraints that impede the timely and successful completion of projects, posing challenges and obstacles that need to be addressed.
- 7.2 Although the City Region Deal is being used as a mechanism for participation, bringing with it its broad scope in terms of sector representation, it remains difficult for HEIs to benefit from the funding that is available because of the aforementioned protectionism. There are too many competing stakeholders for all to truly benefit from the SPF.

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

- 8.1 While there are positive relationships among stakeholders in South East Wales, particularly through cross-purpose working within the CCR, these relationships could be further improved with a capital programme that distributes funds more equitably among all stakeholders. To achieve this, there needs to be a clear process for identifying needs and prioritising competing demands. A capital programme that prioritises funding opportunities for industry, academia, and the third sector could ensure that all stakeholders benefit from SPF. This would not only create more

¹¹ Welsh Economy Research Unit (2022) [Annual Report: compound semiconductor cluster in South Wales](#), Cardiff: CS Connected / WERU.

opportunities for stakeholders to engage with the programme but ensure that resources are allocated in a way that is fair and balanced.

8.2 This would provide greater transparency and accountability for the scheme as well as clearer routes for HEIs to benefit from the scheme. The benefits of the scheme could be unlocked and more widely distributed. HEIs are currently hindered from fully leveraging the opportunities offered by SPF, impeding the scheme's effectiveness in driving positive outcomes for research, innovation, skills development and regional development. A capital programme, rather than a siloed approach, would create a more inclusive and effective framework for all - not just HEIs - leading to broader and more meaningful impacts across the region.

9. What challenges and opportunities do these funding streams provide for organisations who received Structural Funds?

9.1 Shorter timescales within SPF make it difficult to establish substantial programmes or projects. Additionally, the annual funding profiles of SPF pose challenges in managing spend effectively, requiring active financial profiling. This in turn introduces risks in commissioning external work. The programme could jeopardise meaningful impact through this approach.

9.2 One key consideration is the potential challenges faced by regional or national projects that may not align with local interventions due to the nature of approach. The current framework presents difficulties in accommodating projects that do not fit within the local context, resulting in limitations for initiatives to access funding or resources through SPF.

9.3 It is challenging for HEIs to be recognised as key stakeholders and fully realise the benefits of participation in SPF. Despite the potential for HEIs to contribute significantly to research, innovation, skills development, and regional growth, barriers may exist in the current approach that hinder their involvement and hinder the realisation of the benefits they can bring. It is vital to carefully consider and address these challenges to ensure that HEIs are appropriately recognized and involved as key stakeholders in the SPF framework, enabling them to effectively contribute to the intended outcomes of the funding programme.

9.4 Efforts should be made to foster a collaborative approach that values the contributions of HEIs and acknowledges the diverse nature of regional or national projects, ensuring that opportunities for funding and participation are accessible to all stakeholders, regardless of their fit with the local interventions. An alternative approach, such as a capital programme that accommodates a wider range of projects and stakeholders, could benefit all parties.