

Industrial Communities Cross Party Group

Minutes of the Meeting of the Industrial Communities Cross Party Group held on 19th October 2022 via Microsoft Teams

1. Present

Vikki Howells MS (Chair); Vaughan Gething MS, Minister for the Economy, Welsh Government; Stephen Kinnock MP, Chair, UKSPF APPG; David Rees MS; Huw Irranca-Davies MS; Professor Steve Fothergill, ICA National Secretariat; Peter Slater, ICA Wales; Chris Whitwood, ICA Secretariat; Phil O'Mara; ICA Secretariat; Cllr Gareth Jones, Rhondda Cynon Taff CBC; Cllr Andrew Dacey, Neath Port Talbot CBC; Cllr Andrew Barry, Merthyr Tydfil CBC; Cllr Anthony Hunt, Torfaen CBC; Cllr Neelo Farr, Bridgend CBC; Cllr Helen Cunningham, Blaenau Gwent CBC; Cllr Steve Powderhill, Rhondda Cynon Taff CBC; Cllr Tyssul Evans, Carmarthenshire CC; Ieuan Sherwood, Bridgend CBC; Paul Hudson, Caerphilly CBC; Professor Kevin Morgan, Cardiff University; Alison Sandford, Welsh Government; Michelle Rowson Woods, CRT; Robin Lewis, Office of Vikki Howells MS; Lee Parsons, Office of Peredur Owen Griffiths MS; Alexander Still, Office of Hefin David MS; Tomos Llewelyn, Welsh Conservative Senedd Group Office; Billy Jones Office of Luke Fletcher MS; Eleri Griffiths Office of Heledd Fychan MS; Ioan Bellin, Office of Rhys Ab Owen MS.

2. Apologies

Apologies were received from Cllr Tim Bowen, Neath Port Talbot CBC

3. Minutes

The minutes of the meeting held on the 6th July 2022 were confirmed subject to Lee Parsons being recorded as representing the office of Peredur Owen Griffiths MS.

4. Welcome

Vikki Howells welcomed everyone to the meeting and introduced Vaughan Gething MS, Minister for the Economy, who had kindly agreed to address the meeting on the UK Shared Prosperity Fund.

5. UKSPF: Welsh Government Perspective: Vaughan Gething MS, Minister for Economy, Welsh Government.

The Minister opened his address with a reference to the fact that despite manifesto pledge to ensure that nations and regions received at least as much through the UKSPF as provided through the previous EU Structural Funds, Wales would be £1.1bn worse off over three years. He went on to add that as result of factors such as inflation and cost of living

rises the overall Welsh Government budget would be worth £4bn less than expected over the same period.

He also stated that the UK Government had engaged late in the process of designing some aspects of the UKSPF and that the use of the Community Renewal Fund to determine allocations would divert money away from the poorest areas. Although the Welsh Government made some progress in negotiating the recognition of the Welsh Index of Multiple Deprivation into the process, the Minister reported that together with the cap on funding the formula resulted in the distribution of resources away from deprived urban areas to more rural parts of Wales. As a result, areas such as Caerphilly and Neath Port Talbot did worse than they would otherwise have done, whilst Powys did better.

Concerning delivery of the UKSPF, the Minister stated that agreement had been reached on using the Welsh Economic Regions (Growth Deal Areas) and that bids should be broadly in line with Welsh Government priorities and the Regional Frameworks for Investment. This was described as being better than it might have been and broadly helpful.

Turning to the latest position, the Minister raised concerns over the top slicing of funds for the Multiply initiative and its implications for existing Welsh Government adult literacy and numeracy programmes. He also expressed concerns over the fact that local authorities were still awaiting approval of their investment plans and that tight annual spending profiles would could result in money not being spent in the most effective way and with unspent funds being returned to the Treasury. He went on to describe local authorities as being the 'meat in the sandwich', facing difficult choices with fewer strategic interventions, although he remained of the view that we would still be able to show that the money had made a difference.

The Minister concluded with a reference to the role of Huw Irranca-Davies' European Stakeholder's Group in gathering information on how the UKSPF is working and sharing this with the CPG, the APPG and others.

The Chair thanked the Minister for his contribution and invited questions and comments, which began with Cllr Anthony Hunt (Torfaen CBC) echoing the Minister's points on the tight timescales facing local authorities and the introduction of short termism at the expense of strategic targeting. David Rees MS questioned whether the Government would be reviewing the lessons learned.

Responding, the Minister stated that a meeting of the Ministerial Forum was supposed to have taken place but was still awaited, although he had met with Simon Clarke, Secretary of State for Levelling Up, Housing and Communities to discuss Investment Zones. He also expressed doubts over the reality of the levelling up agenda. In overall terms, the Minister reiterated the call for a constructive dialogue with the UK Government

whilst also stating that it would not use Welsh Government resources to deliver a programme where it did not support the premises behind it and what the money was being spent on, adding that the agreement on Freeports shows what is possible in terms of co-decision making given a more pragmatic approach.

6. UKSPF UK Perspective: Stephen Kinnock MP, Chair UKSPF APPG

Stephen's opening remarks referred to the fact that Wales is at the leading edge of the challenges posed by the UKSPF given that the EU structural funds were such an important component of the overall economic development strategy in Wales.

He went on to describe the work of the APPG and its inquiry into the UKSPF, arising from which he stated that the APPG was acting very much as the voice of the UKSPF's stakeholders, focusing its lobbying activities on issues including: timescales; Investment Plan approvals; role of the devolved administrations; skills funding hiatus in England; the post 2025 funding cliff-edge.

Referring to a recent consultation with over 180 stakeholders he reported that a letter had subsequently been sent to Simone Clarke, Secretary of State for Levelling Up, Housing and Communities, highlighting amongst other matters concerns over uncertainties, lack of consultation and integration with other programmes, as well as the role of local authorities in dealing with organisations with cross border operations. Regarding the role of local authorities he concurred with Vaughan Gething's description of them being "the meat in the sandwich", described in his own words as "the devolution of blame".

He also highlighted how the letter to Simon Clarke had called for more transparency from the Dept for Levelling Up, with Investment Plans being published on-line to drive better networking and integration. Reference was also made to the call to resolve the hiatus over skills and employability funding in 2023/24 in England which was likely to lead to redundancies followed by the need to re-recruit in 2024, a situation described as inexplicable.

Finally, concerns had been expressed to Simon Clarke over the replacement of the EU's seven year programme with a three year window with no guaranteed funding beyond 2024/25; effectively a seven year EU equivalent programme would have been worth around £10.45bn, but with the UKSPF allocation to date amounting to £2.6bn there remains the need for certainty over the second 4 year tranche of around £8bn. He described the big stumbling block as the Treasury's adherence to the three year Spending Reviews, even though there were many examples of longer term spending investments such as HS2 and defence procurement.

Stephen concluded his comments with thanks to the ICA for helping to driving the agenda, adding that the APPG was there to be the voice in Parliament on the delivery of the UKSPF.

There followed a series of questions which included topics such as the role of the Conservative MPs in supporting the APPG's call for longer spending horizons (Vikki Howells) and how a Labour Government would view the UKSPF and the regions (Cllr Andrew Dacey). Responding, Stephen confirmed that representatives of the so-called 'Red Wall' seats were showing increased interest in the work of the APPG whose work was being fully supported by the Vice Chair, Jo Gideon MP. He also confirmed that the Shadow Levelling Up Secretary, Lisa Nandy MP, would be reviewing the UKSPF and that she would be keen to respect the devolution settlement. Arising from a suggestion from Huw Irranca-Davies that consideration be given to the recent report on the Bespoke Model on Best Practice for Regional Funding in Wales, Stephen agreed to facilitate a conversation on the matter with Lisa Nandy and Vaughan Gething.

7. Next Steps: Professor Steve Fothergill, National Director, Industrial Communities Alliance

Professor Fothergill began by stressing that until at least 2025 the UKSPF money is in place and there is little scope therefore for improving the situation until the next spending review. At the same time, however, he stated that there have been some initial indications from the Government as to what might happen after 2025. Primarily, it is talking about merging the various levelling up streams into a single fund which would address the issue of overlapping objectives. There were also clear references to this in the recent Growth Plan, and in overall terms it was felt to be a logical move.

However, the meeting was informed that there were a number of concerns over the impact of merging of the funds, particularly so far as as Wales is concerned. These relate to the disappearance of the UKSPF and the breaking of the link with the previous EU Structural Funds, of which Wales was the prime beneficiary, receiving three times more funding per head than any other UK region. According to Professor Fothergill, this could place Wales in a very exposed position.

He went on to highlight the inconsistencies between the three-year spending review windows with the needs of regional economic development, a situation which is also recognized in the Dept for Levelling Up. His conclusion was that it was the Treasury that presented the real obstacle to progress, and it needed to be convinced of the case for a funding regime that transcends financial years and individual spending rounds. Arising from this, the meeting was pleased to note that Professor Fothergill would be meeting Treasury officials in the coming week to discuss the matter, and the Chair asked to be kept informed of the outcome.

There followed a brief discussion on the situation facing Wales in the post 2025 era, including the prospect of maintaining its current share of the UKSPF (David Rees MS) and changes to the Barnett Formula (Cllr Gareth Jones). Michelle Rowson-Woods (CRT) also stressed on behalf of the third and private sectors the urgency of resolving the uncertainties surrounding the UKSPF, particularly in terms of approving the Investment Plans and the time lines for local authorities to begin their consultations and discussions with other stakeholders. Arising from this, Stephen Kinnock reminded the meeting of the APPG's call for the Investment Plans to be published on line whilst Professor Fothergill stated that their approval was imminent.

8. Next Meeting

The Chair reminded the meeting that topics suggested previously for the CPG agenda included steel decarbonization, transition to the green economy and young people and the labour market. David Rees MS suggested that public transport be added to the list of potential items, whilst Cllr Gareth Jones proposed that the issue of tidal energy be revisited.

At the suggestion of the Secretary, it was agreed that the next meeting should focus on the related issues of the UKSPF, Investment Zones and the levelling up agenda given what is a rapidly evolving situation and the likelihood of developments arising from the imminent Chancellor's financial statement.

