

Welsh Affairs Committee

Oral evidence: [Shared Prosperity Fund](#), HC 639

Wednesday 7 September 2022

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[Watch the meeting](#)

Members present: Stephen Crabb (Chair); Virginia Crosbie; Wayne David; Geraint Davies; Ruth Jones; Ben Lake; Rob Roberts; Beth Winter.

Questions 1 - 22

Witnesses

[I](#): Councillor Andrew Morgan OBE, Leader, Welsh Local Government Association, and Leader of Rhondda Cynon Taff County Borough Council; Councillor Rob Stewart, Economy Spokesperson, Welsh Local Government Association, and Leader of City and County of Swansea Council; Councillor David Selby, Cabinet Member for Economic Development, Strategy and Regeneration, Powys County Council; and Councillor Charlie McCoubrey, Deputy Presiding Officer, Welsh Local Government Association, and Leader of Conwy County Borough Council.

Written evidence from witnesses:

- [Welsh Local Government Association \(WLGA\)](#)

Examination of witnesses

Witnesses: Councillor Andrew Morgan OBE, Councillor Rob Stewart, Councillor David Selby and Councillor Charlie McCoubrey.

Q1 Chair: Good morning and welcome to this session of the Welsh Affairs Committee where we are looking at the UK Shared Prosperity Fund as it is being implemented in Wales. I am delighted that we are joined for our first panel this morning by a range of experts from across local government in Wales. We are joined, representing the Welsh Local Government Association, by Councillor Andrew Morgan OBE, who is Leader of the WLGA and Leader of Rhondda Cynon Taff Borough Council. We are joined by Councillor Rob Stewart, who is the Economy Spokesperson for the WLGA and who is Leader of the City and County of Swansea. We are also joined by Councillor David Selby, who is Cabinet Member for Economic Development at Powys County Council and by Councillor Charlie McCoubrey, Deputy Presiding Officer of the WLGA, who is also Leader of Conwy County Borough Council. Good morning to you all.

I will start the discussion about the UK Shared Prosperity Fund by asking you whether you consider the aims of the UK Shared Prosperity Fund fundamentally to be clear. Are they understood? How different or similar do you think they are from the EU funds that they are replacing?

Councillor Stewart: On the fund itself, they are clear to an extent that we know the money, the quantum and the timeframes. Much of the detail around some of the elements of the fund and how they will operate is still unclear and therefore that presents a challenge for authorities in preparing plans towards bids into the Shared Prosperity Fund. Obviously, as we have made clear in our letters and representation to this point, some of the formulas that have been applied to the fund present an issue in how they then distribute and impact areas across Wales. Specifically, the options that we discussed prior to the election with officials and Ministers present us with some challenges in Wales for how that then supports our communities with the new funding arrangements.

Councillor Selby: It was one of the first things on my desk, as I arrived in office only three months ago. I am delighted it is there, it is an investment. It is complex and rushed. Those things worry me somewhat. I think others of my colleagues will express their views about the Multiply fund and what that is said to achieve. I certainly do not understand all the elements of it. I feel that it is fundamentally flawed because it misses out one key element—I know that the WLGA has raised that—and that is the element of digital exclusion and how we can tackle digital learning rather than just as specified in the fund. I do not believe we have had an answer for that from UK Government.

Councillor McCoubrey: I don't disagree with any of that. The timescale involved in submitting the bids was particularly challenging for engagement with businesses, third sector, boundary services and so on. I



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think with everything, the devil will be in the detail as we move forward with projects that—*[Inaudible]*—will be required.

On the funding mechanism, interestingly in north Wales across all the four proposals there is very little difference in the quantum of funding. It was within a few per cent, so it is not such an issue for us in north Wales. But fundamentally I welcome the fact that there will be much more local authority involvement in the projects and where we invest in our communities.

Q2 Chair: Finally, Councillor Andrew Morgan, you have been around this mountain several times with EU structural funds and other funding streams from both Welsh and UK Governments. How different does this feel and what is your confidence level at the moment that the Shared Prosperity Fund will achieve the aims that are being set out for it?

Councillor Morgan: First, I want to put on record that we welcome the flexibility with some of this funding. The point, first of all, around the allocations and the population share is an issue, because the three big areas—the population in Rhondda Cynon Taff, Cardiff and Swansea—are the areas that get heavily hit on the allocation. It is millions of pounds less than if the population was at a greater degree alongside the deprivation.

On working against and comparing against the EU structural funds, it is difficult to understand at this point. In particular, one of the concerns I have is whether or not third sector hopes and aspirations are being maybe overplayed on whether or not they get the same level of support previously because there is a lot of EU funding that goes to the third sector.

We have concerns around the Multiply proposal with the quantum of funding and the lack of flexibility, and in particular that there are no in-year flexibilities. All the funding under this, whether it is the capital or revenue within the Shared Prosperity Fund, is fixed on financial years. That is difficult because although there is flexibility for us to change from the revenue to capital—and that is in some of the plans we have put forward and hopefully will be accepted—that gives us difficulty with projects, especially the way the economy is right now. It puts risks on local authorities. I worry that that may constrain local authorities in being ambitious with schemes if they think that they will end up carrying the can and carrying the bill if something overruns or you simply cannot spend money in the timescale.

Q3 Wayne David: Good morning. I do not know if my question is directed specifically at one individual but I suggest that the Chair ask for volunteers on this one. In quite a fundamental sense, as the Shared Prosperity Fund is meant to continue the work that is being done by European funding, is there any sense of continuity rather than going back and starting from the beginning?



Linked to that, do you sense that although there has been criticism in the past of European structural funding being very bureaucratic, it seems to some people that we are going beyond that now and having more bureaucracy because we are having a separate central government system introduced running alongside what already exists, as far as the Welsh Government are concerned. Is that a problem and a fair observation?

Councillor Morgan: On the accountability for funding, we have some concerns. Initially it was suggested it will be very flexible and relatively light touch so that the local authorities had ownership of it. But as some of the reporting mechanisms are now being firmed up for the accountability—and I fully appreciate there are significant sums of funding involved—we are concerned that we should not end up in a bureaucratic nightmare, which may be worse for local authorities to deal with than structural funds were.

It is about accountability and making sure that we are doing the things that we say we are going to do with the funding, but at the same time local authorities need to focus on the delivery and the outcomes and not chasing paperwork after the event. That is one concern that officers across Wales are starting to raise.

Councillor Stewart: As I referenced in my earlier comments, if you are into this process and you do not have all the detail, it is difficult to be as strategic as you would like to be with the money. Then you are compressed in what you are able to do in the remaining time. That is a big concern for us because we would like these funds to ensure they have maximum impact but without all of the detail, without the necessary timescales for us to be able to respond effectively, there is always that risk that the money will not have the impact we intend it to have.

Coupled with that—and I echo what Andrew said about the formula there—I do not understand the rationale for the formula changes. I still do not. It is not the worst of the formula options that were put before us but it is significantly worse for many areas as a result of the changes. The rationale for them, other than them not being the European formula, does not seem to be a sensible set of formula changes that are being put there. I am sure when you interview your IFS guest you may have an opportunity to explore that further.

Q4 **Geraint Davies:** In 2019 in the general election, the Prime Minister said that Wales would get not a penny less with the transition to the Shared Prosperity Fund, suggesting the quantum would be the same and that the money would be controlled in Wales. First, are you satisfied that we will get the same amount of money? Secondly, will the deprivation be properly addressed given that there are various problems with the formula in allocating the money according to the populations that have the most deprivation?



Councillor Morgan: We disagree with the Government on the overall quantum and I raised it recently with the Welsh Secretary, Robert Buckland. Obviously there is a disagreement on the figures. Our view as local government is the same as that Welsh Government, that over the period we will be short-changed to the tune of about £1 billion. They are not taking into account legacy funds—this year, next year, and so on. For the quantum of funding that is being put forward, if you include legacy funds on a table it would say it is comparative but if we were still in the EU and we secured a new round of funding from the EU that new funding would be in addition to legacy funds. It would not be taken into account. The EU would not say to us, “You still have £200 million worth of legacy funds to be spent and therefore we are taking £200 million out of your new allocation”. The overall figure undoubtedly is less than had we been in the EU. There are ways of doing comparisons to say the yearly figure is the same, but that carries forward funding that is previously approved. We are in dispute on that. There is no question but that we do not agree with the figures overall.

On working with the Welsh Government on this, it is very important—I raised this recently with the Secretary of State for Wales—and I fully understand the UK Government want to deal with local authorities directly. The shared goal of local government cross-party is that we do think the Welsh Government should be more heavily involved.

I raised recently with Rob Buckland that I get the concerns. As the leader of WLGA, I have good engagement with the UK Government on this but the Welsh Government are not in the room. The Welsh Government and UK Government have separate conversations. I am pressed to say that while I am there, and Councillor Rob Stewart is representing as a deputy local government in Wales, we want the Welsh Government in the room because we need to make sure these programmes and the investment tie up with other things. We do not want to be doing duplication and therefore it is important that the UK, Welsh and local governments work together.

Councillor Stewart: May I add something on what Geraint Davies has asked? You may have seen the recent reports that the previous Secretary of State for Wales was quoted in “Independent Nation: Should Wales Leave the UK?” saying that he had advised the previous Prime Minister not to make certain comments and that the Government at the time intended to retain money in Wales. It is not a quote that the previous Secretary of State has disowned or denied but it is clear that there was not clarity and there was a great degree of dishonesty in how the proposal was put to the people of Wales, knowing at the time there was no intention for Welsh Government to continue to control the money and for decisions to be made in Wales, and that would be a function then returned to UK Government.

Q5 Beth Winter: I am interested in finding out more about the experience of local authorities in drawing up and submitting the investment plans for



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the Shared Prosperity Fund. There are three strands to this for me. The first is was there sufficient guidance? Was there a detailed methodology? Were the evaluation and monitoring processes set out at the outset that you could feed that into your plans? Do you think that you will get the money by October? I know that there were delays with previous funding streams. Something that was already touched on is the flexibility of these funds. What are the implications for you to have to deliver and conclude the investment by March 2025? I will go to Councillor Stewart first, please.

Councillor Stewart: If I say “locally”, I think across all the four regions there has been good collaboration between the local authorities in drawing up those plans. At the start of the process there was a point we have made—and I know Andrew has made several times to Secretaries of State—that the full detail required to make sure that our bids were as good and as clear as they could be was not there at the start. Information is still awaited on some of the processes.

On what that could mean longer term, as Andrew again outlined, if we get the money later or if we are not given sufficient time to deliver on these programmes, potentially they will not have the impact we wanted. If we do not get the flexibilities, especially on things like Multiply, there is currently a real risk of that money being taken back by UK Treasury.

Welsh local government does not want to be put in a position where we are essentially being set up to fail with lack of information, limited time and then being pointed at as the reason why a programme has not succeeded. We want information as early as possible, clarity on the processes, sufficient time to put in strategic bids and then flexibility so that we can deliver effectively. On top of that, we encourage co-operation and collaboration between UK and Welsh Government. It is important for us as a local government that those programmes are aligned.

On your point about do we have confidence that we will get a decision in October, we hope we will. We think we have submitted good quality bids, but of course there has been quite a bit of change in UK Government and I think we are all waiting to see what the next steps are. We are working on the basis that we will get responses in October.

Councillor Selby: Can I add to what Rob said and agree with him? We need to have an expectation that the UK Government will respond as quickly as we are expected to respond. We are working on very tight timescales and it is my duty, on behalf of the county, to work with the officers as quickly as possible to get the bid in, and we have done that. We have done the best on that, but we absolutely require answers on various points from UK Government and we need their response, as promised, early October so that we can get on with the job.

A secondary point to add is the liaison here in mid Wales. The only example I can give is between the mid Wales growth deal, which is obviously operated through the Welsh Government and the UK SPF. We



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need to align them as closely as we can. We need one to help the other with revenue funding, helping capital funding. That is the best way of delivering for our communities and I am not sure we are there yet.

Q6 Ruth Jones: Good morning. I suppose it is no secret that the Welsh Government have been heavily critical of the Shared Prosperity Fund per se, its implementation, rollout, resource, allocation, things like that, and they specifically said in June that they would not be using any of their own resources to help deliver the fund. My question to you as local government is: how is the Welsh Government relating to you in providing support to you across Wales in the development of the investment plans?

Councillor Morgan: The main thing is the close liaison. In fairness to the officials and civil servants at the UK level, we are having good engagements of service, especially over the last couple of months where there has been some flex politically. We have been able to raise concerns with them. Our officers meet regularly and the relationship there is quite good.

There has been political and officer interface with the Welsh Government, talking through about, as I mentioned earlier, making sure our programmes in particular do not waste money by overlapping in a way that is duplicating. That has been our biggest concern. For example, we have been having conversations with the UK Government about how Multiply could be flexed slightly differently to achieve what we need and then how that can be tailored with some of the existing programmes or schemes that we run.

There are a lot of programmes that are formerly EU funded. For example, we have community support programmes that are EU funded. They work very well in our area. They are doing a lot of good work with individuals who are the furthest from the employment sector. Certainly for our region, we put forward in south-east Wales a continuation of that programme. It changes it slightly, it is a slightly different focus, but we are continuing with those same kind of legacy schemes.

It is positive and we are working with the Welsh Government and the officials. My biggest concern, as I have already said, is the fact that we could align programmes probably closer and have a better outcome if all of us were at the same table discussing the projects and discussing where the funding could be tailored and how we get the maximum impact.

I refer back to the point Beth Winter raised around the timescales. I cannot emphasise enough that if we do not get approvals in October that will lead to some difficult decisions because legacy funding from EU schemes is already starting to run out. We were told by the UK Government that local authorities could, if we wanted, continue supporting them because retrospective expenditure would be allowed as part of this programme but of course it would be at local authority's risk. If we decide to start funding programmes that are running out, and the



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delay on shared prosperity does not come through from October and we end up getting it a few months late, like we did with the levelling up, it would be the local authorities potentially that not just underwrite it but carry a full cost if the schemes are not approved at a later date.

Ruth Jones: Councillor McCoubrey, do you have anything to add from the north Wales perspective?

Councillor McCoubrey: No, I do not. I think Andrew has summarised it very well, thank you.

Q7 **Ruth Jones:** As Councillor McCoubrey has suggested, there is a danger that the SPF could maybe cut across or undermine other maybe Welsh Government-led initiatives. Is there any evidence that that is likely to happen?

Councillor Stewart: I think the point that has been made is that while risk is increased significantly by taking this approach, if we do not have Welsh Government involved in the discussions, if there is not that awareness, from a local government perspective in Wales, myself and Andrew and others are trying to make sure that we engage with both Governments and that we share as much information as possible. But the point is it is not sensible not to have Welsh Government involvement in the process. It is a devolved Government within the UK, it has its own programmes, and it would help with alignment and deliverability if we had that arrangement.

That remains our position. We think it is a better way of progressing the programmes, but it increases the risk when the two Governments are not collaborating in a way that they could.

Q8 **Ruth Jones:** Councillor Selby, I know you are fairly new in post but do you have anything from your perspective to add to that?

Councillor Selby: I agree with what Rob has said. Co-operation is absolutely vital and not only between the Governments in identifying what is there. Remember my perspective is somewhat different in Powys; we did not have European structural funding so I have to see this as a positive. Obviously Ceredigion, in the other part of the region, did have it but I come back again to Multiply where this is an example. Unless we get the right answers quickly money will be wasted—that is my fear—or it will not be spent, which is absolutely appalling in the current situation. We do need answers and a speedy response. That would be helped if the Welsh Government were working very closely with the UK Government on the answers we require.

Councillor McCoubrey: I will add that it needs co-operation. It can be frustrating sometimes with grant streams that they are either predominantly capital or they are predominantly revenue. Maybe in a lot of projects that we bring forward there is an element of both in long-term sustainability, so that co-operation and maximising the use of those



different grant streams they have to deliver something but then keeping it going will be important moving forward.

- Q9 **Beth Winter:** This is for Andrew Morgan, as the chair of the WLGA, primarily. The common sense approach and what you were saying Welsh Government are saying is that co-operation is key to this and that all parties should be around the table: the UK Government, the Welsh Government and the local councils. I would go further and say, as the elected Government in Wales, the Welsh Government should administer it but that is not part of the conversation today. Can I be clear, Councillor Morgan, have the UK Government refused the request for all parties to be around the table? If so, what is the reasoning for not meeting you with Welsh Government?

Councillor Morgan: Previously it was said formally in meetings with myself and other leaders that engagement with the Welsh Government will be done by the UK Government. In fairness, I met Robert Buckland about four weeks ago and I put this point to him and officials. They have agreed to go away and look at it. He had some sympathy or support to say that it would make sense to work closer together. I think he is keen to see that this programme does work.

I hope that there will be some common sense taken in the way we go forward because once these schemes start—we are talking about the approval in October—this is two, two and a half years of funding that will be allocated over the following two financial years. That close working relationship does not just need to happen now in the next few weeks until the approval in October. It needs to be ongoing throughout that period because, as I say, the lack of flexibility with the schemes is a concern. If there are problems we do not want to be surprising UK Government or Welsh Government in the last weeks of a financial year where there might be difficulties. We need to work with them and find ways through.

We want to make this work. At the end of the day, if the funding comes to local authorities we have to find a way of making this work. It is in our residents' interests to make this work but to do that we all have to be around the table.

- Q10 **Chair:** Thank you. I am very keen that we keep moving quickly. Can I come back very briefly, Councillor Morgan? You said earlier that in fairness the engagement that you have with UK officials is very good. Is it not part of the problem here that Welsh Government have effectively said that they will not be putting in any of their own resources to help deliver the Shared Prosperity Fund? They are pretty fundamentally opposed to how UK Government have gone about it. Do you not feel frustrated as WLGA leaders that you want to say to Welsh Government, "Come on, I know you don't like it but get on a more positive footing here and be a bit more proactive in engagement"? It will need the two Governments helping to deliver this, won't it?



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Councillor Morgan: The delivery of the actual schemes will be done by the local authorities so it is our staff who will be at the forefront of delivering this obviously. I think that the Welsh Government not providing support is very much more the back office civil service side and the message is, if I have interpreted it correctly, that they are not going to use Welsh Government civil servants to deliver a UK Government programme. That is the way I have taken it.

But on the front-end delivery, our officers are meeting weekly now with UK civil servants and talking through any sticking points, any particular clarity that is needed and, in particular, about the monitoring and evaluation of the schemes, which is the area that we have a little bit of concern about now. It is making sure that this does not turn into a bureaucratic process where we spend an awful lot of time chasing paperwork when we need to focus on trying to get the outcomes and make these schemes and projects work.

Councillor Stewart: Can I add a very basic point? If UK Government have decided to remove the funding from the Welsh Government it is irrational for them to suggest that the Welsh Government continue with the function. It is a situation that was created by UK Government decision. From a local government perspective, as we have said, we are pleased to have more involvement in the allocation of the fund and delivery of the funds but it is a situation created by UK Government.

Q11 **Ben Lake:** You have already mentioned some of your concerns about the way in which shared prosperity funding has been allocated. I also glean from some of the answers you have already given to my colleagues that there was very little engagement between local government in Wales and the UK Government in drawing up these formulas. You have mentioned in passing a few alternative formulas that you think would have been more appropriate for the allocation of this funding. Can you elaborate on some of your views as to how best this funding could have been allocated and perhaps how it compares to the way that it is being allocated at the moment?

Councillor Morgan: Councillor Rob Stewart and I met with the UK Government Ministers and officials just before the local elections—I believe it was around April time—when we were presented with a draft of I think it was four different proposals, four different formulas that had been suggested, everything from per capita allocation, which was simply based on the number of residents you have, through to including a certain amount of deprivation. We pushed back quite hard on that and said, “If levelling up is to mean levelling up, surely the areas with deprivation need to have additional support”.

We asked the question—I think Councillor Rob Stewart did at that time—to the Ministers, “What does levelling up look like? Are we levelling up the valleys with Cardiff? Is it Cardiff with Bristol? Is it Wales with south-east England? What does levelling up look like?” They presented us with those options. We made it absolutely clear to them we felt a higher level of



deprivation should be included, but ultimately it is cutting up a cake that, as we have already said, will be significantly less than what European structural funds were.

I appreciate that in representing the 22 local authorities if we simply say we want more money to come to, for example, the valleys or deprived areas in Wales, where it is at present under the current scheme, and take it from other areas of Wales, that is quite unfair.

While the engagement has been positive and we have met with Ministers in Cardiff and at a UK level, where there are quite regular forums held, like seminars, with leaders from all across the UK, with Ministers, they are very scripted. We are invited to ask questions and, despite myself and other leaders asking probably 20, 25 questions in each of the three seminars I have attended, a question from Wales has never been answered. They only ever answer English council leaders' questions.

I appreciate the difficulties because of devolution, but this whole levelling-up system is set up for English local authorities and the way that it is administrated in England. It does not take into account the devolved areas of Scotland and Wales, and so on. We have stressed this and that is a real concern for us. We are trying to make a system that has been designed for one area fit the rest of the UK.

Q12 Ben Lake: Is it your concern that the reason why some of those questions from Welsh council leaders have not been answered is simply because of the devolved aspect that relates to Wales that does not to England? To be very blunt, perhaps it is too difficult for the civil servants to answer because it is a bit more complicated than the situation in England.

Councillor Morgan: I am not quite sure but when the seminars are held on this and senior UK Government Ministers attend and give the updates, the difficulty is that there are 200 council leaders from across the UK on the call. Many of the points that relate to Wales do not relate in the same way to England. Some of these seminars may be two hours long and we have come away from them with more questions than we have had answered, but I will say that the officials in the background, through our officials, then do try to get the answers. I do not want to say that the civil service is not being supportive of us; they are trying to address the concerns we raise. It is just our frustration that without us raising those concerns, these points do not seem to be taken into account at the forefront.

Q13 Ben Lake: Diolch. Can I turn to Councillors McCoubrey and Selby on the way that you find the allocation of this funding? I appreciate that in Powys of course you do not have a comparison of the European structural funds to draw upon but what are your views on the way that the funding is allocated?



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Councillor McCoubrey: First, there is no perfect system. We would all agree it needs to go where the most need is. To identify that is quite hard. We all know there are significant pockets of deprivation in rural areas that get missed off. Also the ability to provide community services in rural areas per capita is expensive. There is an economy of scale in some elements, especially sort of community in place in terms of the provision of facilities. I think it is difficult. Again, as I said, interestingly across north Wales all the four proposals are within a few per cent of each other so we have not been hit too badly by where we are at. It is nearer the upper end of the proposals. With my parochial hat on, we are very happy with the settlement but I think that there is no perfect formula.

Councillor Selby: I certainly agree that there is no perfect system. Clearly when we live in an area that we do—your area as well as mine in Powys—per capita is not the way to allocate the funding because the costs per capita are what we have to look at. The deprivation not only includes the economic deprivation. As Councillor McCoubrey has pointed out, we have the same pockets in the area I represent. Newtown happens to be one of the worst quartile, the 20% quartile in deprivation on that measure. But the deprivation for us is distance and communication, meaning the distance between population areas as well as deprivation and communication in digital communication. All those costs are worst.

The key thing that we always have to look at in economic development in an area like ours, is addressing two major issues. The first is depopulation, meaning that unless we take some of the funding away from the per capita we suffer. Secondly is the age of our population; the costs of keeping an increasingly ageing population go up. I accept that everybody can argue their case slightly differently, but in using this type of fund to address those issues, it ought to be looking at what are the issues to address. For us, depopulation and ageing population are key, very expensive issues to deal with, right across our region.

Councillor Stewart: I have significant issues with the changes to the formula. I do not understand the rationale for them, but to go back to the core question, which is if you believe that the Government are serious about levelling up in that they are trying to make the country fairer, why would you be moving money out of Rhondda Cynon Taff, which is one of the most deprived areas in Wales, to somewhere else? Swansea, Cardiff and RCT lose dramatically per head of population in this new formula. That is an ongoing loss. It will be an annual takeaway from those communities.

Deprivation, poverty, all of the things that you would hope that levelling up will try to address, have not gone away. In fact, they are getting worse. I do not understand how you would then deploy a formula that removed money from those areas given all of those difficulties.



I am not saying to colleagues elsewhere that there is not poverty in other communities. Absolutely there is. In fact Wales is poorer than most of the rest of the UK and you would expect there to be an uplift across Wales. I think that is one of the oddities about this formula, which is why I made those points so strongly before the formula was implemented. I do not think it is a fair formula. I think it is much worse than the EU formula it replaced and it will not serve the communities we hope levelling up would get to.

- Q14 **Beth Winter:** Councillor Stewart, the Institute for Fiscal Studies has raised serious concerns about the formula and was led to understand possibly the Welsh Government have been involved in the decision about the formula. That clearly was not the case. Do you think that if Welsh Government have been involved, as we spoke earlier about the conversations, that this could have been avoided?

Councillor Stewart: I hope so. The point is we made the comments before the formula decision was made and those comments were ignored. That is the reality here. Yes, I am sure Welsh Government would have made exactly the same comments as us or similar ones but unless those determining the formula listen, I don't think that we would not have been in any different position.

Beth Winter: Were you really ignored, Councillor Stewart? Did you get a response?

Councillor Stewart: No. As I said, my personal opinion is perhaps it was anything other than the EU formula because they were wanting to move away from what the EU formula had done previously. I cannot prove it but that is my own personal opinion. I hope though that any formula that was implemented was trying to deliver the sorts of things we believed levelling up was aiming to do. To my mind, that is trying to deal with deprivation and opportunity in those communities that do not currently have the same opportunities as the wealthiest and most productive areas of the UK.

- Q15 **Geraint Davies:** Councillor Stewart, given that Wales is poorer, sicker and older than other parts of the UK and we are going into this appalling energy crisis and cost of living crisis, what do you think the impact on the ground will be of this change in formula? I understand that it will lose Swansea around £7 million, Rhondda Cynon Taff about £7.5 million and Cardiff about £15 million on people in those boroughs, in particular those with deprivation.

Councillor Stewart: Again, we can have the best programmes and projects we like but if the funding is reduced it will reduce the impacts and the reach to the people we need to get to, to support with those programmes. You are right, Geraint Davies, about the numbers. It is £4.5 million for Swansea, £8.5 million for RCT and £15.5 million for Cardiff. Of course those are recurring annual losses. It will significantly curtail the impact of what we are able to do as local authorities in working with



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these programmes. That will be felt in the opportunities for households, for people's ambitions in their communities. It will have significant impact in our communities. For me, it cuts absolutely across the narrative of levelling up. People in the communities will be thinking that if they did vote to leave the European Union on the basis that they were going to be better off and that there was going to be new funding come in and greater opportunities, the reality in many communities, including mine and Andrew's, is that there will be fewer opportunities as a result.

- Q16 **Rob Roberts:** Thank you for your answers. Just to play devil's advocate a little bit, you have mentioned RCT and Blaenau Gwent as the places that are highest deprivation in Wales. Per capita funding they are always in the top two or three every single year, whereas Flintshire, my council, is in the bottom three. What evidence do you have that the extra funding that you have received over the years has made any impact? If you continue to be the most deprived areas and you have had the lion's share of Welsh Government and EU funding, what difference is it making?

Councillor Stewart: It was making a huge difference, and this is one of the lies about the European Union funding. There is that video of the gentleman standing in one of the valleys communities saying, "What has the EU ever done for us?" and everything around him is funded by the EU.

The reality is that we have very deprived communities in Wales. We do not want to get into an argument about who is the most deprived in Wales because we are worse off than the rest of the UK. For this Committee, and for all of us as local authority leaders and for the politicians who represent the community there, it is about a better and fairer deal for the whole of Wales. The reality is that there is a fund now but the formula that is used for distribution unfortunately is not meeting the communities that need to continue to receive that funding for them to try to close the gap on the wealthiest areas of the UK.

Councillor Morgan: There have been a lot of significant improvements in the valleys communities. Yes, we do still have high deprivation but a lot of the wealth in Wales was built on the back of people living in the valleys and the mines. We have terraced houses that are over 100 years old. Housing has a fundamental impact on people's health and unfortunately we have high levels of ill health in the valleys and people cannot work. This is a long-term legacy issue that has seen significant improvements. Unemployment in the valleys right now is significantly down on what it was 10 years ago even, but the issue for us is that those programmes need to continue their long-term investment.

If you look at the investment in the Heads of the Valleys Road, sections 5 and 6 are now being wholly funded by Welsh Government. Other sections are funded by part European. If we had had the European funding, the £300 million that is being spent on the Heads of the Valleys programme would have been available for us to spend on the metro and other systems. There are lots of arguments that EU funding did make a



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difference but we need long-term investment and long-term plans to continue that if we are to see the areas of deprivation improve.

Q17 Wayne David: On the issue of the formula, which is quite basic to what we are talking about, a little while ago there was a debate about whether or not there should be an element of competition within the funding system. That was correctly rejected, in my view, by central government. The counterargument was that allocations would be on the basis of need.

I think that principle has been broadly accepted by central government. The difficulty however is that the Government have come forward now, as I see it, with a formula that takes into account deprivation but does not take into account population size. You have allocations to certain local authorities, for example within the Cardiff City region to Blaenau Gwent and Merthyr Tydfil, which are very slow and small local authorities and yet they have relatively large allocations.

Given the fact that they will have difficulty spending large sums of money in the best of times, given the current economic climate, which is deteriorating, and that you have a very short funding period, there is a very real danger that this money will not be spent. Then the people who will get the blame for it, I suspect, will be the local authorities for not spending the money that has been allocated to them. I think that this is a very worrying scenario that we face. My question to Andrew, in particular, is: do you think there is a very real problem and what do you intend to do about it?

Councillor Morgan: There is a risk in some areas of maybe not meeting the spend criteria. Rhondda Cynon Taff is the leading local authority for the 10 south-east Wales authorities, so we are working closely with our local authorities on the shared plans. We are trying to make sure and minimise that risk as much as possible. As the WLGA leader, I do not want to be talking about taking funding off other local authorities or receiving allocations. I think it is the broader principle of what levelling up means. Do we all genuinely mean that areas that are lagging behind, whether it is in skills, transport or infrastructure, whether it is town centre regeneration, get the additional support they need?

If that is what we are seeing levelling up genuinely is about the formula does not matter at present. There were four suggested options put to us. We gave our views back. It looked as though they were going to go possibly with the view that we had suggested from the WLGA, which was in April when we met with them. Subsequently what has come out of it now means that between Cardiff, RCT and Swansea we are something like £29 million adrift from where we would have been.

I do not want to be arguing that I do not want Blaenau Gwent to receive money, and other areas. I do not want to get into one local authority against the other, but the whole principle of this, of the fairness or the way the formula works should have been sorted out. I think it has been



sprung on us the way it is. The way it has been taken forward just feels unfair.

Q18 **Wayne David:** Councillor Stewart, would you like to add to that?

Councillor Stewart: I absolutely agree with what Andrew said. I would urge, if the Committee is minded to, that there is a rethink of the formula and that we look to make sure that we try to address any deficiencies in the formula. Otherwise it will undermine people's belief in levelling up, especially for Wales.

Q19 **Wayne David:** On that, quickly, if you strongly hold that view, is it your intention to make representations to the new Prime Minister?

Councillor Stewart: Absolutely.

Q20 **Virginia Crosbie:** Good morning, gentlemen. It is lovely to welcome you here. I am particularly interested in Multiply, the adult numeracy programme. I was a maths teacher before I was the MP for Ynys Môn. This is a significant part of the SPF funds. To put it into context, Anglesey will be getting £16 million from the Shared Prosperity Fund and of that almost £3 million is for the Multiply programme. The Multiply programme is seven times more per head in Wales than in England, so this is a significant amount of funding. I know that lots of you have spoken about this before and that you have written letters to the Secretary of State for Wales and the Education Secretary. I am interested to hear from you practically as to how you see this programme, these funds, being used. Could we start with Andrew Morgan?

Councillor Morgan: We broadly support the fact that we have had such a significant allocation of funding. We are not suggesting for one second that we want to send money back on this programme. Our concern is that the spend profile, for example, over the three years will be very challenging. There is a real potential we have highlighted that as much as 80% of the funding allocated for this financial year could go unspent. That is simply because there are not enough tutors and resources available. Without some flexibility in the interpretation of the programme, there is not enough people out there and partners to deliver it. When we have spoken to colleges, education providers and education trainers, there is not the capacity there, certainly this year, but we are even suggesting that by year 3 we may well struggle.

We have been going back with practical examples, especially at a time where we have a cost of living crisis facing us. We said to them a little while ago that if we can expand Multiply into other areas and bring in—for example, in the valleys we have obesity, diabetes and other issues. We can help to bring in healthy cooking as part of this, getting people to understand about cooking at home or in cooking classes, how you have to weigh and measure stuff, using basic things like how it works with kilograms, grams, pounds, ounces and so on. We were saying to the officials that there are other more practical ways to bring this in alongside the traditional mathematics courses and so on. We have had positive



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discussions with officials but because there has been a bit of a flux in the Government for the last two months, as everybody is aware, we have been waiting to see whether or not Ministers will sign off some flexibility.

There is no annual flexibility. This is simply a revenue programme. There is no flexibility between financial years, and that is something that we are concerned about. We say that funding for skills is welcomed in Wales but at present it feels as though we have both hands and both feet tied behind our back.

Q21 Virginia Crosbie: Thank you. That is a very comprehensive reply. Rob, do you have anything to add to that?

Councillor Stewart: No, just to emphasise the point that making the money available is great and we welcome it, but if you do not leave us the flexibilities or the time to deliver, the programme is not going to deliver, is it? That is the real ask for us. If we could have further flexibilities, that would help us to be able to deliver.

Councillor McCoubrey: I entirely agree. When you look at the new curriculum for Wales, the idea of taking maths out of the classroom and into more practical experiences so that it becomes a part of your everyday life is interesting. Skills training that involves improving your maths seems to be a much better spend of that money because people are more focused on what they are doing and learning other skills at the same time.

Councillor Selby: I agree entirely with other comments on this. It is not a reluctance to spend money on these issues. It is the pure practicality of getting the scheme up and running. For us, we have only one college group that deals with services across mid Wales. It is very difficult for us to suddenly employ a whole new swathe of extra people.

It is about what the priorities are at this moment. The priorities for those who we are trying to reach are around the cost of living crisis. We can think that through into digital exclusion, which is key in an area like ours. It is key, and if we could work on those types of issues we will tackle the aims of this fund far better. I would hate to see it wasted.

Virginia Crosbie: Thank you. That is very helpful.

Q22 Chair: We are coming to the end of our session. I am looking around to see whether there are any further supplementary questions from colleagues and there aren't.

I will finish with a slightly more broad-brush question. We have spent a lot of time this morning talking about the process issues, the timescale issues, and the formula issues around the Shared Prosperity Fund. Could I ask you to take a step back? With respect to your own local authority areas, are you able to articulate briefly, in a summary form, what your local authority area is hoping that this Shared Prosperity Fund will achieve for your community? We could argue all day about whether 20



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years of EU funding in Wales has made a positive difference or not. Councillor Stewart said that things are getting worse in Swansea; Councillor Morgan said that there have been some improvements in Rhondda Cynon Taff. When it comes to the Shared Prosperity Fund, is it clear to you and other senior leaders in your authority areas what you want these funds to achieve that will move the dial for families living in your community? Councillor McCoubrey, could you go first?

Councillor McCoubrey: I am excited about the communities and place element. I think that we all would recognise that councils have faced severe cuts over the last years. The areas we have neglected are community sports facilities, community halls and community hubs, that pride in place. We have an obesity crisis, and sport and recreational activities, getting parents involved and that sense of belonging to a community is really important. I am chairman of a local rugby club. We provide 260 kids and their parents with that engagement on a Sunday morning.

On a better environment, you want people to be proud of where they are from and where they live. We can deliver that with some relatively small-scale projects. The challenge will be in making sure that money is spent wisely and it is not spent too parochially in different areas. There will be quite a leadership challenge to make sure that we do that right, but I think that we can make significant differences with relatively small amounts of money to our community.

Councillor Selby: As I have mentioned more than once, I am part of a new administration here in Powys. We took control based on a clear programme to be stronger, fairer and greener. We are looking at how we can match the SPF areas of investment to those aspirations that were voted for in the elections last May. I am excited about the opportunities that it will give in any investment. After all, we have been deprived of investment through the European funding since it existed. We are working with communities in the same way as Charlie has just mentioned there, with our small worthwhile schemes that will see a quick delivery. If we can get the Multiply sorted out as well, I am confident that the investment will be well used and well appreciated by the people of Powys.

Councillor Morgan: From our local authority point of view, this will help us to accelerate our corporate plan. All local authorities are dutybound to engage with communities. We have three-year corporate plans. We have targets on our revenue, mainly our capital but in addition to our revenue streams. I think that this additional funding now will allow us to accelerate that but it will also bring in new elements, which have good public support where it is around community safety. We are doing things to tackle climate change, which is a big issue in our area and something I am very keen on because of the flooding we had previously in Rhondda Cynon Taff. People are keen to see those changes.

We have been able to use the funding now to expand on some of those areas that are set out in our corporate plan, that have gone through



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public consultation and that have good support, so I hope that it is an acceleration of those things that otherwise may have just been aspirations and longer-term aspirations. I am positive about the acceleration of them.

Councillor Stewart: I won't repeat all my colleagues' comments; it is very similar for my local authority. We are very clear at a local authority level and a regional level what our plans are. We have a good handle on that. You will know that we have significant amounts of regeneration under way at the moment and a significant economic intervention going on. Again, as Andrew referenced, I think that this gives us an opportunity to add to that in a way that we otherwise would not have. Obviously, we are keen to get on and deliver.

Chair: Great, thank you very much. Thank you to you all for giving up your time so generously this morning.