

Written evidence submitted by Swansea Bay City Deal (SPF0032)

1. Why has Wales been such a large recipient of European Structural and Investment Funds since 1999, and how effective have these funds been in meeting their objectives?

Wales has long been recognised as an area with many deprived communities. This is a legacy from the dependency on and the ultimate closure of traditional manufacturing or extractive industries with the resulting loss of jobs. Many of those jobs have been replaced with jobs in the service industries, reducing the overall productivity of the region and generating a lower earning population. The following data explains the impact on West Wales.

- West Wales and the Valleys has been in receipt of the highest level of EU structural funding because the average GDP per head of these 15 counties has been consistently under 75% of the EU average. It is one of the poorest areas in Europe. The eastern part of Wales also faces economic and social challenges, albeit not as stark as those of West Wales and the Valleys.
- EU funding programmes have had a significant impact on the lives of people of Wales for over 20 years, supporting people into employment and providing the conditions for new and better jobs.
- EU Funds have helped bring new and better jobs and given people the skills they need to do those jobs. Businesses have been supported and our infrastructure has been given a boost. The funds have assisted in narrowing the gaps in terms of economic inactivity and research capacity in Wales and as compared to the rest of the UK.

It is vital that Wales has an ongoing source of investment in order to avoid taking retrograde steps. We must secure funding to help reduce inequalities within the UK and to support economically vulnerable regions.

2. What lessons should be drawn from previous rounds of ESI funding in Wales?

- **Could the current system used by the EU for calculating regional needs be improved?**
- **How could any bureaucracy and complexity involved in the administration of, and application process for, structural funding be reduced?**

The current system for EU funding, managed through the Wales European Office, has worked over a long period. Through successive programmes there have been improvements as a result of lessons learnt to meet regional needs.

The funding programmes are fundamentally well organised and well managed; the 2014-2020 round introduced several improvements in the way that monitoring and audit work with a reduced risk-based approach and decreased the administrative burden to an extent.

The two-region programme remains an issue with the West Wales and the Valleys Programme receiving a higher percentage of grant funding to that of Eastern Wales because of the areas of deprivation and the low economic profile. However, the situation is changing in the East and some areas will need to be looked at moving forward to any future funding programme.

The current system delivered by WEFO works to the strict guidelines of the EU with all the key challenges that requires to draw down the funding. However, there is a considerable amount of bureaucracy involved and often not only from WEFO; national project leads often duplicate information and sometimes introduce extra different requirements, especially around the application process for funds.

There are many lessons that can be taken from existing EU programmes which will help shape future programmes. Brexit offers an opportunity to rebuild regional policy, using the best and successfully proven features of EU policy while avoiding the worst features.

Successful features we would wish to retain being:

- *concentration* – to focus resources on key objectives
- *multi-annual programmes* – to introduce longer term planning
- *partnership* – to involve regional and local stakeholders
- *additionality* – to make sure EU money was additional to (and not a substitute for) member state money

Incorporating these key features underpinned by wellbeing goals and ensuring there is the opportunity and environment for innovation will need to be addressed in any future regional policy.

As described above, previous programmes included a need to report on information for monitoring purposes which means data must be collected. This generates forms – the more data required, the longer the forms get. This can frustrate beneficiaries making them less inclined to participate in programmes which they see as ‘too difficult’ to deliver.

We agree that due diligence should be undertaken to ensure that funds are well spent but some participants feel that the level of paperwork and resources required can slow down access to funds that are needed quickly to deliver a time-critical project or bridge a financial crisis.

3. How closely, if at all, should the aims of the Shared Prosperity Fund mirror the aims and objectives of ESI funds?

- **How should the impact and desired outcomes of the Fund be defined and measured?**

There are opportunities with the introduction of a Shared Prosperity Fund to learn lessons from interventions that have been delivered over the period since Objective 1. The sharing of information and informed input from people who have delivered successful programmes over the years should be considered.

There is no need to completely start again but there are some areas that could be improved. Giving more opportunities for regional decision making on funding, reducing duplication of funding for the same work and deciding what we want to achieve before the programme starts for example. There is a consensus that unnecessary bureaucracy must be minimised.

The fund objective should be supporting economic growth and closing the performance gap across the UK. Priorities should include:

- Balancing city and town centre and rural infrastructure including addressing the deficit of fit for purpose commercial premises in some areas that lag behind
- Reducing poverty and inequality
- High level skills pathways and entrepreneurship – including matching employer needs to skills provision and supporting businesses to grow
- Support for collaborative research, development and innovation between universities, industry and government, to support the higher value end of economic activity.
- Cooperation between governments is essential for this to work properly. However, programmes are less effective and responsive if they sit within government – there must be a strong level of regional delegation to local authorities and the private and third sectors.

Flexibility to help Wales’s economy and communities recover from the inevitable economic impact and unemployment caused by Covid-19 should also be built into the fund.

4. Given the current circumstances regarding COVID-19, what, from your point of view, is now a realistic timescale to design, and prepare for the implementation of, the Shared Prosperity Fund?

- **Have you been involved in any consultations with the UK Government on the Shared Prosperity Fund?**

Immediately, there is a feeling of frustration with UK government in some quarters with the delay of implementing this fund. There are fears that delays will create a gap between the transition from current EU

funding and access to the future Shared Prosperity funding. Feedback from Local Authorities, with an informed perspective gathered from the economic, health and well being and social sectors must be gathered and analysed to align the fund at its most effective position for all of Wales.

A considerable amount of work has already been undertaken by the working groups; whilst there is much more to be done, there is a need to ensure that we have a plan in place to enable Wales to draw down the funding. Once the plan is in place Welsh Government can consult on how this funding will be spent in Wales.

5. How should Wales funding needs be calculated for the purposes of the Shared Prosperity Fund?

It is imperative that Wales should not be a penny worse off under the SPF. It is also clear that the Barnett allocations will not give Wales the fair share it would have got from EU allocations.

EU funding has made a significant difference in Wales in areas with distinct structural and demographic challenges. These problems still exist in various regions of Wales, any reduction in funding from current levels would be detrimental to promoting prosperity in Wales and to any chance of rebalancing the UK economy. The opportunity of not having Wales constrained by the funding being split into artificial geographical regions with fund specific limitations would be welcomed.

A one-fund approach where existing funding streams are combined to include both revenue and capital would be welcomed. This would avoid competition between funds each with their own investment criteria and targets. Investments coming forward in isolation would then be minimised and we would continue to move towards a joined-up approach of integrated investments underpinned by robust regional strategies.

Economic indicators show that, despite the positive impact of structural funds investment, Wales continues to lag behind the rest of the UK and it is essential that Wales is able to continue to access the same levels of investment going forwards to close the gap. The funding received into Wales should not be any less than Wales has received to date and any formula utilised should reflect this.

6. What role could or should competitive bidding play in the allocation of the Shared Prosperity Fund and how could this sit alongside pre-allocation of funds for Wales?

It is crucial that any allocations should be on the basis of need.

Bidding processes must be limited and criteria applied to bidding rounds must not be directly or indirectly discriminatory to less densely populated areas of the U.K.

The regionalisation of funds has been discussed and this would offer the opportunity for regions to:

- lead on the development of key objectives to increase the GVA and
 - expedite opportunities within their region with the availability of a set amount of funding.
- Even though competitive bidding has merits, there is a danger that initiatives that have already been scoped and developed will be at an advantage to draw down the funds for predetermined projects. A competitive bidding process needs to be equitable with fair criteria so that all regions have an equal opportunity to bid for funds. As with EU funds, a competitive bidding process could encourage cross organisation and pan-regional working based on prioritised areas for Wales.

7. How should the Fund be administered in Wales?

- **What scope is there for a joint role for the two governments?**
- **Are there lessons to be learnt from the role of the UK and devolved governments in the administration and funding of city and growth deals?**

The devolution agreement must be observed but if the fund is managed by UK&WG or via WG it must be streamlined and not dogged by unnecessarily complex processes which delay, slow down and restrict regional and local body's ability to deliver quickly

There needs to be a consistent approach across Wales for all regions. Both in allocation of funds and in the monitoring and evaluation of initiatives.

Multi-annual planning is a big advantage of EU funds. It enables a longer sight line for developing and running both revenue and capital schemes and easier to trace benefits over time.

There have been considerable regional discussions for more devolved powers for grant funding to the regions to enable them to identify the real opportunities.

There is a clear role for Welsh Government in setting out a strategic framework, defining clear priorities, a simplified rules-based system and supporting capacity building in our regions. Doing so will enable better planning and investment at a regional level and establish strengthened monitoring and evaluation.

There would be some merit in the fund being project based, or a means of enabling funding streams to be managed at regional and local level. Local context is very important in the delivery of interventions.

8. What role should local government play as part of the Fund? Could City or Growth Deals form part of the fund?

Local Government is the frontline and in the best position to understand the specific needs and differences at micro level of local economies and communities. As such, devolution of responsibility is vital, from central government to regional and local authority level. A similar model of the Local Enterprise Partnerships could be adopted to help determine local economic priorities and lead economic growth and job creation within the local area.

Local authorities and regional partnerships should play a key role in funding decisions. Regional partnerships should have a greater role in strategic planning and informing decisions and are best placed to make key investment decisions based on WG's frameworks. Local partnerships will be vital in feeding their local knowledge into the regions strategies and are key to delivery.

The City Deals have clearly demonstrated local government's ability to develop and deliver strong regeneration programmes of activity as well as the capacity to develop and deliver large scale investments, even with tight revenue resourcing.

A UK-wide fund be could be integrated with wider Welsh policy and initiatives and this could generate innovation from working across all UK nations.

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