Senedd Cymru / Welsh Parliament
Y Pwyllgor Cyllid / Finance Committee
Trefniadau ariannu ar ôl gadael yr UE / Post-EU funding arrangements
PEU 10 ColegauCymru / CollegesWales

ColegauCymru
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Senedd Finance Committee inquiry:

Post-EU funding arrangements

1 May 2022

About ColegauCymru

ColegauCymru is a post-compulsory education charity; we promote the public benefit of post-compulsory education and learning. We also convene the further education (FE) Principals' Forum which represents Further Education colleges and FE institutions (FEIs) in Wales. ColegauCymru also undertakes research, policy development and provides practical support to FE colleges in Wales, including on work-based learning (WBL) which is a key part of FE college activity.

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

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

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

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

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

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

1.4 ColegauCymru previously called for a seamless transition to follow the end of existing projects to ensure as little disruption to learners as possible, noting that many existing projects through ESF and ERDF would continue into 2022 with the possibility of some even going to 2023. The funding objectives, policy and application structure of the new funding however, needed to be in place well before these dates, allowing organisations and institutions time to get together, identify projects and obtain approval prior to existing funding ending.

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

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

1.7 We understand that the SPF is a chance to do things differently and, in some cases, undertake different types of activity: it should not just be deemed to be continuation of ESF funding. Nevertheless, the SPF will address many of the areas that ESF did support i.e. targeting of increased skills levels by focussing on those areas where employment is an issue. ESF is coming to an end so a gap in funding, with its consequences of losing skilled and experienced staff etc., seems inevitable.

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

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

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

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

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

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

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

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

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

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

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

1.17 Members reported frustrations regarding the very tight turnaround times for CRF which impacted negatively on the ability to work in partnership and pull sound collaborative plans together. Following these tight turnaround times, there have then been delays in making awards to the extent that extensions are now being offered in relation to completing projects. CRF was intended to be a pilot to help understand how the SPF would be managed. There are many lessons to be learned, especially around workable timescales for development of plans and the ability to deliver on those plans.

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

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

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

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

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

[2] See: Written Statement: The UK Shared Prosperity Fund (13 April 2022) | GOV.WALES .
[3] See: https://www.gov.uk/government/news/communities-across-uk-handed-control-of-26-billion-levelling-up-funding .

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Welsh language

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

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