

Post-EU regional development funding

Consultation response to the Economy, Trade and Rural Affairs Committee

About Universities Wales

Universities Wales represents the interests of universities in Wales and is a National Council of Universities UK. Universities Wales' membership encompasses the Vice Chancellors of all the universities in Wales, and the Director of the Open University in Wales.

Our mission is to support a university education system which transforms lives through the work Welsh universities do with the people and places of Wales and the wider world.

Universities Wales welcomes the opportunity to respond to the Committee's consultation.

Executive Summary

- Universities in Wales have delivered significant benefit through collaborative, large-scale research, innovation and skills projects funded by European Structural and Investment Funds (ESIF). These have included research projects aligned with Welsh and UK Government priorities on net zero and further nationally important challenges and skills work which has enabled more people of all ages and backgrounds to access education and training.
- The funding has enabled universities to deliver benefits to businesses, including small and medium enterprises, the public sector and individuals.
- In the most recent round, Welsh universities were directly awarded over £350m in EU funds as lead partners, with total project value exceeding £500m. In addition to this, Welsh partners benefited from €51m (~£45m) in Interreg funding for multi-partnered projects.
- ESIF funding has strengthened research capacity and supported developing and attracting talent to grow the Welsh research base within Welsh universities and deliver skills for the future.
- The UK Shared Prosperity Fund does not directly replace lost ESIF funding, as its remit and delivery structure do not sufficiently map across to areas funded via ESIF to date. The UK SPF has a far wider remit than ESIF, and its delivery via

local authorities inhibits our ability to take a regional or Wales-wide strategic approach on skills and R&I.

- As a result of the loss of ESIF funding, over 1,000 highly-skilled jobs and 60 research, skills and innovation projects in Welsh universities are at risk.

Consultation response

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

Wales has received proportionally greater investment through European Structural Funds than other parts of the UK¹. A significant proportion of these funds has been invested in research, skills and innovation activities and infrastructure that have enabled our universities to secure competitive funding, support businesses and deliver to individuals.

This investment and the springboard it has provided has brought tangible benefits to people and places across Wales. Universities were the second largest recipients of EU Structural Funds in Wales in the most recent programme, being awarded over £350m as lead partners since 2014.

A number of major infrastructure projects at our universities have been supported by Structural Funds including a world-leading brain research centre, innovation campuses and the centre for compound semiconductors.

Capacity building projects with collaborative and innovative work across a number of Welsh universities have also been supported by Structural Funds. These have included projects focused on developing sustainable energy systems, advanced manufacturing, bio sciences and agri-tech.

- **ASTUTE**: The ASTUTE 2020 (Advanced Sustainable Manufacturing Technologies) operation supports collaboration in industrial Research, Development and Innovation (RD&I) between world-class academics based in five Welsh universities and a team of technical experts and project managers and industry. Successful projects have included a collaboration with Brother Industries (BIUK) to develop printer cartridges made using recycled plastics. BIUK can now transition products currently made from virgin resins to recycled resins, creating a direct environmental impact, reducing the use of raw materials, saving energy and reducing CO2 emissions from manufacturing and landfill.
- **FLEXIS**: Led by Cardiff University, Swansea University and the University of South Wales, brings together expertise from across these universities to facilitate an affordable, sustainable, and socially acceptable transition to a low carbon future. The five-year EU-backed project will look to solve a diverse, complex and inter-dependent set of challenges, ranging from energy storage, to decarbonisation and fuel poverty.
- **BEACON** is a partnership led by Aberystwyth University, working with Bangor and Swansea Universities and the University of South Wales. The BEACON team

¹ [Allocation of EU structural funding across the UK - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

works on converting biomass and bio-industry wastes into biobased products with commercial applications, via biorefining and bio processing.

Structural Funds have also enabled universities to develop and deliver skills programmes.

- **[KESS](#)**: Knowledge Economy Skills Scholarship (KESS) is a programme led by Bangor University on behalf of the higher education sector in Wales, funded by European Social Funds. KESS supports collaborative research projects, placing research master's and PhD students with external partners ranging from SMEs to large companies, social enterprises and public bodies.
- **[Go Wales](#)** provides work experience programmes for young students on higher education programmes throughout Wales.
- **[Technocamps](#)** provides free STEM workshops for schools and resources to support digital upskilling across Wales through partnership with all Welsh universities.

The activities and research programmes delivered by universities via ESIF have brought a wide range of tangible impacts across communities in Wales and supported Welsh Government strategic aims such as achieving net zero.

The vast majority of these interventions are now at risk.

2. **Whether the funding that Wales will receive to 2024-25 through the Shared Prosperity Fund and the tail-off of remaining EU Structural Funds matches the level of funding that Wales received through Structural Funds while the UK was a member of the EU and any potential Structural Funds that would have been available through the next programme.**

Remaining Structural Funds

According to the Welsh European Funding Office, remaining EU Structural funds to be spent by 2023 (cut off point for the 2014-2020 period) amounts to £60m² across projects led by Welsh universities. These funds relate to amounts already awarded.

Potential structural funds modelling

There are multiple factors affecting the allocation of EU Structural Funding making it difficult to calculate exactly the level that Wales could have expected to receive had the UK remained a member state of the EU.

However, CPMR modelling work has suggested that had the UK remained in the EU, it would have been entitled to approximately €13bn for the 2021-2027 period³. This is a 22% increase on the 2014-2020 allocation, due to the fact that many regions of the

² <https://committees.parliament.uk/publications/34549/documents/190166/default/>

³ <https://cpmr.org/wpdm-package/uk-allocation-for-cohesion-policy-for-post2020/?wpdmdl=20524&ind=1550570009760>

UK are falling behind the EU average in terms of regional prosperity, and there is a worsening level of regional disparity.

The share of the UK's EU Structural Funds was allocated according to levels of regional prosperity. There are three regions in Wales used to calculate funding allocation: North Wales, East Wales, and West Wales and the Valleys. For the 2014-2020 period, North Wales and West Wales and the Valleys were both categorised as 'less developed regions' (a regional GDP of less than 75% of the EU average) entitling them to a higher proportion of funding, while East Wales was a 'more developed region' (regional GDP of over 100% of the EU average).

CMPR forecasts, based on the allocation methodology published by the European Commission for the post-2020 period⁴, that had the UK remained a member of the EU, more regions across the UK would have been categorised as 'less developed regions', and notably East Wales would have been recategorised as a 'transition region', which would have meant more funding for the region, as regional GDP accounts for 75% of the allocation formula.

So while it is not possible to calculate exactly the amount of Structural Funds that Wales would have received had the UK remained part of the EU, when bearing in mind the UK received approximately €10.6bn for 2014-2020, and there are now more regions that would be classified as 'less developed' or 'transition', CPMR modelling suggests that North Wales and West Wales and the Valleys would have been entitled to over €500m each, and East Wales would have received ~€100-200m.

This is a potential €1.2bn (approximately £1bn) to which Wales could have been entitled from 2021-2027.

In addition to the above calculations, Wales would also have been eligible to apply for funding via Interreg for joint projects with e.g. Ireland, which is also ERDF funded. In the 2014-2020 funding round, Wales was involved in all three categories of Interreg – Cross Border with Ireland, Transnational Cooperation (Atlantic Area and NW Europe) and Inter-regional (Europe Wide) which delivered €51m of funding.

The objectives set out for the current structural fund programme include a greener, low carbon transition towards net zero and a more competitive, smarter Europe.⁵ The research and innovation activity delivered by Welsh universities aligns with these priorities, and could have drawn significant investment into Wales' work in these areas.

There is greater flexibility possible now for European regions to use Structural Funds in 'synergy' with other EU programmes such as Horizon Europe or Erasmus this further dimension unlocking alternative European funding opportunities has also been lost.

By comparison, Wales has received £459m across 2022-25 from the UK SPF⁶ for a far broader spectrum of interventions, which effectively remove larger- and longer-scale research and innovation activity delivered by Welsh universities from the equation. £101m of this funding is ring-fenced for the Multiply programme, meaning available funding over the three-year period is £358m, or £119m per year.

⁴ [EUR-Lex - 52018PC0375 - EN - EUR-Lex \(europa.eu\)](#)

⁵ [Inforegio - Priorities for 2021-2027 \(europa.eu\)](#)

⁶ [UKSPF allocations - GOV.UK \(www.gov.uk\)](#)

Comparison with Ireland

In the recent announcements of the European Regional Development Fund operational programmes for Ireland a strong emphasis is placed on investment in research and innovation including through investment in the new Technological Universities. The Operational Programme for the Southern, Eastern and Midland Regional Programme will have €663m funding from 2021-27 and has a major focus on building research, development and innovation capacity through investment in the Technological Universities as regional research institutions to create '[Smarter and More Competitive Regions](#)'. The Operational Programme for the Northern and Western Region has €217m funding during 2021-27 and has a focus on investing in the capacity of the new [Atlantic Technological University](#).

Pioneer

The prospectus for [Pioneer](#), the UK Government's 'plan B' in the event of non-association to Horizon Europe has been published.

Although the proposals for 'Pioneer Infrastructure' make mention of UK Government's levelling up ambitions, it's not clear whether the investment in Science Research Technology and Innovation would directly redress the loss of structural funds – including the capital funding which has been beneficial for the sector in Wales – and the role of devolved governments in the programme remains quite vague within the prospectus.

Allocation mechanisms

Beyond the actual amount of funding allocated to Wales' regions, the mechanism for allocating funding at a strategic level has also been lost. The Welsh European Funding Office (WEFO) allocated structural funds across Wales with longer-term strategic objectives in mind, using funding to drive significant research and innovation activity and skills projects in Welsh universities. Universities in Wales were the second largest recipient of ESIF in the 2014-2020 period, accessing over £350m to deliver research, innovation and skills activity that delivered benefits to the people and places of Wales.

The Welsh Government's Framework for Regional Investment⁷ included strategic objectives including enhancing effective research, development, knowledge exchange and innovation capacity.

By comparison, the distribution of the UK SPF via local authorities is leading to shorter-term, localised priority setting and funding allocation, with no strategic objective driving a higher-level focus on national investment ambitions.

This fundamental difference in funding allocation and delivery means that for Welsh universities, the UK Shared Prosperity Fund cannot legitimately be considered replacement funding for ESIF.

⁷ [*Framework for Regional Investment in Wales \(gov.wales\)](#)

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

In order for Welsh universities to continue to deliver benefit to the people and places of Wales, there would need to be some significant changes to the delivery of the UK Shared Prosperity Fund.

The structure of delivery via local authorities, despite the UK Shared Prosperity Fund prospectus recommending the inclusion of universities in local partnership groups, and operating through pre-existing regional geographies such as city and growth deals, is too localised to meet regional or Wales-level strategic priorities for investment in research, innovation and skills. Available grants were too small, with too tight a timescale, to allow for meaningful, strategic and joined-up bids to be developed.

A more considered, joined-up, regional or Wales-wide approach is needed to address gaps in funding arising from the withdrawal of ESIF. In our view, the Welsh Government's Framework for Regional Investment would provide a helpful structure for funding.

Timescales also need addressing. The UKSPF prospectus was released in April 2022, with a deadline for investment plans of 1 August 2022. This gave very little time for a strategic approach to delivery.

Furthermore, with funding allocated up to 2025, compared to the ESIF period of 2021-2027, there is less opportunity for investment in longer-term projects.

Universities have noted that ESIF funding processes were fairly bureaucratic, and so consideration should be given to reducing bureaucracy in allocating research and innovation funding. This is in line with the findings of the Independent Review of Research Bureaucracy led by Professor Adam Tickell⁸ (funding applications were the most cited causes of unnecessary bureaucracy based on the length and complexity of the processes) and the Independent Review of the UK's Research, Development and Innovation Organisational Landscape, led by Professor Sir Paul Nurse⁹ (which found research operations are hindered by excessive bureaucracy with too much emphasis on audit-oriented reviewing and reporting).

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

It is still too early say what interventions are being delivered via UK SPF funding. The investment priorities set out in the UK SPF prospectus are communities and place, supporting local business, and people and skills. These cover interventions such as investment in town centres, creating jobs, business support and local-level investment in research and development infrastructure.

⁸ [Independent Review of Research Bureaucracy: final report \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

⁹ [Independent Review of the UK's Research, Development and Innovation Organisational Landscape: final report and recommendations \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

Compared to this, the policy objectives for EU cohesion policy (informing allocation of ESIF) for 2021-2027 are:

1. a more competitive and smarter Europe
2. a greener, low carbon transitioning towards a net zero carbon economy
3. a more connected Europe by enhancing mobility
4. a more social and inclusive Europe
5. Europe closer to citizens by fostering the sustainable and integrated development of all types of territories

These policy priorities line up with Welsh Government's Programme for Government ('build a stronger, greener economy making maximum progress towards decarbonisation'; 'celebrate diversity and move to eliminate inequality in all of its forms' ¹⁰) and the Framework for Regional Investment ('our vision for regional investment is to support jobs and growth in communities right across Wales, in a way which is both inclusive and sustainable and with an emphasis on integrating investments and regional decision making')¹¹.

The types of intervention being delivered through UK SPF funds are localised and focused on short-term improvements. The type of activity historically funded via ESIF in Wales has been longer-term and of strategic priority. Universities have delivered collaborative research projects focusing on sustainable energy solutions and advanced manufacturing but cannot access replacement funding for this activity via the UK SPF as they sit outside of the fundable interventions in the prospectus.

Universities are accessing relatively small funding streams to deliver localised anchor projects such as business support and continued professional development courses.

5. Whether the funds are successfully identifying and supporting the communities and areas of Wales that are in greatest need, and how the geographical spread of funding compares to Structural Funds.

European Structural Funds are awarded on a regional basis according to regional GDP. (as outlined in further detail in response to question 2).

The UK SPF invited investment plans from local authorities, to be developed in collaboration with a 'local partnership group' including local and regional stakeholders, to 'unlock' the conditional funding allocated in the prospectus.

For Wales, the allocation was set as:

- 40% of funding is allocated on a per capita basis across Wales.
- 30% of the allocation uses the same needs-based index previously used to identify UK Community Renewal Fund priority places.
- 30% are allocated using the Welsh Index of Multiple Deprivation.

¹⁰ [Welsh Government Programme for government: update \[HTML\] | GOV.WALES](#)

¹¹ [Framework for Regional Investment in Wales \(gov.wales\)](#)

The key difference is that ESIF was allocated on a regional basis, and delivered at a strategic level across Wales, whereas the UKSPF has been allocated directly to local authorities which inhibits our ability to draw together large, long-term regional or national projects.

6. The extent to which the processes and timescales set by the UK Government for the funds support local authorities and regions to achieve their intended outcomes.

The prospectus for the UK SPF was published in April 2022, with a deadline for local investment plans to be submitted by 1 August 2022.

This is an extremely tight timescale for lead local authorities to have engaged with relevant local and regional stakeholders as suggested in the prospectus.

Universities were listed as key members of local partnership groups, however despite efforts on all fronts to work within the timescale and structure, universities across Wales have struggled to engage with the process.

As the SPF is annualised funding, there is a real risk that activity will be overly weighted towards short-term rather than long-term need.

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

Despite the prospectus for the UKSPF advocating for the inclusion of universities in local partnership groups, and a focus on regional working across existing city and growth deals, anecdotal evidence suggests that engagement has been sporadic and inconsistent, often depending on pre-existing relationships existing between local authorities and universities.

Different local authorities have adopted a variety of mechanisms for engagement, communication and delivery in response to the challenging timescale and structure they have been dealt by UK Government.

Allocating funding to local authorities hinders the ability to use the funding strategically at a regional and national level, and makes it difficult to continue to fund collaborative research, innovation and skills projects led by Welsh universities to continue to deliver significant benefit to the people and places of Wales and beyond.

ESIF funding was delivered on a regional level according to national priorities by the Welsh European Funding Office. Universities Wales would advocate for a more strategic approach at a regional level formalised to the delivery of replacement funding.

8. The challenges and opportunities these funding streams provide for bodies such as businesses, colleges, universities and voluntary sector organisations who received Structural Funds.

Universities have been the second largest recipient of ESIF in Wales, delivering significant and tangible benefits to individuals, businesses and the public sector. The

greatest challenge posed to universities in the wake of ESIF funding is struggling to find like-for-like funding to continue delivering the research and skills projects set up using these funds.

The UK Shared Prosperity Fund does not provide direct replacement funding, it has a wider remit than purely research, innovation and skills, and its structure and delivery makes it significantly harder for universities to access the funding, as outlined in response to questions 6 and 7. The Community Renewal Fund operated as a precursor to the UK SPF and focused on skills, business, employment and investment in communities.

It should also be noted that UKRI cannot provide direct replacement funding for ESIF. UKRI funds research and innovation rather than regional development activity, and universities submit bids for competitive funding pots. The funding programmes delivered by UKRI are not able to provide support to retain the capacity and talent supported by ESIF.

As a result of the loss of ESIF funding, over 1,000 highly-skilled jobs in Welsh universities are at risk. We risk losing significant research talent and capacity across Wales without sufficient replacement funding, which the UK SPF does not provide. For this reason, Universities Wales has called for bridging funding from the UK Government to mitigate against the immediate cliff-edge facing research projects.¹² The ask set out was for ~£70m, roughly 6% of the overall UKSPF across the UK, to simply provide enough capacity to make longer-term strategic decisions about whether and how to continue to sustain individual research projects, rather than letting them fall off the cliff edge as ESIF comes to an end.

The limited opportunities for universities to access funding via UK SPF are largely skills-related programmes. However, mapping existing projects onto the UK SPF is challenging if not impossible, for example the very successful KESS programme supports PhD students to work with small and medium-sized businesses, and which takes at least 3.5 years¹³. UK SPF funding would not cover this period.

9. How the Multiply programme is developing across different parts of Wales, and what are the potential barriers and opportunities in relation to delivering this programme.

We are aware of a number of challenges associated with rolling out the Multiply programme in Wales as outlined by the Economy Minister in evidence to the Committee on 16 March¹⁴, however universities are not directly involved in its delivery.

There were a number of innovative skills development programmes funded by structural funds, and it is unfortunate that the focus on learning and development within the replacement funds has been through Multiply when there are other existing successful models that we are likely to lose.

¹² [Universities sound the alarm for research, innovation and skills in Wales | Universities Wales \(uniswales.ac.uk\)](https://www.uniswales.ac.uk)

¹³ [KESS 2 Knowledge Economy Skills Scholarships](#)

¹⁴ [Economy, Trade, and Rural Affairs Committee 16/03/2023 - Welsh Parliament \(senedd.wales\)](#)