



# Post-EU Regional Development Funding

## 1. Introduction

- 1.1. Wales Council for Voluntary Action (WCVA) is the national membership body for voluntary organisations in Wales. Our purpose is to enable voluntary organisations to make a bigger difference together.
- 1.2. WCVA has been involved in the design and implementation of the Structural Funds in Wales since 2000, from the development of Objective One programme documents, to the delivery of a range of operations through the successive programmes such as the Social Risk Fund, Intermediate Labour Market and Engagement Gateway, and in the 2014-2020 programme the Active Inclusion Fund, the Social Business Growth Fund and the Community Asset Development Fund.
- 1.3. WCVA was appointed as an Intermediate Body (IB), under the existing 2014-2020 programme, in recognition of its ability to effectively manage and administer competitive grants on behalf of the Welsh European Funding Office (WEFO).
- 1.4. This submission is a response to the Senedd Economy, Trade and Rural Affairs Committee's inquiry into post-EU regional development funding, and it has been informed by discussions with the Third Sector European Forum, County Voluntary Councils (CVCs) and other voluntary sector organisations with an experience in delivering European Structural Funds projects.

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

- 2.1. The Structural Funds have had a substantial impact on the voluntary sector in Wales and subsequently on underrepresented individuals and communities that the sector supports.
- 2.2. It is estimated that under the 2000-2006 European Structural Funds programmes the voluntary sector accessed over £224 million and in the 2007-2014 funding cycle it was awarded over £105 million. Under the

current 2014-2020 programmes the voluntary sector has lead operations worth over £138 million.<sup>1</sup>

- 2.3. Voluntary sector organisations have had a significant involvement in ESF funded employability and skills programmes, such as WCVA's Active Inclusion Fund, which helped voluntary organisations support some of the most vulnerable in society on their journey towards employment. Since 2015 Active Inclusion awarded over £30 million in grant funding to more than 180 organisations, and helped over 23,000 disadvantaged people to move into or closer to employment. The Fund had a calculated 'social return on investment' of approximately £3.37 of benefit generated for every £1 spent.<sup>2</sup>
- 2.4. Over the past two decades the Structural Funds have been successfully used to stimulate the growth and development of the social business sector in Wales with the help of the European Regional Development Fund. In the current funding programme WCVA's Social Business Growth Fund and Community Asset Development Fund awarded £4.8 million across 59 social businesses which created 282 jobs.

### **3. 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.**

- 3.1. One of the biggest concerns for the voluntary sector is over the timescales of the UKSPF. The launch and distribution of funds were not well timed as they did not align with the tailing off of EU funds. This had a major impact on a large number of organisations whose projects ended before money from the UKSPF were available.
- 3.2. Although funding will match the levels of previous Structural Funds by the third year of the funding period, it needs to be noted that we are already in the second year of the UKSPF, most of which has not been distributed yet, and projects will need to finish delivery by the end of 2024 to allow time for the closure of the programme.
- 3.3. It is difficult to compare the level of funding Wales receives from the UKSPF with how much it would have received from the next Structural

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<sup>1</sup> UKRCS (2023) Two Way Street: European Structural & Investment Fund Support for the Voluntary Sector in Wales p.16 <https://wcva.cymru/wp-content/uploads/2023/03/European-Structural-Investment-Fund-Support-for-the-Voluntary-Sector-in-Wales.pdf> Accessed: 20 April 2023

<sup>2</sup> UKRCS (2022) WCVA Active Inclusion Fund Evaluation. Final Report: Executive Summary p.6. <https://wcva.cymru/wp-content/uploads/2023/01/WCVA-AIF-Evaluation-Final-Report-Executive-Summary.pdf> Accessed: 20 April 2023

Funds programme, due to the different funding cycles. However, an analysis from the Conference of Peripheral Maritime Regions (CPMR) estimated that the UK would have been entitled to 22% more funding for the 2021-2027 period, based on the European Commission's allocation methodology for the funds.<sup>3</sup> This would have impacted the level of funding coming to Wales in particular, as the West Wales and the Valleys, the UK's poorest region, would have still been classed as a 'less developed' region therefore entitled to a higher level of funding.

#### **4. 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.**

- 4.1. Our response focuses on the Shared Prosperity Fund as this is what the voluntary sector will most likely access.
- 4.2. We are supportive of the overarching policy that underpins the UKSPF and its investment priorities. A lot of the Fund's aims align with voluntary sector activity and expertise, e.g. increasing engagement in local culture and community, increasing pay, employment and productivity, supporting economically inactive people to overcome barriers to employment, supporting those furthest from the labour market to gain skills and access work.
- 4.3. It is commendable that the UKSPF enables places to make investment decisions locally, close to the communities that these decisions have an impact on. However, the current structures and processes make regional collaboration very difficult, which is particularly challenging for larger and national organisations that operate in more than one local authority area or region. This overly localised approach has resulted in a very inconsistent funding landscape across Wales, and there seems to be very little coordination between the regions. We can see inconsistencies within the regions as well, e.g. in some areas open calls have already been announced, in others there is little to no publicly available information on how local authorities are proposing to spend the funding.
- 4.4. Certain interventions are better suited for local delivery (e.g. supporting community and neighbourhood infrastructure projects), while some interventions are likely to be more effective when they are delivered regionally (e.g. employability and skills projects) because of the need for a strategic and operational coordination. Future funding

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<sup>3</sup> CPMR (2019) UK entitled to €13bn regional funding if it remains in EU <https://cpmr.org/wpdm-package/uk-allocation-for-cohesion-policy-for-post2020/?wpdmdl=20524&ind=1550570009760> Accessed: 21 April 2023

programmes need to reflect this, building on the lessons learnt from the delivery of the Structural Funds, the Community Renewal Fund and the UKSPF, and embedding the elements that have worked well in each of these programmes.

- 4.5. We support the commitment to reduce the levels of bureaucracy and administration, however, the inconsistencies in operation between and within the four regions make the process very difficult for organisations seeking funding for projects covering more than one local authority area. Having to engage with and report to several councils require capacity which organisations don't always have or could direct elsewhere if the process was more efficient.
- 4.6. The local authorities' engagement with the voluntary sector – and more specifically with the local County Voluntary Councils (CVCs) – has been varied across Wales. We have seen some good practice in some places where the local authority is working closely with the local CVC and involve them in the decision-making. Some CVCs have been encouraged to run a 'key fund', allowing them to distribute a pot of funding to voluntary sector organisations and local communities. However, in some parts of Wales the CVCs have not been engaged at all in local discussions about the UKSPF.
- 4.7. The UK Government did very little consultation on the UKSPF before its launch. The Fund should have been developed following meaningful consultation with potential beneficiaries and those who deliver frontline services to support these people. It is essential that the voluntary (and other) sectors are involved in the development of future funding programmes post March 2025; this would ensure that the funds are distributed more effectively.
- 4.8. The European Structural Funds programmes in Wales were negotiated between the Welsh Government and the European Commission, and they have been monitored by the Programme Monitoring Committee (PMC). This has ensured that the programme reflected the strategic priorities of Wales, and through representation on the PMC the voluntary sector was able to influence the direction, spend and the management of the Funds. The UK Government has drastically changed this system by circumventing the Welsh Government and reducing its role compared to its Managing Authority status under the Structural Funds programmes. The central management of funds on a Wales level has been replaced by a fragmented system. The change in governance has also changed the role of the voluntary sector, from being an equal partner in the design and delivery of funds, with direct

representation on the PMC, to having no formal involvement in the strategic governance of the UKSPF.

- 4.9. The seven-year programme cycles of the Structural Funds enabled projects to be funded for three years and longer. Due to the delays of the rollout of the UKSPF and the short-term nature of the funding, projects will be running for 18 months or less. This is not effective and it does not provide security and stability for the planning and delivery of projects. The annual funding cycles put pressure on local authorities to spend their allocation to make sure they don't lose the funding, and having to justify the need for rolling the money over to the next financial year adds unnecessary burden on local authorities, that are already struggling with capacity.
- 4.10. One of the key challenges that the voluntary sector faces is around the timescales and the processes of the UKSPF; these concerns are addressed in point 7.

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

- 5.1. Although there are some differences between the UKSPF and the European Structural Funds in this respect, the type of interventions that the voluntary sector is likely to be involved in are similar. The UKSPF aims to support a range of activities where the voluntary sector has experience and expertise (e.g. community action, supporting those most marginalised in society). As the majority of the Fund has not been awarded yet, it is too early to say to what extent the funded interventions will be different, and how much of it will be delivered by the voluntary sector.
- 5.2. The lack of cross-border collaboration from the UK Government's priorities is notable. The loss of access to EU programmes such as Interreg is leaving a gap in funding, and we welcome the Welsh Government's efforts to support these activities through its Agile Cymru work.
- 5.3. The main challenge for the voluntary sector lies more in the operation and delivery of the Fund. The shift to local authority led delivery is a significant change compared to the Structural Funds. Some voluntary sector organisations have a collaborative relationship with the local authority, while others work more in isolation and need to establish and strengthen these relationships.

## **6. 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.**

- 6.1. Structural Funds allocations were determined by a region's GDP per capita. The West Wales and the Valleys region was categorised as 'less developed' as its per capita GDP was less than 75% of the EU average, while East Wales was considered 'more developed' as its GDP per capita was more than 90% of the EU average. Based on this model, the West Wales and the Valleys (WWV) region attracted significantly more EU investment than the East Wales (EW) region.
- 6.2. The UKSPF uses a different allocation methodology; 40% of the Welsh allocation is distributed to areas according to population, 30% according to a need-based index and another 30% based on the Welsh Indices of Multiple Deprivation. As the Wales Fiscal Analysis highlighted<sup>4</sup>, funding has shifted away from the WWV region towards the EW region, and although the funding levels are still higher in WWV compared to EW, the amount is less than what WWV received from the Structural Funds. This raises questions about whether this methodology will truly be effective in supporting the places most in need. We would have liked to see a much wider consultation on the methodology used.
- 6.3. Voluntary sector organisations are often best placed to reach and support the most vulnerable and marginalised people and communities in our society. They deliver interventions that are tailored to the specific and often complex needs of their client groups whom mainstream services often don't reach. Over the past two decades the voluntary sector built up knowledge, capacity and expertise from delivering vital services for people with complex barriers, with the help of EU funding. Most of these projects have closed and it is currently not certain if these organisations will be able to access funding from the UKSPF in order to continue this vital support.

## **7. 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.**

- 7.1. Although the UKSPF was first announced in 2017, full details of the Fund were not published until its launch in April 2022. The UK Government did not run a formal consultation on the design of the

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<sup>4</sup> Ifan, G. & Poole, E.G. (2022) Written Evidence to the Finance Committee's inquiry into Post-EU Funding Arrangements  
<https://business.senedd.wales/documents/s124953/PEU%2014%20Wales%20Fiscal%20Analysis.pdf> Accessed: 20 April 2023

UKSPF and very little was known about the Fund until February 2022, when the Levelling Up White Paper and the UKSPF Pre-launch guidance were finally published. The majority of the first year of the funding period had to be spent on developing and approving regional investment plans and setting up local and regional structures and processes. This work should have been completed before the launch of the Fund, which would have ensured a smoother transition from EU funding to the UKSPF. A key lesson to take from this is that planning needs to start much sooner. Discussions about funding post March 2025 need to start as soon as possible, with the involvement of the voluntary and other sectors.

- 7.2. The loss of EU funding and the delayed implementation of the UKSPF led to a funding gap which has had significant implications for the voluntary sector as well as the people and communities that voluntary organisations have been supporting with the help of EU funds. The majority of these projects closed by the end of December 2022, with no funding readily available from the UKSPF to continue these activities, leaving vulnerable people without the vital support that they rely on, especially at a time when we see a significant rise in the cost of living. The funding gap has also led to a significant loss of capacity and expertise within the voluntary sector as project staff have been made redundant. The end of EU funding has severely impacted WCVA as well; the organisation has recently gone through a restructure and will lose around a third of its staff.
- 7.3. Due to the delay in the approval of the regional investment plans local authorities were not in a position to open any calls for applications before early 2023, and further funding calls in several local authority areas are yet to be announced. Although funding is confirmed until March 2025, projects need to be completed by the end of December 2024, to allow time for the closure of the programme. This means that project delivery will likely be no longer than 18 months. As a result of this, we foresee difficulties in the recruitment of project staff for short-term temporary roles. This short-term nature of the UKSPF is in sharp contrast with the multi-annual funding cycles of the Structural Funds, which provided stability and enabled projects to be funded for much longer.
- 7.4. We are sympathetic towards the local authorities, who are in a very difficult position and are working to very challenging timescales under huge pressure. As a result of the delays highlighted above, local authorities had very limited time to consult with stakeholders on the local and regional investment plans before submitting these to the UK

Government. This period also coincided with the local government elections which put further time pressure on the local authorities.

7.5. As said above, we are broadly supportive of the strategic and policy direction of the UKSPF, however, the operational implementation, especially the timescales of delivery and the current end date of the funding means that, in our view, the stated aims of the UKSPF are not achievable.

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

8.1. A coherent governance structure needs to be established on a Wales level, to ensure the strategic oversight and the appropriate scrutiny of the UKSPF through a formal mechanism, and to provide a strategic forum where stakeholders from a wide range of sectors and backgrounds can share learning and best practice and discuss any issues. Such an arrangement would ensure there is consistency in the operation of the Fund across Wales, and it would foster cross-sector engagement and collaboration. In the current European Structural Funds programme in Wales the Programme Monitoring Committee (PMC) has a similar role.

8.2. There are inconsistencies in the regional and local governance as well. Each region is taking a different approach to managing the Fund, with varying level of voluntary sector involvement. While there are some good examples of collaboration between local authorities and CVCs, this does not happen everywhere in Wales. Some CVCs are not involved in any discussions or decisions about the funding at a local level, which makes it very difficult for them to engage their members in the potential opportunities through the UKSPF. One of the CVCs highlighted that although they have no involvement, some of their members are to receive funding, which suggests that there is engagement with the voluntary sector, but not necessarily with the CVC that has a wider community membership. The fund prospectus states that voluntary sector, social enterprise and civil society organisations should be involved in the Fund through representation on the local partnership groups. The County Voluntary Councils are not named in the prospectus, whereas the Third Sector Interface Groups (the CVCs' Scottish counterparts) are mentioned by name. Including the Welsh and any English and Northern Irish counterparts as well could help ensure that these local supporting bodies are not excluded from the decisions and processes.



8.3. Wales has a long history of partnership working and has a track record of collaboratively designing solutions at national, regional and local levels. This approach needs to be embedded in the UKSPF to help foster more joined up working and collaboration. This would be particularly useful in the employment support sector for example, which is currently very complex in Wales. A variety of employability services are delivered by the Welsh Government, the DWP and the local authorities, and the fragmented implementation of the UKSPF could result in a whole range of new local interventions that are not integrated and coordinated with other existing provision.

8.4. At the Welsh Labour conference on 11 March 2023 Keir Starmer made a pledge to give control over the UK Shared Prosperity Fund back to the Welsh Government.<sup>5</sup> As mentioned above, early planning is essential for a smooth transition between funding programmes, therefore the Welsh Government needs to start planning for this scenario now, to ensure they have a clear plan in place if the Labour Party wins the election.

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

9.1. Some of the biggest challenges for the voluntary sector are:

9.1.1. The delays in the implementation of the Fund. Many organisations have already lost staff, expertise and capacity following the closure of their EU funded projects which need to be built up again if they were to run UKSPF funded projects.

9.1.2. The short-term nature of the funding will likely cause difficulties for organisations to recruit project staff as they will only be able to offer very short term project based work.

9.1.3. The inconsistency in operation and delivery is particularly challenging for larger organisations that are seeking funding from multiple local authority areas and regions.

9.2. The UKSPF also provides opportunities for the sector, e.g.:

9.2.1. It will be easier to secure funding for small, community-led projects.

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<sup>5</sup> Keir Starmer (2023) 'A fairer, greener Wales' speech. LabourList website <https://labourlist.org/2023/03/a-fairer-greener-wales-keir-starmers-speech-to-welsh-labour-conference/> Accessed: 20 April 2023

9.2.2. Compared to EU funding the administrative burden will be significantly less for small local projects that are delivered within one local authority area.

9.2.3. The shift to a new delivery model can provide opportunities to build new relationships (e.g. with local authorities).

**10. 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.**

10.1. We continue to push for additional flexibility in how Multiply can be invested and used, however, the role and engagement of the voluntary sector in this has been limited so far.