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Consultation: Post-EU funding arrangements

HEFCW welcomes the opportunity to provide the Economy, Trade and Rural Affairs Committee with its views on Post-EU regional development funding. Our response is from the perspective of our role as the public body operating between Welsh Government and higher education providers. We regulate and provide funding for higher education teaching and research, and apply our influence and expertise to help deliver Welsh Government priorities for higher education that also have wider societal and economic benefits. Our response focuses primarily on the potential implications of the UK Shared Prosperity Fund and Levelling Up Fund on research and innovation activities within Welsh universities

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

European Structural Funds were a major source of funding for research and innovation activities within Welsh universities. Wales benefited from over £2.1bn of European Structural Funds programmes during the 2014–2020 period, of which over £300 million was used to support projects within Welsh universities.

The funding supported a range of activities including capital provision (buildings and equipment); access to specialist facilities and expertise for small to medium-sized enterprises (SMEs); collaborative research; provision of specialist training; and graduate work experience. In particular, the funding enabled universities to collaborate more effectively with the SME community which forms the backbone of the Welsh economy.

A good example of direct economic impact is the ASTUTE 2020 project, which was a collaboration between 4 Welsh universities (Swansea University, Cardiff University, Aberystwyth University and the University of Wales Trinity Saint David). The project enabled SMEs in the Welsh manufacturing sector to access expertise and equipment within partner universities to support the development of new products and services.

Mr Rob Humphreys
Cadeirydd | Chair

Dr David Blaney
Prif Weithredwr | Chief Executive



The final evaluation of the project concluded that ASTUTE's work created economic impact in excess of £200m in West Wales and the Valleys, and delivered an outstanding return of over £8 of economic impact for every £1 invested.

Another example of societal impact was the GO Wales Programme which was part-financed by the European Social Fund (ESF) and operated pan-Wales. The Programme was a partnership of the Higher Education Funding Council for Wales (HEFCW) and the universities in Wales (Aberystwyth University, Bangor University, Cardiff Metropolitan University, Cardiff University, Swansea University, The Open University in Wales, The University of South Wales, The University of Wales Trinity Saint David and Wrexham Glyndŵr University). It was designed to support the employability of young students on higher education courses in Wales and aimed at young students who have faced barriers in accessing higher education or work experience and were most at risk of not securing employment, education or training when leaving their higher education course. The programme arranged almost 3,000 work experience opportunities for young higher education (HE) students who were at risk of becoming NEET (not in employment, education or training) upon leaving HE.

How will the funding that Wales receives from the Shared Prosperity Fund and the tail-off of remaining EU Structural Funds compare to the level of funding that Wales received through Structural Funds while the UK was a member of the EU and any potential funding that could have been received through the next Structural Funds programme?

This £2.1bn of EU Structural Funds for the 2014–2020 period enabled public, higher and further education, business and voluntary organisations to deliver a wide range of activities to help regenerate towns and communities, grow the Welsh economy and create jobs

Overall investment from EU funds into research and innovation in both the public and private sectors reached over £500 million. Welsh universities were major beneficiaries of the funding having led projects worth over £300 million since 2014. ERDF funded projects are also expected to raise an additional £230 million in competitive research and innovation funding to support several projects that bring business and academic partners together to translate academic research into product innovation.

EU Structural Funds were also used for retaining and developing talent with over £860m invested into skills and employability projects. This investment has exceeded the initial target of over 100,000 all age, high-quality apprenticeships and created more than 21,000 traineeships with employers across Wales.

Whilst the Welsh Government were responsible for the delivery of European Structural Funds, the Shared Prosperity Fund and Levelling Up Fund are administered by the UK Government. Wales has been allocated £585 million over the next three financial years from the £2.6 billion UK Shared Prosperity Fund. This is in addition to other levelling up funding for Wales, including the Community Ownership Fund and the Levelling Up Fund, which has already invested £121m into Wales, and £790 million for city and growth deals.

At City and Growth Deal level, local authorities within the Cardiff Capital Region have been allocated £279 million until 2024-25, with £138 million going to local authorities

within the Swansea Bay area, £126 million going to North Wales and £42 million going to Mid Wales.

Whilst it is very difficult to compare the exact level of funding Wales would have received if it had stayed in the European Union, the changes in the way the Shared Prosperity Fund is being administered are likely to lead to significant reductions in the amount of funding allocated to support research and innovation activities within Welsh universities.

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

HEFCW has not had any direct involvement in either the UK Shared Prosperity Fund or the Levelling Up Fund and is unable to comment.

To what extent are the funds successfully identifying and supporting the communities and areas of Wales that are in greatest need? How does the geographical spread of the Shared Prosperity Fund and Levelling Up Fund compare to Structural Funds?

The Welsh European Funding Office (WEFO) were previously responsible for the delivery of European Structural Funds on behalf of the Welsh Government. Funding was allocated on a regional basis with Wales being divided into two regions for EU development purposes: West Wales and the Valleys, and East Wales. The former was designated as less developed by the EU (because GDP is less than 75% of the EU average) and so qualifies for ERDF funding, but the latter (which includes Cardiff, Monmouthshire, Powys and Wrexham) was classified as more developed (its GDP is 90% of the EU average) and so does not.

Although the two regions of Wales had different intervention rates, it is important to note that many of the research and innovation projects delivered via Structural Funds were pan-Wales and actively promoted collaboration between Welsh universities. For example, the £33 million Bangor University led Knowledge Economy Skills Scholarship (KESS) project supported doctoral, MPhil and research master's degree qualifications in all Welsh universities.

Whilst EU Structural funds were administered centrally, the Shared Prosperity Fund will be delivered at a regional level, across the four City and Growth Deal areas - Cardiff Capital Region/South East Wales; Mid Wales; North Wales; South West Wales / Swansea Bay. Each region appointed a local authority to prepare an investment plan based on local opportunities and challenges that relate to the three investment priorities of the Shared Prosperity Fund (Communities and Place; Supporting Local Business; People and Skills), and to then identify the outcomes and interventions that best address those challenges. These investment plans were subsequently approved by the UK Government.

The funding could be used to address a wide variety of activities such as regenerating rundown high streets, fighting anti-social behaviour and crime, or helping more people into work – helping to revive communities, tackle economic decline and reverse geographical disparities in Wales and across the UK. We understand that the UK Government worked with the Welsh Government and the Welsh Local Government Association to identify 53 specific interventions aligned with the three investment priorities of the fund. In Wales, these plans also took account of the Welsh Government's Framework for Regional Investment for Wales and other strategic priorities.

The 53 agreed interventions make very limited reference to the role of research and innovation, and of higher education more generally. Only a few relate to research and innovation and none specifically mention collaboration with university partners. Given the diverse priorities of local authorities and their understandable focus on highly localised priorities, there is little incentive to support pan-Wales projects aligned to national strategic priorities. As such, universities are very unlikely to receive the same level and scale of support available via EU Structural Funds.

This represents a major challenge for universities, as EU funding had previously enabled Wales to develop strong partnerships and a broad range of research activities that addressed many key societal challenges, such as climate change, food security, carbon reduction and promoting the circular economy.

What types of interventions are being delivered and designed through the Shared Prosperity Fund, and to what extent do these differ from those delivered through Structural Funds?

The centralised approach for allocating Structural Funds enabled the development of larger more strategic collaborative pan-Wales projects that built on the research and innovation strengths of Welsh universities.

For example, the £27 million SEACAMS project was a collaboration between Bangor, Aberystwyth and Swansea Universities to develop the coastal marine economy and environments of Wales and support economic opportunities in Low Carbon, Energy and Environment through research and innovation in marine renewable energy and the wider marine economy.

Such projects undertaken at Welsh universities formed part of a world renowned system of research and innovation. In the last Research Excellence Framework 2021, Wales performed strongly with 31% of research deemed to be world-leading, with a further 50% internationally excellent. In terms of impact, Wales universities exceeded the UK average (87%) with 89% deemed to have an outstanding or very considerable impact on society. European Structural Funds were a major funder of research and innovation activities within Wales and a key factor in delivering high quality research that had an impact on society as well as maintaining overall competitiveness with other parts of the UK

Several studies (including the Reid Review of Research and Innovation in Wales and Nurse Review of UK's Research, Development and Innovation Organisational

Landscape) have highlighted the importance of collaboration between universities, industry, and other partners as a key driver of innovation and improving the quality of research. The research and innovation activities undertaken at Welsh universities are part of a broader ecosystem, that benefits greatly from collaboration and partnerships, both inside Wales, but also across the UK and beyond.

Following the UK's departure from the EU, the Welsh Government launched a Regional Investment in Wales Framework to guide decision making on the allocation of the Shared Prosperity Fund. During the initial consultation, HEFCW were supportive of the idea of strategic coordination at a national level which would be complemented by delivery through designated regional bodies. Investments in research, innovation and engagement, and skills development are central to economic and social prosperity across Wales, and as such, are best delivered as part of a national vision whilst simultaneously maintaining a clear focus and support at regional and local levels.

The centralised approach to managing EU Structural Funds supported pan-Wales collaborations and enabled institutions to engage with organisations from across Wales. Whilst the UK Government has encouraged regions to collaborate when interventions are best delivered at a larger scale, the type of collaborative research and innovation activities previously supported by EU Structural Funds are unlikely to be prioritised as the benefits may not align with those of all local authorities.

How helpful are the processes and timescales set by the UK Government for the funds in supporting local authorities and regions to achieve their intended outcomes?

The processes and timescales set by the UK Government have been particularly challenging as the funding has to be spent by March 2025.

Whilst many universities are already working closely with their local authorities on the development of new projects, the level of uncertainty and short timeframe is particularly challenging. It is also worth noting that there can often be significant lead times when starting new projects due to staff recruitment, procurement or other operational issues.

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

HEFCW is not involved in the administration of the Shared Prosperity Fund but does provide over £100 million per year to support research and innovation activities within Welsh universities.

What challenges and opportunities do these funding streams provide for organisations who received Structural Funds?

Whilst the Shared Prosperity Fund was intended as a replacement for EU Structural Funds, devolving administration of the fund to local councils and regions has posed serious challenges for universities. The fund aims to address regional economic disparities via a broad range of interventions but there is very little acknowledgement of university research and innovation as drivers of economic growth. Universities in Wales are national assets, with the impact of their research and innovation activities

recognised internationally. They are also key players in their regions and locality, through the development of high-value skills that support employability and meets the needs of the economy.

Investments in research, innovation and engagement, and skills development will be central to economic and social prosperity across Wales, and as such, be part of a national vision, but there must also be clear focus and support at regional and local levels.

HEFCW's Vision for Research and Innovation centres on four pillars, including 'place'. Strong place-based support for research and innovation capacity in Wales will promote success and enable Wales to attract more external funding from organisations outside Wales such as UK Research and Innovation (UKRI). In turn, this will secure both the contribution that our universities make to the economic and social prosperity of Wales and the UK, and their reputation internationally. Whether national or regional, programmes of investment must recognise and promote collaboration and partnerships, across UK and internationally, as well as pan-Wales.

It is also essential that the Shared Prosperity Fund does not merely prioritise research translation, but provides funding for essential research capacity-building which in the longer term will secure more impact and translation of research. For example, The Case for Growing STEMM Research Capacity in Wales analysis makes the case for expanding the capacity of the Welsh research base by addressing Wales' lack of researcher numbers to increase Wales' ability to compete for more research funding. Welsh Government's Sêr Cymru programme was designed to do this and by providing funding was able to successfully recruit research talent from all over the world to increase researcher numbers in Wales in specific priority areas including energy materials, environmental science, and biotechnology & life sciences. Sêr Cymru has been supported by HEFCW, Welsh Government and also funded by structural funds via WEFO.

How is the Multiply programme developing across different parts of Wales? What are the potential barriers and opportunities in relation to delivering this programme?

HEFCW has not been involved in the delivery of the Multiply programme and thus is not in a position to comment.

Contact details

For any queries relating to this response, including requests for underpinning data, please contact Harriet Barnes, Director of Policy and Funding, harriet.barnes@hefcw.ac.uk .

Yours sincerely

David Blaney