

## Universities Wales response to the UK Parliament call for evidence on Wales and the Shared Prosperity Fund.

### Summary

- Welsh universities have been able to deliver a significant and diverse range of benefits to Wales via funding from European Structural Funds since 2000. Specific examples include (but are not limited to) the KESS projects, ASTUTE 2020, Flexis and the SPECIFIC project.
- We believe that any future funding scheme should deliver **at a minimum the same level of funding as has been available previously** and be fully **devolved by design** to the Welsh Government. Barnett formulae **would not represent** a suitable method of allocating funding, as this does not consider the context and need around the specific challenges and issues facing Wales. We believe that any future funding should aim to help secure **genuine transformative change** for the Welsh economy.
- There are a range of important lessons to be learned from previous rounds of European Structural Funding and Welsh **universities are well placed to lead** the reflection in this area given their extensive experience. There is an opportunity to retain key strengths of European funding, such as longer delivery periods and a nation-wide approach, whilst also moving to a less bureaucratic and more flexible system with a stronger focus on outcomes as opposed to inputs.
- Strengthening partnership between universities, industry and government should form a key objective going forward, but without adding bureaucracy. Universities are well versed in working in partnership with a range of stakeholders and can be leaders in this process.
- Taking steps to project the UK as a global presence will be even more important once the UK's future relationship with the EU becomes clear. Welsh universities will play a key role in projecting Wales as a dynamic and outward-looking economy overseas.
- Whilst we are clear that the Shared Prosperity Fund should do no less than match previous rounds of funding, this is an opportunity for UK and Welsh Government to use the SPF to provide a bold step-change and grow the UK and Welsh economies by investing in skills and research.

The Committee invites written evidence submissions addressing the following points:

- **How effective have existing arrangements for the management of European Structural Funds been?**

Welsh universities have been able to deliver significant benefit to Wales through European Structural Funds over the last 20 years as further answers will illustrate.

That said, Wales will face a number of challenges in the coming months and years including the likely effects that Coronavirus will have on the economy, the need to boost productivity, and additional impacts such as the UK's withdrawal from the EU and automation.

The change from European Structural Funds to the Shared Prosperity Fund offers an opportunity for a bold and significant step-change in order to deliver in Wales.

- **What impact have Structural Funds had on the Welsh economy?**

Welsh universities are the second largest recipient of Structural Funds in Wales, with over £280m of structural funds being awarded to Welsh universities as lead partners in the 2014-20 programme.

This funding has covered a variety of areas, from enhancing vital research capacity, enhancing collaboration between institution in Wales and wider, through to knowledge exchange initiatives for businesses, students and young people in a range of disciplines. Some good examples of these are:

#### ASTUTE 2020 project

ASTUTE supports the stimulation of ideas in the Welsh manufacturing sector through provision of resources, facilities, advice and guidance exploiting the wealth of world class research in Welsh universities in close research collaborations with industry. It is a collaboration of four Welsh universities; Swansea University, Cardiff University, Aberystwyth University and the University of Wales Trinity Saint David (UWTSD). In the previous funding round (2010 - 2015), the project supported more than 250 Welsh enterprises in West Wales and the Valleys, supporting them towards long term sustainability and competitiveness, the most evident improvements experienced by companies were improved processes, accelerated research and development, improved growth prospects and new product developments. The final evaluation of ASTUTE concluded that ASTUTE's work created economic impact of well in excess of £200m in West Wales and the Valleys showing that for each £1 invested an outstanding return of over £8 of economic impact was achieved.

## SPECIFIC Project

The SPECIFIC project is a collaboration lead by Swansea University and Tata Steel with a range of companies such as BASF, Akzo Nobel, Pilkington and Vale Inco together with university groups from across the UK. Here university staff and postgraduates work in a shared open innovation space with industrialists to develop next generation coatings for buildings that will harvest, store and release solar energy.

Bangor University: Knowledge Economy Skills Scholarship (KESS I £33m, KESS II £40m)

KESS is a major European Convergence programme led by Bangor University on behalf of the HE sector in Wales. Benefiting from European Social Funds, KESS supports collaborative research projects (Research Masters and PhD) with external partners based in the West Wales and the Valleys. It has an integrated higher-level skills training and development programme, leading to a Postgraduate Skills Development Award. The first phase of KESS provided 453 PhD and Masters places (230 PhD / 223 Research Masters) with Welsh organisations, of which 61% were SMEs.

These examples illustrate the key managing role that universities have fulfilled in bringing benefit to a wide range of players in the Welsh economy. Furthermore, investments in the sector have long term effects.

Welsh universities have also benefitted extensively from European Territorial Co-operation Funds, often known as 'Interreg'. The Interreg programme aims to provide opportunities for regions within the EU to work together within three strands; cross-border co-operation, transnational co-operation and interregional projects. It is important that the Shared Prosperity Fund recognises the benefit that these initiatives have brought and builds on the work so far. A strand of funding to continue and develop collaborations with other European regions would benefit Wales and Welsh universities going forward.

- **What lessons should be drawn from previous rounds of European Structural Funds in Wales?**

The previous rounds and iterations of EU funding schemes do offer a range of reflections and lessons to be learned. Chief amongst the lessons learned are the ways in which the people and places of Wales have benefitted from activities funded by structural funds, including the substantial number of activities delivered by Welsh universities. Over 20% of the UK total of €10.9 billion goes to Wales. Having a devolved, Wales-wide fund which enables Shared Prosperity Funding to address Wales's specific needs and circumstances should be a key lesson to draw from the previous way programmes have worked

There are also opportunities to reduce administrative barriers and burdens for those supported by any future version of funding – helping to mitigate against creativity being stifled by the funding it is meant to support. There is scope for future funding to reduce audit requirements, perhaps by exploring options for risk-based and performance-based auditing and moving to a simpler and less burdensome scheme will make replacement schemes more fit for purpose.

Additionally, the move to a new system presents an opportunity to review how costs are met under future schemes in order to encourage and support projects, including a greater recognition of full economic costs. Finally, the replacement funding scheme for Wales must be flexible enough to adapt to emergent opportunities, including but not limited to future changes in EU programmes and funding from the UK government.

Welsh universities have led the way in delivering success and learning through previous rounds of European Structural Funding and are well placed to offer valuable, experiential learning from this process. In particular, the Knowledge Economy Skills Scholarship (KESS I £33m, KESS II £40m) offers a good example of a Welsh university leading a nationwide project encouraging collaborative research projects across the breadth of Wales. The first phase of KESS provided 453 PhD and Masters places with Welsh organisations, 61% of which were SMEs. Initiatives such as this are crucial to reflect upon when developing the Shared Prosperity Funding and will offer significant intelligence and insight to help deliver success for Wales.

- **What should be the priorities and objectives of the Shared Prosperity Fund and what, if any, improvements are needed to the current European funding system?**

As stated, there are lessons to be learned from the previous system of EU funding, with both strengths and areas for further development. We believe that the following priorities should be key features in any replacement funding scheme going forwards:

- An overarching goal and ambition for genuinely transformative economic change in Wales, matched by ambitious funding.

- Needs based, with a stronger focus on outcomes rather than inputs and investments being prioritised based on their return on investment for Wales.
- Deliverance of funding over a longer period than traditional domestic programmes. This has been a key strength of EU funding, offering better security and confidence.
- Strengthening partnerships between universities, government and industry should be a key area of learning going forward.
- Devolved to and administered by the Welsh Government.
- Any replacement funding should continue to support the leveraging of funding from other sources, both at a UK level and globally.
- Flexibility in being able to respond to any emergent issues and trends throughout the funding period.
- Taking steps to maintain a global presence and outlook will be even more important after the transition period ends and the UK's relationship with the EU becomes clearer. Projecting Wales as a dynamic and outward-looking economy will be crucial and universities (making equivalent of over 4% of all Welsh exports in 2015-16) are in a strong position to influence this but also to enhance Wales's profile in key overseas markets, given their experience and expertise in this area.

In addition, the Shared Prosperity Fund could be vital in helping to stimulate the Welsh economy in its recovery from the coronavirus crisis. Welsh universities are well placed to play a leading role in this national effort.

- **What level of funding should Wales receive, and how should this be calculated moving forward?**

We have been very clear from the outset that any replacement scheme must – at a minimum – match current levels of funding. This is a view shared by a range of organisations spanning multiple sectors within Wales.<sup>1</sup>

In addition to this, we have also been clear that using the Barnett formula to determine how much funding Wales should receive would be insufficient – given that Barnett works on population size. According to multiple different measurement techniques, Wales is one of the most deprived parts of the United Kingdom, therefore it is crucial that any future funding arrangements are allocated on a needs basis as opposed to using Barnett formula.

If transformative change to Wales and the Welsh economy is to be an objective of any replacement funding, then additional funding would make a

---

<sup>1</sup> <http://www.uniswales.ac.uk/open-letter-on-eu-structural-funds/> - Open Letter on EU Structural Funds

bold statement of intent from UK and devolved governments. Overall investment in replacement funds should match the scale of the challenge to be addressed by Wales considering global trends and increased competition. Europe 2020 aims to ensure that investment across Europe increases to an average of 3% of GDP.

A Government Office for Science report<sup>2</sup> recently highlighted a direct link between the skills level of a country and economic growth, productivity improvement, competitiveness and innovation. Estimates typically attribute 20% of the UK's economic growth in recent decades to improved workforce skills<sup>3</sup> and countries with high levels of innovation tend to have a stronger track record on investment in higher education.<sup>4</sup>

The UK government set out its stall in seeking to rise to the challenge in growth by announcing a series of major investments in research and innovation as part of its industrial strategy. This funding presents an opportunity to maximise the potential for economic growth, the up skilling of the workforce and global competitiveness by a bold increase in funding within higher education in Wales.

- **Should funding be ring-fenced on a nation or regional basis or should the fund be open to competitive tendering?**

As stated, we believe that any replacement funding should be no less than current funding and should be fully devolved to a Wales level. We are concerned that a “competitive tendering” process has the potential to crowd out more underrepresented areas which require a needs-based approach.

Devolving a ring-fenced amount, calculated according to need, would ensure that Wales does not lose out on funding that would have otherwise been received and which is essential to tackling Wales' socio-economic challenges and boosting productivity.

- **What timescale should be adopted for each funding round? How should responsibility for funding and administering the fund be divided between UK and devolved governments?**

As stated, one of the key strengths of the EU funding compared to domestic funding streams is the longer delivery periods. This helps to add stability and confidence. We also believe that the new funding arrangements need to be

---

<sup>2</sup> Government Office for Science, “Future of Skills and Lifelong Learning”, 2017

<sup>3</sup> BIS, “UK Skills and productivity in an international context”, December 2015

<sup>4</sup> 2 Universities UK. “Higher Education in Focus: Driving Economic Growth”, 2011.

flexible enough to adapt to any emergent issues and trends and that this will help Wales to remain manoeuvrable and competitive in a global environment.

We believe that the new circumstances offer a distinct opportunity for initiatives and projects supported by funding to be more aligned with Wales's needs. Practically, it would make sense for the Welsh Government to administer any funding for Wales.

- **What role could, or should, local government and, where applicable, city or growth deals play in relation to the fund?**

Any new funding scheme should be fully devolved by design to the Welsh Government.

However, it is also vital that UK Government does not consider the City and Growth Deals replacement investment for any shortfall in funding through the loss of structural funding. And it is important to recognise the different levels at which investment operates: Wales, regional and local. One size fits all approaches will not work. City deals currently have limited coverage and there is a need for funding to be allocated quickly and effectively.