



Llywodraeth Cymru
Welsh Government

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Strategic Forum for Regional Investment in Wales meeting, 25 April 2022: minutes

Minutes for the Strategic Forum for Regional Investment in Wales meeting, 25 April 2022.

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Contents

1. Welcome

2. Welsh Government update

3. WLGA update

4. Open discussion

5. AoB and Closing remarks

Annex A: list of attendees

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1. Welcome

The Chair opened the meeting and welcomed attendees, noting the significant developments that had taken place since the previous meeting. The UK Government published the prospectus for the Shared Prosperity Fund (SPF) on 13 April, following two weeks of intensive but very late negotiations with the Welsh Government.

The Chair stated that despite the concessions achieved by the Welsh Government, agreement between both governments was not reached on the SPF.

He added that the Minister for Economy issued a Written Statement on 13 April noting the Welsh Government's response which was the quantity of funding made available to Welsh local authorities and the formula used to allocate it to each authority were not an appropriate replacement for the funding previously received from the EU. Additionally, the lack of Welsh Government decision-making in the SPF governance arrangements undermines the Welsh devolution settlement through the UK Ministers' use of powers in the Internal Market Act to spend public money in areas of devolved policy.

The Chair stressed the importance of today's meeting to gather views from Members on the latest developments, so they can be fed back to Welsh Ministers.

At the invitation of the Chair, the draft minutes of the previous meeting of 17 January were passed without further comment.

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2. Welsh Government update

The Chair invited Peter Ryland (PR) to give an update on Welsh Government negotiations and activity since the last meeting.

PR reported that almost no progress was shared from the UK Government until two weeks before Easter, which saw some intensive negotiations between officials before the UK Government's publication of the SPF prospectus on 13 April – the last possible day before the local government pre-election period began.

PR noted that the intensive discussions meant a better outcome was achieved than without them, however, the key issues on which the Welsh Ministers could not agree with the UK Government were:

- Funding amount: it is now apparent that the deficit in comparison to EU funds to Wales is more than £1 billion, due to the UK Treasury refusing to take account of the two-year overlap in funds under the EU funding programmes and as it is netting off receipts owed from the 2014-2020 Structural Funds programmes.
- Allocation formula to local authorities: while now including some element of needs-based weighting following Welsh Government advocacy, the UK Government's formula does not go far enough to channel funds to areas of greatest need.
- Governance: the UK Government has always been firm that there will be no decision-making role for Welsh Ministers, which is an encroachment on the devolution settlement for Wales as economic development is a devolved matter.

PR confirmed that a positive concession secured during the negotiations was policy alignment to the National Framework for Regional Investment in Wales as a requirement for SPF Investment Plans (IPs) to be developed by local

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authorities.

PR confirmed the following operational details contained within the SPF prospectus:

- Funding will be routed directly from the UK Government's Department for Levelling-Up, Housing and Communities (DLUHC) to local authorities in Wales.
- Local authorities will be required to prepare IPs, which includes requirements for partnership working with a wide range of partners to develop and deliver the plans; and collaborating on a regional footprint.
- Welsh Ministers will be invited to participate in the UK Government's Ministerial Forum although it does not hold any decision-making powers over IPs.

PR explained that while Welsh Ministers will need to consider their next steps in relation to engagement with the UK Government on the SPF, Welsh Ministers remain committed to working with partners in Wales – especially through this Forum – to do what it is possible to create cohesive regional investment in the new context. This could include leveraging powers and capacity for convening, offering assistance, and networking. Local authorities will need to engage more broadly than before.

PR also gave an update on the work with the OECD:

- The work is underway and the OECD has carried out desk research with the Welsh Government and WLGA. They are interested in the implications of the SPF prospectus.
- The OECD issued a public questionnaire which gathered over 1,400 responses, with good cross-representation.
- The OECD is holding a series of vision-setting workshops, with the Welsh Government, local government and wider partners; with a final plenary event combining feedback from all three. The plenary event will be held on 5 July.

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- The OECD will then present on their findings and conclusions to Cabinet.

3. WLGA update

The Chair invited Tim Peppin (TP) to give an update on WLGA engagement and activity on the SPF.

TP agreed it had been disappointing that the quality of dialogue with the UK Government over the last two weeks had not been ongoing before that time, and noted Wales' share of the SPF, at 23%, is a good proportion of what is available. The key now is to make the best possible use of the money.

TP highlighted the difficulty of the tight timescale for submitting IPs between 30 June and 1 August and the WLGA co-ordinating this exercise with 22 local authorities. This requirement is made especially challenging by the local government election period and the time taken to embed new elected officials, form new Cabinets, etc.

Local authorities know what their allocations are for the SPF both individually and regionally. The allocations are not competitive, but the SPF guidance is clear that they are expected to select projects to fund with their allocation on the basis of competitive bidding. Responsibility for the competition has simply been passed from the UK Government to the local authorities.

While it is possible to spend money on projects without competition, this will be by exception and require additional information explaining why. In these circumstances, procurement of the project or direct delivery by the local authority will be possible.

The requirements for local authorities to manage the competition and any exceptions, along with setting up the various partnership groups for

engagement, adds to the workload required in the timeframe, and makes the whole process very challenging. The WLGA is planning to meet with regional groups to help facilitate this.

TP also highlighted the following operational details for local authorities:

- IPs will include interventions which must be drawn from the list in the SPF prospectus; however this list is fairly comprehensive.
- Local authorities will also need to produce a spreadsheet of each project and the outcomes which are going to be delivered. But this is very difficult until projects have been finalised (whether through competition, procurement, or direct delivery).
- IPs will need to include details of the local authorities' engagement with public, private, and civil society sectors (including confirmation that constituent MPs have been invited to a partnership group to be set up); structures in place for governance of the IP; an outline of how the local authority is planning to work outside of its own footprint (e.g. cross-border with England and regionally in Wales); show the local authorities' compliance with the Public Sector Equality Duty; describe the risks being taken on by the programme; and set out the human resources deployed by the local authority against each of the three pillars of the prospectus (Community and Place/Supporting Local Business/People and Skills).

TP stressed how important co-operative working with stakeholders and partners would be to achieve well-designed IPs.

4. Open discussion

Members made the following points:

- Is there an update on engagement with the other devolved administrations –

especially Scotland. In response, PR noted that good contact had been kept with colleagues in the other devolved administrations all the way through. The positions are generally in alignment, albeit with enough differences that joint communications are unlikely – opting instead for a co-ordinated, rather than joint, approach.

- There will be an extreme challenge for local authorities to meet the deadlines – and the need therefore to think carefully about how to make effective design of projects in difficult circumstances. Was there any further detail on local authorities being given responsibility for competitive allocation of funds to projects? In response, TP noted that in comparison to the Levelling-Up Fund (LUF) and Community Renewal Fund (CRF), which were allocated to LAs on the basis of competition between them, the SPF allocations are according to formula instead. This change is welcomed, but leaves local authorities having to do the work of inviting bids and assessing them. Four per cent of the SPF allocation to a local authority is reserved for administration to do this.
- The Forum could help facilitate capacity for local authorities. The Forum can recognise the work on the Framework for Regional Investment for Wales and begin to scope out what projects for the SPF under that Framework might look like. In response, TP suggested that any support from Forum members and their networks would be very welcome, and agreed that the Framework will be a really useful basis, especially since consistency is also a requirement within the SPF guidance.
- Where does the ultimate decision-making responsibility lie for projects, especially in more complex scenarios such as cross-border projects? TP noted that council leaders will be responsible for making arrangements for their investment plans. PR added that this could mean that different models end up being used in different regions of Wales.
- How might funding for business – e.g. Business Wales, innovation funding – dovetail with the SPF now that the allocations are known. Duncan Hamer (DH) responded noting that Business Wales funding is secured by the Welsh Government until the end of 2025; and that the Welsh Government will

shortly be consulting on a new cross-government Innovation Strategy for Wales. DH recognised the need to stay in touch with the business sector to continue to try to simplify and connect the funding ecosystem for businesses.

- The timings for the release of funds to recipients does not work well with the tailing-off of the last round of EU funds for the third sector, and the need for local government to run competitive bidding rounds etc. This is creating an issue, likely to intensify over the summer, as projects and services are forced to come to an end without funding and human resource and expertise, and infrastructure – especially in the context of drastically increasing energy costs – are lost. A lot of partnership working will be needed to allow some activity to transition in different forms, so that vulnerable people in need of support are not hurt. TP agreed, noting the considerable amount of work which needs to be undertaken and highlighted the need for local authorities to continue the good conversations that are being held with the sector so that projects are not lost.
- Competitive bidding for projects can lead to poor quality, temporary jobs – out of line with policy in Wales. What level of job replacement would be possible with the SPF, even while it is clear that some people will be losing their jobs in the absence of EU funding? The importance of integrating the Race Equality and Disability Action Plans was also noted in this context. TP agreed that hopefully the SPF can be used to safeguard existing roles.
- The WLGA added that local authorities do already work with many partners, in regional footprints – for example the Regional Skills Partnerships and the City and Growth Deals. This puts them in a good position to take advantage of the SPF. Working together, local authorities can identify gaps in provision at a national level which were previously covered by EU programmes. TP agreed the need to build on existing partnerships while recognising that the list of required partners for Investment Plans is more extensive and so will require additional work.
- Local authorities will be under a lot of pressure following the elections as they embed new members. Who is responsible for producing IPs, and will each local authority will need one in addition to a plan on a regional

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footprint? TP replied that local authorities will work together to identify a lead authority which will then be responsible for leading on making arrangements and handling the funds. Likewise, it will be up to local authorities to decide their own SPF governance arrangements including the role of CJsCs. PR added that IPs will need to be consistent with existing plans within their regions, but that they should be carefully constructed so that those wider plans do not fall under the scrutiny arrangements for the SPF – similarly to how EU programmes built on existing plans and priorities to describe outcomes specific to those funds.

- What other funding can be leveraged alongside the SPF, especially on Innovation?. Incoherence on research and innovation in the context of a changing funding environment is a risk to the HE sector, which used significant levels of EU funding to help drive innovation in business. TP responded that there is no requirement for match funding under the SPF, although it is encouraged, and LAs would work to ensure that coherence is achieved.
- There are capacity issues within local authorities to meet this challenge in the time provided especially given the difficulties they are currently facing to recruit new staff. The funding timeline will not allow for resourcing to be raised to meet the needs of new projects before the IPs need to be submitted, and so welcomed the support of partners here.
- It would be sensible to link the SPF to the four Growth Deals in the regions to help create critical mass by linking activities together. Could the SPF – like EU Structural Funds before it – create a challenge to doing this in terms of a requirement to clearly demonstrate the link between input and outcome? TP reported that, in the discussions the WLGA have had with the UK Government, they are not seeking to create artificial walls; however, they are likely to want to see this link, and so while local authorities will be able to cross-link project inputs and outputs, the monitoring and evaluation requirements will then be difficult to meet.
- PR added that in discussions with UK Government officials, it seemed that there was still a lot of thinking they needed to do on monitoring and

evaluation, although telling the story of what each region has achieved with the SPF is something they will need to do. PR also confirmed that the National Audit Office would be responsible for the scrutiny of the SPF at the UK level, but Audit Wales will be responsible for the scrutiny of the use of SPF money by Welsh local authorities; it will be up to the audit authorities on whether they wish to co-ordinate across the SPF.

5. AoB and Closing remarks

The Symposium on economic co-operation across the Irish Sea is taking place on 8 June, which is part of the work taking forward the international and cross-UK elements of the Framework for Regional Investment in Wales (Agile Cymru). Members were invited a conversation on these topics outside of this Forum meeting.

The Chair thanked members for their comments, recognising the significant work and collaboration required over the next few months to get the SPF up and running. He noted a diary marker for the next meeting will be issued in the coming months to discuss progress.

Annex A: list of attendees

Chair

Huw Irranca-Davies MS

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Members

Organisation	Name
Wales Rural Network	Eirlys Lloyd, Chair
Grahame Guilford and Company Ltd	Grahame Guilford
Higher Education Funding Council for Wales	Harriet Barnes, Director of Policy and Funding
Natural Resources Wales	Alan Hunt, Senior Specialist Advisor
Cardiff University	Kevin Morgan, Professor of Governance and Development, School of Geography and Planning
WLGA	Tim Peppin, Director of Regeneration and Sustainable Development Lowri Gwilym, Team Manager – Europe and Regeneration
Mid Wales Regional Engagement Team	Claire Miles, Mid Wales Regional Engagement Manager, Ceredigion County Council
Colleges Wales	Lisa Thomas, Head of the The College Merthyr Tydfil
Third Sector Partnership	Matt Brown, Director of Operations, WCVA

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Organisation**Name**

Chambers Wales

Oliver Carpenter, Policy Executive

Future Generations
CommissionerProfessor Rachel Ashworth, Dean and Head of Cardiff
Business School, Cardiff UniversityDevelopment Bank of
Wales

Rob Hunter, Head of Strategy

TUC

Shavanah Taj, General Secretary

Growing Mid Wales
Partnership

Rosemarie Harris, Leader, Powys Council

Welsh Government Attendees

Name**Role and department**

Helen Minnice-Smith

CCRA – Agriculture & Climate Change Policy Adviser

David Rosser

ETC – Chief Regional Officer (South)

Claire McDonald

ETC – Deputy Director, Economic Policy

Duncan Hamer

ETC – Director of Operations, Business & Regions

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Name	Role and department
Sioned Evans	ETC – Director, Business and Regions
Rachel Garside-Jones	OFM – Deputy Director, Co-operation Agreement
Huw Morris	SHELL – Group Director
Peter Ryland	WEFO – CEO
Mike Richards	WEFO – Communications Manager
Alison Sandford	WEFO – Head of Partnership Working
Geraint Green	WEFO – Head of Programme Management (ESF and ETC)
Thomas Brown	WEFO – Senior Policy Officer (Regional Policy)

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