

19th January 2024

POST MARCH 2025 REGIONAL DEVELOPMENT FUNDING: COUNCILS' VIEWS

Purpose

1. To seek Members' views on Post March 2025 Regional Development Funding for Wales following the end of the current UK Government's Levelling Up Funds – Shared Prosperity Fund (SPF) and the Levelling Up Fund (LUF).

Background

2. When the UK left the European Union, Wales was no longer eligible to access European regional development funding. The UK Government introduced the Shared Prosperity Fund (SPF) as the replacement and introduced the Internal Market Act to give itself powers to allocate funding throughout the UK even in policy areas that are devolved. As a result, the SPF and other funds introduced as part of its Levelling-up policy have been administered by the UK Government, including the establishment of offices and teams in the Devolved nations. In doing so, it effectively by-passed the Welsh Government and funding has gone directly to local government.
3. With only just over a year left for councils to deliver and spend the funding from the UK Government's Levelling Up Funds WLGA needs to start lobbying for what comes next after the current funding ends at the end of March 2025. With no guarantee at the present time of any funding post March 2025, project delivery under current funding arrangements will in effect have to conclude at the end of December 2024 to enable the efficient management of the closure of projects funded.
4. The UK Government's Department for Levelling Up, Housing and Communities will be developing their case for future funding as part of the planning for the next UKG Spending Review – the planning for that will start in earnest this year.
5. In preparation for that, and for a potential change in the UKG following the next General Election, expected during this year, the Welsh Government is planning to refresh its approach to replacement EU funding via a refresh of its Regional Investment Framework, developed in partnership with all key partners and stakeholders in Wales in 2020 – [Framework for Regional Investment in Wales \(gov.wales\)](https://gov.wales/framework-for-regional-investment-in-wales)
6. The WLGA, along with local government representatives from each of the 4 Economic Regions, was involved in developing the Framework and continues to attend meetings of the Welsh Government's Strategic Forum for Regional Investment in Wales. WLGA has indicated to the Welsh Government that it should

to be involved in the refresh of the Framework to ensure that it reflects the current economic development landscape across all 4 regions.

7. Local Government needs to start developing its thinking to influence and lobby both the UK Government and the Welsh Government planning for the future funding landscape post March 2025. Councils are currently playing a leading role in the delivery of the UK Levelling Up Funds thus we need to ensure that they will continue to have a key role in both designing and delivering any future funding. Learning the lessons of what has worked well, and what hasn't worked as well, from councils' experiences of delivering the current UK Levelling Up Funds will be a key part of informing our collective approach to the Post March 2025 funding landscape.

Current and emerging Regional Development funding landscape

8. In Wales the current regional development funding landscape is centred around the four economic regions (North Wales, Mid Wales, South East Wales, South West Wales), all delivering and operating within the following initiatives and structures:
 - City and Growth Deals arrangements
 - Regional Skills Partnerships
 - Corporate Joint Committees
9. All four regions have updated, or are in the process of updating, their regional development strategies to inform future investments as follows:
 - Ambition North Wales Regional Investment Strategy
 - Vision for Growing Mid Wales
 - Cardiff Capital Region Regional Economic and Industrial Plan
 - South West Wales Regional Economic Delivery Plan
10. These are key building blocks both to inform future investments and in providing a framework for future funding opportunities. They also provide a strong basis for the delivery of the economic wellbeing function of the Corporate Joint Committees.
11. Consideration needs to be given to secure the further devolution of powers and tools to the four economic regions of Wales in light of the further devolution of economic development funding and programmes to Combined Authorities and Devolution Deal areas in England. This will be important in ensuring that the regions of Wales are not further disadvantaged or left behind and are able to compete on a level playing field for funding and financial levers from both the UK and Welsh Governments.
12. Further consideration is also needed to ensure that councils in Wales benefit from the UK Government's approach to simplifying and streamlining funding streams – the UKG Funding Simplification Plan & Streamlining Growth Fund Pilots – [Simplifying the funding landscape for local authorities - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/simplifying-the-funding-landscape-for-local-authorities)

UKG Levelling Up Funds delivery model in Wales

13. For the main replacement EU fund for Wales, the Shared Prosperity Fund (SPF), the UK Government invited councils from each of the four economic regions to collaborate in developing investment plans and delivering the Fund in April 2022. Further, they asked all four regions to designate a lead council to receive the region's allocation of the SPF to manage. The UK Government also published an allocation for each council area, which has made it extremely challenging to develop regional level activity.
14. The UKSPF, considered as the main replacement EU fund for Wales, provides in large part revenue funding and is available to spend over a much-reduced timeframe i.e. from April 2022 to March 2025, compared to the 7-year (plus 3) funding envelope of the previous EU Structural Fund Programmes.
15. The UK Government's Levelling Up Fund is a capital fund, awarded to councils on a competitive basis until the final round. There have been 3 rounds of the LUF. The short-term timescale for delivering this funding along with substantial increases in costs as a result of high inflation, have been, and continue to prove extremely challenging.

Proposed key principles to inform the development of the post March 2025 regional development funding landscape

Timescales

16. Build-in sufficient time to enable efficient closure of the current programmes and transition into future programmes – 2025-26 a **transition year**?
17. **Multi-annual programmes** – 5 years minimum (reflecting Government terms of office) – 10-15 years ideally to enable real transformation of the economic performance of all four regions.

Rules of engagement

18. **Respect devolution** - programmes to be developed by the UK Government, Welsh Government and Local Government so that they reflect Wales' needs and opportunities – with the funding devolved to the four economic regions and councils to deliver.
19. Clarity on **rules of engagement**, processes, reporting, capacity funding, monitoring and evaluation requirements from the start to enable effective delivery of interventions.

Governance

20. Multi-level governance model guided by the **subsidiarity principle** i.e. interventions to be delivered at the most appropriate level, as close as possible to people, communities and businesses.

21. **Localism** – maintain a key role, trust and flexibility for local areas to determine priorities within agreed regional strategies.
22. Decentralise / **devolve decision-making and delivery** to the regional and local levels – each region to be empowered and enabled to determine the most appropriate arrangements for them, reflecting their existing and emerging arrangements.
23. Enable places to choose the tools they need e.g. retention of business rates.
24. Utilise and **build on existing structures and infrastructure** – local delivery teams to work with all relevant regional teams to maximise capacity and resources and enable all areas of Wales to compete with areas across the UK – involving Corporate Joint Committee teams, City and Growth Deal Programme Offices, Welsh Government Regional Economy, Regeneration and Skills Teams.

Funding

25. The **overall funding package** for Wales from any future regional development programmes must reflect the needs and circumstances of Wales. The UK Government should work with the Welsh Government and Local Government to determine an appropriate methodology that takes into account the needs and circumstances of all parts of Wales.
26. Funding should be **delegated to the four regions** on the basis of agreed outcomes to enable the delivery of integrated and holistic place-based interventions – across people and places – combining revenue and capital funding for investments in people (skills and employment) and place (economic development, regeneration, housing, connectivity).
27. In order to maximise the impact of the funding, regions should be able to **match the funding** from any future UK regional development funds with other UKG and Welsh Government funded streams.
28. As there is no replacement funding for **rural development activity** specific consideration needs to be given to include a dedicated / specific rural development strand as part of the overall package of funding for Wales from any future UK regional development funding.

Proposed actions and next steps

29. Capture lessons learned from delivering the current UKG Levelling Up Funds to inform the development of future funding programmes.
30. Continue to support and provide input into the UKSPF Forum of Lead Councils, facilitated by Cornwall Council, to influence the transition from current to future programmes.
31. Regular dialogue with council members and officers at various regional economic development meetings.
32. Input into the refresh of the Welsh Government's Regional Investment Framework.

- 33. Input into the UKG's simplification of funding streams work.
- 34. Work with the other UK Local Government Associations (LGA, COSLA, NILGA) to influence and lobby UKG as it plans for the next spending review.
- 35. Work with other UK networks who share similar positions e.g. Industrial Communities Alliance.

Recommendations

36. Members are invited to:

- 36.1 Provide views on the proposed key principles to inform the development of the post March 2025 regional development funding landscape (points 16-28).**
- 36.2 Comment on the proposed actions and next steps as outlined in points 29-35 of the report.**
- 36.3 Note that they will have further opportunities to input into the lobbying and planning for the post March 2025 regional development funding landscape as the work progresses.**

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