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Engagement Exercise – Summary Report

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REGENERIS

REGIONAL INVESTMENT IN WALES AFTER BREXIT

ENGAGEMENT EXERCISE – SUMMARY REPORT

OB3 Research
Nia Bryer
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Glossary of Terms

Acronym	Meaning
CAP	Common Agricultural Policy
Daphne	An EU funded programme which aims to protect children, young people and women against violence
EAP	Economic Action Plan
EIB	European Investment Bank
ESF	European Social Funds
ESIF	European Structural and Investment Funds
ETC	European Territorial Cooperation
EU	European Union
GVA	Gross Value Added
INTERREG	A programme financed by the European Regional Development Fund (ERDF) to support the exchange of practices and ideas across Europe
JEREMIE	Joint European Resources for Micro to Medium Enterprises
LEADER	A local development approach implemented under Rural Development Programmes (RDPs), co-financed from the European Agricultural Fund for Rural Development (EAFRED)
LEPs	Local Enterprise Partnerships
LIFE	The EU's financial instrument to support environmental, nature conservation and climate action project
LSOAs	Local Super Output Areas
NWEAB	North Wales Economic Ambitions Board
PMC	Programme Monitoring Committee
WEFO	Welsh European Funding Office

Executive Summary

Since the UK took the decision to exit the European Union (EU), the Welsh Government has been giving due consideration to how the interests of Wales can be advanced during the Brexit negotiations and in particular how the current levels of investment available via EU Funds, amounting to some £680 million per year, can be sustained and utilised. In January 2017, a White Paper Securing Wales' Future¹ was published by the Welsh Government, setting out the challenges and opportunities associated with Brexit for Wales.

In December 2017, the Welsh Government released a policy paper, Regional Investment in Wales after Brexit², which sets out detailed proposals for exploring the policy priority of regional investment further. The Welsh Government invited stakeholders and other interested parties to share their views on this Regional Investment Policy Paper via an engagement exercise. The engagement exercise was launched on 14 December 2017 and closed on 23 March 2018. Contributors were given the opportunity to engage and contribute via a set of formal engagement exercise questions, a short online survey and various other engagement events.

This summary report offers an independent analysis of the responses to the engagement exercise and will be used to inform the work of the Welsh Government and other key partners post Brexit. It draws upon the views of 41 formal engagement exercise responses, 83 online survey responses and the views of 190 participants who attended engagement events. Of the 124 responses received, the private and public sector each accounted for 16 per cent of responses whilst local authorities and the third sector each accounted for 14 per cent of responses. A further 13 per cent of responses came from the education sector, 14 per cent from another sector and 14 per cent did not disclose their sector.

¹ Welsh Government (January 2017) Securing Wales' Future available at https://beta.gov.wales/sites/default/files/2017-02/31139%20Securing%20Wales%C2%B9%20Future_Version%202_WEB.pdf

² Welsh Government (December 2017) Regional Investment in Wales after Brexit available at https://beta.gov.wales/sites/default/files/2017-12/regional-investment-in-wales-after-brexid_0.pdf

The overall approach set out by the Welsh Government in its policy paper was broadly welcomed by those who responded. Respondents stressed the importance of Wales maintaining its current level of investment post Brexit and called for both strategic and investment decisions to be determined within Wales, rather than by the UK Government. A minority of respondents would have welcomed greater detail on the approach set out within the policy paper, suggesting that the document has served to set out a strategic level vision post Brexit.

The analysis also shows that contributors were generally welcoming of the ten principles proposed in the policy paper. There was particularly strong support for simplifying the rules and criteria associated with investments, strengthening partnership working and accommodating cross-border working. Whilst still supportive overall, fewer respondents took the view that there was a need to strengthen the focus on outcomes in the future. There was broad support for simplifying the monitoring and evaluation requirements associated with future regional investment, and it was suggested that this needed to be proportionate to the level of investment made.

Contributors were overwhelmingly supportive of the opportunities set out in the policy paper to remove current artificial boundaries and the inflexibility that are currently in place due to EU funding. They also welcomed opportunities to respond to the needs of functional economic areas and harness cross-border working opportunities, where appropriate.

A more mixed view was conveyed by contributors about the structure that could be adopted for managing regional investment post Brexit. In this respect, contributors argued that whilst the existing partnership infrastructure in Wales was strong it was in need of review and rationalisation in order to establish the most suitable structure for the future. Contributors thought it particularly important that the partnership infrastructure be fully representative and inclusive at all levels. There was a broad desire to see regional partnerships, in whatever guise they eventually adopt, take on greater responsibility for investment decision making, with some appetite for these

partnerships to become accountable for investment decisions, delegated budgets and outcomes.

Contributors welcomed the approach set out in the policy paper to maintain the long-term multi-annual funding approach currently in place. There was a call for this period to be defined and for flexibility to be built into the programme to ensure Wales can be responsive to upcoming needs and priorities.

Contributors were supportive of the Welsh Government taking a strategic role in setting national level objectives for regional investments and (in partnership with other players) making decisions on national level investments. It was commonly thought that these national level objectives should be informed by the policies set out in the Economic Action Plan and the legislative context of the Wellbeing of Future Generations (Wales) Act. Contributors argued that regional investment planning and decision-making should be delegated to regional partnerships. A very wide range of wellbeing objectives were identified by contributors, with online respondents placing 'people and businesses' followed by 'health care' at the top of the list.

There was broad backing to see regional investment awarded via a pan-Wales single funding stream model to encompass both capital and revenue in the future, as this was thought to offer greater flexibility and would be more responsive to meet the needs and opportunities in Wales. However, not all respondents agreed and engagement exercise responses revealed some desire to see a proportion of the investment being ring-fenced for specific approaches and thematic areas of work such as rural development and local, community led intervention.

Contributors expressed a very strong message that local and bottom-up approaches that target specific local and community needs should not be lost, with LEADER approaches identified as one good practice of community led local development that should be maintained. In addition to LEADER, there was also a strong desire to see Wales maintain access to other key EU programmes post Brexit, notably those focused on education (Erasmus and Horizon 2020) as well as Creative Europe and European Cooperation programmes such as Interreg.

1. Introduction

1.1 Background

The Welsh Government sought the views of partners, stakeholders and other interested parties in Wales via an engagement exercise to help inform the strategic direction that the Welsh Government should set for regional investment in Wales after Brexit.

Since the UK took the decision to exit the European Union (EU), the Welsh Government has been giving due consideration to how the interests of Wales can be advanced during the Brexit negotiations and in particular how the current levels of investment available via EU Funds, amounting to some £680 million per year, can be sustained and utilised. Indeed, EU Structural Funding has been available in Wales for some 20 years and the current £2 billion investment for the 2014-2020 programme period represents a significant investment to the Welsh economy.

In January 2017, a White Paper Securing Wales' Future³ was published by the Welsh Government, setting out the challenges and opportunities associated with Brexit for Wales. The White Paper sets out six priority areas for negotiation with the UK Government. One of these priority areas focuses on regional investment and highlights the importance of retaining EU investment levels so that 'Wales outside the EU would be not a penny worse off than it would otherwise have been within the EU'⁴.

In December 2017, the Welsh Government released a policy paper, Regional Investment in Wales after Brexit⁵, which sets out detailed proposals for exploring the policy priority of regional investment further. The policy paper presents five key principles for approaching regional investment in Wales post Brexit:

³ Welsh Government (January 2017) Securing Wales' Future available at https://beta.gov.wales/sites/default/files/2017-02/31139%20Securing%20Wales%C2%B9%20Future_Version%20_WEB.pdf

⁴ Ibid. p.19

⁵ Welsh Government (December 2017) Regional Investment in Wales after Brexit available at https://beta.gov.wales/sites/default/files/2017-12/regional-investment-in-wales-after-brexit_0.pdf

- sustained, long-term regional investment policy
- building on lessons learned from 20 years of EU regional policy
- continued commitment to partnership working
- retain and build on Wales' tradition as an outward looking country
- delivering future people- and place-based investment programmes.

The Welsh Government invited stakeholders and other interested parties to share their views on this Regional Investment Policy Paper via an engagement exercise. The engagement exercise was launched on 14 December 2017 and closed on 23 March 2018. Contributors were given the opportunity to engage via three channels:

- a set of formal engagement exercise questions: contributors were asked to respond to ten key questions set out in Regional Investment in Wales after Brexit: Questions⁶
- a short online survey: contributors were asked for their views on a number of closed 'Likert scale'⁷ and 'ranked' questions as well as a small number of open-ended questions. These questions covered the first two of the ten formal engagement exercise questions given their focus on the most strategic issues and the need to keep the online survey as brief as possible so as to encourage contributions
- engagement events: a number of engagement events were held including two workshops during February 2018, one in north Wales and the other in south Wales, which were attended by 190 participants. These workshops were facilitated by senior Welsh Government officials, including Welsh European Funding Office (WEFO) officials.

In addition, a number of meetings and discussions were held between senior WEFO officials and individual organisations – in all some 300 individuals contributed to the engagement exercise via these methods. The views conveyed in these discussions

⁶Welsh Government Regional Investment in Wales after Brexit: Questions available at <https://gov.wales/docs/wefo/publications/171213-questions-en.pdf>

⁷ Likert scale questions are used to measure attitudes and opinions in more detail than a simple yes/no option. It provides a five (or seven) point scale which allows an individual to express how much they agree or disagree with a particular statement, with the neutral mid point being neither agree or disagree.

will be considered as part of the Welsh Government's approach to regional investment after Brexit but have not fed necessarily into this summary report, unless organisations submitted a written response or attended the workshop events.

This summary report offers an independent analysis of the responses to the engagement exercise and will be used to inform the work of the Welsh Government and other key partners post Brexit.

1.2 Methodology and Analysis

This analysis draws upon the views of:

- 41 formal engagement exercise responses
- 83 online survey responses
- 190 workshop participants.

The profile of those who responded to the engagement exercise is set out at Table 1.1. Those responding to the online survey were asked to indicate which one of eight sectors they represented. Formal engagement exercise responses were categorised individually by the researchers into one of eleven sectors. For the purposes of analysis, all responses have been coded as one of six sectors other than those who gave no response (17) to this question within the on-line survey.

It is important to note that respondents could contribute via all three of these methods should they wish and indeed were encouraged to do so. Each response has been given equal weighting within the analysis, regardless of the response method adopted. It is also worth noting that some responses, such as membership based organisations, regional partnerships and some third sector submissions, represent the views of a larger number of organisations or members although it is not possible to identify the degree of variance of views within that membership.

Table 1.1: Profile of engagement exercise respondents

	Formal Engagement Exercise Questions	Online Survey	Total
Private sector	5 (12%)	15 (18%)	20 (16%)
Public sector			20 (16%)
<i>Welsh Government</i> ⁸	1 (2%)	5 (6%)	
<i>Other public</i>	1 (2%)	10 (12%)	
<i>Regional partnership</i>	3 (7%)		
Local Authority	11 (27%)	6 (7%)	17 (14%)
Third sector	6 (15%)	11 (13%)	17 (14%)
Other		10 (12%)	17 (14%)
<i>Membership organisation</i>	3 (7%)		
<i>Individual</i>	3 (7%)		
<i>Trade Union</i>	1 (2%)		
Education			16 (13%)
<i>Higher Education</i>	5 (12%)	5 (6%)	
<i>Further Education</i>	2 (5%)	4 (5%)	
No sector identified		17 (21%)	17 (14%)
Total	41 (100%)	83	124 (100%)

In terms of the format of responses received to the formal engagement exercise questions:

- 30 responses used and 11 did not use the question format provided. Of those who did use the question format, 12 provided additional views and information
- of the 30 who responded using the question format, 15 responded to all 10 questions. A further four responded to nine questions and a further three responded to eight questions. The remaining eight responded to fewer questions
- the length of each response to the formal engagement questions varied from one page to 22 pages in length, averaging at just under six pages.

⁸ Although this is a Welsh Government engagement exercise, some responses were received from individual staff in the Welsh Government and from a Welsh Government department separate from the one leading the engagement exercise

Each response received as part of the engagement exercise has been analysed and a secondary analysis of a 20 per cent sample undertaken to test and minimise any researcher bias. Consideration has also been given to the views conveyed by contributors who attended both workshops and in particular, whether these opinions support or differ to the views conveyed via individual responses.

The analysis has focused on the views expressed in response to the engagement questions posed. However, it has also considered any other unprompted issues and opinions raised by respondents.

1.3 Structure of the report

This report synthesises the key points made by respondents. It has been structured to correspond to the ten engagement questions set out by the Welsh Government: chapters 2 to 11 deal with each engagement question in turn.

2. Overall approach

Respondents were asked to provide their views on the overall approach set out in the Regional Investment in Wales after Brexit policy paper and to reflect on what has worked well in current and previous programmes. They were also asked to consider the opportunities and challenges for a future regional investment approach in Wales.

An analysis of all responses suggests that contributors welcomed the overall approach set out by the Welsh Government, although many respondents do caveat their views in different ways in light of the fact that the policy paper was considered to offer a high-level strategic approach that lacked specific delivery detail. Indeed, one such respondent noted that ‘the document is short of concrete indications about how this is envisaged to work in practice’ (Higher Education).

The majority (71 per cent or 59 respondents) of those who responded to a closed on-line survey question⁹ took the view that the overall approach set out in the policy paper was appropriate, as illustrated in Table 2.1. A small number disagreed (10 respondents or 12 per cent) and these were more likely to be private sector respondents (four of 10 respondents, or 40 per cent). A total of 63 respondents provided a qualitative response to this first question, of whom 29 responded via the on-line survey and 34 via the formal engagement exercise. In all, 16 of the 34 (47 per cent) who responded to the formal engagement exercise questions specifically stated that they ‘agreed’, ‘welcomed’ or were ‘supportive’ of the approach outlined, whilst others tended to highlight specific weaknesses or areas which they disagreed with.

⁹ The question asked ‘do you agree or disagree with the overall approach described in the policy paper?’

Table 2.1: Agreement with overall approach set out in policy paper

	Number	Proportion
Strongly agree	19	23%
Agree	40	48%
Neither agree nor disagree	15	18%
Disagree	5	6%
Strongly disagree	5	6%
No answer	1	1%
Total	83	100%

Source: On-line survey responses (83 responses)

Those agreeing with the approach set out by the Welsh Government noted that they considered it to be 'sensible and pragmatic' (Public Sector) and broadly welcomed 'the elements and principles noted in the paper' (Regional Partnership).

Formal engagement exercise submissions (13 in all) stressed the importance of maintaining the same level of regional investment post Brexit and significant concern was expressed about the impact of any 'potential loss of this funding' (Further Education). One such submission argued that it will be 'essential to secure specific funding after Brexit to support the development of areas with fragile economies' (Local Authority), whilst another argued that there is 'a need for a replacement of the £370m needs-based EU funds that is currently allocated to Wales' (Regional Partnership). Despite not being specifically referenced within the policy paper, two submissions which represented the agricultural sector welcomed the fact that the Welsh Government was committing to retaining the same level of investment for farm support associated with the Rural Development Programme post Brexit.

Respondents to the formal engagement exercise also thought it important that the investment available post Brexit should be determined by Wales, rather than the UK Government. One such respondent noted 'we firmly welcome the robust rejection by WG [Welsh Government] of any notion of a UK centralisation of regional economic development policy' (Third Sector). Concern was expressed about the issues that could arise as a result of separated funding mechanisms between Welsh and UK Government schemes, and there was a call for this to be avoided if possible.

Respondents were also broadly welcoming of the usual approach to allocate any future investment according to need (as opposed to a population-based approach): ‘the prospect of more geographical targeting of resources and actions to address persistent economic weaknesses in areas such as the Valleys are particularly welcome’ (Local Authority). Two online submissions specifically reported that they welcomed the ‘people and place-based approach’ suggested.

A number of respondents to the formal engagement exercise called upon the Welsh Government to approach regional investment with ‘creativity and ambition’ (two from the Higher Education sector) and to find ‘new ways of working’ (Private Sector), rather than to simply make adaptations to the existing strategy and structures or ‘just simply replicating EU rules’ (Private Sector). However, these submissions did not offer any detailed discussion about what this would mean in practice.

Broadly, submissions were very supportive of the removal of what was considered to be an artificial geographical boundary between East Wales and West Wales and the Valleys. In a handful of cases, a strong argument was made that this divide had been unhelpful for regions such as mid Wales and there was a desire to see more appropriate geographical region-based solutions. In the same manner respondents (as well as workshop contributors) welcomed the opportunities to work cross-border with England, where appropriate.

Indeed, there was a broad welcoming of the regional approach offered within the policy paper with regional partnership working and collaboration considered vital components to enable this to work well. Two regional partnerships in particular stressed the importance of this approach adding that regional partnerships provide ‘the necessary focus for co-ordinating our collaborative efforts’ whilst recognising that the delivery will be done at a local level (Regional Partnership).

In the same manner, there was support across formal engagement exercise responses and workshop events for the proposal for future investment to be integrated across different policy areas as it was thought this would ‘hopefully break down the artificial barriers that help to create the unnecessary duplication and the

gaps experienced when policy decision making is conducted in silos' (Trade Union). One such formal engagement exercise submission argued that:

'for too long, partners across the region have had to bid into separate capital and revenue funding streams in competition, each programme with its own programme management arrangements, investment criteria and differing administrative requirements. This has inevitably led to investments coming forward in silos, lacking the integration and strategic fit necessary to have a meaningful impact on the region's economy' (Regional Partnership).

Indeed, a respondent from the third sector provided a practical example of how this would work in practice: 'it should be permissible for a single project or programme to access multiple strands of funding....to reflect the multiple benefits anticipated. For example, to allow both tourism and construction skills funding to be applied for in a single project and through a single application' (Third Sector).

A more mixed view was conveyed across the engagement exercise as to whether the approach outlined by the Welsh Government gave adequate consideration to 'local' approaches and needs. On the one hand, some concern was expressed by local authority and third sector respondents in particular that the current operating framework favoured regional and national approaches at the 'expense of niche provision, which still has a place' and which was considered to have been lost within the current EU funding round (Third Sector). These submissions argued that 'local approaches to local needs often do not fit regional approaches' (Local Authority) and made a case for reinstating local and bottom up initiatives to address local needs.

Whilst not necessarily disagreeing with the overall approach offered, other specific criticisms of the approach outlined in the policy paper, raised by no more than one or two respondents each were that it:

- does not go into sufficient detail on implementation issues
- does not offer a realistic assessment of current EU funding achievements, the lack of progress in some areas and the state of the economy in Wales
- only considers urban development and policy in very general terms

- gives insufficient attention to the role of local government, especially as an investment manager
- fails to acknowledge how little difference previous and current EU funding has made to the Welsh economy.

Two other areas were commonly discussed in response to the first engagement question:

There was a call for future regional investment application processes to be commensurate with the scale of funding required and for consideration to be given by the Welsh Government to the availability of ‘development funding’¹⁰, for those who required it. One third sector respondent, for instance, reported that future application processes should ‘match the complexity, risks and scale of the project ... a simple single stage application for small, low risk projects, more complex multi-stage applications for larger scale, riskier projects. As a charity, we’d welcome development funding after the first stage as it is difficult for us to expend resources at risk’ (Third Sector).

The other main issue raised by respondents related to the possible conflict generated between the approach offered in terms of taking greater risks to encourage innovation on the one hand and the renewed focus on strengthening outcomes, monitoring and evaluation on the other. One such respondent cautioned that the latter could ‘serve to stifle innovation’ (Higher Education).

¹⁰ Funding for the costs associated with developing project ideas and funding applications.

3. Key principles

3.1 Introduction

The Welsh Government sought the views of partners, stakeholders and others on the principles identified in the policy paper. In all, 31 formal engagement exercise responses were received which directly addressed this question and there was a broad level of agreement to the key principles suggested: a total of 16 respondents explicitly stated that they ‘agreed’ or ‘welcomed’ all ten principles set out in the policy paper. Those responding to the on-line survey were asked to respond to ten closed questions, each corresponding with a key principle set out in the policy paper. They were also given the opportunity to comment on each of these ten principles, and between 19 and 30 comments were received for each of the ten principles.

3.2 Principle 1 – Partnership working

The majority of those responding to the on-line survey (67 respondents or 81 per cent) agreed and a handful (5 respondents or 6 per cent) disagreed with the principle of strengthening partnership working through strategic, strong and inclusive partnerships.

Table 3.1: Agreement with Principle 1 – Strengthening partnership working through strategic, strong and inclusive partnerships

	Number	Proportion
Strongly agree	32	39%
Agree	35	42%
Neither agree nor disagree	10	12%
Disagree	1	1%
Strongly disagree	4	5%
No answer	1	0%
Total	83	100%

Source: On-line survey responses (83 responses)

20 open-ended on-line responses were received and 14 formal engagement exercise responses directly discussed this principle. Six formal engagement exercise responses explicitly stated that they agreed with this principle whilst most of the others noted it was a critical principle for the future. The two key themes discussed by both type of respondents related to the need to review the structure as well as the membership of strategic partnerships.

It was suggested by four respondents that it would be appropriate to review existing partnership structures so as 'to ensure they are clear on their roles and objectives and are fully aligned to deliver the national strategy' (on-line response). One on-line respondent argued that 'the pre-existing organisations and spatial focus may not be the most appropriate or effective means of delivering in a post BREXIT Wales.' It was suggested by two on-line respondents that any changes to partnership arrangements should retain any existing good practices already in place, identified as Public Service Boards and LEADER partnerships. Formal engagement exercise respondents also stressed the need to retain 'the best elements of the existing regional development infrastructure' whilst taking the opportunity to 'lose some of the overly bureaucratic burdens of the current approach' (Private Sector).

It was also suggested that consideration should be given to the composition and membership of any strategic partnership to ensure that they become 'fully inclusive and transparent' (on-line response) and not rely upon strategic and statutory partners only. A call was made by one formal engagement exercise respondent for partnership representation to be 'proportional' to all sectors. It was also noted by two on-line respondents that it was important that partnerships were not dominated by 'personal agendas' and 'vested interest'.

In this respect, two on-line respondents highlighted the challenges for contributors from the third sector, as well as others such as from the private sector, to contribute to partnership working and 'make free inputs to public policy', in light of current pressure upon their resources to do so. In this respect, a call was made for identifying and securing 'enablers' to help and encourage community participation within these strategic partnerships.

3.3 Principle 2 – Long-term, multi-annual programming approach

Over three-quarters of those responding to the on-line survey (64 respondents or 77 per cent) agreed and a handful (5 respondents or 6 per cent) disagreed with the principle of focusing upon the long-term via a multi-annual programming approach, in order to provide investor confidence.

Table 3.2: Agreement with Principle 2 – Focus on the long-term via a multi-annual programming approach, in order to provide investor confidence

	Number	Proportion
Strongly agree	28	34%
Agree	36	43%
Neither agree nor disagree	13	16%
Disagree	1	1%
Strongly disagree	4	5%
No answer	1	1%
Total	83	100%

Source: On-line survey responses (83 responses)

19 open-ended on-line responses were received, with three of these suggesting that they did not understand the question. One questioned who was being referred to in terms of ‘investor’ and another two criticised the use of jargon: ‘I don’t know what a multi-annual programming approach is so I can’t comment’.

Some ten formal engagement exercise responses directly discussed this proposed principle and there was unanimous agreement across all sectors responding, as well as within the workshops held with the approach proposed. One private sector formal engagement exercise submission noted ‘we would strongly support the principle of a multi-annual programming approach’ (Private Sector). It was argued by formal engagement exercise respondents that the commitment to long-term, multi-annual programming would provide ‘stability’, ‘strategic and operational planning certainty’ and secure ‘investor confidence’.

The formal engagement exercise responses did suggest that there is a need to define what is meant by a 'long-term' approach as one local authority submission assumed this to be in keeping with current EU funding programme timescales whilst another submission from a regional partnership suggested it should be longer:

'We hope that WG will find some way of replicating the seven year programme periods that have been a feature of EU programmes since 1994' (Local Authority).

'the city and growth deal approach of long term funding over 15 – 20 years is a marked departure from the shorter current ESIF programming periods and merits serious consideration ... to regional investment post Brexit' (Regional Partnership).

Of those who agreed with the principle, two on-line submissions identified the difficulties associated with delivering short-term initiatives that were focused on short-term impact. One on-line response also highlighted the importance of monitoring and undertaking mid-term evaluations of long-term funded initiatives to ensure that they were performing effectively.

A final point, raised by no more than three respondents in all, related to the need for building in some flexibility to such a long-term approach. These respondents cautioned against developing a long-term programme that could not respond to 'new challenges and opportunities' (Private Sector) and argued that WEFO had played an essential role within EU funded programmes to allow for this: 'the risk ... is that it becomes locked into the perceived view of the world on day one of the programme' (on-line response).

3.4 Principle 3 – Mixing complementary national, regional and local investment approaches

Over three-quarters of those responding to the on-line survey (64 respondents or 78 per cent) agreed and a tenth (8 respondents or 10 per cent) disagreed with the principle of mixing complementary national, regional and local investment approaches built around functional economic regions.

Table 3.3: Agreement with Principle 3 – Mixing complementary national, regional and local investment approaches built around functional economic regions

	Number	Proportion
Strongly agree	28	34%
Agree	36	43%
Neither agree nor disagree	10	12%
Disagree	5	6%
Strongly disagree	3	3%
No answer	1	1%
Total	83	100%

Source: On-line survey responses (83 responses)

In total, 22 on-line and nine formal engagement exercise responses directly discussed this principle, with the most common issues highlighted below.

Whilst accepting of the suggested approach two respondents would welcome further clarity and ‘more detail’ around this concept with one suggesting that there was a need for relationships and responsibilities to be clearly laid out so as ‘to avoid confusion’ (on-line response) and another suggesting that ‘local partnerships’ required ‘further analysis’. One on-line response expressed concerns about this principle creating ‘too many layers’ and another suggested that there was a need for this approach to be carefully managed, via a central co-ordinating body such as WEFO. A further formal engagement exercise response suggested that the national role should be limited ‘to the development of a flexible framework [to allow for] the development of regional priorities and outcomes’ (Local Authority).

It was also suggested that further clarity would be required to define the term ‘functional economic regions’ in light of the fact that different types of ‘regions’ already exist in the form of City Deal areas, Regional Partnership Structures and other partnerships such as the Valleys Taskforce. Some parts of Wales, it was argued, were already embedded into regional (and often cross-border regional)

economies and labour markets which need to be considered. A final point raised in relation to this principle (by one on-line response and by workshop participants) was a call for cross-border issues to be taken into account when building functional economic regions.

3.5 Principle 4 – A greater role for inclusive regional partnerships in planning and decision-making

Some 73 per cent of those responding to the on-line survey (61 respondents) agreed and a tenth (8 respondents or 10 per cent) disagreed with the principle of inclusive regional partnerships playing a greater role in planning and decision-making, facilitated by an associated alignment of resources.

Table 3.4: Agreement with Principle 4 – A greater role for inclusive regional partnerships in planning and decision-making, facilitated by an associated alignment of resources

	Number	Proportion
Strongly agree	31	37%
Agree	30	36%
Neither agree nor disagree	10	12%
Disagree	5	6%
Strongly disagree	3	3%
No answer	4	5%
Total	83	100%

Source: On-line survey responses (83 responses)

In all, 27 on-line and 12 formal engagement exercise responses provided further comment on this principle. Some six of the on-line responses re-iterated comments already made in relation to Principles 1 and 3, such as the need for regional partnerships to take cross-border issues into consideration, for them to be adequately defined, for consideration to be given as to whether they would build upon existing or new structures and for them to draw upon a wider membership as opposed to being confined to strategic and statutory organisations. In the same manner, some of the

key messages conveyed by formal engagement exercise responses to Principles 1 and 3 could equally apply to this one.

On-line responses in particular stressed the importance of these regional partnerships being 'inclusive' (five responses highlighted this). These contributors stressed the need for membership to be wider than 'the usual suspects' and to include private sector businesses, third sector and community representation. One such respondent highlighted the importance of enabling individuals and organisations to become members and not only rely on 'those who have the capacity to attend regional meetings'. Another warned against the lack of staff time to attend such partnerships 'at a time when budgets are being cut and staffing cut back to a bare minimum' (online response).

Formal engagement exercise respondents were broadly supportive of the proposal that regional partnerships take on greater responsibility for investment decision making. The feedback provided would suggest a need to define the constitution of these partnerships, as respondents suggested that regional partnerships could evolve and build upon a number of existing partnership structures such as Public Service Boards, Regional Partnership Structures and City/Growth Deals.

Formal engagement exercise respondents generally accepted that regional partnerships, in whatever way they would be eventually defined, could take on a greater role in terms of delegated budgets and additional management resources. Some three such respondents suggested that further consideration should be given to 'governance and capacity' issues prior to actioning this. Some concern was expressed by one respondent that some existing partnerships, such as City/Growth Deals, were still in their infancy and would therefore require further development prior to taking on an increased role as suggested within the policy paper.

3.6 Principle 5 – Greater integration of different policy areas focusing on people and places

Over three-quarters of those responding to the on-line survey (65 respondents or 78 per cent) agreed and a tenth (8 respondents or 10 per cent) disagreed with the principle of greater integration of different policy areas focusing on people and places, bringing together different funding sources and funding models.

Table 3.5: Agreement with Principle 5 – Greater integration of different policy areas focusing on people and places, bringing together different funding sources and funding models

	Number	Proportion
Strongly agree	39	47%
Agree	26	31%
Neither agree nor disagree	10	12%
Disagree	5	6%
Strongly disagree	3	3%
No answer	2	2%
Total	83	100%

Source: On-line survey responses (83 responses)

In total, 19 open-ended on-line responses and eight formal engagement exercise responses directly addressed this principle. All eight formal engagement exercise responses welcomed the inclusion of this principle and there was a common acceptance of moving towards a model which would have ‘one funding source and one funding model’ (on-line survey), although one on-line submission did caution against spending too much time and resources on ‘trying to join things rather than getting things done’. There was also a broad acceptance of the concept of applying a ‘people and places’ approach to investment, with two engagement exercise responses emphasising the importance of this.

One local authority formal engagement exercise response, who considered this principle to be ‘the most important’ principle, called for regional investment funding to be ‘ring-fenced for economic development, and not to be considered to be Welsh Government funding, so that it can be utilised as a

match funding source' (Local Authority). In contrast, perhaps, it was suggested by another on-line respondent that it was timely to consider policy areas not currently covered by Structural Funding policy within this new approach, to include housing, health and social care.

Some four on-line responses offered practical ideas on how this principle could be achieved. It was suggested that a 'pragmatic joining up of funds ... and joining up of policy areas' was long overdue and had in fact been 'long argued for by the third sector'. There was some recognition of the restrictive nature of current EU funding in place and, as such, a new funding regime was thought by one on-line respondent to offer 'a real opportunity ... to work closer together'.

One on-line submission suggested that a more mixed approach to financial instruments was required and drew upon the gradual shift that had taken place via EU funded programmes from grant aid to repayable forms of finance.

3.7 Principle 6 – Strengthening the focus on outcomes

In all, 59 per cent of those responding to the on-line survey (59 respondents) agreed and 14 per cent (12 respondents) disagreed with the principle of strengthening the focus on outcomes, but ensuring they encompass measures around inequality, wellbeing, inclusion and environmental sustainability.

Table 3.6: Agreement with Principle 6 – Strengthening the focus on outcomes, but ensuring they encompass measures around inequality, wellbeing, inclusion and environmental sustainability

	Number	Proportion
Strongly agree	30	36%
Agree	29	35%
Neither agree nor disagree	9	11%
Disagree	6	7%
Strongly disagree	6	7%
No answer	3	4%
Total	83	100%

Source: On-line survey responses (83 responses)

Altogether, 25 open-ended on-line responses and eight formal engagement exercise responses discussed this principle in detail. It was also a theme raised during the workshops. Some seven formal engagement exercise respondents specifically stated that they welcomed the recommendation to strengthen the focus on using outcome indicators, particularly given the view that current EU funded programmes were still overly focused on ‘inputs’ and ‘outputs’. In this sense, it was suggested that this principle offered delivery bodies the opportunity to move away from any ‘tick-box’ culture, which was thought to exist across current EU funded initiatives.

It was suggested by two respondents that any proposed outcomes should be aligned with the goals and indicators set out within the Wellbeing of Future Generations (Wales) Act¹¹ and that this approach had not been adequately considered within the policy paper: it needs to be ‘threaded through everything we do’ (online response). A call was also made by one on-line respondent for future outcomes to reflect the Welsh Language Commissioner’s new Welsh

¹¹ The Wellbeing of Future Generations (Wales) Act aims to improve the social, economic, environmental and cultural well-being of Wales. The Act contains seven overarching goals and 46 national indicators. <https://gov.wales/topics/people-and-communities/people/future-generations-act/?lang=en>

language standards introduced in 2016¹². Workshop participants suggested that a wider selection of measures be identified for future investments to allow initiatives to better report upon their impacts.

Two on-line respondents argued that despite it being a measure for this particular principle, the focus on environmental sustainability was generally very low within the policy paper: ‘there is little mention of environmental sustainability in the paper’. A further formal engagement exercise respondent argued that the outcome measures for environmental sustainability should be furthered, to include ‘low carbon and circular economy approaches’ (Third Sector) where possible.

One third sector formal engagement exercise respondent, as well as workshop participants, requested that soft outcomes be better reflected across this principle arguing that there should also be ‘a focus on soft skills, including improved confidence, social and other life skills’ (Third Sector). There was also a call by the same respondent (as well as one on-line respondent) for consideration of the timing of reporting outcomes to be taken on board by the Welsh Government, given that ‘some target groups need ... a longer intervention to achieve an outcome’ (Third Sector).

One on-line respondent who questioned the approach was keen to issue a word of caution: ‘Care needs to be taken. There is a natural inclination to be able to demonstrate value and impact by measuring outcomes, when not all outcomes are easily measurable but are equally valuable. Outcomes should be about more than jobs and growth and some interventions should be able to define their own outcomes.’

Workshop discussions also suggested the need to ensure that greater consistency be adopted on defining indicators and ensuring that appropriate systems be implemented for the collection of data on an all-Wales basis.

¹² See <https://gov.wales/about/welshlanguagestandards/?lang=en>

3.8 Principle 7 – Strengthening monitoring and evaluation

Just under three-quarters of those responding to the on-line survey (59 respondents or 71 per cent) agreed and 11 per cent (9 respondents) disagreed with the principle of strengthening monitoring and evaluation whilst simplifying evidence requirements and ensuring proportionality.

Table 3.7: Agreement with Principle 7 – Strengthening monitoring and evaluation, but simplifying evidence requirements and ensuring proportionality

	Number	Proportion
Strongly agree	32	39%
Agree	27	33%
Neither agree nor disagree	12	14%
Disagree	5	6%
Strongly disagree	4	5%
No answer	3	4%
Total	83	100%

Source: On-line survey responses (83 responses)

In all, 30 open-ended on-line responses were received and seven formal engagement exercise responses directly addressed this principle. A small number of respondents specifically stated that the focus on ‘proportionality’ within this principle was welcome and indeed, one on-line respondent believed that this should involve moving away from a 100 per cent verification process to a more ‘risk based audit approach’ as the former was considered to be ‘inefficient and adds no value’.

Indeed, current EU eligibility and evidencing requirements were considered to be ‘onerous’ (two on-line respondents) and a shift towards ‘reducing’ and ‘simplifying’ the paperwork associated with delivery was welcomed (at least five respondents). One such on-line respondent observed ‘ESF evidence requirements are overly-engineered so a move away from this over-emphasis on paperwork and reams and reams of guidance is to be welcomed’. Another third sector formal engagement exercise respondent requested that the requirements be made ‘appropriate for the

target group ... keeping the individual at the heart of everything that we do' (Third Sector).

There was a desire across both on-line and formal engagement exercise respondents who commented on this principle to see a move towards the use of digital and electronic evidencing of outcomes (highlighted by four respondents) rather than continue using paper based 'wet copy signatures'. One on-line respondent even suggested moving towards using uploaded images and oral recorded evidence.

One on-line respondent thought it would be important for monitoring systems to be put into place at the outset of any programme to avoid having to modify procedures part-way through delivery, as had been experienced during EU funding programmes.

Furthermore, a call was made by workshop participants (as well as one formal engagement exercise respondent) for the monitoring and evaluation of any project outcomes to be an ongoing exercise beyond the end of the project itself so as to 'measure longer term outcomes after project teams have been disbanded' (Third Sector). Workshop participants went further, arguing that evaluation could be approached on a regional or national level as opposed to a project level as is currently the case.

3.9 Principle 8 – Simplifying rules and criteria

Nearly 82 per cent of those responding to the on-line survey (68 respondents) agreed with the principle of simplifying rules and criteria, whilst ensuring fair treatment and a level playing field for all. Of these, some two-thirds (46 respondents) were in strong agreement with the principle. Only 7 per cent (6 respondents) disagreed.

Table 3.8: Agreement with Principle 8 – Simplifying rules and criteria, whilst ensuring fair treatment and a level playing field for all

	Number	Proportion
Strongly agree	46	55%
Agree	22	27%
Neither agree nor disagree	7	8%
Disagree	1	1%
Strongly disagree	5	6%
No answer	2	3%
Total	83	100%

Source: On-line survey responses (83 responses)

21 open-ended on-line responses were received and nine formal engagement exercise respondents considered this principle. Broadly, the responses were supportive of this principle. Indeed, many of those attending the engagement workshops believed that whilst current rules were onerous and restrictive there was still a need to adopt an appropriate approach to governance and compliance in the future and that this should still be centrally controlled and managed.

At least three on-line respondents specifically noted that they would welcome the simplification of rules and criteria and two further on-line respondents called for these to be established at the outset and not to be changed part way through any delivery period. One on-line respondent thought that some care should be taken so that simplification of rules and criteria would not lead to any reduction in the quality of intervention.

It was suggested by formal engagement exercise respondents that it might be beneficial for the Welsh Government to consider developing a set of operating principles to ensure fair treatment and a level playing field so as not to disadvantage any particular audience such as small social enterprises, private businesses or peripheral geographical areas. Indeed, one formal engagement exercise respondent argued for the need for this approach to be proportional in that it would be

appropriate to introduce ‘an appropriate level of monitoring for the funding for the smaller community groups’ (Local Authority).

Two on-line respondents suggested that the approach could benefit from the seven principles adopted within the LEADER programme, namely around bottom up, partnership, integration, innovation, co-operation, networking and area-based approaches.

3.10 Principle 9 – Taking greater risks to encourage innovation and attract private sector investment

71 per cent of those responding to the on-line survey (59 respondents) agreed and 11 per cent (9 respondents) disagreed with the principle of taking greater risks to encourage innovation and attract private sector investment.

Table 3.9: Agreement with Principle 9 – Taking greater risks to encourage innovation and attract private sector investment

	Number	Proportion
Strongly agree	33	40%
Agree	26	31%
Neither agree nor disagree	13	16%
Disagree	4	5%
Strongly disagree	5	6%
No answer	2	3%
Total	83	100%

Source: On-line survey responses (83 responses)

In total, 27 open-ended on-line responses were submitted and seven formal engagement exercise responses dealt directly with this principle. It was also an issue discussed at workshop events.

One of the key points explored by respondents was around the need to ensure that any risk taking was ‘calculated’ and ‘managed’ (cited by four respondents). One

respondent argued that risk taking should be facilitated within an appropriate governance and due diligence approach to ensure that private sector investment be secured as soon as it is offered. One formal engagement exercise respondent suggested that the notion of ‘proportionality’ was also important in terms of risk-taking i.e. that there would be scope to take greater risks with small-scale funded projects rather than larger ones.

Whilst accepting of the principle, there was some suggestion from on-line responses that the role of the third sector in generating investment (one respondent) as well as the involvement of the general public as potential investors in community projects (one respondent) had been forgotten about within this principle. It was also the case that one respondent thought that the current EU programmes, via repayable financial instruments, were already successful in attracting private sector investment and that this good practice should be built upon e.g. ‘The Wales JEREMIE fund attracted over £200m of private sector leverage from the private sector against a £157.5m fund’ (Private Sector).

The current EU programmes and operations were thought to have already adopted an element of risk via interventions such as the LEADER programme (three respondents) and repayable financial instruments (one respondent).

It was also observed (by one on-line respondent and workshop participants) that it would be challenging for this principle to be realised given the ‘risk averse’ culture of Welsh Government and other organisations. This was thought to have been driven in part by the inflexibility of EU funded targets. Formal engagement exercise respondents emphasised the need for ‘more flexibility’ and a ‘culture change’ when working with the private sector with one such respondent noting that ‘previous programmes have been stifled when such an approach has been advocated’ (Local Authority). The same respondent observed that a ‘failure fund’ would be required if indeed greater risk would be encouraged, as not every funded intervention would work.

Another third sector formal engagement exercise respondent argued that the theme of innovation should not be restricted to investment alone but rather extended to ‘governance, partnership structures, delivery and monitoring and evaluation’ (Third Sector).

3.11 Principle 10 – Promoting cross-border collaboration

The large majority of those responding to the on-line survey (66 respondents or 80 per cent) agreed and only 5 per cent (4 respondents) disagreed with the principle of promoting cross-border collaboration across Wales, the UK, the EU and beyond.

Table 3.10: Agreement with Principle 10 – Promoting cross-border collaboration across Wales, the UK, the EU and beyond

	Number	Proportion
Strongly agree	52	63%
Agree	14	17%
Neither agree nor disagree	10	12%
Disagree	0	0%
Strongly disagree	4	5%
No answer	3	4%
Total	83	100%

Source: On-line survey responses (83 responses)

22 open-ended on-line responses were submitted and some five formal engagement exercise responses specifically dealt with this issue. It was also raised as a theme within the engagement workshops. The nature of responses suggests that all contributors welcomed this principle. Four on-line respondents argued that this principle was ‘essential’ for various reasons including the need for Wales to be a ‘national player’ and to safeguard the planet’s diversity whilst all five formal engagement exercise respondents were supportive of the proposal.

In particular, ensuring that Wales ‘learns’ from other areas and countries was considered very important by four respondents. One such respondent observed that ‘it makes sense to learn from other areas of the UK, the EU and beyond that are

already doing what we would like to do'. Likewise, it was noted that the sharing of good practice with other countries (two respondents) would 'save a lot of time and funding'.

At least two respondents emphasised the importance of building 'relationships', 'partnerships' and 'links' with other countries in order to achieve this principle. Two local authority formal engagement exercise responses specifically referred to the continued involvement of Wales in future European Territorial Cooperation (ETC) programmes.

4. Core priorities and objectives for investment

4.1 Introduction

Formal engagement exercise contributors and workshop participants were asked for their opinions on the national priorities and objectives for investment that should be set by the Welsh Government.

4.2 Areas of investment

Online respondents were asked to rank in priority the twelve Welsh Government Wellbeing Objectives. Table 4.1 shows that of the 76 respondents who answered this question the most important objective was considered to be supporting people and businesses to drive prosperity, followed by the delivery of quality health care services fit for the future. Online respondents' comments (18 in all) mostly suggested that the ranking of these priorities and objectives had been 'difficult' (four responses) given that they are 'all important' or 'equally important' (eight responses) and that the exercise was 'a bit like having to choose your favourite child'.

Table 4.1: Ranking of Welsh Government Wellbeing Objectives

Rank	Score ¹³	Wellbeing Objective
1	612	Support people and businesses to drive prosperity
2	602	Deliver quality health care services fit for the future
3	597	Promote good health and wellbeing for everyone
4	561	Build healthier communities and better environments
5	555	Tackle regional inequality and promote fair work
6	553	Drive sustainable growth and combat climate change
7	535	Support young people to make the most of their potential
8	443	Build ambition and encourage learning for life
9	429	Deliver modern and connected infrastructure
10	384	Equip everyone with the right skills for a changing world
11	376	Build resilient communities, culture, and language
12	281	Promote and protect Wales' place in the world

Source: Online responses (76 respondents)

Some 30 formal engagement exercise responses specifically dealt with this question and the content of these submissions broadly offered some key principles which should be adopted to inform the identification of core priorities, made suggestions on which core objectives should be considered and also highlighted some concerns or gaps. Very few of the responses identified areas of investment, which they thought should not be supported or which they considered to be lower priority for investment.

A wide range of investment areas were suggested by formal engagement exercise respondents and these are illustrated in Figure 4.1. The figure shows that some priority areas such as 'skills', 'business' and 'rural' were cited more frequently than

¹³ The score is a weighted calculation. Items ranked first are valued higher than the following ranks and the score is a sum of all weighted rank counts.

other areas¹⁴ perhaps in contrast to the order of some of the wellbeing objectives (e.g. skills) set out at Table 4.1.

Figure 4.1: Formal engagement exercise respondents’ proposed areas of investment



Source: Formal engagement exercise responses

4.3 Key principles

One key area of discussion related to the level at which funding priorities and objectives would be set. Of those who discussed this issue, formal engagement exercise respondents broadly agreed that the Welsh Government, in partnership with key partners, ought to take a lead on setting national strategic objectives whilst the priorities for investments could be devolved to regional and local levels. Indeed, one such respondent suggested that national strategic objectives should be established via a similar forum to that of the Programme Monitoring Committee so that ‘decisions made were partnership decisions’ (Local Authority). Amongst the views expressed were:

¹⁴ In addition to the most frequently cited priorities identified, an analysis of all key words set out at Table 4.1 was also undertaken.

‘We do not dispute that the Welsh Government should set economic development priorities for Wales, but these should be high level rather than prescriptive’ (Local Authority).

‘Working within broader, high-level objectives set by government – regions are then empowered to establish the priorities and objectives in partnership, identifying the most appropriate mix of investment approaches and delivery models that best suit regional and local circumstance’ (Regional Partnership).

Other issues raised by no more than four formal engagement exercise respondents each were in relation to investment being allocated to:

- ensure the greatest level of return on the investment made for Wales (four responses)
- enable creative solutions to be piloted and delivered (three responses)
- secure as much leverage funding from other sources as possible (two responses)
- consider the extent and scale of the market failure (one response)
- achieve the right balance between investing according to ‘need’ and according to economic ‘opportunities’ (one response).

4.4 Key gaps

In their response to this question a small number of respondents drew attention to three priority areas, which they considered to have been missed from the investment objectives discussed within the policy paper. These were:

- the Foundational Economy¹⁵ (four responses). It was argued that the most deprived areas in Wales are particularly dependent on the Foundational Economy with one respondent arguing that ‘whilst [it] is recognised in the

¹⁵ The Foundational Economy comprises everyday business activities such as retail, care and the food industries

Economic Action Plan, it is conspicuous by its absence in the Regional Investment in Wales after Brexit consultation document' (Higher Education)

- the Circular Economy¹⁶ (two responses) with one arguing 'we think that a core priority for investment should be the integration of environmental, economic and social benefits through the use of a circular economy approach to economic development in Wales' (Third Sector)
- community need (one response). This respondent was concerned about the lack of emphasis upon 'community need, especially in the rural area; and argued that the investment approach also needed to have a 'bottom up' approach 'in order to identify and respond to community need (Local Authority).

¹⁶ The Circular Economy is a regenerative system in which resource input and waste, emission and energy leakage are minimised

5. Roles and responsibilities

5.1 Introduction

This section draws upon the views of formal engagement exercise respondents and workshop participants about the roles and responsibilities that the Welsh Government, regional partnerships and local partnerships should undertake within the new approach to regional investment.

5.2 Welsh Government

A strong view was conveyed by both formal engagement exercise respondents and workshop participants that the Welsh Government's role within the new approach to regional investment should be to set the 'overarching strategy', 'national framework' and/or 'the general direction of travel' for future regional investment.

Formal engagement exercise respondents conveyed different opinions as to whether the Welsh Government should take full responsibility for making investment decisions and monitoring programme delivery (as was currently being undertaken by WEFO for EU funded programmes at present). Two respondents were in favour of this approach and suggested that the Welsh Government should consider itself the 'national broker' with responsibility for overseeing the approval and monitoring of investments:

'Welsh Government should assume the role of the EU commission in terms of oversight, utilising the expertise existing in the Welsh European Funding Office. WEFO should continue the role on behalf of Welsh Ministers of consulting on and putting forward a programme, evaluation of bids for funding, monitoring the programme and evaluating performance' (Private Sector).

Others suggested that the role of the Welsh Government should be restricted to identify funding opportunities at a strategic and large scale/pan-Wales level with responsibility delegated to regional and local partnerships for funding decisions at that level.

Some questions were raised by three respondents as to whether the Welsh Government should be involved in delivery of future regional investment initiatives. These two local authorities and one from the further education sector questioned whether this would result in ‘conflict’ and advised that its delivery role be restricted only to national projects. One such respondent observed: ‘in terms of the Welsh Government’s role it would be a considerable challenge and potential conflict of interest to be involved on both an oversight level and directly deliver activity’ (Local Authority).

At least two respondents expressed a wish to see greater collaborative working across government departments, as well as a call for a ‘team approach’ in working in partnership on a regional basis.

Furthermore, individual respondents also suggested that the Welsh Government should assume responsibility for putting into place ‘appropriate governance arrangements’ (Trade Union) and capturing and sharing ‘best practice’ (Third Sector).

5.3 Regional partnerships

Formal engagement exercise respondents frequently reported that a number of excellent regional (and local) partnerships existed at present, and that some of these, since they were well-established and working effectively, could undertake a more prominent role within future regional investment approaches. Examples of regional partnerships cited included the North Wales Economic Ambition Board, Growing Mid Wales Partnership, Regional Skills Partnerships, City Deal Regions and Public Service Boards.

However, it was suggested by three respondents that current partnership arrangements needed to be ‘streamlined and rationalised’ in order to provide ‘a more effective structure for collaboration’ for the future (Local Authority) and more ‘appropriate for the use of post-Brexit funding (Local Authority). One respondent highlighted the good practice of Local Enterprise Partnerships (LEPs) in England as a possible model for Wales in this sense.

Local authority and regional partnerships called upon the Welsh Government to consider delegating greater responsibility for the ‘risk and accountability’ associated with regional investment to regional partnerships. For instance:

‘Regional partnerships should be given ownership to deliver regional and local investments. The regions have a proven track record of delivery and would welcome regional indicative allocations to deliver agreed outcomes’ (Local Authority).

One regional partnership suggested that regional partnerships enter into a ‘regional economic contract’ (Regional Partnership) with the Welsh Government to become more accountable for the outcomes being achieved as a result of their funding decisions.

A small number of respondents (two who directly responded to this question) thought it important that regional partnerships be awarded some resource to establish the ‘capacity’ required ‘to facilitate the development of joint planning and delivery arrangements at the most appropriate level’. In one case, a respondent from the higher education sector suggested that it would be ‘possible to make a case for regional development executive agencies’ (Higher Education).

5.4 Local Partnerships

Local Authorities in particular made a strong case for the continued need for local partnerships to maintain a ‘voice’ arguing that ‘bottom-up approaches’ which met the direct needs of communities and local businesses was still a requirement to be incorporated into the new regional investment approach.

The bottom-up approach adopted by the LEADER programme for example was cited as good practice on several occasions by formal engagement exercise respondents and workshop participants. One such respondent reported ‘we can draw on this positive experience in moving forward’ (Welsh Government). Another argued:

‘The LEADER approach is an example of good practice in local partnerships and community led investments that should not be lost going forward’ (Local Government).

Furthermore, it was argued by another respondent that one important strength of the LEADER programme’s approach was to ‘trial innovative concepts/proposals’ (Regional Partnership) prior to successful ones being mainstreamed.

6. Ensuring the right mix

This section draws upon the views of formal engagement exercise respondents and workshop participants who were asked for their ideas on how to ensure the right mix of national, regional and local level investments.

It was argued that an appropriate mix of investments should be informed in the first instance by Welsh Government policy, particularly the Economic Action Plan (EAP) and the Wellbeing of Future Generations (Wales) Act. One such respondent argued that this strategy should form ‘the foundation’ from which future regional investment should be based upon (Private sector). This notion was developed further by another respondent who argued that:

‘we see this process as building on the co-production of a regional business plan with Welsh Government, outlined in the EAP and developing these further into an integrated regional economic plan delivered regionally ‘owned and delivered’ through legal arrangements’ (Regional Partnership).

A strong argument was also made by formal engagement exercise respondents that there was a need to achieve an appropriate balance of investment between national, regional and local level investments. This, it was argued, should be achieved but without the current inflexibility and confinement of the ‘artificial divide’ set in place by EU funding programmes and within a framework whereby ‘structure should not impede delivery’. Avoiding ‘duplication’ between the three tiers of activity or keeping it to a minimum was also a common argument made by respondents.

One idea suggested by formal engagement exercise respondents was to allocate funding for each of these ‘tiers’ of intervention. Local authorities in particular called for the Welsh Government to provide ‘a sizeable and significant level of funding ... to local authorities’. Similarly, local authorities and regional partnerships called for regional level investment allocations:

‘We would welcome the opportunity of regional indicative allocations with agreed outputs and outcomes. This would allow the regions to maximise regional investment and meet the evidence based needs and challenges of the region. It would also give the regions the opportunity to add value to regional investment through private sector leverage, and matching other financial mechanisms’ (Local Authority).

Formal engagement exercise respondents acknowledged that some interventions (such as road and rail) would be best delivered at a national level, suggesting that it would be worthwhile identifying the remit of intervention to be funded at each of the three levels. For instance, one such respondent noted:

‘There will be some strategic level programmes and interventions which are best implemented on a national basis across Wales e.g. business support initiatives’ (Regional Partnership).

Several respondents identified lessons from experience of what had worked well or not as well in different policy areas. They included the following, which were cited by no more than three or four respondents each:

- there was a broad welcoming of the concept outlined in the policy paper of learning from Norway’s ‘development’ or ‘action zones’ to target funding to specific geographical areas
- prioritising investment according to need as measured by Gross Value Added (GVA) but also taking into account other factors such as earnings
- allocating funding according to both ‘need’ as well as ‘opportunities’
- ensuring investment decisions are taken at the lowest level possible to ensure swift turnaround of well targeted provision
- investing in fewer projects that generate meaningful impacts, as was being attempted during the current EU funding round
- building and emulating upon regional partnership structures which work well e.g. it was suggested that infrastructure planning partnerships as delivered via Growth Deal were working well whereas others, such as regional skills

planning, did not have the same level of active participation from all levels and sectors

- taking on board lessons relating to consultation exercises, as reflected in this specific example:

‘There are strong lessons to be learned about the design and development of pan-Wales programmes in the current 2014-20 period that lacked any consultation or partnership working prior to development. Although regional input was invited to prioritise schemes for Building for the Future, partners were limited in their response to a programme that was not fit for purpose to meet the needs of the schemes in localities. This inevitably has led to a funding-driven rather than needs-driven approach to populate the programme.’ (Regional Partnership).

7. Benefits of current approach to be retained

7.1 Introduction

This section draws upon the views of formal engagement exercise respondents and workshop participants who were asked for their views on the benefits that the Welsh Government proposes to retain post EU funding.

There was broad agreement that the benefits outlined in the policy paper should be retained. The following benefits were considered particularly important by between three and nine respondents each:

- partnership approach – there was a strong desire to see this maintained in any future approach (some nine respondents referenced this at question six of the formal engagement exercise and workshop participants also emphasised the importance of partnership working). Indeed, partnership working was thought to have been beneficial in many ways including in the rural sector: ‘partnership working has shown particular reward within the Rural Development Plan where it has helped improve the competitiveness of the rural sectors’ (Membership Organisation)
- multi-annual programming – this principle was widely welcomed and undisputed by formal engagement exercise respondents (six respondents referenced this at either question six or seven of the exercise) and workshop participants. It was thought that this long-term approach to funding had provided ‘stability and confidence’ to organisations (Higher Education) and had helped them ‘ensure an element of resource planning both in terms of retaining expertise and match funding’ (Regional Partnership)
- monitoring and evaluation – there was a broad consensus that a focus on monitoring and evaluation should be retained (some five respondents commented upon this at question six) although there was some suggestion that there was scope to simplify and streamline the approach taken
- good governance – three formal engagement exercise respondents identified the approach to governance as one benefit which should be retained in the

future although one respondent called for a more ‘risk based audit approach’ to be adopted (Private Sector).

Other benefits that should be retained were identified by fewer formal engagement exercise respondents (no more than one or two each). They were:

- additionality – to ensure the investment funding would be additional and would not be used to ‘substitute for other existing funding’ (Local Authority)
- concentration – so as to focus investment resources on key areas of need
- to ensure the investment levered private sector match funding
- ring-fencing funding for specific issues or themes such as tackling poverty, social exclusion, third sector provision, rural areas and fishing communities. This was thought to have been particularly effective for third sector organisations whose initiatives would have been otherwise excluded as part of the strategic frameworks approach ‘due to their size, duration and low value’ (Third Sector)
- the retention of effective principles developed within the LEADER programme. As one such respondent argued ‘to lose this method of working and effectively have to start from scratch would be detrimental to the people and organisations our work is focused on and why we strive at all’ (Local Authority)
- to retain the use of advance payments to third sector organisations, as opposed to payment in arrears
- effective and positive relationships between WEFO and delivery partners
- to maintain the principle of having a Programme Monitoring Committee in place (but possibly with the use of sub-monitoring committees for different funding streams in light of the fact that the PMC has ‘insufficient time’ to monitor and scrutinise all programmes (Membership Organisation)
- to explore using European Investment Bank (EIB): one respondent noted that they ‘look[ed] forward to see an innovative and enthusiastic relationship deepen between Wales and the EIB’ (Local Authority).

Other benefits of current EU programme delivery, possibly not covered by the policy paper to the extent that respondents would have wished for, were suggested as ones

that should be retained. The following themes were suggested by no more than one or two respondents each:

- ensuring an appropriate balance between capital and revenue investment which were ‘mutually beneficial’ (Regional Partnership)
- cross-cutting themes which ‘should be incorporated into any proposed successor fund and any initiatives it subsequently funds’ (Third Sector)
- ring fencing technical assistance – this was thought to be of particular importance to third sector organisations, for instance: ‘the assistance provided by, for example, WCVA’s Third Sector European Team, helps to ensure organisations achieve their performance targets and comply with the applicable criteria’ (Third Sector)
- the use of flat-rate simplified costs which allow providers to recover overhead costs efficiently
- the continued use of strategic frameworks as well as ‘bottom-up’ approaches, as taken by the LEADER programme, to ensure fewer, strategic projects but also smaller community level intervention which would address community and local needs. One such respondent argued that:

‘The LEADER approach empowers local communities and this approach can be applied to a ‘community’ of young people whose ‘local strategy’ requires the provision of soft skills. This would not be at the expense of regionally appropriate, larger scale investment through, e.g. NWEAB¹⁷, but it would complement and add value, minimising the bottleneck between confidence, social skills, opportunity and ambition’ (Third Sector).

A specific case for the agricultural sector was set out by one Membership Organisation that represented the sector’s interest. A case was made that: ‘future agricultural funding allocations from the Treasury to the home nations must be made by analogy to the existing EU formula for distributing CAP¹⁸ funds within the UK’ and that the sector ‘welcomed the reaffirmation of the commitment to ring fence such

¹⁷ North Wales Economic Ambition Board

¹⁸ Common Agricultural Policy

funds' (Membership Organisation) by both the First Minister and Cabinet Secretary in October 2017 to this effect.

8. Opportunities to do things differently

This section discusses the views of formal engagement exercise respondents and workshop participants who were asked about the opportunities for doing things differently post Brexit in light of the fact that EU rules have constrained regional investment and added complexity.

There was broad support for the possibility of adopting a single funding stream post Brexit rather than continue with the current model covering two regions and different thematic priorities. Respondents argued that the introduction of a single funding stream would allow for the development and funding of more strategic investments, which would address actual needs as opposed to having to ‘fit’ funding requirements. It was also suggested that this approach would allow for funding to be channelled towards areas of economic opportunity or to build upon economic successes. Those who supported the idea thought that it would bring with it greater ‘flexibility’ (identified by four respondents) in terms of allocating investment, particularly in terms of investing in capital/infrastructure and social/people based investments (and a mix of these) but also in terms of investing grant or repayable funding. One such respondent argued ‘if these elements are separated it removes all flexibility to respond to the changing economic and financial circumstances’ (Private sector,).

It was also thought that this approach would be beneficial in terms of allowing the Welsh Government and other partners to respond to different and emerging priorities over time as well as to award funding based on outcomes rather than activities or outputs. Aligned to this, several respondents expressed their support for a ‘simpler’ and more ‘transparent’ way of working. One respondent illustrated the case with a current skills related project that ‘has to be split into four projects to meet the requirements of the operational programme due to funding boundaries and qualification levels. This just wastes money on management costs and other overheads’ (Further Education).

Four respondents expressed their concern about the creation of a single funding stream although it is worth noting that their comments were less detailed in nature.

One respondent cautioned against the merging of funds arguing that this could be detrimental to social investment priorities, which could leave ‘many frontline providers in an untenable position financially’ (Membership Organisation). Another argued the case for some investment funding to be ‘ring-fenced’ to ensure that areas such as ‘rural areas’ continue to be supported (Local Authority) as well as other areas such as skills and training, research and innovation as well as transport and physical infrastructure. Two respondents were concerned about a possible shift in funding levels from West Wales and the Valleys region to East Wales once EU funded programmes ended adding that it was important to maintain a focus on under-performing regions and ‘reducing the gap’ (Local Authority) between the poorer parts of Wales and the rest of the UK.

Formal engagement exercise respondents as well as workshop participants were largely supportive of the idea to remove current EU driven ‘artificial geographical boundaries’, with the potential to develop a Wales-wide fund. It was suggested by some six formal engagement exercise respondents that this change would ‘better reflect the different needs and circumstances of different parts of Wales’ and better accommodate the needs of functional economic areas. It was frequently suggested that the removal of existing geographical boundaries would result in the eradication of ‘inequities in support between counties’ (FE sector) and the achievement of greater impacts. This following example is perhaps a case in point:

‘the southern half of Cardiff from Ely in the West to Trowbridge in the East – what we call the ‘Southern Arc’ – has a population of over 150,000 people. If it were a stand-alone local authority, it would be the 7th largest in Wales. Yet it qualifies for lower levels of support for employment activities than many better off areas of Wales. This is despite the fact that this area would be – by a considerable margin – the poorest in Wales, with over a third of all LSOAs¹⁹ in Wales’ most deprived areas’ (Local Authority).

There was some discussion (by three respondents) around the need to move towards a ‘more balanced, sustainable model of funding’ which would incorporate

¹⁹ Local Super Output Areas

both grants and repayable finance, although some caution was expressed by one local authority respondent who argued that ‘grants must remain an option for the use of regional policy funding’ as ‘even no cost loans are unattractive to property developers’ (Local Authority).

A number of practical suggestions were also offered by no more than two or three formal engagement exercise respondents on how things could be managed differently. These are summarised below:

- establish appropriate processes to enable a quicker turnaround of funding decisions: it was not uncommon for respondents to observe that some national level applications had taken ‘upwards of 18 months to approve’ during the current EU funding programme
- consider receiving organisational level information from any funding applicant once (or at least on an annual basis) so as to reduce the burden on submitting organisations
- establish time limits for awarding funded project extensions (at weeks rather than months) so as to preserve staff roles and institutional memory
- maintain consistent operating rules throughout the programme delivery period, as opposed to ongoing modifications
- allow a greater degree of flexibility within future budgets, particularly in relation to the use of underspend. For instance, one such respondent argued: ‘Managing bodies should not be penalised for delivering under budget (within certain criteria) and unused monies should then be promptly re-allocated to the benefit of the region, which gives us an added element to help respond to economic change.’ (Private Sector)
- plan for a pre-development period for any funded project: one such respondent argued ‘for a five-year programme, include a six-month pre-operational non-target based period’
- consider more ‘innovative public procurement methods and more localised supply chains’ (Local Authority) which have not been possible within the confinements of EU procurement rules

- consider the approach adopted via the Port Development Fund whereby a set of common outcomes are agreed across a portfolio of funded projects
- reduce the administrative barriers and burdens to project providers by adopting risk-based auditing and performance-based auditing approaches
- adopt flexible payment models so as to ensure that no organisation, particularly from the third sector, be excluded from delivery. Third sector organisation suggested the retention of the 'advance payments' model adopted within the current EU Structural Funds programme
- revise the existing state aid rules with the objective of minimising or removing the barriers currently in place for third sector organisations. One respondent argued: 'we would advocate a state aid approach that takes into account the governance of an organisation; where those with not for profit governance arrangements are treated more favourably than private sector organisations (Third Sector).

9. New or innovative ideas

This section presents the key ideas put forward by formal engagement exercise respondents on how a new or innovative approach to regional investment could be adopted. It is not our intention to re-iterate the ideas or views already discussed earlier within this summary report.

There was a real appetite amongst formal engagement exercise respondents to see a future approach that has simplification (nine respondents) and flexibility (seven respondents) at its heart and which removes any unnecessary bureaucracy and requirements set out as condition of EU funding. Two respondents aired some caution however about the possibility of introducing a completely new or innovative approach to regional investment, voicing instead a preference for ‘incremental improvement over time for fear of wasting resources on ‘untried methods that may not work in practice’ (Local Authority).

Some eleven respondents suggested approaches for the Welsh Government to consider on how an appropriate attitude for risk could be promoted, although each suggestion was made by no more than two to three respondents. These included:

- ring fencing a limited amount of funding specifically to invest in higher risk provision
- allowing for a small number of high risk, innovative projects to be funded as part of a wider portfolio of less risky investments
- making available development funding provision to allow potential project deliverers/sponsors to adequately scope higher-risk projects
- developing formal, contractual agreements with regional partnerships thereby making them accountable for funding decisions and the risks associated with intervention
- learning from the experiences of how City Region partnerships are managing risks and accessing private sector investment
- instilling a more open approach to risk, reward and failure within any programme guidance and documentation. In particular, developing an

‘appetite to learn from negative outcomes’ by requesting feedback from project providers ‘on what did not work, as well as what did’ (Higher Education).

10. EU programmes which should be retained

This section presents the views of formal engagement exercise respondents (34 in all) and workshop participants who responded and discussed which EU programmes Wales should seek to retain.

Generally, there was a strong desire to see Wales maintain its access to some key EU programmes post Brexit, with a suggestion from one HE respondent that this could be achieved ‘along the lines of [the approach taken by] Norway and Switzerland’ (HE Sector). For instance, one such respondent argued that ‘Wales must retain access to existing EU funding programmes as far as possible and where this cannot be done, replacement funding must be delivered’ (FE Sector). At least two respondents expressed their caution for this approach, arguing that the Welsh Government should take into consideration the possible return on investment on any costs associated with Wales’ ongoing involvement with such programmes. For instance: ‘A response to this question needs to be developed alongside the likely costs of participation in the various EU programmes and networks’ (Regional Partnership).

Formal engagement exercise respondents expressed a very strong view that continued access to two EU educational programmes should be maintained. Respondents from FE and HE sectors were particularly vocal about the continuation of these programmes but other sectors were also supportive, as illustrated below:

‘We would support the UK remaining in educational programmes such as Horizon and Erasmus and in the other programmes mentioned. Should the UK fail to do so, we would encourage Welsh Government to explore whether it could participate in such programmes in its own right, provided that the return was commensurate with the costs incurred’ (Membership Organisation).

In the case of **Erasmus+**, 23 formal engagement exercise respondents argued for its continuation with contributors expressing views such as: ‘Wales must retain access to Erasmus+, in terms of Further Education as well as Higher Education’ (FE Sector).

Should Wales be unable to secure access then it was suggested that ‘a Wales-only scheme which replicates the same benefits must be explored’ (FE Sector).

In all, 17 formal engagement exercise respondents argued for Wales to ensure continued access to the **Horizon 2020** and its successor programme (Horizon Europe discussed by the Framework Programme Working Group FP9 Network) not least as this successor programme (with a €97.9 billion budget) would be the largest ever research and innovation funding programme within the next EU financial framework of provision. One such respondent observed that:

‘Horizon 2020 is essential to maintain the country’s competitiveness by facilitating research and innovation in universities that will eventually find practical commercial application. It will also help us find technological solutions to pressing problems such as climate change and population ageing. However merely having access to the programme as a third country will not allow Wales to lead on Horizon 2020 and so it is a second-best situation compared to the present’ (Local Authority).

Other EU programmes were also considered important, but were cited by fewer formal engagement exercise respondents. For instance, nine respondents argued for the continued engagement within **Creative Europe** whilst the same number argued for Wales’ continued participation in European Territorial Cooperation (ETC) programmes such as **Interreg**. Workshop participants identified the Interreg programme as a successful intervention that should be maintained, particularly as it was considered to be less bureaucratic than other EU funded programmes.

In the case of the Interreg programme, nine formal engagement exercise respondents argued the case for continued participation within the Interreg Wales-Ireland programme whilst three made the case for the Interreg Atlantic Area programme. Losing this programme was feared to result in ‘a loss of policy networks, policy transfer, sharing of best practice and learning from our European partners, from which we have benefited hugely’ (Local Authority). Another respondent argued that ‘continued links and partnership working through programmes such as the INTERREG Ireland-Wales programme will be vital to maintain networks and

transnational co-operation if Wales is to maintain its outward facing ambitions in a post-Brexit future' (Regional Partnership).

Fewer formal engagement exercise respondents mentioned the need for Wales to retain access to other initiatives:

- six called for the continuation of the **LIFE** programme
- five called for continued access to the **LEADER** programme and workshop participants also emphasised the importance of maintaining this programme given its local and grass-roots approach
- two respondents (one private sector and one local authority) called for continued access and for the UK to remain a partner with the **European Investment Bank**
- one local authority respondent called for continued access to the **Daphne** programme.

11. Engaging in the development of a future regional investment model

This section presents the views of formal engagement exercise respondents on how they would like to be engaged or involved in the development and delivery of a future regional investment model for Wales (28 offered a view on this question).

All respondents were positive about wanting to be ‘engaged’ (ten respondents) or ‘involved’ (five respondents) in the process of developing a future regional investment model. It was not uncommon to hear:

‘We would wish to be engaged in the development of future regional investment model for Wales and be involved in the co-design process including influencing the vision and priorities for investment’ (Local Authority).

This engagement process was considered to be one which needed to be ‘open and transparent’ (Membership Organisation) with fair and equitable representation from all sectors on any groups or partnerships, including local authorities, higher and further education, third sector, private sector and community-based groups.

It was suggested by a few of those who responded that there may be scope to accommodate the engagement of organisations and stakeholders via a three-tiered approach, focusing upon:

- national level policies and priorities: It was suggested that this could be undertaken via a ‘structured group that would ensure effective representation at national level’, (Public Sector) similar to the concept and model adopted for the current Programme Monitoring Committee
- regional level policies and priorities: (discussed by at least six respondents) who suggested that regional fora should act as the conduit for identifying and co-designing priorities at a regional level, possibly with the use of ‘regional sub-groups’

- local level policies and priorities partnerships: with these groups contributing local knowledge into regional level strategies.

In addition, a number of other suggestions were offered by individual respondents on how they wished to be engaged in the development of a future regional investment model, including:

- the opportunity to input into future consultation exercises such as being able to respond to a consultation exercise on any regional investment draft plans. In this respect a call was made by one respondent (Public Sector) for any consultation document to be made available on the Welsh Government's consultation page, as opposed to WEFO's web pages
- arranging or contributing to sector specific events
- attending and contributing to local events or workshops
- accessing information via webinars, newsletters or other updates
- being invited to contribute to any specific task and finish groups.

At least two respondents argued that it was important for the Welsh Government to consider how organisations would be able to resource this type of future contribution and called for 'sufficient resources to be [made available to allow them] to capitalise on this engagement to the full' (Higher Education).

One Higher Education respondent offered a unique perspective on a possible mechanism for co-designing a regional investment model in the future, and argued the case for 'a properly resourced 'observatory' to research and develop actions, under the ultimate direction of the WG. This could be in addition to regional development agencies, which would be focussed on delivery, but the observatory would support their research, consultative, and capacity building functions' (Higher Education).

In terms of engaging the third sector and communities more generally, a few ideas and arguments were put forward (mainly one or two third sector respondents). These included:

- using ‘existing structures such as Third Sector Partnership Council, the Faith Communities Forum, the Wales Race Forum and Public Service Boards in the consultation process, as well as seeking wider engagement with local authorities and town and community councils, and directly with local communities’ (Membership Organisation)
- ensuring that third sector organisations were better represented on all regional and local partnership arrangements. For instance, one such contributor argued that whilst the third sector was appropriately represented on the PMC during this funding programme this had ‘not always been replicated at a local or regional level, with the sector often only having token representation ... any successor arrangements should represent true equality across the sectors’ (Third Sector)
- ensuring that potential beneficiaries as well as frontline providers contribute to the consultation process. For instance: ‘the successful fund should be developed following meaningful consultation with potential beneficiaries and those who deliver frontline services to support them, similar to the approach adopted by the Valleys taskforce’ (Third Sector).