1 Updating the regional lens in Wales

This chapter describes how Wales, United Kingdom, adopted a regional lens to help the Welsh Government, local governments and the regional Corporate Joint Committees (CJCs) better assess and address regional development needs. As Wales navigates a turbulent landscape for regional development and public investment, the regional lens promises to help national and local governments do more with less: optimising scarce resources, taking advantage of economies of scale and reducing transaction costs. This chapter uses labour productivity, labour market, environmental and cultural data to illustrate how larger-scale regional insights can guide effective policy and investment, highlighting the importance of evidence-based planning in achieving targeted and impactful public investment and regional development initiatives.

Introduction

Welsh regional development and public investment are in turbulent waters. The consequences of Brexit, large-scale shifts including those arising from the COVID-19 pandemic, geopolitical crises, natural disasters and inflationary and budgetary pressures have all affected Wales, United Kingdom, and its communities. Brexit disrupted the foundations of Welsh regional development and public investment and involved a shift in the governance and sources of public investment for regional development. At the same time, increasingly stretched fiscal conditions at the national and local levels make it harder to drive regional development in Wales. The Welsh Government, local authorities and other regional development actors have had to develop and implement new solutions to continue delivering on objectives despite the turbulence, uncertainty and constraints that have characterised public investment and service provision in Wales in recent years.

In response to these challenges, the Welsh Government has been refining the regional lens it applies to planning, policies and investments. Effectively applying the regional lens, both to and alongside national and local approaches, can help different government sectors and levels allocate their resources with greater impact. On the one hand, considering the regional perspective in policy making helps the Welsh Government understand and consider regional and local needs, priorities and capacities as part of national planning, policy and investment. On the other, it can help local authorities meet regional and local demands, including seeking advantages from regional co-operation. To deliver on the promise of the regional lens, however, actors will need a clear-sighted and evidence-based assessment of needs, opportunities and priorities.

This chapter explores the governance and funding challenges facing regional development in Wales today and considers how the Welsh Government is applying a regional lens as it moves to overcome these challenges. It looks at the value of a regional perspective, presenting regional labour productivity, labour market, environmental and cultural indicators to show how they might provide actionable insights for effective regional-level planning and action. Adopting a regional lens is just the first step. To deliver on the promise of the regional lens, regional data and analysis must translate into co-ordinated actions at all levels: i) among Welsh Government departments; ii) between local authorities through the Corporate Joint Committees (CJCs); and iii) among the Welsh Government, local authorities and the CJCs. The chapters that follow highlight the opportunities for all levels of government in Wales, as well as the CJCs and other stakeholders, to hone this lens and embed its use in regional development planning and delivery.

A note on this report

In 2020, the OECD published the report *The Future of Regional Development and Public Investment in Wales, United Kingdom*, summarising the OECD-Welsh Government project that aimed to enhance regional development efforts and governance in Wales post-Brexit. Among its recommendations, the 2020 report stressed that the Welsh Government's ability to co-ordinate regional development policy and associated public investment is a determining factor in meeting growth and well-being objectives. It recommended that the Welsh Government strive for a more coherent and co-ordinated approach to regional development policy design and delivery (Box 1.1) (OECD, 2020[1]).

Following the 2020 report, the Welsh Government asked the OECD for assistance in implementing specific recommendations. This request became the impetus behind the *Regional Governance and Public Investment in Wales, United Kingdom: Moving Forward Together* project that is summarised in this report. The report brings together insights gathered during different project activities (presented in Annex A). Together, these insights show how the Welsh Government, local authorities and other actors have already begun to make progress towards more coherent and co-ordinated approaches to driving regional development and where additional effort is required.

Box 1.1. Key findings and recommendations from the 2020 OECD report

The 2020 OECD report, *The Future of Regional Development and Public Investment in Wales, United Kingdom,* provided recommendations to the Welsh Government focused on reinforcing its governance practices for more resilient regional development and public investment. It made a case for Wales to introduce an integrated regional development policy on the national level to help align priorities, optimise limited resources and promote a cohesive and coherent approach to regional development by regional and local bodies. It also suggested that Wales diversify its policy co-ordination and implementation mechanisms in order to increase policy effectiveness and build and generate trust-based partnerships. Key recommendations to enhance Welsh governance for regional development and public investment included:

- Reinforcing the strategic role of the Welsh Government in regional development and public investment, focusing less on implementation and more on setting objectives and co-ordinating policy, measuring performance and guiding local authorities in meeting their policy and service responsibilities.
- Adopting a national framework to guide public investment for regional development that could support integrated investment and take advantage of solid investment management experience while building greater clarity and simplicity in investment processes.
- Reinforcing the devolution of regional development and public investment responsibilities through greater trust, more collaborative governance, asymmetric devolution, formal partnership arrangements and a learning-by-doing approach.
- Boosting local-level policy and investment implementation capacity by introducing tools that help local authorities and other local actors meet the demands of regional development policy and navigate public investment opportunities. Examples of such tools included monitoring and evaluation systems for regional plans and a stakeholder engagement strategy for the Welsh Government.

Source: OECD (2020[1]), *The Future of Regional Development and Public Investment in Wales, United Kingdom*, https://doi.org/10.1787/e6f5201d-en.

Overcoming challenges to regional development in Wales

Governance and funding constraints threaten Wales' regional development and public investment capacities. Brexit and the eventual loss of European Union (EU) funding and regional development powers introduced a fundamental shift in Wales' governance and public investment mechanisms supporting regional development. To navigate this shift, the Welsh Government advanced a regional lens to help both levels of government plan and direct resources based on the unique needs and opportunities in different territories, and support local government co-operation to do so. This section examines these governance and investment challenges and presents the actions taken by the Welsh Government to address them.

With Brexit, Wales sought a new model to drive regional development

Brexit led to a significant and fundamental shift in the governance arrangements supporting regional development in Wales. From 2000 until 2024, the Welsh Government's Welsh European Funding Office (WEFO) was responsible for the management of the European Regional Development Fund (ERDF) and European Social Fund (ESF), including promoting their use, selecting projects and monitoring and evaluating outcomes and impact. Given its role and responsibility for managing a substantial sum of regional investment (GBP 2.1 billion during the 2014-20 ERDF and ESF programming period, driving a total investment of GBP 3.2 billion (Welsh Government, forthcoming[2])), WEFO was able to help advance national and subnational development and sector policy objectives through investments at the regional and local levels. It provided a *de facto* source of governance for regional development, serving as a cross-sector and multi-level co-ordinating body. It also maintained relationships with non-government regional development beneficiaries and stakeholders, including the private and third sectors, and academia. The administrative closing down of WEFO marks the end of this set of governance arrangements.

Following the 2016 Brexit vote, the Welsh Government acted to soften the blow that exiting from the European Union could represent to its territorial development and investment capacities. It set out to develop governance mechanisms and tools that would provide continuity for regional development and the regional-level allocation of investment funding. It introduced the four economic regions – North, Mid, South West and South East Wales – to develop Regional Economic Frameworks that would help guide regional, place-based economic development interventions in the future (Welsh Government, 2021[3]). It also finalised the national *Framework for Regional Investment in Wales.* The framework was developed as the replacement model for EU funds. It identified four main axes for public investment to advance development: i) more productive and competitive businesses; ii) reducing factors leading to economic inequality; iii) supporting the transition to a net-zero economy; and iv) healthier, fairer, more sustainable communities (Welsh Government, 2020[4]); a mix of national, regional and local delivery approaches would contribute to implementation. Further movement on applying the regional lens came in the form of the new national spatial plan *Future Wales: The National Plan 2040* (2021[5]), with programmes in the economic regions. Wales has also sought other opportunities to promote economic development, like the Freeport programme in collaboration with the United Kingdom (UK) Government, aiming to establish freeports as national hubs for global trade and investment and, along the way, create jobs and promote innovation (Welsh Government, 2023[6]).

To support and operationalise the framework and spatial plan, the Welsh Government passed legislation establishing regional-level structures in the four economic regions for regional planning and investment (CJCs). The CJCs (discussed in Chapter 3) promised to represent a "more coherent, consistent, simplified and democratically controlled mechanism" for regional working and to encourage local authorities to "tackle local issues on a regional basis" (Senedd Research, 2022[7]). Together, the reforms were intended as tools to transition from EU funds.

Furthermore, the Welsh Government set up a Regional Investment Steering Group to contribute to developing the framework. The steering group, renamed the Strategic Forum for Regional Investment, as of 2021, gathers government and non-government stakeholders at all levels regularly to work together to maximise the impact of regional investment. Chaired by a member of the Senedd (Welsh Parliament), members of the forum include leaders of the four regional partnerships (Cardiff Capital Region City Deal, North Wales Economic Ambition Board, Growing Mid Wales partnership, South West Wales partnership) as well as senior representatives from the Welsh Local Government Association, the Higher Education Funding Council for Wales, Universities Wales, Wales Trades Union Council Cymru, the Wales Rural Network, the Federation of Small Businesses, the Development Bank of Wales and the Wales Council for Voluntary Action, among others (Welsh Government, 2021[8]).

There are constraints to applying the new model fully

The Welsh Government and local authorities face constrained financial conditions for operations and investment. The Welsh Government budget is under significant pressure due to the impact of inflation. According to Welsh Government calculations, its settlement[1] in 2024-25 will be up to GBP 1.2 billion less in real terms than expected at the time of the 2021 UK spending review (Welsh Government, 2023[9]; forthcoming[2]). Furthermore, Wales had the lowest level of public investment spending per capita –

GBP 1 244 – among the United Kingdom's nations (UK Parliament, 2024[10]). It has had to make hard decisions to respond to an increasingly constrained fiscal and financial environment, including a "radical redesign [of] our spending plans" to protect the most important public services in the most recent budget (Welsh Government, 2023[9]). Welsh local authorities are also under financial strain. Welsh Government allocations to the 2024-25 local authority budgets increased by 3.3% to protect the provision of core services (i.e. schools, social services, social care, etc.). Yet, despite the increases, other factors – inflation, increased costs and cuts in the Welsh Government settlement in other areas of the budget – have prompted experts to warn of a funding gap for Welsh local authorities of nearly GBP 750 million by 2027 (Deans, Williams and Palmer, 2023[11]; Senedd Research, 2023[12]; Browne, 2023[13]). This gap has left some local authorities struggling to provide public services to meet local needs; ultimately, it could negatively affect regional and local development due to insufficient funding and financing capacity.

Even as inflation strains national and local budgets, Wales lost significant investment funding for regional development from the European Union as a result of Brexit. In the 2014-20 EU programming period, the Welsh Government invested around GBP 4 billion, a total comprising both EU and national co-financing (GBP 3.2 billion from ERDF and ESF programmes and GBP 846 million in rural development through the European Agriculture Fund for Regional Development (European Commission, 2024[14]; Welsh Government, 2023[15]; Business Wales, n.d.[16])). Based on need, Wales was the largest recipient of ERDF and ESF in the United Kingdom per capita (OECD, 2020[1]).

The UK Government's response to the loss of EU funds for regional development was the Shared Prosperity Fund (SPF) (Box 1.2), launched in April 2022 and continuing until March 2025. The SPF followed the passage of the UK Internal Market Act 2020, which empowered UK ministers to provide financial assistance throughout the United Kingdom for certain activities, including in devolved policy areas (Institute for Government, 2021[17]). From its introduction, it was clear that the SPF would not fully replace EU funds. While the UK Government committed that Wales would be "not a penny" worse off after Brexit, it remains uncertain whether it has fully honoured its promise: for example, the Welsh Government and some academics have pointed to a potential shortfall of GBP 1.1 billion compared to EU funding (Welsh Government, 2022[18]; Senedd Research, 2023[19]), which the Welsh Government claims has now increased to nearly GBP 1.3 billion due to inflation, on top of the financial pressures on the 2024-25 Welsh settlement (Welsh Government, forthcoming[2]). Furthermore, with new UK Government financial powers in devolved nations granted by the United Kingdom Internal Market Act 2020 (UK Government, 2020[20]), the SPF distribution mechanism limits the Welsh Government's role in steering and co-ordinating regional development funds. While the Welsh Government managed and delivered EU funds, the UK Government directly delivers the SPF through local authorities with the rationale of empowering local-level decision making (Bachtler and Downes, 2023[21]). This has effectively limited the Welsh Government's role in setting strategy and managing public investment for regional development, weakening its ability to influence and then support regional and cross-border projects (between Wales and England [United Kingdom], Ireland as well as with other EU regions) (Senedd Wales, 2023[22]).

SPF expenditure must cease by 31 March 2025, in line with UK Government timelines, meaning project activities will need to be completed before this date. With no immediate promise of a replacement from the UK Government beyond March 2025, this leaves the Welsh Government and Wales' local authorities to question access to public investment funds for regional and local development in the future. The next UK general election, which must be scheduled no later than January 2025, will have implications for the future of regional development policy and funding in Wales. However, the exact impact remains unclear at the time of this report.

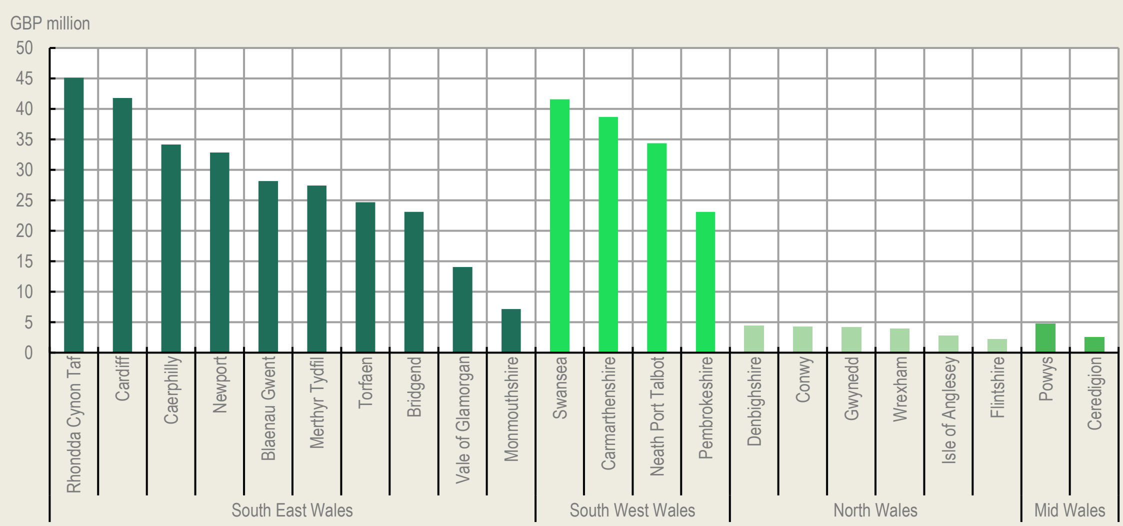
In the face of a constrained and uncertain fiscal environment and the changing nature of UK funding for regional development following the UK Internal Market Act 2020, the Welsh Government is steadily pursuing a regional lens to help it do more with what it has. For example, planning on the regional level can help create a shared direction of travel that aligns limited resources towards the areas of greatest impact. Acting on the regional scale, then, can allow actors to take advantage of economies of scale, optimise scarce human resources and reduce transaction costs: for example, three separate but similar economic development interventions in three different local authorities could perhaps be managed more efficiently within one intervention covering all three.

Box 1.2. The UK Government's Shared Prosperity Fund

In April 2022, the UK Government set up the SPF as a core pillar of its Levelling-up Agenda, totalling GBP 2.6 billion of funds for distribution over 3 years (April 2022 to March 2025); GBP 585 million is allocated to Wales, which includes GBP 484 million for core SPF and a further GBP 101 million for Multiply, a UK-wide initiative to improve adult numeracy skills through free personal tutoring, digital training and flexible courses.

The funding allocation methodology, which is based on population and development needs of local authorities, has created a somewhat lopsided picture at the regional level (Figure 1.1). Wales' most developed and populated region – the South East – receives most of the SPF funding.

Figure 1.1. UK SPF allocation by Welsh local authority in each CJC region



Note: Data include both SPF core funding and funding from the Multiply programme.
Source: UK Government (2022[23]), *Guidance UKSPF Allocations*, https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/ukspf-allocations.

The SPF is directly distributed to local authorities. Although Wales' local authorities within the City and Growth Deal regions (geographically equivalent to economic regions) need to jointly submit a regional investment plan to the UK Government to unlock the funds, there is no mandatory mechanism or incentive to ensure that the funds will be used to pursue regional-level interests or invest in regional-level projects. In addition, timescales for spending local-level disbursements are tight. Within the spending window, local authorities face pressures to deliver while managing external risks like inflation and skills shortages. In addition, some local authorities have limited capacity and capability to execute projects (National Audit Office, 2023, p. 30[24]). These limitations restrict the potential for local authorities to use the SPF to pursue strategic projects and regional collaboration.

The UK Government indicated that a "lead local authority" for the region will receive the region's allocation and has overall accountability for the funding and how the fund operates. In practice, local authorities in each region have adopted different approaches with respect to using the funds. South East Wales appears to have the most institutionalised mechanism for regional investment, using the Cardiff Capital Region (CCR) City Deal (and its Regional Cabinet) as the lead body deploying the SPF, including approving the regional investment plan. The CCR's SPF investment plan also sets out a regional delivery dimension, with a proposed allocation of GBP 3.3 million for the Clusters and Regional Tourism projects, for example. North Wales focuses on administrative co-ordination, putting together an SPF North Wales team under the Ambition North Wales structure to manage projects seeking to deliver in more than one local authority area. Mid Wales and South West Wales, while mentioning the possibility of supporting regional projects, emphasise that investment will be decided locally. These two regions do not have explicit mechanisms to ensure investment at a regional level, such as the degree to which a project proposal advances regional-scale interests.

Source: UK Government (2022[25]), *Guidance: Multiply in Scotland, Wales and Northern Ireland*, https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/multiply-in-scotland-wales-and-northern-ireland. Cardiff Capital Region (2023[26]), *UK Shared Prosperity Fund - Cardiff Capital Region*, https://www.cardiffcapitalregion.wales/wp-content/uploads/2023/02/ukspf-regional-investment-plan.pdf. UK Government (n.d.[27]), *UK Shared Prosperity Fund - Investment Plan for South West Wales*, https://www.carmarthenshire.gov.wales/media/1231295/regional-investment-plan.pdf. Powys (n.d.[28]), *Mid Wales Regional Investment Plan*, https://en.powys.gov.uk/article/13431/Mid-Wales-Regional-Investment-Plan. Ambition North Wales (n.d.[29]), *Shared Prosperity Fund: North Wales*, https://ambitionnorth.wales/opportunities/sharedprosperityfund/. National Audit Office (2023[24]), Levelling Up Funding to Local Government, https://www.nao.org.uk/wp-content/uploads/2023/11/levelling-up-funding-to-local-government.pdf.

Moving the regional lens forward with the four economic regions

The Welsh Government is increasingly centring its regional development and investment model on four economic regions, focusing on support for more balanced development. By doing so, it hopes to better address the governance and financial challenges presented in the previous section. To optimise the perspective that this regional lens can offer, it needs to be supported by cross-sector consideration of regional-level activities (discussed further in Chapter 3) and by well-reasoned, evidence-based analysis of needs and opportunities throughout the territory and at the regional level. To this latter point, the OECD Recommendation of the Council on Regional Development Policy suggests that countries should "improve the availability, accessibility and granularity of subnational indicators on demographic, socio-economic, environmental and financial conditions, and well-being in different territorial scales … to inform regional development policy and produce evidence for decision-making." (OECD, 2023[30]). The Welsh Government and the four economic regions have taken steps to build evidence bases to support their regional-level initiatives, with key statistics for the regions presented in the four Regional Economic Frameworks and *Future Wales: The National Plan 2040.* Yet, Wales still lacks a comprehensive picture of its four economic regions to support decision making. A data dashboard bringing together a wide range of existing local authority data – such as economic performance, education and employment, well-being, infrastructure, public services and more – can provide this type of regional picture.

Actionable regional evidence is crucial to advancing the regional lens

The four economic regions complement Wales' existing statistical regions, providing a more targeted and actionable regional view. Prior to Brexit, two large NUTS 2 regions (East Wales and West Wales and the Valleys) were used for EU fund programming and implementation. Twelve small NUTS 3 (or TL3) regions are also used for other statistical reporting (Table 1.1). Today's four economic regions, established to more precisely target regional development investment post-Brexit, better capture the socio-economic and demographic nuances among territories in Wales, as well as some of their historical ties, cultural affinities and economic interdependencies.[2] Defining regions is, of course, an imperfect exercise: the characteristics and relationships that give regions shape are complex and dynamic. The four economic regions, nevertheless, represent a more useful scale than the existing statistical regions. When anchored to mechanisms for planning and action like the CJCs, the economic regions become tools to define common objectives, make appropriate trade-offs and align action.

Table 1.1. Statistical regions, economic regions and local authorities in Wales

Local authorities (22)	Economic regions (4)	NUTS 3 (or TL3) regions (12)	NUTS 2 regions (2)
Anglesey	North Wales	Isle of Anglesey	West Wales and The Valleys
Conwy		Conwy and Denbighshire	West Wales and The Valleys
Denbighshire			West Wales and The Valleys
Gwynedd		Gwynedd	West Wales and The Valleys
Flintshire		Flintshire and Wrexham	East Wales
Wrexham			East Wales
Powys	Mid Wales	Powys	East Wales
Ceredigion		South West Wales	West Wales and The Valleys
Pembrokeshire	South West Wales		West Wales and The Valleys
Carmarthenshire			West Wales and The Valleys
Swansea		Swansea	West Wales and The Valleys
Neath Port Talbot		Bridgend and Neath Port Talbot	West Wales and The Valleys
Bridgend	South East Wales		West Wales and The Valleys
Merthyr Tydfil		Central Valleys	West Wales and The Valleys
Rhondda Cynon Taf			West Wales and The Valleys
Blaenau Gwent		Gwent Valleys	West Wales and The Valleys
Caerphilly			West Wales and The Valleys
Torfaen			East Wales
Cardiff		Cardiff and Vale of Glamorgan	East Wales
Vale of Glamorgan			East Wales
Monmouthshire		Monmouthshire and Newport	East Wales
Newport			East Wales

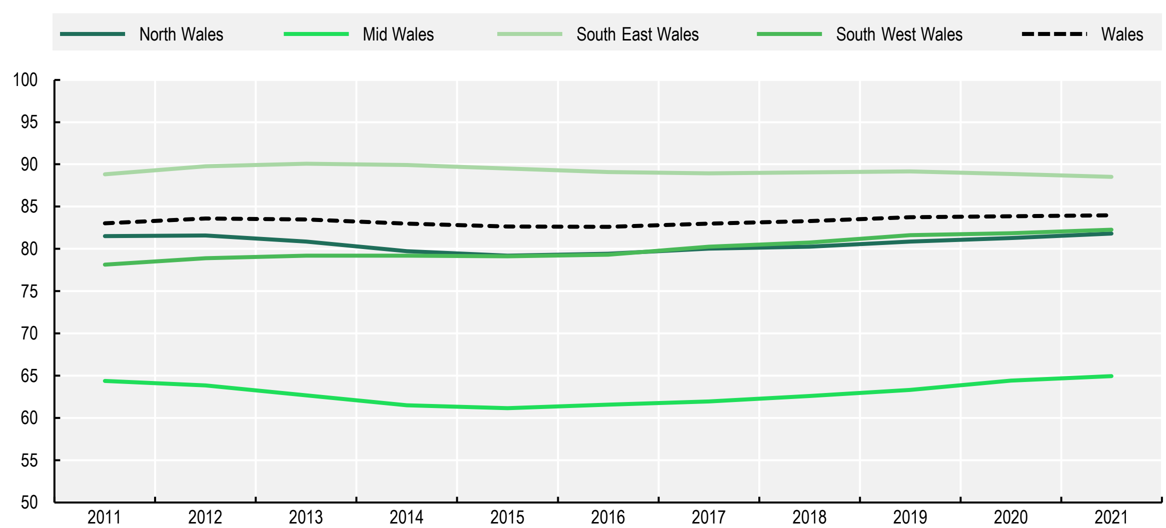
Note: The OECD classifies regions on two territorial levels (TL): TL2 and TL3. This classification for European countries is largely consistent with the Eurostat Nomenclature of Territorial Units for Statistics (NUTS). The United Kingdom, however, is an exception, where TL2 regions correspond to the NUTS 1 regions. In other words, Wales is a TL2 region and a NUTS 1 region. It is further divided into two NUTS 2 regions: East Wales, and West Wales and the Valleys.

While the impetus for the four regions came from the Welsh Government, the regions can also benefit local authorities. The regions show that the Welsh Government recognises that local authorities may be best placed to understand and manage the implementation of plans and services at a smaller level, within the four regions. The potential advantages of regional co-operation for local authorities (Chapter 3) are numerous, from co-ordinated planning that makes resource allocation more efficient to cost savings by pooling back-office functions. These regions allow the Welsh Government to zoom in on regional needs, priorities and capacities and the local authorities to zoom out to think beyond their administrative boundaries, in both instances at a scale where action may be most efficient and effective.

Why should the Welsh Government zoom in to address some of its persistent regional challenges? There are cases when a territorial challenge is more realistically addressed using a territorially specific solution. One example is productivity. The Welsh economy has a sizeable productivity gap (measured in gross value added [GVA] per hour worked) with the UK average that has persisted over time (Figure 1.2) (Office for National Statistics, 2023[31]). Behind this national productivity gap are to-date enduring differences across the four economic regions. Between 2011 and 2021, the productivity level of the South East region (Cardiff Capital Region) has consistently been more than 30% higher than that of the Mid Wales region (Office for National Statistics, 2023[32]). The South West region saw the largest increase of productivity over the years (0.5% average annual growth rate, compared to 0.1% or below in other regions), narrowing the gap between the South West and Welsh average, while Mid Wales' average growth over this period was mild, maintaining its discrepancy with the other regions (Figure 1.2) (Office for National Statistics, 2023[32]). Welsh regions differ in terms of their demographic profiles, infrastructure access and quality, and other factors (Henley, 2021[33]; OECD, 2020[1]). These different profiles and different productivity outcomes suggest that the regions of Wales could benefit from a mix of targeted measures to unlock their growth potential. As highlighted in the OECD's 2020 report, such measures could combine improving transport networks, investing in research and development (R&D) and innovation, and boosting the skills of the Welsh workforce (OECD, 2020, p. 13[1])

Figure 1.2. Gross value-added per hour worked indices, 2011-21

Current price; UK average = 100



Note: Data are smoothed using a weighted five-year moving average.
Source: Office for National Statistics (2023[32]), *Subregional Productivity: Labour Productivity Indices by Economic Enterprise Region*, https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/datasets/subregionalproductivitylabourproductivitygvaperhourworkedandgvaperfilledjobindicesbylocalenterprisepartnership; Office for National Statistics (2023[31]), *Subregional Productivity: Labour Productivity Indices by UK ITL2 and ITL3 Subregions*, https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/datasets/subregionalproductivitylabourproductivitygvaperhourworkedandgvaperfilledjobindicesbyuknuts2andnuts3subregions.

Unemployment and labour market challenges provide another example of regional differences that should inform national-level policy implementation. The economic inactivity rate (excluding students)[3] has dropped slightly in Wales, from 21.4% in 2013 to 20.0% in 2023, but it remains higher than the UK average (17.5% in 2023)[4] (StatsWales, 2024[34]). The Welsh Plan for Employability and Skills outlines many measures to address this gap but regional data suggest that regions need to apply them differently based on their unique contexts to maximise the policy outcomes (Welsh Government, 2022[35]). For example, data show a high share of self-employment in Mid and South West Wales, suggesting that these regions could target policies and activities that support and promote a culture of entrepreneurship and individuals wishing to start their own businesses (StatsWales, 2024[36]). In particular, South West Wales could provide targeted support to women to start businesses since this region has a relatively high female economic inactivity rate (excluding students) (25.2% versus the Wales average of 23.7% in 2023) (StatsWales, 2024[34]). The South East region, while having a similar economic inactivity rate as Mid and South West Wales (all between 20% and 21%), accommodates almost half of Wales' workforce population in 2023 (StatsWales, 2024[34]). The high workforce level in the South East may provide conditions that are conducive to regional co-working and local work hubs, another measure outlined in the Welsh Plan for Employability and Skills (Welsh Government, 2022[35]).

Why should local authorities zoom out and think beyond their administrative borders? In some cases, a policy issue has high spillover effects, going beyond the administrative boundaries of local authorities, such as reducing air pollution, decarbonisation, environmental and biodiversity protection. In 2021, greenhouse gas (GHG) emissions in South West Wales as a region accounted for 40% of the nation's total GHG emissions and 3% of UK GHG emissions (UK Government, 2023[37]). Addressing this requires a collective effort to enable the transition of the region's industrial base and to decarbonise the transport, housing and manufacturing systems across all local authorities (Swansea Council, 2022[38]). In other cases, local authorities in a region face similar challenges or share the same interests or development opportunities. Zooming out can help generate the exchange of ideas or identify opportunities to jointly develop or implement policy solutions. For example, in 2022, Anglesey, Conwy and Gwynedd in North Wales have among the largest proportions of employment in tourism across Wales (20.8%, 20.0% and 18.3% respectively) (Ambition North Wales, 2021[39]; Welsh Government, 2022[40]; n.d.[41]). In addition, they are home to a relatively high share of Welsh speakers (Welsh Government, 2022[42]). These local authorities have a strong shared interest in developing joint initiatives to strengthen industry and tourism opportunities across the region, which could include innovative opportunities for the Welsh language and culture to thrive even more.

Building a comprehensive regional development picture to inform policy making

The value of applying a regional lens to all levels of government activity is the perspective it offers national and local policy makers on the impact that their intended policies or activities may have on a territory. It helps ensure that all sector policies consider the regional level and its ambitions when developing and implementing policy. Doing so can help them decide what to prioritise in terms of policy activity to meet regional-level objectives. It can help policy makers better design and select policy levers, tools and interventions. It can help governments decide where to direct public investment. Finally, regional-level data will be an essential component of monitoring and evaluation for the Welsh Government and for the CJCs. However, applying such a lens effectively requires data at the relevant territorial level.

Painting a comprehensive picture of the impact policies or specific actions can have on regional development is often complex. In Wales, the footprints for regional-level action currently in place make it even more so. In addition to the statistical regions and four economic regions, Wales is divided into a multiplicity of regional footprints, each with different purposes and geographic coverage: these include Regional Skills Partnerships (RSPs), community safety partnerships, regional partnership boards, health boards and regional rescue services, among others. This makes it difficult to generate a consolidated view to support policy making, efficient policy and service delivery, and precise monitoring and evaluation.

Today, a national or local policy maker trying to understand patterns across Wales' regions would have to make sense of a patchwork of data from different sources presented on different scales. Statistics Wales presents some indicators at the level of the four economic regions (e.g. average household earnings, qualification level of working-age adults, GVA and volume of road traffic). Some datasets present three regions, with one that combines Mid and South West Wales (like population estimates, data on illegal dumping, grassland fires, low-carbon energy generation and dental services). Those two configurations are the most common but other datasets are presented with different regional groupings of local authorities.[5] However, most subnational level data are presented by local authorities, leaving it to the policy maker to piece together and then calculate a regional picture for many indicators.

A policy maker cannot find consolidated economic and well-being data based on the four economic regions in a single place. In 2020, Statistics for Wales published a single edition of demographic and economic data presented by the four economic regions (Welsh Government, 2020[43]). This regional data spotlight is accompanied by a dashboard of eight economic indicators[6] (Welsh Government, 2024[44]). Data beyond economic development are sometimes available on the scale of the four regions, like the RSP regional data observatories that present indicators relevant to education and skills or Natural Resources Wales data platforms presenting biodiversity data. Taking a regional perspective becomes more complicated as the footprint differs from the four economic regions. Take, for example, data on children's health collected and presented by the seven health boards (Public Health Wales, 2022[45]).

Gathering and presenting data for the four regions are fundamental to support stronger evidence bases for regional planning, evaluation and investment by all levels of government and for all policy sectors to apply a clear regional lens. One method to do so is through a regional-level data dashboard that aggregates local-level data to make integrated analyses – those that cut across policy areas – possible. This means presenting data on economic performance, education and employment, infrastructure, public services, well-being indicators, etc. The Welsh Government could start by identifying existing regional-level data, such as labour productivity, employment, business demography and structure, patterns of transport-modality use (e.g. walking, cycling, public transport, private car, rail), people not in education, employment and training, etc. Eventually, it may decide to develop a short set of new indicators and to undertake analysis at the regional level (e.g. commute patterns within the region), especially in line with the well-being indicators that support the implementation of the Well-being of Future Generations (Wales) Act 2015 (Welsh Government, 2022[46]). Data presented for the four economic regions easily nourish their planning and investment activities: Regional Economic Frameworks, Regional Transport Plans, Strategic Development Plans (i.e. spatial planning) and Regional Skills Partnerships. Ultimately, these data can feed into the monitoring, evaluation and learning conducted by the Welsh Government, the CJCs and local authorities.

Key messages and recommendations

Wales is adapting its governance structure for regional development to accommodate change post-Brexit, including a constrained and uncertain fiscal environment. Regional development and public investment actors in Wales have been adjusting to the loss of the *de facto* governance arrangements supporting a cross-sector and place-based approach to regional development provided by the administration of EU funding. The loss of the funding source itself is a strongly felt blow, as Wales was the majority recipient of European Structural and Investment Funds in the United Kingdom and current austerity measures are further straining already tight public budgets.

The Welsh Government is refining its regional lens to help it do more with what it has. It established four regions and anchored new tools for regional development planning to these footprints: *Future Wales – The National Plan 2040*, the Regional Economic Frameworks, the *Framework for Regional Investment in Wales* and CJCs. Taking this regional perspective holds the promise of aligning limited resources for maximum impact, capitalising on economies of scale and lowering transaction costs.

Planning and acting at this adjusted regional level require evidence that makes sense of local, regional and national needs. A look at indicators on the regional level related to labour productivity, job markets, environmental factors and cultural aspects illustrates how they might provide actionable insights for effective regional-level planning and action. Regional data can help policy makers plan and act more accurately when considering regional needs, allocate resources more effectively and monitor and evaluate regional initiatives. To set the stage for regional analysis, the Welsh Government and regions should make data available systematically for the four regions.

- **Recommendation: Maintain a regional dashboard of key economic and well-being indicators**
  - The dashboard should present national, regional and local data and integrate analysis from these perspectives.
  - Indicators should reflect the diverse aspects of regional development, such as economic performance, education and employment, infrastructure, public service and well-being. It can start with key indicators aligned to the Well-Being for Future Generations (Wales) Act, like the national indicators for the act established by the Welsh Government (2021[47]).
  - This regional dashboard can provide data to support policy and service monitoring, evaluation and learning by the Welsh Government and local authorities at the regional scale through the CJCs. The CJCs can use these data to shape the substance of their plans, helping them understand regional trends and gauge the performance of regional initiatives.
  - Maintaining the dashboard on the Welsh Government website and making it publicly available allows a broader public to have easy access to regional data, especially if data are presented in easy-to-understand language and formats.

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Notes

[1] The annual block grant provided from the UK Government to the Welsh government, Scottish government and Northern Ireland executive (Independent Commission on Funding & Finance for Wales, 2009[48])

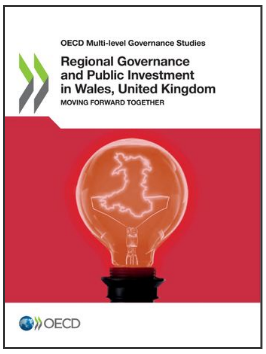
[2] The 2020 report examines the decision to create Mid Wales and South West Wales economic regions, grappling with some the complexity of the characteristics that regions give shape to (OECD, 2020[1]).

[3] Economic inactivity captures people not in employment who have not been seeking work within the last four weeks and/or are unable to start work within the next two weeks.

[4] All years in this paragraph ending in September.

[5] At least three datasets present four *different* regions, combining Mid and South Wales, while separating Central South Wales from South East Wales (like data on student expulsions and information on school type) or presenting a Mid and West Wales region and separating Cardiff into its own region (National Health Service patients treated). Information on out-of-work benefit claimants is presented in two regions: West Wales and the Valleys and East Wales.

[6] Disposable income per head, primary income per head, economic output per head (GVA), economic output per hours worked (GVA), employment rate, full-time weekly earnings, poverty rate and average household wealth.



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