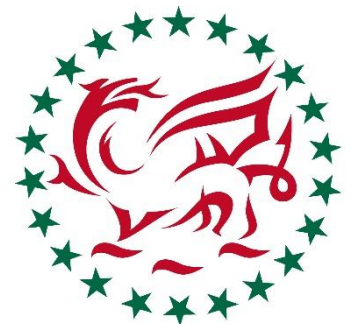


National Assembly for Wales' Finance Committee Inquiry into preparations for replacing EU funding in Wales

May 2018



CLILC • WLGA

INTRODUCTION

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales, and the three national park authorities, the three fire and rescue authorities, and four police authorities are associate members.
2. It seeks to provide representation to local authorities within an emerging policy framework that satisfies the key priorities of our members and delivers a broad range of services that add value to Welsh Local Government and the communities they serve.
3. We welcome the opportunity to respond to the National Assembly for Wales' Finance Committee Inquiry into Preparations for replacing EU funding in Wales.
4. The Welsh Local Government Association is proactively engaging and communicating regularly with its members on Brexit-related issues, including replacement EU funding and implications for regional & rural policy. Our response takes into account the collective views of local government across Wales, as individual Local Authorities in some cases, and as part of wider Regional Partnerships in others.
5. We look forward to continuing our engagement as the developments on this key policy area continues to evolve.

Key Messages

6. Local Government has been a key partner in delivering EU Funding in Wales over several programming periods. Local Government plays a key role both in the delivery of EU funded activity within localities and regions through the direct delivery of capital and revenue schemes supporting improvements to places and supporting people back into employment. Local Authorities also play a strategic role in the delivery of the programmes locally through the management and co-ordination of the funds at a local level, as Lead Beneficiaries or Lead Bodies – taking responsibility for the local management of risk and expenditure, to reduce the administrative burden to third parties to facilitate access to the programmes by local stakeholders and groups.
7. Local Government also plays a central role in the evolving regionally-focused models of economic development, and supporting the strategic co-ordination of the delivery of EU

funding in the 2014-20 period aligned with regional partnership structures through the Regional Engagement Teams¹.

8. All delivery is local. It is only through a combination of efforts from partners across Welsh regions, across all sectors and all levels of Government, planned and co-designed in partnership – that successful economic outcomes can be achieved.
9. **A key priority for Wales is to understand the rules of engagement for accessing any replacement funding after Brexit.** The Welsh Local Government Association is in full support of the Welsh Government's lobbying of the UK Government to fully respect the devolution of economic development policy and funding, and to ensure full replacement funding for Wales. However, there is currently little to no certainty on the shape and possible governance of any future funding. This has implications on the governance and policy frameworks that we have in Wales in our ability to access UK-level funding to compete alongside structures in England and the other devolved nations, in competition.
10. The Welsh Local Government Association recently responded to the Welsh Government's consultation titled "Regional Investment in Wales After Brexit". This response builds on some of the key issues outlined in that consultation response, for reference, the WLGA's response can be found on our website².

Financial planning for replacement EU funding streams in Wales

11. In considering the response to this consultation, it is important to first recognise the breadth of support currently available through EU funds, and what we would constitute as "EU funding" that is currently administered at a Welsh level, that we will lose access to upon our departure from the EU:
 - European Structural Funds (ERDF/ESF)
 - Rural Development Programme (EAFRD) & CAP Pillar 1 support
 - Ireland Wales Cross Border Programme (ETC; jointly with Ireland)
12. Additionally, it is important to consider the wider European funds (e.g. Horizon 2020, Erasmus, other Territorial Co-Operation Programmes – Atlantic Area & North West Europe etc) that are managed on the European level, that we may, or may not retain access to

¹ <https://gov.wales/funding/eu-funds/2014-2020/applying/?lang=en>

² <http://www.wlga.wales/SharedFiles/Download.aspx?pageid=62&mid=665&fileid=1530>

post Brexit. Although the UK Government recently reaffirmed³ its recognition of the importance of continued access to some of these programmes, the whole question of continued access to these remains tied up with negotiations on the final Brexit deal.

13. There is currently a great deal of uncertainty as to the availability of future replacement EU funding in Wales. Whilst there have been initial announcements at the UK level of the development of a UK Shared Prosperity Fund, and on post-Brexit agricultural support, there has been no further substantive detail on the shape, coverage or availability of funding streams that would constitute “replacement EU funding”.
14. Ostensibly therefore, in terms of those Structural and Rural funds we will lose access to; we could be looking at three potential scenarios for the governance/management of replacement EU funding from funds managed at the UK level, to funds devolved to Wales, or no replacement funding at all. To complicate further, we could have a mix of these governance scenarios across a range of policy areas.
15. We are aware of, and in full support of the Welsh Government’s lobbying of the UK Government to fully respect the devolution settlement in regard to economic development and agriculture and rural development policy and funding, and to ensure full replacement funding to Wales.
16. However, we are unclear as to the extent of planning in Wales in anticipation of a potential non- devolved funding scenario. It should be a key priority for the Welsh Government and its partners to understand the rules of engagement for accessing any replacement funding post Brexit. This needs to fully consider how Welsh stakeholders accesses and interacts with any UK-led policy approaches, and considering how our emerging Regional Economic Development partnerships and approaches are “fit for purpose” to compete alongside Local Enterprise Partnerships and Combined Authorities in England.
17. Additionally, we are currently uncertain of the implications of any Brexit deal (or no deal) for our economy at a Macro (UK level), and the resulting influences on Wales and its regional economies. Whilst discussions on the future of our relationship with the EU develop, there could be a range of different scenarios which could potentially have an influence on the shape and nature of the economy at various levels.

³https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/699106/UK_position_paper_on_future_of_cohesion_policy_.pdf

18. It is critical therefore that there is a strong, committed and proactive effort by the Welsh Government in partnership with its Welsh stakeholders to identify, map and plan these potential implications – so that resulting policy responses are cohesive, joined-up and fit for purpose – responsive to the funding landscape post-Brexit.

Administrative Approaches for replacement EU funding streams in Wales

19. In terms of both Structural and Rural funding in Wales, these have been managed at the national level by the Welsh Government for several programming periods, in line with its devolved competencies.
20. This ensured that Wales, and Welsh stakeholders had a voice in the design and delivery of the funding streams that impact on their localities – by default through the European principles of partnership and subsidiarity.
21. Should funding not be devolved to a Welsh level (UK managed), there would be immediate and significant changes to how Welsh stakeholders have traditionally engaged and accessed what was historically “EU funding”.
22. If funding remained at a UK level, it is perhaps less of a question of administration at a Welsh level, but rather a question of strategic co-ordination and support for Welsh stakeholders to be able to access these funds, and that relevant supporting structures (e.g. regional partnerships) are fit for purpose to enable access, and to compete on an “even keel” with other UK areas for funding.
23. Assuming that funding would be devolved to Wales, there would be a number of considerations for the future administration of funding to ensure that the design of the programmes take full account of the evolving governance and policy landscape driving economic development in Wales (principally, the evolving regional models of economic development through City & Growth Deals).
24. The case for continued funding: We are fully supportive of the Welsh Government’s efforts to ensure that Wales does not lose out financially as a result of the decision to leave the European Union.
25. EU Regional Policy exists to improve the economic wellbeing of regions and the policy framework at a European level is positively biased towards higher funding levels to those regions with lower comparative levels of economic performance. In Wales, this has

ensured that we have traditionally qualified for the highest levels of funding support available. Recognising the scale of the challenge in responding to the particular needs and opportunities of those areas lagging behind; to help people in those areas to get to where there are jobs or to develop local options for employment, including infrastructure to improve access to and movement within the areas identified.

26. EU Rural Policy has also ensured that funding has been available to support interventions to address the social, economic and environmental challenges that rural areas face. EAFRD funding has ensured the development of a separate Rural Development Plan for Wales, tailored to the specific needs, challenges and opportunities of rural areas in Wales.
27. Programming approach: Whilst Brexit does provide an opportunity to do things better e.g. the removal of artificial programme boundaries enables the development of interventions that reflect functional economic areas, the removal of thematic concentration and the opportunity to develop or own rules and regulations enables a more streamlined and integrated approach to be developed. There are also many attributes that we would like to see retained, such as the planning certainty that having multi-annual programmes provided, as well as the partnership and subsidiarity principle that was applied in the planning and delivery of the programmes.
28. Partners have traditionally 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.
29. We wish to see Wales take full advantage of this through the development of a Single Fund, combining capital and revenue, and much more streamlined and simplified processes for accessing and delivering funding.
30. Regionally-focussed model of economic development – taking a whole economy approach: Wales is a region of contrasting opportunities and needs. This contrast between our localities goes far beyond traditional categorisations of "rural" and "urban" or compartmentalising the economy into traditional economic sectors.
31. Continued austerity affecting our public sector institutions and the potential implications of Brexit will impact our localities in different ways. This will require tailored responses

to the differing challenges and opportunities that are sensitive to the market failure of those specific localities - and here lies the strength of the regional approach. Identifying the specific needs and opportunities of each region's localities, delivered locally as part of a broader collaborative regional strategy within an overall national policy framework. As an example, the business case to bring forward a sites & premises development in Wrexham will differ from sites in say Gwynedd or Anglesey. However, all investments align to national policy objectives (enabling provision of modern sites & premises to allow business to grow as well as attract investment opportunities); are regionally identified and prioritised in collaboration as a key driver in stimulating business growth by responding to demand; but are delivered locally – sensitive to the economic and social characteristics of the locality to deliver fit for purpose and sustainable investments.

32. Strengthened regional co-ordination does not translate into an elevated delivery model, nor does it mean an additional layer of governance - but rather a blend of devolution and new approaches to delivering regional priorities and opportunities within an overarching national policy framework through local delivery.
33. Local partnerships and stakeholders have a crucial role in identifying the differences in both need and opportunity, sensitive to the complexities of place and localities across the region. There are a multitude of delivery structures and partnerships that have been developed to support the delivery of European Structural and Rural programmes – specifically responding to the particular needs of specific geographies or population groups (e.g. LEADER groups through the Rural Development Programme or specific networks/delivery models targeting people further away from the labour market). In this regard, an additional point should be made in regard to the role that the LEADER has played in enabling the trial of innovative concepts/proposals at risk. This has enabled a number of trialling/pilot projects to come forward that have since gone on to mainstream or other funding sources.

Conclusion

34. Investing in future regional policy is essential if Welsh regions are to catch-up and compete at a UK-level let alone at a European or international level post Brexit. Funding levels should match the scale and ambition of regionally-prioritised interventions to ensure that the right amount of investment addresses the appropriate interventions. As such, it is essential that future regional & rural policy maps to the emerging regionally-focussed economic development model, taking a “whole economy approach” to ensure we are investing in the right priorities in the right areas, through the most appropriate

delivery models/partners - complementing and integrating other funding domestic funding streams and major developments to achieve inclusive growth. It is critical that economic planning and investment must be co-designed and mutually agreed by both regional bodies and national government, with the realities of how regional economies actually work in mind; otherwise the potential of Welsh-administered replacement EU funding, or accessing UK-led Local Industrial Strategies will never be fully realised.

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