

Agenda – External Affairs and Additional Legislation Committee

Meeting Venue:	For further information contact:
Committee Room 2 – Senedd	Alun Davidson
Meeting date: 4 February 2019	Committee Clerk
Meeting time: 14.00	0300 200 6565
	SeneddEAAL@assembly.wales

Private pre-meeting

(13.45–14.00)

1 Introductions, apologies, substitutions and declarations of interest

(14.00)

2 Scrutiny session with the Brexit Minister

(14.00–15.00)

(Pages 1 – 58)

Jeremy Miles AM, Counsel General and Brexit Minister

Simon Brindle, Welsh Government

Liz Lalley, Welsh Government

Robert Parry, Welsh Government

3 Papers to note

(15.00–15.05)

3.1 Paper to note 1 – Correspondence from the First Minister of Wales, to the Llywydd regarding legislating to Brexit – 11 January 2019

(Pages 59 – 61)

3.2 Paper to note 2 – Correspondence from Ken Skates, Minister for Economy and Transport regarding clarification of the response to the report on ports preparedness – 25 January 2019

(Page 62)

3.3 Paper to note 3 – Correspondence from Steve Barclay MP, Secretary of State for Exiting the European Union to Lord Boswell, Chair of the EU Select



**Committee regarding an update on international trade agreements – 25
January 2019**

(Pages 63 – 76)

**3.4 Paper to note 4 – Correspondence from Lord Boswell, Chair of the EU Select
Committee regarding Post-Brexit UK-EU inter-institutional relations and the
role of the devolved institutions – 25 January 2019**

(Pages 77 – 78)

**3.5 Paper to note 5 – Correspondence from Stephen Kinnock MP, Chair of the All
Party Parliamentary Group on Post-Brexit Funding for Nations, Regions and
Local Areas regarding their report on the UK Shared Prosperity Fund – 28
January 2019**

(Pages 79 – 96)

**4 Motion under Standing Order 17.42(vi) to resolve to exclude the
public from the remainder of the meeting**

(15.05)

**5 Scrutiny session with the Brexit Minister – consideration of
evidence**

(15.05–15.20)

Document is Restricted

By virtue of paragraph(s) vi of Standing Order 17.42

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Document is Restricted



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref: EJ/CE
Ein cyf/Our ref:FM -/00858/18

Elin Jones AM/AC
Llywydd
National Assembly for Wales
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Cardiff Bay
Cardiff
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Llywydd@assembly.wales

11 January 2019

Dear Elin

I am writing in response to your letter of 4 December to my predecessor as First Minister, regarding the scrutiny of Brexit-related legislation and how to ensure that the National Assembly can play a full part in legislating for Brexit.

The Welsh Government's approach reflects the real and pressing need to respond to the extraordinary circumstances surrounding Brexit, rather than any attempt to limit or frustrate the Assembly's role as a legislature.

I can confirm that the corrections to the legislation made in Wales by the Assembly and the Welsh Ministers, so that the Welsh statute book remains operable at the point of EU exit, are being delivered in up to 50 SIs, to be made by the Welsh Ministers, and are being laid in the Assembly. This will facilitate the full scrutiny of the Assembly and will ensure that the corrections are made in both official languages.

However, it has been necessary to work with the UK Government on other aspects of the process of legislating for Brexit.

It is indeed the case that the Welsh Ministers are seeking delegated powers under three Brexit Bills currently before the UK Parliament, and that we are pursuing this approach in preference, under the circumstances, to bringing forward Bills to the Assembly. I agree that the Legislative Consent procedure set out in Standing Order 29 does not allow Members to carry out the same detailed level of scrutiny that they are able to do for an Assembly Bill. However, when we talk about taking legislative decisions on grounds of efficiency, it must be recognised that this not just an administrative convenience. We simply would not have

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

been able to bring this volume of legislation before the Assembly in such a compressed time period. The Welsh Government will, as far as is possible in the timescales involved, seek to enable Assembly scrutiny through timely and responsive engagement.

As you know, since May 2016, the Assembly has passed ten Bills (of which one is awaiting Royal Assent), and there are currently four Bills in front of the Assembly for consideration. In terms of subordinate legislation, in a typical year around 150 SIs are laid in the Assembly.

If we had taken the decision that all EU Exit legislation in devolved areas was to be made in Wales, then between September 2018 and March 2019 it would have required an additional 200 SIs and 4-6 Bills to be laid in the Assembly. Even if it were possible to suspend all other business of the Government and the Assembly for this period, the Brexit legislation programme would have required six months of the Assembly's and the Government's time to be spent making more legislation than is normally made in a year in Wales. It would only be possible to pass the necessary Bills in that time by following a fast track procedure which would limit their scrutiny by the Assembly.

I currently expect 140-150 UK Government EU Exit SIs to be made in areas devolved to Wales ahead of exit day, though this number is subject to change as SIs are merged or disaggregated and new ones emerge. Almost all of these will require the consent of the Welsh Ministers through the process set out in the Intergovernmental Agreement.

The Welsh Ministers only consent to the UK SIs where there is no divergence on policy between Wales and the UK, and on that basis the SIs are not politically sensitive. These SIs are for the purpose of making the corrections so that the statute book will be operable at the point of EU exit and are being made by the UK Government, with the consent of the Welsh Ministers.

The Scottish Government is adopting the same approach as we have in Wales with a similar number of SIs being taken forward by the UK Government on behalf of Scotland.

Your letter mentions the use of concurrent powers. Decisions on who should exercise powers currently conferred on EU entities after exit are being considered in the context of each SI, depending on the nature of the power in question, and whether factors exist that mean that it is not desirable for an administration to exercise that power without the involvement of another administration. Our default position is that where there is a function within an area devolved to Wales, the relevant function should be conferred on the Welsh Ministers or on an appropriate public body in Wales. However, there are a number of circumstances where the default position may not be appropriate or practical. These are likely to arise, for example, where:

- The cross-border nature of service provision requires close co-operation across both nations, for the benefit of citizens or to avoid placing unnecessary burdens on organisations. This could be due to the way people or goods travel across the border, or the particular geographical features of the border.
- The devolved and non-devolved aspects of policy delivery are so intertwined, that it is not workable for the devolved elements to be delivered without reference to the non-devolved elements, or vice versa.

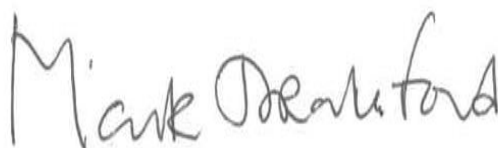
In these cases, there is a range of options for how functions can be exercised, and Ministers are reaching a decision on each individual UK Government SI following a full consideration of all of the relevant issues. One result of requiring the involvement of both administrations in exercising functions is the creation of concurrent powers.

The Assembly has amended Standing Orders to facilitate scrutiny of the UK EU Exit SIs, to which my officials have responded by laying 76 written statements about them when they are laid in Parliament and also 14 Statutory Instrument Consent Memoranda. I understand that the Constitutional and Legislative Affairs Committee is intending to produce a report on the written statements laid so far. I look forward to receiving that report and to considering any improvements the Committee recommends.

I am copying this letter to the Chairs of the Assembly's committees, the Minister for Finance and Trefnydd and the Counsel General Designate and Brexit Minister.

I hope that the contents of this letter provide reassurance that the decisions made by Welsh Ministers are designed to balance the extraordinary set of demands created by Brexit, and that the Welsh Government remains committed to providing the greatest possible practical opportunities for scrutiny of those legislative actions which have a material, rather than simply technical, purpose. We remain committed, of course, to keeping all this under review and greatly welcome the dialogue on these matters which your letter has prompted.

Yours sincerely

A handwritten signature in black ink that reads "Mark Drakeford". The signature is written in a cursive, slightly slanted style.

MARK DRAKEFORD

Ken Skates AC/AM
Gweinidog yr Economi a Thrafnidiaeth
Minister for Economy and Transport

Agenda Item 3.2



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref KS/05051/18

David Rees AM
Chair External Affairs and Additional Legislation Committee

SeneddEAL@assembly.wales

25 January 2019

Dear David,

Thank you for your letter of 22 January requesting clarification of my response to Recommendation one of your recent report on the Brexit preparedness of Welsh Ports.

I was pleased to be able to provide detail on arrangements for managing traffic relating to Holyhead during the statement on transportation that I made in plenary on 22 January.

There remained commercial sensitivity over the arrangements when I responded to your report, as Welsh Government and our planning partners were at that stage still considering the merits of a number of sites for mitigating potential traffic disruption. Our aim was not to prejudice the assessment process or have any wider effect on the sites themselves whilst this consideration was ongoing.

As also outlined in my oral statement, current analysis indicates that delayed vehicles could be managed within the port environs for Pembroke Dock and Fishguard. However this is being kept under constant review in case extra contingency measures are needed. If it were considered extra measures were needed and there were sensitivities in respect of the options, I would consider sharing details in confidence with the Committee before arrangements were published.

Yours sincerely,

Ken Skates AC/AM
Gweinidog yr Economi a Thrafnidiaeth
Minister for Economy and Transport

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Lord Boswell of Aynho
Chairman, European Union Committee
House of Lords
London
SW1A 0PW

25 January 2019

Dear Lord Boswell,

UPDATE ON INTERNATIONAL AGREEMENTS

I am writing to you following an urgent question yesterday in the House of Commons on the issue of EU Free Trade Agreements to which my Honourable Friend, the Minister for Trade Policy, responded, given his Department's responsibilities in this area.

As you will be aware, we have been working with third countries to identify which of the EU's existing international agreements are relevant, important and need action as a result of our exit from the EU. Not all of these agreements need action. This is for various reasons; some of these agreements have been superseded because they have been amended over time as the terms have changed or new countries have joined the EU; some are not applicable to the UK, and in some instances, we signed the agreement as a member in our own right and so our membership will therefore continue. As a consequence, the number of replacement treaties is much lower than the full list on the EU Treaties database.

We have agreed with the EU that they will notify treaty partners that the UK is treated as a Member State for the purpose of these existing EU agreements during the implementation period. This provides a basis for continuity in international agreements during the implementation period across the board.

However, the Government continues its work on no deal as an operational priority. I am writing to update you on the preparatory work with third countries to deliver continuity of the effects, where possible, of our existing EU international agreements in a no deal scenario. In particular, I wanted to update the Committee on those agreements which are already signed or close to signature and which we expect will soon be laid for Parliamentary scrutiny under the usual procedures set out in the Constitutional Reform and Governance Act 2010.

Over recent weeks, five nuclear cooperation agreements have completed the CRaG scrutiny process (with the US, Canada, Australia and two with the International Atomic Energy Agency), as has the Interbus agreement and two judicial cooperation agreements (Hague 2005 Convention on the Choice of Court Agreements and Hague 2007 Convention on the International Recovery of Child Support and Other Forms of Family Maintenance). Other agreements currently before Parliament include the Common Transit Convention and the Convention on Simplification of Formalities in Trade in Goods.

I have enclosed a list of bilateral agreements showing those agreements which we have already signed, and those agreements which we expect to sign in the near future. Also attached is a list of multilateral agreements showing those agreements where we are taking action to become an independent party. It outlines those agreements where we have taken steps to lodge formal applications or accede, or expect to take such steps in the near future. These bilateral and multilateral agreements cover a range of sectors, including agri-food and agriculture agreements, mutual recognition agreements, trade and transport agreements.

As you will appreciate, there are other agreements where the UK is seeking to ensure readiness by the end of March 2019 in the event of a 'no deal' scenario. The attached lists only include signed agreements or those we expect to sign very shortly. We will provide a further update on these other agreements after technical discussions have concluded.

In the interests of transparency, a copy of this letter and the accompanying lists will be deposited in the library of both Houses. I am writing in similar terms to the Chairs of the Constitution Committee and the Secondary Legislation Scrutiny Committee as well as the Chairs of the Exiting the EU Committee, the Foreign Affairs Committee, the European Scrutiny Committee and the Procedure Committee in the House of Commons.

I trust this will be a welcome update. I would be happy to discuss any questions you or colleagues may have on this programme of work, including Parliamentary ratification, should they arise.

A handwritten signature in black ink, appearing to read 'Steve Barclay', with a stylized flourish at the end.

RT HON STEVE BARCLAY MP
SECRETARY OF STATE FOR EXITING THE EUROPEAN UNION

Bilateral Agreements

Agreements that have been signed	
The name of the successor UK-Third Country agreement	Description
Financial Services	
Bilateral Agreement between the UK and US on Prudential Measures Regarding Insurance and Reinsurance	This agreement relieves reinsurers operating outside their home territory of the requirement to establish a local presence subject to local supervision, and removes collateral requirements under certain circumstances; it allows worldwide group supervision for insurance firms to be conducted by the group's home regulator; it encourages insurance supervisory authorities to continue to exchange supervisory information. It replicates the effect of the original agreement for the bilateral context.
Agreement between the United Kingdom and the Swiss Confederation on direct insurance other than life assurance	This agreement replicates the effect of the original Agreement between the European Economic Community and the Swiss Confederation concerning Direct Insurance other than the Life Insurance (1989). The only changes that we have made are designed to make the agreement operational in a bilateral context, for example by changing references to the European Union to the United Kingdom.
Nuclear Cooperation	
Agreement between the UK and Australia for cooperation in peaceful uses of nuclear energy	This agreement sets out the intention of the UK and Australia to continue our mutually beneficial cooperation in the civil nuclear sector, and provides a framework for doing so, replicating the effect of the EU-Australia agreement, for the bilateral context.
Agreement between the UK and Canada for cooperation in peaceful uses of nuclear energy	This agreement sets out the intention of the UK and Canada to continue our mutually beneficial cooperation in the civil nuclear sector, and provides a framework for doing so, replicating the effect of the EU-Canada agreement, for the bilateral context.
Agreement between the UK and US for cooperation in peaceful uses of nuclear energy	This agreement sets out the intention of the UK and the US to continue our mutually beneficial cooperation in the civil nuclear sector, and provides a framework for doing so, replicating the effect of the EU-US agreement, for the bilateral context.
Agreement between the UK and the IAEA for the Application of Safeguards in the UK in Connection	This agreement applies safeguards to nuclear material in civil nuclear facilities designated by the IAEA. It ensures that the IAEA retains its right to inspect all civil nuclear facilities once the UK leaves Euratom,

with the Treaty on the Non-Proliferation of Nuclear Weapons	and allows the IAEA to continue to receive all current safeguards reporting, ensuring that international verification of our safeguards activity continues to be robust.
Additional Protocol to the Agreement Between the UK and the IAEA for the Application of Safeguards in the UK in Connection with the Treaty on the Non-Proliferation of Nuclear Weapons	This agreement grants the IAEA expanded rights of access to information and locations of the UK's civil nuclear assets. This enables the IAEA to obtain a much fuller picture of the UK's nuclear programme, plans, nuclear material holdings and trade. It provides the IAEA with an increased ability to provide much greater assurance on the absence of undeclared nuclear material and activities; to resolve any questions or inconsistencies relating to correctness and completeness of the information provided by the UK; and to confirm the decommissioned status of a facility or location outside facilities, such as in hospitals, where nuclear material was customarily used.
Transport (Predominantly, new UK-third country Air Services Agreements are in the form of a Memorandum of Understanding)	
UK-US Air Services Agreement	This agreement provides for bilateral continuity in air services between the UK and the US.
UK-Canada Air Services Agreement	This agreement provides for bilateral continuity in air services between the UK and Canada.
UK-Switzerland Air Services Agreement	This agreement provides for bilateral continuity in air services between the UK and Switzerland.
UK-Israel Air Services Agreement	This agreement provides for bilateral continuity in air services between the UK and Israel.
UK-Georgia Air Services Agreement	This agreement provides for bilateral continuity in air services between the UK and Georgia.
UK-Morocco Air Services Agreement	This agreement provides for bilateral continuity in air services between the UK and Morocco.
UK-Kosovo Air Services Agreement	This agreement provides for bilateral continuity in air services between the UK and Kosovo.
UK-Albania Air Services Agreement	This agreement provides for bilateral continuity in air services between the UK and Albania.
UK-Iceland Air Services Agreement	This agreement provides for bilateral continuity in air services between the UK and Iceland.
Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Swiss Federal Council on the International Carriage of Passengers and Goods by Road	This agreement replicates the effects of the original Agreement between the European Community and the Swiss Confederation on the Carriage of Goods and Passengers by Rail and Road (1999), as it would apply to the UK-Switzerland relationship as it relates to the carriage of goods and passengers by road.
Agri-food	
Agreement between the UK and the Australia on trade in wine	This agreement seeks to deliver continuity in the effect of the agreement between the EU and Australia on trade in wine, as it would apply to the UK-Australia relationship. As such, on the same terms as the current EU-Australia Agreement, it provides a framework for communication and cooperation on wine between the UK and the Australia, facilitating trade in wine between the Parties and improving cooperation and transparency on regulations affecting such trade.

<p>Agreement on Trade in Live Animals and Animal Products between the UK and New Zealand</p>	<p>This agreement seeks to deliver bilateral continuity in the effect of the agreement between the EU and New Zealand on trade in Live Animals and Animal Products. As such, on the same terms as the current EU-New Zealand Agreement, it provides a framework for communication and cooperation on live animals and animal products between the UK and the New Zealand, facilitating trade in live animals and animal products between the parties and improving cooperation and transparency on regulations affecting such trade.</p>
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Mutual Recognition of Conformity Assessment

<p>Mutual recognition agreement on conformity assessment between the UK and NZ (UK-NZ MRA)</p>	<p>This agreement replicates the effect of the EU-NZ MRA as it would apply to the UK-NZ relationship. It allows for mutual recognition, promotes trade and facilitates market access between the two countries.</p>
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<p>Mutual recognition agreement on conformity assessment between the UK and Australia (UK-Australia MRA)</p>	<p>This agreement replicates the effect of the EU-Australia MRA as it would apply to the UK-Australia relationship. It allows for mutual recognition, promotes trade and facilitates market access between the two countries.</p>
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Agreements that the UK intends to sign shortly

<p>The name of the successor UK-TC agreement</p>	<p>Description</p>	<p>Status update</p>	<p>Signature (expected timing). All dates are subject to the progression of ongoing discussions</p>
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Trade

<p>Economic Partnership Agreement between the UK and the Eastern and Southern African States (ESA EPA)</p>	<p>The UK-ESA EPA seeks to deliver continuity in the effect of the EU-ESA EPA as it would apply to the UKESA relationship. As such, it allows for preferential trading between the UK and the ESA States. It covers the same aspects of trade (chapters) as the existing EU-ESA agreement, made operable for the bilateral context.</p>	<p>This agreement is undergoing legal scrubbing and translation prior to signature.</p>	<p>We plan to sign this agreement imminently.</p>
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Free Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and the Kingdom of Denmark in respect of the Faroe Islands	The UK-Faroe Islands FTA seeks to deliver continuity in the effect of the EU-Faroe Islands FTA agreement as it would apply to the UK-Faroes relationship. As such, it allows for preferential trading between the UK and the Faroe Islands. It covers the same aspects of trade (chapters) as the existing EU-Faroes agreement.	This agreement is undergoing legal scrubbing and translation prior to signature.	We plan to sign this agreement imminently.
Agreement establishing an association between the United Kingdom of Great Britain and Northern Ireland and the Republic of Chile	The UK-Chile Agreement seeks to deliver continuity in the effect of the existing EU-Chile Association Agreement as it would apply to the UK Chile relationship. As such, it allows for preferential trading between the UK and Chile. It covers the same aspects of trade (chapters) as the existing EU-Chile agreement.	This agreement is undergoing legal scrubbing and translation prior to signature.	We plan to sign this agreement imminently.
Economic Partnership Agreement between CARIFORUM States and the United Kingdom (CARIFORUM EPA)	The UK-CARIFORUM EPA seeks to deliver continuity in the effect of the EU-CARIFORUM EPA as it would apply to the UK CARIFORUM relationship. As such, it allows for preferential trading between the UK and the CARIFORUM states. It covers the same aspects of trade (chapters) as the existing EU-CARIFORUM agreement.	This agreement is undergoing legal scrubbing and translation prior to signature.	The signature dates will be determined by ongoing discussions and progress with the CARIFORUM States - likely in February.
Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and the Swiss Confederation	The UK-Switzerland agreement references existing EU-Switzerland agreements, replicating their effect to the extent possible in the bilateral context. There are a number of agreements that govern the EU's relations with Switzerland, and the most relevant to trade continuity have been brought under one legal instrument. Some of these arrangements will be extended to Liechtenstein given its customs union with Switzerland.	This agreement is undergoing legal scrubbing and translation prior to signature.	We plan to sign this agreement in early February.
United Kingdom-Palestinian Liberation Organisation Interim Political, Trade and	The agreement between the UK and the Palestinian Liberation Organisation (PLO), for the benefit of the Palestinian Authority, and seeks to deliver continuity in the effect of the EU's Association Agreement with the Palestinian Liberation	This agreement is undergoing legal scrubbing and translation prior to signature.	The signature dates will be determined by ongoing discussions and progress with the

Partnership Agreement	Organisation on behalf of the Palestinian Authority as it would apply to the UK-PLO relationship. As such, it allows for preferential trading between the UK and the Palestinian Authority. It covers the same aspects of trade (chapters) as the existing EU Association Agreement, and replicates its effect for the bilateral context		PLO - likely in early February.
Transport (Predominantly, new UK-third country Air Services Agreements are in the form of a Memorandum of Understanding)			
UK-Montenegro Air Services Agreement	This agreement provides for continuity in bilateral air services between the UK and Montenegro.	The text of an Air Services Agreement (ASA) and MoU has been agreed subject to internal consultation on both sides.	We intend to have this agreement in place by the end of March.
UK-Jordan Air Services Agreement	This agreement provides for continuity in bilateral air services between the UK and Jordan.	The text has been agreed for a new bilateral ASA to apply once the UK is no longer bound by the obligations of the EU-Jordan ATA. Next round of talks to be scheduled to conclude traffic rights associated with ASA.	We intend to have this agreement in place by the end of March.
UK-Moldova Air Services Agreement	This agreement provides for bilateral continuity in air services between the UK and Moldova.	Agreed Minutes from last talks recorded both sides' intention to retain existing traffic rights under a new arrangement once the UK is no longer bound by the obligations of the EU-Moldova Air Transport Agreement.	We intend to have this agreement in place by the end of March.
UK-Bosnia and Herzegovina Air Services Agreement	This agreement provides for bilateral continuity in air services between the UK and Bosnia and Herzegovina.	Initial talks to be scheduled. New arrangements will aim to ensure continuation of existing traffic rights.	We intend to have this agreement in place by the end of March.
UK- Macedonia Air Services Agreement	This agreement provides for bilateral continuity in air services between the UK and the Republic of Macedonia.	Initial discussions took place in February 2018 in Skopje.	We intend to have this agreement in place by the end of March.
UK-Norway Air Services Agreement	This agreement provides for bilateral continuity in air services between the UK and Norway.	Discussions are in their final stages. New arrangements will aim to ensure continuation of existing traffic rights.	We intend to have this agreement in place by the end of March.
UK-Serbia Air Services Agreement	This agreement provides for bilateral continuity in air services between the UK and Serbia.	Domestic consultations are ongoing. After these we will aim to finalise the	We intend to have this agreement in place by

		Agreement.	the end of March.
Agreements that we intend to finalise text shortly, prior to signature			
The name of the successor UK-TC agreement	Description	Status update	Signature (expected timing). All dates are subject to the progression of ongoing discussions
Agri-food and Environment			
Agreement between the UK and the US on the mutual recognition of certain distilled spirits/spirit drinks	This agreement seeks to deliver continuity in the effect of the Agreement on the mutual recognition of certain distilled spirits/spirit drinks with related exchange of letters, as it would apply to the UK-US relationship. As such, it protects spirits in both Parties' markets. It protects Scotch Whisky and Irish Whiskey in the US, and protects Tennessee Whiskey and Bourbon Whiskey in the UK.	This agreement is in the final stages of discussion with the US.	The signature dates will be determined by ongoing discussions and progress with the US.
Agreement between the UK and Mexico on the mutual recognition of certain distilled spirits/spirit drinks	This agreement seeks to deliver continuity in the effect of the Agreement on the mutual recognition of certain distilled spirits/spirit drinks, as it would apply to the UK-Mexico relationship. It protects the geographical indication ('GI') Scotch Whisky and trans-border GIs Irish Whiskey/Whisky, Uisce Beatha Eireannach and Irish Cream in Mexico. In the UK it protects Mexican products Tequila, Mezcal, Sotol and Charanda.	This agreement is in the final stages of discussion with Mexico.	The signature dates will be determined by ongoing discussions and progress with Mexico.
Agreement on Trade in Organic Products between the UK and Chile	This agreement seeks to deliver continuity in the effect of the Agreement between the EU and Chile on promoting trade in Organic Products, as it would apply in the bilateral UK-Chile context.	This agreement is in the final stages of discussion with Chile.	The signature dates will be determined by ongoing discussions and progress with Chile.

Agreement between the UK and the US on trade in wine	This agreement seeks to deliver continuity in the effect of the Agreement between the EC and US on trade in wine, as it would apply to the UK-US relationship. As such, on the same terms as the current EU-US Agreement, it provides a framework for communication and cooperation on wine between the UK and the US, facilitating trade in wine between the Parties and improving cooperation and transparency on regulations affecting such trade.	This agreement is in the final stages of discussion with the US.	The signature dates will be determined by ongoing discussions and progress with the US.
Voluntary Partnership Agreement between the UK and Indonesia on ethical Trade in Timber Products	This agreement seeks to deliver continuity in the effect of the Agreement between the EU and Indonesia on trade in timber, as it would apply to the UK - Indonesia relationship. As such, it prevents illegal trade in timber by ensuring Indonesian timber products imported into the UK meet Forestry Law and Governance standards.	This agreement is in the final stages of discussion with Indonesia.	The signature dates will be determined by ongoing discussions and progress with Indonesia.
Mutual Recognition			
Mutual recognition agreement between the UK and the US (UK-US MRA)	This agreement replicates the effect of the EU-US MRA as it would apply to the UK-US relationship. It allows for mutual recognition of conformity assessment, promotes trade and facilitates market access between the two countries.	Discussions continue with a view to finalising this agreement in the near future.	The signature dates will be determined by ongoing discussions and progress with the US.
Agreement between the US and the UK on the mutual recognition of certificates of conformity for marine equipment	This agreement replicates the effect of the Agreement between the EC and the US on the Mutual Recognition of Certificates of Conformity for Marine Equipment as it would apply to the UK-US relationship. As such, it allows for mutual recognition, promotes trade and facilitates market access between the two countries in certain types of marine equipment.	Discussions continue with a view to finalising this agreement in the near future.	The signature dates will be determined by ongoing discussions and progress with the US.
Trade			
UK-Israel Trade and Partnership Agreement	The UK-Israel Trade and Partnership Agreement, seeks to deliver continuity in the effect of the EU-Israel Association	This agreement is in the final stages of discussion with Israel.	The signature dates will be determined by

	Agreement as it would apply to the UK-Israel relationship. As such, it allows for preferential trading between the UK and Israel. It covers the same aspects of trade (chapters) as the existing EU-Israel agreement, and replicates its effect for the bilateral context.		ongoing discussions and progress with Israel - likely in early February.
The Canada-UK Comprehensive Economic and Trade Agreement	The Canada-UK Comprehensive Economic and Trade agreement, seeks to deliver continuity in the effect of the EU-Canada CETA as it would apply to the Canada-UK relationship. As such, it allows for preferential trading between the UK and Canada. It covers the same aspects of trade (chapters) as the existing EU-Canada agreement.	This agreement is in the final stages of discussion with Canada.	The signature dates will be determined by ongoing discussions and progress with Canada.
Economic Partnership Agreement between the UK and the Pacific States	The UK-Pacific EPA seeks to deliver continuity in the effect of the EU-Pacific EPA as it would apply to the UK-Pacific relationship. As such, it allows for preferential trading between the UK and the Pacific states. It covers the same aspects of trade (chapters) as the existing EU-Pacific agreement.	This agreement is in the final stages of discussion with the Pacific States.	The signature dates will be determined by ongoing discussions and progress with the Pacific States.
UK and Southern African Customs Union and Mozambique Economic Partnership Agreement ((SACU+M)EPA)	The UK-SACU+M EPA seeks to deliver continuity in the effect of the EU-SADC EPA as it would apply to the UK SACU-M relationship. As such, it allows for preferential trading between the UK and the SACU+M States. It covers the same aspects of trade (chapters) as the existing EU-SADC agreement.	This agreement is in the final stages of discussion with the SACU+M states.	The signature dates will be determined by ongoing discussions and progress with the SACU+M States.
UK- Norway & Iceland Trade Agreement	This agreement seeks to preserve elements of the current trading relationship with Norway and Iceland where possible. Current trade arrangements are largely through the EEA Agreement. As the UK will leave the Single Market, the aim is to ensure replacement arrangements on trade with the EEA EFTA States that do not impact upon their EEA obligations.	Discussions continue with a view to finalising this agreement in the near future.	The signature dates will be determined by ongoing discussions and progress with Norway and Iceland.
Other			
UK-EEA EFTA Citizens Rights' Agreement	This agreement largely seeks to preserve the terms of the EEA EFTA citizens' rights element of the separation agreement, in a	Discussions continue with a view to finalising this agreement in the near	The signature dates will be determined by

	no deal scenario.	future.	ongoing discussions and progress with the EEA EFTA States.
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Multilateral Agreements for which we are taking action to become an independent party

Name of the Multilateral Agreement	Description	Actions taken to date
Civil Justice		
Hague Convention of 23 November 2007 on the International Recovery of Child Support and Other Forms of Family Maintenance	This agreement establishes an international system for the cross-border recovery of child support and other forms of family maintenance and for administrative cooperation between contracting states. In accordance with Article 59 of the 2007 Hague Convention, the United Kingdom has participated in the Convention by virtue of its membership of the European Union.	The UK deposited its instrument of accession on 28 December 2018.
Hague Convention of 30 June 2005 on Choice of Court Agreements	This agreement ensures the effectiveness of choice of court agreements between parties to international commercial transactions. It does this by providing rules on jurisdiction, including a requirement on non-chosen courts to cede jurisdiction to a chosen court, and enforcement of any resulting judgment. It also provides certainty to businesses engaging in cross-border activities, creating a legal environment more amenable to international trade and investment. In accordance with Article 29 of the 2005 Hague Convention, the United Kingdom currently participates in the Convention by virtue of its membership of the European Union.	The UK deposited its instrument of accession on 28 December 2018.
Fisheries		
Convention on future multilateral cooperation in North-East Atlantic fisheries (Multilateral)	This is a Regional Fisheries Management Organisation (RFMO), an international organisation whose parties cooperate to conserve and manage shared fish stocks, including the allocation of fishing opportunities for these stocks.	The UK has begun its application through issuing a Note Verbale to the Secretariat.
International Convention for the Conservation of Atlantic Tuna (ICCAT)	This is a RFMO, an international organisation whose parties cooperate to conserve and manage shared fish stocks, including the allocation of fishing opportunities for these stocks. The UK will submit articles of ratification to the depositary at the point when the UK's existing coverage under the agreement comes to an end.	None

Convention on Future Multilateral Cooperation in the Northwest Atlantic Fisheries (NAFO)	This is a RFMO, an international organisation whose parties cooperate to conserve and manage shared fish stocks, including the allocation of fishing opportunities for these stocks. The UK will submit articles of ratification to the depositary at the point when the UK's existing coverage under the agreement comes to an end.	None
Convention for the Conservation of Salmon in the North Atlantic Ocean (NASCO)	This is a RFMO, an international organisation whose parties cooperate to conserve and manage shared fish stocks, including the allocation of fishing opportunities for these stocks. The UK will submit articles of ratification to the depositary at the point when the UK's existing coverage under the agreement comes to an end.	None
Agreement for the establishment of the Indian Ocean Tuna Commission (IOTC)	This is a RFMO, an international organisation whose parties cooperate to conserve and manage shared fish stocks, including the allocation of fishing opportunities for these stocks. The UK will submit articles of ratification to the depositary at the point when the UK's existing coverage under the agreement comes to an end.	None
Agreement to promote compliance with international conservation and management measures by fishing vessels on the high seas	This agreement seeks to create a framework for strengthening international cooperation to ensure compliance by fishing vessels on the high seas with international measures for the conservation and management of the living resources of the high seas and their responsible and sustainable use. The UK will submit articles of ratification to the depositary at the point when the UK's existing coverage under the agreement comes to an end.	None
Agreement on Port State measures to prevent, deter, and eliminate Illegal, Unreported and Unregulated fishing	This agreement seeks to create a framework for strengthening international cooperation to prevent illegal, unreported and unregulated fishing. The UK will submit articles of ratification to the depositary at the point when the UK's existing coverage under the agreement comes to an end.	None
Foreign Policy Instruments		
The Kimberley Process Certification Scheme	The scheme aims to prevent the flow of conflict diamonds by implementing safeguards on shipments of rough diamonds and certify them as "conflict free".	The UK has begun the application process through issuing a Note Verbale to the European Commission. .

Procurement		
Agreement on Government Procurement (GPA)	The agreement sits under the umbrella of the WTO as a plurilateral agreement. It governs the liberalisation and operation of the parties' procurement markets. The UK wishes to accede to the agreement in its own right having previously been covered under the EU umbrella in order to ensure continuity. GPA parties have provided agreement in principle to the UK's accession and its market access offer.	GPA parties have agreed in principle to the UK's accession.
Customs		
Convention on a Common Transit Procedure (CTC)	The Common Transit Convention (and Single Administrative Document) provide for facilitative customs procedures which reduce border friction and provide cash flow advantages to traders.	Invitation to accede received from EU. The UK intends to deposit its instrument of accession by the end of January, once UK Parliamentary scrutiny is complete.
Convention concerning the simplification of formalities in trade in goods (SAD Convention)		
Transport		
Agreement on the international occasional carriage of passengers by coach and bus (INTERBUS)	The agreement allows for occasional coach services to take place between the European Union, Albania, Bosnia and Herzegovina, the Republic of Macedonia, Moldova, Montenegro, Turkey and Ukraine.	The UK intends to deposit its instrument of accession by the end of January.



David Rees AM
Chair
External Affairs and Additional Legislation Committee
National Assembly for Wales
Cardiff Bay, CF99 1NA

25 January 2019

Dear David

Post-Brexit UK-EU interinstitutional relations, and the role of the devolved institutions

It was good to see you again at the meeting of the Interparliamentary Forum on Brexit on 17 January.

The House of Lords EU Select Committee, which I chair, is undertaking a piece of work on *Post-Brexit UK-EU interinstitutional relations*. This work is designed to examine how future UK-EU intergovernmental and interparliamentary mechanisms and dialogue will be conducted. An important component of this work is to consider the role that the devolved institutions (both at governmental and parliamentary level) should play in influencing and shaping this dialogue.

Given the continued uncertainty of the Brexit process, the Committee has decided not to launch a full-scale inquiry, but rather to engage in an information-gathering exercise with key stakeholders, which we intend to inform a report to be published before the scheduled date of UK withdrawal on 29 March 2019.

As part of this exercise, the Committee would like to take account of the views and perspectives of colleagues in the devolved legislatures. We would therefore like to invite your Committee to set out its views, in writing, on a number of key questions as set out below, as well as any other topical issues that aren't covered here. The list of questions is attached. In order to inform the Committee's forthcoming report, we would like to invite a response by **Friday 8 February?**

If you have any questions, please do not hesitate to get in touch. I have written in similar terms to the Chairs and Conveners of other relevant Committees in the Scottish Parliament and National Assembly for Wales. My officials are also in dialogue with officials in the Northern Ireland Assembly.

Yours sincerely,

Lord Boswell of Aynho
Chairman of the European Union Committee

LIST OF QUESTIONS

1. What is your assessment of the mechanisms set out in the Withdrawal Agreement and Political Declaration to govern UK-EU relations a) during the transition period; and b) after the end of the transition period, including at “summit, ministerial, technical and parliamentary level”?
 - a. How do you envisage the mechanisms, including the proposed Joint Committee structures, dispute resolution mechanisms and ‘high-level conference’, operating in practice?
 - b. How do the proposed mechanisms for UK-EU relations during the transition period, and in the post-transition period, relate to one another? What are the key similarities and differences?
 - c. Notwithstanding the House of Commons’ rejection of the Withdrawal Agreement and Political Declaration, how likely is it that the proposed structure will underpin future UK-EU relations in the event of a deal being reached?
2. How should the UK Parliament and the devolved legislatures seek to scrutinise the interinstitutional mechanisms, including the proposed dispute resolution mechanism, both during the transition period and post-transition? How, if at all, should the work of the UK Parliament and the devolved legislatures be coordinated in this regard?
3. What format should the proposed dialogue between the European Parliament and the UK Parliament take? Will this take the form of a ‘delegation’?
 - a. What role should the devolved legislatures play in this process?
 - b. How could such an inter-parliamentary body influence the negotiation and/or governance of the future relationship?
4. What principles should underpin future intergovernmental and interparliamentary bilateral relations with individual EU Member States? What role should the devolved institutions play in the maintenance of such relations?
5. What role should the devolved governments and legislatures play in ensuring effective governance and scrutiny of the UK-EU relationship?
6. What lessons can be learned, both positive and negative, from the EU’s relations with other third countries in its neighbourhood? What can the UK learn from other third countries in seeking to continue to exert influence in Brussels?
 - a. How should the UK’s representation to the European Union (UKREP) adapt to its new role as a third country representation?
 - b. Should the UK Parliament continue to maintain a presence in Brussels?
 - c. What presence should the devolved institutions have in Brussels?

Agenda Item 3.5



Stephen Kinnock
Member of Parliament for Aberavon



David Rees AM
Unit 9
Water Street Business Centre
Water Street
Port Talbot
SA12 6LF

Our Ref: SNK/CM

28 January 2019

Dear David,

Re: UK Shared Prosperity Fund

Many thanks for taking the time to meet with me on 24 January, to discuss our shared interest in the UK Shared Prosperity Fund. We focused in particular on the attached report, which has been produced by the APPG on Post-Brexit Funding for Nations, Regions and Local Areas.

I'm writing to you in your capacity as Chair of the External Affairs Committee of the Welsh Assembly.

I would be very grateful if you could please distribute the attached report to the members of your committee.

Please note that I will be meeting with the Welsh Assembly's Cross-Party Group on Industrial Communities at midday on Tuesday 19 February, in the Senedd, in order to present the key findings and recommendations of our APPG report, and to discuss next steps. Please also feel free to convey this invitation to the members of your committee.

Kind regards,

A handwritten signature in black ink, appearing to be 'SK' followed by a flourish.

Stephen Kinnock
Labour MP for Aberavon
Chair of the All Party Parliamentary Group on Post-Brexit Funding for Nations, Regions and Local Areas

ALL-PARTY PARLIAMENTARY GROUP
**POST-BREXIT FUNDING FOR NATIONS, REGIONS AND
LOCAL AREAS**

**Report of an initial inquiry into the
UK SHARED PROSPERITY FUND**

November 2018

UK SHARED PROSPERITY FUND

An initial report

APPG on Post-Brexit funding

The All-Party Parliamentary Group (APPG) on Post-Brexit Funding for Nations, Regions and Local Areas was established in Westminster in June 2018. Its Chair is Stephen Kinnock MP (Lab) and its Vice-Chairs are Bill Grant MP (Con), Chris Stephens MP (SNP), Jo Platt MP (Lab) and Anna McMorrin MP (Lab).

The aim of the group is to help shape plans for the UK funding that is intended to replace the EU funding for national, regional and local economic development that will disappear following Brexit.

At its inaugural meeting the Group initiated an Inquiry to assess the views of stakeholders in the parts of the UK that currently benefit substantially from EU funding. The aim was to produce a report that could be fed into government at an early stage to try to influence the UK government's proposals, which are expected to be set out in a consultation towards the end of the year.

Background

In recent years the EU has been the biggest single financial contributor to regional and local economic development across the UK. In the present EU spending round (2014-20) the UK receives £9bn from the EU Structural Funds, or around £1.3bn a year¹.

The EU funds are predominantly targeted at less prosperous areas. Most parts of the North, Midlands, Scotland, Wales and Northern Ireland presently benefit massively from the EU funds. This is at risk. Local authorities and the devolved administrations are already agitated about the possible outcomes.

Assuming Brexit goes ahead, the UK will eventually stop receiving EU funding to support regional and local economic development. Under the 'divorce bill' deal agreed in December 2017, the UK will continue to draw on EU funds as normal up to the end of 2020, even though Brexit itself is expected in March 2019. In July 2018, in a written statement to Parliament, the government added that in the event of a 'no-deal' Brexit the Treasury will underwrite all the funding that would have come to the UK in the present 2014-20 EU spending round.

¹ Figures here are for the sum of the European Regional Development Fund (ERDF) and the European Social Fund (ESF).

There is therefore no immediate threat to EU-funded programmes but after the end of 2020 there will presently be no new money.

The Conservative manifesto for the 2017 general election promised to set up a new *UK Shared Prosperity Fund* to replace the EU funds. The intention is that the new Fund will “reduce inequalities between communities across our four nations” and that the Fund will be “cheap to administer, low in bureaucracy and targeted where it is needed most”.

A written statement to Parliament from Secretary of State James Brokenshire MP, on 24 July 2018, confirmed the commitment to the new Fund but added little detail. Nearly everything about the Fund is still to be worked out leaving huge unresolved issues:

- How much funding will be available?
- How will it be divided up across the country?
- What activities will be eligible for support?
- Who will take the decisions about how the money is spent?

The replacement for the EU funds is entirely a domestic UK matter. It does not depend on negotiations with Brussels. Nor does replacing EU funds necessarily require ‘new money’. In theory there is more than enough available to pay for the Shared Prosperity Fund from the funds that will no longer be paid over to the EU, though there are of course competing claims on this pot.

The present Inquiry

Following the formation of the APPG in June, we wrote to a wide range of stakeholders inviting written submissions. We particularly targeted the parts of the UK that currently benefit substantially from EU funding but also invited submissions from national bodies and think tanks with a wider remit.

The APPG has received 80 submissions from an exceptionally wide range of organisations and locations, including a large number beyond our initial circulation list. A list of the organisations submitting evidence is included in the appendix. The list includes local authorities, Local Enterprise Partnerships, the TUC, Mayoral Combined Authorities, devolved administrations and others. Several of the submissions were made on behalf of large coalitions of partners, in the North East for example. The geographical spread includes responses from all four nations of the UK. We are immensely grateful to those who took the time to respond.

We are confident that the Inquiry has collated views from across the main players in EU funding for nations, regions and local areas and that we can therefore make recommendations to government from a well-informed standpoint.

The call for evidence asked 18 specific questions and the report is organised around the responses.

1. What would be an appropriate annual budget for the new UK Shared Prosperity Fund?

At present, the European Regional Development Fund (ERDF) and the European Social Fund (ESF) make a combined contribution to UK national, regional and local development of around £1.3bn a year. Looking ahead beyond 2020, and allowing for inflation, the UK Shared Prosperity Fund would need to be worth around £1.5bn a year to match this funding stream in real terms.

In recent years there has been little evidence of convergence in prosperity across the UK with the gaps in GVA per head – the most commonly used indicator of the strength of local economies – if anything tending to widen since the financial crisis. This is not because EU-funded regional policies have been failing: on the contrary, independent evaluations suggest that they have raised output and employment. There are deep-seated imbalances in the UK model of economic growth with London and parts of the South East tending to pull away from the rest of the country.

Just about all the contributors to the Inquiry therefore argued that the UK Shared Prosperity Fund should be worth, at a minimum, £1.5bn a year in order to match in real terms the present scale of ERDF and ESF funding.

Predicting exactly how much the UK would have received from these sources after 2020, if the UK had remained an EU member, is not possible at this stage because the EU budget for 2021-27 remains under negotiation.

However, many contributors noted that if the UK Shared Prosperity Fund also takes over other financial responsibilities – for example the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF) – its budget would need to be proportionally larger. Additionally, if the UK Shared Prosperity Fund incorporates any existing UK funding streams there would need to be a further proportionate increase in its budget.

We recommend that the annual budget for the UK Shared Prosperity Fund is no less, in real terms, than the EU and UK funding streams it replaces.

2. Should there be a multi-annual financial allocation, and if so why and for how long?

At present, EU funding to the UK operates on a seven-year cycle, with seven-year financial allocations to different parts of the UK. The present cycle covers 2014-20 and, as noted earlier, has now been underwritten by the Treasury.

There is unanimity among the contributors to the Inquiry that the UK Shared Prosperity Fund should operate on the basis of multi-annual financial allocations. This is seen as allowing for the proper planning and implementation of projects, especially schemes of a more ambitious or transformational nature.

There is also strong support for the retention of seven-year financial allocations because they provide continuity and certainty, and for retention of the flexibility for spending on agreed projects to roll on for up to three years beyond the end of each programme period. Some would support ten-year allocations, though none less than five years.

We recognise that lengthy financial allocations of this kind do not fit neatly with UK Spending Reviews, which typically cover four or five years and can also be triggered by changes in government. We recognise, however, that in the context of regional and local economic development there is considerable merit in lengthier spending programmes.

We recommend that the UK Shared Prosperity Fund operates on the basis of multiannual financial allocations of the longest practicable duration.

3. Would it be appropriate to roll in other budget lines (e.g. the Local Growth Fund in England) into the UK Shared Prosperity Fund?

A range of funding streams from the UK government and the devolved administrations also contribute to regional and local development and sometimes act as the 'matching finance' for EU-funded projects. There has been discussion of the possibility of rolling in some of these other budget lines into the UK Shared Prosperity Fund.

Among the contributors to the Inquiry there is no unanimity on the issue of rolling in other budget lines. Some oppose this approach, seeing it as dilution of the new Fund's purpose, which is to replace EU monies. Others see some merit in the idea and the Local Growth Fund, which supports infrastructure investment in England, is seen as the most likely candidate. They see a single larger pot as easier to administer. The inclusion of budget lines intended for specific places (e.g. the Coastal Communities Fund) would nevertheless be opposed.

There is however a widely held fear that the inclusion of the Local Growth Fund (or any other existing budget line) within the UK Shared Prosperity Fund might lead to a reduction in the totality of funding. Additionally, there is recognition that to roll in other budget lines, such as the Local Growth Fund, would reduce the scope for finding matching finance for some projects so long as this continued to be required. These are legitimate worries.

We recommend that if other existing budget lines were to be included in the UK Shared Prosperity Fund the total budget of the new Fund should be increased by the full value of those additional budget lines, and that the present rules on matching finance for projects should be adjusted accordingly.

4. *How should the UK Shared Prosperity Fund be divided up between the four nations of the UK?*

5. *Would rolling forward the existing shares going to England, Scotland, Wales and Northern Ireland be a sensible way forward?*

These two questions are best taken together.

At present the scale of EU funding going to each of the four nations reflects a mix of factors: the EU's allocation of regions into different categories, the allocation of funding within those categories, and the UK government's decision last time round to share the small percentage reduction in EU funding equally across the four nations.

Post-Brexit, there is of course no need to be tied to EU allocation procedures. There is therefore some support – in England it has to be said – for taking a fresh look at the data and allocating accordingly between the four nations.

This view is not shared by contributors to the Inquiry from Scotland, Wales and Northern Ireland. From these parts of the UK the strongly held view is that not just the share of the new Fund but also the absolute amounts (adjusted for inflation) should be no less than the present EU funding. The sensitivity on this point appears considerable.

There is support for this position in that the underlying economic geography of the UK has not changed radically in recent years. A new formula would therefore probably result in modest adjustments to the sums going to each of the four nations but probably keep no-one happy.

We recommend that, for the moment, the UK government adopts a pragmatic approach and rolls forward the four nations' existing shares of EU funding into the UK Shared Prosperity Fund.

6. *Should the allocations within the devolved nations be an entirely devolved matter?*

The present EU allocations to component parts of Scotland and Wales are to a large extent the result of EU decisions. West Wales & the Valleys, for example, receives especially large sums (around £1.8bn over the 2014-20 period) not because of decisions by the UK or Welsh Governments but because its low GDP per head qualifies it as a 'less developed' region under EU policies. Likewise, the Scottish Highlands & Islands receive additional funding because of EU policy on areas with a low population density.

Beyond Brexit there is no need for financial allocations to areas within the devolved nations (or indeed within England) to take account of EU priorities.

Even though the UK government's intention is to establish a UK Fund, there is no compelling reason why it should earmark parts of the pot for specific areas within the devolved nations. This view is endorsed by most, though not all, of the contributors to the Inquiry from the devolved nations.

We encourage the UK government to recognise that, within the framework of agreed guidelines, the allocation of the funding to local areas within the devolved nations should be a devolved matter.

7. In England, should the funding to local areas be allocated by an appropriate formula, and if so what are the best statistical measures?

In the 2014-20 EU funding round, each of England's 38 Local Enterprise Partnership (LEP) areas receives a fixed financial allocation, in euros, from the ERDF and ESF. The formula underpinning the present allocation is complex, bringing together EU allocations to its three categories of regions ('less developed', 'transition' and 'more developed'), the UK government's decision to favour less prosperous areas within the last two categories, and previous financial allocations.

The case for rolling forward these allocations is poor. There is no need to be bound by EU priorities, the relative prosperity of areas has shifted, the data driving the 2014-20 allocations is highly dated, and there was a serious error in the allocations to the Liverpool and Sheffield City Regions (they were badly short-changed) which neither has forgotten.

The contributors to the Inquiry strongly support a needs-based allocation formula in England. There are diverse views on exactly what that formula should be. That GVA per head should be a key part of the formula is accepted by most. Other suggestions include unemployment, employment rates, economic inactivity, median earnings, skills, the business stock and the Indices of Deprivation.

We recommend that the UK government deploys a robust formula, using up-to-date statistics, to allocate the UK Shared Prosperity Fund within England.

8. Is there any role for competitive bidding between areas for funding?

Within the present EU-funded programmes competitive bidding takes place between individual projects. In England, the Local Growth Fund has also been allocated between LEP areas by a competitive bidding process. The allocation of EU funds between areas, however, has always been formula-based.

Many of the contributors to the Inquiry were quite blunt on this point: they see no role for competitive bidding between areas for funding from the UK Shared Prosperity Fund. Competitive bidding is seen as hugely wasteful of time and resources, open to favouritism, and likely to deflect from a strong focus on raising the performance of the less prosperous parts of the country, not least because it is often easier to argue

for 'quick wins' in the places where the economy is strongest. This assessment seems reasonable.

Among the minority who see merit in an element of competitive bidding it is still seen as something that should be marginal to the main, formula-driven basis of funding allocation, perhaps reserved for experimental measures or for initiatives that might only have relevance in a small number of places.

We recommend that if any element of competitive bidding were to be incorporated into the UK Shared Prosperity Fund it should be marginal to the main formula-based allocation.

9. In England, should sub-regions (e.g. LEP areas, combined authorities) be the basis for financial allocations, as with EU funding at present?

There is agreement among contributors to the Inquiry that in England sub-regions are the geographical unit to which financial allocations should be made. Local economies operate at this scale, generally spanning several local authorities but stopping short of standard statistical regions.

In practice, too, the economic diversity of England is especially marked at the sub-regional scale. Within several regions there are both prosperous and deprived sub-regions.

The contributors to the Inquiry have mixed views however on the merits of the present LEP geography. Where there is a combined authority and a LEP with the same boundaries, and where cooperation and administration has matured, greater confidence is expressed in this framework. Elsewhere, there seems to be greater unease. Some county councils, for example, clearly feel they should be more central to the administration of funding.

In July 2018 the UK government published its review of Local Enterprise Partnerships, intended to initiate adjustments to LEP boundaries and improvements to their administrative structures and accountability. If these reforms are implemented some of the concerns about LEPs may recede. In practice, however, if the intention in England is to allocate the UK Shared Prosperity Fund to sub-regions there presently seems little practical alternative to the use of LEP areas.

We recommend that sub-regions, most probably revised LEP areas, remain the basis for financial allocations to areas within England.

10. As with present-day EU funding, should economic development and convergence remain the primary objectives of the new Fund?

The Conservative manifesto defined the purpose of the UK Shared Prosperity Fund as being to “reduce inequalities between communities across our four nations”. The ministerial statement in July 2018 re-affirmed this commitment to tackle these inequalities.

This focus on narrowing the differences in prosperity and well-being between places is endorsed by contributors to the Inquiry.

There is strong support for maintaining economic development at the heart of the objectives for the new Fund but there is also a view among contributors that ‘inclusive growth’ – making sure the benefits of a growing economy filter through to those most in need – has an important place in the Fund.

We support the government’s intention to make narrowing the differences in prosperity across the UK the key objective of the new Fund.

11. Are there activities beyond the scope of present-day EU funding that should be supported?

Over the years the activities eligible for financial support from the EU have become more restrictive. Whereas at one time it was normal to use substantial ERDF funding to support infrastructure investment, in most of the country the focus in the present round has had to be on R&D, business support, the low-carbon economy and environmental improvement. There are also tight restrictions on financial aid to businesses.

The view of most contributors to the Inquiry is that the shopping list of activities on which EU funds can be spent has become too restrictive and that the creation of the UK Shared Prosperity Fund allows a fresh start. There is a widespread view too that local players know their area best and are best placed to judge exactly what is needed. This adds up to a powerful call for greater flexibility on spending.

Kent County Council made a special plea to help offset the expected costs of Brexit – their ports are in the front-line – and a number of players in Northern Ireland made the case for addressing the special needs of the border with the Republic of Ireland, including the loss of EU-funded Peace and Cross-Border initiatives. These seem in principle to be special cases, tied directly to the consequences of Brexit, that the UK government ought to address, though not necessarily through the UK Shared Prosperity Fund.

We recommend that local partners are given flexibility to define the types of projects on which the UK Shared Prosperity Fund is spent, so long as the activities remain consistent with the wider objectives of the Fund.

12. *Should there be guarantees that specific activities supported at present by EU funding (e.g. ESF support for training) will continue to receive funding?*

Most contributors to the Inquiry want to see local flexibility to determine local spending priorities, with little if any constraint, and therefore do not support the idea that specific funding should not be earmarked for specific purposes. In England, there is an expectation that the Local Industrial Strategies, intended to be in place in all areas by 2020, will set the framework within which local partners can then determine local spending priorities.

An exception applies to a number of organisations that make extensive use of European Social Fund (ESF) monies or act as representative bodies for these organisations. They have a worry that ESF-funded activities, which currently account for around 30 per cent of the combined ERDF/ESF spend across the country but substantially more in London, might be squeezed out. Some of these activities address the skills needs of the most marginalised in society. Whether a squeeze of this kind is ever likely to happen is unclear, especially as the emphasis of the UK government and devolved administrations on skills as a driver of productivity seems likely to figure in most plans. Nevertheless, the concern is real.

We recommend that requirements to fund specific activities should be kept to a minimum, but we would also expect the spending plans of local partners to be a balanced portfolio.

13. *As a UK fund, should the UK government set the broad guidelines for the priorities to be supported by the Shared Prosperity Fund?*

14. *What role should the devolved administrations play in setting the broad guidelines?*

These questions are best taken together.

The present arrangement for managing the EU Structural Funds is that the UK government draws up an over-arching plan in agreement with the European Commission.

This arrangement will not be required following Brexit but the assumption of nearly all contributors to the Inquiry is that the UK government will set broad guidelines for the new UK Shared Prosperity Fund. In effect, the UK will simply replace the EU as the source of funding. The primary concern of contributors is therefore that the guidelines are set in very general terms, allowing plenty of scope for local flexibility.

This view is not shared by the Welsh Government. Their view, supported by Wales TUC, is that there should not be a 'UK' fund. Rather, the EU funding that would have come to Wales should be replaced by an additional block grant from the Treasury which would then be for the Welsh Government and Welsh Assembly to manage as they see fit. Regional development is a devolved matter, the Welsh Government points out, and they would not wish to see EU rules replaced by UK rules.

The Welsh Local Government Association sees “no potential underlying conflict in the existence of broad UK-level guidelines and the ability of the devolved nations to determine the detail in partnership with their regional and local stakeholders”.

The way forward proposed by the Welsh Government has a number of implications: the financial allocation would have to be outside the Barnett formula (otherwise, as a major recipient of EU funds, Wales would lose out); the allocation would have to be revised over time in the light of changing economic performance; and as a block grant Wales would be free to spend the money in whatever way it saw fit, not just on regional and local development.

This is not of course what the UK government is presently proposing, and in the absence of a submission we are unclear where the Scottish Government stands on this issue.

Nevertheless, there is clearly force and logic behind the idea that the devolved administrations should be free to manage their own regional development programmes. This would reflect both the spirit and the letter of the current devolution settlement.

Added to this, there are substantial administrative attractions in disentangling the four nations' components of the UK Shared Prosperity Fund if in England the objectives and financing were to be complicated by rolling in other Westminster budget lines.

We expect the UK government to respect the devolution settlement and therefore any guidelines for the Fund as a whole should be kept at a strategic broad level and agreed jointly between the UK government and the devolved administrations.

We also recommend that, within the framework of the agreed guidelines, the UK government should transfer responsibility for the detailed design and delivery of the relevant parts of the UK Shared Prosperity Fund to the devolved administrations and their partners.

We further recommend that, reflecting this devolved responsibility, the Fund should be re-branded to reflect the four nations, i.e. UKSPF England, UKSPF Scotland, UKSPF Wales and UKSPF Northern Ireland.

15. How should the impact and desired outcomes of the Fund be defined and measured?

At the present time, the administrative architecture of the EU funds places strong emphasis on identifiable project outputs.

The view of many contributors to the Inquiry is that the current emphasis on outputs needs to be tilted toward 'outcomes', for example to measuring the impact on key economic variables. There is also a view that defining the target outcomes should be primarily the responsibility of local partners, who are best placed to identify what these should be. Contributors argue strongly that a 'one size fit all' approach to the UK Shared Prosperity Fund would be wrong because needs and opportunities vary such a great deal across the country.

We recommend that there is a strong emphasis on allowing local partners to define and measure target outcomes.

16. How can the promise that the Fund will be “cheap to administer, low in bureaucracy” best be delivered?

EU funding is presently regarded as something of a bureaucratic nightmare, with so many hurdles to overcome. The Federation of Small Businesses, for example, reports that many firms are simply put off by the amount of paperwork. The urgent need to simplify administrative processes – and speed them up – is widely recognised by contributors to the Inquiry.

A number of contributors note that the removal of the EU from the jigsaw will, at a stroke, simplify matters. In particular, the EU has imposed meticulous auditing requirements that were designed to stop fraud in other EU states and are unnecessary in a UK context. But there is a view that simplification needs to go further and, in particular, government departments need to devolve more responsibility (and trust) to local players, especially where well-proven administrative structures are in place.

We recommend that the UK government and devolved administrations work with local players to seize the opportunity to design a simplified administrative structure that works.

17. Where should local authorities fit into the management of the new Fund?

There are varying perspectives among contributors to the Inquiry about the current role of local authorities in managing EU funding.

Broadly, in the parts of England where there are now combined authorities and LEPs with coterminous boundaries there appears to be a degree of comfort about the ability of local authorities to input into decision making, and a desire to maintain and strengthen these arrangements. Elsewhere there can be more unease. Some county councils, for example, feel their expertise and capability is marginalised, a view shared by London boroughs.

This is not just a problem in England: several local authority contributors from Scotland and Wales also express concern at the centralisation of EU programme management and at the need for stronger adaptation to local circumstances. Resolution on this point is clearly a devolved matter.

In England, the reform of LEPs announced in July 2018 should strengthen their competence but not necessarily their accountability to local authorities. Yet it is local authorities that are democratically accountable to local people.

We recommend that the management structures for the UK Shared Prosperity Fund make greater efforts to engage local authorities.

18. How should programmes and projects be monitored and evaluated?

There is a substantial body of experience in monitoring and evaluating EU-funded programmes and policies. One of the messages from contributors to the Inquiry is that the UK government and the devolved administrations should not seek to 're-invent the wheel'. There is a lot of existing good policy and practice on which to build.

Broadly, the view from contributors is that projects should provide basic key performance updates to managing bodies (for example to LEPs in England) that can then be compared against agreed targets. Evaluation should be at both project and programme level, and on-going.

There is also a view that the changeover to the new Fund can be used to place greater responsibility on local partners to set their own targets and milestones in the light of local circumstances.

We recommend that the monitoring and evaluation of programmes and projects aims to build on the experience with EU funding.

Summary list of recommendations

Overall budget

We recommend that the annual budget for the UK Shared Prosperity Fund is no less, in real terms, than the EU and UK funding streams it replaces.

We recommend that the UK Shared Prosperity Fund operates on the basis of multiannual financial allocations of the longest practicable duration.

We recommend that if other existing budget lines were to be included in the UK Shared Prosperity Fund the total budget of the new Fund should be increased by the full value of those additional budget lines, and that the present rules on matching finance for projects should be adjusted accordingly.

Allocation across the country

We recommend that, for the moment, the UK government adopts a pragmatic approach and rolls forward the four nations' existing shares of EU funding into the UK Shared Prosperity Fund.

We encourage the UK government to recognise that, within the framework of agreed guidelines, the allocation of the funding to local areas within the devolved nations should be a devolved matter.

We recommend that the UK government deploys a robust formula, using up-to-date statistics, to allocate the UK Shared Prosperity Fund within England.

We recommend that if any element of competitive bidding were to be incorporated into the UK Shared Prosperity Fund it should be marginal to the main formula-based allocation.

We recommend that sub-regions, most probably revised LEP areas, remain the basis for financial allocations to areas within England.

Activities to be supported

We support the government's intention to make narrowing the differences in prosperity across the UK the key objective of the new Fund.

We recommend that local partners are given flexibility to define the types of projects on which the UK Shared Prosperity Fund is spent, so long as the activities remain consistent with the wider objectives of the Fund.

We recommend that requirements to fund specific activities should be kept to a minimum, but we would also expect the spending plans of local partners to be a balanced portfolio.

Management

We expect the UK government to respect the devolution settlement and therefore any guidelines for the Fund as a whole should be kept at a strategic broad level and agreed jointly between the UK government and the devolved administrations.

We also recommend that, within the framework of the agreed guidelines, the UK government should transfer responsibility for the detailed design and delivery of the relevant parts of the UK Shared Prosperity Fund to the devolved administrations and their partners.

We further recommend that, reflecting this devolved responsibility, the Fund should be re-branded to reflect the four nations, i.e. UKSPF England, UKSPF Scotland, UKSPF Wales and UKSPF Northern Ireland.

We recommend that there is a strong emphasis on allowing local partners to define and measure target outcomes.

We recommend that the UK government and devolved administrations work with local players to seize the opportunity to design a simplified administrative structure that works.

We recommend that the management structures for the UK Shared Prosperity Fund make greater efforts to engage local authorities.

We recommend that the monitoring and evaluation of programmes and projects aims to build on the experience with EU funding.

APPENDIX: List of organisations making written submissions

Argyll and Bute Council
Association of Colleges
Barrow in Furness BC
Blackpool BC
Centre for Cities
Centre for Cross Border Studies
Comhairie nan Eilean Siar
Convention of Scottish Local Authorities (COSLA)
Cornwall Council
Cornwall and Isles of Scilly LEP
Copeland BC
Coventry City Council
Cumbria County Council
Doncaster MBC
Durham County Council
East Ayrshire Council
East Border Region
East Dunbartonshire Council
East of Scotland European Consortium
East Lancashire Chamber of Commerce
East Midlands Chamber
English Intermediate Bodies Network
Equality and Human Rights Commission
Employment Related Services Association / NCVO
Federation of Small Businesses
Give us a Chance
Glasgow City Council
Greater Lincolnshire LEP
Greater London Authority
Highlands and Islands Enterprise
Highlands and Islands of Scotland European Partnership
Highland Council
Humber LEP
Industrial Communities Alliance
Institute of Economic Development
Joseph Rowntree Foundation
Kent County Council
Key Cities Group
Lancashire County Council
Lincolnshire County Council
Liverpool City Region Combined Authority / Liverpool City Region LEP
Local Government Association
London Councils
Mencap
Merthyr Tydfil CBC
Midlothian Council

Neath Port Talbot CBC
Norfolk County Council
North Ayrshire Council
North East Brexit Group
Northern Ireland Local Government Association
Orkney Islands Council
Perth and Kinross Council
Plymouth City Council
Portsmouth City Council
Preston City Council
Prince's Trust
Rotherham MBC
Scottish Cities
Scottish Council for Voluntary Organisations
Sheffield City Region
Shetland Islands Council
South Ayrshire Council
South Lanarkshire Council
South Tyneside Council
Sunderland City Council
Telford and Wrekin Council
Tees Valley Mayoral Combined Authority
Torbay Development Agency
Torfaen CBC
TUC
University of the Highlands and Islands
Wales Council for Voluntary Action
Wales TUC
Warrington BC
Welsh Government
Welsh Local Government Association
West Dunbartonshire Council
West of Scotland European Forum
West Yorkshire Combined Authority / Leeds City Region LEP