Y Pwyllgor Cyllid / Finance Committee
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CLILC WLGA

WLGA

27th April 2022

Response to the Senedd Finance Committee Inquiry into Post-EU Funding Arrangements

Welsh Local Government Association - The Voice of Welsh Councils
The Welsh Local Government Association (WLGA); is a politically led cross party organisation that seeks to give local government a strong voice at a national level. The Association represents the interests of local government and promotes local democracy in Wales. The 22 councils in Wales are all members of the WLGA and the 3 fire and rescue authorities and 3 national park authorities are associate members.

We believe that the ideas that change people's lives, happen locally
Communities are at their best when they feel connected to their councils through local democracy. By championing, facilitating, and achieving these connections, we can build a vibrant local democracy that allows sustainable communities to thrive.

The main aim of the Association is to promote, protect, support and develop democratic local government and the interests of councils in Wales.

This means:
- Promoting the role and prominence of councillors and council leaders
- Ensuring maximum local discretion in legislation or statutory guidance
- Championing and securing long-term and sustainable funding for councils
- Promoting sector-led improvement
- Encouraging a vibrant local democracy, promoting greater diversity
- Supporting councils to effectively manage their workforce.

Introduction

1. WLGA welcomes the decision of the Committee to undertake an inquiry into Post-EU Funding arrangements and the opportunity to provide evidence.

2. Local Government has been a key partner in designing and delivering EU Funded Programmes for over 20 years, working with the European Commission, the Welsh Government, and key partners from the third sector, private sector and the Higher and Further Education sectors, in developing specific programmes for Wales.

3. Councils across Wales have benefited from a number of different programmes, most recently the 2014-2020 European Structural and Investment Funds (ERDF & ESF), the European Agricultural Fund for Rural Development (EAFRD), the European Maritime and Fisheries Fund (EMFF) and the European Territorial Cooperation Programmes (ETC).

4. Councils and their communities have benefited directly from the EU programmes, which have funded specific projects across a range of interventions, from regenerating their town centres, their urban, rural and coastal communities to supporting people to access employment opportunities.

5. Councils across Wales have also benefited from EU funded programmes and projects run by many other partner organisations, including the Welsh Government, further education colleges, universities, the third sector, and the private sector. Examples include business support programmes, apprenticeships, tourism marketing and environmental projects.

6. This means that councils across Wales are in a good position to maximise the opportunities from the new replacement UK Funding Programmes, building on all their experiences of designing and delivering projects with key partners from the wider public sector, third sector, the private sector and the higher and further education sectors.

7. Given this background, councils are also well placed to lead, manage and coordinate the new replacement UK Funding Programmes. They have been working collaboratively within the 4 Economic Regions of Wales for a number of years on key economic development, regeneration, skills and employment initiatives. This led to the development of the 4 City and Growth Deals, with all councils working together with both the UK and Welsh Governments to deliver key economic interventions across Wales.

Progress in establishing and delivering replacement funds for EU structural funds, including:

- the UK Shared Prosperity Fund
- the Community Renewal Fund; and
- the Levelling Up Fund

8. There is a feeling within local government that progress to date has been relatively slow in designing, developing and launching the Shared Prosperity Fund.

9. Although the WLGA, along with the local government associations of England, Scotland and Northern Ireland, have been involved discussions with the UK Government's Department for Levelling Up, Housing and Communities (DLUHC) over the last 3 years, the more meaningful engagement only took place in recent months with discussion intensifying during the last few weeks prior to the formal launch of the Fund on the 13th of April.

10. The WLGA welcomed the opportunity to input into the development of the Fund, though earlier and more detailed engagement would have been appreciated. It is also unfortunate that much of the detail emerged during the pre-election period, which meant it was particularly challenging in terms of ensuring that all council leaders were able to engage in the process.

11. As with the UK Community Renewal Fund (CRF) and the UK Levelling Up Fund (LUF) local authorities are concerned with the lack of lead in time to enable the design, development and delivery of SPF projects. The timescales are extremely challenging, without the ability to move funds between financial years. This is in stark contrast to the flexibility afforded by the multi-annual EU Funding Programmes that enabled delivery over a 10-year period.

12. We welcome very much the decision to deliver the SPF based on allocations rather than on a competitive basis as the competitive nature of both the CRF and LUF was inherently wasteful.

13. The CRF was considered as the precursor to the SPF but, as the CRF has now been extended, it isn't evident that the learning from the CRF informed the development of the SPF, apart from the decision to deliver the SPF on the basis of allocations.

14. The LUF is not strictly a replacement for the EU Structural Funds as, in Wales, it is a Barnett Consequential arising from the English Towns Fund.

15. Replacing some EU Funded Programmes with UK Funded Programmes has created new challenges for local government in Wales, Scotland and Northern Ireland. Local government in England has a longer history and experience of working with Ministers and Officials at the UK Government. Local government currently sits within the Department for Levelling Up, Housing and Communities and was previously under the Minister for Housing, Communities and Local Government). Establishing and building new relations with Ministers and officials in a Department that traditionally worked mainly with councils in England, has made it more challenging for councils across the devolved nations. Relationships have been good, though, with the UK government's officials working on SPF and these are developing.

How the funding proposed for Wales and funding received via continued UK participation in EU programmes, compares to the funding received while the UK was a member of the EU

16. The type and level of the replacement EU funding announced for Wales by the UK Government to date differs in several ways from the funding that Wales used to receive from the EU Programmes.

17. The type of funding announced for both the CRF and SPF i.e. mostly revenue, is similar to the type of funding Wales has received from the European Social Fund (ESF) for investments in skills and employment interventions. Whilst there is some capital funding within the SPF, it's very small compared to the funding Wales received from the European Regional Development Fund (ERDF) for investments in infrastructure, physical regeneration and business support. Whilst more capital funding is provided via the LUF, it's not new or replacement EU funding as it's a Barnett Consequential for Wales linked to replacement of the UK Government's Towns Fund in England.

18. It does not seem that there is any replacement EU funding for either the funding that Wales used to receive from the European Agricultural Fund for Rural Development (EAFRD), the European Maritime and Fisheries Fund (EMFF) or the European Territorial Cooperation Programmes (ETC).

19. The WLGA has argued strongly from the outset that Wales should receive at least as much in replacement EU funding as it would have received if the UK had remained in the European Union. The funding announced for Wales by the UK Government to date, for 3 financial years, falls short of the funding Wales would have received if the UK had remained in the EU. If the UK had remained in the EU, Wales would now be receiving funding for the next 7-10 years under the new EU Funding Programmes for 2020-2027, with the highest levels of funding from the new Structural Fund Programmes, funding from the new Common Agricultural Policy for agriculture and rural development, funding from the new Maritime and Fisheries Fund and the new Territorial Cooperation Programmes. Our Young People and Education institutions would continue to benefit from funding from the ERASMUS+ Programme and our Universities would continue to benefit from the HORIZON EUROPE Programme. All this funding would have been additional, over and above the block grant, and match funded by a plethora of funding streams across the public and private sector.

20. Further, the SPF budget allocation for the UK and Wales is less than it would have been as UK Government has taken account of EU Funds remaining from the 2014-2020 EU Programmes. That funding, which will continue to be received and spent up until 2023, has been 'netted off' by the UK Government in arriving at the allocation.

21. For the UK as a whole, the SPF is planned to 'ramp up' from £0.4bn this financial year to £0.7bn in 2023-24 and £1.5bn in 2024-25, Therefore instead of £4.5bn being available over three years (at £1.5bn p.a.) it will amount to £2.6bn – leaving a gap of £1.9bn. For Wales, the SPF allocations up to 2024/25 (including funds for the UK Government's 'Multiply' adult numeracy initiative) are £89m, £153m and £343m, totalling £585m). At 23% of the UK total[1] that is clearly a good share reflecting the level of need in Wales. However, compared with the funding Welsh Government has indicated Wales would have received from the EU it is £585m plus £47m from the Community Renewal Fund against a potential £1.404bn – or a difference of £772m. Moreover, a new EU programme would have given a further 7+3 years of funding certainty whereas SPF commitments currently run only up to 2024/25.

The mechanisms and structures being established to administer those funds in Wales, the roles of those involved, in particular the Welsh and UK Governments, and the consequent impact on accountability arrangements.

22. WLGA welcomes the decision of the UK Government to allocate these funds directly to councils as the democratically elected bodies, closest to the people they serve. Their community leadership role means that councils are best placed to lead, manage and coordinate the new funding streams within their local areas, working with all key partners and stakeholders within their local areas, as they know their areas best.

23. WLGA also welcomes the encouragement for councils to continue to work with their neighbouring councils and all key partners and stakeholders in the four economic regions of Wales. This approach; led, managed and coordinated by councils, mirrors our work as part of developing the *Framework for Regional Investment in Wales,* with key partners and stakeholders across Wales during the last four years. It also recognises that councils have been working together for several years in the four economic regions of Wales on key economic development, regeneration, skills and employment interventions.

24. It is unfortunate that the UK Government and Welsh Government ultimately failed to reach an agreement on the delivery of the SPF in Wales. The WLGA believes that we deliver the best outcomes when all tiers of government work collaboratively and in co-ordination. We will, however, endeavour to work with both governments to ensure that the interventions developed as part of the Investment Plans for the SPF complement and add value to similar Welsh Government funded activity. This will help to maximise the funding available and avoid some potential major gaps in provision.

[1] That is 23% of the £2.49bn total shown in the UK Government's breakdown of allocations to the four nations, rather than the full £2.6bn of the SPF.

The amount of legacy funding that Wales is due to receive following the UK's exit from the EU and associated with EU structural fund programmes.

25. It is misleading to use the term 'legacy funding' as the funding Wales was allocated under the 2014-2020 EU Programmes can continue to be spent until the end of 2023 in line with the N+3 rule. It is neither new funding nor legacy funding.

26. There remains a fundamental difference of opinion between the UK and Devolved Governments over whether the funding allocated via the SPF equates to what would have been received if the UK had remained in the EU.

27. The UK Government in effect nets-off the amounts of funding the 4 nations continue to receive under the EU arrangements. That is inevitably lower than the gross figure that would have been received under the current and new EU funded programmes.

28. The devolved governments of Wales, Scotland and Northern Ireland continue to challenge the methodology adopted by the UK Government.

29. As a result of the UK Government's methodology being applied in the same way to funding for farms, Welsh Government has stated that Wales' rural communities will be £243m worse off than if the UK had remained in the EU.

30. As explained above, the funding from the SPF for Wales has taken into account the balance of funds from the 2014-2020 EU Structural Fund programmes and is therefore less than Wales would have received if the UK had remained in the EU. The combined 'gaps' of £772m in relation to the SPF and £243m in agricultural funding result in a grand total of £1.015b, which is the shortfall figure that Welsh Government has quoted.