

Agenda – Finance Committee

Meeting Venue:

Committee Room 2 – The Senedd

Meeting date: 27 June 2018

Meeting time: 09.00

For further information contact:

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Committee Clerk

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- 1 Introductions, apologies, substitutions and declarations of interest**
(09.00)
- 2 Paper(s) to note**
(09.00) (Pages 1 – 3)
- 3 Welsh Government First Supplementary Budget 2018–19: Evidence session**
(09.00–09.50) (Pages 4 – 43)
Mark Drakeford AM, Cabinet Secretary for Finance
Matthew Denham-Jones, Deputy Director, Financial Controls
Sharon Bounds, Head of Budgetary Control

Paper 1 – First Supplementary Budget 2018–19 Budget Motion
- 4 Motion under Standing Order 17.42 to resolve to exclude the public from items 5, 8 and the start of the meeting on 5 July 2018**
(09.50)
- 5 Welsh Government First Supplementary Budget 2018–19: Consideration of evidence**
(09.50–10.00)



**6 Inquiry into preparations for replacing EU funding for Wales:
Evidence session 7 (Cabinet Secretary for Energy, Planning and
Rural Affairs)**

(10.00–11.00)

(Pages 44 – 82)

Lesley Griffiths AM, Cabinet Secretary for Energy, Planning and Rural Affairs

Tim Render, Director, Environment and Rural Affairs

Paper 2 – Written evidence submitted by the Cabinet Secretary for Energy,
Planning and Rural Affairs

**7 Inquiry into preparations for replacing EU funding for Wales:
Evidence session 8 (Cabinet Secretary for Finance)**

(11.00–12.30)

(Pages 83 – 88)

Mark Drakeford AM, Cabinet Secretary for Finance

Peter Ryland, Chief Operating Officer, Welsh European Funding Office

Paper 3 – Written evidence submitted by the Cabinet Secretary for Finance

**8 Inquiry into preparations for replacing EU funding for Wales:
Consideration of evidence**

(12.30–12.40)

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 3 – The Senedd

Meeting date: Thursday, 21 June 2018

Meeting time: 09.32 – 12.13

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/4840>

Attendance

Category	Names
Assembly Members:	Simon Thomas AM (Chair) Mike Hedges AM Jane Hutt AM Nick Ramsay AM
Witnesses:	Victoria Winckler, Bevan Foundation Alan Bermingham, The Chartered Institute of Public Finance and Accountancy (CIPFA) Professor Steve Fothergill, Sheffield Hallam University Professor David Bell, Stirling University Professor Terry Marsden, Cardiff University
Committee Staff:	Bethan Davies (Clerk) Leanne Hatcher (Second Clerk) Georgina Owen (Deputy Clerk) Gareth David Thomas (Researcher)

1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the meeting.



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Cenedlaethol
Cymru

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Assembly for
Wales

1.2 Apologies were received from Steffan Lewis AM, David Rees AM and Neil Hamilton AM.

2 Paper(s) to note

2.1 The paper was noted.

3 Inquiry into preparations for replacing EU funding for Wales: Evidence session 4 (Bevan Foundation)

3.1 The Committee took evidence from Victoria Winckler, Director of the Bevan Foundation on its inquiry into preparations for replacing EU funding for Wales.

4 Inquiry into preparations for replacing EU funding for Wales: Evidence session 5 (Chartered Institute of Public Finance and Accountancy)

4.1 The Committee took evidence from Alan Bermingham, Chartered Institute of Public Finance and Accountancy on its inquiry into preparations for replacing EU funding for Wales.

5 Inquiry into preparations for replacing EU funding for Wales: Evidence session 6

5.1 The Committee took evidence from Professor Steve Fothergill, Sheffield Hallam University; Professor David Bell, University of Stirling; and Professor Terry Marsden, Cardiff University on its inquiry into preparations for replacing EU funding for Wales.

6 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting

6.1 The motion was agreed.

7 Inquiry into preparations for replacing EU funding for Wales: Consideration of evidence

7.1 The Committee considered the evidence received.

8 Approach to scrutiny of the Welsh Government's Draft Budget 2019–20

8.1 The Committee considered its approach to scrutiny of the Welsh Government's draft budget 2019–20 and agreed:

- to publish a summary of the discussions with stakeholders at the event held at the National Waterfront Museum in Swansea on 7 June 2018;
- to write to other policy committees identifying a number of themes for scrutiny; and
- the provision of specialist advice in relation to the Welsh Rate of Income Tax.

Supplementary Budget Motion 2018-19

Laid Before the National Assembly for Wales by the Cabinet Secretary for Finance

June 2018

Supplementary Budget Motion**1. The Assembly is asked to agree the following:**

- This resolution for the year ending 31 March 2019 is made by the National Assembly for Wales (“the Assembly”) pursuant to Section 126 of the Government of Wales Act 2006 (“the Act”).
2. This Supplementary Budget Motion should be read alongside supporting budget documentation published on 19 June 2018.

Welsh Government**3. The Welsh Government is authorised-**

- (a) to use resources (not including accruing resources) during the financial year ending 31 March 2019 for the services and purposes specified in Column 1 of Schedule 1, up to a maximum of the corresponding amounts specified in Column 2 of that Schedule;
- (b) in addition, to retain income, within the categories of accruing resources specified in Column 1 of each Part of Schedule 2, during the financial year ending 31 March 2019, for use on the services and purposes specified in Column 2 of each Part of that Schedule, up to the limit specified for each Part of that Schedule; and
- (c) to draw cash out of the Welsh Consolidated Fund for use on the services and purposes specified in Schedule 1, up to the net cash requirement limit specified in Schedule 5.

4. Despite paragraphs 2(a) and (b), the resources which may be used for the services and purposes specified in Column 1 of Schedule 1 (or, as the case may be, in Column 2 of each Part of Schedule 2), may exceed the amount specified in the corresponding entry in Column 2 of Schedule 1 (or, as the case may be, in each Part of Schedule 2) if-

- (a) in the case of resources other than accruing resources, the first condition is met, or
- (b) in the case of accruing resources, the second condition is met.

5. The first condition is that the total resources (other than accruing resources) used during the financial year ending 31 March 2019 for all services and purposes specified in Column 1 of Schedule 1 does not exceed the total of the sum of the amounts specified in Column 2 of that Schedule.

6. The second condition is that the total accruing resources used during the financial year ending 31 March 2019 for all services and purposes specified in Column 2 of Schedule 2 does not exceed the total of the sum of the amounts specified for each part of that Schedule.

Assembly Commission

7. The Assembly Commission is authorised-

- (a) to use resources (not including accruing resources) during the financial year ending 31 March 2019 for the services and purposes specified in Column 1 of Part 1 of Schedule 3, up to a maximum of the corresponding amounts specified in Column 2 of Part 1 of Schedule 3;
- (b) in addition, to retain income, within the categories of accruing resources specified in Column 1 of Part 1 of Schedule 4, during the financial year ending 31 March 2019, for use on the services and purposes specified in the corresponding entries in Column 2 of Part 1 of that Schedule, up to the limit specified for Part 1 of that Schedule; and
- (c) to draw cash out of the Welsh Consolidated Fund for use on the services and purposes specified in Column 1 of Part 1 of Schedule 3, up to the net cash requirement limit specified in Schedule 5.

Public Services Ombudsman for Wales

8. The Public Services Ombudsman for Wales is authorised –

- (a) to use resources (not including accruing resources) during the financial year ending 31 March 2019 for the services and purposes specified in Column 1 of Part 2 of Schedule 3, up to a maximum of the corresponding amounts specified in Column 2 of Part 2 of Schedule 3;
- (b) in addition, to retain income, within the categories of accruing resources specified in Column 1 of Part 2 of Schedule 4, during the financial year ending 31 March 2019, for use on the services and purposes specified in the corresponding entries in Column 2 of Part 2 of that Schedule, up to the limit specified for Part 2 of that Schedule; and
- (c) to draw cash out of the Welsh Consolidated Fund for use on the services and purposes specified in Column 1 of Part 2 of Schedule 3, up to the net cash requirement limit specified in Schedule 5.

Wales Audit Office

9. The Wales Audit Office is authorised-

- (a) to use resources (not including accruing resources) during the financial year ending 31 March 2019 for the services and purposes specified in Column 1 of Part 3 of Schedule 3, up to a maximum of the corresponding amounts specified in Column 2 of Part 3 of Schedule 3;
- (b) in addition, to retain income, within the categories of accruing resources specified in Column 1 of Part 3 of Schedule 4, during the financial year ending 31

March 2019, for use on the services and purposes specified in the corresponding entries in Column 2 of Part 3 of that Schedule, up to the limit specified for Part 3 of that Schedule; and

(c) to draw cash out of the Welsh Consolidated Fund for use on the services and purposes specified in Column 1 of Part 3 of Schedule 3, up to the net cash requirement limit specified in Schedule 5.

Specification of Categories of Accruing Resources

10. The categories of accruing resources listed in Column 1 of each Part of Schedule 2, and in Column 1 of each part of Schedule 4, are specified categories for the purposes of section 120(2)(a) of the Act.”

Summary of Resource and Capital Requirements

Welsh Ministers

Ambit	Resources (£000)	Accruing Resources (£000)
Health and Social Services	7,794,716	68,844
Local Government and Public Services	4,260,745	470
Economy and Transport	1,135,126	79,835
Education	2,416,689	244,126
Energy, Planning and Rural Affairs	341,454	350,156
Central Services and Administration	322,423	412,719
Total Resources Requested and Accrued Income relating to Welsh Ministers	16,271,153	1,156,150

Direct Funded Bodies

Ambit	Resources (£000)	Accruing Resources (£000)
National Assembly for Wales Commission	56,088	300
Public Services Ombudsman for Wales	4,480	62
Wales Audit Office	7,261	14,644
Total Resources and Accrued Income for Direct Funded Bodies	67,829	15,006

Schedule 1 – Ambits for expenditure incurred by Welsh Ministers

Ambits for expenditure incurred by Welsh Ministers (excluding accruing resources)	
<i>Column 1</i>	<i>Column 2</i>
<i>Services and purposes</i>	<i>Amount £000</i>
<p>Health and Social Services</p> <p>For use by Welsh Ministers to spend on Health and Social Services including promoting, improving or supporting economic, social or environmental well-being.</p> <p>Delivery of core and targeted NHS services including impairments & provisions; supporting education & training of the NHS workforce, mental health policies & legislation, hospices and delivery of the substance misuse strategy implementation plan; sponsorship of public health bodies, the Food Standards Agency; public health programmes; effective health emergency preparedness arrangements; developing & implementing research & development for patient & public benefit; social care and support, partnership & integration, sustainable social services, Social Care Wales; funding for the Older People Commissioner; funding for the Children's Commissioner and CAFCASS; expenditure on supporting children and any related expenditure and non fiscal resource use.</p>	<p>7,794,716</p>

Ambits for expenditure incurred by Welsh Ministers (excluding accruing resources)	
<i>Column 1</i>	<i>Column 2</i>
<i>Services and purposes</i>	<i>Amount £000</i>
<p>Local Government and Public Services</p> <p>For use by Welsh Ministers to spend on local government including promoting, improving or supporting economic, social or environmental well-being.</p> <p>Funding, including general capital funding, support for local government and valuation services; building local democracy; local government improvement; Academi Wales; supporting collaboration & reform; funding the Care & Social Services Inspectorate, Healthcare Inspectorate Wales and Estyn; Community Facilities Programme; Enabling Children and Communities; Housing Policy; Safer Communities, Homes and Places and any related expenditure and non fiscal resource use.</p>	4,260,745

Ambits for expenditure incurred by Welsh Ministers (excluding accruing resources)	
<i>Column 1</i>	<i>Column 2</i>
<i>Services and purposes</i>	<i>Amount £000</i>
<p>Economy and Transport</p> <p>For use by Welsh Ministers on Economy and Transport including promoting and supporting economic, social or environmental well-being for businesses, individuals, communities and places in Wales.</p> <p>Expenditure on sectors, entrepreneurship & business information; innovation; science; major events; delivering ICT and property related infrastructure; corporate & strategy programmes; Development Bank of Wales; motorway & trunk road operations; improving & maintaining the trunk road network; road, rail, air and sea services and investment; sustainable travel; improving road safety; supporting and sustaining a strong arts sector via the Arts Council and others; fostering usage and lifelong learning through museum and library services; strategic leadership for museum, archive and library services; media and publishing; conserving, protecting, sustaining and promoting access to the historic and natural environment; promoting sport and active lifestyles via Sports Wales and others and any related expenditure and non fiscal resource use that provides broader economic benefit to Wales.</p>	<p>1,135,126</p>

Ambits for expenditure incurred by Welsh Ministers (excluding accruing resources)	
<i>Column 1</i>	<i>Column 2</i>
<i>Services and purposes</i>	<i>Amount £000</i>
<p>Education</p> <p>For use by Welsh Ministers to spend on Education including promoting, improving or supporting economic, social or environmental well-being.</p> <p>Expenditure on education and training standards including literacy and numeracy, curriculum, teaching & leadership, qualifications, post-16 education, higher education, pupil deprivation grant, ICT & information management systems and estate & IT provision; youth engagement & employment; well-being of children & young people; post-16 learner support; pupil engagement; Welsh in education; Welsh language; delivery support; work based learning; delivering support for skills; skills policy; employment & skills; educational and careers choice and any related expenditure and non fiscal resource use.</p>	<p>2,416,689</p>

Ambits for expenditure incurred by Welsh Ministers (excluding accruing resources)	
<i>Column 1</i>	<i>Column 2</i>
<i>Services and purposes</i>	<i>Amount £000</i>
<p>Energy, Planning and Rural Affairs</p> <p>For use by Welsh Ministers on Energy, Planning and Rural Affairs, including promoting, improving or supporting economic, social or environmental well-being.</p> <p>Developing and delivering overarching policy and programmes on sustainable development and natural resources management agriculture, environment, food and marine; develop and implement climate change policy, energy efficiency, Green Growth, green infrastructure, environmental protection, flood & coastal risk, water and sewage policy and legislation; manage and implement the waste strategy and waste procurement; landfill disposal communities scheme; deliver nature conservation and forestry policies; sponsor and manage delivery bodies; developing an appropriate evidence base to support the work of environment and rural affairs; protecting animal, plant and bee health and developing GM policies; promote and support protected landscapes and wider access to green space; planning and regulation; administration and delivery of the Common Agricultural Policy; delivering programmes within the Rural Development Plan; supporting new farm entrants, farmers and rural communities in Wales; evidence based development for rural affairs; developing and managing Welsh marine, fisheries and aquaculture including the enforcement of Welsh fisheries; developing and marketing Welsh food & drink and any related expenditure and non fiscal resource use.</p>	<p>341,454</p>

Ambits for expenditure incurred by Welsh Ministers (excluding accruing resources)	
<i>Column 1</i>	<i>Column 2</i>
<i>Services and purposes</i>	<i>Amount £000</i>
<p>Central Services and Administration</p> <p>For use by Welsh Ministers to spend on Central Services and Administration and promoting equality and prevention of violence.</p> <p>Expenditure on Welsh Government running costs (including staff costs; general administration; capital and capital charges; IT costs; business improvement; and provisions for early retirement and pensions); the cost of elections and referendum: statistical information and research; funding of external bodies; fiscal responsibilities (including devolved taxation and borrowing); (pan-Wales) procurement services; events and corporate communications; inquiries and investigations; international activity; the Invest-to-Save fund; managing the delivery of European funding in Wales; preventing violence against women, domestic abuse and sexual violence; and establishing and maintaining Gypsy/Traveller sites and any related expenditure and non fiscal resource use.</p>	<p>322,423</p>

Schedule 2 – Use of accruing resources by Welsh Ministers

Part 1: Health and Social Services

<i>Column 1</i>	<i>Column 2</i>
<i>Category of accruing resource</i>	<i>Services and purposes for which income may be retained</i>
Accruing resources include income under the Pharmaceutical Price Regulation Scheme; income in respect of settlement of legal claims; charges for accommodation, goods and services to private and NHS patients, local authorities and others; repayment of Invest to Save funding from Local Health Boards and Welsh NHS Trusts; income from the Scottish Government, Northern Ireland Executive, Department of Health, other government departments and the European Union; income from fixed penalty notices issued under the Food Hygiene Rating (Wales) Act 2013; income generation schemes; non-operating income from sale of land, buildings, vehicles, equipment and property and recoveries of VAT; income from rebate schemes and agreements.	Services and purposes include expenditure on primary and community health services; the purchase or acquisition of fixed assets by Welsh NHS Trusts, Local Health Boards and associated healthcare providers; supporting the provision and administration of health and social care services.
Overall amount of Income (£000)	68,844

Part 2: Local Government and Public Services

<i>Column 1</i>	<i>Column 2</i>
<i>Category of accruing resource</i>	<i>Services and Purposes for which income may be retained</i>
Accruing resources include grant funding from the European Commission; repayment and recovery of grant payments and recoveries of VAT; fees and charges for inspections and regulatory services; income from the sale of capital assets; income from repayments of Social Housing Grant; provision of training and development events; training provider repayments; charges for dental registration; income from staff secondments; repayment of staff loans; rental income on property; compensation under commercial and civil settlements and levy of facilitation fees.	Services and purposes include running costs, general administration costs and resource expenditure of Inspectorates and the Valuation Tribunal; the delivery of training interventions for the Welsh Public Service; supporting expenditure on safer communities and regeneration; the payment of grants to local authorities and Third Sector bodies; all European funded projects; and to support all expenditure as identified within the expenditure Ambit.
Overall amount of Income (£000)	470

Part 3: Economy and Transport

<i>Column 1</i>	<i>Column 2</i>
<i>Category of accruing resource</i>	<i>Services and Purposes for which income may be retained</i>
Accruing resources and funding either direct or indirect from the European Commission; property rental and other associated income; business services charges; project contributions from other public sector and private sector organisations; investment income; grant repayments and repayable business finance; income from the sale of capital assets; income relating to tourism activities; transport studies receipts; compensation under commercial and civil settlements and levy of facilitation fees; Admission charges and other operational income at Cadw and the Royal Commission for Ancient and Historic Monuments sites; and recoveries of VAT.	All European funded projects and to support all expenditure as identified within the expenditure Ambit.
Overall amount of Income (£000)	79,835

Part 4: Education

<i>Column 1</i>	<i>Column 2</i>
<i>Category of accruing resource</i>	<i>Services and Purposes for which income may be retained</i>
Accruing resources include income from European Projects, research & evaluation; curriculum royalties; recoveries of Student Loans; funding from the Higher Education Research Capital fund; sales of publications and recoveries of VAT. Accruing resources including repayment and recovery of grant payments; fees and charges for inspections and regulatory services; provision of training and development events; income from staff secondments; repayments of staff loans; income from the sale of capital assets; recovery of loans made and any interest charges thereon; ad-hoc recoveries and grants from other sources.	Services and purposes include supporting European projects, CQFW, programme development, research & evaluation current expenditure; to support curriculum current expenditure and to support all expenditure as identified within the expenditure Ambit.
Overall amount of income (£000)	244,126

Part 5: Energy, Planning and Rural Affairs

<i>Column 1</i>	<i>Column 2</i>
<i>Category of accruing resource</i>	<i>Services and Purposes for which income may be retained</i>
Accruing resources include funding either direct or indirect from the European Commission including income from European structural funds; income from the EU to support farmers and rural communities in Wales; income from wind farm projects; income from Pwllpeiran Farm; income from the sale of capital assets, including buildings; income from grant recoveries from local authorities, third sector organisations and other public and private sector organisations; civil penalty fines associated with emission trading schemes; penalty fines associated with recycling targets; income from marine licences; income from the salvage of carcasses from animals slaughtered for disease control, ad-hoc grants from other sources and recoveries of VAT; funding from other central government departments and income related to Energy, Planning and Rural Affairs.	Services and purposes include expenditure relating to Pwllpeiran Farm; grant payments, schemes part supported by other government departments; all European funded projects and to support all expenditure as identified within the expenditure Ambit.
Overall amount of Income (£000)	350,156

Part 6: Central Services and Administration

<i>Column 1</i>	<i>Column 2</i>
<i>Category of accruing resource</i>	<i>Services and Purposes for which income may be retained</i>
Accruing resources include income from administrative activity such as: the sale of goods or services; the sale of land or buildings; the recovery of costs; staff secondments and fees; repayment of staff loans; recovery of grant payments; the refund of statutory PAYE deductions; recoveries of tax including VAT; the sub let of properties; the sale of administrative assets; income from ICT services provided; training provider repayments; recovery of costs shared with other public sector bodies; receipts of recoverable grants including Invest-to-Save receipts; and direct and indirect from the European Commission.	Services and purposes include funding of: running costs and general administrative expenditure; supporting capital expenditure on the Welsh Government's estate and asset base; supporting equality and preventing violence; and all European funded projects.
Overall amount of Income (£000)	412,719

Schedule 3 – Expenditure Incurred by Direct Funded Bodies (excluding accruing resources)

Part 1 – National Assembly for Wales Commission

<i>Column 1</i>	<i>Column 2</i>
<i>Services and Purposes</i>	<i>Amount £000</i>
Resources other than accruing resources for use by the Assembly Commission on resource and capital costs associated with the administration and operation of Assembly Services to support the National Assembly for Wales ('the Assembly'); promotion of the Assembly including payments to the Electoral Commission and others; payments in respect of the Commissioner for Standards and Remuneration Board; any other payments relating to functions of the Assembly or functions of the Assembly Commission. Resources other than accruing resources for use by the National Assembly for Wales Commission in respect of decisions of the Remuneration Board and expenditure in respect of Assembly Members' Pension provision.	56,088

Part 2 – Public Services Ombudsman for Wales

<i>Column 1</i>	<i>Column 2</i>
<i>Services and Purposes</i>	<i>Amount £000</i>
Resources other than accruing resources for use by the Public Services Ombudsman for Wales ('the Ombudsman') on resource and capital costs associated with the administration of the Ombudsman's office; payments to the British and Irish Ombudsman Association; payments to the International Ombudsman Institute and associated non fiscal items.	4,480

Part 3 – Wales Audit Office

<i>Column 1</i>	<i>Column 2</i>
<i>Services and Purposes</i>	<i>Amount £000</i>
Resources other than accruing resources for use by the Wales Audit Office on the discharge of the statutory functions of the Wales Audit Office and the Auditor General and on the administration of the Wales Audit Office.	7,261

Schedule 4 – Use of accrued resources by Direct Funded Bodies

Part 1 – National Assembly for Wales Commission

<i>Column 1</i>	<i>Column 2</i>
<i>Category of accruing resource</i>	<i>Services and purposes for which income may be retained</i>
Accruing resources for retention pursuant to section 120(2) of the Government of Wales Act 2006 and use by the Assembly Commission from the disposal of fixed assets and other capital income; rental income; gifts; grant support; recharges; income from commercial sales and other services provided to the public or others.	For use on the purchase or acquisition of fixed assets and for use on administrative costs of the Assembly.
Overall amount of Income (£000)	300

Part 2 – Public Services Ombudsman for Wales

<i>Column 1</i>	<i>Column 2</i>
<i>Category of accruing resource</i>	<i>Services and purposes for which income may be retained</i>
Income from commercial sales and other services provided to the public or others.	For use on related services and the administration of the Ombudsman service.
Overall amount of Income (£000)	62

Part 3 – Wales Audit Office

<i>Column 1</i>	<i>Column 2</i>
<i>Category of accruing resource</i>	<i>Services and purposes for which income may be retained</i>
Accruing resources from fees and charges for audit, grant certification and related services; grants received to fund audit services ; other recoveries of costs associated with the functions of the Auditor General or Wales Audit Office; miscellaneous income such as from publications, conferences, provision of administrative, professional and technical services; recoveries of costs, such as of seconded staff, staff loans, car leasing payments; recoveries of any costs incurred for a third party; and interest received on working balances.	For use by the Wales Audit Office on the discharge of functions of the Auditor General and on related services and the administration of the Wales Audit Office.
Overall amount of income (£000)	14,644

Schedule 5: Resource to Cash Reconciliation 2018-19 (£000)**Table 1: Resource to cash Reconciliation for 2018-19 included in the December 2017 Annual Budget Motion (£000)**

	Welsh Ministers	Assembly Commission	Public Services Ombudsman	Wales Audit Office
Net Resource Requirement	14,850,869	55,588	4,455	6,981
Net Capital Requirement	1,221,252	500	25	280
Adjustments:				
Capital Charges	-393,541	-2,400	-70	-200
Impairments	-73,086	0	0	0
Movements in Provisions	-64,939	-2,000	-20	0
Profit/Loss on sale of assets	0	0	0	0
Movements in stocks	0	0	0	0
Movements in debtors/creditors	0	350	20	0
Use of Provisions	0	0	0	0
Other	0	0	0	0
Net Cash Requirement for issue from the Welsh Consolidated Fund	15,540,555	52,038	4,410	7,061

Table 2: Changes to the Resource to cash Reconciliation included in this Supplementary Budget Motion (£000)

	Welsh Ministers	Assembly Commission	Public Services Ombudsman	Wales Audit Office
Net Resource Requirement	66,654	0	0	0
Net Capital Requirement	132,378	0	0	0
Adjustments:				
Capital Charges	25	0	0	0
Impairments	-39,148	0	0	0
Movements in Provisions	24,000	0	0	0
Profit/Loss on sale of assets	0	0	0	0
Movements in stocks	0	0	0	0
Movements in debtors/creditors	0	0	0	0
Use of Provisions	0	0	0	0
Other	0	0	0	0
Net Cash Requirement for issue from the Welsh Consolidated Fund	183,909	0	0	0

Table 3: Resource to cash Reconciliation included in this Supplementary Budget Motion (£000)

	Welsh Ministers	Assembly Commission	Public Services Ombudsman	Wales Audit Office
Net Resource Requirement	14,917,523	55,588	4,455	6,981
Net Capital Requirement	1,353,630	500	25	280
Adjustments:				
Capital Charges	-393,516	-2,400	-70	-200
Impairments	-112,234	0	0	0
Movements in Provisions	-40,939	-2,000	-20	0
Profit/Loss on sale of assets	0	0	0	0
Movements in stocks	0	0	0	0
Movements in debtors/creditors	0	350	20	0
Use of Provisions	0	0	0	0
Other	0	0	0	0
Net Cash Requirement for issue from the Welsh Consolidated Fund	15,724,464	52,038	4,410	7,061

Notes:

1. This table content and format complies with Section 125(1) (c) and 126(2) of the Act which states that for the purposes of authorising the motion there shall be a statement authorising ‘the amount which may be paid out of the Welsh Consolidated Fund in the financial year to the relevant persons, or for use pursuant to a relevant enactment, for the purposes so specified’. Payments made out of the Welsh Consolidated Fund are made in cash; therefore this table shows the relevant cash requirements in support of the resources requested in support of Schedules 1 to 4 which state the relevant purposes for which resources may be used..
2. This table content and format also complies with Standing Order 20.28(v), which states that the budget motion must include reconciliation between the resources to be authorised under section 125(1) (a) and (b) of the Act and the amounts to be authorised for payment out of the Welsh Consolidated Fund under section 125(c) of the Act.

Schedule 6: Reconciliation of resources requested in the budget motion to resources made available by the Treasury for the Welsh Block for 2018-19

Table 1: Reconciliation of Resources Requested in the December 2017 Annual Budget Motion to the resources made available by the Treasury for Wales (£000)

	2018-19 (£000)				
	Resource DEL	Capital DEL	Resource AME	Capital AME	Total
<i>Resources Requested in the Budget Motion:</i>					
- Welsh Ministers	14,792,420	562,813	58,449	658,439	16,072,121
- Assembly Commission	53,588	500	2,000	0	56,088
- Ombudsman	4,435	25	20	0	4,480
- Wales Audit Office	6,981	280	0	0	7,261
Total Resources Requested in the Annual Budget Motion	14,857,424	563,618	60,469	658,439	16,139,950
<i>Adjustments:</i>					
(i) Resource Consumption of WGSBs	14,083	0	5,413	0	19,496
(ii) Grants	-956,565	956,565	0	0	0
(iii) Supported Borrowing	0	88,800	0	0	88,800
(iv) Direct Charges on the Welsh Consolidated Fund	2,719	0	1,050,000	0	1,052,719
(v) Other	14,807	0	0	0	14,807
Welsh Ministers & Direct Funded Bodies Total Managed Expenditure	13,932,468	1,608,983	1,115,882	658,439	17,315,772
- Wales Office	4,650	30	0	0	4,680
- Borrowing	0	-125,000	0	125,000	0
- Devolved Taxes	-275,384	0	275,384	0	0
- Unallocated Reserve	275,120	416,711	0	0	691,831
Total Managed Expenditure (Block)	13,936,854	1,900,724	1,391,266	783,439	18,012,283

Table 2: Changes to the Reconciliation of Resources Requested in the December 2017 Annual Budget Motion to the resources made available by the Treasury for Wales (£000)

	2018-19 (£000)				
	Resource DEL	Capital DEL	Resource AME	Capital AME	Total
<i>Resources Requested in the Budget Motion:</i>					
- Welsh Ministers	54,757	126,601	11,897	5,777	199,032
- Assembly Commission	0	0	0	0	0
- Ombudsman	0	0	0	0	0
- Wales Audit Office	0	0	0	0	0
Total Resources Requested in the Supplementary Budget Motion	54,757	126,601	11,897	5,777	199,032
<i>Adjustments:</i>					
(i) Resource Consumption of WGSBs	25	0	0	0	25
(ii) Grants	-39,396	39,396	0	0	0
(iii) Supported Borrowing	0	0	0	0	0
(iv) Direct Charges on the Welsh Consolidated Fund	-345	0	0	0	-345
(v) Other	0	0	0	0	0
Welsh Ministers & Direct Funded Bodies Total Managed Expenditure	15,041	165,997	11,897	5,777	198,712
- Wales Office	0	0	0	0	0
- Borrowing	0	0	0	0	0
- Devolved Taxes	0	0	0	0	0
- Unallocated Reserve	-7,322	-163,236	0	0	-170,558
Total Managed Expenditure (Block)	7,719	2,761	11,897	5,777	28,154

Table 3: Reconciliation of Resources Requested in this Supplementary Budget

	2018-19 (£000)				
	Resource DEL	Capital DEL	Resource AME	Capital AME	Total
<i>Resources Requested in the Budget Motion:</i>					
- Welsh Ministers	14,847,177	689,414	70,346	664,216	16,271,153
- Assembly Commission	53,588	500	2,000	0	56,088
- Ombudsman	4,435	25	20	0	4,480
- Wales Audit Office	6,981	280	0	0	7,261
Total Resources Requested in the Supplementary Budget Motion	14,912,181	690,219	72,366	664,216	16,338,982
<i>Adjustments:</i>					
(i) Resource Consumption of WGSBs	14,108	0	5,413	0	19,521
(ii) Grants	-995,961	995,961	0	0	0
(iii) Supported Borrowing	0	88,800	0	0	88,800
(iv) Direct Charges on the Welsh Consolidated Fund	2,374	0	1,050,000	0	1,052,374
(v) Other	14,807	0	0	0	14,807
Welsh Ministers & Direct Funded Bodies Total Managed Expenditure	13,947,509	1,774,980	1,127,779	664,216	17,514,484
- Wales Office	4,650	30	0	0	4,680
- Borrowing	0	-125,000	0	125,000	0
- Devolved Taxes	-275,384	0	275,384	0	0
- Unallocated Reserve	267,798	253,475	0	0	521,273
Total Managed Expenditure (Block)	13,944,573	1,903,485	1,403,163	789,216	18,040,437

Notes:

1. The total resource requirement for the Welsh Government is equivalent to the total of the allocations included in the Ambits of Schedule 1.
2. Standing Order 20.28(ii) states that the annual budget motion should include the resources agreed by the Treasury for the Welsh block budget for the financial year covered by the motion. Schedule 6 satisfies this requirement.

3. Standing Order 20.28(iii) states that the annual budget motion must include a reconciliation between the resources allocated to the Welsh block budget by the Treasury and the resources to be authorised for use in the budget motion. Schedule 6 satisfies this requirement.
4. The schedules above show variations authorised for the financial year under S126 of the Act and SO20.31.
5. Direct charges on the Welsh Consolidated Fund are:

Item	2018-19 £000
Payments to the National Loans Fund – Interest ^{Note}	1,625
Salaries and related pension costs of the Presiding Officer and the Deputy Presiding Officer	264
Salaries and related pension costs of the Ombudsman	201
Salaries and related pension costs of the Auditor General	235
Salaries and related pension costs of the Chair of the Wales Audit Office	29
Salaries and related pension costs of the Commissioner for Standards	20
Redistributable National Non Domestic Rates	1,050,000
Total	1,052,374

Note:

An additional £120,000 is estimated to be directly charged to the Welsh Consolidated Fund in respect of the principal repayment of borrowing to the National Loans Fund. This payment is outside Total Managed Expenditure.

Schedule 7: Reconciliation of cash inflows to the Welsh Consolidated Fund to the cash issues to be requested in the budget motion (£000)

	Previous Provision 2018-19	Changes	Revised Provision 2018-19
Estimated net amounts payable to Welsh Ministers:			
Grant payable by the Secretary of State to the Welsh Consolidated Fund under Section 118 (1)	14,596,498	12,510	14,609,008
Funds borrowed from the National Loans Fund and commercial banks under Section 121	125,000	0	125,000
Payments from Other Government Departments	1,163,325	0	1,163,325
Payments from other sources	2,479,567	17,589	2,497,156
Less amounts authorised to be retained by Welsh Ministers and Direct Funded Bodies	-1,153,567	-17,589	-1,171,156
Estimated amounts payable to Welsh Consolidated Fund	17,210,823	12,510	17,223,333
Distributed as follows:			
- Welsh Ministers	15,540,555	183,909	15,724,464
- Assembly Commission	52,038	0	52,038
- Ombudsman	4,410	0	4,410
- Wales Audit Office	7,061	0	7,061
Cash Released from the Welsh Consolidated Fund in the Motion	15,604,064	183,909	15,787,973
Direct Charges on the Welsh Consolidated Fund	1,053,335	-841	1,052,494
Unallocated Funds	553,424	-170,558	382,866
Total Estimated Payments	17,210,823	12,510	17,223,333

Notes:

1. Section 125(3) of the Act states that the annual budget motion must be accompanied by a written statement made by Ministers showing:
 - i. the total amount of the payments which they estimate will be made for the financial year under Section 118(1);
 - ii. the total amount of the payments which they estimate will be made to the Welsh Ministers, the First Minister or the Counsel General for the financial year by Ministers of the Crown and government departments; and

- iii. the total amount of payments which they estimate will be made to the Welsh Ministers, the First Minister or the Counsel General for the financial year otherwise than by a Minister of the Crown or government department.
- 2. The schedule above shows variations in these amounts as required under SO20.31.

June 2018

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

Document is Restricted

Agenda Item 6

Cabinet Secretary for Energy, Planning and Rural Affairs

Finance Committee - Inquiry into preparations for replacing EU funding for Wales

Introduction

1. This evidence paper should be read alongside that submitted to the Committee by the Cabinet Secretary for Finance ahead of his appearance before the Committee, also on 27 June.
2. As the Cabinet Secretary for Finance's paper outlines, the Committee's inquiry is timely, as we continue to develop and publish ideas and proposals on how replacement funding could be invested in Wales.
3. The implications of the EU Referendum are profound for my portfolio. In Agriculture, Fisheries, Food, Animal Health, Climate Change and the Environment, our legislation and funding is steeped in the EU's operating framework. Agricultural and environmental policy is wholly devolved to Wales and there are areas where nearly two decades of devolution has resulted in a divergence of both policy and primary legislation between the different parts of the UK.
4. The Energy, Planning and Rural Affairs portfolio oversees nearly £340m a year of the £680m a year of EU funding that comes to Wales.
5. We have maximised the flexibilities afforded to us and our schemes have been used as examples of best practice across Europe.
6. We are actively considering our options with Welsh stakeholders despite the considerable uncertainty around the fiscal and legislative context in which any future funding arrangements will operate.

Replacing EU funding streams in Wales

7. **Annex 1** outlines the main areas of EU funding related to my portfolio and the associated levels of funding.

Domestically managed EU funds

8. The main source of funding to my portfolio derives from the Common Agricultural Policy. In particular Pillar 1 - Direct Payments to Farmers (which will run from 2015 – 2020) and Pillar 2 - the Rural Development Programme (RDP) 2014-2020.

9. In relation to CAP Pillar 1 Direct payments, scheme year 2019 will be the last to be administered using EU funding and rules, if an implementation period is agreed (2018 if there is no deal). Scheme years 2020 and 2021 will be administered using national funds. This is expected to require adjustments to Departmental baselines to deliver the UK Government Guarantee (to maintain cash levels of agricultural funding to the end of this Parliament. Subsequent years agricultural funding is expected to feature as part of the 2019 UK Spending Review.
10. In relation to CAP Pillar 2 schemes (RDP), commitments made up to Exit will be honoured by the UK Government Guarantee for the lifetime of the agreement. New commitments beyond 2020 will be made in the context of the UK Government Guarantee to 2022.
11. The Welsh Government is making the necessary preparations to implement changes through to its payment system with the expectation Welsh farmers will continue to receive agricultural support. Detailed discussions are required to agree the levels of funding and UK frameworks to be put in place, in parallel to any negotiations taking place with the EU.
12. In May 2018, the Welsh Government received further details regarding the UK Government Guarantee. Further clarification is being sought to ensure the maximum commitment under the RDP is covered by the guarantee.
13. The latest guidance identifies Technical Assistance as not being covered by the guarantee. In Wales Technical Assistance is used for mandatory activities such as Monitoring and Evaluation, The Wales Rural Network and required IT systems as well as providing funding for the management and appraisal of projects.
14. The guidance also clarifies that the guarantee is not intended to support funding agreements between government bodies. Further clarification has been sought which indicates that specific projects run by government departments may still be covered, however, funds committed to intermediate bodies that have not been committed to specific projects may now fall out of the scope of the guarantee.
15. Officials are exploring alternative arrangements for committing any funding that may be left outside of the scope of the guarantee following this guidance. Options may include strategic activities, additional expression of interest rounds and extensions to existing activities.
16. On 8 May I made an Oral Statement to Plenary setting out my initial proposals on future land management support. Brexit brings significant changes and we must have a well-planned and multi-year transition. I learned the importance of avoiding a cliff edge removal of subsidies during my recent visit to New Zealand.

17. I have set out five principles to underpin future land management support. These are:

1. We must keep land managers on the land. To produce maximum benefit, land must be actively managed by those who know it best. This is what is best for our environment and communities.
2. Food production remains vital for our nation.
3. Future support will centre on the provision of public goods which deliver for all the people of Wales. The richness and diversity of the Welsh landscape means there is no paucity of public goods to procure, from clean air, to flood management, to better habitats.
4. All land managers should have the opportunity to benefit from new schemes. However, land managers may need to do things differently in return for support.
5. We need a prosperous and resilient agricultural sector in Wales, whatever the nature of Brexit. To make this a reality, we need to change the way we support farmers.

18. We intend, therefore, to have two elements of support, one for economic activities and one for public goods production.

19. I will fight to protect a full and fair allocation of funding to support land management in Wales. The UK Government has so far failed to provide any detail or commitment beyond 2022. We will continue to insist Wales receives its current share (10%) and therefore based on need, rather than a population share through Barnett (6%).

20. I was very pleased that Scottish Government counterparts, Fergus Ewing, Cabinet Secretary for the Rural Economy and Connectivity and Roseanna Cunningham, Cabinet Secretary for Environment, Climate Change and Land Reform joined me in writing to the Secretary of State for Environment, Food and Rural Affairs to ask for further clarity on future funding. We have also secured that funding is a standing item on the monthly meetings the Devolved Administrations have with the Secretary of State.

21. Despite this uncertainty, I want to set a clear timetable for Welsh farmers. By 2025 I want to have completed implementation. I will set out further details in July and can guarantee that changes will be subject to explicit consultation.

22. The European Maritime and Fisheries Fund (EMFF) is another important source of established funding to fishing and coastal communities across Wales. As fishing in Wales is undertaken, in the main, by small coastal businesses, this fund is vital if they are to adapt to the changing nature of their activities and supply chains as we exit the European Union. However, EMFF is a UK level programme within which there is a specific allocation to Wales.
23. As fish stocks cross international boundaries and different nationalities of vessels fishing within our waters, the EMFF funds programmed science and enforcement activity. The science undertaken on behalf of Wales, is co-ordinated by the International Council for the Exploration of the Seas (ICES) who then provide advice around the sustainability and fishing levels for the stocks. Post exit from the EU, International obligations require fishing to take place at sustainable levels, based on the scientific mechanisms of the region. Wales and the UK will need to continue to gather evidence and supply ICES to undertake sustainability assessments. The scientific element of the fund will need to continue to be made available to Wales, post exit and into the future, to underpin this work. Similarly, marine enforcement against vessels, including installing remote devices on board vessels and around data collection, will continue. The nature of at-sea enforcement may change but will be no less onerous. The enforcement element of the fund will to be made available to Wales, post exit and into the future, to underpin this work.
24. The Welsh Government has also successfully bid under the EMFF for funds around the development of the First National Welsh Marine Plan. This is, of course, in recognition of the shared nature of our seas and maritime activity. Wales will need to continue to work with Ireland, as well as other UK Marine Planning Authorities. Funding of this type will need to continue to be available to Wales to implement and refine marine planning, particularly in relation to joint research arrangements with Ireland.
25. In the immediate future there are concerns that exiting the EU and the Common Fisheries Policy (CFP) may have implications on the current EMFF scheme. The Secretary of State for Environment, Food and Rural Affairs has provided some assurances around UK Government honoring any commitments made by 2020 and any associated payments which may continue until 2023. However, this is the view of DEFRA. There are other UK Government Departments, including the Treasury involved in the delivery of the EMFF and these have been largely silent. Also, DEFRA have yet to clarify the position in relation the science and enforcement funding.
26. Officials are working with colleagues from administrations across the UK to consider the implications of leaving the CFP and will continue to press UK Government on clarity around the fund.
27. The Welsh Government and Welsh European Funding Office (WEFO) are working with the Department for Business, Energy and Industrial Strategy (BEIS) to seek clarity on how the UK Government guarantee will impact on delivery of the current scheme and on the extent of the guarantee.

28. In addition, my officials are working on a Future Fisheries Policy Programme. This is largely dependent on continued UK Government funding for Wales at levels currently made available by the European Union. Given the remaining time we have to prepare for an orderly exit, a continued lack of clarity is unhelpful in terms of planning future priorities and to the industry in terms of seeking investment.
29. We will also need to address those areas not covered by the UK Government Guarantee such as Animal Disease funding.
30. As Annex 1 explains, annual EU funding is received on an annual basis for the implementation of approved UK TB Eradication Plans, however, EU funding is annually approved for the UK.
31. Funding varies year on year depending on the number of cattle TB tested and slaughtered under the TB Eradication Programme in Wales as a proportion of the equivalent total numbers in England and Northern Ireland.
32. The ending of EU funding will have particular implications for other TB budgets, principally the TB compensation budget. We are drawing up options that could offer savings to this budget as part of contingency plans.
33. The EU Transmissible Spongiform Encephalopathies (TSEs) Compensation programme is a 5 year UK multi-annual program which runs until 2018. Decisions on how these measures will be funded post EU exit are being considered as part of wider negotiations on operability and funding post EU exit.
34. Elsewhere, Warm Homes Arbed 3 is our three year programme (2018-20210) of area based investment in energy efficiency measures and renewable energy technologies, to address fuel poverty.
35. The current programme will have a total budget of £55m, of which £24m will be from structural funds. Whilst European funding for the current programme appears to be secure, Warm Homes Arbed has relied significantly upon structural funds in the past, with fuel poverty being a persistent problem in Wales. It is estimated over 20% of households in Wales are living in fuel poverty (where greater than 10% of net income is required to maintain a satisfactory heating regime). Whilst significant progress has been made (since 2011 over £240 million has been invested in Warm Homes (including Nest and Arbed, improving the energy efficiency of 45,000 homes), progress needs to be at least maintained and a replacement for European funding is likely to be essential to the range of solutions.
36. We are currently examining what type of successor programme, if any, might be needed whilst we continue to call for a needs-based replacement for those EU funds we would have expected had we remained in the EU, but which we will no longer receive when we leave.

European Territorial Cooperation programmes

37. As the Cabinet Secretary for Finance's paper explains, Wales also takes part in a number of European Territorial Cooperation programmes.
38. The Welsh Government's *Economic Action Plan* sets out the Welsh Government's commitment to building and maintaining European partnerships in areas of common interest.
39. My officials are currently progressing a number of collaborative projects which will support our broader commitments to grow the Welsh food and drinks industry, as set out in *Towards Sustainable Growth: An Action Plan for the Food and Drinks Industry 2014-2020*. Annex 1 sets out details of these projects.
40. Overall, we are keen to demonstrate that Wales is firmly open for business. Developing and maintaining such EU regional partnerships is a vital part of our future strategy.
41. Such initiatives to strengthen Welsh links with EU regions and partners will help solidify relationships and support greater sector readiness for the Welsh food and drinks industry in advance of Brexit.
42. The Welsh Government is also a partner in the Circular Economy for SMEs (CESMEs) Interreg programme.
43. This Interreg funding helps the Welsh Government develop and implement policies to achieve innovation in resource efficiency in SMEs in Wales. We are one partner out of a total of 10 partners drawn from six regions of the EU. The lead partner is Northern Denmark. The funding is modest and pays for staff time to develop an Action Plan and to attend project meetings in each region. This has proved very informative for the sharing of best practice in policy making and in sharing case study examples. The project is due to complete in September 2019.

European Commission managed funds

44. The EU LIFE programme is the EU's funding instrument for the environment and climate action. The general objective of LIFE is to contribute to the implementation, updating and development of EU environmental and climate policy and legislation. The current LIFE programme covers the period 2014-2020. The LIFE Programme contributes to sustainable development, the Europe 2020 Biodiversity Strategy, the 7th Union Environmental Action Programme and other relevant EU environment and climate strategies and plans.
45. The 'Environment' strand of the LIFE programme covers three priority areas: environment and resource efficiency; nature and biodiversity; and environmental governance and information.

46. The Welsh Government provides the financial support (under our Green Infrastructure Capital Grant) for Natural Resources Wales and for the Snowdonia National Park Authority which together have three projects that have succeeded in receiving funding under the EU LIFE programme. Annex 1 outlines these three projects.
47. The timescale of these projects varies, with the first programmed to end in August 2021, and the two others in December 2022 and July 2026 respectively
48. This raises the issue of continued EU support for these project post Brexit. As it stands, if there is an agreement between the UK Government and EU upon the UK leaving the EU, the European Commission will continue to honour its financial commitments made the under LIFE programme. If there is no such agreement upon the UK leaving the EU, the projects will be financially underwritten by the UK Treasury, even where projects continue beyond the UK's departure from the EU. This includes any additional projects that are bid for prior to EU exit but which are awarded by the Commission after exit.
49. The new LIFE Programme will commence on 1 January 2021 and will cover 27 Member States. Whilst the UK is not included within the 27 Member States covered by the new proposal, the LIFE Programme continues to be open to association with third countries within certain parameters. Third countries can officially associate in accordance with the conditions laid down in a specific agreement which covers a fair balance as regards to the benefits, and requires a financial contribution.
50. Legal entities established in a non-associated third country will be required to bear the cost of their participation. This could limit the participation of non – associated third countries (including organisations in the UK) whose involvement helps to achieve Union objectives.
51. It is currently unclear if there will be any fund to replace LIFE funding at a UK level.
52. A further European Commission managed fund is the EU Apiculture Programme. The current EU Apiculture Programme is due to finish in 2019. My officials have had initial discussions with Defra officials concerning options for replacing this source of funding for the Bee Health programme. These discussions are at an early stage and my officials will be in a position to offer me advice in due course.
53. We are also in receipt of a funding stream from the European Investment Bank's ELENA programme for Re-fit Cymru. The grant covers a period of 3 years commencing January 2016 (ending December 2018).
54. We are starting to see strong returns on earlier investment and are reviewing the potential to build on its success by extending or replacing with a new contract. We are currently exploring alternative sources of funding including utilisation of self-generated revenue: Re-fit can currently charge clients £10k for each successful project.

55. We are at an early stage in our review of the contract and the feasibility of extending beyond December 2018.

56. My portfolio also has a keen interest in the future of the Horizon 2020 programme. The UK Government appears to agree that continued access to the successor for Horizon 2020 (known as Horizon Europe, and with a significant proposed increase in funding) should be a priority and we will work with them to try and influence the development of successor arrangements and the terms of the UK Government's access. For example, we submitted and published a position paper to respond to an EU consultation on the future of Horizon 2020 in March this year.

Regional Investment: future administration

57. As the Cabinet Secretary for Finance's paper notes, we have set out initial proposals for replacing the European Structural and Investment funds in our policy paper *Regional Investment in Wales after Brexit*.

58. We followed this up with a number of engagement activities including an event in North Wales that I attended one in South Wales, attended by the Cabinet Secretary for Finance.

59. We are not seeking to replicate EU programmes in Wales and the major opportunities we have identified are to do things differently.

60. I am working closely with the Cabinet Secretary for Finance and colleagues across Cabinet to ensure successor arrangements dovetail with each other and with wider Welsh Government policy.

Summary

61. As stated earlier, I continue to seek agreement with the UK Government on future funding arrangements. A new funding framework needs to be agreed between all four UK nations, and I am keen to ensure we have effective collaborative working between governments to consider joint proposals.

62. Further discussion is required to confirm the actual level of funding which will be available to Wales and the funding formulae to be adopted, mechanism for market support measures and replacement for other types of funding.

63. Through the consultation next month (July) on proposals on future land management support a significant step will be taken in setting out some of our preparations for replacing EU funding for Wales.

Lesley Griffiths AM

Cabinet Secretary for Energy, Planning and Rural Affairs

June 201

Main areas of EU funding related to the Energy, Planning and Rural Affairs portfolio and the associated levels of funding.

1. Common Agricultural Policy (CAP)

Pillar 1 - Direct Payments

The Common Agricultural Policy's Pillar 1 - Direct Payments to Farmers is the successor to the Single Payment Scheme (SPS) and will run from 2015 – 2020. The funding framework provides direct income to support farmers to manage their land in an environmentally friendly and sustainable manner, as well as maintaining animal welfare standards enhancing the long-term resilience of farms.

The Direct Payments, which is **100% EU monies** from the European Agricultural Guarantee Fund (EAGF) provides income support to agricultural businesses. **The total budget for 2014-2020 is £1676m.**

15% has been transferred from Pillar 1 to Pillar 2 (RDP). This is the maximum allowed under European Regulations. This equates to £252m (at the current RDP planning exchange rate of €1 = £0.85) and has been transferred over the period of the programme (2014-20).

Total EU funding	£1676m
Annual Average	£240m

2. Rural Development Programme (RDP)

The Rural Development Programme 2014-2020 was adopted by the European Commission on 26 May 2015. The programme is worth £827.8m over the 7 year period (at current planning exchange rate), of which the Welsh Government must contribute approximately £276m with the remaining £551m EU funded, (£651.6m, this is fixed over the MAFF). The amount of co-financing required is affected by both the currency exchange rate at the time of claims, and the co-financing rate applied to expenditure. The current co-financing rate is EU 53% and WG 47%, which is the maximum allowed under regulations.

EU allocations run from 01/01/14 to 31/12/20. The N+3 rules means that the EU allocation from Year N must be spent by the end of that year plus 3 years, Hence N+3.

The programme will support a wide range of activities which align with one or more of the European Rural Development objectives:

Technical assistance is also included through the funding programme, supporting actions such as management, monitoring, evaluation, information and communication and networking, complaint resolution, and control and audit. Technical Assistance is also used to support actions for the reduction of the administrative burden on beneficiaries and actions to reinforce the capacity to administer the programme.

The maximum **Pillar 1 transfer of 15% to RDP equates to £252m** (also included in this figure is a **small amount of modulation** from the previous programme period). This element of RDP is not co-financed. A key variant within the CAP funding is the exchange rate which is based on a planning rate of €1=£0.85.

Total EU funding	£551.6m
Annual Average	£78.8m

3. European Maritime Fisheries Fund (EMFF)

This European Maritime Fisheries Fund intends to adapt the fisheries sector to the requirements of the Common Fisheries Policy (CFP) which include statutory obligations, such as the landing, enforcement and data collection obligations. The funding framework also provides a vehicle to achieve the aims of the Wales Marine Strategic Action Plan.

The fund focuses on:

- helping fishermen in the transition to sustainable fishing;
- supporting coastal communities in diversifying their economies;
- financing projects that create new jobs and improve quality of life along European coasts;
- making it easier for applicants to access financing.

EMFF co-finance %	Description	Total EU	Total Co-finance	Total Programme
75%/25% (max)	Core	£10,219,815	£3,406,605	£13,626,420
90%/10%	Enforcement	£2,112,752	£234,750	£2,347,502
80%/20%	Data Collection	£1,528,926	£382,231	£1,911,158
Total Requirement		£13,861,494	£4,023,587	£17,885,081

The current EMMF allocation is circa. £18m, for 2014-20. EMFF is managed similarly to the RDP (co-financed), however this is an UK Programme and the EU allocation can vary.

Total EU funding	£13.9m
Annual Average	£1.9m

4. Small Business Research Initiative (SBRI)

The aim of SBRI is to develop and market health related food and drink in Wales. This has been identified through the Food and Drink Action Plan, that strategic intervention in the sector could aid healthy eating within Wales. The governance approaches set out in the Well-being of Future Generations Act 2015 - Sustainable Development Principle is core to the development of the SBRI:

- Thinking about the long-term;
- Taking an integrated approach;
- Collaborating together with others;
- Involving people and communities affected by their decisions;
- Focusing on taking preventative measures.

The total SBRI funding equates to £1m for a period of 3 financial years commencing 2016/17, of which Welsh Government co-finances £600k with the remaining £400k financed through EU funding.

Total EU funding	£400k
Annual Average	£133k

5. LIFE funding

The Welsh Government provides financial support for the following projects which have been awarded LIFE funding:

- a) New LIFE for Welsh Raised Bogs (Natural Resources Wales) The project funding totals £4.239m for a period of 3 financial years (September 2017 – August 2021); for which the Welsh Government provides support of £1.060m with the remaining financed through LIFE (£3.18m)
- b) Sands of LIFE (Natural Resources Wales) The project funding totals £4.067m for a period of 3 financial years (July 2017 – December 2020); for which the Welsh Government provides support of £1.016m with the remaining financed through LIFE (£3.050m).
- c) Celtic Rainforests LIFE (Snowdonia National Park Authority). The project funding totals £7.66m for a period of 7 financial years (September 2018- July 2026), for which the Welsh Government provides support of £2.00m, with the remaining financed through other stakeholders (£1.07m) and LIFE (£4.59m).

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Total EU funding	£10.82m
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Annual Average	2.74mN/A
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6. Re-fit Cymru

This funding stream is from the European Investment Bank's ELENA programme and was secured in December 2015. The grant covers a period of 3 years commencing January 2016 (ending December 2018).

The programme provides professional support for public sector organisations to implement large and complex energy efficiency projects. The service enables access to Energy Performance Contracts, where the public bodies secure guaranteed energy savings and release funds for front line services.

The re-fit Cymru service is 90% subsidised through Welsh Government securing a £1.5m grant from the European Commission's Intelligent Energy Europe ELENA programme which is administered through the European Investment Bank (EIB)..

Total EU funding	£1.5m
Annual Average	£500k

7. Circular Economy for SMEs (CESMEs) – Interreg

CESME project commenced in May 2016 and is funded for 4 years. The Circular Economy is a key concept of the Green Economy and a fundamental step for promoting Green Growth across the EU. It is based on optimising systems rather than components, moving away from "resource to waste" to "resilient and productive circular systems".

Through exchange of experiences, across the EU, on relevant policy instruments, support packages to assist SMEs to enter the circular economy, best practices identification, estimation of economic and social benefits of circular value chains, as well as the production of a white book guide, SMEs will be introduced step by step into circular economy.

CESME was initiated by the Business Development Centre North Denmark, the Lead Partner, along with North Denmark Region. The project partnership includes overall 10 partners from Denmark, Italy, Finland, Bulgaria, Greece and the UK.

The total project cost equates to €1.73m which will be co-funded by Interreg Europe Programme. The Welsh Government's share equates to €150k with Interreg funding provided 85% (€127k) with Welsh Government's 15% contribution €22.5k will be primarily existing staff time.

Total EU funding	£108k
Annual Average	£27.3k

* Exchange rate £0.85:€

8. European Collaboration in the Food and Drinks sector

Officials are progressing a number of collaborative projects which will support our broader commitments to grow the Welsh food and drinks industry, as set out in *Towards Sustainable Growth: An Action Plan for the Food and Drinks Industry 2014-2020*. The projects include:

- a joint initiative to help food sector SMEs from the Atlantic Area (AA) regions to develop innovative strategies and improve their competitiveness in international markets. The **Atlantic Area Food Export Project**, funded through the Interreg Atlantic Area Programme and co-funded by Welsh Government, is encouraging business cooperation between the AA partner regions to overcome barriers food sector SMEs face when they try to go international. The partners include the Dordogne (France), Asturias (Spain), Andalucia (Spain), Norte (Portugal), Cork (Ireland), Northern Ireland, and Wales. The overall aim of the project, which is due to run until end of 2019, is to improve the participating SMEs' competitiveness and increase their exports. For the Interreg Atlantic Area project, under the UK Treasury Guarantee we have certainty that the project will be unaffected by Brexit and Welsh partners will continue to benefit from being part of the project until its closure.
- Welsh Government has joined a new European Network of the Regions and Gourmet Food (**REGAL Network**) focussed on developing food culture, supporting entrepreneurship and innovation, developing local supply chains and growing food tourism. It incorporates a significant focus on improving and strengthening the recognition of quality products through protected designations and quality brands, making specific references to Protected Food Names (PFN). The Network membership includes Lombardy (Italy), Liguria (Italy), Basque Country (Spain), Navarra (Spain), and Wales. The Network is currently in the process of becoming a formal legal not for profit entity. Once this is completed, it is expected that the members will look to develop opportunities for shared learning and enable future joint working on projects of common interests.
- As an integral part of the EU's Horizon 2020 framework programme for research and innovation, the European Institute of Innovation and Technology (EIT) brings together businesses (industry and SMEs) and academia to form dynamic cross-border partnerships. As part of this, '**EIT Food**' is a consortium of 50 partners from 13 countries aiming to boost the skills and entrepreneurial spirit in the sector and unlock the potential of small and medium sized enterprises (SMEs), which in turn will accelerate innovation, create jobs, benefit businesses and increase Europe's competitiveness. In 2017, the Welsh Government became an Associate Member of EIT Food (a status that

enables Welsh Government to collaborate with EIT Food on joint activities and information exchange). Officials are in further discussions with EIT Food to explore how Welsh Government (or other Welsh stakeholders) could continue to be involved and have an active role in future developments in this project.

- In recent years, Welsh Government has developed an innovative 'cluster-based' approach to communication, learning and business planning with industry. Through this, six Food and Drink '**Clusters**' have been established which includes more than 500 businesses in these networks all now working together to develop new opportunities and collaborative projects to benefit the sector in Wales. Now that the Welsh Clusters are firmly established, we are now looking further afield to build relationships, share best practice and explore potential new partnerships with other EU regional food Clusters. As part of this, I visited Catalonia and the Basque Country in early June 2018, alongside a representative delegation from our Welsh Clusters.

9. **Future Area-Based EU energy Efficiency scheme (Arbed 3)**

Arbed is a three year programme (2017-2020) of area based investment in energy efficiency measures and renewable energy technologies, ending in 2020. The programme will be targeted at those areas in Wales where households are most likely to be living in severe fuel poverty. The project will deliver social, economic and environmental benefit by tackling severe fuel poverty, generating employment and training opportunities and reducing the carbon footprint of Wales' existing housing stock.

The ARBED 3 Programme is designed to deliver a total investment of £35m over 3 years, of which £12.06m will be funded by Welsh Government and £22.4m from the European Regional Development Fund (ERDF). Under EU rules, the total scheme cannot exceed the major project threshold of €50m (£38m).

Total EU funding	£22.94m
Annual Average	£7.6m

10. **TB - EU Funding**

TB EU Funding varies year on year depending on the number of cattle TB tested and slaughtered under the TB Eradication Programme in Wales as a proportion of the equivalent total numbers in England and Northern Ireland. Generally between £2-4m is received annually by the Welsh Government, however, the level of funding depends on a variety of factors including the cut made by UK Treasury and disallowance following audit. Disallowance may be applied in respect of inaccuracies/miscalculations in the data which mean that an over claim has taken place. Additionally, disallowance has previously been applied following scrutiny of Wales' TB compensation figures when comparing them to Defra's and following this, Wales' figure was adjusted downwards. EU funding is claimed and received in retrospect, following evaluation of biannual claims.

Although, TB policy is directed by an EU legislative framework, it is important to note that there is domestic legislation in place which also governs TB policies in Wales as well as a comprehensive TB Eradication Programme. Therefore, following withdrawal from the EU, the TB Eradication Programme would continue.

Total EU funding	£3m
Annual Average	£3m*

*based on previous years'

11. Transmissible Spongiform Encephalopathies (TSEs) Compensation

Regulation (EU) no 652/2014 established a Common Financial Framework (CFF) for the management of expenditure relating to the food chain, animal health and animal welfare, plant health and official controls. It enables Member States to access grant funding to co-fund a number of measures, including emergency measures, eradication and control programmes and official controls such as EU Reference Laboratories (EUR-L)

CFF involves an average annual spending of EUR 270.3 million, with a maximum ceiling for expenditure of EUR 1,891,936,000 over the 7-year period 2014-2020. The budget is allocated according to priorities agreed with EU Member States in annual or multi-annual work programmes.

TSEs are fatal neurodegenerative diseases, that cause spongiform degeneration of the brain, which ultimately results in death. TSEs are zoonotic diseases that may occur in both animals and humans, but by definition it is a disease that can be passed between animals and across species, including from animals to humans. These include Bovine Spongiform Encephalopathy; Scrapie; and, Chronic Wasting Disease.

The EU TSE programme Compensation is a 5 year UK multi-annual program which runs until 2018, which is focused on active surveillance measures, BSE and Scrapie eradication (which including compensation and genotyping programmes). The Commission approves the programme for specific amounts of funding on a year-by-year basis. The estimated co-financing is around €950,000 for UK administrations in 2017/18 and the WG's share is around 13.32% or €126,540 (£109k).

Based on DEFRA's projections for the EU's forward programme for the 2017 calendar year, UK's expenditure is estimated as €1,944,196.86. Based on the contribution rate, Welsh Government's contribution is estimated to be €258,967 (*£222k). These are demand led costs, therefore, Welsh Government's expenditure may be higher or lower depending on whether there is a requirement for any compensations or genotyping costs (costs funded by the country in which the animal was identified).

Due to the continuing worldwide decline in the BSE epidemic, co-financing for the control and eradication of TSEs is expected to reduce year-on-year and to end in

2021 (The EUs TSE surveillance plans are not known beyond this date). As a result, consideration needs to be given to funding capability extending beyond 2021. Decisions on how these measures will be funded post EU exit are being considered as part of wider negotiations on operability and funding post EU exit.

Total EU funding	£222k
Annual Average	£222k

* Exchange rate £0.86:€ (as at 13/11/16)

TSE Compensation

Section 32 of the Animal Health Act 1981 confers the power to slaughter animals for disease control purposes on Welsh Ministers and also imposes a duty on them to pay compensation in respect of those animals.

Welsh Ministers can reclaim the costs of compensation paid to owners from the EU. Compensation can be paid to the owners of animals that are slaughtered or culled, and owners of products of animal origin that are destroyed, where they meet certain conditions under Regulation (EU) no 652/2014. Compensation is limited to the market value of animals if they had not been affected by the disease and to the value of products immediately before any suspicion of the disease arose or was confirmed. Production value of the animal cannot be compensated for.

The Welsh Government makes compensation payments for animals slaughtered for the purpose of TSE control. Payments made by the Welsh Government since 2013 include:

	BSE Compensation	Scrapie Compensation (CSFS)	Total
2013	£13,240	£309,900	£323,140
2014	-	-	-
2015	£727	-	£727
2016	£47,392	-	£47,392

As part of the wider EU TSE Co-financing programme, the Welsh Government receives co-financing support from the EU for TSE compensation payments. As part of the wider co-financing programme for TSE controls, income from the UK has only been committed until 2021. Details of the EU's TSE control programme including funding details beyond this point are not yet known.

Decisions on how the costs of compensation will be funded post EU exit are being considered as part of wider negotiations on operability and funding post EU exit.

12. Bee Health Programme

The Bee Health Programme has been set up to support the objectives of the Healthy Bee Plan which aims to achieve a sustainable and healthy population of honey bees for pollination and honey production in the UK. It incentivises stakeholder to work together to respond effectively to pest and disease threats and to sustain honey bees and beekeeping for the future.

The Bee Health Programme is funded by the National Bee Unit annually, **which equates to £440k**. From this sum, £76k is recoverable from the EU as part of the EU Apiculture Programme. The current EU Apiculture Programme is due to finish in 2019. Discussions are ongoing with DEFRA on the future of the Programme and replacement funding.

Total EU funding	£76k
Annual Average	£76k

Document is Restricted

Finance Committee – 27th June 2018

PREPARATIONS FOR REPLACING EU FUNDING FOR WALES

Introduction

1. This paper provides an overview of the Welsh Government's position and early preparations on replacement EU funding in Wales after Brexit. The Committee's inquiry is timely, as we continue to develop and publish ideas and proposals on how replacement funding could be invested in Wales with the private, public and third sectors of Wales. Now is the right time to be considering our options with Welsh stakeholders despite the considerable uncertainty around the fiscal and legislative context in which any future funding arrangements will operate.
2. In *Securing Wales' Future* (January 2017) we set out the £680m a year of EU funding that comes to Wales. This comprises:
 - Over £370m a year for European Structural and Investment (ESI) funds, comprising:
 - £295m a year for Structural Funds (ERDF and ESF)
 - £80m a year for a Rural Development Programme (EAFRD)¹
 - £2m a year from the fisheries fund (EMFF)
 - £274m a year in direct subsidies under the CAP (Pillar 1 payments)²
 - £7.3m a year from European Territorial Cooperation programmes, including the Ireland-Wales programme
 - £23m a year from centrally managed and competitive EU programmes:
 - £18m a year from Horizon 2020 for research and innovation
 - £4m a year from Erasmus
 - £1m a year from other funds, like Creative Europe and LIFE
3. We have since published a series of related Brexit policy papers, including *Regional Investment in Wales after Brexit* (December 2017), which focussed on successor arrangements for the ESI funds³. An upcoming Brexit policy paper *Brexit and our Land* will focus on the other major source of EU funds managed in Wales under the CAP.
4. I am working with colleagues across Cabinet to ensure successor arrangements dovetail with each other and with wider Welsh Government policy, with plans to publish a further paper on funding and finance arrangements post Brexit, building on the positions set out in *Securing Wales' Future*, later this year.

¹ The Rural Development Programme (also known as Pillar 2) is also part of the suite of CAP funds. It includes a mix of agri-environment (48%), socio-economic (49%) investments and other activity (3%).

² Note: Parts of the existing RDP will feature in successor arrangements for CAP funding in Wales

Replacing EU funding streams in Wales

Domestically managed EU funds

5. We have consistently set out our priorities for replacement of EU funding in Wales, emphasising the need to replace funding in full to honour promises made during the referendum campaign. The First Minister set out this position immediately after the referendum result and we have reiterated since at both Ministerial and Official level in our discussions with the UK Government.
6. We are clear that leaving the EU should not mean any reduction in the funding available to Wales. Any reduction would put in jeopardy our ability to support the activities we currently fund through EU programmes, including the Structural Funds, the Rural Development Programme, and the direct payments to farmers under Pillar 1 of the CAP. We also call for the Barnett formula to be replaced with a new, rules-based system which ensures the allocation of resources within the UK in future is based on relative need. I am working closely with the Cabinet Secretary for Environment, Planning and Rural Affairs, whose evidence to this Committee has provided further detail on replacement EU for rural and agriculture funding.
7. Economic development and agriculture are areas which are devolved to Wales, which we are assured will be respected and strengthened as a result of Brexit. The UK Government has also repeatedly indicated any decisions currently made in Wales will remain in Wales and we have had 20 years of managing this funding following a UK-wide financial settlement. Further, the UK Government currently has very limited powers to directly fund and deliver regional economic development in Wales, without further legislation.
8. We therefore expect to have full control over the administration and strategic direction for successor funds so we can design made-in-Wales arrangements. We do not simply want to replicate EU funds in Wales, nor do we want to replace an EU bureaucracy with a UK-wide one. That is why we have been engaging with our partners across Wales to identify opportunities to do things differently as well as learning from what works in practice.
9. Over successive funding periods we have had to manage uncertain funding settlements as a result of extended EU budget negotiations and changing funding formulas. As with the EU process the analytical and preparatory work is important and broadly similar no matter what the financial settlement. Our development work with stakeholders (e.g. via 'co-production' for regional investment) will ensure a range of funding scenarios are considered as that work progresses.
10. This approach has been advocated in a number of different inquiries carried out by the National Assembly for Wales (NAfW). The European Affairs and Additional Legislation Committee report on their Inquiry into the future of regional policy in June 2017 called for replacement needs-based funding to Wales at the same

level as we would have expected if part of the EU and called for the Welsh Government to develop a regional funding policy now.

European Territorial Cooperation programmes

11. Wales also takes part in a number of European Territorial Cooperation (ETC) programmes, including the Ireland-Wales programmes which the Welsh Government currently administers. We have been clear that we recognise a significant added-value in these programmes, which have multiple benefits in terms of international cooperation, sharing best practice, and projecting an open and collaborative Wales to the world. The UK Government has left the door open to negotiating continuing access to these programmes, but we will need to continue to make the case for the value these provide.
12. We have had strong support for continuing to participate in the suite of ETC programmes from Welsh stakeholders in response to our engagement exercise on the *Regional Investment in Wales after Brexit* policy paper. We continue to share these findings, and the similar clear messages from various NAW Committee inquiries, with the UK Government to help build the case for continued involvement.
13. The European Commission published draft regulations for future ETC programmes on 29 May, which we are reviewing in detail to ensure proposals remain suitable for Wales and appropriate access remains possible once we are out of the EU. I also met with Irish Minister for Finance and Public Expenditure and Reform Paschal Donohoe in February. Together, we are committed to protecting the relationship between our two nations and agreed to keep in close contact to ensure that we take every opportunity to secure Irish Welsh co-operation as we look to the future.

European Commission managed funds

14. There are a range of centrally managed EU funds that Wales has been increasingly successful at accessing. We set out initial priorities for those funds in which we would like the UK to negotiate continued access to in *Securing Wales' Future*. The UK Government appears to agree that continued access to the successor for Horizon 2020 (known as Horizon Europe, and with a significant proposed increase in funding) should be a priority and we will work with them to try and influence the development of successor arrangements and the terms of the UK Government's access. For example we submitted and published a position paper to respond to an EU consultation on the future of Horizon 2020 in March this year.
15. We have also indicated continued access to other funds like Erasmus+ and Creative Europe remain priorities for Wales and discussions continue with relevant UK Departments to build the case for continued UK participation in each.
16. On 2 May 2018 the European Commission published an initial draft proposal for the 2021-2027 Multi-annual Financial Framework (MFF). Sectoral proposals for each of the funds underneath this are also now being published. We are currently

working across Government to analyse these and identify any changes that may affect our negotiating position or reveal new opportunities.

17. Following feedback from stakeholders we are prioritising those centrally managed EU programmes that provide clear added value at an EU level, such as involving international collaboration, developing relationships, and promoting Wales globally. Access to these programmes is dependent on the future relationship negotiated by the UK Government and willingness to contribute funding to the EU budget for participation. Administrative arrangements will remain similar to existing arrangements, albeit Welsh organisations will participate on a different basis (e.g. as a 'third country').
18. While continued involvement in EU programmes remains our preference for those funds in which the most value is added at an EU level, we are open to discussing where a UK-wide replacement scheme might be suitable (e.g. if EU access cannot be negotiated).

European Investment Bank (EIB)

19. In our White Paper, *Securing Wales' Future*, we have also stated that the UK should remain a subscribing partner of the EIB. The EIB brings direct benefits to our economy as well as improving economic capacity elsewhere, thus helping the global trading environment which we support. There are additional benefits to Wales and the UK through access to the significant commercial expertise within the EIB. The South Wales Metro project, for example, has benefitted from the EIB's commercial expertise informing the procurement process, while previous investments in Wales have, similarly, benefited from expertise and best practice offered by the EIB.
20. The EU-UK phase 1 report states that there is a prospect of a "continuing arrangement" between the UK and the EIB. I wrote to the Chancellor in December to press the point once more that we see merit in a mutually beneficial relationship with the Bank. I have been assured that options for that relationship will be addressed during the next phase of the Brexit negotiations.

Regional Investment: future administration

21. In terms of replacing the ESI funds in Wales we have set out initial proposals in our policy paper *Regional Investment in Wales after Brexit*. We followed this up with a number of engagement activities including an event in North Wales attended by the Cabinet Secretary for Environment, Planning and Rural Affairs and one I attended in South Wales.
22. The principles set out in that paper reflected: discussions with a range of partners on what works and doesn't work in current arrangements; findings from the External Affairs and Additional Legislation Inquiry into the future of regional policy; and discussions we held with the OECD about international best practice in regional policy.

23. We are not seeking to replicate EU programmes in Wales and the major opportunities we have identified to do things differently include:
- Ability to integrate successor arrangements with wider Welsh Government investment and policy, in particular building it around the Wellbeing of Future Generations Act and alongside the regionalisation of economic development set out in the Economic Action Plan;
 - Integrating multiple funds and removing artificial geographic restrictions so investments in people, businesses and rural areas don't need to be artificially separated or geographically limited;
 - Greater delegation of appropriate planning and decision-making to regions and local areas, supported by capacity building, and joint ownership of strategy by Welsh Government and regional partnerships;
 - Simplify arrangements and standardise approaches across the Welsh Government, such as common grant management approach built on the Grants Centre of Excellence;
 - Develop a strengthened monitoring and evaluation approach that focusses on results instead of inputs, incorporates wellbeing, social and environmental objectives alongside economic ones, and encourages innovation.
24. There are a number of areas where existing approaches are particularly valued, albeit there are always opportunities to improve. These include:
- Partnership working and engagement was felt to be a key strength compared to domestic policy and can be strengthened by a focus on 'co-production' for successor arrangements;
 - Multi-annual long-term programmes were also welcomed to provide investor certainty and encourage more productive investments;
 - Open and transparent access to funding with a clear rule-book and processes was seen as a benefit to avoid perceived 'capture' of funding.
25. We have had 41 responses to our detailed engagement questions, a further 83 responses to an online survey, and officials have held two stakeholder events and taken part in 14 meetings and events held by key stakeholders including the WCVA, WLGA and CBI Wales.
26. We have commissioned an independent analysis of those responses to ensure there is no unconscious bias in our interpretation. We will publish this report before the summer recess and consider the findings with our partners over the summer.

Mark Drakeford AM
Cabinet Secretary for Finance
June 2018