



## **Inquiry into preparations for replacing EU funding for Wales**

### **Submission to the Finance Committee**

#### **1. Introduction**

1..1. This evidence has been prepared to inform the National Assembly's Finance Committee consultation on preparations for replacing EU funding for Wales.

#### 1..2. About WCVA

WCVA is the national membership organisation for the third sector in Wales. Our vision is for a future where the third sector and volunteering thrive, improving wellbeing for all. Our mission is to be a catalyst for positive change by connecting, enabling and influencing.

1..3. WCVA has been involved in the design and implementation of the Structural Funds in Wales since 2000, from the development of Objective One programme documents, to the delivery of a range of operations through the successive programmes such as the Social Risk Fund, Intermediate Labour Market and Gateway and the current Active Inclusion Fund.

1..4. WCVA was appointed as an Intermediate Body (IB), under the existing 2014-2020 programme, in recognition of its ability to effectively manage and administer competitive grants on behalf of the Welsh European Funding Office (WEFO).

1..5. WCVA's response to this consultation has been informed following a series of engagement events with the third sector on the future of regional investment in Wales post Brexit.

#### **2. What approaches to administering replacements for current EU funding streams might deliver best for Wales, and to what extent these might replicate or differ from current arrangements**

2..1. Use of flexible, accessible delivery models as opposed to structures wholly owned by Welsh Government.

2..1.1. One of the most frequent criticisms of EU Structural Funding is its inaccessibility. The design principles, which underpin the existing 2014 – 2020 Structural Funds Programme in Wales, have moved

delivery away from a multiplicity of funded interventions towards larger, more strategic models of delivery. The majority of initiatives are therefore led by local authorities and Welsh Government departments, with the third sector mostly consigned to the delivery of activity as opposed to project lead or partner. This, in some part, plays to the sector's strengths but also means organisations have little say in the design, delivery and management of operations.

2..1.2. The issue of accessibility is partly addressed by appointing select organisations as intermediaries, for example WCVA is an Intermediate Body (one of only two in Wales) i.e. WEFO has delegated authority to WCVA to award grants through a competitive process. Smaller third sector organisations are therefore able to apply, develop and deliver projects which would otherwise be excluded by WEFO due to their size, duration and low value.

2..1.3. Utilising a flexible, accessible model of delivery helps generate a more diverse and innovative delivery pool. It ensures funding is channelled to those most suited to deliver those tailored front line interventions, required within Wales' most disadvantaged communities. Simply supporting those organisations who are best placed to deal with heavy administration and bureaucracy stifles innovation and assumes that one size fits all.

2..1.4. Under the current EU Structural Funds programme, third sector led initiatives can receive advance payments as opposed to payment in arrears. This enables the third sector to participate in the programmes and contributes to alleviating some of the financial risks associated with managing and delivering European funded projects and operations. Flexible payment models must be incorporated into any successor fund to ensure third sector organisations are not excluded from delivery.

2..2. Using a more balanced, sustainable model of funding incorporating both grants and repayable finance.

2..2.1. The current allocation and award of funding through the Structural Funds does not represent a sustainable model of delivery. Certain interventions will always require grant support but any new successor fund should, where possible, support and encourage income generation to ensure the long term sustainability of organisations. The repayable finance model, currently utilised by WCVA's Social Business Growth Fund (SBGF), is a hybrid form of finance that sits between grant and loan funding. An element of grant funding is provided to the recipient organisation (40% of the ERDF support) and the remainder is provided as repayable finance (60% of the ERDF support). Organisations are required to repay the repayable finance element but no interest is charged. With SBGF additional benefits are applied, such as a reduction in the repayable amount dependent on performance. This model helps to encourage

over performance, increase the impact of investments and creates a long term legacy for any successor fund.

2..3. Any successor stream should be developed in true, equal partnership with representation from across the private, public and third sectors.

2..3.1. The existing arrangement has enabled the third sector to influence the strategic direction and administration of the Funds, achieved through sector representation on the Programme Monitoring Committee. However this principle has not always been replicated at a local or regional level, with the sector often only having token representation. Therefore any successor arrangement should represent true equality across the sectors, both in terms of physical representation and influence. This will support the co-production of activities that build resilience and prosperity within Wales' most deprived communities.

### 3. Discussion

3..1. If requested, we would be pleased to discuss further these or any other points relating to this inquiry.

