



## **Industrial Communities Alliance Wales**

The all-party association campaigning on behalf of local authorities  
in the industrial areas of England, Scotland and Wales

### **EU FUNDING POST-BREXIT: WELSH ASSEMBLY COMMITTEE INQUIRY**

#### **1. Industrial Communities Alliance**

The Industrial Communities Alliance is the all-party association of local authorities in the industrial areas of England, Scotland and Wales. The Alliance was formed by a merger in 2007 of the Coalfields Communities Campaign and SteelAction but its predecessor bodies date back to the 1980s. Its role is to press for policies and funding to deliver economic, social and environmental renewal in the areas covered by its member authorities.

Alliance Wales is part of a GB-wide organization and comprises eight local authority members drawn exclusively from the Valleys. Alliance Wales works closely with the Welsh Assembly's All-Party Group on Industrial Communities and meets periodically with Welsh Government ministers and officials. The Alliance and its member authorities have a long history of engagement with EU funding.

#### **2. EU funding: an overview**

Within Alliance member authorities, EU funding is widely regarded as one of the principal tools in promoting economic regeneration. Just about all Alliance areas have suffered from major job loss in the industries that were once the foundation of their local economies, and EU funding has been vital in helping to lay the cornerstones of a modern economy. The EU's strong focus on development in less prosperous areas has been particularly welcome.

Numerous schemes dealing with infrastructure, business support, training and the environment have been (and for the moment continue to be) supported by EU funding. The loss of this funding, following the UK's departure from the EU, is therefore regarded with alarm and the Alliance has been active in calling for replacement funding to be put in place by the UK Government. In 2017 the Alliance published proposals on *Post-Brexit Regional Policy* that have been widely circulated and debated.

The present submission explains the Alliance proposals, giving particular attention to the distinctively Welsh dimension to the issues raised by the anticipated ending of EU funding.

### **3. Five key issues**

#### *1. The overall scale of the new Fund*

The Alliance has welcomed the UK Government's proposal to establish a UK Shared Prosperity Fund to replace the EU Structural Funds. However, the devil is clearly in the detail. There is nothing at present beyond an 'in principle' commitment. This is confirmed by feedback from Alliance meetings with the UK civil servants charged with developing the new Fund. Little, if anything, has so far been decided. A UK Government consultation is expected later in 2018.

It is of critical importance that the new UK Shared Prosperity Fund is funded on a scale that at least matches the EU funding it will replace. This is particularly so for Wales given that it receives, by an order of magnitude, considerably more EU funding per head than other areas of the UK. Otherwise, Wales and other parts of the UK can expect to lose out. In the present 2014-20 EU spending round the UK receives an average of £1.3bn a year from the EU Structural Funds. Allowing for inflation, the new Fund therefore needs to be worth at least £1.5bn a year.

As the UK Government has acknowledged, the new Fund can be financed in its entirety from the expected savings to the Treasury arising from withdrawal from the EU.

The new Fund is a budget line that will be set by the UK Government in London. At present, EU funding to Wales is managed outside the Barnett formula, which means that the financial allocations to the devolved administrations can be based on need, not population. It is imperative that this arrangement is retained.

The new Fund needs to be fully operational from January 2021 so that there is no hiatus in support for the regions and, like the EU funds, it is important that the new UK Shared Prosperity Fund operates on the basis of multiannual financial allocations, which create certainty, foster stability and allow the proper planning of ambitious projects.

#### *2. Wales' share of the new Fund*

In the present 2014-20 EU spending round, Wales is set to receive a total of around £2bn from the EU Structural Funds, which is almost 25% of the total UK allocation. There are, therefore, likely to be pressures from other parts of the UK to reduce Wales' share of the available funding, particularly as much of southern England at present receives only modest sums in EU funding. In this respect the Alliance fully supports the Welsh Government's position that Wales should not be a penny worse off post-Brexit. In the view of Alliance Wales, and the GB-wide Alliance body, there is little obvious justification for a shift

in the shares of funding going to Wales and the other three nations of the UK. For the moment, at least, there have not been any radical shifts in relative prosperity that would justify a change.

It should also be borne in mind that Wales has been in receipt of EU structural funds for almost three decades and whilst they have had an impact on the process of restructuring former coal and steel areas, some would argue that progress has fallen behind expectations. It is important, therefore that the Welsh Government and others also take the opportunity to question the policy solutions adopted to date in order to ensure that the case for continued funding at present levels is both robust and sustainable.

### *3. Local financial allocations*

EU funding has always been targeted at the less prosperous local economies, across Europe as a whole and within the UK in particular. This is something the Industrial Communities Alliance would wish to see maintained in the allocation of the new UK Shared Prosperity Fund. The Alliance is strongly of the view that the allocation of the Shared Prosperity Fund within Wales should be a matter for the Welsh Government, not London, but the allocation of funds across local areas is something the Welsh Government might be encouraged to look at afresh in order to provide a stronger sub regional focus which reflected more accurately geographical variations in economic prosperity and the incidence of poverty.

### *4. Flexibility*

The rules associated with EU funding have at times been excessive. In establishing the new UK Shared Prosperity Fund there is the opportunity to introduce greater simplicity and effectiveness whilst maintaining transparency and accountability. The division between ERDF and ESF funding streams reflects structures in Brussels but it does not make much sense on the ground to separate off economic development from skills.

EU funding has increasingly been linked to narrow thematic constraints such as the green agenda and R&D. These thematic constraints are an obstacle to designing interventions that reflect both Welsh Government priorities and local needs, and there will be an opportunity to ensure that in the future they complement the policy agenda in Wales.

EU funding has also been associated with labyrinthine bureaucracy – national and local programming, pre and post-evaluation, over-detailed targeting, lack of flexibility and what is often viewed as pedantic auditing. There is an opportunity to greatly simplify the management of regional aid.

There is also the opportunity to tailor the new *UK Shared Prosperity Fund* more closely to Wales' own priorities. Wales' older industrial areas have a pressing need for investment in skills and training, which points to the need to maintain the activities currently financed by the European Social Fund. The introduction of new technology, in particular, poses challenges across many occupations and industries. Some local areas have pressing infrastructure needs. Others need support for business development. The balance of spending should be for local partners to determine.

#### *5. Local authority input to management*

The establishment of a new UK Shared Prosperity Fund provides the opportunity to introduce more inclusive management structures.

EU funding has tended to include a strong element of top-down planning and management, in Wales and the rest of the UK. This has sometimes been necessary because of bureaucratic requirements but its effect has often been to marginalise key local players, including local authorities which, arguably, are more closely attuned to local needs and opportunities. Whilst The UK and Welsh Government should of course set strategic priorities but there is also much about the 'how' and 'who' on which local authorities and their local partners are well placed to take a view and which needs to be encouraged.

#### **Concluding remarks**

The present inquiry by the Committee is extremely timely and has the potential to exert an important influence on the development and implementation of a replacement for the EU funds coming to Wales. At the present time there remains 'everything to play for'. The Alliance strongly supports the statements made to date by the Welsh Government on the crucial importance of regional funding to Wales, and the Valleys in particular, and will continue to campaign strenuously on this issue on behalf of the communities it represents.