CONWY COUNTY BOROUGH COUNCIL

Response to an Inquiry by the Welsh Parliament's Finance Committee

Post-EU Funding Arrangements

Introduction
Conwy County Borough Council welcomes the opportunity to respond to the Finance Committee's Inquiry into Post-European Funding arrangements.

Conwy County Borough Council has benefited from a number of European funded programmes over the past 20 years, including: 2000-2006 Objective 1 programme (ERDF, ESF and FIFG); 2007-2013 Convergence Programme (ERDF and ESF); 2014-2020 European Structural and Investment Funds (ERDF and ESF); the European Agricultural Fund for Rural Development (EAFRD); and the European Territorial Cooperation Programmes (ETC).

We have undertaken numerous projects utilising this funding, which has been invaluable in enabling us to deliver a varied programme of interventions for the benefit of our residents and communities. Examples include physical regeneration projects, provision of both infrastructure for our local businesses and business support, skills and employment initiatives, and support for community-led local development.

Conwy County Borough Council has also benefitted from EU funded programmes and projects which have been delivered by partner organisations, including Welsh Government, universities and further education colleges, and from the third and private sectors, many of which were pan-Wales projects, delivered locally.

None of this activity would have been possible without the opportunity to apply for EU funding, and it is imperative that this level of support can continue, on the promise of 'not a penny less' and any future effect of the loss of this quantum of funding.

Progress in establishing and delivering replacement funds for EU structural funds, including the UK Shared Prosperity Fund (SPF), the UK Community Renewal Fund (CRF), and the UK Levelling-Up Fund (LUF).
Progress in bringing forward the UK Shared Prosperity Fund (SPF) has been slow, as this was announced in the Conservative manifesto in both 2017 and 2019. Details of this programme have been released as a 'drip-feed', which is particularly unhelpful in terms of planning and project development.

Also, SPF appears contradictory in terms of utilising Constituencies to determine economic development and activity, as this falls within the borders and remit of each individual Local Authority, and not as an 'overlay' map of Constituencies, outlining a false economic boundary.

The decision to provide SPF on the basis of allocations, rather than a competitive process, is, however, welcomed.

The CRF was to act as a 'pilot' and a precursor to SPF, however, as the CRF applications were so late in being approved, necessitating an extension of time to deliver from March 2022 to June 2022, and now yet a further extension to December 2022, very little if any learning could be taken from CRF to apply to the development of SPF.

LUF Round 1 had a specific prospectus and technical information, however we suspect many Authorities (including Conwy) were not ready to submit a bid in the first round, due to the short timescale. Now that we have received the technical note for Round 2 (which again has a short timescale for submission), we find that there are significant alterations from the first round, which requires a major re-think in terms of the project scope and delivery mechanism. (This concerns shared Constituency boundaries, whereby there is no longer a need to submit joint applications and identify a lead authority, as well as a welcome uplift in the available funding). It should also be noted that LUF is not a replacement for EU ERDF funding, but is a Barnett Consequential arising from the English Towns fund.

As with all the funds, the timeline for submission of the CRF and the LUF bids is particularly challenging, as is preparing the Local Investment Plan for SPF.

The resource implications are also an issue – whilst we welcome a contribution from the funds to enable us to recruit more staff into our very much depleted teams – recruitment is a huge challenge, people are simply not applying for these roles, leaving the existing team within Conwy (3 staff members) under significant pressure. We were over-subscribed with CRF applications (31 in total, for over £7m), which necessitated detailed assessment and review, in order to reduce our overall submission to UKG to £3m. Following this, the 10 projects approved by UKG have required the issue of individual funding agreement letters, day to day projects monitoring, claims preparation, and liaising with UK Government's LUF department in the Wales Office on technical issues.

The same small team are now in the process of preparing two Levelling-up bids, along with overseeing the preparation of a Transport bid for LUF Round 2. We are also populating a Conwy-focused Local Investment Plan for SPF. This is in addition to our normal 'day job' of continuing to govern EU projects that are still delivering, and overseeing EU project closures as the number of projects gradually reduce as we move towards the end of the ESI Programme in 2023.

A further challenge is the requirement to build new relationships with the Wales Office Levelling-Up Team, and adapt to the UKG methods of working. Good working relationships had been established with the Welsh European Funding Office over the past 20 years, and we will now need to 'start again' with the Wales Office staff, whilst dealing with unfamiliar funding mechanisms and processes.

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

The allocations to Wales within these funding streams falls short of that previously enjoyed and which could still be available to Wales had we not left the European Union.

The SPF budget is a 3-year commitment with an increasing amount available each financial year, albeit having a reduced allocation in year 1 to take account the EU funds that are still delivering projects into 2023, whereas the ESI funds are multi-annual and are for a 10 year period.

If the UK had remained in the EU, Wales would now be receiving funding for the next 7-10 years under the new EU Funding Programmes for 2020-2027, with the highest levels of funding from the new Structural Fund Programmes. We would also be in receipt of funding from the new Common Agricultural Policy for agriculture and rural development, as well as funding from the new Maritime and Fisheries Fund and the new Territorial Cooperation Programmes. We would be able to continue to benefit from funding from the ERASMUS+ Programme for our young people and the HORIZON EUROPE Programme for our Universities. All this funding would have been additional, over and above the block grant.

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

The decision under SPF to seek a regional Local Investment Plan and allocate all the region's funding through a Lead Authority is, on the face of it, perfectly logical in terms of a policy decision, however at a practical level, this raises particular challenges. Regional and collaborative working has been a feature in recent years, due to the establishment of the North Wales Economic Ambition Board and the successful bid for Growth Deal funding, along with the introduction of a Corporate Joint Committee. To that end, a Regional 'Local' Investment Plan will be effective only in terms of the strategic, regionally-delivered priorities (Skills and Employability or Business Support, for example). However, as the main feature of SPF is 'Pride in Place', this requires bespoke, local interventions, and will be challenging to include a whole region's proposals in such a 'high-level' plan.

The proposal that a lead authority is designated for the region to accept all the region's funding (£104m in North Wales), is also a departure from previous expectations. For a Local Authority to accept the liability of receiving the region's funding to manage, then to assess and approve project applications, process payments and undertake day-to-day monitoring is a major commitment, and will require a very large team of people to administer the likely number of projects that will be approved, from the large-scale strategic projects to the very small community projects, which will all need to report to that lead authority, and we will need to go 'cap in hand' to this neighbouring authority to ask for funding that has already been allocated to us. Again, this seems contradictory, when each Local Authority is already administering CRF projects, and would be in a position to look after their 'own' projects from their 'own' allocation.

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

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

If Wales had not left the European Union, we would have received funding from the 2021-2028 EU Structural Fund programmes in addition to the existing approved funding to deliver projects to the end of the 2013-20 EU programmes. This overlap is not accounted for in the UK Government allocations of SPF. On the contrary, the SPF has been reduced in the first year to "offset" the balance of funds from the 2013-2020 Structural Fund programmes.