

Cynulliad Cenedlaethol Cymru | National Assembly for Wales

Y Pwyllgor Materion Allanol a Deddfwriaeth Ychwanegol | External Affairs and Additional Legislation Committee

Gwydnwch a pharodrwydd: ymateb gweinyddol ac ariannol Llywodraeth Cymru i Brexit | Resilience and preparedness: the Welsh Government's administrative and financial response to Brexit

EAAL(5) RPB12

Ymateb gan Gyngor Bwrdeistref Sirol Caerffili | Evidence from Caerphilly County Borough Council

*What are the main issues facing your sector as a result of the UK's withdrawal from the European Union, and how should the Welsh Government respond to these?*

Brexit poses a number of issues for the public sector in Wales. From a Rural Development perspective, the funding received through the European Agricultural Fund for Rural Development provides substantial funding through both Pillar 1 and Pillar 2, supporting the farming community through direct payments and also supporting economic development in rural areas. From a Regeneration perspective, the funding received through the ERDF has provided the catalyst for regeneration activity in geographical areas where there is recognised market failure. Unless this funding is replaced by Westminster or Welsh Government, this will have a substantial impact on the agricultural sector and rural areas more broadly in Wales and on local authorities to stimulate investment in economic and physical regeneration activities.

Likewise, the public sector plays a key role in supporting local supply chains, through core procurement activities, but also procuring and supporting local businesses in delivering EU programmes and in supporting the development of supply chains for local companies through the RDP. The UK's withdrawal from the EU will significantly reduce both the investment through public sector procurement and the export market for Welsh businesses.

*What advice, support, or assistance have you received from the Welsh Government to date in preparation for Brexit?*

We have not had any specific advice from the Welsh Government in preparation for Brexit other than to make the most of the EU funding whilst it lasts as the Welsh Government has underwritten the ERDF 4.4 measure up until the end of this programme.

There has been little or no discussion with WG as to a successor programme funded from other sources. The recent TRIP guidance does allude to the fact that it could become the EU successor programme but no dialogue has been instigated by WG to discuss this matter further

Para10:

*“Initially, the Welsh Government is inviting applications for regionally-endorsed local authority project proposals for a three-year period beginning in April 2018. However, in the context of developing a successor programme to EU structural funds partners are also encouraged to begin to identify projects which could feature in a rolling programme of regeneration projects in years to come. “*

In all fairness, given the nature of the negotiations and the complexities involved, the Welsh Government, along with the other devolved administrations are in a difficult position in what is a fluid, complex and continuously evolving process.

- *What financial considerations have arisen as a result of UK's withdrawal from the European Union and what should be done to prepare for these?*

The two key financial considerations for the public sector in Wales resulting from the UK's withdrawal from the EU are 1) the loss of European Structural Investment funds and 2) the loss of potential EU markets for Welsh businesses supported through public sector programmes and projects.

1) A successor programme should be introduced with the same level grant of funding which will have the ability to be less bureaucratic and more focused on delivering interventions where they are required rather than developing and bending projects to fit the criteria set out by EU guidelines.

It is interesting that the Conservative Party manifesto proposed a new **Shared Prosperity Fund** to replace EU funding post-Brexit, “to reduce inequalities between communities across our four nations”. It stated that the new fund would be: “cheap to administer, low in bureaucracy and targeted where it is needed most”.

WG should oppose the concept of a Shared Prosperity Fund administered at the UK level. Wales' share of the funding should be allocated to the Welsh Government in the first instance. Alternatively WG need to lobby hard for a revision of the Barnett Formula to redress the future loss of EU funding, which dictates the level of public spending in Scotland, Wales and Northern Ireland. This would allow WG to set up their own post EU Prosperity Fund.

WG need to ensure that the **amount of funding available to Wales should be no less than if the UK had remained in the EU**, reflecting the pledge made in the run-up to the referendum. In this respect, Wales' share should reflect the same percentage of the UK total as it currently enjoys.

Welsh Government should set the direction for future regional policy in Wales whilst ensuring that future policy is responsive to local needs. "Being responsive to local needs" is key and means that decision-making and funding should be devolved down to the most appropriate level i.e. the four regional partnerships already working up plans for the development of their areas: the two city regions in South Wales, the North Wales Economic Ambition Board and the Growing Mid Wales Partnership.

- 2) Alternative markets need to be investigated for Welsh produce be this through trade agreements with countries outside of the EU ( a role for WG here that would be reminiscent of the overseas WDA activity of old), or through new arrangements with EU neighbours.

There is a significant opportunity to develop shorter supply chains within Wales, in particular within food and drink and other growth sectors. The Welsh Government could play a key role in driving the promotion of Welsh produce and also provide State Aid cover to enable the public sector to play a greater role in this, for example allowing RDP LEADER funding to actively promote local companies and produce; as an illustration, we are unable to produce directories or other promotional materials promoting local companies and increase awareness of potential supply chain development opportunities, due to State Aid restrictions. Likewise, we are unable to directly support businesses through LEADER funding as a result of State Aid issues. Greater flexibility would create a more dynamic support framework within the public sector for Welsh businesses.

- *What advice or support would you like to see from the Welsh Government that will help you and your sector to prepare for Brexit?*

As has been stated above, the Welsh Government is in a difficult position given its devolved status. Without the clarity (that will only emerge with time as the negotiations continue), Welsh Government will not be in a position to advise on what the full impact of Brexit will be for the public sector in Wales.

Ensuring that adequate funding will remain in place for the public sector to continue delivering services and support Welsh businesses will have a significant effect in mitigating the impact of Brexit and help the public sector prepare for it.

From an economic regeneration perspective, it is imperative that:

- 1) There is a clear communication link with WG to discuss issues as they emerge. WLGA currently appear to be acting as the go between but more needs to be done by WG to communicate with those currently responsible for implementing EU programmes so that both LA's and WG are geared up for any new programme.
- 2) WLGA are currently our best link to the internal workings within WG as Brexit talks continue. A communication strategy needs to be developed to ensure information is imparted to the LA's effectively.
- 3) WG needs to ensure that local government has representation on working groups meeting to agree Wales' negotiating position – especially as it is local government that will have responsibilities for delivering.
- 4) The Wales External Funding Group is a group set up to explore opportunities for LA's to secure funding. Currently facilitated by LA officers and our Regional Engagement Team Officer, this group would be a good forum for WG to attend to discuss in more details the way forward post Brexit for emerging funding programmes.